

# Corporate governance report

For Eastnine AB (publ) ("the company") corporate governance involves the way in which the company works and is organised for the purpose of safeguarding all the shareholders' interests and achieving the company's objective of providing good returns in the long term.

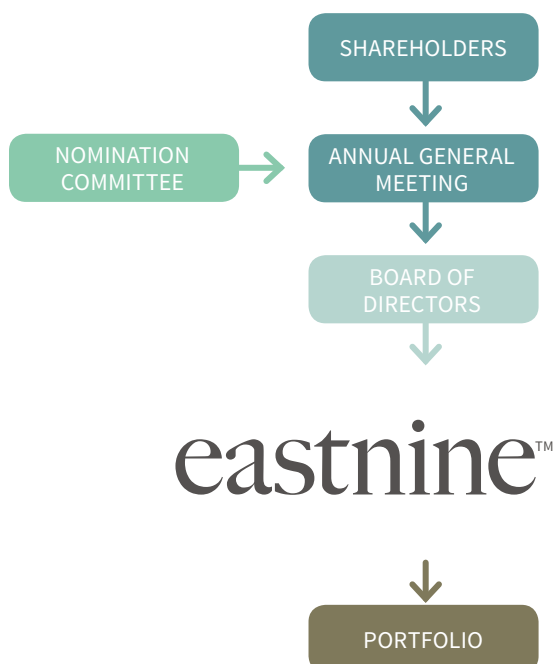
Corporate governance at Eastnine is based on both external and internal rules. The external rules are the Companies Act, Nasdaq Stockholm's Rules for Issuers, the Swedish Code of Corporate Governance ("the code"), as well as other applicable Swedish and foreign legislation and provisions. The company's 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 public limited company, established in 2007, the intention of which is to invest in real estate located in the Baltic capitals. The company is in the process of transformation from having been a diversified eastern European investment company into a Baltic real estate company and the transformation is expected to be complete by the end of 2020.

The company's purpose is to create the highest possible risk-adjusted return for the company's shareholders through long-term ownership and active management.

## CORPORATE GOVERNANCE STRUCTURE



## 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 general meeting for a period of one year. Göran Bronner, Lars O Grönstedt, Peter Elam Håkansson, Liselotte Hjorth and Nadya Wells were re-elected as board members at the annual general meeting 2017. Lars O Grönstedt was re-elected as chairman of the board.

### *The board's independence*

According to applicable regulations, Göran Bronner, Lars O Grönstedt, Liselotte Hjorth, and Nadya Wells are considered independent of the company and its management, as well as in relation to the company's major shareholders. The independent members of the board have been appointed because of their considerable experience of international corporate management and business activities, as well as their executive positions and board membership in various listed companies.

Peter Elam Håkansson is not considered to be independent in relation to major shareholders since he is closely related to East Capital, which was a major shareholder as defined in the code in 2017. On 31 December 2017 there were no other major shareholders in the company as this term is defined by Nasdaq Stockholm's Rules for Issuers and the code.

More information about each of the board members may be found on pages 36–37.

### *The board's responsibilities and duties*

The company's board has overall responsibility for the company's organisation, administration and financial reporting. The board is also responsible for evaluating and taking decisions on all investments and divestments that the CEO and management implement through the company's investment organisation. The board also decides on issues that are related to the equity structure, such as initiating distributions to shareholders or increasing the capital available for investments, by issuing new shares or taking up loans for example.

The board regularly oversees the investment strategy and evaluates whether it is in the best interests of the company's shareholders. The board also evaluates existing investments, investigates how management performs its tasks and decides on remuneration to management.

The work of the board is governed by the rules of procedures that have been adopted. The chairman of the board Lars O Grönstedt leads the work of the board and maintains ongoing contact with the

CEO and the company's other executive functions, for the purpose of monitoring the company's activities. The board has also formulated and approved defined work instructions for the CEO, as well as a number of policy documents.

The company's resigning CEO Mia Jurke, CFO Lena Krauss, as well as the CIO and subsequently appointed CEO Kestutis Sasnauskas also attended board meetings during 2017 to report on their respective areas.

The board holds at least five ordinary meetings per year. More meetings may be held, for example to discuss and decide on investment proposals and other strategic issues.

