

MAGNOLIA

**Magnolia Bostad
Annual Report
2018**

18

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Magnolia Bostad's formal financial reports can be found on pages 64 – 103 and are audited by the company's auditors.

This annual report is a translation of the original audited Swedish Annual Report, which prevails in case of discrepancies between this translation and the Swedish original.

Magnolia Bostad in brief

Magnolia Bostad develops new housing in Sweden's growth areas and major cities. Our work is guided by a comprehensive view where business is conducted in a way that promotes long-term sustainable social development.

Magnolia Bostad puts the community and society in focus. We create modern homes and living environments while also becoming involved in activities in the areas where we operate.

As an urban developer, we are part of a growing Sweden, we have a role to play where there is a major housing shortage. Our business model allows us to deliver complete offers – rental apartments, tenant-owned apartments, residential care facilities and hotels – to municipalities that want to develop new districts and residential areas. Together with selected partners, we create sustainable homes and residential areas.

We are working towards good, long-term relationships with our stakeholders and are thus building a strong company.

January – December 2018

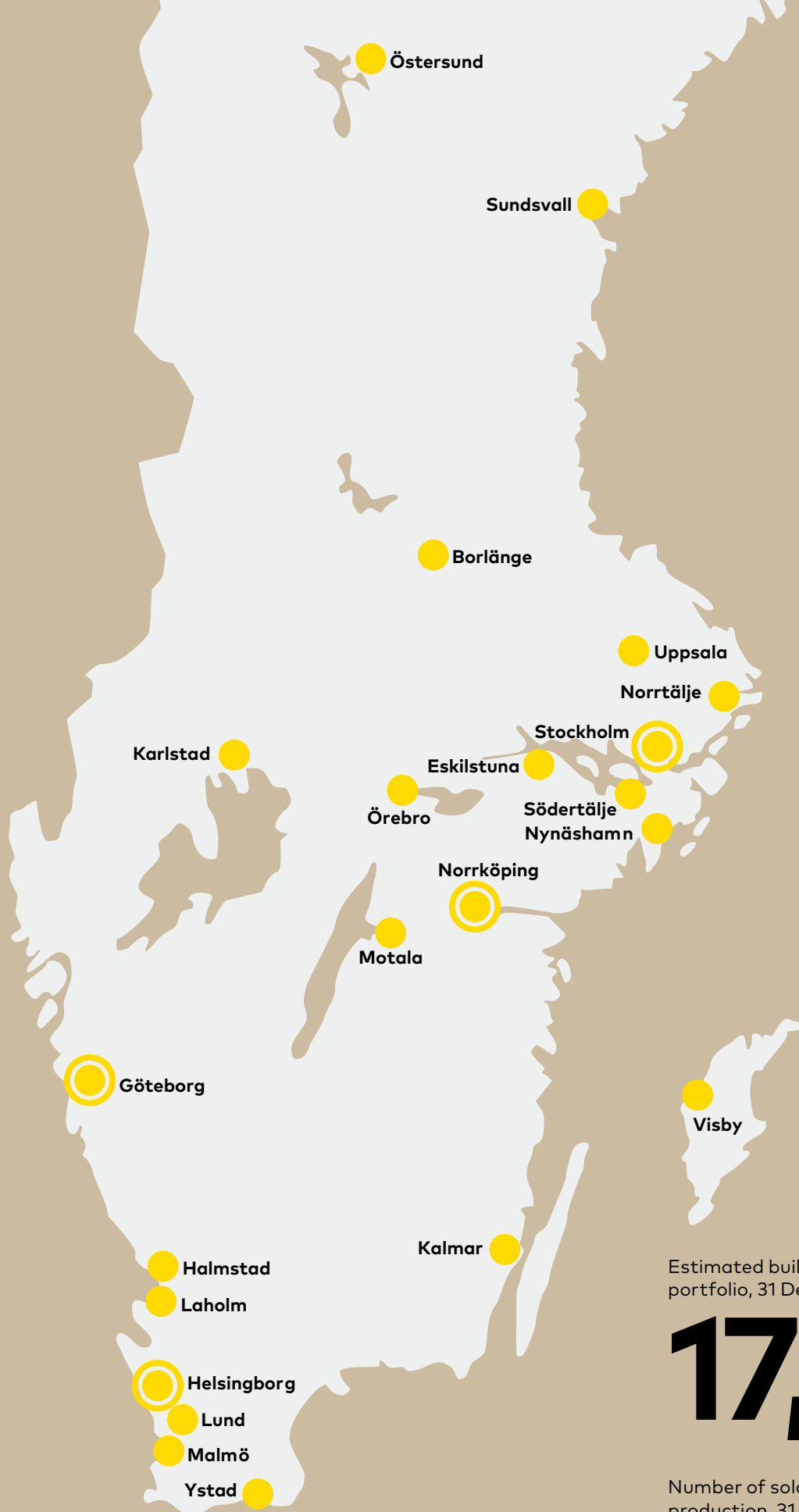
- Net sales amounted to SEK 1,054 m (1,781).
- The operating profit was SEK 164 m (384).
- The net profit for the year was SEK 22 m (276) and the profit after tax was SEK 7 m (276).
- Earnings per share, after deduction for minority interests, was SEK 0.26 per share (5.37).
- The company reported on investment properties from the fourth quarter 2018, which means unrealized value adjustments of SEK 67 million have been reported.
- During the year Magnolia Bostad agreed on the acquisition of 3,068 estimated building rights (7,501) and the number of residential units sold during the period was 1,314 (2,227).
- The company's shares were listed for trading on Nasdaq Stockholm's main list on 20 June.
- The Board does not propose a dividend be paid for 2018, SEK 0 (1.75) per share.

KPIs, Group

	2018 Jan-Dec	2017 Jan-Dec
Project-related		
Number of sold residential units during the period	1,314	2,227
Number of sold residential units in production	7,008	5,849
Number of estimated building rights in the project portfolio	17,288	16,429
Financial		
Operating margin, %	15.6	21.6
Return on equity, % ¹⁾	1.0	22.0
Equity/assets ratio, %	30.3	33.0
Interest coverage ratio (multiple)	1.1	3.4
Share-related		
Earnings per share (SEK) ¹⁾	0.26	5.37
Equity per share (SEK) ¹⁾	24.77	26.20

¹⁾ Excluding the minority

For definitions of alternative KPIs that are not defined in IFRS, see note 38.



- Housing projects
- Regional offices

Estimated building rights in the project portfolio, 31 December 2018

17,288

Number of sold residential units in production, 31 December 2018

7,008

Events per quarter 2018

Q1

Sales: 58 residential care units in Visby, Gotland, to Northern Horizon and 275 rental apartments in Arlöv, Burlöv municipality, to Heimstaden Bostad and the property Instrumentet 2 in Örnberg, Stockholm, with a leaseable area of about 6,000 m². to the Genova Property Group.

Cooperation agreement signed with Skanska in order to investigate future methods of developing new neighbourhoods.

Joint venture formed with Randviken regarding the property Skogskarlen 3 in Bergshamra, Stockholm, with a leaseable area of around 9,000 m².

Issued SEK 200 million under the framework of an existing bond loan.

Q2

Sales: 658 residential units in Bro, Upplands-Bro, Slättö, 54 residential care units in Laholm to Northern Horizon and land in Bro, Upplands-Bro, to Derome Hus.

Acquisitions: Planned land in Bro, Upplands-Bro, where 1,500 residential units are planned. Land also acquired in Nykvarn, 285 residential units planned and developed in a newly formed joint venture with Samhällsbyggnadsbolaget (SBB). Property acquired in Spånga, Stockholm, and Västerhaninge, Haninge municipality. 200 and 500 residential units planned respectively.

Framework agreement worth SEK 9.6 billion signed with Heimstaden. The framework agreement means that Heimstaden intends to order 14 projects for around 5,300 apartments from Magnolia Bostad over the coming five-year period.

Letter of intent signed with Alecia the construction and sale of four hotels located in central locations in Göteborg and other Swedish growth areas.

Magnolia Bostad recruited Niklas Ohlén as Regional Manager Väst, to start up and be responsible for the company's operations in the Göteborg region.

Magnolia Bostad's shares listed on Nasdaq Stockholm.



On 20 June 2018, Magnolia Bostad's shares began trading on Nasdaq Stockholm, in the Mid Cap segment.

Q3

Sales: Two residential care centres with a total of 134 residential care units, in Motala and Helsingborg, to M&G and Northern Horizon, as well as 45 rental apartments in Helsingborg to Northern Horizon.

Letter of intent signed with Derome regarding the new production of wooden multi-family houses, 600–800 homes per year over a five-year period, for delivery to Magnolia Bostad's projects.

Production start of the Ophelias Bryggga project in Helsingborg.

Magnolia Bostad recruited two new management team members: Thomas Persson as Head of Business Generation and Eastern Regional Director and Christina Hambäck as Head of Operational Development and Sustainability. The management team was also expanded with Head of Legal Hanna Jessing, who has been employed by the company since 2017.

Q4

Magnolia Bostad decided to develop properties for self-management and acquired projects in Kalmar and Östersund that will be owned for its own long-term management.

Production start of the Piccolo project, Halmstad.

The company issued a new four-year unsecured bond loan of SEK 500 million within a framework of SEK 700 million.

Events after the period's end

Magnolia Bostad signed a conditional agreement to acquire land in Jakobsberg, Järfälla. The project is via a joint venture established with Heimstaden Bostad.

Strong market position

Through new agreements with, among others, Heimstaden and Alecta, Magnolia Bostad strengthened its position on the market in 2018. Demand for the company's products remains strong.

Magnolia Bostad reported a full-year operating profit of SEK 164 million (375) for 2018. An explanation for the reduced operating profit is primarily that some projects have been delayed as their zoning plans have been reviewed or appealed. We believe that these projects will be realized in 2019, and as early as the start of the year, we received a confirmation of this, as the zoning plans for the projects Norra Kajen in Sundsvall and Ferdinand 9 in Spånga came into force. The projects are part of our framework agreement with Heimstaden AB and comprises around 1,050 residential units.

Sales and acquisitions

We sold 1,314 residencies over the year, in 2017 the figure was 2,227. The reason for the lower sales is mainly delayed zoning plans. In addition to the residencies we sold, we are also developing 625 homes for our own management. During the year we acquired 3,068 estimated building rights.

A favourable market

There has been significant activity in the Swedish housing market, including from Swedish investors as well as new foreign players. We see that the required return falls as a result of major interest from investors coupled with a reduced supply of newly produced residential properties in the market.

We also saw construction costs stabilizing and that it has become easier to order turnkey contracts. At

the same time the price of land has fallen or remained steady. The trend is largely due to much lower activity among tenant-owner apartment developers.

Therefore, there are good conditions for increased profitability in new business.

Closer to the local markets

As of 1 January 2019, we have implemented a new working method based on four regions: Öst, Mitt, Väst and Syd (East, Mid, West and South). The purpose is to have a closer relationship with the municipalities we work with and to gain greater access to each region's local market. As part of this development, we hired a number of key employees and established two new local offices. Magnolia Bostad currently has offices in Stockholm, Helsingborg, Göteborg and Norrköping.

Self-managed property

During the latter part of 2018, we announced that we were looking at the possibility of developing part of the project portfolio as residential rental properties under our own management and to acquire existing properties, which in the long-term will strengthen the balance sheet, provide a continuous cash flow and create long-term value growth.

In the fourth quarter, we identified three projects as suitable for self-management. These are located in Visby, Östersund and Kalmar. We already manage two



office properties in Nacka and Solna. The property in Solna is owned as a joint venture with the privately-owned property company Randviken.

New partnerships established

Magnolia Bostad is constantly working to establish and develop collaborations, both with investors and building contractors and with partners in other areas. During the year, we established several partnerships in a number of different areas, for example:

- A framework agreement with Heimstaden worth SEK 9.6 billion. The agreement means that Heimstaden intends to purchase around 5,300 homes from Magnolia Bostad over a five-year period.
- Agreement with Alecta regarding the production of four hotels in central locations in Göteborg and other Swedish growth areas, with around 1,000 hotel rooms.
- A letter of intent with Derome regarding new production of wooden multi-family houses. Over a five-year period, Derome will supply 600–800 homes per year for Magnolia Bostad's projects.
- A cooperation agreement with Skanska to find new methods to develop economically, socially and environmentally sustainable neighbourhoods and residential areas. The goal is to investigate the future method of developing new neighbourhoods together.

At the beginning of 2019, we formed a 50/50 joint venture with Heimstaden Bostad AB for a project in

Jakobsberg, Järfälla. We have signed a conditional agreement to acquire land and are now at the planning stage for joint development of about 1,300 residences. This extensive collaboration allows both parties to benefit from each other's strengths and expertise.

Financing

Projects under production have increasingly begun to be completed. In 2018, this meant that we received payment for several projects, which had a positive effect on cash flow.

We successfully issued two bond loans during the year, with a total value of SEK 700 million. The proceeds will be used to finance the company's continued expansion, to refinance existing debt and for future acquisitions.

The future

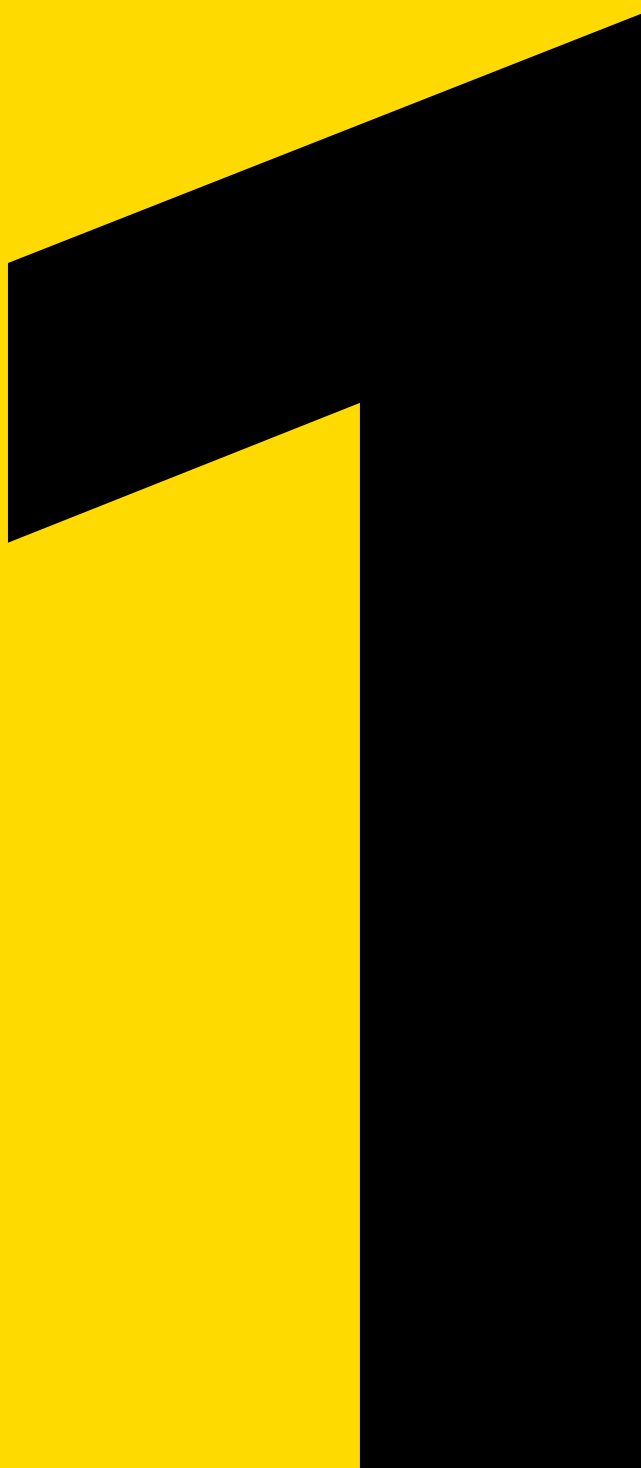
A strong demand for the company's products coupled with already-concluded framework agreements for the sale of projects, creates good conditions for Magnolia Bostad to be able to continue to develop its project portfolio of around 17,000 residencies.

Stockholm, March 2019

Fredrik Lidjan
CEO

Our business

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Business concept, strategy and targets

Based on our business concept and with support from our strategy, we are working to achieve our targets – operational, financial and sustainability targets.

Business concept

Magnolia Bostad will develop effective, attractive and functional housing with good profitability.

Strategy

By working with several forms of leasing, the company has achieved a good distribution of risk. The ratio of rental and tenant-owned apartments in the project portfolio varies over time, based on demand, the state of the economy and conditions considered to be the most favourable for the company at any given time. Growth will be associated with good profitability.

To achieve our targets within the framework of our business concept, the following strategic direction has been established:

- Development must take place in locations with good long-term demographic conditions.
- Properties should be developed for sale as residential units, residential care facilities, or hotels based on market conditions and each property's individual potential and characteristics. Properties are also developed for the company's own management.
- Production only starts when demand has been ensured.

- The company must aim to focus on long-term partnerships.
- The balance sheet must be used effectively, primarily through a high turnover rate throughout the project chain.

After the sale of rental apartment projects, the company's aim, in cooperation with the buyer, is to convert on average about 25% of the rental apartments to tenant-owned apartments.

Business targets

Residential

3,000

Have the capacity to start production of 3,000 residential units annually.

Residential care facilities

2–4

Have the capacity to produce two to four residential care or sheltered housing facilities annually.

Hotels

1–2

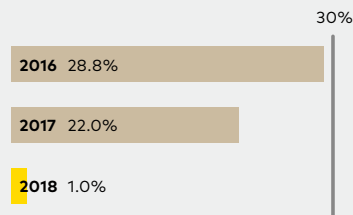
Have the capacity to produce one to two hotels annually.

Financial targets

Return on equity

>30%

Return on equity shall amount to at least 30 percent.



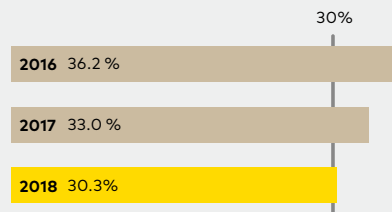
Outcome 2018

Due to 2018's weak operating profit, the return amounted to 1%.

Equity/assets ratio

>30%

The equity/assets ratio shall amount to at least 30 percent.



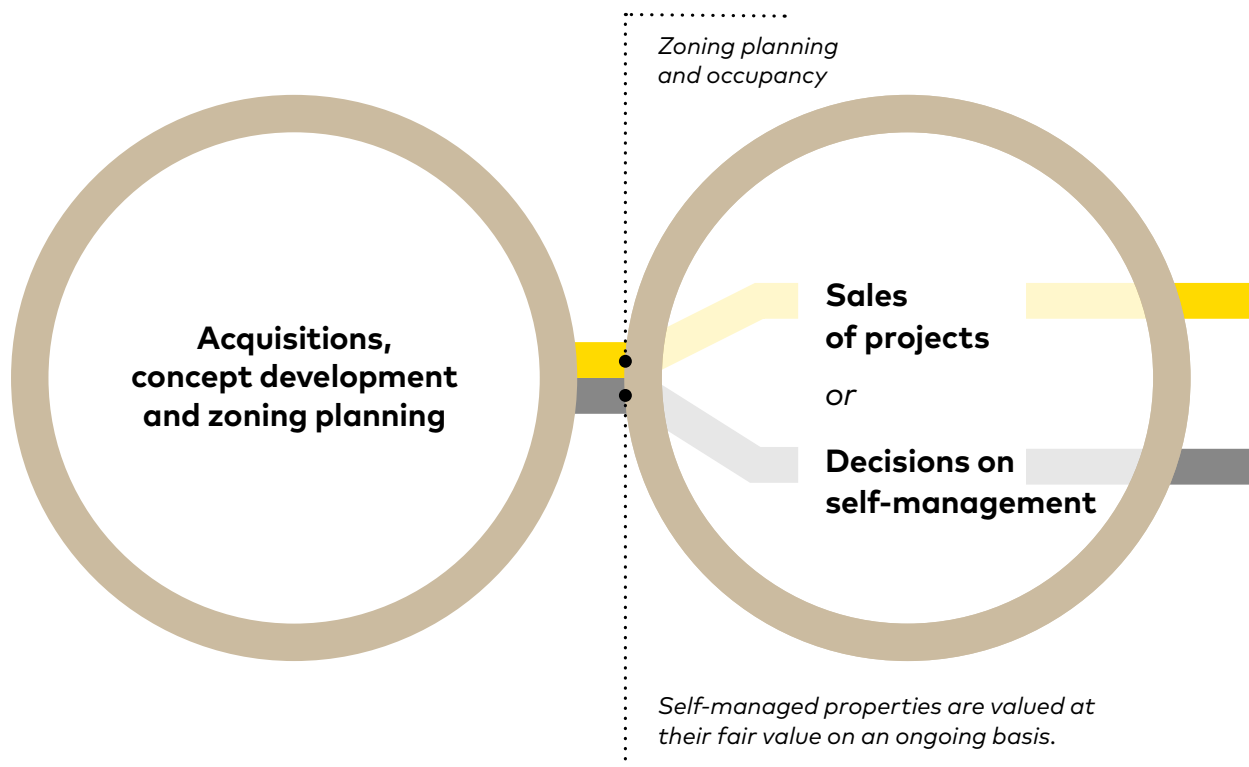
The equity/assets ratio as of 31 December 2018 was 30.3%.

