



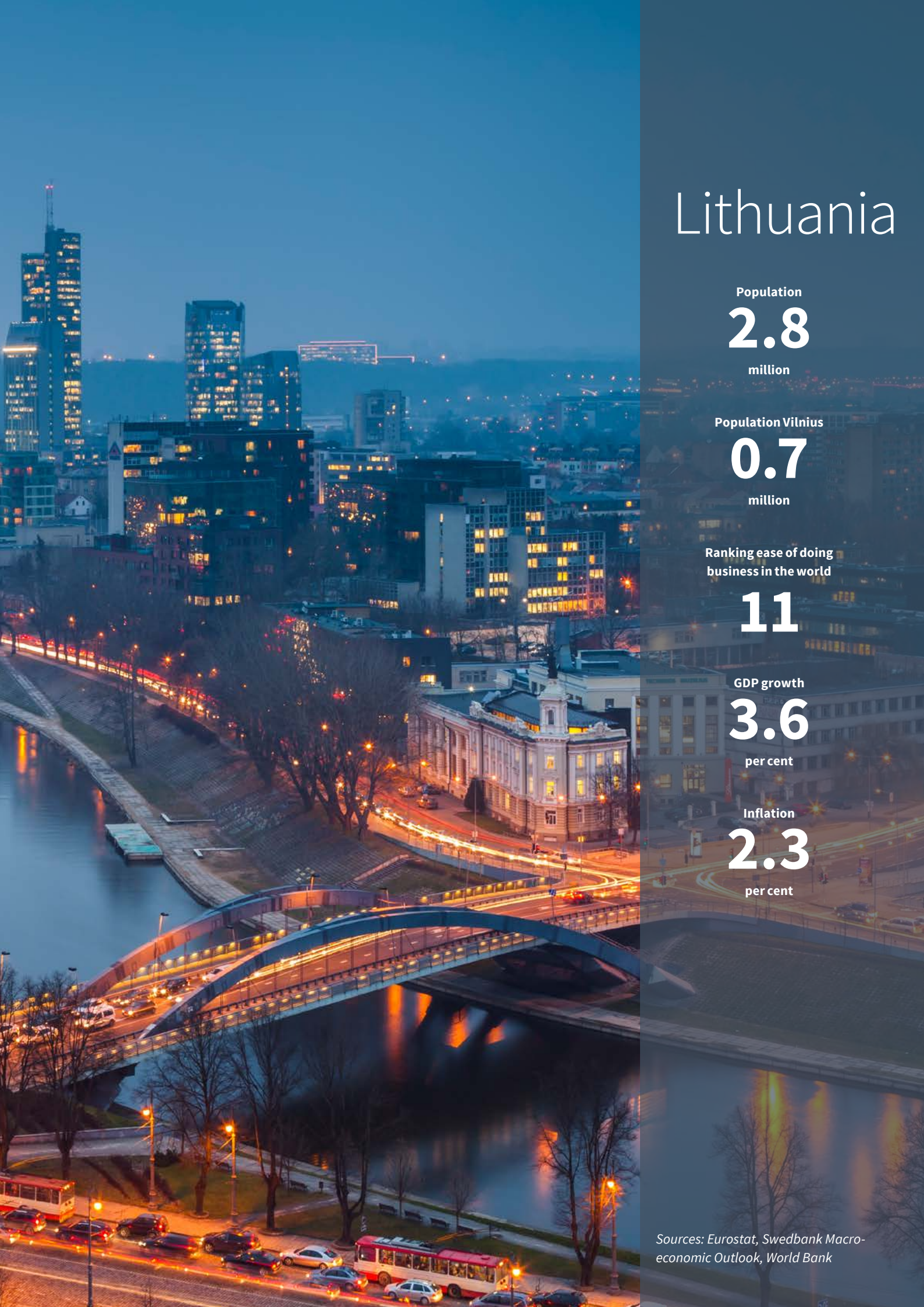
## ANNUAL REPORT 2019

eastnine<sup>TM</sup>

Long-term provider of modern and sustainable office properties in first-class locations in the Baltic capitals

# Vilnius





# Lithuania

Population

**2.8**

million

Population Vilnius

**0.7**

million

Ranking ease of doing  
business in the world

**11**

GDP growth

**3.6**

per cent

Inflation

**2.3**

per cent

Sources: Eurostat, Swedbank Macroeconomic Outlook, World Bank

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*By the Company and Eastnine is meant The Eastnine group.*

*The annual report consists of the following pages 35-67 and 72-79.*

## Eastnine in brief

- **Swedish real estate company**  
The Company's share is listed on Nasdaq Stockholm, Mid Cap, and the head office is located on Kungsgatan in Stockholm.
- **Nordic tenants**  
Tenants are primarily large Nordic companies with international operations.
- **Baltic prime properties**  
The Company invests in modern and sustainable office properties in first-class locations in the Baltic capitals.

Properties

**9**

Lettable area

**99** tsq.m.

Property value

**290** EURm

Staff

**19**

Share of environmentally  
certified area

**72** %

Rent value

**18.6** EURm

Surplus ratio

**89** %

Equity/asset ratio

**64** %

LTV ratio

**47** %

# The year in brief

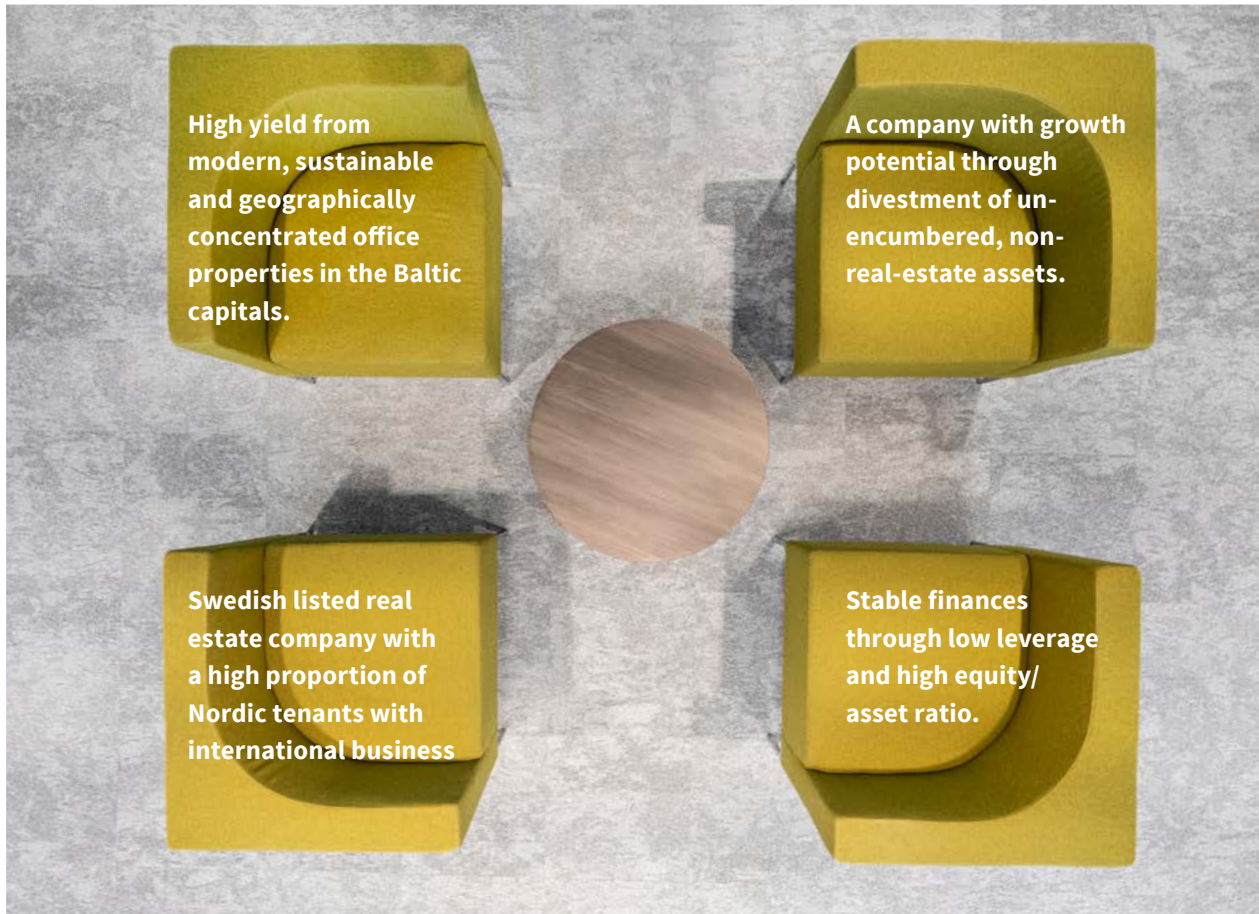


At the end of 2019, 69 per cent of Eastnine's investments were in real estate. During the year, properties were acquired for EUR 163m, and the holding in a real estate fund was divested. We continued expanding in the best office locations in Vilnius and are now the city's largest owner of prime office space. Meanwhile, two acquisitions were carried out in Riga and establishment of an own organization in Latvia began.

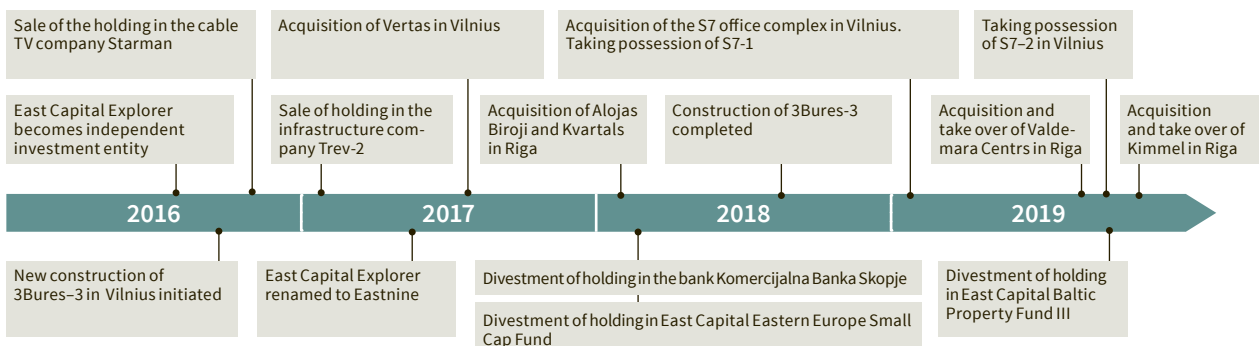
## Key events

- In February, the acquisition of three modern and sustainable office properties totalling 42,500 sq.m. in Vilnius central business district was announced. The first property, S7-1, was taken into possession at the same time, S7-2 in October 2019, and S7-3 is expected to be taken into possession in 2020.
- In the autumn and final months of 2019, two properties were acquired in Riga. Both properties are situated along the important main street Krisjana Valdemara, just as Eastnine's other properties are. Valdemara Centrs is a cash-flow property with a number of office tenants and Kimmel is a property mainly consisting of development land in a very central location. Kimmel has low existing cash-flow, but extensive development potential.
- During the year, we have extended several agreements and signed new, large lease agreements with existing tenants, among them Danske Bank, Swedbank and Uber.
- In October, Eastnine's entire holding in East Capital Baltic Property Fund III was divested at net asset value.
- Our sustainability efforts have been intensified. Four out of nine properties, corresponding to 72 per cent of the area, has obtained high environmental certifications, and certification processes have been initiated for another two properties.
- Customer demand for environmentally and employee friendly workplaces has meant that Eastnine plans to develop the first wooden office building in Riga – The Pine. The goal is for the property to obtain double sustainability certifications: LEED Platinum, which relates to the building itself, and Well, which reflects people's well-being.

# Four reasons to invest in Eastnine



## Eastnine's history – from investment entity to real estate company



CEO Kestutis Sasnauskas

# Doubled earnings in stable and growing business

Shrinking vacancies, rising rent level, and rapid growth in the property portfolio, in combination with value growth in properties as well as other investments, means Eastnine more than doubled its earnings in 2019. The Company's foundation is stable, but the turmoil in the outside world is great.

## Good letting performance generated results

There are many reasons to be happy about Eastnine's development in 2019. Growth as well as profitability were moving in a positive direction. During the year, our entire holding in a property fund was divested at net asset value. The money, together with existing cash, have been invested in more properties and the portfolio nearly doubled in size. Meanwhile, vacancies at the beginning of the year have been gradually filled, and at higher rent levels than before. This has had a clear positive impact on earnings, both in terms of ongoing profit from property management as well as in unrealised value changes in the properties.

Rental income increased by 46 per cent during the year, net operating income by 55 per cent and profit from property management by 73 per cent. The positive trend whereby net operating income increases more than in proportion to rental income is a result of lower vacancies and higher rent levels. In turn, profit from property management increases more than net operating income due to fixed expenses being distributed over a larger volume. Our hope is that this positive development will continue. We have signed a number of lease agreements which will enter into force in the first quarter of 2020.

## Positive contribution from other investments

Our other investments have made a positive contribution to Eastnine's profits in 2019. At year-end, there remained only two holdings that were not directly owned real estate investments. The holding in Russian fashion chain Melon Fashion Group ("MFG") has developed positively. Increased sales and earnings, in combination with a stronger ruble, resulted in an unrealised value change of EUR 18.0m during the year. In addition, we received dividends of EUR 2.9m from MFG, which sums to a total return of 43 per cent. The holding in the real estate fund generated a total return of 4.7 per cent including dividends of EUR 1.3m.

Altogether, the earnings and value development in Eastnine has meant that the long term net asset value per share increased by 18 per cent during the year, to SEK 137 per share at year-end 2019.

## Doubled portfolio offers opportunities

At the beginning of 2019, our property portfolio was worth just about EUR 160m. In 2019, a further two properties each have been taken into possession in Vilnius and Riga, respectively, which was the main reason the portfolio grew to EUR 290m by year-end. Around 80 per cent of the portfolio is located in Vilnius and 20 per cent in Riga. S7-3 is expected to be taken possession of in 2020.

## Striving to become the best landlord

A larger portfolio provides more opportunities to accommodate our customers' needs. Ever more customers are looking to be able to increase or decrease the areas they rent. For many tenants, the location, layout and facilities of their premises are very important aspects in their drive to attract the best talent. We aim to be the best landlord within our segment and therefore work actively with our tenants. Eastnine wants to offer venues that will provide a competitive advantage for the tenants in their businesses.

## Growth ambitions at our markets

A larger portfolio also increases our efficiency and our ability to deliver results. We have an ambition to grow, and we continually evaluate all interesting objects in our niche: modern and sustainable office properties in the best business locations in all three of our markets, Riga, Tallinn, and Vilnius. We have the opportunity to continue growing under our own steam. Our leverage is low, and the plan is to switch out other investments, comprising of unencumbered, non-real-estate investments, for further properties of the same sort as today.

## Sustainable business

For Eastnine, sustainability is a strategic question. Our overarching environmental target is for our activities to be climate neutral by 2030. This ambitious target provides the direction for our efforts in energy efficiency and renewable energy supply. At present, we already have solar panels on several roofs and work toward reduced, more efficient use of electricity and water. Several of our newly constructed buildings have charging stations for electric cars and bicycles, as well as modern bicycle garages and nice changing rooms to make it easier for those who want to bike to work. Eastnine seeks to obtain environmental certifications for 100 per cent of the area which is not expected to be subject to

extensive redevelopment. At year-end, four properties, representing 72 per cent of the area, were certified either with BREEAM Excellent or LEED Platinum, and the proportion is rising. It's also recently been established that S7-3 in Vilnius is awarded with BREEAM Excellent, and certification efforts are ongoing for a further two properties. As of 2019, Eastnine is part of the Global Real Estate Sustainability Benchmark (GRESB) which conducts annual evaluations of sustainability efforts. Our result exceeded the average for first-time participants, which is good news, and we also received useful input on how to improve further.

Last year, Eastnine took further steps toward environmentally friendly solutions by designing the first wooden office building in the Baltics. We hope to break ground in 2020.

#### **Greater focus on urban development**

We also strive to be at the forefront when it comes to developing properties and places from a social perspective. Our properties are part of a wider context, and we have good opportunities to develop not just excellent buildings, but also excellent urban environments for people. In this regard, our efforts are only just beginning and will be expanded and refined in the coming years. As a significant and long-term actor in the Baltics, Eastnine views the communication of our environmental commitments as an important task to create local engagement. We support the work of the Green Building Council Lithuania, and we sponsor events relating to environmental issues, health and well-being in the urban environment.

#### **Stable ground in a troubled world**

In the last few years, the Baltic countries have shown high GDP growth compared to the Nordics and the EU country average. Estonia, Latvia and Lithuania are all on the top 20 list of the World Bank's ranking of the most business-friendly countries worldwide. They all offer good access to qualified and well-educated workforces, and net migration has turned upwards. Lastly, but perhaps most importantly: the yield on office properties in the Baltic capitals is well above the yield on comparative properties in Stockholm.

No company will be unaffected by the effects of Covid-19. But the fact that Eastnine has a high occupancy rate, long leases with mainly Nordic tenants and robust finances means that we have a solid foundation to stand on, despite all the concerns around the world.

Kestutis Sasnauskas  
CEO, Eastnine



# Vision, mission and targets

Eastnine is to be the leading long-term provider of modern and sustainable office premises in first-class locations in the Baltic capitals. Our offices shall be a competitive advantage for the tenants in attracting the best talent and in making successful business.

## Vision

***Eastnine's vision is to create and provide prime venues where ideas can flow, people can meet and successful businesses can be developed.***

This means that the location of Eastnine's properties, and the layout of the offices, shall support our tenants' business model and constitute a competitive advantage for the companies in relation to their staff and customers. The premises are to be modern, flexible and sustainable, and the property portfolios geographically concentrated. Eastnine is to have a considerable market share, giving us the capability to be an important actor in the development both of properties as well as the urban environments.

## Mission

***Eastnine's mission is to be the leading, long-term provider of modern and sustainable office premises in first-class locations in the Baltic capitals.***

Leading means having a significant market share and the highest customer satisfaction. Our long-term thinking is clear in our ambition to grow and to have enduring relationships with tenants. The buildings are to obtain high environmental certifications, use relatively little energy and be attractive. The properties are to be excellently located for office tenants with high demands.

## Operational targets

Eastnine's transformation from an investment company to a focused real estate company has continued in 2019, with the sale of East Capital Baltic Property Fund III, and the acquisition and taking into possession of four properties, two each in Riga and Vilnius. In addition, one property that was acquired in 2019 is expected to be taken possession of in 2020.

The target remains to become a pure real estate company by the end of 2020. The profit from property management in Real Estate Direct shall have an annual capacity of EUR 15m by the end of 2020.

## Financial targets and restrictions

The dividend policy which is unchanged, and is in place until the Company is purely focused on real estate by the end of 2020, states that at least 50 per cent of the profit from property management shall be paid out to the shareholders each year, while the dividend shall amount to at least two per cent of equity by the end of the previous year. The return on equity in the directly owned real estate segment is to amount to 13-15 per cent over a five-year period.

The sustainability targets are presented in the Sustainability section on pages 12-13, and additional financial targets can be found in the section Financing and capital structure on pages 30-31.

## Targets

| Operational                                                                                                          | Status 31 December 2019        |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------|
| The portfolio to be comprised exclusively of real estate by the end of 2020 <sup>1</sup> .                           | 63 %                           |
| Property from property management in Real Estate Direct shall have an annual capacity of EUR 15m by the end of 2020. | EUR 11.6m (annualised Q4 2019) |
| Financial                                                                                                            |                                |
| Dividend to amount to at least 50 % of profit from property management while at least 2 % of equity.                 | 2.0 % of equity <sup>2</sup>   |
| Return on equity in segment Real Estate Direct to amount to at least 13-15 % over a five-year period.                | 14.3 % (last 12 months)        |
| Interest coverage ratio of at least 2.0x.                                                                            | 3.5x                           |
| The Loan-to-value ratio shall not exceed 65 %.                                                                       | 47 %                           |

<sup>1</sup> Excluding liabilities to credit institutions and cash

<sup>2</sup> Refers to proposed dividend relating to the 2019 financial year

A photograph of a modern office interior. On the left, there is a long wall of floor-to-ceiling windows with dark frames. The floor is made of large, light-colored square tiles. On the right, there are several potted plants in black containers. In the background, there are multiple levels of office space with glass railings and green acoustic panels. A large, semi-transparent circular overlay is centered in the image, containing the text for the Vision and Mission statements.

## Vision

“Eastnine shall create and provide prime venues where ideas can flow, people can meet and successful business can be developed”

## Mission

“Eastnine shall be the leading long-term provider of modern and sustainable office premises in prime locations in the Baltic capitals”

# Market development

Continued strong economic development, primarily in Lithuania and Estonia, has resulted in a year with high transaction activity in those two countries. Vilnius stands out as the hottest market with about half of the transaction volume. Vacancies are low and rent levels increased.

## The Estonian, Latvian and Lithuanian economies

The Baltic economies developed well in 2019, with preliminary GDP growth of 3.0 (4.8), 2.3 (4.6) and 3.7 per cent (3.6) in Estonia, Latvia and Lithuania, respectively. Growth has slowed somewhat due to increased uncertainty and lower growth worldwide, but the three export-oriented economies have thus far proven to be resilient. Consumer purchasing power in the Baltics has improved, with real income increasing by between 5 and 7 per cent in 2019. Inflation was 2.3-2.8 per cent (2.5-3.4). In Lithuania, net migration was positive in 2019, for the first time in many years. This reduces the pressure on the job market in the short term and is an important prerequisite for growth in the longer term.

## Interest and credit markets

Considered lower growth and inflation in the Euro area, the ECB cut deposit interest rates in September 2019 by 10 points to -0.50 per cent. Long-term interest rates also decreased to record lows, but rose somewhat toward the end of the year, likely as a result of reduced risks in the economies. The five-year swap rate varied during the year between -0.57 and 0.23 per cent and amounted at the end of the year to -0.12 per cent. All in all, interest rates in the Euro area remained at historically low levels. At the same time, access to banking credit in the Baltics decreased since a couple of

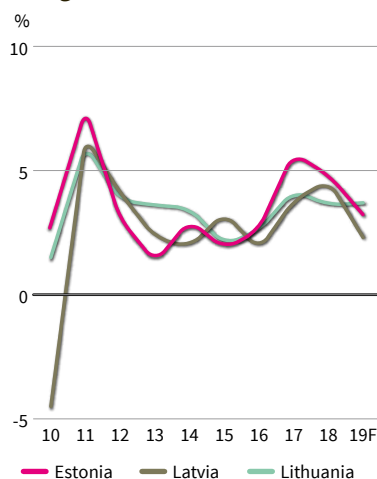
banks successively pulled out of the market. This in combination with relatively high lending growth to the real estate sector compared to other sectors has led to somewhat increased costs for bank financing in general. Swedbank and SEB dominate the market ever since Danske Banks retail banking business left the Baltics, and since Nordea and DnB's Baltic operations merged into Luminor and was sold to Blackstone.

In spite of high capital market activity in the Nordics and the rest of Europe, bonds do not yet constitute a material portion of the financing market for real estate companies in the Baltics. Only one listed bond, for EUR 50m, has been issued. The extent of capital market financing in the Baltics should grow as more large and long-term real estate owners are established.

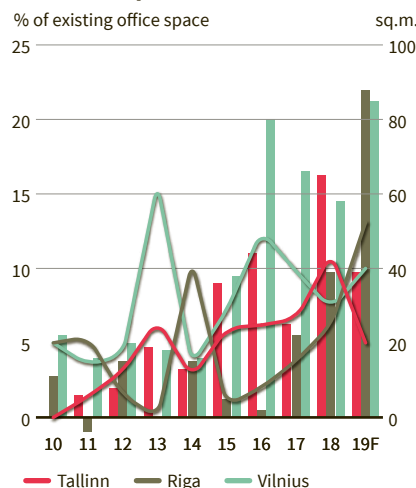
## The Baltic transaction market

The transaction volume on the Baltic property market amounted to EUR 1,059m (1,119). More restricted bank financing somewhat acted as a damper on transaction activities, especially in the retail segment. Transaction volumes in the office segment, however, rose driven by strong demand and a number of larger transactions in Vilnius. Lithuania accounted for more than half of all transaction volume in the Baltics. With acquisitions of five properties at a total of EUR 163m, Eastnine was the largest real estate investor in the

### GDP growth

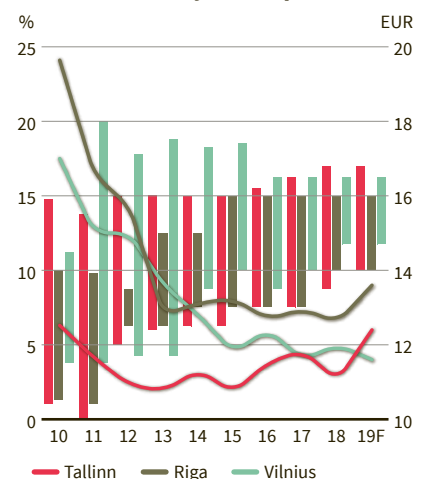


### New development



New office space, thousand sq.m. = bars  
New office space, % of existing space = lines

### Rent and vacancy development



Market rent, A-class offices, EUR per sq.m. and month = bars  
Total vacancy rate, % = lines

Baltics in 2019. Regional investors accounted, as before, for the majority of the total transaction volume, although international capital is finding its way to the Baltics to a greater degree.

In 2019, eight office transactions at a value exceeding EUR 10m each were carried out in the Baltic capitals. Of these, two were record-breaking transactions at over EUR 100m each in Vilnius, at yield levels below 6 per cent. Yield requirements generally fell in 2019 and are expected, at the turn of the year, to stay at 5.8-6.2 per cent for fully occupied office properties in central locations in the Baltic capitals.

### Rental markets in Tallinn, Riga and Vilnius

Demand for offices in the Baltic capitals is stable, driven by an employment growth of around 2-3 per cent per year over the last few years, an expanding service sector, and relocations from older to more modern offices. At the same time, there is a high level of new development in the Baltics. On average, office supply in Tallinn, Riga and Vilnius has grown by 7-12 per cent per year over the last five years. Market rents have been stable or increased somewhat, primarily due to cost inflation in new developments.

In Tallinn, with an office supply of 707,000 sq.m., corresponding to 1.2 sq.m. per capita, the vacancy rate is around 5.5 per cent and the market rent for A class offices is EUR 14.0-16.8 per sq.m. and

month. Demand is driven by local tenants expanding or moving and the market is balanced, but at 114,000 sq.m. in development, a downward pressure on rents in older properties is to be expected.

In Riga, with an office supply of 536,000 sq.m., corresponding to 0.6 sq.m. per capita, the vacancy rates is around 12 per cent in the market, but only 6 per cent for prime office space. Market rent for class A office space is EUR 14.0-16.0 per sq.m. and month. After ten years of stagnation, new development has accelerated in Riga. At the turn of the year, 60,000 sq.m. of offices were being developed, and over 200,000 sq.m. are in the planning stages after several development sites were acquired by experienced property developers.

In Vilnius, with an office supply of 741,000 sq.m., corresponding to 1.1 sq.m. per capita, the vacancy rate is around 3 per cent. The market rent for class A office space is EUR 14.7-17.0 per sq.m. and month. Demand is strong from international companies that have established themselves in the last few years and are opting to expand their operation. The market is expected to increase by 252,000 sq.m., which were being constructed at the turn of the year 2019/2020. Vilnius has an established central business district, CBD, where companies like NASDAQ, Danske Bank, Swedbank, SEB, Telia and Visma have located themselves.



**S7-area in Vilnius.** S7 (in the foreground), which were acquired by Eastnine in 2019, has solar panels installed on the flat roofs.

# Sustainable business in focus

The effects of climate change on the environment and the markets that Eastnine operates in is increasing, which places continually higher demands on us as a property owner. At the same time, we see an increased interest in sustainability issues coming from our tenants, potential customers and staff. In order to have the ability to meet these demands and expectations, we need to work in a way which is both long-term and goal-oriented.

## Determined areas to focus on

Eastnine's sustainability efforts are based on focus areas developed in close coordination with the Company's stakeholders. Over the course of the year, we have had a continual dialogue with customers, employees and suppliers in order to strengthen our relationships and identify possible areas of improvement. We have also closely considered the environmental and societal impacts of our work, and developed systematic processes and tools to better follow up and target our efforts.

## Climate neutral business

Eastnine has, as an overarching environmental target, to operate a climate-neutral business and therefore works continuously to improve the efficiency and reduce the emissions from our properties. In 2019, we have among other things focused on improving the energy usage of our properties, in the form of an increased use of renewable energy and reduced energy use, as well as having set new targets for the years up to 2025.

Eastnine aims to obtain environmental certifications for 100 per cent of our properties (excluding properties that are expected to undergo extensive development). Certification efforts are to begin within six months of possession being taken of the property. At the turn of the year, four of our nine properties, corresponding to 72 per cent of the area, were certified according to LEED Platinum or BREEAM Excellent, and a further two were undergoing a certification process. Two properties are expected to undergo development. During the year, assessments have begun for the development of our first wooden office building, "The Pine", in Riga. The goal is that The Pine shall be the first property in the Baltics to obtain certifications according to both WELL Building Standard, which focuses on people's well-being, as well as LEED Platinum.

As of 2019, Eastnine is part of GRESB (Global Real Estate Sustainability Benchmark). GRESB carries out an annual evaluation of our sustainability efforts, enabling a comparison between our performance and other actors in the real estate industry. The result from the first evaluation was 64 points, which is six points above the average score for first-year participants. The evaluation emphasised both strengths and opportunities for improvement, and has been used as a basis for the development of future targets.

Eastnine will, over the course of 2020, develop tools for systematic data collection and follow-up of the Company's waste disposal and water usage.

## Customer survey leads to improvements

In 2019, Eastnine carried out a customer survey in all properties under its own property management. The survey was carried out by the local property management and was intended to identify opportunities for improvement in each property. The surveys, which covered e.g. the service offering, indoor environment and air quality, resulted in generally positive responses. During the year, Eastnine has also carried out several changes in order to meet customer needs and demands, such as installing charging stations for electric vehicles, bicycle repair facilities, carbon dioxide sensors as well as making measurements of water and air quality.

## High results in staff survey

In 2019, Eastnine had an external staff survey carried out together with Great Place to Work, in order to capture areas of improvement in the organisation. The results showed an average trust index of 89 per cent, which is high in comparison to the Sweden average and the real estate industry average, and 93 per cent of our employees said Eastnine was a "Great Place to Work". During the year, we were again recognised by the Allbright Foundation, an organisation monitoring issues relating to gender equality in Swedish listed companies, and were placed on their "green list" of companies with a high degree of equality. Eastnine continues our work on gender balance, and leading positions within the Company are today equally distributed between men and women.

## Zero tolerance for corruption

Eastnine has zero tolerance for all forms of corruption and bribery. In the past year, the Company established an anti-corruption policy for the Company's staff, and hosted a workshop where staff could discuss concrete situations that could arise in the course of business.

Eastnine also developed a code of conduct for suppliers in order to ensure that purchases of goods and services were carried out in a responsible way. In 2020, the Company will develop a web-based solution for supplier evaluation and intends, within two years, to have examined all of Eastnine's partners from a sustainability perspective.

# Sustainability targets and outcomes

At the end of 2019, Eastnine has further developed its sustainability targets in order to cover most identified focus areas. Below, the outcomes from 2019 and the new targets for 2020 or onwards are presented.

| SUSTAINABILITY TARGETS       |                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SOCIAL ASPECTS               |                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                |
| CUSTOMER                     | OUTCOME 2019                                                                                                                                                                                              | TARGET AS OF 2020/ONWARD                                                                                                                                                                                                                                                                                                                                                                                       |
| Customer satisfaction        | Eastnine carried out, for the first time, a customer survey among the tenants in all properties under own management. NPS <sup>1</sup> amounted to 14 %.                                                  | Satisfied customers are a prerequisite for long-term value creation for Eastnine. The target is that the result in each annual survey will steadily improve.                                                                                                                                                                                                                                                   |
| STAFF                        | OUTCOME 2019                                                                                                                                                                                              | TARGET AS OF 2020/ONWARD                                                                                                                                                                                                                                                                                                                                                                                       |
| Satisfied staff              | 100 % of staff took part in the year's staff survey carried out by Great Place to Work. The results show an average Trust Index of 89 %, and 93 % of employees said Eastnine was a "Great Place to Work". | Eastnine aims to have a Trust Index, according to Great Place to Work, among all employees above 90 %.                                                                                                                                                                                                                                                                                                         |
| Health and well-being        | Absence due to illness amounted to <1 %.                                                                                                                                                                  | The target is to maintain the right level of health promotion to bring sick absence below 3 %.                                                                                                                                                                                                                                                                                                                 |
| Equitable organisation       | Eastnine placed 32 on the Allbright Green List <sup>2</sup> .<br>Management (women/men): 1/1 (50 % / 50 %).<br>Country managers (women/men): 1/2 (33 % / 67 %).                                           | The target is to achieve and maintain an equal representation of women and men in comparable positions.                                                                                                                                                                                                                                                                                                        |
| SUPPLIERS                    | OUTCOME 2019                                                                                                                                                                                              | TARGET AS OF 2020/ONWARD                                                                                                                                                                                                                                                                                                                                                                                       |
| Sustainability evaluation    | Eastnine introduced a code of conduct for suppliers. Systematic supplier evaluations will begin in 2020.                                                                                                  | 100 % of Eastnine's suppliers are to be examined from a sustainability perspective before 2025.                                                                                                                                                                                                                                                                                                                |
| ENVIRONMENTAL ASPECTS        |                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                |
|                              | OUTCOME 2019                                                                                                                                                                                              | TARGET AS OF 2020/ONWARD                                                                                                                                                                                                                                                                                                                                                                                       |
| Energy efficiency            | Energy usage amounted to:<br>127 kWh/sq.m. excluding tenant electricity use <sup>3</sup>                                                                                                                  | Eastnine's properties are on average to consume 25 % less energy in 2025 compared to 2019, corresponding to an average energy use of 100 kWh/sq.m. and a reduction of around 4 % annually.                                                                                                                                                                                                                     |
| Renewable energy             | Proportion of renewable energy: 68 %.<br>Proportion of renewable electricity: 100 %.                                                                                                                      | Renewable energy shall be 100 % of the properties' consumption in 2030.                                                                                                                                                                                                                                                                                                                                        |
| Emissions                    | Net carbon dioxide emissions amounted to 28 kg CO <sub>2</sub> /sq.m.                                                                                                                                     | Net carbon dioxide emissions from properties shall be reduced annually and be net zero by the end of 2030.                                                                                                                                                                                                                                                                                                     |
| Environmental certifications | Proportion of portfolio certified: 72 % or the area.<br><br>All certifications are either LEED Platinum or BREEAM Excellent.                                                                              | 100 % of the property portfolio (excluding properties expected to undergo significant development) are to be environmentally certified according to LEED (at least Gold) or BREEAM (at least Excellent). Certification efforts for new properties (excluding properties expected to undergo significant development) are to begin within six months after possession having been taken of acquired properties. |
| Water usage                  | 491 litres/sq.m.                                                                                                                                                                                          | Water usage shall decrease by 2 % annually.                                                                                                                                                                                                                                                                                                                                                                    |

<sup>1</sup> For more on Net Promoter Score (NPS): [https://en.wikipedia.org/wiki/Net\\_Promoter](https://en.wikipedia.org/wiki/Net_Promoter).

<sup>2</sup> Allbright report October 2019. Fastighet Först i Mål.

<sup>3</sup> Energy usage (excluding tenants electricity consumption) is only measured in properties under own management excl. S7-1 and S7-2.

# Interaction with our tenants

## Healthy workplaces

Health and well-being are some of several important trends in the real estate business, and Eastnine sees them as significant components of long-term value creation. The society's view of properties today is changing and is increasingly associated with service rather than the physical place. The expectations of tenants are changing in the same way, which in turn is placing greater pressure on the real estate sector's adaptation of the physical place and interaction with its users. Healthy and engaging workplaces, as pertains to the functionality of the building, is an increasingly important factor when it comes to attracting and retaining tenants. Global employers are investing ever more resources in health and well-being in order to compete in their industries and to attract talent, and are expecting landlords to support them in their efforts.