#### BOARD MEETINGS AND MAIN TOPICS

During 2017 a total of 22 board meetings were held. The main topics discussed during the meetings were:

MEETING	MAIN TOPICS
1/2017	Inaugural meeting following election of Göran Bronner
2/2017	Meeting to discuss strategy
3/2017	Meeting to approve Year-end Report 2016
4/2017	Meeting to discuss strategy
5/2017	Meeting to discuss strategy
6/2017	Meeting to discuss strategy
7/2017	Meeting to discuss investment proposal
8/2017	Meeting for approval of Annual Report 2016
9/2017	Meeting to approve notice and statements to the annual general meeting 2017 per capsulam
10/2017	Meeting to discuss rebranding
11/2017	Meeting to approve Q1 2017 Report
12/2017	Inaugural meeting
13/2017	Meeting to discuss strategy
14/2017	Meeting regarding CEO recruitment
15/2017	Meeting to approve Q2 2017 Report
16/2017	Strategy meeting
17/2017	Meeting reg. reorganisation of company structure
18/2017	Meeting to approve Q3 2017 Report
19/2017	Meeting reg. reorganisation of company structure
20/2017	Meeting reg. reorganisation of company structure
21/2017	Meeting to discuss investment opportunity
22/2017	Meeting for approval of minutes per capsulam

#### Evaluation of the board

The work of the board is continuously evaluated and the evaluation is used to develop the work of the board and as a basis for the nomination committee's evaluation of the composition of the board. In 2017 the board was evaluated by the company's chairman as well as by the independent members of the nomination committee in order to provide supplementary information for the nomination committee's work of preparing proposals to the 2017 annual general meeting.

#### The audit committee

The duties of the audit committee have been performed by the board as a whole since June 2016. The board discusses the financial reporting, as well as valuation and auditing issues. The company's authorised auditor from KPMG reported to the board on the general oversight and audit of interim reports during the year.

#### Remuneration to board members

On 15 May 2017, the annual general meeting decided that remuneration to the chairman of the board should amount to SEK 1,200,000 for the period up until the 2018 annual general meeting. Other board members should receive an annual remuneration of SEK 400,000 each for the same period. The annual general meeting decided, following the nomination committee's proposal, that fees to board members could, by special agreement with the company, be invoiced through one company or entity. If this is done, the invoiced fees shall be adjusted for social charges and VAT for the purpose of achieving cost neutrality for the company.

#### Remuneration committee

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

#### THE MANAGEMENT OF EASTNINE

The CEO and management are responsible for ensuring that the ongoing administration of 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's supervision of the investment activities. Management regularly reports to the board on these issues.

#### Remuneration to management

During the year, remuneration to the CEO and CFO consisted of fixed and variable salary, as well as pension and insurance benefits. The board decides on a discretionary basis whether variable salary shall be paid to management. This decision is based on internal evaluation criteria, the two most important of which are the development of the share price and the NAV discount. Targets are determined and evaluated by the board annually. Maximum variable salary is 50 per cent of fixed salary. During 2017, the board granted both the resigning CEO and the CFO variable salary for 2016 of 50 per cent of the fixed salary. Kestutis Sasnauskas received no variable salary during the year. The board also granted the resigning CEO a variable salary of 50 per cent of fixed salary for 2017.

During 2018 variable salary for 2017 of 37.5 per cent of fixed salary was granted to the CEO and 50 per cent of the fixed salary to the CFO, of a maximum variable salary of 50 per cent of fixed salary.

During 2017 the CEO and CFO had individual, premium based pension plans according to which the company pays premiums

corresponding to 10 per cent of fixed salary up to 10 income base amounts and premiums corresponding to 20 per cent of fixed salary for the amount of salary that exceeds 10 income base amounts. The board intends to propose an update of the executive group's individual pension plans in 2018, so as to reflect ITP/market pension levels for senior executives.

Detailed information about remuneration to management may be found in note 6 on page 48.

### **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 producing the necessary data for decision making. The CEO also ensures that the board regularly receives information about Eastnine's development and market information, so that well-grounded decisions can be taken.

The CEO Kestutis Sasnauskas has two board appointments outside the company, Agro Region and Rytu Invest, and has a significant shareholding in the latter. Rytu Invest is one of the company's 10 biggest shareholders. More information about the CEO may be found on page 38.

