Annual Report 2020

eastnine

Creates and provides prime venues where ideas can flow, people can meet and successful business can be developed

Lithuania & Vilnius

The capital of Lithuania, Vilnius is a burgeoning city in a country which is rapidly evolving. A strong connection to the West is a priority. Lithuania is a member of the OECD since 2018, of the Eurozone since 2015, and of NATO since 2004. Global rankings frequently place the country high up on the list, whether ranking economic freedom or business friendliness. The country is host to a plentiful supply of skilled labour, world-class ICT infrastructure, strong logistical capacity, favorable cost picture and high quality. All together, these factors have attracted and continue to attract international firms, including companies from the Nordics to establish in Lithuania. Many of them have chosen Eastnine to be their landlord.

GDP development

-0.8

per cent

The Lithuanian economy has proven resilient to the effects of the coronavirus pandemic. GDP sank by 0.8 per cent during the full year 2020, compared with the average decline in the eurozone which amounted to 6.6 per cent.

Inflation

1.1

per cent

Prices rose by about one per cent in Lithuania in 2020. The average in the eurozone was 0.2 per cent.

Population

2.7

million

Lithuania is the most populous country in the Baltics. At year-end 2020, the population amounted to 2.7 million. Of these, around 700,000 live in Vilnius and its environs, making it the second largest capital in the Baltics, after Riga.

Ranking

11

ease of doing business

Lithuania ranked #11 in the World Bank's 2020 annual ease-of-doing-business survey of 190 countries. Among the EU countries, only Denmark and Sweden received better scores.

Sources: Eurostat, Swedbank Economic Outlook, the World Bank and Worldometer. Refers to data as of March 24, 2021.

S7-1, 2 and 3 in Vilnius

Contents

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The annual accounts consist of pages 56-88 and 94-97.

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3Bures-3 in Vilnius

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

Eastnine is a Swedish real estate company whose share is listed on Nasdaq Stockholm Mid Cap. Eastnine’s tenants are primarily large Nordic companies with international operations.

Eastnine provides office premises which support our tenants’ businesses and constitute a competitive advantage for companies in relation to their staff and customers. Modern, flexible and sustainable premises and concentrated property portfolios, together with a considerable market share, gives us an opportunity to be an important actor in the development not just of those properties, but also in the cities and districts in which we are active.

Properties **10** no. (9)	Lettable area **121** 000 sq.m. (99)
Property value **372** EURm (290)	Employees **22** no. (19)
Sustainability-certified **87** per cent (72)	Equity/asset ratio **62** per cent (64)
Surplus ratio **91** per cent (89)	LTV ratio **36** per cent (36)

In parentheses: Previous year’s comparative figure.

The year in brief

In 2020, Eastnine has been focusing on growing the property portfolio, which has contributed to record earnings. Sustainability efforts have been intensified, with a particular emphasis on sustainability certification of our properties as well as business ethics. The coronavirus pandemic has had a limited impact on Eastnine.

S7-2 in Vilnius

Key events

- In the spring, Eastnine supported the local community as well as our restaurant tenants by ordering meals to be delivered to healthcare staff treating Covid-19 patients in Vilnius hospitals.
- The Annual General Meeting in May appointed Christian Hermelin and Ylva Sarby Westman as new board members.
- The acquisition of the modern and sustainable office property S7-3, comprising around 14,500 sq.m. in Vilnius, was completed in June. The purchase consideration amounted to EUR 42.4m.
- In June, the property Alojas Biroji in Riga obtained an LEED Platinum certification, with the highest score out of all of the LEED Platinum properties in Latvia.
- In August, Eastnine received the first of two building permits required for the planned development project The Pine in Riga, which will be the largest office building in the Baltics to be built out of wood.
- In September, Eastnine launched a green financing framework, laying the foundation for green financing in the future. The financing framework obtained the highest possible classification, Dark Green and Excellent, from CICERO Shades of Green.
- In September, Eastnine acquired and took into possession the office property Vertas-2 in Vilnius, comprising 7,200 sq.m. The property is centrally located in the Vilnius government district, adjacent to another of Eastnine's properties, Vertas-1.
- Eastnine ended up with a shared third place, in the top tier of the Allbright Foundation's ranking of gender equality in Swedish listed companies.
- Vertas-1 obtained an LEED Platinum certification in October, meaning that 87 per cent of Eastnine's certifiable area was certified for sustainability.
- In November, Eastnine's new business plan was announced, declaring that the Company's property portfolio shall double to EUR 700m by the end of 2023.
- In November, 1,000,000 treasury shares were sold in order to finance further property acquisitions.
- Trust Index in the employee survey Great Place to Work amounted to high 95 per cent.
- Eastnine received the highest possible score, five stars, in GRESB's annual ranking of sustainability in real estate companies globally, presented in November.
- In December, Eastnine launched a new and modern web site, with more extensive information available to shareholders and tenants, and a greater emphasis on Eastnine's sustainability efforts.

Eastnine as an investment

Investing in Eastnine's shares confers a stake in a Swedish listed real estate company with high-yielding, modern and sustainable office properties in the Baltic capitals. Eastnine combines Swedish corporate governance with local property management and local market knowledge. The Company's overarching target is to create a sustainable, attractive return on investment for its shareholders. Eastnine's strategic approach and goals create added value for shareholders, tenants, employees and the environment.

High-yielding and sustainable office properties

The office properties, which are located in the best business locations in Vilnius and Riga, are high-yielding. All properties are to obtain a high environmental certification.

Sustainable, attractive shareholder return

Eastnine's goal is that the total return on its share shall be above the median average of comparable European real estate companies. Return on equity shall amount to at least 10 per cent over time, and dividends to shareholders shall be, over time, at least 50 per cent of the profit from property management after current tax.

Stable customer base and long-term customer relationships

Eastnine's tenants are primarily large, stable, Nordic firms, operating internationally within finance, ICT, legal services and accounting - who are drawn to the Baltics' plentiful supply of well-educated staff and high quality premises at a relatively low cost.

Portfolio growth through acquisitions and projects

Eastnine will primarily grow by acquiring prime office properties with good cash flow. The portfolio will further be sprinkled with exciting and profitable development projects.

Good financing opportunities

Eastnine enjoys good access to financing for new acquisitions and future development projects. The loan-to-value ratio is low, the equity/asset ratio high, while holdings of other assets, which are to be divested, are unburdened.

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

2016
- East Capital Explorer becomes an independent investment entity
- Began new construction of 3Bures-3 in Vilnius
- Divestment of holding in the cable TV company Starman

2017
- Sale of holding in infrastructure company Trev-2
- East Capital Explorer renamed to Eastnine
- Acquisition of Vertas-1 in Vilnius

2018
- Acquired Alojas Biroji in Riga
- Sale of holding in the bank Komercijalna Banka Skopje
- Sale of holding in East Capital Eastern Europe Small Cap Fund
- Construction completion of 3Bures-3

2019
- Acquisition of the S7 office complex in Vilnius
- Taking possession of S7-1
- Acquired Valdemara Centrs in Riga
- Taking possession of S7-2 in Vilnius
- Sale of holding in East Capital Baltic Property Fund III
- Acquired and took possession of the Kimmel property in Riga

2020
- Took possession of S7-3 in Vilnius
- Acquired and took possession of Vertas-2 in Vilnius

Statement by the CEO, Kestutis Sasnauskas

Highest earnings ever

Eastnine reported highest earnings ever after a considerable increase in profit from property management and large positive unrealised value changes in properties as well as in Melon Fashion Group (MFG). The coronavirus pandemic has impeded and delayed some transactions, but has caused only minor loss of revenue. In accordance with the new business plan, our growth trajectory is set to continue in 2021.

New earnings record

Eastnine presents its highest earnings ever in 2020. The profit from property management has nearly doubled and unrealised value changes, in properties as well as in MFG, amount to considerable sums. Naturally, a large part of the increase in profit from property management is attributable to growth in the property portfolio, but economies of scale are making a notable contribution. Out of the increase in rental income this year, 95 per cent went straight to net operating income and 77 per cent to the profit from property management.

The impact of economies of scale is also evident when comparing the increase in rental income, amounting to 44 per cent, with the change in profit from property management, which increased by 82 per cent. This is the reason why continued growth in Eastnine's property portfolio is so important. In 2020, the Board of Directors decided on a new plan for the coming three years, establishing that the property portfolio is to be doubled in order to attain the overarching target of delivering high total returns to shareholders.

Limited rent losses

Looking at these healthy figures may lend a sense that business has been smooth sailing for the past year. It must not be forgotten that the year was strongly impacted by the coronavirus pandemic, in every country, industry and company. The pandemic entailed considerable challenges, not least initially, when no-one knew what to expect, neither in scope, nor in time. There were still businesses well into the final quarter of 2020, such as restaurants, that have had considerable trouble maintaining a healthy turnover, as they have had to close or operate at limited capacity at times. Eastnine has weathered the pandemic well, with limited loss of rental income, thanks to our first-rate product in good markets, stable customers with long leases as well as our own, dedicated staff.

Restaurants may only contribute a minor part of our rental income, but they are still an important part of the overall service offering in our buildings. To support them, Eastnine ordered take-out meals to be delivered to healthcare workers in Vilnius hospitals throughout the spring of 2020 and the first months of 2021.

Some tenants, who were granted reductions on the rent, also extended their leases. Still, the pandemic has meant that it has taken longer to fill vacant premises, even if the vacancies were not a result of the pandemic. In practical terms, it is more difficult to arrange viewings of the premises, while almost everyone tend to be more cautious in times of great uncertainty. This was particularly notable in Riga, where vacancies rose after some leases expired. I am however absolutely convinced that our decision to build an organisation of our own in Riga will mean that we fill the vacancies quicker, and with a better financial outcome.

Growth despite restrictions

The travel restrictions that have been a consequence of the pandemic have also meant that property transactions take longer to carry out than before. Since mid-February 2020, it has been essentially impossible to travel to Latvia and Lithuania, if you are unwilling to face lengthy quarantines after your arrival. Fortunately, we have good knowledge of these markets, we know which properties are interesting and we have local team members on site. This means that we were able to complete the acquisition and take possession of S7-3, as well as acquire and take possession of Vertas-2 in Vilnius.

We have evaluated many more properties in all three Baltic capitals and in some cases been very close to making an acquisition. Thus far, however, we have only made acquisitions in Vilnius and Riga. Tallinn is part of the plan, but in order for us to enter a new market, it is important that we can reach a critical mass relatively soon after making an initial acquisition.

Increased interest in the Baltics

Competition for the best office properties in the markets has become more intense, and even though the markets have grown they are still limited in size compared to the Nordic capitals. American and German investors have increased their presence through acquisitions over the last few years, probably seeking higher yields for lower risk than is available in their existing markets. Even if we prefer to acquire the best properties for ourselves, we see where they are coming from - as they are essentially acting on the same opportunities as we are. Not to mention that the Baltic economies have withstood the coronavirus pandemic well good as rest of Europe.

The increased interest in the markets has meant that the yield requirements on properties continued to decline in Riga and Vilnius, affecting the value of our property portfolio. Acquisitions have, together with unrealised value changes and investments in existing properties, increased the value of Eastnine's property portfolio by EUR 82m, or 28 per cent, to EUR 372m by the end of the year.

Pandemic caused delays to focusing efforts

The continued growth of the property portfolio shall be financed by a combination of interest-bearing liabilities and equity. The pandemic has slowed Eastnine's efforts to focus our assets on directly owned real estate. At present, two non-real-estate assets remain: a holding in the Russian fashion chain Melon Fashion Group and a holding in a property fund; both are unburdened.

Efforts to find a financially gainful exit will continue in 2021 and hopefully, the arrival of the vaccines along with a fading pandemic will facilitate the liquidation of these investments. MFG has weathered the pandemic very well, resulting in a positive value change in Eastnine's holding in 2020. At present, the combined value of the holdings in MFG and the property fund amount to roughly EUR 100m.

Top-rated sustainability

During the coronavirus pandemic, with restrictions in some areas, more time has been available to develop other parts of the business, such as sustainability - which lends particular pleasure to the results those efforts have achieved. We have achieved top placements in GRESB's global annual ranking of sustainability in real estate, the Great Place to Work employee survey, CICERO's ranking of our green financing framework as well as the Allbright Foundation's ranking of gender equality in Swedish listed companies.

Building up the organisation

We have continued to build up our organisation and now employ 22 people. Even though our various offices have been close to unable to meet in person, we have still managed to keep our spirits high. Like many others, we have successfully implemented various technical solutions for meetings, e.g. for a digital kick-off conference, which worked so well we'd be keen to do it again.

Refined message

We have also refined our communications and our messaging by launching a new visual profile, updating the looks of our financial reports as well as of our website, which was launched right at the end of 2020. Communications is essential to success. It's not enough to simply deliver strong performance; these results also have to be communicated in the right way. We can tell that ever more people are paying attention as the Company and our property portfolio grows.

Future prospects

We are proud of the achievements we've made throughout the year, and will continue our passionate efforts to implement the new business plan in 2021. We have a number of vacancies to fill; construction of the Pine in Riga, the first wooden office building in the Baltics, to begin; and many interesting acquisition opportunities to evaluate - so that our growth journey can continue.

CEO Kestutis Sasnauskas

Effects of the coronavirus pandemic

The coronavirus pandemic has had a limited impact on Eastnine in 2020. Only minor rent reductions have been granted, although an increase was noted towards the close of the year, as the second wave of the pandemic hit. The value of properties and of the MFG holding have increased due to sinking yield requirements on properties and expectations of good sales for MFG, respectively.

Rental income

Eastnine has a robust tenant structure. The majority of Eastnine's tenants are large Nordic companies with international operations. The average remaining lease term of the ten largest tenants is 5.1 years, and across the portfolio the corresponding number is 4.4 years. 95 per cent of the premises are offices. Rent payments on Eastnine's leases are chiefly due on a monthly basis, meaning that any difficulties tenants may face in paying rent can be quickly identified. At the end of 2020, as a second coronavirus wave affected the world and the Baltics, there was an increase in granted rent reductions.

Eastnine has granted reductions totalling around EUR 280k, corresponding to 1.5 per cent of total annual rent income for premises, up to and including December 2020. Restaurants and smaller tenants that have been affected by lockdown dominate the list of tenants that have been granted reductions.

Restrictions and a general caution due to the coronavirus pandemic have caused difficulties in arranging showings of empty premises, meaning that it has taken longer than usual to let out vacant premises.

Financing

Eastnine enjoys good liquidity and a high equity/asset ratio. Cash and cash equivalents amounted to EUR 24m, unutilised credit facilities to EUR 3m and the equity/asset ratio to 62 per cent at the end of the year.

The loan-to-value ratio on properties amounted to 46 per cent and the total loan-to-value ratio to 36 per cent. The average capital tie-up period was 3.0 years and the fixed interest term 2.3 years. Financing is distributed among three different larger banks in the Baltics. Eastnine does not currently use any capital market financing.

Transaction and property valuations

Travel restrictions, in combination with an at times high level of market anxiety, have meant that transactions have taken longer than usual to complete. The yield requirement for prime office properties has continued to decline in Riga and Vilnius, among other things due to an increased interest from international investors. All of Eastnine's property portfolio has been externally valued as of 31 March 2020 and internally valued as of 30 June. Since then, a couple of properties have been externally valued every quarter, and others internally valued using the same valuation model. During the year, unrealised value changes on properties amounted to EUR 17.4m, corresponding to 6.0 per cent of opening property value. The value at the end of the year was EUR 372.4m.

Melon Fashion Group

Eastnine's associated company MFG has developed very well after an initially negative impact from the coronavirus pandemic, as all stores were closed in the spring. A positive sales development in retail stores as well as in e-commerce has contributed to an increase in the value of Eastnine's holdings by EUR 12.4m, corresponding to 19 per cent, in 2020. At the end of the year, the holding was valued at EUR 79.3m. A decrease in the value of the ruble has negatively affected the value of Eastnine's holding.

Staff

The health and safety of our staff is a priority. Eastnine follows the official guidelines relating to work and staffing in the countries in which we operate. The Company has recommended that all employees work from home as much as their duties allow. In the Baltics as well as in Sweden, the majority of employees worked from home at the end of December and the beginning of 2021. In-person meetings and business travel are avoided.

Community initiatives

In April and May 2020, Eastnine ordered meals from three restaurants to be delivered to staff caring for Covid-19 patients at one of Vilnius' hospitals. These deliveries were taken up anew at the end of January 2021, and continued until mid-March.

S7-1 in Vilnius

Strategic focus

S7-3 in Vilnius

Vision

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

The vision means that Eastnine's premises shall support the tenants' business models 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. With a considerable market share, Eastnine becomes an important agent in the development of the properties that we own as well as the cities and districts in which we are active.

Business concept

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

The business concept entails that Eastnine shall capture a considerable market share and achieve the highest customer satisfaction.

The business shall grow and the relationship with the customers shall be long-term. Our buildings and premises should hold high environmental standards and support the well-being of the variety of stakeholders. The properties are to be located in central business districts or in city centres.

Business model

Eastnine's goal is to become purely focused on real estate. Other investments, that are not directly owned real estate, are to be divested as soon as the optimal business conditions are met.

There are three different facets to the real estate business, as described below.

Management
Property management shall take place in close cooperation with customers and shall be grounded in professionalism, sustainability and innovation, enabling both Eastnine and customers to reach their respective goals.

Refinement
The property portfolio shall be continually improved, by developing new properties and by investing in existing properties, increasing earning capacity.

Transaction
The property portfolio shall grow and, when necessary, be further streamlined in order to secure a position as the leading provider of modern and sustainable offices in all of the Baltic capitals.

Values

The work of Eastnine's employees are guided by the values Healthy environment, Innovative, Respectful, and Engaged, which can be summarized in the word HIRE.

Healthy environment
Contribute to a long-term, sustainable development in our markets and take full responsibility for our social and environmental impacts.

Innovative
Strive to be innovative in our customer service and our service offering with technology and digital development.

Respectful
Always treating each other, our partners and our customers with respect.

Engaged
Engaging with each other and being passionate about what we do.

S7-1 in Vilnius

Goals and outcomes

Eastnine's goals are laid out in the Business Plan for 2023, which was adopted in November 2020. The Company has an ambitious plan to achieve growth, sustainability, and profitability. Specific targets have been set to support the overarching target, which is to create value for shareholders.

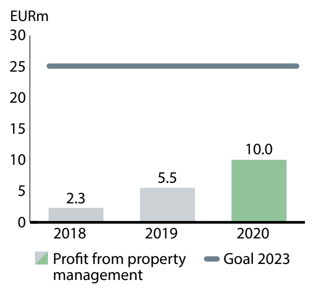
Overall target

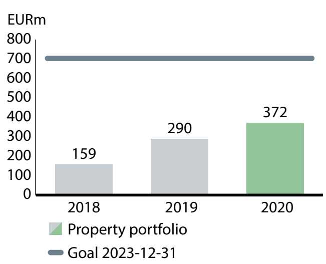
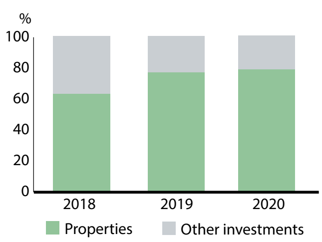
Eastnine's overarching target is to create a sustainable, attractive total return on investment for its shareholders. The total return[1] shall over time exceed the average of comparable European real estate companies[2]. Eastnine's operational, financial and sustainability targets shall contribute to fulfillment of the overarching target.

Defined targets

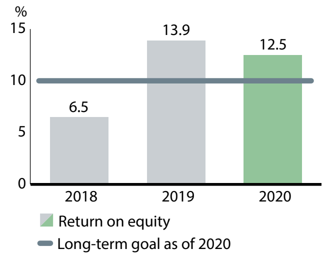
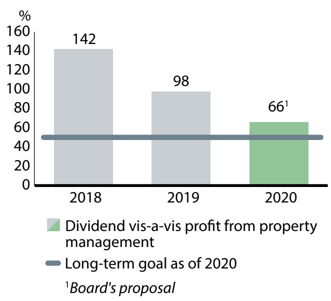
Eastnine's new business plan defines specific operational, financial and sustainability targets. The following sections present a selection of these targets as well as the current status or historical outcomes for each target or key figure.

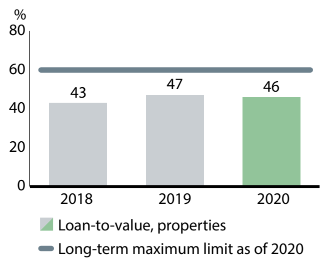
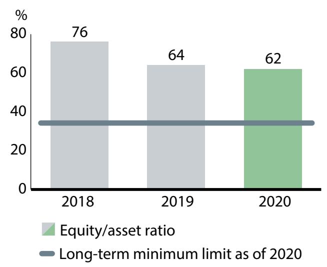
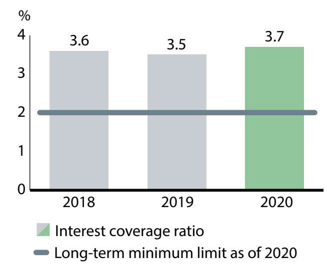
OPERATIONAL TARGETS

Profitability and yield	*Outcome*
Profit from property management Annual profit from property management shall increase to EUR 25m, as calculated based on Q4 2023.	

Growth and focus	*Outcome*
Property portfolio The property portfolio shall grow to EUR 700m by the end of 2023.	
Composition of the portfolio Focusing the business on real estate, by divesting investments that are not directly-owned real estate as soon as financially optimal exits can be reached.	

FINANCIAL TARGETS

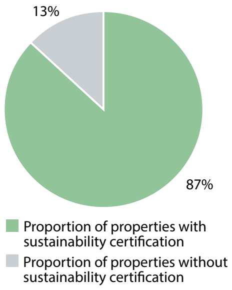
Profitability and yield	*Outcome*
Return on equity Return on equity should be at least 10 % over time.	
Dividend Dividends are to correspond in the long term to at least 50 % of profit from property management less current tax.	

Stability	*Outcome*
Loan-to-value, properties The loan-to-value ratio on properties should be at most 60 %.	
Equity/asset ratio Equity/asset ratio should be at least 35 %.	
Interest coverage ratio The interest coverage ratio shall amount to at least 2.0x.	

[1] *Average share price development including dividends.*

[2] *The reference group is composed of the following companies: Alstria Office, CA Immo, Covivio, Derwent London, Entra, Fabege, Gecina, Klövern, Kungsleden, Workspace Group, Wihlborgs, Globalworth, Globe Trade Center, CLS Holdings, Immofinanz, Norwegian Property, PSP Swiss Property, Aroundtown, DEMIRE Real Estate and Atrium Ljungberg. The total return is measured in Euro in accordance with best practices. "Over time" means five years.*

SUSTAINABILITY TARGETS

Environment	*Outcome*
Carbon dioxide emissions Eastnine's property operations are to be carbon dioxide-neutral by the end of 2030[1].	Net emissions intensity, including climate compensation, has decreased by around 23 % during the year and been reduced to 4 kg Co2e per sq.m. of gross area.
Sustainability-certified properties The entire property portfolio should be sustainability certified[2] on the level of at least LEED Gold or BREEAM Excellent.	
100 % cent of the properties' energy consumption should be sourced from renewable energy by 2030.	The proportion of renewable energy amounted to 69 % (69) of property consumption by the end of 2020.
The energy consumption per sq.m. is to be reduced by 25 % from 2019 up until and including 2025.	The average energy consumption per sq.m. in directly-managed properties has decreased by 11 % to 113 kWh/sq.m. (127) by year-end 2020. Consumption in comparable properties has decreased by 12 %.
Water consumption per sq.m. is to fall by 2 % per year.	Average water consumption per sq.m. decreased by 38 % across all properties, by 31 % in directly-managed and by 14 % in comparable properties in 2020.
The proportion of recycled waste is to increase, and the proportion of waste sent to landfill is to decrease.	Measurement of waste being recycled or sent to landfill begun in 2020. The proportion of waste recycled amounted to 39 % in all properties and to 41 % in directly-managed properties.
GRESB outcomes should improve.	Score amounted to 87 in 2020 (64), an increase of 23 points during the year.

Social	*Outcome*
The results from annual customer surveys should improve over time.	Average NPS sank to 11 % (14). All but one property obtained improved scores. The number of responses sank considerably due to the pandemic.
In the Great Place to Work employee survey, the Trust Index is to be at least 90 %.	Trust Index amounted to 95 % (89) in 2020.
Sick leaves should be below 3 %, using initiatives to promote good health.	Sick leave is stable at below 1 %.
There should be an even proportion of men and women in comparable roles.	The Company has few employees, meaning that there typically is no more than one employee in each role. Executive management consists of one man and one woman (50/50). The Board of Directors consists of two women and three men (40/60). Country management consists of one man and one woman (50/50).
All suppliers should have been subject to sustainability examinations by 2025.	This effort began in 2020. The first phase includes reviews of 28 suppliers, a third of which had undergone review by year-end.

Operational	*Outcome*
The proportion of green financing should increase over time.	This target was introduced at the end of 2020. At year-end, the proportion was zero. Access to green credit is very limited in the Baltics, but is expected to improve.
Green leases will be progressively introduced starting at the end of 2020. The proportion is to increase over time.	At year-end, all lease agreements were green in six out of Eastnine's ten properties.

[1] Net zero carbon according to the World Green Building Council, which allows for climate compensation. Only relates to carbon-dioxide emissions from property operations and excluding emissions from construction.

[2] Measured in sq.m. Certification efforts, for non-certified acquired properties, should be begun within six months after taking possession. The target does not apply to properties expected to undergo significant redevelopment.

Strategies

Eastnine's strategies provide guidance of which parts will contribute to, and lead to, achievement of established targets.

Strategy Operations

Property Portfolio

The ambition is that Eastnine will be established as a property owner in all three Baltic capitals by the time the property portfolio amounts to EUR 700m. In order to be an effective and important actor, it's important to own at least 100,000 sq.m. in each city, and the first acquisition in a new city should therefore also be of considerable size and offer good cash flow. Cash-flow properties should constitute the majority of the property portfolio, while development projects should be a smaller part with higher returns.

Tenants

Eastnine strives to create good and long-term relationships with tenants, leading to low tenant turnover and positive earnings contributions. The tenants should be financially stable and well-reputed companies, while the Company should strive for a well-diversified tenant structure.

Organisation

Eastnine shall be headquartered in Stockholm, and shall have country offices in each Baltic capital where the company owns properties. All offices shall be staffed with Eastnine employees in appropriate positions. Financial and administrative management of the properties are to be conducted by Eastnine's employees. Gradually, when it becomes beneficial, technical management and property maintenance shall also be conducted by Eastnine employees.

Strategy Financing

Eastnine's financing strategy shall support the overarching target of creating a sustainable, attractive total return for shareholders. Included in this goal is that the return should be relevant in relation to the risk in the shareholders' investments. Financing should be optimised for the lowest possible financial expense, within the framework of the determined risk limits and the financing policy. Financing may be composed of equity and interest-bearing debt. Debt financing may be composed of bank loans, capital market financing as well as direct loans from institutional actors.

Strategy Healthy Environment

Environment

Energy-efficiency plans are to be drawn up for each building in the portfolio and all relevant roofs should be fitted with solar panels. There shall be an annual plan for the improvement of GRESB results. A process to obtain sustainability certification of acquired, non-certified properties should begin within six months of taking possession. This does not apply to properties expected to undergo significant redevelopment.

Social

Eastnine shall strive to be the best landlord. The tenants are our most important ambassadors. The Company shall carry out annual customer surveys in all directly-managed properties. The survey results shall be evaluated and followed up, and necessary measures taken. An employee survey is to be conducted annually in order to ensure that employees are satisfied and have opportunities to develop. Employees are to be provided opportunities for adequate training as well as receive health-promotion stipends in order to promote good health and well-being. The Company shall carry out an annual anti-corruption training for all staff members. Eastnine's community engagement in each country shall be based on the Company's vision and business concept.

Operational

Through the introduction of green financing and green leases, Eastnine comes to an understanding with Eastnine's creditors and tenants of the importance of a long-term sustainable business.

Market

The year 2020 was marked by the worldwide spread of the coronavirus and its consequences on economies and the future. Thus far, the Baltic countries have shown themselves to be economically resilient, with low GDP declines compared to the rest of Europe. The property and office markets have been stable, which is evidence that the Baltics have approached the Nordic markets during the last decade.

The Estonian, Latvian and Lithuanian economies

The Baltic economies have, thus far, fared better during the coronavirus pandemic than most European countries. Estonia, Latvia and Lithuania noted, according to Eurostat in mid-March, GDP declines of 2.9 per cent, 3.6 per cent and 0.8 per cent during the year, respectively, compared to a 6.6 per cent decline in the eurozone as a whole and around three per cent in the Nordic countries. The Baltics faced the coronavirus crisis with a relatively small tourism sector, a beneficial export structure and low debts, which together with an initially limited spread of the virus contributed to maintaining

consumption, while effective fiscal policy measures dampened the decline. The coronavirus pandemic is not over yet, though; the rate of contagion has increased in the region and led to stricter lockdowns, while the global economic recovery is still uncertain.

City of Riga

Interest and credit markets

Around the world, governments and central banks are employing expansive fiscal and monetary policy measures, with rates close to or even below zero and extensive bond purchases from central banks. Long-term government bonds are yielding record-low returns, such as -0.90 per cent in nominal terms for a ten-year German government bond at year-end. The ECB left the rate on the deposit facility unchanged at -0.50 per cent during the year. The five year interest swap (6m Euribor), particularly important for the real estate market, sank further from around +0.20 per cent before the coronavirus pandemic to -0.46 per cent at year-end. A long and uneven economic recovery, in combination with high government debt, is expected to keep rates low for the foreseeable future, not least within the Eurozone.

In the Baltics, the financing market for hotel and retail properties has declined as a result of the coronavirus pandemic, while bank financing for office properties has remained accessible throughout the year as well as, after the summer, under the same conditions as the previous year. Capital market financing is still only of minor importance to the property finance market, but a number of smaller bonds were issued by Baltic real estate actors during the year.

The Baltic transaction market

In 2020 the transaction volume for commercial properties in the Baltics was EUR 1,070m (1,072), which is in line with the volumes in the previous year and just below the five-year average. Retail and hotel segments have suffered lower volumes, while the transaction volume in the office and logistics segments has been stable or higher. In total, eight office property transactions above EUR 10m were announced in the Baltics in 2020, of which three larger transactions each took place in Tallinn, Riga and Vilnius respectively. Moreover, two large, previously announced transactions in Vilnius were completed according to plan. Yield requirements for offices have sunk somewhat during the year, particularly in Vilnius. At year-end, yield requirements for fully let office properties in central locations in the Baltic capitals was 5.50-6.10 per cent. The lowest yield requirements have been noted in Vilnius.

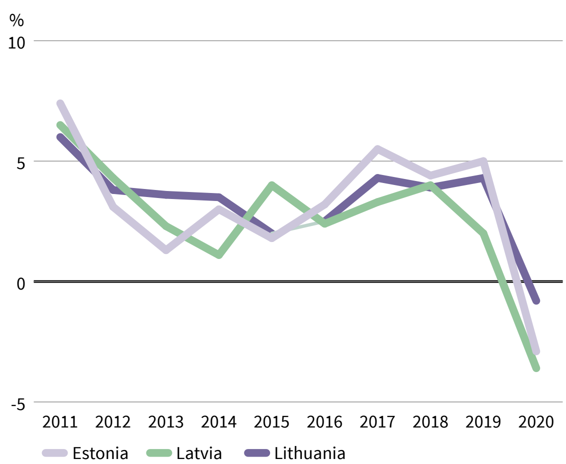
Rental markets in Tallinn, Riga and Vilnius

While the coronavirus pandemic has hit hotels, consumer capital goods retail and other services, the effects on the office market have thus far been limited. The utilisation rate of office properties has declined as employees periodically worked from home, though likely only in the short term as offices remain a central function for many companies, not least for meetings. However, economic uncertainty has been on the rise in the Baltics and globally, which may depress demand for offices. Thus far, demand for offices has been stable with healthy volumes of new leases, while supply has expanded in all three capitals and driven up vacancy rates from hitherto low levels.