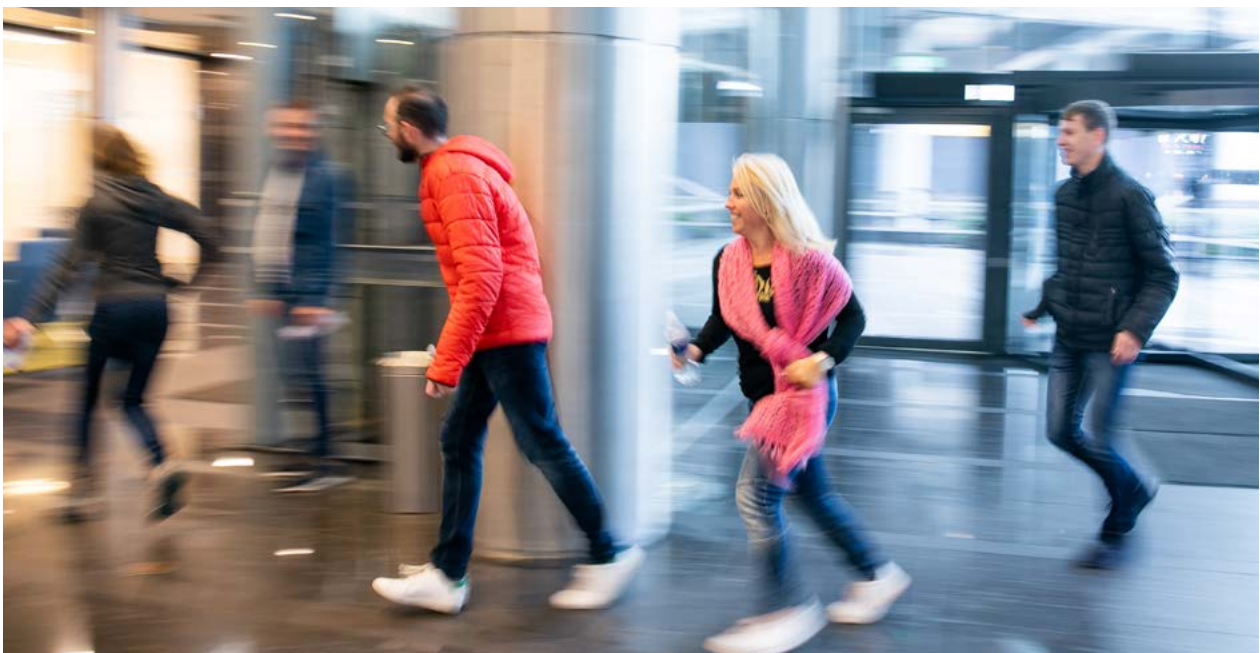
## Engagement policy for tenants

Eastnine continually monitors how industry-leading real estate companies work with their customers in order to ensure that best practices are implemented and further developed at our properties. In 2018, Eastnine launched an engagement policy for all of our tenants which outlines how tenants should be encouraged towards physical activity in our properties, which technical solutions Eastnine uses to ensure high quality indoor air and water, as well as how lobbies and public spaces are to be used for events that engage with society at large. With inspiration taken from the

guidelines in the WELL Building Standard, Eastnine has implemented several initiatives encouraging physical activity in the workplace. Among other things, we have increased our communications around health and well-being through local social media and news outlets, launched app-based competitions for our tenants with a focus on step counting, and given out gifts in the form of Pilates balls to replace office chairs. Tenant events on exercise and health themes have been organised together with external partners, such as the National Sports Day in 3Bures in Vilnius. Encouragement to increased use of the stairs instead of the lifts is implemented through design elements in the properties.

## Feedback through dialogue

In 2019, Eastnine carried out tenant surveys in properties under own management in order to collect concrete feedback for desirable areas of improvement and in order to identify development potential. These surveys have also resulted in a Net Promoter Score, which will be used as a basis for the evaluation of our own performance and future targets. This year's Net Promoter Score amounted to 14 per cent and will be followed-up on an annual basis as part of our improvement efforts. Eastnine also launched focus groups together with a selection of our larger tenants, where different questions relating to the use of the properties are openly discussed. These focus groups lead to an increased understanding of our tenants' needs, and help Eastnine to more effectively reach the right decisions and implement new in-demand solutions.

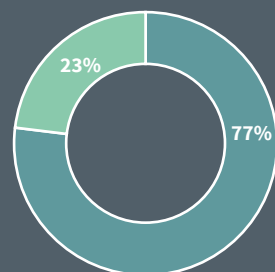


**Engagement policy.** Participants in Eastnine's exercise competition in the skyscraper 3Bures-1,2 in Vilnius.

# Investments

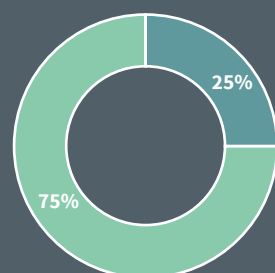


Investments, EURm



■ Properties  
■ Other investments

Other investments, EURm



■ Property fund  
■ Others (MFG)

# Property portfolio

Eastnine's property portfolio was expanded by four properties in 2019. On 31 December 2019, the Company owned nine properties in Riga and Vilnius with a total lettable area of around 99,500 sq.m. and a total property value of EUR 290.3m. Around 80 per cent of the property value is in Vilnius and 20 per cent in Riga.

## Property portfolio in the Baltics

Eastnine's property portfolio consists of modern and sustainable office properties in central and first-class locations in the Baltic capitals Vilnius and Riga. The property portfolio consisted, at year-end, of nine properties, five of which were in Vilnius and four in Riga. The properties are primarily offices, but there is also a smaller retail property and a development site with listed buildings in Riga. The total lettable area amounted at the end of 2019 to around 99,500 sq.m., after an increase of 58 per cent during the year. In February 2019, the acquisition of the newly built S7-1 in Vilnius was completed, adding around 12,000 sq.m. of lettable area to the portfolio. In October 2019, the office properties Valdemara Centrs in Riga, with a lettable area of around 8,600 sq.m. and S7-2 in Vilnius, with a lettable area of around 16,000 sq.m. were taken possession of. In December 2019, a development site along Krisjana Valdemara iela in Riga, with a potential for development of around 38,000 sq.m., of which 34,000 sq.m. would be a new development, was acquired and taken possession of.

Eastnine's property portfolio includes both site leaseholds and freeholds. In Riga, all properties are owned with freeholds, while the portfolio in Vilnius is composed of perpetual site leaseholds, except Vertas which is a freehold. In Vilnius, site leasehold fees are determined by the municipality, and currently equal 0.4 per cent of the site's taxable value. Total site leasehold fees in 2019 amounted to around EUR 20.3k, all of which pertains to sites in Vilnius. The remaining lease term for the site leaseholds vary between 21 and 79 years.

## Location and concentration

Eastnine's properties in Vilnius are concentrated to the new central business district which follows the street Konstitucijos prospektas, and which has sprung up north of the Neris river. The sheer majority of A-class properties in Vilnius is located in that same area, which is expected to continue to grow and develop over the coming years. Unlike Vilnius, Riga does not yet exhibit a clear-cut business district, and the development of modern offices is ongoing in a number of different "micro-locations", among them the area Skanste north of the city center and the area around the Kipsala island. All of Eastnine's properties in Riga are located along Krisjana Valdemara iela, one of the city's most important streets, running from Skanste down to Riga's art nouveau district.

## Lettings

New lease agreements for vacant spaces have been signed, in 2019, at higher levels than previous agreements. This increase is due to higher market rents and completed tenant customisations, while parking spaces previously free of charge have been let out. New lettings partly relate to existing tenants expanding their operations, and partly to new customers.

Annual rent under contract at year-end 2019 amounted to EUR 17,143k, and the average rent under contract per sq.m. amounted to EUR 14.7 per month. The rental value amounted to EUR 18,638k. The average term of lease agreements at year-end amounted to 5.0 years. Surplus ratio was 89 per cent (84). The average rent for

### Property list on 31 December 2019

| Property name    | Number of properties | City    | Address                         | Year constructed/renovated | Date of possession | Total lettable area, sq.m. | Occupancy rate area, % | Contracted rent, EURm |
|------------------|----------------------|---------|---------------------------------|----------------------------|--------------------|----------------------------|------------------------|-----------------------|
| 3Bures-1&2       | 1                    | Vilnius | Lvovo g. 25                     | 2008                       | Q2 2014            | 28,499                     | 80.0                   | 4.5                   |
| 3Bures-3         | 1                    | Vilnius | Giedraičių g. 3                 | 2018                       | Q2 2014            | 13,406                     | 100.0                  | 2.1                   |
| Vertas           | 1                    | Vilnius | Gynėjų str 16                   | 2007                       | Q2 2017            | 9,604                      | 97.0                   | 2.0                   |
| S7-1             | 1                    | Vilnius | Saltoniškių st. 7               | 2017                       | Q1 2019            | 12,053                     | 100.0                  | 2.1                   |
| S7-2             | 1                    | Vilnius | Saltoniškių st. 7               | 2019                       | Q4 2019            | 15,952                     | 100.0                  | 2.8                   |
| Valdemara Centrs | 1                    | Riga    | Krišjāņa Valdemāra iela 21      | 1999                       | Q4 2019            | 8,621                      | 97.0                   | 1.6                   |
| Alojas Biroji    | 1                    | Riga    | Krišjāņa Valdemāra iela 62      | 2009                       | Q2 2018            | 9,515                      | 90.0                   | 1.7                   |
| Alojas Kvartals  | 1                    | Riga    | Krišjāņa Valdemāra iela 62a     | 2004/2013                  | Q2 2018            | 1,756                      | 95.0                   | 0.3                   |
| Kimmel           | 1                    | Riga    | Bruņinieku iela 2, Stabu iela 1 | 1880/1960                  | Q4 2019            | 78                         | 100.0                  | -                     |
| <b>Total</b>     | <b>9</b>             |         |                                 |                            |                    | <b>99,484</b>              | <b>92.7</b>            | <b>17.1</b>           |

newly signed agreements during the year was EUR 15.2 per sq.m. and month. The financial occupancy rate at year-end was 92.0 per cent and occupancy rate by area was 92.7 per cent (88.8).

### Property value

The property value amounted to EUR 290.3m (158.9) on 31 December 2019, having increased nearly 83 per cent in 2019. The increase is mainly due to the acquisitions of S7-1 and S7-2 in Vilnius, as well as the acquisitions of Valdemara Centrs and Kimmel in Riga, but also due to unrealised value changes. Eastnine's properties are internally valuated every quarter and normally valuated externally at least once a year in order to validate the internal valuations. Refer to note 10 on page 54 for further information.

### Property expenses

Eastnine's lettings are, first and foremost, agreed on as triple-net agreements, meaning that our property expenses decrease if the vacancy rates decreases, and vice versa. The property expenses during the year amounted to EUR 1,402k.

### Property development

Eastnine did not have any ongoing development projects during the year. Evaluations have begun around the construction of a new office building, The Pine, using an entirely wooden construction at the Alojas Kvartals property, adjacent to the property Alojas Biroji. The building is planned to encompass an area of around 15,800 GLA, and the plan is for the building to obtain certifications according to both the WELL Building Standard and LEED Platinum, and be the first commercial property of its kind in the Baltics to obtain double sustainability certificates.

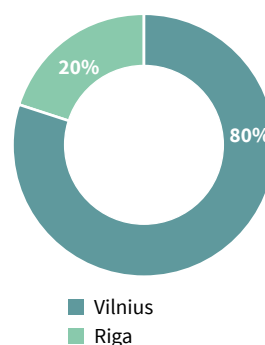
Eastnine also has an opportunity to develop the Kimmel property in Riga, which was acquired in December 2019. The site today includes 4,000 sq.m. of grade listed buildings which have to be retained, but which may be developed. There is potential for the construction of another 34,000 sq.m., primarily office space.

### Key figures in the property portfolio

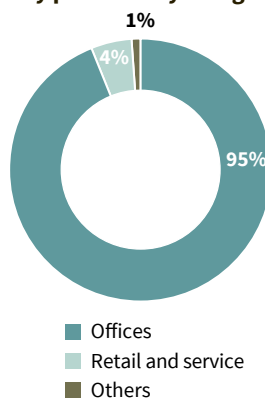
2019-12-31/2019

|                                         |         |
|-----------------------------------------|---------|
| Lettable area, sq.m.                    | 99,484  |
| Number of properties                    | 9       |
| Property value, EUR thousands           | 290,256 |
| Occupancy rate area, %                  | 92.7    |
| Rental income, EUR thousands            | 13,348  |
| Property expenses, EUR thousands        | 1,402   |
| Property yield investment properties, % | 5.3     |
| Surplus ratio, %                        | 89      |

### Property value, EURm



### Property portfolio by category



**Vilnius CBD.** Eastnine's properties 3Bures-1,2 and 3Bures-3 (to the right in the photo) are situated in Vilnius CBD.

# Vilnius

## 3BURES-1,2, VILNIUS



|                     |               |
|---------------------|---------------|
| Constructed         | 2008          |
| Total lettable area | 28,499 sq.m.  |
| Certification       | LEED Platinum |

### Anchor tenants



## 3BURES-3, VILNIUS



|                     |               |
|---------------------|---------------|
| Constructed         | 2018          |
| Total lettable area | 13,406 sq.m.  |
| Certification       | LEED Platinum |

### Anchor tenants



## VERTAS, VILNIUS



|                     |             |
|---------------------|-------------|
| Constructed         | 2007        |
| Total lettable area | 9,604 sq.m. |
| Certification       | In progress |

### Anchor tenants



## S7-1, VILNIUS



|                     |                  |
|---------------------|------------------|
| Constructed         | 2017             |
| Total lettable area | 12,053 sq.m.     |
| Certification       | BREEAM Excellent |

### Anchor tenants



## S7-2, VILNIUS



|                     |                  |
|---------------------|------------------|
| Constructed         | 2019             |
| Total lettable area | 15,952 sq.m.     |
| Certification       | BREEAM Excellent |

### Anchor tenants



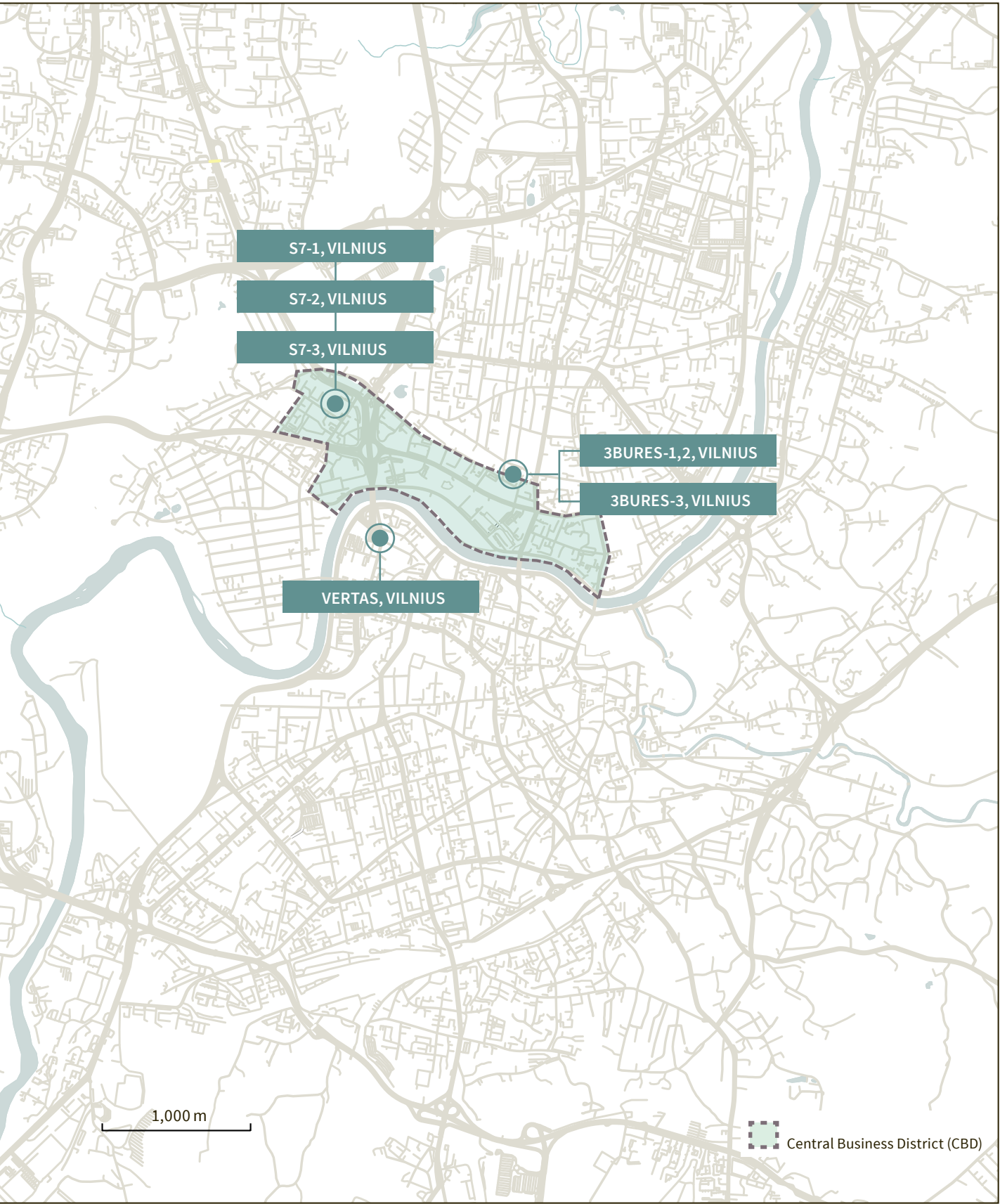
## S7-3, VILNIUS expected to be taken possession of 2020



|                     |                  |
|---------------------|------------------|
| Constructed         | 2019             |
| Total lettable area | 14,500 sq.m.     |
| Certification       | BREEAM Excellent |

### Anchor tenants





# Riga

## ALOJAS BIROJI, RIGA



|                     |             |
|---------------------|-------------|
| Constructed         | 2009        |
| Total lettable area | 9,515 sq.m. |
| Certification       | In progress |

### Anchor tenants



## KIMMEL, RIGA (project drawing)



|                     |                                                                            |
|---------------------|----------------------------------------------------------------------------|
| Constructed         | 1880/1960                                                                  |
| Total lettable area | 78 sq.m.                                                                   |
| Certification       | Certification process will be initiated after development of the property. |

### Anchor tenants

n.a.

## ALOJAS KVARTALS, RIGA



|                     |                                                                            |
|---------------------|----------------------------------------------------------------------------|
| Constructed         | 2004/13                                                                    |
| Total lettable area | 1,756 sq.m.                                                                |
| Certification       | Certification process will be initiated after development of the property. |

### Anchor tenants



## VALDEMARA CENTRS, RIGA



|                     |             |
|---------------------|-------------|
| Constructed         | 1999        |
| Total lettable area | 8,621 sq.m. |
| Certification       | -           |

### Anchor tenants





# Funds

At year-end, Eastnine owned one fund investment through holding in the real estate fund East Capital Baltic Property Fund II. The fair value of Eastnine's holding amounted to EUR 21.8m, and total return during 2019 amounted to 4.7 per cent.

## East Capital Baltic Property Fund II

East Capital Baltic Property Fund II, with a focus on stable cash flow from properties in attractive locations in the Baltic capitals, owns in total five properties with a lettable area of slightly more than 91,000 sq.m. The fund's holdings is comprised of logistics, retail and office properties with a total property value of around EUR 97.2m. Eastnine's holding in the fund amounts to EUR 21.8m, corresponding to 44 per cent of the fund's worth. Eastnine has received dividends of EUR 1.3m in total. The unrealised value change amounted to EUR -0.2m during the year and the total return 4.7 per cent. The fund was started in 2012 with a main focus on properties with well-established tenants. The fund, a so-called

"closed end fund", is fully invested. Its term is seven years, with 2019 as its final year, and with a possibility of at most three extension periods of one year each.

The fund was at year-end 2019 extended until May 2020, and extended again in the beginning of 2020 until May 2021. Eastnine's intention is to free up invested equity in 2020 for further investments in real estate.

### Divested fund holding

The Company has in the course of 2019 divested the holding in East Capital Baltic Property Fund III at its net asset value of around EUR 25.1m.

#### Property funds

|                                                                                 |               |
|---------------------------------------------------------------------------------|---------------|
| Fair value 1 Jan, 2019                                                          | 43,986        |
| Additional acquisition in East Capital Baltic Property Fund III ("ECB BPF III") | 1,982         |
| Divestment of EC BPF III                                                        | -25,090       |
| Unrealised value changes                                                        | -243          |
| Realised value change                                                           | 1,177         |
| <b>Fair value 31 Dec, 2019</b>                                                  | <b>21,812</b> |

#### Key figures

|                                                            |        |
|------------------------------------------------------------|--------|
| Fair value 31 Dec, 2018, EURk                              | 43,986 |
| Fund value as proportion of Eastnine's NAV on 31 Dec, 2018 | 18.2 % |
| Dividends during the year, EURk                            | 1,280  |
| Fair value on 31 Dec, 2019, EURk                           | 21,812 |
| Fund value as proportion of Eastnine's NAV on 31 Dec, 2019 | 8.1 %  |
| Year's return <sup>1</sup> on current holding              | 4.7 %  |

<sup>1</sup> Received dividends plus unrealised value change in East Capital Baltic Property Fund II.



# Other

The value of Eastnine's holding in Melon Fashion Group rose by 37 per cent in 2019, primarily as a result of strong growth in MFG's sales and earnings in combination with a strengthened ruble. Eastnine's total return amounted to 43 per cent in 2019.

## Melon Fashion Group

Melon Fashion Group (MFG) is one of the leading actors in the Russian fashion industry with a business model based on in-house design with production in Asia. In the summer of 2019, MFG acquired a new brand, Sela, as a complement to existing brands: Befree, Zarina and Love Republic. MFG had, at the end of 2019, a retail network comprising a total of 822 shops, of which 265 were operated by franchisees. Each brand targets a specific target audience with its own, unique design language. Befree focus on younger generations and offers youthful fashion at a high value for money. Zarina speaks to mature women with a classic wardrobe. Love Republic focuses on clothes for special occasions with a focus on femininity and sensuality, and Sela targets women and children. The breadth that these brands offer speaks to several target audiences regardless of age or style.

In 2019, total sales increased by 30 per cent to RUB 22,990m (17,630). Online sales increased by 127 per cent and retail sales by 16 per cent. Online sales contributed 21 per cent (12) of MFG's total sales. At present, MFG's online sales are processed through its own web shops and through platforms serving multiple brands, such as Lamoda and Wildberries, Russian equivalents of the pan-European platforms Zalando and Nordic Boozt. EBITDA, adjusted for one-time items and excluding effects of IFRS 16, increased by 36 per cent to RUB 2,833m (2,078).

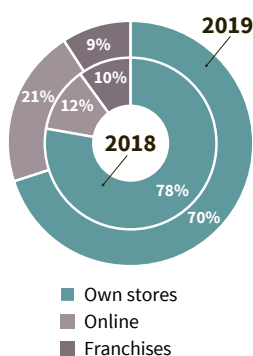
Eastnine owns 36 per cent of MFG. The holding is internally valued by Eastnine according to a cash-flow model. The value of

Eastnine's holding in MFG amounted at year-end 2019 to EUR 66,897k, after a value increase of EUR 17,985k during the year. The value increase is a combination of strong increase in sales and earnings and a strengthened ruble. Eastnine received a dividend of EUR 2,873k during the year, which together with the value change of 37 per cent meant a total return for Eastnine of 43 per cent.



**Diversity as a message.** In the MFG brand Befree's new marketing campaign, the message is based on diversity and inclusion.

### Income by sales channel



### Key figures Melon Fashion Group

| RUBm                             | 2019   | 2018   | 2017   | 2016   | 2015   | 2014   |
|----------------------------------|--------|--------|--------|--------|--------|--------|
| Income                           | 22,990 | 17,630 | 13,869 | 12,474 | 12,563 | 11,192 |
| EBITDA (excl. IFRS 16)           | 2,833  | 2,078  | 1,507  | 647    | 798    | 481    |
| Net profit (excl. IFRS 16)       | 1,607  | 1,034  | 769    | 131    | 273    | 44     |
| Sales growth, %                  | 30.4   | 27.1   | 11.2   | -0.7   | 12.3   | 24.8   |
| Gross margin, %                  | 52.3   | 52.1   | 52.5   | 47.6   | 46.0   | 53.3   |
| EBITDA margin (excl. IFRS 16), % | 12.3   | 11.8   | 10.9   | 5.2    | 6.4    | 4.3    |
| Number of stores at year-end     | 822    | 575    | 551    | 558    | 642    | 669    |

# Acquisitions and divestments

In 2019, Eastnine was the largest investor in the Baltic real estate market. Acquisitions of properties and sites in Vilnius and Riga for a total of EUR 163m increased the growth rate in the Company's property portfolio. Meanwhile, divestments of other holdings continued.

## Portfolio strategy

Eastnine's portfolio strategy revolves around acquiring and developing modern office properties in central business locations in the Baltic capitals Riga, Tallinn and Vilnius. The Company intends to be a significant property owner with geographically concentrated portfolios in each city.

## Property acquisitions

At the beginning of the year, Eastnine accelerated its portfolio expansion which strengthened the Company's market position in Vilnius. Three of four planned buildings in the newly built office complex S7 were acquired for EUR 128m. The properties S7-1 and S7-2, which are fully occupied by Danske Bank and Telia, were taken into possession in February and October 2019, respectively. The S7-3 property, which is fully occupied by Danske Bank, is expected to be taken possession of in 2020. The total lettable area amounts to 42,500 sq.m. S7-1, 2 and 3 have all obtained the certification BREEAM Excellent. The acquisition made Eastnine the largest office property owner in Vilnius, with almost the entire portfolio concen-

trated in the central business district.

In Riga, the office property Valdemara Centrs was acquired for EUR 25m along with a development site, Kimmel, for EUR 9.5m. Both properties lie along the main street Krisjana Valdemara, where Eastnine owned two properties since 2018.

Valdemara Centrs is one of Riga's first modern office properties, with a lettable area of 8,600 sq.m. The property is fully occupied by around ten tenants, among others legal firms and accounting consultants. The acquisition doubled Eastnine's earning capacity in Riga.

Kimmel comprises nearly an entire city block and is one of few undeveloped sites in central Riga. The property was previously the location of the Kimmel brewery, and today includes ca. 4,000 sq.m. of

grade listed buildings which must be preserved, but may be developed. In addition, it would be possible to add around 34,000 sq.m. new development, primarily offices, but also other businesses like restaurants and retail are permitted. This gives Eastnine the opportunity for further growth in central Riga.

## Divestments

In 2019, Eastnine continued to divest holdings that are not in line with the current investment strategy. In October 2019, the entire holding in East Capital Baltic Property Fund III was sold to ten Swedbank pension funds in Lithuania and Estonia. The purchase price was EUR 25.1m, corresponding to fair value on 30 September 2019.

### Property acquisitions 2019 (taken possession of during the year)

| Property         | Type   | City    | Lettable area, sq.m |
|------------------|--------|---------|---------------------|
| S7-1             | Office | Vilnius | 12,053              |
| S7-2             | Office | Vilnius | 15,952              |
| Valdemara Centrs | Office | Riga    | 8,621               |
| Kimmel           | Site   | Riga    | 78                  |



**S7-3 in Vilnius.** Recently constructed property S7-3 is fully let to Danske Bank. The property is expected to be taken possession of during 2020.

# Tenants

Eastnine's tenants are primarily large Nordic group companies with international operations. New letting during the year has been strong and several existing tenants have chosen to expand their leased premises. Average remaining lease term to maturity increased to 5.0 years.

## Tenant in focus

Eastnine strives for long-term and value-generating relationships by cooperation, commitment and high level of service. Eastnine as landlord and our tenants are both placing greater demands on technological solutions in existing properties as a means to achieve as high energy efficiency as possible. In order to meet the demand for modern and efficient office solutions, Eastnine works actively to obtain environmental certifications for its office properties. Eastnine offers modern and sustainable office space in first-class business locations, at a time when tenants are keen that their office premises reflect their corporate values.

## Being an Eastnine tenant

The rental market in the Baltics is different from Sweden in terms of the way lease agreements are formulated. The majority of agreements have a fixed term and expire at the end of the term, meaning that renewals require an active renegotiation. This type of agreement usually means the tenant has a priority right to renew agreements for areas under contract and the expansion of areas in conjunction with the

end of contract terms. The lease term usually exceeds three years, but some agreements also include a unilateral right for the tenant to terminate the agreement prematurely (break option). With this break option clause, we meet the tenant's demand for future flexibility to quickly adapt the premises to changed operations. Eastnine as a landlord strives to be responsive to the tenants and we invite to a continual dialogue in good time before the end of a rental period in order to begin discussions about their future needs for premises and the characteristics of those premises.

## Lettings and lease agreements

The total number of lease agreements amounted at year-end to around 150, across 120 tenants. Out of these, 40 agreements relate to premises in Riga and around 110 in Vilnius. During the year, agreements for several larger lettings have been signed. Among others, a five-year agreement with Visma in Vilnius has been signed, where 4,900 sq.m. has been adapted to the tenant's needs. Furthermore, an agreement for around 4,300 sq.m., up to and including July 2021, has been signed with Danske Bank. In addition, a new ten-year contract with Telia

has been signed, comprising around 16,000 sq.m. in the S7-2 property in Vilnius. In Riga, an agreement for around 1,200 sq.m. has been signed with Ellex Klavins for a five-year lease. Lettable area has increased to 99,500 sq.m., of which 36,600 sq.m. are attributable to property acquisitions. The net of newly signed agreements less terminated agreements, comprising around 3,000 sq.m. with move-in dates in 2020, will contribute to a further improved occupancy rate. Weighted average remaining lease term amounted at year-end to 5.0 years (2.8).

## Largest tenants

Among Eastnine's current tenants, there are several Nordic and international group companies that have chosen to establish their offices and/or service centres in Eastnine's modern and attractive properties. At the end of the year, the ten largest tenants together lease around 60 per cent of the Eastnine's lettable area, with a total annual rent of EUR 10.4m corresponding to 64 per cent of the rental value. The average remaining term on the lease agreements for these larger tenants amounted to 5.7 years.

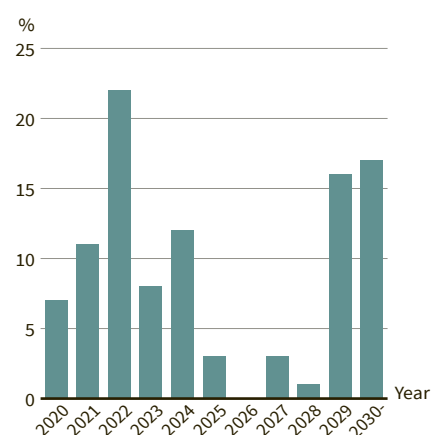
### Eastnine's ten largest tenants

| Tenant                | Annual rent, EURk | Share of annual rent, % | Sq.m.         | No. contracts | Lease term <sup>1</sup> , years | Lease term (break option) <sup>2</sup> , years |
|-----------------------|-------------------|-------------------------|---------------|---------------|---------------------------------|------------------------------------------------|
| Danske Bank           | 2,873             | 18                      | 16,400        | 2             | 2.6                             | 2.6                                            |
| Telia Lietuva         | 2,814             | 17                      | 15,952        | 1             | 9.2                             | 9.2                                            |
| Swedbank              | 1,403             | 9                       | 9,216         | 3             | 11.8                            | 5.7                                            |
| Visma                 | 841               | 5                       | 4,938         | 2             | 4.0                             | 4.0                                            |
| Citco                 | 634               | 4                       | 3,009         | 7             | 7.6                             | 2.6                                            |
| Webhelp               | 526               | 3                       | 2,726         | 5             | 2.6                             | 2.6                                            |
| Lidl                  | 381               | 2                       | 2,310         | 4             | 2.5                             | 0.5                                            |
| Cobalt                | 323               | 2                       | 1,816         | 5             | 5.0                             | 5.0                                            |
| Transact              | 283               | 2                       | 1,430         | 3             | 8.5                             | 2.5                                            |
| Europos Socialinio    | 281               | 2                       | 1,769         | 3             | 3.3                             | 3.3                                            |
| <b>Sum 10 largest</b> | <b>10,359</b>     | <b>64</b>               | <b>59,565</b> | <b>33</b>     | <b>5.7</b>                      | <b>3.8</b>                                     |

<sup>1</sup> Weighted average of remaining lease term.

<sup>2</sup> Weighted average remaining lease term calculated up to "break option" date.

### Expiration lease agreements, sq.m.



# Current earning capacity

In order to facilitate the assessment of the Company's current position, Eastnine includes "Current earning capacity" starting in the 2019 year-end report. Earning capacity is a theoretical assessment to describe the Company's current earnings on 31 December 2019.

Earning capacity is not to be regarded as a forecast for the coming twelve months, but as a snapshot of the potential yield the Company can generate under given circumstances. It is based on the current property portfolio on the reporting day.

Earning capacity does not take into account an assessment of the development of rent levels, vacancy level, property expenses, interest rates, value changes or other factors that may affect earnings.

Eastnine's calculated earning capacity is based on the following assumptions about income and costs:

- Rental income comprises income under contract including rent supplements, with deductions for any rental discounts on the reporting day.
- Property costs are based on an assessment of a typical year's operating expenses, maintenance costs, property tax and site leasehold fees. Operating costs include costs for

property administration.

- Financial income and expenses have been calculated from the Company's credit portfolio and actual average interest rate level on the reporting day.
- Costs for central administration have been calculated on the basis of the current organisation and property portfolio as of the reporting day.

## Contracted acquisitions

Eastnine has agreed to acquire the S7-3 property in Vilnius. The property is expected to be taken over in 2020, at an agreed purchase price of around EUR 43m. The property is fully let. Annual rental income amounts to approximately EUR 2.5m, with an estimated surplus ratio of 98 per cent.

| Current earning capacity<br>EURk       | As of<br>31 Dec, 2019 |
|----------------------------------------|-----------------------|
| Rental income                          | 17,143                |
| Property expenses                      | -1,456                |
| <b>Net operating income</b>            | <b>15,687</b>         |
| Central administration expenses        | -3,870                |
| Interest expenses                      | -3,122                |
| Other financial income and expenses    | -59                   |
| <b>Profit from property management</b> | <b>8,636</b>          |

## Key figures, current earning capacity

|                                         |         |
|-----------------------------------------|---------|
| Surplus ratio, %                        | 92      |
| Interest coverage ratio, multiple       | 3.8     |
| Average interest rate, %                | 2.3     |
| Property yield investment properties, % | 5.4     |
| Investment properties, EURk             | 290,256 |



**Energy boost for tenants.** In the lobby at the property 3Bures-3 in Vilnius tenants can visit Eastnines light therapy lamp to get some extra energy when there is a lack of natural sunshine.



# Risk and risk management

Eastnine is exposed to different risks through its operations. As the business is increasingly orientated toward directly-owned real estate investments, the Company's risk profile has changed. Internal rules and policies are designed to limit the exposure toward various risks.

The change in investment strategy toward long-term ownership of modern and sustainable office properties in the Baltic capitals, compared to the Company's previously mixed investment focus, reduces certain risks that were previously considerable for Eastnine, such as exchange rate risk, share price risk and geopolitical risks. At the same time, other risks increase, such as interest and credit risk as well as

rental and vacancy risk. In the table below, the chief risks to which Eastnine is exposed, the nature of that exposure, and how those risks are handled by the Company are described.

Risk management and follow-up is an important and integrated part of Eastnine's operations. The Company uses a number of different tools to continually identify, evaluate and limit risks. Risk

management is handled by the Company's management in accordance with relevant policies that have been established by the Board. Financial risks are primarily handled by the finance function in accordance with the Company's financial policy.

