

**MAGNOLIA**

**Magnolia Bostad  
Annual Report  
2016**

**16**

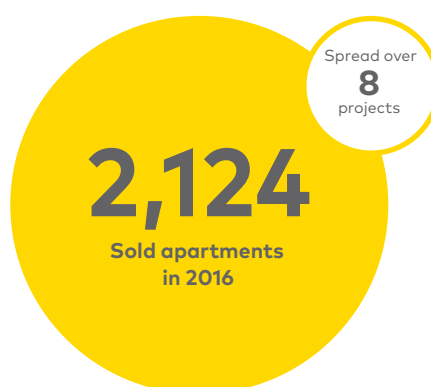
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# Magnolia Bostad in brief in 2016

Magnolia Bostad creates modern homes and living environments through smart functions, attractive architecture and good designs.

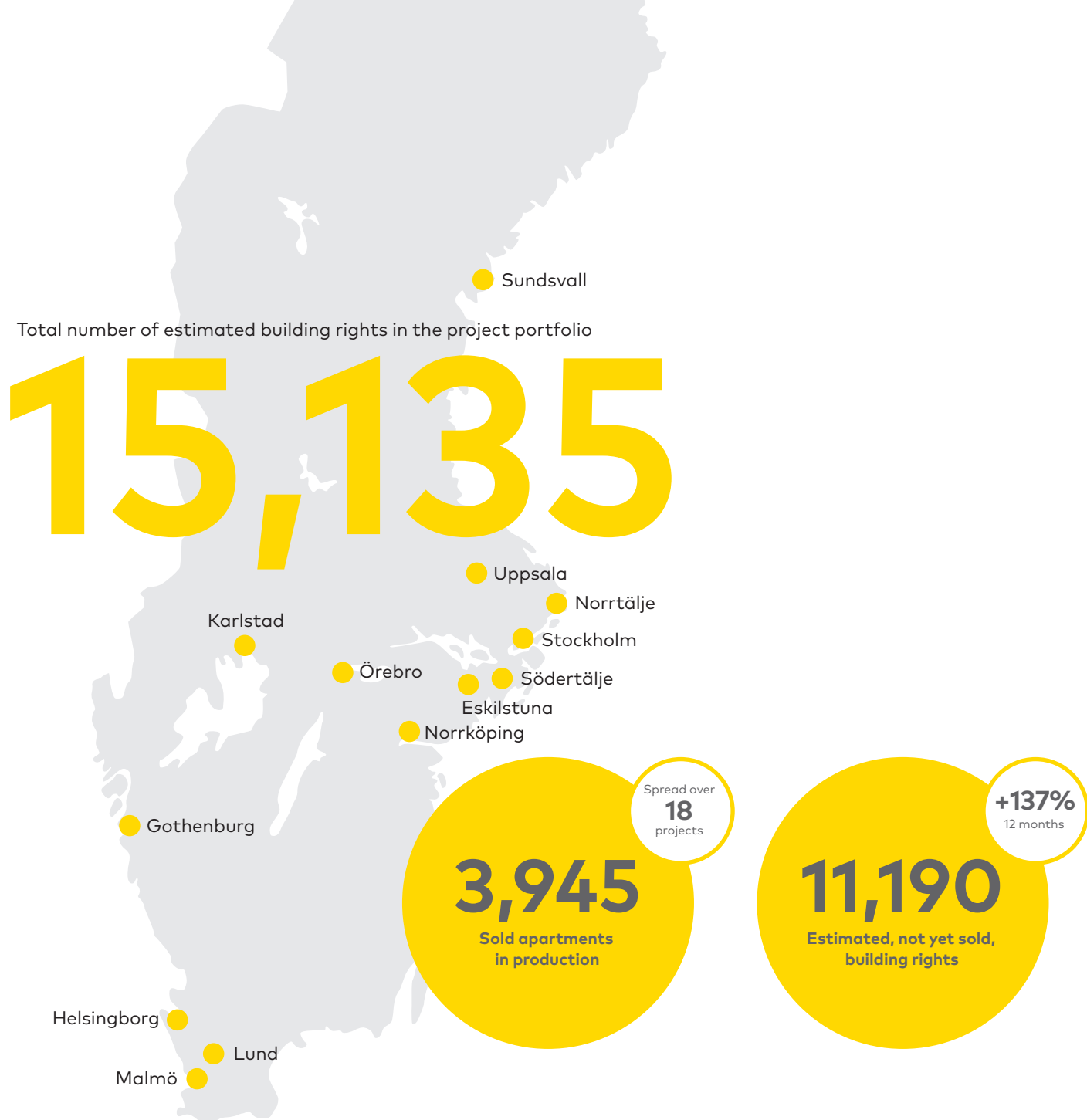
Magnolia Bostad develops new apartments, primarily rental apartments and tenant-owned apartments, in attractive locations in Sweden's metropolitan areas and growth cities.

We put the home in focus – apartments that are well thought-out and efficient on the inside so people will not only be able to afford to live there but also enjoy spending time there. Attractive exteriors, contemporary architecture and well executed projects will create an attractive offer for the country's municipalities and our investors. Our buildings will be standing for many generations.



## January–December 2016

- Net sales amounted to SEK 1,010 million (876).
- The company reported an operating profit of SEK 355 million (358).
- Net profit for the year amounted to SEK 265 million (308). Earnings per share, after deductions for minority shares, amounted to SEK 5.87/share (8.36).
- Equity amounted to SEK 998 million (771). Equity per share, after deductions for minority shares, amounted to SEK 22.79/share (17.93).
- During the year, 9,190 estimated building rights were acquired.
- The number of apartments sold during the year amounted to 2,124.
- During the year, a secured bond loan of SEK 600 million and an unsecured bond loan of SEK 400 million were issued. The bonds were admitted for trading on Nasdaq First North Bond Market.
- The Board of Directors is proposing a dividend of SEK 1.75 per share (1.00).



## KPIs, Group

	2016 Jan-Dec	2015 Jan-Dec
<b>Project-related</b>		
Total number of estimated apartments in the portfolio	15,135	6,978
Estimated number of, not yet sold, apartments in the portfolio	11,190	4,720
Number of apartments sold during the year	2,124	1,553
Number of apartments in production	3,945	2,253
Number of completed apartments	405	268
<b>Financials</b>		
Operating margin (%)	35.1	40.9
Return on equity (%) <sup>1)</sup>	28.8	62.1
Equity/assets ratio (%)	36.2	40.8
Interest coverage ratio (multiple)	3.8	6.9
<b>Share-related</b>		
Earnings per share (SEK) <sup>1)</sup>	5.87	8.36
Equity per share (SEK) <sup>1)</sup>	22.79	17.93

<sup>1)</sup> Excluding minority interest

# Events per quarter

## Q1 2016

Cooperation agreement signed with Västerkulla Hotell. Under the agreement, Västerkulla Hotell has the possibility to acquire the hotels that Magnolia Bostad develops.

A letter of intent is signed with Helsingborg Municipality regarding the cooperation between the company and the municipality to develop new rental apartments with reasonable rents.

A land transfer agreement is signed with Helsingborg Municipality for two properties, and 345 rental apartments are sold at the same time to SPP Fastigheter. The estimated property value upon completion is approximately SEK 550 million.

A land allotment agreement is signed for 600 apartments in the centrally situated Norra Kajen harbor area in Sundsvall.

The company annuls contracts concerning the Huvudkontoret project in Uppsala for the production of 90 tenant-owned apartments.

Projects in Åre are divested with the aim of focusing on the core operations – the development of apartment buildings.

## Q2 2016

Acquisition of building rights for around 700 apartments in central Södertälje. The company at the same time sells to SPP Fastigheter 440 rental apartments that will be developed in the project's first phase. The property value at completion is estimated to amount to approximately SEK 750 million.

Sale of 454 rental apartments in the Senapsfabriken project, phase 1, in Uppsala to SEB Domestica III. The property value at completion is estimated to amount to approximately SEK 1 billion.

Sale of more than 300 rental apartments in the Tegelslagaren and Tegelmästaren projects in Åby Ängar, Vallentuna to SEB Domestica II. The property value at completion is estimated to amount to approximately SEK 500 million. The transaction is conditional on the buyer's financing.

Acquisition of phase 3 of the Senapsfabriken project in Uppsala. Magnolia Bostad will pursue local planning to develop the building rights for the property and intends to build around 700 apartments.

Magnolia Bostad wins another two land allotment competitions, one in Södra Ladugårdsängen in Örebro Municipality and one in Åkersberga in Österåker Municipality. The land allotments refer to a total of 410 apartments.

Issue of a four-year covered bond loan for SEK 600 million.

## Q3 2016

Sale of the Segelflygaren project, 210 apartments, located in Södra Ladugårdsängen, Örebro, to Slättö. The estimated property value upon completion is approximately SEK 350 million.

Acquisition of building rights for around 380 apartments in Norra Munktelstaden, Eskilstuna. The company sold at the same time approximately 260 apartments that will be developed in the project's first phase to Slättö. The property value at completion is estimated to amount to approximately SEK 450 million.

Acquisition of property in Helsingborg consisting of more than 26,700 sqm of land. Magnolia Bostad will pursue local planning to develop around 780 apartments.

Revenue recognition of the Tegelmästaren and Tegelslagaren projects in Åby Ängar, Vallentuna. The sale is no longer conditional on the buyer's financing.

Magnolia Bostad is allotted land in Hagby Ängar close to downtown Åkersberga, Österåker Municipality. The land allotment refers to part of the Hagby 1:5 property and includes approximately 24,000 sqm of land.



## Q4 2016

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Magnolia Bostad AB issues a 5-year unsecured bond loan of SEK 400 million pursuant to a bond frame of up to SEK 1 billion.

An agreement is signed for the acquisition of property in Bunkeflostrand, Limhamn, where the company will pursue local planning for approximately 1,000 apartments.

The company is allotted land in Råbylund, Lund Municipality. The company intends to develop approximately 275 apartments here.

A framework agreement is signed with Slättö specifying that Slättö will acquire housing projects from Magnolia Bostad at a value of at least SEK 5 billion. This amount may gradually be raised to SEK 14 billion. The agreement is conditional on Slättö's financing.

Magnolia Bostad and Alecta form joint venture that acquires the Stinsen shopping center, where the company plans to build approximately 2,000 apartments.

The Board of Directors of Magnolia Bostad communicates the company's intention to apply for the listing of the company's shares on Nasdaq Stockholm in 2017.

An agreement is signed for the acquisition of property in Upplands Väsby. The company intends to apply for local planning for apartments.

## Events after the period

Magnolia Bostad holds an extraordinary general meeting in January at which Viveka Ekberg is elected to the Board of Directors.

In January, Camilla Weiner becomes Head of Sustainability and joins the management team.

An agreement is signed for the acquisition of three site leasehold rights in Bredäng, Stockholm, where the company will continue to pursue local planning to construct 700 to 800 apartments.

Magnolia Bostad is approved for listing on Nasdaq First North Premier. The first day of trade is March 31, 2017.

# Our goal is in sight

In 2016, Magnolia Bostad established the platform that will allow the company to consistently be able to achieve the goal of starting production on 3,000 apartments per year starting in 2018.

Magnolia Bostad is reporting for the 2016 financial year an operating profit of SEK 355 million (358) and profit after tax of SEK 265 million (308).

## **Magnolia Bostad's strategy**

Magnolia Bostad's goal is to be able to start production on 3,000 apartments a year starting in 2018. We will strive to develop ten percent of the building rights in-house as tenant-owned apartments and 90 percent as apartments under the company's rental apartment model. The apartments developed under this model are sold to leading Swedish institutions and partners.

In our rental apartment projects, we also strive to work together with the project's buyer to convert 25 percent of the rental apartments into tenant-owned apartments. In these cases, we apply a model where the profit is shared between Magnolia Bostad and the buyer. On an annual basis, this would result in approximately 2,025 rental apartments and 975 tenant-owned apartments. It is also Magnolia Bostad's goal to develop one hotel and two to four student housing or residential care projects a year starting in 2018.

**"All of the components that are required to achieve our goal are now in place"**

Fredrik Lidjan  
CEO

In order to be able to sustain a level of 3,000 production starts a year, three components must be in place:

- a sufficient number of building rights in our project portfolio,
- an organization capable of executing the projects with quality, and
- good financing.

We have taken great strides forward in all three areas in 2016.

## **Building rights**

The foundation of Magnolia Bostad's operations is the acquisition of attractive building rights in Sweden's metropolitan areas and growth cities.

It is our ambition for the project portfolio at any given point in time to consist of 15,000 estimated, not yet sold, building rights, which corresponds to five years' of production starts. In 2016, the project portfolio demonstrated net growth of approximately 8,175 estimated apartments, an increase of 117 percent compared to 2015. At the end of the year, the portfolio included

11,190 estimated, not yet sold, building rights.

All acquisitions are based on a rental apartment calculation, which means that it is possible for the project to report a profit even if it is only possible to develop rental apartments.

## **Organizational structure**

Magnolia Bostad's rapid growth is also reflected in our organization, which at the end of the year consisted of approximately 50 employees. During the year we strengthened the organization within concept development, project development, finance, HR and marketing. We are very pleased that we have been able to recruit some of the industry's sharpest minds to key positions within the company.

## **Financing**

Magnolia Bostad primarily uses forward funding to finance its projects, but we also work with other financing methods for our projects.

- In December, we expanded our



Magnolia Bostad's CEO Fredrik Lidjan.

collaboration with Alecta when we formed a joint venture and acquired the Stinsen 2 property in Sollentuna.

- In November, Magnolia Bostad signed a framework agreement with Slättö for future sales of housing projects at a value of at least SEK 5 billion, which may gradually be increased to SEK 14

billion. Magnolia Bostad has thus secured a buyer for up to 7,000 apartments.

- The company issued two bonds during the year for a total of SEK 1,000 million. In total, 100 investors participated in each issue, and both issues were oversubscribed.

#### **Good foundation for growth**

I am looking forward with a good degree of confidence. Work is currently underway to list the company's share on Nasdaq Stockholm's main market, which we plan to complete in 2017. With this move, we are aiming to create possibilities for raising the liquidity of the share and improving the transparency of the company for its shareholders.

I would like to thank our employees and partners for a successful year in 2016. We are confident that the initiatives and investments taken in 2016 have laid a solid foundation for the company's continued growth.

Stockholm, March 2017

Fredrik Lidjan  
CEO



# Our business



# Business idea

Magnolia Bostad will develop efficient, attractive and functional new housing at a good profit.

## Targets

### Financial targets

- Return on equity shall be at least 30 percent.
- Equity/assets ratio: at least 30 percent.

### Operational targets

- Possibility of starting production on 3,000 apartments a year starting in 2018.

### Sustainability targets

- Strive to meet the requirements for environmental certification corresponding to the Sweden Green Building Council's Silver certification or the Swan Eco-label in all of our projects.

## Strategy

By working with several forms of ownership, the company achieves good risk distribution.

The distribution between rental apartments and tenant-owned apartments in the project portfolio varies over time based on demand, the state of the economy and conditions that at any given time are judged to be most favorable for the company. Growth shall occur with good profitability. In order to achieve our targets within the framework of our business idea,

the following strategies have been identified:

- Development in areas demonstrating favorable demographic conditions in the long term.
- Forward funding for rental apartment transactions, hotels, student housing and residential care facilities.
- Production of projects begins first when demand is secured.
- Over time, 90 percent of the project portfolios will be developed under the rental apartment model. After the sale of rental projects, the company strives to, in cooperation with the buyer, convert approximately 25 percent of the homes into tenant-owned apartments.
- Over time, ten percent of the project portfolio will be developed in-house as tenant-owned apartments.
- Create long-term relationships with partners who have good reputations.
- Effectively use the balance sheet, primarily through high turnover in the entire project chain.
- In joint ventures, Magnolia Bostad shall always aim to be the dominant partner and never hold a minority position.

# Business model

Magnolia Bostad's business model is based on securing cost-coverage at an early stage of the project. By working with two models, we combine good profitability with balanced risk-taking.

The properties we develop under the rental apartment model are sold at an early stage to large Swedish institutions. Before

production starts on a project, a binding agreement must have been signed between Magnolia Bostad and the final property owner, and the buyer thus also provides financing through forward funding on an ongoing basis throughout production. This normally entails that Magnolia Bostad gets back the capital it has already invested when the buyer enters into the project.

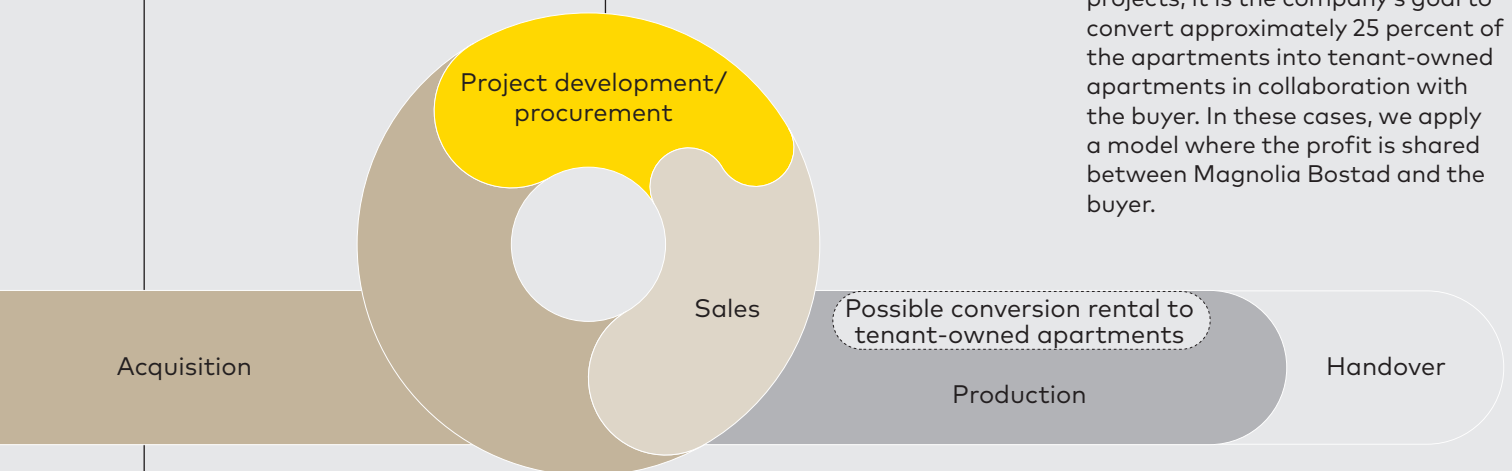
Magnolia Bostad's margin is paid at the end of the project.

Our policy when it comes to tenant-owned apartment projects is that binding agreements for the sale of apartments corresponding to the set sales target must have been signed before production starts.

## Rental apartment model

Rental apartments, hotels, student housing and residential care facilities are developed under the rental apartment model. Acquisition of land, concept development and the procurement of contracting services occur to the greatest extent possible in collaboration with the fi-

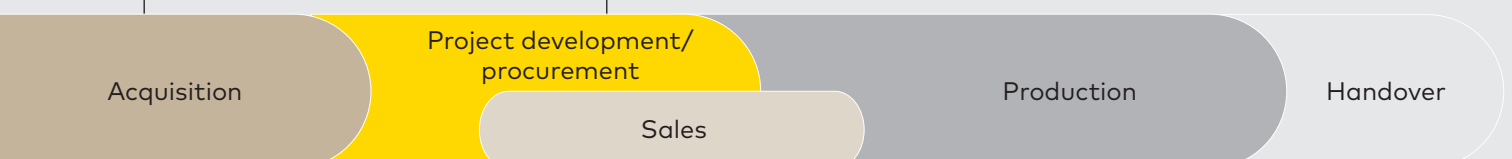
nal investor. The project is financed during production by the investor and the project margin for Magnolia Bostad is largely secured. Magnolia Bostad's target over time is to develop approximately 90 percent of its portfolio pursuant to this model. After the sale of rental apartment projects, it is the company's goal to convert approximately 25 percent of the apartments into tenant-owned apartments in collaboration with the buyer. In these cases, we apply a model where the profit is shared between Magnolia Bostad and the buyer.



## Tenant-owned apartment model

Tenant-owned apartment projects follow a more traditional process, i.e. the acquisition of land, concept development, sale, procurement and production. Prior to the start

of production, binding agreements corresponding to the set sales target must have been signed. These projects tie up more capital but also enable a higher profit margin.



# Magnolia Bostad's business

Magnolia Bostad's business is based on a scalable process that consists of four clear steps – and that we would argue is the industry's most efficient process.

Acquiring properties that can be developed into modern apartments in attractive environments and in markets with good demand are key components for being able to conduct profitable property development.

## New investment opportunities

Magnolia Bostad's transaction department analyzes and acquires new projects. Before acquisition, we analyze the project using thorough assessments of demand, rental levels, housing prices, production costs, financing and risks. This analysis is conducted both internally and in collaboration with external experts.

Using an extensive network of contractors, property companies, architects, credit institutions and real estate agents, we work in an active and structured manner to search for potential projects. By being well prepared and through our ability to make decisions quickly, we can act swiftly and thus secure new investment opportunities.

**"Good relationships with the country's municipalities create good conditions for new business"**

Klas Ljungberg  
Business Area Manager Municipalities

The good relationships we have with municipalities in the markets where we are active give us the opportunity to participate in land allotments and other acquisition opportunities that are on the planning agenda of the municipalities. As our production in growth cities increases, we further anchor our position as a reliable market participant, thereby securing strong possibilities for continued business with municipalities.

## Product development early in the process

Work starts as early as the acquisition phase to develop a concept that suits the specific location and draws on the potential in the area.

During the local planning processes, we strive to achieve as large an implementable volume as possible, although without compromising quality. The company also strives to obtain local planning that is as flexible as possible in order to develop the best possible product.

By deciding at an early stage how the project will be designed, we are more accurate in our financial assessments. We work closely with our contractors and exchange experiences with the aim of developing cost-effective solutions.

A Magnolia home should be tasteful, space-efficient, well-planned and adapted to both the location's

### Feasibility studies and acquisitions

- Close contact with municipalities regarding land allotments.
- Analysis of property ownership and proactive operations to find own business opportunities.
- Fast follow-up on proposals from individuals and property companies.
- Volume assessments and early sketches.
- Market analyses and Due Diligence.

### Program phase

- Pursue flexible and effective local planning to enforcement when needed.
- Concept development for the project in question.
- Determination of the project's environmental classification.
- Negotiate for and procure of competitive turn-key contracts.
- Preparation of agreements for the sale of rental apartment projects.
- Start of sales to tenant-owner association customers.

### Implementation

- Project management and building permission.
- Signing of sales agreements and turn-key contract agreements.
- Revenue recognition.
- Delivery of the project to the investor or tenant-owner association.
- Project management of construction in cooperation with contractor.



### After sales

- Operational follow-up together with the customer.
- Experience exchange.
- Handling customer relationships during the warranty period.
- Implementation of the warranty inspection.

In 2016, the tenants moved into the Traversen project at Turebergs Allé in Sollentuna. Magnolia Bostad sold the 230 space-efficient, modern apartments to Aberdeen's residential fund when the property was acquired in 2013.

geographical conditions and the people who will live there. We work with leading architects and suppliers to achieve attractive architectural form, design and residential functions. Considerable focus is also placed on the project's entrances, stairwells, corridors, courtyards and other common areas.

Sustainability aspects are important, and we always strive to achieve the requirements for environmental certification according to the Sweden Green Building Council's Silver certification, the Swan Eco-label or the equivalent in all of our projects. To ensure that we meet or exceed today's strict sustainability requirements, we are meticulous in our choice of building materials and suppliers.

#### Focused sales work

Selling apartments to customers before they have the opportunity to see the final product requires a clear, effective sales process. Our communication department works with marketing and sales and the visualization of how the project will look in terms of shape, design, architecture and function. A good depiction of the project and the features and values of the apartment is a prerequisite for satisfied customers. Regardless of the form of ownership, Magnolia Bostad manages and develops the project all the way to completion.

## "Our cooperation with large institutions provides us with stability and a long-term approach to our business"

Erik Rune  
Deputy CEO and Head of Department Business Development

Under the rental apartment model, projects are always sold prior to production and are financed through forward funding. This enables us to reduce both risk and the need for financing. We work closely with long-term institutional owners, who are less sensitive to the business cycle fluctuations than many other buyers. This provides us with continuity, makes it possible to start discussions already at the planning stage about a final property value for the project, and offers the investor an opportunity to influence the direction of the project.

As a result, we are able to limit deviations in our project margin already at the start of the project, thus achieving a good, risk-adjusted return for the projects that are developed under the rental apartment model. Institutions in general are looking for large-scale investment. Our rental apartment projects therefore often have a production scope of 200–400 apartments per project, and hotels have at least

100 rooms. The hotel development business is preferably concentrated to larger cities that offer public services such as a hospital, college/university or governmental agencies. Magnolia Bostad aims to develop one hotel project a year, as well as two to four student housing or residential care projects a year.

The size of the tenant-owned apartment projects is determined by how quickly the apartments can be sold on the local market, how much capital the project ties up and the project opportunities that are available at any given time. Tenant-owned apartment projects are usually built in a phase consisting of approximately 100 apartments. Production does not start on these types of projects until the tenant-owner association has signed binding agreements for a number of apartments corresponding to the company's sales target.

Magnolia Bostad appoints a person to be in charge of each tenant-

## Our product categories - balanced risk



Rental apartment projects combine good profitability, low capital tie-up and low project risk with relatively small internal utilization of resources. Magnolia Bostad has chosen to focus the majority of its resources on the development of rental apartment properties. The end customers in rental apartment projects are long-term institutional investors who acquire the properties early in the project.

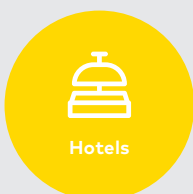


Tenant-owned apartment projects have higher margins, but are more staff-intensive and place higher demands on financial resources during the course of the project. Magnolia Bostad strives to develop tenant-owned apartments as a smaller part of a large project. Municipalities often request that areas be developed with a mix of types of ownership, which makes us an attractive partner for long-term cooperation.





In the Kungsängen district in the southern part of Uppsala, Magnolia Bostad is developing 1,800 apartments in the Senapsfabriken project.



Hotel projects are similar to rental apartment projects in that the end customers are also institutional investors. New hotels are established in cities that are demonstrating positive growth in terms of population and commercial activities.



Magnolia Bostad applies an urban planning perspective to its projects. Municipalities, and even institutional investors, are often looking for the competence to develop comprehensive residential areas that include not only homes but also, for example, student and residential care housing. These projects have a similar structure to rental apartment projects and are developed under the rental apartment model.





At Turebergs Allé, between the Stinsen shopping center and Sollentuna Centrum, Magnolia Bostad is currently building 90 tenant-owned apartments in the Lumen project. Construction began in 2015 and occupancy is planned for 2017.

owned apartment project. This person's assignment is to maintain a high level of service for the tenant-owner association and tenant-owners and to ensure high delivery quality.

#### **Production using turn-key contracts**

By working with well-established construction contractors, we strengthen our possibilities for achieving high quality and delivery performance.

We procure production in the form of turn-key contracts at a fixed price, thus limiting the risk for cost

**"We limit our risk by working with turn-key contracts at a fixed price"**

Rickard Langerfors  
Deputy CEO and Head of Department  
Project Development

**"Apartments must be fault-free when turned over to the customer"**

Martin Andersson  
Head of Project Development Helsingborg

increases related to building production.

Magnolia Bostad's project developers have extensive experience in professional procurement and control of building contractors. They work closely with the construction companies and regularly monitor production to ensure that the customer receives the right quality at the right price.

We have established a broad network of external consultants and suppliers who are very familiar with our method of working. Together with the contractor, they assist us in all steps of the project management and construction management process and thus contribute

to the high quality we strive for in our projects.

#### **Smooth handover to the end customer**

Magnolia Bostad places considerable importance on ensuring that apartments do not have any inspection comments at occupancy.

For tenant-owned apartment projects, Magnolia Bostad appoints a customer coordinator to assist the tenant-owner association and end customer in identifying and rectifying errors at an early stage. For rental apartment projects, the company's project managers ensure that the apartments meet the quality and standard agreed by the parties.



For projects that follow the rental apartment model, Magnolia Bostad's end customer is the institution that acquired the rental property. The end customer in tenant-owned apartment projects is the tenant-owner association representing the individuals purchasing apartments from the association.

Regardless of the type of housing project, the handling of unresolved comments is a major source of irritation that also results in significant costs. The company's production process aims to identify any errors and deficiencies early in the process. The apartments must be fault-free when the building is turned over to the end customer.

# "A professional and reliable customer"

**"Magnolia Bostad is high on Serneke's list of professional, prioritized and reliable customers." So declares Daniel Åstenius, CEO of Serneke, a construction contractor.**

Magnolia Bostad and Serneke have been working together for several years. Right now, they have three projects – one in Helsingborg and two in Uppsala.

"The work in these projects is characterized by a creative approach from both partners and a positive climate. I would be surprised if we did not sign more agreements in the near future," says Daniel Åstenius

## **Sees similarities between the companies**

He describes Serneke as a company that is run by genuine, modern entrepreneurship, and sees a lot of similarities between his own company and Magnolia Bostad.

"Magnolia Bostad, just like Serneke, is driven by a strong sense of purpose. I am thinking primarily about the commitment of both the management and the staff, and which we at Serneke view to be a key to success."

**"Magnolia Bostad is driven by a strong sense of purpose, just like us"**

Daniel Åstenius  
CEO of Serneke

"Magnolia has an interesting business model in that it has chosen to develop a deep cooperation with strong financial actors. This does not just benefit Magnolia Bostad, but also leads to stability and greater security for the contractors. This is one of the main reasons that we like to have Magnolia Bostad as a customer."

"Early in our relationship we developed a fundamental agreement package. It outlines the strengths of each party, ensures reciprocity and creates conditions for a good outcome for both parties."



Daniel Åstenius, CEO of Serneke och Rickard Langerfors, Deputy CEO and Head of Department Project Development at Magnolia Bostad.

# Our values are our compass

Our values summarize our culture and our motivation. They serve as the foundation for all of our relationships - with our customers, suppliers, other business partners and our stakeholders in general.

Magnolia Bostad's overarching goal is to generate good growth and return for its shareholders.

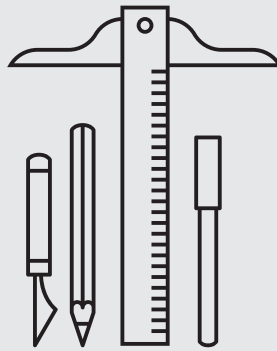
Our values serve as our moral compass. We are driven by a desire to take an approach that is both innovative and focused.

The pillars on which the "Magnolia House" rests are Innovation, Ambition and Awareness. This means that we have the desire to change and challenge the status quo. We work in a structured and focused manner to optimize our productivity – an orderly structure for everything from planning to occupancy. Our business culture is characterized by openness, happiness and dynamics.



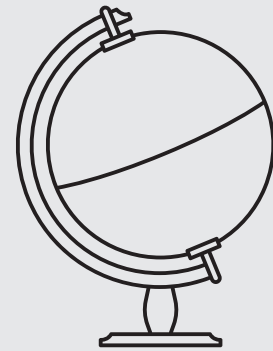
## Innovation

We are inspired by the possibility of breaking new ground. We have a deeply anchored desire to renew and challenge old traditions. Building for the needs of both today and the future and embracing modern solutions when it comes to architecture, service and building technologies. This requires curiosity and resourcefulness. We are energetic and move quickly. We are a company that dares to dream big and act accordingly.



## Ambition

We are constantly striving to improve and innovate – all the time and in every corner of our operations. We do not engage in random actions, but rather have a thought behind every action. This requires an orderly structure. We are constantly in motion, and we are moving forward at a rapid pace. Our culture is built upon people who share an honest desire to listen to and understand the customer. It is with this ambition that we build our buildings.



## Awareness

We are part of the inclusive society, a sustainable society where we build housing based on how the people of today want to live. We consider the environment to the greatest possible extent, because one of the pillars of our ambition to build for the future is a responsibility to future generations. We encourage, value and respect the fact that people are different. These differences create a dynamic workplace, which generates new solutions, which means better housing. We treat our suppliers, investors and other partners with the same respect.



