

Interim report January-March 2022

The property business developed well with positive net letting and rising rent levels during the first quarter. Rental income, net operating income and profit from property management increased, primarily due to a larger property portfolio. The Russian invasion of Ukraine, however, has negatively affected the valuation of the holding in the Russian fashion chain MFG.

January-March 2022

- Rental income increased by 22 per cent to EUR 6,226k (5,099), as a result of a larger property portfolio and higher rent levels. In a comparable portfolio, rental income was unchanged.
- Net operating income increased by 19 per cent to EUR 5,497k (4,613).
- Profit from property management increased by 9 per cent to EUR 2,680k (2,454).
- Unrealised value changes amounted to EUR -42,091k (3,747). Of this change, EUR -34k (1,466) is attributable to properties, EUR -44,344k (1,942) to other investments, of which Melon Fashion Group (MFG) was EUR -44,363k (1,558), and EUR 2,287k (339) is attributable to derivatives.
- Dividend from MFG amounted to EUR 6,461k (-).
- Profit/loss for the period amounted to EUR -33,246k (5,649), corresponding to EUR -1.50 per share after dilution (0.25).
- Net letting was positive and amounted to EUR 358k (-138). The average annual rent rose to EUR 185 per sq.m. per year (179). The financial occupancy rate increased to 91.1 per cent (90.0).

Key events during the first quarter

- Eastnine has received a repayment of EUR 14.9m of the value of the holding in East Capital Baltic Property Fund II. The remaining value of EUR 4.2 million is expected to be received later in 2022.
- Russia's invasion of Ukraine has meant that the planned listing of MFG has been postponed. Russia's actions and the increased geopolitical tensions have also meant that it has been clearly more difficult than usual to evaluate Eastnine's holding in MFG. In the financial statements, the holding has been valued according to the usual cash flow model, however, there is uncertainty, inter alia, about what is the correct level of the risk measure WACC.
- Eastnine has partly financed the property Uptown Park in Vilnius through a bank loan of EUR 21.3m.

Key events after the end of the period

- The Board of Directors has decided to broaden Eastnine's geographical focus to include Poland.

CEO comment

Opportunities as well as challenges

Eastnine's reality is twofold. The property business continues to perform well with good demand for office premises, rising rent levels and a positive development in the profit from property management. However, Russia's invasion and ensuing war have had negative consequences related to Eastnine's holding in MFG, with a deferred IPO and lower valuation during the quarter. The acquisition capacity is nevertheless good and the main focus is currently on Poland.

Positive quarter for real estate operations

Eastnine's property business presented a strong quarter with lower vacancies, rising rent levels and thus also a rising surplus ratio as compared to the turn of the year. Net letting, which reflects signed leases less terminated leases during the quarter, was again positive and showed a surplus of EUR 358k in annual rents, which bodes well for the future. The acquisition of the office property Uptown Park in December is now fully reflected in revenue and earnings. Rental income and net operating income are at all-time highs, and profit from property management is back to the previous healthy levels.

Good growth opportunities

During the quarter, we have partly financed Uptown Park by a loan raised from Luminor. The loan itself strengthens our acquisition capacity while we, at the same time, are broadening our financing base with a new bank. With a total of EUR 67 million in cash, we can grow the property portfolio by approximately twice as much and the primary focus is currently on Poland. 'Why Poland?' is a very relevant question. The reason is simply that it is currently possible to do better business in Poland within our segments: the range of interesting opportunities is greater and yield levels on properties are higher. The largest Polish regional cities resemble the Baltic capitals in terms of size, business and legal structure. Acquisitions in Poland open the way to larger future growth and yield opportunities, as well as increased cash flow.

High inflation is more good than bad

High inflationary pressure in the Baltic countries, at a rate that exceeds ten per cent, have both positive and negative consequences. Strongly rising construction prices and problems in the supply chains mean that many construction projects will become more expensive and thus be postponed. This might also affect Eastnine's planned projects. However, a lower proportion of new construction, combined with good demand for premises, creates opportunities for rent growth. Inflation in itself is more positive than it is negative for a real estate company like Eastnine, although of course there are always limits. The reason is that almost all leases are indexed to inflation, at the same time a very high extent of the rising property costs are charged directly to tenants, since the leases are largely triple-net agreements. Larger lease agreements are generally indexed in relation to the inflation rate in the eurozone. About one fourth of Eastnine's total annual rent has a cap on the inflation indexation.

The Russian invasion of Ukraine

Eastnine condemns Russia's invasion of Ukraine and is appalled by the suffering caused by the war. The invasion has not, however, affected Eastnine's day-to-day property business, but has had an impact on the divestment and valuation of the holding in the Russian fashion chain Melon Fashion Group. The plan was for the company to be listed on the Moscow Stock Exchange during the second quarter of 2022,

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which will not now happen. In connection with the listing, all or part of Eastnine's holdings would be released and subsequently gradually invested in real estate. The present situation has made it more difficult than usual to evaluate the holding in MFG. In this report, the holding has been valued according to the usual cash flow model, however, there is great uncertainty about, among other, what is the correct level of the risk measure WACC. In any case, it is clear that the fashion chain's business continues to develop well, even if it is affected by supply chain problems. Overall, our valuation model shows a decrease in value of EUR 44 million during the first quarter of 2022, corresponding to approximately SEK 20 per share.

Our ambition has not changed: Eastnine is to become a purely-focused real estate company as soon as business conditions to do so are optimal. Recent events have only underlined the importance of following the plan, but its implementation has naturally become more difficult. Given the current situation, we are examining several alternative solutions in order to achieve the streamlining goal. In parallel, we are working to grow the property portfolio.

Kestutis Sasnauskas
CEO

Report presentation

The interim report is presented at a webcast by Kestutis Sasnauskas, CEO and Britt-Marie Nyman, CFO and Deputy CEO on Wednesday 4 May, 10.00 a.m. CET. [Click here](#) to see the webcast.

An investor presentation will be available at www.eastnine.com 15 minutes before the start of the webcast. A recording of the webcast will also be available afterwards on the company's website.

Eastnine AB (publ)

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Eastnine AB is a Swedish real estate company with a property value of EUR 471m and a long-term net asset value of EUR 357m as of 31 March 2022. Eastnine's vision is to create and provide prime venues where ideas can flow, people can meet, and successful business can be developed. The mission is that Eastnine shall be the leading long-term provider of modern and sustainable office and logistics premises in prime locations in the Baltics and Poland. Eastnine is listed on Nasdaq Stockholm Mid Cap, sector Real Estate.

This information is information that Eastnine AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 7.00 a.m. CET on 4 May 2022.

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