Further description of risks and risk management is provided in note 30 on pages 61-62.

| Risk                                                                                                                                                                                                                                                                     | Management and exposure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Portfolio risk</b><br>Risk of losses as a result of decreased value in the investment portfolio. The factors that impact portfolio value include volatility, diversification and liquidity, as well as market risks such as currency exchange and interest rate risk. | As Eastnine has increased its exposure toward the Baltics and reduced its exposure toward Russia and the rest of Eastern Europe, the volatility and market risk in the portfolio has been significantly reduced. Reduced diversification has, however, led to an increased portfolio concentration. Since MFG is a substantial part of Eastnine's net asset value, a decrease in the value, however, might have a clear negative impact on Eastnine. Eastnine's assessment is that the new strategy, with a focus on modern and sustainable office properties with stable tenants in first-class locations in the Baltic capitals, as a whole results in a lower portfolio risk. |
| <b>Value changes in properties</b><br>Risk of losses resulting from negative value changes in the property portfolio. Property value is affected by external factors such as yield requirements and interest rates, as well as by changes in rent levels and vacancies.  | The risk of negative value changes is primarily handled by offering modern and attractive office premises in the best locations, and thereby attracting and retaining stable tenants, which reduces the risk of vacancies and rent reduction. All properties are internally valued every quarter, and their fair value determined. Significant and unforeseen changes in vacancies, rental conditions or external factors may lead to a revaluation. The property value is normally verified through an external valuation of all properties at least once a year.                                                                                                               |
| <b>Financial risks</b><br>Risk that liquidity is insufficient, and the risk of reduced profitability due to a lack of capital or that the price of capital increases.                                                                                                    | The financial policy, which is determined yearly by the Board, is developed for the purpose of handling financial risk. Interest expenses is normally one of the larger cost items in a real estate company, and therefore carries significant weight in the Company's profit or loss. The number of Nordic banks that are active in the Baltics has sunk over the last few years, which has affected the access to capital. Eastnine perceives, however, that the Company is a preferred borrower among the remaining Nordic banks due to its larger, long-term property ownership.                                                                                             |
| <b>Liquidity risk</b>                                                                                                                                                                                                                                                    | Eastnine prepares monthly liquidity forecasts for the coming twelve months. The Company is to have sufficient liquidity in order to cover the needs of the coming six months, including for those acquisitions as have been decided upon, which was accomplished by the end of 2019. Cash and cash equivalents amounted to 9 % of total assets and unutilised credit facilities to EUR 23,700k. The interest coverage ratio, targeted to amount to at least 2.0x, amounted to 3.2x.                                                                                                                                                                                              |
| <b>Financing risk</b>                                                                                                                                                                                                                                                    | According to the financial policy, the loan-to-value ratio shall not exceed 65 % and maximally 40 % of liabilities to credit institutions shall mature within any given 12-month period. The loan-to-value ratio amounted to 47 %. The targeted limit of maturity concentration was not fulfilled, but has improved over the course of the year. The intention is that it will continually, as new financing is taken up, continue to improve. Average capital tie-up period shall amount to at least 1.5 years, and amounted to 3.5 years.                                                                                                                                      |
| <b>Interest rate risk</b>                                                                                                                                                                                                                                                | According to the financial policy, at least 50 per cent of liabilities to credit institutions shall have a fixed-interest term of at least 12 months. At year-end, the interest due on 79 per cent of the liabilities was fixed using derivatives, in the form of interest rate swaps. Average remaining fixed interest term is to exceed 1.0 years, and amounted to 3.1 years.                                                                                                                                                                                                                                                                                                  |

| Risk                                                                                                                                                                                            | Management and exposure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Rental income</b><br/>Rental income is the decisive factor for cash flow and affects property values.</p> <p><b>Rent level</b></p> <p><b>Vacancies</b></p> <p><b>Tenant structure</b></p> | <p>The rental income risk is reduced by Eastnine's concentration in properties in attractive commercial locations, which historically have had lower vacancies and stable rent levels.</p> <p>Lease agreements typically have a term of 3-5 years and, in new developments, sometimes longer, which provides for a gradual adjustment to market rents. Around 94 % of lease rents are tied to consumer price indices, either on a country level or on the EU/Eurozone level. Lease agreements are not, however, affected by a decline in the CPI.</p> <p>The risk of long-term vacancies is perceived to be low, considering the properties' attractive locations and modern premises. Current macroeconomic indicators point toward continued good economic growth in the Baltics. The area vacancy rate was 7.3 % and the average remaining lease term was 5.0 years by year-end 2019.</p> <p>Eastnine has a total of 120 tenants and 150 lease agreements. High concentration toward specific tenants, such as Danske Bank, may result in increased risk. The lease agreements with Danske Bank accounted, at year-end 2019, for 18 % of Eastnine's total annual rent, and the proportion is going to increase when the property S7-3 is taken into possession. Eastnine aims to improve the spread in the future. Rent losses were negligible in 2019.</p> |
| <p><b>Property transactions</b><br/>The risk of property transactions falling through, or transactions on disadvantageous terms, due to limited supply or demand.</p>                           | <p>For Eastnine at the present, transaction risk relate exclusively to acquisitions, and is handled through Eastnine's having an organisation with considerable real estate experience and a broad network on the relevant markets, which means that Eastnine can take part in transactions of interest to the Company. Eastnine's buy-and-hold strategy means that the Company can also buy properties in need of redevelopment or renovation, which offers a greater supply, while the Company's strategic and financial targets clearly delimits what risk and yield levels are acceptable.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p><b>Property development</b><br/>Development projects carry risks of increased construction costs and schedule delays, as well as rental risks.</p>                                           | <p>At the end of 2019, Eastnine had no on-going development projects. Eastnine's property strategy includes development projects, and the Company continually evaluates opportunities to construct new modern and sustainable offices in line with the strategy. Projects would normally only start after a large proportion of lease agreements have been signed.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p><b>Environmental risk</b><br/>The risk of negative consequences as a result of environmental impacts.</p>                                                                                    | <p>Eastnine is working actively to reduce its environmental impact, primarily by acquiring energy-efficient properties and increase the energy efficiency in its existing portfolio. The Company's target is that all properties shall obtain a high environmental certification. For newly acquired properties, the certification process is to be initiated within six months of its acquisition. Properties that are expected to undergo significant redevelopment are exempt. Environmental assessment is part of the due diligence process in conjunction with property acquisitions.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p><b>Operational risk</b><br/>The risk of losses as a result of lacking routines or systems, or due to ignorance of new regulatory frameworks which affect the business.</p>                   | <p>Oversight and review of internal routines and systems are carried out continually. Eastnine's auditors review the internal routines and report directly to the Board once per year. The Company's streamlining of its corporate structure and the consolidation of its activities in Sweden, Estonia, Latvia and Lithuania in 2018 is deemed to have reduced the operational risks and improved internal control. As Eastnine only has a small number of employees, there is a dependence on particular individuals. In 2019, several new employees have been hired, and the competency among the staff broadened, as the organisation has grown. The Board has established a continuity policy which encompasses the Company's central functions and which is reviewed annually. Internal control is deemed to be good and the operational risks low.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

# Financing and capital structure

Eastnine is currently mainly financed by bank loans from three major, Nordic banks as well as by equity. Only directly-owned real estate is pledged. Other investments are exclusively financed with equity. This means that the loan-to-value ratio is low and the equity/asset ratio high.

## Capital structure

Eastnine manages its own capital for the purpose of achieving the Company's financial targets. Activities are primarily financed with equity and liabilities to credit institutions. Financial control and capital structure is regulated by the Company's financial policy. Eastnine's target is that the equity/asset ratio is to amount to at least 30 per cent, while liabilities to credit institutions in relation to property value not to exceed 65 per cent on the Group level.

Other investments, which comprises a stake in a property fund and an unlisted holding in a Russian fashion chain, are unleveraged. If liabilities to credit institutions were placed in relation to all investments, the loan-to-value ratio would have been even lower. Equity provided 64 per cent (76) of total capital needs, liabilities to credit institutions 33 per cent (21) and other liabilities 3 per cent (3).

## Financial policy

The role of the financial policy is to describe the governing principles for the handling of financial assets, liabilities and risks in the Company and its subsidiaries. The policy is to ensure that Eastnine's financing and financial management is conducted in a structured and planned fashion, and that financial risks are considered and controlled. The final aim is to achieve balanced and low financial expenses considering the inherent risks of the chosen strategy.

## Equity

Equity amounted at year-end to EUR 268,192k (240,819) and the total assets to EUR 420,322k (317,767), which provided for a total equity/asset ratio of 64 per cent (76). The total number of shares amounted to 22,370,261 at year-end 2019 (22,370,261), of which 1,221,200 were repurchased shares in treasury (869,159). The total

number of shares adjusted for repurchased shares amounted to 21,149,061 (21,501,102).

## Liabilities to credit institutions

Liabilities to credit institutions amounted at year-end 2019 to EUR 137,771k (67,550) and consisted exclusively of bank loans from three larger, Nordic banks operating in the Baltics: SEB, Swedbank, and OP Bank. Unutilised lines of credit amounted to a total of EUR 23,700k (102), and related entirely to the upcoming acquisition of the S7-3 property in Vilnius. In the longer term, Eastnine's debt portfolio may also come to include capital market financing such as bonds and commercial paper. If possible, green financing is to be prioritised.

The loan-to-value ratio concerning the property portfolio amounted to 47 \*per cent (43). The interest coverage ratio amounted to 3.5x (3.6) for the FY 2019, and the debt coverage ratio to 8.7x (6.1).

## Financial targets and restrictions

### Targets

#### Return on equity (ROE)

Return on equity shall, over a five-year period, amount to 13-15 % in the directly owned real estate segment.

#### Dividend

At least 50 % of profit from property management is to be distributed to shareholders as regular annual dividend. In the period when the Company transforms from an investment entity into a pure real estate company, up until 2020, the dividend is to amount to at least 2.0 % of equity.

#### Equity/asset ratio

The equity/asset ratio shall amount to at least 30 %.

#### LTV (loan-to-value) ratio

The loan-to-value ratio shall not exceed 65 %.

#### Interest coverage ratio

The interest coverage ratio shall amount to at least 2.0 x.

### Outcome 2019

14.3 %

The 2019 dividend for the FY 2018 amounted to 2.0 %. 2.0 % is proposed for the FY 2019.

64 %

47 %

3.5 x

Average capital tie-up period was at year-end 3.5 years (4.7) and the fixed interest term 3.1 years (4.7).

#### Interest expenses and derivatives

Eastnine uses interest derivatives in order to protect itself from increased interest expenses due to higher market interest. The derivatives portfolio consists entirely of interest rate swaps, and at year-end 79 per cent (97) of the Company's total liabilities to credit institutions were secured this way. At year-end, the average interest level was 2.3 per cent (2.5).

The derivatives portfolio is reported at fair value, which is equal to market value. The value amounted at year-end to EUR

-1,963k (-957). Value changes are recognised through profit or loss and at maturity, the value is always zero.

#### Securities and covenants

Liabilities to credit institutions are secured through mortgage deeds in the properties and in some cases also shares in property-owning subsidiaries as well as with parent company guarantees. At year-end 2019, two (2) out of nine (5) properties were unencumbered. Measured in terms of property value, 95 per cent were mortgaged.

The lending agreements include covenants, which are set limit values for certain key figures in order to reduce the lender's credit risk. The covenants primarily concern

the equity/asset ratio, loan-to-value ratio and debt coverage ratio. In 2019, the Company met all covenants by a good margin.

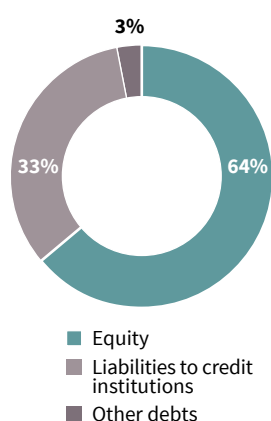
#### Other liabilities

Other liabilities include e.g. deferred tax, trade payables and prepaid rent.

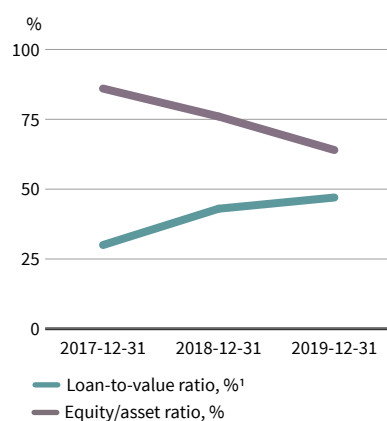
#### Liquidity

Cash and cash equivalents, which primarily consists of cash in bank accounts, amounted at year-end to EUR 37,406k (65,119). Eastnine's strong liquidity and low liabilities means the Company is well-equipped for further expansion of the property portfolio and to meet upcoming payments.

#### Sources of capital

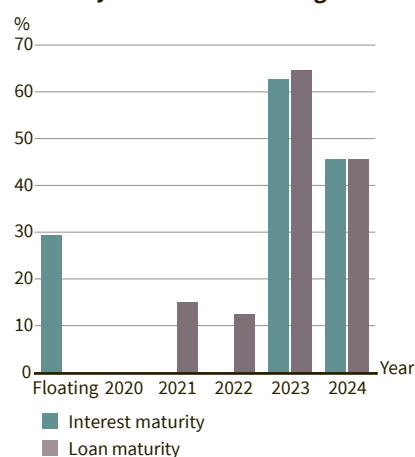


#### Loan-to-value and equity/asset ratios



<sup>1</sup> Relates only to directly owned real estate. All other investments are unencumbered.

#### Maturity structure financing



#### Maturity structure, debt financing

| Maturity     | Loan maturity        |                |                  |                                    | Interest maturity |
|--------------|----------------------|----------------|------------------|------------------------------------|-------------------|
|              | Loan agreement, EURm | Utilised, EURm | Unitilised, EURm | Of which possible to utilise, EURm |                   |
| Floating     | -                    | -              | -                | -                                  | 29.3              |
| 2019         | -                    | -              | -                | -                                  | -                 |
| 2020         | 23.7                 | -              | 23.7             | -                                  | -                 |
| 2021         | 15.0                 | 15.0           | -                | -                                  | -                 |
| 2022         | 12.4                 | 12.4           | -                | -                                  | -                 |
| 2023         | 64.6                 | 64.6           | -                | -                                  | 62.8              |
| 2024         | 45.7                 | 45.7           | -                | -                                  | 45.7              |
| <b>Total</b> | <b>161.5</b>         | <b>137.8</b>   | <b>23.7</b>      | <b>-</b>                           | <b>137.8</b>      |

# The share and shareholders

The share price rose by 48 per cent to SEK 137.4 by the end of the year. After a SEK 2.30 dividend per share, the return totalled 51 per cent. The Board proposes a dividend of SEK 2.70 per share for 2019 to be paid in 2020. The number of shareholders increased by 11 per cent during the year and totalled 5,634 at year-end.

## Share price and turnover

Eastnine has a single class of share, the ordinary share, listed on OMX Stockholm Mid Cap. On 31 December 2019, the price of Eastnine's share was SEK 137.4, after rising by 48 per cent during the year. This is to be compared with the OMX Stockholm Real Estate Index which rose by 59 per cent in 2019 and OMX Stockholm PI which rose by 30 per cent. Including a SEK 2.30 dividend per share, the return on Eastnine's share totalled 51 per cent. The highest closing price of SEK 137.4 was reached on 30 December, and the lowest of SEK 91.3 on 3 January 2019. The market cap (excluding repurchased shares) on 31 December 2019 amounted to SEK 2,906m corresponding to EUR 276m. A total of 4,506,584 Eastnine shares were traded during the year, the majority on OMX Stockholm. The average daily volume amounted to 18,026 shares, corresponding to around SEK 2.0m. The turnover rate was around 20 per cent.

## Share capital

On 31 December 2019, Eastnine's share capital amounted to EUR 3.66m (3.66)

made up of 22,370,261 (22,370,261) shares. Out of the total number of shares, 1,221,200 have been repurchased. Each share in Eastnine confers one vote, although repurchased shares do not confer voting rights.

## Buy-back

The Company initiated a share buy-back programme on 20 May 2016, as long as the share traded at a discount on the most recently published equity in SEK. During the first quarter of 2019, Eastnine repurchased 352,041 shares at an average price of SEK 104 per share. At the end of the first quarter, the Board announced that the buy-backs ended. The Company's total holding of repurchased shares in treasury amounted to 1,221,200 shares, corresponding to about 5.5 per cent of all shares.

The Annual General Meeting in May 2019 renewed the Board's mandate, up until the next AGM, to acquire and transfer shares. The amount of shares, that can be repurchased at each time, can be up to a maximum ten per cent of the total number of outstanding shares.

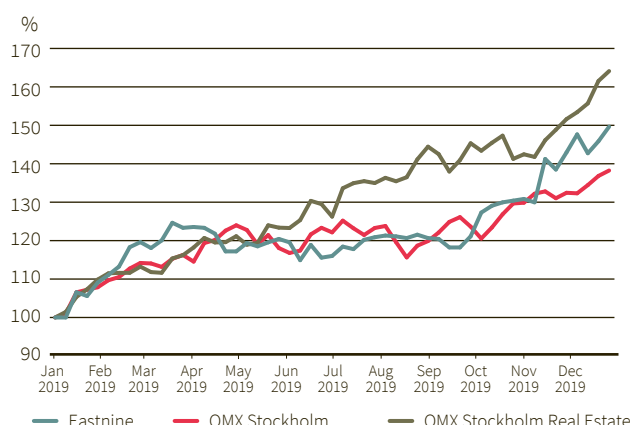
## Equity and net asset value

Eastnine's equity per share is calculated as the value of the sum of assets minus liabilities divided by the number of outstanding shares, excluding any shares repurchased by the Company. At year-end, equity amounted to EUR 268.2m, corresponding to EUR 12.7 per share or SEK 133 per share. The long-term net asset value per ordinary share (LT-NAV) amounted at that time to EUR 13.1 per share, corresponding to SEK 137 per share. The increase in long-term NAV during the year amounted to EUR 1.7 or SEK 21, corresponding to about 18 per cent.

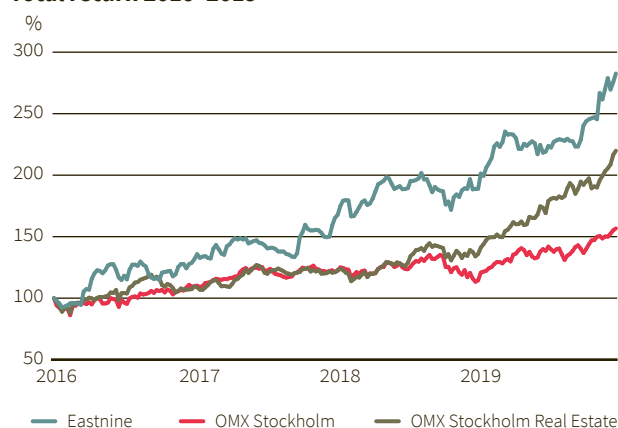
## Dividend

Eastnine intends for the annual dividend to amount to at least 50 per cent of the profit from property management from directly-owned real estate, however at least 2 per cent of the equity at the end of the previous year. The minimum limit is applicable during Eastnine's transformation from an investment entity into a purely focused real estate company, which is planned to be complete on 31 December 2020.

**Total return 2019**



**Total return 2016–2019**



In addition, with respect to the Company's financial position and investment opportunities, the Board may decide on a share redemption or buy-back programme. In total, Eastnine paid out SEK 2.30 per share in 2019 (relating to the 2018 financial year.) The dividend was distributed over two occasions, in May and November respectively, each comprising 50 per cent. The Board proposes to the AGM that the regular dividend for 2019 amount to SEK 2.70 (2.30) per share, paid semi-annually. The proposed dividend corresponds to 2.0 per cent of equity per share and an increase of 17 per cent.

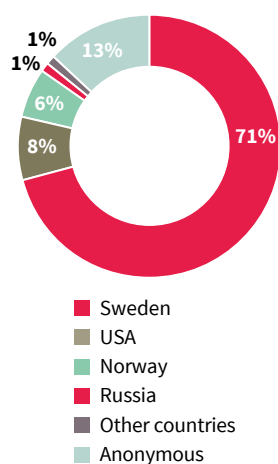
### Return on equity

Eastnine targets a return on equity in the segment directly owned real estate to amount to 13-15 per cent over a five-year period.

### Owners

Eastnine had 5,634 shareholders on 31 December 2019. The ten largest owners held in total 14,423,345 shares, corresponding to 64.5 per cent of the total number of outstanding shares in the Company. Eastnine had at the time two shareholders corresponding to more than 10 per cent of the total number of shares. Peter Elam Håkansson owned, through direct and indirect holdings, 27.0 per cent and Keel Capital 10.1 per cent of the total number of shares in the Company. Of the total number of shares, 71.3 per cent are held by Swedish shareholders.

### Ownership distribution<sup>1</sup>



### Largest share holders<sup>1</sup>

|                                   | Number of shares  | %            |
|-----------------------------------|-------------------|--------------|
| Peter Elam Håkansson <sup>2</sup> | 6,048,551         | 27.0         |
| Keel Capital                      | 2,268,884         | 10.1         |
| Mertiva AB                        | 1,515,205         | 6.8          |
| Lazard Asset Management           | 1,491,577         | 6.7          |
| Nordnet Pensionsförsäkring        | 1,148,450         | 5.1          |
| Norges Bank                       | 688,770           | 3.1          |
| Kestutis Sasnauskas               | 446,443           | 2.0          |
| Dimensional Fund Advisors         | 347,604           | 1.6          |
| Prioritet Finans                  | 300,000           | 1.3          |
| Jacob Grapengiesser               | 167,861           | 0.8          |
| <b>10 largest</b>                 | <b>14,423,345</b> | <b>64.5</b>  |
| Eastnine AB (repurchased shares)  | 1,221,200         | 5.5          |
| Others                            | 6,725,716         | 30.1         |
| <b>Total</b>                      | <b>22,370,261</b> | <b>100.0</b> |

### Ownership distribution after holdings<sup>1</sup>

| Type                  | Number of shares  | Proportion, % | Number known owners | Proportion of known owners, % |
|-----------------------|-------------------|---------------|---------------------|-------------------------------|
| 1 - 1,000             | 751,438           | 3.4           | 5,256               | 93.3                          |
| 1,001 - 10,000        | 1,018,924         | 4.6           | 320                 | 5.7                           |
| 10,001 - 100,000      | 1,198,788         | 5.4           | 40                  | 0.7                           |
| 100,001 - 1,000,000   | 2,761,888         | 12.3          | 12                  | 0.2                           |
| 1,000,001 - 5,000,000 | 7,645,316         | 34.2          | 5                   | 0.1                           |
| 5,000,001 -           | 6,048,551         | 27.0          | 1                   | 0.0                           |
| Anonymous ownership   | 2,945,356         | 13.1          | N/A                 | N/A                           |
| <b>Total</b>          | <b>22,370,261</b> | <b>100.0</b>  | <b>5,634</b>        | <b>100.0</b>                  |

### Owner types<sup>1</sup>

| Type                                        | Number of shares  | Proportion, % | Number known owners | Proportion of known owners, % |
|---------------------------------------------|-------------------|---------------|---------------------|-------------------------------|
| <b>Others</b>                               | 7,470,856         | 33.4          | 322                 | 5.7                           |
| Swedish                                     | 6,857,677         | 30.7          | 117                 | 2.1                           |
| Foreign                                     | 613,179           | 2.7           | 205                 | 3.6                           |
| <b>Fund managers</b>                        | 4,734,210         | 21.2          | 21                  | 0.4                           |
| Swedish                                     | 2,672,370         | 11.9          | 10                  | 0.2                           |
| Foreign                                     | 2,061,840         | 9.2           | 11                  | 0.2                           |
| Swedish private individuals                 | 3,602,115         | 16.1          | 5,271               | 93.6                          |
| <b>Investment &amp; capital mgmt</b>        | 2,755,826         | 12.3          | 3                   | 0.1                           |
| Swedish                                     | 2,736,405         | 12.2          | 2                   | 0.0                           |
| Foreign                                     | 19,421            | 0.1           | 1                   | 0.0                           |
| <b>State, municipality, county councils</b> | 695,830           | 3.1           | 4                   | 0.1                           |
| Swedish                                     | 773               | 0.0           | 1                   | 0.0                           |
| Foreign                                     | 695,057           | 3.1           | 3                   | 0.1                           |
| <b>Pension &amp; insurance</b>              | 141,780           | 0.6           | 9                   | 0.2                           |
| Swedish                                     | 46,184            | 0.2           | 4                   | 0.1                           |
| Foreign                                     | 95,596            | 0.4           | 5                   | 0.1                           |
| <b>Foundation</b>                           | 24,288            | 0.1           | 4                   | 0.1                           |
| Swedish                                     | 24,288            | 0.1           | 4                   | 0.1                           |
| <b>Anonymous ownership</b>                  | 2,945,356         | 13.2          | N/A                 | N/A                           |
| <b>Total</b>                                | <b>22,370,261</b> | <b>100.0</b>  | <b>5,634</b>        | <b>100.0</b>                  |

### Ownership concentration<sup>1</sup>

| Concentration     | No. shares | Proportion, % |
|-------------------|------------|---------------|
| 10 largest owners | 15,476,684 | 69.2          |
| 20 largest owners | 16,641,230 | 74.4          |
| 30 largest owners | 17,207,434 | 76.9          |

<sup>1</sup> Source: Monitor.

<sup>2</sup> Private and via companies (East Capital and Rytu Invest AB).

### Value

| Data per share   | 31 Dec, 2019 | 31 Dec, 2018 |
|------------------|--------------|--------------|
| Equity, EUR      | 12.7         | 11.2         |
| LT-NAV, EUR      | 13.1         | 11.4         |
| Share price, EUR | 13.1         | 9.2          |
| Equity, SEK      | 133          | 114          |
| LT-NAV, SEK      | 137          | 116          |
| Share price, SEK | 137.40       | 92.90        |



# Administration Report

The Board of Directors and the CEO of Eastnine AB (publ), corporate registration number 556693-7404, hereby submits the annual report for the financial year 1 January–31 December 2019.

## Group

Eastnine AB (publ) (the Parent Company) is a real estate company listed on Nasdaq Stockholm, Mid Cap. With the exception of Melon Fashion Group, which is owned directly by the Parent Company, the activities are managed by the Estonian operating subsidiary Eastnine Baltics OÜ with subsidiaries in Latvia and Lithuania, together called the Eastnine Group. At year-end, the Eastnine Group employed 19 full-time employees, of which nine were employed at the head office in Stockholm, eight in Vilnius as well as one in Tallinn and Riga each.

Presentation currency is euro (EUR).

## Financial reporting

Eastnine has made the assessment that the Company no longer falls within the IFRS classification of an investment entity, as a majority of the portfolio 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. Up to and including 30 June 2018, Eastnine's financial statements refer to the Parent Company alone, while subsidiaries were recognised at fair value through profit or loss.

The change in status is accounted for prospectively, meaning that historic numbers have not been restated in the actual financial statements on pages 38–43. This report also includes consolidated pro-forma statements for comparative purposes (see page 64). Any references to pro-forma numbers are marked "pro-forma".

Comparative figures for the period January - December 2018 refer to pro-forma. Comparative figures for balance sheet refers to actual outcome as of 31 December 2018.

## Key events during the year

On 14 February, the S7 business park comprising 42,500 sq.m. in Vilnius was acquired for a total purchase price of around EUR 128m. The acquisition is carried out in three phases. The first property, S7-1, was taken into possession in February, and the second property, S7-2, in October. S7-3 is expected to be taken into possession during the year 2020. The third tower in 3Bures was awarded LEED Platinum certification in February. In May, Britt-Marie Nyman entered her position as the new CFO and deputy CEO. In October, Eastnine's entire holdings in East Capital Property Fund III were divested at net asset value, corresponding to EUR 25.1m. The office property Valdemara Centrs of 8,600 sq.m. in Riga was acquired in October for EUR 25.3m. In December, Eastnine acquired and took possession of the property Kimmel in Riga for EUR 9.5m, mainly comprised of a development site.

## Revenues

Rental income increased by 46 per cent during the year to EUR 13,348k (9,130), primarily due to a larger property portfolio, but also as a result of higher rent levels. Rental income in an identical portfolio decreased by 8 per cent compared with the previous year, due to lower average occupancy during the year. New rental agreements on vacant premises have been signed at higher rent levels, meaning that the average rent level in the property portfolio has increased to EUR 14.7 per sq.m. and month at the end of the year, compared to EUR 14.5 per sq.m. at the end of 2018.

### Rental income

| EURk                       | 2019          | 2018         |
|----------------------------|---------------|--------------|
| Comparable properties      | 6,096         | 6,611        |
| Completed development      | 2,231         | 449          |
| Acquisitions               | 5,021         | 2,070        |
| <b>Total rental income</b> | <b>13,348</b> | <b>9,130</b> |

## Earnings

Net operating income amounted to EUR 11,946k (7,690), corresponding to a surplus ratio of 89 per cent (84). The high surplus ratio is due to the majority of lease agreements being triple-net, meaning that tenants cover costs related to the leased premises. The increase in net operating income of 55 per cent is primarily related to the acquisition of 3Bures-3 in Vilnius in September 2018, the properties S7-1 and S7-2 in Vilnius in February and October 2019, respectively, as well as Valdemara Centrs in Riga in October 2019.

Profit from property management amounted to EUR 5,489k (3,180) and central administration expenses amounted to EUR -3,873k (-3,387).

Unrealised value changes in properties amounted to EUR 10,208k (5,483) and in investments, they amounted to EUR 17,742k (3,685), of which EUR 17,985k (300) is attributable to Melon Fashion Group and EUR -243k (1,213) to East Capital Baltic Property Fund II. Unrealised value changes in derivatives amounted to EUR -1,006k (-782).

Realised value changes and dividends amounted to EUR 5,403k (5,402), of which EUR 1,177k (-) is attributable to the divestment of East Capital Baltic Property Fund III, EUR 2,873k (3,196) to dividend from Melon Fashion Group, and EUR 1,280k (1,280) in dividend from East Capital Baltic Property Fund II.

Profit before tax amounted to EUR 37,836k (16,969). Net profit for the year amounted to EUR 35,266k (15,641).

## Segment Reporting

The Real Estate Funds segment, comprising the East Capital Baltic Property Fund II and III (holdings in Fund III have been divested

in October 2019), generated a profit before tax of EUR 2,287k. The segment Other, which during the year was comprised solely of the holding in Melon Fashion Group ("MFG"), generated a profit before tax of EUR 20,858k, with an impact of EUR 17,985k from unrealised value changes. The unrealised value change is the result of MFG's increased sales and earnings, as well as MFG's future sales forecast and a strengthened rouble. Unallocated central administration expenses amounted to EUR -3,873k and unallocated financial income and expenses to EUR -51k. Reported group profit before tax amounted to EUR 37,836k, and net profit to EUR 35,266k.

### Contribution to profit before tax, per segment

| EUR thousands                               | 2019          |
|---------------------------------------------|---------------|
| Profit from property management             | 9,413         |
| Unrealised changes in value of properties   | 10,208        |
| Unrealised changes in value of derivatives  | -1,006        |
| <b>Contribution Real estate direct</b>      | <b>18,615</b> |
| Unrealised value changes                    | -243          |
| Realised value changes and dividends        | 2,530         |
| <b>Contribution Real estate funds</b>       | <b>2,287</b>  |
| Unrealised value changes                    | 17,985        |
| Realised value changes and dividends        | 2,873         |
| <b>Contribution Other</b>                   | <b>20,858</b> |
| Unallocated central administration expenses | -3,873        |
| Unallocated financial income and expenses   | -51           |
| <b>Profit before tax</b>                    | <b>37,836</b> |
| Deferred tax                                | -2,570        |
| <b>Net profit for the year</b>              | <b>35,266</b> |

### Financing

Liabilities to credit institutions amounted to EUR 137,771k (67,550) at the end of the year, corresponding to a loan-to-value ratio of 47 per cent (43). The increase in liabilities to credit institutions is primarily a result of new credits taken in conjunction with acquisitions during the year. Unutilised credit facilities amounted to EUR 23,700k (102). The average interest rate at year-end amounted to 2.3 per cent (2.5) and the proportion of liabilities to credit institutions with interest fixed through derivatives (i.e. interest rate swaps) amounted to 79 per cent (97).

At the end of the year, average capital tie-up period on liabilities to credit institutions was 3.5 years (4.7). Average fixed interest term was 3.1 years (4.7). The derivatives are measured at fair value and the change in value is recognised through profit or loss, with no affect on cash flow. At the end of the year, the fair value of derivatives was EUR -1,963k (-957). At the end of the term, the value is zero.

### Tax

The tax expenses for the year amounted to EUR -2,570k (-1,328), all of which relates to deferred tax in Lithuania. The stated deferred tax liability is primarily attributable to the difference between the stated value of properties and their tax value, as well as tax losses carried forward. No corporate income tax is paid in Estonia or Latvia, where a 20 per cent corporate income tax is principally levied only on distributed profits.

### Long-term net asset value (LT-NAV) and equity

Equity amounted to EUR 268,192k (240,819) and the equity/asset ratio to 64 per cent (76). Long-term NAV per share was EUR 13.1 (11.4) corresponding to 137 SEK per share (116). Equity per share was EUR 12.7 (11.2) corresponding to 133 SEK per share (114).

### Cash flow

Cash flow from operating activities before changes in working capital amounted to EUR 9,968k for the year. Change in working capital was EUR -1,532k. Investment activities had an impact of EUR -98,230k. Cash flow from financing activities increased by EUR 62,122k mainly affected by raised loans of EUR 74,029k in connection to property acquisitions. Dividend to shareholders has decreased the cash flow by EUR -4,519k and repurchase of shares has decreased the cash flow by EUR -3,525k. Total cash flow amounted to EUR -27,672k. Cash equivalents amounted to EUR 37,406k at the end of the year. Eastnine's total investments, including capital expenditures in existing real estate assets, amounted to EUR 123.2m. In October, Eastnine's entire holding in East Capital Baltic Property Fund III was divested at net asset value, corresponding to EUR 25.1m. No properties have been divested.

| EURm                              | 2019         | 2018        |
|-----------------------------------|--------------|-------------|
| S7-1                              | 36.8         | -           |
| S7-2                              | 47.6         | -           |
| Valdemara Centrs                  | 25.3         | -           |
| Kimmel                            | 9.5          | -           |
| 3Burès-1,2                        | 1.3          | 0.1         |
| 3Burès-3                          | 0.2          | 16.3        |
| Vertas                            | 0.3          | 0.1         |
| Alojas Biroji                     | 0.1          | 25.6        |
| Alojas Kvartals                   | -            | 4.0         |
| <b>Total property investments</b> | <b>121.2</b> | <b>46.1</b> |
| EC Baltic Property Fund III       | 2.0          | 3.5         |
| <b>Total investments</b>          | <b>123.2</b> | <b>49.6</b> |
| EC Baltic Property Fund III       | 25.1         | -           |
| EC Eastern Europe Small Cap Fund  | -            | 16.2        |
| Komericialna Banka Skopje         | -            | 13.9        |
| EC Global Frontier Markets Fund   | -            | 12.3        |
| <b>Total divestments</b>          | <b>25.1</b>  | <b>42.4</b> |

### Parent Company

Net profit for the year amounted to EUR 19,037k (6,744). This result is primarily attributable to an unrealised value change in Melon Fashion Group (MFG) of EUR 17,985k (300), dividend from MFG of EUR 2,873k (3,196), and central administration expenses and financial income.

### Share information

The total number of shares in Eastnine amounted to 22,370,261 on 31 December 2019. Adjusted for repurchased shares held in treasury, the number of shares outstanding amounted to 21,149,061. The weighted average number of outstanding shares for the period, adjusted for buy-back, was 21,187,491. The number

of shareholders increased by 11 per cent during the year and totalled 5,634 at year-end. The free float was 63 per cent. At the end of the year, the share price stood at SEK 137.4 after an increase of 48 per cent since the beginning of the year. The total return, including dividend, amounted to 51 per cent. Further information about the share can be found on pages 32–33.

### Dividend

The Board proposes to the Annual General Meeting (AGM) a dividend of SEK 2.70 per share (2.30) for the 2019 financial year, paid semiannually. The dividend corresponds to a dividend growth of 17 per cent. According to the standing dividends policy, Eastnine's annual dividend is to amount to at least 50 per cent of profit from property management and, during Eastnine's transformation into a real estate company, at least 2.0 per cent of the equity. A dividend of SEK 2.70 per share would correspond to 2.0 per cent of equity at year-end 2019.

### Share buy-back

During the period 1 January through 31 March 2019, Eastnine repurchased 352,041 shares at an average price of SEK 104 per share. Eastnine's Board decided not to renew the repurchase mandate after it expired on 31 March 2019, and therefore no further shares have been repurchased. On 31 December 2019, the Company held 1,221,200 own shares in treasury, corresponding to 5.5 per cent of total outstanding shares.

At the AGM 2019 the Board received a new mandate to decide on share buy-back providing that the Company's treasury shares not exceed at any time 10 per cent of all shares in the Company.

### Key events after the end of the financial year

Covid-19 will affect the economy worldwide. The situation changes rapidly, making the situation difficult to assess. Eastnine analyzes and evaluates the course of events and the effects on the Company daily. Eastnine has a high occupancy rate, long remaining average rental period, mainly office tenants and high financial stability. All in all, this means that the Company is expected to have a stable base on which to face the negative consequences of the Corona pandemic.

### Risks and uncertainties

The dominant risks in Eastnine's operations is commercial risks in the form of changes in rent levels, vacancies and interest rates, as well as changes in the business climate, and exchange rates in the markets where Eastnine is present. In addition to real estate, a considerable part of Eastnine's net asset value is constituted by the holding in MFG, and a reduction in this holding's value could negatively impact Eastnine. A more detailed description of Eastnine's material risks and uncertainties is provided in note 30, "Financial risks and risk management".

### Future development

The Company is currently transitioning into a pure real estate company, with an aim to generate predictable cash flows by being a long-term owner of attractive commercial properties with stable tenants in prime locations in the Baltic capitals.

### Staff and remuneration guidelines

At year-end 2019, the Eastnine Group employed 19 full-time employees, of which nine were employed at the head office in Stockholm, eight in Vilnius as well as one in Tallinn and Riga each. In accordance with current guidelines, the Board proposed to the AGM 2019 the following with regard to remuneration of executive management: remuneration is comprised of fixed salary, variable salary, pension and insurance benefits, as well as other non-monetary benefits and other compensation. The Board determines at its own discretion on the basis of specific key performance indicators whether the executive management should be paid any variable salary. The senior executives can receive a maximum variable salary corresponding to 50 per cent of their fixed salary. The executive management have individual premium-based pension plans, pursuant to which the Company pays premiums corresponding to 4.5 per cent of the amount of fixed salary up to 7.5 income base amounts and premiums of 30 per cent of the fixed salary exceeding 7.5 income base amounts. In the event the Company terminates the CEO's employment, the Company is required to observe a six-month period of notice. The CEO is entitled to a severance payment corresponding to six months' salary.

The proposed guidelines for remuneration to senior executives, which will be put forward at the AGM on May 12, 2020, have been adjusted in relation to the proposals put forward at the 2019 AGM. The adjustments were made as a result of new regulations aimed at providing increased transparency in remuneration issues.

Information about salaries and current remuneration guidelines is found in note 5.

### Corporate governance and the Board's work

The Board shall be comprised of three to six directors without deputies. Board members are elected annually at the AGM for the period up to the next AGM. The complete articles of association may be found on [www.eastnine.com](http://www.eastnine.com).

Information regarding how the Company works and is controlled, i.e. through The Board and Committees, as well as internal control and risk management is reviewed in pages 72-79, Corporate Governance Report.

### Proposed disposition of earnings

The Board of Directors proposes that the unappropriated earnings in Eastnine AB (publ) are distributed as follows:

#### Total available funds for distribution, EUR:

|                       |                    |
|-----------------------|--------------------|
| Share premium reserve | 252,252,171        |
| Retained earnings     | -31,882,363        |
| Profit for the year   | 19,036,894         |
| <b>Total</b>          | <b>239,406,702</b> |

#### To be allocated as follows, EUR:

|                                                      |                    |
|------------------------------------------------------|--------------------|
| Dividend to shareholders SEK 2.70/share <sup>1</sup> | 5,433,156          |
| Funds to be carried forward                          | 233,973,546        |
| <b>Total</b>                                         | <b>239,406,702</b> |

<sup>1</sup> No dividend is paid for the Company's holding of own shares, whose exact number is determined on the record date for cash payment of the dividend. EUR 1 = SEK 10.51 on 31 December 2019 (Source: Reuters). Number of outstanding shares on 31 December 2019, adjusted for treasury shares, was 21,149,061.