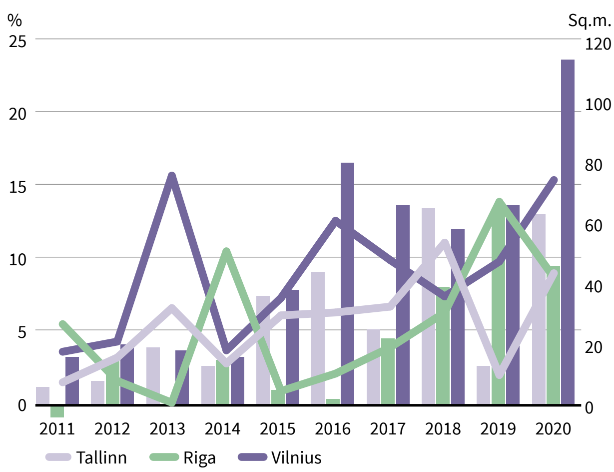
In Tallinn, with a combined office area of 770,000 sq.m., the vacancy rate has increased from 5.4 to 8.2 per cent. The market rent for class A office space has remained in the interval EUR 14.0 - 17.0 per sq.m. per month. A considerable share of office demand in Tallinn stems from existing tenants upgrading and moving into more efficient offices, which is expected to depress prices in older properties.

In Riga, with 582,000 sq.m. the smallest stock of office space among the Baltic capitals, the vacancy rate has increased from 12.0 to 19.2 per cent. This is caused by new development picking up speed after a decade of stagnation, with several projects being completed in the last two years. In central Riga, vacancy rates continue to be low and the market rent for class A offices is still EUR 14.0 - 16.0 per sq.m. per month, but with a certain downward pressure as tenants have greater freedom of choice and a stronger bargaining position. At the end of the year, projects comprising a total of 47,000 sq.m. were under construction in Riga.

GDP growth



New development

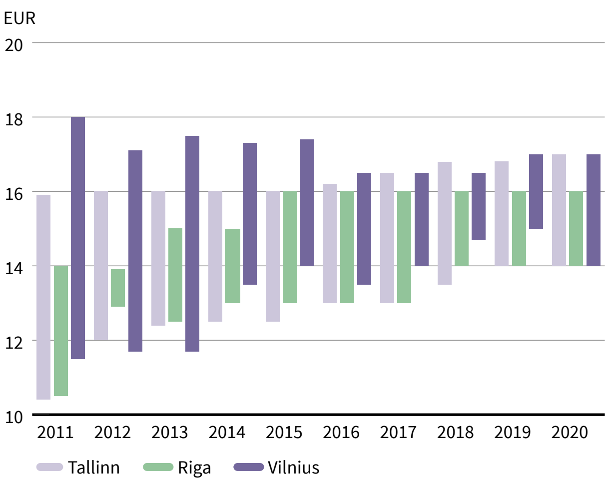


New office space, thousand sq.m. = bars
New office space, % of existing space = lines

Part of the central business district in Vilnius. On the far right, Eastnine's properties 3Bures-3 and 3Bures-1,2.

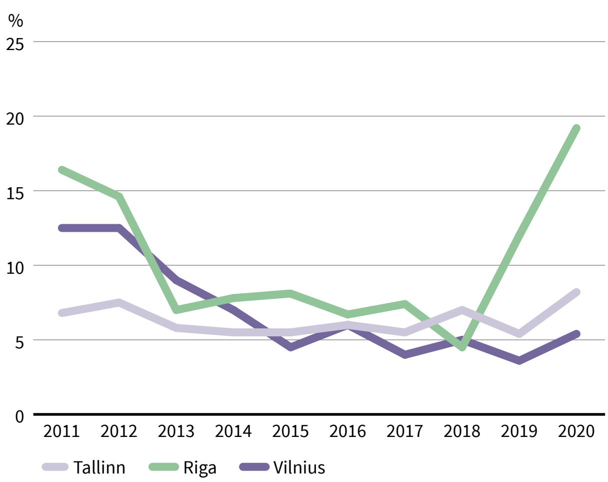
In Vilnius, with a combined office area of 855,000 sq.m., the vacancy rate has increased from 3.0 to 5.4 per cent. The market rent for class A office space has remained in the interval EUR 14.0 - 17.0 per sq.m. per month. Employment in the so-called share service sector continued to increase in 2020. Office properties demand from international companies is still strong in Vilnius, but as around 225,000 sq.m. is under development at year-end, the vacancy rate is expected to continue to increase. Unlike the previous five years, when developments in Vilnius business district mostly concerned A class offices, the majority of new development activity is for B class offices in a number of locations outside the city center.

Rent development



Market rent, A-class offices, EUR per sq.m. per month = bars

Vacancy rate



Sustainable business

Eastnine's business concept is to be the leading long-term provider of modern and sustainable office premises in prime locations in the Baltic capitals. For Eastnine, sustainability is an integral part of the general management strategy, taking responsibility for the environment, people and communities.

Governance of sustainability efforts

Eastnine's sustainability efforts are directed by internal rules and policies, inspired by e.g. the UN framework Global Compact and its ten principles around human rights, labour rights, environmental issues and anti-corruption efforts. Based on this framework and that of the GRI, and in close dialogue with our stakeholders, Eastnine has identified the essential issues within each of our focus areas, laying the foundation for our goals and sustainability efforts.

Stakeholder dialogue and focus areas

Eastnine's sustainability efforts are based on focus areas which were determined in cooperation with the Company's stakeholders: tenants, staff, investors, creditors, community representatives and suppliers. 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 most essential issues. This dialogue takes place in meetings with investors and creditors, through customer and staff surveys, web surveys, workshops, and other forms of ongoing contacts.

A materiality analysis was conducted for the first time in 2018, based on survey responses and opinions submitted by staff, tenants, major shareholders and members of the Board of Directors. This analysis has been revised and validated every year since then. Based on the analysis, Eastnine has identified nine essential issues which in turn constitute both opportunities and risks for the Company, and which we have used as the basis of our sustainability efforts.

Eastnine has made the assessment during the year that selected essential issues remain. The real estate industry as a whole, however, is increasingly focusing on processes for sustainable use of materials and sustainable construction; these questions will also be a focus for Eastnine in the coming years.

Essential focus areas

GOVERNANCE

	Impact to the value chain	Governance	Risk	Measure/target	Outcome 2020	Sustainable Development Goals
Business ethics and anti-corruption efforts	Owners, suppliers, business, tenants	Anti-corruption policy, whistle-blowing policy, code of conduct, code of conduct for suppliers	Business ethics, confidence risk, operational risk, financing risk	Strengthen internally in order to prevent corruption and nepotism. Eastnine carries out annual anti-corruption training.	No incidents or suspected transgressions reported in 2020.	12
Sustainable supply chain	Owners, suppliers, business, society	Anti-corruption policy, code of conduct for suppliers, whistle-blowing policy, supplier evaluation	Business ethics, confidence risk, operational risk, financing risk	100 % of Eastnine's suppliers are to be examined from a sustainability perspective before 2025.	Supplier evaluation tool implemented. Work under way in 2020 First phase includes review of 28 suppliers, a third of which had undergone review by year-end.	12

SOCIAL ISSUES

	Impact in value chain	Governance	Risk	Measure/target	Outcome 2020	Sustainable Develop-ment Goals
Customer satisfaction	Business, tenants	Environmental policy, engagement programme for tenants, code of conduct	Rental income, vacancies	The results from annual customer surveys should improve over time.	Full portfolio: NPS 11 % (14). Compara-ble properties: NPS 23 % (14).	3
Employee satisfaction	Operations	Code of conduct, guidelines for employment, equal treatment policy, work environment guidelines	Personnel and competence risk	Eastnine aims to have a Trust Index, according to Great Place to Work, among all employ-ees of at least 90 %.	Trust Index amounted to 95 % (89) in 2020.	3
Equal oppor-tunities and non-discrimi-nation	Operations	Equal treatment policy, whistle-blowing policy	Personnel and competence risk	The goal is to achieve and main-tain an equal representation of women and men in comparable positions.	Few employees means there usually is only one person per role. Across the Company, 64 % are women and 36 % men. Equal gender representation in the Board, the manage-ment, and among country managers.	

ENVIRONMENTAL ISSUES

	Impact in value chain	Gover-nance	Risk	Measure/target	Outcome 2020	Sustainable Develop-ment Goals
Energy efficiency	Business, tenants	Environ-mental policy	Environ-mental risk	Eastnine's properties shall on average use 25 % less energy in 2025 compared to 2019, corresponding to a decrease of around 4 % per year. Renewable energy shall be 100 % of the properties' consumption in 2030.	Total energy use 113 kWh/sq.m. (127 kWh/ sq.m.) More on page 105.	7
Carbon dioxide emissions	Suppliers, business, tenants, society	Environ-mental policy	Environ-mental risk	Net carbon dioxide emis-sions from property opera-tions shall be reduced annu-ally and be net zero by the end of 2030.	Net emission inten-sity 4 kg Co2e / sq.m. (7). More on page 105.	7, 11
Waste management	Suppliers, business, tenants, society	Environ-mental policy	Environ-mental risk	First measurement taken in 2020.	39 % recycled waste, 61 % to landfill.	11, 12
Materials use	Suppliers, business, society	Environ-mental policy	Environ-mental risk	Integrate aspects related to recycling and carbon dioxide emissions in construction materials into the construc-tion process during new development and renova-tions.	Launch the Eastnine New Development and Reconstruction Policy, setting out requirements for materials use.	3, 12

Governance

Eastnine has zero tolerance toward bribes, corruption or other transgressions with respect to the applicable laws, regulations, and internal policies. Employees are expected to follow the guidelines that have been developed and communicated, and are trained in business ethics and anti-corruption on an annually basis. Eastnine places the same high demands on its suppliers as on its own staff when it comes to abiding the law, respecting human rights, and working conditions. Our suppliers must follow our Code of Conduct for Suppliers, in the same way that we expect our staff to follow our internal Code of Conduct. Eastnine has established a whisteblowing policy to enable staff and business partners to report any transgressions or criminal activity in an anonymous and safe manner. Anyone should be able to report their suspicions about crimes or transgressions without facing repressive consequences, provided that the report has been made in good faith. We encourage our staff, suppliers and business partners to report any transgressions using one and the same whistleblower system.

In 2020, the first evaluation of Eastnine's suppliers from a sustainability perspective was carried out. This evaluation will continue for several years and develop further as our efforts progress. All of Eastnine's suppliers are to be examined from a sustainability perspective by 2025.

Eastnine operates its business in heavily regulated markets where laws, regulatory frameworks and standards impact how the business may be run. Applicable laws and regulations shall always be the lowest common denominator for the way we conduct our business. Eastnine's sustainability efforts are additionally governed by a set of policy and governance documents which have been developed by the Company:

- Environmental policy
- Code of conduct
- Code of conduct for suppliers
- Anti-corruption policy
- Equal treatment policy
- Guidelines for a healthy work environment and staff well-being
- Whistleblowing policy

Furthermore, Eastnine's sustainability efforts are directed with the aid of selected external initiatives, such as the UN Sustainable Development Goals, Global Compact, and sustainability certification programmes (LEED, BREEAM, WELL). The Company's Head of Sustainability ensures, in coordination with management, that the sustainability efforts are proceeding according to plan, and that all of the policy documents and other information made available to the Company's staff is adhered to.

Emil and Lilia at Eastnine's headquarters in Stockholm.

Heading towards climate neutrality

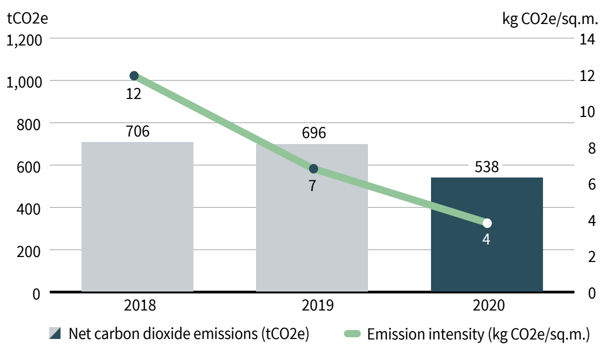
The real estate industry affects and is affected by climate change, and property owners have to adapt to a new state of play. Actively working to limit and reduce environmental impact is therefore crucial to being able to deal with the challenges of tomorrow and to future-proof a sustainable real estate business. Eastnine has an overarching aim to achieve climate neutrality by 2030 and works continually to improve the efficiency of, and the emissions from, the properties.

Carbon dioxide emissions

Eastnine provides reports on its emissions according to the GHG Protocol, including directly as well as indirectly managed properties, and including the carbon dioxide emissions stemming from tenants' energy use. Eastnine's strategy to reduce emissions is focused on improving energy efficiency and increasing the share of renewable energy in the energy provision for the properties. At present, all purchased electricity comes from renewable sources, and remaining emissions stem primarily from the use of refrigerants or from district heating. Eastnine has set a target to achieve 100 per cent renewable energy in our development projects and is therefore looking for solutions such as on-site electricity production, using geothermal energy, and solar power, instead of district heating.

In 2020, Eastnine has introduced requirements to carry out a life-cycle analysis of emissions in all development projects. Carbon dioxide emissions are analysed throughout the entire life-cycle, from the construction phase including material use, all the way into the demolition process. Eastnine's net carbon dioxide emissions decreased from 706 tonnes in 2018 to 538 tonnes in 2020, corresponding to a decrease of 23 per cent.

Net carbon dioxide emissions and emission intensity



Energy

Reduced energy consumption and the use of renewable energy sources contributes to reduced climate impacts through reducing carbon dioxide emissions. Eastnine, as a property owner, is able to affect the energy usage in the properties using energy-efficient technical systems, processes, and requirements in property operations, as well as through a close dialogue with tenants around energy use. Our efforts with energy efficiency are chiefly driven by the demands placed on our properties during environmental certification processes, as well as our environmental policy. To ensure that improvements to energy efficiency is a central part of our sustainability efforts, we have introduced a new energy-related target for new development projects. All new environmental certifications of our properties should attain a score of at least 80 per cent in the energy category. Eastnine aims to use 100 per cent renewable energy by 2030, and to reduce the energy intensity by 25 per cent from 2019 to 2025. In 2020, the total energy intensity in directly-managed properties decreased by 11 per cent across the whole portfolio, and 12 per cent in a comparable portfolio.

Water usage

Eastnine has set the goal to reduce water consumption per square meter by two per cent per year. Improving the efficiency of water usage is one of many measures relating to sustainability certification of our properties. In 3Bures-1,2 and Vertas-1, reduced flow taps have been installed in conjunction with the certification process, which should lead to approximately 20 per cent less water usage. In 2020, total water usage in directly-managed properties decreased by 140 litres per sq.m. to 305 litres per sq.m., corresponding to a decrease of 31 per cent. In a comparable portfolio, the decrease was 14 per cent.

Energy efficiency in directly-managed properties[1]

	2020	2019	Change, %
Total energy use, kWh/sq.m.	113	127	-11
Heating, kWh/sq.m.	48	59	-19
Proportion renewable energy, %	69	69	0

[1] Excluding S7 properties.

Waste management

Waste management is a key part of sustainability. Eastnine is continually working to develop routines and guidelines to contribute to improved waste management, and have implemented these during 2020 in conjunction with the certification of Vertas-1 and Alojas Biroji. New opportunities are being explored to seek to recycle as much of our waste as possible, and reduce the proportion which is sent to landfill. At present, 49 per cent of all waste from directly-managed properties, and 39 per cent across the portfolio, is recycled.

Material use in the construction process

Nearly 50 per cent of the carbon dioxide emissions from a building stems from its construction and the type of material used to build it. The Company is therefore working to establish governance functions to promote sustainable use of materials as well as the use of alternatives to traditional construction materials such as concrete or cement. The implementation of a life-cycle analysis of the carbon dioxide emissions from construction, as well as the upcoming wooden construction of the Pine office building in Riga, are two important steps in the right direction.

[1] See WGBC's definition of "net zero carbon" https://www.worldgbc.org/advancing-net-zero.

Green property development

Eastnine is working with a comprehensive green strategy relating to the development of our own properties for the purpose of verifying the quality of the product delivered to tenants, our impact on the community and in order to reach our sustainability goals. Certifications also serve as validation that our product not only maintains a high degree of sustainable resource use and limited environmental impact, but also contributes to the health and well-being of our tenants.

Developing our properties also means that we have an opportunity to adapt and improve our offering and be better prepared for ever-more stringent demands on sustainable property operations, in step with climate change and increasing environmental challenges. By actively working to obtain sustainability certifications, we can future-proof our property portfolio and be ready to adjust our operations for tomorrow.

A green property portfolio

87 per cent of Eastnine's property portfolio has obtained sustainability certification, either LEED Platinum (the highest level within LEED) or BREEAM Excellent. Certification is currently under way for a further 8 per cent of the portfolio (Valdemara). Certification efforts for Vertas-2, corresponding to 5 per cent, will begin during 2021. One of Eastnine's goals is that the entire property portfolio should have obtained sustainability certifications, at least on the level of LEED Gold, BREEAM Excellent or above. In accordance to Eastnine's certification requirements, the process to obtain certification, for those properties that haven't already, shall begin within six months of the date of acquisition, unless the property is expected to undergo significant redevelopment.

In Lithuania, there are at present a total of four properties that have obtained LEED Platinum certifications, three of which belong to Eastnine. Eastnine is also the first to plan the construction of a wooden office building in Riga, Latvia. The property is expected to be the first of its kind in Latvia to obtain an LEED Platinum certification as well as a WELL Building Standard certification, which is a certification programme focused on well-being and health. During the year, two properties in the portfolio have obtained LEED Platinum certifications: Vertas-1 in Vilnius and Alojas Biroji in Riga. Both properties have undergone development processes in conjunction with these certifications, where several operational improvements have ben carried out to improve the efficiency of and emissions from the properties.

Certification creates value throughout the value chain

By working with sustainability certifications, Eastnine creates value for tenants and for the environment, but also within the organisation.

- Lower costs for both Eastnine as a landlord and for our tenants is accomplished through resource efficiencies.
- Reduced exposure to fossil fuels and increased use of renewable energy may reduce potential costs incurred by future changes to environmental legislation and regulatory requirements.
- Greater property values resulting from improved energy efficiency.
- Greater engagement internally, among our tenants' employees, and a stronger brand through a proactive position on sustainability.
- Increased rental income due to increased demand from tenants for environmentally friendly properties which promote tenant well-being.
- Exposure to new investors with high sustainability requirements.
- Financing opportunities for green assets through e.g. loans or bonds with inherent sustainability requirements.

LEED Green Building Rating System
The American environmental certification system LEED is a tool which measures and assigns points within nine different categories, e.g. location, water efficiency, materials, innovation, and indoor environment. Eastnine's properties should attain LEED Gold or higher. Eastnine properties with this certification: 3Bures-1,2,3, Vertas-1, Alojas Biroji.

BRE Environmental Assessment Method (BREEAM)
BREEAM is an environmental certification system from the United Kingdom which measures and grades the total environmental impact of a property, and is one of the most-used certification tools in Europe. Eastnine's properties shall attain the BREEAM Excellent certification level or higher, corresponding to at least 70 % of all attainable points. Eastnine properties with this certification: S7-1,2,3.

WELL Building Institute
The WELL Building Standard is the leading tool to develop properties from the point of view of health and well-being, and is the first tool to focus on the people that occupy the buildings.

LEED Platinum in Alojas Biroji - a green development case study

Alojas Biroji is a modern office property, centrally located in Riga directly adjacent to the city's key infrastructure. The property consists of six stories and two underground parking stories. Alojas Biroji was completed in 2009 and has capacity for up to 1,000 employees.

Alojas Biroji in Riga

In June 2020, Alojas Biroji became the third property in the Baltics, and the first in Latvia, to obtain LEED Platinum certification in the Existing Buildings category, scoring 89 of 110 points. The other two properties - 3Bures-1,2 and Vertas-1 - are also Eastnine properties.

In conjunction with the certification process, a comprehensive evaluation of the property's energy consumption, electricity use and heating was carried out, resulting in policies and directives specifying the seasonal temperature intervals in tenant premises, the installation of LED lighting in outdoor fixtures, and the installation of energy meters which monitor energy usage to 15 minutes' granularity. Eastnine also implemented a solution to automatically reset temperature and ventilation settings at the end of the day, which may seem trivial, but will reduce the carbon dioxide emissions from Alojas by 23 tonnes annually.

Furthermore, an inspection of the property's ventilation systems were carried out, along with the replacement of outdoor sensors. In order to reduce pollution in the ventilation ducts, new policies regulating renovations were put in place as well as strict rules governing how to protect exhaust air from construction dust. A green cleaning policy was introduced to reduce the usage of chemicals which may have negative impacts on the indoor environment and overall well-being of our tenants. As part of the property's indoor environment quality control, a new regular inspection of the ventilation system was introduced, replacing all ventilation filters when necessary. Another very simple, but effective method implemented to improve the quality of indoor air was the installation of three meter long carpets in all entrances to the buildings.

Water usage was reviewed and all of the property's taps and spigots replaced, which will reduce water usage by approximately 20 per cent per year.

A new policy regulating purchases, renovation, adjustments to premises as well as maintenance and waste management was implemented. The policy specifies which types of construction materials may be used when carrying out tenant customisations in premises, particularly considering chemical content, product origins and environmental labelling.

Our conclusion is that certifying properties like Alojas Biroji leads to a more effective, more energy efficient, and overall more sustainable property with better-equipped systems and indoor climates for the well-being of our tenants.

Social responsibility

Eastnine shall have a positive impact on the people and societies that are affected by our business, including employees, tenants, local communities, and suppliers.

Tenant collaboration

For Eastnine, our tenants are at the centre of things, as the people who spend time in and around our properties, creating value for their businesses. Our goal is to always offer the best possible indoor environment, working environment, technical solutions, reception and range of services. All of this to ensure that tenants experience a high level of comfort and well-being. We believe that this contributes to a more effective working environment and a greater productivity, which in turn creates added value for organisations.

Eastnine shall deliver the best possible service to our tenants and always be open and adaptable to the changing needs of our tenants. Eastnine continually carries out tenant surveys in the properties that we manage directly, and have launched focus groups together with our tenants in order to collect concrete feedback and find opportunities for improvement as well as potential for development. These focus groups help Eastnine to get closer to its tenants, aiding and empowering the Company's internal property management teams. We can adapt and modify our properties on the basis of these tenant surveys and the feedback from our focus groups, improving our tenants' well-being, health and productivity at work.

Eastnine has an explicit focus on health and well-being in its properties and encourages, through a policy of engagement with tenants, increased physical activity in the properties. The policy also describes which technical solutions Eastnine uses to ensure high-quality indoor air and water. Eastnine finds a great deal of inspiration in the guidelines of the WELL Building Standards. Among other things, we have increased our communications around health and well-being in local social media and news channels, are offering activity-based furniture instead of traditional office furniture, and are implementing design elements in the properties which encourage physical exercise.

Eastnine has had a very active dialogue with our tenants in 2020 regarding Covid-19, in order to ensure that our properties continued to be safe and secure places to be. Among other things, informational letters have been posted to our tenants with information about the measures Eastnine as taken in order to maintain a risk-free environment. Eastnine also implemented measures during the spring of 2020 to increase the effectiveness of daytime ventilation, carried out additional filter replacements and more frequent controls. A detailed action plan with a high level of readiness was developed with clear measures to implement if cases of Covid-19 were to be identified at any of our properties.

We began the implementation of green leases at the end of 2020, either in the form of a green addendum to leases or as a green memorandum of understanding, with Eastnine's tenants in those properties where tenants are responsible for property management. We aim to increase the proportion of green leases over time.

Eastnine carries out, together with property management on site, an annual customer survey for the purpose of identifying potential improvements in each property. The survey ensures that Eastnine is living up to its promise to tenants of providing the best possible service and a long-term value creation. Due to the pandemic the response rate was low 2020. Net Promoter Score amounted to 11 per cent (14) and in a comparable portfolio to 23 per cent (14).

Looking after our staff

Eastnine offers employees a competitive compensation scheme, from salaries, bonuses, pensions, health-promotion stipends and long-term incentive programmes tied to the Company's overarching goals. Eastnine aims to have an equal and synchronised compensation and benefits package to all employees in the Group, although local deviations from the standard will occur as a result of local variations in legislation or common business practices in each of the Company's markets. On occasion, Eastnine has decided to deviate from typical business custom in certain markets. For example, all employees are offered a supplementary financial benefit during their parental leave, not just in Sweden but also in Lithuania and Latvia, even though this is very uncommon in the Baltics.

Eastnine strives to be an inclusive workplace which supports diversity and openness, both in terms of how we behave as well as how we act, and have developed an Equal Treatment Policy to support these efforts. Eastnine acknowledges diversity as a competitive advantage and understands the value of a variety of perspectives, backgrounds and competencies. Eastnine has zero tolerance for all forms of discrimination, prejudice or unequal treatment. All employees in Eastnine's organisation shall have the same opportunity for promotion, training and development regardless of their sexual orientation, ethnicity, gender identity, disabilities, faith or age. Every employee receives an annual review of their personal performance and future career development prospects together with their nearest manager.

The executive management makes efforts to promote an equal gender distribution in all positions and at all levels within the organisation. The proportions of male and female employees is 36 and 64 per cent, respectively. In the Company's management and among its country managers, men and women are equally represented. The gender distribution among the five members of the Board of Directors is 60 per cent men and 40 per cent women. The Allbright Foundation placed Eastnine on third place in a gender equality ranking of Swedish listed companies. At the end of 2020, Eastnine employed 22 people, of which 14 were women and eight were men. Of these, 14 per cent were unionized.

Eastnine strives to be an attractive employer and works with a long-term perspective to create engagement and job satisfaction among our staff. In 2020, a Trust Index of 95 per cent was achieved in the Great Place to Work staff survey, which is an increase of 7 per cent since 2019.

Clearer supplier directives

Eastnine's success can not be guaranteed without strong partnerships with suppliers and contractors. We strive to create long-term relationships with our suppliers, and treat them with the same respect as we treat staff and tenants. At the same time, we demand the same high standard from our suppliers as we do internally, in terms of legal and regulatory compliance, and in terms of showing respect for human rights and working conditions, and require that suppliers follow our Code of Conduct for Suppliers. In order to attain greater transparency and ensure that suppliers comply with the Code of Conduct, in 2020 Eastnine began implementing a self-assessment tool for suppliers, enabling Eastnine to analyse potential risks in the value chain in a more structured fashion. This evaluation began in November 2020. In the first phase, Eastnine will focus on suppliers in construction, maintenance and consulting in Riga and Vilnius.

Goal outcome: Trust Index at 95 per cent among the Company's staff, according to the Great Place to Work employee survey.

Healthy cooperation with community and organisations

Eastnine is mutually dependent on the markets in which we operate. Beyond the societal contribution arising from our business, in terms of employment opportunities and tax receipts, Eastnine shall also strive to be a social actor by supporting local community initiatives and by cooperating with municipalities and organisations. Among other things, Eastnine is an active member and sponsor of the Green Building Council Lithuania, a non-profit organisation promoting the development of sustainable environments through the design, construction and maintenance of green properties in Lithuania.

During the year, Eastnine has also sponsored a number of real estate conferences in both Latvia and Lithuania, e.g. Sustainability in Architecture, Construction and Design in Riga, and the Real Estate Investment Forum in Vilnius. Eastnine has also provided space in both the properties Alojas Biroji and Kimmel to local filmmakers and local PR offices shooting adverts. Furthermore, Eastnine supported both healthcare workers and tenants in Vilnius during the coronavirus pandemic in the spring of 2020, by ordering 4,600 meals from restaurant tenants to be delivered to healthcare staff at a hospital in Vilnius. This measure was also active in February and March 2021.

Kristina, Ruta and Giedre at Eastnine's office in Vilnius.

S7-2 in Vilnius

Property portfolio

The property portfolio increased to around 121,000 sq.m. by year-end, after taking possession of the properties S7-3 and Vertas-2 in Vilnius, comprising around 21,700 sq.m. The property value increased by EUR 82m, chiefly through the acquisitions, but also due to unrealised value changes.

Property portfolio

Eastnine's property portfolio consists of modern office properties in central and first-class locations in the Baltic capitals Vilnius and Riga. The properties are primarily office buildings with adjacent parking facilities. The average age of the properties, excluding the Kimmel development property, was at year-end around eight years. On 31 December, the Company held ten properties, of which seven are located in Vilnius and three in Riga (after the merger of the Alojas Kvartals property into Alojas Biroji at the end of the year). The total lettable area amounted to around 121,000 sq.m., after an increase of 22 per cent during the year. In Riga, two of the properties are development sites, offering opportunities to develop around an additional 55,000 sq.m. lettable area.

Acquisitions

In June 2020, the fully let and newly completed office property S7-3 in Vilnius was taken into possession, contributing around 14,500 sq.m. lettable area. In September 2020, the office properties Vertas-2 in Vilnius were acquired and taken into possession, with a lettable area of around 7,200 sq.m. The combined purchase consideration amounted to around EUR 63m.

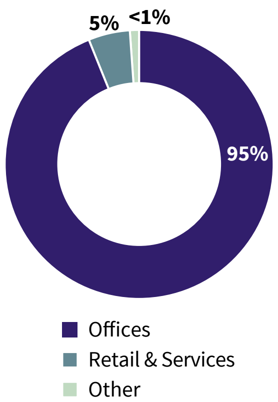
Vilnius

Eastnine's property portfolio in central Vilnius is concentrated to the business district, along the street Konstitucijos prospektas, north of the river Neris. Nearly all of the class A office properties in Vilnius are located in this central business district. Except the properties Vertas-1 and Vertas-2, which are adjacent to the government district, all of Eastnine's properties in the city are located in this area. Eastnine's property portfolio can be viewed as three clusters of office buildings with a total lettable area of around 101,000 sq.m., which is estimated to correspond to a market share of 12 per cent of the office market in the city. The property portfolio in Vilnius includes site leaseholds as well as property rights: Vertas-1 and Vertas-2 are held with ownership and other properties as leaseholds. The site leasehold fees, determined by the local municipality, amounted to 0.5 per cent of the site's taxable value, which at year-end 2020 corresponded to an annual site leasehold fee around EUR 28.0 thousands. The remaining lease term for the site leaseholds vary between 21 and 79 years.

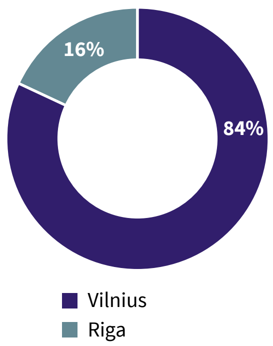
Riga

Riga does not as yet have a clearly delineated business district, and modern office buildings are being developed in a number of smaller micro-areas. All of Eastnine's office properties in Riga are located in the centre of the city, along Krisjana Valdemara iela, one of the city's most prominent streets. Eastnine's property portfolio, comprising around 20,000 sq.m. lettable area, are estimated to correspond to an office market share of around three per cent. The properties Kimmel and Alojas Biroji are expected to undergo significant development in the future. In Riga, all properties are held with ownership rights.

Property portfolio by category, value



Property portfolio by city, value



Property value

The market value amounted to EUR 372.4m (290.3) on 31 December 2020, corresponding to an increase of around 28 per cent during the year.

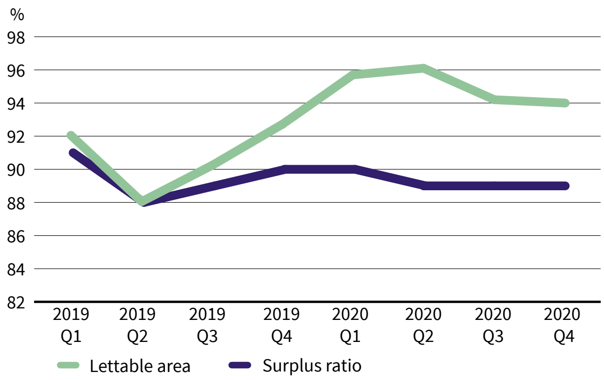
The increase is chiefly due to the acquisitions of S7-3 and Vertas-2 in Vilnius, but also due to investments made in existing properties, as well as unrealised value changes. All properties are externally valued at least once per year according to a rolling schedule where all properties are either internally or externally valued every quarter. External and internal valuations are carried out using the same valuation methodology and software, so that the same observable and non-observable input data can be included each quarter. Refer also to note 10 (Investment properties), p. 75, for more information about the valuation model, the assumptions made and property values.

Change in property values, EURk	2020 Jan-Dec	2019 Jan-Dec
Property values at the beginning of the year	290,256	158,862
Property acquisitions	62,461	119,221
Investments in existing properties	2,300	1,965
Unrealised value changes	17,383	10,208
Property values at the end of the year	372,400	290,256

Lettings

In the Baltics, the majority of lease agreements do not contain an extension clause, meaning that the tenant is to move out unless a new agreement is signed. Therefore, in addition to new leases being signed for vacant premises, there is also a continual process of renegotiation with existing tenants. These new and renegotiated lease agreements have, on average, been signed at higher rent levels (in terms of EUR/sq.m.) in Vilnius compared to the previous year, while in Riga, the rent levels have been declining during the year. While new leases have been signed in part with new tenants, most of the new letting relates to existing tenants expanding their operations. The average term of lease agreements at year-end amounted to 4.4 years (5.0). Annual rent under contract at year-end 2020 amounted to EUR 20,992k (17,143), and the average annual rent under contract per sq.m. amounted to EUR 14.9 (14.7) per month. Rental value amounted at year-end to EUR 22,791k (18,638). The average rent level on newly signed agreements amounted during the year to EUR 15.7 (15.2) per sq.m. per month, and on renegotiated agreements to EUR 15.3. The financial occupancy rate was 92.1 per cent (92.0) and occupancy rate by area was 92.6 per cent (92.7) at year-end.