# An organization equipped for continued growth

During the year, Magnolia Bostad has continued to build up a scalable organization that has extensive experience and competence in business development and project development.

The company's organization consisted of approximately 50 employees in Stockholm and Helsingborg as at December 31, 2016. Important key positions were filled during the year, and the company has built up a strong organization going into the new year.

The organization is broken down into the following areas: Business Development, Project Development, Communications and Finance.

## **Scalable organization**

In order to ensure maximum control over the company's refinement process, the operations' key functions are governed internally. The operations require careful resource planning and good insight into how the company's need for resources varies over time in order to be able to secure a high level of delivery quality and minimize the risk of undercapacity in the organization.

The company's partner organization consists of individual specialists and suppliers within the area of project development, sales, building, financing, etc. The result is a cost-effective and flexible organizational structure that can be quickly adapted to meet faster growth rates and new market conditions.

From the left:  
Suzana Bossel, Head of Communications, Myr Ullhammar, Head of Concept Development Projects and Fredrik Lidjan, CEO of Magnolia Bostad.

**"In 2016, we recruited a number of key staff members for the organization"**

Louise Persson, HR Manager

## **Attractive workplace**

In order to be able to ensure the long-term supply of competent employees in the company's key positions, Magnolia Bostad has set a goal to be one of the industry's most attractive workplaces. As a

mid-sized, rapidly growing business with a sound company culture and an increasingly recognizable brand, Magnolia Bostad is facing good conditions for being a long-term, attractive employer.









# Rapid expansion of housing construction in 2016

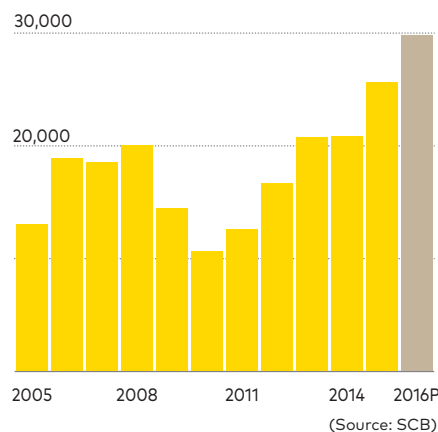
The Swedish real estate market demonstrated strong growth in 2016. Thanks to continued low interest rates, a growing Swedish economy and strong population growth, the 2017 financial year promises to be another strong year.

The Swedish economy grew in 2016, with rising confidence among Swedish households and businesses. The Stockholm Stock Exchange's 30 largest companies reported growth of 4.9 percent in 2016, and in Q1 2017 the OMXSPI index reported record-high levels.

Just as in 2015, record-high population growth and continued low interest rates contributed to strong Swedish GDP growth, which amounted to 3.3 percent in 2016. The strong domestic labor market, which boosted private consumption, and the expansive housing construction had the greatest impact on the economy. During the year, unemployment fell, inflation rose and investments in the public sectors and housing increased. The

Market section has been prepared in cooperation with Newsec, a real estate industry advisor. The market descriptions and projections presented in this section are based on Newsec's experience and assessments of the market.

Completed apartments in apartment buildings, Sweden 2005–2016.



Riksbank has left the repo rate at –0.50 percent.

In 2016, the transaction volume on the Swedish real estate market reached a new all-time high of SEK 201 billion (transactions over SEK 40 million), as did the number of transactions, with 535 completed transactions. Last year's transaction volume was 37 percent higher than the previous year (the corresponding figure for 2015 was SEK

147 million). The office and housing segments attracted the most investors and together represented 55 percent of the transaction volume, 28 and 27 percent, respectively. Commercial properties were the third-largest segment and posted more large transactions than in the fourth quarter.

Sweden is facing good conditions for continued growth despite considerable uncertainty in the rest of the world as a result of, for example, Brexit and Trump's victory in the USA. The economy is still judged to be strong, which means higher investment growth and rising Swedish exports. However, it is primarily domestic demand that will continue to push the Swedish economy forward.

## Strong demand in large cities

In 2016, the Swedish population increased by 1.5 percent according to preliminary statistics from SCB. The majority of Sweden's municipalities reported positive population growth. Sweden's population will continue to grow and in 2017 and 2018 it is predicted that the popula-

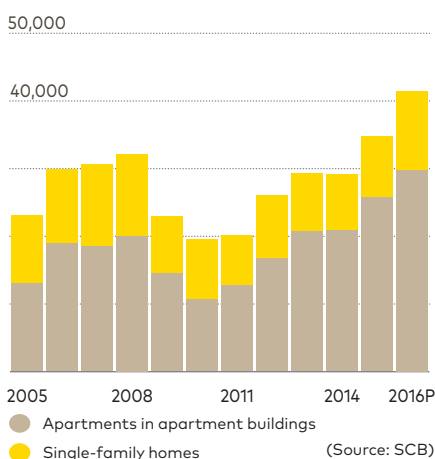
tion will increase by approximately 1.4 percent annually, a large part of which will come from immigration. According to SCB, Sweden's population passed the 10 million-mark on January 20, 2017, and the agency estimates that Sweden's population will pass the 11 million-mark in 2024.

More than 53 percent of the population live in one of the three metropolitan areas, Stockholm, Gothenburg and Malmö. The urbanization trend is continuing, and by 2020 this number is expected to have climbed to 55 percent. The population of the Stockholm region is expected to increase sharply by upwards of 500,000 people by 2030.

### Rising percentage of housing investments

Housing construction in relation to population growth in Sweden has been low since the 1990s. As a result, there is both a pent-up need for housing coupled with high expected growth of the population in the future. Despite an increase in housing construction in recent years, too few homes are still being

**Completed housing (apartment buildings and single-family homes), Sweden 2005–2016.**



built to cover the need, primarily in the metropolitan areas. The National Board of Housing, Building and Planning estimates that 710,000 new homes need to be built in Sweden by 2025.

Swedish housing investments as a percentage of GDP amount to approximately 6 percent, which is normal from an international perspective but high from a Swed-

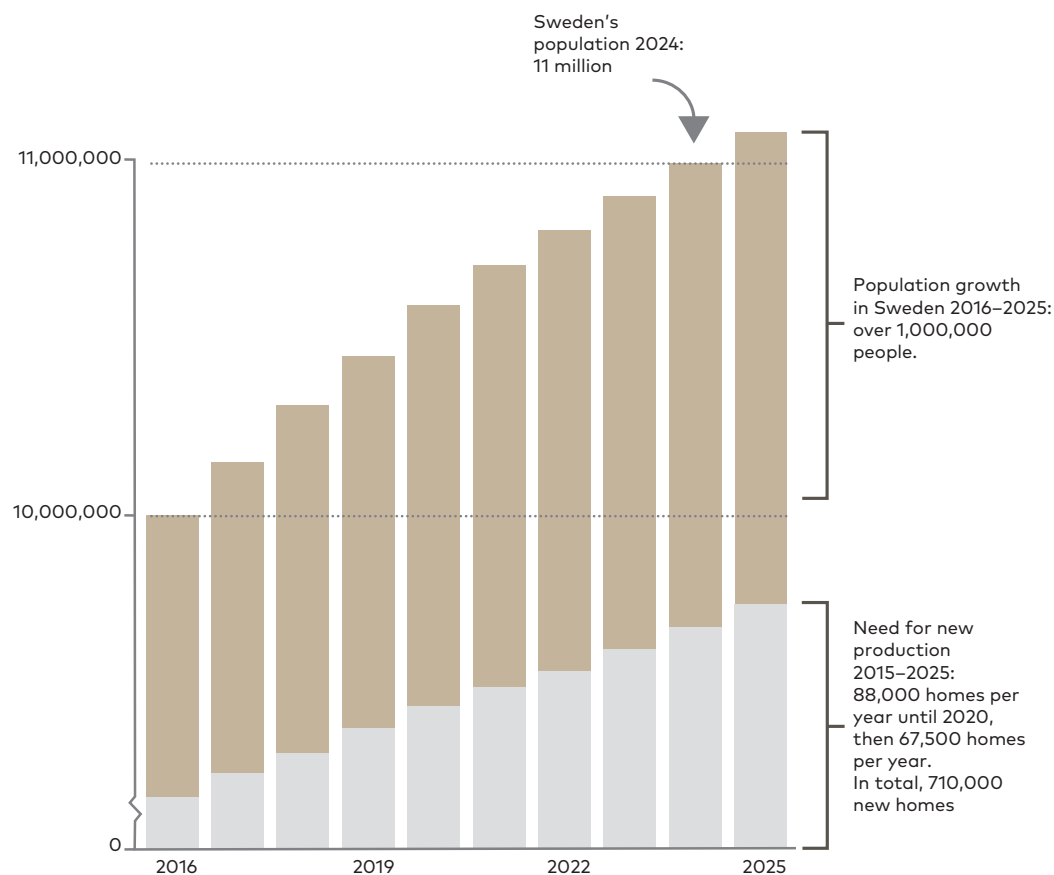
ish perspective, compared to the average from the past 20 years. In Denmark, housing investments are more than 4 percent of GDP, and the equivalent figure in Germany and France is approximately 6 percent. Swedish housing investment as a percentage of GDP has been on average 3.2 percent over the past 20 years.

According to SCB, 41,250 apartments were completed in Sweden in 2016, which can be compared to 34,603 in 2015. The number of completed apartments in apartment buildings increased in 2016 to 29,700 apartments compared to 25,565 in 2015 (the figures for 2016 are preliminary). In the Greater Stockholm area, according to preliminary figures from SCB, production began on approximately 19,400 apartments in 2016, which is a sharp increase from the 13,600 new apartments started in 2015.

### Rental apartment market

According to IPD Svenskt Fastighetsindex, the total return on housing in Sweden was 11.9 percent in 2016. The direct yield requirement





Sweden's population passed the ten million-mark in 2016. According to Statistics Sweden, by 2025 the population will have increased by another million to 11 million.

on the rental apartment market has been declining in recent years. The rent of new production projects for rental apartments is in general relatively close to an assessed market rent and is expected to increase in line with or just above inflation. The direct yield requirement for new production has also been declining, but to less of an extent, and depending on the location is often between 4 and 5 percent, even in regional cities.

The direct yield requirement for centrally located residential properties in the best locations in Stockholm, Gothenburg and Malmö during 2016 is judged by Newsec to be 1.60 percent, 1.75 percent and 2.50 percent, respectively. The direct yield requirement for centrally located residential properties in Uppsala, Norrköping, Helsingborg and Karlstad is higher than in the major Swedish

cities, but is still low: 3.00 percent, 3.50 percent, 3.25 percent and 3.75 percent, respectively.

#### **Tenant-owned apartment market**

In 2016, the supply of tenant-owned apartments and single-family homes on the market decreased compared to 2015. Tenant-owned apartment prices also showed a positive trend throughout the entire country, with an upswing of 7 percent for the country as a whole.

There are significant differences in market development throughout the country. Sweden's major city regions showed an upswing in prices in 2016. In the Greater Stockholm and Greater Gothenburg regions, prices increased by 4 percent and 12 percent, respectively, and in the Greater Malmö region by 14 percent.

The rate at which prices increased in downtown Stockholm and Gothenburg slowed in 2016, but the prices in downtown Malmö demonstrated strong growth during the second half of the year.

The prices of tenant-owned apartments also increased in other regions in 2016. Both Helsingborg and Karlstad experienced large upswings, 23 percent and 22 percent, respectively. Uppsala and Norrköping also experienced an upswing, 6 percent and 18 percent, respectively.

With continued strong population growth, a growing Swedish economy and interest rates that continue to hold at record-low levels, the prices of tenant-owned apartments are expected to keep rising, if at a slightly slower rate.

# "Close to both nature and the city center"

**Tibble is located in Kungsängen, Upplands Bro, and has good access to public transportation. The apartments were developed with a major focus on sustainability and energy efficiency, and their energy consumption is far below the norm.**

"When I am not working, I spend a lot of time working out and skydiving. The location of my apartment is perfect - it is located almost mid-way between my work in downtown Stockholm and my skydiving club in Västerås," says Antonia Holländer, who recently moved into a one-bedroom apartment in the neighborhood.

Antonia lived in Bålsta before, which is roughly 15 minutes away from Kungsängen. When it was time to move into her first apartment, the choice was easy.

"I wanted to be a little closer to work but still be close to nature, so Tibble in Kungsängen was really the perfect location. And the fact that it was a new project made it even more exciting. It was a lot of fun to follow the process. I would drive by while it was being built to watch the progression. I could hardly wait to move in," says Antonia.

Antonia is particularly pleased that the apartment is close to both the city center and nature, and that it has good access to public transportation since she commutes every day.

"The apartment is bright and the best part is its open floor plan. It feels fresh and very sleek with a good base, so you can make your own mark," says Antonia.



Antonia Holländer is 24 and lives in a one-bedroom apartment of 51.5 sqm in Tibble, Kungsängen. She commutes to downtown Stockholm every day, where she works as an Assistant to the CEO. Close proximity to good public transportation makes it possible to commute to Stockholm.

# "One of the best-in-class among Sweden's housing developers"

In December 2016, Magnolia Bostad entered into a framework agreement with Slättö, under which Slättö will acquire housing projects from Magnolia Bostad at a value of between SEK 5 and 14 billion.

Slättö has previously acquired several housing projects from Magnolia Bostad and the framework agreement develops and deepens this cooperation.

"Slättö and Magnolia Bostad complement one another well in terms of business logistics," says Johan Karlsson, CEO of Slättö. "We strive for long-term relationships with competent and innovative property developers. Magnolia Bostad is right now one of the best-in-class in this category."



Erik Rune, Deputy CEO and Head of Department Business Development at Magnolia Bostad, and Johan Karlsson, CEO of Slättö.





One of the projects that Slättö and Magnolia Bostad are working together on is Kanikenäsholmen in Karlstad.



## **Magnolia Bostad Project Portfolio**

**The company has a total of 48 projects for 15,135 estimated apartments with a gross area of more than 965,000 sqm.**



# Project portfolio

Activity has been high in the project portfolio in 2016. During the year, the company acquired 9,190 estimated building rights and the total number of apartments in the project portfolio thereby amounts to approximately 15,135 homes as per December 31, 2016, an increase of 117 percent in 12 months.

During the year, 2,124 apartments in 8 projects were sold, compared to 1,553 apartments in 8 projects in 2015. During the year, four projects and 405 apartments were completed.

Of the total project portfolio, which consists of 15,135 apartments, 11,190 are in the planning and concept development phase and will be developed into rental and tenant-owned apartments. 3,945 homes are sold projects under production, for which completion is estimated to occur between 2017 and 2019.

The information about each project in the tables on pages 31 to 33 is the company's current assessment of each project as a whole. Due to uncertainty factors such as local planning processes, decisions by government authorities or undetermined dates for when project properties will be vacated, these assessments and thus the final outcome for each project may change over time.

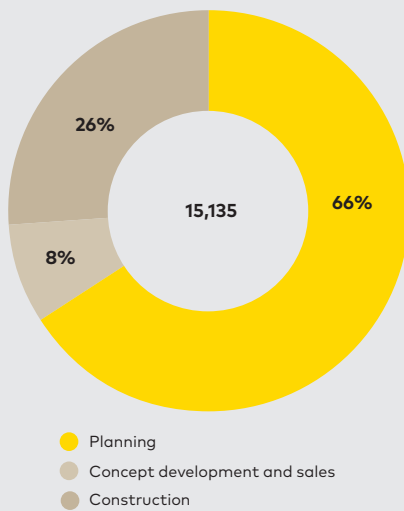
ACQUISITIONS IN 2016			
Quarter	Project	Municipality	Estimated number of apartments
1	Maria Mosaik	Helsingborg	345
1	Norra Kajen	Sundsvall	600
2	Segelflygaren	Örebro	210
2	Sländan, phases 1-3	Södertälje	740
2	Sportflygaren	Örebro	110
2	Nätverket	Åkersberga	300
2	Senapsfabriken, phase 3	Uppsala	700
3	Gjuteriet, phases 1 & 2	Eskilstuna	375
3	Mejeriet	Helsingborg	780
3	Nätverket, phase 2	Åkersberga	160
4	Bunkeflostrand	Malmö	1,300
4	Slipsen	Lund	330
4	Södra Häggviks Gårdar	Sollentuna	2,000
4	Norrtälje Hamn	Norrtälje	440
4	Ladugårdsgärdet	Örebro	100
4	Infra	Upplands Väsby	700
			<b>9,190</b>

SOLD PROJECTS IN PRODUCTION IN 2016				
Quarter	Project	Municipality	Acquired by	Number of apartments
1	Varvet	Karlstad	TOA	92
1	Maria Mosaik	Helsingborg	SPP Fastigheter	345
2	Sländan, phase 1	Södertälje	SPP Fastigheter	445
2	Senapsfabriken, phase 1	Uppsala	SEB Domestica III	455
3	Tegelslagaren	Vallentuna	SEB Domestica II	155
3	Tegelmästaren	Vallentuna	SEB Domestica II	160
3	Segelflygaren	Örebro	Slättö	210
3	Gjuteriet, phase 1	Eskilstuna	Slättö	262
				2,124

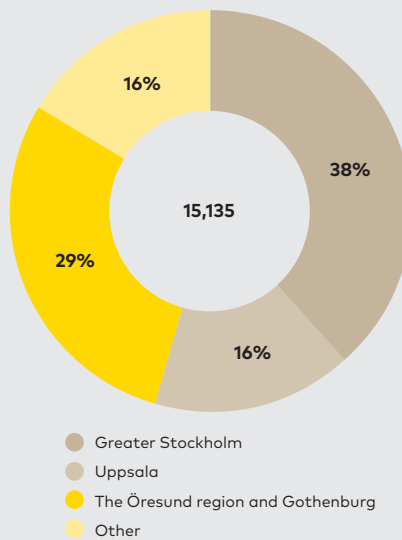
PROJECTS COMPLETED IN 2016			
Project	City	Type of ownership	Number of apartments
Valsta Torg	Valsta Centrum, Sigtuna	TO	42
Traversen 18	Sollentuna	R	230
Tibble	Tibble, Kungsängen	R	40
Tibble	Tibble, Kungsängen	R	93
<b>Total</b>			<b>405</b>

## Pending, not yet sold, projects and sold projects in production as at December 31, 2016

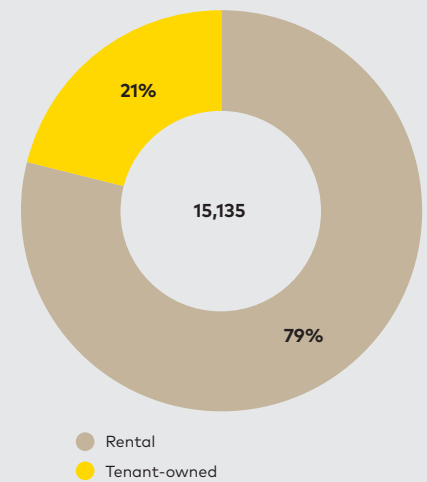
Planned apartments per development phase <sup>1) 2)</sup>



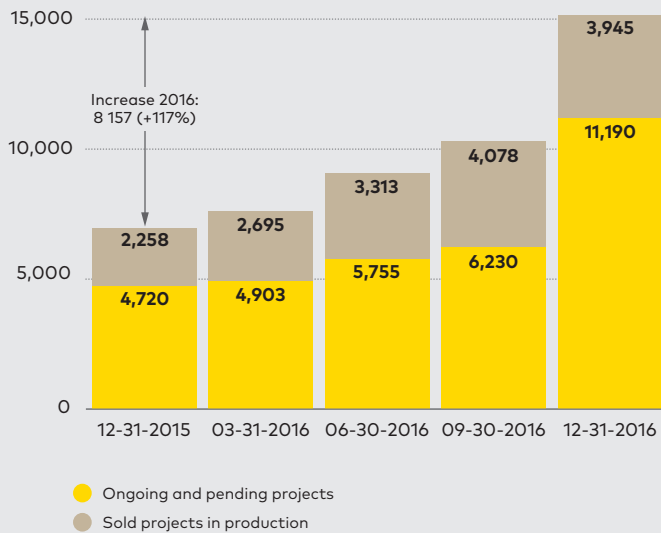
Planned apartments per geographical area <sup>1) 2)</sup>



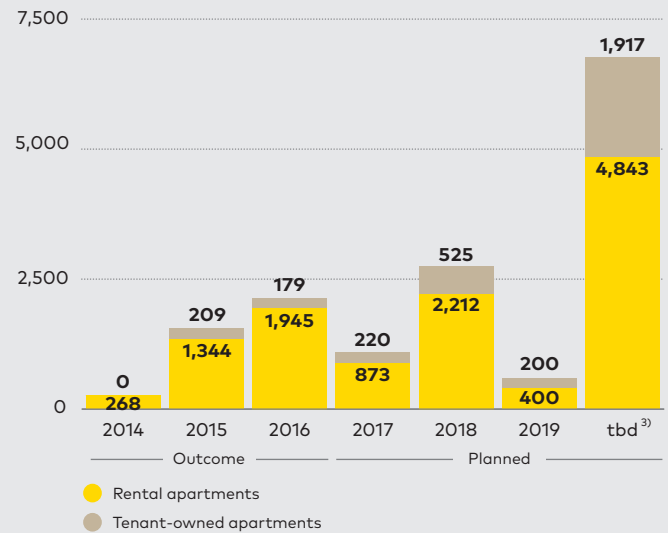
Planned apartments per type of ownership <sup>1) 2)</sup>



Change in project portfolio, number of apartments <sup>1) 2)</sup>



Sold apartments in production, completed and planned <sup>1) 2)</sup>



<sup>1)</sup> Refers to ongoing and pending projects and sold projects in production. Excluding undeveloped properties held for sale.

<sup>2)</sup> Refers to all apartments in each project, i.e. no adjustment for part ownership in projects.

<sup>3)</sup> For land where Magnolia Bostad does not have planning permission or there is no date for when the project properties will be vacated.



# Projects

The tables on this page and the next page show Magnolia Bostad's total project portfolio as at December 31, 2016. The associated company Norefjell Invest is not included.

## PENDING, NOT YET SOLD PROJECTS

Project	Property	City	Type of ownership	Estim. number of apartments	Estim. gross area (sqm)	Estim. living area (sqm)	Phase	Estim. prod. start	Estim. completion
Varvet Townhouse <sup>1)</sup>	Varvet 4 & Part of Varvet 2	Kanikenäsholmen, Karlstad	TO	8	800	700	●	2017	2018
Sländan, phase 2 <sup>1)</sup>	Sländan 7	Södertälje	R	120	7,200	5,300	●	2017	2019
Fasanen <sup>1)</sup>	Burlöv Arlöv 20:58 and others	Arlöv, Burlöv	R	250	16,500	12,500	●	2017	2019
Sportflygaren <sup>1)</sup>	Part of Nikolai 3:63 and others	Södra Ladugårdsängen, Örebro	R	110	8,200	6,200	●	2017	2019
Nyby Lilium, phase 2 <sup>1)</sup>	Part of Gamla Uppsala 99:1	Nyby, Uppsala	TO	65	3,600	2,600	●	2017	2019
Helikoptern <sup>1) 5)</sup>	Part of Nikolai 3:63 and others	Södra Ladugårdgården, Örebro	R	100	7,000	5,300	●	2017	2019
Torgkvarteren <sup>1)</sup>	Part of Våppeby 7:7	Bålsta Torg, Bålsta	R/TO	440	31,800	22,000	●	2017	2021
Konstnären <sup>1)</sup>	Östra Sala Backe, E2, block 5	Östra Sala Backe, Uppsala	R	112	6,700	5,200	●	2018	2019
Nätverket <sup>1)</sup>	Husby 3:3	Hagby Ång och kullar, Åkersberga	R	300	12,000	8,900	●	2018	2020
Norrbacka <sup>1)</sup>	Sigtuna Norrbacka 1:32-36	Norrbacka, Sigtuna	R	180	15,000	11,500	●	2018	2020
Ängloket <sup>1)</sup>	Ängby 1:1	Ängby, Knivsta	R/TO	200	18,000	14,000	●	2018	2020
Nätverket 2 <sup>1)</sup>	Husby 5:2	Hagby Ång och kullar, Åkersberga	TO	160	14,000	10,500	●	2018	2020
Sländan, phase 3 <sup>1)</sup>	Sländan 7	Södertälje	TO	180	10,000	7,500	●	2018	2020
Frihamnen <sup>3)</sup>	Part of Lundbyvassen 736:168	Frihamnen, Gothenburg	Hotel	-	12,000	-	●	2018	2020
Frihamnen <sup>1)</sup>	Part of Lundbyvassen 736:168	Frihamnen, Gothenburg	R	150	10,500	8,000	●	2018	2020
Ophelias Brygga <sup>1)</sup>	Part of Gamla Staden 1:1 and others	Oceanhamnen, Helsingborg	R/TO	110	8,500	6,500	●	2018	2020
Lommarstranden <sup>1)</sup>	Part of Tälje 4:62	Lommarstranden, Norrtälje	R/TO	200	15,000	11,000	●	2018	2020
Gjuteriet, phase 2 <sup>1)</sup>	Nätet 7&8	Norra Munkellstaden, Eskilstuna	TO	115	7,150	5,500	●	2018	2020
Norrtälje Hamn <sup>1) 5)</sup>	Part of Tälje 3:1 and others & Alen 1-5	Norrtälje Hamn	R	440	30,000	22,800	●	2018	2021
Slipsen <sup>1)</sup>	Stora Råby 33:2 and others	Södra Råbylund, Lund	R	590	38,800	29,700	●	2018	2021
Norra kajen <sup>1)</sup>	Norrmalm 3:18 & 4:2	Norra kajen, Sundsvall	R/TO	600	40,000	30,000	●	2019	2022
Orminge Centrum <sup>1)</sup>	Orminge 52:1	Orminge Centrum, Nacka	R	400	35,000	25,000	●	tbd <sup>6)</sup>	-
Södra Häggviks Gårdar <sup>6)</sup>	Stinsen 2	Häggvik, Sollentuna	R/TO	2,000	120,000	93,600	●	tbd <sup>6)</sup>	-
Senapfabriken, phase 2 <sup>2)</sup>	Kungsängen 25:1, block 3	Uppsala	R	650	39,000	27,000	●	tbd <sup>6)</sup>	-
Instrumentet	Instrumentet 2	Stockholm	TO	100	6,100	4,700	●	tbd <sup>6)</sup>	-
Senapfabriken, phase 3 <sup>1)</sup>	Kungsängen 29:2	Uppsala	R/TO	700	40,000	29,000	●	tbd <sup>6)</sup>	-
Upplands Väsby Infra City <sup>1)</sup>	Grimsta 5:2	Infra City, Upplands Väsby	R/TO	700	42,000	32,000	●	tbd <sup>6)</sup>	-
Skogskarlen	Skogskarlen 3	Solna	TO	130	8,000	6,000	●	tbd <sup>6)</sup>	-
Bunkeflostrand <sup>1)</sup>	Limhamn 155:355	Limhamn, Malmö	R/TO	1,300	75,000	58,500	●	tbd <sup>6)</sup>	-
Mejeriet <sup>1)</sup>	Filborna 28:4	Olympia, Helsingborg	R/TO	780	45,000	35,100	●	tbd <sup>6)</sup>	-
<b>Total</b>				<b>11,190</b>	<b>722,850</b>	<b>536,600</b>			

<sup>1)</sup> Magnolia Bostad's share of the profit amounts to 90%.

<sup>2)</sup> Magnolia Bostad's share of the profit amounts to 76.3%, including forward transactions.

<sup>3)</sup> Magnolia Bostad's share of the profit amounts to 60%.

<sup>4)</sup> Magnolia Bostad owns approximately 45% of the JV. For information about the company's share of development profits, see the press release on Magnolia Bostad's website.

<sup>5)</sup> Developed in cooperation with Slättö Förvaltning AB.

<sup>6)</sup> For land where Magnolia Bostad does not have planning permission or there is no date for when the tenants will move out.

### Phase:

- Planning work
- Concept development and sales
- Construction

**Type of ownership:** R=Rental unit, TO=Tenant-owned

**Living area:** Estimated area based on preliminary blueprints or calculated using standardized figures.

## SOLD PROJECTS IN PRODUCTION

Project	Property	City	Type of ownership	Number of apartments	Gross area (sqm)	Living area (sqm)	Phase	Prod. start	Completion
Nya Parken Allé	Publiken 1	Central Norrköping	R	268	21,900	16,600	●	2014	2017
M6	Muttern 6	Södermalm, Stockholm	TO	55	2,900	2,900	●	2015	2017
Lumen	Trapphuset 1	Sollentuna	TO	90	6,600	4,750	●	2015	2017
Bryggan <sup>1)</sup>	Part of Varvet 2	Kanikenäsholmen, Karlstad	TO	64	4,900	3,800	●	2015	2018
Slipen <sup>1)</sup>	Part of Varvet 2	Kanikenäsholmen, Karlstad	R	152	10,800	8,500	●	2015	2018
Maria Forum <sup>1)</sup>	Slagan 1	Mariastaden, Helsingborg	R	292	14,700	12,500	●	2015	2018
Bryggeriet <sup>1)</sup>	Norrländ 11	Helsingborg	R	327	19,000	14,700	●	2015	2019
Nyby Lilium, phase 1 <sup>1)</sup>	Part of Gamla Uppsala 99:1	Nyby, Uppsala	R	300	18,000	14,000	●	2015	2019
Kalkstenen <sup>1)</sup>	Tankloket 1	Limhamn, Malmö	R	129	6,800	5,100	●	2015	2018
Cementfabriken <sup>1)</sup>	Kölen 1	Limhamn, Malmö	R	144	9,100	7,100	●	2015	2018
Varvet <sup>1)</sup>	Varvet 4 & Part of Varvet 2	Kanikenäsholmen, Karlstad	TO	92	7,900	6,100	●	2016	2018
Segelflygaren <sup>1)</sup>	Glidplanet 1	Södra Ladugårdsängen, Örebro	R	210	13,500	10,000	●	2016	2018
Maria Mosaik <sup>1)</sup>	Arkeologen 1 & Antikvarien 1	Maria Station, Helsingborg	R	345	20,000	16,000	●	2016	2019
Senapsfabriken, phase 1 <sup>2)</sup>	Kungsängen 25:1, block 2	Uppsala	R	455	26,800	19,400	●	2016	2019
Tegelslagaren <sup>1)</sup>	Vallentuna-Åby 1:166	Åby Ängar, Vallentuna	R	155	8,100	6,150	●	2016	2019
Tegelmästaren <sup>1)</sup>	Vallentuna-Åby 1:171	Åby Ängar, Vallentuna	R	160	8,100	5,950	●	2016	2019
Sländan, phase 1 <sup>1)</sup>	Sländan 6	Södertälje	R	445	25,400	19,000	●	2016	2019
Gjuteriet, phase 1 <sup>1)</sup>	Nätet 7&8	Norra Munktelstaden, Eskilstuna	R/TO	262	17,800	13,900	●	2016	2019
<b>Total</b>				<b>3,945</b>	<b>242,300</b>	<b>186,450</b>			
<b>TOTAL PROJECT PORTFOLIO</b>				<b>15,135</b>	<b>965,150</b>	<b>723,050</b>			

<sup>1)</sup> Magnolia Bostad's share of the profit amounts to 90%.

<sup>2)</sup> Magnolia Bostad's share of the profit amounts to 76.3%.