## Consolidated Statement of Comprehensive Income

| EUR thousands                                                  | Note    | 2019          | 2018 <sup>1</sup> |
|----------------------------------------------------------------|---------|---------------|-------------------|
| Rental income                                                  | 3       | 13,348        | 4,855             |
| Property expenses                                              | 4       | -1,402        | -631              |
| <b>Net operating income</b>                                    |         | <b>11,946</b> | <b>4,225</b>      |
| Central administration expenses                                | 5,6,7,8 | -3,873        | -1,677            |
| Interest expenses                                              | 9       | -2,225        | -616              |
| Other financial income and expenses                            | 9       | -359          | 369               |
| <b>Profit from property management</b>                         |         | <b>5,489</b>  | <b>2,302</b>      |
| Unrealised changes in value of properties                      | 10      | 10,208        | 4,538             |
| Unrealised changes in value of derivatives                     | 11      | -1,006        | -276              |
| Unrealised changes in value of investments                     | 12      | 17,742        | 5,881             |
| Realised values and dividends from investments                 | 13      | 5,403         | 2,953             |
| Changes in fair value of subsidiaries and associated companies | 2       | -             | 1,035             |
| Dividend received                                              | 13      | -             | 930               |
| Other income                                                   | 14      | -             | 119               |
| Staff expenses                                                 | 6       | -             | -880              |
| Other operating expenses                                       | 6       | -             | -582              |
| Financial income                                               | 2       | -             | 683               |
| Financial expenses                                             | 2       | -             | -40               |
| <b>Profit/loss before tax</b>                                  |         | <b>37,836</b> | <b>16,662</b>     |
| Current tax                                                    | 15      | -             | -                 |
| Deferred tax                                                   | 15      | -2,570        | -1,021            |
| <b>Net profit/loss for the year<sup>2</sup></b>                |         | <b>35,266</b> | <b>15,641</b>     |
| Earnings per share, basic and diluted, EUR                     | 33      | 1.66          | 0.71              |

<sup>1</sup> Eastnine as an investment entity during the first six months and as a consolidating real estate company for the last six months.

<sup>2</sup> Net profit/loss for the year corresponds to Total comprehensive income for the year.

# Consolidated Statement of Financial Position

| EUR thousands                        | Note | 31 December, 2019 | 31 December, 2018 |
|--------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                        |      |                   |                   |
| Intangible assets                    | 16   | 2                 | 6                 |
| Investment properties                | 10   | 290,256           | 158,862           |
| Right-of-use assets, leasehold       | 8    | 1,204             | -                 |
| Equipment                            | 17   | 216               | 94                |
| Long-term securities holdings        | 12   | 88,709            | 92,898            |
| Other non-current receivables        | 18   | 175               | 213               |
| <b>Total non-current assets</b>      |      | <b>380,562</b>    | <b>252,074</b>    |
| Trade receivables                    | 19   | 1,140             | 330               |
| Short-term receivables               |      | 448               | 47                |
| Prepaid expenses and accrued income  | 20   | 767               | 198               |
| Cash and cash equivalents            | 21   | 37,406            | 65,119            |
| <b>Total current assets</b>          |      | <b>39,761</b>     | <b>65,694</b>     |
| <b>TOTAL ASSETS</b>                  |      | <b>420,322</b>    | <b>317,767</b>    |
| <b>EQUITY AND LIABILITIES</b>        |      |                   |                   |
| <b>Equity</b>                        |      |                   |                   |
| Share capital                        | 22   | 3,660             | 3,660             |
| Other contributed capital            |      | 252,252           | 260,145           |
| Retained earnings                    |      | -22,986           | -38,626           |
| Net profit/loss for the year         |      | 35,266            | 15,641            |
| <b>Total equity</b>                  |      | <b>268,192</b>    | <b>240,819</b>    |
| <b>Non-current liabilities</b>       |      |                   |                   |
| Liabilities to credit institutions   | 23   | 132,571           | 64,474            |
| Derivatives                          | 11   | 1,963             | 957               |
| Deferred tax liabilities             | 24   | 6,315             | 3,745             |
| Lease liability                      | 8    | 1,175             | -                 |
| Other non-current liabilities        | 25   | 1,745             | 1,251             |
| <b>Total non-current liabilities</b> |      | <b>143,769</b>    | <b>70,427</b>     |
| <b>Current liabilities</b>           |      |                   |                   |
| Liabilities to credit institutions   | 23   | 5,200             | 3,076             |
| Trade payables                       |      | 864               | 1,952             |
| Other liabilities                    | 26   | 1,347             | 692               |
| Accrued expenses and deferred income | 27   | 951               | 801               |
| <b>Total current liabilities</b>     |      | <b>8,362</b>      | <b>6,521</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>420,322</b>    | <b>317,767</b>    |

## Consolidated Statement of Changes in Equity

| EUR thousands                      | Share capital | Other contributed capital | Retained earnings incl. profit/loss for the year | Total equity for shareholders in Parent company |
|------------------------------------|---------------|---------------------------|--------------------------------------------------|-------------------------------------------------|
| Opening equity 1 January 2019      | 3,660         | 260,145                   | -22,986                                          | 240,819                                         |
| Net profit /loss for the year      | -             | -                         | 35,266                                           | 35,266                                          |
| <b>Total comprehensive income</b>  | -             | -                         | <b>35,266</b>                                    | <b>35,266</b>                                   |
| Dividend to shareholder            | -             | -4,519                    | -                                                | -4,519                                          |
| Share buy-back                     | -             | -3,525                    | -                                                | -3,525                                          |
| Long-term incentive program (LTIP) | -             | 151                       | -                                                | 151                                             |
| Closing equity 31 December 2019    | 3,660         | 252,252                   | 12,280                                           | 268,192                                         |

|                                    |       |         |               |               |
|------------------------------------|-------|---------|---------------|---------------|
| EUR thousands                      |       |         |               |               |
| Opening equity 1 January 2018      | 3,658 | 277,425 | -38,626       | 242,457       |
| Net profit /loss for the year      | -     | -       | 15,641        | 15,641        |
| <b>Total comprehensive income</b>  | -     | -       | <b>15,641</b> | <b>15,641</b> |
| Bonus issue                        | 3     | -3      | -             | -             |
| Dividend to shareholder            | -     | -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 | -22,986       | 240,819       |

## Consolidated Statement of Cash Flows

| EUR thousands                                                                | Note | 2019           | 2018          |
|------------------------------------------------------------------------------|------|----------------|---------------|
| <b>Operating activities</b>                                                  |      |                |               |
| Operating income before tax                                                  |      | 37,836         | 16,662        |
| Adjustments not included in cash flow                                        | 32   | -27,868        | -10,979       |
| Income tax paid                                                              |      | -              | -             |
| <b>Cash flow from operation activities before changes in working capital</b> |      | <b>9,968</b>   | <b>5,682</b>  |
| <b>Cash flow from changes in working capital</b>                             |      |                |               |
| Increase (-)/decrease(+) in other current receivables                        |      | -1,742         | 457           |
| Increase (+)/decrease(-) in other current payables                           |      | 210            | -4,322        |
| <b>Cash flow from operating activities</b>                                   |      | <b>8,436</b>   | <b>1,817</b>  |
| <b>Investing activities</b>                                                  |      |                |               |
| Investments in existing properties                                           |      | -1,965         | -4,761        |
| Acquisition of properties                                                    |      | -119,221       | -             |
| Purchase of equipment                                                        |      | -152           | -17           |
| Investments in other financial assets                                        |      | -1,982         | -             |
| Divestment of other financial assets                                         |      | 25,090         | -             |
| <b>Cash flow from investing activities</b>                                   |      | <b>-98,230</b> | <b>-4,778</b> |
| <b>Financing activities</b>                                                  |      |                |               |
| New loans                                                                    |      | 74,029         | 12,981        |
| Repayment of loans                                                           |      | -3,808         | -1,097        |
| Repayment of lease liabilities                                               |      | -55            | -             |
| Repayment of shareholders contributions                                      |      | -              | 11,513        |
| Dividend to shareholders                                                     |      | -4,519         | -4,451        |
| Share buy-back                                                               |      | -3,525         | -12,880       |
| <b>Cash flow from financing activities</b>                                   |      | <b>62,122</b>  | <b>6,066</b>  |
| <b>Cash flow for the year</b>                                                |      | <b>-27,672</b> | <b>3,105</b>  |
| Cash and cash equivalent at the beginning of the year                        |      | 65,119         | 13,168        |
| Effect of consolidating subsidiaries as of 1 July 2018 <sup>1</sup>          |      | -              | 48,869        |
| Exchange rate differences in cash and cash equivalents                       |      | -41            | -22           |
| <b>Cash and cash equivalent at year-end</b>                                  | 21   | <b>37,406</b>  | <b>65,119</b> |

<sup>1</sup> Until 30 June 2018, cash in subsidiaries was included in the fair value of subsidiaries.

## Income Statement – Parent Company

| EUR thousands                                   | Note    | 2019          | 2018          |
|-------------------------------------------------|---------|---------------|---------------|
| Other income                                    | 14      | 74            | 167           |
| Central administration expenses                 | 5,6,7,8 | -3,210        | -2,750        |
| <b>Operating profit/loss</b>                    |         | <b>-3,136</b> | <b>-2,583</b> |
| Profit/loss from shares in group companies      | 28      | -16           | 4,477         |
| Unrealised changes in value of investments      | 12      | 17,985        | 300           |
| Dividend received from investments              | 13      | 2,873         | 3,196         |
| Financial income                                | 9       | 1,383         | 1,376         |
| Financial expense                               | 9       | -52           | -22           |
| <b>Profit/loss before tax</b>                   |         | <b>19,037</b> | <b>6,744</b>  |
| Income tax                                      | 15      | -             | -             |
| <b>Net profit/loss for the year<sup>1</sup></b> |         | <b>19,037</b> | <b>6,744</b>  |

<sup>1</sup> Total comprehensive income for the year corresponds to net profit/loss for the year.

## Balance Sheet – Parent Company

| EUR thousands                        | Note | 31 Dec, 2019   | 31 Dec, 2018   |
|--------------------------------------|------|----------------|----------------|
| <b>ASSETS</b>                        |      |                |                |
| Right-of-use asset, leasehold        | 8    | 596            | -              |
| Equipment                            | 17   | 88             | -              |
| Shares in group companies            | 28   | 143,433        | 146,946        |
| Long-term securities holdings        | 12   | 66,897         | 48,912         |
| Loans to group companies             | 31   | 27,527         | 27,527         |
| <b>Total non-current assets</b>      |      | <b>238,541</b> | <b>223,385</b> |
| Short-term receivables               |      | 2              | 2              |
| Accrued interest income              | 20   | 2,752          | 1,376          |
| Prepaid expenses and accrued income  | 20   | 63             | 74             |
| Cash and cash equivalents            | 21   | 3,038          | 7,898          |
| <b>Total current assets</b>          |      | <b>5,855</b>   | <b>9,350</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>244,396</b> | <b>232,736</b> |
| <b>EQUITY AND LIABILITIES</b>        |      |                |                |
| <b>Equity</b>                        | 22   |                |                |
| <i>Restricted capital</i>            |      |                |                |
| Share capital                        |      | 3,660          | 3,660          |
| <i>Unrestricted capital</i>          |      |                |                |
| Share premium reserve                |      | 252,252        | 260,145        |
| Retained earnings                    |      | -31,882        | -38,626        |
| Net profit/loss for the year         |      | 19,037         | 6,744          |
| <b>Total equity</b>                  |      | <b>243,066</b> | <b>231,922</b> |
| <b>Non-current liabilities</b>       |      |                |                |
| Lease liability                      | 8    | 567            | -              |
| Other non-current liabilities        | 25   | 64             | 11             |
| <b>Total non-current liabilities</b> |      | <b>631</b>     | <b>11</b>      |
| <b>Current liabilities</b>           |      |                |                |
| Trade payables                       |      | 103            | 151            |
| Other liabilities                    | 26   | 139            | 108            |
| Accrued expenses and deferred income | 27   | 457            | 543            |
| <b>Total current liabilities</b>     |      | <b>699</b>     | <b>803</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |      | <b>244,396</b> | <b>232,736</b> |

## Statement of Changes in Equity – Parent Company

| EUR thousands                      | Share capital | Other contributed capital/Share premium reserve | Retained earnings incl. profit/loss for the year | Total equity for shareholders in Parent company |
|------------------------------------|---------------|-------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Opening equity 1 January 2019      | 3,660         | 260,145                                         | -31,882                                          | 231,922                                         |
| Net profit /loss for the period    | -             | -                                               | 19,037                                           | 19,037                                          |
| <b>Total comprehensive income</b>  |               |                                                 | <b>19,037</b>                                    | <b>19,037</b>                                   |
| Dividend to shareholder            | -             | -4,519                                          | -                                                | -4,519                                          |
| Share buy-back                     | -             | -3,525                                          | -                                                | -3,525                                          |
| Long-term incentive program (LTIP) | -             | 151                                             | -                                                | 151                                             |
| Closing equity 31 December 2019    | 3,660         | 252,252                                         | -12,845                                          | 243,066                                         |

| EUR thousands                      | Share capital | Other contributed capital/Share premium reserve | Retained earnings incl. profit/loss for the year | Total equity for shareholders in Parent company |
|------------------------------------|---------------|-------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Opening equity 1 January 2018      | 3,658         | 277,425                                         | -38,626                                          | 242,457                                         |
| Net profit /loss for the period    | -             | -                                               | 6,744                                            | 6,744                                           |
| <b>Total comprehensive income</b>  | -             | -                                               | <b>6,744</b>                                     | <b>6,744</b>                                    |
| Bonus issue                        | 3             | -3                                              | -                                                | -                                               |
| Dividend to shareholder            | -             | -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                                         | -31,882                                          | 231,922                                         |

## Statement of Cash Flows – Parent Company

| EUR thousands                                                                | Note | 2019          | 2018          |
|------------------------------------------------------------------------------|------|---------------|---------------|
| <b>Operating activities</b>                                                  |      |               |               |
| Operating income before tax                                                  |      | 19,037        | 6,744         |
| Adjustments not included in cash flow                                        | 32   | -14,301       | -4,777        |
| Income tax paid                                                              |      | -             | -             |
| <b>Cash flow from operation activities before changes in working capital</b> |      | <b>4,736</b>  | <b>1,967</b>  |
| <b>Cash flow from changes in working capital</b>                             |      |               |               |
| Increase (-)/decrease(+) in other current receivables                        |      | -1,365        | 1,196         |
| Increase (+)/decrease(-) in other current payables                           |      | -51           | -169          |
| <b>Cash flow from operating activities</b>                                   |      | <b>3,320</b>  | <b>2,994</b>  |
| <b>Investing activities</b>                                                  |      |               |               |
| Divestment of group companies, net cash effect                               |      | 49            | -             |
| Purchase of equipment                                                        |      | -89           | -             |
| Loan to group company                                                        |      | -             | -2,427        |
| <b>Cash flow from investing activities</b>                                   |      | <b>-40</b>    | <b>-2,427</b> |
| Repayment of lease liability                                                 |      | -55           | -             |
| Repayment of shareholder' contributions                                      |      | -             | 11,513        |
| Dividend to shareholders                                                     |      | -4,519        | -4,451        |
| Share buy-back                                                               |      | -3,525        | -12,880       |
| <b>Cash flow from financing activities</b>                                   |      | <b>-8,099</b> | <b>-5,818</b> |
| <b>Cash flow for the year</b>                                                |      | <b>-4,819</b> | <b>-5,251</b> |
| Cash and cash equivalent at the beginning of the year                        |      | 7,898         | 13,169        |
| Exchange rate differences in cash and cash equivalents                       |      | -41           | -19           |
| <b>Cash and cash equivalent at year-end</b>                                  | 21   | <b>3,038</b>  | <b>7,898</b>  |

# Notes to the financial statements

## 1 ACCOUNTING PRINCIPLES

### General information

Eastnine AB (publ), corporate registration no. 556693-7404, is a Swedish limited company, listed on Nasdaq Stockholm, with its registered office in Stockholm. The annual accounts and consolidated accounts for Eastnine AB (publ) relate to the January - December 2019 financial year and have been approved for publication by the Board on 23 March 2020, and will be presented for adoption by the Annual General Meeting on 12 May 2020. With the exception of the holding in JSC Melon Fashion Group (MFG) which is owned directly by Eastnine AB (Parent Company), the real estate activities are managed by the Estonian operating subsidiary Eastnine Baltics OÜ with subsidiaries in Latvia and Lithuania, together called Eastnine Group (Group).

### Compliance with standards and legislation

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as approved by the European Commission for application within the European Union. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary accounting rules for groups) has been applied. The accounting policies have been consistently applied to all periods presented in the financial statements, unless otherwise stated.

As of 1 July 2018, the Eastnine Group reports consolidated financial statements of the Parent Company and its subsidiaries. This change in status is accounted for prospectively meaning that historic numbers have not been restated. Up until and including 30 June 2018, Eastnine AB applied the investment entity consolidation exemption in IFRS 10, which means that all holdings are reported at fair value through profit or loss.

Other than the change of implementation relating to IFRS 16, the accounting principles and methods of calculation for the Group and the Parent Company are, in all material respects, unchanged from those used in the 2018 annual accounts.

### New or amended IFRS and new interpretations applied from 1 January 2019

The following new or amended standards or interpretations published by the IASB are considered relevant to the Group and have been applied for the financial year starting 1 January 2019.

IFRS 16 Leasing contracts means that lease agreements are reported as an asset and a liability in the balance sheet. For Eastnine as a lessee, the relevant statements chiefly concern office leases and site leasehold fees. Eastnine's lease agreements are reported in the balance sheet as a usage right and a leasing liability without recalculation of the reference year. The liability has been initially valued at the present value of future lease payments. On 1 January 2019, the leasing liability amounted to EUR 358k and is in its entirety attributable to site leasehold fees. Corresponding usage right has been stated in the balance sheet. Since the Company as a lessee cannot terminate the lease agreements, the lease is to be seen as perpetual, meaning that no repayment of the leasing liability is reported. Instead, the value is considered unchanged until the fee is renegotiated. The usage right likewise is considered to be perpetual with the effect that it does not depreciate. The costs relating to site leasehold fees are stated as financial expenses, unlike previous years when they were stated as property expenses. For the 2019 FY, the reported expense amounted to EUR 15k.

The change in accounting policy has had a minor impact on some key figures relating to yield and the equity/asset ratio. For Eastnine as a lessor, the new standard has not had a material impact on the Group's financial accounts.

No other new or changed standards have had a material impact on the Group's financial statements.

### New or amended IFRS and new interpretations that are not yet in force

Changes to the definition of business combinations in IFRS 3 Business Combination enter into force on 1 January 2020. The changed definition results in a simplified assessment of whether an acquisition constitutes an asset acquisition or not. If the fair value in all material respects is concentrated to an identifiable asset or group of assets, the acquisition can be considered as an asset acquisition. If not, the acquisition is to be tested against the criteria for business combinations. All of the Group's property acquisitions have been classified as asset acquisitions, and the changed standard is seen to simplify and reinforce future assessments. The Group has chosen not to apply the standard in advance, and the assessment is that the change will not have any material impact on the Company's future classifications.

### Functional currency and presentation currency

The Parent Company's functional currency is euro (EUR), which is also the presentation currency for the Parent Company and the Group. This means that the financial statements are presented in euro. All figures are presented in euro thousands unless otherwise stated. Rounding differences may occur.

### Estimates and assumptions in the financial statements

In preparing these financial statements according to the IFRS, the executive management makes judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual outcomes may deviate from these estimates and assessments. Estimates and underlying assumptions are regularly reviewed. Revisions to estimates are reported in the period in which the change takes place and in the future periods that are affected. The Company's executive management has discussed developments, the choice of and information on the Company's most important accounting principles and estimates, as well as the application of these principles and estimates, with the Board of Directors.

### Key sources of uncertainty in the estimates

The sources of uncertainty in the estimates below refer to such sources that result in a significant risk that the value of assets and liabilities may have to be substantially adjusted in the coming financial year.

For valuation of investment properties, assessments and assumptions can have a significant effect on the Group's income and financial position. These valuations require estimates and assumptions around future cash flows as well as determination of the discounting factor (required yield). To reflect the inherent uncertainty of these assessments and assumptions, property valuations typically specify an uncertainty range of +/- 5–10 per cent.

As regards other investments which are not traded on an active market and where fair value is determined not by actual bid quotes but by means of valuation models (see below in the section on financial instruments), there is a risk that the holdings will have substantially different fair values in future periods. The Company applies its models consistently from period to period, but the

determination of fair value is inherently uncertain.

Given the control procedures applied, the Group considers the fair values reported in the balance sheet to have been carefully calculated and considered in order to reflect the underlying financial values.

### **Important considerations in the application of the Group's accounting policies**

The holdings in JSC Melon Fashion Group, one of the holdings in which Eastnine invested during its period as an investment entity, constitute an associated company as Eastnine has significant influence over the company. This holding is recognised at fair value through profit/loss, using the exemption from the equity method in IAS 28. The exemption is applicable for activities that constitute a venture capital organisation or a securities fund, share fund or similar business including investment-linked insurance funds.

The assessment is that this exemption is applicable to Eastnine. This is the same assessment as was made during the time Eastnine was an investment entity. The purpose of the holdings in Eastnine's remaining activities from the time as an investment entity is exclusively to generate returns from dividends and/or increases in value, and on the condition that the holdings are retained for a limited time. The activities from the investment entity business are clearly and objectively separable from the real estate activities, and there are no points of contact between the two.

Eastnine has shares in an umbrella fund amounting to 12 per cent (compared to previous years, where they exceeded 20 per cent); which, for Eastnine, means a 44 per cent share of the returns from a sub-fund. These shares have been assessed not to constitute associated companies, as Eastnine cannot and has not been able to exert significant influence over the funds. The funds were started by a General Partner, whose business consists of managing funds. The rules that apply to the fund, and that have been accepted by the investors in the fund and by the General Partner, prescribe that the General Partner handles all management and makes all investment decisions. The investors, including Eastnine, have no ability to influence the management or the appurtenant decisions. For that reason, the Company has determined that there is no influence over the fund, neither significant nor controlling. The holding is therefore reported as an investment in accordance with IFRS 9, Financial Instruments.

### **Material accounting principles for the group Consolidated Financial Statement**

The consolidated financial statement includes the Parent Company, subsidiaries and associated companies. Subsidiaries are those companies over which the Parent Company has controlling influence. Controlling influence means that the Parent Company has power over the investment object, is exposed to or has the right to variable returns from its commitment and can use its power over the investment to impact the return. In the assessment of whether there is controlling influence, consideration is given to whether there are potential share voting rights or de facto control of shares.

The consolidated accounts have been drawn up in accordance with the acquisition accounting method. This means that assets and liabilities and contingent liabilities have been recognised at fair value at the time of acquisition. Income and costs of acquired businesses are included in the income statement from such time as they are available. The income statements of divested companies are included until the date the Company was vacated.

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.

### **Asset acquisition versus business combination**

Acquisition of companies can be classified either as business combinations or asset acquisitions. Acquisitions of companies where the main aim is to acquire the company's property and where any management organisation or administration, which may be part of the company, is of subordinate importance for the acquisition, are to be

classified as asset acquisitions. Acquisitions where this is not the case are classified as business combinations. In the case of asset acquisitions, no deferred tax attributable to the property acquisition is recognised; instead, any discounts reduce the property's acquisition value. All acquisitions made during the year have been classified as asset acquisitions.

### **Income**

Revenues primarily consist of rents for the provision of premises. Rental income is accrued linearly over the rental period in question. Discounts and other contractual reductions are reported as a reduction in rental income linearly over the rental period. Income from property divestments are recognised on the handover date.

### **Expenses**

Property expenses primarily relate to the costs of operating, repairing, maintaining, making tenant customisations, and property taxes. Property expenses that are charged to the tenants in accordance with the terms of the lease are eliminated in their entirety against received compensation. Sales and administration costs relate primarily to costs of central functions, such as business development, accounting, legal, IT, office as well as the Group's management team.

The cost of variable remuneration is estimated and accrued quarterly. The difference between the accrued variable remuneration and the actual payment is recognised in the income statement in the following year. Obligations related to contributions to defined contribution plans are carried as expenses in the income statement at the same rate as the salaries.

### **Share-related incentive programmes**

Share-related incentives relate to compensation to employees, including executive management, according to the long-term incentive programme which Eastnine established in 2018. Staff expenses are recognised as the value of services rendered, accrued over the vesting periods of the programme, calculated as the fair value of the allotted equity instruments. The fair value is determined at the time of allotment. The programmes are settled with equity instruments, which are classified as "equity settled", and an amount corresponding to the reported staff expenses is reported directly toward equity (other contributed capital).

The 2018 incentive programme consists of two types of rights:

- 1) Matching shares, which confer a right to Eastnine shares as long as the participant is still employed and still holds the savings share which has to be purchased at the outset.
- 2) Performance shares, which confer a right to shares under the same conditions, as well as if the performance requirements stated in note 5 are fulfilled.

The provision for social charges is based on the number of share rights that are expected to be earned, and on the fair value of the share rights at each reporting date, and finally at the allotment of shares.

### **Lease agreements**

#### *Accounting principles applied as of 1 January 2019*

For Eastnine as a lessee, the pertinent agreements are leases for premises and site leasehold fees. Eastnine's lease agreements are reported in the balance sheet as a usage right and a leasing liability. The usage right and the liability are initially valued at the present value of all future lease payments. To the extent that fees are pre-paid or to which there are initial costs, these are added to the value of the usage right. Regarding those lease agreements which cannot be terminated, the lease term is regarded as infinite, meaning that the leasing liability is not amortised but instead reported as unchanged until the fee is renegotiated. The usage right likewise is considered to be infinite with the effect that it does not depreciate. For other agreements, at present the leases for the Company's office in Stockholm, where the lease term is fixed, the usage right is depreciated, and the leasing liability is amortised at payment of the fee,

Note 1 cont.

using the straight-line method. Site leasehold fees are reported as an interest expense.

In addition to the stated usage rights, Eastnine as a tenant also has some lease agreements at a smaller value relating to e.g. office equipment. These are expensed linearly over the rental period.

*Principles applied up until and including 31 December 2018*

For periods before 2019, the cost of site leaseholds was reported as property expenses, and rent payments for offices were reported as a rental expense. No usage right asset or leasing liability was reported.

**Foreign currency transactions**

The functional currency of Eastnine is euro (EUR). Transactions in currencies other than euro are translated into the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing rate of exchange. Exchange rate differences arising on currency translations are recognised net as either financial income or financial expense in the income statement.

**Financial income and expenses**

Interest income and interest expenses on financial instruments are reported in the income statement in the period to which the amounts refer. Financial income consists of interest income from bank balances and receivables, as well as interest-bearing securities. Financial expenses consist of interest expenses on borrowings and other interest-bearing liabilities. Exchange rate gains and losses on monetary assets and liabilities are reported net.

Interest income on receivables and interest expenses on liabilities are calculated applying the effective interest method. The effective interest rate is the interest rate that discounts the instrument's future cash flows to the initial reported value of the instrument.

Transaction costs in connection with borrowing reduces the carrying amount of the loan and is allocated as an expense in the effective interest rate.

Interest and other financial expenses relating to new construction are capitalised during the construction period, while expensed on an on-going basis when related to renovation and extension, since the investments are smaller and execution time normally shorter.

**Taxes**

Income tax comprises current and deferred tax. Current tax is such which is to be paid or received in the current year, applying the tax rate applicable on the reporting day. Current tax also includes any adjustments of tax relating to previous periods.

Deferred tax is determined based on temporary differences between the reported and taxable values of assets and liabilities. In Estonia and Latvia, a corporate tax of 20 per cent is levied only on distributed profits, meaning that the tax rate is zero on undistributed profits. The reported deferred tax liability is based on this current tax rate of zero per cent, which is why no deferred taxes have been reported. The tax effect will be reported as current tax when the tax expense of determined dividends may be calculated. Temporary differences are also not taken into account when there is a difference between the initial recognition of assets and liabilities in asset acquisitions, and which at the time of the transaction does not affect either the reported or the taxable profits. Deferred tax is calculated using the tax rates and tax rules that are in force or expected to be in force when the deferred tax is expected to be used or paid. Deferred tax deductibles relating to deductible temporary differences or deficit deductions are reported only to the extent that it is probably these will be exploited. For asset acquisitions, no deferred tax is reported at the acquisition date; instead, the asset is recognised at an acquisition value corresponding to the asset's fair value after deductions for any deferred tax. Deferred tax relating to asset acquisitions is only reported when temporary differences appear after the acquisition date. Changes in a deferred tax deductible or liability is reported in the income statement as deferred tax. Deferred tax

deductibles or liabilities are eliminated when they refer to income tax debited by the same authority, and when the Group intends to settle the tax with a net amount.

**Financial instruments**

A financial instrument is any form of agreement that generates a financial asset or liability. According to the IFRS, cash and bank, trade receivables, certain other receivables, other financial stakes and loan receivables are to be seen as financial assets, and derivatives, trade payables, certain other liabilities and debt are to be seen as financial liabilities. A financial asset or liability is normally reported in the balance sheet on the date of transaction.

Financial instruments are reported initially at fair value plus any transaction expenses attributable to the acquisition, with the exception of trade payables which is normally reported at its transaction price, and of financial instruments in the category fair value via profit or loss, for which transaction expenses are initially carried. A financial asset and financial liability are offset and reported in the balance sheet at a net amount only when there is legal right to offset and when it is intended to settle the item with a net amount or to simultaneously realise the asset and settle the liability. A financial asset is removed from the balance sheet when the rights, according to the given agreement, are realised or mature, or when material risks or benefits relating to the asset are transferred. A financial liability (or part of thereof) is removed from the balance sheet when the obligation specified in the agreement is discharged or in any other manner extinguished.

**Classification and measurement**

Eastnine classifies its financial instruments in accordance with IFRS 9, Financial Instruments. The Group's financial instruments are classified in the following categories:

**Assets:**

- Financial assets valued at amortised cost
- Financial assets valued at fair value through profit/loss

**Liabilities:**

- Financial liabilities valued at amortised cost
- Financial assets valued at fair value through profit/loss

The classification of financial instruments is determined when initially reported, and thereafter valued according to the description below.

**Financial assets valued at amortised cost**

Loans and short-term investments comprising deposits in the balance sheet consisting of immediately available balances at banks and equivalent institutions are reported at amortised cost, using the effective interest method. Cash and cash equivalent and current receivables, for which discounting does not have a material effect, are reported at nominal amount.

**Financial liabilities valued at amortised cost**

Loans payable and other financial liabilities, for example trade payables (except for any interest rate swaps with negative value) are measured at amortised cost.

**Financial assets and liabilities valued at fair value through profit or loss**

Shares and stakes as well as short-term investments are valued at fair value through profit or loss. Investments in shares of funds (refer also to the section "Important considerations when applying the Group's accounting principles" and note 12), where the purpose of the holding is exclusively to generate returns with dividends and/or increases in value, and where Eastnine as a shareholder does not have significant influence over the fund's ongoing management nor its capital investments, are valued at fair value.

For investments classified as associated companies, the Group applies an exemption in IAS 28 p.18-19, which means that the holding is recognised at fair value through profit or loss. Refer also to the section below about associated companies. Interest derivatives are valued at fair value through the income statement (see the hedge accounting section below).

IPEVC Guidelines and International Valuation Standards Council ("IVSC") guidelines are applied for fair value determination. Unlisted holdings, other than investment properties, shall be initially valued by their acquisition price and subsequently at fair value in accordance with IFRS 13, using the International Private Equity and Venture Capital Valuation Guidelines (IPEVC Guidelines). In short, the following methods are used, in descending order:

- price of recent transactions;
- independent, reliable valuation that can be verified;
- other valuation methods that clearly and indisputably gives a better estimation of the fair value; or
- if the fair value on the previous balance day remains the best estimation of the fair value, considering value changes due to events or changes in circumstances. The Company may request, when necessary, an independent appraiser to perform a valuation of any investment.

#### **Associated companies**

Up until 30 June 2018, Eastnine applied the IFRS 10 principles for investment entities, whereby all holdings were reported at fair value through profit/loss. Regarding those holdings held for the exclusive purpose of generating returns via dividends and/or increases in value, and which were reported at fair value through profit or loss up until 30 June 2018, the assessment is that the holdings are most accurately represented by reporting their fair value through profit or loss, in accordance with the exemption in IAS 28 p.18-19. The holding in JSC Melon Fashion Group is clearly and objectively separated from Eastnine's primary business in investment properties, and there are no points of contact between MFG and the real estate business. At year-end, the holding only relates to shares in MFG, see also note 12.

#### **Hedge accounting**

Hedge accounting is not applied to interest derivatives. Derivatives are reported at fair value in the statement of financial position and as unrealised value changes in the income statement.

#### **Investment property**

##### *Definition and valuation*

Investment properties are properties that are held for the purposes of securing rental income, an increase in value, or a combination of the two. Investment properties comprise buildings, land, ground facilities and building equipment. Properties under construction or redevelopment that are intended to be used as investment properties will also be included in the investment property category.

Investment properties are initially reported at acquisition value and thereafter at fair value, in accordance with IAS 40. Valuation of the group's investment properties have been made in accordance with Level 3 of IFRS 13. For a description of the valuation methods applied and material input data, refer to note 10.

Both realised and unrealised changes in value are recognised in the statement of income. Realised value changes refer to value changes from the most recent interim report up until the date of divestment for those properties that were divested in the period, after consideration of capitalised investment expenses during the period. Unrealised value changes refer to other value changes that do not appear from acquisitions or capitalised investment expenses.

Property divestments and acquisitions are recognised in conjunction with the control of the property being transferred from the seller to the buyer, which typically is the same as the date of possession.

#### **Additional investments**

Additional investments attributable to investment properties are capitalised if it is probable that the future financial benefits associated with the asset will be available to the company, and that the investments increase the property's value. Examples of additional investments are measures to improve energy efficiency and thereby to improve net operating income, or when investments result in increases in the rent levels and/or lease extensions. Repairs and maintenance are carried as expenses in the period when the measure is carried out.

#### **Equipment and intangible assets**

Equipment and intangible assets are recognised at acquisition value less accumulated depreciation and any impairments. Depreciation takes place on a straight-line basis over the useful life.

#### **Provisions**

A provision is reported in the balance sheet when the Group has an existing legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation and when the amount can be estimated reliably. In cases in which the date of payment has a material effect, the amount of the provision is calculated via the discounting of the expected future cash flow to an interest rate before taxes which reflects the relevant market assessments of the effect of the time value of money and, if applicable, the risks associated with the liability. A provision for restructuring is reported when the Group has established an explicit, formal restructuring plan and restructuring has either begun or been publicly announced. No provision is made for future operating expenses.

#### **Impairment**

Expected credit losses are recognised in relation to financial assets not recognised at fair value through profit or loss. Expected loss rates are based on historical experience and additional information about current and future conditions.

Tangible assets and intangible assets not recognised at fair value through profit or loss are tested for impairment whenever there is an indication of need for impairment. An impairment is recognised if the higher of value in use and fair value less costs of disposal is lower than the carrying amount. If an asset does not generate cash inflows that are largely independent of cash inflows from other assets, the asset is tested in the smallest group of assets that generate largely independent cash inflows (a cash generating unit). A cash generating unit cannot be larger than an operating segment. Value in use is estimated as the present value of expected future cash flows generated by the asset / cash generating unit. Any impairment loss is recognised as expense in profit or loss.

#### **Cash flow statement**

The cash flow statement is prepared in accordance with the indirect method. This implies that profit or loss is adjusted for transactions which have not resulted in payments or receipts during the period, and for any income or expenses attributable to cash flow from investing or financing activities.

#### **Repurchase of shares**

Repurchase of own shares is recognised as a deduction from equity. These shares are issued, but not outstanding, and are not included in the calculation of dividends or earnings per share.

#### **Dividend**

The dividend reduces equity when approved by the Annual General Meeting.

#### **Earnings per share**

The calculation of earnings per share is based on the year's profit or loss for the Group, attributable to the shareholders in the Parent

*Note 1 cont.*

Company and on the weighted average number of shares outstanding during the year. When calculating earnings per share after dilution, the average number of shares is adjusted to take account of the effects of the diluting potential ordinary shares. Potential ordinary shares consists, during the reporting period, of share rights (so-called matching or performance share rights). Matching shares rights which are held by employees on the reporting day are considered diluting. Performance shares rights are diluting to the extent that the profit targets are met as of the reporting day. In order to calculate the dilution effect, an exercise price for the shares is applied corresponding to the value of future services per outstanding share right, calculated as the remaining expense to be reported in accordance with IFRS 2.

#### **Contingent liabilities**

A contingent liability is recognised when there is a possible obligation arising from past events and whose existence is confirmed by one or more uncertain future events, or when there is a commitment which is not reported as a provision due to the fact that it is unlikely that an outflow of resources will be required.

#### **Parent Company's accounting principles**

The Parent Company prepares its annual accounts according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Reporting of a legal entity. RFR 2 means that the Parent Company, in the annual accounts for the legal entity, shall apply all of the IFRSs approved by the EU and opinions to the greatest possible extent within the framework of the Annual Report Act and taking into consideration the link between accounting and taxation. The differences between the Group's and the Parent Company's accounting principles are set out below.

#### **Layout**

The income statement and balance sheet of the Parent Company is laid out according to the schema in the Annual Accounts Act, which results in e.g. equity being laid out in a different way. The layout of the income statement has changed in comparison to the previous year.

#### **Shares in subsidiaries**

Shares in subsidiaries are reported at the historical acquisition values, less any impairment.

#### **Dividends and group contributions**

Dividends from subsidiaries and associated companies are reported as financial income. Received and paid group contributions are reported in the income statement as appropriations.