Occupancy rate and surplus ratio



Property expenses

Eastnine's lease agreements are in the main triple-net agreements. Eastnine reports only that fraction of property expenses which is not charged directly to tenants, meaning that the costs sink if the occupancy rate increases, and vice versa. Property expenses amounted to EUR 1,689k (1,402) during the year, and the surplus ratio was 91 per cent (89).

Property portfolio key figures	2020	2019
Lettable area, sq.m.	121,030	99,484
Number of properties	10	9
Property value, EURk	372,400	290,256
Lettable area, %	92.6	92.7
Rental income, EURk	19,186	13,348
Property expenses, EURk	1,689	1,402
Surplus ratio, %	91	89

Rental value and occupancy rate per type of premise

Type of premise	Sq.m.	Rental value EURm	Rental value EUR/sq.m.	Occupancy rate, %
Offices	114,618	20.6	14.9	97.8
Retail and service	5,711	1.0	14.5	77.5
Parking	-	1.0	-	-
Other[1]	701	0.2	7.3	41.6
Total	**121,030**	**22.8**	**14.9**	**92.6**

[1] Includes rental value for other premises and other rental value, e.g. advertising boards and aerials. Rental value EUR/sq.m. is calculated using rental value attributable to other premises.

Part of the central business district of Vilnius. At the bottom right of the picture you find Eastnine's S7 properties.

Property development

At the end of the year, Eastnine had two development projects in Riga, The Pine and Kimmel, which are both in the planning stages.

The Pine is a planned office building to be constructed entirely out of wood, and will be erected next to the Alojas Biroji property. The building will have an estimated 17,800 sq.m. of lettable area. In the third quarter 2020, the first of two building permits was granted, with the final building permit expected for 2021. The aim is that the building will obtain both WELL Building Standard and LEED Platinum certifications, and be the first commercial property of its kind in the Baltics to obtain double sustainability certificates.

The Kimmel property in Riga was acquired in December 2019 partly comprises grade listed buildings, which must be conserved but may be redeveloped, in addition to an opportunity to build an additional 34,000 sq.m., mainly offices. A demolition permit has been received, and demolition began in January 2021.

Property list on 31 December 2020

Property	City	Address	Year of construction/ redevelopment	Date of taking possession	Lettable area, sq.m.	Occupancy rate by area, %	Rent under contract, EURm	Rental value, EURm	Sustainability certification
Alojas Biroji	Riga	Krišjāņa Valdemāra iela 62-62a	2004/2013 2009	Q4 2018	11,271	57.1	1.2	2.1	LEED Platinum
Kimmel	Riga	Bruņinieku iela 2, Stabu iela 1	1880/1960	Q4 2019	-	-	-	-	-
Valdemara Centrs	Riga	Krišjāņa Valdemāra iela 21	1999	Q4 2019	8,621	79.6	1.3	1.7	-
3Bures-1,2	Vilnius	Lvovo g. 25	2008	Q2 2014	28,415	94.0	5.4	5.7	LEED Platinum
3Bures-3	Vilnius	Giedraičių g. 3	2018	Q2 2014	13,406	100.0	2.3	2.3	LEED Platinum
S7-1	Vilnius	Saltoniškių g. 7	2017	Q1 2019	12,053	100.0	2.2	2.2	Breeam Excellent
S7-2	Vilnius	Saltoniškių g. 7	2019	Q4 2019	15,952	100.0	2.9	2.9	Breeam Excellent
S7-3	Vilnius	Saltoniškių g. 7	2019	Q2 2020	14,536	100.0	2.5	2.5	Breeam Excellent
Vertas-1	Vilnius	Gynėjų g. 16	2007	Q2 2017	9,609	95.9	2.0	2.1	LEED Platinum
Vertas-2	Vilnius	Gynėjų g. 14	2007	Q3 2020	7,167	96.3	1.2	1.3	-
Total					**121,030**	**92.6**	**21.0**	**22.8**	

Vilnius

S7-1

EXISTING PROPERTY

Constructed	2017
Total lettable area	12,053 sq.m.
Parking capacity	340
Certification	BREEAM Excellent

Anchor tenant

Danske Bank

3Bures-1,2

EXISTING PROPERTY

Constructed	2008
Total lettable area	28,415 sq.m.
Parking capacity	1,017
Certification	LEED Platinum

Anchor tenants

Swedbank, Danske Bank, COBALT, AVIVA, VILNIAUS PLANAS

S7-2

EXISTING PROPERTY

Constructed	2019
Total lettable area	15,952 sq.m.
Parking capacity	404
Certification	BREEAM Excellent

Anchor tenant

Telia

3Bures-3

EXISTING PROPERTY

Constructed	2018
Total lettable area	13,406 sq.m.
Parking capacity	123
Certification	LEED Platinum

Anchor tenants

Swedbank, VISMA

S7-3

EXISTING PROPERTY

Constructed	2019
Total lettable area	14,536 sq.m.
Parking capacity	510
Certification	BREEAM Excellent

Anchor tenant

Danske Bank

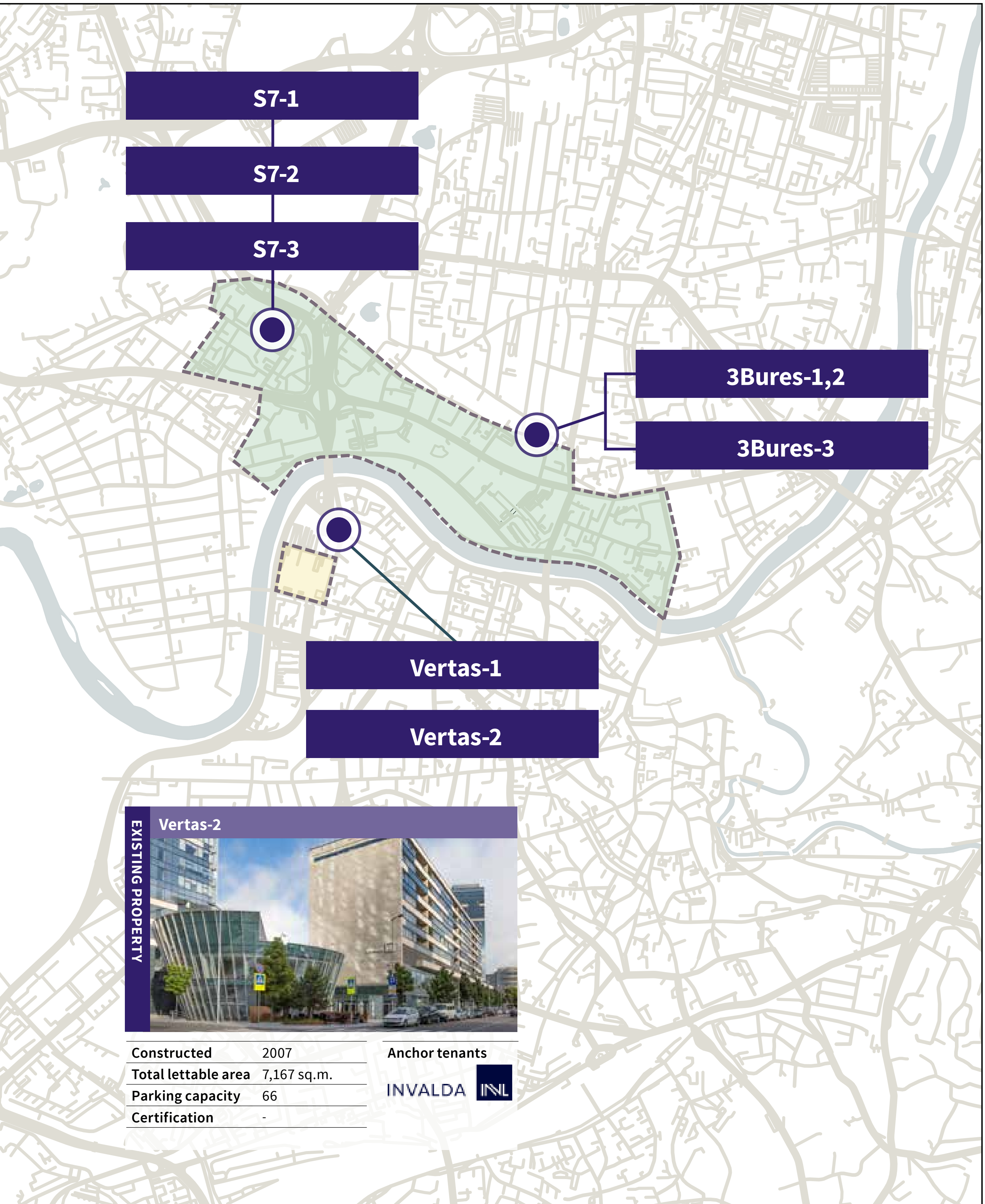
Vertas-1

EXISTING PROPERTY

Constructed	2007
Total lettable area	9,609 sq.m.
Parking capacity	246
Certification	LEED Platinum

Anchor tenants

DELFI, CITCO, European Union



EXISTING PROPERTY

Vertas-2

Constructed	2007
Total lettable area	7,167 sq.m.
Parking capacity	66
Certification	-

Anchor tenants

INVALDA

Government district

Central business district (CBD)

1,000 m

Riga

ALOJAS BIROJI

EXISTING PROPERTY

Constructed	2004/2013 and 2009
Total lettable area	11,271 sq.m.
Parking capacity	217
Certification	LEED Platinum

Anchor tenants

Albert Cliff
Ellex Klavins
Rimi

VALDEMARA CENTRS

EXISTING PROPERTY

Constructed	1999
Total lettable area	8,621 sq.m.
Parking capacity	69
Certification	Process underway

Anchor tenants

SORAINEN
squalio
webhelp
pwc

THE PINE, (PROJECT DRAWING)

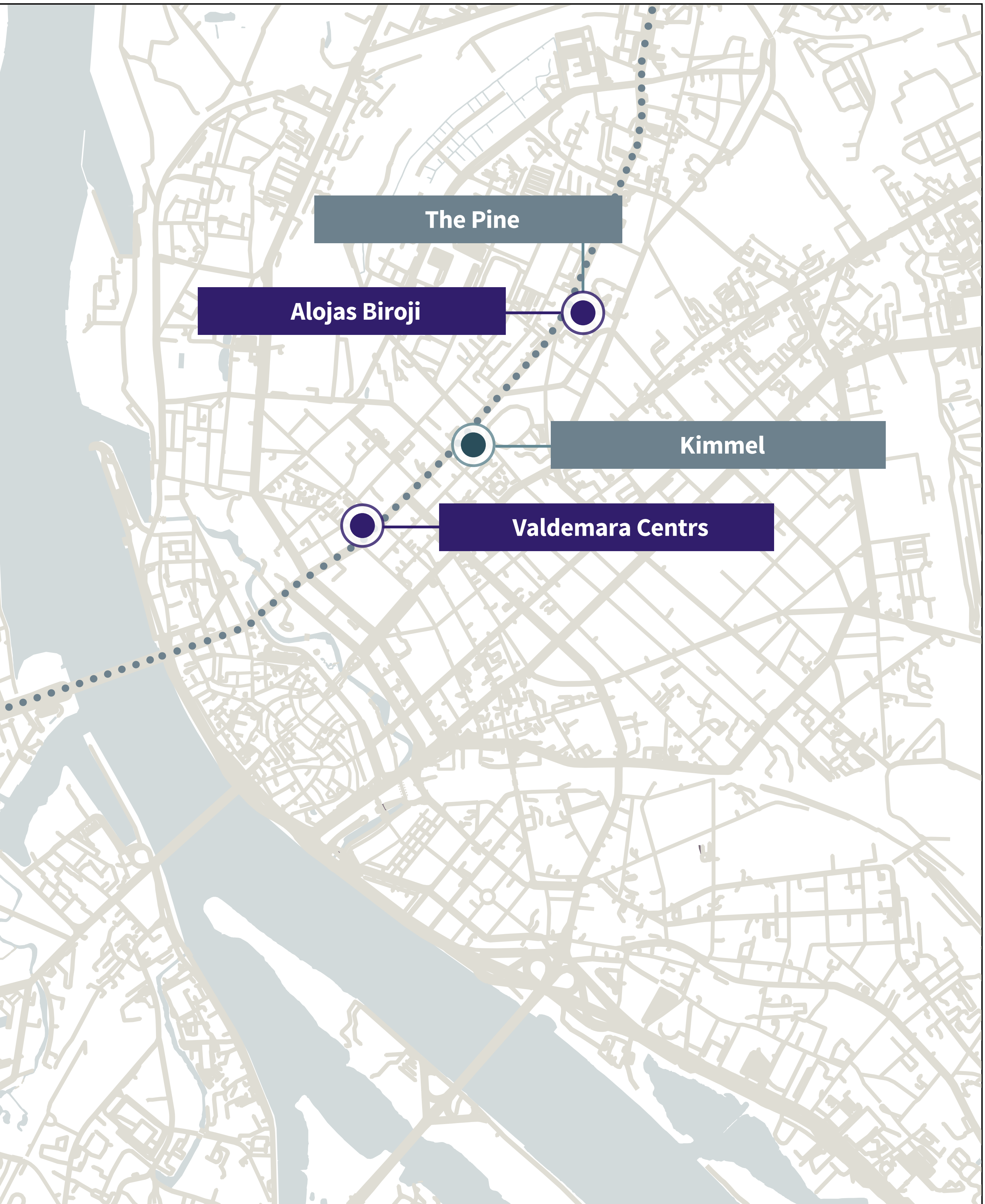
DEVELOPMENT PROJECT

Constructed	-
Total lettable area	Ca. 17,800 sq.m.
Status	First building permit received. Part of the Alojas Biroji property.
Certification	Certification process will be initiated after property development.

KIMMEL, (PROJECT DRAWING)

DEVELOPMENT PROJECT

Constructed (existing buildings)	1880/1960
Total lettable area	Ca. 38,000 sq.m.
Status	Demolition began in January 2021.
Certification	Certification process will be initiated after property development.



Krišjāņa Valdemāra iela

1,000 m

Development projects

The Pine

In Riga, Eastnine plans to construct the first all-wooden office building in the Baltics, called the Pine, along the Krišjāņa Valdemāra iela main street, directly adjacent to the city centre. The building, which is designed by the international architect bureau Arrow from Denmark, is expected to comprise around 17,800 sq.m. and be completed in 2023 at the earliest. The new building will be constructed on land within the Alojas Biroji property.

The Pine will be one of the finest office properties in the Baltics, both in terms of the tenant experience as well as sustainability, and the property is expected to achieve a climate-neutral operation once it is complete. The Pine is the first office property in the Baltics planned to obtain double sustainability certificates: LEED Platinum for the building itself and WELL which concerns the well-being of the people spending time in it.

City:	Riga
Address:	Krisjana Valdemara iela 62
Expected lettable area:	17,800 sq.m.
Type:	Office property
Sustainability certification:	LEED Platinum and WELL (planned)
Status:	First building permit received in August 2020, second expected in 2021. Planned completion in 2023.

The Kimmel project in Riga (architectural competition ongoing during the spring 2021; illustration is an earlier drawing).

Project drawing of the Pine project in Riga.

Kimmel

At the end of 2019, Eastnine acquired the Kimmel property, comprising a development site in central Riga which was historically the site of an eponymous brewery. The site comprises nearly an entire city block along the Krisjana Valdemara iela main street. At present, the site is occupied by around 4,000 sq.m. of buildings which are grade listed; these must be conserved, but may be developed. Demolition of other buildings on the site has begun in January 2021, and new development of a further 34,000 sq.m. is planned to begin in 2022. The space will chiefly be occupied by offices, but there will also be retail space, restaurants, and cultural space. An architectural competition is taking place in the spring of 2021.

The vision for Kimmel is to create a vibrant, green, urban block with plenty of space for life and movement, with a focus on improving life in the area. Kimmel is to be a central meeting space with an open flow between indoor and outdoor environments, where people can discover local art, galleries, restaurants, shops and events in direct adjacency to their place of work.

City:	Riga
Address:	Bruņinieku iela 2, Stabu iela 1
Potential lettable area:	38,000 sq.m.
Type:	Multi-function block with offices, retail, restaurants, cultural events.
Sustainability certification:	LEED Platinum (planned)
Status:	Demolition permit has been received, demolition began in January 2021.

Tenants

Eastnine's tenants are primarily large and stable Nordic companies with international operations. Net letting was somewhat negative during the year, as the coronavirus pandemic has caused delays in new leases being signed. The average remaining lease term is long, amounting to 4.4 years at year-end.

Tenant in focus

Eastnine strives for long-term and value-creating tenant relationships, with cooperation, dedication, and a high degree of service. Several properties have Business Centres, hosting services like a reception during business hours and around-the-clock security guards. Eastnine as a landlord as well as our tenants have strict expectations for sustainable and first-rate offices. In order to meet the demand for modern and efficient office solutions, the Company works actively to obtain environmental certifications for its office properties. Eastnine offers flexible and high-quality office premises in central business locations to tenants, with a considerable focus on matching the location and sustainability of the premises with the Company's own high standards.

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 lease agreements have fixed terms and expire at the end of the term, while agreements may include clauses conferring a right to the tenant to renew leases and a right to expand the area under contract when the term is up. An extension, therefore, requires the active renegotiation with both parties. Eastnine as a landlord strives to be responsive toward our tenants, and we invite our tenants to a continual dialogue in good time before the end of the lease term in order to begin discussions about their future needs for premises and the characteristics of those premises. The lease term is usually in excess of three years, and some agreements may also include a unilateral right for the tenant to terminate the agreement prematurely (break option). This clause satisfies a tenant's need for flexibility, in the event that the needs of their business change.

Lettings and lease agreements

The lettable area has increased during the year by 22 per cent to about 121,000 sq.m., as a result of property acquisitions. The total number of lease agreements amounted at year-end to around 160, across 120 tenants. The rent on all leased offices is due monthly. In the course of the year, around 4,714 sq.m. have been renegotiated and extended while the net leasing, i.e. new leases less terminated agreements, has been negative, at -3,919 sq.m. Through the acquisition of the S7-3 property in Vilnius, the area under lease to Danske Bank has increased with a 4.5-year lease agreement comprising around 14,500 sq.m. The weighted average remaining term for all lease agreements amounted at year-end to 4.4 years (5.0).

During the year, green leases have been implemented with about 93 per cent of all tenants in Lithuania. For more information, refer also to the section on Sustainable business, on p. 20.

Largest tenants

Among Eastnine's current tenants, there are several Nordic and international companies that have chosen to established their offices and/or service centres in Eastnine's modern and centrally located properties. Companies operating in the finance sector as well as ICT lease around 71 per cent of total lettable area. At the end of the year, the ten largest tenants together lease around 63 per cent (60) of Eastnine's lettable area, with a total annual rent of EUR 13.4m (10.4), corresponding to 67 per cent (64) of the annual rent under contract. The average remaining term of lease agreements at year-end amounted to 5.1 years (5.7).

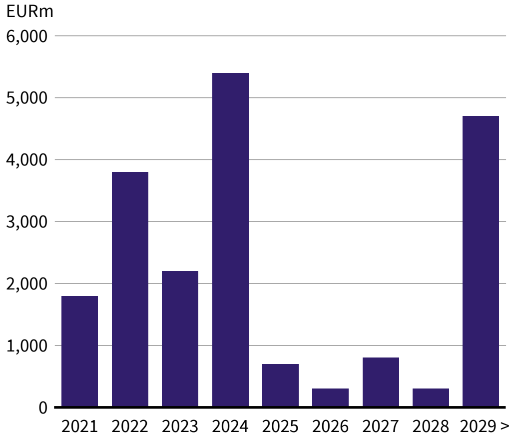
Largest tenants

Tenant	Annual rent, EURk	Proportion of annual rent under contract, %	Sq.m.	Number of agreements	Lease term[1], years	Break option in leases[2], years
Danske Bank	5,434	27	30,935	3	2.7	2.7
Telia	2,856	14	15,960	1	8.2	8.2
Swedbank	1,821	9	11,266	4	10.7	4.8
Visma	961	5	5,605	3	3.0	3.0
Citco	647	3	3,009	7	6.6	1.6
Webhelp	538	3	2,726	5	1.6	1.6
Cobalt	330	2	1,816	4	4.0	4.0
Europos Socialinio fondo agentura	286	2	1,769	3	2.3	1.0
Transact Pro	283	1	1,430	1	7.5	1.5
Invalda INVL	281	1	1,532	3	4.7	4.7
Total	**13,437**	**67**	**76,048**	**34**	**5.1**	**3.3**

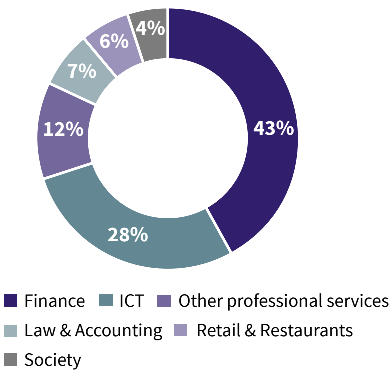
[1] Weighted average of remaining lease term.
[2] Weighted average remaining lease term calculated up to "break option" date.

3Bures-3 in Vilnius

Contracted annual rent per year of expiration



Tenants per sector



Property transactions

Eastnine completed two acquisitions on the Baltic property market in 2020, during a time marked by the coronavirus pandemic. Property acquisitions in Vilnius totalling around EUR 63m have reinforced the Company's earning capacity and improved the cash flow from the real estate business.

Portfolio strategy

Eastnine invests in high-yielding and sustainable office properties in the best business areas in the Baltics. The Company has set a target to double the property portfolio, to EUR 700m, by the end of 2023, through acquisitions and the development of several modern office properties. The Company intends to be a significant property owner with a geographically concentrated portfolio in each city.

Property acquisitions

Negotiations for the acquisition of three properties in the S7 business park in Vilnius were completed in the beginning of 2019. The last of these properties, S7-3, were taken into possession in June 2020. S7-3 is located in the Vilnius central business district, directly adjacent to the other Eastnine properties, S7-1 and S7-2. The property, comprising around 14,500 sq.m., is fully let to Danske Bank. At the end of September, the property Vertas-2 in Vilnius was acquired and taken into possession. The property is adjacent to another Eastnine property, Vertas-1, centrally located near the government district. Vertas-2 which comprises around 7,200 sq.m. and houses several tenants had at the time of the acquisition an occupancy rate of 95 per cent.

The acquisitions have improved Eastnine's earning capacity and cash flow, while strengthening the Company's position as the largest owner of modern office properties in central Vilnius.

Divestments

No properties have been divested during the financial year.

Vertas-2 in Vilnius

S7-3 in Vilnius

Current earning capacity

In order to facilitate the assessment of the Company's current position, Eastnine reports on current earning capacity. Earning capacity is a theoretical assessment describing the Company's current earnings on 31 December 2020.

Earning capacity provides a snapshot

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

Earning capacity does not take into account an assessment of the development of rent levels, vacancies, 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 contracted income including rent supplements, with deductions for any rental discounts, on the reporting day.
- Property costs are based on an assessment of a normal year's operating expenses, maintenance costs, property taxes, site leasehold feeds as well as property management expenses.
- Central administration expenses have been calculated based on the existing organisation and the current property portfolio on the reporting day.
- Financial income and expenses have been calculated based on the Company's debt liability and average interest level on the reporting day.

Comment to earning capacity

The rental value and rental income in the property portfolio has increased by 22 per cent since the previous year. The most significant cause is the acquisition of the properties S7-3 and Vertas-2 in Vilnius, with annual rental income amounting to around EUR 3,748k.

Some staff expenses, which are directly attributable to property administration, were recorded as part of the central administration expenses in the analysis of earning capacity on 2019-12-31, but were moved to property expenses in the earning capacity analysis on 2020-12-31.

Extension of the credit facilities, in conjunction with the acquisitions, have resulted in higher interest costs. The average interest level is unchanged in comparison to the previous year. Economies of scale result in the percentage increase of the profit from property management being higher than the increase in operating income.

The percentage decrease of the prospective yield is primarily an effect of the higher market value of the properties as well as increased property costs caused by vacancies.

Current earning capacity

EURk	2020-12-31	2019-12-31	Change, %
Rental value	22,791	18,638	+22
Less vacancy values	-1,799	-1,495	+20
Sum rental income	**20,992**	**17,143**	**+22**
Property expenses	- 2,200	-1,456	+51
Net operating income	**18,792**	**15,687**	**+20**
Central administration expenses	-3,600	-3,870	-7
Interest expenses	-4,018	-3,122	+29
Other financial income and expenses	-	-59	-100
Profit from property management	**11,174**	**8,636**	**+29**

Key figures, current earning capacity	2020-12-31	2019-12-31	Change, unit
Surplus ratio, %	90	92	-2
Interest coverage ratio, multiple	3.8	3.8	0.0
Average interest rate, %	2.3	2.3	0.0
Prospective yield excl. development properties, %	5.2	5.6	-0.4
Prospective yield, %	5.0	5.4	-0.4
Investment properties, EURk	372,400	290,256	+82,144

East Capital Baltic Property Fund II

The value of Eastnine's holding in East Capital Baltic Property Fund II (the Real Estate Fund segment) increased by EUR 1,019k during the year, corresponding to a total return of 7.6 per cent. A dividend of EUR 640k has been received during the year.

East Capital Baltic Property Fund II

East Capital Baltic Property Fund II was started in 2012, primarily specialising in properties with well-established tenants in and around the Baltic capitals. The fund, a so-called "closed end fund", is fully invested with an initial term of seven years (2019) along with the option of up to three extension periods of one year each. The fund, which was extended at year-end 2020 until May 2021, exercised in early 2021 the option for a final extension up until May 2022.

Following a divestment of a portfolio property during the year, the property holds at year-end a total of four properties in logistics, retail, and offices. All properties are located in Tallinn. At year-end, the fund's properties are valued at EUR 97,100k.

Eastnine holds a 12 per cent stake in East Capital (Lux) SCA, SICAV-SIF, (an umbrella fund). This holding means that Eastnine receives a 43 per cent share of the returns from the sub-fund East Capital Baltic Property Fund II.

Value of and dividends from Eastnine's holding

Eastnine does not carry out its own valuation of the fund holding. Instead, the Company's reported value consists of Eastnine's share of the fund's total value. The value of Eastnine's fund share amounted to EUR 22,831k (21,812) at year-end. The shares are unburdened. Eastnine has received a dividend of EUR 640k (1,280) during the year. The unrealised value change of EUR 1,019k (-243), taken together with dividends received, corresponds to a total return for the year of 7.6 per cent (4.7). For more information about holdings, earnings, valuation and return relating to East Capital Baltic Property Fund II, refer to note 1 (Accounting principles), note 12 (Long-term securities holdings) and note 29 (Financial Instruments).

Key figures	2020	2019[1]
Unrealised value change, EURk	1,019	-243
Received dividends, EURk	640	1,280
Eastnine's share of fund returns, %	43	45
Fair value of Eastnine's holding, EURm	22,831	21,812
Total return, %	7.6	4.7
Proportion of Eastnine assets, %	4.5	5.2

[1] *During the 2019 financial year, Eastnine divested shares in East Capital Baltic Property Fund III, which is excluded in the summary above.*

S7-2 in Vilnius

Melon Fashion Group

Melon Fashion Group (MFG) has weathered the effects of the coronavirus pandemic very well, reporting higher sales as well as increased profit in 2020. The value of Eastnine's holding in MFG (the Other segment) increased by EUR 12,423k to EUR 79,320k at year-end. This increase in value is primarily due to expectations of continued strong sales as well as a lower risk level.

Melon Fashion Group

JSC Melon Fashion Group is one of the leading actors in the Russian fashion industry with a business model based on in-house design with production in Asia. Products are sold in a large number of stores and through online sales, using resellers as well as a platform of their own. MFG had, at the end of 2020, a retail network comprising a total of 809 stores (822), of which 240 (265) were operated by franchisees. The total store area amounted to 208,000 sq.m., of which 39,000 sq.m. in franchise stores.

MFG markets the brands Sela, Befree, Zarina and Love Republic. Each brand targets a specific target audience with its own, unique design language. Sela is targeted toward children and women. Befree targets younger generations and offers youthful fashion at a high value for money. Zarina is oriented toward women, providing fashion for a classy wardrobe. Love Republic focuses on clothes for special occasions with a focus on femininity and sensuality.

The year 2020

MFG enjoyed a good start to the year with increased sales. The coronavirus pandemic during the spring meant that all stores were closed in April and the beginning of May, and were then gradually re-opened. Another lockdown toward the end of the year had an impact on retail sales. Total sales increased by 10 per cent in 2020. Three of four brands have increased sales per sq.m. retail space. E-commerce sales grew significantly during the year, with a share of total sales amounting to 34 per cent (21). MFG has very good liquidity.

The total sales increased during the year to RUB 25,221m (22,990). EBITDA, excluding effects of IFRS 16, increased by 3.3 per cent to RUB 2,929m (2,835) and the EBITDA margin was 11.6 per cent (12.3). MFG's net profit increased by 10.3 per cent to RUB 1,724m (1,563).

As a consequence of the pandemic, MFG's 2020 AGM decided that no dividends would be paid out during the year (in 2019, Eastnine received dividends totalling EUR 2,873k).

Eastnine's holding

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 increased by EUR 12,423k (17,985) during the year and amounted at year-end to EUR 79,320k (66,897). There are several components to the unrealised value change. Two of the most important of these are an expectation of higher future sales based on the 2020 outcomes, and a lower risk level (WACC). Meanwhile, the ruble has weakened by 30 per cent during the year, affecting the valuation negatively. Total return was 18.6 per cent (42.6). For more information about holdings, earnings, valuation and return relating to MFG, refer to note 1 (Accounting principles), note 12 (Long-term securities holdings) and note 29 (Financial Instruments).

Key figures	2020	2019
Unrealised value change, EURk	12,423	17,985
Received dividends, EURk	-	2,873
Eastnine's share, %	36	36
Fair value of Eastnine's holding, EURk	79,320	66,897
Total return, %	18.6	42.6
Proportion of Eastnine assets, %	15.8	15.9

Key figures Melon Fashion Group

RUBm	2020	2019	2018	2017	2016	2015
Income	25,221	22,990	17,630	13,869	12,474	12,563
EBITDA (excl. IFRS 16)	2,929	2,835	2,078	1,507	647	798
Net profit (excl. IFRS 16)	1,724	1,563	1,034	769	131	273
Sales growth, %	9.7	30.4	27.1	11.2	−0.7	12.3
Gross margin, %	51.3	52.4	52.1	52.5	47.6	46.0
EBITDA margin (excl. IFRS 16), %	11.6	12.3	11.8	10.9	5.2	6.4
Number of stores at year-end	809	822	575	551	558	642

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Financing and capital structure

Eastnine has a low loan-to-value ratio and a high equity/asset ratio. Interest-bearing liabilities have increased due to new property investments, and Eastnine's equity has grown as a result of the year's profit and the sale of repurchased shares. The Company has established a green financing framework, which has been given the highest possible rating.

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 governance and capital structure is regulated by the Company's finance policy. According to Eastnine's new financing policy, which was established in November 2020, the equity/asset ratio should be at least 35 per cent (30), while the loan-to-value ratio on properties should not exceed 60 per cent (65). All other investments, which at year-end totalled EUR 102m (89), are unburdened. Equity provided 62 per cent (64) of total capital needs, liabilities to credit institutions 34 per cent (33) and other liabilities 4 per cent (3).

Financial policy

The purpose of the financial policy is to describe the governing principles for the handling of financial assets, liabilities and risks in Eastnine and its subsidiaries. The policy is intended to ensure that the Company's financing and financial management is conducted in a structured and well-planned fashion, and that financial risks are considered and controlled. The ultimate 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 310m (268) and the total assets to EUR 502m (420). The total number of shares amounted to 22,370,261 at year-end 2020 (22,370,261), of which 221,200 were repurchased shares in treasury (1,221,200). The number of shares issued, less repurchased shares, amounted to 22,149,061 (21,149,061).