**Type of ownership:** R=Rental unit, TO=Tenant-owned

**Living area:** Estimated area based on preliminary blueprints or calculated using standardized figures.

### Phase:

- Planning work
- Concept development and sales
- Construction

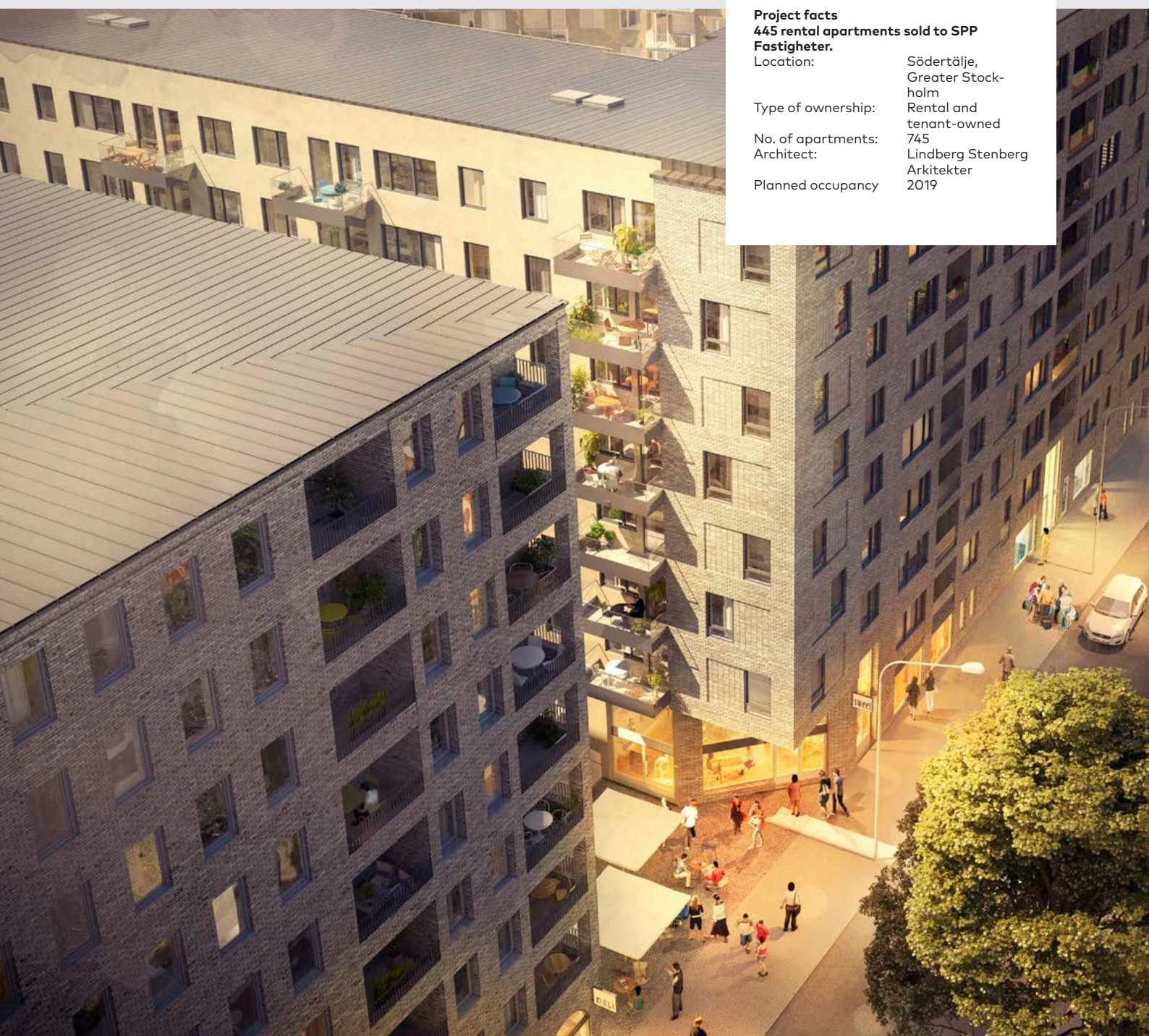


# Sländan Södertälje



**Project facts**  
**445 rental apartments sold to SPP**  
**Fastigheter.**

Location: Södertälje,  
Greater Stockholm  
Type of ownership: Rental and  
tenant-owned  
No. of apartments: 745  
Architect: Lindberg Stenberg  
Arkitekter  
Planned occupancy: 2019







As part of the first phase of the Sländan block in central Södertälje, Magnolia Bostad is developing 445 rental apartments with a mix of studio, one-bedroom and two-bedroom apartments. The focus is on space-efficient, one-bedroom apartments, which comprise more than half of the apartments.

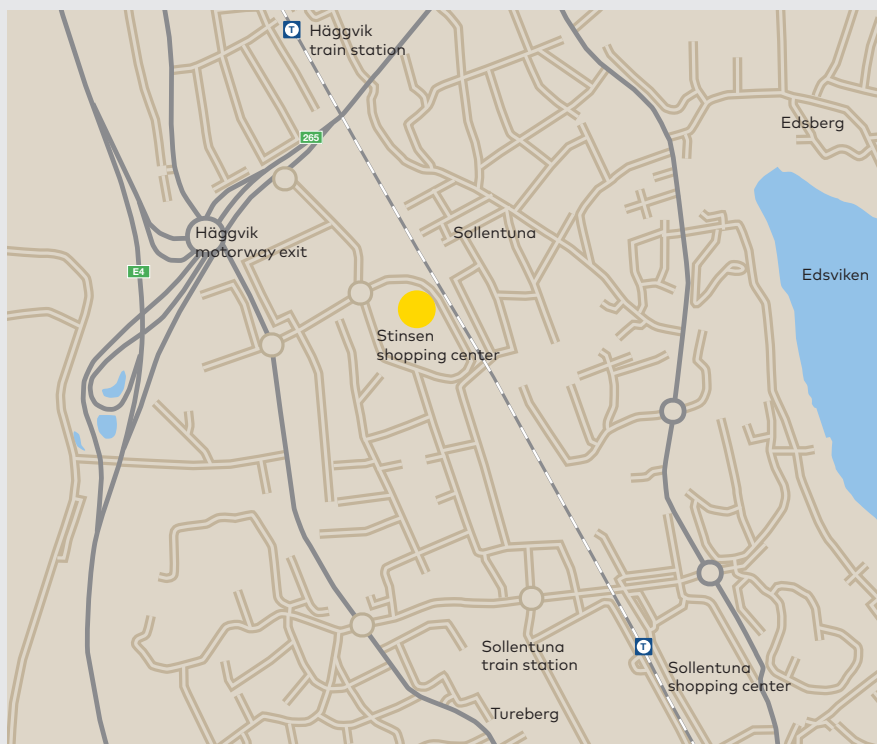
The 445 rental apartments in phase 1 have been sold to SPP Fastigheter.

The project includes two additional phases that have not yet been sold. Phase 2 consists of 120 rental units and phase 3 consists of 180 tenant-owned apartments.



## Södra Häggviks Gårdar Sollentuna

Magnolia Bostad and occupational pension company Alecta acquired the Stinsen shopping center in Södra Häggvik in December 2016. The area will be transformed into an attractive urban and residential neighborhood with mixed functionality. The plan is to build approximately 2,000 apartments here. Approximately one-third will be developed as tenant-owned apartments by Magnolia Bostad, one-third will be sold to Alecta as rental apartments and the remaining third will be sold to Slättö.



### Project facts

Location	Sollentuna, Greater Stockholm
Type of ownership	Rental and tenant-owned
No. of apartments	Approx. 2,000
Planned occupancy	TBD



### Project facts

Location	Åkersberga, Greater Stock- holm
Type of ownership	Rental and tenant-owned
No. of apartments	460
Architect	LINK Arkitektur
Planned occupancy	2020

## Nätverket Åkersberga

In an open area close to downtown Åkersberga, a new residential area is emerging – Hagby Äng och Kullar. Magnolia Bostad will develop here approximately 460 apartments with mixed forms of ownership.





## Torgkvarteren Bålsta

Downtown Bålsta is undergoing an extensive transformation. Magnolia Bostad will build here 440 apartments with a mix of ownership forms, a new travel hub and a grocery store.



### Project facts

Location	Bålsta (Håbo Municipality), Greater Stockholm
Type of ownership	Rental and tenant-owned
Scope	440 apartments, transportation hub and grocery store
Architect	ETTELVA Arkitekter/Tengbom
Planned occupancy	2021

## Tegelslagaren and Tegelmästaren, Vallentuna

Next to Åby Ångar in central Vallentuna, the Tegelslagaren and Tegelmästaren blocks are being developed and will primarily consist of small apartments.

The 315 apartments here have been sold to SEB Domestica II. Production began in 2016 and occupancy is planned for 2019.



### Project facts

#### 155 apartments sold to SEB Domestica II

Location	Vallentuna, Greater Stockholm
Type of ownership	Rental
No. of apartments	155
Architect	ETTELVA Arkitekter
Planned occupancy	2019



### Project facts

#### 160 apartments sold to SEB Domestica II

Location	Vallentuna, Greater Stockholm
Type of ownership	Rental
No. of apartments	160
Architect	ETTELVA Arkitekter
Planned occupancy	2019



## Senapsfabriken, central Uppsala

Senapsfabriken is a major development area in central Uppsala where Magnolia Bostad is developing approximately 1,800 apartments.

The apartments are located in the Kungsängen district next to the south entrance to downtown Uppsala, an area that has undergone strong development in recent years. The new apartments will be located only a few minutes' walk from Uppsala's newly constructed travel hub.

In 2016, production started on the project's first phase of 455 apartments after the apartments were sold to SEB Domestica III. Magnolia Bostad also acquired an adjoining property, the project's third phase consisting of 700 apartments is planned.



**Project facts**  
**1,800 apartments, of which 455 were sold to SEB Domestica III**

Location	Uppsala
Type of ownership	Rental and tenant-owned
No. of apartments	Approx. 1,800
Architect	Sweco
Planned occupancy	Start 2019



# Lilium, Nyby

Magnolia Bostad acquired land in Nyby, Uppsala in December 2015. The plan is to build 365 apartments here with mixed forms of ownership. Sales of the first phase, which consists of tenant-owned apartments, started in Q1 2017.



**Project facts**  
**300 rental apartments sold to SEB Domestica II.**

Location	Uppsala
Type of ownership	Rental and tenant-owned
No. of apartments	365
Architect	Arkitema
Planned occupancy	2019





# Kalkstenen Malmö

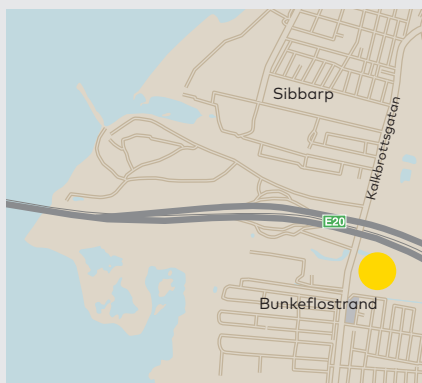
In the north part of Limhamn, Magnolia Bostad is developing the Kalkstenen area with 129 space-efficient rental apartments ranging from studio to two-bedroom apartments, of which the majority will be well-planned studio and one-bedroom apartments.

The apartments were sold to SPP Fastigheter.

**Project facts**  
**129 rental apartments sold to SPP Fastigheter.**

Location	Limhamn, Malmö
Type of ownership	Rental
No. of apartments	129
Architect	Lindberg Stenberg Arkitekter
Planned occupancy	2018





## Bunkeflostrand Malmö

Magnolia Bostad acquired a property in 2016 in Bunkeflostrand, Malmö. Here, in an area filled with nature and close to the lake, Magnolia Bostad is planning to build approximately 1,300 apartments with mixed forms of ownership.

### Project facts

Location	Malmö
Type of ownership	Rental and tenant-owned
No. of apartments	1,300
Planned occupancy	TBD



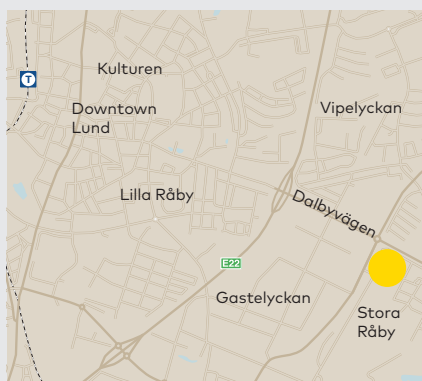
## Bryggeriet Helsingborg

Magnolia Bostad is currently building 327 rental apartments in four blocks in downtown Helsingborg. Occupancy is planned for 2019 and the apartments were sold to Alecta in conjunction with the acquisition of the land.

### Project facts

**327 apartments were sold to Alecta.**

Location	Helsingborg
Type of ownership	Rental
No. of apartments	327
Architect:	Jaenecke Arkitekter
Planned occupancy	2019



## Slipsen Lund

In 2016, Magnolia Bostad was allotted land next to the company's Stora Råby project in Lund. Here, in the centrally located and popular Råby-lund neighborhood, the company is developing a total of 590 rental apartments.

### Project facts

Location	Lund
Type of ownership	Rental
No. of apartments	590
Planned occupancy	2021



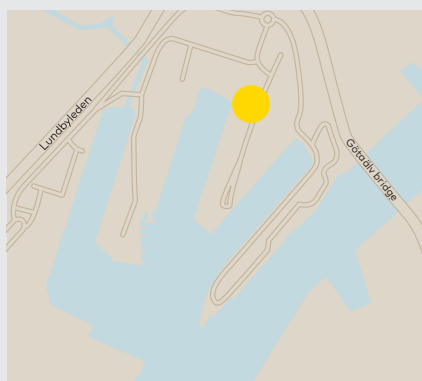
## Cementfabriken Malmö

In the south part of Limhamn, Magnolia Bostad is developing the Cementfabriken project with 144 space-efficient apartments, of which the majority will be well-planned studio, one-bedroom and two-bedroom apartments.

### Project facts

**144 rental apartments were sold to SPP Fastigheter.**

Location	Malmö
Type of ownership	Rental
No. of apartments	144
Architect	Lindberg Stenberg Arkitekter
Planned occupancy	2018



## Frihamnen Gothenburg

In 2014, Gothenburg Municipality named Magnolia Bostad one of the winners in the land allotment competition for the transformation of Frihamnen. Here, the company will develop about 150 apartments and a hotel with about 300 rooms, conference facilities and a restaurant.

### Project facts

Location	Gothenburg
Type of ownership	Rental and hotel
No. of apartments	150 plus 300 hotel rooms
Planned occupancy	2020



# Kanikenäsholmen Karlstad

At Karlstad's old shipyards at Kanikenäsholmen, Magnolia Bostad is currently building a new residential area close to the water. The company is developing 316 apartments with mixed forms of ownership right next to Lake Vänern, with a marina, quays and boathouses located a comfortable walking distance to downtown Karlstad.

The 216 rental apartments were sold to Slättö and the 92 tenant-owned apartments in the Varvet block sold out in record time. Sales for phase 3, which consists of 8 tenant-owned apartments, will start in 2017.

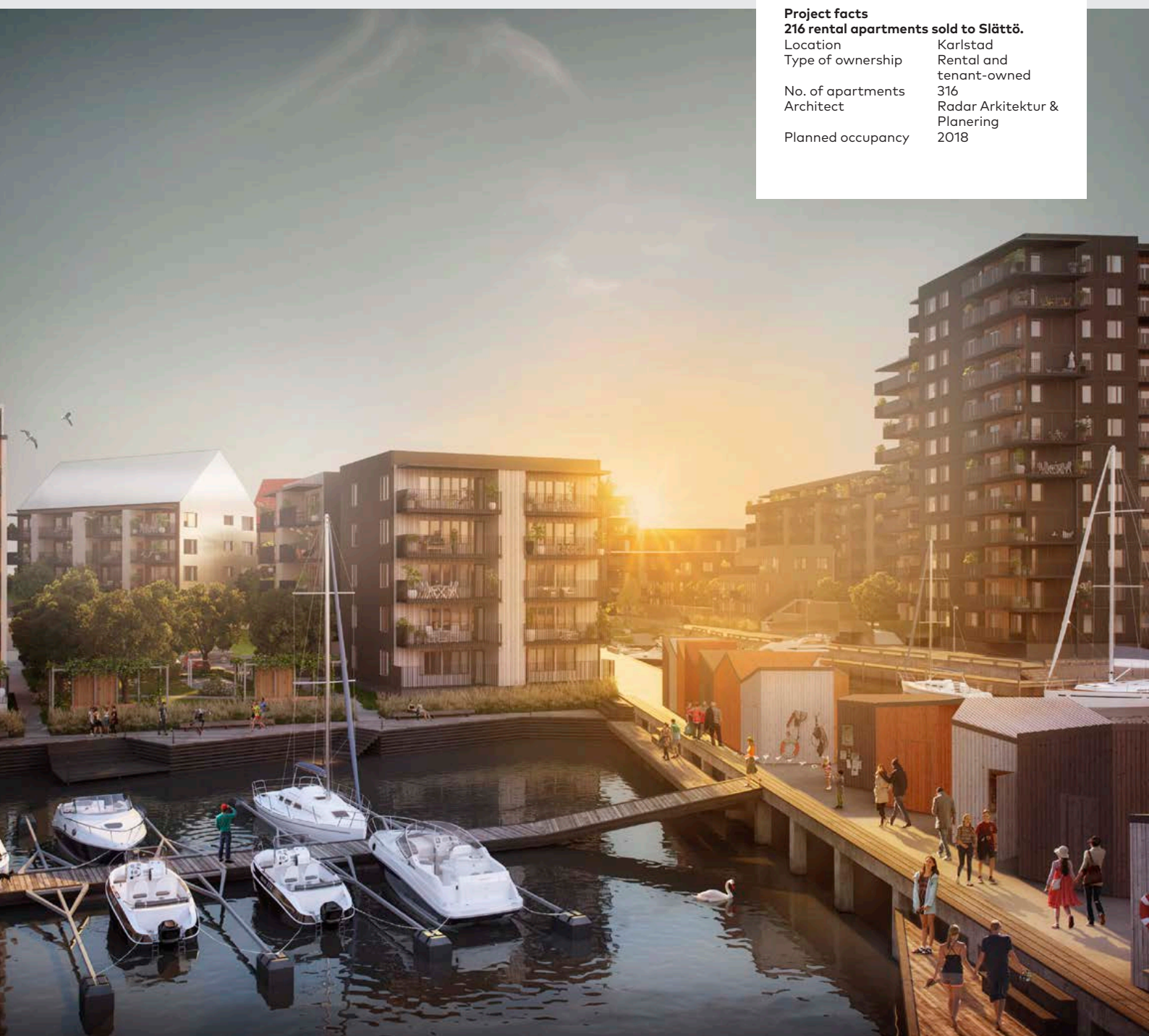




#### Project facts

#### 216 rental apartments sold to Slättö.

Location	Karlstad
Type of ownership	Rental and tenant-owned
No. of apartments	316
Architect	Radar Arkitektur & Planering
Planned occupancy	2018







## Segelflygaren Örebro

The municipality is planning a new neighborhood, Södra Ladugårdsängen, two kilometers from downtown Örebro. Magnolia Bostad is developing here 210 apartments in the Segelflygaren project and occupancy is planned for 2018–2019.

The area is close to Örebro University, outdoor areas, a golf course, a racket center, a pool, a gym and a nature reserve.

Production was started in 2016 after the 210 apartments were sold to Slättö.



### Project facts

**210 apartments sold to Slättö**

Location	Örebro
Type of ownership	Rental
No. of apartments	210
Architect	Klara Arkitekter
Planned occupancy	2018-2019



## Gjuteriet Eskilstuna

In September 2016, Magnolia Bostad acquired two properties in Norra Munktelstaden, Eskilstuna. Under the project name Gjuteriet, phase 1 and phase 2, the company will develop approximately 377 rental and tenant-owned apartments.

The Norra Munktelstaden area is undergoing a major transformation and when finished will consist of approximately 1,200 apartments.

Phase 1, consisting of 262 apartments, was sold to Slättö and production of the project's first phase has begun.



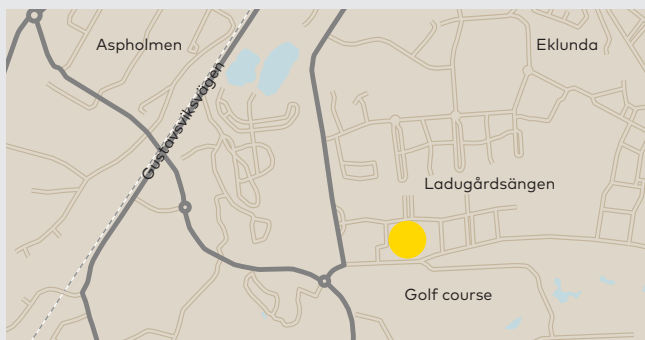
### Project facts

**262 apartments were sold to Slättö**

Location	Eskilstuna
Type of ownership	Rental
Scope	377 apartments
Architect	Hidemark & Stintzing
Planned occupancy	2019

## Sportflygaren, Örebro

The Sportflygaren project is located in Södra Ladugårdsängen in Örebro. Magnolia Bostad will develop 110 rental apartments here.

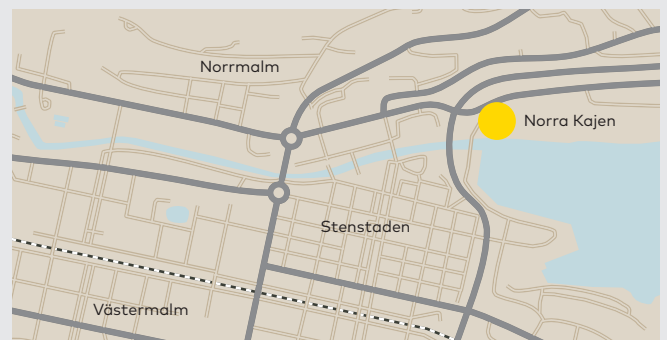


### Project facts

Location	Örebro
Type of ownership	Rental
No. of apartments	110
Architect	Klara Arkitekter
Planned occupancy	2019

## Norra Kajen, Sundsvall

In the centrally located Norra Kajen harbor area in Sundsvall, Magnolia Bostad will develop approximately 600 apartments with mixed forms of ownership.



### Project facts

Location	Sundsvall
Type of ownership	Rental and tenant-owned
No. of apartments	600
Planned occupancy	2022



# Environmentally friendly housing close to everything

**When the family grew and Liam came into the world a year ago, Pernilla and Cristian felt cramped in their small, one-bedroom apartment and wanted to find something bigger. They had heard that a new neighborhood was being built in Nya Parken next to Norrköping's soccer arena.**

Pernilla and Cristian agree that the best part about living at Nya Parken Allé is that it is a quiet, pretty and pleasant neighborhood that is close to almost everything.

"I have always liked this area a lot. The fact that we were able to get an apartment here was really a big plus, in every possible way. I have always felt that this is home.

## **Close to the bus and trolley**

"It is close to the bus, downtown, stores and daycare. We do not have a car and spend a lot of time on public transportation, both buses and trolleys.

To encourage more environmentally friendly travel, the buildings are also equipped with digital timetables that show the real-time departures for the public transportation in the area, which both Pernilla and Cristian like.

"We have a sign in the stairwell that shows the departure times for the trolleys and buses, which is great. Now I can just step out into the stairwell and see when the next bus is going. We do that a lot," says Cristian.

Nya Parken Allé has a mix of both tower blocks and smaller apartment buildings.

"The apartment does not consume much energy, it is very bright and has an open floor plan. There is oak parquet in all of the rooms, and it is airy and very new," says Pernilla.



Cristian Gonzalez, Pernilla Gyllander and their son one-year-old Liam moved into their new apartment in Nya Parken Allé, Norrköping in 2016.

## **Appreciates the balcony**

Most of the apartments have a balcony or outdoor area, and all of them have access to the shared courtyard.

"We love being out on the balcony in the summer and want to use it as much as possible," says Pernilla.

"There's a good feel here, and we really feel at home," concludes Cristian.



It is easy to live in Nya Parken Allé without a car. The area is very central and digital timetables in the stairwells of the buildings show the departure times for buses and trolley lines close-by.

Senapsfabriken is a major development area in central Uppsala where Magnolia Bostad is developing approximately 1,800 apartments. In 2016, production started on the project's first phase of 455 apartments after the apartments were sold to SEB Domestica. Magnolia Bostad also acquired an adjoining property, the project's third phase, where 700 apartments are planned.







3

# Sustainable housing for generations

For Magnolia Bostad, sustainability means understanding our role in society and making responsible, long-term decisions in the areas that we can influence.

By taking economic, social and environmental responsibility in our housing projects, Magnolia Bostad contributes to a more sustainable society.

## Financial responsibility

We consider sustainability issues to be a natural part of the housing business. Taking a long-term approach is not just about our customers living in beautiful, healthy buildings. It is also a fundamental prerequisite for the company's growth and profitability. Our work is influenced by a holistic approach under which the operations are conducted in a manner that promotes long-term, sustainable development. By having a strong focus on resource-efficiency, space-efficiency and scalability in our projects, we are also able to create conditions to build financially sustainable buildings for many generations.

## Social responsibility

### Community involvement

Magnolia Bostad works actively to develop socially, financially and environmentally sustainable residential areas and to work actively to reduce the housing shortage in Sweden. An important Magnolia Bostad also plays role in society by actively contributing to the fulfillment of requirements on housing construction that are resulting from the rising urbanization, with greater social and economic integration as the goal. By working together with municipalities, contractors and other local companies, it is possible to create secure, financially sustainable solutions.

Together with others, we would also like to be part of the long-term process to create conditions for sustainable development. Magnolia Bostad is an engaged local actor in the areas that we enter as urban planners, and we support team sports, primarily soccer. Read more about Magnolia Bostad's sponsorship on the next spread.

Through Magnolia Bostad's local involvement and positive contribution to the development of the community, local recognition of Magnolia Bostad's operations and brand also increases.

### Attractive employer

Magnolia Bostad wants to have satisfied employees and be the most attractive employer in the industry. We are therefore working continuously with competence development, career planning and the promotion of our employees' health and well-being. As an employer, we would like to offer secure, safe workplaces that are free from discrimination and harassment and where all employees are treated equally and with respect.

In our Code of Conduct we have also formulated the requirements we place on our own behavior and conduct and that we expect all of our business partners to respect as well.

## Environmental responsibility

Magnolia Bostad also works to reduce its impact on the environment. Our environmental commitments permeate our entire operations.



## Financial responsibility



## Social responsibility



## Environmental responsibility

Every project is subject to its own unique conditions for being developed into housing that meets the wishes of our customers. Sustainability permeates everything we do, from planning, acquisitions, project management and sales to production. Our goal is to continuously improve the process in order to minimize the impact of our projects on the environment. Not only do we comply with the already strict demands on environmental and sustainability measurements set out by the Swedish Parliament, municipalities and authorities, we also strive to be a forerunner when

it comes to ensuring that our projects are sound, energy-efficient and sustainable.

Magnolia Bostad has formulated an environmental policy that the company follows in its work, and we expect all of our business partners to respect it as well. The company always strives to achieve the requirements for environmental certification according to Sweden Green Building Council's Silver certification, the Swan Ecolabel or the equivalent in all housing projects.

Magnolia Bostad also works diligently to reduce the environmental impact of its suppliers and customers. By continuously working with more energy-efficient, climate-adapted and resource-efficient products and services, Magnolia Bostad reduces the stresses it imposes on the environment, which contributes to more sustainable development.

#### **Sustainability central in all projects**

We maintain a dialog about sustainability in all our collaborations with consultants, architects, building contractors and other suppliers for each individual project. We require our building contractors to have ISO certification or the equivalent when it comes to quality, the environment and the working environment.

Materials and products are thoroughly evaluated from a life-cycle perspective to ensure that they do not contain any environmental or health risks for either the residents

or the people working with production. By negotiating our projects as turn-key contracts, the building contracting firms are responsible for ensuring that they comply with the requirements established by Magnolia Bostad. We also place requirements on waste and transport management to ensure that both are environmentally friendly and efficient and that materials and products are recycled.

#### **Energy efficiency**

It is Magnolia's ambition to build energy-efficient apartments that have a good indoor environment. Energy efficiency is an important environmental aspect, and the energy consumption of our apartments is currently significantly lower than the level prescribed by the National Board of Housing, Building and Planning's Building Code. The environmental and energy-related measures that are taken during a project vary depending on the conditions of each project. Common environmental and energy-related measures include specially insulated

windows, need-adapted ventilation, sun catchers, solar panels or geothermal heating. Projects also use a high percentage of natural materials, such as tile and wood. If geographically possible, the majority of our newly built apartment buildings are also connected to district heating.

#### **Support for environmental research**

Magnolia Bostad is a co-sponsor and member of the reference group for a research study that is supported by SBUF (the building industry's development fund).

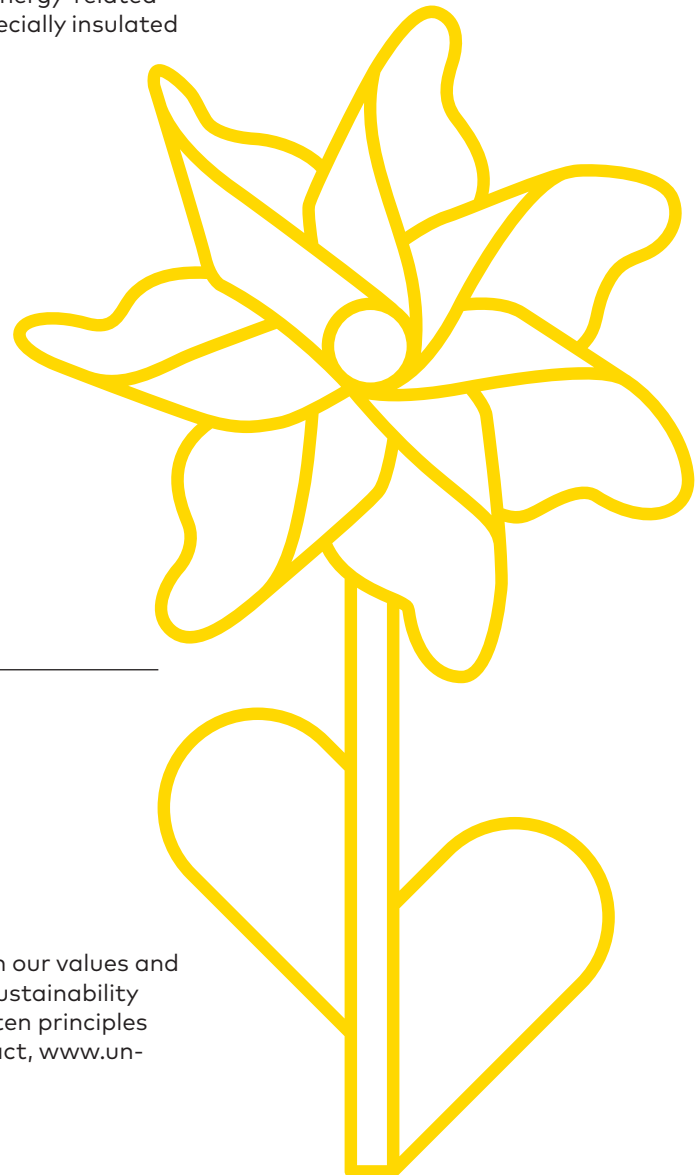
The aim of the project is to supplement previous SBUF studies by conducting LCA calculations (life cycle analysis) of the environmental impact from the same type of building when different construction solutions are theoretically applied. The objective of the calculations is to show the environmental impact of each construction solution over the life cycle of the building.

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## **Magnolia Bostad's Code of Conduct**

In order to create conditions for sustainable work in every step of the process, Magnolia Bostad has created a Code of Conduct. This Code contains the framework for our own behavior and conduct, and we expect all of our business partners to respect it as well.

The Code is based on our values and Magnolia Bostad's sustainability work, as well as the ten principles of UN Global Compact, [www.un-globalcompact.org](http://www.un-globalcompact.org).





# Sustainability in focus in Örebro

What once was Örebro's first airport is now being turned into a new residential area, Södra Ladugårdsängen. A mere two kilometers from downtown Örebro, 230,000 sqm of land is being converted into approximately 3,000 new homes. Magnolia Bostad is developing more than 400 rental apartments in the area.

Örebro is one of Sweden's fastest growing municipalities. It currently has 143,000 inhabitants, and this number is expected to grow by approximately 2,000 people a year.

The Södra Ladugårdsängen neighborhood will offer its residents not only close proximity to the city and Örebro University but also to nature and recreational areas. The plans call for a green, active district with a clear sustainability perspective. Magnolia Bostad's two projects are adjacent to a golf course and an outdoor gym and park and are also walking distance to a racket hall, adventure pool, gym and nature reserve.

## Sustainability in focus

Sustainability is an important focus in the project. Major emphasis is placed on finding new, innovative solutions that not only create a more energy-efficient and environmentally friendly concept, but also improve quality of life and motivate residents to pursue a healthy, sustainable lifestyle. The goal is to minimize the environmental impact by taking a long-term approach and



## "New innovative solutions benefit the environment and raise the quality of life for the residents"

inspiring others by setting a good example.

