

Interim report January – March 2023

The year begins with the highest ever quarterly earnings in the property business, in spite of higher interest expenses. A larger property portfolio, a higher occupancy rate and higher rent levels, in combination with lower costs, meant that the profit from property management increased by 70 per cent compared to the same period last year, and 26 per cent compared to the fourth quarter of 2022. Discussions are ongoing relating to a sale of the holding in MFG.

January–March 2023

- Rental income increased by 45 per cent to EUR 9,051k (6,226), due to a larger property portfolio as well as higher occupancy rates and rent levels. The rental income in a comparable portfolio increased by 12 per cent.
- Net operating income increased by 52 per cent to EUR 8,376k (5,497).
- Profit from property management increased by 70 per cent to EUR 4,549k (2,680), corresponding to EUR 0.20 per share (0.12).
- Unrealised value changes amounted to EUR -18,115k (-42,091). Of these changes, EUR -16,811k (-34) are attributable to properties and EUR -1,304k (2,287) to derivatives. No unrealised value changes in the segment other investments (EUR -44,344k) during the quarter.
- The holding in MFG is valued at the same value in EUR as during the previous quarter. This valuation is based on the fact that ongoing sales discussions are referring to the same price level as that agreed upon in the previous, and now terminated, sales agreement which formed the basis of the value at the beginning of the year.
- Realised value changes and dividends amounted collectively to EUR 444k (6,461), chiefly comprising a dividend from MFG of EUR 167k (6,461) and repayments from ECBPF2 of EUR 298k (-).
- Profit/loss for the period amounted to EUR -11,708k (-33,246), corresponding to EUR -0.53 per share after dilution (-1.50).
- Net letting was positive and amounted to EUR 65k (358). The economic occupancy rate increased to 96.6 per cent (96.3).
- Property value amounted to EUR 590m (606), among other things as a result of negative unrealised value changes of 2.8 per cent. The yield requirement in the valuations rose by 0.3 percentage points to 5.9 per cent.

Key events during the first quarter

- The Board has proposed a dividend of SEK 3.40/share (3.00), to be paid on four occasions, quarterly, with each payment amounting to SEK 0.85/share.
- The sales agreement relating to the holding in MFG was terminated in March. Efforts to divest the investment continue and sales discussions are ongoing.

Key events after the end of the period

- No significant events have taken place after the end of the period.

CEO comment

An efficient real estate business continues to deliver record result

Profit from property management rises by 70 per cent to EUR 4.5m, which is a new record for a single quarter, in spite of rising interest expenses. This positive development is the result of, inter alia, the acquisition of a property in Poland in May 2022, a higher occupancy rate and higher rental levels, as well as lower costs. Efforts to divest the holding in MFG are continuing.

The best quarterly profits ever

2023 begins in the same way as last year - by setting new records, even though the interest rates keep rising. Profit from property management increases by 26 per cent compared to the fourth quarter of 2022, and by all of 70 per cent, to EUR 4.5m, compared to the same period last year. The increase is partly a result of the property acquisition we made in Poznan during the second quarter of 2022, but also thanks to fantastic results from new letting, rent indexation and costs during the autumn of 2022 and the beginning of 2023. The outcome of these efforts is that we now have an occupancy rate nearing 97 per cent, a rent increase which on average amounts to 6.6 per cent on those agreements that are indexed during the first quarter, and costs that are lower than they were a year ago, even though the property portfolio is larger. Rental income in a comparable portfolio increased by 12 per cent. A high occupancy rate is important to us, as we have a high share of triple net agreements, which enable us to transfer property expenses to our tenants, as long as the properties are occupied. The high occupancy rate naturally means that there is not much room for improvement on that point. In spite of this, net letting during the quarter was positive, and amounted to 279 sq.m.

Inflation and interest rates

There is still an unusually high rate of inflation in many countries and parts of the world. But there are positive tendencies, indicating a lower rate of inflation in several countries, among others on our markets and in the Euro area. In turn, and in combination with reports of an impending economic downturn, this had led to discussions about whether central banks should wait and see before raising rates further, or to continue until there is more evidence that inflation will be falling. Eastnine and the

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entire real estate industry has de facto been affected by rising market interest rates and thus also by increasing financing expenses. Whether or not there will be further interest rate hikes, these rises are subject to some degree of lag, even concerning so-called variable interest rates as these are generally determined on 3-month intervals. In addition, fixed-interest agreements that expire will often have been signed at lower interest rates than the levels prevailing on the market today. It is most probably, therefore, that the financing expenses for us and many other real estate companies will continue to rise somewhat before they will fall again.

Value changes in properties

Rising yield requirements generally mean that property yields have also gone up. During the quarter, the average yield in our valuations rose by 0.32 percentage points and the negative unrealised value changes of properties amounted to EUR 16.8m, corresponding to 2.8 per cent.

Discussions for the sale of MFG

In the first quarter of 2023, Eastnine decided, together with the putative buyer, to terminate the sales agreement for our share in MFG that had been signed in October 2022. The reason for the termination was that there were still unfulfilled conditions in the agreement, and the assumption was that these would not be met. Since then, efforts to divest our holding have continued and sales discussions are underway. In terms of valuation, these discussions are relating to the same price level as the previous agreement. This means that MFG has been carried at the same value as previously in this interim report. The value is also supported by the previous cash-flow valuation model that Eastnine used when valuing MFG.

Kestutis Sasnauskas, CEO

Report presentation

The interim report is presented at a webcast on Wednesday 3 May at 10.00 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.



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Eastnine AB is a Swedish real estate company with a property value of EUR 590m and a long-term net asset value of EUR 475m as of 31 March 2023. Eastnine's vision is to create and provide the best venues where ideas can flow, people meet, and successful business can be developed. Eastnine's business concept is to be the leading long-term provider of modern and sustainable office and logistics premises in prime locations in selected markets in the Baltics and Poland. Eastnine is listed on Nasdaq Stockholm Mid Cap, sector Real Estate.

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