Financing during the year

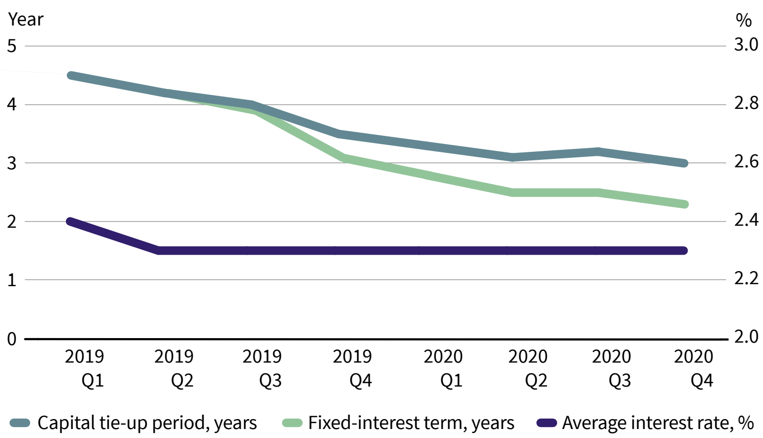
Interest-bearing liabilities to credit institutions have increased by EUR 35m (70) during the year, relating in part to a new EUR 7m credit secured in an existing property in February, and in part to two new properties being taken into possession in June and September, respectively. An existing EUR 16m credit, previously maturing in 2023, has been extended to 2025. One million treasury shares have been sold in a so-called accelerated book building process, which added EUR 11m to equity. During the year, the Company has raised a EUR 3m overdraft facility.

Liabilities to credit institutions

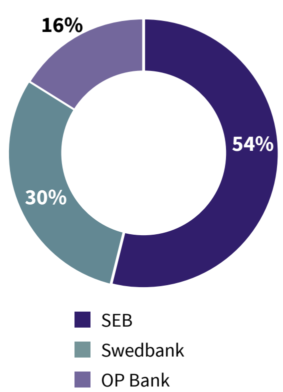
Liabilities to credit institutions amounted at year-end 2020 to EUR 173m (138), exclusively consisting of bank loans from three larger Nordic banks that operate in the Baltics: SEB, Swedbank and OP Bank. Unutilised lines of credit amounted to EUR 3m (24), entirely comprising an overdraft facility. In the longer term, Eastnine's debt portfolio may also include capital market financing such as bonds and commercial paper.

The loan-to-value ratio amounted to 36 per cent (36) and the loan-to-value ratio on properties to 46 per cent (47). The interest coverage ratio amounted to 3.7x (3.5) for the FY 2020, and

Capital tie-up and fixed-interest term



Bank loans



the debt coverage ratio to 12.4 (17.1). The average capital tie-up period was at year-end 3.0 years (3.5) and the fixed interest term 2.3 years (3.1). Average annual repayments amounted at year-end to EUR 6m, corresponding to 3.5 per cent of liabilities to credit institutions.

Interest expenses and derivatives

At year-end, the average interest rate was 2.3 per cent (2.3). Eastnine uses interest derivatives in order to hedge against increased interest expenses due to increasing market rates. According to the financial policy, at least 50 per cent of liabilities to credit institutions shall have fixed interest. The derivatives portfolio consists entirely of interest rate swaps, and at year-end interest on 75 per cent (79) of the Company's liabilities to credit institutions was fixed in this way. The derivatives portfolio is taken up at fair value, which amounted at year-end to EUR -3m (-2). Value changes are taken up in profit or loss. At the end of the term, the value of derivatives 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 the end of 2020, only the Kimmel property, which comprises a development site, was unburdened. 98 per cent (95) of property value was mortgaged as security on loans from credit institutions. The lending agreements include covenants, which are set limit values for certain key figures in order to reduce the lender's credit risk. The limits imposed by these covenants chiefly concern the equity/asset ratio, the loan-to-value ratio and the interest coverage ratio. Eastnine fulfilled all covenants in 2020.

Green financing

According to the current financial policy, green financing is to be prioritised when it comes to refinancing and new financing. The supply of green bank loans in the Baltics has thus far been very limited. During the year, Eastnine established a green financing framework. The green framework specifies how much liquidity from green bonds, or from credit institutions which finance loans by issuing green bonds, may be used. The framework has been developed in accordance with the Green Bond Principles, developed by the International Capital Market Associations (ICMA), and evaluated by a independent third party, CICERO Shades of Green, a subsidiary of CICERO (Center for International Climate Research). CICERO is an independent climate research institute. The framework obtained the highest possible classification, Dark Green and Excellent. According to the framework, financing liquidity may be used for the following:

- Green buildings: At least BREEAM Excellent, LEED Platinum or an equivalent certification, with a score of at least 80 per cent of the total number of possible points.
- Clean transportation: Electric vehicles, charging stations, bicycle garages, pedestrian paths or other investments which promote the use of clean transportation.
- Energy efficiency: Modernisation of existing buildings which result in an energy efficiency improvement of at least 30 per cent.

Eastnine's green financing framework, as well as CICERO's evaluation, may be found on https://www.eastnine.com/en

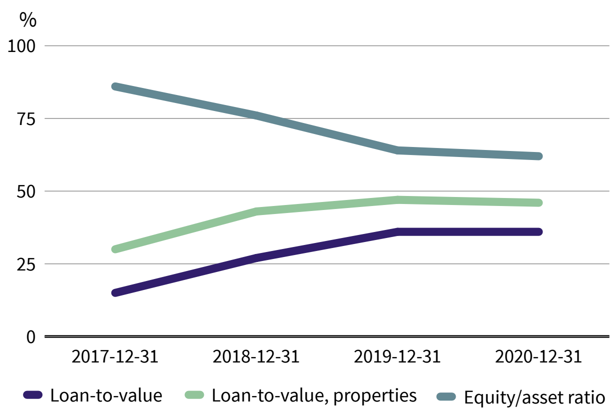
Other liabilities

Other liabilities are chiefly comprised of deferred tax liabilities, fair value of derivatives as well as tenant security deposits.

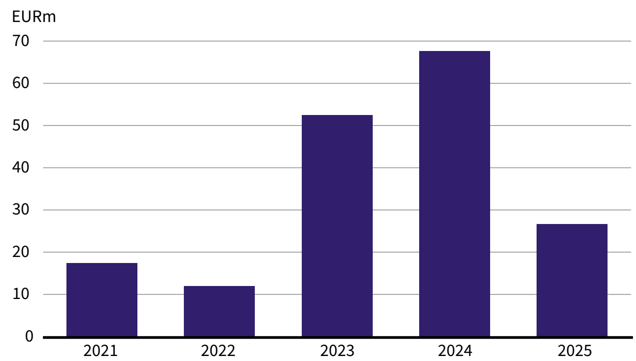
Liquidity

Cash and cash equivalents, which primarily consists of cash in bank accounts, amounted at year-end to 24 MEUR (37). Unutilised overdraft facilities amounted to EUR 3m (-). Eastnine's healthy liquidity and low liabilities mean that the Company is well-equipped to meet upcoming payments and further expansion of the property portfolio.

Loan-to-value and equity/asset ratio



Maturity structure of credits



The share and shareholders

Eastnine's share price sank by 9 per cent during the year and was SEK 125.0 (137.4) at year-end. Long-term NAV per share rose by 7 per cent to SEK 147 (137), chiefly due to a strong profit from property management as well as positive unrealised value changes to properties and the holding in MFG.

Share price development and volume

Uncertainty concerning the effects of the coronavirus pandemic on the global economy initially had a considerable impact on stock markets around the world. Eastnine's share was no exception to this. After a positive start to the year, reaching a high of SEK 150.2 on 21 February, the price sank in March to a low of SEK 95.0 on 23 March. From that point onward, the trend has been positive, and at year-end the price was SEK 125.0, tangent to the highest level after the outbreak of the virus in March. In total, Eastnine's share price sank by 9 per cent during the year, while the OMX Stockholm Real Estate Index sank by 6 per cent.

Eastnine's market capitalisation amounted at year-end to SEK 2.8 billion (2.9). The average daily volume on Nasdaq amounted to 18,743 shares (15,743) during the year. Daily volume was highest on the 19 November, in conjunction with the sale of repurchased shares. The volume on that day amounted to 1,317,625 shares. The free float was 62.8 per cent (62.9).

Net asset value

The long-term NAV per share rose by SEK 10, corresponding to 7 per cent, amounting at year-end to SEK 147 (137). Equity per share rose by SEK 8, corresponding to 6 per cent, to SEK 141 (133). In euro, long-term NAV amounted to 14.6 (13.1) per share and equity to 14.0 (12.7) per share.

Positive unrealised value changes to properties and to the MFG holding, as well as a strong profit from property management, were the primary factors contributing to the rise in NAV per share. A slight weakening of EUR towards SEK has had an opposite impact.

Number of shares

Eastnine's share is listed on Nasdaq Stockholm Mid Cap, Real Estate. The total number of shares in Eastnine AB amounted to 22,370,261 on 31 December 2020. Adjusted for repurchased shares held in treasury, the number of listed shares amounted to 22,149,061.

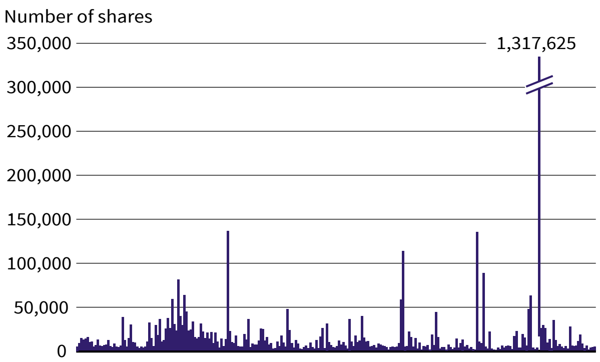
The number of known shareholders was 4,990 (5,634). Two owners held at least ten per cent of the total number of shares in the Company (note that Keel Capital's holdings, in the table, has been rounded upwards to 10.0 per cent). The proportion of shares that are Swedish-owned amounted to 73.9 per cent (71.3).

Buy-back

During the fourth quarter, 1,000,000 previously repurchased shares were sold at a price of SEK 115. The resulting cash is to be used for property investments. On 31 December 2020, Eastnine held 221,200 own shares in treasury, corresponding to around 1.0 per cent of all shares. The shares may be used in whole or in part when long-term incentive programmes expire.

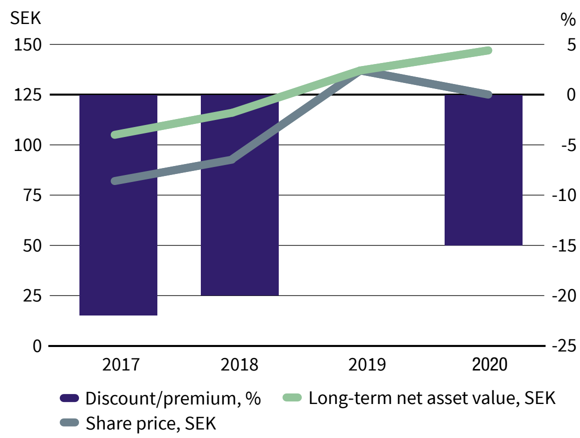
At the AGM 2020, the Board received a new mandate to decide on share buy-back, providing that Eastnine's holding of treasury shares not exceed at any time 10 per cent of all shares in the Company.

Turnover 2020



Source: Thomson Reuters.

Share price and net asset value



Dividend

The Board of Directors has proposed a dividend of SEK 3.00 per share (2.70) for the 2020 financial year, with payments evenly distributed over four occasions in May, August and November 2021, and February 2022. The proposed dividend would correspond to an increase of 11 per cent and amount to 66 per cent of the 2020 profit from property management, after current tax.

The dividend will be distributed on four occasions per year, instead of two as previously, in order to improve the liquidity of the stock and even out the Company's cash flow.

Largest shareholders[1]	Number of shares	%
Peter Elam Håkansson[2]	6,074,754	27.2
Arbona AB (publ)	2,240,328	10.0
Keel Capital	2,231,496	10.0
Lazard Asset Management	1,480,434	6.6
Norges Bank	767,071	3.4
ICA-handlarnas Förbund	700,000	3.1
Länsförsäkringar Fonder	600,000	2.7
Kestutis Sasnauskas	461,818	2.1
Nordnet Pensionsförsäkring	457,374	2.0
Avanza Pension	447,976	2.0
Dimensional Fund Advisors	335,405	1.5
Prioritet Finans	300,000	1.3
Karine Hirn	258,917	1.2
Jacob Grapengiesser	167,861	0.8
SEB Fonder	144,169	0.6
Sum, 15 largest shareholders	**16,667,603**	**74.5**
Eastnine AB (repurchased shares)	221,200	1.0
Other	5,481,458	24.5
Total	**22,370,261**	**100.0**

Ownership distribution by holdings[1] Size class	Number of shares	Proportion, %	Number of known owners	Proportion of known owners,%
1 - 1,000	637,037	2.8	4,652	93.2
1,001 - 10,000	889,565	4.0	281	5.6
10,001 - 100,000	1,252,325	5.6	37	0.7
100,001 - 1,000,000	5,352,212	23.9	16	0.3
1,000,001 - 5,000,000	5,952,258	26.6	3	0.1
5,000,001 -	6,074,754	27.2	1	0.0
Anonymous ownership	2,212,110	9.9	N/A	N/A
Total	**22,370,261**	**100.0**	**4,990**	**100.0**

Owner types[1] Type	Number of shares	Proportion, %	Number of known owners	Proportion of known owners,%
Others	10,594,705	47.4	261	5.2
Swedish	9,859,188	44.1	103	2.1
Foreign	735,517	3.3	158	3.2
Fund managers	5,184,396	23.2	17	0.3
Swedish	3,167,571	14.2	11	0.2
Foreign	2,016,825	9.0	6	0.1
Swedish private individuals	3,163,825	14.1	4,695	94.1
State, municipality and county councils	769,462	3.4	3	0.1
Swedish	773	0.0	1	0.0
Foreign	768,689	3.4	2	0.0
Treasury shares	221,200	1.0	1	0.0
Swedish	221,200	1.0	1	0.0
Pensions & insurance	169,789	0.8	10	0.2
Swedish	78,608	0.4	4	0.1
Foreign	91,181	0.4	6	0.1
Foundation	45,288	0.2	3	0.1
Swedish	45,288	0.2	3	0.1
Anonymous ownership	2,221,596	9.9	N/A	N/A
Total	**22,370,261**	**100.0**	**4,990**	**100.0**

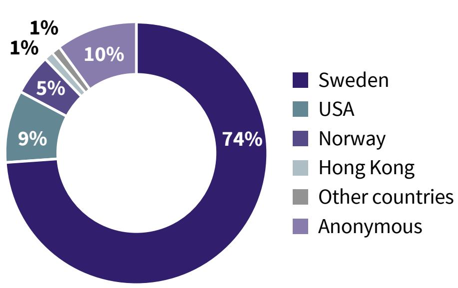
Owner concentration[1]

Concentration	Number of shares	Proportion, %
10 largest shareholders	15,461,251	69.1
20 largest shareholders	17,379,224	77.7
30 largest shareholders	18,104,952	80.9

Value

Data per share	2020-12-31	2019-12-31
Equity, EUR	14.0	12.7
Long-term net asset value, EUR	14.6	13.1
Share price, EUR	12.4	13.1
Equity, SEK	141	133
Long-term net asset value, SEK	147	137
Share price, SEK	125.0	137.4

Ownership distribution[1]



[1] *Source: Monitor.*
[2] *Private and via companies (East Capital och Rytu Invest AB).*

Share price

Risks and risk management

Eastnine's business exposes the Company to various risks. Most of Eastnine's business is exposed to directly-owned real estate investments in the Baltics, chiefly leasing to Nordic tenants, and exclusively using Nordic banks.

Risks associated with the investment strategy

The investment strategy, i.e. to make long-term investments in modern and sustainable office properties in first-rate locations in the Baltic capitals, means that Eastnine is chiefly exposed to risks relating to interest rates and credit risk, as well as rent level and vacancy risks. These risks are reflected in e.g. value changes, but also in the Company's profit and cash flow. Eastnine's other investments constitute a relatively minor part of its assets and therefore has a relatively smaller impact on the Company's risk exposure.

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 Eastnine's executive 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.

Risks associated with the coronavirus pandemic

The coronavirus pandemic entails a comprehensive risk of impact on the real estate market, in the event that contagion and measures taken to counteract it lead to generally weaker economies, less business, lower employment and poorer access to financing, as well as potential changes to the way offices are used.

The coronavirus pandemic has affected Eastnine negatively to a certain extent, just as it has many other companies around the world. Eastnine's real estate activities have, however, only been marginally affected in 2020, but the Company continues to monitor developments in general as well as they specifically relate to the Company's areas of risk, as described on pp. 50-54.

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Operational risks

RISK	MITIGATION	
Change in demand for office premises	**Impact** M	**Probability** M
The demand for office premises may change in the short, medium and long term, which entails risks of impacts on real estate businesses. Real estate companies are facing greater demands to provide flexible and adaptable office space as a result of trends reducing the demand for offices (in terms of sq.m./employee), more employees working from home, and a changing or increasing demand for conference areas that spur creativity and interaction. The short and long term demand for office premises also risk being affected by measures relating to lockdown of economies in Eastnine's markets, as well as tenants' concerns relating to the risk of virus transmission and the use of office premises.	Eastnine monitors the development on the property and office markets as well as of the demand from tenants relating to the design of office space, in order to be able to customise office premises to the needs and wishes. Eastnine is continually in dialogue with stakeholders and proactively implements measures to keep the properties open, accessible and safe. The Company has been providing support to businesses that, due to the nature of their business, have been particularly hard hit by the coronavirus pandemic. Eastnine has a robust tenant structure, with a large proportion of tenants being Nordic groups with international operations. The average remaining lease term of the ten largest tenants is around 5 years.	
Value changes in properties	**Impact** H	**Probability** L
Risk of negative value changes in investment properties, which are taken up at fair value in the balance sheet, and for which value changes are reflected in profit or loss. The value of properties depends on, and is calculated on the basis of a variety of factors. These factors include observable data such as current rental income, property expenses, decided and known investments as well as current inflation, in addition to assessments of yield requirements, discount rates, future rent levels and vacancy rates. These input data and assessments can prove to be incorrect and conditions may come to change, which in turn can cause value changes.	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 sinking rent levels. All properties are valued externally at least once during any given twelve-month period, in addition to internal valuations carried out in the interval. Carrying out external valuations of a number of properties every quarter provides an opportunity to verify the data used as an input to other internal valuations. Valuations are carried out according to established internal routines for making assessments and collecting data, and according to a structured valuation model.	
Rental income and occupancy rate	**Impact** H	**Probability** L
Rental income is affected by the rent level and occupancy rates of properties, in addition to the tenants' ability to pay. External factors such as the business climate, population growth and the aggregate supply of equivalent premises will in turn affect these factors.	Risks relating to rental income as well as lasting vacancies are mitigated by Eastnine's concentration of the portfolio to modern properties in the most attractive commercial areas. Lease agreements typically have a term of 3– 5 years and sometimes longer yet in new developments, which provides for a gradual adjustment to market rents. Around 98 per cent per cent 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. Eastnine has around 120 tenants and a total of 160 lease agreements. High concentration toward specific tenants, such as Danske Bank, may result in increased risk. At the end of September 2020, Danske Bank's lease accounted for 27 per cent of Eastnine's total annual rent income. In the longer term, Eastnine aims to achieve a greater spread. Rent losses were negligible in 2020.	
Property expenses	**Impact** M	**Probability** M
Property expenses are to a considerable degree composed of utilities such as electricity, waste collection, water and heating. Several of these goods and services can only be purchased from a single provider, making the provision thereof more difficult to influence. In addition, there are costs for property taxes, property maintenance and administration. Unforeseen and extensive repairs can also have a negative impact on earnings.	Eastnine's lettings are, first and foremost, agreed on as triple-net agreements, meaning that tenants are liable to pay costs relating to their premises. Eastnine's high surplus ratio is attributable to the fact that a majority of Eastnine's leases are triple-net, which reduces the effect of rising property expenses, while increased vacancies may increase property expenses for Eastnine. Eastnine is working continually, as part of its sustainability efforts, to improve the energy efficiency and optimise the operation of its properties, in order to reduce environmental impacts as well as to reduce costs, and reduce the risk of unforeseen costs.	
Investments and projects	**Impact** M	**Probability** L
Development projects and investments are associated with risks of increased construction costs, delays, and counterparty risk when employing external contractors. Development projects are also often associated with rental risk. Technical risks in properties, such as construction defects, other defects, or other property damage, result in a risk of increased property costs.	At the end of 2020, Eastnine had no actively on-going development projects. Eastnine's property strategy includes development projects, and the Company continually evaluates opportunities to construct new modern and sustainable office properties in line with its strategy. Projects would normally only start after a large proportion of lease agreements have been signed. Eastnine is working to develop guidelines for future development projects in Riga in order to reduce the risk of unforeseen additional expenses. Investments in existing properties are continually being made in order to ensure that the portfolio remains modern and sustainable, and thereby attractive to tenants.	

RISK	MITIGATION	
Property transactions	**Impact** M	**Probability** L
The risk of property transactions falling through, or transactions on disadvantageous terms, due to limited supply or limited demand.	For Eastnine, transaction risk today relate exclusively to acquisitions, and is mitigated by Eastnine 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. Since Eastnine has a long investment time horizon, even properties that require development or refurbishment may be acquired, which increases available supply. At the same time, strategic and financial targets set clear limits on acceptable levels of risk and return.	
Organisational and operational risk	**Impact** L	**Probability** L
The risk of losses resulting from lacking routines or systems, or that occur as a result of ignorance of new regulatory changes which affect the business.	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 has a business-centric organisational structure, with staff employed at the parent company's home country, Sweden, as well as in the countries where the properties are, i.e. Latvia and Lithuania. As Eastnine only has a handful of employees, the company has been exposed to a key person dependency, although one which has lessened in later years. Over the last few years, several new employees have been hired, and the competency among the staff broadened, as the organisation has grown. The Company has a continuity policy which encompasses the Company's central functions, and which is reviewed annually by the Board. Internal control is deemed to be good and the operational risks low.	
Dispute risk	**Impact** M	**Probability** L
The risk that Eastnine should become involved in litigation, which could affect the Company's operations, earnings and financial position.	Eastnine structures its work in accordance to policies and internal guidelines to minimise the risk of disputes, not least during property transactions.	
IT-risks	**Impact** M	**Probability** L
The risk that IT systems used by Eastnine are attacked, that the Company's operations are manipulated, that information falls into the wrong hands and is spread to the wrong people.	Eastnine's IT systems are continually updated, including security measures such as firewalls, virus protection, etc.	
Supplier risk	**Impact** M	**Probability** L
The risk of hiring and entering into contracts with suppliers that fail to fulfill the agreements, which break the law, or act in an unethical manner, resulting in higher costs or damage to Eastnine's reputation.	Eastnine has a long and healthy experience of working with suppliers locally. Eastnine has implemented a Code of Code of Conduct policy for suppliers and carry out, using an external web-based tool, supplier evaluations in order to identify and follow up on any risks relating to business ethics or the environment. In the event that a supplier is unable to mitigate identified risks, agreements may be terminated.	

Sustainability risk

RISK	MITIGATION	
Negative environmental impact	**Impact** M	**Probability** L
The real estate industry has a significant impact on the environment. An inability to mitigate environmental risks that relate to property management and development (e.g., energy consumption, emissions, waste management, pollution or toxins) can have a considerable effect on the community and the environment, which in turn may result in a loss of value, increased vacancies, risks of damage to the brand as well as potentially legal conflicts and fines.	Eastnine's office premises are considered to have a low environmental risk from the ongoing activities of its tenants. The assessment is that there is a low risk of negative environmental impacts relating to property management, considering that a high proportion of the properties have obtained sustainability certifications and that acquisitions are subject to clear environmental criteria. Eastnine is working actively to reduce its environmental impact, and the Company's goal is to achieve climate-neutral property management by 2030 at the latest. Climate-related risk is mitigated using a structured environmental process, which is based on: (1) Certification requirements for all properties, excluding properties expected to undergo significant redevelopment (87 per cent certified as of 31 December 2020). (2) clear targets for energy consumption and the proportion of internally produced and renewable energy, (3) a requirement that acquisitions must be analysed in terms of environmental risk, (4) sustainability reporting and a continual follow-up of environmental performance, and (5) external assessments and evaluation of environmental aspects of property management, through a GRESB membership.	

Climate change	Impact L	Probability L
The risk of negative consequences stemming from climate change, which may mean higher temperatures, extreme weather events or a rising sea levels, resulting in properties becoming damaged or unfit for use. Risk of seasonal variations also naturally affect weather-dependent property expenses, such as heating and snow clearing during the winter months as well as cooling during the summer months.	In 2020, Eastnine carried out an analysis of physical, climate-related risks in the property portfolio, extending up until 2050 and 2100. The assessment is that the overall risk exposure is low in the short and long term. Mitigation: Risk assessments of physical, climate-related risks are carried out relating to existing properties as well as during acquisitions, in order to plan measures if such risks are found to be present.	

Risks relating to staffing and work environment	Impact L	Probability L
The risk of physical and mental injury affecting staff or customers as a result of an unhealthy working environment, deviations in the indoor climate, or risks relating to the working environment on construction sites.	Construction is not carried out by Eastnine itself. The probability of this risk is considered to be low, owing to a clear working environment policy for employees, as well as a focus on health promotion and the indoor climate for tenants. Mitigation: (1) Annual employee survey focuses on the analysis of employees' job satisfaction, and which factors in the working environment affects their performance and contentment, (2) policy documents relating to the working environment, (3) whistle-blowing channels, and (4) a working climate which provides the conditions for a healthy working life.	

Corruption and unethical behaviour	Impact H	Probability L
Bribery, fraud or other forms of unethical behaviour within Eastnine or in its relationships with suppliers, contractors, customers and other parties may lead to financial injury as well as a loss of confidence in the Company.	Probability is low, due to clear routines and guidelines. Mitigation: (1) Policies as well as codes of conduct for staff and suppliers, (2) active efforts with corporate values, including training specifically relating to business ethics and anti-corruption, (3) whistle-blowing channel where staff and third parties may anonymously report unethical behaviour, and (4) supplier evaluations.	

External risks

RISK	MITIGATION	
Business cycles	**Impact** M	**Probability** M
The economic situation and growth affecting the economies of the countries in which Eastnine is active affects employment rates, supply and demand of commercial premises and thereby also vacancy rates and rent levels.	Eastnine has limited ability to affect the economic growth and business cycles on a macro level. Eastnine's business strategy to provide modern and sustainable office properties to stable tenants in first-rate locations in the Baltic capitals is expected to provide a certain level of resilience against negative effects of a worsening business climate.	
Inflation	**Impact** L	**Probability** L
Inflation expectations affect the market interest rate, and actual inflation affects lease agreements that tie rents to price indices. Inflation also affects property expenses. Over time, inflation and interest rate movements also affect the yield requirements on properties and thereby the market value of those properties.	The majority of Eastnine's leases entail that the rent is adjusted to inflation. Property expenses are largely transferred to tenants as the majority of leases are triple-net.	
Legislation and taxation	**Impact** L	**Probability** L
Changes in the legislation in Sweden or in the Baltic countries, such as changes to corporate and property taxes, may change the conditions under which Eastnine operates.	Eastnine monitors regulatory changes internally as well as with external advice, and adapts the business in order to follow relevant regulation.	
Local, political risk and planning risks	**Impact** M	**Probability** L
Local and political risk as well as planning risk may delay or in other ways affect the possibility of developing properties. Political developments can also affect the business climate and, consequently, the demand for commercial premises.	Eastnine monitors the political development in the Company's geographical areas of focus, e.g. by establishing relationships with governing institutions, in order to promote a healthy business climate and to minimise the risk, and maximise the potential of development projects.	
Supply of premises	**Impact** M	**Probability** M
The supply of premises may affect occupancy rates and rent levels. The completion of large construction projects may affect these negatively.	Eastnine strives to provide modern and sustainable premises in a first-rate property portfolio in order to remain attractive in comparison to competing landlords. In this way, the risk of declining rent levels in the Company's properties can be mitigated. Eastnine's strategy is, moreover, to hold a considerable market position in order to be able to offer alternatives to tenants wishing to move to larger or smaller spaces.	
Price of raw materials risk	**Impact** L	**Probability** L
Risks relating to the price of raw materials arise primarily in conjunction with development projects which go on for longer periods, and for which considerable amounts of raw materials must be purchased.	There are currently no ongoing development projects in Eastnine's portfolio.	
Risk of value changes in other holdings	**Impact** M	**Probability** H
Value changes in other holdings, i.e. Melon Fashion Group (MFG), are chiefly affected by external risks as well as risks specific to MFG as a Russian fashion chain. MFG is reported in the balance sheet at fair value, and value changes are recognised through profit or loss. The value of the holding in MFG depends, in addition to MFG-specific valuation factors such as the earnings of the underlying business, inter alia, on market risk and currency exchange risk.	The market value of the holding in MFG is estimated every quarter internally using an established valuation method. Eastnine's influence over MFG as a shareholder is not considerable and limited to a position on the Board of Directors, without controlling influence over the business.	

Financial risks

RISK	MITIGATION	
Interest rate risk	**Impact** M	**Probability** L
The risk of increased costs of liabilities from credit institutions and other interest-bearing financing which is tied to market interest rates and where changes to market interest may affect earnings and cash flow.	Interest expenses is normally one of the larger expenditure items in a real estate company, and therefore carries significant weight in the Company's profit or loss. According to the financial policy, interest rate risk is to be limited by ensuring that at least 50 per cent of liabilities to credit institutions have a fixed-interest term of at least 12 months. Eastnine fixes interest by using derivatives, specifically interest swaps. The average remaining fixed interest term shall exceed 1.0 year.	
Credit risk	**Impact** L	**Probability** L
Credit risk arises e.g. in conjunction with bank deposits and through customer losses if customers become insolvent or are unable to meet their payment obligations.	Eastnine distributes its cash deposits over two larger Nordic banks, distributed in the countries in which the Company operates. Eastnine regularly follows up rent payments according to internal routines. Eastnine usually also require tenants to provide rent guarantees, such as tenant security deposits.	
Liquidity risk	**Impact** H	**Probability** L
The risk that the Company lacks liquid assets to cover the required liquidity for future payment obligations.	Eastnine prepares monthly liquidity forecasts for the coming twelve months. The Company shall have sufficient liquidity in order to cover the needs of the coming six months net outflow. The interest coverage ratio shall amount to at least 2.0x.	
Refinancing risk	**Impact** H	**Probability** L
Refinancing risk is the risk of not being able to obtain new financing to the extent needed, either when existing financing matures or when a need for new financing arises.	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. According to the financial policy, the loan-to-value ratio shall not exceed 60 per cent and maximally 40 per cent of the liabilities to credit institutions shall mature in any given 12-month period. The loan-to-value ratio is low, but the requirement of limited concentration in the maturity structure is not fulfilled, although it has improved during the year. The capital tie-up period shall amount to at least 1.5 years.	
Currency risk	**Impact** M	**Probability** M
For Eastnine, currency risk is the risk that the value of assets denominated in currencies other than the euro will decline in value as a result of a weakened exchange rate towards the euro.	Eastnine's holding in MFG depends on an underlying valuation of MFG in ruble, and the valuation is converted to euro in Eastnine's financial statements. Eastnine does not hedge against the exchange rate.	

Sensitivity analysis Investment properties

SENSITIVITY PARAMETER	ASSUMPTION	EFFECT ON VALUE CHANGE
Occupancy rate	+/- 1.0 percentage point	+5.1 EURm / - 5.1 EURm
Market rent	+/- 5.0 %	+17.8 EURm / -17.4 EURm
Yield requirement	-/+ 0.25 percentage points	+20.8 EURm / - 18.8 EURm
Property value	+/- 5.0 %	+18.6 EURm / - 18.6 EURm
SENSITIVITY PARAMETER	**ASSUMPTION**	**EFFECT ON CASH FLOW**
Market interest rate (based on 75 % fixed interest contract on 2020-12-31)	+/- 50 points +/- 100 points	+0.09 EURm / -0.09 EURm -0.10 EURm / -0.17 EURm

Financial information

3Bures-1,2 in Vilnius

Administration Report

The Board of Directors of Eastnine AB (publ), Corporate registration number 556693-7404, hereby submits the annual report for the 2020 financial year.

General information about Eastnine

Eastnine AB (publ) (the Parent Company) is a real estate company listed on Nasdaq Stockholm, Mid Cap. Eastnine shall be the leading long-term provider of modern and sustainable office premises in prime locations in the Baltic capitals. With the exception of Melon Fashion Group, which is owned directly by the Parent Company, the activities are managed by the fully-owned Estonian operating subsidiary Eastnine Baltics OÜ with subsidiaries in Latvia and Lithuania, together called "Eastnine" or "the Eastnine Group". At year-end, Eastnine employed 22 people, of which nine were employed at the head office in Stockholm, nine in Vilnius and four in Riga.