Sustainability targets

For the report on Magnolia Bostad's sustainability targets, see pages 58–59.

Business model

Magnolia Bostad's business model is based on a number of cornerstones. Balanced risk in all parts of the business is the basis of our competitiveness.



Magnolia Bostad's business is based on developing financially, socially and environmentally sustainable residential units in the outskirts of major cities and the central parts of mid-sized cities.

The financial groundwork is based on balancing risks relating to costs, revenue and liquidity; projects are often sold at an early stage, even before any foundations have been laid.

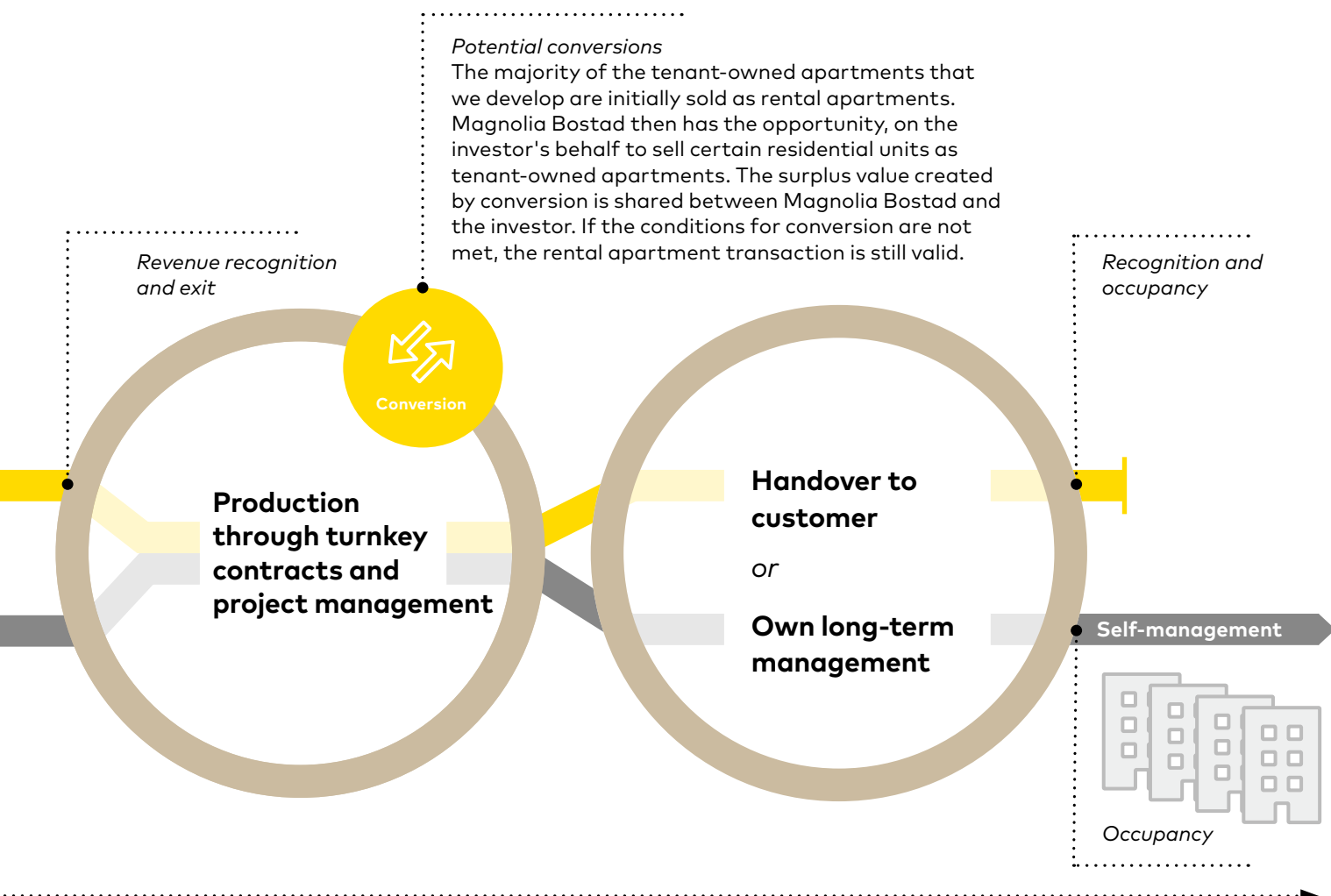
By carrying out the purchase of the land, contractor procurement and negotiations with investors at the same time, we reduce the time between acquisition and sale, which balances the risk in the business.

Broad portfolio

Magnolia Bostad has a broad range of products and a presence in a large number of locations in the country.

The company develops everything from rental apartments and tenant-owned apartments to residential care facilities and hotels. By working with a number of different forms of housing, we achieve a broad distribution of risk. Above all, municipalities are demanding a mix of housing forms, which makes us an attractive partner for long-term cooperation.

To start production and deliver at an even rate also requires a large building rights portfolio. Our aim is to have over 15,000 building rights in stock at any given time. All of the company's acquisitions are based on a rental apartment calculation. This reduces the risk of Magnolia Bostad buying land too expensively. We aim to be able to convert about 25% of the apartments in rental apartment projects into tenant-owned apartments over time. When converting to tenant-owned apartments, the aim is that the tenant-owned property



is worth approximately SEK 10,000 more per square meter than the rental apartment.

Organization

Clear routines are crucial in daily operations. The efficiency of all employees is a must for a company that is expanding. In order to ensure maximum control over the company's refinement process, the key functions of the business are controlled internally. The company also has all key expertise in place and efficient processes and routines to ensure good control and effective operations.

Financing

A strong, stable financial position is a prerequisite in order to carry out acquisitions and developing properties in their own right. Magnolia Bostad's business is financed partly through corporate bonds and partly

through various types of loans from the major Nordic banks, such as revolving credit facilities and secured debt.

Property for self-management

Magnolia Bostad has begun to develop a part of its project portfolio as rental properties for self-management, preferably in growth areas and in university cities.

Over time, Magnolia Bostad will build up a property portfolio that will strengthen the balance sheet and provide continuous cash flow and long-term value growth. The creation of self-management properties will also strengthen the company's future financing of the business as a whole.

Magnolia Bostad's business

Magnolia Bostad's business is based on balanced risk and streamlined processes at all levels – a model we would argue is the industry's most efficient.

By developing properties based on a rental apartment calculation, we can develop financially, socially and environmentally sustainable residential units without compromising profitability or quality. We choose whether to develop rental apartments, tenant-owned apartments, hotels or residential care facilities based on the demands of the market and the specific characteristics of the property. This gives Magnolia Bostad considerable flexibility and reduces the risk in our projects.

In addition to development activities, we also work to develop residential units to manage ourselves. The purpose of self-management is to strengthen the balance sheet, provide a continuous cash flow and a long-term value growth.

Secure acquisitions

Magnolia Bostad has established itself as an urban developer – a partner helping Sweden's municipalities to develop new residential areas. We create new districts with a mix of ownership forms, residential care facilities, hotels and other necessary services. The company's acquisitions are based on careful preparations and an in-house rental calculation that reduces the risk that we will pay too much for the land

Our good relationships with municipalities often enable us to participate in land allocations. In the search for potential projects, we also benefit greatly from our partners. Thanks to our flexible method of working and our effective organization, we are able to stay one step ahead and secure new investment possibilities.

Early product development gives greater accuracy

In parallel with the acquisition process, work starts on developing an attractive and sustainable concept adapted to the conditions of the location. 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 at an early stage. This further reduces the risks and increases the financial stability of the project.



Thomas Persson, Regional Manager Öst and Senior Account Manager and Linda Wiman, Head of Residential Development.

During the zoning planning process, we strive to achieve as large a feasible volume as possible, but never by compromising the quality.

As an urban developer, Magnolia Bostad takes responsibility for ensuring that the apartments are tasteful, well-planned and space-efficient, and for developing the area around the residential units into a neighbourhood where the residents want to live. Sustainability aspects are fundamental, and we always strive to achieve or exceed the requirements for environmental certification in all our projects according to the Swedish Green Building Council's Silver certification, the Swan Ecolabel or equivalent.

Sales

To reduce the financing need and risk in our projects, projects are often sold at an early stage, even before ground has been broken. By conducting land purchases, procuring contractors and negotiating with investors



Sländan project, Södertälje.



at the same time, we reduce the time between acquisitions and sales, which contributes to a balanced risk in all parts of the business.

We cooperate with long-term institutional investors who are less cyclical than many other buyers. This gives us continuity and an opportunity to start discussions at the planning stage on a final property value for the project. Early discussions also give the investor some opportunity of influencing the project's design.

To further strengthen our cooperation with institutional investors, we can also sign joint venture agreements with financially strong partners.

Magnolia Bostad's expertise in the zoning planning process and urban development, coupled with an institutional interest in our products means that we will probably create more joint venture companies in the future.

Profitable conversion

The development of rental apartments is the basis of Magnolia Bostad's business. The profit potential of tenant-owned apartments is, however, higher, which we take advantage of by striving over time to convert a certain amount of housing in rented property projects into tenant-owned apartments. We can thus significantly increase the profitability of converted housing while maintaining low risk and low tied-up capital.

Effective implementation

We start long-term partnerships through cooperation agreements with well-established construction com-

panies. By involving our construction contractors early in the development process, we strengthen the conditions for high quality and delivery reliability. We procure production in the form of turnkey contracts at a fixed price, which limits the risk of cost increases related to construction production.

Magnolia Bostad's project developers have extensive experience of procurement and monitoring building contractors. Regardless of the form of housing, we run and develop the projects from the initial idea, through zoning planning work and concept development to final completion. At the end of 2018, Magnolia Bostad had 17,288 residential units in its project portfolio and 7,008 residential units in production. In addition, the company is developing 625 homes for its own management. High scalability leads to lower costs for each individual unit, which further contributes to the financial profitability of the business.

Satisfied customers

A fundamental condition for having satisfied customers is that the product is delivered on time and without faults, which is a challenge for all players in the industry. Magnolia Bostad therefore places great importance on ensuring that all residential units do not have inspection issues before occupancy.

With rental apartments, hotels and residential care projects, Magnolia Bostad's end customer is generally the institution who acquired the property.

With tenant-owned projects, the end-customer is the tenant-owner association.

Four product categories lead to balanced risk

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



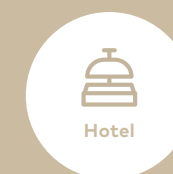
Tenant-owned apartment projects have higher margins but are more staff-intensive and place higher demands on financial resources during the course of the project. Magnolia Bostad endeavours to develop tenant-owned apartments as part of a large project. Municipalities often request that new areas be developed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



Residential care projects are increasingly popular with the country's municipalities. They are looking for partners who can help them develop completely new neighbourhoods and residential areas and who have expertise in more than just housing development. By also developing residential care units, Magnolia Bostad is strengthening its position as an urban developer and expanding its portfolio to both investors and the country's municipalities.



Hotel projects are similar to rental apartment projects in that the end customer is also an institutional investor. New hotels are established in cities demonstrating growth in terms of population and commercial activities.



Financing

Magnolia Bostad had 17,288 residential units in its project portfolio at the end of 2018. These, along with new projects need continual financing.

Magnolia Bostad's main focus in financing activities is to provide the business with capital at conditions that are favourable to the market in terms of price, interest rate risk and structure. We continuously analyse opportunities to diversify our funding base, taking into account, among other things, estimated future market conditions and financing opportunities.

Financing activities are conducted in accordance with the rules and guidelines set by the Board annually. The overall goal of the company's financial policy is to ensure short- and long-term capital supply, achieve a long-term and stable capital structure with a smooth maturity structure and minimum risk exposure. Magnolia Bostad's financial targets stipulate that the equity/asset ratio should not be less than 30%.

The business model includes both project development and asset management which require different forms of financing.

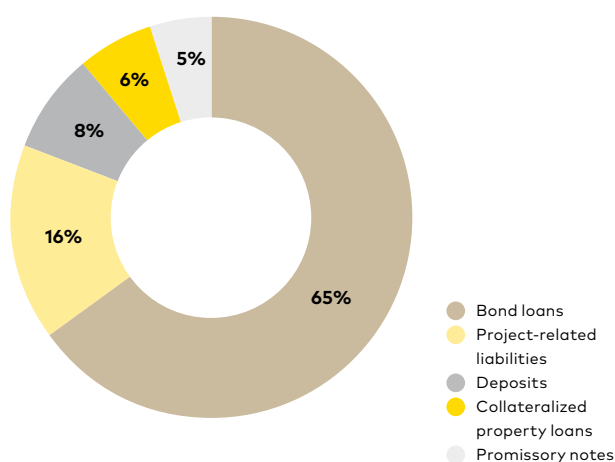
Project development requires financing preferably during the initial development phase, where capital is required for land acquisition and processing work to develop a zoning plan for the finished product. Following Magnolia Bostad's relinquishment, the financing responsibility for the buyer changes and Magnolia Bostad's capital is reinvested in the next project. This financing is primarily ensured through three outstanding bonds totalling SEK 1,450 million and various short-term flexible credit facilities (RCF) amounting to SEK 1,112 million, of which SEK 834 million is unutilized as at 31 December 2018.

For self-managed properties, a construction loan agreement is used during the development phase and then financing with planned capital tie up of 3–5 years, together with an adequate interest rate hedge. The purpose of self-management is to strengthen the balance sheet, provide a continuous cash flow and long-term value growth.

Equity and the equity/assets ratio

As of 31 December 2018, consolidated equity amounted to SEK 1,093 million (1,171), which means an equity ratio of 30.3% (33.0). The minority share of equity amounted to SEK 157 million (180). The return on equity amounted to 1.0%, compared with 22.0% for the calendar year 2017.

Capital structure, %



Interest-bearing liabilities

The total interest-bearing loans, including the interest-bearing deposits received, at 31 December 2018, amounted to SEK 2,192 million (2,073). The main part consists of bond loans with a book value of SEK 1,428 million and bank financing of SEK 475 million, of which SEK 135 million is collateralized by property. The remaining interest-bearing liabilities consist of a deposit of SEK 167 million and promissory notes of SEK 121 million. The interest coverage ratio was 1.1 times. The corresponding figure for 2017 was 3.4 times. The average tied-up capital period, excluding deposits and utilized bank overdraft facilities, amounted to 2.4 years on 31 December 2018, compared with 2.0 years on 31 December 2017.

After deduction of cash and cash equivalents of SEK 395 million (208), interest-bearing net liabilities amounted to SEK 1,797 million (1,865).

The majority of the bank financing is linked to the different projects where repayment of debt takes occurs as Magnolia Bostad exits the project or in connection with the final settlement being received from the buyers.

Loans that fall due in 2019 and 2020, SEK 79 million and SEK 56 million, respectively, consist of collateralized property loans which are considered to be refinancable on maturity. In addition, SEK 175 million and SEK 165 million, respectively, are short-project-related loans that are considered to be repayable on maturity.

Bond loans

Magnolia Bostad has three outstanding bonds. A covered bond of a nominal SEK 450 million, with a floating coupon of Stibor 3m + 6.25% (with a Stibor floor), under a framework of SEK 750m, with maturity in April 2020 and two unsecured bonds with maturities in 2021 and 2022 respectively. Bond 2021 has a nominal amount of SEK 600 million, under a framework of SEK 1bn and floating coupon of Stibor 3m + 7.25% (without a Stibor floor) with maturity in October 2021. Bond 2022 has a nominal amount of SEK 500m, under a framework of SEK 700m and floating coupon of Stibor 3m + 8.50% (without a Stibor floor) with maturity in October 2022.

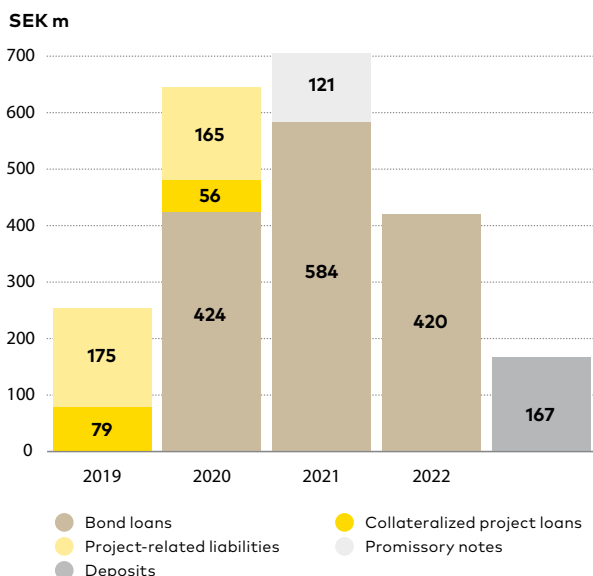
Cash flow and cash and cash equivalents

The consolidated cash flow from operating activities was SEK –20 million (–617), cash flow from investing activities was SEK –21 million (–13) and cash flow from financing activities was SEK 228 million (332). Cash and cash equivalents on 31 December 2018 was SEK 395 million (208). In addition to cash and cash equivalents, unutilized credit facilities amounted to SEK 834 million on 31 December 2018.

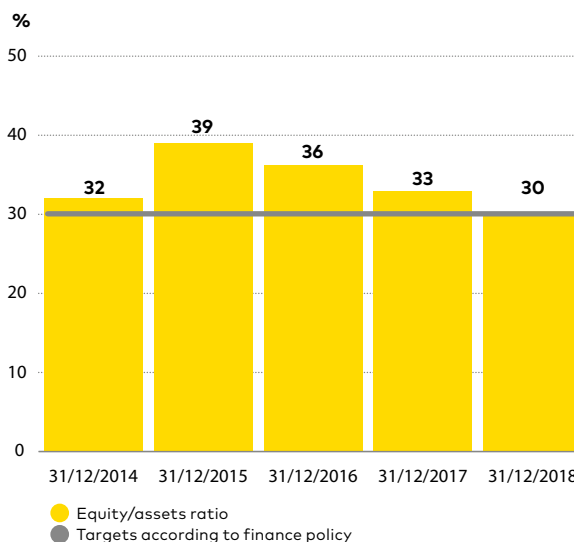
Financing costs

Net financial items amounted to SEK –142 million (–109). At the year's end, Magnolia Bostad's average interest rate was 7.1%, compared with 5.9% at the end of the previous year. The increase in financing costs is due to a higher average interest rate and to the fact that total interest-bearing debt has been higher on average during the year compared with the previous year. Interest-bearing liabilities increased to SEK 2,192 million, compared with SEK 2,073 million at the beginning of 2018 and SEK 1,505 million at the beginning of 2017.