#### **Shareholder contributions**

Shareholder contributions are reported as an increase in the number of shares in so far as there is no impairment.

#### **Financial guarantees**

The Parent Company's financial guarantee agreement consists of guarantees on behalf of companies within the Group. For reporting of financial guarantees, the Parent Company applies one of the relief regulations permitted in RFR2, compared to the regulations in IFRS 9 Financial instruments. The Parent Company reports financial guarantee agreements as a provision in the balance sheet when the Company has a commitment for a probable payment. Otherwise the obligation is reported as a contingent liability.

## 2 SEGMENT REPORTING

Eastnine classifies and evaluates their 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 and as a consolidating real estate company for the last six months.

| EUR thousands<br>1 Jan–31 Dec, 2019            | Real Estate<br>Direct | Real Estate<br>Funds | Other         | Unallocated   | Total         |
|------------------------------------------------|-----------------------|----------------------|---------------|---------------|---------------|
| Rental income                                  | 13,348                | -                    | -             | -             | 13,348        |
| Property expenses                              | -1,402                | -                    | -             | -             | -1,402        |
| <b>Net operating income</b>                    | <b>11,946</b>         | -                    | -             | -             | <b>11,946</b> |
| Central administration expenses                | -                     | -                    | -             | -3,873        | -3,873        |
| Interest expenses                              | -2,225                | -                    | -             | -             | -2,225        |
| Other financial income and expenses            | -308                  | -                    | -             | -51           | -359          |
| <b>Profit from property management</b>         | <b>9,413</b>          | -                    | -             | <b>-3,924</b> | <b>5,489</b>  |
| Unrealised changes in value of properties      | 10,208                | -                    | -             | -             | 10,208        |
| Unrealised changes in value of derivatives     | -1,006                | -                    | -             | -             | -1,006        |
| Unrealised changes in value of investments     | -                     | -243                 | 17,985        | -             | 17,742        |
| Realised values and dividends from investments | -                     | 2,530                | 2,873         | -             | 5,403         |
| <b>Profit/loss before tax</b>                  | <b>18,615</b>         | <b>2,287</b>         | <b>20,858</b> | <b>-3,924</b> | <b>37,836</b> |
| Deferred tax                                   | -2,570                | -                    | -             | -             | -2,570        |
| <b>Net profit/loss for the year</b>            | <b>16,045</b>         | <b>2,287</b>         | <b>20,858</b> | <b>-3,924</b> | <b>35,266</b> |
|                                                |                       |                      |               |               |               |
| Value of properties                            | 290,256               | -                    | -             | -             | 290,256       |
| Value of long-term securities holdings         | -                     | 21,812               | 66,897        | -             | 88,709        |
| Liabilities to credit institutions             | 137,771               | -                    | -             | -             | 137,771       |

Note 2 cont.

| EUR thousands<br>1 Jan–31 Dec, 2018                            | Real Estate<br>Direct | Real Estate<br>Funds | Other         | Unallocated   | Total          |
|----------------------------------------------------------------|-----------------------|----------------------|---------------|---------------|----------------|
| Rental income                                                  | 4,855                 | -                    | -             | -             | 4,855          |
| Property expenses                                              | -631                  | -                    | -             | -             | -631           |
| <b>Net operating income</b>                                    | <b>4,225</b>          | <b>-</b>             | <b>-</b>      | <b>-</b>      | <b>4,225</b>   |
| Central administration expenses                                | -                     | -                    | -             | -1,677        | -1,677         |
| Interest expenses                                              | -616                  | -                    | -             | -             | -616           |
| Other financial income and expenses                            | 351                   | -                    | -             | 18            | 369            |
| <b>Profit from property management</b>                         | <b>3,960</b>          | <b>-</b>             | <b>-</b>      | <b>-1,659</b> | <b>2,302</b>   |
| 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            |
| <b>Profit/loss before tax</b>                                  | <b>11,100</b>         | <b>4,839</b>         | <b>4,384</b>  | <b>-3,661</b> | <b>16,662</b>  |
| Deferred tax                                                   | -1,021                | -                    | -             | -             | -1,021         |
| <b>Net profit/loss for the year</b>                            | <b>10,079</b>         | <b>4,839</b>         | <b>4,384</b>  | <b>-3,661</b> | <b>15,641</b>  |
| <b>Value of properties</b>                                     | <b>158,862</b>        | <b>-</b>             | <b>-</b>      | <b>-</b>      | <b>158,862</b> |
| <b>Value of long-term securities holdings</b>                  | <b>-</b>              | <b>43,986</b>        | <b>48,912</b> | <b>-</b>      | <b>92,898</b>  |
| <b>Liabilities to credit institutions</b>                      | <b>67,550</b>         | <b>-</b>             | <b>-</b>      | <b>-</b>      | <b>67,550</b>  |

### 3 RENTAL INCOME

#### Operational leasing – the Group as a lessor

The Group's income is mainly rental income from lease agreements classified as operating leases, in accordance with IFRS 16. The rental income is reported linearly over the term of the lease. Advance rental payments are reported as prepaid rental income.

The table below shows the agreed annual rents for premises and parking spaces by date of expiration. The total contract volume at the end of the period, excluding future adjustments to index, amounted to EUR 83,102k (38,677).

| Contracted rental income,<br>EUR thousands | Group<br>31 Dec, 2019 31 Dec, 2018 |               |
|--------------------------------------------|------------------------------------|---------------|
| Rental income, maturity within 1 year      | 16,200                             | 7,534         |
| Rental income, maturity in 2 to 5 years    | 42,078                             | 17,874        |
| Rental income, maturity later than 5 years | 24,824                             | 13,269        |
| <b>Total</b>                               | <b>83,102</b>                      | <b>38,677</b> |

The table shows Eastnine's agreed annual rent based on existing lease agreements at year-end. Agreements, which expire during the stated year, are recalculated for twelve months. Discounts from agreed annual rent have not been made for rental discounts applying for less than 12 months.

#### Maturity structure of existing leases, 31 December, 2019

| Lease expiry, year       | Number<br>of leases | Contractual<br>annual rent,<br>EUR thousands | Share of annual<br>rent, % |
|--------------------------|---------------------|----------------------------------------------|----------------------------|
| 2019 <sup>1</sup>        | -                   | -                                            | -                          |
| 2020                     | 36                  | 1,350                                        | 8                          |
| 2021                     | 32                  | 1,937                                        | 11                         |
| 2022                     | 30                  | 3,955                                        | 23                         |
| 2023-                    | 54                  | 9,056                                        | 53                         |
| <b>Total of premises</b> | <b>152</b>          | <b>16,298</b>                                | <b>95</b>                  |
| Garage and parking       | -                   | 929                                          | 5                          |
| <b>Total</b>             | <b>152</b>          | <b>17,227</b>                                | <b>100</b>                 |

<sup>1</sup> Reflects lease agreements expiring December 31, 2019.

### 4 PROPERTY EXPENSES

| Distribution by type of cost<br>EUR thousands                    | Group<br>2019 2018 |             |
|------------------------------------------------------------------|--------------------|-------------|
| Expenses related to ongoing consumption, repairs and maintenance | -135               | -297        |
| Other direct property expenses                                   | -432               | -29         |
| Personnel costs                                                  | -390               | -223        |
| Depreciation                                                     | -32                | -29         |
| Other external expenses                                          | -413               | -52         |
| <b>Total</b>                                                     | <b>-1,402</b>      | <b>-631</b> |

## 5 EMPLOYEES, STAFF EXPENSES AND EXECUTIVE MANAGEMENT COMPENSATION

| Salaries, other remunerations and social charges, EUR thousands | Group        |              | Parent company |              |
|-----------------------------------------------------------------|--------------|--------------|----------------|--------------|
|                                                                 | 2019         | 2018         | 2019           | 2018         |
| Board of Directors and CEO                                      | 597          | 597          | 597            | 597          |
| of which variable                                               | 146          | 114          | 146            | 114          |
| Other employees                                                 | 1,502        | 1,255        | 683            | 552          |
| <b>Total</b>                                                    | <b>2,099</b> | <b>1,852</b> | <b>1,280</b>   | <b>1,149</b> |
| Social charges                                                  | 753          | 719          | 603            | 517          |
| of which pensions                                               | 143          | 140          | 143            | 140          |
| <b>Total</b>                                                    | <b>2,852</b> | <b>2,571</b> | <b>1,883</b>   | <b>1,666</b> |

| Average number of employees | Group     |           | Parent company |          |
|-----------------------------|-----------|-----------|----------------|----------|
|                             | 2019      | 2018      | 2019           | 2018     |
| Men                         | 7         | 7         | 4              | 4        |
| Women                       | 7         | 6         | 2              | 3        |
| <b>Total</b>                | <b>14</b> | <b>13</b> | <b>6</b>       | <b>7</b> |

### Executive management compensation

#### Remuneration to the Board

On 15 May 2019, the Annual General Meeting (AGM) determined that the Chairman of the Board will receive annual compensation of SEK 800,000 for the period until the next AGM. Other Board members will receive SEK 400,000 per person in compensation for the time until the next AGM. New Board members are compensated starting from election day (generally from decision at AGM) and retiring Board members are compensated until day of resign.

#### Remuneration to senior executives and other terms of employment

Guidelines for remuneration to the Company's senior executives will be resolved on a yearly basis at the AGM, based on proposals by the Board. Remuneration to senior executives consists of fixed salary, variable salary and pension, insurance and customary benefits. The Board decides at its own discretion whether the senior executives should be paid variable salary. The senior executives can receive a maximum variable salary corresponding to 50 per cent of their fixed salary. The senior executives have an individual premium-based pension plan, pursuant to which the Company pays premiums corresponding to 4.5 per cent of the fixed salary up to 7.5 Swedish income base amounts and premiums corresponding to 30 per cent of the fixed salary on the portion of the fixed salary that exceeds 7.5 Swedish income base amounts. In the event the Company terminates the CEO's employment, the Company is required to observe a six-month notice period. In addition, the CEO is entitled to a severance payment corresponding to six months' salary. In the event the CEO terminates his employment, he is required to observe a six-month notice period.

| Remuneration and other benefits, EUR thousands | 2019       |              |                              |                |                  |            | 2018       |              |                              |                |                  |            |
|------------------------------------------------|------------|--------------|------------------------------|----------------|------------------|------------|------------|--------------|------------------------------|----------------|------------------|------------|
|                                                | Board fee  | Fixed salary | Variable salary <sup>1</sup> | Other benefits | Pension expenses | Total      | Board fee  | Fixed salary | Variable salary <sup>1</sup> | Other benefits | Pension expenses | Total      |
| <b>Board of Directors</b>                      |            |              |                              |                |                  |            |            |              |                              |                |                  |            |
| Liselotte Hjorth, Chairman                     | 76         | -            | -                            | -              | -                | 76         | 66         | -            | -                            | -              | -                | 66         |
| Peter Elam Håkansson                           | 38         | -            | -                            | -              | -                | 38         | 40         | -            | -                            | -              | -                | 40         |
| Johan Ljungberg                                | 38         | -            | -                            | -              | -                | 38         | 26         | -            | -                            | -              | -                | 26         |
| Nadya Wells                                    | 38         | -            | -                            | -              | -                | 38         | 39         | -            | -                            | -              | -                | 39         |
| Peter Wågström                                 | 38         | -            | -                            | -              | -                | 38         | 26         | -            | -                            | -              | -                | 26         |
| Lars O Grönstedt, (former Chairman)            | -          | -            | -                            | -              | -                | -          | 41         | -            | -                            | -              | -                | 41         |
| Göran Bronner                                  | -          | -            | -                            | -              | -                | -          | 13         | -            | -                            | -              | -                | 13         |
| <b>Executive management</b>                    |            |              |                              |                |                  |            |            |              |                              |                |                  |            |
| Kestutis Sasnauskas, CEO                       | -          | 225          | 146                          | 5              | 55               | 431        | -          | 233          | 114                          | 1              | 42               | 390        |
| Other executive management, 1 (1) employee     | -          | 94           | 87                           | -              | 19               | 200        | -          | 148          | -                            | 7              | 30               | 185        |
| <b>Total</b>                                   | <b>228</b> | <b>319</b>   | <b>233</b>                   | <b>5</b>       | <b>74</b>        | <b>859</b> | <b>251</b> | <b>381</b>   | <b>114</b>                   | <b>8</b>       | <b>72</b>        | <b>826</b> |

<sup>1</sup> Variable salary amounted to EUR 233k (114) of which variable remuneration amounted to EUR 135k (94), remuneration within LTIP-programme amounted to EUR 61k (20) and other variable remuneration amounted to EUR 37k (-).

Note 5 cont.

**Long-Term Incentive Program**

Eastnine have established a long-term incentive programme ("LTIP") directed to employees of the group. The rationale for LTIP is to promote shareholder value and the company's long-term value creation capability by creating conditions for retaining and recruiting competent personnel, increasing the motivation amongst the participants, promoting a personal shareholding as well as aligning the participants' interest with the interest of the company's shareholders.

**LTIP 2018**

LTIP 2018 was directed to employees of the group who have been employed since 1 January 2018, divided into the following three categories: Category A (CEO and CFO), Category B (investment managers and country managers) and Category C (other employees). The employees in Category A–C are collectively referred to as the "Participants".

Participation in LTIP 2018 presupposed that the Participant purchased shares in the company for an amount corresponding to up to two months' gross fixed salary as of 1 April 2018 ("Saving Share").

Each Saving Share entitled the Participants to receive (a) one share in the company free of charge ("Matching Share") and (b) up to five shares in the company free of charge ("Performance Shares") depending on Category and satisfaction of the requirements specified in the table below as well as the board of directors' decision.

| Category | Matching Shares* | Performance Shares for the satisfaction of Requirement 1* | Performance Shares for the satisfaction of Requirement 2* |
|----------|------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| A        | 1.0              | Up to 2.5                                                 | Up to 2.5                                                 |
| B        | 1.0              | Up to 2.0                                                 | Up to 2.0                                                 |
| C        | 1.0              | Up to 0.5                                                 | Up to 0.5                                                 |

\* Maximum number of shares per Saving Share that entitle the Participant to allotment of Matching Shares or Performance Shares pursuant to the terms and conditions of LTIP 2018. Requirements 1 and 2 are defined below.

The right to receive Performance Shares is conditional upon on the satisfaction of the performance requirements set out below.

**Requirement 1** means that the profit from the segment Real Estate Direct during the period 1 October–31 December, 2020 shall reach EUR 3.75 million (corresponding to a profit from the segment Real Estate Direct of EUR 15 million on an annualised basis, which is in line with the Company's financial target).

**Requirement 2** means that the average annual return on equity related to the segment Real Estate Direct during the period 1 July 2018–30 June 2021 shall exceed 13 per cent.

In aggregate, a maximum of 67,550 shares in the company, of which 15,675 are Matching Shares and 51,875 are Performance Shares, may be allotted to the Participants.

Matching Shares and Performance Shares are expected to be allotted to the Participants within 45 days from the publication of Eastnine's interim report for January–September 2021. The period from 30 June 2018 up until the date of the publication of the Company's interim report for January–September 2021 is below referred to as the "Vesting Period".

Should the Share Price at Allotment (as defined below) exceed 300 per cent of SEK 87.44, the number of Matching Shares and Performance Shares to be allotted shall be reduced by way of multiplying the number of Saving Shares that entitle to allotment by a factor equal to the Share Price Cap divided by the Share Price at Allotment. The value of the company's shares in connection with allotment (the "Share Price at Allotment") shall be calculated based on the volume weighted average price of the company's share on Nasdaq Stockholm during the ten trading days immediately following the publication of the Company's interim report for January–September 2021.

**Repurchase of own shares**

Eastnine AB repurchased 116,914 own shares for an amount of EUR 1.1m, in order to secure delivery of shares under LTIP 2018 and to secure and cover social security charges.

| Number of share rights                    | Group         |               | Parent company |               |
|-------------------------------------------|---------------|---------------|----------------|---------------|
|                                           | 2019          | 2018          | 2019           | 2018          |
| Outstanding at the beginning of the year  | 67,550        | -             | 43,061         | -             |
| Allocated in the period                   | -             | 85,388        | -              | 60,899        |
| Forfeited in the period                   | -             | -17,838       | -              | -17,838       |
| <b>Outstanding at the end of the year</b> | <b>67,550</b> | <b>67,550</b> | <b>43,061</b>  | <b>43,061</b> |

| Fair value and assumptions                  | Group |       | Parent company |       |
|---------------------------------------------|-------|-------|----------------|-------|
|                                             | 2019  | 2018  | 2019           | 2018  |
| Fair value at valuation date, EUR thousands | 457   | 348   | 290            | 220   |
| Share price <sup>1</sup> , SEK              | 87.34 | 87.34 | 87.34          | 87.34 |
| Exercise price, SEK                         | -     | -     | -              | -     |
| Term of the share rights, years             | 1.88  | 2.88  | 1.88           | 2.88  |

<sup>1</sup> The share price is adjusted for dividends during the vesting period.

| Personnel expenses for share-related remuneration, EUR thousands | Group      |           | Parent company |           |
|------------------------------------------------------------------|------------|-----------|----------------|-----------|
|                                                                  | 2019       | 2018      | 2019           | 2018      |
| Share rights                                                     | 151        | 52        | 96             | 33        |
| Social charges                                                   | 52         | 11        | 52             | 11        |
| <b>Total</b>                                                     | <b>203</b> | <b>63</b> | <b>148</b>     | <b>44</b> |

**6****CENTRAL ADMINISTRATION EXPENSES AND OTHER OPERATING EXPENSES**

Central administration expenses are expenses for the Group's management and other costs relating to being a publicly listed company on Nasdaq Stockholm. The administration expenses relating to property management are reported as part of the property expenses.

**Leasing**

Minor leasing expenses are reported as a cost in the income statement and allocated linearly over the term of the lease agreement. For Eastnine, these leasing expenses are costs relating to typical office equipment of lesser value.

| Distribution by type of cost, EUR thousands | Group         |               | Parent company |               |
|---------------------------------------------|---------------|---------------|----------------|---------------|
|                                             | 2019          | 2018          | 2019           | 2018          |
| Marketing and PR                            | -100          | -116          | -100           | -116          |
| IT and accounting services                  | -107          | -136          | -90            | -122          |
| Legal services                              | -332          | -89           | -332           | -89           |
| Staff expenses                              | -2,524        | -2,072        | -1,925         | -1,708        |
| Other external costs                        | -810          | -726          | -763           | -715          |
| <b>Total</b>                                | <b>-3,873</b> | <b>-3,139</b> | <b>-3,210</b>  | <b>-2,750</b> |

| Allocation in the income statement, EUR thousands | Group         |               | Parent company |               |
|---------------------------------------------------|---------------|---------------|----------------|---------------|
|                                                   | 2019          | 2018          | 2019           | 2018          |
| Central administration expenses                   | -3,873        | -1,677        | -3,210         | -2,750        |
| Staff expenses                                    | -             | -880          | -              | -             |
| Other operating expenses                          | -             | -582          | -              | -             |
| <b>Total</b>                                      | <b>-3,873</b> | <b>-3,139</b> | <b>-3,210</b>  | <b>-2,750</b> |

## 7 FEES AND EXPENSES FOR AUDITORS

| EUR thousands                       | Group       |             | Parent company |            |
|-------------------------------------|-------------|-------------|----------------|------------|
|                                     | 2019        | 2018        | 2019           | 2018       |
| Audit fee                           | -159        | -102        | -111           | -48        |
| Audit assignments except audit fees | -           | -31         | -              | -31        |
| Tax assignments                     | -4          | -           | -              | -          |
| Other assignments                   | -           | -7          | -              | -7         |
| <b>Total</b>                        | <b>-163</b> | <b>-140</b> | <b>-111</b>    | <b>-86</b> |

Audit fee refers to auditing of the annual report, the accounting records and the administration of the Board of directors and the CEO, other tasks incumbent on the Company's independent auditor, and advice or other assistance prompted by observations from such audits or the performance of other such tasks which are shown in table above.

## 8 LEASE AGREEMENT

| Usage rights, EUR thousands                         | 2019         |                |
|-----------------------------------------------------|--------------|----------------|
|                                                     | Group        | Parent company |
| Right-of-use asset at 31 December, 2018             | -            | -              |
| Recalculation, pursuant to IFRS 16, 1 January, 2019 | 358          | -              |
| Additional right-of-use assets during the year      | 872          | 622            |
| Depreciations of the year                           | -26          | -26            |
| <b>Total right-of-use assets at end of the year</b> | <b>1,204</b> | <b>596</b>     |

| Leasing liability, EUR thousands                    | 2019         |                |
|-----------------------------------------------------|--------------|----------------|
|                                                     | Group        | Parent company |
| Leasing liability at 31 December, 2018              | -            | -              |
| Recalculation, pursuant to IFRS 16, 1 January, 2019 | 358          | -              |
| Additional leasing liability during the year        | 872          | 622            |
| Repayment of the lease                              | -55          | -55            |
| <b>Total leasing liability at end of the year</b>   | <b>1,175</b> | <b>567</b>     |

| Cash flow attributable to lease agreement, EUR thousands         | 2019       |                |
|------------------------------------------------------------------|------------|----------------|
|                                                                  | Group      | Parent company |
| Cash flow from lease agreements recognised as right-of-use asset | -71        | -55            |
| Cash flow from leases of lesser value                            | -14        | -14            |
| <b>Total cash flow from lease agreements</b>                     | <b>-85</b> | <b>-69</b>     |

Eastnine does not apply the standard retroactively. The standard means that lease agreements are taken up in the accounts as an asset (usage right) and a liability (leasing liability) without recalculation of the reference year. The liability has been initially valued at the present value of future lease payments. The corresponding value of the usage right has been stated in the balance sheet. Since the Company as a lessee cannot terminate the lease agreements, the lease term is to be seen as perpetual, meaning that no repayment of the leasing liability is reported; instead, the value is considered unchanged until the fee is renegotiated. The usage right likewise is considered to be perpetual, and as such it does not depreciate. The costs relating to site leasehold fees are stated as financial expenses, unlike previous years in which they were stated as property expenses. As regards other agreements, at present the rent for the Company's premises in Stockholm for which the lease term is fixed, the usage right is depreciated on the straight-line method and the leasing liability is amortised when the fee is paid. Site leasehold fees are reported as an interest expense.

In addition to the stated usage rights, Eastnine also has some lease agreements of lesser value, relating to e.g. office equipment. These are expensed linearly across the rental period.

## 9 INTEREST EXPENSES AND OTHER FINANCIAL INCOME AND EXPENSES

| Interest expenses, EUR thousands              | Group         |             | Parent company |            |
|-----------------------------------------------|---------------|-------------|----------------|------------|
|                                               | 2019          | 2018        | 2019           | 2018       |
| Interest expenses attributable to credit loan | -1,609        | -379        | -              | -          |
| Interest expenses attributable to derivatives | -616          | -229        | -              | -          |
| Net foreign exchange loss <sup>1</sup>        | -             | -           | -44            | -22        |
| Other                                         | -             | -7          | -8             | -          |
| <b>Total interest expenses</b>                | <b>-2,225</b> | <b>-616</b> | <b>-52</b>     | <b>-22</b> |

| Other financial income and expenses, EUR thousands | 2019        | 2018       | 2019         | 2018         |
|----------------------------------------------------|-------------|------------|--------------|--------------|
| Interest income from group companies               | -           | -          | 1,377        | 1,376        |
| Capitalized interest expenses <sup>2</sup>         | -           | 362        | -            | -            |
| Other interest income                              | -           | 18         | -            | -            |
| Net foreign exchange loss <sup>1</sup>             | -44         | -11        | -            | -            |
| Other financial income                             | 12          | -          | 6            | -            |
| Other financial expenses                           | -327        | -          | -            | -            |
| <b>Total other financial income and expenses</b>   | <b>-359</b> | <b>369</b> | <b>1,383</b> | <b>1,376</b> |

<sup>1</sup> Net foreign gain/loss of cash and cash equivalents.

<sup>2</sup> Capitalized interest expenses attributable to intragroup loan.

## 10 INVESTMENT PROPERTIES

### Definition

Investment properties are such properties that are held for the purpose of generating a positive net operating income (rental income less property expenses). Properties that are considered to be investment properties are reported in the balance sheet at fair value, and value changes are recognised in the income statement.

| EUR thousands                                          | Group   |         |
|--------------------------------------------------------|---------|---------|
|                                                        | 2019    | 2018    |
| Carrying amount at beginning of year                   | 158,862 | -       |
| Effect of consolidating subsidiaries from 1 July, 2018 | -       | 149,564 |
| Acquisition                                            | 119,221 | -       |
| Investments in owned properties                        | 1,965   | 4,760   |
| Unrealised changes in value <sup>1</sup>               | 10,208  | 4,538   |
| Carrying amount at end of year                         | 290,256 | 158,862 |

<sup>1</sup> The unrealised value change is reported in the income statement on the row "Unrealised value changes in properties".

### Valuation of properties

All of the properties in Eastnine's portfolio have, as of 31 December 2019, been internally valued. Internal valuations are carried out as an integrated part of the business process, where an independent assessment of the market value is carried out for each property. Valuations are carried out by comparing the market's required return (gross yield) to the future cash flow from the rental income of the properties. Property valuations are based on assessments and assumptions at the time of acquisition, after which future changes in rental income are the basis for assessment. Observable data that have a significant impact on the value are comprised chiefly of current rent levels, but also of property expenses and investments. Non-observable data include yield requirements, expected future rent levels, and vacancies. Eastnine carries out quarterly internal property valuations based on a cash-flow model where each investment property is individually valued, using the present value of future cash flow from triple-net rental income, for ten years plus the residual value at the end of the calculation period. Assessed rental income is based on existing income. Consideration is made for any future changes to occupancy rate and rent levels. As agreements expire, an evaluation of market rent and vacancy risk is made based on the current vacancy levels and the property's location and condition. All properties are valued at least once every year by an independent appraiser with recognised

qualifications. The external valuation is compared to the internal valuation for the purpose of improving the internal valuation model.

### Valuation model

Eastnine reports its property portfolio at fair value. The valuation model is a cash-flow model where the present value of rental income is computed over a ten-year period, supplemented by residual present value at the end of the calculation period. Future rental income is adjusted to the assessed market rent without considering inflation. The model assumes that premises, when a lease agreement expires, are re-let on conditions prevailing in the market. The valuation model has a value margin meaning that value changes, calculated per property, may only impact the assessed fair value if the change exceeds 2.5 per cent.

The discount rate is based on estimations of the market return requirement on similar investment objects, with the addition of risks related to real estate, such as geographical location, the condition of the property, and future vacancy risk. The discount rate used in the real estate valuations is in the interval 5.80 - 7.50 per cent, averaging 6.40 per cent. The lower interval relates to newly constructed properties in central locations, and the higher interval reflects increased risks related to the property's condition and vacancy risk. The initial yield requirement, based on current cash flow, is between 5.62 and 6.58 per cent, averaging 6.25 per cent.

### Valuation of investment properties for property development

The value of investment properties associated with development opportunities is estimated on the basis of noted price levels on the sale of land and construction rights, considering an assessment of new construction. At the end of 2019, Eastnine acquired the property Kimmel, where an estimated 34,000 sq.m. of lettable area may be developed.

| Sensitivity analysis        | Assumptions | Value change, EUR thousands |
|-----------------------------|-------------|-----------------------------|
| Rental income, %            | +/- 5.0     | 14,513                      |
| Yield requirement, gross, % | +/-0.25     | -10,675/11,552              |

| Assumptions valuation model <sup>1</sup>          | 2019      | 2018      |
|---------------------------------------------------|-----------|-----------|
| Discount rate, %                                  | 5.80-7.50 | 6.00-7.00 |
| Weighted initial yield, %                         | 6.25      | 6.21      |
| Average vacancy in sq.m at end of model period, % | 3.2       | 4.9       |

<sup>1</sup> The valuation assumptions correspond in all material respects between the different geographical locations and types of property.

| Country   | Investment properties | Weighted yield requirement, % | Average initial yield, % | Market value, EUR thousands |
|-----------|-----------------------|-------------------------------|--------------------------|-----------------------------|
| Latvia    | 4                     | 6.91                          | 6.91                     | 64,435                      |
| Lithuania | 5                     | 6.09                          | 6.09                     | 225,821                     |
| Total     | 9                     | 6.40                          | 6.25                     | 290,256                     |

## 11 DERIVATIVES

| Maturity, year, EUR thousands | Nominal <sup>1</sup> | Market value | Average interest rate, % |
|-------------------------------|----------------------|--------------|--------------------------|
| 2020                          | -                    | -            | -                        |
| 2021                          | -                    | -            | -                        |
| 2022                          | -                    | -            | -                        |
| 2023                          | 62,776               | -1,468       | 0.79                     |
| 2024                          | 45,743               | -495         | 0.42                     |
| Total                         | 108,519              | -1,963       | 0.63                     |

| Valuation of derivatives <sup>1</sup> , EUR thousands | Group  |      |
|-------------------------------------------------------|--------|------|
|                                                       | 2019   | 2018 |
| Carrying amount at beginning of year                  | -957   | -681 |
| Unrealised changes in value                           | -1,006 | -276 |
| Carrying amount at end of year                        | -1,963 | -957 |

<sup>1</sup> All derivatives at end of year are interest rate swaps.

## 12 LONG-TERM SECURITIES HOLDINGS

| EUR thousands                                          | Group         |               | Parent company |               |
|--------------------------------------------------------|---------------|---------------|----------------|---------------|
|                                                        | 2019          | 2018          | 2019           | 2018          |
| Carrying amount at beginning of year                   | 92,898        | 48,613        | 48,912         | 48,613        |
| Effect of consolidating subsidiaries from 1 July, 2018 | -             | 38,404        | -              | -             |
| Acquisition/investments                                | 1,982         | -             | -              | -             |
| Divestments                                            | -25,090       | -             | -              | -             |
| Unrealised changes in value                            | 17,742        | 5,881         | 17,985         | 300           |
| Realised changes in value                              | 1,177         | -             | -              | -             |
| <b>Carrying amount at end of year</b>                  | <b>88,709</b> | <b>92,898</b> | <b>66,897</b>  | <b>48,912</b> |

All investments in the table below are valued at fair value through profit/loss.

| Portfolio 2019                                    | Place of business | IFRS classification | Segment           | Share of profit/loss, % | EUR thousands |                 |                 |
|---------------------------------------------------|-------------------|---------------------|-------------------|-------------------------|---------------|-----------------|-----------------|
|                                                   |                   |                     |                   |                         | Dividend      | Change in value | Carrying amount |
| East Capital Baltic Property Fund II <sup>1</sup> | Luxembourg        | Investment          | Real Estate Funds | 44                      | 1,280         | -243            | 21,812          |
| JSC Melon Fashion Group <sup>2,3</sup>            | Russia            | Associated company  | Other             | 36                      | 2,873         | 17,985          | 66,897          |
| <b>Total</b>                                      |                   |                     |                   |                         |               | <b>17,742</b>   | <b>88,709</b>   |

| Portfolio 2018                                     | Place of business | IFRS classification | Segment           | Share of profit/loss, % | EUR thousands |                 |                 |
|----------------------------------------------------|-------------------|---------------------|-------------------|-------------------------|---------------|-----------------|-----------------|
|                                                    |                   |                     |                   |                         | Dividend      | Change in value | Carrying amount |
| East Capital Baltic Property Fund II <sup>1</sup>  | Luxembourg        | Investment          | Real Estate Funds | 45                      | 1,280         | 1,213           | 22,055          |
| East Capital Baltic Property Fund III <sup>1</sup> | Luxembourg        | Investment          | Real Estate Funds | 22                      | -             | 2,258           | 21,931          |
| JSC Melon Fashion Group <sup>2,3</sup>             | Russia            | Associated company  | Other             | 36                      | 3,196         | 300             | 48,912          |
| <b>Total</b>                                       |                   |                     |                   |                         |               | <b>3,770</b>    | <b>92,898</b>   |

### <sup>1</sup> Fund shares

The reported shares in the table relates to the Group's share in profits. The sub-fund East Capital Baltic Property Fund II (and in previous years, also East Capital Baltic Property Fund III) are part of the umbrella fund, East Capital (Lux) SCA, SICAV-SIF, in which Eastnine's ownership and voting shares amount to 12 per cent (23) at year-end. The funds have been created and are managed by a General Partner, who makes all decisions on the ongoing management of the fund and its capital investment without any influence from the investors. The investment in fund shares is held exclusively for the purpose of generating returns from dividends and/or increases in value. Total return during the year amounted to 4.7 per cent (11.7).

### <sup>2</sup> Associated company

Eastnine AB owns 36 per cent of JSC Melon Fashion Group ("Melon Fashion Group" or "MFG"), an unlisted company registered in Russia. MFG is one of the fastest growing Russian fashion retail companies. Up until 30 June 2018, Eastnine applied the IFRS 10 principles for investment entities, whereby all holdings were reported at fair value. The purpose of Eastnine's holding is exclusively to generate returns from dividends and/or increases in value. Total return during the year amounted to 42.6 per cent (7.2). The holding in MFG is clearly and objectively separated from Eastnine's primary business in investment properties, and there are no points of contact between MFG and the real estate business. The assessment is that the holding is best represented by reporting its fair value through profit/loss, in accordance with the exemption in IAS 28 p.18-19.

### <sup>3</sup> Melon Fashion Group

The table below is a summary of financial information on the associated company Melon Fashion Group. The company's official statements are presented in rouble. The financial information in tabel below is presented in EUR thousands. Balance sheet is restated into euro at the exchange rate prevailing on the reporting day. At year end, the exchange rate is 1 RUB=0,0143 EUR.

| Condensed Balance Sheet, EUR thousands | 2019           | 2018          |
|----------------------------------------|----------------|---------------|
| Non-current assets                     | 156,391        | 28,307        |
| Current assets                         | 94,611         | 63,899        |
| <b>Total assets</b>                    | <b>251,002</b> | <b>92,206</b> |
| Equity                                 | 43,819         | 32,382        |
| Non-current liabilities                | 77,621         | 3,838         |
| Current liabilities                    | 129,562        | 55,986        |
| <b>Total equity and liabilities</b>    | <b>251,002</b> | <b>92,206</b> |

| Condensed Income Statement, EUR thousands      | 2019           | 2018           |
|------------------------------------------------|----------------|----------------|
| Income                                         | 318,798        | 238,369        |
| Cost of sales                                  | -151,709       | -114,437       |
| <b>Gross profit</b>                            | <b>167,089</b> | <b>123,932</b> |
| Other operating expenses                       | -131,372       | -105,287       |
| Financial income and expenses                  | -15,169        | -121           |
| Tax                                            | -4,215         | -4,847         |
| <b>Net profit for the year</b>                 | <b>16,333</b>  | <b>13,677</b>  |
| Profit/loss from discontinued operations       | -176           | -126           |
| <b>Total comprehensive profit for the year</b> | <b>16,157</b>  | <b>13,551</b>  |

## 13 REALISED VALUES AND DIVIDENDS FROM INVESTMENTS

| EUR thousands                                     | Group        |                   | Parent company |              |
|---------------------------------------------------|--------------|-------------------|----------------|--------------|
|                                                   | 2019         | 2018 <sup>1</sup> | 2019           | 2018         |
| Melon Fashion Group                               | 2,873        | 3,196             | 2,873          | 3,196        |
| East Capital Baltic Property Funds II             | 1,280        | 640               | -              | -            |
| East Capital Baltic Property Funds III            | 1,177        | -                 | -              | -            |
| Repayment of charged management fees in the funds | 74           | 47                | -              | -            |
| <b>Total</b>                                      | <b>5,403</b> | <b>3,883</b>      | <b>2,873</b>   | <b>3,196</b> |

<sup>1</sup>For year 2018 the Total is recognised as "Realised values and dividends from investments" and "Dividends redceived" in Consolidated Statement.

## 14 OTHER INCOME

| EUR thousands                                     | Group    |            | Parent company |            |
|---------------------------------------------------|----------|------------|----------------|------------|
|                                                   | 2019     | 2018       | 2019           | 2018       |
| Repayment of charged management fees in the funds | -        | 119        | 74             | 167        |
| <b>Total</b>                                      | <b>-</b> | <b>119</b> | <b>74</b>      | <b>167</b> |

## 15 TAXES

Reconciliation of effective tax

| EUR thousands                                                              | Group         |               | Parent company |              |
|----------------------------------------------------------------------------|---------------|---------------|----------------|--------------|
|                                                                            | 2019          | 2018          | 2019           | 2018         |
| <b>Profit/loss before tax</b>                                              | <b>37,836</b> | <b>16,662</b> | <b>19,037</b>  | <b>6,744</b> |
| Tax as per applicable tax rate in Sweden, 21.4 % (22.0)                    | -8,097        | -3,666        | -4,074         | -1,484       |
| Difference in tax rate in foreign operations                               | 2,025         | 1,243         | -              | -            |
| Tax effect of non-taxable fair value adjustments                           | 6,233         | 2,459         | 3,845          | 1,051        |
| Tax effect of non-taxable income from dividend                             | 889           | 844           | 615            | 703          |
| Tax effect of other non-taxable income                                     | 6             | 3             | -              | -            |
| Tax effect of non tax-deductible expenses                                  | -268          | -62           | -6             | -5           |
| Tax effect of tax-deductible expenses not recorded                         | -2,838        | -1,575        | -              | -            |
| Not recognized tax of tax losses carried forward for the year <sup>1</sup> | -380          | -267          | -380           | -265         |
| Adjustment deferred tax of previous year                                   | -140          | -             | -              | -            |
| <b>Total</b>                                                               | <b>-2,570</b> | <b>-1,021</b> | <b>-</b>       | <b>-</b>     |
| Average applicable tax rate, %                                             | 6.8           | 6.1           | -              | -            |

<sup>1</sup>Deferred tax assets are reported to the extent it is possible that they can be utilised by future taxable profits. Unrealised tax effects on tax losses forward amount to EUR 2.6m in Parent Company, which has not been recognised in the balance sheet as future profits will mainly be deemed to be attributable to direct investments which are not taxable.