New business plan

Eastnine established a new business plan toward the end of the financial year. The overarching goal is to create a sustainable, attractive return on investment for its shareholders.

Eastnine's operational targets are as follows:

- The profit from property management shall increase to EUR 25m, annualised, based on Q4 2023.
- The property portfolio should grow to EUR 700m by the end of 2023.
- Non-real-estate investments are to be divested as soon as a financially optimal exit can be found.

Eastnine's financial targets are as follows::

- The return on equity is to be at least 10 per cent over time.
- Dividends are to correspond over time to at least 50 per cent of profit from property management after deductions for current taxes.
- The loan-to-value ratio on properties should be at most 60 per cent.
- The equity/asset ratio should be at least 35 per cent.
- The interest coverage ratio shall amount to at least 2.0x.

Eastnine's sustainability targets are as follows:

- Property operations are to be carbon dioxide-neutral by the end of 2030.
- The entire property portfolio should have obtained sustainability certificates on the level of at least LEED Gold or BREEAM Excellent.
- 100 per cent of the properties' energy consumption should be sourced from renewable energy by 2030.
- Green leases shall be introduced. The proportion is to increase over time.

Key events during the year

On 23 June, Eastnine took possession of the newly completed office building S7-3 in Vilnius. Purchase consideration amounted to EUR 43m. The property comprises around 14,500 sq.m. and was fully let when taken into possession.

On 30 September, the office property Vertas-2 was acquired and taken into possession for a purchase consideration of EUR 20m. The property comprises 7,200 sq.m. commercial space, and is directly adjacent to Eastnine's property Vertas-1. The occupancy rate by area amounted to 95 per cent at the time.

In November, Eastnine sold one million treasury shares for a price of SEK 115 per share. The transaction provided Eastnine with a total of SEK 115 million before transaction fees. The cash is to be used for property acquisitions.

Income

Rental income increased by 44 per cent to EUR 19,186k (13,348) during the year. This increase is one effect of a larger property portfolio and higher rent levels. Rental income in a comparable portfolio rose by 5 per cent compared to the previous year. New leases on vacant premises have been signed at higher rent levels, contributing to an increase in the average rent level in the property portfolio to EUR 14.9 per sq.m. per month at the end of the year, compared to EUR 14.7 per sq.m. per month at the end of 2019.

Rental income, EURk	2020	2019
Comparable properties	11,072	10,517
Acquisitions	8,114	2,831
Total	**19,186**	**13,348**

Earnings

Net operating income was EUR 17,497k (11,946), and the surplus ratio amounted to 91 per cent (89). The high surplus ratio is attributable to the fact that a majority of the tenants, in addition to rent, also pay for e.g. electricity, heating, cooling, water and wastewater, as well as repairs, maintenance and property management. The increase in net operating income of 46 per cent is chiefly related to acquisitions.

Central administration expenses amounted to EUR -3,515k (-3,873) and profit from property management increased by 82 per cent to EUR 10,011k (5,489). The percentage increase in profit from property management is greater than that of rental income and net operating income as a result of economies of scale.

Unrealised value changes in properties amounted to EUR 17,383k (10,208). Unrealised value changes in investments amounted to EUR 13,443k (17,742), of which EUR 12,423k (17,985) is attributable to MFG and EUR 1,019k (-243) to fund investments. Unrealised value changes in derivatives amounted to EUR -782k (-1,006). Realised changes in value and dividends from investments amounted to EUR 640k (5,403).

Profit before tax amounted to EUR 40,695k (37,836) and the net profit/loss for the year to EUR 36,155k (35,266).

Segment Reporting

The Real Estate Direct segment generated a profit from property management of EUR 13,610k (9,413) and a profit after tax of EUR 25,671k (16,045). The Real Estate Fund segment generated a profit after tax of EUR 1,659k (2,287), of which an unrealised value change amounted to EUR 1,019k (-243) and a realised value change and received dividends amounted to EUR 640k (2,530). The Other segment generated a profit after tax of EUR 12,423k (20,858), which this year was attributable in its entirety to an unrealised value change. Unallocated central administration expenses amounted to EUR -3,515k (-3,873), while unallocated net financial income/expenses was EUR -84k (-51).

Earnings per segment, TEUR	2020
Real Estate Direct	
Profit from property management	13,610
Unrealised value changes, properties	17,383
Unrealised value changes, derivatives	-782
Deferred tax	-4,540
Profit, Real Estate Direct	**25,671**
Real Estate Fund	
Unrealised value changes	1,019
Realised value changes and dividends	640
Profit, Real Estate Fund	**1,659**
Other	
Unrealised value changes	12,423
Profit, Other	**12,423**
Unallocated	
Central administration expenses	-3,515
Unallocated financial income and expenses	-84
Profit Unallocated	**-3,599**
Net profit/loss for the year	**36,155**

Financing

Liabilities to credit institutions amounted at year-end to EUR 173,151k (137,771), corresponding to a loan-to-value ratio on properties of 46 per cent (47) and a loan-to-value ratio on properties and investments of 36 per cent (36). Unutilised credit facilities amounted to EUR 3,000k (23,700). The increase in liabilities to credit institutions is a result of acquisitions undertaken during the year. The average interest rate at the end of the year amounted to 2.3 per cent (2.3) and the share of liabilities to credit institutions with fixed interest was 75 per cent (79), of which 100 per cent (100) were fixed using swaps.

At the end of the year, the average capital tie-up period on liabilities to credit institutions was 3.0 years (3.5). Average fixed interest term was 2.3 years (3.1). The derivatives are measured at fair value and the change in value is recognised through profit or loss, with no effect on cash flow. At the end of the year, the fair value of derivatives was EUR -2,745k (-1,963). At the end of the term, the value of derivatives is always zero.

Tax

The tax expenses for the year amounted to EUR -4,540k (-2,570), all of which relates to deferred tax in Lithuania where a corporate income tax of 15 per cent is applied. 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 levied only on distributed profits.

Financial position and net asset value

Equity amounted to EUR 309,942k (268,192) and the equity/asset ratio to 62 per cent (64). Long-term net asset value per share was EUR 14.6 (13.1) corresponding to 147 SEK per share (137). Equity per share was EUR 14.0 (12.7) corresponding to 141 SEK per share (133).

Cash flow

Cash flow from operating activities before changes in working capital amounted to EUR 11,001k (9,968) during the year. Change in working capital was EUR -41k (-1,532). Cash flow from investing activities amounted to EUR -64,778k (-98,230). Cash flow from financing activities was EUR 40,570k (62,122), of which dividends to shareholders contributed a negative cash flow of EUR -5,403k (-4,519) while the sale of previously repurchased shares in treasury contributed a positive cash flow of EUR 10,872k (purchased in previous years, totalling EUR -3,525k). Total cash flow amounted to EUR -13,068k (-27,672) and cash and cash equivalents to EUR 24,278k (37,406) at year-end.

Cash flow from acquisitions, investments and divestments, EURm	2020	2019
3Bures-1,2	1.1	1.3
3Bures-3	-	0.2
Alojas Biroji	0.7	0.1
Kimmel	0.2	9.5
S7-1	-	36.8
S7-2	-	47.6
S7-3	42.4	-
Valdemara	0.1	25.3
Vertas-1	0.2	0.3
Vertas-2	20.1	-
Total property investments	**64.8**	**121.2**
EC Baltic Property Fund III	-	2.0
Total other investments	**-**	**123.2**
EC Baltic Property Fund III	-	25.1
Total divestment	**-**	**25.1**
Total cash flow from acquisitions, investments and divestments	**64.8**	**98.1**

Parent Company

Net profit after tax for the year amounted to EUR 12,355k (19,037). This profit is chiefly attributable to an unrealised value change in the MFG holding of EUR 12,423k (17,985). Other income and financial income relate nearly exclusively to income within the group. No dividend has been received from MFG during the year (EUR 2,873k).

Share information

The total number of shares issued in Eastnine amounted to 22,370,261 on 31 December 2020. Adjusted for repurchased shares held in treasury, the number of listed shares amounted to 22,149,061. The weighted average number of shares issued for the period, less repurchased shares, was 21,269,280. The number of shareholders amounted at year-end to 4,990. The free float was 62.8 per cent. At the end of the year, the share price was SEK 125.0 after a decrease of 9 per cent since the beginning of the year. Further information about the share can be found on pages 47-48.

Dividend

The Board of Directors proposes a dividend of SEK 3.00 per share (2.70) for the 2020 financial year, with payments evenly distributed over four occasions in May, August and November 2021, and February 2022. The proposed dividend would correspond to an increase of 11 per cent compared to the previous year and amount to 66 per cent of the 2020 profit from property management, net of current tax. According to the current dividend policy, dividends are to correspond over time to at least 50 per cent of profit from property management after deductions for current tax.

Share buy-back

At the AGM 2020, the Board received a new mandate to decide on share buy-back, providing that Eastnine's holding of treasury shares not exceed at any time 10 per cent of all shares in the Company.

In November, Eastnine sold 1,000,000 treasury shares for a price of SEK 115 per share. After the transaction, as on 31 December 2020, the Company's holding of own shares in treasury decreased to 221,200, corresponding to a decrease from around 5.5 per cent to about 1.0 per cent of all shares issued. The average acquisition value of own shares in treasury was SEK 96 per share.

Key events after the end of the financial year

No significant events have occurred after the end of the financial year.

Risks and uncertainties

The investment strategy, i.e. to make long-term investments in modern and sustainable office properties in first-rate locations in the Baltic capitals, means that Eastnine is chiefly exposed to risks relating to interest rates and credit as well as rent level and vacancy risks. 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 Eastnine'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. A more detailed description of Eastnine's material risks and uncertainties is provided in note 30, (Financial risks and risk management).

Future development

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

The Company's new overarching goals is that the property portfolio shall double in size, to EUR 700m, by the end of 2023. Investments that are not directly owned real estate are to be divested as soon as the optimal business conditions are met. Cash thus raised shall be reinvested in directly-owned real estates.

Staff and remuneration guidelines

On 31 December 2020, the Eastnine Group employed 22 full-time employees, of which nine were employed at the head office in Stockholm, nine in Vilnius and four in Riga.

The 2020 Annual General Meeting decided on the following guidelines for remuneration to executive management: compensation to executive managers may consist of fixed and variable salary components, pension and insurance benefits as well as other customary benefits. In addition to and independently of this, the Annual General Meeting may decide on e.g. long-term, share-based or share-related incentive or remuneration programmes. The Board determines at its own discretion on the basis of personal key performance indicators whether the executive management should be paid any variable salary. The variable salary to senior executives may maximally correspond to 50 per cent of their fixed salary. The executive management have individual premium-based pension plans, pursuant to which the Company pays premiums maximally 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. Other benefits may comprise e.g. health insurance, keep-fit grants and company cars, and may in total amount to at most 10 per cent of the fixed salary.

In the event that the Company terminates the CEO's employment, the Company is required to observe a period of notice of at most 12 months. The fixed salary during the notice period, taken together with any severance payments, may not exceed an amount corresponding to twelve months' fixed salary. Further information on salaries and current remuneration guidelines are presented in note 5 (Employees, staff expenses and remuneration to executive management.)

Corporate governance and the Board of Directors

The Board shall be comprised of three to six directors without deputies. Board Members are elected annually at the Annual General Meeting for the period up to the next Annual General Meeting. The complete Articles of Association can be found on www.eastnine.com.

Information about how the Company is governed and controlled, e.g. through the Board and its committees, as well as internal control and risk management, can be found in the Corporate Governance Report on pages 93-97.

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	257,847,589
Accumulated profit or loss	-12,845,469
Net profit/loss for the year	12,354,748
Total	**257,356,868**

To be allocated as follows, EUR:	
Dividend to shareholders SEK 3.00/share[1]	6,611,660
To be carried forward	250,745,208
Total	**257,356,868**

[1] No dividend is paid for the Company's holding of own shares, whose exact number is determined on the record dates for cash payment of the dividend. EUR 1 = SEK 10.05 on 31 December 2020 (Source: Reuters). Number of issued shares on 31 December 2020, less treasury shares, was 22,149,061.

Statement of Comprehensive Income

EUR thousands	**Note**	**2020**	**2019**
Rental income	3	19,186	13,348
Property expenses	4,5	-1,689	-1,402
Net operating income		**17,497**	**11,946**
Central administration expenses	5,6,7,8	-3,515	-3,873
Interest expenses	9	-3,703	-2,225
Other financial income and expenses	9	-268	-359
Profit from property management		**10,011**	**5,489**
Unrealised changes in value of properties	10	17,383	10,208
Unrealised changes in value of derivatives	11	-782	-1,006
Unrealised changes in value of investments	12	13,443	17,742
Realised values and dividends from investments	13	640	5,403
Profit/loss before tax		**40,695**	**37,836**
Current tax	15	-	-
Deferred tax	15	-4,540	-2,570
Net profit/loss for the year [1]		**36,155**	**35,266**
Earnings per share, basic and diluted, EUR	33	1.70	1.66

[1] *Total Comprehensive income for the year corresponds to Net profit/loss for the year.*

Consolidated Statement of Financial Position

EUR thousands	Note	31 December, 2020	31 December, 2019
ASSETS			
Non-current assets			
Intangible assets	16	2	2
Investment properties	10	372,400	290,256
Right-of-use assets, leasehold	8	1,197	1,204
Equipment	17	174	216
Long-term securities holdings	12	102,152	88,709
Other non-current receivables	18	465	175
Total non-current assets		**476,389**	**380,562**
Current assets			
Trade receivables	19	959	1,140
Short-term receivables		27	448
Prepaid expenses and accrued income	20	571	767
Cash and cash equivalents	21	24,278	37,406
Total current assets		**25,836**	**39,761**
TOTAL ASSETS		**502,225**	**420,322**
EQUITY AND LIABILITIES			
Equity	22		
Share capital		3,660	3,660
Other contributed capital		257,850	252,252
Retained earnings including other reserves		12,278	-22,986
Net profit/loss for the year		36,155	35,266
Total equity		**309,942**	**268,192**
Non-current liabilities			
Liabilities to credit institutions	23	153,208	132,571
Derivatives	11	2,745	1,963
Deferred tax liabilities	24	10,855	6,315
Lease liability	8	1,175	1,175
Other non-current liabilites	25	1,790	1,745
Total non-current liabilities		**169,772**	**143,769**
Current liabilities			
Liabilities to credit institutions	23	19,943	5,200
Trade payables		440	864
Other liabilities	26	1,262	1,347
Accrued expenses and deferred income	27	865	951
Total current liabilities		**22,510**	**8,362**
TOTAL EQUITY AND LIABILITIES		**502,225**	**420,322**

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 2019	-	-	35,266	35,266
Total comprehensive income	**-**	**-**	**35,266**	**35,266**
Dividend to shareholder	-	-4,519	-	-4,519
Share buy-back	-	-3,525	-	-3,525
Long-term incentive program (LTIP 2018)	-	151	-	151
Closing equity 31 December 2019	**3,660**	**252,252**	**12,280**	**268,192**
Net profit /loss for the year 2020	-	-	36,155	36,155
Total comprehensive income	**-**	**-**	**36,155**	**36,155**
Dividend to shareholder	-	-5,403	-	-5,403
Sale of treasury shares	-	10,872	-	10,872
Long-term incentive program (LTIP 2018)	-	126	-	126
Closing equity 31 December 2020	**3,660**	**257,847**	**48,435**	**309,942**

Consolidated Statement of Cash Flows

EUR thousands	Note	2020	2019
Operating activities			
Operating income before tax		40,695	37,836
Adjustments not included in cash flow	32	-29,694	-27,868
Income tax paid		-	-
Cash flow from operation activities before changes in working capital		**11,001**	**9,968**
Cash flow from changes in working capital			
Increase (-)/decrease(+) in other current receivables		508	-1,742
Increase (+)/decrease(-) in other current payables		-549	210
Cash flow from operating activities		**10,960**	**8,436**
Investing activities			
Investments in existing properties		-2,300	-1,965
Acquisition of properties		-62,461	-119,221
Purchase of equipment		-17	-152
Investments in other financial assets		-	-1,982
Repayment of other financial assets		-	25,090
Cash flow from investing activities		**-64,778**	**-98,230**
Financing activities			
New loans		40,950	74,029
Repayment of loans		-5,570	-3,808
Payment of lease liabilities		-99	-55
Dividend to shareholders		-5,403	-4,519
Sale of treasury shares		10,872	-
Share buy-back		-	-3,525
Cash flow from financing activities		**40,750**	**62,122**
Cash flow for the period		**-13,068**	**-27,672**
Cash and cash equivalent at the beginning of the year		37,406	65,119
Exchange rate differences in cash and cash equivalents		-60	-41
Cash and cash equivalent at year-end	21	**24,278**	**37,406**

Income Statement – Parent Company

EUR thousands	Note	2020	2019
Other income	14	1,738	74
Central administration expenses	5,6,7,8	-3,104	-3,210
Operating profit/loss		**-1,366**	**-3,136**
Profit/loss from shares in group companies	28	-	-16
Unrealised changes in value of investments	12	12,423	17,985
Dividend received from investments	13	-	2,873
Financial income	9	1,381	1,383
Financial expense	9	-84	-52
Profit/loss before tax		**12,355**	**19,037**
Income tax	15	-	-
Net profit/loss for the year[1]		**12,355**	**19,037**

[1] *Total comprehensive income for the year corresponds to Net profit/loss for the year.*

Balance Sheet – Parent Company

EUR thousands	Note	31 December, 2020	31 December, 2019
ASSETS			
Non-current assets			
Right-of-use asset, leaseholds	8	491	596
Equipment	17	70	88
Shares in group companies	28	142,447	143,433
Other long-term securities holdings	12	79,320	66,897
Loans to group companies	31	27,527	27,527
Total non-current assets		**249,856**	**238,541**
Current assets			
Other receivables		4	2
Accrued interest income	20	1,380	2,752
Prepaid expenses and accrued income	20	13	63
Cash and cash equivalents	21	10,995	3,038
Total current assets		**12,393**	**5,855**
TOTAL ASSETS		**262,248**	**244,396**
EQUITY AND LIABILITIES			
Equity	22		
Restricted capital			
Share capital		3,660	3,660
Unrestricted capital			
Share premium reserve		257,848	252,252
Retained earnings including other reserves		-12,845	-31,882
Net profit/loss for the year		12,355	19,037
Total equity		**261,017**	**243,066**
Non-current liabilities			
Lease liability	8	468	567
Other non-current liabilites	25	113	64
Total non-current liabilities		**581**	**631**
Current liabilities			
Trade payables		150	103
Other liabilities	26	5	139
Accrued expenses and deferred income	27	496	457
Total current liabilities		**651**	**699**
TOTAL EQUITY AND LIABILITIES		**262,248**	**244,396**

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 year 2019	-	-	19,037	19,037
Total comprehensive income	**-**	**-**	**19,037**	**19,037**
Dividend to shareholder	-	-4,519	-	-4,519
Share buy-back	-	-3,525	-	-3,525
Long-term incentive program (LTIP 2018)	-	151	-	151
Closing equity 31 December 2019	**3,660**	**252,252**	**-12,845**	**243,066**
Net profit /loss for the year 2020	-	-	12,355	12,355
Total comprehensive income	**-**	**-**	**12,355**	**12,355**
Dividend to shareholder	-	-5,403	-	-5,403
Sale of treasury shares	-	10,872	-	10,872
Long-term incentive program (LTIP 2018)	-	126	-	126
Closing equity 31 December 2020	**3,660**	**257,848**	**-491**	**261,017**

Statement of Cash Flows – Parent Company

EUR thousands	Note	2020	2019
Operating activities			
Operating income before tax		12,355	19,037
Adjustments not included in cash flow from operating activities	32	-12,079	-14,301
Income tax paid		-	-
Cash flow from operation activities before changes in working capital		**276**	**4,736**
Cash flow from changes in working capital			
Increase (-)/decrease(+) in other current receivables		1,419	-1,365
Increase (+)/decrease(-) in other current payables		-48	-51
Cash flow from operating activities		**1,647**	**3,320**
Investing activities			
Divestment of group companies, net cash effect		-	49
Purchase of equipment		-	-89
Cash flow from investing activities		**-**	**-40**
Payment of lease liabilities		-99	-55
Repayment of shareholder contributions		1,000	-
Dividend to shareholders		-5,403	-4,519
Sale of treasury shares		10,872	-
Share buy-back		-	-3,525
Cash flow from financing activities		**6,370**	**-8,099**
Cash flow for the period		**8,017**	**-4,819**
Cash and cash equivalent at the beginning of the year		3,038	7,898
Exchange rate differences in cash and cash equivalents		-60	-41
Cash and cash equivalent at year-end	21	**10,995**	**3,038**

Notes to the financial statements

1 ACCOUNTING POLICIES

General information
Eastnine AB (publ), corporate ID 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 2020 financial year and have been approved for publication by the Board on 25 March 2021, and will be presented for adoption by the Annual General Meeting on 05 May 2021. With the exception of the holding in JSC Melon Fashion Group, which is owned directly by Eastnine AB (the Parent Company), property management activities are carried out by the Estonian operating subsidiary Eastnine Baltics OÜ with subsidiaries in Latvia and Lithuania, together called the Eastnine Group or the Company.

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 rule for groups) has been applied. The accounting policies have been consistently applied to all periods presented in the financial statements, unless otherwise stated.

The accounting policies and calculation methods for the Group and the Parent Company are in all material respects unchanged compared to those applied for the 2019 annual accounts.

New or amended IFRS and new interpretations applied from 1 January 2020
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 2020.

IFRS 3 Business combination results in a simplified assessment of whether an acquisition is 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 regarded 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 Company regards the change of standard as a simplification and reinforcement of future assessments. The change in accounting policies has not had any impact on the profit-and-loss statements, balance sheets or key figures. No other new or changed standards have had a material impact on the Group's financial statements.

New or amended IFRS standards or new interpretations that are not yet in force
None of the new or amended IFRS standards or new interpretations from the IFRS Interpretations Committee, which have been approved by the EU, are currently considered to impact Eastnine's reporting or financial position.

Functional currency and presentation currency
The Parent Company's functional currency is EUR, which is also the presentation currency for the Parent Company and the Group. Consequently, all financial statements are prepared in EUR. Amounts within brackets relate to the corresponding period in the previous year. All figures are presented in EUR 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 judgements, estimates and assumptions that may affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may deviate from these estimates and assessments. Estimates and underlying assumptions are regularly reviewed. Revisions to estimates are reported in the period that 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 policies and estimates, as well as the application of these policies and estimates, with the Board of Directors.

Key sources of uncertainty
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 during the upcoming 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, inter alia, estimates and assumptions of future cash flows as well as a determination of the discounting rate and yield requirements. To reflect the uncertainty inherent in the assumptions and assessments made, a sensitivity analysis is provided for material valuation parameters.

In regards to other investments that 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 may have substantially higher or lower fair values in future periods. The Company applies its valuation models consistently from period to period, but the determination of fair value is inherently uncertain.

Given the control procedures applied, Eastnine 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 MFG, one of Eastnine's other investments and which were acquired during Eastnine's period as an investment entity, constitutes an associated company as Eastnine has considerable 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 to businesses that are or have been a venture capital investment entity or securities fund, mutual fund or similar entity, including insurance funds. Eastnine has made the assessment that the exemption is applicable. This assessment is unchanged from the time in which Eastnine was an investment entity. The purpose of the holding in the remaining business is exclusively to generate returns from dividends and/or an increase in value, and the shares are to be held for a limited time. Furthermore, the business as an "investment entity" is clearly and objectively separable from the business as a real estate company, and there are no points of contact between the holdings related to each of the concerns.

Eastnine also holds ownership shares in East Capital (Lux) SCA, SICAV-SIF (umbrella fund), amounting to around 12 per cent (12). For Eastnine, this holding results in a 43 per cent (44) share of the returns from the sub-fund East Capital Baltic Property Fund II. This share has been assessed not to constitute an associated company as Eastnine can not and has not been able to exert significant influence over the fund. The fund was started by a General Partner, whose business consists of managing funds. The rules and agreements 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 fund management and their decisions. For that reason, Eastnine has determined that there is no influence over the fund, neither significant or controlling. The holding is therefore reported as an investment in accordance with IFRS 9, Financial Instruments.

Material accounting policies 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 control. 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 influence returns. In the assessment of whether control exists, consideration is given to whether potential share voting rights and de facto control exist.

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 acquisitions versus business combinations

Acquisitions of companies may either be classified 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 date of possession being handed over.

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 salary remuneration is estimated and accrued quarterly. Any difference between the accrued variable remuneration and the actual payment is recognised in the period in which the difference has been established. 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 programmes which Eastnine established in 2018 and 2020. The programmes are settled with equity instruments, which are classified as "equity settled". An amount corresponding to the share rights' estimated fair value is recognised directly toward equity (other contributed capital). The final fair value is determined at the time of allotment. The provision for social charges is calculated and carried based on the fair value of the share rights at each reporting date and determined finally when the shares are allotted.

Lease agreements

For Eastnine as a lessee, the pertinent agreements are leases for premises and site leasehold fees. The Company's leasing contracts are reported in the balance sheet as a usage right and a leasing liability. The usage right and the liability is initially valued at the present value of all future lease payments. To the extent that fees are prepaid or to which there are initial costs, these are added to the value of the usage right. Concerning site leasehold agreements where Eastnine as a lessee may not terminate the agreement, the lease term is 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. In regards to other agreements, currently 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 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.

Foreign currency transactions

The functional currency of Eastnine is the 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 recognized 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 and other financial expenses relating to new construction are capitalized 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 which is applicable on the reporting day. Current tax also includes any adjustments of tax relating to previous periods.

Deferred tax is calculated based on temporary differences between reported and tax values of assets and liabilities. In Estonia and Latvia, a 20 per cent tax is applied only when profits are appropriated, meaning that the taxes are not calculated for undistributed earnings; therefore, no deferred taxes have been recognised. The tax effect will be reported as current tax when the tax expense of deter-

Note 1 cont.

mined dividends may be calculated. Temporary differences are also not taken into account when there is a difference between the first 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 time of acquisition. The asset is reported at acquisition value corresponding to the asset's fair value after deductions for any deferred tax liability. Deferred tax relating to asset acquisitions is therefore only reported when temporary differences appear after the acquisition. 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 in 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
Some 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 short-term 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, e.g. accounts payable, (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 the income statement. Investments in shares of funds (refer also to the section "Important considerations when applying the Group's accounting policies" and note 12), where the purpose of the holding is exclusively to generate returns through 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/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 measured at 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 via profit/loss. Regarding the holdings in MFG, which are held for the exclusive purpose of generating returns via dividends and/or increases in value, and which were reported at fair value through profit/loss up until 30 June 2018, the assessment is that the holdings are most accurately represented by reporting their fair value via profit/loss, in accordance with the exemption in IAS 28 p.18-19. 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. Refer also to note 12 (Long-term securities holdings).

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 properties
Definition and valuation
Investment properties are properties that are held for the purposes of securing rent revenue, an increase in value, or a combination of the two. Investment properties comprise buildings, land, land improvements, 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. Eastnine has opted to report usage rights concerning site leaseholds separately from investment properties. 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 (Investment properties).

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 arise from acquisitions or capitalised investment expenses.

Acquisitions and divestments of properties are recognised in conjunction with the transfer of control over the property from the seller to the buyer, which normally takes place on the date of taking 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 credited 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 amortised cost 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.

Property, plant & equipment and intangible assets not recognised at fair value through profit or loss are tested for impairment whenever there is an indication of 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 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 which are held by employees on the reporting day are considered diluting. Performance shares are diluting to the extent that the performance 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 will be 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 policies

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. According to RFR 2, the Parent Company shall apply all of the IFRS approved by the EU and opinions to the greatest possible extent in the annual accounts for the legal entity 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 policies are shown 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.

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.

Note 1 cont.

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 its 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. Segment reporting is unchanged in comparison to the previous year. The segment reporting below shows the earnings per segment as well as assets and liabilities directly attributable to each segment.

EURk 1 Jan–31 Dec 2020	Real Estate Direct	Real Estate Funds	Other	Unallocated	Total
Rental income	19,186	-	-	-	19,186
Property expenses	-1,689	-	-	-	-1,689
Net operating income	**17,497**	**-**	**-**	**-**	**17,497**
Central administration expenses	-	-	-	-3,515	-3,515
Interest expenses	-3,703	-	-	-	-3,703
Other financial income and expenses	-184	-	-	-84	-268
Profit from property management	**13,610**	**-**	**-**	**-3,599**	**10,011**
Unrealised changes in value of properties	17,383	-	-	-	17,383
Unrealised changes in value of derivatives	-782	-	-	-	-782
Unrealised changes in value of investments	-	1,019	12,423	-	13,443
Realised values and dividends from investments	-	640	-	-	640
Profit/loss before tax	**30,211**	**1,659**	**12,423**	**-3,599**	**40,695**
Deferred tax	-4,540	-	-	-	-4,540
Net profit/Loss for the year	**25,671**	**1,659**	**12,423**	**-3,599**	**36,155**
Investment properties	**372,400**	**-**	**-**	**-**	**372,400**
Long-term securities holdings	**-**	**22,831**	**79,320**	**-**	**102,152**
Liabilities to credit institutions	**173,151**	**-**	**-**	**-**	**173,151**

EURk 1 Jan–31 Dec 2019	Real Estate Direct	Real Estate Funds	Other	Unallocated	Total
Rental income	13,348	-	-	-	13,348
Property expenses	-1,402	-	-	-	-1,402
Net operating income	**11,946**	**-**	**-**	**-**	**11,946**
Central administration expenses	-	-	-	-3,873	-3,873
Interest expenses	-2,225	-	-	-	-2,225
Other financial income and expenses	-308	-	-	-51	-359
Profit from property management	**9,413**	**-**	**-**	**-3,924**	**5,489**
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
Profit/loss before tax	**18,615**	**2,287**	**20,858**	**-3,924**	**37,836**
Deferred tax	-2,570	-	-	-	-2,570
Net profit/Loss for the year	**16,045**	**2,287**	**20,858**	**-3,924**	**35,266**
Investment properties	**290,256**	**-**	**-**	**-**	**290,256**
Long-term securities holdings	**-**	**21,812**	**66,897**	**-**	**88,709**
Liabilities to credit institutions	**137,771**	**-**	**-**	**-**	**137,771**

3 RENTAL INCOME

Operational leases – the Group as 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 sum of agreed annual rents for premises, parking spaces and other agreements at year-end, calculated by date of rents expiration. The total contract volume at the end of the period, excluding future adjustments to index, amounted to EUR 92,074k (83,108).

Contractual rental income, EURk	Group 2020	2019
Rental income expiring within 1 year	20,023	16,200
Rental income expiring in 2-5 years	42,766	42,078
Rental income expiring in 5 years or later	29,285	24,824
Total	**92,074**	**83,102**

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

Expiration structure, existing leases, on 2020-12-31

Contract expiry date, year	Number of agreements	Contracted rental income, yearly, EURk	Proportion of rental income, %
2020[1]	-	-	-
2021	31	1,701	8
2022	25	3,769	18
2023	37	2,293	11
2024	39	5,404	26
2025	10	713	3
2026>	18	6,128	29
Total, premises	**160**	**20,008**	**95**
Parking & other	-	1,001	5
Total	**160**	**21,009**	**100**

[1] Refers to lease agreements expiring 2020-12-31.

4 PROPERTY EXPENSES

Distribution by type of cost, EURk	Group 2020	2019
Expenses related to ongoing consumption, repairs and maintenance	-449	-135
Personnel costs	-956	-390
Depreciation	-41	-32
Other indirect property expenditure	-243	-845
Total	**-1,689**	**-1,402**

5 EMPLOYEES, STAFF EXPENSES AND EXECUTIVE MANAGEMENT COMPENSATION

Remuneration, other benefits and social costs, EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Board, CEO and other management				
Salaries	888	784	888	784
Pension costs (premium based plans)	93	74	93	74
Social charges	311	278	311	278
Others				
Salaries	1,702	1,315	566	496
Pension costs (premium based plans)	91	69	91	69
Social charges	410	331	210	182
Total	**3,495**	**2,852**	**2,159**	**1,883**

Average number of employees	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Men	7	7	5	4
Women	12	7	3	3
Total	**19**	**14**	**8**	**7**

Remuneration to executive management

Remuneration to the Board of Directors
On 12 May 2020, the Annual General Meeting (AGM) determined that the Chairman of the Board shall 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. Appointed members receive compensation as of the date of appointment (normally, the date of the annual general meeting), while resigning members have received compensation up until the date of resignation.