Maturity structure, SEK m

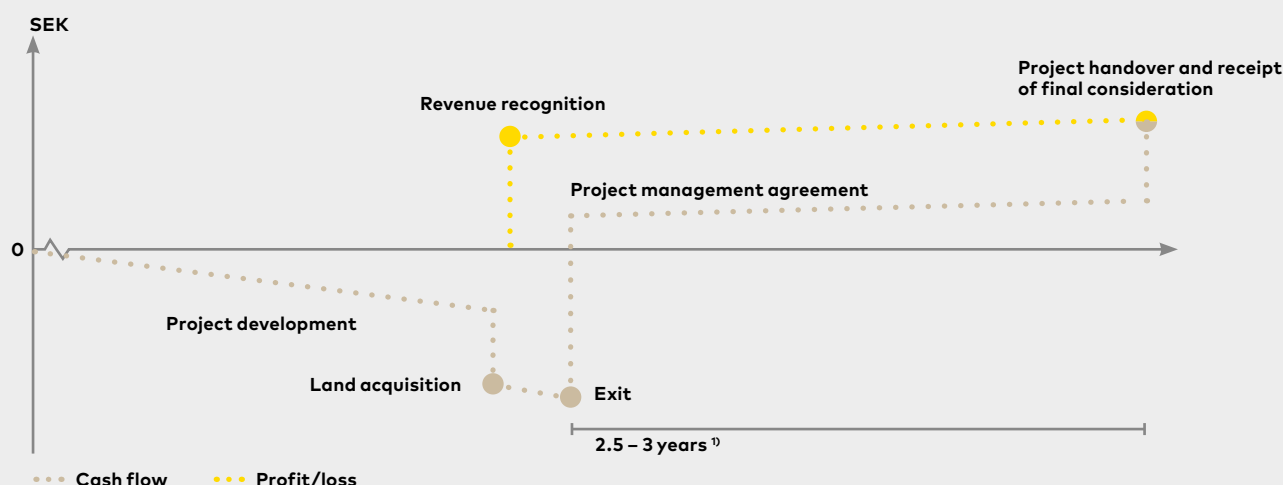


Equity/assets ratio, %



Project financing and revenue recognition

Accumulated cash flow and accumulated earnings in Magnolia Bostad's projects



¹⁾ 2.5 to 3 years refers to construction time for an average rental apartment project. Larger projects can take longer but smaller projects, such as residential care facilities, can be completed in less time.

Project development time varies from project to project. It spans from projects acquired with zoning planning already in place, where time can be counted in days, to projects where Magnolia Bostad works on zoning plans and property planning where the initial project development can take several years.

To be able to drive the project development work, Magnolia Bostad needs a solid financial position, which is secured by outstanding bonds with a balanced maturity structure over time.

Magnolia Bostad's investment in the projects will normally increase the closer the project is to obtaining zoning planning and access to the land.

Revenue recognition for project development occurs when a binding agreement for the sale of the property has been signed, zoning plans exist and a binding contract for turnkey production has been signed.

The timing of exiting properties is often conditional on, for example, obtaining a building permit or the subdivision of a property gaining legal force. The time between revenue recognition and legal exit can therefore vary from project to project. Usually, the time of exit is 2–3 months from the date of the agreement, but it can also exceed 12 months.

At the time of exit, Magnolia Bostad receives forward funding for the project, which means that Magnolia Bostad is paid for investments made up to this point. Magnolia Bostad also often receives part of the project profit in cash or cash equivalents at the exit.

After the exit, Magnolia Bostad has a project management agreement for the project, which is valid until the property is completed. The project management agreement is invoiced and recognized as revenue on an ongoing basis during the contract period.

Sweden needs more housing

Investment in rental apartment properties remains very attractive for long-term domestic and foreign investors.

Residential property market

According to preliminary statistics from Statistics Sweden published in February 2019, the number of recently-built residential units in multi-dwelling buildings was 42,250 in 2018, a fall of 15% compared to 2017 when the number was 49,900. Of the residential apartments in multi-dwelling buildings that started in 2018, just over 60% were rental apartments, an increase compared to 50% in 2017.

The National Board of Housing, Building and Planning estimates that the production of residential units will fall further in 2019, mainly due to a weak housing market. The stricter amortization requirement introduced in 2018 has reduced the demand for tenant-owned apartments and has contributed to an increasing demand for rental accommodation. In 2018, there were 243 of the country's 290 municipalities experienced housing shortages. According to the Swedish National Board of Housing, Building and Planning, 93,000 new residential units need to be built annually from 2018 to 2020, and thereafter 51,000 per year until 2025.

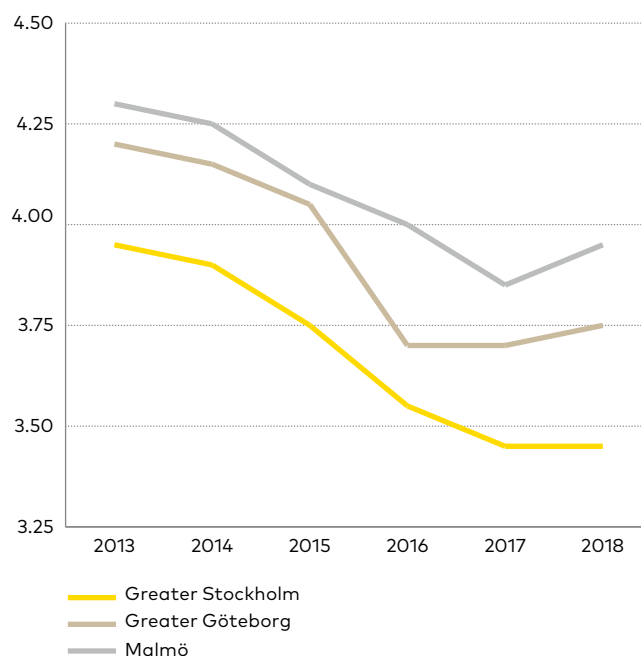
Property transaction market

The property market in Sweden has shown a positive trend for several years with falling direct yields and rising prices. In 2018, according to Newsec, the transaction volume regarding transactions over SEK 40 million rose to SEK 155.3 billion, compared to the volume of SEK 150.6 billion in 2017.

Foreign investors have continued to show major interest in the Swedish market and accounted for about 28% of the volume through, among other things, direct investments and structural transactions. This can be compared with 2017 when foreign investors accounted for 23% of the transaction volume. Foreign investors have been net investors in the Swedish property market since Q4 2016.

Geographically, Stockholm accounted for the largest share of the transaction volume with 41% in 2018. Regional cities were the next largest segment with 18% (regional cities refer to Luleå, Umeå, Sundsvall, Gävle, Uppsala, Västerås, Örebro, Karlstad, Norrköping, Linköping, Jönköping, Växjö, Helsingborg and Borås). Malmö followed with 13% and the Göteborg area accounted for 11%.

Direct yield for new constructions
Residential rental properties, %



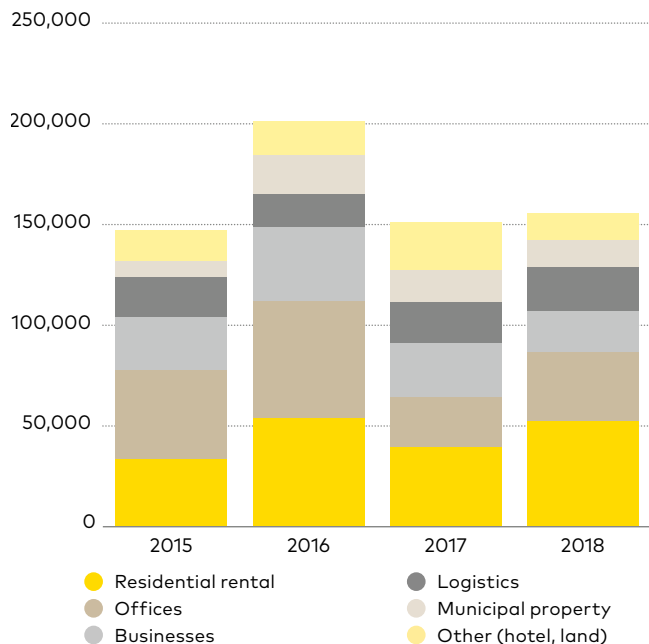
Rental accommodation

According to Newsec, residential rental properties were the largest segment in 2018. During the year, this segment accounted for 34% of the transaction volume, an increase compared to 26% for 2017.

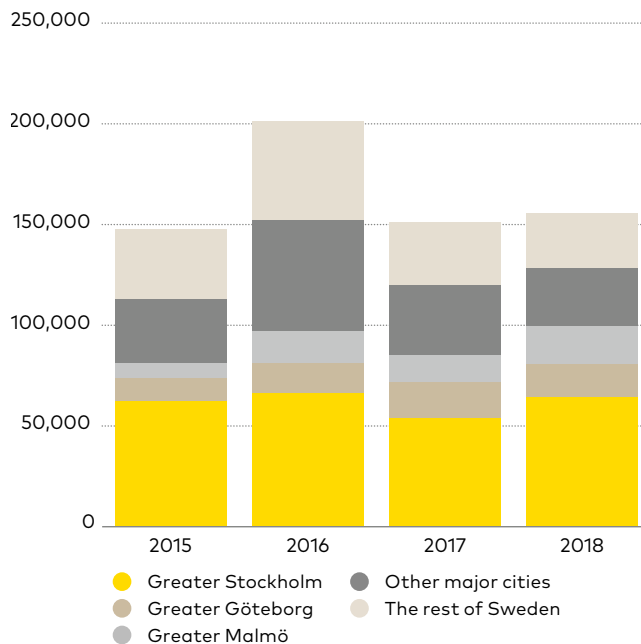
The demand from investors for residential rental properties and from tenants for rental apartments has remained strong. The fact that it has become more difficult for many people to get loans for tenant-owned apartments has contributed to the increasing demand for rental accommodation. Demand is greatest in the segment which Magnolia Bostad focuses on, that is, rental accommodation where the rent level is in line with the payment capacity of a majority of tenants. Investments in rental accommodation are expected to remain interesting for long-term domestic and foreign investors.

The direct yield for older centrally located rental properties in Stockholm, Göteborg and Malmö was estimated

**Transaction volume in Sweden per segment
(Transactions over SEK 40 m)**



**Transaction volume in Sweden, geographical distribution
(Transactions over SEK 40 m)**



ed respectively at 1.45%, 1.65% and 2.40%, at the end of 2018. The direct yield for residential rental properties in regional cities is judged to be somewhat higher than in large cities but is still relatively low at 3.0% to 4.0%. For recently produced rental properties in Greater Stockholm, Greater Göteborg and Malmö, the direct yield was estimated respectively to have been 3.45%, 3.75% and 3.95%. In larger cities and regional cities, this is estimated to have been in the range of 3.75 – 4.75%.

Residential care property

Municipal properties, including residential care facilities, have shown a sharp increase in value in recent years and have become an increasingly attractive segment to invest in, especially for institutional investors.

With a growing and aging population, the demand for residential care facilities and other municipal properties will continue to increase. Many municipalities therefore face major challenges regarding being able to offer their residents various types of municipal properties.

In 2018, according to Newsec, municipal properties accounted for 9% of the total transaction volume. The direct yield for older residential care facilities in the was estimated at the end of 2018 to be in the range of 3.75 – 4.75%, 4.25 – 5.25% and 4.50 – 5.50%, respectively. In the country's regional cities, the direct yield is estimated to be in the range of 4.75 – 5.75%. For recently produced residential care facilities with long lease agreements, the direct yield is often considerably lower.

Hotels

The trend in the hotel market was stable in 2018, as a result of good underlying demand for hotel room occupancy. The market continues to be strong market supported by the global travel market, which is rapidly expanding through new travellers from countries with a rapidly growing middle class. The direct yield for older hotels in Stockholm, Göteborg and Malmö was estimated respectively at the end of 2018, to be within the range of 3.75 – 5.50%, 4.50 – 5.50% and 4.75 – 5.75% respectively.

Market value

Estimated selling price at the time of valuation. Market value assessment is done through a combination of two methods:

1. Location price method (analysis of completed comparable acquisitions)
2. A market-adapted return method that is a current value calculation of probable future financial outcomes (Return method = cash flow statement, forecast for all future payment flows)

Net operating income

Rental income less costs (operating and maintenance costs + site rent + property tax + vacancies)

Direct yield

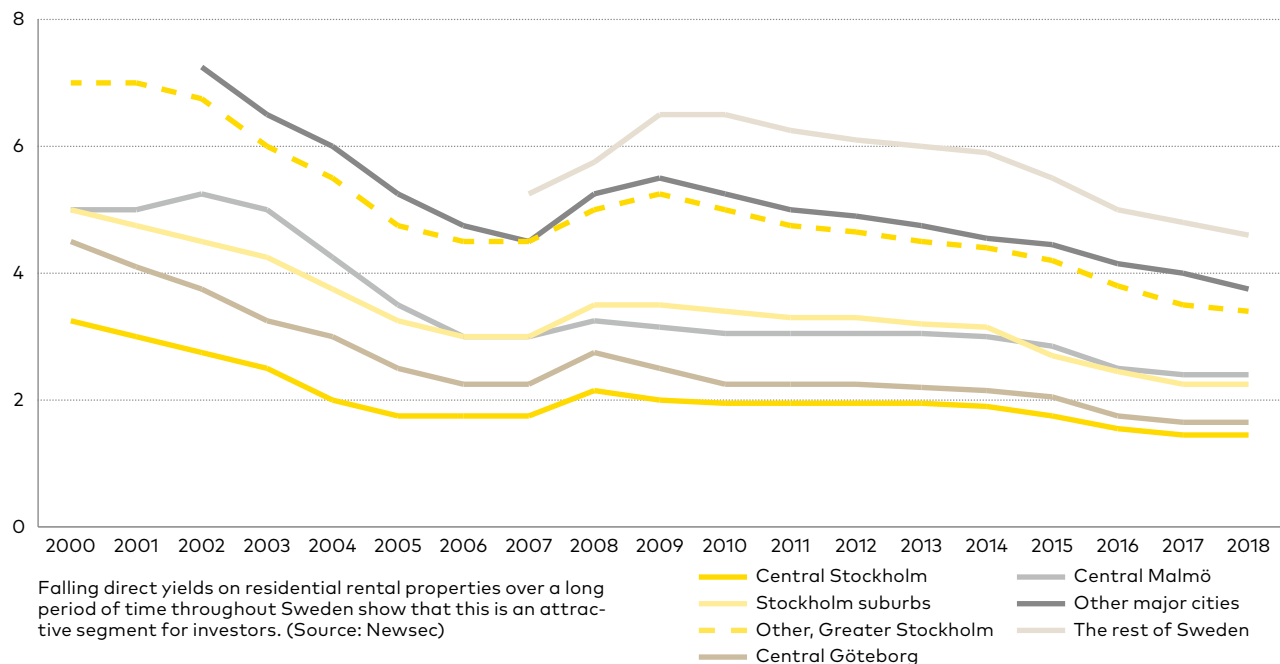
Return ratios; the property's net operating income in relation to the market value.

Older properties: Properties built, up to and including 2015
New production: Properties built in the current year plus two previous years.

Transaction volume

The total value of all property transactions on a particular market over a certain period of time.

Direct yield requirement for older residential rental properties, %



Tenant-owned apartments

The market for tenant-owned apartments has been turbulent since the end of summer 2017, when a long-term price rise stopped, while the supply of tenant-owned apartments increased sharply. In 2018, prices for tenant-owned apartments in the country stabilized but many projects, especially in the major cities, have been difficult to sell.

The market section has been established in collaboration with Newsec, an advisor in the property industry. The market description and future assessments presented in the text are based on Newsec's overall experience and assessments of the market.

Tenant-owned apartment prices in Sweden increased between 2012 and 2017 according to Mäklarstatistik, from an average of SEK 24,400 per sq.m. to SEK 40,000 per sq.m. In 2018, the price trend for tenant-owned apartments for the country as a whole was negative at -0.4% compared with 2017.

Overall, the tenant-owned apartment market finished 2018 with small price movements, but the year was characterized by regional differences. Low interest rates strengthened purchasing power and increased the willingness to invest among consumers and investors, while new amortization requirements and loan conditions made financing of housing more difficult.

We are developing Magnolia Bostad together

Magnolia Bostad is a team consisting of people with different backgrounds and skills. Together we are building a strong community in our everyday work.

Some of our employees talk about their work



Name:

Pernilla Christensson

Background:

Degree in Media and Communication Studies.

Ten years in the property industry

Role at Magnolia Bostad:

Marketing Project Manager. Project marketing and site marketing of residential and development areas, ranging from print production and site profiling to social media campaigns.

"Magnolia Bostad is an employer that's not afraid to think outside the box and where everyone has a place. The pace is fast, the ambition's huge and the employees have many different backgrounds that contribute to a dynamic environment."

"The core values of new thinking, ambition and awareness really permeate the corporate culture. Work here is varied and no day is the same, which means that you are constantly challenged and developed."



Name:

Henrik Meeths

Background:

MBA.

14 years in the property industry.

Role at Magnolia Bostad:

Business Development Manager, Region Öst. Works on everything from acquisition of building rights to final completion of the project, although most of his job lies in the start-up work.

"Magnolia Bostad offers a stimulating work environment with varying tasks. It is exciting to be a part of many different housing projects where each one has its challenges and opportunities."

"There are many pieces of the puzzle that have to fall into place to achieve a good project. It's fun to see that the work you do leads to something as concrete as new housing for people."



Name:

Ulrika Bladh

Background:

MSc. Eng. specializing in urban development.
13 years in the property industry

Role at Magnolia Bostad:

Group Manager Project Development. In addition to the managerial role, she also develops and runs projects from start-up to occupancy.

"Magnolia Bostad is a workplace that stands out. The reason is the enormous driving force and job satisfaction that exists at the company coupled with a clear business structure and the employees' high skill levels."

"We have an open, friendly climate. Although there's now around 100 of us, I sense a family atmosphere at work, which is both pleasant and facilitates cooperation."

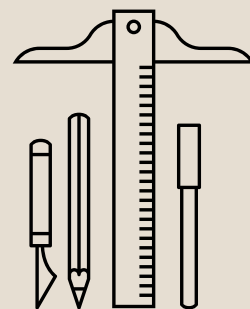
Our values

New thinking, ambition and awareness are the framework holding us together.

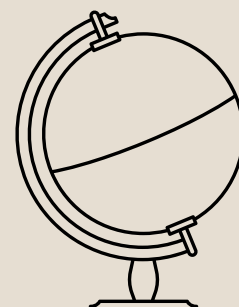
Innovation



Ambition



Awareness



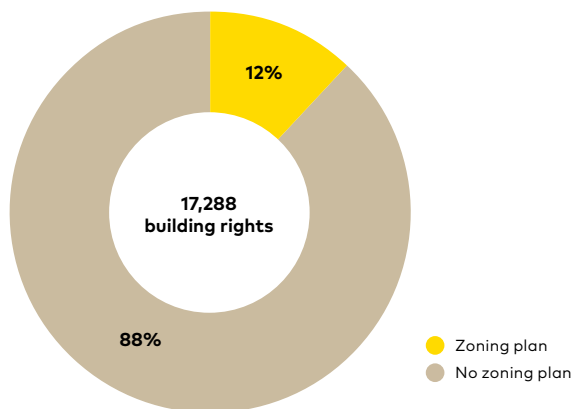
Magnolia Bostad's projects

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Projects

Share of project portfolio with zoning plans

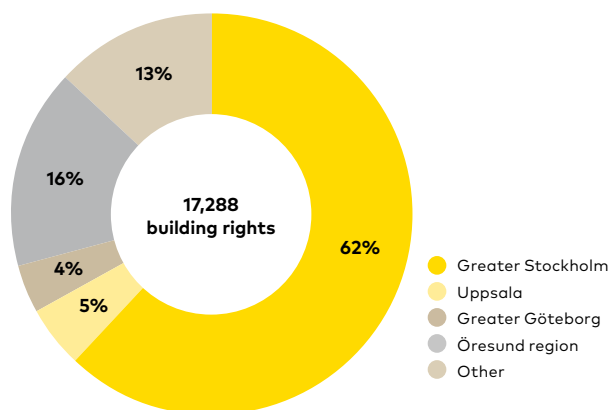


Magnolia Bostad develops primarily rental apartments, hotels and residential care facilities in Sweden's growth areas and large cities. These are sold at an early stage to major Swedish institutions or other partners with strong reputations. The company also develops tenant-owned apartments.