## 16 INTANGIBLE ASSETS

| EUR thousands                                        | Group      |           |
|------------------------------------------------------|------------|-----------|
|                                                      | 2019       | 2018      |
| Accumulated acquisition values at beginning of year  | 14         | -         |
| Effect of consolidated subsidiaries at 1 July, 2018  | -          | 28        |
| Divestment/disposal                                  | -          | -20       |
| Activations for the year                             | -          | 6         |
| <b>Accumulated acquisition values at end of year</b> | <b>14</b>  | <b>14</b> |
| Accumulated depreciation at beginning of year        | -8         | -         |
| Effect of consolidated subsidiaries at 1 July, 2018  | -          | -7        |
| Divestment/disposal                                  | -          | 1         |
| Depreciation of the year                             | -4         | -2        |
| <b>Accumulated depreciation at end of year</b>       | <b>-12</b> | <b>-8</b> |
| Carrying amount at end of year                       | 2          | 6         |

## 17 EQUIPMENT

| EUR thousands                                        | Group       |             | Parent company |          |
|------------------------------------------------------|-------------|-------------|----------------|----------|
|                                                      | 2019        | 2018        | 2019           | 2018     |
| Accumulated acquisition values at beginning of year  | 225         | -           | -              | -        |
| Effect of consolidated subsidiaries at 1 July, 2018  | -           | 430         | -              | -        |
| Divestment/disposal                                  | -           | -223        | -              | -        |
| Activations for the year                             | 154         | 17          | 89             | -        |
| <b>Accumulated acquisition values at end of year</b> | <b>379</b>  | <b>225</b>  | <b>89</b>      | <b>-</b> |
| Accumulated depreciation at beginning of year        | -131        | -           | -              | -        |
| Effect of consolidated subsidiaries at 1 July, 2018  | -           | -171        | -              | -        |
| Divestment/disposal                                  | -           | 53          | -              | -        |
| Depreciation of the year                             | -32         | -14         | -1             | -        |
| <b>Accumulated depreciation at end of year</b>       | <b>-163</b> | <b>-131</b> | <b>-1</b>      | <b>-</b> |
| Carrying amount at end of year                       | 216         | 94          | 88             | -        |

## 18 OTHER NON-CURRENT RECEIVABLES

| EUR thousands | Group      |            |
|---------------|------------|------------|
|               | 2019       | 2018       |
| Deposits      | 109        | 138        |
| Other         | 66         | 75         |
| <b>Total</b>  | <b>175</b> | <b>213</b> |

## 19 TRADE RECEIVABLES

| Age structure, EUR thousands      | Group        |            |
|-----------------------------------|--------------|------------|
|                                   | 2019         | 2018       |
| Not past due                      | 1,004        | 263        |
| Past due 0-30 days                | 104          | 64         |
| Past due 31-60 days               | 31           | 3          |
| Past due 61-90 days               | 1            | -          |
| Of which, provisions <sup>1</sup> | -            | -          |
| <b>Total</b>                      | <b>1,140</b> | <b>330</b> |

<sup>1</sup> Provisions is made on individual basis.

## 20 PREPAID EXPENSES AND ACCRUED INCOME

| EUR thousands                             | Group      |            | Parent company |              |
|-------------------------------------------|------------|------------|----------------|--------------|
|                                           | 2019       | 2018       | 2019           | 2018         |
| Accrued interest income                   | -          | -          | 2,752          | 1,376        |
| Accrued income                            | 208        | -          | -              | 22           |
| Prepaid property tax                      | -          | 72         | -              | -            |
| Other prepaid expenses and accrued income | 559        | 126        | 63             | 52           |
| <b>Total</b>                              | <b>767</b> | <b>198</b> | <b>2,815</b>   | <b>1,450</b> |

## 21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are investments with a term of maximally three months and which, with negligible risk of value changes, may be readily converted into cash. On reporting day, 100 per cent of cash and cash equivalents relate to liquid assets in the Company's bank accounts.

| EUR thousands             | Group         |               | Parent company |              |
|---------------------------|---------------|---------------|----------------|--------------|
|                           | 2019          | 2018          | 2019           | 2018         |
| Cash and cash equivalents | 37,406        | 65,119        | 3,038          | 7,898        |
| <b>Total</b>              | <b>37,406</b> | <b>65,119</b> | <b>3,038</b>   | <b>7,898</b> |

## 22 EQUITY

As at reporting day, Eastnine AB (publ) has a total of 22,370,261 ordinary shares, each share conferring voting rights of one (1) vote. During the year, the company has, in accordance with its mandate from the annual general meeting (AGM), repurchased 352,041 shares at an average price of SEK 104 per share. On 31 December, 2019, Eastnine AB held 1,221,200 own shares in treasury, corresponding to around 5.5 per cent of total outstanding shares. At the AGM 2019, the Board received a new mandate to decide on share buy-back, providing that the company's holding of treasury shares not exceed at any time 10 per cent of all shares in the company.

| Number of ordinary shares                | 2019              | 2018              |
|------------------------------------------|-------------------|-------------------|
| Outstanding shares at 1 January          | 22,370,261        | 24,816,033        |
| Repurchased and cancelled shares         | -                 | -2,445,772        |
| <b>Outstanding shares at 31 December</b> | <b>22,370,261</b> | <b>22,370,261</b> |
| of which shares in treasury              | 1,221,200         | 869,159           |

### The Group's equity

Equity corresponds to the Parent Company's share capital, other contributed capital and earned profits. Other contributed capital consists of capital contributions from the owners and the share premium reserve stemming from new share issues. Earned profits relate to profits earned within the Group. Total equity amounted, on 31 December, 2019, to EUR 268m (241), corresponding to an equity/asset ratio of 64 per cent (76).

### Capital management

Capital is defined as total equity, and amounted to EUR 268m (241) per 31 December, 2019. Cash and cash equivalent in the group amounted to EUR 37.4m (65.1). The Board has decided that Loan-to-value (LTV) ratio shall not exceed 65 per cent on Group level and equity/asset ratio shall amount to at least 30 per cent.

At year end LTV ratio was 47 per cent and equity/asset ratio 64 per cent. After year-end Eastnine has entered into an overdraft facility amounted to EUR 3.0m which in addition of the possibility to increase existing credit facility is an additional source of liquidity to fund short-term liquidity needs and for investments.

### The Parent Company's restricted and non-restricted equity

According to the Companies Act, equity is composed of restricted (non-distributable) and non-restricted (distributable) equity. Eastnine AB's restricted equity consists of the share capital.

Non-restricted equity includes the share premium reserve, net profit or loss for the year, and retained earnings.

The non-restricted equity in the Parent Company may be paid out to shareholders only if sufficient equity will remain, after the dividend, to completely cover restricted equity. Furthermore, a dividend may only be paid out if, given an assessment of the company's scope, requirements and risks, such a dividend is defensible considering the Group's need to strengthen the balance sheet, liquidity and general financial position.

### Dividend

The Annual General Meeting determines the dividend. The Board proposes to the 2020 Annual General Meeting a dividend of SEK 2.70 per share, to be paid out on two occasions between the 2020 and 2021 Annual General Meetings. Dividend will not be paid to the company's holdings of its own shares in treasury, the exact number of which is determined on the date of payment. Based on the number of outstanding shares at reporting day, excluding own shares held in treasury, the proposed dividend amounts to SEK 57.1m, corresponding to EUR 5.4m.

EUR 1 = SEK 10.51 on 31 December 2019 (Source: Reuters).

## 23 LIABILITIES TO CREDIT INSTITUTIONS

All interest-bearing liabilities relate to liabilities to credit institutions, of which EUR 132,571k (64,474) are classified as non-current liabilities as they mature later than 12 months from the reporting day, and EUR 5,200k (3,076) are classified as current liabilities as they mature within 12 months. Eastnine's liabilities to credit institutions are reported at accrued acquisition value, and the assessment is that this is a good approximation of fair value. The Parent Company does not have any interest-bearing liabilities to credit institutions.

| Interest-bearing liabilities, EUR thousands       | Group   |        |
|---------------------------------------------------|---------|--------|
|                                                   | 2019    | 2018   |
| Interest-bearing liabilities at beginning of year | 67,550  | 32,545 |
| Change of accounting principal                    | -       | 23,121 |
| New loan                                          | 74,029  | 12,981 |
| Repayment in line with amortization schedule      | -3,808  | -1,097 |
| Carrying amount at end of year                    | 137,771 | 67,550 |

In accordance with Eastnine's financial policy, the capital tie-up period on loans shall never be below 18 months. Moreover, no more than 40 per cent of loans are to mature in any given year. The table below presents the maturities of loans and the annual proportion of loans that are maturing. At year-end, annual agreed amortisations on existing debt amounted to EUR 5.2m. The average interest rate relates to interest at the beginning of the year of maturity and is calculated based on the conditions prevailing at December 31, 2019, excluding derivatives. The table does not reflect that debt credits may be refinanced at maturity.

### Interest-bearing liabilities, maturity structure

| Year, due    | Liability, EUR thousands | Share, %     | Average interest rate, % |
|--------------|--------------------------|--------------|--------------------------|
| 2020         | 5,200                    | 3.8          | 1.77                     |
| 2021         | 19,033                   | 13.8         | 1.76                     |
| 2022         | 15,861                   | 11.5         | 1.72                     |
| 2023         | 56,559                   | 41.1         | 1.65                     |
| 2024         | 41,118                   | 29.8         | 1.86                     |
| <b>Total</b> | <b>137,771</b>           | <b>100.0</b> | <b>1.77</b>              |

## 24 DEFERRED TAX LIABILITIES

| EUR thousands                                       | Group |       |
|-----------------------------------------------------|-------|-------|
|                                                     | 2019  | 2018  |
| Deferred tax at beginning of year                   | 3,745 | -     |
| Effect of consolidated subsidiaries at 1 July, 2018 | -     | 2,724 |
| This years change reported in income statement      | 2,570 | 1,021 |
| Carrying amount at end of year                      | 6,315 | 3,745 |

| Deferred tax on temporary differences, EUR thousands | Group  |        |
|------------------------------------------------------|--------|--------|
|                                                      | 2019   | 2018   |
| Investment properties                                | 9,010  | 5,397  |
| Derivatives                                          | -294   | -      |
| Loss carry-forwards                                  | -2,401 | -1,652 |
| Carrying amount at end of year                       | 6,315  | 3,745  |

All deferred tax liabilities are attributable to Eastnine in Lithuania.

The deferred taxes are primarily attributable to the difference between the stated and taxable values of the properties as well as deductible losses. No corporate income tax is reported in Estonia or Latvia, where a 20 per cent corporate income tax is principally levied on distributed profits, which is to say that the tax rate is zero on undistributed profits. The reporting of deferred tax is based on this current tax rate of zero per cent, which is why no deferred taxes are reported. The tax effect is reported as current tax when dividends are determined and their tax cost may be. Distributable retained earnings in the group's subsidiaries in Estonia and Latvia, including net profit or loss for the year, amounted at year-end to EUR 53,364k, and the deferred tax on these profits may maximally amount to EUR 10,673k.

## 25 OTHER NON-CURRENT LIABILITIES

| EUR thousands   | Group        |              | Parent company |           |
|-----------------|--------------|--------------|----------------|-----------|
|                 | 2019         | 2018         | 2019           | 2018      |
| Tenant deposits | 1,681        | 1,240        | -              | -         |
| Other           | 64           | 11           | 64             | 11        |
| <b>Total</b>    | <b>1,745</b> | <b>1,251</b> | <b>64</b>      | <b>11</b> |

## 26 OTHER LIABILITIES

| EUR thousands                 | Group        |            | Parent company |            |
|-------------------------------|--------------|------------|----------------|------------|
|                               | 2019         | 2018       | 2019           | 2018       |
| Property tax liabilities      | 1,060        | 538        | -              | -          |
| Advance payments from tenants | 127          | 30         | -              | -          |
| Other                         | 160          | 124        | 139            | 108        |
| <b>Total</b>                  | <b>1,347</b> | <b>692</b> | <b>139</b>     | <b>108</b> |

## 27 ACCRUED EXPENSES AND DEFERRED INCOME

| EUR thousands          | Group      |            | Parent company |            |
|------------------------|------------|------------|----------------|------------|
|                        | 2019       | 2018       | 2019           | 2018       |
| Share buy-back         | -          | 135        | -              | 135        |
| Property expenses      | 289        | 133        | -              | -          |
| Other accrued expenses | 662        | 533        | 457            | 409        |
| <b>Total</b>           | <b>951</b> | <b>801</b> | <b>457</b>     | <b>543</b> |

## 28 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

| EUR thousands                                       | Parent company |                |
|-----------------------------------------------------|----------------|----------------|
|                                                     | 2019           | 2018           |
| Accumulated acquisition values at beginning of year | 146,946        | 153,963        |
| Repayment of shareholder's contribution             | -              | -8,878         |
| Effect of consolidated subsidiaries                 | -              | 2,054          |
| Additional acquisition costs                        | 55             | 962            |
| Divestment <sup>1</sup>                             | -3,568         | -1,155         |
| <b>Accumulated acquisition value at end of year</b> | <b>143,433</b> | <b>146,946</b> |

<sup>1</sup>From the subsidiary Eastnine Investment AB dividend of EUR 3,505k has been received during 2019. After received dividend the subsidiary has been divested. The effect of the divestment is a realised loss of EUR 3,521, with net effect of EUR -16k.

| Directly owned subsidiary | Domicile, country | No. of shares | Share of capital and votes, % | Closing balance, EUR thousands |
|---------------------------|-------------------|---------------|-------------------------------|--------------------------------|
| Eastnine Baltics OÜ       | Tallin, Estonia   | 2,500         | 100                           | 143,433                        |

| Indirectly owned subsidiaries | Domicile, country  | No. of shares | Share of capital and votes, % |
|-------------------------------|--------------------|---------------|-------------------------------|
| UAB Eastnine Lithuania        | Vilnius, Lithuania | 9,600         | 100                           |
| UAB 3Burės                    | Vilnius, Lithuania | 101           | 100                           |
| UAB Solverta                  | Vilnius, Lithuania | 3,620         | 100                           |
| UAB Vertas                    | Vilnius, Lithuania | 2,600         | 100                           |
| UAB S1LT                      | Vilnius, Lithuania | 2,600         | 100                           |
| UAB S2LT                      | Vilnius, Lithuania | 2,700         | 100                           |
| UAB S3LT                      | Vilnius, Lithuania | 2,600         | 100                           |
| Eastnine Latvia SIA           | Riga, Latvia       | 14,955,000    | 100                           |
| Alojas Kvartāls SIA           | Riga, Latvia       | 1,210,000     | 100                           |
| Alojas Biroji SIA             | Riga, Latvia       | 5,145,000     | 100                           |
| Valdemara Prop SIA            | Riga, Latvia       | 2,600,000     | 100                           |
| Eastnine Kimmel SIA           | Riga, Latvia       | 1,700,000     | 100                           |

## 29 FINANCIAL INSTRUMENTS

A financial asset or financial liability is normally reported in the balance sheet when on the date of transaction. A financial asset is removed from the balance sheet when the rights, according to the given agreement, are realised or mature, or when material risks or benefits relating to the assets are transferred. A financial liability (or part of thereof) is removed from the balance sheet when the obligations specified in the agreement is discharged or in any other manner extinguished.

### Calculation of fair value

The following summarises the methods and assumptions applied in determining the fair value of the financial instruments.

#### Financial instruments measured at fair value through profit or loss

For a description of the method applied to measure financial instruments recognised at fair value through profit or loss, see Note 1 Accounting Principles.

#### Financial instruments not measured at fair value through profit or loss

For accounts receivable and accounts payable, the carrying amount

is assessed to reflect fair value since the remaining maturity is generally short. This is also the case for cash and bank. The fair value of other long-term and short-term loans is deemed not to deviate materially from the carrying amount.

### Fair value estimation

The Company applies IFRS 13 for fair value measurement and IFRS 13 and IFRS 7 for disclosures. This requires the Company to classify, for disclosure purposes, fair value measurements using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair

Note 29 cont.

value measurement uses observable inputs requiring significant adjustment based on unobservable inputs, such measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the financial asset or liability. For fair

value estimation, see Note 1 Accounting Principles.

The tables below reflect financial asset and liabilities of the Group, reported to amortised cost or fair value classified in accordance with IFRS 9 with exception for investments in associated company which is reported to fair value in accordance with exception in IAS 28 p. 18-19.

| 31 December, 2019<br>Financial assets and liabilities<br>EUR thousands | Financial instruments at<br>fair value through profit<br>or loss | Financial assets<br>measured at<br>amortised cost | Financial liabilities<br>measured at<br>amortised cost | Total carrying<br>amount |
|------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------|--------------------------------------------------------|--------------------------|
| Long-term securities holdings (level 3)                                | 88,709                                                           | -                                                 | -                                                      | 88,709                   |
| Accounts receivable                                                    | -                                                                | 1,140                                             | -                                                      | 1,140                    |
| Other receivables                                                      | -                                                                | 448                                               | -                                                      | 448                      |
| Cash and cash equivalent                                               | -                                                                | 37,406                                            | -                                                      | 37,406                   |
| <b>Total financial assets</b>                                          | <b>88,709</b>                                                    | <b>38,994</b>                                     | <b>-</b>                                               | <b>127,703</b>           |
| Interest-bearing liabilities                                           | -                                                                | -                                                 | 137,771                                                | 137,771                  |
| Derivatives (level 2)                                                  | 1,963                                                            | -                                                 | -                                                      | 1,963                    |
| Accounts payable                                                       | -                                                                | -                                                 | 864                                                    | 864                      |
| Other financial liabilities                                            | -                                                                | -                                                 | 1,347                                                  | 1,347                    |
| <b>Total financial liabilities</b>                                     | <b>1,963</b>                                                     | <b>-</b>                                          | <b>139,982</b>                                         | <b>141,945</b>           |

| 31 December, 2018<br>Financial assets and liabilities<br>EUR thousands | Financial instruments at<br>fair value through profit<br>or loss | Financial assets<br>measured at<br>amortised cost | Financial liabilities<br>measured at<br>amortised cost | Total carrying<br>amount |
|------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------|--------------------------------------------------------|--------------------------|
| Long-term securities holdings (level 3)                                | 92,898                                                           | -                                                 | -                                                      | 92,898                   |
| Accounts receivable                                                    | -                                                                | 330                                               | -                                                      | 330                      |
| Other receivables                                                      | -                                                                | 47                                                | -                                                      | 47                       |
| Cash and cash equivalent                                               | -                                                                | 65,119                                            | -                                                      | 65,119                   |
| <b>Total financial assets</b>                                          | <b>92,898</b>                                                    | <b>65,496</b>                                     | <b>-</b>                                               | <b>158,394</b>           |
| Interest-bearing liabilities                                           | -                                                                | -                                                 | 67,550                                                 | 67,550                   |
| Derivatives (level 2)                                                  | 957                                                              | -                                                 | -                                                      | 957                      |
| Accounts payable                                                       | -                                                                | -                                                 | 1,952                                                  | 1,952                    |
| Other financial liabilities                                            | -                                                                | -                                                 | 692                                                    | 692                      |
| <b>Total financial liabilities</b>                                     | <b>957</b>                                                       | <b>-</b>                                          | <b>70,195</b>                                          | <b>71,152</b>            |

Tables below reflect the Long-term securities holdings measured at fair value in level 3. Segment Real Estate Funds consist the holdings in East Capital Baltic Property Fund II and segment Other consist the holdings in JSC Melon Fashion Group.

| Changes in Long-term securities holdings measured at<br>fair value in Level 3, EUR thousands | Real Estate<br>Funds | Other         | Total         |
|----------------------------------------------------------------------------------------------|----------------------|---------------|---------------|
| <b>Opening balance 1 January, 2019</b>                                                       | <b>43,986</b>        | <b>48,912</b> | <b>92,898</b> |
| Purchases/additions                                                                          | 1,982                | -             | 1,982         |
| Divestments/reductions                                                                       | -25,090              | -             | -25,090       |
| Unrealised changes in fair value recognised net in profit/loss                               | -243                 | 17,985        | 17,742        |
| Realised changes in fair value recognised net in profit/loss                                 | 1,177                | -             | 1,177         |
| <b>Closing balance 31 December, 2019</b>                                                     | <b>21,812</b>        | <b>66,897</b> | <b>88,709</b> |

| Changes in Long-term securities holdings measured at<br>fair value in Level 3, EUR thousands | Real Estate<br>Direct | Real Estate<br>Funds | Other         | Total          |
|----------------------------------------------------------------------------------------------|-----------------------|----------------------|---------------|----------------|
| <b>Opening balance 1 January, 2018</b>                                                       | <b>74,164</b>         | <b>37,064</b>        | <b>48,613</b> | <b>159,840</b> |
| 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        |
| <b>Closing balance 31 December, 2018</b>                                                     | <b>-</b>              | <b>43,986</b>        | <b>48,912</b> | <b>92,898</b>  |

The asset of properties in the fund are on assignment of fund management, normally valued externally at year end. In between, internal valuation are executed quarterly by the fund manager. JSC Melon Fashion Group is valued quarterly of Eastnine.

#### Valuation methods for unlisted holdings

| Holdings                             | Segment           | Valuation method | Valuation assumptions                                                                                                    |
|--------------------------------------|-------------------|------------------|--------------------------------------------------------------------------------------------------------------------------|
| East Capital Baltic Property Fund II | Real Estate Funds | DCF              | WACC 8-9 %, yield requirement 6-8 %                                                                                      |
| JSC Melon Fashion Group              | Other             | DCF              | Long-term growth 3.5 %, Long term operating margin 9.6 %, WACC 16.9 %, 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 impact of fair value:

#### Sensitivity analysis

| Impact, EUR thousands<br>31 December, 2019                                                                                       | Real Estate Funds |       | Other      |        |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------|-------|------------|--------|
|                                                                                                                                  | Fair value        |       | Fair value |        |
| Yield requirement, 0.5 percentage points movement                                                                                | -978              | 1,122 | -          | -      |
| Weighted average cost of capital (WACC) (movement 0.5 percentage points on Real Estate Funds and 1.0 percentage points on Other) | -193              | 200   | -5,267     | 6,148  |
| Long term growth, 0.4 percentage points movement                                                                                 | -                 | -     | 1,396      | -1,315 |
| Long term operating margin, 0.5 percentage points movement                                                                       | -                 | -     | 2,295      | -2,295 |

## 30

### FINANCIAL RISKS AND RISK MANAGEMENT

Eastnine is through its operations exposed to a variety of risks. The main identified risks are financial risks, operating risks and commercial risks. Financial risk management is handled primarily by the finance function in accordance with the Board's established finance policy. The Board may in special cases approve deviations from the policy.

#### Financial risks

Eastnine has exposure to the following risks:

##### (i) Currency risk

Currency risk is the risk that arises from volatility in currency exchange rates, as the value of recognized monetary assets and liabilities denominated in other currencies fluctuates due to changes in foreign exchange rates. Eastnine operates and invests internationally and holds both monetary (cash and cash equivalents) and non-monetary (investments in securities holdings) financial assets denominated in currencies other than the functional currency EUR. The only currency exposure in the Eastnine's investment activities, on 31 December 2018, are towards the rouble (RUB).

The Parent Company's operating expenses are mainly denominated in Swedish kronor (SEK) and it pays shareholder distributions in SEK. The Parent Company may decide to hedge these transactions. Spot, forward or option transactions may be used as part of the currency hedging strategy. Hedging transactions entail costs and may result in losses.

To avoid currency risk, cash and cash equivalents are mainly held in EUR.

The table presents the Eastnine's monetary and non-monetary assets and liabilities, which are denominated in currencies other than EUR.

#### Concentration of foreign currency assets

| Monetary assets and liabilities, EUR thousands   | 2019          | 2018          |
|--------------------------------------------------|---------------|---------------|
| Currency in SEK                                  | 82            | 270           |
| Lease liability                                  | 567           | -             |
| Non-monetary assets <sup>1</sup> , EUR thousands | 2019          | 2018          |
| Currency in RUB                                  | 66,897        | 48,912        |
| <b>Total</b>                                     | <b>66,897</b> | <b>48,912</b> |

<sup>1</sup>Currency risk in rouble is attributable to Eastnine holdings in JSC Melon Fashion Group recognised at fair value through profit or loss.

##### (ii) Interest rate risk

Interest rate risk is defined as the risk that developments in the interest market will have negative effects, especially in the form of increased interest expenses for credit loans. Considering that revenue in operations does not directly coincide with interest rates, the effects of fluctuations on interest rates are limited by interest rate hedging measures. All derivatives at year are interest rate swaps, see note 11. The share of credit institution debts, see note 23, with interest tied up through use of interest rate swaps amounted to 79 per cent (97) at year end. Fair value of derivatives amounted to EUR -1,963k (-957). Capital and interest tied up on average were 3.5 years (4.7) respectively 3.1 years (4.7).

The table below summarises the effect on Eastnine's profit or loss and equity with exception for change in value of Group's interest rate swaps.

| Cash flow and current earning capacity | Change, % |
|----------------------------------------|-----------|
| Market interest rate +/- 50 bps        | -33 / +88 |
| Market interest rate +/- 100 bps       | +115/-176 |

Note 30 cont.

**Sensitivity analysis for market risks, EUR thousands**

| Risk factors                          | Change, % | Effect on profit or loss and equity |       |
|---------------------------------------|-----------|-------------------------------------|-------|
|                                       |           | 2019                                | 2018  |
| Currency rate EUR/RUB                 | +/- 10    | 6,690                               | 4,891 |
| Value of securities holdings, level 3 | +/- 10    | 8,871                               | 9,290 |

**((B) LIQUIDITY- AND FINANCING RISK**

Liquidity risk is the risk that financial investments cannot be divested without considerable extra costs, and the risk that liquidity will not be available to meet payment obligations. Eastnine's investments in unlisted and less liquid assets mean that liquidity risk is present in terms of the capacity to quickly divest holdings. Due to the Eastnine's high equity ratio, the risk of suspension of payments is deemed low. Eastnine prepares monthly liquidity forecasts for the coming twelve months. The Company is to have sufficient liquidity in order to cover the needs of the coming six months, including for those acquisitions as have been decided upon. At the end of 2019, Eastnine had cash and bank deposits equivalent to 9 per cent of the total assets and undrawn credit limits upto EUR 23 700k.

In addition to ongoing operations, Eastnine has commitments

in investing activities, primarily relating to property investment.

Financing risk is the risk that the costs associated with raising new debt increases and the ability to raise debt is limited. Financing risk is limited by Eastnine's finance policy, which stipulates an interest coverage ratio of at least 2.0x. Furthermore loan-to-value ratio shall not exceed 65 per cent, and maximally 40 per cent of liabilities to credit institutions shall mature within any given 12-month period. At December 31, 2019, loan-to-value ratio was 47 per cent (43) and interest coverage ratio 3.5x (3.6) whilst liabilities to credit institutions over 40 per cent does exist.

**((C) CREDIT RISK**

Credit risk is the risk that a party in a business transaction will cause a financial loss for Eastnine by failing to discharge its obligation.

The exposure to credit risk is mainly attributable to cash investment and the risk that tenants do not pay rent. Tenants are deemed solid and rent losses were negligible 2019.

The credit risk for cash and cash equivalents is limited by only granting credit to counterparties with an investment grade by a well-known rating agency and with a rating of two of three of the following levels; A (S&P), A (Fitch) and A1 (Moody's). Deposits in one single bank will normally not exceed 15 per cent of Eastnine's total net asset value.

**Financial assets and liabilities maturity analysis**

| 31 December, 2019, EUR thousands                | Total          | < 3 months    | 3-12 months  | 1-3 years     | 3-5 years     | > 5 years  |
|-------------------------------------------------|----------------|---------------|--------------|---------------|---------------|------------|
| Trade receivables                               | 1,140          | 1,140         | -            | -             | -             | -          |
| Cash and cash equivalents                       | 37,406         | 37,406        | -            | -             | -             | -          |
| <b>Total financial assets</b>                   | <b>38,546</b>  | <b>38,546</b> | -            | -             | -             | -          |
| Interest bearing liabilities including interest | 147,990        | 2,075         | 6,195        | 40,217        | 99,503        | -          |
| Leasing liability <sup>1</sup>                  | 1,175          | 10            | 75           | 208           | 274           | 608        |
| Trade payables                                  | 864            | 864           | -            | -             | -             | -          |
| <b>Total financial liabilities</b>              | <b>150,029</b> | <b>2,949</b>  | <b>6,270</b> | <b>40,425</b> | <b>99,777</b> | <b>608</b> |

<sup>1</sup> As for site leasehold fees, which are to be seen as perpetual, there are no repayment of the leasing liability.

| 31 December, 2018, EUR thousands                | Total         | < 3 months    | 3-12 months  | 1-3 years    | 3-5 years     | > 5 years |
|-------------------------------------------------|---------------|---------------|--------------|--------------|---------------|-----------|
| Trade receivables                               | 330           | 330           | -            | -            | -             | -         |
| Cash and cash equivalents                       | 65,119        | 65,119        | -            | -            | -             | -         |
| <b>Total financial assets</b>                   | <b>65,449</b> | <b>65,449</b> | -            | -            | -             | -         |
| Interest bearing liabilities including interest | 74,040        | 1,155         | 3,459        | 8,977        | 60,448        | -         |
| Trade payables                                  | 1,952         | 1,952         | -            | -            | -             | -         |
| <b>Total financial liabilities</b>              | <b>75,992</b> | <b>3,107</b>  | <b>3,459</b> | <b>8,977</b> | <b>60,448</b> | <b>-</b>  |

**31 RELATED PARTIES****Related party relationships**

Eastnine AB has a related party relationship with its subsidiaries, see note 28, Board directors and employees.

**Investment agreement**

The management fee for East Capital Baltic Property Fund II is 1.75 per cent. The carried interest for these fund is 20 per cent, on the premise that a threshold value increase of 7 per cent per year has been achieved.

**Transactions with key management personnel and related companies**

Eastnine AB's management, Board directors and their close relatives and related companies control 30 (30) per cent of voting rights in the

Company. For information about remuneration to senior executives please refer to note 5.

**Other transactions with related parties**

| Loan to Eastnine Lithuania UAB<br>EUR thousands | 31 December<br>2019 | 31 December<br>2018 |
|-------------------------------------------------|---------------------|---------------------|
| Nominal amount                                  | 27,527              | 27,527              |
| Interest during the year                        | 1,376               | 1,376               |
| Total accrued interest                          | 2,752               | 1,376               |
| Interest rate, %                                | 5.0                 | 5.0                 |
| Maturity year                                   | 2021                | 2021                |

## 32 SPECIFICATIONS FOR THE CASH-FLOW STATEMENT

### Adjustments for non-cash items for operating activities

| EUR thousands                                 | Group          |                | Parent company |               |
|-----------------------------------------------|----------------|----------------|----------------|---------------|
|                                               | 2019           | 2018           | 2019           | 2018          |
| Unrealised changes in values                  | -              | -11,177        | -              | -4,777        |
| Realised changes in value of investments      | -1,177         | -              | -              | -             |
| Realised loss from divestment of subsidiaries | -              | -              | 3,521          | -             |
| Unrealised changes in value of properties     | -10,208        | -              | -              | -             |
| Unrealised changes in value of derivatives    | 1,006          | -              | -              | -             |
| Unrealised changes in value of investments    | -17,742        | -              | -17,985        | -             |
| Depreciation and write-downs                  | 60             | 198            | 1              | -             |
| Long-term incentive program (LTIP)            | 151            | -              | 151            | -             |
| Other                                         | 42             | -              | 10             | -             |
| <b>Total</b>                                  | <b>-27,868</b> | <b>-10,979</b> | <b>-14,301</b> | <b>-4,777</b> |

### Interest paid and received

| EUR thousands     | Group  |        | Parent company |      |
|-------------------|--------|--------|----------------|------|
|                   | 2019   | 2018   | 2019           | 2018 |
| Interest received | -      | 4      | -              | -    |
| Interest paid     | -2,216 | -1,234 | -598           | -3   |

## 33 EARNINGS PER SHARE

| Earnings per share, EUR             | 2019 | 2018 |
|-------------------------------------|------|------|
| Earnings per share, before delution | 1.66 | 0.71 |
| Earnings per share, after delution  | 1.66 | 0.71 |

The origin of the numerator and denominator used in the above calculations of earnings per share is shown below:

|                                                                                                                                                     | 2019   | 2018   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|
| Profit for the year attributable to the holders of ordinary shares in the Parent Company                                                            | 35,266 | 15,641 |
| Weighted average number of outstanding ordinary shares, before delution, adjusted for the effect of share buy-back, thousands of shares             | 21,187 | 22,128 |
| Weighted average number of outstanding ordinary shares, after delution, adjusted for the effect of share buy-back, thousands of shares <sup>1</sup> | 21,231 | 22,162 |

<sup>1</sup> The delution is entirely attributable to the Company's Long-term incentive program (LTIP) directed to employees.

## 34 PLEDGED ASSETS AND CONTINGENT LIABILITIES

| Pledged assets for liabilities, EUR thousands | Group          |                | Parent company |          |
|-----------------------------------------------|----------------|----------------|----------------|----------|
|                                               | 2019           | 2018           | 2019           | 2018     |
| Investment properties                         | 277,170        | 129,266        | -              | -        |
| Shares in subsidiaries                        | 63,415         | 68,617         | -              | -        |
| <b>Total</b>                                  | <b>340,585</b> | <b>197,883</b> | <b>-</b>       | <b>-</b> |

Pledged assets for bank loans. In most of loan agreement covenants exist in respect of loan-to-value (LTV), lowest allowed equity, interest coverage ratio and repayment coverage ratio and a minimum of cash in bank accounts.

| Contingent liabilities, EUR thousands     | Parent company |              |
|-------------------------------------------|----------------|--------------|
|                                           | 2019           | 2018         |
| Guarantees in favor of subsidiaries debts | 73,197         | 6,711        |
| <b>Total</b>                              | <b>73,197</b>  | <b>6,711</b> |

## 35 INFORMATION ABOUT THE PARENT COMPANY

Eastnine is a registered Swedish limited liability company domiciled in Stockholm. The Parent Company's shares are registered on Nasdaq Stockholm. The address to corporate headquarters is Kungsgatan 35, Box 7214, 103 88 Stockholm, Sweden.

## 36 EVENTS AFTER THE END OF THE FINANCIAL YEAR

Covid-19 will affect the economy worldwide. The situation changes rapidly, making the situation difficult to assess. Eastnine analyzes and evaluates the course of events and the effects on the Company daily. Eastnine has a high occupancy rate, long remaining average rental period, mainly office tenants and high financial stability. All in all, this means that the Company is expected to have a stable base on which to face the negative consequences of the Corona pandemic.

# 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 are presented below for comparative purposes. The pro-forma consolidations only reflects the income statements, since there is no difference in the balance sheet as of 31 December, 2018.