### Effective transportation

In order to achieve the vision of Södra Ladugårdsängen as a district that will attract people for walks and bike rides, Magnolia Bostad has taken measures to optimize the transportation flows around and within the area in an effort to further reduce the residents' need to have their own car. That objective is to prioritize pedestrians, cyclists,

public transportation and car-share services.

All of the courtyards are car-free, and each block has its own car-share service. In order to promote cycling, there is a covered bike parking area next to the local park. To further encourage residents not to use a car, the buildings' entrances are equipped with electronic timetables that show the real-time departures for the public transportation in the area.

## Environmental measures in all areas

The measures we prioritize in our development and production activities include:

- Sustainable material choices and construction principles to achieve good resource-efficiency.
- Green roofs to bind carbon dioxide from the air and reduce the run-off into the drainage system.
- Compact building forms, insulation and air seals to create a

good indoor climate and minimize energy consumption.

- Solar panels on south- and west-facing roofs to generate electricity for the lighting in the area's parking garage.

Project management that aims for the Sweden Green Building Council's Silver certification to generate low energy consumption and sustainable material choices.

### Green and active

Using the words "green" and "active" to guide its work, Magnolia Bostad has enriched the courtyard areas and walking paths between the blocks with greenhouses, playgrounds, areas for spontaneous sports, leafy gardens and allotments. Residents should find it inviting to walk between the blocks, thus enabling the outdoor environment to contribute to active social cohesion and a greener, safer neighborhood.

# Girls' soccer for diversity, integration and equality

**Magnolia Bostad strives to be an active, engaged participant in the communities where the company is present. The company has therefore decided to support sports organizations, and in particular women's soccer, in the areas where the company is taking an active role in developing the community. For example, in Bålsta, Magnolia Bostad has become a head sponsor of Håbo FF's women's soccer team.**

Soccer is a widespread sport that crosses all social classes, national borders and genders. The sport is played throughout the world and can therefore also serve as an excellent arena for developing diversity and integration in Sweden. In order to also promote equality, Magnolia Bostad has opted to primarily target its support to girls' and women's teams. By supporting team sports, the company is helping a large number of participants and promoting equality, diversity and integration.

Håbo FF, a soccer club located in Bålsta (Håbo Municipality) in the northern part of Greater Stockholm, has 900 active members and is the one of the largest sports associations in the area. The women's team ended last season as #2 in Division 4 Uppland.

"Naturally, it is our ambition to advance through the league system," says Eric Rode-Olsen, Head of Sponsorship at Håbo FF. "But the primary goal of our youth activities on the girls' side is to give the girls living in Bålsta an opportunity to play soccer and to continue to play as long as possible."

Most soccer teams are currently experiencing a negative trend in that many girls opt to stop participating in sports once they reach their teenage years. This trend has been broken in Håbo, and the number of active female participants has instead increased from 200 to 300 in recent years.

"The support we receive from Magnolia Bostad is a strong driver



Emma Vidström is captain of Håbo FF's women's team, which plays in Division 4 Uppland.



behind this positive trend," says Eric Rode-Olsen. "Thanks to the company's sponsorship, we have been able to recruit a very talented and committed coach to the women's team. He has brought new life to the team. Magnolia Bostad's support also gives us the resources to offer different activities, such as a training camp, which has improved the cohesion within the team."



# Sustainable housing development from three employee perspectives

Sustainability issues permeate the company's entire organization and are a major focus throughout the entire development process. Three employees share how they contribute to sustainable housing development through their work.

**Kajsa Löf is a project developer at the office in Helsingborg and an engineer and architect. She has worked with housing development, planning work and commercial premises for eleven years.**

"In my opinion, Magnolia Bostad is the most exciting real estate company in Sweden right now. In addition to the large, interesting project portfolio, I was attracted by the company's enterprising spirit and high ambition when it comes to sustainability, architecture and innovation."

"As a project developer, I have the benefit of closely following a project from its start all the way until occupancy," she says. "The key is to get all of the different puzzle pieces of a project to fit together – an unbelievably exciting and interesting journey."

"I like that my days are so different. One day I might be discussing parking standards or remediation measures, and the next sketching out a new housing block together with an architect, suggesting new streets or considering which sustainable and beautiful building material we want to use."

"It is very exciting to be in the midst of it all, right in the middle of the interaction between contractors, authorities, consultants, management, owners and our customers. I also love that I am able to use my previous experience as an architect to help make our apartment buildings even better products."

**"I was attracted by the company's high ambitions with regard to sustainability, architecture and innovation."**

Kajsa Löf  
Project manager

Right now, Kajsa Löf is primarily working with the Cementfabriken and Kalkstenen projects in Limhamn and the Maria Mosaik project in Helsingborg. She focuses on developing the design of the buildings to find high-quality, attractive solutions that meet both the wishes of the municipalities and Magnolia Bostad's demanding ambition with regard to ease of production and sustainability.

"In the Maria Mosaik project, we worked with two different architecture firms to achieve the best solution, and in the spring of 2017 we will start to build. We started to build the Cementfabriken and Kalkstenen projects in the fall of 2016."

Kajsa Löf believes that housing developers carry an important role in promoting a more sustainable society in the future.

"It is important to connect projects to environmental certification, such as Sweden Green Building Council's Silver certification, the Swan Ecolabel or the equivalent. This confirms that we are pushing in the right direction. But we can always be better; our apartment buildings



will be standing for many years and should also meet the requirements of tomorrow."

"But it is also important for our apartments to offer features that can inspire the people living in them to make sustainable choices and live a simpler life without a car. That is why we will always ensure that there is, for example, a car-share service for each block, safe, covered bicycle parking and good access to public transportation."





Kajsa Löf and Hanna Jessing.

**Hanna Jessing is Magnolia Bostad's general counsel. She has worked in the real estate industry for more than 15 years and most recently spent more than ten years at Vasakronan as general counsel.**

"I was attracted to Magnolia Bostad's rapid growth," she says. "At the same time it is a young company, so I can still help develop the company's business."

"Naturally the focus of my work is on the company's business transactions. But I will also be involved in the work to review and improve Magnolia Bostad's processes with the aim of ensuring both sustain-

**"By regulating sustainability issues in our agreements, we are able to prioritize these issues more clearly."**

Hanna Jessing  
General counsel

able business and that the right quality is delivered at the right price and at the right time."

When it comes to sustainability, she believes that layers bear an important role, particularly when it comes to how agreements and contracts are formulated.

"By regulating various sustainability issues in the agreements with our stakeholders, we are able to prioritize these issues more clearly. In my previous work, I have seen how a long-term and developed approach to sustainability resulted in extremely good results."

**Myr Ullhammar is the Head of Concept Development for Magnolia Bostad's projects. Her background is in architecture, and she has worked in the real estate industry for many years, including stints at Svenska Bostäder, AP Fastigheter and Forsen.**

"It is exciting to be part of the journey that Magnolia Bostad is offering," she says. "I believe with my whole heart that I am making a difference, and I spend every working day ensuring that lots of families will be able to live in good housing throughout Sweden."

As the Head of Concept Development, Myr Ullhammar is active in the early stages of the project planning and local planning work. She

also has the overall responsibility for ensuring that the projects meet the right level of quality and that the local planning is flexible.

"My work with the land allotment process in cooperation with the municipalities is important, too," she says. "What is key here is establishing trust for Magnolia Bostad and our ambition to be a good developer."

When it comes to sustainability, she sees possibilities where she can have an impact both internally within Magnolia Bostad and externally.

"I hope to be able to influence the sustainability work by formulating standards for both quality and so-

cial and environmental sustainability in our projects. We can also make a difference by requiring suppliers and contractors to live up to our standards and regularly monitoring that deliveries meet our requirements."



**Financing, the share and the owners**





# Financing

The business of Magnolia Bostad is capital-intensive. Access to capital is a prerequisite for Magnolia Bostad being able to continue to generate long-term value through the acquisition of building rights.

Magnolia Bostad is financed by both equity and liabilities, of which 55 percent are interest-bearing liabilities. Their distribution depends on the costs associated with each form of financing and that are reflected in the assets' assessed risk and the lenders' pricing and requirements on equity. Magnolia Bostad continuously monitors opportunities to diversify its funding base, and during the year it raised two new bond loans.

#### **Equity and the equity/assets ratio**

At December 31, 2016, consolidated equity amounted to SEK 998 million (771), which resulted in an equity/assets ratio of 36.2 percent (40.8). The minority share of equity was SEK 136 million (93). This change in equity during the year is due to dividends paid and net profit/loss for the year. In 2016, return on equity amounted to 28.8 percent (62.1).

#### **Interest-bearing liabilities**

The total interest-bearing borrowings amounted to SEK 1,505 million (861) at December 31, 2016. Most of Magnolia Bostad's liabilities, SEK 876 million (SEK 900 million in nominal value), consist of capital market financing, and the remaining liabilities consist of bank financing, SEK 614 million, and seller promissory notes, SEK 15 million. Interest-bearing net liabilities, after deductions for cash and cash equivalents of SEK 507 million (193), amounted to SEK 998 million (668). Net financial items amounted to SEK -90 million (-49) and at the end of the year Magnolia Bostad's average interest rate was 5.4 percent with an interest coverage ratio of 3.8. The average capital tie-up term was 2.9 years as at December 31, 2016.

## Magnolia Bostad's financial policy

The financial operations at Magnolia Bostad are conducted in accordance with the rules and guidelines set by the Board of Directors every year. The financial policy aims to limit the risks that are associated with the company's financing, which primarily consist of liquidity, refinancing and interest rate risks.

The overarching goal of the financial policy is to ensure a

short- and long-term capital supply, achieve a long-term and stable capital structure with a granulated maturity structure and achieve the smallest possible risk exposure.

Magnolia Bostad's financial targets are an equity/assets ratio over time of no less than 30 percent and a return on equity of at least 30 percent.

### Bond loans

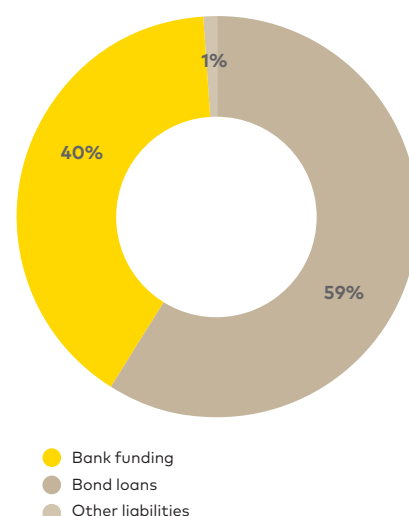
During the year, Magnolia Bostad issued in total two bond loans totaling SEK 1,000 million with a total outstanding volume of SEK 900 million as at December 31, 2016. The first issued loan was a secured bond of SEK 600 million with a floating coupon of STIBOR 3M + 6.25 percent (with a STIBOR floor) and final maturity in April 2020. The second issued loan was an unsecured bond of SEK 400 million pursuant to a bond frame of up to SEK 1 billion, a floating coupon of STIBOR 3M + 7.25 percent (without a STIBOR floor) and final maturity in October 2021. Of the latter bond, SEK 100 million was used to repay the previous secured bond, whose outstanding volume totals SEK 500 million as at December 31, 2016. This extended the average capital tie-up period. The bond loans diversify Magnolia Bostad's

financing base and allow for more room for acquisitions and growth in the project portfolio. The bonds are listed on Nasdaq First North and the intention is to move them to Nasdaq Stockholm in 2017.

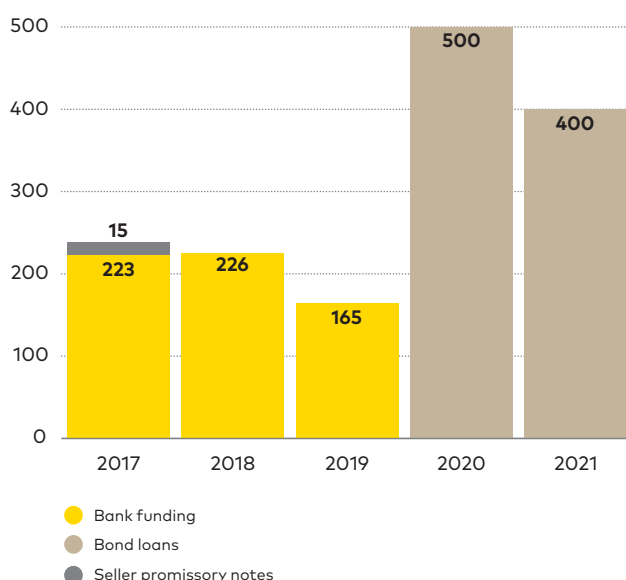
### Cash flow and cash and cash equivalents

Consolidated cash flow from operating activities amounted to SEK -22 million (-150), cash flow from investing activities amounted to SEK -101 million (0) and cash flow from financing activities amounted to SEK 437 million (306). Cash and cash equivalents as per December 31, 2016, amounted to SEK 507 million (193). Disposable liquidity, including unutilized credit lines of SEK 112 million, amounted to SEK 619 million as at December 31, 2016.

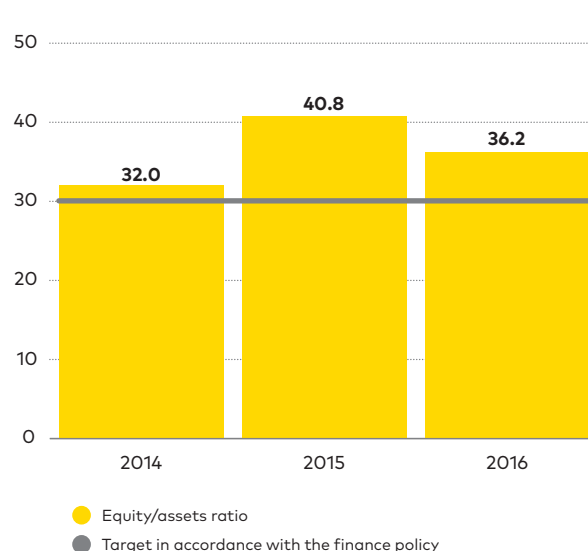
Capital structure, percent



Maturity structure, nominal amounts, SEK million  
SEK million



Equity/assets ratio, percent  
%



# Share

F. Holmström Fastigheter AB, in which Fredrik Holmström has a controlling interest through companies, holds a 56.28 percent stake in Magnolia Bostad. As at December 30, 2016 there were 3,455 (998) shareholders. The share is admitted for trading on Nasdaq First North under the short name MAG. The total number of issued shares at the end of the period was 37,822,283.

The share price at closing on December 30, 2016, was SEK 96.25. On average, 296 transactions were conducted per trading day between October 3, 2016 and December 30, 2015, and the average trading volume per trading day was SEK 5.2 million.

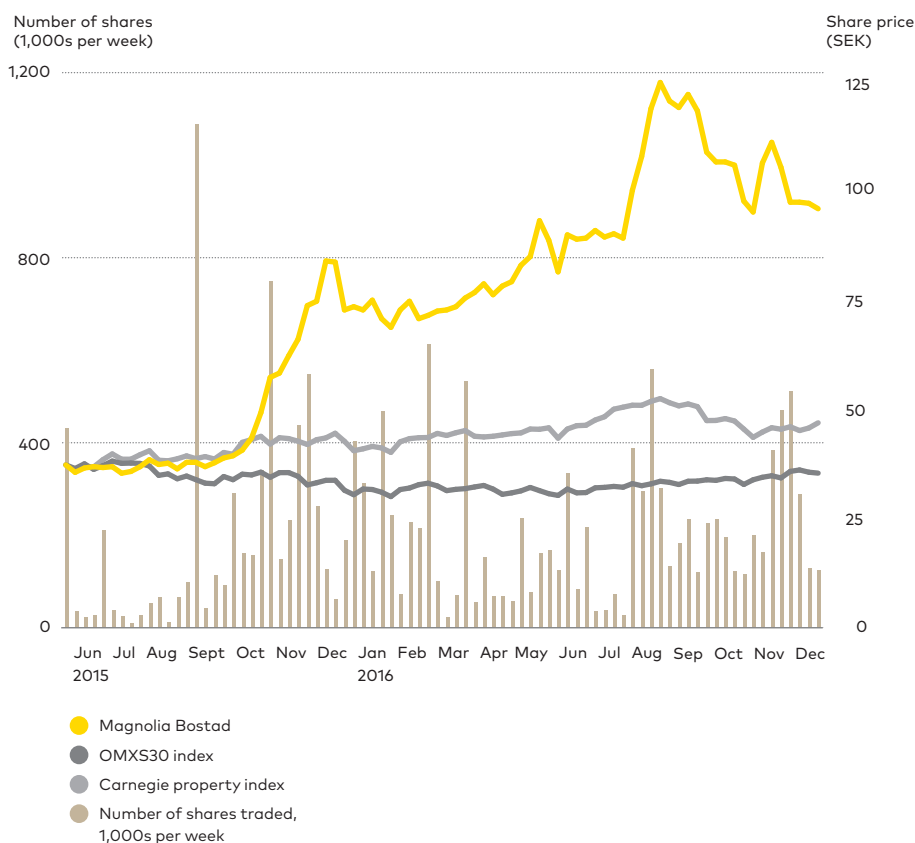
Since January 2016 Magnolia Bostad has been included in Nasdaq First North's index, First North 25, which consists of the 25 largest and most traded shares on Nasdaq First North.

## Dividends

The dividend policy shall be based on that which at any time is considered to promote the overall goal of optimizing the total return for the shareholders. The Board of Directors has made the assessment that the dividend will be proposed up to a maximum of 25 percent of the company's profit after tax.

To the Annual General Meeting in 2017 the Board is proposing a dividend of SEK 1.75 per share (1.00), which corresponds, if the Meeting approves the proposal, to a direct yield of 1.8 percent (1.2) of Magnolia Bostad's share price on December 31, 2016.

**Turnover (number of shares in thousands per week) and price development (SEK) of the Magnolia Bostad share since its introduction on Nasdaq First North on June 9, 2015**



## Average number of outstanding shares

	2016	2015
	Full year	Full year
Average number of outstanding shares	37,822,283	34,555,613



# Owners

## Ownership as at December 31, 2016

Number of shares	No. of shareholders	Shareholder category	Number	Share of votes	Shareholders per country	Number	Share of votes
1-500	2,667	Legal persons	262	7.58%	Sweden	3,331	96.41%
501-1,000	340	Private individuals, men	2,374	68.71%	Other Nordic countries	26	0.75%
1,001-2,000	315				Other European countries (excl. Sweden and the Nordic countries)	65	1.88%
2,001-5,000	51	Private individuals, women	819	23.71%	USA	19	0.55%
5,001-10,000	20				Rest of world	14	0.41%
10,001-50,000	12	<b>Total</b>	<b>3,455</b>	<b>100.00%</b>			
50,001-	50	of which living in Sweden	3,331	96.00%	<b>Total</b>	<b>3,455</b>	<b>100%</b>
<b>Total</b>	<b>3,455</b>						

## Largest shareholders as at December 31, 2016

Shareholders	Number of shares	Percentage of	
		Share capital	Votes
F.Holmström Fastigheter	21,286,837	56.28%	56.28%
Danica Pension	3,088,052	8.16%	8.16%
Länsförsäkringar Fondförvaltning AB	2,382,908	6.30%	6.30%
Nordnet Pensionsförsäkring AB	1,560,241	4.13%	4.13%
Swedbank Robur Fonder	973,945	2.58%	2.58%
Svolder Aktiebolag	941,200	2.49%	2.49%
Dahlin, Martin	827,471	2.19%	2.19%
Försäkringsaktiebolaget, Avanza Pension	621,239	1.64%	1.64%
Cliens Sverige (Valbay kapitalförsäkring)	360,000	0.95%	0.95%
Cliens Sverige	339,676	0.90%	0.90%
<b>Total 10 largest shareholders</b>	<b>32,381,569</b>	<b>85.62%</b>	<b>85.62%</b>
Other shareholders	5,440,714	14.38%	14.38%
<b>Total</b>	<b>37,822,283</b>	<b>100.00%</b>	<b>100.00%</b>



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# Directors' Report

The Board of Directors and the President of Magnolia Bostad AB (pub), CIN 556797-7078 hereby submit the annual report and consolidated financial statements for the financial year 1/1/2016 – 12/31/2016.

## The business in general

### Parent Company

The Parent Company, Magnolia Bostad AB, which is domiciled in Stockholm, has one (1) employee and conducts its business through the acquisition, ownership and management of subsidiaries in the housing industry.

### Group

The Group conducts operations within the housing industry related to tenant-owned and rental apartments, hotels and residential care and student housing. Production is procured externally. Property management is conducted until the point in time when project management may begin.

## Significant events in the Group during the financial year

During the year, Magnolia Bostad acquired 9,190 estimated building rights and sold 2,124 apartments.

During the year, Magnolia Bostad issued a secured bond loan of SEK 600 million and an unsecured bond loan of SEK 400 million. The bonds were admitted for trading on Nasdaq First North Bond Market.

The Board of Directors is proposing a dividend of SEK 1.75 per share (1.00).

## Business idea, targets and strategy

Magnolia Bostad will develop efficient, attractive and functional new housing at a good profit. Magnolia Bostad's financial targets include

a return on equity of at least 30 percent and an equity/assets ratio for the Group of at least 30 percent. In 2016, return on equity amounted to 28.8 percent and equity/assets ratio was 36.2 percent. Magnolia Bostad has also set a target to start production on 3,000 apartments a year starting in 2018 and is striving to meet the environmental requirements for certification in accordance with the Sweden Green Building Council's Silver level or the Swan Ecolabel in all projects.

As at December 31, 2016, Magnolia Bostad was active within the areas of rental apartments, tenant-owned apartments and hotels as well as residential care and student housing. By working with several forms of ownership, the company achieves good risk distribution. Development in growth areas demonstrating favorable demographic conditions in the long term. Production of projects begins first when demand is secured.

## Legal structure

The Magnolia Bostad Group, in addition to holdings reported in accordance with the equity method, consisted of 88 companies as at December 31, 2016.

## Organizational structure

Magnolia Bostad's organization is divided into the areas of Business Development, Communications, Project Development and Finance. The company's organization, as at December 31, 2016, consisted of 49 employees (35), of which 26 were women (14) and 23 were men (21), in Stockholm and Helsingborg.

## Sustainability

Magnolia Bostad has a clear focus on ensuring that all housing proj-

ects are financially, socially and environmentally sustainable. The housing the company develops should not just be sustainable today, but for generations. Taking a long-term approach to these matters is not just about our customers living in beautiful, healthy buildings. It is also a fundamental prerequisite for the company's growth and profitability.

## Share information

### Share

The share is admitted for trading on Nasdaq First North under the short name MAG. The total number of issued shares at the end of the period was 37,822,283 with a quotient value of SEK 4 per share. According to Magnolia Bostad's Articles of Association, the share capital shall total no less than SEK 120 million and no more than SEK 480 million, which means that Magnolia Bostad shall have a minimum of 30,000,000 and a maximum of 120,000,000 shares. The share price at closing on December 30, 2016, was SEK 96.25. Since January 2016 Magnolia Bostad has been included in Nasdaq First North's index, First North 25, which consists of the 25 largest and most traded shares on Nasdaq First North.

### Ownership

The number of shareholders as per December 31, 2016, amounted to SEK 3,455 (998). F. Holmström Fastigheter AB, in which Fredrik Holmström has a controlling interest through companies, holds a 56.3 (56.3) percent stake in Magnolia Bostad. The ten largest owners together hold 85.6 (86.1) percent of the votes. One (1) of these had holdings that amounted to 10 percent or more of the votes in the company.

## Earnings and financial position

### *Parent Company*

The Parent Company's profit/loss after financial items amounted to SEK -24 (-3) million, primarily driven by higher costs for central administration and higher financial expenses, and the balance sheet total amounted to SEK 1,132 (544) million. The equity/assets ratio in the Parent Company was 21.3 percent (55.9). The increase in the balance sheet total is attributable primarily to the bond issues that occurred during the year. The Parent Company's equity was affected by the profit/loss for the year and the dividends totaling SEK 38 million.

### *Group*

Net sales for the financial year amounted to SEK 1,010 million (876) and consist primarily of sales of development and project properties. Magnolia Bostad has recognized 2,124 apartments during the year, which is 571 apartments more than last year.

Operating profit amounted to SEK 355 million (358) and the operating margin was 35.1 percent (40.9). In Q1 2015, the company reported an item for SEK 153 million following a revaluation of previous associated companies during transitions to subsidiaries. The underlying increase in the operating profit is due to growth of net sales during the year.

During the year, Magnolia Bostad strengthened its organization, which resulted in an increase in costs for central administration to SEK -27 million (-13).

Net financial items amounted to SEK -90 million (-49). This increase is primarily due to the growing assets that are externally financed

and costs from the repurchase of parts of the bond loans. Profit/loss after tax for the full year amounted to SEK 265 million (308), which corresponds to a profit margin of 26.2 percent (35.2). The tax expense is less than 22.0 percent of the profit before tax since some reported income, primarily the sale of companies, is not taxable.

The balance sheet total increased by SEK 867 million to SEK 2,755 million (1,888). At December 31, 2016, consolidated equity amounted to SEK 998 million (771), with an equity/assets ratio of 36.2 percent (40.8). The minority share of equity was SEK 136 million (93). This change in equity during the year is due to dividends paid and net profit/loss for the year. In 2016, return on equity amounted to 28.8 percent (62.1).

The total interest-bearing borrowings amounted to SEK 1,505 million (861) at December 31, 2016. Most of Magnolia Bostad's liabilities, SEK 876 million (SEK 900 million in nominal value), consist of capital market financing and the remaining liabilities consist of bank financing, SEK 614 million, and seller promissory notes, SEK 15 million. Interest-bearing net liabilities, after deductions for cash and cash equivalents of SEK 507 million (193), amounted to SEK 998 million (668). Net financial items amounted to SEK -90 million (-49) and at the end of the year Magnolia Bostad's average interest rate was 5.4 percent with an interest coverage ratio of 3.8. The average capital tie-up term was 2.9 years as at December 31, 2016.

Consolidated cash flow from operating activities amounted to SEK -22 million (-150), cash flow from investing activities amounted

to SEK -101 million (0), where SEK -100 million refers to the acquisition of the Stinsen shopping center through joint venture with Alecta, and cash flow from financing activities amounted to SEK 437 million (306). Cash and cash equivalents as per December 31, 2016, amounted to SEK 507 million (193). Disposable liquidity, including unutilized credit lines of SEK 112 million, amounted to SEK 619 million as at December 31, 2016.

## Project portfolio

Activity has been high in Magnolia Bostad's project portfolios in 2016. The total number of apartments in the project portfolio amounts to approximately 15,135 estimated apartments as per December 31, 2016, an increase of 117 percent in twelve months. In 2016, 2,124 apartments in production were sold spread across eight projects, compared to 1,553 apartments and eight project in 2015. During the year, four projects and 272 apartments were completed.

## Auditors

At the Annual General Meeting on May 4, 2016, the auditing company Ernst & Young AB was re-elected as the company's auditor for the period extending up to the end of the Annual General Meeting 2017.

## Corporate governance and the work of the Board

Magnolia Bostad AB is a Swedish public limited liability company domiciled in Stockholm. The Articles of Association, the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq's regulations for issues on First North and applicable laws and regulations form the basis of the company's corporate governance.

The ordinary Annual General Meeting in 2016 was held on May 4, 2016. Fourteen (13) shareholders were present, representing in total 63.5% of the votes (94.4). Fredrik Holmström was elected chair of the Meeting. All Board members participated. The minutes from the Annual General Meeting are available at Magnolia Bostad's website, [www.magnoliabostad.se](http://www.magnoliabostad.se).

The Annual General Meeting in 2016 resolved on the following:

- Dividend of SEK 1.0 per share.
- Re-election of Board members Fredrik Holmström, Andreas Rutili, Fredrik Tibell, Risto Silander and election of Jan Roxendal. Fredrik Holmström was elected Chair of the Board. Erik Paulsen declined re-election.
- Election of Ernst & Young AB as auditing company for the period until the end of the next Annual General Meeting, with Ingemar Rindstig as auditor-in-charge.
- Adoption of remuneration to the Board of Directors and auditors.
- Adoption of the income statement and balance sheet for the 2015 financial year.

The Extraordinary General Meeting held on January 19, 2017, resolved that the Board of Directors will consist of six Board Members elected by the Meeting and no alternate members for the period until the next Annual General Meeting. The same Extraordinary General Meeting resolved to elect Viveka Ekberg to the Board.

The formal work plan for the Board of Directors includes information about the distribution of responsibility between the Board of Directors, the Chairman of the Board and the President. The Board is responsible for the company's organization and management. The work of the Board follows an annual meeting schedule that utilizes a fixed agenda structure for each Board meeting. As needed, employees from the company attend Board meetings to hold presentations.

A separate description of Magnolia Bostad's corporate governance and the Board of Directors is found in the Corporate Governance Report.

**Board of Directors' proposed guidelines for salaries and other remuneration to Executive Management for resolution by the Annual General Meeting 2017**

Remuneration to Executive Management shall be on market terms and competitive and consist of a fixed salary. The fixed salary is revised at the beginning of the calendar year. The fixed salary shall be based on factors such as the position, competence, experience and performance. During this assessment, consideration shall be given to the fact that the company is in a strong, expansive phase rather than a management phase. The company shall be able to employ consultants for the management group at competitive remuneration.

Variable remuneration in the form of a bonus may be paid to Executive Management for an amount corresponding to a maximum of 12 monthly basic salaries. The bonus should be based on the outcome in relation to established targets, both in relation to the company's result and to individual performance. Variable remuneration is paid as non-pensionable income.

The terms of the pension shall be on market terms and based on defined-contribution pension schemes. There are non-competition terms and terms regarding remuneration after employment termination for the CEO. Remuneration as a result of the non-competition terms shall in total not exceed an amount corresponding to 60 percent of the fixed salary for one year.

Benefits in addition to salary, variable remuneration and pension are paid for all Executive Management in the form of a company car and health care. These benefits shall constitute a smaller portion of the total compensation and agree with market practice.

For 2017, the Board of Directors has proposed that the Meeting resolve on the establishment of a share-based incentive plan for Executive Management and others.

The Board of Directors shall be entitled to deviate from any of the guidelines resolved by the Meeting on a case-by-case basis if there are special grounds for such a deviation.

The costs of the variable remuneration to Executive Management in accordance with the Board of Director's proposal are estimated to amount to a maximum of SEK 9.4 million (including social security contributions). These costs are based on current remuneration levels and full utilization and assume that all targets required for remuneration are met.

**Events after the end of the period**

Magnolia Bostad AB held an Extraordinary General Meeting in January at which Viveka Ekberg was elected to the Board of Directors.

In January, Camilla Weiner became Head of Sustainability and joined the Executive Management team.

Magnolia Bostad signed an agreement for the acquisition of three site leasehold rights in Bredäng, Stockholm, where the company will continue to pursue local planning to construct 700 to 800 apartments.

Magnolia Bostad was approved for listing on Nasdaq First North Premier. The first day of trade was March 31, 2017.

**Comments about the future**

It is Magnolia Bostad's ambition in 2017 to move from Nasdaq First North to Nasdaq Stockholm's main market. This move will create possibilities for raising the liquidity of the share and improving the transparency of the company for its shareholders.

The initiatives taken and investments made in 2016 have laid a solid foundation for the company's continued growth.

## Financial overview

Amounts in SEK million unless otherwise specified	2016	2015	2014 <sup>4)</sup>	2013 <sup>4)</sup>
Net sales	1,010	876	141	144
Gross profit/loss	368	219	55	38
Operating profit/loss	355	358	47	24
Profit/loss after financial items	265	308	30	21
Net profit/loss for the year	265	308	29	21
Operating margin (%)	35.1	40.9	33.7	16.5
Interest coverage ratio (multiple)	3.8	6.9	2.4	4.3
Balance sheet total	2,755	1,888	792	370
Equity	998	771	253	190
Equity/assets ratio (%)	36.2	40.8	32.0	51.4
Return on equity, % <sup>1)</sup>	28.8	62.1	13.4	11.4
Earnings per share after tax, SEK <sup>1)</sup>	5.87	8.36	0.95	0.66
Earnings per share after full dilution, SEK <sup>1)</sup>	5.84	8.11	0.88	0.62
Equity per share (SEK) <sup>1)</sup>	22.79	17.93	8.10	6.07
Dividends per share (SEK)	1.75 <sup>2)</sup>	1.00	0.20	0.25
Number of basic outstanding shares	37,822,283	37,822,283	31,288,942	31,288,942
Number of outstanding shares after full dilution	37,982,283 <sup>3)</sup>	37,982,283 <sup>3)</sup>	33,288,942	31,288,942

<sup>1)</sup> Excluding the minority

<sup>2)</sup> The Board of Directors proposes a dividend in 2016 of SEK 1.75 per share.