Magnolia Bostad applies an urban planning perspective to its projects. Municipalities and institutional investors are often looking for the competence to develop comprehensive residential areas that include not only homes but also, for example, residential care housing.

By working with several products and housing forms, Magnolia Bostad achieves good risk distribution and

Geographic distribution of the project portfolio



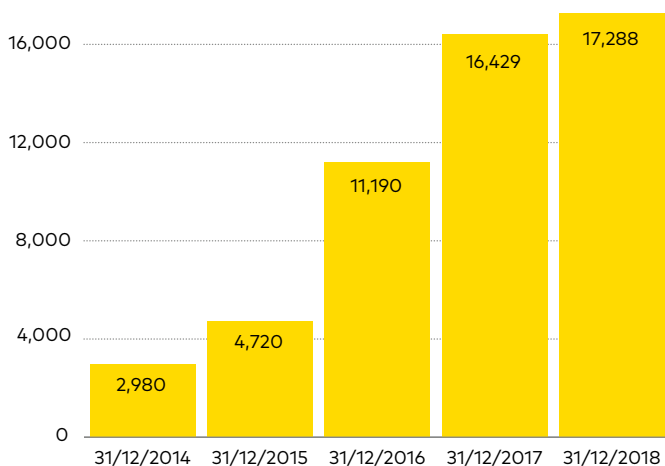
becomes an attractive partner for long-term cooperation.

Magnolia Bostad has set a target of a margin of 10% for rental apartment transactions, 15% for hotel transactions and 20% for residential care and tenant-owned apartment transactions.

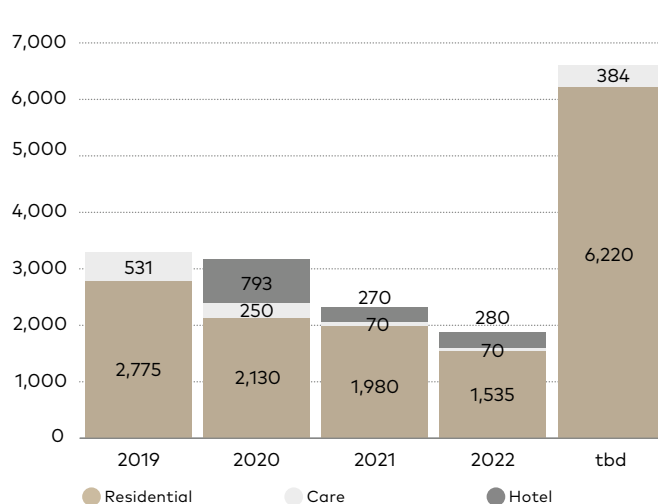
As of 31 December 2018, Magnolia Bostad had a project portfolio totalling 17,288 estimated building rights.

In 2018, 9 projects with a total of 1,314 residential units were sold. In total 3,068 estimated building rights were acquired in 2018.

Development of the building rights portfolio



Pending building rights not sold, estimated production starts



Acquisitions 2018

Quarter	Project	Location	Category	Estimated number of building rights
1	Piccolo	Halmstad	R	26
2	Bro Mälarstrand	Upplands-Bro	R	1,500
2	Ferdinand 9, Spånga	Stockholm	R	200
2	Västerhaninge	Haninge	R	500
2	Nykvarn	Nykvarn	R	285
4	Övre Bangården	Östersund	R	325
4	Kalmar	Kalmar	R	232
Total				3,068

R = Residential C = Care H=Hotel

Divestments 2018

Quarter	Project	Location	Acquired by	Number of apartments
1	Fasanen	Burlöv	Heimstaden Bostad	275
1	Visborg	Visby	Northern Horizon	58
1	Instrumentet	Stockholm	Genova Property Group	0 ¹⁾
2	Allarp Laholm	Helsingborg	Northern Horizon	54
2	Bro Mälarstrand	Upplands-Bro	Slättö	658
2	Bro Mälarstrand	Upplands-Bro	Derome Hus	0 ¹⁾
3	Mossenskolan 3	Motala	M&G	54
3	Nypronrosen 5	Helsingborg	Northern Horizon	125
3	Ophelias Brygga	Helsingborg	Brf	68
4	Ophelias Brygga	Helsingborg	Brf	8
4	Varvet Townhouse	Karlstad	Brf	2
4	Piccolo	Halmstad	Brf	12
Total				1,314

¹⁾ Sold without residential development

Projects closed in 2018

Project	Location	Category	Number of apartments	Buyer
Lumen	Sollentuna	TO	90	Brf
Terra Nova	Visby	C	60	M&G
Total			150	

TO = Tenant-owned C = Care

Project portfolio

On this and the next page, Magnolia Bostads project portfolio is presented as at 31 December 2018 which consisted of 49 pending projects not sold. Magnolia Bostad's share of earnings in these projects amounts to 90%, unless otherwise specified. The information on each project in the tables below is the company's current assessment of each project as a whole.

Due to uncertainty factors such as zoning planning processes, decisions by government authorities or undetermined dates for vacancy, these assessments and thus the final outcome for each project may change over time.

For definitions, see page 134.

Project	Property, location	Category	Estimated number of apartments	Estimated residential area (sqm)	Zoning plan	Estimated prod. start	Estimated completion	Planned buyer (B) and/or contractor (C)
Drottninghög ³⁾	Drottninghög södra 3 & part of Eskadern 1, Helsingborg	C	100	9,000	●	2019	2021	
Ferdinand 9, Spånga ³⁾	Ferdinand 9, Stockholm	R, C	200	15,400	●	2019	2022	Heimstaden agreement (B)
Gjuteriet, etapp 2	Nätverket 2, Eskilstuna	R	100	5,800	●	2019	2021	Consto agreement (C)
Gyllehemmet ³⁾	Gyllehemmet 1 & 2, Borlänge	C	106	10,500	●	2019	2021	
Hasseludden ³⁾	Hasseludden 1:79, Nacka	C	60	4,300	●	2019	2021	
Konstnären	Sala backe 50:1, Uppsala	R	115	6,150	●	2019	2021	Heimstaden agreement (B)
Lilium, etapp 2	Part of Gamla Uppsala 99:2, Uppsala	R	110	5,200	●	2019	2019	Serneke (C)
Lommarstranden, etapp 1	Part of Tälje 4:62, Norrtälje	R	120	6,000	●	2019	2021	
Norra kajen, etapp 1	Norrmalm 3:18 & 4:2, Sundsvall	R	285	12,500	●	2019	2022	Heimstaden agreement (B)
Norrbacka	Sigtuna Norrbacka 1:32-36, Sigtna	R, C	210	12,000	●	2019	2021	Consto agreement (C)
Norrtälje Hamn ²⁾	Part of Tälje 3:1 m.fl. & Alen 1-5, Norrtälje	R, C	145	9,000	●	2019	2022	
Nykvarn ⁴⁾	Kaffebruggaren 1 m.fl., Nykvarn	R	285	13,000	●	2019	2021	
Partilleport ⁴⁾	Partille 11:61, Göteborg	C	54	11,100	●	2020	2022	Consto (C)
Slipsen	Stora Råby 33:2 m.fl., Lund	R	720	33,000	●	2019	2021	Heimstaden agreement (B)
Sportflygaren	Autogyron 1, Örebro	R	145	7,300	●	2019	2021	Consto agreement (C)
Torgkvarteren, etapp 1	Part of Våppeby 7:7, Bålsta	R	280	13,400	●	2019	2022	Heimstaden agreement (B) Consto agreement (C)
Täljöviken ³⁾	Näs 7:7, Åkersberga	C	55	4,850	●	2019	2020	
Ängloket	Part of Ängby 1:1, Knivsta	R	270	15,000	●	2019	2022	Heimstaden agreement (B) Consto agreement (C)
Frihamnen H ⁵⁾	Part of Lundbyvassen 736:168, Göteborg	H	300	12,000	●	2020	2021	
Grimsta 5:2 (Infra)	Grimsta 5:2, Upplands Väsby	R, C, H	800	42,000	●	2020	2023	
Hagby Park	Hagby 1:5, Åkersberga	R	195	10,900	●	2020	2022	Heimstaden agreement (B) Consto agreement (C)
Mesta ³⁾	Mesta 5:81, Eskilstuna	C	54	3,950	●	2020	2021	
Norra kajen, etapp 2	Norrmalm 3:18 & 4:2, Sundsvall	R	285	12,500	●	2020	2022	Heimstaden agreement (B)
Nätverket	Husby 3:3, Åkersberga	R	335	9,200	●	2020	2022	Heimstaden agreement (B) Consto agreement (C)

Project	Property, location	Category	Estimated number of apartments	Estimated residential area (sqm)	Zoning plan	Estimated prod. start	Estimated completion	Planned buyer (B) and/or contractor (C)
Sländan, stage 3	Sländan 9, Södertälje	R	200	10,000	●	2020	2022	
Torgkvarteren, stage 2	Part of Våppeby 7:7, Bålsta	R	135	7,200	●	2020	2023	Consto agreement (C)
Västerhaninge ³⁾	Part of Åby 1:67 m.fl., Haninge	R	500	30,000	●	2020	2023	
Österhagen ³⁾	Länna 4:7, Huddinge	C	72	5,040	●	2020	2022	
Gamlestaden hotell ⁵⁾	Gamlestaden 80:4, Göteborg	H	243	6,500	●	2020	2022	
Finnkajen ⁵⁾	Part of Sundsvall, Stenstaden 1:4, Sundsvall	H	270	11,800	●	2021	2023	
Frihamnen	Part of Lundbyvassen 736:168, Göteborg	R	150	8,000	●	2021	2023	
Lommarstranden, stage 2	Part of Tälje 4:62, Norrtälje	R	120	6,000	●	2021	2023	
Norra kajen, stage 3	Norrmalm 3:18 & 4:2, Sundsvall	R	280	12,000	●	2021	2023	Heimstaden agreement (B)
Södra Häggviks Gårdar ¹⁾	Stinsen 2, Sollentuna	R, C	1,500	94,000	●	2021	–	Slättö agreement, part of project (B) Skanska (C)
Vårby Udde	Gambrinus 2 & 4, Huddinge	R, C, H	1,800	85,000	●	2022	–	Slättö agreement, part of project (B) Skanska (C)
Oktaven ³⁾	Skärholmen 2:1, Stockholm	R	85	7,000	●	2022	2023	
Hammarby-Smedby ³⁾	Hammarby-Smedby 1:27, Upplands Väsby	C	72	7,700	●	tbd ⁶⁾	–	
Ystad trädgårdsstad ⁴⁾	Mispeln 2, Ystad	C	100	4,600	●	tbd ⁶⁾	–	
Kvarnsjödalen	Tumba 7:241, Botkyrka	R, C	2,000	130,000	●	tbd ⁶⁾	–	Slättö agreement, part of project (B)
Bredängshöjden	Vita Liljan 3 m.fl., Stockholm	R	700	35,000	●	tbd ⁶⁾	–	Heimstaden agreement, part of project (B)
Brogårdstaden ³⁾	Part of Bro gård 1:84, Upplands-Bro	R	840	50,000	●	tbd ⁶⁾	–	
Bunkeflostrand	Limhamn 155:355, Malmö	R, C	1,300	58,500	●	tbd ⁶⁾	–	
Erstavik ⁴⁾	Erstavik 25:1, Stockholm	C	72	5,180	●	tbd ⁶⁾	–	
Mejeriet, stage 1	Filborna 28:4, Helsingborg	R	270	15,000	●	tbd ⁶⁾	–	Heimstaden agreement (B)
Mejeriet, stage 2	Filborna 28:4, Helsingborg	R	270	15,000	●	tbd ⁶⁾	–	Heimstaden agreement (B)
Senapsfabriken, stage 3	Kungsängen 29:2, Uppsala	R	700	29,000	●	tbd ⁶⁾	–	
Skarpnäcksgård 1:1 ³⁾	Part of Skarpnäcks gård 1:1, Stockholm	R	60	3,500	●	tbd ⁶⁾	–	Heimstaden agreement (B)
Årstaberg 1 ³⁾	Liljeholmen 1:5, Stockholm	R	100	6,300	●	tbd ⁶⁾	–	Heimstaden agreement (B)
Årstaberg 2 ³⁾	Årsta 1:1, Årsta	R	120	7,500	●	tbd ⁶⁾	–	
Total			17,288	933,870				

¹⁾ Magnolia Bostad owns 45% of the JV. Magnolia Bostad's share of the development profit amounts to 90%.

²⁾ Developed in cooperation with Slättö Förvaltning AB.

³⁾ Magnolia Bostad's share of the profit amounts to 92%.

⁴⁾ Part of JV. Magnolia Bostad's share of the profit amounts to 46%.

⁵⁾ Magnolia Bostad's share of the profit amounts to 76%.

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

R = Residential C = Care H = Hotels ● Zoning planning in force ● Zoning planning not in force

Sold projects in production

In the following projects, Magnolia Bostad's share of earnings amounts to 90% unless otherwise specified.

Project	Property, location	Cate- gory	Sold ap. in produc- tion	Resi- dential area (sqm)	Unsold ap. in produc- tion	Pro- duc- tion start	Comple- tion	Buyer	Contract- or
Maria Forum	Slagan 1, Helsingborg	RA	292	12,500		2015	2019	Alecta	Serneke
Bryggeriet	Norrland 11, Helsingborg	RA	327	14,700		2015	2019	Alecta	Skanska
Cementfabriken	Kölen 1, Malmö	RA	144	7,100		2015	2019	SPP Fastigheter	Veidekke
Kalkstenen	Tankloket 1, Malmö	RA	129	5,100		2015	2019	SPP Fastigheter	Veidekke
Slipen	Part of Varvet 2, Karlstad	RA	216	12,300		2015	2019	Slättö	Consto
Nyby Lilium, etapp 1	Part of gamla Uppsala 99:1, Uppsala	RA	300	14,000		2015	2019	SEB Domestica II	Serneke
Maria Mosaik	Arkeologen 1 & Antikvarien 1, Helsingborg	RA	345	16,000		2016	2020	SPP Fastigheter	Veidekke
Sländan, stage 1	Sländan 6, Södertälje	RA	441	19,000		2016	2019	SPP Fastigheter	ED Bygg
Senapsfabriken, stage 1 ¹⁾	Kungsängen 25:1, kv.2, Uppsala	RA	455	19,400		2016	2019	SEB Domestica III	NCC
Tegelslagaren	Vallentuna-Åby 1:166, Vallentuna	RA	155	6,150		2016	2019	SEB Domestica II	ED Bygg
Tegelmästaren	Vallentuna-Åby 1:171, Vallentuna	RA	160	5,950		2016	2019	SEB Domestica II	ED Bygg
Gjuteriet, stage 1	Namnsdagen 1, Eskilstuna	RA	262	13,900		2016	2019	Slättö	Consto
Segelflygaren	Glidplanet 1, Örebro	RA	210	10,000		2016	2019	Slättö	Consto
Varvet	Varvet 4 & part of Varvet 2, Karlstad	TO	92	6,100		2016	2019	Brf	Consto
Varvet Townhouse	Varvet 4 & part of Varvet 2, Karlstad	TO	6	700	2	2017	2019	Brf	Consto
Senapsfabriken, stage 2 norra ¹⁾	Part of Kungsängen 45:1, 29:3, Uppsala	RA	325	13,100		2017	2022	Slättö	NCC
Senapsfabriken, stage 2 södra ¹⁾	Part of Kungsängen 45:1, 29:3, Uppsala	RA	325	13,900		2017	2023	Heimstaden Bostad	NCC
Sländan, stage 2	Sländan 8, Södertälje	RA	136	5,300		2017	2020	Viva Bostad	ED Bygg
Fyren, stage 1	Telegrafan 16, Nynäshamn	RA	220	10,500		2017	2022	Viva Bostad	Consto
Fyren, stage 2	Telegrafan 16, Nynäshamn	RA	236	11,600		2017	2022	SEB Domestica IV	Consto
Hyllie Gärde ²⁾	Valhall 1, Malmö	RA	427	21,000		2017	2021	Slättö	ED Bygg
Hotell Brunshög ³⁾	Morgonen 1, Lund	H	251	8,900		2017	2020	Alecta	Serneke
Hotell Resecentrum ³⁾	Kilot 2, Halmstad	H	244	9,500		2017	2020	Alecta	Serneke
Visborg ²⁾	Skenet 3, Visby	C	58	3,950		2018	2019	Northern Horizon	PEAB
Fasanen	Burlöv Arlöv 20:58 m.fl., Burlöv	RA	275	12,675		2018	2020	Heimstaden Bostad	Serneke
Allarp Laholm ⁴⁾	Allarp 2:468, Helsingborg	C	60	3,850		2018	2020	Northern Horizon	Consto
Brogårdstaden ²⁾	Part of Brogård 1:84, Upplands-Bro	RA	650	31,000		2018	2022	Slättö	Consto
Ophelias Brygga	Part of Gamla Staden 1:1 m.fl., Helsingborg	TO	76	7,500	48	2018	2020	Brf	Serneke
Mossenskolan ²⁾	Mossenskolan 3, Motala	C	54	4,400		2018	2020	M&G	Gärahovs Bygg
Nypronrosen 5 ⁴⁾	Nypronrosen 5, Helsingborg	RA, C	125	8,360		2018	2021	Northern Horizon	Veidekke
Piccolo ²⁾	Kilot 3, Halmstad	TO	12	1,860	14	2018	2020	Brf	Serneke
Total			7,008	330,295	64				

¹⁾ Magnolia Bostad's share of the profit amounts to 76.3%.

²⁾ Magnolia Bostad's share of the profit amounts to 92%.

³⁾ Magnolia Bostad's share of the profit amounts to 76%.

⁴⁾ Part of JV. Magnolia Bostad's share of the profit amounts to 46%.

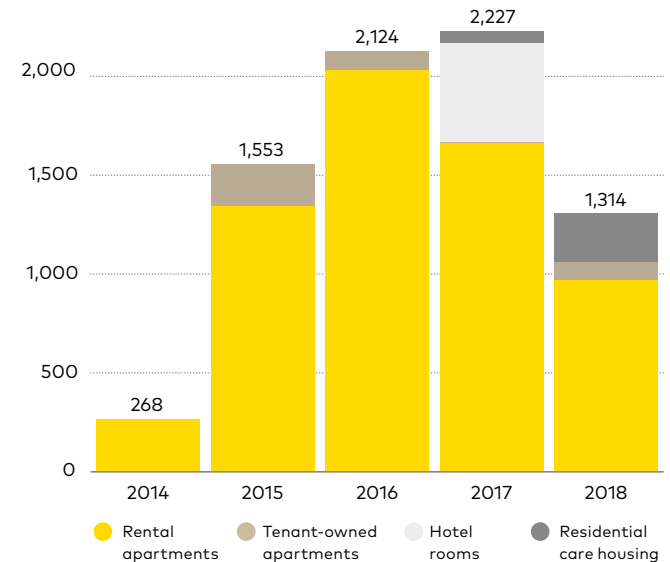
RA = Rental apartment TO = Tenant-owned C = Care H=Hotels

As of 31 December, 2018, Magnolia Bostad had 31 projects in production with a total of 7,072 residential units. Of these, 7,008 were sold and recognized. This corresponds to a sales rate of 99.1%.

In 2018, 9 projects with a total of 1,314 residential units were sold. In 2018, two projects were completed and settled.

In sold rental apartment projects, Magnolia Bostad, on behalf of and in cooperation with the buyer, can sell parts of the projects as tenant-owned apartments. In 2018, Magnolia Bostad has sold and recognized 10 converted tenant-owned apartments.