Remuneration to senior executives and other conditions of employment
Guidelines for salary and other remuneration to the Company's senior executives will be resolved on a yearly basis at the annual general meeting, based on proposals by the Board. Remuneration to senior executives consists of fixed salary, variable salary as well as pension, insurance and customary benefits. The Board decides at its own discretion, on the basis of internal performance criteria, whether the senior executives shall receive variable salary. The variable salary to senior executives may maximally correspond to 50 percent of their fixed salary. In addition, senior executives have individual premium-based pension plans, pursuant to which the Company pays premiums corresponding to 4.5% 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 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, EURk	Board fee / Fixed salary 2020	Board fee / Fixed salary 2019	Variable salary[1)] 2020	Variable salary[1)] 2019	Other benefits 2020	Other benefits 2019	Pension expenses 2020	Pension expenses 2019	Total 2020	Total 2019
Board members										
Liselotte Hjorth, Chairman	76	76	-	-	-	-	-	-	76	76
Peter Elam Håkansson	38	38	-	-	-	-	-	-	38	38
Peter Wågström	38	38	-	-	-	-	-	-	38	38
Christian Hermelin[2]	25	-	-	-	-	-	-	-	25	-
Ylva Sarby Westman[2]	25	-	-	-	-	-	-	-	25	-
Johan Ljungberg[3]	13	38	-	-	-	-	-	-	13	38
Nadya Wells[3]	13	38	-	-	-	-	-	-	13	38
Executive management										
Kestutis Sasnauskas, CEO	238	225	172	146	8	5	57	55	474	431
Other executive management, 1 (1) employee	163	94	79	87	0	-	36	19	278	200
Total	**629**	**546**	**251**	**233**	**8**	**5**	**93**	**74**	**981**	**859**

[1] Variable salary amunted to EUR 251k (233) of which variable remuneration amounted to EUR 179k (135), provisions for LTIP amounted to EUR 72k (61) and other variable remuneration amounted to EUR 0k (37).
[2] Appointed as a member of the Board at the AGM 2020.
[3] Resigned as a member of the Board as from the AGM 2020.

Long-term incentive programme
Eastnine has two ongoing long-term incentive programmes (LTIP) available to employees in the Group (LTIP 2018 and LTIP 2020). The purpose of LTIPs is to boost shareholder value and the Company's long-term value creation, by creating the conditions required to retain and recruit competent staff, increasing motivation among the participants, encouraging employees' shareholding in the Company and aligning the interests of employees and the company's shareholders.

LTIP 2018
The Annual General Meeting on 24 April 2018 approved the Board's proposal to introduce a long-term incentive programme (LTIP 2018) available to all permanent employees in the Company as of 1 January 2018. The incentive programme is divided in three categories: i) the CEO, ii) investment managers and lease managers, and iii) other employees. Participants were required to purchase shares in the Company for an amount corresponding to at most two monthly salaries by 1 April 2018. 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. In order to receive matching shares and performance shares, the Participant must remain in employment with the Company and must also have held the savings shares throughout the vesting period. Matching shares and performance shares are awarded to the employees within 45 days of publication of the interim report for the third quarter 2021. In total, ten employees are part of the programme. In aggregate, a maximum of 58,685 shares in the Company, of which 13,902 are matching shares and 44,783 are performance shares, may be allotted to the Participants.

Criteria for performance shares
Each performance criteria represents 50 per cent of the total allocation of performance shares to LTIP 2018.

Requirement 1: The profit from property management in the Real Estate Direct segment for the period 1 October - 31 December 2020 shall amount to EUR 3.75m (corresponding to an annual amount of EUR 15.0m).

Requirement 2: The average annual return on equity in the Real Estate Direct segment during the period 1 July 2018 - 30 June 2021 shall exceed 13 percent.

Share buy-back
Eastnine AB has repurchased 116,914 own shares in order to ensure the ability to deliver shares to the Participants, and in order to cover social charges arising from LTIP 2018.

LTIP 2020
The Annual General Meeting on 12 May 2020 approved the Board's proposal to introduce a long-term incentive programme (LTIP 2020) for all staff employed by the Group on 1 January 2020. The incentive programme is divided in three categories: Category A (CEO), Category B (CFO and other management) and Category C (other employees). Participation required participants to hold shares in Eastnine equivalent in value to one twelfth of the participant's annual, fixed gross salary, by 1 April 2020. Each participant is thereafter granted rights to performance shares, which confer to the participant the right to acquire shares in the Company, provided that certain performance preconditions are fulfilled. In order to receive performance shares, the Participant must remain in employment with the Company and must also have held the participation shares throughout the vesting period. Performance shares will be awarded to the employees within 45 days of publication of the interim report for the period 1 January - 30 June 2023. In total, 17 employees are part of the programme. In aggregate, a maximum of 44,102 shares in the Company may be awarded to Participants.

Criteria for performance shares
Each performance criteria represents one third (1/3) of the total allocation of performance shares to LTIP 2020. If the minimum level of a performance criteria is not met, no performance shares relating to that criteria will be distributed. If the maximum level is reached, a third (1/3) of the maximum number of performance shares in LTIP 2020 will be awarded.

Requirement 1: The development of the Company's return on equity, i.e. the average earnings in relation to average equity, for the period 1 July 2020 to 30 June 2023.
- Maximum level: 12 per cent per year
- Minimum level: 8 per cent per year

Requirement 2: The size of the Company's profit from property management during the period 1 April 2023 - 30 June 2023.
- Maximum level: EUR 5.75m (corresponding to an annual amount of EUR 23.0m).

Note 5 cont.

- Minimum level: EUR 5.00m (corresponding to an annual amount of EUR 20.0m).

Requirement 3: The percentile ranking of the Company's total return, i.e. the average share price development including dividends, for the period 1 April 2023 to 30 June 2023, in relation to a number of comparable companies, specifically 20 European real estate companies.

- Maximum level: Total return corresponding to the uppermost quartile in the reference group
- Minimum level: Total return corresponding to the median in the reference group

Share buy-back

Eastnine AB intends to use 85,000 previously repurchased treasury shares in order to ensure the ability to deliver shares to the Participants, and in order to cover social charges arising from LTIP 2020.

Number of share rights	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Outstanding at the beginning of the year	67,550	67,550	43,061	43,061
Allocated in the period	44,102	-	23,584	-
Forfeited in the period	-8,865	-	-	-
Outstanding at the end of the period	**102,787**	**67,550**	**66,645**	**43,061**

Fair value and assumptions, LTIP 2018	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Value per share right[1], SEK	87.34	87.34	87.34	87.34
Term of the share rights, years	0.9	1.9	0.9	1.9

Fair value and assumptions, LTIP 2020	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Value per share right, requirement 1 och 2[1], SEK	109.22	-	109.22	-
Value per share right, requirement 3[2], SEK	27.30	-	27.30	-
Term of the share rights, years	2.5	-	2.5	-

[1] *Fair value as on the award date, adjusted for dividends during the vesting period.*
[2] *Fair value as on the award date, adjusted for dividends during the vesting period and for the probability that the requirement is not fully fulfilled.*

Staff expenses for share-related compensation, EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Share rights	126	151	112	96
Social charges	49	52	49	52
Total	**175**	**203**	**161**	**148**

6 CENTRAL ADMINISTRATION EXPENSES

Central administration expenses are the costs of the management of the Group as well as other costs relating to the listing of the company on Nasdaq, Stockholm. Costs relating to the administration of property-managing subsidiaries is recognised as part of property expenses.

Leasing

Lease fees of minor value is recognised as a cost through profit or loss and linearly distributed over the term of the agreement. For Eastnine, these lease fees relate to costs for typical equipment of minor value.

Distribution by type of cost, EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Marketing and PR	-204	-100	-204	-100
IT and accounting services	-84	-107	-70	-90
Legal services	-112	-332	-112	-332
Staff expenses	-2,559	-2,524	-2,179	-1,925
Other external costs	-556	-810	-540	-763
Total	**-3,515**	**-3,873**	**-3,104**	**-3,210**

Allocation in the income statement, EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Central administration expenses	-3,515	-3,873	-3,104	-3,210
Total	**-3,515**	**-3,873**	**-3,104**	**-3,210**

7 FEES AND COMPENSATIONS FOR AUDITORS

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Audit assignment	-166	-159	-93	-111
Audit in addition to the audit assignment	-18	-	-18	-
Tax assignments	-9	-4	-2	-
Other assignments	-20	-	-20	-
Total	**-213**	**-163**	**-133**	**-111**

Audit assignment refers to the audit 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, as well as advice or other assistance prompted by observations from such audits or the performance of other such tasks. Any other assignments are reported as separate items in the table above.

8 LEASE AGREEMENTS

Right of use asset, EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Carrying amount at beginning of year	1,204	-	596	-
Restated according to IFRS 16	-	358	-	-
Additional right of use	98	872	-	622
Depreciation of usage rights	-105	-26	-105	-26
Carrying amount at end of year	**1,197**	**1,204**	**491**	**596**

Leasing liability, EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Carrying amount at beginning of year	1,175	-	567	-
Restated according to IFRS 16	-	358	-	-
Additional leasing liability	98	872	-	622
Amortisation of leasing liability	-99	-55	-99	-55
Carrying amount at end of year	**1,174**	**1,175**	**468**	**567**

Cash flow attributable to lease agreement, EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Cash flow from lease agreements recognised as right of use asset	-142	-71	-114	-55
Cash flow from leases of lesser value	-6	-14	-6	-14
Total cash flow from lease agreements	**-148**	**-85**	**-120**	**-69**

The standard means that lease agreements are taken up in the accounts as an asset (usage right) and a liability (leasing liability). The liability has been initially valuated to the present value of future lease payments. The corresponding value of the usage right has been stated as an asset. Concerning site leasehold agreements where the Company as a lessee can not terminate the agreement, 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 with the effect that it does not depreciate; see maturity structure in note 30. The lease term up until renegotiation of the Company's site leasehold varies between 21-79 years. In regards to other agreements, currently the rent for Eastnine'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. The cost, in addition to depreciation of all site leasehold fees, has been recognised as a financial expense and amounted during the year to EUR 41k (20). 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.

9 INTEREST EXPENSES AND OTHER FINANCIAL INCOME AND EXPENSES

	Group		Parent Company	
Interest expenses, EURk	**2020**	**2019**	**2020**	**2019**
Interest expenses on external loans	-2,963	-1,609	-	-
Interest expenses on derivatives	-740	-616	-	-
Total interest expenses	**-3,703**	**-2,225**	**-**	**-**

Other financial income and expenses, EURk	**2020**	**2019**	**2020**	**2019**
Interest income from group companies	-	-	1,380	1,377
Other interest expenses	-	-	-11	-
Net foreign exchange loss[1]	-59	-44	-59	-44
Other financial income	5	12	1	6
Other financial expenses	-214	-327	-14	-8
Total other financial income and expenses	**-268**	**-359**	**1,297**	**1,331**

[1] Exchange rate gain/loss on cash and cash equivalent.

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.

Investment properties during the financial year
The property portfolio primarily comprises centrally located office properties in Vilnius and Riga. The fair value of the investment properties, excluding usage rights, amounted to EUR 372,400k (290,256). In total, Eastnine has invested EUR 64,761k (121,186), of which purchase considerations amounted to EUR 62,461k (119,221), and investments in own properties to EUR 2,300k (1,965). Unrealised value changes amounted to EUR 17,383k (10,208). The value change during the year have primarily been affected by lower yield requirements. The value of usage right assets, relating to site leaseholds, relating to the investment properties are reported as an item in the balance sheet, and amounted to EUR 707k (608).

	Group	
EURk	**2020**	**2019**
Carrying amount at beginning of year	290,256	158,862
Acquisitions	62,461	119,221
Investments in owned properties	2,300	1,965
Unrealised value changes	17,383	10,208
Carrying amount at end of year	**372,400**	**290,256**

Valuation of properties
All properties in Eastnine's portfolio is valued quarterly, with external valuation taking place at least once per year, by certified valuation institutes. During the year, external valuations have been carried out by Colliers International Advisors in Latvia and Lithuania. The external valuations are carried out in accordance with international valuation standards (IVS 2020). When external valuations are carried out, the properties are inspected on site. External and internal valuations use the same valuation methodology.

Valuation model
Eastnine changed its valuation model from 2020 onwards. The new valuation model is based on the present value of future cash flows (see the summary below) calculated for a five or ten-year calculation period, with supplements for the present value of residual values at the end of the calculation period. The cash-flow determinations with a longer calculation period than five years is normally applied to properties with only one or a handful of tenants with long lease terms, where the cash flow is more predictable.

Future cash flows from the property during the calculation period are calculated according to the following model:

+ Rental income, including rent supplements
- Operating costs
- Maintenance costs

Total net operating income

- Less investments

Total cash flow

Valuation assumptions
Property valuations are based on assessments and assumptions, made at the time of the valuation, of both observable and non-observable input data. Observable data which have a considerable impact on the value are current rent levels, past and budgeted property expenses, determined and known future investments and actual inflation. Non-observable data are yield requirements as well as expected future market rents, vacancies and inflation.

Cash flow from rent payments are estimated based on current lease agreements and known and agreed-upon future changes. The rent development follows indexing clauses in existing lease agreements. At the end of lease terms, potential lease extensions or new lettings are assessed given the then-applicable market rent. As of 31 December, the average rent amounted to EUR 14.9 per sq.m. The estimated market rent in the valuations amounted on average to EUR 15.0 per sq.m.

Operating and maintenance costs are based on historical outcomes and budgeted costs. Reservations for maintenance costs and property investments are normally calculated according to budget for year 1, and thereafter as a percentage of the estimated rental income or as a cost per square meter.

Inflation, discount rate, yield requirements, market rent as well as vacancy estimates are also important parameters in the valuation assumptions. The inflation is based on the market's assessment, in

Note 10 cont.

the short as well as the long term. The discount rate and yield requirement are based on the market return requirement for similar investment objects, with the addition of risks related to real estate, e.g. geographical location, the condition of the property, and future vacancy risk. The market rent is based on the actual current rent level for similar objects. Vacancies are individually calculated on the lease level, as well as with a long-term, normalised vacancy rate.

The discount rate is the cost of capital on total capital. The discount rate used in the valuations amounted on average to 7.20 per cent (in the interval 6.85 to 9.80) for investment properties, including development project risk.

Yield requirements are derived from actual transactions. The weighted average yield requirement was 5.81 per cent (in the interval 5.50 - 6.20).

Tenant-specific customisations and investments made for new letting is calculated as EUR 180 per sq.m. in Latvia and EUR 190 per sq.m. in Lithuania. Other property investment have been calculated as on average 2.2 per cent (in the interval 2.0 to 3.0 per cent) of rental income.

The long-term vacancy rate is generally set at 4.5 per cent in the valuation models.

Low inflation is expected for the nearest year, increasing in future periods. The long-term inflation is estimated to be 1.5 per cent.

Valuation of investment properties for property development

The valuation of investment properties, where there is an opportunity for property development, is based on cash flows from a normalised project, based on the market. The cash flow model is compared to noted price levels on sales of land and building rights.

Sensitivity analysis, property valuation

Property valuations require an assessment of a property's market value and is based on calculations in accordance with established and customary principles as well as assumptions and assessments from certified valuation institutes.

The sensitivity analysis below shows the impact of changes to individual valuation parameters on the investment properties' estimated market value. The sensitivity analysis does not take into account that changes to one valuation parameter often may have an impact on other parameters which are presented in the sensitivity analysis.

Sensitivity analysis, EURk	Assumptions	Value change
Market rent, %	+/- 5.0	+17,817 / -17,357
Occupancy rate, percentage points	+/- 1.0	+5,100 / -5,117
Yield, percentage points	-/+ 0.25	+20,783 / -18,764

Valuation assumptions	Latvia	Lithuania	Total
Yield, %	6.00-6.20	5.50-6.00	5.50-6.20
Initial average yield, %	6.12	5.75	5.81
Average property investments, %	1.3	2.4	2.2
Average rent, EUR/sqm/month	14.6	15.1	15.0
Average discount rate	7.9	7.0	7.2
Investments at new rentals, EUR/sqm	180	190	180/190
Long-term inflation, %	1.5	1.5	1.5
Long-term vacancy rate, %	4.5	4.5	4.5

11 DERIVATIVES

Eastnine does not apply hedge accounting. All derivatives at year-end are classified as interest-bearing liabilities, and comprise interest rate swaps where the Company receives variable interest and pays fixed interest. The derivatives are valued at fair value according to level 2, and value changes are presented as an item in the statement of comprehensive income. No derivative positions have been closed early and all value changes during the year are unrealised. At maturity, the value is always zero and no contingent payments remain. Refer also to note 29 (Financial instruments) and note 30 (Financial risks and risk management).

Year of maturity	Nominal, EURk	Market value, EURk	Average interest, %
2021	-	-	-
2022	-	-	-
2023	60,066	-1,441	0.90
2024	58,401	-1,012	0.56
2025	10,908	-292	0.64
Total	**129,375**	**-2,745**	**0.73**

Value derivates, EURk	Group 2020	2019
Carrying amount at beginning of year	-1,963	-957
Unrealised changes in value	-782	-1,006
Carrying amount at end of year	**-2,745**	**-1,963**

12 LONG-TERM SECURITIES HOLDINGS

Eastnine's long-term securities holdings are presented below. For a sensitivity analysis and description of risks, see note 29 (Financial instruments) and note 30 (Financial risks and risk management.)

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Carrying amount at beginning of year	88,709	92,898	66,897	48,912
Acquisitions/investments	-	1,982	-	-
Sales	-	-25,090	-	-
Unrealised changes in value	13,443	17,742	12,423	17,985
Realised changes in value	-	1,177	-	-
Carrying amount at end of year	**102,152**	**88,709**	**79,320**	**66,897**

All investments in the table below are recognised at fair value through the income statement.

Portfolio 2020	Place of business	IFRS classification	Segment	Shares, %	EURk Dividend	EURk Changes in value	EURk Carrying amount
East Capital Baltic Property Fund II[1]	Luxembourg	Investment	Real Estate Funds	43	640	1,019	22,831
JSC Melon Fashion Group[2]	Russia	Associated company	Other	36	-	12,423	79,320
Total							**102,152**

Portfolio 2019	Place of business	IFRS classification	Segment	Shares, %	EURk Dividend	EURk Changes in value	EURk Carrying amount
East Capital Baltic Property Fund II[1]	Luxembourg	Investment	Real Estate Funds	44	1,280	-243	21,812
JSC Melon Fashion Group[2]	Russia	Associated company	Other	36	2,873	17,985	66,897
Total							**88,709**

[1] *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 (12) 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 7.6 per cent (4.7).

[2] *Associated companies*
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 18.6 per cent (42.6). 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.

Melon Fashion Group

The table below is a summary of financial information on the associated company Melon Fashion Group. The company's official presentation currency is the ruble. The financial information below is presented in euro. The balance sheet has been recalculated using the exchange rate prevailing on the reporting date, and the income statement using the year's average exchange rate. At year-end, the exchange rate is 1 RUB=0,0111 EUR (0.0143). Average exchange rate for the year, 1 RUB = 0.0121 EUR (0.0138), (source: Reuters).

Condensed balance sheet, EURk	2020[1]	2019
Non-current assets	103,463	162,689
Current assets	140,257	93,355
Total assets	**243,720**	**256,044**
Equity	42,629	43,746
Non-current liabilities	57,604	82,391
Current liabilities	143,487	129,907
Total equity and liabilities	**243,720**	**256,044**

[1] *Preliminary figures.*

Condensed Income Statement, EURk	2020[1]	2019
Income	305,077	317,343
Cost of sales	-148,651	-151,203
Gross profit	**156,426**	**166,140**
Other operating expenses	-135,909	-131,123
Financial income and expenses	-8,715	-15,365
Tax	-2,125	-4,511
Net profit for the year	**9,677**	**15,141**
Profit/loss from discontinued operations	95	-205
Total comprehensive profit for the year	**9,772**	**14,936**

13 REALISED VALUES AND DIVIDEND FROM INVESTMENTS

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Melon Fashion Group	-	2,873	-	2,873
East Capital Baltic Property Funds II	640	1,280	-	-
East Capital Baltic Property Funds III	-	1,177	-	-
Repayment of charged management fees in the funds	-	74	-	-
Total	**640**	**5,403**	**-**	**2,873**

14 OTHER INCOME

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Repayment of charged managment fees in the funds	-	-	-	74
Advisory and management services to group companies	-	-	1,738	-
Total	**-**	**-**	**1,738**	**74**

15 TAXES

Reconciliation of effective tax.

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Profit/loss before tax	**40,695**	**37,836**	**12,355**	**19,037**
Tax as per applicable tax rate in Sweden, 21.4%	-8,709	-8,097	-2,644	-4,074
Difference in tax rate in foreign subsidiaries	1,183	2,025	-	-
Tax effect on non-taxable fair value adjustments	6,597	6,233	2,659	3,845
Tax effect on non-taxable income from dividend	137	889	-	615
Tax effect of other non-taxable income	1	6	-	-
Tax effect on non tax-deductible expenses	-236	-268	-3	-6
Tax effect on tax-deductible expenses not recorded	-3,531	-2,838	-	-
Not recognized tax on tax losses carried forward for the year [1]	-11	-380	-11	-380
Adjustment of deferred tax attributable to previous years	31	-140	-	-
Total	**-4,540**	**-2,570**	**-**	**-**
Average applicable tax rate	11.2	6.8	-	-

[1] Deferred tax assets are reported to the extent it is possible that they can be utilised by future taxable profits. Potential 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 deemed to be attributable to direct investments which are not taxable according to Swedish tax law.

16 INTANGIBLE ASSETS

EURk	Group 2020	Group 2019
Accumulated acquisition values at beginning of year	14	14
Accumulated acquisition values at end of year	**14**	**14**
Accumulated depreciation at beginning of year	-12	-8
Depreciation of the year	-	-4
Accumulated depreciation at end of year	**-12**	**-12**
Carrying amount at end of year	**2**	**2**

17 EQUIPMENT

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Accumulated acquisition values at beginning of year	379	225	89	-
Acqusitions for the year	16	154	-	89
Accumulated acquisition values at end of year	**395**	**379**	**89**	**89**
Accumulated depreciation at beginning of year	-163	-131	-1	-
Depreciation of the year	-58	-32	-18	-1
Accumulated depreciation at end of year	**-221**	**-163**	**-19**	**-1**
Carrying amount at end of year	**174**	**216**	**70**	**88**

18 OTHER NON-CURRENT RECEIVABLES

EURk	Group 2020	Group 2019
Deposits	109	109
Other	356	66
Total	**465**	**175**

19 TRADE RECEIVABLES

Age structure, EURk	Group 2020	Group 2019
Not past due	748	1,004
Past due 0-30 days	164	104
Past due 31-60 days	45	31
Past due 61-90 days	4	1
Provision bad debts[1]	-2	-
Total	**959**	**1,140**

[1] Provisions is made on individual basis.

20 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
EURk	2020	2019	2020	2019
Accrued interest income	-	-	1,380	2,752
Accrued income	412	208	-	-
Other prepaid expenses and accrued income	159	559	13	63
Total	**571**	**767**	**1,393**	**2,815**

21 CASH AND CASH EQUIVALENTS

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

	Group		Parent Company	
EURk	2020	2019	2020	2019
Cash and cash equivalent	24,278	37,406	10,995	3,038
Total	**24,278**	**37,406**	**10,995**	**3,038**

22 EQUITY

Eastnine AB (publ) has, on reporting day, a total of 22,370,261 ordinary shares, each share conferring voting rights of one (1) vote. During the year, Eastnine sold 1,000,000 previously repurchased shares at a price of SEK 115 per share. After the transaction, as on 31 December 2020, the Company's holding of own shares in treasury have decreased to 221,200, corresponding to a decrease from around 5.5 per cent to about 1.0 per cent of all shares issued. At the AGM 2020, the Board received a new mandate to decide on share buy-back, providing that Eastnine's holding of treasury shares not exceed at any time 10 per cent of all shares in the Company.

Number of ordinary shares	2020	2019
Shares, issued at 1st of January	22,370,261	22,370,261
Shares, issued at 31st of December	**22,370,261**	**22,370,261**
of which shares held in treasury	221,200	1,221,200

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 share premium reserve which has been added in conjunction with new share issues. Earned profits relate to profits earned within the Group. Total equity amounted, on 31 December 2020, to EUR 310m (EUR 268m).

Capital management
Capital is defined as total equity and amounted on 31 December 2020 to EUR 309.9m (268.2). Cash and cash equivalents in the Group amounted to EUR 24.3m (37.4). Eastnine's Board has decided that the loan-to-value ratio on properties shall not exceed 60 per cent on the Group level, and that the equity/asset ratio shall amount to at least 35 per cent. On reporting day, the loan-to-value ratio on properties amounted to 46 per cent (47) and the equity/asset ratio amounted to 62 per cent (64). In addition to cash and cash equivalents, Eastnine has obtained an overdraft facility of EUR 3.0m which, in addition to the possibility to extend property credits, is a further source of financing to cover short-term liquidity requirements and for investments.

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/loss for the year and retained earnings.

The non-restricted equity in the Parent Company may be paid out to shareholders only if there is sufficient, after the dividend, to complete cover restricted equity. Furthermore, a dividend may only be paid out if, given an assessment of the scope, requirements and risks in the business, 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 of Directors proposes to the 2021 AGM a dividend of SEK 3.00 per share, with payments evenly distributed over four occasions in May, August and November 2021, and February 2022. Dividends are not distributed to the Company's holding of own shares, whose exact number is determined on the record dates for cash payment of the dividend. Based on the current number of shares issued on the reporting day, excluding own shares held in treasury, the proposed dividend amounts to SEK 66.4m, corresponding to EUR 6.6m.

EUR 1 = SEK 10.05 on 31 December 2020 (Source: Reuters).

23 LIABILITIES TO CREDIT INSTITUTIONS

All interest-bearing liabilities relate to liabilities to credit institutions, of which EUR 153,208k (132,571) are classified as non-current liabilities as they mature later than 12 months from the reporting day, and EUR 19,943k (5,200) are classified as current liabilities maturing within 12 months. See also note 29 (Financial instruments) and note 30 (Financial risks and risk management). 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, EURk	Group 2020	Group 2019
Interest-bearing liabilities at the beginning of the year	137,771	67,550
New debt raised	40,950	74,029
Amortisations, according to plan	-5,570	-3,808
Carrying amount at end of year	**173,151**	**137,771**

In accordance with Eastnine's financial policy, the capital tie-up period on loans shall never be below 1.5 years. Moreover, no more than 40 per cent of loans are to mature within any given 12-month period. See also the section on Financing and capital structure. The table below presents the maturities of loans and the annual proportion of loans that are maturing. Annual amortisation according to agreement, excluding capital maturation, amounted at year-end to EUR 6.1m (5.2), corresponding to 3.5 per cent of the outstanding debt. The average interest level refers to annual interest at the beginning of the year of maturation, in relation to the current debt at the beginning of each year, and is calculated on the conditions that were in place on 2020-12-31, excluding derivatives. The tables do not reflect that debt credits may be refinanced at maturity.

Maturity structure on interest-bearing liabilities, excluding derivatives.

Year of maturity	Debt, EURk	Proportion, %	Average interest, %
2021	19,943	11.5	1.78
2022	16,772	9.7	1.74
2023	50,152	29.0	1.70
2024	63,289	36.5	1.74
2025	22,995	13.3	1.60
Total	**173,151**	**100.0**	**1.78**

Capital tie-up period on interest-bearing liabilities, including derivatives.

Year of maturity	Debt, EURk	Proportion, %
2021	14,440	8.3
2022	12,026	7.0
2023	52,501	30.3
2024	67,610	39.0
2025	26,574	15.4
Total	**173,151**	**100.0**

24 DEFERRED TAX LIABILITIES

EURk	Group 2020	Group 2019
Deferred tax liabilities at beginning of year	6,315	3,745
This year's change reported in income statement	4,540	2,570
Carrying amount at end of year	**10,855**	**6,315**

Deferred tax on temporary differences, EURk	Group 2020	Group 2019
Investment properties	14,802	9,010
Derivatives	-412	-294
Loss carry-forwards	-3,535	-2,401
Carrying amount at end of year	**10,855**	**6,315**

All deferred tax relates to Eastnine Lithuania, on which a corporate income tax of 15 per cent is applied. The deferred tax is attributable to the difference between reported values and tax values, unrealised value changes in derivatives and tax loss carry-forwards. 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 no tax is paid on undistributed profits. As Eastnine does not intend to distribute profits from Estonia and Latvia, no deferred tax is reported on the basis of earnings from previous years. A tax impact will be reported if a decision on dividends in the future may come to be considered. 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 47,781k (53,564), and the deferred tax on these profits may maximally amount to EUR 9,556k (10,673).

25 OTHER NON-CURRENT LIABILITES

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Tenant deposits	1,677	1,681	-	-
Other	113	64	113	64
Total	**1,790**	**1,745**	**113**	**64**

26 OTHER LIABILITIES

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Property tax liabilities	1,185	1,060	-	-
Advance payments from tenants	48	127	-	-
Other	29	160	5	139
Total	**1,262**	**1,347**	**5**	**139**

27 ACCRUED EXPENSES AND DEFERRED INCOME

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Property expenses	233	289	-	-
Other accrued expenses	632	662	496	457
Total	**865**	**951**	**496**	**457**

28 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

EURk	Parent Company 2020	2019
Opening acquisition values	143,433	146,946
Repayment of shareholder contributions	-1,000	-
Additional acqusition values[1]	14	55
Divestments	-	-3,568
Closing accumulated acquisition values	**142,447**	**143,433**

[1] *Additional acquisition values are entirely attributable to the long-term incentive programme for employees, LTIP.*

Directly-owned subsidiaries	Place of business	Number of shares	Share of capital and votes, %	Carrying amount, EURk
Eastnine Baltics OÜ	Tallinn, Estonia	2,500	100	142,447

Indirectly owned subsidiaries	Place of business	Number of shares	Share of capital and votes, %
Eastnine Latvia SIA	Riga, Latvia	14,955,000	100
Eastnine Alojas Biroji SIA	Riga, Latvia	8,565,000	100
Eastnine Kimmel SIA	Riga, Latvia	1,950,000	100
Eastnine Valdemara Centrs SIA	Riga, Latvia	10,000,000	100
UAB Eastnine Lithuania	Vilnius, Lithuania	9,600	100
UAB 3Burés	Vilnius, Lithuania	101	100
UAB S1LT	Vilnius, Lithuania	2,600	100
UAB S2LT	Vilnius, Lithuania	2,700	100
UAB S3LT	Vilnius, Lithuania	2,600	100
UAB Solverta	Vilnius, Lithuania	3,620	100
UAB Tvarus projektas	Vilnius, Lithuania	2,500	100
UAB Tvarus projektas B	Vilnius, Lithuania	2,500	100
UAB Vertas	Vilnius, Lithuania	2,600	100

29 FINANCIAL INSTRUMENTS

A financial asset or financial liability is normally added to the balance sheet 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 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.

Calculation of fair value

The following summarises the methods and assumptions used to determine the fair value of financial instruments.

Financial instruments valued at fair value in the year's profit/loss

For a description of the methods that are used when estimating the fair value of financial instruments through profit/loss for the year, refer to note 1 (Accounting policies).

Financial instruments not valued at fair value in the year's profit/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 cash equivalents. The fair value of other long-term and short-term loans is deemed not to deviate materially from the carrying amount.

Fair value estimation

Eastnine applies IFRS 13 for fair value estimations 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, unadjusted prices 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 (i.e., as prices) or indirectly (i.e., derived from prices).
- **Level 3:** Input data for the asset or liability which are not based on observable market data (i.e., non-observable inputs).

The categorisation of a fair value measurement into a level on the fair value hierarchy shall be determined based on the lowest level of input data which is significant for the measurement in its entirety. For this purpose, the significance of an input is assessed in relation to the entirety of the fair value measurement. If a fair value measurement uses observable inputs which require significant adjustments based on non-observable inputs, the measurement is to be categorised as a level 3 measurement. In order to assess the significance of a particular input to the fair value measurement as a whole, factors that are specific to the asset or liability must be taken into consideration. A description of how fair value is determined may be found in note 1 (Accounting Principles).

Note 29 cont.

The table below presents the categories of financial instruments that are present in the Group and the Parent Company, respectively. Financial assets and liabilities, valued at amortised cost and fair value respectively, classified in accordance with IFRS 9 with the exception of investments in related companies, which are valued at fair value according to the exemption in IAS 28 p. 18-19.