<sup>3)</sup> 160,000 warrants are held by the Magnolia Bostad Group.

<sup>4)</sup> According to previously applied accounting principles

For information about alternative KPIs, see Note 38.

## Proposed appropriation of profits

*The following is available to the Annual General Meeting (SEK):*

Profit/loss carried forward	114,607,725
Profit/loss for the year	-24,782,181

**Total 89,825,545**

*The Board proposes the following:*

Dividend, (37,822,283 * SEK 1.75)	66,188,995
To be carried forward	23,636,550

**Total 89,825,545**

The record date is proposed for April 28, 2017, with an estimated date of payment of May 4, 2017.



## Risk management

Magnolia Bostad considers and manages on an ongoing basis the various risks that arise in conjunction with its operations and takes them into account when selecting the business focus, making business decisions and establishing procedures.

It is the Company's belief that an active risk management through competent employees and good procedures does not simply identify risks in time but also contributes to higher profitability.

The following table presents Magnolia Bostad's significant risks and uncertainty factors. The risk evaluation is based on an overall assessment of the probability of the risk occurring and the impact if the risk occurs.

### External risks

Risk	Description	Risk assessment	Primary management
<i>Macroeconomic factors</i>	The real estate industry is greatly affected by macroeconomic factors such as general economic development, regional economic development, population growth, rate of production, etc.	● ● ○	Ongoing macroeconomic analysis and business planning of which municipalities and districts have favorable/unfavorable future conditions. Lock commercial terms early or via framework agreements.
<i>Competition</i>	Magnolia Bostad operates in a competitive industry. Competitors may increase in number and strength in the future, for example through mergers, new strategies and/or enhanced financial possibilities.	● ● ○	Competition analyses at both the regional and local levels and by constantly striving to refine Magnolia Bostad's business model.
<i>Possibility to sell residential properties</i>	The business largely consists of the new production of residential properties in Sweden's growth areas. Magnolia Bostad is dependent on its ability to meet the market's demand in order to be able to successfully sell rental apartment properties or individual tenant-owned apartments.	● ○ ○	Continuous market analysis, rules for when production may begin and breakdown of projects into stages.
<i>Shortage of resources</i>	The increase in activity on the Swedish housing market could cause building prices to rise and make it difficult to secure production resources in the projects, which would result in longer delivery times. The municipalities also risk suffering from a shortage of resources, which could result in longer processing times in terms of planning processes and municipal housing projects.	● ● ○	The business model largely secures income before the project is started and construction services are tendered as turnkey contracts at a fixed price. The Company works with different types of warranty solutions and long-term partnerships and can therefore tie up necessary resources at an early stage.
<i>Legal &amp; tax-related risks</i>	The business is regulated by not only a large number of laws and regulations but also different processes and decisions related to these regulations, both at the political and official level. In addition to the fact that this framework can change, it is important that the Company has interpreted laws and rules correctly.	● ● ○	The Company and its legal advisors follow these developments together by maintaining an ongoing dialog with municipalities and authorities.

● ○ ○ Low risk  
 ● ● ○ Medium risk  
 ● ● ● High risk

## Operational risks

Risk	Description	Risk assessment	Primary management
<i>Business models and projects</i>	The operations consist of real estate development projects, and one prerequisite is that these projects can be implemented profitably.	● ○ ○	The projects are based on detailed financial calculations in the project governance system, which is followed up on a regular basis. Price risk is managed by the business model, as part of which income is secured to a large extent before the project is started, and costs are largely tendered at a fixed price.
<i>Transaction risks</i>	Real estate transactions, which are associated with uncertainty and risks, are carried out on an ongoing basis. Such risks can include uncertain market conditions, legal issues, financial commitments, decisions by government authorities and the handling of rental tenants.	● ● ○	The business conducts due diligence in conjunction with acquisitions, including a legal analysis of existing documentation, review of land conditions and technical deficiencies, and when the acquisition goes through a corporate structure, an understanding of the tax situation, etc. When selling properties, one of the requirements is to be knowledgeable about the guarantees that normally accompany such a sale. In addition to its own staff, the Company engages external advisors as needed to ensure the right competence when both purchasing and selling real estate.
<i>Key personnel</i>	Magnolia Bostad is dependent on the knowledge, skills and experience of key personnel. It is therefore important to keep and as needed recruit key personnel.	● ● ○	Ensure on an ongoing basis that the necessary competence is available and the extent to which competence needs to be recruited or engaged. Work with continuous competence transfer. Actively strive to make the Company an attractive employer.
<i>Environmental risks</i>	Pollutants and other environmental damage are the responsibility of the party carrying out the business operations and this party is responsible for post-ex remediation. If the party carrying out the operations cannot pay post-ex remediation of a property, the party that owns the property is responsible.	● ○ ○	When acquiring a property, the seller agrees to be responsible for any environmental damages or such are handled with detailed investigations.
<i>Tax risks</i>	Magnolia Bostad's operations are affected by the tax rules in effect in Sweden at any given time. Changes to or incorrect interpretations of the tax rules could have a negative impact.	● ● ○	The Company monitors changes in legal practice and plans for modified legislation and regularly consults with external experts.

- ○ ○ Low risk
- ● ○ Medium risk
- ● ● High risk

## Financial risks

Risk	Description	Risk assessment	Primary management
<i>Interest rate risk</i>	Changes to market interest rates affect the borrowing cost.	● ● ○	Interest rate expense is a significant cost for Magnolia Bostad and for each financing transaction, the risk that interest rates may change are included in the calculation.
<i>Financing risk</i>	That financing for acquisitions or development cannot be maintained, extended, expanded, refinanced or that such loans only can be obtained at unfavorable terms for the company.	● ● ○	The Company has established financial goals regarding the equity/assets ratio and liquidity that must be followed. Furthermore, it is responsible for regularly following up on special commitments upon which the loans may be conditional. The Company also maintains an ongoing dialogue with several credit issuers.
<i>Credit risk</i>	There is a risk of not being paid for the apartments or properties as agreed.	● ○ ○	In rental apartment transactions, the counterparty shall be well established and selected after careful consideration, and when selling tenant-owned apartments, diversification is obtained through many different types of buyers.
<i>Liquidity risk</i>	If cash and cash equivalents are not available to pay current costs, investments and amortization payments on their due dates.	● ○ ○	Ongoing forecasting of future cash flows based on different scenarios to ensure that financing is arranged in time.

- ○ ○ Low risk
- ● ○ Medium risk
- ● ● High risk

# Consolidated Income Statement

Amounts in MSEK	Note	1/1/2016 12/31/2016	1/1/2015 12/31/2015
	1		
Net sales	5, 6	1,010	876
Production and operating costs		-642	-657
<b>Gross profit/loss</b>		<b>368</b>	<b>219</b>
Central administration	8	-27	-13
Profit/loss from participations in associated companies and joint ventures	10	14	0
Revaluation during transition from associated company to subsidiary	19	0	153
<b>Operating profit/loss</b>	<b>7, 9, 11</b>	<b>355</b>	<b>358</b>
Financial income	12	3	3
Financial expenses	13	-93	-52
Change in value, financial instruments	30	0	0
<b>Profit/loss before tax</b>		<b>265</b>	<b>308</b>
Income tax	14	0	-1
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>265</b>	<b>308</b>
<b>Profit/loss attributable to</b>			
Parent Company shareholders		222	289
Holdings without a controlling influence		43	19
<b>Earnings per share (SEK)</b>	<b>15</b>		
Before dilution effects		5.87	8.36
After dilution effects		5.84	8.11

# Consolidated Statement of Comprehensive Income

Amounts in MSEK	Note	1/1/2016 12/31/2016	1/1/2015 12/31/2015
Net profit/loss for the year		265	308
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>			
<b>Total other comprehensive income</b>		<b>0</b>	<b>0</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>265</b>	<b>308</b>
<b>Comprehensive income attributable to</b>			
Parent Company shareholders		222	289
Holdings without a controlling influence		43	19

# Consolidated Balance Sheet

Amounts in MSEK	Note	12/31/2016	12/31/2015	1/1/2015
<b>ASSETS</b>	<b>1</b>			
<b>Non-current assets</b>				
Goodwill	16	6	6	6
Other intangible assets	17	0	1	8
<b>Total intangible assets</b>		<b>6</b>	<b>7</b>	<b>14</b>
Machinery and equipment	18	1	0	0
<b>Total property, plant and equipment</b>		<b>1</b>	<b>0</b>	<b>0</b>
Participations in associated companies and joint ventures	19	116	2	40
Receivables from associated companies		23	24	24
Other securities held as non-current assets	20	31	31	31
Other long-term receivables	21	406	279	15
<b>Total financial assets</b>		<b>576</b>	<b>336</b>	<b>110</b>
<b>Total non-current assets</b>		<b>583</b>	<b>342</b>	<b>124</b>
<b>Current assets</b>				
Development and project properties	22	1,160	1,139	424
Tenant-owned apartments		4	4	9
Accounts receivable	23	1	4	1
Receivables from associated companies		20	0	10
Other receivables	24	475	204	187
Prepaid expenses and accrued income	25	5	2	2
Cash and cash equivalents	26	507	193	37
<b>Total current assets</b>		<b>2,172</b>	<b>1,546</b>	<b>671</b>
<b>TOTAL ASSETS</b>		<b>2,755</b>	<b>1,888</b>	<b>794</b>



# Consolidated Balance Sheet

Amounts in MSEK	Note	12/31/2016	12/31/2015	1/1/2015
<b>EQUITY AND LIABILITIES</b>	1			
<b>Equity</b>	27			
Share capital		151	151	125
Other capital contributions		185	185	31
Retained profits including profit/loss for the year		526	342	97
<b>Equity attributable to Parent Company shareholders</b>		<b>862</b>	<b>678</b>	<b>253</b>
Non-controlling interests		136	93	0
<b>Total equity</b>		<b>998</b>	<b>771</b>	<b>253</b>
Long-term liabilities				
Deferred tax liability	28	2	2	0
Long-term interest-bearing liabilities	29	1,268	731	494
Derivatives	30	-	0	0
Other long-term liabilities	31	91	110	0
<b>Total long-term liabilities</b>		<b>1,361</b>	<b>843</b>	<b>494</b>
<b>Current liabilities</b>				
Current interest-bearing liabilities	29	237	130	0
Derivatives		0	-	-
Accounts payable		38	14	15
Income tax liabilities		0	4	1
Other current liabilities		68	77	17
Accrued expenses and deferred income	32	53	50	13
<b>Total current liabilities</b>		<b>396</b>	<b>274</b>	<b>46</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,755</b>	<b>1,888</b>	<b>794</b>

For information about the Group's pledged assets and contingent liabilities, refer to Notes 33 and 34.

# Consolidated Cash Flow Statement

Amounts in MSEK	Note	1/1/2016 12/31/2016	1/1/2015 12/31/2015
<b>Operating activities</b>	1		
Profit/loss after financial items		265	308
<i>Adjustments for non-cash items, etc.</i>			
Less share in profits in associated companies		-14	1
Depreciation/amortization and impairment of assets		1	12
Capital gains/losses from the sale of development properties		-338	-209
Other provisions		0	-51
Other profit/loss items that do not affect liquidity		0	-152
Income tax paid		-4	1
<b>Cash flow from operating activities before changes in working capital</b>		<b>-90</b>	<b>-90</b>
<b>Cash flow from changes in working capital</b>			
Reduction (+)/increase (-) of development and project properties		119	-144
Decrease(+)/increase(-) in current receivables		-4	104
Decrease(-)/increase(+) in current liabilities		-47	-20
<b>Cash flow from operating activities</b>		<b>-22</b>	<b>-150</b>
<b>Investing activities</b>			
Acquisition of intangible fixed assets		-	-1
Acquisition of property, plant and equipment		-1	-1
Acquisition of subsidiaries		0	0
Investment in financial assets		-100	-5
Disposal/reduction of financial assets		-	7
<b>Cash flow from investing activities</b>		<b>-101</b>	<b>0</b>
<b>Financing activities</b>			
New share issue		-	181
Borrowings		1,059	471
Repayment of borrowings		-584	-340
Dividend paid		-38	-6
<b>Cash flow from financing activities</b>		<b>437</b>	<b>306</b>
<b>Cash flow for the year</b>		<b>314</b>	<b>156</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>193</b>	<b>37</b>
<b>Cash and cash equivalents at end of the year</b>		<b>507</b>	<b>193</b>

Interest received amounts to SEK 2 million (2). Interest paid amounts to SEK -74 million (-42).

# Changes in equity, Group

Amounts in MSEK	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Non-controlling interests	Total equity
<b>Opening equity 1/1/2015</b>	<b>125</b>	<b>31</b>	<b>0</b>	<b>97</b>	<b>0</b>	<b>253</b>
Redistribution during transition from associated company to subsidiary	-	-	-	-38	74	36
New share issue	26	167	-	-	-	193
Issue expenses	-	-13	-	-	-	-13
Dividend	-	-	-	-6	-	-6
Net profit/loss for the year	-	-	-	289	19	308
Other comprehensive income	-	-	0	-	0	0
<b>Closing equity 12/31/2015</b>	<b>151</b>	<b>185</b>	<b>0</b>	<b>342</b>	<b>93</b>	<b>771</b>

Amounts in MSEK	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Non-controlling interests	Total equity
<b>Opening equity 1/1/2016</b>	<b>151</b>	<b>185</b>	<b>0</b>	<b>342</b>	<b>93</b>	<b>771</b>
Dividend	-	-	-	-38	-	-38
Net profit/loss for the year	-	-	-	222	43	265
Other comprehensive income	-	-	0	-	0	0
<b>Closing equity 12/31/2016</b>	<b>151</b>	<b>185</b>	<b>0</b>	<b>526</b>	<b>136</b>	<b>998</b>

For more information, see Note 27 Share capital and other capital contributions.

## Parent Company Income Statement

Amounts in MSEK	Note	1/1/2016 12/31/2016	1/1/2015 12/31/2015
Net sales	5, 6	2	4
<b>Gross profit/loss</b>		<b>2</b>	<b>4</b>
Central administration	7, 8, 9	-12	-5
<b>Operating profit/loss</b>	<b>11</b>	<b>-10</b>	<b>-1</b>
Financial income	12	41	19
Financial expenses	13	-55	-21
<b>Profit/loss after financial items</b>		<b>-24</b>	<b>-3</b>
Tax on profit/loss for the year	14	0	0
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>-24</b>	<b>-3</b>

## Parent Company Statement of Comprehensive Income

Amounts in MSEK	Note	1/1/2016 12/31/2016	1/1/2015 12/31/2015
Net profit/loss for the year		-24	-3
Other comprehensive income		0	0
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-24</b>	<b>-3</b>



# Parent Company Balance Sheet

Amounts in MSEK	Note	12/31/2016	12/31/2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Participations in Group companies	35	89	89
Receivables from Group companies		234	234
Participations in associated companies	19	2	2
Receivables from associated companies		24	27
<b>Total non-current assets</b>		<b>349</b>	<b>352</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		718	159
Receivables from associated companies		0	0
Other receivables	24	1	21
Prepaid expenses and accrued income	25	0	0
<b>Total current receivables</b>		<b>719</b>	<b>181</b>
<b>Cash and bank balances</b>	<b>26</b>	<b>64</b>	<b>11</b>
<b>Total current assets</b>		<b>783</b>	<b>192</b>
<b>TOTAL ASSETS</b>		<b>1,132</b>	<b>544</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	27	151	151
<b>Total restricted equity</b>		<b>151</b>	<b>151</b>
<i>Non-restricted equity</i>			
Share premium reserve		185	185
Profit/loss carried forward		-70	-29
Net profit/loss for the year		-24	-3
<b>Total non-restricted equity</b>		<b>90</b>	<b>153</b>
<b>Total equity</b>		<b>241</b>	<b>304</b>
<b>Liabilities</b>			
<i>Long-term liabilities</i>			
Long-term interest-bearing liabilities	29	876	222
<b>Total long-term liabilities</b>		<b>876</b>	<b>222</b>
<i>Current liabilities</i>			
Accounts payable		0	-
Liabilities to Group companies		0	4
Other current liabilities		0	12
Accrued expenses and deferred income	32	15	1
<b>Total current liabilities</b>		<b>15</b>	<b>17</b>
<b>Total liabilities</b>		<b>891</b>	<b>239</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,132</b>	<b>544</b>

For information about pledged assets and contingent liabilities, refer to Notes 33 and 34.

# Parent Company Cash Flow Statement

Amounts in MSEK	1/1/2016 12/31/2016	1/1/2015 12/31/2015
<b>Operating activities</b>		
Profit/loss after financial items	-24	-3
Adjustments for non-cash items, etc.	7	2
Tax paid	0	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>-17</b>	<b>-1</b>
<b>Cash flow from changes in working capital</b>		
Reduction (+)/increase (-) of development and project properties	-	4
Decrease(+)/increase(-) in current receivables	-538	-170
Decrease(-)/increase(+) in current liabilities	-2	3
<b>Cash flow from operating activities</b>	<b>-557</b>	<b>-164</b>
<b>Investing activities</b>		
Investment in financial assets	0	0
Disposal/reduction of financial assets	0	0
Change in long-term receivables	0	0
<b>Cash flow from investing activities</b>	<b>0</b>	<b>0</b>
<b>Financing activities</b>		
New share issue	0	181
Borrowings	976	0
Repayment of borrowings	-329	0
Dividend paid	-38	-6
<b>Cash flow from financing activities</b>	<b>609</b>	<b>175</b>
<b>Cash flow for the year</b>	<b>52</b>	<b>11</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>12</b>	<b>1</b>
<b>Cash and cash equivalents at end of the year</b>	<b>64</b>	<b>12</b>

Interest received amounts to SEK 0 million (4). Interest paid amounts to SEK -37 million (-18).

## Changes in equity, Parent Company

Amounts in MSEK	Share capital	Share premium reserves	Retained profit incl. net profit/loss for the year	Total equity
<b>Opening equity 1/1/2015</b>	<b>125</b>	<b>31</b>	<b>-23</b>	<b>133</b>
New share issue	26	167	-	193
Issue expenses	-	-13	-	-13
Dividend	-	-	-6	-6
Net profit/loss for the year	-	-	-3	-3
Other comprehensive income	-	-	0	0
<b>Closing equity 12/31/2015</b>	<b>151</b>	<b>185</b>	<b>-32</b>	<b>304</b>

Amounts in MSEK	Share capital	Share premium reserves	Retained profit incl. net profit/loss for the year	Total equity
<b>Opening equity 1/1/2016</b>	<b>151</b>	<b>185</b>	<b>-32</b>	<b>304</b>
Dividend	-	-	-38	-38
Net profit/loss for the year	-	-	-24	-24
Other comprehensive income	-	-	0	0
<b>Closing equity 12/31/2016</b>	<b>151</b>	<b>185</b>	<b>-94</b>	<b>242</b>

For more information, see Note 27 Share capital and other capital contributions.

## Note 1 Accounting principles

### About the company in general

Magnolia Bostad AB, CIN 556797-7078, domiciled in Stockholm, is a subsidiary of F. Holmström Fastigheter AB, CIN 556530-3186, domiciled in Stockholm, Sweden.

The Parent Company in the largest group to which Magnolia Bostad AB is a subsidiary and where consolidated financial statements are prepared is F. Holmströmgruppen AB, CIN 556696-3590, domiciled in Stockholm.

Magnolia Bostad AB's office is located at Sturegatan 6, Box 5853, 102 40 Stockholm, Sweden.

### Applied regulations

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee as adopted by the EU. Furthermore, the consolidated accounts were prepared in accordance with Swedish legislation through the application of Swedish Financial Reporting Board's recommendation RFR1, Supplementary Accounting Rules for Corporate Groups.

The Parent Company applies the same accounting principles as the Group with the exception of the cases set out below in the section entitled "Parent Company accounting principles". Deviations that arise between the Parent Company and the Group principles are the result of limitations to the possibilities for applying IFRS in the Parent Company due to the Annual Accounts Act and in some cases applicable tax regulation.

This is the Group's first annual report in accordance with IFRS and the transition date is January 1, 2015. The Group previously applied the Swedish Accounting Standard Board's general guidelines, BFNAR 2012:1 (K3). The transition to IFRS occurred in accordance with IFRS 1 First-time Adoption of International Financial Reporting.

### Conditions for the preparation of the financial statements for the Parent Company and the Group

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. All amounts, unless stated otherwise, are rounded to the nearest million. Assets and liabilities are reported at cost, with the exception of some financial assets and liabilities that in the consolidated balance sheet are measured at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments and securities, measured at fair value via the consolidated income statement.

The Group's accounting principles have been applied consistently to the accounts and consolidation of the Parent Company and subsidiaries.

### Classification

Non-current assets and long-term liabilities in the Parent Company and Group consist only of amounts that are expected to be recoverable or paid later than twelve months from the balance sheet date while current assets and short-term liabilities in the Parent Company and the Group consist only of amounts that are expected to be recoverable or paid within twelve months from the balance sheet date.

### Input data for measurements at fair value

- Level 1 – Listed, unadjusted, prices on active markets for identical assets or liabilities that the Group has access to at the date of measurement.
- Level 2 – Other input data than the listed prices that are included in Level 1, which are directly or indirectly observable for assets and liabilities.
- Level 3 – Input data at Level 3 are non-observable input data for assets and liabilities.

### Consolidated financial statements

The consolidated income statement and balance sheet encompass all companies in which the Parent Company directly or indirectly holds more than half of the share's voting rights as well as companies in which the Group in any other way has a controlling influence.

The financial statements for the Parent Company and the subsidiaries that are included in the consolidated financial statements refer to the same period and are prepared in accordance with the accounting principles that apply to the Group. A subsidiary is included in the consolidated financial statements as of the date of acquisition, which is the date the Parent Company acquires a controlling influence, normally more than 50 percent of the votes, and is included in the consolidated financial statements until the date on which the controlling influence ceases. Intra-Group transactions and any associated profit/loss are eliminated.

### Business combinations vs. asset acquisitions

The acquisition of companies can be classified as either a business combination or an asset acquisition. The assessment is made on a case-by-case basis per acquisition. Company acquisitions, the primary purpose of which is to acquire the company's property and where the company's management organization and administration is of subordinate importance for the acquisition, are classified as asset acquisitions. Other company acquisitions are classified as business combinations.

The difference between the cost of a business combination and the acquired share of net assets in the acquired operations is classified as goodwill and reported as an intangible asset in the balance sheet. Goodwill is measured at cost less accumulated write-downs.

Goodwill is distributed among cash-generating units following an annual impairment test in accordance with IAS 36. Transaction costs are expensed directly to the period's profit/loss. When acquiring assets, the cost is distributed among the acquired net assets in the acquisition analysis.

The percentage of equity attributable to owners with a non-controlling influence (previously referred to as minority holding) is reported as an individual item under equity separate from the share of equity of the Parent Company's owner. A special note is also provided regarding its share of the period's profit/loss.

### Reporting of associated companies and joint arrangements

Joint arrangements are companies in which the Group exercises joint controlling influence through established agreements. Joint arrangements are classified as either joint operations or joint ventures. Joint operations are joint arrangements in which Magnolia Bostad is entitled to the joint operations' assets and obligations for liabilities and reports its share of income and expenses item-by-item in the consolidated financial statements. Magnolia Bostad currently does not have any companies that are considered to be joint operations.

Joint ventures, on the other hand, are arrangements in which Magnolia Bostad is entitled to the net assets and the investment is reported using the equity method (see the section on associated companies below). Assets (including any goodwill and fair value adjustments) and liabilities for acquired or divested joint arrangements during the year are included in the consolidated financial statements from the date on which the joint controlling influence is acquired and removed on the date on which the joint controlling influence ceases.

The Group's holding of participations in a company that is not a subsidiary but in which the Group exercises a significant but non-controlling influence is classified as a holding of participations in associated companies. Associated companies arise when the Group has more than 20 percent but less than 50 percent of the votes in the legal entity. The Group reports participations in associated companies and joint ventures in



accordance with the equity method. In the event the Group acquires additional participations in the associated company but the company remains an associated company to the Group, the previous holding is not remeasured. When participations in associated companies are divested such that the significant influence is no longer present, the entire holding is reported as divested and any gains or losses are recognized in the consolidated income statement. In the event participations are left, they are reported as Other securities.

The equity method means that the holding is initially reported at cost. The carrying amount is increased or decreased thereafter to take into account the Group's share of profit/loss and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of profit/loss from holdings reported under the equity method is included in consolidated profit/loss and the consolidated share of other comprehensive income is included in other comprehensive income in the Group.

### *Gradual acquisitions*

During the gradual acquisition of previous associated companies, previous holdings are remeasured at fair value and profit/loss is reported in the income statement when the controlling influence is acquired.

### *Elimination of transactions between Group companies*

Intra-Group receivables and liabilities and transactions between companies in the Group as well as related unrealized gains are eliminated in their entirety. Unrealized gains arising from transactions with associated companies and joint ventures are eliminated to the extent that the Group owns participations in the company. Unrealized gains arising as a result of transactions with associated companies are eliminated from "Participations in associated companies". Unrealized losses are eliminated in the same manner as unrealized gains such that there is no impairment requirement.

### **Segment**

The identification of segments is based on the internal reporting to the highest decision-maker, which in Magnolia Bostad is the CEO. Since reporting to the CEO as a basis for decisions regarding the distribution of resources is made for the entire operations and not divided into geographic markets or the equivalent, Magnolia Bostad is considered to consist of only one segment.

### **Revenue recognition**

Revenue is recognized in the income statement when it is probable that the future economic benefits will flow to the company and these benefits can be calculated in a dependable manner.

### *Revenue recognition from project development of tenant-owned*

#### *apartments*

The Group recognizes revenue as of the date that (i) a binding agreement has been entered into with the tenant-owner association for the construction of tenant-owned apartments, (ii) there is local planning, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is signed by or handed over to the tenant-owner association. The Group makes an assessment of the need for reserves on a project-by-project basis. Reported income is based on the agreed price after deductions for unsold tenant-owned apartments. "Sold apartments" means that there is a binding agreement with the tenant-owner. The Group makes a reservation for the planning risk based on the knowledge about the local planning work. Dissolution of the planning risk reserve occurs when the building permit enters into force. The Group also makes reserves for any risk in the turnkey contract. Reassessments of the projects' expected end result mean that previously calculated results in affected projects are adjusted. This change in forecast is included in the period's reported profit/loss. Estimated losses are charged in their entirety directly to the profit/loss of the period in which they are identified.

### *Revenue recognition from project development of rental apart-*

#### *ments*

The Group recognizes revenue as of the date that (i) a binding agreement has been entered into with the purchaser of the rental apartment project (the property), (ii) there is local planning, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is signed by or handed over to the buyer. The Group makes an assessment of the need for reserves on a project-by-project basis. The Group pledges certain guarantees for the project with regard to vacancy and rental levels for which reserves are made based on the specific conditions that occur in each project. Revaluation of the reserve for rent guarantees occurs on an ongoing basis based on the current rental status. The Group makes a reservation for planning risk based on the knowledge about the local planning work. Dissolution of the planning risk reserve occurs when the building permit enters into force. The Group also makes reserves for any risk in the turnkey contract. Reassessments of the projects' expected end result mean that previously calculated results in affected projects are adjusted. This change in forecast is included in the period's reported profit/loss. Estimated losses are charged in their entirety directly to the profit/loss of the period in which they are identified.

### *Revenue recognition from project management agreements*

Revenue from project management agreements is recognized gradually based on the degree of completion of the project. The degree of completion is determined primarily on an ongoing basis while the work is being performed.

### *Rental income*

Rental income is announced in advance and reported in the period to which it is attributable, which is specified in the rental contract. The rental contract includes additional charges such as invoiced property tax and heating expense.

### **Remuneration to employees and the Board of Directors**

Remuneration to employees in the form of salaries, paid vacation, paid absence due to illness, etc., and pensions are reported as earned.

### *Defined-contribution pensions*

The Group only utilizes defined-contribution pension plans. Under defined-contribution plans, the company pays fixed fees to an external public or private legal entity that administers the future pension commitment. The Group's profit/loss is charged for expenses at the rate that the benefits are earned. The Group has no additional payment obligations or other commitments once the fees are paid.

### **Financial income and expenses**

Financial income consists of interest-bearing income on bank balances, receivables and financial investments. Interest income is reported using the effective interest method. When the value of a receivable classified as a loan receivable and accounts receivable or a loan liability has been impaired, the Group lowers the carrying amount to the recoverable amount, which is determined by the forecast cash flow discounted by the original effective interest rate for the instrument, and continue to dissolve the discounting effect as interest income. Interest income on impaired loan receivables and accounts receivables are reported at the original effective interest rate.

Financial expenses consist of interest expenses and other borrowing costs. Interest expenses are reported using the effective interest method. Financial expenses are reported in the period to which they refer.

### **Leasing**

Lease agreements are classified as either finance or operating leases. Finance leases occur when the economic risks and rewards attributable to the leasing object in all material respects are transferred to the lessee. All other leases are considered to be operating leases. The Group does not have any material finance lease agreements and all lease agreements

are therefore reported as operating lease agreements, which means that the lease fee is distributed on a straight-line basis over the term of the lease.

### **Taxes**

Income tax consists of current tax and deferred tax. Income tax is reported in the income statement, except when the underlying transaction is reported under Other comprehensive income, or directly against Equity, whereupon the related tax effect is also reported under either Other comprehensive income or Equity.

Current tax is tax that must be paid or received for the year in question, under application of the tax rates that have been decided or in practice were decided as of the balance sheet date. This also includes adjustments to current tax attributable to previous periods.

Deferred tax is calculated in accordance with the balance sheet method and is based on temporary differences between reported and taxable values of assets and liabilities. Deferred tax is not reported for temporary differences that arise during the initial reporting of assets and liabilities that are asset acquisitions and which at the time of the transaction affect neither reported nor taxable profit/loss. Furthermore, temporary differences are not considered to be attributable to participations in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future. Deferred tax is calculated using the tax rates and tax rules that have been decided or in practice are decided as of the balance sheet date.

Deferred tax assets for deductible temporary differences and loss carry-forwards are only reported to the extent that it is probable these will be used. The value of deferred tax assets is written down when it is no longer judged to be probable that they can be used.

### **Intangible assets**

Intangible assets acquired by the company are reported at cost less accumulated amortization and impairment. Expenditure for internally generated goodwill and brands are reported in the income statement as the costs are incurred. Additional expenditure is added to the cost of acquisition only if such expenditure increases the future economic benefits beyond the original assessment and the expenditure can be calculated in a reliable manner. All other expenditures are expensed as they are incurred.

### **Property, plant and equipment**

Property, plant and equipment are reported as an asset in the balance sheet when on the basis of available information it is probable that the future economic benefit associated with the holding will flow to the company and the cost for the asset can be calculated in a reliable manner. Property, plant and equipment are reported at cost after deductions for depreciation according to plan and any write-downs.

### **Depreciation and amortization principles for intangible assets and property, plant and equipment**

Depreciation/amortization according to plan is based on the original cost less the estimated residual value. Depreciation/amortization occurs on a straight-line basis over the estimated useful life of the asset.

Licenses	5 years
Machinery and equipment	3–5 years

### **Impairments**

Carrying amounts for the company's assets are tested every balance sheet date to assess whether there is a need for impairment. If such an indication is present, the asset's recoverable amount is calculated as the higher of the value in use and the net realizable value. Impairment losses are applied if the recoverable amount is less than the carrying amount. An impairment loss is only reversed if the asset's carrying amount after the reversal does not exceed the carrying amount that the asset would have had if no impairment loss had been applied.

For goodwill and intangible assets with indefinite useful lives, the impairment test is conducted annually.

### **Development and project properties**

Properties are held for the purpose of developing and selling residential units, such as rental apartments and tenant-owned apartments. The properties are reported as current assets, even if some properties are under management and generate rental income pending their development. They are reported at the lowest of cost and net realizable value. Development and project properties are reported in their entirety as an asset upon possession. Any tax discounts at acquisition reduce the property's cost.