Sold apartments in production and finished projects, outcome



Conversions in sold rental apartments projects in 2018

Project	Location	Number of converted TO-apartments sold to end customer	Partner
Gjuteriet, #2	Eskilstuna	10	Slättö
Total		10	

Properties for self-management

As of 31 December, 2018, Magnolia Bostad had three projects in production with a total of 625 residential units in asset management. In addition to this the company had two existing office premises considered

to be in the asset management section, one of which is reported as a Joint Venture. Magnolia Bostad's share of earnings amounts to 92% unless otherwise specified.

Projects

Name	Property, location	Category	Sold ap.	Residential area (sqm)	Production start	Completion	Buyer
Övre Bangården	Östersund söder 1:14, Östersund	R	325	14,500	2018	2021	Derome
Kalmar	Björnbäret 1, Kalmar	R	232	11,000	2018	2021	Derome
Adjutanten	A7 området, Visby	R	68	4,200	2018	2019	PEAB
Total			625	29,700			

Investment properties

Name	Property, location	Category	Rentable area (sqm)	Rental value (SEK m)
Orminge Centrum ¹⁾	Orminge 52:1, Nacka	O	6,000	8
Skogskarlen ²⁾	Skogskarlen 3, Solna	O	9,000	17
Total			15,000	25

¹⁾ Magnolia Bostad's share of the profit amounts to 90%.

²⁾ Part of JV. Magnolia Bostad's share of the profit amounts to 50%.

R = Residential O = Office

Hyllie Gärde Malmö

Hyllie Gärde is an area with 427 rental apartments around a green, welcoming courtyard. Our new quarter is one of the last stages in Hyllie, a new part of Malmö where large-scale meets small-scale and green areas meet colourful architecture.

The project was sold to Slättö in 2017. Construction began in the autumn of 2018 and occupancy is planned for 2021.

Project facts

Location:	Hyllie
No. of residencies:	427
Category:	Rental
Occupancy:	2021
Architect:	Lindberg Stenberg Arkitekter
Planned certification:	Swedish Green Building Council Silver

Representation of Hyllie Gärde





Representation of Fyren

Fyren Nynäshamn

Just north of the centre of Nynäshamn, Magnolia Bostad is building the Fyren (Lighthouse) project, a spectacular accommodation right on the Baltic Sea beach.

The project's two stages were sold in 2017 to Viva Bostad and SEB Domestica IV respectively. Construction starts in 2019 and occupancy is planned for 2022.



Project facts

Location:	Nynäshamn
Category:	Rental
No. of residencies:	456
Occupancy:	2022
Architect:	Scheiwiller Svensson Arkitektkontor
Planned certification:	Part of project to Swedish Green Building Council Silver



Occupancy in the first stage of Sländans began in 2018.

Sländan Södertälje

In the district of Sländan in the centre of Södertälje, a few hundred metres north of the main square and only one block from the Södertälje canal, one of the municipality's largest development projects is underway. Magnolia Bostad is developing about 800 apartments in three stages. Stage one with 441 apartments has been sold to SPP Fastigheter and is expected to be completed in the summer of 2019. Stage two, which consists of 136 apartments, has been sold to Viva Bostad and is expected to be completed by 2020.



Project facts

Location:	Central Södertälje
Category:	Rental
No. of residencies:	About 800
Occupancy:	Stage one 2018–2019. Stage two. 2020. Stage three: Date undecided
Architect:	Stage one: Lindberg Stenberg Arkitekter Stage two and three: Wingårdhs
Planned certification:	Swedish Green Building Council Silver



Erkan Erdogan talks about his new rental apartment in Sländan, Södertälje

Name:
Erkan Erdogan

Erkan Erdogan moved into a new rental apartment in Sländan, Södertälje in February 2019.

"My partner and I had been in a housing queue for a long time and were really happy when we got an apartment here. It's great, because my brother moved into the same area just a month before us. The apartments here are nice and the area is good."



Patrik Hall of Heimstaden talks about collaborating with Magnolia Bostad

Name:
Patrik Hall

Title:
CEO, Heimstaden

In June 2018, Magnolia Bostad signed a framework agreement with Heimstaden. The agreement runs to 2023 and means that Heimstaden will acquire housing projects valued at SEK 9.6 billion from Magnolia Bostad. In total, there are 14 projects, with about 5,300 residential units.

"We have found a partner in Magnolia Bostad that we trust and who we know will be able to deliver what we as a long-term owner expects: attractive, sustainable and exciting projects with a price tag that works both for us and for Magnolia Bostad."

"In addition, we have found a partner that we think will be fun to work with for a considerably long time. The culture at Magnolia Bostad is characterized by entrepreneurship and a genuine interest in creating tomorrow's sustainable neighbourhoods and residential areas. We trust the people we have met at the company and that is an important feeling when you enter into this type of collaboration."

Senapsfabriken Uppsala

Senapsfabriken is a major development area in central Uppsala. The area is at the southern entrance to the city centre, a few minutes' walk from Uppsala's public transport hub.

Magnolia Bostad is developing about 1,800 residential units here with a mixed tenancy form. The project is divided into three stages. The first stage has been sold to SEB Domestica III and stage two is divided into two parts, one of which has been sold to Heimstaden Bostad and the other to Slättö.

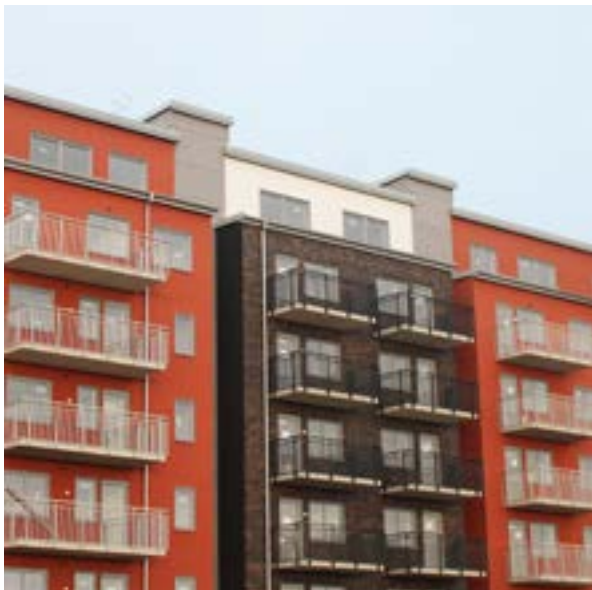


Representations of Senapsfabriken

Project facts

Location:	Central Uppsala
Category:	Rental
No. of residencies:	About 1,800
Occupancy:	2018–2023 (stage 1 and 2)
Architect:	Sweco Architects
Certification:	Swedish Green Building Council Silver





Maria Mosaik

Maria Mosaik Helsingborg

The new district of Mariastaden in Helsingborg is expanding. Magnolia Bostad is developing the Maria Mosaik project here, near the countryside and sea and with good links into central Helsingborg. The project consists of 351 rental apartments with a variety of apartment sizes with a focus on 1, 2 or 3 rooms. The project has been sold to SPP Fastigheter.

Project facts

Location:	Mariastaden
No. of residencies:	351
Category:	Rental
Occupancy:	2019
Architect:	Ramböll/C.F. Møller
Planned certification:	Swan



Linda Traunsberger talks about her new apartment in Maria Mosaik, Helsingborg

Name:

Linda Traunsberger

Linda Traunsberger and her son Erik moved into their new rental apartment in Maria Mosaik in March 2019.

"The apartment lets the light in well and whoever planned it knows exactly what an apartment needs to be a home. The ceiling height and the open floor plan make it feel airy, and there is plenty of good storage. The balcony is absolutely wonderful. The technical solutions are also impressive – it's easy to connect to the internet etc."

"The entrance is very good because when we push a button the light comes on and the door opens automatically. This may be a minor thing for some people, but for the parents of small children it makes it a lot easier to have help with the entrance gate."

"The area is close to my son's school and close to Maria train station, where there are also buses."



Representation of Vårby Udde

Vårby Udde Huddinge

Vårby Udde is one of the urban development projects that Magnolia Bostad is running in Greater Stockholm. The area will be a new, marine district in Huddinge. Magnolia Bostad is developing well-planned homes with different types of housing.

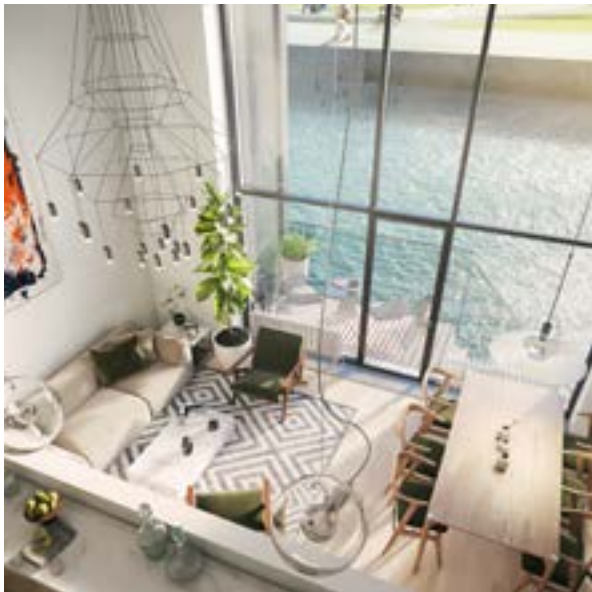
This involves about 1,800 new residential units, both rental and tenant-owned apartments, but also hotels, residential care facilities, commercial premises, preschools and schools, as well as the necessary infrastructure such as streets, squares and parks.

Representation of Vårby Udde



Project facts

Location:	Vårby, Huddinge
Category:	Rental, residential care and hotels
Number of building rights:	1,800
Occupancy:	Date undecided
Planned certification	Swedish Green Building Council Silver



Representation of Ophelias Brygga

Ophelias Brygga Helsingborg

Oceanhamnen is Helsingborg's new district. Magnolia Bostad is building 124 tenant-owned apartments here at a location close to water and just a stone's throw from Helsingborg's communication centre Knutpunkten. Occupancy is planned for 2020.

Project facts

Location:	Oceanhamnen, central Helsingborg
No. of residencies:	124
Category:	Tenant-owned
Occupancy:	2020
Architect:	Link Arkitektur and Batteriö Arkiteter
Planned certification:	Swedish Green Building Council Silver



Representation of Södra Häggviks Gårdar

Tomorrow's way of developing new, sustainable neighbourhoods

In the spring of 2018, Magnolia Bostad and Skanska signed a cooperation agreement for the development of new neighbourhoods and residential areas.

The agreement was the starting point for a completely new and innovative way of working, with Magnolia Bostad as the client, Skanska as a contractor and Architema Architects as the architect cooperating in the project's earliest stages. The purpose is to create the foundations together to develop economically, socially and environmentally sustainable neighbourhoods.

Traditionally, the contractor only comes in at a later stage, which means that the conditions have, to a large extent, already been set. But when, you get the three important parties, the client, contractor and architect, together at the project's start, it's possible to have all the options on the table at an early stage.

This way of working creates the foundation to develop projects in the best possible way. It takes advantage of the skills that are available at an early stage and thereby has an opportunity to create smart and production-friendly solutions. All three parties agree on what is to be prioritized and what cannot be compromised - all to achieve the best possible end result.

Brunnshög Hotel Lund

The hotel project in Lund is located in the north-eastern part of town in the new district of Brunnshög with its direct proximity to the ESS research facility. Next to the property is Lund's upcoming tram line and the district will include a varied range of housing, offices and services.

The project was sold to Alecta in 2017, and construction started in Q4 2018. Completion is expected by 2020.

Project facts

Location:	Brunnshög
Category:	Hotel
Number of hotel rooms:	251
Operator:	Ligula Hospitality Group AB under the brand name Motel L
Occupancy:	2020
Architect:	Panorama Arkitekter and Krook & Tjäder
Planned certification:	BREEAM Very Good



Representation of Brunnshög Hotel

Resecentrum Hotel Halmstad

The hotel project in Halmstad will be a landmark directly adjacent to the city's new central travel hub.

The project consists of a hotel building with a restaurant and bar as well as an elevated section with a lounge and roof terrace.

The project was sold to Alecta in 2017 and construction started in Q3 2018. Completion is expected by 2020.

Project facts

Location:	Central Halmstad
Category:	Hotel
Number of hotel rooms:	244
Operator:	Ligula Hospitality Group AB under the brand name ProfilHotels
Occupancy:	2020
Architect:	White, Madison and Krook & Tjäder
Planned certification:	BREEAM Very Good



Representation of Resecentrum Hotel

Gjuteriet Eskilstuna

Munktelstaden in Eskilstuna is an area undergoing significant development. In the northern part of the area, Magnolia Bostad is developing 362 residential units with a mixed form of tenancy.

The project's first stage was sold to Slättö in 2016, consisting of 262 rental apartments. 98 of these were converted in cooperation with Slättö to tenant-owner apartments. The stage second was completed in 2018 and occupancy has taken place. The project includes another stage with about 100 apartments.

Project facts

Location:	North Munktelstaden
Category:	Rental apartment and tenant-owned
No. of residencies:	362
Occupancy:	2018, stage 2 not yet completed
Architect:	Hidemark & Stintzing
Certification:	Swedish Green Building Council Silver



Gjuteriet



Inger Andersson talks about her new apartment

Name:

Inger Andersson

Inger Andersson and her husband moved into their new apartment in Munktelstaden in Eskilstuna in December 2018.

"Everything here is nice and new," says Inger. "We feel so happy and are really enjoying it. We are so looking forward to seeing everything that happens to the area as it develops."



Representation of Allarp Laholm

Allarp Laholm

Magnolia Bostad is building Allarp Laholm in Laholm, a health and residential care facility with 60 apartments. The project has been sold to Northern Horizon.

Location: Allarp, Laholm
Category: Residential care
Residencies: 60
Occupancy: 2020
Architect: SR-K



Representation of Adjutanten

Adjutanten Visby

We are building Adjutanten at an attractive address in central Visby. Two state-of-the-art sheltered homes consisting of 68 bright and well-planned rental apartments. The project is being developed for self-management by Magnolia Bostad.

Location: Centrala Visby
Category: Sheltered housing
Residencies: 68
Occupancy: 2019
Architect: Visbyark



Representation of Nyponrosen

Nyponrosen Helsingborg

Nyponrosen is located in the middle of Rosengården's district centre, directly adjacent to shops and public transport. A nice combination of residential units, residential care facilities, group accommodation and a gym is being created. The project has been sold to Northern Horizon.

Location: Rosengården's district centre
Category: Residential care and units
Residencies: 125
Occupancy: 2021
Architect: SR-K



Representation of Mossenskolan

Mossenskolan Motala

At the inlet of the Göta Canal in a central location in Motala, Magnolia Bostad is developing a residential care facility consisting of 54 apartments with bay windows for the best possible lighting as well as a large atrium garden. The project has been sold to M&G.

Location: Central Motala
Category: Residential care
Residencies: 54
Occupancy: 2020
Architect: SR-K

Gyllehemmet Borlänge

Magnolia Bostad is building Gyllehemmet in central Borlänge, a combined residential care and sheltered housing facility and a preschool with six departments. The aim is to create a safe, beautiful, and inspiring environment for residents, preschool children and staff.

The neighbours will be a district healthcare centre and the different properties will be divided by parks and a cultivated area. The project also includes a large-scale catering facility that will be shared by the various operations.

Project facts

Location:	Borlänge
Category:	Residential care sheltered housing and preschool
Residencies:	106
Occupancy:	2021
Architect:	SR-K



Representation of Gyllehemmet



"A good, attentive partner for our complex day-to-day life "

Name:	Title:
Jan Bohman	Chairman of the municipality's board and municipal councillor, Borlänge

Magnolia Bostad is developing Gyllehemmet in Borlänge, a project integrating sheltered housing and a residential care facility with a preschool. The project also includes a large-scale catering facility that will be shared by the three operations.

"Magnolia Bostad made an attractive offer that Borlänge municipality could accept," says Jan Bohman. "The combination of good location, rent level and an expected short construction time, made up our minds when we were choosing a partner."

"The municipality's officials and politicians have a good, attentive partner in Magnolia Bostad who work well in our complex day-to-day life, where many requirements are weighed up together to achieve a good final result."

"Borlänge municipality is an expanding, dynamic place. We have many exciting future projects on the horizon and a good partner like Magnolia Bostad is of course always welcome so that we can jointly create an attractive environment for people to live and develop in."

3

Sustainable business

Magnolia Bostad develops financially, socially and environmentally sustainable residential areas and our work is based on cooperation and dialogue with our stakeholders.

About this report

The Magnolia Bostad sustainability report is a separate report from the annual report. All information in this report refers to the period 1 January 2018 – 31 December 2018, unless otherwise stated. The sustainability report consists of pages 48–61. The Magnolia Bostad business model can be found on pages 12–13. The GRI Index can be found on pages 60–61.

This report was prepared in accordance with GRI Standards: Core option, and is Magnolia Bostad's second sustainability report. Work on sustainability is based on stakeholder dialogue and a materiality analysis. The report contains information and targets for the company's sustainability work, where the precautionary principle has been applied. A risk analysis of the company's operations is performed annually in connection with the work on the business plan. For a description of Magnolia Bostad's sustainability risks and how they are managed, refer to the section on each sustainability aspect on pages 52–55. For Magnolia Bostad's general work related to risk, see pages 68–69.

Limitations

The information presented in each focus area refers to Magnolia Bostad's operations and material sustainability aspects referring to the entire value chain.

Focus areas and sustainability aspects

Magnolia Bostad has identified the company's sustainability aspects based on a materiality analysis performed during 2017. Sustainability aspects are of particular importance for Magnolia Bostad and our stakeholders, and make up three strategic focus areas: financial, social and environmental responsibility.

Magnolia Bostad's work on sustainability also builds on the UN's Global Compact, ten principles regarding human rights, labour law, the environment and corruption, and the UN's Agenda 2030 – Sustainable Development Goals.

"Magnolia Bostad's work on sustainability includes financial, environmental and social sustainability. Our behaviour must be responsible and forward-looking throughout.

Our new residences must be built according to a minimum standard of Sweden Green Building Council Silver, Svanen or equivalent certification. During 2018, four of our projects were certified to Sweden Green Building Council Silver standard: one project in Eskilstuna, one in Uppsala and two in Helsingborg, comprising around 1,300 residences. In addition, we carry out regular environmental audits and life-cycle analyses in order to identify how we can improve our work on sustainability."

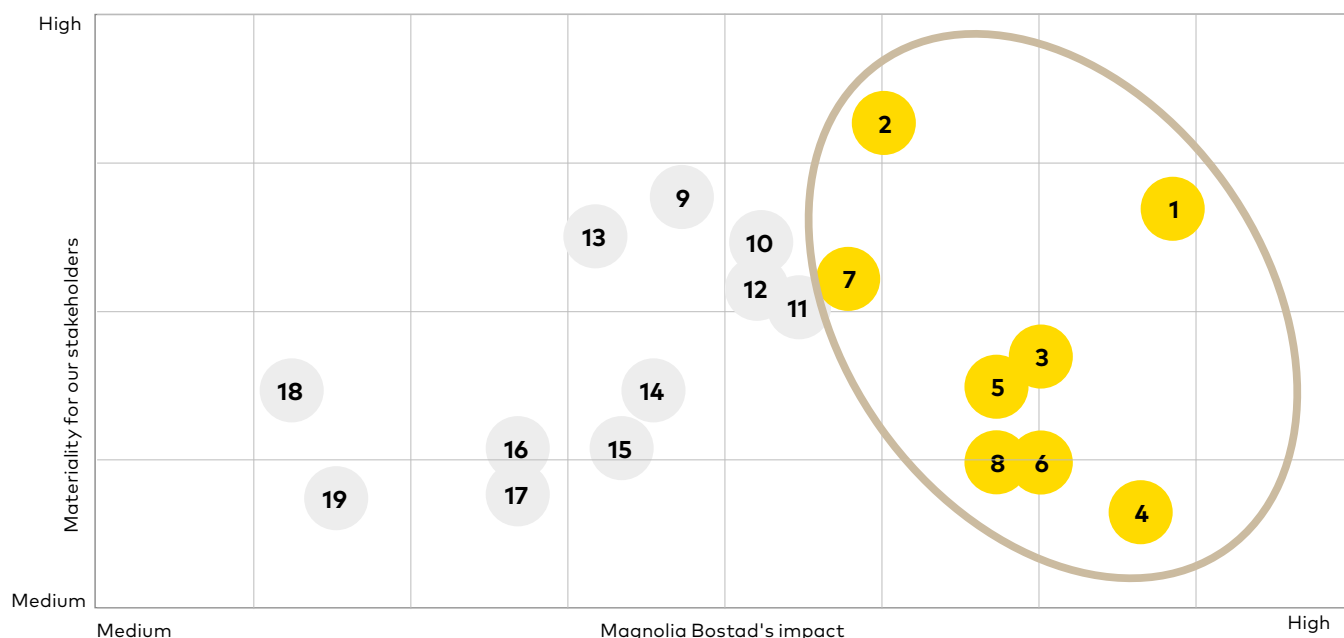
*Christina Hambäck
Head of Operational Development and Sustainability*





Magnolia Bostad has decided to support women's and girls' football in many areas where the company is active. Among others, the company sponsors the girls' section of Nynäshamns IF. The club has the ambition to grow and attract more children and young people in Nynäshamn to play football.