## Income Statement - Group

| EUR thousands                                  | 2019          | 2018          |
|------------------------------------------------|---------------|---------------|
| Rental income                                  | 13,348        | 9,130         |
| Property expenses                              | -1,402        | -1,441        |
| <b>Net operating income</b>                    | <b>11,946</b> | <b>7,690</b>  |
| Central administration expenses                | -3,873        | -3,387        |
| Interest expenses                              | -2,225        | -1,212        |
| Other financial income and expenses            | -359          | 89            |
| <b>Profit from property management</b>         | <b>5,489</b>  | <b>3,180</b>  |
| Unrealised changes in value of properties      | 10,208        | 5,483         |
| Unrealised changes in value of derivatives     | -1,006        | -782          |
| Unrealised changes in value of investments     | 17,742        | 3,685         |
| Realised values and dividends from investments | 5,403         | 5,402         |
| <b>Profit before tax</b>                       | <b>37,836</b> | <b>16,969</b> |
| Deferred tax                                   | -2,570        | -1,328        |
| <b>Net profit/loss for the year</b>            | <b>35,266</b> | <b>15,641</b> |

# Five-Year Summary

| Key Figures                                                                          | 2019      | 2018 <sup>4</sup> | 2017 <sup>4</sup> | 2016      | 2015      |
|--------------------------------------------------------------------------------------|-----------|-------------------|-------------------|-----------|-----------|
| <b>Property-related</b>                                                              |           |                   |                   |           |           |
| Leasable area, sqm k                                                                 | 99.5      | 62.8              | 37.8              | -         | -         |
| Number of properties                                                                 | 9         | 5                 | 3                 | -         | -         |
| Property value, EUR k                                                                | 290,256   | 158,862           | 107,505           | -         | -         |
| Surplus ratio, %                                                                     | 89        | 84                | 71                | -         | -         |
| Floor space occupancy rate, %                                                        | 92.7      | 88.8              | 97.0              | -         | -         |
| Average rent, EUR/sq.m./month                                                        | 14.7      | 14.5              | 13.8              | -         | -         |
| WAULT, years                                                                         | 5.0       | 2.8               | 2.5               | -         | -         |
| Property yield investments properties, %                                             | 5.3       | 6.1               | 5.3               | -         | -         |
| <b>Financial</b>                                                                     |           |                   |                   |           |           |
| Rental income, EUR k                                                                 | 13,348    | 9,130             | 5,703             | -         | -         |
| Net operating income, EUR k                                                          | 11,946    | 7,690             | 4,035             | -         | -         |
| Profit from property management, EUR k                                               | 5,489     | 3,180             | -1,344            | -         | -         |
| Loan-to-value ratio (LTV), %                                                         | 47        | 43                | 30                | -         | -         |
| Debt ratio, multiple                                                                 | 8.7       | 6.1               | -                 | -         | -         |
| Equity/asset ratio, %                                                                | 64        | 76                | 86                | 99        | 100       |
| Interest coverage ratio, multiple                                                    | 3.5       | 3.6               | -                 | -         | -         |
| Average interest rate, %                                                             | 2.3       | 2.5               | 2.7               | -         | -         |
| Return on equity Real Estate Direct, %                                               | 14.3      | 13.3              | 15.2              | -         | -         |
| Return on equity, %                                                                  | 13.9      | 6.5               | 7.0               | -         | -         |
| <b>Share-related</b>                                                                 |           |                   |                   |           |           |
| Equity, EUR k                                                                        | 268,192   | 240,819           | 242,457           | 247,558   | 253,561   |
| Long-term net asset value (LT-NAV), EUR k                                            | 276,470   | 245,521           | 245,050           | -         | -         |
| Market capitalisation, EUR k                                                         | 276,546   | 205,052           | 206,348           | 196,179   | 156,057   |
| Market capitalisation, SEK k                                                         | 2,905,881 | 2,078,197         | 2,028,711         | 1,879,784 | 1,429,199 |
| Number of shares outstanding at year end, thousands                                  | 22,370    | 22,370            | 24,816            | 28,162    | 28,477    |
| Number of shares outstanding at year end, adjusted for repurchased shares, thousands | 21,149    | 21,501            | 22,948            | 25,604    | 28,162    |
| Weighted average number of shares, adjusted for repurchased shares, thousands        | 21,187    | 22,128            | 24,334            | 27,027    | 29,338    |
| Earnings per share, EUR <sup>1</sup>                                                 | 1.66      | 0.71              | 0.70              | 0.49      | 0.25      |
| Dividend per share, EUR <sup>2</sup>                                                 | 0.26      | 0.22              | 0.21              | 0.09      | 0.09      |
| Dividend per share, SEK <sup>2</sup>                                                 | 2.70      | 2.30              | 2.10              | 0.90      | 0.80      |
| Equity per share, EUR                                                                | 12.7      | 11.2              | 10.6              | 9.7       | 9.0       |
| Equity per share, SEK                                                                | 133       | 114               | 104               | 93        | 82        |
| Long-term net asset value per share, EUR                                             | 13.1      | 11.4              | 10.7              | -         | -         |
| Long-term net asset value per share, SEK                                             | 137       | 116               | 105               | -         | -         |
| Share price, EUR <sup>3</sup>                                                        | 13.1      | 9.2               | 8.3               | 7.0       | 5.5       |
| Share price, SEK <sup>3</sup>                                                        | 137.40    | 92.90             | 81.75             | 66.75     | 50.75     |
| <b>Other</b>                                                                         |           |                   |                   |           |           |
| SEK/EUR                                                                              | 10.51     | 10.14             | 9.83              | 9.58      | 9.16      |
| Number of employees at year end                                                      | 19        | 13                | 11                | 9         | 4         |

<sup>1</sup> All historical Earnings per share calculations have been adjusted for share redemptions.

<sup>2</sup> Proposed dividend for year 2019, SEK 2.70 per share corresponding to EUR 0.26 per share.

<sup>3</sup> Not adjusted for dividend.

<sup>4</sup> Comparative key figures for year 2017 and 2018 have been based on pro-forma.

# Interpretation for key figures

## EUR thousands

|                                           |                |                |                |   |   |
|-------------------------------------------|----------------|----------------|----------------|---|---|
| Rental income                             | 13,348         | 9,130          | 5,703          | - | - |
| Net operating income                      | 11,946         | 7,690          | 4,035          | - | - |
| <b>Surplus ratio, %</b>                   | <b>89</b>      | <b>84</b>      | <b>71</b>      | - | - |
| Investment properties                     | 290,256        | 158,862        | 107,505        | - | - |
| Interest-bearing liabilities              | 137,771        | 67,550         | 32,545         | - | - |
| <b>Loan-to-value, %</b>                   | <b>47</b>      | <b>43</b>      | <b>30</b>      | - | - |
| Equity                                    | 268,192        | 240,819        | 242,457        | - | - |
| Add back derivatives                      | 1,963          | 957            | 176            | - | - |
| Add back recognised deferred tax          | 6,315          | 3,745          | 2,417          | - | - |
| <b>Long-term net asset value (LT-NAV)</b> | <b>276,470</b> | <b>245,521</b> | <b>245,050</b> | - | - |
| Profit from property management           | 5,489          | 3,180          | -              | - | - |
| Interest expenses                         | 2,225          | 1,212          | -              | - | - |
| Profit before interest expenses           | 7,714          | 4,392          | -              | - | - |
| <b>Interest coverage ratio, multiple</b>  | <b>3.5</b>     | <b>3.6</b>     | -              | - | - |

# The Board's and CEO's assurance

The Board and the CEO assure that this annual report and consolidated accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts has been prepared in accordance with the international financial reporting standards referred to in Regulation (EC) no. 1606/2002 of the European Parliament and of the council of 19 July 2002 on the application of international accounting standards. The

annual accounts give a true and fair view of the financial position and results of the Group and the Parent Company. The statutory Administration Report of the Group and the Parent Company provides a fair review of the Group's and the Parent Company's operations, financial position and results and describes material risks and uncertainties facing the Parent Company and the Group.

Stockholm, 23 March 2020

**Liselotte Hjorth**  
Chairman of the Board

**Peter Elam Håkansson**  
Board member

**Johan Ljungberg**  
Board member

**Nadya Wells**  
Board member

**Peter Wågström**  
Board member

**Kestutis Sasnauskas**  
Chief Executive Officer

Our Auditors' Report was submitted on 24 March 2020.

KPMG AB

**Peter Dahllöf**  
Authorised Public Accountant

The annual accounts and consolidated accounts, as indicated above, have been approved for publication by the Board on 23 March 2020. The income statement and balance sheet of the Parent Company and the Group will be submitted to the shareholders' meeting for adoption on 12 May 2020.

# Auditor's report

To the general meeting of the shareholders of Eastnine AB (publ), corp. id 556693-7404

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Eastnine AB (publ) for the year 2019, except for the corporate governance statement on pages 72-79 and the proforma information on pages 64-65. The annual accounts and consolidated accounts of the company are included on pages 35-67 and 72-79 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 72-79 and the proforma information on pages 64-65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Valuation of unlisted investments

See disclosures 10 and 12, and accounting principles on pages 45-47 in the annual account and consolidated accounts for detailed information and description of the matter.

#### Description of key audit matter

The group has unlisted investments in the form of investment properties, shares in associated companies and fund units that are measured at fair value, which is determined with reference to market information as well as significant unobservable input.

The investments are valued based on models and assumptions not observable by third parties ("level 3" investments in accounting terms). The fact that sales transactions of similar investments are rare, makes it difficult to support the estimated fair values with reference to other transactions.

Therefore, valuation of level 3 investments are inherently risky and subsequent transactions in such securities may have significantly different outcomes compared to the previous valuations.

As of December 31, 2019, assets classified as level 3 amount to 380 MEUR, which corresponds to 90 per cent of the group's total assets.

#### Response in the audit

We have assessed the group's valuation principles in relation to the accounting framework.

We have also assessed key controls over the valuation process including assessment and approval of assumptions and methodologies used in model-based calculations, as well as the group's review of valuations provided by external experts.

As a part of our audit procedures, we have challenged the methodology and assumptions used in the valuation of level 3 assets.

We have assessed the methods of valuation models in comparison with industry practices and valuation guidelines.

In addition, we have checked completeness and adequacy of the information disclosed in the annual accounts and consolidated accounts relating to valuation of unlisted investments.

### Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-34 and 80-91. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures respon-

sive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

# Report on other legal and regulatory requirements

## Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Eastnine AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

## Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

## Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

## The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 72-79 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Eastnine AB (publ) by the general meeting of the shareholders on the 15 May 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2007.

Stockholm 24 March 2020  
KPMG AB

Peter Dahllöf  
Authorized Public Accountant



# Corporate Governance Report

For Eastnine AB (publ) ("the Company") corporate governance involves the way in which the Company works and is organised for the purposes of safeguarding all the shareholders' interests and achieving the Company's objectives.

## Applicable regulations

Corporate governance at Eastnine is based on both external and internal rules. The external rules are the Companies Act, Nasdaq Stockholm's Rules for Issuers, the Swedish Code of Corporate Governance ("the Code"), as well as other applicable Swedish and foreign legislation and provisions. The Company's internal framework include the articles of association, rules and guidelines for corporate governance, the Board's rules of procedure, instructions to the CEO and the policy documents adopted by the Company. The Company follows the Code.

## The purpose and nature of the Company

Eastnine is a Swedish public limited company, established in 2007, which invests in modern and sustainable office properties in prime locations in the Baltic capitals. The customers are chiefly Nordic tenants with international business. The Company is undergoing a transformation from a diversified Eastern Europe investment entity to a purely focused real estate company. The goal is for this transformation to be completed at the latest by the end of 2020. At the end of 2019, only two non-real-estate investments remained: East Capital Baltic Property Fund II and the Russian fashion chain Melon Fashion Group, respectively. The Company's headquarter is located in Stockholm.

## The share and the owners

Eastnine's share capital at year-end was EUR 3,659,775.0242. The number of ordinary share issued amounted to 22,370 261, giving a quotient value of EUR 0.1636 per share. All shares have one vote and equal right to share in the Company's assets and earnings. At the end of 2019, Peter Elam Håkansson owned, directly and indirectly, 27.0 per cent of the total number of shares outstanding and Keel Capital 10.1 per cent. There were no additional owners who owned more than 10 per cent of the shares in the Company.

## The Board of Eastnine

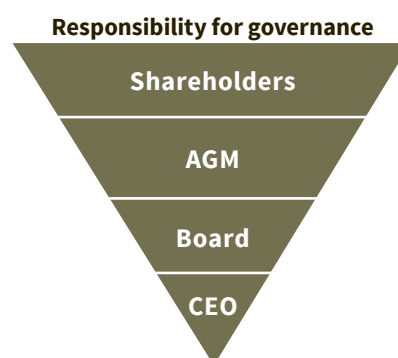
### *The composition of the Board*

According to the articles of association the Board shall consist of three to six members without deputies. Board members are elected by the Annual General Meeting ("AGM") for a period of one year. At the 2019 AGM, Board members Liselotte Hjorth, Peter Elam Håkansson, Johan Ljungberg, Nadya Wells and Peter Wågström were re-elected. Liselotte Hjorth was elected Chairman of the Board.

### *The Board's independence*

According to applicable regulations, Liselotte Hjorth, Johan Ljungberg, Peter Wågström and Nadya Wells are considered independent of the Company and its management, as well as in relation to the Company's major shareholders. The independent

Board members have been appointed on the basis of their experiences from public companies, international corporate management and business as well as their experiences from financial and real estate markets respectively. Peter Elam Håkansson is not considered to be independent in relation to major shareholders since he is closely related to East Capital, which in 2019 was a major shareholder in the Company such as this is defined in the Code. For more information, refer to pages 76-77.



### *The Board's responsibility and duties*

The Board holds the overarching responsibility for the Company's strategy, internal control, risk management and long-term business focus. The Board is also responsible for other material concerns which, based on Eastnine's size and focus, is of extraordinary financial, legal or general character. The Board is, among others, responsible for the following points:

- Determining business plans, key policies and targets for Eastnine, and continually ensuring that they are followed, updated and revised.
- Deciding on Eastnine's overall organisational structure and ensure that Eastnine's organisation is laid out in a satisfactory manner.
- Appointing and, if necessary, dismissing the CEO, as well as continually evaluating the CEO's performance in relation to the short- and long-term targets that have been set.
- Recommending the principles for remuneration of the Company's management to the AGM, and determining the fixed and variable compensation to the management.
- Regularly monitor and evaluate Eastnine's financial position and development, as well as deciding on questions related to Eastnine's capital structure, including presenting proposals to the AGM in regards to shareholder dividends.
- Approving acquisitions and divestments of holdings as well as major additional investment.
- Approving all financial reports before they are released.

The work of the Board is governed by the rules of procedure that have been adopted. The chairman of the Board, Liselotte Hjorth, leads the work of the Board and maintains ongoing contact with the CEO and CFO for the purpose of monitoring the Company's activities. The Board has also designed and approved the work instruction for the CEO and a number of policy documents. The Company's CEO and CFO attended all Board meetings during 2019 to report on their areas of responsibility. The Board shall meet for at least five ordinary meetings per year. Further meetings are held as necessary in order to discuss and decide on e.g. investment and financial recommendations, budget and other strategic questions.

#### **Board meetings and key topics**

In 2019, a total of 18 board meetings were held. The key topics discussed were: investment recommendations and divestments of non-core holdings, reports from the executive management regarding operations, financial reports, evaluations, strategy questions and internal risk and control questions.

#### **Evaluation of the Board**

The work of the Board is continuously evaluated. The evaluation is used to develop the work of the Board and as a basis for the nomination committee's evaluation of the composition of the Board. In 2019 the Board was evaluated by the Company's chairman as well as by the independent members of the nomination committee in order to provide supplementary information for the nomination committee's work of preparing proposals to the 2019 AGM and to continuously improve the efficiency of the Board's work.

#### **Audit committee**

The duties of the audit committee is performed by the Board as a whole. The Board handles the financial statements as well as questions relating to valuation and audit. The Company's authorised auditor from KPMG reported to the Board on the general oversight and audit of the Year-end report 2018 and the Interim report January-September 2019 during the year. The auditor also reported his view on the internal control.

#### **Remuneration to Board members**

On 15 May 2019 the AGM decided that remuneration to the chair-

man of the Board should amount to SEK 800,000 for the period up until the 2020 AGM. Other Board members should receive an annual remuneration of SEK 400,000 each for the same period.

#### **Remuneration committee**

In view of the limited number of employees in the Company, the Board has decided that no remuneration committee is needed. The duties that would have been performed by a remuneration committee are instead performed by the entire Board.

#### **The management of Eastnine**

The executive management are responsible for ensuring that the ongoing administration of activities is performed in line with the Board's directions. Management is also responsible for the internal controls that are necessary for the Board's supervision of the investment and property management activities. Management regularly reports to the Board on these issues.

#### **CEO**

The CEO is responsible for the day-to-day activities of the Company according to the instructions from the Board and other guidelines and policy documents. Together with the chairman of the Board, the CEO prepares the agenda for board meetings and is responsible for the preparation of such data and information as is necessary for decisions. In addition, the CEO ensures that the Board is continually informed about Eastnine's development and market conditions from the internal management, so that the Board can reach well-informed decisions.

The Company's CEO, Kestutis Sasnauskas, has three board appointments outside the Company: Agro Region Stockholm Holding AB, Rytu Invest AB and Melon Fashion Group AO. The CEO holds an ownership stake in the privately-owned company Rytu Invest of 27.4 per cent, as well as a direct shareholding in Eastnine AB corresponding to 2.0 per cent of the total number of outstanding shares in the Company. For more information about the CEO, please refer to page 78.

#### **Remuneration to management**

The management consists of the CEO and CFO. Remuneration to the management during the year consisted of fixed and variable

#### **Annual plan for the Board of Directors**



**Policies prepared by the Board**

- |                                                 |                          |
|-------------------------------------------------|--------------------------|
| • Rules of Procedure for the Board of Directors | • Environmental policy   |
| • Work instruction for the CEO                  | • Information policy     |
| • Financial policy                              | • Insider policy         |
| • Accounting & reporting manual and policy      | • IT security policy     |
| • Business continuity policy                    | • Integrity guidelines   |
| • Code of conduct                               | • Social equality policy |
|                                                 | • Anti-corruption policy |
|                                                 | • Whistleblowing policy  |

component and pension and insurance benefits. The Board decides on a discretionary basis if variable compensation shall be paid to the management. The decision is based on internal evaluation criterias including strategic and operational activity-based targets are evaluated. The targets are set and evaluated annually by the Board. Variable salary for both CEO and CFO can at most amount of 50 per cent of the fixed salary. The Board has the right to diverge from the guidelines decided on the AGM, if there are particular reasons to do so in isolated cases. The Company's management has individually defined premium based pensions plans, according to which the Company pays premiums corresponding to 4.5 per cent of the fixed salary up to 7.5 income base amount and premiums corresponding to 30 per cent of the fixed salary exceeding 7.5 income base amounts. In 2019, the CEO was granted variable salary for 2018, corresponding to 40 per cent, and CFO as other variable salary 25 per cent, of the fixed annual salary. During the beginning of 2020, the Board has granted the CEO a variable salary of 38 per cent and CFO of 33 per cent of fixed annual salary for the 2019 financial year. Detailed information about remuneration to management may be found in note 5 on page 51.

**Share-related incentive programmes**

The AGM on 24 April 2018 approved the Board's recommendation for the establishment of a long-term incentive programme for all permanent employees, who were employed in the Company as of January 1, 2018. The purpose of the programme was to boost shareholder value and the Company's long-term value creation, by creating conditions to retain competent staff, increase motivation among the participants, as well as to increase the employees' shareholding in the Company.

The incentive programme was divided into three categories: i) the CEO and CFO, ii) investment managers and lease managers, and iii) other staff. Participation in the programme required that the participants acquired shares in the Company for an amount corresponding to a maximum of two monthly salaries as of 1 April 2018 (the savings shares). Each savings share gives the participants the right to receive a share in the Company (the matching share) without additional payment, and to receive up to five shares (performance shares) without additional payment, depending on participant category and contingent on predetermined conditions. The right to receive matching shares or performance shares are conditioned upon the employee's contract not having been terminated and that the savings shares are kept throughout the vesting period from 30 June 2018 until the day of publication of the interim report for January - September 2021.

Matching shares and performance shares are awarded to the employees within 45 days of publication of the interim report for the third quarter 2021. For the full list of conditions and performance requirements tied to the award of performance shares, please refer to Eastnine's website, [www.eastnine.com/sv/incitamentsprogram](http://www.eastnine.com/sv/incitamentsprogram).

**Risk management and internal control****Internal control**

Internal control at Eastnine is designed to manage risks associated with financial reporting and property management activities. It includes ensuring that the buying and selling of holdings is reliably reported, that holdings and properties are valued correctly and that information is conveyed to the market in an effective and correct way. The Board is responsible for monitoring investment and property management activities and ensuring, by means of defined reporting routines and relevant policies, that it has access to the necessary information. The Board evaluates all policies each year for their suitability, and any change of policy are to be approved by the Board. The whistleblower and environmental policies were deemed not to be in need of revision and were not reviewed by the Board in 2019. However, the environmental policy was reviewed in February 2020. The Board maintains an effective control environment for investment activities and financial reporting, by means of a clear distribution of responsibilities and authority to management and employees. The Board discusses reporting issues, valuations and financial reporting. The Company's management continually monitors that policies, instructions and administrative agreements are followed.

Each year, the Board of Eastnine assesses whether the Company is in need of an internal auditing function, i.e. an independent investigative function that performs ongoing review and presents reports to the Board and management with recommendations for improvements of the internal control of the Company's activities, such as outsourced service functions and internal procedures, in order to maintain good governance and compliance with the Company's policies. During 2019, the Board decided that, because of its limited size and its adequate competencies in evaluating service functions and internal activities itself, the Company did not need an internal auditing function. Eastnine acts in accordance with generally accepted practice on the stock market and regularly follows-up that the Company is in compliance with the listing agreement.

**Risk management**

Eastnine is exposed to different risks through its operations. As the Company's activities is ever more focused on directly-owned real estate investments in the Baltics, the total risk in the portfolio is geographically limited and focused on property risks, since Eastnine's strategy is to be a long-term owner of modern and sustainable office properties, with stable tenants in first-class locations. Historically, this focus has been shown to mean less volatile cash-flow and lower business risk than the Company's previous investment orientation toward multiple different types of investments in different industries and countries. This change of orientation reduces risks such as exchange rate risks, share price risk and geopolitical risks, while the exposure to interest and credit risk as well as rent level and vacancy risks increases. For more information on the Company's risk management, please refer to pages 28-29 and note 30 on pages 61-62.

## Annual General Meeting

The Annual General Meeting is the Company's highest decision-making body and constitutes the way for shareholders to exercise their influence. The AGM shall be held within six months after the end of the financial year. All shareholders who are registered in the shareholders' register and who have announced their attendance in time are entitled to attend the AGM. Shareholders can vote according to the total number of shares that they own and may be accompanied by a maximum of two assistants. Shareholders may choose to be represented by a proxy.

The AGM addresses issues relating to election of the Board, where appropriate the election of an auditor, dividend, adoption of the income statement and balance sheet and release from liability for the Board members and the CEO. Shareholders are entitled to have issues discussed at the meeting provided that these have been properly notified to the Company in ample time before the publication of the notice of the AGM. The AGM is an important channel for communicating with shareholders. Barring any circumstances preventing this, the Board and the Company's management attend the general meeting to answer questions from shareholders.

### *The Annual General Meeting 2019*

The AGM was held on 15 May 2019 at Närings- livets Hus in Stockholm. All documents from the AGM - notice, documents presented at the meeting and the minutes - are available on [www.eastnine.com](http://www.eastnine.com). The AGM 2019 was attended by 86 people, including shareholders representing 52 per cent of the Company's shares (not including repurchased shares), the Chairman of the Board, those Members of the Board who were available, the CEO, parts of the Company's staff as well as a number of guests.

The AGM 2019 approved, among other things, the adoption of the financial results for 2018 fiscal year, release from liability for the Board and management, dividend proposal with semi-annual payments, the number of Board members, Board remuneration as well as the choice of auditor. The Board was given a mandate to decide on the acquisition and transfer of shares in treasury, in accordance with the proposal presented to the AGM. In connection with the AGM 2019, shareholders were also invited to attend a seminar about the Company and the Baltic real estate market.

## The Nomination Committee

The task of the nomination committee is to evaluate the Board and its work before the AGM, to prepare and present proposals to the meeting regarding the chairman of the meeting, Chairman of the Board and Board members, and to propose an auditor where appropriate. The committee also proposes Board remuneration, any remuneration to sub-committees and fees to the Company's auditor, as well as proposing a process for the appointment of a nomination committee before the next AGM. All shareholders have the opportunity to present suggestions to the Nomination Committee.

### *Work in the Nomination Committee during 2019/2020*

According to the decision of the AGM on 15 May 2017, Eastnine shall have a nomination committee consisting of at least three and no more than four members, a maximum of three of whom shall be appointed by the three largest (in terms of actual voting rights) shareholders (or ownership groups) in the Company who wish to appoint a representative. The final member is the Compa-

ny's Chairman of the Board. Before the 2020 AGM, the Nomination Committee has consisted of:

- Liselotte Hjorth, as the Chairman of Eastnine
- Magnus Lekander, as representative of East Capital (Chairman of the Nomination Committee)
- Mathias Svensson, as representative of Keel Capital
- David Bliss, as representative of Lazard Asset Management

The composition of the Nomination Committee was announced in a press release and on the Company's website on 8 October 2019. The Nomination Committee has (until March 22, 2020) met three times ahead of the AGM 2020. No remuneration has been paid to the members of the committee. The shareholders have been given the opportunity to present suggestions to the committee. The committee's proposals to the 2020 AGM will appear in the notice and will be found on [www.eastnine.com](http://www.eastnine.com) in due time prior to the AGM.

### *The Annual General Meeting 2020*

The AGM 2020 will be held on Tuesday 12 May 2020 at 15.00 CET at IVA, Grev Turegatan 16, in Stockholm. More information can be found on [www.eastnine.com](http://www.eastnine.com).

## Auditors

### *External auditors*

At the AGM on 15 May 2019, the registered public accounting firm KPMG was appointed, with Peter Dahllöf as auditor in charge, for the period until the end of the Annual General Meeting 2020.

### *Auditor fees*

The Company's auditors have received fees for auditing and other prescribed review, as well as for counselling in respect to observations made during auditing and review. For the 2019 financial year, the fees paid to the auditors totalled EUR 163k.

### *Communication with the Company's auditors*

The Board maintains a regular contact with the auditors. The auditors attend board meetings when annual reports are considered, and normally also when those interim reports that have been reviewed by the auditors are considered. The auditors then present their observations from the review of the Year-end report and the Interim report for the first nine month of the year and report on their assessment of the Company's internal control. The Board also meet the auditor once per year for the auditor to report observations directly to the Board without management attendance.

## Auditor – KPMG AB

### *Principal auditor: Peter Dahllöf, born 1972*

Authorised public accountant and partner in KPMG AB. Responsible for the industry group for real estate auditing and active in KPMGs international real estate network. Responsible auditor for Eastnine AB since 2018.

Selection of other audit assignments: Areim, Hemfosa, Humlegården, Intea, Midstar Hotels and Peab Fastighet.

# Board of Directors



**Liselotte Hjorth**  
Chairman of the Board



**Johan Ljungberg**  
Member of the Board



**Peter Elam Håkansson**  
Member of the Board

|                                                              |                                                                                                                                                                                           |                                                                                                                                |                                                                                                                                                                                                             |
|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Born</b>                                                  | 1957                                                                                                                                                                                      | 1972                                                                                                                           | 1962                                                                                                                                                                                                        |
| <b>Education</b>                                             | Bachelor's degree in Economics, Lund University.                                                                                                                                          | Master of Engineering, Royal Institute of Technology and Tufts University.                                                     | Master of Business Administration, Stockholm School of Economics; studies at EDHEC in Lille.                                                                                                                |
| <b>Work experience (selection)</b>                           | Former deputy CEO and Head of group credit and Head of SEBs global real estate clients.                                                                                                   | Former trader at SeaCarriers, developer at Proceedo and consultant at Accenture.                                               | Founder and former investment manager at East Capital. Former Head of stock trading and Head of analysis at Enskilda Securities in the Nordics and globally.                                                |
| <b>Board appointments</b>                                    | Chairman in White arkitekter, member in BNP Paribas Real Estate Investment Management Germany, Rikshem, Hoist Finance, Emilshus, Brunswick Real Estate Capital Advisory and Ativo Finans. | Chairman in Atrium Ljungberg and Tagehus Holding. Board member in K2A Knaust & Andersson and John Mattson Fastighetsföretagen. | Chairman in East Capital and board appointments within the East Capital Group. Chairman of the foundation Swedish Music Hall of Fame. Board Member in Bonnier Business Press and Atlantic Grupa in Croatia. |
| <b>Shareholding (March 1, 2020)</b>                          | 6,500, incl. related parties and companies                                                                                                                                                | 115,853, incl. related parties and companies                                                                                   | 6,067,090, incl. related parties and companies                                                                                                                                                              |
| <b>Appointed in</b>                                          | 2014, chairman since 2018                                                                                                                                                                 | 2018                                                                                                                           | 2014                                                                                                                                                                                                        |
| <b>Independent in relation to the Company and management</b> | Yes                                                                                                                                                                                       | Yes                                                                                                                            | Yes                                                                                                                                                                                                         |
| <b>Independent in relation to major shareholders</b>         | Yes                                                                                                                                                                                       | Yes                                                                                                                            | No                                                                                                                                                                                                          |
| <b>Annual remuneration, SEK thousands</b>                    | 800                                                                                                                                                                                       | 400                                                                                                                            | 400                                                                                                                                                                                                         |
| <b>Presence at board meetings 2019, (18)</b>                 | 18                                                                                                                                                                                        | 16                                                                                                                             | 16                                                                                                                                                                                                          |



**Peter Wågström**  
Member of the Board



**Nadya Wells**  
Member of the Board

|                                                              |                                                                                                                                                                                       |                                                                                                                                                             |
|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Born</b>                                                  | 1964                                                                                                                                                                                  | 1970                                                                                                                                                        |
| <b>Education</b>                                             | Master of Engineering, Royal Institute of Technology in Stockholm.                                                                                                                    | MBA, INSEAD, MA in Modern History and Modern Languages from Oxford University and MSc in Global Health from the University of Geneva.                       |
| <b>Work experience (selection)</b>                           | Former CEO and group chief executive at NCC, Head of business area for NCC Property Development and NCC Housing.                                                                      | Extensive experience from growth markets as an investor and corporate governance expert. Most recently as a portfolio manager and analyst at Capital Group. |
| <b>Board appointments</b>                                    | Chairman of the Board at MIPE-Q Badrumsmöbler, Assentio, Penta Construction Group and Volabo. Board Member of Amasten Fastigheter, Arlanda Stad Holding, Home-maker, SSM and Arrecta. | Board Member in Sberbank Russia, Hansa Investment Company Limited and Baring Emerging Europe plc.                                                           |
| <b>Shareholding (March 1, 2020)</b>                          | 10,000, incl. related parties and companies                                                                                                                                           | 0                                                                                                                                                           |
| <b>Appointed in</b>                                          | 2018                                                                                                                                                                                  | 2016                                                                                                                                                        |
| <b>Independent in relation to the Company and management</b> | Yes                                                                                                                                                                                   | Yes                                                                                                                                                         |
| <b>Independent in relation to major shareholders</b>         | Yes                                                                                                                                                                                   | Yes                                                                                                                                                         |
| <b>Annual remuneration, SEK thousands</b>                    | 400                                                                                                                                                                                   | 400                                                                                                                                                         |
| <b>Presence at board meetings 2019, (18)</b>                 | 18                                                                                                                                                                                    | 18                                                                                                                                                          |

# Management



**Kestutis Sasnauskas**  
CEO since 2017



**Britt-Marie Nyman**  
Deputy CEO and CFO since 2019

|                                     |                                                                                                                               |                                                                                                                                                                |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Born</b>                         | 1973                                                                                                                          | 1965                                                                                                                                                           |
| <b>Education</b>                    | Economic studies at the Stockholm School of Business, Vilnius University and Gotlands University.                             | Master in Business Administration, Umeå University.                                                                                                            |
| <b>Work experience (selection)</b>  | Former Chief Investment Officer Eastnine. Partner, co-founder, responsible for private equity and real estate at EastCapital. | Former Head of Capital Markets Catella Corporate Finance, deputy CEO, Head of finance and IR at Klöver and Head of information and IR at Fastighets AB Tornet. |
| <b>Board appointments</b>           | Chairman in Agro Region Stockholm Holding, Board member in Rytu Invest and Melon Fashion Group AO.                            | None                                                                                                                                                           |
| <b>Shareholding (March 1, 2020)</b> | 446,443                                                                                                                       | 14,025, incl. related parties                                                                                                                                  |

# Country managers



**Saule Zabulionyte**  
Country manager, Latvia  
since 2019



**Julius Niedvaras**  
Country manager, Lithuania  
since 2018



**Meelis Sokman**  
Country manager, Estonia  
since 2017

|                                     |                                                                                                                                              |                                                                                                                                                                          |                                                                                                                                                                                                  |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Born</b>                         | 1976                                                                                                                                         | 1978                                                                                                                                                                     | 1972                                                                                                                                                                                             |
| <b>Education</b>                    | Professional Qualification FCCA by the Association of Chartered Certified Accountants, bachelor's degree in Economics at Vilnius University. | Master's degree in business administration and management at Vilnius University, master's degree in technology and economics at the Pforzhaim Hochschule für Gestaltung. | Master's degree in economic cybernetics at Tartu University.                                                                                                                                     |
| <b>Work experience (selection)</b>  | Former CEO of Akropolis Group, in Lithuania and Audit manager at PwC, Russia.                                                                | Former Country manager for East Capital Real Estate in Lithuania, Manager for SEB Real Estate.                                                                           | Former CEO of Ektornet Estonia companies, Head of Financial Restructuring and Recovery department in Swedbank Estonia, CEO of Q Vara OÜ, Head of Corporate Finance Division in Swedbank Estonia. |
| <b>Board appointments</b>           | None                                                                                                                                         | None                                                                                                                                                                     | None                                                                                                                                                                                             |
| <b>Shareholding (March 1, 2020)</b> | 0                                                                                                                                            | 1,800, incl. related parties and companies                                                                                                                               | 1,773, incl. related parties and companies                                                                                                                                                       |



# Sustainability notes

Eastnine's sustainability report is prepared in accordance with the GRI Standards, using the Core option and with regards to the Construction & Real Estate Sector Supplement, CRESSE. In addition to the sustainability notes on pages 81-85, a description of Eastnine's sustainability efforts is integrated into the company's annual report. The GRI index contains references to where in the annual report or the sustainability notes certain information may be found. Those cases where requirements according to the GRI framework has not been met are presented in the GRI content index on pages 86-87.

## GENERAL DISCLOSURES

### ■ ORGANIZATIONAL PROFILE

#### 102-8 Information on employees

|                        | 2019           |          |           |          |          | 2018     | 2017     |
|------------------------|----------------|----------|-----------|----------|----------|----------|----------|
|                        | Total Eastnine | Sweden   | Lithuania | Latvia   | Estonia  |          |          |
| Number of employees    | 19             | 9        | 8         | 1        | 1        | 15       | 12       |
| <b>Of which, women</b> | <b>11</b>      | <b>4</b> | <b>6</b>  | <b>1</b> | <b>0</b> | <b>7</b> | <b>6</b> |
| - full-time            | 11             | 4        | 6         | 1        | 0        | 7        | 5        |
| - part-time            | 0              | 0        | 0         | 0        | 0        | 0        | 0        |
| - temporary staff      | 0              | 0        | 0         | 0        | 0        | 0        | 1        |
| <b>Of which, men</b>   | <b>8</b>       | <b>5</b> | <b>2</b>  | <b>0</b> | <b>1</b> | <b>8</b> | <b>6</b> |
| - full-time            | 8              | 5        | 2         | 0        | 1        | 7        | 6        |
| - part-time            | 0              | 0        | 0         | 0        | 0        | 0        | 0        |
| - temporary staff      | 0              | 0        | 0         | 0        | 0        | 1        | 0        |

#### 102-09 Supply chain

Eastnine's suppliers include construction, property maintenance, and consulting companies. Construction and building maintenance services accounted for approximately 92 per cent of total invoiced amount in 2019. In 2019, Eastnine launched a code of conduct for suppliers in order to ensure that purchases of goods and services were carried out in a responsible way. In 2020, a web-based solution for supplier review will be implemented.

#### 102-11 Precautionary principle or approach

Eastnine's sustainability efforts are governed by the following policies: Code of Conduct, Environmental Policy, IT Security Policy & Privacy Guidelines, Equal Treatment Policy, Whistleblower Policy, Anti-Corruption Policy and Code of Conduct for Suppliers. Eastnine conducts its operations in compliance with all applicable local and international laws and regulations, and conducts environmental risk assessment as a part of the due diligence process at acquisition. Read more about Eastnine's risk management on pages 28-29.

### ■ STAKEHOLDER ENGAGEMENT

#### 102-40 List of stakeholder groups

#### 102-42 Identifying and selecting stakeholders

#### 102-43 Approach to stakeholder engagement

#### 102-44 Key topics and concerns raised

Eastnine strives toward creating effective routines for continual and effective dialogue with its stakeholders in order to ensure that the Company stays focused on the questions that are deemed critical by our stakeholders. The table below presents the groups we identify as

key stakeholders relating to Eastnine's activities. It also gives examples of main channels for communication with our stakeholders and issues revealed as important in the dialogue with these groups.

| Groups    | Channels                                                                                       | Key sustainability topics                                                                                                                                  |
|-----------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tenants   | Customer meetings, continual dialogue around management, customer satisfaction surveys         | Office premises with good services and working environment, reduced environmental impact, business ethics                                                  |
| Staff     | Workshops and seminars, staff surveys, staff appraisals                                        | Professional development, good conditions of employment, diversity, good working environment, business ethics and reduced environmental impact             |
| Investors | AGM, interim and annual reports, press releases, conference calls, seminars, investor meetings | Business ethics and anti-corruption efforts, energy efficiency, reduced environmental impact, customer and employee satisfaction, sustainable supply chain |
| Society   | Dialogue with stakeholder and industry organizations, networking meet-ups, conferences         | Energy efficiency, reduced environmental impact, business ethics and anti-corruption, sustainable supply chain                                             |
| Suppliers | Supplier meetings, contract tenders, orders                                                    | Good business ethics in purchasing processes                                                                                                               |

#### 102-41 Collective bargaining agreements

12 per cent of Eastnine's employees are covered by collective bargaining agreements.

## REPORTING PRACTICE

**102-46 Defining report content and topic boundaries**  
**102-47 List of material topics**

Eastnine carries out continual dialogue with its key stakeholders in order to identify the expectations on Eastnine's activities and in order to deliver in line with these. In addition to the continual dialogue, a materiality analysis was conducted in 2018 to map the most important sustainability aspects of Eastnine's activities which the Company is expected to report on. Employee input was collected during a sustainability workshop conducted in May 2018 and further supplemented by an online questionnaire in October. Tenant input was based on issues raised previously and compiled by our property managers. The largest shareholders and the Board members were interviewed through web-based surveys.