### **Provisions and contingent liabilities**

A provision is reported in the balance sheet when the company has an existing legal or informal obligation following the occurrence of an event and it is probable that an outflow of economic resources will be required to settle the obligation and it is possible to reliably estimate the amount. Where the effect of when the payment will occur is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market conditions of the value of the money and, where appropriate, the risks associated with the debt. Provisions are retested at every period end.

Contingent liabilities are possible obligations that derive from the occurrence of events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent liabilities also include claims deriving from the occurrence of events but which are not reported as a liability or provision since it is probable that an outflow of resources will be required to settle the claim and/or it is not possible to reliably estimate the amount.

### **Financial instruments**

A financial asset or financial liability is recognized in the balance sheet when the company becomes party to the instrument's contractual terms and conditions. Financial assets are derecognized from the balance sheet when the rights of the agreement are realized, fall due or the company in any other way loses control over them. Financial liabilities are derecognized from the balance sheet when the obligations in the agreement are discharged or in any other way extinguished.

Financial instruments reported in the balance sheet include cash and cash equivalents, accounts receivable, other long-term receivables, other receivables and derivatives and securities. Liabilities include accounts payable, loans, other liabilities and derivatives. The company does not apply hedge accounting.

Financial instruments are initially reported at cost corresponding to the instrument's fair value at the time of acquisition including transactions costs for all financial instruments except those that belong to the category Financial asset reported at fair value in the income statement, which are reported without transaction costs. Reporting thereafter depends on how they are classified in accordance with that stated below.

The financial assets category consists of three sub-groups: financial assets measured at fair value through the income statement, loans and receivables and available-for-sale financial assets. The financial liabilities category consists of two sub-groups: financial liabilities measured at fair value through the income statement and financial liabilities measured at amortized cost.

A financial asset and a financial liability are netted and reported as a net amount in the balance sheet only in the presence of a legal right to net the amounts and when there is an intent to settle the items with a net amount or simultaneously realize the asset and settle the liability.

### *Loans and receivables*

Accounts receivable are reported at the amount that is expected to be received following deductions for bad debts that are assessed on an individual basis. The expected maturity for rent receivables is short and the amount is therefore reported as a nominal amount without discounts.

Receivables are reported at cost less any impairment losses.

A receivable is tested individually for its estimated probability of default and recognized at the amount expected to be received. Write-downs are made for bad debts and are reported under operating expenses.

### *Available-for-sale financial assets*

Available-for-sale assets are reported initially at cost and measured at fair value in the Consolidated Statement of Financial Position. The change in value of available-for-sale assets are reported under Other comprehensive income. When available-for-sale assets are divested, the accumulated profit/loss is transferred to the income statement. Investments in participations in companies other than Group companies, joint ventures and associated companies are included in assets that are available-for-sale but measured at cost if the fair value cannot be reliably determined.

### *Cash and cash equivalents and blocked accounts*

Cash and cash equivalents consist of cash and immediately accessible balances at banks and equivalent institutions. Amounts in blocked accounts are funds serving as collateral for repayment of loans or the financing of investments in properties as well as rent deposits and are reported as Other receivables.

### *Financial liabilities measured at fair value through the income statement*

Financial assets/// measured at fair value through the income statement consist of derivative instruments. Derivative instruments are measured in the consolidated accounts at fair value with changes in value reported in the income statement. Derivative instruments in the Group consist of interest rate swaps.

### *Other financial liabilities*

Refers to all other financial liabilities, such as borrowing, accounts payable, accrued costs for services and goods that are settled in cash. Financial liabilities (interest-bearing loans and other financing), with the exception of short-term liabilities where the interest rate effect is insignificant, are measured initially at fair value, and thereafter at amortized cost when applying the effective interest method. Accounts payable and other liabilities with short-term expected maturities are measured without discounting to a nominal amount. Liabilities are reported when the counterparty has delivered and a contractual payment obligation arises, even if the invoice has not yet been received. Accounts payable are reported when the invoice has been received.

### **Cash Flow Statement**

The indirect method is applied to the preparation of the cash flow statement. The reported cash flow only includes transactions that result in incoming or outgoing payments.

### **Parent Company accounting principles**

The Parent Company prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The Swedish Financial Reporting Board's statements for listed enterprises also apply. Under RFR 2, the Parent Company in the annual report for the legal entity shall apply all of the IFRS and statements approved by the EU to the extent possible within the framework of the Swedish Annual Accounts Act and with consideration given to the link between accounting and taxation. The recommendation states which exceptions and additions may be made in relation to IFRS.

### *Participations in Group companies*

Participations in Group companies are reported using the cost method. Costs related to acquisition of subsidiaries are included as part of the cost for participations in Group companies. The carrying amount for participations in Group companies are tested for any impairment need when such indications arise.

### *Group contributions, dividends and shareholders' contributions*

The company reports Group contributions according to the alternative rule, which entails that Group contributions received or paid are reported under appropriations. Anticipated dividends are reported as financial income by the recipient. Shareholders' contributions are reported directly under equity by the recipient and capitalized in shares and participations by the issuer to the extent a write-down is not required. Shareholder's contributions received are reported as an increase in unrestricted equity.

### *Financial instruments*

Financial instruments are not reported in accordance with IAS 39, Financial Instruments: Recognition and Measurement, but rather are reported as the lower of cost or net realizable value in accordance with the Annual Accounts Act.

### **Changed reporting principles**

New and revised existing standards approved by the EU.

### *New and revised accounting standards and interpretations*

New and revised accounting standards and interpretations that have not yet entered into force have not been applied in advance by the Group.

### *IFRS 9 Financial Instruments*

This standard will replace IAS 39 Financial Instruments: Recognition and Measurement as of January 1, 2018. The standard entails a decrease in the number of measurement categories for financial assets, which means that the main categories for reporting are cost (amortized cost), fair value through profit/loss and fair value through other comprehensive income. For some investments in equity instruments, it is possible to report at fair value in the balance sheet with the change in value reported directly against other comprehensive income, if no transfer occurs to the period's profit/loss at disposal. New rules have also been introduced for how changes in an own credit spread must be presented when liabilities are reported at fair value. Expected future losses must also be considered in the impairment model. Hedge accounting is based more on the internal risk management in order to reflect the company's risk management in the financial statements. The Group has begun an analysis of the effects of IFRS 9. The model for classification and measurement entails in practice no major changes for Magnolia Bostad compared to today's standard. The new write-down model is considered to push reserves for credit losses earlier in time. Magnolia Bostad's credit risk for accounts receivable is limited since the operations that refer to project management are invoiced on an ongoing basis during the project. Magnolia Bostad does not apply hedge reporting. The initial assessment is that the standard will not have a material effect on the consolidated financial statements.

### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers enters into force for financial years commencing on January 1, 2018 or later and replaces the previously issued standards and interpretations that relate to income. IFRS 15 contains a joint model for revenue recognition for customer contracts that are not covered by other standards (for example IFRS 4 or IFRS 9). The starting point of the standard are agreements for the sale of a good or service between two parties. A customer agreement is initially identified, which generates an asset for the seller (rights, a promise of receipt of payment) and a liability (commitment, a promise to transfer goods/services). According to the model, income must be reported when a commitment to deliver promised goods or services to the customer is discharged. The Group has begun an analysis of the effects of IFRS 15. The initial assessment is that the standard

will not have a material effect on the consolidated financial statements since it is not judged to lead to any change in when revenue will be recognized, but the disclosure requirements will increase.

#### **IFRS 16 Leases**

IFRS 16 Leases replaces IAS 17 as of January 1, 2019, assuming it is adopted by the EU. According to the new standard, most leased assets will be reported in the balance sheet, which will lead to a higher balance sheet total and a lower equity/assets ratio. For the lessor, the new standard does not entail any major changes. The Group has begun an analysis of the effects of IFRS 16. The initial assessment is that the standard will have a limited effect on the consolidated financial statements, since Magnolia Bostad has limited leasing, but there will be an increase in the disclosure requirements. For more information about leasing obligations, see Note 7 Operating Leases.

## **Note 2 Critical assessments and estimations**

The preparation of the financial statements in accordance with IFRS requires that the Board of Directors and executive management make assessments, estimations and assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. The estimations and assumptions are based on historical experiences and a number of other factors that given the current circumstances are deemed to be reasonable. The results of these estimations and assumptions are then used to assess the carrying amounts for assets and liabilities that otherwise are not clearly evident from other sources. The actual outcome may deviate from these estimations and assessments. The estimations and assumptions are reviewed regularly.

#### **Revenue recognition**

The project development of tenant-owned apartments is recognized as revenue as of the date that (i) a binding agreement has been entered into with the tenant-owner association for the construction of tenant-owned apartments, (ii) there is local planning, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is signed by or handed over to the tenant-owner association. The Group makes an assessment of the need for reserves on a project-by-project basis. Reported income is based on the agreed price after deductions for unsold tenant-owned apartments. "Sold apartments" means that there is a binding agreement with the tenant-owner. The Group makes a reservation for the planning risk based on the knowledge about the local planning work. Dissolution of the planning risk reserve occurs when the building permit enters into force. The Group also makes reserves for any risk in the turnkey contract. Reassessments of the projects' expected end result mean that previously calculated results in affected projects are adjusted. This change in forecast is included in the period's reported profit/loss. Estimated losses are charged in their entirety directly to the profit/loss of the period in which they are identified.

The project development of rental apartments is recognized as revenue as of the date that (i) a binding agreement has been entered into with the purchaser of the rental apartment project, (ii) there is local planning, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is signed by or handed over to the buyer. The Group makes an assessment of the need for reserves on a project-by-project basis. The Group pledges certain guarantees for the project with regard to vacancy and rental levels for which reserves are made based on the specific conditions that occur in each project. Revaluation of the reserve for rent guarantees occurs on an ongoing basis based on the current rental status. The Group makes a reservation for planning risk based on the knowledge about the local planning work. Dissolution of the planning risk reserve occurs when the building permit enters into force. The Group also makes reserves for any risk in the turnkey contract. Reassessments of the projects' expected

end result mean that previously calculated results in affected projects are adjusted. This change in forecast is included in the period's reported profit/loss. Estimated losses are charged in their entirety directly to the profit/loss of the period in which they are identified.

Revenue from project management agreements is recognized gradually based on the degree of completion of the project. The degree of completion is determined primarily on an ongoing basis while the work is being performed.

#### **Deferred tax asset**

Deferred tax assets and liabilities are reported for temporary differences and unutilized loss carry-forwards. The measurement of loss carry-forwards and the Group's ability to utilize loss carry-forwards are based on management's estimations of future taxable income. Since a large portion of the Group's income according to current tax rules is treated as non-taxable income, the company's management has made the assessment that no deferred tax asset for loss carry-forwards is reported.

#### **Classification of development and project properties and management properties**

When acquiring a property, an assessment is made whether the property should be developed or used as a management property. The assessment affects the consolidated profit/loss and financial position since each approach is handled differently from an accounting perspective. Properties that are to be developed are classified as development and project properties. Development and project properties are reported as inventory since the intent is to sell the property after completion. The measurement is then the lowest of cost and net realizable value. Management properties, however, are held with the aim of generating rental income and appreciation. Management properties are measured at fair value and the change in value is recorded in the income statement.

Executive management makes the assessment that the Group's holdings in property are held for the purpose of developing and selling residential units, such as rental apartments and tenant-owned apartments. The properties are thus reported as current assets, even if some are under management and generate rental income pending their development.

#### **Demarcation between business combinations and asset**

##### **acquisitions**

When acquiring businesses, an assessment is conducted of how the acquisition should be reported based on whether there are employees and the complexity of internal processes. Such an assessment also takes into account the number of businesses and the occurrence of contracts with varying degrees of complexity. If the above criteria are largely present, the acquisition is classified as a business combination, and if they are minimally present, as an asset acquisition.

Executive management makes an assessment on an acquisition-by-acquisition basis which criteria are met. In 2016 and 2015, the company's management made the assessment that only asset acquisitions occurred.

## **Note 3 Financial risks and finance policy**

Through its operations, the Group is exposed to different types of financial risks. Financial risks refer to fluctuations in the company's profit/loss and cash flow as a result of changes in, for example, interest rates. The company is primarily exposed to liquidity risk, financing risk, interest rate risk and credit risk. The Group's finance policy for management of financial risks has been drawn up and decided by the Board of Directors. The finance policy forms a framework of guidelines and rules in the form of risk mandates and limits for the financial operations.



The company's financial risk-taking and position can be derived from, for example, the equity/assets ratio, interest coverage ratio and loan-to-value ratio. Credit agreements with banks and credit institutions often have established covenants for these three performance measures. The company's own targets are in line with the banks' requirements. In 2016, the company met all targets and requirements by a comfortable margin. For a description of the company's risks and risk management, see the section Risk Management in the Director's Report.

### Liquidity risk

Liquidity risk refers to the risk that there would not be sufficient liquidity to meet future payment obligations. In conjunction with the interim reports, internal liquidity forecasts are prepared for the coming twelve months, where all items affecting the cash flow are analyzed in aggregate. The aim of the liquidity forecast is to verify the need for capital. Magnolia Bostad has a policy to hold cash of SEK 200 million, including overdraft facilities. At the end of the year, available liquidity, including unutilized overdraft facilities, amounted to SEK 619 million.

Below is a maturity analysis for financial liabilities. The table contains undiscounted cash flows based on the date of contract and includes both the interest rate and the nominal amount.

Maturity analysis 12/31/2016	0-1 year	1-3 years	3-5 years	More than 5 years
Interest-bearing liabilities	321	531	984	-
Derivatives	0	-	-	-
Accounts payable	38	-	-	-
Other liabilities	110	91	-	-
<b>Total</b>	<b>469</b>	<b>622</b>	<b>984</b>	<b>-</b>

### Financing risk

Financing risk refers to the risk that either no financing can be obtained or it can only be obtained at much higher prices. In order to manage this risk, the Finance Policy contains rules regarding the spread of capital tie-up for the credit stock and the size of unutilized loan facilities and investments. The refinancing risk is reduced through a structured and early start to the refinancing process. For large loans, the process is begun 12 months prior to the maturity date. The Group has an equity/assets target of at least 30% and strives to always have facilities totaling SEK 200 million within a bond frame for bond loans. A higher equity/assets ratio makes Magnolia a more attractive borrower.

### FINANCIAL INSTRUMENTS PER CATEGORY

FINANCIAL INSTRUMENTS PER CATEGORY		12/31/2016		
Group	Financial assets/ liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
Assets in the balance sheet				
Receivables from associated companies	-	43	-	-
Other securities held as non-current assets	-	-	31	-
Derivatives	0	-	-	-
Other long-term receivables	-	406	-	-
Accounts receivable	-	1	-	-
Other receivables	-	475	-	-
Prepaid expenses and accrued income	-	5	-	-
Cash and cash equivalents	-	507	-	-
Total	0	1,437	31	

### Credit risk

Credit risk refers to the risk that a counterparty or issuer cannot discharge its obligations to the company. The maximum credit exposure corresponds to the assets' carrying amount and amounts to SEK 1,437 million (706). The credit risk among claims for property sales is judged to be limited since the risk that counterparties would not be able to fulfill their commitments is considered to be low. Of the Group's net sales, 55% are rated as "investment grade". The company is also exposed to credit risk to the extent surplus liquidity will be invested and through its holdings of derivative instruments in the form of interest rate swaps.

### Market risk

#### Interest rate risk

Interest rate risk can consist in part of a change in fair value as a result of changes in interest rates or share prices (price risk) and in part changes in cash flow (cash flow risk). Fixed interest periods are an important factor that influence the interest rate risk. Long fixed interest periods mean a higher price risk and short fixed interest period mean higher cash flow risk. The Group strives to have a short interest rate adjustment period. The Group's exposure to interest rate risk in the form of rising market rates is illustrated by a sensitivity analysis. An increase in STIBOR 3M by one percentage point would increase the Group's interest rate expense for the financial year by around SEK 1 million. A change in the interest rates by one percentage point would also affect the value of interest rate derivatives by SEK 0 million.

#### Management of capital risk

The Group's goal with regard to its capital structure is to secure the Group's ability to be a going concern, so it is able to continue to generate returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to keep capital costs low.

In order to maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to decrease liabilities.

The Group assesses its capital on the basis of the equity/assets ratio. This key figure is calculated as equity, including holdings without a controlling influence, as a percent of the balance sheet total.

In 2016, the Group's strategy, which remained the same as in 2015, was to maintain an equity/assets ratio of at least 30%. The equity/assets ratio on December 31, 2016 was 36.2%, compared to December 31, 2015, when it was 40.8%.

## FINANCIAL INSTRUMENTS PER CATEGORY

12/31/2016

Group	Financial assets/ liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
<b>Liabilities in the balance sheet</b>				
Long-term interest-bearing liabilities	-	-	-	1,268
Other long-term liabilities	-	-	-	91
Current interest-bearing liabilities	-	-	-	237
Derivatives	0	-	-	-
Accounts payable	-	-	-	38
Other current liabilities	-	-	-	68
Accrued expenses and deferred income	-	-	-	42
<b>Total</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>1,744</b>

12/31/2015

Group	Financial assets/ liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
<b>Assets in the balance sheet</b>				
Receivables from associated companies	-	24	-	-
Other securities held as non-current assets	-	-	31	-
Derivatives	0	-	-	-
Other long-term receivables	-	279	-	-
Accounts receivable	-	4	-	-
Other receivables	-	204	-	-
Prepaid expenses and accrued income	-	2	-	-
Cash and cash equivalents	-	193	-	-
<b>Total</b>	<b>0</b>	<b>706</b>	<b>31</b>	<b>0</b>

12/31/2015

Group	Financial assets/ liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
<b>Liabilities in the balance sheet</b>				
Long-term interest-bearing liabilities	-	-	-	731
Other long-term liabilities	-	-	-	110
Current interest-bearing liabilities	-	-	-	130
Derivatives	0	-	-	-
Accounts payable	-	-	-	14
Other current liabilities	-	-	-	77
Accrued expenses and deferred income	-	-	-	36
<b>Total</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>1,098</b>

Group	Financial assets/ liabilities measured at fair value through the income statement	1/1/2015		Financial liabilities measured at amortized cost
		Loans and receivables	Available-for-sale financial assets	
Assets in the balance sheet				
Receivables from associated companies	-	33	-	-
Other securities held as non-current assets	-	-	31	-
Derivatives	0	-	-	-
Other long-term receivables	-	15	-	-
Accounts receivable	-	1	-	-
Other receivables	-	187	-	-
Prepaid expenses and accrued income	-	2	-	-
Cash and cash equivalents	-	37	-	-
Total	0	276	31	-

Group	Financial assets/ liabilities measured at fair value through the income statement	1/1/2015		
		Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
Liabilities in the balance sheet				
Long-term interest-bearing liabilities	-	-	-	494
Other long-term liabilities	-	-	-	0
Current interest-bearing liabilities	-	-	-	-
Derivatives	0	-	-	-
Accounts payable	-	-	-	15
Other current liabilities	-	-	-	17
Accrued expenses and deferred income	-	-	-	5
Total	0	-	-	531

The carrying amount of all financial assets and liabilities is the same as the fair value except for the bond loans, where the fair value is estimated to amount to SEK 923 million (197), compared to the book value of SEK 876 million (197). Fair value for the bond loans has been assessed according to Level 1, which means that the value is derived from listed prices on an active market. Accounts receivable, other receivables, cash and cash equivalents, accounts payable and some other liabilities have a remaining life of less than six months, which is why the carrying amount is considered to reflect the fair value. The majority of the interest-bearing bank loans have a variable interest rate, and the carrying amount thus is considered to reflect fair value.

Available-for-sale financial assets refer to an unlisted holding in Norefjell Prosjektutvikling AS, but since there is no listed price on an active market and it is not possible to reliably measure the fair value, it is measured at cost. The holding is reported as available-for-sale assets since it is not in line with Magnolia Bostad's current business model since ownership is concentrated and there is no active market for the instruments, which makes the schedule for planned divestment uncertain.

The derivative instruments are reported at fair value in accordance with Level 2, which means that the value is determined either directly (i.e. from observable prices) or indirectly (i.e. derived observable prices).

## Note 4 Group composition

The operations of Magnolia Bostad Group are conducted by a number of companies in the Group. Ownership in the operational companies is spread among several different holding companies that are owned either directly or indirectly by Magnolia Bostad AB. For information about Magnolia Bostad AB's subsidiaries, see Note 35, Participations in Group companies.

When Fredrik Lidjan took over as CEO, an agreement was entered into with Fredrik Lidjan AB and the company that Fredrik Lidjan AB will invest at market terms with a 10 percent stake and Magnolia Bostad will invest and receive a 90 percent stake in the companies in which the rental apartment projects will be operated. The agreement can also include tenant-owned apartments if this applies to the same plot of land and the tenant-owned apartments constitute a small portion of the entire project. This agreement applies until February 2019. Fredrik Lidjan AB thus holds a minority interest of 10 percent in these companies through its 10-percent ownership of Magnolia Holding 3 AB. Of the minority's total interests in the Group of SEK 136 million, Fredrik Lidjan AB's share amounts to SEK 47 million (22) and its share of net profit/loss for the year amounts to SEK 28 million (21).

There is also a non-controlling interest in the Group company Moutarde Holding AB, through which phases 1 and 2 of the Senapsfabriken project in Uppsala are conducted. The minority

share of profit/loss in these projects amounts to 23.7 percent, which constitutes SEK 15 million (-2) of net profit/loss for the year. In total, the minority holding in Moutarde Holding AB amounts to SEK 88 million (71).

## Note 5 Net sales

Consolidated net sales refers in its entirety to Sweden. Net sales are distributed across the business areas as follows:

	Group		Parent Company	
	2016	2015	2016	2015
Rental income	47	42	0	0
Sales, development and project properties	911	822	0	0
Other operating income	52	12	2	4
<b>Total</b>	<b>1,010</b>	<b>876</b>	<b>2</b>	<b>4</b>

Revenue from three of Magnolia Bostad's customers exceeds 10 percent of Magnolia Bostad's total revenue, respectively. In total, these three customers represent sales of SEK 718 million in 2016. This revenue has been reported as the sale of development and project properties.

## Note 6 Contractual future rental income

Rental contracts in the company from an accounting perspective can be viewed as operational leasing contracts. The contracts refer to rental of commercial premises and residential units. Below are the agreed future minimum lease fees within each interval.

	Group		Parent Company	
	2016	2015	2016	2015
Contractual rental income within one year	38	53	0	0
Contractual rental income between one and five years	67	199	0	0
Contractual rental income beyond five years	0	0	0	0
<b>Total</b>	<b>105</b>	<b>252</b>	<b>0</b>	<b>0</b>

The sum of the rental income that is included in the consolidated income statement amounts to SEK 47 (42) million.

## Note 7 Operating Leases

	Group		Parent Company	
	2016	2015	2016	2015
Contractual rental payments within one year	-5	-5	0	0
Contractual rental payments between one and five years	-18	-5	0	0
Contractual rental payments beyond five years	0	0	0	0
<b>Total</b>	<b>-23</b>	<b>-10</b>	<b>0</b>	<b>0</b>

Operating lease fees in the Group amounted in 2016 to SEK 4 (3) million. The Group's lease fees consist largely of rent for commercial premises.

## Note 8 Disclosures regarding fees and cost reimbursement to the auditor

	Group		Parent Company	
	2016	2015	2016	2015
Ernst & Young				
auditing assignment	-1.9	-1.1	-1.9	-0.2
audit operations in addition to the audit assignment	-0.2	0	-0.2	0
tax advisory services	-0.1	-0.2	-0.1	-0.2
other	0	0	0	0
Parsells Revisionsbyrå				
auditing assignment	-	0	-	-
<b>Total</b>	<b>-2.2</b>	<b>-1.3</b>	<b>-2.2</b>	<b>-0.4</b>

Auditing assignment refers to the audit of the annual report and accounting records as well as the Board's and the CEO's management. Other assignments delegated to the company's auditors and advice or other assistance caused by observations during such audits or implementation of such other assignments are also included.

## Note 9 Remuneration to employees

### SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	Group			
	2016		2015	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-10	-21	-6	-12
(of which bonuses, etc.)	(-2)	(-2)	(-1)	(-3)
Social security expenses	-2	-7	-1	-3
Pension expenses including special employer's contribution	-1	-3	-1	-2
<b>Total</b>	<b>-13</b>	<b>-31</b>	<b>-8</b>	<b>-17</b>

Some of the company's personnel costs are capitalized in the projects. This is why the amount in the note is greater than the amount reported in the income statement.

	Parent Company			
	2016		2015	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-4	0	-2	0
(of which bonuses, etc.)	(-1)	(0)	(0)	(0)
Social security expenses	-1	0	-1	0
Pension expenses including special employer's contribution	0	0	0	0
<b>Total</b>	<b>-5</b>	<b>0</b>	<b>-3</b>	<b>0</b>



**REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT**

	Basic salary/ Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chair of the Board	-0.4	0	0
Erik Paulsson, Member	-0.1	0	0
Andreas Rutili, Member	-0.2	0	0
Risto Silander, Member	-0.2	0	0
Fredrik Tibell, Member	-0.2	0	0
Jan Roxendal, Member	-0.2	0	0
Fredrik Lidjan, President <sup>1)</sup>	-3.2	0	0
Erik Rune, VP	-1.5	-0.8	-0.4
Rickard Langerfors, VP	-1.4	-0.7	-0.3
Other Executive Management, 2 people <sup>2)</sup>	-1.2	-0.4	-0.4
<b>Total</b>	<b>-8.5</b>	<b>-1.9</b>	<b>-1.1</b>

<sup>1)</sup> Remuneration for the CEO has been invoiced in accordance with a consultancy agreement. The agreement's notice of termination is three months. The CEO is employed by the company as of January 2017.

<sup>2)</sup> Other executive management normally have three to six months of mutual termination.

For more information, see also Note 36 Closely related parties

**AVERAGE NUMBER OF EMPLOYEES**

	Group		Parent Company	
	2016	2015	2016	2015
Average number of employees	42	23	1	1
(of which men)	(21)	(13)	(1)	(1)

**GENDER DISTRIBUTION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT**

	Group		Parent Company	
	2016	2015	2016	2015
Board of Directors	5	5	5	5
(of which men)	(5)	(5)	(5)	(5)
CEO and Executive Management	5	4	5	4
(of which men)	(4)	(3)	(4)	(3)

**SALARIES AND REMUNERATION**

In 2016, the Parent Company had 5 Board Members (5), of which 5 were men (5). The Group had 5 senior executives (4) at the end of the year, of which 4 were men (3).

**REMUNERATION TO THE BOARD**

The 2016 Annual General Meeting resolved on remuneration to the Board of SEK 1,450 thousand, of which SEK 450 thousand to the Chair of the Board and SEK 250 thousand to each of the other Board members.

**EXECUTIVE MANAGEMENT**

During the fall, the Group added one person to its Executive Management. At the end of the year, the Executive Management consists of the CEO, VP/Head of Business Development, VP/Head of Project Development, Head of Communications and CFO.

**REMUNERATION AND BENEFITS**

Remuneration for the CEO has been invoiced in accordance with a consultancy agreement. Other members of Executive Management are paid fixed and variable salaries. Variable salaries consist of bonuses. Other employees are paid fixed and variable salaries. Variable salaries consist of bonuses. The employment agreement for the CEO that is valid as of January 2017 states that the CEO is entitled to fixed remuneration and no agreement has been reached for variable remuneration.

**PENSIONS**

Members of Executive Management have a defined-contribution pension, with no other obligations from the company than to pay an annual premium during the period of employment. This means that, when employment is terminated, employees are entitled to decide during what period the previously defined-contribution payments and resulting yield are drawn as pension. For the current CEO, Fredrik Lidjan, no pension has been paid during the year when remuneration was invoiced. In the agreement with the CEO that is valid as of January 2017, the CEO is entitled to a pension corresponding to the ITP 1 plan.

**TERMINATION**

The CEO's consultancy agreement has a three-month notice of termination. Other Group management has a three- to six-month notice of termination. In the agreement with the CEO that is valid as of January 2017, the CEO has a mutual notice of termination of 12 months. There are non-competition terms and terms regarding remuneration after employment termination for the CEO. Remuneration as a result of the non-competition terms shall in total not exceed an amount corresponding to 60% of the fixed salary for one year.

## Note 10 Profit/loss from participations in associated companies and joint ventures

	Group		Parent Company	
	2016	2015	2016	2015
Share of profit/loss from associated companies and joint ventures	14	0	-	-
<b>Total</b>	<b>14</b>	<b>0</b>	<b>-</b>	<b>-</b>

Of the profit/loss from participations in associated companies, SEK 12 million (-) comes from Kanikenäsvarvet Bostad HB, which the company owns together with Slättö. For more information, see Note 19 Participations in associated companies and joint ventures.

## Note 11 Costs for the business broken down by cost type

	Group		Parent Company	
	2016	2015	2016	2015
Operating expenses	-14	-13	-	-
Production expenses	-571	-569	-	-
Other external costs	-45	-49	-8	-3
Personnel costs	-27	-13	-4	-2
Depreciation/amortization and impairment	-1	-8	0	0
Profit/loss from participations in associated companies	14	0	0	0
Other operating expenses	-11	-18	-	-
Revaluation during transfer from associated company to subsidiary	-	153	-	-
<b>Total</b>	<b>-655</b>	<b>-517</b>	<b>-12</b>	<b>-5</b>

## Note 12 Financial income

	Group		Parent Company	
	2016	2015	2016	2015
Interest income	3	2	0	0
Interest income, associated companies	0	1	0	0
Interest income, Group companies	0	0	41	18
<b>Total</b>	<b>3</b>	<b>3</b>	<b>41</b>	<b>19</b>

## Note 13 Financial expenses

	Group		Parent Company	
	2016	2015	2016	2015
Interest expenses	-86	-46	-48	-18
Other financial expenses	-7	-7	-7	-2
<b>Total</b>	<b>-93</b>	<b>-52</b>	<b>-55</b>	<b>-21</b>

Interest expenses are primarily attributable to financial liabilities measured at amortized cost. The increase compared to the previous year is explained by higher interest-bearing liabilities. Other financial expenses consist largely of costs related to the repurchase of a bond.

## Note 14 Tax on profit/loss for the year

	Group		Parent Company	
	2016	2015	2016	2015
Current tax	0	-1	0	0
Deferred tax for temporary differences	0	0	0	0
<b>Total</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>

## RECONCILIATION OF REPORTED TAX

	Group		Parent Company	
	2016	2015	2016	2015
Profit/loss before tax	265	310	-24	-3
Nominal tax according to current tax rate (22%)	-58	-68	5	1
Tax effect of other non-deductible expenses	-1	-5	0	0
Tax effect of non-taxable income	77	76	0	0
Tax effect of non-capitalized loss carry-forwards	-11	-4	-5	-1
Current tax attributable to previous years	0	0	0	0
Other	-7	0	0	0
<b>Reported effective tax</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>

The tax expense is less than 22.0 percent since some reported income (primarily the sale of companies) is not taxable. Loss carry-forwards consist of tax losses from previous years. The losses, which are not time-limited, are rolled over to the next year and set off against future taxable profits. No deferred tax asset for loss carry-forwards has been capitalized since these deficits will probably not be utilized in the foreseeable future.

## Note 15 Earnings per share

	Group	
	2016	2015
Net profit/loss for the year attributable to Parent Company shareholders	222	289
Weighted average number of outstanding shares	37,822,283	34,555,613
Weighted average number of outstanding shares after dilution	37,982,283	35,635,613
Number of outstanding shares on the balance sheet date	37,822,283	37,822,283
Earnings per share, basic, SEK	5.87	8.36
Earnings per share after dilution effects, SEK <sup>1)</sup>	5.84	8.11

<sup>1)</sup> 160,000 warrants are held by the Magnolia Bostad Group and refer to unutilized warrants from previous employee share-option plans.

## Note 16 Goodwill

	Group	
	12/31/2016	12/31/2015
Opening cost	6	6
<b>Closing carrying amount</b>	<b>6</b>	<b>6</b>

The annual impairment test of goodwill did not identify any impairment needs.