Materiality analysis



Ranking Material sustainability aspects

1	Long-term profitable growth
2	Anti-corruption
3	Environmental certification of buildings
4	Health and safety
5	Pre-construction and design for socially sustainable operations
6	Training and skills development
7	Sustainable purchasing and supplier evaluations
8	Diversity and gender equality
9	Sustainable construction materials
10	Pre-construction for environmentally sustainable operations
11	Discrimination
12	Energy consumption
13	Greenhouse gas emissions
14	Sewage and waste
15	Supplier evaluations on social issues
16	Free competition
17	Water consumption
18	Evaluation of human rights for subcontractors
19	Indirect economic impact

The most important sustainability aspects and focus areas for Magnolia Bostad were identified in a materiality analysis produced during the autumn of 2017. The aspects are of material significance for both Magnolia Bostad and our stakeholders. The eight most material aspects make up three strategic focus areas: financial, social and environmental responsibility. The results have been discussed, analysed and adopted by the management team and the Board of Directors of Magnolia Bostad. Clarification of one sustainability aspect for financial responsibility was made during 2018: "long-term growth" was changed into "long-term profitable growth".

Strategic focus areas and material sustainability aspects

The stakeholder engagement and materiality analysis carried out in 2017 resulted in three strategic focus areas on which Magnolia Bostad's sustainability work is based.

Financial responsibility

- Long-term profitable growth
- Anti-corruption

Environmental responsibility

- Environmental certification of buildings

Social responsibility

- Health and safety
- Pre-construction and design for socially sustainable operations
- Training and skills development
- Sustainable purchasing and supplier evaluations
- Diversity and gender equality

Magnolia Bostad's stakeholders



Sustainable business model

Magnolia Bostad's material sustainability aspects are integrated into the overarching business strategy and business plan in order to create value. See pages 12–13 for information on Magnolia Bostad's business model.

Sustainability strategy and sustainability programme

Magnolia Bostad has established three overarching, long-term targets for its sustainability work. Magnolia Bostad wants to be at the forefront of sustainable business, to be the most attractive employer in the industry and to follow industry trends towards climate-neutral operations. The sustainability programme is based on the material sustainability aspects and consists of activities linked to targets and KPIs.

Sustainable organization and governance

Sustainability issues are brought up and decided on at management meetings. The Head of Business Development and Sustainability for Magnolia Bostad is a member of the company's executive management team and sustainability work is reported on at board meetings. Strategy and policy documents are revised by the Board once a year.



Financial
responsibility



Environmental
responsibility



Social
responsibility

Strategic Focus Areas

Financial responsibility

A long-term approach is a key condition for growth and profitability within the company. Magnolia Bostad's work is characterized by a holistic approach, and operations are conducted in such a manner as to promote long-term, sustainable development.

Long-term profitable growth

Magnolia Bostad creates long-term profitable growth and value for owners and other stakeholders by improving our competitiveness and developing buildings and areas in financial, social and environmental ways.

The reporting in "Direct economic value generated and distributed" (GRI 201-1) on page 58 follows the financial accounting principles and shows Magnolia Bostad's economic value generated in 2018. Direct costs that generate value are, for example, wages, training, taxes and fees as well as remuneration to suppliers for goods and services. Indirect costs are, for example, costs for absence due to illness and the taxes that employees and others generate.

The main reasons for the change in directly-created value between 2017 and 2018 are:

- Income from property sales was lower in 2018 than in 2017 due to fewer residences sold
- Rental income was lower in 2018 than in 2017 due to the sales of rental properties
- Salary costs have increased in 2018, primarily due to an increase in staff
- Payments to the public sector have decreased, primarily due to lower stamp duty payments
- Payments to providers of capital have increased, mainly due to higher average interest rates and an increase in total average interest-bearing liabilities.

See pages 10–11 for Magnolia Bostad's financial targets. See pages 68–69 for the Group's risk management. For targets and completion of sustainability indicator targets, see pages 58–59.

Business ethics and anti-corruption

The Magnolia Bostad Code of Conduct contains guidelines on the requirements we make of ourselves in terms of behaviour and conduct, and what we expect from our business partners. The Code reflects the company's focus areas, material sustainability aspects and values and builds on the UN's Global Compact regarding human rights, labour law, the environment and corruption, and the UN's Agenda 2030 – Sustainable Development Goals.

Magnolia Bostad's Code of Conduct also contains clear guidelines and requirements on bribes and corruption. Magnolia Bostad takes a zero-tolerance approach to bribes and corruption. Magnolia Bostad also has a poli-

cy for conflicts of interests, which has been adopted by the Board of Directors.

The Code of Conduct is part of the induction for new employees and has been an annex in employment contracts since the autumn of 2017. Furthermore, greater in-depth training in anti-corruption and conflicts of interest has been introduced. During the year, all new employees have accepted in writing that they have read and understood the company Code of Conduct.

The principle for whistleblowing is described in the company's Code of Conduct and is based on how to report suspected infractions. The Code is available both on the company's homepage and intranet. We have continued work on whistleblowing routines and an extended whistleblowing routine was launched at the start of 2019. It can be accessed by our employees and external stakeholders and makes it possible to report infractions and breaches of the Magnolia Bostad Code of Conduct or Magnolia Bostad's other policies.

During 2018, no cases of corruption were reported.

Environmental responsibility

Magnolia Bostad develops resource-efficient apartments, hotels and residential care facilities with good indoor environments and healthy materials that minimize the buildings' impact on the environment over their entire lifetime. We want to be an environmentally responsible company and conduct our operations in such a manner as to have as little of an impact as possible.

The goal of Magnolia Bostad is to have all projects environmentally certified and to follow the roadmap of the building and construction sector towards climate-neutral activities. We are striving to improve our routines and processes in order to minimize the impact of activities on the environment and climate.

Through dialogue, clear requirements and policies and environmental audits and certification of buildings, Magnolia Bostad prevents any risk of suppliers and contractors not fulfilling their commitments and the final product not meeting Magnolia Bostad's extensive environmental requirements.

Magnolia Bostad is also working to reduce the environmental impact of its suppliers and contractors by placing clear requirements on everything from handling of waste and environmentally friendly and efficient transport to the recycling of materials and products. During the year, a routine for audits and the follow-up of audits has been developed and implemented. In

addition, a number of environmental audits have been carried out on our projects.

Environmental certification of buildings

It is Magnolia Bostad's overarching goal – and a requirement – that all buildings must be environmentally certified according to a minimum of the Sweden Green Building Council's Silver level. Magnolia Bostad is also a member of the Swedish Green Building Council (SGBC), Sweden's leading organization for urban development.

Magnolia Bostad has no building operations, and all pre-construction and design is carried out by contractors. Production constitutes approximately 40% of the building's total impact on the environment over the life cycle of the building, and construction companies are directly responsible for resource optimization.

Magnolia Bostad procures projects as turnkey contracts and specifies that it is the responsibility of the contracting companies to comply with the requirements placed by Magnolia Bostad. Materials and products are thoroughly evaluated to ensure that they do not contain any environmental or health risks for either the residents or the people working with production.

Environmental policy

Magnolia Bostad expects its employees and partners to respect and follow both Magnolia Bostad's environmental policy and any other environmental requirements placed by the company.

Magnolia Bostad's environmental policy not only encompasses the environment and quality assurance, but also follows the intentions of ISO 14001 and ISO 9001. We also require our building contractors to have ISO certification or fulfil equivalent requirements when it comes to quality, the environment and the working environment. We maintain dialogue about sustainability in all collaboration with consultants, architects, building contractors and other suppliers for each project.

Svenska Vårdfastigheter's operations are certified in accordance with ISO 14001. Internal certification auditing and follow-up has been carried out during the year.

Energy efficiency

Energy efficiency is an important environmental aspect. The environmental and energy-related measures adopted during the course of a project vary depending on the conditions in each project. Common environmental and energy-related measures include specially insulated windows, need-based ventilation, solar panels and geothermal heating. A high percentage of natural materials, such as tile and wood, are used in projects. If geographically possible, the majority of our newly built apartment buildings are also connected to district heating.

The energy that Magnolia Bostad consumes in its direct operations and can thus directly influence is the ener-



Ted Mellin of Derome on the advantages of building with wood

Nam2:

Ted Mellin

Title:

Head of Operations, Derome

In September 2018, Magnolia Bostad and Derome entered into a letter of intent for a collaboration regarding the new production of wooden apartment buildings. The agreement is over a five-year period and means that Derome will deliver 600–800 residences per year for Magnolia Bostad projects.

"Building using wood is building for future generations", says Ted Mellin. "Every time we at Derome fell a tree, we plant two more. The resultant forests absorb more carbon dioxide than older trees, thereby releasing more oxygen. We are therefore doing the climate a favour by building wooden buildings."

"At the same time, the production process is more energy-efficient than using other building materials, and the low weight of the wood means that our transport uses less fuel than it would in transporting heavier materials. Also, wooden houses are quiet and pleasant to live in!"

"With the combined experience and expertise of Magnolia Bostad and Derome, we are convinced that this collaboration is leading the way for long-term success for both companies."

gy we use in our offices. Even though this amount of energy is not material, we are committed to resource-efficiency, and the energy/ electricity will derive primarily from renewable energy sources, i.e. green electricity.

Climate-neutral operations

Magnolia Bostad's long-term sustainability target is to follow the industry roadmap towards climate-neutral operations, including within projects. Cooperation with our contractors is key to achieving this target. Furthermore, our ambition has also been to work on special sustainability measures/clauses, i.e. green agreements, with our contractors to facilitate optimal resource efficiency in projects.

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 aim of the calculations is to show the different climate effects of construction solutions over the lifetime of the building.

During the year, life-cycle analyses have been carried out for three projects. The results allow us to reset and create a baseline for carbon dioxide emissions in projects. During 2018, the direct effects of carbon dioxide emissions from Magnolia Bostad's office operations were also measured. The measurements will form the basis of analysis about how Magnolia Bostad is to continue working towards climate-neutral operations. Areas we are focusing on are recycling, as well as making conscious and sustainable purchasing choices in areas such as consumables, food and office materials.

For targets and completion of sustainability indicator targets, see pages 58–59.

Social responsibility

We want to be an engaged participant in the areas where we are active, an attractive employer and an industry leader in sustainable business.

Community involvement

Magnolia Bostad offers a broad range of housing forms, primarily rental apartments but also tenant-owned apartments, hotels and residential care facilities, and we develop residences available for everyone. Magnolia Bostad is also working to reduce the housing shortage that is prevalent in many areas in Sweden. We also hold an important role in society by contributing to the fulfilment of requirements on housing construction from the rising urbanization trend, with greater social and economic integration as the goal.

Engaged participant of the community

Magnolia Bostad is an engaged participant of the communities where we are active. We have a series of collaborations with women's and girls' football teams to create a natural forum for equality, diversity and integration in a context that also encourages physical exercise and meaningful leisure activities.

We also collaborate with and co-sponsor Ronjabollen in Gottsunda, Uppsala, defined by the police as one of Sweden's most deprived areas. Ronjabollen is working on equality and integration issues by gathering girls and women around one activity – football – in a natural, unforced context.

The idea of Magnolia Bostad's collaboration with Ronjabollen is to spread awareness of the Ronjabollen method and model for work with integration and girls' rights within society.

Attractive employer

Magnolia Bostad wants to be an inclusive employer that ensures health and safety and that develops and takes care of different skills. Our long-term goal is to be the most attractive employer in the industry. We are therefore working continuously with skills development, career planning and the promotion of our employees' health and well-being. As an employer, we work actively on diversity and gender equality, and we would like to offer secure, safe workplaces where all employees are treated equally and with respect. During the year, Magnolia Bostad completed its first employee survey, with a long-term target of 75% of satisfied employees.

Material sustainability aspects

Health and safety

All employees are covered by sickness insurance. The company has a safety and health committee consisting of management, employee and safety representatives. The committee held regular meetings during the year and conducted a safety round. Magnolia Bostad offers all employees wellness subsidies. During the year Magnolia Bostad employees participated in "Spring för livet", a race that donated its registration fees to UNICEF's work for orphaned children in Malawi.

Office-based employees may be subject to a risk of stress-related illnesses and ergonomic-related injuries. When it comes to workplace accidents, Magnolia Bostad has a zero-vision approach. In 2018, no employees were injured at their workplace as part of Magnolia Bostad's direct operations (excluding projects), page 59. During 2018, work started on finding a tool to collect data regarding environmental deviations within projects.

During the year, Magnolia Bostad has also developed and adopted a Crisis Communications Plan as a part of the crisis management process. In addition to the Crisis Communications Plan, we are investigating the option of

introducing a digital reporting tool in the workplace, for the reporting of workplace accidents.

Diversity and gender equality

Diversity and gender equity improve the company's ability to understand the needs of partners and local customers and the expectations of local markets, which is an important aspect for growth and profitability. Magnolia Bostad's Code of Conduct, personnel handbook and policy regarding diversity in the Board of Directors contain guidelines for diversity and gender equity, and, for example Magnolia Bostad has an even distribution between the number of women and men who work for the company.

Training and skills development

Training and skills development are key for attracting talent and expertise to the company. They are also important for the company's reputation, growth and profitability.

Training is planned and budgeted per employee, and as of 2017 the number of training hours per year and per employee, gender, and occupational category will also be tracked. We are also working on skills development and have meetings involving knowledge sharing every week with all employees. During 2018, two one-day training courses were also carried out regarding the induction of new employees, focusing on business, culture and values. In addition, a workshop was carried out with all employees regarding follow-up on the employee survey. The work on implementing measures arising has started, and a number of measures have already been implemented. During the year, a managers' working environment course was also conducted.

Sustainable purchasing and supplier evaluations

Magnolia Bostad would like to contribute to a sustainable society and facilitate sustainable work throughout the organization. We are working to counteract the risk of human rights violations in the supply chain through dialogue, requirement specifications, and audits of suppliers and contractors. Our Code of Conduct contains a detailed description of the approach we take to each other and our stakeholders.

We place the same demands on our business partners as we place on ourselves, and our goal is to include the Code of Conduct (or equivalent) in all partnership agreements. We are also striving for sustainable purchasing in the entire supply chain, and our target is to carry out supplier evaluations along with the auditing of at least one turnkey contractor per year. An audit of a turnkey contractor has been ordered.

Pre-construction and design for socially sustainable operations

The Safety and security aspect is high on the list of what residents think is most important in and around

their home. It is therefore important to be involved locally to get to know the area and the residents who live there and to best understand their needs.

Magnolia Bostad is a partner of the "BoTryggt 2030" project, which was started by the Swedish Police in 2000. We are part of the project group that is developing a new standard for safe and secure residential areas and homes. During the year, all Magnolia Bostad employees received an introduction to the BoTryggt concept.

By supporting team sports in areas where the company is active, Magnolia Bostad supports social issues such as equality and integration. These activities also give us an insight into the social issues the areas and towns are working on. In Huddinge municipality, Magnolia Bostad started a collaboration with Huddinge's women's and girls' football teams. In addition, Magnolia Bostad has initiated a collaboration between Ronjabollen and Huddinge Fotboll with the intention of introducing methods and models as well as knowledge regarding integration and equality issues.

Magnolia Bostad's target is to include pre-construction and design for socially sustainable operations in its projects. This means that we design and pre-construction so that operational use encourages a socially-sustainable living environment. An example is the creation of courtyards without dark corners to increase the sense of security for residents.

Through dialogue, clear requirements in terms of procurement and follow-up of pre-construction and design of socially sustainable operations, we prevent any risk of suppliers and contractors not fulfilling their commitments and the final product not meeting Magnolia Bostad's requirements in terms of socially sustainable operations. In order to meet and understand the local needs and expectations of stakeholders on socially sustainable operations and design, Magnolia Bostad works with municipalities, customers, contractors and other local stakeholders and community services (police, schools, local sports clubs, etc.). Through dialogue and cooperation, Magnolia Bostad is developing socially sustainable residential areas and districts.

Furthermore, Magnolia Bostad is addressing socially-sustainable operations by designing sustainability programmes at the early stage of projects. During the year, Magnolia Bostad has started development of a sustainable quarter in Huddinge, Vårby Udde, where Magnolia Bostad has produced a concrete sustainability programme together with Huddinge municipality. The sustainability programme is the basis of the work on town planning.

For targets and completion of sustainability indicator targets, see pages 58–59.

Women's soccer for diversity, integration and equality



Clubs supported by Magnolia Bostad:

Bålsta	Håbo FF
Eskestuna:	Eskestuna United
Halmstad:	IS Halmia
Helsingborg:	Stattena IF
Huddinge	Huddinge IF
Karlstad:	QBIK
Malmö:	LB07
Norrköping:	Lindö FF
Nynäshamn:	Nynäshamns IF
Sollentuna:	Sollentuna fotbollsklubb
Stockholm:	Huddinge IF Sätra SK
Sundsvall:	SDFF Sundsvall
Södertälje:	Södertälje FK
Uppsala:	Uppsala fotboll Ronja FK
Örebro:	Örebro SK



Sevana Bergström, founder of Ronjabollen.

"Helps us reach people we would have had difficulty reaching"

Ronjabollen is a soccer project for girls who normally would not be active members of a soccer team. The association is aimed at girls from areas low in resources and offers football training immediately after the last lesson at school. In 2018, the association was awarded an award in the Children's section by the Swedish Inheritance Fund.

Magnolia Bostad has supported Ronjabollen for a number of years, and the collaboration has been expanded and extended in 2018.

"Magnolia Bostad's support means a huge amount to us," says Sevana Bergström, founder of Ronjabollen. "Partly from a purely financial point of view, but also through the opportunity to talk about our organization to people we otherwise would have had difficulty reaching. For example, last summer, through Magnolia Bostad, I had the opportunity to talk about Ronjabollen at Almedalen Week, the most important forum in Swedish politics. "

"Our ambition for 2019 is to continue to spread our message, and of course to develop the Ronjabollen concept in even more clubs around the country."



IK Uppsala fotboll.

"The support helps us increase the number of girls participating"

In collaboration with Örebro University, the youth section of Örebro SK is running the Studiehjälpen project, which offers young people at the club help with homework on club premises after school. The aims include to prevent young people stopping sport due to increasing demands from school.

"One of our focus areas in 2019-2020 is to increase the number of actively-participating girls and female leaders. The support from Magnolia Bostad gives us the opportunity to devote more time and resources on this. We will also introduce specific measures such as the recruitment of female leaders and work to maintain and increase the number of actively-participating girls."

Sara Larsson-Ullbrand,
CRM and communications manager, Örebro SK

"During 2019, we will be working to spread Ronjabollen to more schools"

"During 2018, with the support of Magnolia Bostad, we started Ronjabollen in two schools in Eskilstuna, and in 2019 we will increase operations to more schools. Thanks to Magnolia Bostad's support, we were also able to organize spontaneous football matches during breaks at Lagersbergsskolan."