### **Share related incentive programmes**

Eastnine has no share related incentive programmes.

### **INTERNAL CONTROL**

Internal control at Eastnine is designed to manage risks associated with financial reporting and investment activities. It includes ensuring that the buying and selling of securities is reliably reported, that holdings are valued correctly and that information is conveyed to the market effectively and correctly. The board is responsible for monitoring investment activities and ensuring, by means of defined reporting routines and relevant policies, that it has access to the necessary information. All policies are tested for accuracy and approved by the board annually.

The board maintains a good, effective control environment for investment activities and financial reporting by means of a clear distribution of responsibilities and authority to management and employees. The board discusses reporting issues, valuations and the financial reporting. Company management constantly oversees 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 scrutiny 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.

During 2017, the board decided that, because of its limited size and its adequate competencies in evaluating service functions and internal activities itself, the company did not need an internal auditing function.

Eastnine acts in accordance with generally accepted practice on the stock market and regularly follows-up that the company is in compliance with the listing agreement.

### **ANNUAL GENERAL MEETING**

The annual general meeting is the company's highest decision-making body and is where the shareholders can exercise their influence. The annual general meeting shall be held within six months after the end of the financial year. All shareholders who are registered in the shareholders register and who have announced their attendance in time are entitled to attend the 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 who cannot be present may be represented by a proxy.

Among other things, the annual general meeting addresses issues relating to election of the board, where appropriate the election of an auditor, dividend, adoption of the income statement and balance sheet and release from liability for the board members and the CEO. Shareholders are entitled to have issues discussed at the meeting provided that these have been properly notified to the company in ample time before the publication of the notice of the annual general meeting.

The annual general meeting is an important channel for communicating with shareholders. At the time of the annual general meeting, all shareholders are also invited to a seminar on the company's markets and development. Shareholders are encouraged to attend the annual general meeting and all shareholders receive a written notice and invitation. The board and company management attend the general meeting to answer questions from shareholders.

### **Annual general meeting 2017**

The 2017 annual general meeting was held on 15 May 2017 at the IVA Conference Centre in Stockholm. All documents from the annual general meeting – notice, documents presented at the meeting and the minutes – are available on [www.eastnine.com](http://www.eastnine.com).

The 2017 annual general meeting was attended by 60 persons, including shareholders representing a total of 45.6% of the company's shares, the chairman of the board and available board members, all employees and a number of invited guests.

The 2017 annual general meeting approved the adoption of financial results for the 2016 financial year, release from liability of the management and board, dividend proposals, the number of board members and fees to the board. The meeting also approved the updating of the articles of association with regard to the company name. The meeting also approved the board's proposal to reduce the share capital by way of retirement of own shares and to increase

share capital by means of a bonus issue. The board was authorised to decide on the acquisition of own shares in accordance with the proposal presented to the meeting.

#### **THE NOMINATION COMMITTEE**

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

#### ***The work of the nomination committee during 2017/2018***

According to the decision of the annual general meeting 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 chairman of the board is also a member. Before the 2018 annual general meeting, the nomination committee has consisted of:

- David Bliss, as representative of Lazard Asset Management
- Lars O Grönstedt, as the chairman of Eastnine
- Magnus Lekander, as representative of East Capital (chairman)
- Mathias Svensson, as representative of Keel Capital.

The composition of the nomination committee was announced in a press release and on the company's website on 4 October 2017.

No remuneration has been paid to the members of the nomination committee for their work.

The shareholders have been given the opportunity to present suggestions to the nomination committee. The nomination committee's proposals to the 2018 annual general meeting appear in the notice to the annual general meeting and may also be found on [www.eastnine.com](http://www.eastnine.com).

#### ***Annual general meeting 2018***

The 2018 annual general meeting will be held on Tuesday 24 April 2018 at 15.00 at IVA Conference Centre, Grev Turegatan 16, Stockholm. More information may be found on [www.eastnine.com](http://www.eastnine.com).

#### **AUDITORS**

##### ***External auditors***

On 21 April 2015, the annual general meeting decided to re-elect the registered auditing company KPMG as auditor for the period until the

end of the 2019 annual general meeting. For this reason, no decision on this was taken at the 2017 annual general meeting. KPMG has advised the company that Anders Malmeby will act as principal auditor as long as the company and the Companies Act permit.