## Note 17 Other intangible assets

	Group	
	12/31/2016	12/31/2015
Opening cost	1	8
Purchases	0	1
Disposals	0	-8
<b>Closing accumulated cost</b>	<b>1</b>	<b>1</b>
Opening depreciation/amortization according to plan	0	0
Depreciation and amortization for the year according to plan	-1	0
<b>Closing accumulated depreciation/amortization according to plan</b>	<b>-1</b>	<b>0</b>
<b>Closing residual value according to plan</b>	<b>0</b>	<b>1</b>

## Note 18 Machines and equipment

	Group	
	12/31/2016	12/31/2015
Opening cost	1	0
Purchases	0	1
<b>Closing accumulated cost</b>	<b>1</b>	<b>1</b>
Opening depreciation/amortization according to plan	0	0
Depreciation and amortization for the year according to plan	0	0
<b>Closing accumulated depreciation/amortization according to plan</b>	<b>0</b>	<b>0</b>
<b>Closing residual value according to plan</b>	<b>1</b>	<b>0</b>

## Note 19 Participations in associated companies and joint ventures

	Group		Parent Company	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Opening cost	2	40	2	2
Acquisitions	100	75	0	0
Transfer against subsidiary shares	-	-113	-	-
Share for the year of profit/loss in associated companies and joint ventures	14	0	-	-
<b>Closing carrying amount</b>	<b>116</b>	<b>2</b>	<b>2</b>	<b>2</b>

Participations in associated companies are reported in the Group in accordance with the equity method and in the Parent Company in accordance with the cost method. The increase during the year is explained primarily by the acquisition of Sollentuna Stinsen JV AB, which the company owns together with Alecta. The participation in Moutarde Holding AB has previously been reported as an associated company. In 2015, the company became a subsidiary when a controlling interest was achieved through a gradual acquisition. The remeasurement occurred at fair value for all previous partial acquisitions and the profit/loss from this revaluation has been reported in the income statement in the item Revaluation during transition from associated company to subsidiary. The Group's share of profit/loss from individual, non-material associated companies amounts to SEK 3 million (0).

Company name	CIN	Domicile	Group	Carrying amount
			Share of capital as a percent <sup>1)</sup>	
Svenska Husgruppen Intressenter AB	556871-5717	Borlänge	45.0%	4
Söderblick Utveckling AB	556849-9445	Stockholm	50.0%	0
Söderblick Produktion AB	556849-9452	Stockholm	50.0%	0
FL Properties Uppsala AB	556870-5304	Stockholm	50.0%	0
Moutarde Equity AB	556912-2079	Stockholm	35.0% <sup>3)</sup>	0
Magnolia Senap AB	556887-5925	Stockholm	50.0%	0
Sollentuna Stinsen JV AB <sup>2)</sup>	559085-9954	Stockholm	45.0%	100
Kanikenäsvarvet Bostad HB <sup>2)</sup>	969782-0810	Stockholm	45.0%	12
<b>Total</b>				<b>116</b>

Company name	CIN	Domicile	Parent Company	Carrying amount
			Share of capital as a percent <sup>1)</sup>	
Svenska Husgruppen Intressenter AB	556871-5717	Borlänge	45.0%	2
<b>Total</b>				<b>2</b>

<sup>1)</sup> Share of capital agrees with ownership

<sup>2)</sup> Holdings classified as joint ventures

<sup>3)</sup> Including holdings of forwards

<b>Sollentuna Stinsen JV AB</b>	<b>2016</b>
Non-current assets	0
Cash and cash equivalents	89
Other current assets	700
Long-term financial liabilities	-300
Short-term financial liabilities	-289
<b>Net assets</b>	<b>200</b>
<b>Company's share of net assets</b>	<b>100</b>
Net sales	4
Depreciation/amortization	-1
Interest expenses	-3
Net profit/loss for the year	0
<b>Company's share of profit/loss for the year</b>	<b>0</b>

Sollentuna Stinsen JV AB was acquired in December 2016. All apartments will be developed by Magnolia Bostad. Approximately one-third will be sold to Alecta as rental apartments, which Alecta will own and manage itself. Approximately one-third are intended to be sold to Slättö in accordance with the framework agreement signed between Magnolia Bostad and Slättö on November 25, 2016. The consideration paid for the property acquisition amounted to approximately SEK 700 million

The property includes just under 54,200 sqm in Södra Häggvik. On the property is the Stinsen shopping center, which offers approximately 41,600 sqm of leasable retail and office space. Rental income amounts to approximately SEK 70 million and the occupancy rate is approximately 80 percent.

<b>Kanikenäsvarvet Bostad HB</b>	<b>2016</b>
Non-current assets	0
Cash and cash equivalents	0
Other current assets	24
Long-term liabilities	0
Current liabilities	0
<b>Net assets</b>	<b>24</b>
<b>Company's share of net assets</b>	<b>12</b>
Net sales	87
Net profit/loss for the year	24
<b>Company's share of profit/loss for the year</b>	<b>12</b>

Kanikenäsvarvet Bostad HB was formed at the end of 2016 together with Slättö to handle the decision-making process and profit distribution for joint tenant-owned apartment projects, if and to the extent that such handling and decision-making is not already covered by the framework agreement entered into with Slättö on November 25, 2016.

## Note 20 Other long-term securities holdings

	<b>Group</b>	
	<b>12/31/2016</b>	<b>12/31/2015</b>
Opening fair value	31	31
<b>Closing carrying amount</b>	<b>31</b>	<b>31</b>
	<b>12/31/2016</b>	<b>12/31/2015</b>
Other investments	31	31
<b>Total</b>	<b>31</b>	<b>31</b>

The unlisted holding in Norefjell Prosjektutvikling AS has been categorized by management as a financial asset that is available for sale. Since there is no listed price on an active market and it is not possible to make a reliable estimate of the fair value, it is valued at cost.

## Note 21 Other long-term receivables

	<b>12/31/2016</b>	<b>Group 12/31/2015</b>	<b>1/1/2015</b>
Receivable property sales	365	278	14
Paid deposits	40	-	-
Deposits	1	1	1
<b>Total</b>	<b>406</b>	<b>279</b>	<b>15</b>

Refers largely to long-term claims on owners.

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
<b>Receivable property sales</b>	<b>2016</b>	<b>2015</b>
<b>Opening balance</b>	<b>278</b>	<b>14</b>
Incoming	189	275
Outgoing	-103	-11
<b>Closing balance</b>	<b>365</b>	<b>278</b>

Reported as short-term Other receivables are additional claims from property sales of SEK 433 (185) million. For information on short-term receivables on buyers, see Note 24 Other receivables.

## Note 22 Development and project properties

	Group		Parent Company	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Opening amount	1,138	424	0	4
Ongoing new construction	438	108	0	0
Acquisitions	155	816	0	0
Sales	-571	-210	0	-4
<b>Total</b>	<b>1,160</b>	<b>1,138</b>	<b>0</b>	<b>0</b>



## Note 23 Accounts receivable

	12/31/2016	Group 12/31/2015	1/1/2015
Accounts receivable gross	1	4	1
Provision for bad debt	0	0	0
<b>Closing carrying amount</b>	<b>1</b>	<b>4</b>	<b>1</b>
<b>Provision for bad debt</b>			
Provision at beginning of year	0	0	0
Realized losses	0	0	0
Recovered accounts receivable	0	0	0
Change/reserve for the year	0	0	0
<b>Provision at end of year</b>	<b>0</b>	<b>0</b>	<b>0</b>

	12/31/2016	Group 12/31/2015	1/1/2015
<b>Age-distributed accounted receivable</b>			
Accounts receivable not past due	1	4	1
Past due < 30 days	0	0	0
Past due 31 - 90 days	0	0	0
<b>Total accounts receivable not written down</b>	<b>1</b>	<b>4</b>	<b>1</b>
Past due and written down accounts receivable	0	0	0
<b>Total accounts receivable</b>	<b>1</b>	<b>4</b>	<b>1</b>

The company reported losses of SEK 0 million (0) for write-downs of accounts receivable.

## Note 24 Other receivables

	12/31/2016	Group 12/31/2015	1/1/2015	Parent Company 12/31/2016	12/31/2015
Receivable property sales	433	185	127	0	0
Other items	42	19	60	1	21
<b>Total</b>	<b>475</b>	<b>204</b>	<b>187</b>	<b>1</b>	<b>21</b>

## Note 25 Prepaid expenses and accrued income

	12/31/2016	Group 12/31/2015	1/1/2015	Parent Company 12/31/2016	12/31/2015
Prepaid interest expenses	0	0	0	0	0
Other items	5	2	2	0	0
<b>Total</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>

## Note 26 Cash and cash equivalents

	12/31/2016	Group 12/31/2015	1/1/2015	Parent Company 12/31/2016	12/31/2015
Cash and bank balances	507	193	37	64	11
<b>Total</b>	<b>507</b>	<b>193</b>	<b>37</b>	<b>64</b>	<b>11</b>

## Note 27 Share capital and other contributed capital

Share capital in the Parent Company Magnolia Bostad AB amounts to SEK 151 (151) million and refers to 37,822,283 ordinary shares. The shares have a quotient value of SEK 4 per share. Each ordinary share corresponds to one vote. All shares registered on the balance sheet date are fully paid.

### Equity in the Parent Company

#### Share capital

The share capital item includes the registered share capital. As at December 31, 2016, there are 37,822,283 shares (37,822,283) and the quotient value is SEK 4 per share.

#### Share premium reserve

The share premium reserve is part of unrestricted equity. The item arises when a new share issue is oversubscribed.

#### Profit/loss carried forward

Retained profits correspond to accumulated profits and losses generated in the company with supplements/deductions for

provisions to statutory reserves, dividends and other contributions from shareholders.

### SHARE CAPITAL GROWTH

Ordinary shares	Number of shares	Quotient value/ share, SEK	Share capital, SEK
Opening balance 1/1/2015	31,288,942	4	125,155,768
New issue with subscription warrants, June 2015	800,000	4	3,200,000
New issue with subscription warrants, June 2015	1,040,000	4	4,160,000
New issue, June 2015	4,693,341	4	18,773,364
<b>Closing balance 12/31/2015</b>	<b>37,822,283</b>	<b>4</b>	<b>151,289,132</b>
Opening balance 1/1/2016	37,822,283	4	151,289,132
<b>Closing balance 12/31/2016</b>	<b>37,822,283</b>	<b>4</b>	<b>151,289,132</b>

### Proposed appropriation of profits

The following is available to the Annual General Meeting (SEK):

Profit/loss carried forward	114,607,725
Profit/loss for the year	-24,782,181
<b>Total</b>	<b>89,825,545</b>

The Board proposes the following:

Dividend	66,188,995
To be carried forward	23,636,550
<b>Total</b>	<b>89,825,545</b>

Proposed dividend corresponds to SEK 1.75 per share. The record date is proposed for April 28, 2017, with an estimated date of payment of May 4, 2017.

### Equity in the Group

#### Share capital

The share capital item includes the registered share capital. As at December 31, 2016, there are 37,822,283 shares (37,822,283) and the quotient value is SEK 4 per share.

#### Other capital contributions

This item includes capital contributed by the owners, such as share premium reserves during new share issues and shareholders' contributions received.

### Retained profits including net profit/loss for the year

Retained profits correspond to accumulated profits and losses generated in the company with supplements/deductions for provisions to statutory reserves and dividends.

## Note 28 Deferred tax liability

	Group		
	12/31/2016	12/31/2015	1/1/2015
Deferred tax liability			
for temporary difference between carrying amounts and taxable values of buildings	2	2	0
for financial derivatives	0	0	0
tax allocation reserves	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>0</b>

Total loss carry-forwards without an equivalent capitalization of a deferred tax asset amount to SEK 200 (168) million, which corresponds to a deferred tax asset of SEK 44 (37) million.

## Note 29 Interest-bearing liabilities

	Group			Parent Company	
	12/31/2016	12/31/2015	1/1/2015	12/31/2016	12/31/2015
<b>Long-term interest-bearing liabilities</b>					
Bank loans	392	505	268	0	0
Bond loans	876	226	226	876	222
<b>Current interest-bearing liabilities</b>					
Bank loans	222	130	0	0	0
Seller promissory notes	15	0	0	0	0
<b>Total</b>	<b>1,505</b>	<b>861</b>	<b>494</b>	<b>876</b>	<b>222</b>

	Group			Parent Company	
	12/31/2016	12/31/2015	1/1/2015	12/31/2016	12/31/2015
Liabilities that fall due for payment within one year after the balance sheet date	237	130	0	0	0
Liabilities that fall due for payment between one and five years after the balance sheet date	1,268	731	494	876	222
Liabilities that fall due for payment more than five years after the balance sheet date	-	-	-	-	-
<b>Total</b>	<b>1,505</b>	<b>861</b>	<b>494</b>	<b>876</b>	<b>222</b>

As collateral for the bond loan with an outstanding nominal amount of SEK 500 million, shares in subsidiaries have been pledged, the value of which amounts to SEK 638 in the Group and SEK 74 million in the Parent Company. For bank loans, the Group has pledged collateral totaling SEK 734 million.

## Note 30 Derivatives

	Group	
	12/31/2016	12/31/2015
Opening fair value	0	0
Acquisition of derivatives	0	0
Sale of derivatives	0	0
Changes in value	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

The Group's derivatives consist of an interest rate swap with a nominal amount of SEK 52 million, which falls due in 2017.

## Note 31 Other long-term liabilities

	Group		
	12/31/2016	12/31/2015	1/1/2015
Loans	91	110	0
Deposits	0	0	0
<b>Total</b>	<b>91</b>	<b>110</b>	<b>0</b>

	Group		
	12/31/2016	12/31/2015	1/1/2015
Liabilities that fall due for payment between one and five years after the balance sheet date	91	110	0
Liabilities that fall due for payment more than five years after the balance sheet date	-	-	-
<b>Total</b>	<b>91</b>	<b>110</b>	<b>0</b>

## Note 32 Accrued expenses and deferred income

	Group			Parent Company	
	12/31/2016	12/31/2015	1/1/2015	12/31/2016	12/31/2015
Accrued personnel costs	3	6	1	1	0
Accrued interest expenses	16	4	0	11	0
Deferred income	8	8	5	0	0
Property tax	0	0	2	0	0
Other items	26	32	4	3	1
<b>Total</b>	<b>53</b>	<b>50</b>	<b>12</b>	<b>15</b>	<b>1</b>

## Note 33 Pledged assets

	Group			Parent Company	
	12/31/2016	12/31/2015	1/1/2015	12/31/2016	12/31/2015
Real estate mortgages	503	468	259	0	0
Pledged shares in subsidiaries	845	264	56	74	0
Pledged internal reversals	13	0	0	0	0
<b>Total</b>	<b>1,360</b>	<b>732</b>	<b>315</b>	<b>74</b>	<b>0</b>

## Note 34 Contingent liabilities

	Group			Parent Company	
	12/31/2016	12/31/2015	1/1/2015	12/31/2016	12/31/2015
Guarantees on behalf of Group companies	0	0	0	508	609
Other items	140	250	0	140	200
<b>Total</b>	<b>140</b>	<b>250</b>	<b>0</b>	<b>648</b>	<b>809</b>

The Group's contingent liabilities refer to guarantees benefiting liabilities in tenant-owner associations.

## Note 35 Participations in Group companies

	Parent Company	
	12/31/2016	12/31/2015
Opening cost	89	89
Acquisitions	0	-
<b>Closing carrying amount</b>	<b>89</b>	<b>89</b>

Company name	CIN	Domicile	Share of capital as a percent <sup>1)</sup>	Carrying amount
Norefjell i Oslo Invest AB	556746-2923	Stockholm	100.0%	14.4
Magnolia Utveckling AB	556776-1464	Stockholm	100.0%	74.4
Magnolia Hotellutveckling AB	559062-5645	Stockholm	60.0%	0.3
				<b>89.1</b>

<sup>1)</sup> Share of capital agrees with ownership.

## Note 36 Closely related parties

### Group

The Group is subject to controlling influence from F. Holmström Fastigheter AB, CIN 556530-3186, which is domiciled in Stockholm.

Transactions with closely related parties occurred between the Parent Company and its subsidiaries and associated companies, and between the subsidiaries in the form of loans of cash and cash equivalents and invoicing of internal administrative services between the companies.

Receivables from associated companies	Group		
	12/31/2016	12/31/2015	1/1/2015
Svenska Husgruppen Intressenter AB	24	24	24
FL Properties Uppsala AB	2	-	1
Magnolia Senap AB	2	-	1
Moutarde Equity AB	14	-	-
Moutarde Holding AB	-	-	8
<b>Total</b>	<b>43</b>	<b>24</b>	<b>34</b>

Transactions occurred with F. Holmström Fastigheter AB and other companies over which Fredrik Holmström, Chair of the Board of Magnolia Bostad AB, has a controlling influence. During the year, Magnolia Bostad Group had expenses of SEK 1 (2) million for services carried out by companies with closely related parties to Fredrik Holmström. F. Holmström Fastigheter AB rented commercial premises during the year from the Magnolia Bostad Group for SEK 1 (1) million.

The company's CEO has invoiced the Magnolia Bostad Group through Fredrik Lidjan AB for remuneration for his work as CEO. Before Fredrik Lidjan took over as CEO for Magnolia Bostad, Fredrik Lidjan AB also entered into a profit-sharing agreement with the Magnolia Bostad Group, for which SEK 30 (5) million was invoiced during the year.

Fredrik Lidjan also holds through Fredrik Lidjan AB 5,000 shares in Group company Magnolia Holding 3, CIN 559016-4140. For more information, see Note 4 Group composition.

The Magnolia Bostad Group purchased services during the year for SEK 0 (2) million from Caritas Corporate Finance AB, where Board member Fredrik Tibell is a member of the Board. The services refer to ongoing financial advice.

For more information about remuneration to executive management, see Note 9 Remuneration to employees.

### Parent Company

In addition to the closely related parties specified for the Group, the Parent Company has closely related parties that have a controlling influence over their subsidiaries, see Note 35 Participations in Group companies. The Parent Company has sold services to Group companies for SEK 0 million (5) and purchased services for SEK 0 million (0).

## Note 37 Transition to IFRS

As of December 31, 2016, Magnolia Bostad AB prepares its consolidated accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The date for the Group's transition to IFRS is January 1, 2015. Up until the 2015 financial year, the Group has prepared its consolidated accounts in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general guideline, BFNAR 2012:1 (K3). The transition to IFRS is reported in accordance with IFRS 1, First-time Adoption of International Financial Reporting.

As of December 31, 2016, Magnolia Bostad AB prepares its annual report in accordance with the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, instead of BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3). The change has not resulted in any changes to the Parent Company's financial statements.

The transition to IFRS is reported in accordance with IFRS 1, First-time Adoption of International Financial Reporting.

The effect of the new accounting principles is reported directly against equity. Previously published financial information for the 2015 financial year prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general guidelines BFNAR 2012:1 (K3) has been translated to IFRS.

The main rule is that all applicable IFRS and IAS standards that entered into force and have been approved by the EU shall be applied retroactively. However, IFRS 1 contains transition provisions that allow companies some options. The following is an account of the changes resulting from the implementation of IFRS as well as the transition effects in the consolidated income statement and balance sheet, consolidated cash flow statement and change in equity for the 2015 financial year.

### Description of the effects

The letters in each section, a-e, refer to notes in the tables that summarize the effects of the transition to IFRS.

Additional disclosures about the effects are also provided in a table.

#### a) Goodwill

According to IAS 38, goodwill (business combinations) has an indefinite useful life, which means that amortization according to plan is not allowed. Instead, an impairment test is conducted annually and in the presence of impairment indicators in accordance with IAS 36.

#### b) Financial derivatives

Financial derivatives are reported in accordance with IAS 39 at fair value in the balance sheet. Changes in value of derivatives are reported as unrealized changes in value in the income statement.

#### c) Available-for-sale financial assets

The unlisted holding in Norefjell Prosjektutvikling AS has been categorized by executive management as a financial asset that is available for sale. According to IAS 39, this category is measured at fair value in the balance sheet, but since there is no listed price on an active market and it is not possible to reliably estimate the fair value, it is measured at cost. The change in the accounting principle has not had an impact on the amounts in conjunction with the transition to IFRS.

#### d) Deferred tax

A deferred tax shall be reported for changes in value in financial derivatives. Deferred tax has therefore been adjusted in accordance with this during the transition to IFRS.

#### 3) Property tax

IFRIC 21 includes fees/taxes that state or equivalent bodies charge companies in accordance with laws/regulations with the exception of income tax, penalties and fines. A liability is reported successively if the obligating event occurs on an ongoing basis. If a certain minimum level must be reached for the obligation to arise, the liability is reported first upon surpassing this threshold.

## Income Statement

2015

Amounts in MSEK	Notes	Previous reporting	IFRS adjustment	IFRS
<b>Operating income and expenses</b>				
Net sales		876	0	876
Operating expenses	a	-519	1	-518
<b>Operating profit/loss</b>		<b>357</b>	<b>1</b>	<b>358</b>
<b>Financial income</b>		<b>3</b>	<b>0</b>	<b>3</b>
Financial expenses		-52	0	-52
<b>Profit/loss before changes in value</b>		<b>308</b>	<b>1</b>	<b>309</b>
Change in value, derivatives	b	0	0	0
<b>Profit/loss before tax</b>		<b>308</b>	<b>1</b>	<b>309</b>
Income tax	d	-1	0	-1
<b>Net profit/loss for the year</b>		<b>307</b>	<b>1</b>	<b>308</b>

## Balance Sheet

1/1/2015

Amounts in MSEK	Notes	Previous reporting	IFRS adjustment	IFRS
<b>Non-current assets</b>				
Goodwill		6	0	6
Other intangible assets		8	0	8
Machinery and equipment		0	0	0
Participations in associated companies		40	0	40
Receivables from associated companies		24	0	24
Other securities held as non-current assets	c	31	0	31
Other long-term receivables		15	0	15
<b>Total non-current assets</b>		<b>124</b>	<b>0</b>	<b>124</b>
<b>Current assets</b>				
Development and project properties		424	0	424
Tenant-owned apartments		9	0	9
Current receivables	e	198	2	200
Cash and cash equivalents		37	0	37
<b>Total current assets</b>		<b>668</b>	<b>2</b>	<b>670</b>
<b>Total assets</b>		<b>792</b>	<b>2</b>	<b>794</b>
<b>Equity</b>		<b>253</b>	<b>0</b>	<b>253</b>
<b>Provisions/Long-term liabilities</b>				
Deferred tax liability	d	0	0	0
Interest-bearing liabilities		494	0	494
Derivatives	b	0	0	0
Other long-term liabilities		0	0	0
<b>Total provisions/long-term liabilities</b>		<b>494</b>	<b>0</b>	<b>495</b>
<b>Current liabilities</b>	e	<b>44</b>	<b>2</b>	<b>46</b>
<b>Total equity and liabilities</b>		<b>792</b>	<b>2</b>	<b>794</b>



**Balance Sheet**
**12/31/2015**

Amounts in MSEK	Notes	Previous reporting	IFRS adjustment	IFRS
<b>Non-current assets</b>				
Goodwill	a	5	1	6
Other intangible assets		1	0	1
Machinery and equipment		0	0	0
Participations in associated companies		2	0	2
Receivables from associated companies		24	0	24
Other securities held as non-current assets	c	31	0	31
Other long-term receivables		279	0	279
<b>Total non-current assets</b>		<b>341</b>	<b>1</b>	<b>343</b>
<b>Current assets</b>				
Development and project properties		1,139	0	1,139
Tenant-owned apartments		4	0	4
Current receivables	e	210	0	210
Cash and cash equivalents		193	0	193
<b>Total current assets</b>		<b>1,546</b>	<b>0</b>	<b>1,546</b>
<b>Total assets</b>		<b>1,887</b>	<b>1</b>	<b>1,888</b>
<b>Equity</b>	a, b, c, d	<b>770</b>	<b>1</b>	<b>771</b>
<b>Provisions/Long-term liabilities</b>				
Deferred tax liability	d	2	0	2
Interest-bearing liabilities		731	0	731
Derivatives	b	0	0	0
Other long-term liabilities		110	0	110
<b>Total provisions/long-term liabilities</b>		<b>843</b>	<b>0</b>	<b>843</b>
<b>Current liabilities</b>	e	<b>274</b>	<b>0</b>	<b>274</b>
<b>Total equity and liabilities</b>		<b>1,887</b>	<b>1</b>	<b>1,888</b>

**Change in equity**
**2015**

Amounts in MSEK	Notes	Previous reporting	IFRS adjustment	IFRS
<b>Opening balance</b>		<b>253</b>	<b>0</b>	<b>253</b>
Redistribution during transition from associated company to subsidiary		-38	0	-38
New share issue		193	0	193
Issue expenses		-13	0	-13
Acquisition of subsidiaries		74	0	74
Dividend		-6	0	-6
Net profit/loss for the year		307	1	308
<b>Closing balance</b>		<b>770</b>	<b>1</b>	<b>771</b>

## Note 38 Alternative performance measures

Guidelines for alternative performance measures have been issued by the European Securities and Markets Authority (ESMA). Guidelines for alternative performance measures aim to facilitate comprehension of these measures and thus improve their usability. The alternative performance measures offer additional valuable information to assess the company's operations.

Non-IFRS financial performance measures	Definition	Reason used
Operating profit/loss	Net sales minus costs for production and operation, central administration, depreciation/amortization and impairment of intangible assets and property, plant and equipment and profit/loss from participations in associated companies.	Measures profit/loss in the operations
Operating margin (%)	Operating profit as a percentage of net sales	Measures profitability in the operations
Profit/loss after financial items	Operating profit/loss plus financial income minus financial expenses	Measures profit/loss before tax
Net financial items	Net of financial income and financial expenses	Measures the net of the financing activities
Return on equity (%)	Net profit/loss for the year attributable to Parent Company's shareholders as a percent of the average equity attributable to Parent Company shareholders.	Measures profitability in invested capital
Equity/assets ratio (%)	Equity, including holdings without a controlling influence, as a percentage of the balance sheet total	Measures financial position
Interest-bearing net liabilities	Interest-bearing liabilities minus cash and cash equivalents	Measures financial position
Interest coverage ratio (multiple)	Profit/loss after financial items including financial expenses divided by financial expenses	Measures the ability to cover interest expenses
Equity per share	Equity attributable to Parent Company shareholders divided by the number of outstanding basic shares	Measures share value

For reconciliation of alternative performance measures, please refer to Magnolia Bostad AB's website, [www.magnoliabostad.se](http://www.magnoliabostad.se).

## Note 39 Events after the balance sheet date

Magnolia Bostad AB held an Extraordinary General Meeting in January at which Viveka Ekberg was elected to the Board of Directors.

In January, Camilla Weiner became Head of Sustainability and joined the Executive Management team.

After the end of the period, the company signed an agreement for the acquisition of three site leasehold rights in Bredäng, Stockholm, where it will continue to pursue local planning to construct 700 to 800 apartments.

Magnolia Bostad was approved for listing on Nasdaq First North Premier. The first day of trade is March 31, 2017.

The Board of Directors and the CEO ensure that the consolidated financial statements have been prepared in accordance with the IFRS international accounting standards as adopted by the EU and are a true and fair presentation of the Group's position and performance. The annual accounts have been prepared in accordance with generally accepted auditing standards and are a true and fair presentation of the Parent Company's

position and performance. The Directors' Report for the Group and the Parent Company is a true and fair presentation of the development in the Group's and Parent Company's operations, position and performance, and describes significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 29, 2017

Jan Roxendal  
*Member*

Viveka Ekberg  
*Member*

Fredrik Tibell  
*Member*

Andreas Rutili  
*Member*

Risto Silander  
*Member*

Fredrik Lidjan  
*CEO*

Fredrik Holmström  
*Chair of the Board*

We issued our Auditor's Report on March 30, 2017

Ernst & Young AB

Ingemar Rindstig  
*Authorized Public Accountant*

# Auditor's Report

To the general meeting of the shareholders of  
Magnolia Bostad AB (publ), corporate identity  
number 556797-7078

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Magnolia Bostad AB (publ) for the financial year 2016. The annual accounts and consolidated accounts of the company are included on pages 64-99 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 2016 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 2016 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. 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.

### 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.

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

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

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises page 1-63 and 103-119 (but does not include the annual accounts, consolidated accounts and our auditor's report thereon).

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 incon-

sistent 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 skepticism 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.



## 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 Magnolia Bostad AB (publ) for the financial year 2016 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 skepticism 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.

Stockholm 30 March 2017  
Ernst & Young AB

Ingemar Rindstig  
Authorized Public Accountant

# Multi-year overview

## Income Statement

Amounts in MSEK	1/1/2016 12/31/-2016	1/1/2015 12/31/-2015	1/1/2014 <sup>1)</sup> 12/31/-2014	1/1/2013 <sup>1)</sup> 12/31/-2013
Net sales	1,010	876	141	144
Production and operating costs	-642	-657	-87	-114
<b>Gross profit/loss</b>	<b>368</b>	<b>219</b>	<b>54</b>	<b>30</b>
Central administration	-27	-13	-6	-6
Profit/loss from participations in associated companies	14	0	-1	
Revaluation during transition from associated company to subsidiary	0	153		
<b>Operating profit/loss</b>	<b>355</b>	<b>358</b>	<b>47</b>	<b>24</b>
Financial income	3	3	3	3
Financial expenses	-93	-52	-21	-6
Change in value, financial instruments	0	0		
<b>Profit/loss before tax</b>	<b>265</b>	<b>308</b>	<b>30</b>	<b>21</b>
Income tax	0	-1	-1	0
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>265</b>	<b>308</b>	<b>29</b>	<b>21</b>
Profit/loss attributable to				
Parent Company shareholders	222	289	-	-
Holdings without a controlling influence	43	19	-	-

<sup>1)</sup> According to previously applied accounting principles

**Balance Sheet****Amounts in MSEK**

	12/31/2016	12/31/2015	12/31/2014 <sup>1)</sup>	12/31/2013 <sup>1)</sup>
<b>ASSETS</b>				
Goodwill	6	6	6	7
Other intangible assets	0	1	8	0
<b>Total intangible assets</b>	<b>6</b>	<b>7</b>	<b>14</b>	<b>7</b>
Machinery and equipment	1	0	0	0
<b>Total property, plant and equipment</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
Participations in associated companies and joint ventures	116	2	40	5
Receivables from associated companies	23	24	24	27
Other securities held as non-current assets	31	31	31	31
Other long-term receivables	406	279	15	15
<b>Total financial assets</b>	<b>576</b>	<b>336</b>	<b>109</b>	<b>77</b>
<b>Total non-current assets</b>	<b>583</b>	<b>342</b>	<b>124</b>	<b>84</b>
<i>Current assets</i>				
Development and project properties	1,160	1,139	424	210
Tenant-owned apartments	4	4	9	0
Accounts receivable	1	4	1	2
Receivables from associated companies	20	0	10	47
Other receivables	475	204	187	4
Prepaid expenses and accrued income	5	2	1	0
Cash and cash equivalents	507	193	37	23
<b>Total current assets</b>	<b>2,172</b>	<b>1,546</b>	<b>669</b>	<b>285</b>
<b>TOTAL ASSETS</b>	<b>2,755</b>	<b>1,888</b>	<b>792</b>	<b>370</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Equity</i>				
Equity attributable to Parent Company shareholders	862	678	253	190
Holdings without a controlling influence	136	93	0	0
<b>Total equity</b>	<b>998</b>	<b>771</b>	<b>253</b>	<b>190</b>
<i>Long-term liabilities</i>				
Deferred tax liability	2	2	0	0
Long-term interest-bearing liabilities	1,268	731	494	146
Derivatives	0	0		
Other long-term liabilities	91	110	0	4
<b>Total long-term liabilities</b>	<b>1,361</b>	<b>843</b>	<b>494</b>	<b>150</b>
<i>Current liabilities</i>				
Current interest-bearing liabilities	237	130	0	2
Derivatives	0	0	0	0
Liabilities to associated companies	-	-	-	16
Accounts payable	38	14	15	6
Income tax liabilities	0	4	1	0
Other current liabilities	68	77	17	1
Accrued expenses and deferred income	53	50	11	4
<b>Total current liabilities</b>	<b>396</b>	<b>274</b>	<b>44</b>	<b>30</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,755</b>	<b>1,888</b>	<b>792</b>	<b>370</b>

<sup>1)</sup> According to previously applied accounting principles.