Emre Gürler
Manager of Hjärta United, Eskilstuna United's organization for equality in sport



Social sustainability within Magnolia Bostad

Magnolia Bostad has chosen to support local football teams where we are active. Our support is primarily aimed at girls' and women's teams. Football is a widespread sport that crosses all social classes, national borders and genders. By supporting team sports, the company is helping a large number of participants and promoting equality, diversity and integration.

Targets and target attainment

Financial responsibility

Sustainability aspect	Target	Outcome		
Long-term profitable growth	See Magnolia Bostad's economic and financial targets, page 11.	Direct financial value created and delivered, GRI 201-1 SEK m		
		2018	2017	
		Created value:		
		Property sales	789	1 347
		Rental income	24	47
		Project management income	28	24
		Other income	214	363
		Financial income	8	6
		Distributed value:		
		Operating expenses	-902	-1 320
		Salaries and remuneration to employees	-39	-34
		Payments to financiers	-236	-211
		(of which dividends to owners)	(-86)	(-96)
		Payments to the public sector	-29	-34
		Unrealized changes in value	65	-9
		Remaining in Magnolia Bostad	-79	180
Anti-corruption	No cases of corruption	Corruption incidents GRI 205-3		
		2018	2017	
		Violations of the Code of Conduct	0	0
		Corruption incidents	0	0

Environmental responsibility

Sustainability aspect	Target for 2022	Outcome		
Environmental certification of buildings	Projects environmentally certified to a minimum of the Sweden Green Building Council's Silver level.	2018	2017	
		Type and number of sustainability certifications, rankings and markings according to new buildings, GRI CRE-8	Sweden Green Building Council Silver – 4	No projects completed since the target was introduced in 2016.

Social responsibility

Sustainability aspect	Target for 2022	Outcome								
Health and safety							2018	2017		
	All employees covered by a health and safety committee	Representation on working environment committees, GRI 403-1					100%	100%		
	No workplace accidents	Number of workplace accidents, GRI 403-2 Covers direct Magnolia Bostad activities					0	0		
Training and skills development	Average hours of training per employee, per gender, per occupational category > 40hrs per year	Total average hours of training, GRI 404-1								
		2018			2017					
		Women	Men	Total	Women	Men	Total			
		Management	51	32	41	26	23	24		
		Managers	59	42	48	19	35	27		
		Employees	34	41	37	17	26	20		
	Total	38	40	39	18	27	22			
	Performance reviews and career planning for all employees per year	Employee talks and career planning GRI 404-3						2018		
		Percentage of employees with regular employee talks and career planning						100%		
Diversity and gender equality	Gender breakdown between women and men	Diversity of governance bodies and employees GRI 405-1								
		2018				2017				
		The Board	Man-agement	Em-employees	Total	The Board	Man-agement	Em-employees	Total	
		Gender distribution								
		Women	17%	41%	56%	52%	17%	37%	57%	51%
		Men	83%	59%	44%	48%	83%	63%	43%	49%
		Total	100%	100%	100%	100%	100%	100%	100%	100%
		Age group								
		<30	0%	0%	14%	12%	0%	0%	18%	14%
		30-50	33%	100%	76%	79%	33%	100%	70%	70%
		>50	67%	0%	10%	9%	67%	0%	12%	16%
		Total	100%	100%	100%	100%	100%	100%	100%	100%
Sustainable purchasing and supplier evaluations									2018	
	The Code of Conduct is attached to the employment contract for all employees	Percentage of employment agreements with employees that include the Code of Conduct						100%		
	All employees undergo training in the Code of Conduct	Percentage of employees trained in human rights GRI 412-2						100%		
	One audit per year of one contractor	Number of suppliers audited regarding agreement fulfilment and Code of Conduct, GRI 414-1						1 st		

Changes in reporting scope, GRI 102-49

Change	Explanation
The KPI "Number of projects including pre-construction and design for socially sustainable operations" has been removed.	All projects take this into account to a greater or lesser extent, so measurement is not appropriate.
The KPI "Number of agreements with partners where the Code of Conduct was included" has been removed.	The total number of agreements signed within the organization is extensive. The information is not available.
The KPI "Number of workplace accidents" refers to direct operations and not contractors.	Data from projects and contractors is not available. During 2018, work started on finding a method to collect data regarding environmental deviations within projects.

GRI Index

GRI Standard	Details		Page reference	Comments
GENERAL INFORMATION				
GRI 102: General Disclosures 2016	102-1	Name of the organization	79	
	102-2	Activities, brands, products and services	64, 14–17	
	102-3	Location of headquarters	79	
	102-4	Location of operations	2–3	
	102-5	Ownership and legal form	133, 114–115	
	102-6	Markets served	2–3	
	102-7	Scale of the organization	64, 67, 72	
	102-8	Information on employees and other workers	59	
	102-9	Supply chain	12–13	
	102-10	Significant changes during the accounting period		None
	102-11	Precautionary Principle or approach	48	
	102-12	External initiatives which the company supports or is affected by	52–53	
	102-13	Membership of associations	53–55	
	102-14	Statement from the Head of Sustainability and the Chairman of the Board of Directors	48, 112–113	
	102-16	Values, principles, standards and norms of behaviour	51, 52, 122	
	102-18	Governance structure	51, 114–123	
	102-40	List of stakeholder groups	51	
	102-41	Collective bargaining agreements		N/A
	102-42	Identifying and selecting stakeholders	51	
	102-43	Approach to stakeholder engagement	50	
	102-44	Key topics and concerns raised	50	
	102-45	Entities included in the consolidated financial statements	48	
	102-46	Defining report content and topic boundaries	50	
	102-47	List of material topics	50	
	102-48	Restatements of information		
	102-49	Changes in reporting	59	
	102-50	Reporting period	48	
	102-51	Date of most recent report		23/03/2018
	102-52	Reporting cycle	48	
	102-53	Contact point for questions regarding the report		Christina Hambäck, Head of Operational Development and Sustainability
	102-54	Claims of reporting in accordance with the GRI Standards	48	
	102-55	GRI Index	60–61	
	102-56	Policy for external assurance		The report has not been externally reviewed
SIGNIFICANT FOCUS AREAS				
Finances				
Long-term profitable growth				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	52	
	103-2	The management approach and its components	52	
	103-3	Evaluation of the management approach	52	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	58	
Anti-corruption				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	52	
	103-2	The management approach and its components	52	
	103-3	Evaluation of the management approach	52	
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	52, 58	
Environment				
Environmental certification of buildings				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	54	
	103-2	The management approach and its components	54	
	103-3	Evaluation of the management approach	54	
GRI Construction and Real Estate Sector Supplement	CRE-8	Type and number of sustainability certificates, ranking and marking of new construction	52, 58	

GRI Standard	Details		Page reference	Comments
Social				
Health and safety				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	54	
	103-2	The management approach and its components	54	
	103-3	Evaluation of the management approach	54	
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	54, 59	
	403-2	Work-related injuries and illnesses	54, 59	
Training and skills development				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	55	
	103-2	The management approach and its components	55	
	103-3	Evaluation of the management approach	55	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	55, 59	
	404-3	Percentage of employees receiving regular performance and career development reviews	55, 59	
Diversity and gender equality				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	55	
	103-2	The management approach and its components	55	
	103-3	Evaluation of the management approach	55	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	59	
Sustainable purchasing and supplier evaluations				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	55	
	103-2	The management approach and its components	55	
	103-3	Evaluation of the management approach	55	
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	52,59	
	414-1	Number of suppliers audited regarding agreement fulfilment and Code of Conduct	55, 59	
Pre-construction and design for socially sustainable operations				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	55	
	103-2	The management approach and its components	55	
	103-3	Evaluation of the management approach	55	

Auditor's report on the statutory sustainability statement

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

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement on pages 48–61 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantial-

ly less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 28 March 2019
Ernst & Young AB

Fredric Hävrén
Authorized Public
Accountant

Ingemar Rindstig
Authorized Public
Accountant

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Director's 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 1/1/2018 – 31/12/2018.

The business in general

Parent Company

The Parent Company, Magnolia Bostad AB, which is domiciled in Stockholm, has two (2) employees and conducts its business through the acquisition, ownership and management of subsidiaries in the housing industry.

The Group

The Group conducts operations within the housing industry related to tenant-owned and rental apartments, hotels and residential care. Production is procured externally. Property management is conducted until the point in time when project management may begin, and from the end of the year, the Group has own certain properties for its own long-term management.

Significant events in the Group during the financial year

During the year, Magnolia Bostad agreed on the acquisition of 3,068 (7,501) estimated building rights and sold 1,314 (2,227) apartments.

Since 20 June 2018, Magnolia Bostad's shares have been listed on the Nasdaq Stockholm main list.

The Board proposes no dividend payment for the financial year 2018 (dividend for the financial year 2017: SEK 1.75 per share).

Business idea, targets and strategy

Magnolia Bostad will develop efficient, attractive and functional new housing at a good profit. The Magnolia Bostad financial target is a return on equity of at least 30%. The Group equity/assets ratio must amount to at least 30%. In 2017, return on equity amounted to 1.0% (22.0) and the equity/assets ratio at the end of the year was 30.3% (33.0). Magnolia Bostad has also set a target to have the capacity to start production on 3,000 apartments, two to four residential care facilities and one to two hotels a year 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 31 December 2018, Magnolia Bostad was active within the areas of rental apartments, tenant-owned apartments and hotels as well as residential care. Magnolia Bostad also owns properties for its own management. Working with several forms of housing enables the company to achieve satisfactory distribution of risk. Development in growth areas demonstrating favourable demographic conditions in the long term. Production of projects only begins when demand has been ensured.

Legal structure

The Magnolia Bostad Group, in addition to holdings reported in accordance with the equity method, consisted of 172 companies (140) as at 31 December 2019.

Organizational structure

Magnolia Bostad's organization is divided into the areas of Business Development, Business Area Development, Communications, Project Development, Finance and Administration. The company's organization, as at 31 December 2018, consisted of 86 employees (61), of which 46 were women (33) and 40 were men (28), in Stockholm, Helsingborg, Norrköping and Göteborg.

Sustainability

Magnolia Bostad has a clear focus on ensuring that all housing projects 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. In accordance with Chapter 6, section 11 of the Annual Accounts Act, Magnolia Bostad AB (publ) has opted to prepare its statutory sustainability report as a separate report from the annual report. The sustainability report was turned over to the auditor at the same time as the annual report. The Sustainability Report can be found on pages 46–61.

Share information

The shares

Since 20 June 2018, Magnolia Bostad's shares have been listed on Nasdaq Stockholm, in the Mid Cap segment, and are traded under the ticker 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 28 December 2018 was SEK 36.50.

The Annual General Meeting held on 27 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. Every warrant entitles the holder to subscribe for one share and will be transferred to employees in accordance with the warrant program. During 2018, 260,500 warrants were transferred to in accordance with the warrant program, while other warrants remain in the custody of Magnolia Utveckling AB and will not be used under the warrant program. Each warrant entitles the holder to the right to subscribe for one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

Ownership

The number of shareholders as per 31 December 2018, amounted to 4,845 (4,803). F. Holmström Fastigheter AB, which is controlled by Fredrik Holmström through a company, owns 56.4% (56.4) of Magnolia Bostad. The ten largest owners together hold 87.3% (86.0) of the votes. One (1) of these had holdings that amounted to 10% or more of the votes in the company.

Earnings and position

The Group

Net sales for the financial year amounted to SEK 1,054 million (1,781) and consist primarily of sales of development and project properties. Magnolia Bostad recognized 1,314 residential units compared to 2,227 last year.

The operating profit amounted to SEK 164 million (384) and contains changes in value to management properties of SEK 67 million (–). The operating margin was SEK 15.6 million (21.6). The main reason for the decrease in the operating profit was the delay to certain projects due to their zoning planning having been appealed or disputed.

During the year, Magnolia Bostad strengthened its organization, which resulted in an increase in costs for central administration to SEK –64 million (–41).

Net financial items amounted to SEK –142 m (–109). The increase is primarily attributable to growing assets that are financed externally. The profit/loss after tax for the full year amounted to SEK 7 million (276). The tax expense consists of SEK –15 million (–0) and is entirely made up of deferred taxes on temporary differences in management properties.

The balance sheet total increased by SEK 55 million to SEK 3,605 million (3,550). At 31 December 2018, consolidated equity amounted to SEK 1,093 million (1,171), with an equity/assets ratio of 30.3% (33.0). The minority share of equity was SEK 156 million (180). This change in equity during the year is due to dividends paid and net profit/ loss for the year. In 2018, return on equity amounted to 1.0% (22.0).

Total interest-bearing loans amounted to SEK 2,192 m (2,073) as at 31 December 2018. Interest-bearing net liabilities, after deductions for cash and cash equivalents of SEK 395 million (208), amounted to SEK 1,797 million (1,865). At the end of the year, Magnolia Bostad's average interest rate on the nominal principal loan amount was 7.1% (5.9) with an interest coverage ratio of 1.1 (3.4). The average capital tie-up period, excluding deposits and the credit line, was 2.4 years (2.0) at 31 December 2018.

Consolidated cash flow from operating activities amounted to SEK –20 million (–617), cash flow from investing activities amounted to SEK –21 million (–13) and cash flow from financing activities amounted to SEK 228 million (332). Cash and cash equivalents as per 31 December 2018, amounted to SEK 395 million (208). In addition to cash and cash equivalents, there are unused credit facilities totalling SEK 834 m (332) as at 31 December 2018.

Parent Company

The parent company's profit after tax for the period was SEK –55 million (276). The balance sheet total amounted to SEK 1,970 million (1,351). The equity/assets ratio in the Parent Company was 16.8% (33.4). The Parent Company's equity was affected by the profit/ loss for the year and the dividends totalling SEK 66 million.

Project portfolio

The total number of estimated building rights in the portfolio amounted to approximately 17,288 as of 31 December 2018. During 2018, 1,314 residential units were sold from nine projects, compared to 2,227 from ten projects in 2017. During the year, two projects totalling 150 residential units were completed, compared to two projects totalling 323 residential units last year. In 2017, a total of 10 tenant-owned apartments were converted and sold to end customers in rental apartment projects that were already sold.

Auditors

At the Annual General Meeting on 27 April 2018, the auditing company Ernst & Young AB was re-selected as the company's auditor for the period extending up to the end of the 2019 Annual General Meeting.

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, the Swedish Corporate Governance Code and applicable laws and regulations form the basis of the company's corporate governance.

The ordinary Annual General Meeting in 2018 was held on 27 April 2018. Present at the meeting were 18 shareholders (26), representing in total 28.7% of the votes (69.7). Fredrik Holmström was elected Chairman of the Meeting. All Board members participated. The minutes from the Annual General Meeting are available on Magnolia Bostad's website, www.magnoliabostad.se.

The Annual General Meeting in 2018 resolved on the following:

- Adoption of the income statement and balance sheet for the 2017 financial year.
- Dividend of SEK 1.75 per share.
- Granting of discharge from liability for the Board members and the CEO for the financial year 2017.
- Change to the Articles of Association.
- Adoption of remuneration to the Board of Directors and auditors.
- Re-election of Board members Viveka Ekberg, Fredrik Holmström, Jan Roxendal, Andreas Rutili, Risto Silander and Fredrik Tibell. Fredrik Holmström was elected Chairman of the Board.
- Reselection of the auditing company Ernst & Young AB as auditor.
- Selection of Ingemar Rindstig as auditor and Mikael Ilkonen as deputy auditor.

All decisions apply to the period until the end of the next Annual General Meeting. The registered auditing

company Ernst & Young AB selected Fredric Hävrén as chief auditor.

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 CEO. 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 work of Board of Directors is found in the Corporate Governance Report.

Guidelines for remuneration to Executive Management

The 2018 Annual General Meeting resolved to adopt the following guidelines for remuneration to the Executive Management of the Group. Remuneration to Executive Management shall be on market terms and competitive and consist of a fixed salary. The fixed salary is reviewed at the beginning of the calendar year. The fixed salary will be based on factors such as position, expertise, 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 senior executives at 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 must be on market terms and must be 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 clause must not exceed a total amount equivalent to 60% of the fixed salary for one year.

Benefits in addition to salary, variable remuneration and pension are paid for all senior executives in the form of a company car and health care. These benefits will constitute a smaller portion of the total compensation and will conform to standard practice in the market.

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 were estimated to amount to a maximum of SEK 10.3 million (including social security contributions). These costs are based on current remuneration levels and full utilization and assume that all targets required for remuneration have been met.

Proposed guidelines for remuneration to Executive Management in 2019

The board proposes that the following guidelines for determining terms of employment and remuneration payable to senior executives be adopted at the annual general meeting on 10 May 2019, for the period up to and including the next annual general meeting. Senior executives means members of the company's management team. The guidelines apply to agreements entered into after the resolution by the general meeting and if changes are made in existing agreements after this time.

In order to attract and retain competent employees and executives the salary should be competitive and be at market level and it should comprise a fixed part and a variable part. The fixed part of the salary is revised at the beginning of the calendar year.

The fixed salary should be based on factors such as position, competence, experience and performance. In this assessment it should be taken into account that the company is in an expansive phase rather than in an administrative phase.

Senior executives may receive variable remuneration in the form of a bonus that may total at most 12 months' fixed base salary. The bonus should be based on defined targets, related to the company's financial result as well as to individual performance. Variable remuneration is paid as non-pensionable salary.

The total cost for the payments to senior executives amounted in 2018 to a total of approximately MSEK 6 (including costs for social security contribution). Conditions governing pension should be in accordance with market practice and be based on defined contribution pension agreements. There are conditions for the CEO, governing non-compete obligations and remuneration after served employment. Remuneration due to the non-compete obligation should not exceed a total amount of 60 per cent of one years fixed salary. The company's period of notice for the CEO is 12 months.

All senior executives should, in addition to salary, variable remuneration and pension, receive health care insurance and in some cases a company car. These benefits should comprise a minor portion of total remuneration and should be in line with market practice.

The board may deviate from the guidelines adopted by the general meeting in individual cases where particular reasons or needs exist.

The board shall propose guidelines for remuneration payable to senior executives to every annual general meeting. The board shall take into account changes in the company's size, business, management and ownership structure that may motivate alterations of the guidelines. The guidelines are adopted by the annual general meeting. Remuneration to the senior executives are proposed and approved in accordance with the board's rules of procedure.

The total cost for the variable payments to senior executives in accordance with the board's proposal, may in 2019 amount to a total of MSEK 15 (including costs for social security contribution). Costs are based on existing remuneration levels and maximum utilization, and that defined targets required for remuneration are achieved. The estimated costs are based on the current number of senior executives. The employment agreement of the CEO, Fredrik Lidjan, does not allow for any variable remuneration.

According to the guidelines for remuneration payable to senior executives resolved by the annual general meeting 2018 the board of Magnolia Bostad AB was authorised to deviate from the guidelines adopted by the general meeting if particular reasons exists in an individual case. The authorisation has been used once in 2018 when appointing a new head of business generation.

Events after the end of the period

An agreement to acquire land in Jakobsberg, Järfälla, was signed. The acquisition will be made via a joint venture with Heimstaden Bostad.