Financial assets and liabilities, EURk	Financial instruments at fair value through profit or loss		Financial assets at amortised cost		Financial liabilities at amortised cost		Total carrying amount	
Group	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Long-term securities holdings (level 3)	102,152	88,709	-	-	-	-	102,152	88,709
Accounts receivable	-	-	959	1,140	-	-	959	1,140
Other receivables	-	-	27	448	-	-	27	448
Cash and cash equivalent	-	-	24,278	37,406	-	-	24,278	37,406
Total financial assets	**102,152**	**88,709**	**25,265**	**38,994**	**-**	**-**	**127,417**	**127,703**
Liabilities to credit institutions	-	-	-	-	173,151	137,771	173,151	137,771
Derivatives (level 2)	2,745	1,963	-	-	-	-	2,745	1,963
Trade payables	-	-	-	-	440	864	440	864
Other financial liabilites	-	-	-	-	1,272	1,359	1,272	1,359
Total financial liabilites	**2,745**	**1,963**	**-**	**-**	**174,863**	**139,994**	**177,608**	**141,957**

Financial assets and liabilities, EURk	Financial instruments at fair value through profit or loss		Financial assets at amortised cost		Financial liabilities at amortised cost		Total carrying amount	
Parent Company	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Long-term securities holdings (level 3)	79,320	66,897	-	-	-	-	79,320	66,897
Loan to group companies	-	-	27,527	27,527	-	-	27,527	27,527
Other receivable	-	-	1,385	2,754	-	-	1,385	2,754
Cash and cash equivalent	-	-	10,995	3,038	-	-	10,995	3,038
Total financial assets	**79,320**	**66,897**	**39,907**	**33,320**	**-**	**-**	**119,227**	**100,216**
Trade payables	-	-	-	-	150	103	150	103
Other financial liabilites	-	-	-	-	5	139	5	139
Total financial liabilites	**-**	**-**	**-**	**-**	**155**	**242**	**155**	**242**

The following table analyses securities holdings measured at fair value in compliance with level 3. The Real Estate Fund segment relates to the holding in East Capital Baltic Property Fund II and segment Other to the holding in JSC Melon Fashion Group. The properties held by the Real Estate Fund have been externally valued at year end. JSC Melon Fashion Group has been valued internally by Eastnine using a discounted cash flow model.

Changes in long-term securities holdings valued at fair value in level 3, EURk	Real Estate Fund		Other		Total	
Group	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Opening balance 1 January	21,812	43,986	66,897	48,912	88,709	92,898
Purchases/additions	-	1,982	-	-	-	1,982
Divestments/Reductions	-	-25,090	-	-	-	-25,090
Unrealised value changes throug profit/loss for the period	1,019	-243	12,423	17,985	13,442	17,742
Realised value changes through profit/loss for the period	-	1,177	-	-	-	1,177
Closing balance 31 December	**22,831**	**21,812**	**79,320**	**66,897**	**102,152**	**88,709**

Parent Company	**2020**	**2019**	**2020**	**2019**
Opening balance 1 January	66,897	48,912	66,897	48,912
Unrealised value changes through profit/loss for the period	12,423	17,985	12,423	17,985
Closing balance 31 December	**79,320**	**66,897**	**79,320**	**66,897**

The properties in the Real Estate Fund are externally valued at year-end, by request of the fund manager. JSC Melon Fashion Group is valued quarterly by Eastnine.

Valuation methods for unlisted holdings

Holding	Segment	Valuation method	Valuation assumptions
East Capital Baltic Property Fund II	Real Estate Fund	DCF	WACC 7-9%, yield requirement 6-8%.
JSC Melon Fashion Group	Other	DCF	Long-term growth 3.5%, long-term operating margin 8.3%, WACC 14.6%, a 25% minority and liquidity discount is applied.

Discounted cash flow model (DCF), weighted average cost of capital (WACC).

Relating to the values of holdings in the Real Estate Fund segment and Other segment, that are valued at fair value through profit or loss, the following changes on the reporting day to one of the significant non-observable inputs, all other inputs constant, would have these effects on fair values:

Sensivity analysis

	Effect on value, EURk			
Sensivity parameters	Real Estate Fund		Other	
Yield requirement +/- 0,5 percentage points	-1,436	w1,640	-	-
Weighted average cost of capital (WACC) +/- 0.5percentage points on Real Estate Fund, +/- 1.0 percentage points on Other	-1,454	1,505	-6,949	8,340
Long-term growth rate +/- 0.4 percentage points	-	-	1,977	-1,840
Long-term operating margin +/- 0.5 percentage points	-	-	3,165	-3,164

30 FINANCIAL RISKS AND RISK MANAGEMENT

Through its operations, Eastnine is exposed to various risks. The Company's financing policy is determined by the Board. Financial risk management is handled primarily by the finance function in accordance with the Board's established finance policy.

Financial risks

Eastnine is exposed to the following financial risks:

(A) Interest rate risk

Interest rate risk is defined as the risk that developments on the interest market will have a negative impact on earnings and cash flow, through increased interest expenses from liabilities to credit institutions and other interest-bearing financing which is tied to market interest levels. Interest expenses is normally one of the larger cost items for a real estate company, with a considerable impact on the Company's earnings. According to the financial policy, interest rate risk is to be limited by ensuring that at least 50 per cent of liabilities to credit institutions have a fixed-interest term of at least 12 months. Eastnine fixes interest by using derivatives, specifically interest swaps.

The proportion of liabilities to credit institutions, see note 23 (Liabilities to credit institutions), with interest fixed using interest rate swaps amounted at year-end to 75 per cent (79). The fair value of swap contracts amounted at year-end to EUR -2,745k (-1,963), see note 11. Average capital tie-up on interest-bearing loans was 3.0 years (3.5). Average fixed interest term was 2.3 years (3.1).

The tables below summarise the effects on Eastnine's earnings and equity of changes to the market interest rate, excluding value changes to the Company's interest rate swaps.

Sensitivity analysis market interest rate

Cash flow and current earning, EURk	2020	2019
Market interest rate +/- 50 bps	+87 / -87	+33 / -88
Market interest rate +/- 100 bps	-107 / -173	-115 / -176

(B) Currency risk

Eastnine's functional currency is the euro. Currency risk means the risk arising from volatility in currency exchange rates, as the reported value of recognised monetary assets and liabilities, which are denominated in currencies other than EUR, fluctuate due to changes in exchange rates. Eastnine operates internationally and holds both monetary (cash and cash equivalents) and non-monetary (investments in securities holdings) financial assets denominated in currencies other than EUR. The Company's currency exposure in the investing activities at year-end was toward the ruble (RUB). Moreover, the Parent Company's operating expenses chiefly comprise costs in SEK, and Eastnine's distributions to shareholders, e.g. dividends, are denominated 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 may entail costs and may result in losses.

To avoid currency risk, cash and cash equivalents are mainly held in EUR. During the year, Eastnine has not hedged assets in ruble.

The table below presents a sensitivity analysis relating to those assets and liabilities which are denominated in currencies other than EUR.

Assets and liabilities in other currencies

Monetary assets and liabilities, EURk	2020	2019
Currency in SEK	270	82
Lease liability in SEK	468	567

Non-monetary assets[1], EURk	2020	2019
Currency in RUB	79,320	66,897

[1] Exchange rate risk in ruble, which in its entirety refers to Eastnine's holding in Melon Fashion Group, valued at fair value.

Note 30 cont.

Sensitivity analysis of exchange rate risks

Risk factors	Change, %	Effect on profit or loss and equity, EURk 2020	2019
Currency rate EUR/RUB	+/- 10	7,932	6,690
Value of Real Estate Fund and Other, level 3	+/- 10	10,215	8,871

(C) LIQUIDITY RISK
Liquidity risk is the risk of Eastnine having insufficient liquidity to meet its payment obligations. The Company's investments in unlisted and less liquid assets result in liquidity risk concerning the capacity to quickly divest holdings. Since Eastnine has a high equity/asset ratio, the assessment is that the risk of suspension of payments is low. According to the financial policy, The Company shall have sufficient liquidity in order to cover the needs of the coming six months, including for those acquisitions as have been decided upon. Eastnine prepares monthly liquidity forecasts for the coming twelve months.

At the end of 2020, the Eastnine Group had cash and bank deposits equivalent to 5 per cent of total assets as well as unutilised credit facilities amounting to EUR 3,000k.

(D) REFINANCING RISK
Refinancing risk is the risk of not being able to obtain new financing to the extent needed, either when existing financing matures or when a need for new financing arises. According to the financial policy, the loan-to-value ratio shall not exceed 60 per cent, the capital tie-up period shall amount to at least 1.5 years, and maximally 40 per cent of the liabilities to credit institutions shall mature in any given 12-month period. At year-end, the loan-to-value ratio amounted to 46 per cent (47), capital tie-up was 3.0 years (3.5), while there are currently 12-month periods in which more than 40 per cent of liabilities to credit institutions mature.

(E) CREDIT RISK
Credit risk is primarily the risk that tenants are unable to fulfill their obligations, or relating to holding of cash and cash equivalents which may cause Eastnine to suffer a financial loss. According to the financial policy, counterparties are to provide satisfactory guarantees or have a credit rating with two of the following three criteria in the short and long term respectively: S&P (A-1/A), Moody's (P-1/A) and Fitch (F1/A). Moreover, cash shall be deposited in two larger Nordic banks, distributed in the countries in which the Company operates.

The payment ability among the tenants is considered to be good, and rent losses were negligible in 2020. Granted discounts due to Covid-19 amounted to EUR 280k, corresponding to 1.5 per cent of total annual rent.

Maturity structure financial instruments

31 December 2020, EURk	Total	< 3 months	3-12 months	1-3 year	3-5 year	> 5 year
Interest bearing liabilities	173,151	1,528	18,415	88,198	65,010	-
Interest of interest bearing liabilities	8,071	755	2,190	4,355	771	-
Interest of derivatives	2,372	217	652	1,447	56	-
Lease liability	679	35	106	283	255	-
Trade payables	440	440	-	-	-	-
Total financial instruments	**184,713**	**2,975**	**21,363**	**94,283**	**66,092**	**-**

31 December 2019, EURk	Total	< 3 months	3-12 months	1-3 year	3-5 year	> 5 year
Interest bearing liabilities	137,771	1,300	3,900	34,894	97,677	-
Interest of interest bearing liabilities	7,828	603	1,788	4,057	1,380	-
Interest of derivatives	2,404	171	507	1,277	449	-
Lease liability	754	33	100	268	268	85
Trade payables	864	864	-	-	-	-
Total financial instruments	**149,621**	**2,971**	**6,295**	**40,496**	**99,774**	**85**

[1] No amortisation takes place of those site leasehold fees which are considered to be perpetual.

31 RELATED PARTIES

Related party relationships
Eastnine AB has a related party relationship with its subsidiaries, see note 28 (Shares and participations in subsidiaries), as well as with Board members and employees

Investment agreement
The management fee for East Capital Baltic Property Fund II is 1.75 per cent. The carried interest is 20 per cent, on the condition that a threshold value increase of 7 per cent per year is achieved.

Transactions with senior executive staff and their related companies
Eastnine AB's management, Board members and their close relatives and related companies control 29 (30) per cent of voting rights in the Company. Information about remuneration to executive management is provided in note 5 (Employees, staff expenses and executive management compensation).

Other transactions with related parties

Loan to Eastnine Lithuania UAB	2020	2019
Nominal, EURk	27,527	27,527
Interest during the year, EURk	1,380	1,376
Total accrued interest, EURk	1,380	2,752
Interest rate, %	5.0	5.0
Year of maturity	2021	2021

32 SPECIFICATIONS FOR THE CASH-FLOW STATEMENT

Adjustments for non-cash items for operating activities

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Realised changes in value of investments	-	-1,177	-	-
Realised changes in divestment of subsidiaries	-	-	-	3,521
Unrealised changes in value of properties	-17,383	-10,208	-	-
Unrealised changes in value of derivatives	782	1,006	-	-
Unrealised changes in value of investments	-13,443	-17,742	-12,423	-17,985
Depreciations and write-downs	165	60	123	1
Long-term incentive programme (LTIP)	126	151	126	151
Other	59	42	95	10
Total	**-29,694**	**-27,868**	**-12,079**	**-14,301**

Paid and received interest

EURk	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Interest received	-	-	2,753	-
Interest paid	-3,713	-2,216	-11	-4

33 EARNINGS PER SHARE

Earnings per share, EUR	2020	2019
Earnings per share, EUR	1.70	1.66
Earnings per share, diluted	1.70	1.66

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

Calculations and profit/loss	2020	2019
Profit for the year attributable to the holders of ordinary shares in Parent Company	36,155	35,266
Weighted average number of ordinary shares, adjusted for repurchades shares, before dilution, thousands of shares	21,269	21,187
Effect from the Company's long-term incentive program for employees (LTIP), thousands of shares	50	44
Weighted average number of ordinary shares, adjusted for repurchased shares, after dilution, thousands of shares	21,319	21,231

34 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets for liabilitis, EURk	Group 2020	Group 2019
Investment properties	364,300	296,800
Shares in subsidiaries	120,702	72,246
Total	**485,002**	**369,046**

Security for credit loans. The majority of credit agreements include covenants relating to, inter alia, loan-to-value ratios, minimum equity, interest and amortisation coverage ratios, and requirements on cash deposits in bank accounts.

Contingent liabilities, EURk	Parent Company 2020	Parent Company 2019
Guarantees in favor of subsidiaries	118,325	73,197
Total	**118,325**	**73,197**

35 INFORMATION ABOUT THE PARENT COMPANY

Eastnine is a Swedish limited liability company with its registered office in Stockholm. The Parent Company is listed on Nasdaq Stockholm. The head office is located on Kungsgatan 30, Box 7214, 103 88 Stockholm.

36 EVENTS AFTER THE END OF THE FINANCIAL YEAR

No significant events have occurred after the end of the financial year.

Multi-year overview of key figures

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

Key figures	2020	2019	2018[4]	2017[4]	2016
Property-related					
Leasable area, sq.m. thousands	121.0	99.5	62.8	37.8	-
Number of properties	10	9	5	3	-
Property value, EURk	372,400	290,256	158,862	107,505	-
Surplus ratio, %	91	89	84	71	-
Occupancy rate by area, %	92.6	92.7	88.8	97.0	-
Average rent, EUR/ sq.m./month	14.9	14.7	14.5	13.8	-
WAULT, years	4.4	5.0	2.8	2.5	-
Average yield requirement, %	5.8	-	-	-	-
Enviromentally certified properties[1], % of sq.m.	87	72	56	-	-
Financial					
Rental income, EURk	19,186	13,348	9,130	5,703	-
Net operating income, EURk	17,497	11,946	7,690	4,035	-
Profit from property management, EURk	10,011	5,489	3,180	-1,344	-
Loan-to-value ratio, %	36	36	27	17	-
Loan-to-value ratio, properties (LTV), %	46	47	43	30	-
Capital tie-up period on Liabilities to credit institutions, year	3.0	3.5	4.6	-	-
Interest tie-up period on Liabilities to credit institutions, year	2.3	3.1	4.6	-	-
Debt ratio, multiple	12.4	17.1	15.7	-	-
Equity/asset ratio, %	62	64	76	86	99
Interest coverage ratio, multiple	3.7	3.5	3.6	-	-
Average interest rate, %	2.3	2.3	2.5	2.7	-
Return on equity Real Estate Direct, %	15.8	14.3	13.2	15.2	-
Return on equity, %	12.5	13.9	6.5	7.0	-
Cashflow per share from operating activities, EUR	0.52	0.40	0.08	-0.07	-
Cashflow per share, EUR	-0.61	-1.31	0.14	-0.70	-
Share-related					
Equity, EURk	309,942	268,192	240,819	242,457	247,558
Long-term net asset value (LT-NAV), EURk	323,542	276,470	245,521	245,050	-
Market cap, EURk	275,527	276,546	205,052	206,348	196,179
Market cap, SEKk	2,768,633	2,905,881	2,078,197	2,028,711	1,879,784
Number of shares issued at period end, thousand	22,370	22,370	22,370	24,816	28,162
Number of shares issued at period end, adjusted for repurchased shares, thousand	22,149	21,149	21,501	22,948	25,604
Weighted average number of shares, adjusted for repurchased shares, thousand	21,269	21,187	22,128	24,334	27,027
Earnings per share, EUR	1.70	1.66	0.71	0.70	0.49
Profit from property management per share, EUR	0.47	0.26	0.14	-0.05	-
Dividend per share, EUR[2]	0.30	0.26	0.22	0.21	0.09
Dividend per share, SEK[2]	3.00	2.70	2.30	2.10	0.90
Equity per share, EUR	14.0	12.7	11.2	10.6	9.7
Equity per share, SEK	141	133	114	104	93
Long-term net asset value per share, EUR	14.6	13.1	11.4	10.7	-
Long-term net asset value per share, SEK	147	137	116	105	-
Share price, EUR[3]	12.4	13.1	9.2	8.3	7.0
Share price, SEK[3]	125.00	137.40	92.90	81.75	66.75
Other					
EUR/SEK	10.05	10.51	10.14	9.83	9.58
EUR/RUB	90.50	69.72	79.30	69.13	64.39

[1] Sustainability-certified area in proportion to total area (excluding area expected to undergo significant redevelopment).
[2] Proposed dividend for 2020, SEK 3.00 per share corresponding to EUR 0.30 per share.
[3] Not adjusted for dividend.
[4] Comparative figures for income items relating to 2017 and 2018 are pro-forma.

Derivation for key figures

Key figures	**2020**	**2019**	**2018**	**2017**	**2016**
Rental income	19,186	13,348	9,130	5,703	-
Net operating income	17,497	11,946	7,690	4,035	-
Surplus ratio, %	**91**	**89**	**84**	**71**	**-**
Investment properties and long-term securities holdings	474,552	378,965	251,760	194,522	-
Liabilities to credit institutions	173,151	137,771	67,550	32,545	-
Loan-to-value ratio, %	**36**	**36**	**27**	**17**	**-**
Investment properties	372,400	290,256	158,862	107,505	-
Liabilities to credit institutions	173,151	137,771	67,550	32,545	-
Loan-to-value ratio, properties (LTV), %	**46**	**47**	**43**	**30**	**-**
Equity	309,942	268,192	240,819	242,457	-
Reversal of derivatives	2,745	1,963	957	176	-
Reversal of reported deferred tax	10,855	6,315	3,745	2,417	-
Long-term net asset value, EURk	**323,542**	**276,470**	**245,521**	**245,050**	**-**
Net operating income	17,497	11,946	7,690	4,035	-
Central administration expenses	-3,515	-3,873	-3,387	-4,154	-
Total	**13,982**	**8,073**	**4,303**	**-119**	**-**
Liabilities to credit institutions	173,151	137,771	67,550	32,545	-
Debt coverage ratio, multiple	**12.4**	**17.1**	**15.7**	**Neg**	-
Profit from property management	10,011	5,489	3,180	-1,344	-
Interest expenses	3,703	2,225	1,212	-908	-
Profit before interest expenses	6,308	7,714	4,392	-2,252	-
Interest coverage ratio, multiple	**3.7**	**3.5**	**3.6**	**Neg**	**-**
Net profit for the year, Real Estate Direct	25,671	16,045	10,079	7,444	-
Average equity, Real Estate Direct	162,795	112,439	74,495	48,867	-
Return on equity, Real Estate Direct, %	**15.8**	**14.3**	**13.2**	**15.2**	**-**
Net profit/loss for the year	36,155	35,266	15,641	17,085	13,303
Average equity	289,067	254,506	241,638	245,008	250,560
Return on equity, %	**12.5**	**13.9**	**6.5**	**7.0**	**5.3**

Assurance from the Board and CEO

The Board and the CEO assure that these annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have 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 Group's and Parent Company's financial position and earnings. The statutory Administration Report of the Parent Company and the Group provides a fair review of the development of the Parent Company's and the Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the Group.

Stockholm, 25 March 2021

Liselotte Hjorth Chairman of the Board	Christian Hermelin Board member
Peter Elam Håkansson Board member	Ylva Sarby Westman Board member
Peter Wågström Board member	Kestutis Sasnauskas CEO

Our Auditors' Report was submitted on 25 March 2021.

KPMG AB

Peter Dahllöf
Authorized Public Accountant

The annual accounts and consolidated accounts, as indicated above, have been approved for publication by the Board on 25 March 2021. The statement of income statement and balance sheet of the Parent Company and the Group will be submitted to the shareholders' meeting for adoption on 5 May 2021.

Auditor's Report

To the general meeting of 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 2020, except for the corporate governance statement on pages 94-97. The annual accounts and consolidated accounts of the company are included on pages 56-88 and 94-97 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 2020 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 2020 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 94-97. 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 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 investment properties and long-term securities holdings

See disclosures 1, 10 and 12, and accounting principles on pages 66–69 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 unobservable input.

The investments are valued based on models and assumptions not observable by third parties (so-called "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, 2020, assets classified as level 3 amount to EUR 475m, which corresponds to 94 per cent of the groups'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 challanged 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.

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 1-55, 92-93 and 98-111. The other information comprises also of the remuneration report which is expected to be made available to us after the date of this auditor's report. 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 responsive 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, measures that have been taken to eliminate the threats or 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 2020 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 94-97 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 12 May 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2007.

Stockholm, 25 March 2021
KPMG AB

Peter Dahllöf, *Authorized Public Accountant*

S7-2 in Vilnius

Statement by the Chairman of the Board, Liselotte Hjorth

Board work is long-term

What has the Board of Directors been focusing on in 2020?

The Board has a long-term perspective, and a relatively large part of its work is much the same from year to year, even if the emphasis may vary. The Company's previous business plan was in effect until the end of 2020, meaning that a new plan with new goals and strategies was to be developed and established during the year. Certainly, the coronavirus pandemic and the analysis of its effects on the world and Eastnine has taken up considerable attention. The development of a new incentive programme was also a somewhat different element of the agenda.

How has the coronavirus pandemic affected the work of the Board?

The work of the Board has functioned surprisingly well, although being unable to meet in person to the extent we're used to has been cheerless. Eastnine has, as any other company, used a variety of new technologies to meet and discuss, and the comparatively small size of the Board has been helpful. I am still grateful that we were able to meet in person for the strategy meeting during the autumn, albeit under conditions adjusted for the coronavirus, before the second wave affected Sweden and the world. As the vaccination programmes progress and the pandemic fades away, the Board is looking forward to again be able to visit properties, offices and staff in Riga and Vilnius.

Which are the most important aspects of the new business plan?

The old business plan focused on the streamlining of Eastnine into a real estate company. While we did not quite cross the finish line in 2020 due to the ongoing pandemic, we are at this time a company with considerable real estate expertise and a portfolio many times larger than when the plan was put into place. With the new business plan we wanted to define the focus for the coming three years. Growth is very important for profitability; therefore, the property portfolio shall double in this period. This growth must be sustainable and profitability at least in line with similar companies in Europe.

The Board proposed, and the AGM approved, a new long-term incentive programme for employees in 2020. What is the purpose?

Eastnine strives to be an attractive employer compared to other companies, in order to recruit competent and dedicated employees, on the one hand. On the other hand, the Company has a business plan with a set of ambitious goals to reach. A well-designed incentive programme can contribute to clearly aligning the interest of shareholders and employees. The goals in the new business plan and those in the new incentive programme are very similar. The incentive programme means that employees willing to invest in Eastnine's share has an opportunity to share in the Company's returns, providing that the goals are reached.

Chairman of the board Liselotte Hjorth.

Eastnine's sustainability efforts have become clearer, and also been highlighted in various rankings. Why is sustainability important to the Company?

Eastnine has many stakeholders: shareholders, tenants, employees, creditors etc. The majority, or possibly even all of them, share an ambition when it comes to the climate: i.e., that the Paris agreement is to be fulfilled. It's likely that the requirements from the community will only increase in the future. It's important that we, as a real estate company, shoulder our share of the responsibility, and we have chosen to be at the forefront - meaning that we attend to and drive the sustainability of the markets in which we operate.

Which strategic issues are important to the Board in the coming year?

To continue to create growth and contribute to the Company reaching its overarching target of providing shareholders with a sustainable attractive total return.

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 regulatory frameworks

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 rules include the articles of association, rules and guidelines for corporate governance, the board's rules of procedures, 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 first-class locations in the Baltic capitals. Eastnine's headquarters is located in Stockholm. Eastnine's clients are primarily large and stable Nordic tenants with international operations. The Company's efforts to streamline its investment portfolio and focus investment on directly owned real estate has progressed well. At the end of 2020, only two non-real-estate investments remained: holdings in East Capital Baltic Property Fund II and holdings in the Russian fashion chain, Melon Fashion Group.

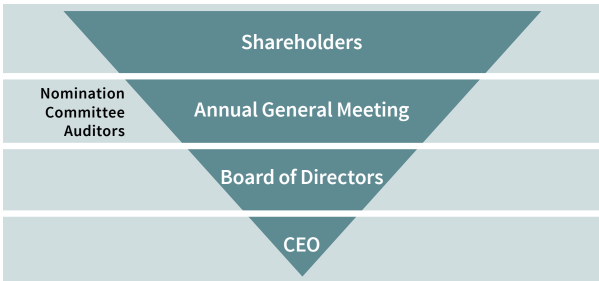
The share and shareholders

Eastnine's share capital amounted at year-end to EUR 3,659,775. The number of ordinary shares issued amounted to 22,370,261, corresponding to a quotient value of EUR 0.1636 per share. All shares, except repurchased shares in treasury, confer one vote and an equal share of the Company's assets and profits. At the end of 2020, Peter Elam Håkansson held, directly and indirectly, 27.2 per cent of the total number of issued shares, while Arbona AB held 10.0 per cent. There are no other owners holding 10 per cent or more in the Company.

Annual General Meeting

The annual general meeting is the company's highest decision-making body and the occasion for shareholders to exercise their influence. The annual general meeting is to be held no later than 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 annual general meeting. 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. 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 annual general meeting. Notice of the AGM is distributed by the Board in accordance with the Companies Act. Notice of the AGM, or alternatively any extraordinary general meeting where the articles of association will be discussed, is to

Responsibility for governance



be distributed at the earliest six weeks in advance, and at the latest four weeks in advance. Notice of any other extraordinary general meetings is to be distributed at the earliest six weeks in advance and at the latest two weeks in advance. Notice of the AGM is to be published in the Swedish Official Gazette and on the Company's web site. At the time of notice, information about the published notice will also be advertised in Svenska Dagbladet. The annual general meeting 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 considers, inter alia, questions relating to:

- election of members and Chairman of the Board
- when applicable, election of the auditor
- dividends
- adoption of the income statement and balance sheet
- discharge from liability of the members of the Board and the CEO

The 2020 Annual General Meeting

The 2020 AGM was held on 12 May 2020 at the IVA Conference Centre in Stockholm. Due to the ongoing pandemic, there were only a limited number of participants at the AGM, including shareholders, available members of the Board, the CEO, parts of the Company's staff and a few guests. 46 shareholders were represented at the Annual General Meeting, corresponding to 45 per cent of the shares in the Company (excluding treasury shares). The AGM 2020 approved, among others:

- adoption of the financial statements of the 2019 financial year
- discharge from liability of the Board and executive management
- a dividend of SEK 2.70 per share, corresponding to SEK 57,102,465. The dividend was paid out in semiannual payments of SEK 1.35 per share.
- the number of Board members
- election of members and Chairman of the Board
- remuneration to the Board
- election of the auditor
- mandate of the Board to decide on the acquisition and transfer of shares in treasury, in accordance with the proposal presented to the AGM

- the introduction of a long-term incentive programme open to the Company's employees

All documents from the annual general meeting - notice, documents presented at the meeting etc., along with the minutes - are available on www.eastnine.com.

The 2021 Annual General Meeting

The Annual General Meeting of Eastnine shareholders will be held on Wednesday, 5 May 2021. Considering the currently ongoing coronavirus pandemic, and for the purpose of minimising the risk of coronavirus transmission, the management has decided that the AGM will be held exclusively through postal vote, applying a set of temporary rules. This means that the AGM will be conducted without shareholders, representatives or guests physically present and that the shareholders' exercise of voting rights may only be carried out by postal vote. More information will be made available on www.eastnine.com.

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 the members of the Board, and to propose an auditor when 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 to appoint a nomination committee for the next AGM. All shareholders have the opportunity to present suggestions to the nomination committee.

Work in the Nomination Committee during 2020/2021

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 shareholders (or ownership groups) in the Company who wish to appoint a representative. The final member is the Company's Chairman of the Board. For the 2021 annual general meeting, 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
- Martin Zetterström, as representative of Arbona (as of 8 December 2020, previously, 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 5 October 2020, and the changes to the nomination committee on 8 December 2020. As of 5 March 2021, the nomination committee held two recorded meetings ahead of the 2021 AGM. No remuneration has been paid to the members of the nomination committee. The shareholders have been given the opportunity to present suggestions to the committee. The committee's proposals to the 2021 annual general meeting will appear in the notice to the annual general meeting and will be found on www.eastnine.com in due time prior to the annual general meeting.

Auditors

External auditors

At the Annual General Meeting on 12 May 2020, the registered public accounting firm KPMG was appointed, with Peter Dahllöf (born 1972) as auditor in charge, for the period up until the end of the Annual General Meeting 2021. Peter Dahllöf is an Authorized Public Accountant and partner in KPMG, and is also active in KPMG's international real estate network. Peter has been the auditor in charge for Eastnine AB since 2018. Selection of other audit assignments: Annehem, Areim, Humlegården, Intea, Midstar Hotels and Peab Fastighet.

Auditor fees

The company's auditors have received fees for auditing and other prescribed review, as well as for advice in respect to observations made during auditing and review. For the 2020 financial year, the fees paid to the auditors totalled EUR 213k.

Communication with the Company's auditors

The Board maintains a regular contact with the auditors. The auditors attend those board meetings in which the annual reports are considered, and normally also when the Board will consider interim reports which have been reviewed by the auditors. The auditors then present their observations from the audit of the year-end report and the interim report covering the first nine months of the year, and also present their assessment of the Company's internal control. The Board also meets the auditor in charge once per year in order that the auditor may report observations directly to the Board without management attendance.

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 for a period of one year. At the 2020 Annual General Meeting, Board members Liselotte Hjorth, Peter Elam Håkansson and Peter Wågström were re-elected. Christian Hermelin and Ylva Sarby Westman were elected as new members of the Company's Board. Liselotte Hjorth was re-elected President of the Board. The members of the Board of Directors have, according to the nomination committee, been appointed due to their broad experience in real estate and finance, as well as their knowledge of international markets, not least markets in eastern Europe.

The Board's independence

According to applicable regulations, Liselotte Hjorth, Peter Wågström, Christian Hermelin and Ylva Sarby Westman are considered independent in relation to the Company and its management, as well as in relation to the Company's major shareholders. Peter Elam Håkansson is considered independent in relation to the Company and its executive management, but not considered independent in relation to major shareholders as he is closely related to East Capital, which was a major shareholder in 2020 as defined in the Code. For more information, refer to page 98.

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 responsible, inter alia, for the following points:

- Determining business plans, key policies and short and long term goals 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 established short- and long-term goals.
- Recommending the principles for remuneration of the Company's management to the Annual General Meeting, and determining the fixed and variable compensation to the management.
- Regularly monitoring and evaluating Eastnine's financial position and development, as well as deciding on questions relating to Eastnine's capital structure, including presenting proposals for shareholder dividends to the AGM.
- Approving acquisitions and divestment of holdings as well as any major additional investments.
- Approving all financial reports before they are released.
- The work of the board is governed by the rules of procedure that have been adopted by the Board. 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 developed and approved the work instruction for the CEO as well as a number of policy documents. The Company's CEO and CFO attended all board meetings in 2020 in order 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, the budget and other strategic issues.

Board meetings and key topics

In 2020, a total of 14 board meetings were held. Areas of particular focus during the year have included:

- investment recommendations and divestments of non-essential holdings
- reporting from the executive management regarding operating activities
- financial reporting
- financing
- valuations
- strategic issues as well as the establishment of a new business plan with new financial, operational and sustainability targets
- the long-term incentive programme and the conditions of goal fulfilment
- internal risk and control issues

Evaluation of the Board

The work of the Board is continually evaluated. Evaluations are used to improve the Board's work and as a basis for the nomination committee's evaluation of the composition of the Board. In the autumn of 2020, the Board's work was evaluated by the Chairman of the Board, the members of the Board, the executive management of the Company as well as the nomination committee. The evaluation was carried out with the aid of an external evaluation tool as well as through individual meetings with the nomination committee. The aim was to gather information to provide a basis for the nomination committee's proposals for the 2021 AGM as well as to continually improve the effectiveness of the Board's efforts. An equivalent evaluation was carried out ahead of the 2020 AGM.

Audit committee

The duties of the audit committee is performed by the Board as a whole. The Board considers the financial statements as well as issues relating to audits and valuation. The Company's authorised public accountant from KPMG provided a general review of the year-end report 2019 as well as the January - September 2020 interim report to the Board during the year. An equivalent review of the 2020 year-end report took place during the first quarter of 2021.

The management of Eastnine

The management team consists of the CEO and CFO. The management is responsible for ensuring that the ongoing administration of operating activities is performed in line with the Board's guidelines and directions. Management is also responsible for the internal controls that are necessary for the Board to supervise 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 the Board's decision-making. In addition, the CEO ensures that the Board is continually informed by the internal management about Eastnine's development and conditions in its markets, so that the Board can make well-informed decisions.