# Cash Flow Statement

Amounts in MSEK	1/1/2016 12/31/-2016	1/1/2015 12/31/-2015	1/1/2014 <sup>1)</sup> 12/31/-2014	1/1/2013 <sup>1)</sup> 12/31/-2013
<b>Operating activities</b>				
<b>Profit/loss after financial items</b>	<b>265</b>	<b>308</b>	<b>30</b>	<b>21</b>
Adjustments for non-cash items, etc.	-351	-399	4	-31
Income tax paid	-4	1	4	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>-90</b>	<b>-90</b>	<b>38</b>	<b>-10</b>
<b>Cash flow from changes in working capital</b>				
Reduction (+)/increase (-) of development and project properties	119	-144	-68	-37
Decrease(+)/increase(-) in current receivables	-4	104	-203	-2
Decrease(-)/increase(+) in current liabilities	-47	-20	5	2
<b>Cash flow from operating activities</b>	<b>-22</b>	<b>-150</b>	<b>-229</b>	<b>-47</b>
<b>Investing activities</b>				
Acquisition of intangible fixed assets	-	-1	-8	0
Acquisition of property, plant and equipment	-1	-1	0	0
Acquisition of subsidiaries	0	0		
Investment in financial assets	-100	-5	-7	-22
Disposal/reduction of financial assets	-	7	-	1
<b>Cash flow from investing activities</b>	<b>-101</b>	<b>0</b>	<b>-15</b>	<b>-22</b>
<b>Financing activities</b>				
New share issue	-	181		
Borrowings	1,059	471	367	77
Repayment of borrowings	-584	-340	-104	-6
Dividend paid	-38	-6	-5	-
<b>Cash flow from financing activities</b>	<b>437</b>	<b>306</b>	<b>258</b>	<b>71</b>
<b>Cash flow for the year</b>	<b>314</b>	<b>156</b>	<b>14</b>	<b>3</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>193</b>	<b>37</b>	<b>23</b>	<b>20</b>
<b>Cash and cash equivalents at end of the year</b>	<b>507</b>	<b>193</b>	<b>37</b>	<b>23</b>

<sup>1)</sup> According to previously applied accounting principles

**Corporate governance**







Fredrik Holmström, founder and Chair of the Board of Directors of Magnolia Bostad.

# Urban planner that contributes to a safer Sweden

Magnolia Bostad has been on a fantastic journey the past few years, and it is now time to take the next step. In 2017, the company intends to move to the stock exchange's main market.

Looking back on Magnolia Bostad's progress for me is kind of like watching my children grow up and become adults. I have followed the company since it was born, and I am in awe and proud of how it has developed. Today, the company is a strong force in terms of building the new Sweden, an urban planner that makes tangible contributions to reducing the housing shortage, creating sustainable residential areas and providing people with a safe, attractive home.

This is the vision on which Magnolia Bostad rests. We want to help Sweden fulfill its need for new homes, both in the short term and in the long term, and we want to do this both in a sustainable manner and by working closely with municipalities and our partners. The concept has been successful – we currently have projects in most of the large growth cities in Sweden, and we have established partnerships with a long list of municipalities as well as multiple institutional investors.

#### **Sweden needs housing developers**

The past year was a very important year for us. We started new, expanded partnerships with Alecta and Slättö, established the business in several new municipalities and recruited a number of new, strong individuals to key positions in the company. This has enabled us to lay a strong foundation for growth in coming years.

There is no question that Sweden needs strong housing developers. According to the National Board of Housing, Building and Planning, by 2025 we will need to produce at least 710,000 new homes in the country to meet demand, and Magnolia Bostad will make a clear contribution to this target.

#### **Move to the stock exchange's main market**

But we are not settling there. In order to be able to keep pace with the market and demand, we need to become even bigger. It is therefore our ambition in 2017 to move to the Stockholm Stock Exchange's main market. The objective of this move is to create possibilities for raising the liquidity of the share and improving the transparency of the company for its shareholders. This will make the share accessible to even more people. Since Magnolia Bostad was listed on First North roughly two years ago, the number of shareholders has grown from 700 to 3,500. It is our hope that the listing on the main market will make it possible to distribute the share among even more owners.

Magnolia Bostad's financial position is strong, and a new issue will therefore not be conducted in conjunction with the move to the new market. I view my position as the primary owner in the company as a long-term commitment, and I do not intend to distribute the share among more owners when the company changes markets, but,

if the conditions are right, I am open to selling parts of my ownership to institutional owners who are judged to strengthen the ownership of Magnolia Bostad.

#### **Magnolia Bostad – a share for the people**

We want as many people as possible to be active in Sweden's future development. Not everyone has the financial strength to buy a tenant-owned apartment, but most people are able to invest in a small piece of the housing market through funds and companies. I hope that Magnolia Bostad will become a share for the people of Sweden – an opportunity for everyone to enter the housing market and share the value that we will build for the future.

We are confident about the foundation we have created, and that over time we will be able to live up to the ambitious growth targets we have set. It is with this confidence behind us that we dare to welcome more people to join us as we continue on our journey over the next few years.

Thank you.



Fredrik Holmström  
Chair of the Board of Directors

# Corporate Governance Report

Magnolia Bostad AB (publ) is a Swedish public real estate company listed on Nasdaq First North. The Corporate Governance Report describes the manner in which Magnolia Bostad's owners indirectly or directly have guided the company during the year via different decision-making systems. Corporate governance aims to clarify the distribution of roles and responsibility between management and control bodies, safeguard the owners' possibilities to protect their interests through management bodies and establish conditions that promote a dialog between owners and the capital market that is as strong as possible. Corporate governance is based on external and internal regulations that are constantly being developed and improved. The company does not apply the Swedish Corporate Governance Code, except for selected areas where the company has made the assessment that voluntary compliance is of use for Magnolia Bostad's governance and development.

## Articles of Association

The Articles of Association, which are adopted by the Annual General Meeting, contain information about the operations, share capital, number of Board members and auditors as well as provisions regarding the notification and agenda for the Annual General Meeting. They are available in their entirety on the website, under Corporate Governance. The company's name is Magnolia Bostad AB and it is a Swedish public company domiciled in Stockholm. The company shall own and manage land and construction and

engineering projects as well as any related operations. The company's shares must be registered in a CSD register.

## Annual General Meeting

The Annual General Meeting is the highest decision-making body where all shareholders are entitled to participate. The Annual General Meeting discusses the company's development, and passes resolutions on, for example, dividends, discharge of liability for the Board of Directors, election of the auditor, remuneration to the Board of Directors and the auditor and election of the Board of Directors for the period up to the end of the next Annual General Meeting.

### Annual General Meeting 2016

The ordinary Annual General Meeting in 2016 was held on May 4, 2016. Fourteen (13) shareholders were present, representing in total 63.5% of the votes (94.4). Fredrik Holmström was elected chair of the Meeting. All Board members participated. The minutes from the Annual General Meeting are available at Magnolia Bostad's website, [www.magnoliabostad.se](http://www.magnoliabostad.se).

The Annual General Meeting in 2016 resolved on the following:

- Dividend of SEK 1.0 per share.
- Re-election of Board members Fredrik Holmström, Andreas Rutili, Fredrik Tibell, Risto Silander and election of Jan Roxendal. Fredrik Holmström was elected Chair of the Board. Erik Paulsen declined re-election.
- Election of Ernst & Young AB as auditing company for the period until the end of the next Annual

General Meeting, with Ingemar Rindstig as auditor-in-charge.

- Adoption of remuneration to the Board of Directors and auditors.
- Adoption of the income statement and balance sheet for the 2015 financial year.

An Extraordinary General Meeting on January 19, 2017, resolved that the Board of Directors will consist of six Board Members elected by the Meeting for the period until the next Annual General Meeting, without alternates. The same Extraordinary General Meeting resolved to elect Viveka Ekberg to the Board.

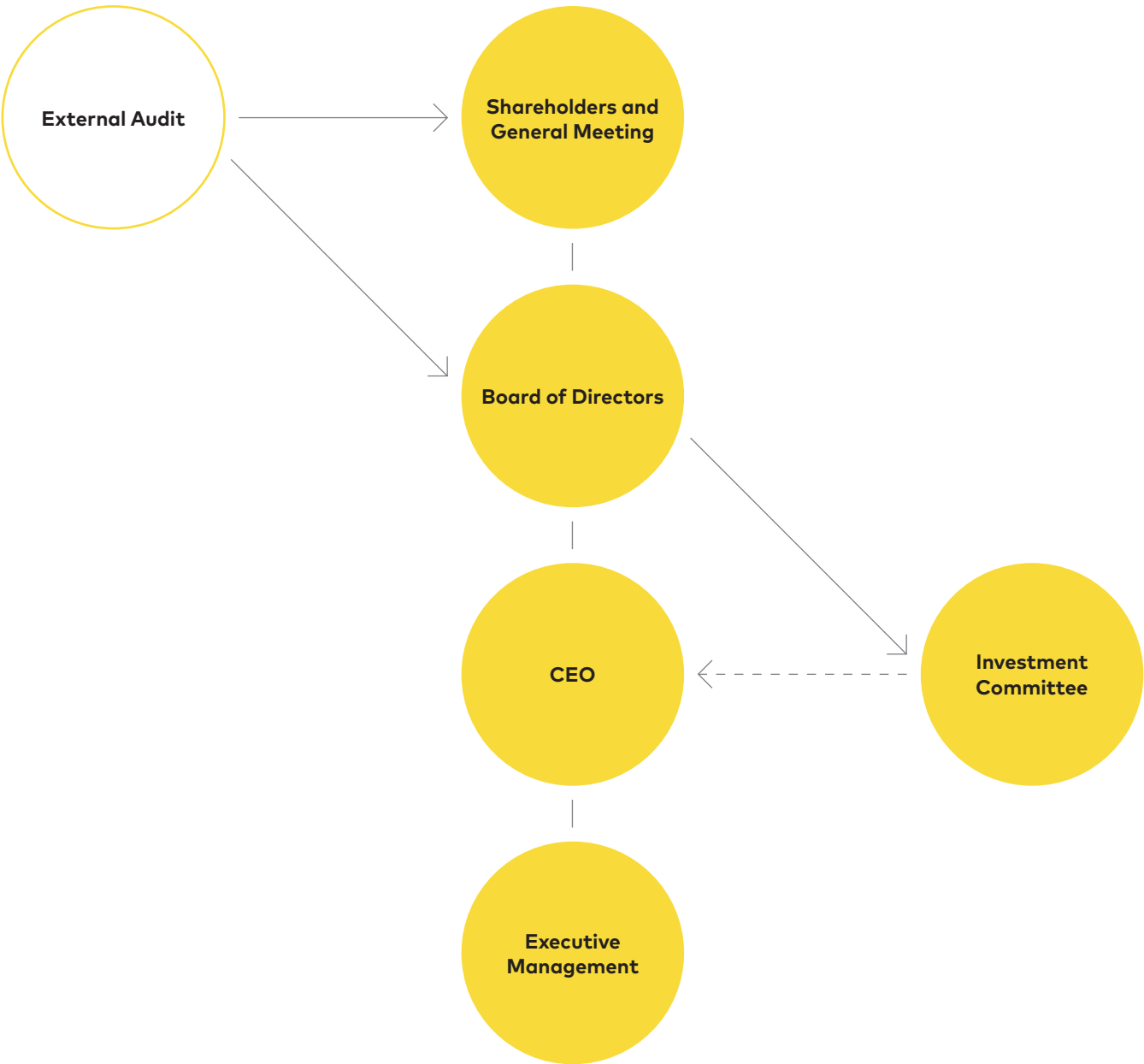
## Share and shareholders

Magnolia Bostad's share has been registered for trading on Nasdaq First North since June 9, 2015. The total number of shares on December 31, 2016, amounted to 37,822,283 distributed between 3,455 shareholders. The closing price on the balance sheet date was SEK 96.25, which corresponds to a market capitalization of SEK 3.6 billion. The quotient value for all shares is SEK 4.00. Each share is entitled to one vote and grants an equal right to the share of the capital. There were no convertibles, warrants or the equivalent at the end of the year that could lead to additional shares in the company.

## Nomination Committee

Magnolia Bostad does not have a Nomination Committee. A proposal for a new Board of Directors is presented by the primary owner following discussions with the larger shareholders. In accordance with the Articles of Association, the

Magnolia Bostad's corporate governance model





Board of Directors shall consist of three to seven members. The members of the Board of Directors are elected by the Annual General Meeting for a mandate period extending to the next Annual General Meeting.

### **Board of Directors**

The Board of Directors is elected by the Annual General Meeting. It is the Board of Directors, on behalf of the owners, that manages Magnolia Bostad by establishing goals and strategies, assessing the operating activities and determining procedures and systems to follow up on established goals. The Board of Directors of Magnolia Bostad, according to the Articles of Association, shall consist of three to seven Board members and at the most three deputies. Until the end of 2016, the company's Board of Directors consisted of five members elected by the 2016 Annual General Meeting. All members from 2015 were re-elected with the exception of Erik Paulson, who declined re-election. Jan Roxendal was elected as a new member, and Fredrik Holmström was elected Chair. For more information about the Board of Directors, see page 114.

The work of the Board of Directors focuses on strategic issues such as business focus, the market, finance, purchases and sales and internal control and risk management. The tasks of the Board of Directors are conducted through an organized cooperation between the Board and Executive Management. The Board has a control function to ensure that the interests of the company's owners are met and that the Board, through reports, can follow the assessment obligations set forth by law, listing regulations and good Board practice.

HR issues and decisions regarding the start of construction on projects are made by Executive Management within established guidelines following reconciliation

with the Chairman of the Board of Directors. During the 2016 financial year, the Board held 13 (12) meetings.

The most important documents for the Board of Directors are the Articles of Association, the Board's formal work plan, the instructions for the CEO and the guidelines for financial reporting and the budgeting process. The Board also appoints the Investment Committee. The Board has tasked the Investment Committee to function as an advisory body and support the Board of Directors regarding acquisitions and sales. The Investment Committee consists of the CEO, Head of Business Development, Head of Project Development and Head of Tenant-Owner Association Sales. The Investment Committee reports on an ongoing basis to the Chair of the Board, who has been given discretionary right of decision by the Board for decisions regarding acquisitions and sales that are not considered to qualify as insider information. Decisions regarding business that does qualify as insider information are made by the Board of Directors. The Board of Directors did not use any other committees in 2016.

### **CEO and Executive Management**

Executive Management consisted on December 31, 2016, of the company's CEO, VP/Head of Business Development, VP/Head of Project Development, CFO and Head of Communications. Each person on the Executive Management team has their own area of responsibility. Executive Management meets weekly to discuss primarily operational issues and prepare matters for the Board. The CEO is responsible for the company's day-to-day management in accordance with the Instructions for the CEO that are adopted each year by the Board and the rules set out in the Swedish Companies Act.

### **Remuneration to Members of the Board of Directors and the CEO**

*Remuneration to Board members*  
Fees and other remuneration to Board members, including the Chair of the Board, are resolved by the Annual General Meeting. The 2016 Annual General Meeting resolved that the total fees for the members of the Board of Directors for the period up until the next Annual General Meeting shall amount to SEK 1,450,000. SEK 450,000 shall be paid to the Chair of the Board and SEK 250,000 shall be paid to each of the other four Board members. The company's Board members are not entitled to any benefits when they step down from the Board.

#### *Remuneration to the CEO*

Fredrik Lidjan was named CEO of the company in March 2015 and receives as such customary remuneration.

He has been involved in Magnolia Bostad's operations since it was founded in 2009, for example as an advisor. In 2013, he was engaged as a consultant through his company, Fredrik Lidjan AB, to start the rental apartment business area. Under his guidance, at that time as a consultant, the business area grew rapidly, and the company today views this business area as its greatest competitive advantage. The agreement entailed that he would work without fixed compensation, but was entitled to 12 percent of the profit of rental apartment projects (10 percent for Senapsfabriken). The agreement included the Traversen 18, Nya Parken Allé, Tibble (Kungsängens-Tibble 19:1 and 20:2), Valsta Torg and Lumen projects, as well as Senapsfabriken under Ongoing and future projects. The terms of the agreement have been fulfilled for all projects with the exception of Senapsfabriken and do not apply to future rental apartment projects.

In conjunction with Fredrik Lidjan's accession to the position of CEO, a new agreement was reached between the company and Fredrik Lidjan AB regarding future collaborations within the rental apartment business area. Under this agreement, the Company and Fredrik Lidjan AB will co-invest in future rental apartment projects. Fredrik Lidjan AB will invest at market terms with a 10 percent stake and Magnolia Bostad will invest and receive a 90 percent stake in the companies in which the rental apartment projects will be operated. The agreement can also include tenant-owned apartments if this applies to the same plot of land and the tenant-owned apartments constitute a small portion of the entire project. This agreement applies until February 2019.

Finally, Fredrik Lidjan AB is also expected to invest on market terms in the company's future hotel projects, but with a 24 percent stake. Clas Hjorth, who is responsible for the hotel business area, is also expected to invest in the same manner in such projects, but with a stake of 16 percent. Magnolia Bostad invests and receives a stake of 60 percent in future hotel projects.

#### **Auditors**

Magnolia Bostad's external auditors are appointed by the Annual General Meeting. The auditors are tasked with reviewing on behalf of the shareholders the Board of Directors' and the CEO's management of the company and that the annual financial statements were prepared in accordance with applicable laws and regulations. The 2016 Annual General Meeting resolved for the period until the end of the next Annual General Meeting to elect Ernst & Young AB with Inge-mär Rindstig as auditor-in-charge. In addition to the audit, Ernst & Young also provided advice during the year regarding tax and financial due diligence in transactions in subsidiaries. In 2016 remuneration was paid totaling SEK 2.2 million (1.3).

See also Note 8, Disclosures regarding fees and cost reimbursement to the auditor, for more information.

#### **Policy documents**

##### *External*

Magnolia complies with the rules laid down by applicable laws and other regulations. The company does not follow the Swedish Corporate Governance Code, except for selected areas in which the has made the assessment that voluntary compliance is beneficial for Magnolia Bostad's governance and development.

##### *Internal*

The Company has a relatively small organization and therefore out-sources some management, legal and financial services. The Board of Directors is responsible for the internal control and has prepared policy documents such as the Board's formal work plan and instructions for the CEO. Internal guidelines and manuals are also important for the internal control.

Magnolia Bostad is currently in a strong growth phase and is expanding both organizationally and financially to enable growth in coming years. The bar has therefore been set high in terms of procedures for internal governance and control, which in addition to the ongoing reporting also include procedures for investment and production decisions as well as project implementation. It is the belief of the Board of Directors that the procedures for the company's governance are an important foundation for future growth in share value.

#### **Risk management**

Magnolia Bostad's risks are divided into three main areas: external risks, operational risks and financial risks. External risks are attributable to changes in the Company's external environment, and operational risks are primarily related to the project portfolio and organizational development. Financial risks are primarily interest rate risk and financing risk. Magnolia Bostad

has established a business model as well as a control system, procedures and processes to limit all of the Company's risks and safeguard the power to act when needed. Financial follow-up of outcomes is conducted at the project, company and group levels. Follow-up is based on the budget and the previous year. See also the Director's Report, Risk Management.

#### **Control environment**

Internal control includes the structure of policies, processes, procedures and the organization, which has been designed to contribute to reliable financial reporting and compliance with laws and ordinances. At the company, the foundation of our internal control is our attest procedure, formal work plan for the Board and our reporting instructions.

#### **Information**

In order to ensure a high level of quality, in terms of both external and internal information, and compliance with applicable legislation and Nasdaq First North's information rules, the Board of Directors of Magnolia Bostad adopted an Insider Policy and an Information Policy. Furthermore, the company issues interim reports on a quarterly basis that outline significant events and financial performance and it issues an annual report prior to the Annual General Meeting. Press releases are issued for significant events between reporting periods. The information shall primarily refer to the consolidated financial statements.

# Board of Directors



**Fredrik Holmström**

*Chair*

Born in 1971. Founder and Chairman since 2009. CEO and owner of Holmströmgruppen AB, the parent company in a privately owned group focused on the production of residential units, acquisition and management of properties and trade in listed and unlisted holdings.

Shareholding in Magnolia Bostad: 21,504,507



**Jan Roxendal**

*Member*

Born in 1953. Member since 2016. Previous CEO of Gambro Holding AB and CEO of Intrum Justitia AB, Deputy CEO and member of Executive Management for the ABB Group, Group responsible for ABB Financial Services, and other management positions within the ABB Group. Chair of the Board of Directors of EKN (Exportkreditnämnden) and Flexenclosure AB. Board member of Catella AB. Higher general banking diploma.

Holdings in Magnolia Bostad 5,000 (1,000,000 in covered bond)



**Andreas Rutili**

*Member*

Born in 1975. Member since 2015. Founder and CEO of Magnolia Bostad 2009–2015. Previously President of Vitosha Capital AB, a property development company with a focus on new production of residential units in Eastern Europe. Also has a background as the President of the food company, Bonesto AB. MSc (Economics) from Stockholm University.

Shareholding in Magnolia Bostad: 2,926,065.



**Risto Silander**

*Member*

Born in 1957. Member since 2015. Previously President of Alfred Berg. Prior to this, management positions at Svenska Handelsbanken, Goldman Sachs and UBS. Currently Board Member of Varenne AB, Stronghold Invest AB, Niam AB, Brevan Howard Funds, Endeavour Pembroke Funds, DW Funds, Trygg Stiftelsen and Gamla Livförsäkringsaktiebolaget SEB Trygg Liv. MSc (Economics) from Stockholm School of Economics.

Shareholding in Magnolia Bostad: 80,000.



**Fredrik Tibell**

*Member*

Born in 1966. Member since 2010. President and owner of Caritas Corporate Finance AB, which provides financial advisory services to primarily companies within the real estate industry. Chair of the Board of Svenska Husgruppen Intressenter AB. Board member of Moutarde Holding AB and others.

Shareholding in Magnolia Bostad: 10,000.



**Viveka Ekberg**

*Member elected in January 2017*

Born in 1962. Former CEO of PP Pension, Head of Nordics at Morgan Stanley Investment Management, analyst at Alfred Berg Fondkommission and financial analyst and journalist at Affärsvärlden. Board Member of, among others, Lindab International AB (publ), Svolder AB (publ), Areim AB, Estea AB and SPP Pension & Försäkring AB (publ), and Chair of Apoteket AB:s Pensionsstiftelse and Chair of The Swedish Childhood Cancer Foundation's Financial Board. MSc (Economics) from Stockholm School of Economics.

Shareholding in Magnolia Bostad as at March 29: 14,400

Shareholdings also include shares owned via companies, including close relations. The above information refers to the status at the end of the year.

# Executive Management and auditors



**Fredrik Lidjan**

*CEO*

Born in 1973. CEO since 2015. Previously responsible for rental apartment development within Magnolia Bostad and active in the owner company's Board of Directors and the company's investment committee. Before this he was Transaction Director at DTZ and a credit analyst at SEB. MBA from University of California, Los Angeles. Shareholding in Magnolia Bostad: 145,300. Shareholding in Magnolia Holding 3: 5,000.



**Rickard Langerfors**

*VP/Head of Project Development*

Born in 1972. Employed since 2011. Previously project manager at Skanska with responsibility for the residential development of Järvastaden and other areas. Also has a background as product manager with responsibility for the standardization of Skanska's production of residential units in Sweden. Former project manager at HSB. MSc (Engineering) from KTH Royal Institute of Technology. Shareholding in Magnolia Bostad: 294,000.



**Erik Rune**

*VP/Head of Business Development*

Born in 1973. Employed since 2015. Previously CFO in the Nordic region for CBRE Global Investors. Also has a background as the President of the Nordic operations for London & Regional Properties. Also previously worked in real estate financing at Eurohypo and SEB and the real estate advisory department at SEB Enskilda. MSc (Economics) from Stockholm School of Economics. Shareholding in Magnolia Bostad: 175,000.



**Suzana Bossel**

*Head of Communications*

Born in 1973. Employed since 2014. Background as PR and marketing manager for Ettelva Arkitekter and single-family home developer, Arkitekthus. Extensive experience in concept development in the housing industry, including from JM AB. Marketing Specialist from IHM Business School and a degree in information from Mälardalen University. Shareholding in Magnolia Bostad: 105,000.



**Fredrik Westin**

*CFO*

Born in 1973. Employed since September 2016. Previously Head of Finance at Kungsleden. Also has a background as FP&A Manager and Accounting Manager at GE Capital Real Estate Nordic. MSc (Economics) from Gothenburg School of Economics. Shareholding in Magnolia Bostad: 1,600.



**Camilla Weiner**

*Head of Sustainability in Executive Management since January 2017*

Born in 1968. Background as a Communications and/or Sustainability Director at listed companies such as Axfood, SCA, Securitas, Ahlsell and Pandox and Auditor at PriceWaterhouse. MBA from Uppsala University and ICF Coach. Shareholding in Magnolia Bostad: 0

*Shareholdings also include shares owned via companies, including close relations. The above information refers to the status at the end of the year.*

## Auditors

**Ingemar Rindstig**

Born in 1949.

Authorized Public Accountant  
Ernst & Young AB

# Articles of Association

Magnolia Bostad AB  
Sturegatan 6  
Box 5853, 102 40 Stockholm  
Switchboard +46 8 470 50 80  
magnoliabostad.se

ARTICLES OF ASSOCIATION FOR MAGNOLIA BOSTAD AB (PUBL)  
CIN 556797-7078

Adopted at the Annual General Meeting on 22 April 2015.

## § 1 Name

The Company's name is Magnolia Bostad AB. The Company is public (publ).

## § 2 Domicile of the Board of Directors

The Board of Directors is domiciled in Stockholm.

## § 3 Operations

The Company shall own and manage land and direct construction and engineering projects as well as any related operations.

## § 4 Share capital and the number of shares

The share capital consists of at the least SEK 120,000,000 and at the most SEK 480,000,000. The total number of shares shall be at the least 30,000,000 and at the most 120,000,000.

## § 5 Board of Directors

The Board of Directors shall consist of three to seven members and at the most three alternate members.

## § 6 Auditors

The Company shall have one to two auditors with at the most two deputy auditors or one registered auditing company.

## § 7 Notice of General Meeting

Notice of General Meeting shall be announced in Post- och Inrikes Tidningar and by publishing the notice on the Company's website. At the same time as the notice is published, the Company shall advertise in Dagens Industri that a notice has been published.

## § 8 Participants at the Meeting

Shareholders who wish to participate in the proceedings at the General Meeting shall be registered in the transcript or other representation of the complete share register pertaining to the circumstances five days prior to the General Meeting, and they shall notify the Company thereof no later than on the date specified in the notice to the General Meeting. That date may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not fall earlier than the fifth ordinary business day prior to the General Meeting. Shareholders may not have more than two assistants at the General Meeting, and only when they notify the Company of the number of assistants prior to the Meeting as indicated in the previous paragraph.

## § 9 Opening the Meeting

The Chair of the Board or a person appointed by the Board opens the General Meeting and leads the proceedings until the Chair of the Meeting is elected.

## § 10 Annual General Meeting

The Annual General Meeting is held annually within six months after the end of the fiscal year. At the Annual General Meeting the following business is conducted:

1. Election of the Chair of the Meeting;
2. Preparation and approval of the voting list;
3. Approval of the meeting agenda;
4. Election of one or two adjusters;
5. Resolution concerning the due convening of the meeting;
6. Presentation of the annual report and the auditor's report and, where appropriate, consolidated financial statements and consolidated auditor's report;
7. Resolution regarding
  - a) adoption of the income statement, balance sheet and, where appropriate, consolidated income statement and consolidated balance sheet,
  - b) dispositions concerning profit or loss as stated in the adopted balance sheet,
  - c) discharge of the members of the Board and the CEO from liability, where necessary;
8. Determination of the number of members and deputy members for the Board of Directors, auditors and deputy auditors, who shall be appointed by the Meeting;
9. Adoption of fees paid to members of the Board of Directors and auditors;
10. Election to the Board of Directors and of auditing companies or auditors;
11. Any business that arises at the Meeting in accordance with the Swedish Companies Act or the Articles of Association of the Company.

## § 11 Fiscal year

The Company's fiscal year shall be a calendar year.

## § 12 Record day provision

The Company's shares shall be registered in a securities register according to the Financial Instruments Accounts Act (1998:1479).



# Definitions

*Return on equity (%)*

Net profit/loss for the year attributable to Parent Company's shareholders as a percent of the average equity attributable to Parent Company shareholders.

*Estimated number of building rights*

Number of estimated future apartments in acquired properties.

*Equity per share*

Equity attributable to Parent Company shareholders divided by the number of outstanding basic shares.

*Net financial items*

Net of financial income and financial expenses.

*Cash flow from operating activities, per share*

Cash flow from operating activities divided by average number of outstanding shares before dilution.

*Profit/loss after financial items*

Operating profit/loss plus financial income minus financial expenses.

*Interest-bearing net liabilities*

Interest-bearing liabilities minus cash and cash equivalents.

*Interest coverage ratio (multiple)*

Profit/loss after financial items including financial expenses divided by financial expenses.

*Operating margin (%)*

Operating profit as a percentage of net sales.

*Operating profit/loss*

Net sales minus costs for production and operation, central administration, depreciation/amortization and impairment of intangible assets and property, plant and equipment and profit/loss from participations in associated companies.

*Sold apartments in production*

Number of apartments in sold projects where binding sales agreements have been signed.

*Equity/assets ratio (%)*

Equity, including holdings without a controlling influence, as a percentage of the balance sheet total.

*Total project portfolio*

Estimated number of pending, unsold building rights and the number of sold apartments in production

*Profit margin, %*

Net profit for the year as a percent of net sales.

# Annual General Meeting 2017

The Board of Directors for Magnolia Bostad AB has decided to issue the Notice of the Annual General Meeting for Wednesday, April 26, 2017.

The notice has been published in Post- och Inrikes Tidningar and on the Company's website.

## **Notice to Annual General Meeting of Magnolia Bostad AB**

Magnolia Bostad AB will hold its Annual General Meeting on Wednesday, April 26, 2017, at 2:00 PM at Berns, Berzelii Park, Stockholm. Registration begins at 1:00 PM. Light snacks will be served during the Annual General Meeting.

## **Right to participate and notification to the Company**

Shareholders who wish to participate in the Meeting shall be registered in the share register maintained by Euroclear Sweden AB on Thursday, April 20, 2017, and notify the Company of their intent to participate no later than Thursday, April 20, 2017.

Notification of participation may be sent in writing to the Company at:

Magnolia Bostad AB, Box 5853,  
SE-102 40 Stockholm, Sweden,  
by phone at +46 70 288 80 49 weekdays between 9:00 AM and 4:00 PM or via the Company's website, [www.magnoliabostad.se](http://www.magnoliabostad.se). Please state the name or company name, personal ID number or CIN, address and daytime telephone number in the notification. Notification of assistants are subject to the above notification procedure.

## **Nominee-registered shares**

To be entitled to participate at the Meeting, shareholders with nominee-registered shares through the nominee must register their shares in their own name, so the person in question is registered in the share register kept by Euroclear Sweden AB on Thursday, April 20, 2017. Such registration may be temporary.

## **Agents and power of attorney form**

Shareholders who will not personally attend the Meeting may exercise their right at the Meeting by proxy through a written, signed and dated power of attorney. Power of attorney forms are available on the Company's website, [www.magnoliabostad.se](http://www.magnoliabostad.se). The power of attorney form is also available directly from the Company or may be ordered by telephone at the numbers listed above. If the power of attorney is issued by a legal entity, a copy of the registration certificate or equivalent authorization documents for the legal entity shall be enclosed. The power of attorney may not be older than one year if a longer period of validity is not specified in the power of attorney, although no longer than five years. To facilitate entrance to the Meeting, the company must have received powers of attorney, registration certificates and other authorization documents well before the Meeting.

## Financial Calendar

- Interim Report January-March: April 26, 2017
- Annual General Meeting 2017: April 26, 2017
- Interim Report January-June: July 19, 2017
- Interim Report January-September: October 27, 2017
- Year-End Report: February 21, 2018

## Contact

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*Magnolia Bostad's share (MAG) is listed on Nasdaq First North. Erik Penser Bank is the Certified Adviser for the Company.*

*More information is available at [www.magnoliabostad.se](http://www.magnoliabostad.se)*

### **Magnolia Bostad | Year-End Report 2016**

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# MAGNOLIA

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