##### ***Auditor's fees***

The company's auditor has received fees for auditing and other prescribed review and for counselling in respect of observations from auditing and review. During the 2017 financial year, fees to the auditors totalled EUR 51,000.

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

The board of directors, which has assumed the duties of the audit committee since June 2016, maintains regular contact with the auditors. The auditors attend board meetings when annual reports and interim reports audited by the auditors are discussed. The auditors then present their observations from auditing and report on their assessment of the company's internal control. The board also meets the auditor once per year for the auditor to report observations directly to the board in the absence of the CEO and CFO.

##### **AUDITOR – KPMG AB**

Principal auditor:

Anders Malmeby

Born 1955

Authorised Public Accountant for KPMG AB. Responsible auditor for Eastnine since 2013. Other auditing assignments: Concentric, Bravida, UC, Bankgirocentralen (BG), Teracom.

# Board



**LARS O GRÖNSTEDT**  
Chairman since 2015,  
board member since 2012

Independent in relation to the company, company management and the company's major shareholders. Born 1954.

**Education**

Bachelor of language and literature from Stockholm University and degree in Business Management from Stockholm School of Economics.

**Work experience**

Currently senior consultant to Nord Stream. 2001–2006 CEO of Svenska Handelsbanken and chairman of the bank 2006–2008.

**Other board memberships**

Chairman of Vostok Emerging Finance, Vostok New Ventures, Manetos Group and Manetos Smart Buildings, Chairman of Real-cap Ventures, Vice Chairman of Riksgälden and Chairman of Trygg-Stiftelsens Presidium.

**Own holdings and those of closely related parties:**

3,282 shares as per 1 Mar 2018.



**PETER ELAM HÅKANSSON**  
Board member since 2014

Not independent in relation to the company's largest shareholder. Born 1962.

**Education**

Degree in Business Management from Stockholm School of Economics, studied at EDHEC in Lille.

**Work experience**

Founder, chairman and head of investment at East Capital. Experience of emerging and frontier markets since the early 1990s and capital markets since the early 1980s. A number of management positions at Enskilda Securities, most recently as Head of Equities for the Nordics and Global Head of Research.

**Other board memberships**

Chairman of East Capital as well as a number of board positions in the East Capital group. Board member of Bonnier Business Press and Atlantic Group in Croatia. Chairman of the foundation behind Swedish Music Hall of Fame and member of the board of the foundation Inter Peace Sweden.

**Own holdings and those of closely related parties:**

5,780,253 shares as per 1 Mar 2018.



**LISELOTTE HJORTH**  
Board member since 2014

Independent in relation to the company, company management and the company's major shareholders. Born 1957.

**Education**

Economics degree from Lund University.

**Work experience**

More than 30 years experience in the financial sector, focused on share- and capital markets, real estate and risk. Held several leading positions at SEB, as deputy CEO and Group Credit Officer, and Global Head of Commercial Real Estate and Member of the Management Board of SEB, Frankfurt.

**Other board memberships**

Chairman of White arkitekter, board member of Kungsleden, Rikshem. and Hoist Finance.

**Own holdings and those of closely related parties:**

2,000 shares as per 1 Mar 2018.



**GÖRAN BRONNER**

**Board member since 2017**

Independent in relation to the company, company management and the company's major shareholders. Born 1962.

**Education**

Degree in economics from Stockholm University.

**Work experience**

A number of positions at Swedbank, most recently as Chief Financial Officer and before that Chief Risk Officer, with 30 years experience of global financial markets. Founder of Tanglin Asset Management and served as the company's Chief Investment Officer. Has had a number of positions at SEB. Has served since 2017 as advisor to EQT.

**Other board memberships**

Chairman of MaBro, board member at Bluestep and CTT Systems, and has a number of board duties in the Lovima group, a wholly owned private company.

**Own holdings and those of closely related parties:**

150,000 shares as per 1 Mar 2018.



**NADYA WELLS**

**Board member since 2016**

Independent in relation to the company, company management and the company's major shareholders. Born 1970.

**Education**

MBA from INSEAD, MA in Modern History and Modern Languages from Oxford University, MSc in Global Health from the University of Geneva.

**Work experience**

More than 20 years experience in growth and border markets as investor and corporate governance expert. Worked at Capital Group for 13 years, most recently as portfolio manager and analyst of EMEA markets. Former investment manager at INVESCO Asset Management.