The supporting analysis included review of relevant industry standards, reporting frameworks, peer practices as well as guidance and recommendations such as the report "UNEP Sustainability Metrics: Translation and Impact on Property Investment and Management". The result of this analysis and the identification of prioritised sustainability questions has since been validated by Eastnine's management. In 2019, the materiality analysis was further evaluated, among other things with contributions from customer surveys in all properties directly managed by Eastnine. The conclusion of this evaluation was that all sustainability questions that were previously identified are still material. A table below provides a list of material issues, associated GRI Standards topics and topic boundaries with indications of where the impacts occur in the value chain.

| Eastnine's material topics                     | GRI Standards topics                                | Effect / Boundaries |            |         |             |
|------------------------------------------------|-----------------------------------------------------|---------------------|------------|---------|-------------|
|                                                |                                                     | Supply chain        | Activities | Tenants | Pages       |
| Business ethics and anti-corruption efforts    | Anti-corruption                                     | •                   | •          | •       | 12,82       |
| Customer satisfaction                          | Customers health and safety                         |                     | •          | •       | 12,14,85    |
| Employee satisfaction                          | Training and education                              |                     | •          |         | 84          |
| Equality of opportunity and non-discrimination | Diversity and Equal Opportunity, Non-discrimination |                     | •          |         | 12,13,85    |
| Energy efficiency                              | Energy                                              |                     | •          | •       | 13,83       |
| Carbon dioxide emissions                       | Emissions                                           | •                   | •          | •       | 13,84       |
| Waste management                               | Effluents and waste                                 | •                   | •          | •       | 12          |
| Material usage                                 | Material                                            | •                   | •          |         | 12,83       |
| Sustainable supply chain                       | Supplier social and environmental assessment        | •                   | •          |         | 12,13,84-85 |

**102-50 Reporting period**  
**102-51 Date of most recent report**  
**102-52 Reporting cycle**

Eastnine's Annual Report relates to the period 1 January to 31 December 2019. Eastnine reports on its sustainability efforts annually and the sustainability report is part of Eastnine's annual report for the FY 2019. The previous annual report including a sustainability report was published in March 2019.

**102-53 Contact information for questions regarding the reports**  
 Lilia Kouzmina, CFA, Head of sustainability, lilia.kouzmina@eastnine.com.

**102-54 Claims of reporting in accordance with the GRI Standards**  
**102-55 GRI content index**  
**102-56 External assurance**

Eastnine's sustainability report is prepared in accordance with GRI Standards Core option and the supplement for construction and real estate (CRESSE). Deviations from GRI Standards requirements are provided in the GRI index and sustainability notes. This report also represents Eastnine's communication on progress in line with the UN Global Compact guidelines. The report has not been externally assured.

## MATERIAL TOPICS DISCLOSURES

## ANTI-CORRUPTION

**103-1/2/3 Explanation of the material topic and its Boundary / The management approach and its components / Evaluation of the management approach**  
**205-2 Communication and training about anti-corruption policies and procedures**  
**205-3 Confirmed cases of corruption and actions taken**

Eastnine is convinced that a responsible way of working and a sound business ethic is a decisive factor in building a sustainable business and creating long-term relationships with customers, suppliers and other business partners and stakeholders. Eastnine has zero tolerance for any form of bribery, extortion or corruption. The goal of Eastnine's anti-corruption efforts is to minimise the risk of corruption within the organisation. Eastnine's General Counsel is responsible for leading the efforts against corruption. The Company has a whistleblower function

to facilitate employees and others to report confirmed or suspected cases of corruption. Suspicions of corruption may result in disciplinary actions, termination and/or reports being made to the police.

The anti-corruption efforts within the company is based on Eastnine's Code of Conduct for employees and for suppliers, and the Company's Anti-Corruption Policy which was developed in 2019. At least once per year, an anti-corruption training session is conducted for all employees. Continual follow-up monitors how well the Company follows the guidelines and policies. Input from external consultants are used when developing anti-corruption routines and guidelines. Whether further activities beyond regular follow-up and staff training is needed will be evaluated continually. No suspicions or cases of corruption were reported in 2019.

## MATERIAL

### 103-1/2/3 Explanation of the material topic and its Boundary / The management approach and its components/ Evaluation of the management approach

Eastnine's efforts in reducing environmental impacts include e.g. reducing the climate impacts from new developments, redevelopment and tenant customisations in properties. The use of renewable and recycled materials is important in this context. Therefore, Eastnine is planning to build the Baltics first wooden office building in Riga. Wood is a renewa-

ble material which sequesters carbon dioxide and which, to a certain extent, may be used instead of steel and concrete, which has a larger climate impact. Eastnine's target is to be able to reduce the carbon footprint of future development and construction projects, and intends to develop targets connected to greenhouse gas emissions per square metre for new developments. At present, relevant reporting data is missing in this area, and Eastnine is currently working on developing routines and targets related to this question.

## ENERGY

### 103-1/2/3 Explanation of the material topic and its Boundary / The management approach and its components / Evaluation of the management approach

#### 302-1 Energy use in the organisation CRE1 Energy efficiency in buildings

Energy consumption and energy efficiency is a determining factor for a sustainable real estate business. Reduced energy consumption and the use of renewable energy sources contribute to reduced climate impacts through reducing the greenhouse gas emissions tied to energy use. As a property owner, Eastnine has the opportunity to impact the energy use of its properties by choosing energy-efficient technical systems, and through routines relating to property operations. Eastnine's tenants also account for part of the energy use in Eastnine's properties, through the course of their business and indoor climate preferences.

This report encompasses energy use in all of Eastnine's portfolio properties, which have been owned by the Company for at least eight months (S7-2 and Valdemara Centrs are not part of the 2019 reports). Unlike common practice in Sweden, this report states the total energy use, i.e. the energy usage of the property as well as the electricity usage of the tenants. Consumption data for cooling cannot be separated from electricity and heating consumption and is therefore not reported separately. Energy efficiency is calculated as the total energy consumption, including electricity, heat, cooling and fuel usage, divided by the gross area in sq.m. Energy efficiency is reported both including and excluding tenants' direct electricity consumption.

Eastnine's energy efficiency efforts are chiefly driven by our environmental policy. Environmental certification efforts for newly acquired properties are to be initiated within six months of the date of acquisition. The targeted environmental certifications are LEED Gold or BREEAM Excellent, or higher. In 2019, analyses of three properties have been carried out to map the energy usage in the properties and to identify opportunities for improving energy efficiency. Two of these analyses were related to on-going certification efforts.

The total energy consumption increased in 2019, chiefly due to Eastnine's property portfolio having expanded (with 3Bures-3 and S7-1). For a comparable portfolio, however, energy consumption sank by around 6 per cent.

Energy efficiency for all properties, including tenant electricity usage, has been improved by around 10 per cent during the year, while the energy efficiency of properties under own management, excluding tenant electricity usage, has been improved by around 7 per cent. In 2019, we also established a target to reduce the energy consumption in properties under own management, excluding tenant electricity usage, by 25 per cent by 2025, which corresponds to around 100 kWh per sq.m.

The proportion of renewable energy of Eastnine's energy consumption has, in 2019, increased to 68 per cent, from 47 per cent in the previous year. At present, 100 per cent of all electricity purchased is renewable. In the absence of supporting information from local district heating suppliers, district heating is classified as non-

renewable in our calculations. During the year, Eastnine has initiated dialogues with local providers in order to develop certificates that validate the actual proportion of renewable energy in the production of district heating.

| Energy consumption, MWh  | 2019          | 2018          |
|--------------------------|---------------|---------------|
| Electricity <sup>1</sup> | 11 455        | 7 668         |
| Heating                  | 5 124         | 4 338         |
| Fuel <sup>2</sup>        | 253           | 304           |
| <b>Total</b>             | <b>16 831</b> | <b>12 311</b> |

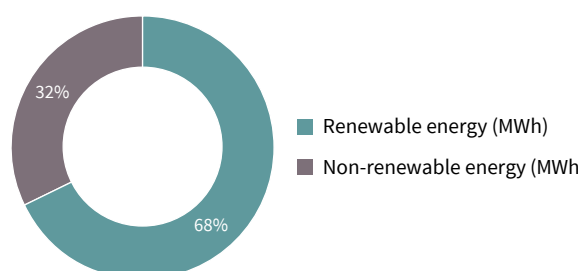
<sup>1</sup> Including tenant electricity usage.

<sup>2</sup> Fuels refers to oil used in oil burners and kitchen stoves on the premises

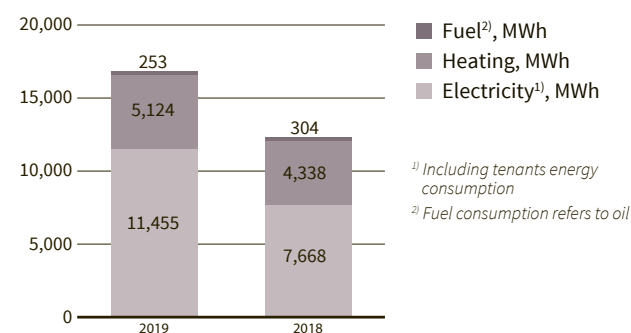
| Energy efficiency, kWh/sq.m.                                         | 2019 | 2018 |
|----------------------------------------------------------------------|------|------|
| Including tenant electricity consumption                             | 180  | 201  |
| Excluding tenant electricity consumption own management <sup>1</sup> | 127  | 137  |

<sup>1</sup> S7-1 is not under own management. No segmentation is made between electricity usage relating to the property and to the tenants.

### Renewable energy, share in total energy consumption, 2019



### Energy consumption, 2019



## EMISSIONS

- 103-1/2/3 Explanation of the material topic and its Boundary / The management approach and its components / Evaluation of the management approach gas emissions**
- 305-1 Direct greenhouse gas emissions (Scope 1)**
- 305-2 Indirect greenhouse gas emissions (Scope 2)**
- 305-4 Emission intensity**
- CRE3 Greenhouse gas emissions per sq.m.**

Property management involves an unavoidable energy use, which may cause greenhouse gas emissions. As a property owner, Eastnine has a direct impact regarding the choice of technical systems for new developments, and regarding the type of energy which is used in the Company's own buildings. Eastnine's aim is to operate a climate-neutral business, which means zero net emissions. Eastnine is currently facing the challenge related to the use of district heating, which is a primary source of emissions in Eastnine's property portfolio. 100 per cent of Eastnine's electricity is now purchased from suppliers of renewable electricity. The Company's emissions are limited primarily by environmental certifications of Eastnine's portfolio, and energy efficiency measures targeting a 25 per cent reduction in energy intensity by 2025 and net-zero carbon by 2030. The internal requirement for environmental certifications means that we reach reduced emissions by energy efficiency efforts and reduced energy consumption, as well as an increase in the proportion of renewable energy. Current solutions

for on-site energy production, such as solar panels or geothermal solutions, have limited capacity and are insufficient to enable us to exclusively provide our own energy. However, we do have the aim that our development projects are to be supplied exclusively by renewable energy and have a higher share of energy from on-site production.

Eastnine began measuring its emissions in 2018. An annual follow-up of greenhouse gas emissions, according to the GHG protocol, is carried out by the Lithuanian consulting company Sopro, with support from calculations made in Energy Star. More information about the emission factors that are used is available at <https://portfolio-manager.EnergyStar.gov/PDF/reference/emissions.pdf>. Emissions data includes tenant energy usage and relates to all properties in the portfolio.

| Greenhouse gas emission per scope (tonnes CO <sub>2</sub> e) | 2019         | 2018         |
|--------------------------------------------------------------|--------------|--------------|
| Scope 1 <sup>1</sup>                                         | 46           | 55           |
| Scope 2+3 <sup>2</sup>                                       | 2,589        | 2,522        |
| <b>Total emissions</b>                                       | <b>2,635</b> | <b>2,577</b> |
| Emission intensity, kgs CO <sub>2</sub> e/sq.m. <sup>3</sup> | 28           | 42           |

<sup>1</sup> Fuels used in oil-fired boilers and restaurant stoves.

<sup>2</sup> Electricity and district heating purchased by Eastnine, including tenant electricity use<sup>3</sup> Gross area

## ENVIRONMENTAL CERTIFICATION

- 103-1/2/3 Explanation of the material topic and its Boundary / The management approach and its components / Evaluation of the management approach**
- CRE8 Type and number of sustainability certification**

Environmental certification of existing and newly constructed properties is a key component of Eastnine's strategy to offer sustainable workplaces for our customers. The reports cover all properties in

our portfolio. The environmental certification efforts are governed by Eastnine's environmental policy, with the ambition that 100 per cent of the properties (excluding those properties that are expected to undergo extensive development) are to be certified. According to the policy, environmental certification efforts are to begin within 6 months of the date of acquisition. At present, four of nine properties belonging to Eastnine, corresponding to around 72 per cent of gross area, were certified according to LEED Platinum or BREEAM Excellent, and a further two are currently undergoing a certification process.

## SUPPLIER ENVIRONMENTAL ASSESSMENT

- 103-1/2/3 Explanation of the material topic and its Boundary / The management approach and its components / Evaluation of the management approach**
- 308-1 New suppliers that were screened using environmental criteria**

Since a significant indirect environmental impact arises from Eastnine's supply chain, it is of considerable importance that we evaluate new and existing suppliers based on environmental criteria. At present, our efforts for a sustainable supply chains is governed by the Eastnine Code of Conduct policy and Eastnine's Code of Conduct for Suppliers. The purpose is to maintain a high standard of business ethics in our relationships, prevent possible environmental risks and

risks connected to corruption as well as encourage good practice and sustainable business models in our supply chain. When signing contracts with new suppliers, Eastnine's Code of Conduct for Suppliers is always included as a contract appendix. At present, Eastnine is lacking a system for supplier evaluation in order to guarantee that the criteria that are part of the Company's code of conduct followed by suppliers. In 2019, we have evaluated solutions for sustainability review of all of Eastnine's suppliers, and have chosen a web-based solution from a Swedish consulting company. The solution will be implemented in 2020. Eastnine intends to be able to report information relating to environmental reviews of its suppliers in the 2021 sustainability report.

## TRAINING AND EDUCATION

- 103-1/2/3 Explanation of the material topic and its Boundary / The management approach and its components / Evaluation of the management approach**
- 404-3 Percentage of employees receiving regular performance and career development reviews**

Employee satisfaction is a crucial factor for Eastnine's development, its capacity to reach stated goals and, ultimately, its business success. It also directly impacts the quality of services Eastnine provides to its customers, its ability to retain key employees, and to attract new talent.

An employee survey carried out together with Great Place to Work in 2019 shows that professional development is important to our employees. In 2019, performance and career development reviews were conducted with all of Eastnine's employees. Supporting documentation for the career performance and development review was updated to reflect Eastnine's new commitments and focus on sustainability aspects. An annual employee survey is used as an evaluation mechanism for the management approach to this topic. The format and supporting documentation for performance review will be continuously re-evaluated to ensure that no critical aspects omitted.

## DIVERSITY AND EQUAL OPPORTUNITY

### 103-1/2/3 Explanation of the material topic and its Boundary/ The management approach and its components/ Evaluation of the management approach

#### 405-1 Diversity of governance bodies and employees

#### 406-1 Incidents of discrimination and corrective actions taken

Eastnine is an international Company and employs staff in a number of countries. A diverse team is a natural part of our strategy and business model. Eastnine's management has, since an early stage, been keen to support an even gender balance at all levels of the Company. During the year, Eastnine were again recognised by the Allbright Foundation, an organisation monitoring issues relating to gender equality in Swedish listed companies, and were placed on their "green list" of companies with a high degree of equality. The Company's vision for diversity and equal opportunity was formalised in 2019 in an Equal Treatment Policy. At the same time, Eastnine has set a target for ensuring an equal distribution of men and women in comparable positions as the Company grows and hires new employees. Responsibility for the implementation of this policy is laid on the country managers and the executive management. Newly employed staff are informed about the policy as well as our code of conduct and are expected to follow all guidelines. The annual employee survey included questions related to the Company's equality efforts and is used as a basis for follow-up on the topic. The placement on Allbright's "green list" is an additional indicator to evaluate how the Company works with equality. All employees have access to a whistleblower system where reports of potential transgressions can be submitted and where submitters can remain anonymous if they prefer.

No cases of discrimination were reported in 2019.

|                           | 2019      | 2018      | 2017      |
|---------------------------|-----------|-----------|-----------|
| <b>BOARD OF DIRECTORS</b> |           |           |           |
| <b>Women</b>              |           |           |           |
| under 30                  | 0         | 0         | 0         |
| 30-50                     | 1         | 1         | 1         |
| over 50                   | 1         | 1         | 1         |
| <b>Men</b>                |           |           |           |
| under 30                  | 0         | 0         | 0         |
| 30-50                     | 1         | 1         | 0         |
| over 50                   | 2         | 2         | 3         |
| <b>MANAGEMENT</b>         |           |           |           |
| <b>Women</b>              |           |           |           |
| under 30                  | 0         | 0         | 0         |
| 30-50                     | 0         | 1         | 1         |
| over 50                   | 1         | 0         | 0         |
| <b>Men</b>                |           |           |           |
| under 30                  | 0         | 0         | 0         |
| 30-50                     | 1         | 1         | 1         |
| over 50                   | 0         | 0         | 0         |
| <b>STAFF</b>              |           |           |           |
| <b>Women</b>              |           |           |           |
| under 30                  | 2         | 3         | 2         |
| 30-50                     | 8         | 3         | 3         |
| over 50                   | 0         | 0         | 0         |
| <b>Men</b>                |           |           |           |
| under 30                  | 0         | 2         | 1         |
| 30-50                     | 6         | 5         | 4         |
| over 50                   | 1         | 0         | 0         |
| <b>Total</b>              | <b>24</b> | <b>20</b> | <b>17</b> |

## SUPPLIER SOCIAL ASSESSMENT

### 103-1/2/3 Explanation of the material topic and its Boundary/ The management approach and its components/ Evaluation of the management approach

#### 414-1 New suppliers that were screened using social criteria

View 308-1, page 84.

## CUSTOMER HEALTH AND SAFETY

### 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

There were no incidents of non-compliance reported in 2019 with regards to the health and safety impacts of our buildings. Routine complaints from our tenants relating to the indoor environment are reviewed and investigated in a systematic fashion by the management organisation.

## EASTNINE'S CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT TARGETS

Eastnine supports the UN 2030 Agenda for Sustainable Development and by working toward our business targets, we will also contribute to the following global sustainable development targets.

### Our contribution to the UN 2030 Agenda for Sustainable Development



#### 3. Good health and Well-Being

Eastnine will contribute to target 3.9 by using environmentally friendly construction methods and other means of improving the indoor climate and air quality in our properties.



#### 7. Affordable and clean energy

Eastnine will contribute to targets 7.2 and 7.3 by exclusively using renewable energy in its energy consumption in 2030.



#### 11. Sustainable cities and communities

Eastnine will contribute to targets 11.6 by implementing effective control of air quality, emissions and waste.



#### 12. Responsible consumption and production

Eastnine will contribute to target 12.6 by integrating sustainable practises in its operations and by increasing transparency through public sustainability reporting. We contribute to target 12.5 by improved waste management, including providing alternatives to landfill as well as recycling. We approach target 12.8 by an improved dialogue with Eastnine's tenants about sustainable lifestyle and practices.

# GRI-index

| GRI-standard                  | Description                                                | Principles of the UN Global Compact | Page     | Comment                                                                |
|-------------------------------|------------------------------------------------------------|-------------------------------------|----------|------------------------------------------------------------------------|
| <b>Organizational Profile</b> |                                                            |                                     |          |                                                                        |
| 102-1                         | Name of the organization                                   |                                     | Cover    |                                                                        |
| 102-2                         | Activities, brands, products, and services                 |                                     | 3-5      |                                                                        |
| 102-3                         | Location of headquarters                                   |                                     | 3        |                                                                        |
| 102-4                         | Location of operations                                     |                                     | 16       |                                                                        |
| 102-5                         | Ownership and legal form                                   |                                     | 3        |                                                                        |
| 102-6                         | Markets served                                             |                                     | 16       |                                                                        |
| 102-7                         | Scale of the organization                                  |                                     | 3        |                                                                        |
| 102-8                         | Information on employees and other workers                 | 3, 6                                | 81       |                                                                        |
| 102-9                         | Supply chain                                               |                                     | 81       |                                                                        |
| 102-10                        | Significant changes to the organization and its supply     |                                     |          | No significant changes took place during the year                      |
| 102-11                        | Precautionary principle or approach                        | 7                                   | 81,28-29 |                                                                        |
| 102-12                        | External initiatives                                       |                                     |          | Global Compact, BREEAM, LEED                                           |
| 102-13                        | Membership of associations                                 |                                     |          | Sweden Green Building Council, Green Building Council Lithuania, GRESB |
| <b>Strategy</b>               |                                                            |                                     |          |                                                                        |
| 102-14                        | Statement from senior decision-maker                       |                                     | 6-7      |                                                                        |
| <b>Ethics and integrity</b>   |                                                            |                                     |          |                                                                        |
| 102-16                        | Values, principles, standards, and norms of behavior       | 10                                  | 12,72-75 |                                                                        |
| <b>Governance</b>             |                                                            |                                     |          |                                                                        |
| 102-18                        | Governance structure                                       |                                     | 72-75    |                                                                        |
| <b>Stakeholder engagement</b> |                                                            |                                     |          |                                                                        |
| 102-40                        | List of stakeholder groups                                 |                                     | 81       |                                                                        |
| 102-41                        | Collective bargaining agreements                           |                                     | 81       |                                                                        |
| 102-42                        | Identifying and selecting stakeholders                     |                                     | 81       |                                                                        |
| 102-43                        | Approach to stakeholder engagement                         |                                     | 81       |                                                                        |
| 102-44                        | Key topics and concerns raised                             |                                     | 81       |                                                                        |
| <b>Reporting practice</b>     |                                                            |                                     |          |                                                                        |
| 102-45                        | Entities included in the consolidated financial statements |                                     | 35-36    |                                                                        |
| 102-46                        | Defining report content and topic Boundaries               |                                     | 82       |                                                                        |
| 102-47                        | List of material topics                                    |                                     | 82       |                                                                        |
| 102-48                        | Restatements of information                                |                                     |          | No restatements                                                        |
| 102-49                        | Changes in reporting                                       |                                     |          | No material changes                                                    |
| 102-50                        | Reporting period                                           |                                     | 82       |                                                                        |
| 102-51                        | Date of most recent report                                 |                                     | 82       |                                                                        |
| 102-52                        | Reporting cycle                                            |                                     | 82       |                                                                        |
| 102-53                        | Contact point for questions regarding the report           |                                     | 82       |                                                                        |
| 102-54                        | Claims of reporting in accordance with the GRI Standards   |                                     | 82       |                                                                        |
| 102-55                        | GRI content index                                          |                                     | 86-87    |                                                                        |
| 102-56                        | External assurance                                         |                                     | 82       |                                                                        |
| 103-1                         | Explanation of the material topic and its Boundary         |                                     | 81-85    |                                                                        |
| 103-2                         | The management approach and its components                 |                                     | 81-85    |                                                                        |
| 103-3                         | Evaluation of the management approach                      |                                     | 81-85    |                                                                        |

## MATERIAL TOPICS

| Material topic                               | Disclosure |                                                                                               | Principles of the UN Global Compact | SDG   | Page     | Comment                                                                                                                      |
|----------------------------------------------|------------|-----------------------------------------------------------------------------------------------|-------------------------------------|-------|----------|------------------------------------------------------------------------------------------------------------------------------|
| <b>FINANCE</b>                               |            |                                                                                               |                                     |       |          |                                                                                                                              |
| Anti-corruption                              | 205-2      | Communication and training about anti-corruption policies and procedures                      |                                     |       | 12,82    |                                                                                                                              |
|                                              | 205-3      | Confirmed cases of corruption and actions taken                                               | 10                                  |       | 82       |                                                                                                                              |
| <b>ENVIRONMENT</b>                           |            |                                                                                               |                                     |       |          |                                                                                                                              |
| Materials                                    | 301-2      | Recycled input materials used                                                                 |                                     | 3,12  | 83       |                                                                                                                              |
| Energy use                                   | 302-1      | Energy consumption within the organization                                                    | 6,9                                 | 7     | 13,83    |                                                                                                                              |
|                                              | CRE1       | Energy efficiency in buildings                                                                | 6,9                                 |       | 13,83    |                                                                                                                              |
| Missions                                     | 305-1      | Direct greenhouse gas emissions (Scope 1)                                                     | 7,8,9                               | 11,12 | 84       |                                                                                                                              |
|                                              | 305-2      | Indirect greenhouse gas emissions from energy consumption (Scope 2)                           | 7,8,9                               |       | 84       |                                                                                                                              |
|                                              | CRE3       | Greenhouse gas emissions per sq.m.                                                            | 7,8,9                               |       | 13,84    |                                                                                                                              |
| Waste                                        | 306-2      | Waste by type and management method                                                           |                                     | 11,12 |          | Data for 2019 are missing. Evaluation of management approaches were begun in 2019 and solutions will be implemented in 2020. |
| Environmental certification                  | CRE8       | Type and number of sustainability certification                                               |                                     | 3     | 13,84    |                                                                                                                              |
| Supplier evaluations relating to environment | 308-1      | New suppliers that were screened using environmental criteria                                 |                                     | 12    | 84       |                                                                                                                              |
| <b>SOCIAL</b>                                |            |                                                                                               |                                     |       |          |                                                                                                                              |
| Professional development                     | 404-3      | Percentage of employees receiving regular performance and career development reviews          | 6                                   |       | 84       |                                                                                                                              |
| Diversity and equal opportunity              | 405-1      | Diversity of governance bodies and employees                                                  | 1,2,4,6                             |       | 85       |                                                                                                                              |
| Non-discrimination                           | 406-1      | Incidents of discrimination and corrective actions taken                                      | 1,2,4,6                             |       | 85       |                                                                                                                              |
| Supplier social assessment                   | 414-1      | New suppliers that were screened using social criteria                                        |                                     |       | 85       |                                                                                                                              |
| Customer health and safety                   | 416-2      | Incidents of non-compliance concerning the health and safety impacts of products and services |                                     | 11    | 12,14,85 |                                                                                                                              |

# 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 rental income

Average rent at the end of the period.

### Lettable area

Total area available for letting.

### Net letting

Annual rent income from contracts signed, less that of contracts terminated, during the period.

### Net operating income

Rental income less property expenses.

### Occupancy rate, by area

Occupancy rate in relation to lettable area.

### Occupancy rate, financial

Contracted annual rent at the end of the period in relation to the rent value.

*This indicator is used to facilitate the estimation of rental income for vacant premises and other financial vacancies.*

### Profit from property management

Earnings before value changes, dividends received and taxes.

### Property yield, investment properties, %

Net operating income divided by the average value of investment properties. Calculation of yield is not including development properties.

*This indicator shows the earnings generation of the properties before financial and central administration items.*

### Rental income

Debited rents, rental accruals, and rental guarantees less rental discount.

### Rent value

Contracted annual rents which are current at the end of the year with supplements for discounts and estimated market rent for vacant premises.

### Surplus ratio

Net operating income in relation to the period's rental income.

### Triple-net lease

Lease agreements where the tenant, in addition to the base rent, also pays costs related to the leased area. These costs include operational and maintenance costs, property taxes, site leasehold fees, insurance and property caretaking.

### Vacancy rate, by area

Vacant area in relation to lettable area.

### Vacancy rate, financial

Annual rent for vacant premises at the end of the period in relation to the rent value at the end of the period.

### WAULT

Average remaining lease term of lease agreements, weighted according to contracted rental income (weighted average unexpired lease term).

*The indicator shows the weighted risk of future vacancies.*

## Financial Key Figures

### Average capital tie-up period

Average remaining term for liabilities to credit institutions by the end of the period.

### Average interest

Interest expenses divided by average liabilities to credit institutions.

### Average interest rate

Average interest rate on the Group's liabilities to credit institutions at the end of the period.

### Debt coverage ratio

Net operating income for the period, with reversal of central administration expenses, in relation to liabilities to credit institutions

### EBITDA

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

### Equity/asset ratio

Equity in relation to total assets.

### Interest coverage ratio

Profit from property management, with reversal of interest expenses, in relation to interest expenses.

### LTV (loan-to-value) ratio

Liabilities to credit institutions in relation to property value.

### Net asset value discount/premium

The difference between net asset value and market capitalisation. If market cap is lower than NAV the share is traded at a NAV discount; if market cap is higher, the share is traded at a premium.

### Return on equity

Net profit/loss for the year in relation to average equity.

### Return on equity, Real Estate Direct

Net profit/loss for the year from the directly owned real estate segment, in relation to the average equity attributable to the segment.

## Share-related Key Figures

### Earnings per share

Earnings for the year attributable to equity holders of the Parent Company in relation to the average number of outstanding shares (excluding repurchased shares held in treasury).

### Equity

Total equity.

### Equity per share

Equity in relation to the number of outstanding shares (excluding shares held in treasury).

### Long-term net asset value (LT-NAV)

Total equity with reversal of derivatives and deferred tax liabilities according to the balance sheet.

### Long-term net asset value per share

LT-NAV in relation to the number of outstanding shares (excluding shares held in treasury).

### Profit from property management per share

Profit from property management divided by the average number of shares during the period.

# Glossary

Eastnine has compiled a glossary of commonly used terms to help the reader.

## **Break-option**

Unilateral option allowing the tenant to terminate the lease agreement prematurely. The clause usually refers to a right on the part of the tenant to terminate a lease without additional rent payments.

## **Fair value**

Fair value is the price at which a property transfer may take place between independent and informed parties which have an interest in the transaction taking place. Fair value is considered to be equal to the acquisition value at the acquisition date, after which the fair value may change over time.

## **Gross area**

Gross area is the sum of the area of all the floors up to the exterior of the surrounding building sections. The term is used e.g. with regards to property valuations.

## **IFRS**

Abbreviation for International Financing Reporting Standard. IFRS is an international reporting standard for the preparation of group statements.

## **Interest derivatives**

Agreements for the purchase and sale of interest, the price and conditions of which depend on factors such as time, inflation rates, and market. Derivative agreements are usually entered into in order to ensure predictable interest rate levels for some part or the entirety of interest-bearing loans. Interest rate swaps are a type of derivative where the value on balance day is zero and which expires without further payment flows.

## **Property**

Relates to real estate in possession through ownership or site leaseholds.

## **Share buy-back**

Purchasing of own shares on the stock market. Swedish companies have the option to own up to 10 per cent of their own outstanding shares, given approval from the AGM.

## **Zero-interest floor**

Clause in credit agreements meaning that a negative Euribor interest rate is considered as zero.

# Annual General Meeting

Eastnine's Annual General Meeting ("AGM") will take place on May 12, 2020 at 15.00, at IVA in Stockholm.

The AGM for Eastnine AB will take place on Tuesday, 12 May 2020 at 15.00 at IVA, the Royal Swedish Academy of Engineering Sciences, on Grev Turegatan 16 in Stockholm..

## Registration

Shareholders wishing to take part in the AGM must be registered in their own name (registration of voting rights) in the copy of the shareholders' register which will be prepared by Euroclear Sweden AB on Wednesday, 6 May 2020, and also have registered their intention to participate in the AGM by the latest on 6 May 2020 either:

- by telephone, +468-505 977 00
- or by e-mail, [agm@eastnine.com](mailto:agm@eastnine.com)
- or by mail, to: Eastnine AB (publ), "Annual General Meeting", Box 7214, 103 88 Stockholm.

When registering, the shareholder should state their name, personal identity number (or corporate identity number), address, phone number, share holdings as well as any deputies and/or assistants. A maximum of two assistants may accompany the shareholder and only if those assistants have been pre-registered.

Personal information that are collected from proxies and from the shareholders' register managed by Euroclear Sweden AB will be used for the requisite registration and preparation of the voting list for the AGM.

## Intermediated shares

Holders of intermediated securities must temporarily re-register the shares in their own name in order to have the right to participate in the AGM. Such registration must be complete with Euroclear Sweden AB by Wednesday, 6 May 2020. The trustee should be contacted in good time ahead of this date.

## Deputies etc.

Shareholders that will be represented by a deputy are to prepare a proxy form for the deputy. The proxy form in the original, and for a legal entity also a certificate of registration, shall be sent to the Company on the above postal address in good time ahead of the meeting. The proxy form and certificate of registration must not be older than a year, though the proxy form may be older if it explicitly states a longer validity, maximally five years. The Company provides proxy forms on its website: [www.eastnine.com/arsstamma](http://www.eastnine.com/arsstamma). Proxy forms may also be ordered by telephone, +468-505 977 00. The complete notice for the 2020 AGM will be available on [www.eastnine.com](http://www.eastnine.com).

# Calendar and contact

Eastnine submits its interim report for the first quarter of 2020 on the same day as the AGM takes place, 12 May 2020. The Company is headquartered in Stockholm and has offices in Tallinn, Riga and Vilnius.

## Calendar

- Annual General Meeting 2020: 12 May 2020
- Interim report January - March 2020: 12 May 2020
- Interim report January - June 2020: 17 July 2020
- Interim report January - September 2020: 11 November 2020
- Year-end report 2020: 24 February 2021

## Contact

### Head office

Eastnine AB (publ)

Box 7214

103 88 Stockholm, Sweden

**Visiting address:** Kungsgatan 30

Tel: +468-505 977 00

**Email:** info@eastnine.com

Corporate identity number: 556693-7404

**Registered office:** Stockholm

Kestutis Sasnauskas, CEO,

+46 8 505 977 00

Britt-Marie Nyman, CFO and deputy CEO

+46 70 224 29 35

## Estonia

Eastnine Baltics

Maakri tn 19/2

Tallinn 10145, Estonia

Meelis Sokman, country manager Estonia

+372 501 4743

info@eastnine.ee

## Latvia

Eastnine Latvia

K. Valdemara 62

Riga LV.1013, Latvia

Saule Zabulionyte, country manager Latvia

+371 2 947 1591

info@eastnine.lv

## Lithuania

Eastnine Lithuania

Lvovo g.25-701

Vilnius, Lithuania

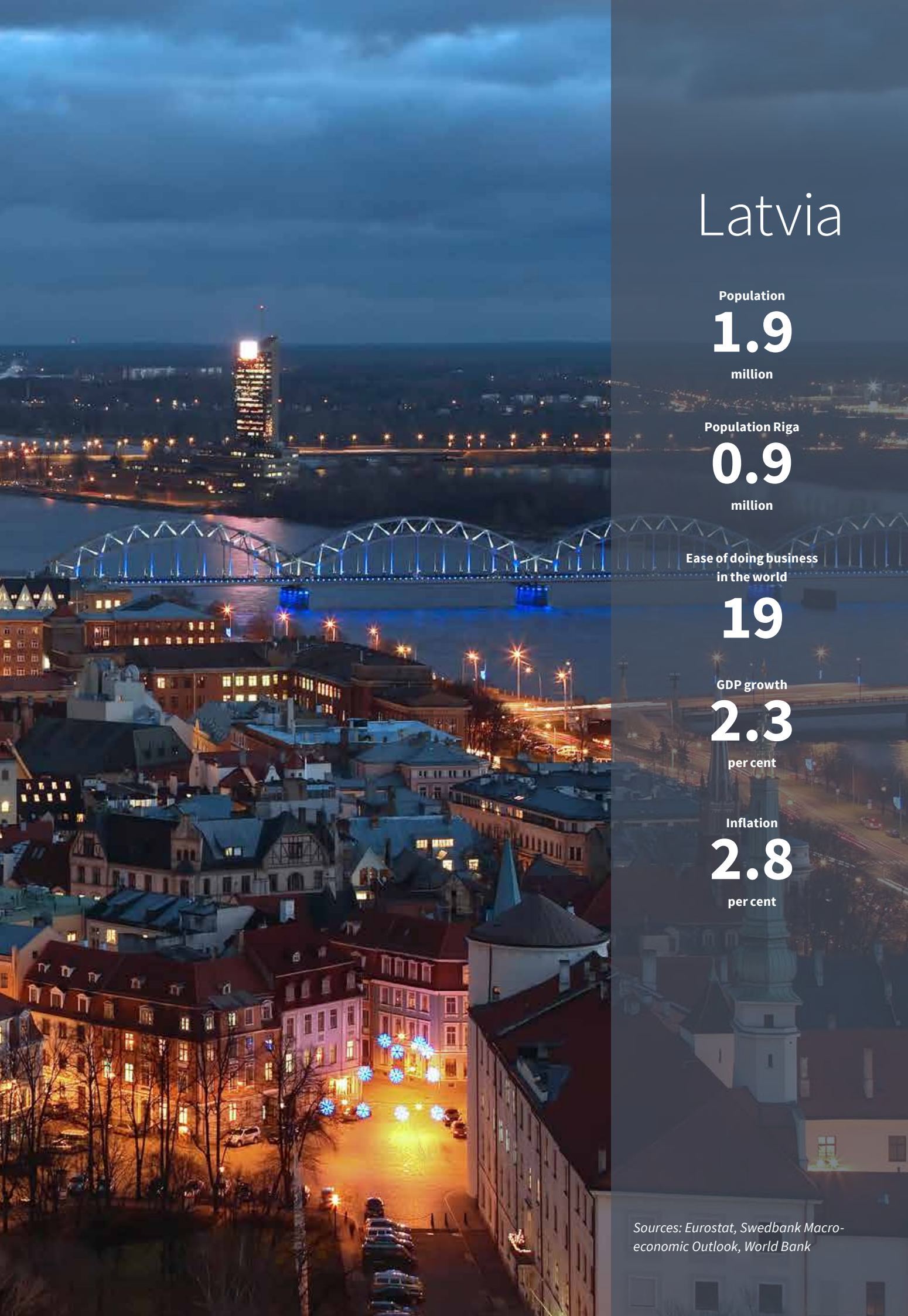
Julius Niedvaras, country manager Lithuania

+370 698 40 002

info@eastnine.lt

Riga





# Latvia

Population

**1.9**

million

Population Riga

**0.9**

million

Ease of doing business  
in the world

**19**

GDP growth

**2.3**

per cent

Inflation

**2.8**

per cent

Sources: Eurostat, Swedbank Macro-  
economic Outlook, World Bank



# eastnine™

Eastnine AB (publ)  
Box 7214, 103 88 Stockholm  
Office address: Kungsgatan 30  
Phone: +46 8 505 97 700  
E-mail: [info@eastnine.com](mailto:info@eastnine.com)  
[www.eastnine.com](http://www.eastnine.com)

This is a translation of the original Swedish language Annual Report. In the event of discrepancies, the original Swedish wording shall prevail.

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