The Company's CEO, Kestutis Sasnauskas, has three board appointments outside of the Company: chairman of the Board at Agro Region Stockholm as well as member of the Board at Rytu Invest and Melon Fashion Group. The CEO holds a 27.4 per cent ownership stake in the privately-owned company Rytu Invest, and also directly holds shares in Eastnine corresponding to 2.0 per cent of the total number of shares issued in the Company. For more information about the CEO, please refer to page 100.

Remuneration

Remuneration to board members

On 12 May 2020 the Annual General Meeting decided that annual remuneration to the Chairman of the Board should amount to SEK 800,000 for the period up until the 2021 annual general meeting. Other board members shall receive an annual remuneration of SEK 400,000 each for the same period.

Remuneration to management

During the year, remuneration to the management team consisted of fixed and variable salary as well as pension and insurance benefits. The Board decides on a discretionary basis on whether variable salary shall be paid to management. The decision is based on internal evaluation criteria, including an evaluation of e.g. activity-based strategic and operational goals. The targets are set and evaluated every year by the Board. Variable compensation for the CEO and CFO may at most amount to 50 per cent of their fixed compensation. The Board has the right to diverge from guidelines decided on by the AGM, if there are particular reasons to do so in isolated cases. The Company's management have individual premium based pension plans, of 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 2020, the CEO was granted a variable salary for the 2019 financial year corresponding to 38 per cent of fixed annual compensation, and the CFO 33 per cent of fixed annual compensation. In the beginning of 2021, the Board granted variable compensation for the CEO of 42 per cent and for the CFO of 50 per cent of fixed annual compensation, for the 2020 financial year. Detailed information about remuneration to management may be found in note 5 on page 72.

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 Board as a whole.

Share-related incentive programmes

Eastnine has two long-term incentive programmes: LTIP 2018 and LTIP 2020. The purpose of these programmes is to boost shareholder value and the Company's long-term value creation, by creating the conditions required to retain and recruit competent staff, increase motivation among the participants, and encourage employees' shareholding in the Company.

LTIP 2018

The AGM on 24 April 2018 approved the Board's proposal to introduce a long-term incentive programme (LTIP 2018), open to all staff permanently employed by the Company on 1 January 2018. There are three categories in the incentive programme: i) the CEO, ii) investment managers and lease managers, and iii) other employees. Participation 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. Each saving 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. Matching shares and performance shares are awarded to the employees within 45 days of publication of the interim report for the third quarter 2021. In total, ten employees are part of the programme.

LTIP 2020

The AGM on 12 May 2020 approved the Board's proposal to introduce a long-term incentive programme (LTIP 2020), open to all staff who were employed by the Group on 1 January 2020. The incentive programme is divided in three categories: Category A (CEO), Category B (CFO and other management) and Category C (other employees). Participation required participants to hold shares in the Company equivalent in value to one twelfth of the participant's annual, fixed gross salary, by 1 April 2020. Each participant is thereafter granted rights to performance shares, which confer to the participant the right to acquire shares in the Company, provided that certain performance preconditions are fulfilled. Performance shares would be awarded to the employees within 45 days of publication of the interim report for January - June 2023. In total, 17 employees are part of the programme.

Full terms and conditions

For details as to the terms and performance conditions that are to be met in order to receive performance shares in accordance with each of these incentive programmes, please visit our web site on www.eastnine.com/en/long-term-incentive-programs.

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 effectively and correctly. 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 the suitability of all policies each year, and any change of policy are to be approved by the Board. The Board maintains an effective control environment for investment activities and financial reporting by means of a clear delegation of responsibilities and authority to management and employees. The Board discusses on a continual basis issues relating to accounting, 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, an independent investigative function that performs ongoing review and presents reports to the board and management with recommendations for improvements to 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. In 2020, the Board decided that, because of its limited size and its adequate competencies in evaluating service functions and internal activities itself, Eastnine did not need an internal auditing function. Eastnine acts in accordance with generally accepted practice on the stock market and regularly carries out an assessment to ensure that the Company is in compliance with the listing agreement.

Risk management

Through its operations, Eastnine is exposed to various risks. Most of Eastnine's business is exposed to directly-owned real estate investments in the Baltics, chiefly leasing to Nordic tenants, and exclusively using Nordic banks. The investment strategy, i.e. to make long-term investments in modern and sustainable office properties in first-rate locations in the Baltic capitals, means that Eastnine is chiefly exposed to risks relating to interest rates and credit risk, as well as rent level and vacancy risks. These risks are reflected in value changes. The Company's other investments constitute a relatively minor part of its assets and therefore has a relatively minor impact on the Company's risk exposure.

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.

More information on the Company's risk management can be found on pages 49-54 and in note 30 on pages 83-84.

Board of Directors



	Liselotte Hjorth Chairman of the Board	**Christian Hermelin** Member of the Board	**Peter Elam Håkansson** Member of the Board
Born	1957	1964	1962
Education	BSc. Economics, Lund University.	BSc. Business Administration Umeå University.	MSc. Economics, Stockholm School of Economics, studies at EDHEC in Lille.
Selected work experience	Former deputy CEO and Group Credit Oficer, and Global Head of Commercial Real Estate, SEB.	Former CEO at Fabege and various roles in Storheden, Wihlborgs and Nacka Strand Förvaltning.	Founder and Head of Investments at East Capital. Former Head of equities and Global Head of analysis at Enskilda Securities.
Board appointments (28 February 2021)	Chairman at White arkitekter, and Brunswick Real Estate Captital Advisory. Board member in Rikshem, Hoist Finance, Fastighetsbolaget Emilshus and Ativo Finans.	Board member in Prior & Nilsson Fond- och kapitalförvaltning, and Doloradix.	Chairman in East Capital and Board appointments within the East Capital group. Chairman of the foundation Swedish Music Hall of Fame. Member of the Board at Bonnier Business Press, Atlantic Grupa in Croatia, LaSpa Group in Estonia and Linnégatan 7 i Stockholm.
Share holdings (28 February 2021)	6,500, incl. related parties and companies	5,994, incl. related parties and companies	6,067,090, incl. related parties and companies
Appointed in	2014, chairman since 2018	2020	2014
Independent in relation to the Company and management	Yes	Yes	Yes
Independent in relation to major shareholder	Yes	Yes	No
Annual remuneration, SEK thousands	800	400	400
Attendance at Board Meetings 2020, (14)	14	10	14

	Peter Wågström Member of the Board	**Ylva Sarby Westman** Member of the Board
Born	1964	1973
Education	MSc Engineering, Royal Institute of Technology in Stockholm.	MSc Engineering, Royal Institute of Technology in Stockholm.
Selected work experience	Interim CEO at New Real Estate Sweden. Former CEO and group chief executive at NCC; head of business area at NCC Property Development and NCC Housing.	Deputy CEO and Director of Finance at Kungsleden since 2020, other roles since 2009. Former deputy CEO at Newsec Investment and Head of Property Development at NCC Property Development.
Board appointments (28 February 2021)	Chairman at Brunkeberg System, Penta Construction Group, Volabo and New Real Estate Sweden. Board Member of Amasten, Arlanda Stad Holding, Assentio, Niam, and Arrecta.	Board Member of Ikano Bostad.
Share holdings (28 February 2021)	10,000, incl. related parties and companies	1,276, incl. related parties and companies
Appointed in	2018	2020
Independent in relation to the Company and management	Yes	Yes
Independent in relation to major shareholder	Yes	Yes
Annual remuneration, SEK thousands	400	400
Attendance at Board Meetings 2020, (14)	13	10

Management

	Kestutis Sasnauskas CEO since 2017	**Britt-Marie Nyman** Deputy CEO and CFO since 2019
Born	1973	1965
Education	Studies in Economics, Stockholm School of Economics, Vilnius University and Gotland University.	MSc Economics, Umeå University.
Selected work experience	Former Chief Investment Officer Eastnine. Partner, co-founder and head of private equity and real estate, East Capital.	Former Head of Capital Markets at Catella Corporate Finance; deputy CEO, Head of Finance and Investor Relations at Klövern; and Head of Communications and IR at Fastighets AB Tornet.
Board appointments (28 February 2021)	Chairman of the Board at Agro Region Stockholm, Member of the Board at Rytu Invest and Melon Fashion Group.	None
Share holdings (28 February 2021)	461,818	14,025, incl. related parties

Country managers

		
	Saule Zabulionyte Country manager, Latvia sedan 2019	**Julius Niedvaras** Country manager, Lithuania since 2018
Born	1976	1978
Education	Professional qualification, FCCA, Association of Chartered-Certified Accountants and BSc. Economics, Vilnius University.	MSc Business Administration and Management, Vilnius University and MSc. in technology and finance, Pforzhaim Hochschule für Gestaltung.
Selected work experience	Former CEO of the Acropolis Group in Lithuania and Head of Auditing at PwC Russia.	Former country manager for East Capital Real Estate in Lithuania, Head of SEB Real Estate.
Board appointments (28 February 2021)	None	None
Share holdings (28 February 2021)	899	1,800, incl. related parties and companies

3Bures-1,2 in Vilnius

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 pm pp. 103-106, a description of Eastnine's sustainability efforts is integrated into the company's annual accounts. The GRI index contains references to where in the annual accounts 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 107- 108.

GENERAL INFORMATION

ORGANIZATIONAL PROFILE

102-8 Information on employees and other workers

	2020					
	Eastnine total	**Sweden**	**Lithuania**	**Latvia**	**2019**	**2018**
Number of employees	22	9	9	4	19	15
Of which, women	14	4	7	3	11	7
- full-time	14	4	7	3	11	7
- part-time	0	0	0	0	0	0
- temporary staff	0	0	0	0	0	0
Of which, men	8	5	2	1	8	8
- full-time	8	5	2	1	8	7
- part-time	0	0	0	0	0	0
- temporary staff	0	0	0	0	0	1

102-11 Precautionary Principle or approach

Eastnine uses the precautionary approach to sustainability, meaning that if there is a risk that significant environmental damage may arise, a lack of scientific evidence should not be regarded as a valid reason not to mitigate that risk. In these cases, measures must be taken in order to avoid or mitigate the risk. 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 acquisitions. Read more about Eastnine's risk management on pp. 49-54.

STAKEHOLDERS

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 stakeholders in order to ensure that the company stays focused on the questions that are deemed critical for our stakeholders. The table below presents the groups that we identify as major stakeholders with respect to Eastnine's business operations. It also gives examples of main channels for communication with our stakeholders and issues revealed as important in the dialogue with these groups.

Group	Channels	Key sustainability topics
Tenants	Customer meetings, continual dialogue re. property management, customer satisfaction regarding surveys	Office premises with good services and working environment, reduced environmental impact, business ethics
Staff	Workshops and seminars, employee surveys, performance reviews	Professional development, good conditions of employment, diversity, good working environment, business ethics and reduced environmental impact
Investors	Annual General Meeting, interim and annual reports, press releases, conference calls, seminars, investor meetings	Business ethics and anti-corruption measures, energy efficiency, reduced environmental impact, customer and employee satisfaction, sustainable supply chain
Society	Dialogue with stakeholder and industry organisations, 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

REPORTING PRACTICE

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

Eastnine communicates continuously with its key stakeholders in order to identify their 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 by tenants previously and and collected by our property managers. The largest shareholders and the Board members were interviewed using a web-based survey. The supporting analysis included a 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 2020, the materiality analysis was further evaluated, among other things with contributions from customer surveys in all properties under direct management. The conclusion of this evaluation was that all sustainability issues 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.

		Effect / Boundaries			
Eastnine's material topics	**GRI Standards topics**	**Supply chain**	**Activities**	**Tenants**	**Page**
Business ethics and anti-corruption measures	Anti-corruption	•	•	•	15,20,21
Customer satisfaction	Customer health and safety		•	•	14-15,21,106
Employee satisfaction	Professional skills development		•		26
Equality of opportunity and non-discrimination	Diversity and equality, non-discrimination		•		26,106
Energy efficiency	Energy		•	•	14,21,104-105
Carbon dioxide emissions	Emissions	•	•	•	14,21,105
Waste management	Waste	•	•	•	14,21,106
Material usage	-	•	•		21
Sustainable supply chain	Supplier reviews based on social and environmental requirements	•	•		14,20,27

102-54 Claims of reporting in accordance with the GRI Standards
102-56 External assurance

Eastnine's sustainability report is prepared in accordance with GRI Standards, with the 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

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 consumption within the organization
CRE1 Building energy intensity

This report encompasses energy use in all of Eastnine's portfolio properties, which have been owned by the Company for at least eight months (S7-3 and Vertas-2 are not part of the 2020 reports). Energy consumption reporting is presented for the entire property portfolio, including directly and indirectly managed properties. Electricity consumption in directly-managed properties are subdivided into property electricity and tenant electricity use. 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.

Eastnine's energy efficiency efforts are chiefly driven by our environmental policy and our strategic goals. One of these goals is to reduce the energy consumption per sq.m. in directly-managed properties by 25 per cent up until 2025, corresponding to around 100 kWh per sq.m. (this measure excludes tenant electricity consumption). This goal is primarily achieved through the systematic efforts to obtain sustainability certificates for new development projects and existing properties. The targeted environmental certifications are LEED Gold or BREEAM Excellent.

In 2020, analyses of two properties, in conjunction with certification processes, have been carried out to map energy usage in the properties and identify opportunities for improving energy efficiency. In order to ensure that all certification efforts are carried out with a focus on energy efficiency improvements, Eastnine has introduced a target that a score of 80 per cent of total possible points within the energy category is to be achieved within all applied sustainability certification frameworks.

The total energy consumption in 2020 increased by 12 per cent due to a larger property portfolio. Energy consumption in a comparable portfolio decreased by around 15 per cent.

The energy intensity in all properties has improved by around 17 per cent (15 per cent in a comparable portfolio) during the year. In directly-managed properties, the energy intensity has improved by around 11 per cent (12 per cent in a comparable portfolio). Reduced usage of the premises during periodic lockdowns, as well as energy efficiency measures, have contributed to this development. The proportion of renewable energy used amounts to 69 per cent, which is the same level as during 2019. At present, 100 per cent of all electricity purchased is renewable.

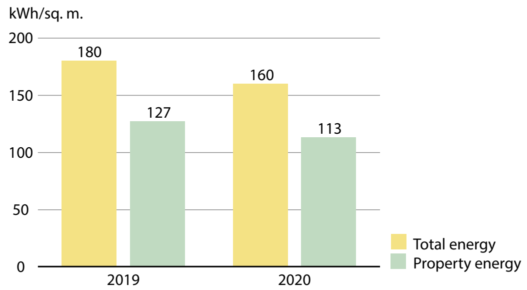
Energy consumption, MWh	2020	2019
Electricity[1]	12,793	11,455
Heating	4,716	4,850
Fuel[2]	1,042	253
Total energy	**18,551**	**16,558**

[1] Including tenant energy use.
[2] Natural gas.

Energy intensity, kWh/sq.m.	2020	2019	Change, %	Change, % comparable portfolio
Directly managed properties[1]				
Property energy use	113	127	-11	-13
Total energy use, including business energy use[2]	160	180	-11	-12
All properties				
Total energy use, including business energy use	147	177	-17	-15

[1] Excluding S-7 properties.
[2] Business energy use is electricity or other energy used by tenants in the premises.

Energy performance



EMISSIONS

305-1 Direct GHG emissions (Scope 1)
305-2 Energy indirect GHG emissions (Scope 2)
305-3 Other indirect GHG emissions (Scope 3)
CRE3 Greenhouse gas emissions intensity in buildings

Eastnine reports on greenhouse gas emissions in accordance with the GHG protocol. Eastnine's direct emissions, Scope 1, consists of emissions from refrigerants, leakage and usage of natural gas in Eastnine's properties. Direct emissions have increased by 124 per cent compared to the previous year and corresponds to around 34 per cent of total emissions in 2020. This increase was a result of the addition of Valdemara Centrs to the emissions reporting, for the first time in 2020. At present, natural gas is used for heating. Efforts to identify alternative solutions than heating with natural gas are ongoing.

The remaining 66 per cent of emissions comprise Scope 2, indirect emissions from purchased energy. In order to calculate the amount of emissions, Eastnine uses translation factors from suppliers and governmental reporting to the EU in Lithuania and Latvia. The reported sum of emissions from operations is reduced as a result of specified-source electricity. Eastnine uses the "operational approach" in its calculations. Emissions from properties where tenants are directly responsible for property operations comprise Scope 3 in the emissions reporting below. All S7 properties are in this category. In those properties where Eastnine has operational control, and may influence the tenants' choice of electricity provider, indirect emissions from district heating and purchased electricity is reported in Scope 2.

The total emissions from Eastnine's property portfolio amounted to 822 tonnes of carbon-dioxide equivalents in 2020, an increase of 18 per cent compared to the previous year. This increase is primarily due to properties being added to the portfolio. The development in a comparable portfolio was positive, and resulted in a 10 per cent decrease in emissions. The decrease is partly due to energy efficiency and effects from the corona pandemic. After compensating for 284 tonnes of emissions, Eastnine's net emissions amounted to 538 tonnes of carbon dioxide equivalents, corresponding to a decrease of 23 per cent compared to 2019.

The year's carbon dioxide budget has been reviewed by Tricorona Climate Partners AB.

Emissions (tonnes CO2e)	Source of emissions	2018	2019	2020
Scope 1	Total	137	127	284
	Refrigerants	76	76	76
	Natural gas	61	51	208
Scope 2	Total	536	544	490
	District heating	528	544	490
	Electricity	8	0	0
Scope 3	Total	33	25	48
	District heating in premises controlled by tenants	0	25	48
	Tenant electricity consumption	33	0	0
Sum total emissions (Scope 1, 2 and 3)		**706**	**696**	**822**
Sum total emissions (Scope 1 and 2)		**673**	**671**	**774**
Total emissions compensated via climate offsets		**0**	**0**	**284**
Total emissions after climate offsetting		**706**	**696**	**538**
Emissions intensity, Scope 1, 2 and 3	kg CO2e/sq.m.	12	7	7
Emissions intensity, Scope 1, 2 and 3 (after climate offsetting)	kg CO2e/sq.m.	12	7	4

WASTE

306-2 Waste by type and disposal method

Waste	tonnes	kg/ sq.m.	Recy-cling, %	Land-fill, %
Total waste, directly-managed properties	500	5.1	41	59
Total waste, all properties	609	4.5	39	61

DIVERSITY AND EQUAL OPPORTUNITY

405-1 Diversity of governance bodies and employees

	2020	2019	2018
BOARD OF DIRECTORS			
Women			
under 30	-	-	-
30-50	1	1	1
over 50	1	1	1
Men			
under 30	-	-	-
30-50	-	1	1
over 50	3	2	2
MANAGEMENT			
Women			
under 30	-	-	-
30-50	-	-	1
over 50	1	1	-
Men			
under 30	-	-	-
30-50	1	1	1
over 50	-	-	-
OTHER EMPLOYEES			
Women			
under 30	1	2	3
30-50	12	8	3
over 50	-	-	-
Men			
under 30	-	-	2
30-50	6	6	5
over 50	1	1	-
Total	**27**	**24**	**20**

406-1 Incidents of discrimination and corrective actions taken

No cases of discrimination were reported in 2020.

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 2020 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.

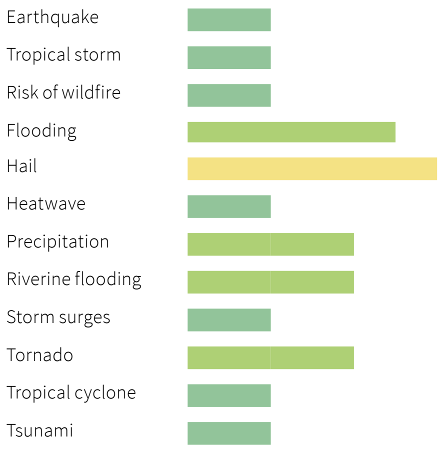
Physical Climate Risk exposure

The below data provide an overview of physical climate-related risks in Eastnine's property portfolio. The climate data is provided by the GRESB Climate Risk Module and is based on a methodology developed by Munich Re, a global provider of insurance and reinsurance products.

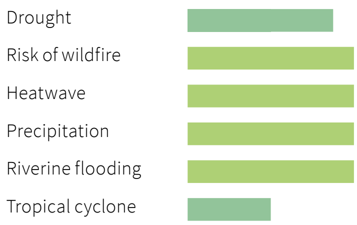
Exposure to physical climate risks in Eastnine's property portfolio
This overview illustrates climate-related risks to Eastnine's portfolio, both present and future risks. For future risks, the worst possible scenarios according to RCP 8.5 are presented, with a time and risk horizon up to 2050. The overview is based on aggregate data for all of Eastnine's properties. In general, the climate-related risk exposure is deemed to be very low or low.

Scenarios
The Representative Concentration Pathways (RCPs) adopted by the IPCC (Intergovernmental Panel on Climate Change) are various scenarios relating to greenhouse gas emissions which describe how the climate could change up until the year 2100. RCP 2.6 scenario is the most positive outcome, providing that the 2-degree warming goal can be achieved, while RCP 8.5 represents the most negative outcome concerning climate changes, as described in the IPCC report.

Exposure overview - currently



Exposure overview - RCP 8.5 / Year 2050



No / very little exposure
Low exposure
Moderate exposure
High exposure
Very high exposure

GRI content index

GRI standard	Description	Principles of the UN Global Compact	Page	Comment
Organizational Profile				
102-1	Name of the organization		Cover	
102-2	Activities, brands, products, and services		3	
102-3	Location of headquarters		109	
102-4	Location of operations		3	
102-5	Ownership and legal form		3	
102-6	Markets served		16-19	
102-7	Scale of the organization		3	
102-8	Information on employees and other workers	3, 6	103	
102-9	Supply chain		20, 22, 27	
102-10	Material changes concerning the organisation and its supply chain			No significant changes took place during the year.
102-11	Precautionary Principle or approach	7	103	
102-12	Membership in sustainability initiatives			Global Compact, BREEAM, LEED
102-13	Membership of associations			Sweden Green Building Council, Green Building Council Lithuania, GRESB
Strategy				
102-14	Statement from senior decision-maker		7, 93	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	10	12, 22, 52	
Governance				
102-18	Governance structure		22, 92-101	
Stakeholder engagement				
102-40	List of stakeholder groups		103	
102-41	Collective bargaining agreements			All employees are salaried professionals. No employees are currently part of a collective bargaining agreement.
102-42	Identifying and selecting stakeholders		103-104	
102-43	Approach to stakeholder engagement		103-104	
102-44	Key topics and concerns raised		103-104	
Reporting practice				
102-45	Entities included in the consolidated financial statements		56-57	
102-46	Defining report content and topic boundaries		104	
102-47	List of material topics		104	
102-48	Restatements of information			No restatements
102-49	Changes in reporting			No material changes
102-50	Reporting period		Cover	
102-51	Date of most recent report			March 2019
102-52	Reporting cycle			Annually, in conjunction with annual accounts
102-53	Contact point for questions regarding the report			Lilia Kouzmina, Head of Sustainability
102-54	Claims of reporting in accordance with the GRI Standards		103	
102-55	GRI content index		107-108	
102-56	External assurance		104	

MATERIAL TOPICS

Essential issue	Indicator		Principles of the UN Global Compact	SDG	Page	Comment
FINANCE						
Anti-corruption	103-1/2/3	Management approach and its evaluation			20-21	
	205-2	Communication and training about anti-corruption policies and procedures			20-21, 15	
	205-3	Confirmed cases of corruption and actions taken	10			No reported cases
ENVIRONMENT						
Energy	103-1/2/3	Management approach and its evaluation			14, 21, 104-105	
	302-1	Energy consumption within the organization	6, 9	7	104-105	
	CRE1	Building energy intensity	6, 9		104-105	
Emissions	103-1/2/3	Management approach and its evaluation			14, 21, 105	
	305-1	Direct GHG emissions (Scope 1)	7, 8, 9	11, 12	105	
	305-2	Energy indirect (Scope 2) GHG emissions	7, 8, 9		105	
	CRE3	GHG emissions intensity in buildings	7, 8, 9		105	
Waste	103-1/2/3	Management approach and its evaluation			14, 21	
	306-2	Waste by type and disposal method		11, 12	106	
Environmental certification	CRE8	Proportion of properties with environmental certification		3	14	
Supplier Environmental Assessment	103-1/2/3	Management approach and its evaluation		12	14, 20	
	308-1	New suppliers that were screened using environmental criteria			27	
SOCIAL						
Training and Education	103-1/2/3	Management approach and its evaluation	6		26	
	404-3	Percentage of employees receiving regular performance and career development reviews			26	
Diversity and equal opportunity	103-1/2/3	Management approach and its evaluation	1, 2, 4, 6		26	
	405-1	Diversity of governance bodies and employees			106	
Non-discrimination	103-1/2/3	Management approach and its evaluation	1, 2, 4, 6		26	
	406-1	Incidents of discrimination and corrective actions taken			106	
Supplier social assessment	103-1/2/3	Management approach and its evaluation			14, 20	
	414-1	New suppliers that were screened using social criteria			27	
Customer health and safety	103-1/2/3	Management approach and its evaluation		11	14-15, 21	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services			106	

Annual General Meeting 2021

The Annual General Meeting of Eastnine shareholders will be held on Wednesday, 5 May 2021. Considering the currently ongoing coronavirus pandemic, and for the purpose of minimising the risk of coronavirus transmission, the management has decided that the AGM will be held exclusively through postal vote, applying a set of temporary rules. This means that the AGM is to be conducted without the physical presence of shareholders, representatives or third parties.

Participation

Shareholders who wish to participate in the AGM through postal voting must firstly be registered as a shareholder in the shareholders' register managed by Euroclear Sweden AB, and secondly must have registered their participation in the AGM by submitting their postal votes according to the instructions in the full notice of the AGM.

Shareholders may exercise their voting right at the AGM only by voting in advance, using so-called postal voting according to s. 22, in the Swedish legislation relating to temporary exceptions supporting general meetings in companies and associations (2020:198). Submissions of postal votes shall be done using a particular form. The form will be made available on Eastnine's website, at www.eastnine.se. The postal voting form is valid as registration to the general meeting. The shareholder may not attach any particular instructions or conditions to their postal vote. If such is attached, the vote (i.e., the postal vote as a whole) is invalid. The filled and signed form is to be sent to Eastnine in one of the following ways:

- **via e-mail, agm@eastnine.com**
- **or by mail, to: Eastnine AB (publ), "Annual General Meeting", Box 7214, 103 88 Stockholm.**

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 Annual General Meeting.

Proxies

If postal votes are submitted by proxy, a signed and dated proxy form signed by the shareholder must be attached to the postal vote form. The proxy form will be made available on Eastnine's website, www.eastnine.se. If the shareholder is a corporate entity, a certificate of incorporation or other authorisation must be attached to the postal voting form.

Complete notice

The complete notice for the 2021 annual general meeting will be available on www.eastnine.com

Calendar

- Annual General Meeting: **5 May 2021**
- Interim report January - March 2021: **5 May 2021**
- Interim report January - June 2021: **14 July 2021**
- Interim report January - September 2021: **10 November 2021**
- Year-end report 2021: **11 February 2022**

Contact us

Head office, Stockholm

Eastnine AB (publ)
Box 7214,
103 88 Stockholm, Sweden
Visiting address: Kungsgatan 30
Tel: +46 8-505 977 00
E-mail: info@eastnine.com
Corporate ID no.: 556693-7404
Registered office: Stockholm

Chief contacts:
Kestutis Sasnauskas, CEO
+46 8-505 977 00
Britt-Marie Nyman, CFO and deputy CEO
+46 70-224 29 35

Latvia

Eastnine Latvia
K. Valdemara 62
Riga LV.1013, Latvia
E-mail: info@eastnine.lv

Contact person:
Saule Zabulionyte, country manager Latvia
+371 2 947 1591

Lithuania

Eastnine Lithuania
Lvovo g.25-701
Vilnius, Litauen
E-mail: info@eastnine.lt

Contact person:
Julius Niedvaras, country manager Lithuania
+370 698 40 002

Definitions and glossary

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

Yield, earning capacity
Net operating income in relation to the book values of the properties, excluding development properties.

Yield requirement, properties
The yield requirement is used in valuations and relate to the yield requirement at the end of the calculation period. The yield requirement is based on estimations of the market return requirement for 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.

Net operating income
Rental income less property expenses.

Profit from property management
Earnings before value changes, dividends received and taxes.

Average rental income
Average rent at the end of the period.

Rental income
Debited rents, rent supplements, and rental guarantees less rental discounts.

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

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

Triple-net leases
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.

Lettable area
Total area available for letting.

Occupancy rate, area
Occupied area 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.

Vacancy rate, financial
Annual rent for vacant area at the end of the period in relation to the rent value at the end of the period.

Vacancy rate, area
Vacant area in relation to lettable area.

WAULT
Abbreviation denoting average remaining agreement term of rental agreements, weighted according to contracted rental income (Weighted Average Unexpired Lease Term).

The indicator shows the weighted time risk of future vacancies.

Surplus ratio
Net operating income for the period in relation to rental income for the period.

FINANCIAL KEY FIGURES

Return on equity
Net profit or 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.

LTV (loan-to-value) ratio
Liabilities to credit institutions in relation to the sum of the values of investment properties and long-term securities holdings.

LTV (loan-to-value) ratio, properties
Liabilities to credit institutions in relation to the value of investment properties.

EBITDA
Abbreviation denoting Earnings before Interest, Tax, Depreciation and Amortisation.

Average capital tie-up period
Average remaining term for liabilities to credit institutions by the end of the period.

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

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

Cash flow per share
Period's cash flow divided by the weighted average number of shares during the period.

Cash flow from operating activities per share
Period's cash flow from operating activities divided by the weighted average number of shares during the period.

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

Debt coverage ratio
Liabilities to credit institutions at the end of the period in relation to the net operating income less deductions for central administration expenses.

Equity/asset ratio
Equity in relation to total assets.

SHARE-RELATED KEY FIGURES

Equity
Total equity.

Equity per share
Total equity in relation to the number of shares issued (excluding treasury shares).

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

Long-term net asset value
Total equity with reversal of derivatives and deferred tax liabilities according to the balance sheet.

Long-term NAV per share
Long-term net asset value in relation to the number of shares issued (excluding treasury shares).

Earnings per share
Earnings for the year attributable to equity holders of the Parent Company in relation to the average number of shares issued (excluding treasury shares).

GLOSSARY

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.

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.

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

GRESB
Short for Global Real Estate Sustainability Benchmark.

Green leases
Lease agreements where Eastnine and the tenant has agreed on proactive efforts to promote and improve the sustainability of the property/premises.

ICT
Short for Information and Communication Technology.

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

Sustainability certification frameworks
BREEAM is an abbreviation of Building Research Establishment Environmental Assessment Method. LEED is an abbreviation of Leadership in Energy and Environmental Design.

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

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 the interest-bearing loans. Interest rate swap is a type of derivative where the value on balance day is zero and which expires without further payment flows.

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

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.

Share buy-back
Purchasing of own shares on the stock market. Swedish companies have the option to own up to 10 per cent of the total number of shares they have issued, given approval from the AGM.

Latvia & Riga

Latvia is in a geographically and strategically optimal location, in the middle of the “New Nordics”: the conglomeration of the Baltic and “old” Nordic countries. Latvia is a member of the OECD since 2016, the Eurozone since 2014, and Nato since 2004. Companies are drawn to establish presences in Latvia thanks to a well-educated and highly motivated workforce, a taxation structure ranked third-best in the world for its competitiveness, and streamlined rules for entrepreneurship. The lumber industry is the largest sector, with large wooded areas around Riga, but ICT is also a fast-growing sector. Latvia is pioneering the introduction of 5G.

GDP growth
-3.6
per cent

GDP in Latvia sank by 3.6 per cent during 2020 as a result of the coronavirus pandemic. There is an evident decline, but it is still considerably less significant than the average decline in the eurozone, which amounted to 6.6 per cent.

Inflation
0.1
per cent

The rate of inflation in Latvia was largely unchanged in 2020, as was the average in the eurozone which amounted to 0.2 per cent.

Population
1.9
million

Latvia’s population amounts to around 1.9 million people, greater than Estonia but smaller than Lithuania. The population of Riga amounts to ca. 930,000, making it the largest of the Baltic capitals.

Ranking
19
ease of doing business

Latvia placed 19th in the World Bank’s annual comparison of the ease of doing business in 190 countries. In the EU, only Denmark, Norway, Sweden, Lithuania and Estonia rank higher.

Sources: Eurostat, Swedbank Economic Outlook, the World Bank and Worldometer. Refers to data as of March 24, 2021.

Project drawing of the Pine project in Riga.

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

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