**Other board memberships**

Board member of Sberbank Russia and Barings Emerging Europe, and responsAbility Investments.

**Own holdings and those of closely related parties:**

0 shares as per 1 Mar 2018.

**THE COMPOSITION OF THE BOARD**

Name	Function	Nationality	Independence	Shareholding as of 1 March 2018	Elected	Attended board meetings 2017
Lars O Grönstedt	Chairman	Sweden	Yes	3,282	2012	22/22
Peter Elam Håkansson	Board member	Sweden	No	5,780,253	2014	17/22
Liselotte Hjorth	Board member	Sweden	Yes	2,000	2014	22/22
Nadya Wells	Board member	Switzerland/United Kingdom	Yes	0	2016	22/22
Göran Bronner	Board member	Sweden	Yes	150,000	2017	22/22

# Management



**KESTUTIS SASNAUSKAS**  
CEO since 2017

Not independent in relation to the company's largest shareholder.  
Born 1973.

**Education**

Studied economics at Stockholm School of Economics, Vilnius University and Gotland University.

**Work experience**

2016–2017 Chief Investment Officer, Eastnine, 1997–2016 Co-founder and Partner of East Capital, responsible for private equity and real estate. 1995–1997 Analyst at Enskilda Securities.

**Own holdings and those of closely related parties:**

409,343 shares as per 1 Mar 2018.



**LENA KRAUSS**  
CFO since 2014

Born 1976

**Education**

Degree in business management, specialising in finance, from the Swedish Business School (Hanken) in Helsinki.

**Work experience**

2008–2013 Bureau manager and senior consultant Diplomat Communications AB, Stockholm, 2004–2007 Investor Relations Director Tele 2 AB, Stockholm, 2004 Partner Shared Value Ltd, London, 2000–2003 Share analyst Alfred Berg ABN Amro, Stockholm, London and Helsinki.

**Own holdings and those of closely related parties:**

3,258 shares as per 1 Mar 2018.



# Employees



**EMIL HOLMSTRÖM**  
Analyst, Stockholm



**ERIC STADLER**  
Project Manager & Corporate  
Secretary, Stockholm



**FARZAD BAHADOR**  
Financial Controller, Stockholm



**GRETA DORTHÉ**  
Administrative & Executive  
Coordinator, Stockholm



**IRMANTAS TRIMONIS**  
Project Administration  
Manager, Vilnius



**JULIUS NIEDVARAS**  
Head of Lithuanian Operations,  
Vilnius



**LILIA KOUZMINA**  
Senior Analyst, Stockholm



**MEELIS ŠOKMAN**  
Head of Estonian Operations,  
Tallinn



**RUTA NARUTAVICE**  
Business Centre Manager,  
Vilnius



**TATJANA POTREBKO**  
Finance Manager, Vilnius



# Auditor's Report

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

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### OPINIONS

We have audited the annual accounts and consolidated accounts of Eastnine AB (publ) for the year 2017, except for the corporate governance statement on pages 32–39. The annual accounts and consolidated accounts of the company are included on pages 40–59 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 2017 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 2017 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 32–39. 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 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 unlisted investments

See disclosure 16 and accounting principles on pages 45–46 in the annual accounts and consolidated accounts for detailed information and description of the matter.

#### DESCRIPTION OF KEY AUDIT MATTER

The company has unlisted investments measured at fair value, which is determined with reference to market information as well as significant unobservable input.

Some of the investments constitute illiquid instruments which are valued based on models and assumptions ("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 at 31 December 2017 the company's assets classified as Level 3 amounted to EUR 160 m, which corresponds to 66 percent of the company's total assets.

#### RESPONSE IN THE AUDIT

We have assessed Eastnine valuation approach against the accounting framework (IFRS).

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

We have involved our internal valuations specialists to assist us in performing audit procedures to challenge the methodology and assumptions used in the valuation of unlisted investments.

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

We have considered the completeness and adequacy of the information disclosed in the Financial Statements relating to valuation of unlisted investments.

#### **OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–31 and 64–65. 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 misstate-

ment 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, 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 2017 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 32–39 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 June 9th, 2016. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2007.

Stockholm, 20 March 2018

KPMG AB

Anders Malmeby  
Authorized Public Accountant