Proposed appropriation of profits

The following is available to the Annual General Meeting, SEK:

Share premium reserve	184,732,539
Profit/loss carried forward	48,255,958
Net profit/loss for the year	-54,490,242

Total	178,498,256
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The Board proposes:

To be carried forward	178,498,256
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Total	178,498,256
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Financial overview

Amounts in SEK million unless otherwise specified	2018	2017	2016	2015	2014 ⁴⁾
Net sales	1,054	1,781	1,064	813	141
Gross profit/loss	147	434	422	156	55
Operating profit/loss	164	384	409	296	47
Profit/loss after financial items	22	276	319	245	30
Net profit/loss for the year	7	276	319	245	29
Operating margin (%)	15.6	21.6	38.4	36.4	33.7
Interest coverage ratio (multiple)	1.1	3.4	4.4	5.7	2.4
Balance sheet total	3,605	3,550	2,746	1,825	792
Equity	1,093	1,171	989	708	253
Equity/assets ratio (%)	30.3	33.0	36.0	38.8	32
Return on equity, % ¹⁾	1.0	22.0	36.7	53.1	13.4
Earnings per share after tax, SEK ¹⁾	0.26	5.37	7.16	6.71	0.95
Earnings per share after full dilution, SEK ¹⁾	0.26	5.37	7.13	6.50	0.88
Equity per share (SEK) ¹⁾	24.77	26.20	22.58	16.42	8.1
Earnings per share (SEK)	0 ²⁾	1.75	1.75	1.00	0.2
Number of basic outstanding shares	37,822,283	37,822,283	37,822,283	37,822,283	31,288,942
Number of outstanding shares after full dilution	37,822,283	37,822,283	37,982,283 ³⁾	37,982,283 ³⁾	33,288,942

¹⁾ Excluding the minority.

²⁾ The Board proposes no dividend payment for 2018.

³⁾ 160,000 warrants are held by the Magnolia Bostad Group.

⁴⁾ According to previously applied accounting principles.

For information about alternative KPIs, see Note 38 – Alternative KPIs.

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. Magnolia Bostad's risks are divided into four main types: (1) external risks, (2) operative risks, (3) financial risks and (4) organizational risks.

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>Possibility to sell projects</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 projects.	● ● ○	Through continuous market analysis, rules for when production may begin and breakdown of projects into stages.
<i>Macroeconomic factors</i>	The property industry is greatly affected by macroeconomic factors such as general economic development, regional economic development, population growth, rate of production, etc.	● ● ○	Through ongoing macroeconomic analysis and business planning of which municipalities and districts have favourable/unfavourable future conditions. By locking 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.	● ● ○	Through competition analyses at both the regional and local levels and constantly striving to refine Magnolia Bostad's business model.
<i>Shortage of resources</i>	The increasing activity on the Swedish housing market could cause building prices to rise and make it difficult to secure production resources in the projects, which could 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 costs are procured 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 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 officials 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.
<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

Operational risks

Risk	Description	Risk assessment	Primary management
<i>Business models and projects</i>	The operations consist of property development projects, which is why it is a prerequisite that these projects can be implemented profitably.	● ● ○	The projects are based on detailed financial calculations in the project governance system, which are 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>	Property 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 property.
<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.

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

Finansiella risker

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 prior to each financing transaction the risk that interest rates may change is included in the calculation.
<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 achieved in that there are 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.
<i>Financing risk</i>	If financing for acquisitions or development cannot be obtained, extended, expanded, refinanced or that such loans only can be obtained at unfavourable terms.	● ● ○	The company has established financial goals regarding the equity/assets ratio and liquidity that must be followed. Furthermore, the company 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.

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

Consolidated Income Statement

Amounts in SEK m	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Net sales	5, 6	1,054	1,781
Production and operating costs		-907	-1,347
Gross profit/loss		147	434
Central administration	8	-64	-41
Profit/loss from participations in associated companies and joint ventures	10	14	-9
Change in value, management properties	19	67	-
Operating profit/loss	7, 9, 11	164	384
Financial income	12	8	6
Financial expenses	13	-150	-115
Change in value, financial instruments	31	-	0
Profit/loss before tax		22	276
Income tax	14	-15	0
NET PROFIT/LOSS FOR THE YEAR		7	276
Profit/loss attributable to			
Parent company shareholders		10	203
Holdings without a controlling influence		-3	73
Earnings per share (SEK)	15		
Before dilution effects		0.26	5.37
After dilution effects		0.26	5.37

Consolidated Statement of Comprehensive Income

Amounts in SEK m	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Net profit/loss for the year		7	276
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Total other comprehensive income		0	0
COMPREHENSIVE INCOME FOR THE YEAR		7	276
Comprehensive income attributable to			
Parent company shareholders		10	203
Holdings without a controlling influence		-3	73

Comments on the Consolidated Income Statement

Net sales amounted to SEK 1,054 million (1,781) and the operating profit was SEK 164 million (384). Profit before tax for the period was SEK 22 million (276).

Net sales and operating profit derive from the sale of 1,314 residential units (2,227). Operating profit increased by SEK 20 million, primarily due to the recognition of fewer units. In total, net sales from the sale of property total SEK 789 million (1,347).

Rental income was SEK 24 million (47). Operating costs for properties that generate rental income amount to SEK -8 million (-16), which means that their contribution to operating profit decreased, to SEK 16 million (31). Revenue from project management services amounts to SEK 28 million (24), and other invoicing for the projects and other revenue has contributed SEK 213 million (363) to net sales.

Magnolia Bostad strengthened its organization during the year, which accounts for the increase in central administration

costs to SEK -64 million (-41). Earnings from associated companies increased to SEK 14 million (-9), affected by earnings from Sollentuna Stinsen JV AB and Skogskarlen Bergshamra Holding AB. The earnings from Skogskarlen Bergshamra Holding AB were affected by a positive, unrealized change in value of management properties of SEK 16 million.

Management properties are reported in accordance with IFRS to fair value, which means a change in value of SEK 67 million, which is included in the operating profit.

Net financial items

Net financial items amounted to SEK -142 m (-109). This increase is attributable to increased assets being externally financed.

Net profit/loss for the year

The net profit for the year was SEK 7 m (276) of which SEK -15 (0) was income tax. Reported income taxes for the year relate to deferred tax on temporary differences regarding management properties.

Consolidated Statement of Financial Position

Amounts in SEK m	Note	31/12/2018	31/12/2017
ASSETS	1		
Non-current assets			
Goodwill	16	6	6
Other intangible assets	17	1	1
Total intangible assets		7	7
Management properties	19	295	–
Machinery and equipment	18	19	8
Total property, plant and equipment		314	8
Shares in associated companies and joint ventures	20	106	111
Receivables from associated companies	36	56	24
Other securities held as non-current assets	21	31	31
Other long-term receivables	22	978	1,165
Total financial assets		1,171	1,330
Total non-current assets		1,492	1,345
Current assets			
Development and project properties	23	1,196	1,310
Tenant-owned apartments		10	4
Accounts receivable	24	21	31
Receivables from associated companies	36	38	52
Other receivables	25	440	595
Prepaid expenses and accrued income	26	14	5
Cash and cash equivalents	27	395	208
Total current assets		2,114	2,205
TOTAL ASSETS		3,605	3,550

Comments on the Consolidated Statement of Financial Position

The consolidated balance sheet total increased to SEK 3,650 million compared to SEK 3,550 million at the beginning of the year.

This increase was mainly due to investments realized in on-going projects. Of the long-term and other receivables of SEK 1,418 m (1,760), SEK 1,142 m (1,490) are receivables of buyers of the projects, mainly of our partners and large Swedish institutions, while SEK 149 m (117) refers to downpayments paid for future property acquisitions. Within the next 12 months, the Group is expected to receive SEK 280 million (423) in total claims on buyers of the projects as amortization of promissory notes, payment of additional consideration, final consideration and forward funding.

Properties held for long-term management are reported as Management properties. In connection with the decision to maintain long-term ownership of certain properties, an existing office premises in Nacka has been reclassified from Development and project properties to Management properties. An existing ongoing residential care project in Visby has also

been reclassified under Management properties. In addition to these projects, two further development projects, one in Östersund and one in Kalmar, have been acquired during the period. As of 31 December 2018, Management properties amounted to SEK 295 million (–), of which SEK 180 m was reclassified from Development and project properties, acquisitions of SEK 49 m and changes in value not realised of SEK 67 m.

Development and project properties decreased by SEK 114 million and amount to 1,196 million (1,310). This reduction is due to sales completed as well as reclassification as Management properties.

During the quarter the Group continued to invest in the project portfolio and is working continuously to refine and drive the zoning planning process forward in its various projects.

Shares in associated companies and joint ventures fell by SEK 1 m to SEK 110 m (111) primarily due to the impact of the sale of the residential care projects Allarp Laholm and Nyponrosen 5 as well as results for the period in Sollentuna Stinsen JV AB and Skogskarlen Bergshamra Holding AB.

Consolidated Statement of Financial Position

Amounts in SEK m	Note	31/12/2018	31/12/2017
EQUITY AND LIABILITIES	1		
Equity	28		
Share capital		151	151
Other capital contributions		187	185
Retained profits including net profit/loss for the year		599	655
Equity attributable to Parent Company shareholders		937	991
Holdings without a controlling influence		156	180
Total equity		1,093	1,171
Non-current liabilities			
Deferred tax liability	29	17	2
Non-current interest-bearing liabilities	30	1,914	1,566
Non-current liabilities to associated companies	36	18	35
Derivatives	31	–	–
Other non-current liabilities	30	34	30
Total non-current liabilities		1,983	1,633
Current liabilities			
Current interest-bearing liabilities	30	278	507
Derivatives	31	–	–
Accounts payable		23	16
Liabilities to associated companies	36	0	1
Income tax liabilities		0	0
Other current liabilities		114	85
Accrued expenses and deferred income	32	114	136
Total current liabilities		529	745
TOTAL EQUITY AND LIABILITIES		3,605	3,550

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

Comments on the Consolidated Statement of Financial Position

Equity and equity/assets ratio

At December 31, 2018, consolidated equity amounted to SEK 1,093 million (1,171), with an equity/assets ratio of 30.3% (33.0). The minority share of equity was SEK 156 million (180). The return on equity amounted to 1.0% compared to 22.0% for the previous year.

Interest-bearing liabilities

Total interest-bearing loans, including interest-bearing deposits amounted to SEK 2,209 m (2,073) as at 30 December 2018. The majority of Magnolia Bostad's liability consists of bond loans with a carrying amount of SEK 1,428 million and bank financing of SEK 475 million, of which SEK 135 million is collateralized by the property. The remaining interest-bearing liabilities are made up of deposits received of SEK 167 million and buyer promissory notes of SEK 121 million. The average capital

tie-up period, excluding deposits and the utilized credit line, was 2.4 years at December 31, 2018, an increase compared to 2.0 years at December 31, 2017.

After deductions for cash and cash equivalents of SEK 395 million (208), interest-bearing net liabilities amounted to SEK 1,797 million (1,865).

The largest part of the bank financing is linked to individual projects, where repayment occurs in conjunction with Magnolia Bostad's handover or in connection with the payment of the final consideration from the buyer at the end of the project.

Receivables at buyers amount to SEK 1,142 million (1,490), interest-bearing net liabilities after deductions for receivables at buyers amounts to SEK 655 million (375), an increase of SEK 280 million compared to December 31, 2017.

Consolidated Cash Flow Statement

Amounts in SEK m	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Operating activities	1		
Profit/loss after financial items		22	276
<i>Adjustments for non-cash items, etc.</i>			
Less share in profits in associated companies		-14	9
Earnings received from associated companies		10	-
Depreciation/amortization and impairment of assets		4	2
Change in value, management properties		-67	-
Capital gains/losses from the sale of development properties		-246	-584
Other provisions		0	0
Other profit/loss items that do not affect liquidity		12	6
Income tax paid		0	0
Cash flow from operating activities before changes in working capital		-279	-291
Cash flow from changes in working capital			
Decrease(+)/increase(-) of development and project properties		-71	-156
Decrease(+)/increase(-) in current receivables		373	-194
Decrease(+)/increase(-) in current liabilities		-43	24
Cash flow from operating activities		-20	-617
Investing activities			
Acquisition of intangible fixed assets		0	-1
Acquisition of management properties		-21	-
Acquisition of property, plant and equipment		-8	-9
Investment in financial assets		0	-3
Sales/reduction of financial assets		8	-
Cash flow from investing activities		-21	-13
Financing activities			
Contribution from holding without a controlling influence		-	1
Issue of warrants		2	-
Borrowings		1,147	597
Repayment of borrowings		-848	-200
Dividend paid to parent company owners		-66	-66
Dividend paid to minority interests		-7	-
Cash flow from financing activities		228	332
Cash flow for the year		187	-298
Cash and cash equivalents at the beginning of the year		208	507
Cash and cash equivalents at the end of the year		395	208

Interest received amounted to SEK 6 million (8). Interest paid amounts to SEK -138 million (-112).

Comments on the Consolidated Cash Flow Statement

Cash flow from operating activities amounted to SEK -20 million (-617).

The improvement in cash flow from operating activities of SEK 597 million is mainly due to payments received from buyers of previous profit-reported projects which were invested in the project portfolio.

In conjunction with handover, Magnolia Bostad receives forward funding for the projects, which means that Magnolia Bostad receives payment for investments made up until handover. Often, a part of the project gains is received in cash at the handover. The remainder of the project gains are received in connection with project completion.

This leads to a delay between the reporting of the sales in the results and the received cash flow.

Cash flow from investing activities amounted to SEK 21 million (-13). Cash flow from financing activities amounted to SEK 228 million (332), of which borrowings were SEK 1,147 (597) and amortization was SEK -848 (-200).

Cash and cash equivalents as per December 31, 2018, amounted to SEK 395 million compared to SEK 208 million on December 31, 2017. In addition to cash and cash equivalents, there are unused credit facilities totalling SEK 834 m as at 31 December 2018.

Consolidated Statement of Changes in Equity

Amounts in SEK m	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Holdings without a controlling influence	Total equity
Opening equity 1/1/2017	151	185	0	517	136	989
Dividend	–	–	0	–66	–30	–96
Acquisition of subsidiaries	–	–	–	–	1	1
Net profit/loss for the year	–	–	–	203	73	276
Other comprehensive income	–	–	0	–	0	0
Closing equity 31/12/2017	151	185	0	655	180	1171

Amounts in SEK m	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Holdings without a controlling influence	Total equity
Opening equity 01/01/2018	151	185	0	655	180	1,171
Dividend	–	–	–	–66	–20	–86
Issue of warrants	–	2	–	–	–	2
Net profit/loss for the year	–	–	–	10	–3	7
Other comprehensive income	–	–	0	–	0	0
Closing equity 31/12/2018	151	187	0	599	156	1,093

For more information, see Note 28 – Share capital and other capital contributions.

Parent Company Income Statement

Amounts in SEK m	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Net sales	5, 6	10	14
Total income		10	14
Central administration	7, 8, 9	-40	-30
Operating profit/loss	11	-30	-16
Financial income	12	76	357
Financial expenses	13	-101	-65
Profit/loss after financial items		-55	276
Tax on profit/loss for the year	14	0	0
NET PROFIT/LOSS FOR THE YEAR		-55	276

Parent Company Statement of Comprehensive Income

Amounts in SEK m	Note	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Net profit/loss for the year		-55	276
Other comprehensive income		0	0
COMPREHENSIVE INCOME FOR THE YEAR		-55	276

Parent Company Balance Sheet

Amounts in SEK m	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Participations in Group companies	35	89	89
Receivables from Group companies		39	39
Participations in associated companies	20	2	2
Receivables from associated companies		24	24
Total non-current assets		154	154
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		1,714	1,191
Receivables from associated companies		2	0
Other receivables	25	0	2
Prepaid expenses and accrued income	26	0	0
Total current receivables		1,716	1,193
Cash and bank balances	27	100	4
Total current assets		1,816	1,197
TOTAL ASSETS		1,970	1,351
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	28	151	151
Total restricted equity		151	151
<i>Non-restricted equity</i>			
Share premium reserve		185	185
Profit/loss carried forward		49	-161
Net profit/loss for the year		-55	276
Total non-restricted equity		179	300
Total equity		330	451
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	30	1,573	883
Total non-current liabilities		1,573	883
<i>Current liabilities</i>			
Accounts payable		0	0
Liabilities to Group companies		38	0
Other current liabilities		0	1
Accrued expenses and deferred income	32	29	16
Total current liabilities		67	17
Total liabilities		1,640	900
TOTAL EQUITY AND LIABILITIES		1,970	1,351

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

Parent Company Cash Flow Statement

Amounts in SEK m	01/01/2018 31/12/2018	01/01/2017 31/12/2017
Operating activities		
Profit/loss after financial items	-55	276
Adjustments for non-cash items, etc.	10	-293
Tax paid	0	0
Cash flow from operating activities before changes in working capital	-45	-17
Cash flow from changes in working capital		
Decrease(+)/increase(-) in current receivables	-523	21
Decrease(+)/increase(-) in current liabilities	50	2
Cash flow from operating activities	-518	6
Investing activities		
Investment in financial assets	-	-
Sales/reduction of financial assets	-	-
Change in long-term receivables	-	-
Cash flow from investing activities	-	-
Financing activities		
Borrowings	752	-
Repayment of borrowings	-72	-
Dividend paid	-66	-66
Cash flow from financing activities	614	-66
Cash flow for the year	96	-60
Cash and cash equivalents at the beginning of the year	4	64
Cash and cash equivalents at the end of the year	100	4

Interest received amounted to SEK 0 million (0). Interest paid amounts to SEK -87 million (-65).

Parent Company Statement of Changes in Equity

Amounts in SEK m	Share capital	Share premium reserve	Retained profits incl. net profit/loss for the year	Total equity
Opening equity 1/1/2017	151	185	-94	241
Dividend	-	-	-66	-66
Net profit/loss for the year	-	-	276	276
Other comprehensive income	-	-	0	0
Closing equity 31/12/2017	151	185	115	451

Amounts in SEK m	Share capital	Share premium reserve	Retained profits incl. net profit/loss for the year	Total equity
Opening equity 01/01/2018	151	185	115	451
Dividend	-	-	-66	-66
Net profit/loss for the year	-	-	-55	-55
Other comprehensive income	-	-	0	0
Closing equity 31/12/2018	151	185	-6	330

For more information, see Note 28 – Share capital and other capital contributions.

Additional Disclosures and Notes

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 law and the 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 regulations.

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 Statement of Financial Position 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 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 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 company 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% 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 their share of the period's profit/loss.

Reporting of tenant-owned apartment development

Magnolia Bostad sells property and project-manages the production of residential properties ready to be occupied. Magnolia Bostad does not consider that it has ultimate influence over these tenant-owned apartment associations, and they are therefore not part of the consolidation process. The associations are thus deemed to constitute Magnolia Bostad's customers in tenant-owned apartment transactions.

The tenant-owned apartment associations are formed by professional parties independent of Magnolia Bostad in the property and tenant-owned apartment sectors, and normally all board members are independent of Magnolia Bostad. Magnolia Bostad thus has no right to appoint board members and is never represented on such boards.

The boards of the tenant-owned apartment associations evaluate Magnolia Bostad's bid and make relevant and important decisions for the production phase's activities to enter into agreements with Magnolia Bostad and with a turnkey contractor for the production and supply of a ready-to-inhabit residential property. With agreements entered into, Magnolia Bostad and the tenant-owner associations agree on what will be delivered by Magnolia Bostad and at what time this will take place. Magnolia Bostad cannot influence the activities relevant to the tenant-owner associations during the production phase.

Magnolia Bostad has also considered other contract terms that could be of significance for the assessment. These include Magnolia Bostad during the production period, in certain cases, guaranteeing the part of the tenant-owner associations' building credit that exceeds the value of the mortgage bond in the property that the association makes as collateral, and that Magnolia Bostad has a commitment to acquire housing that is not leased as a tenant-owned apartment some time after the final inspection and thus the non-influential risk of a price decline (see Note 34). According to the agreement, Magnolia Bostad also undertakes, for compensation at market value, during the production period to be responsible for financial and other management as well as to reimburse the associations for their running costs. The guarantee commitment is a temporary, partial credit enhancement, which is largely provided to reduce the cost of taking out mortgages, to the advantage of both parties. Commitments corresponding to acquiring unsold apartments occur in several other industries and the same applies to contracts where transaction prices vary depending on the current market price. Magnolia Bostad believes that this commitment affects the assessment of revenue recognition and not the assessment of whether a controlling influence exists. The other services described have been agreed for purely administrative reasons and are deemed to have no significance for the assessment of the association's acquisition of property from Magnolia Bostad.

In an overall assessment of all facts and circumstances, Magnolia Bostad therefore does not consider that the above conditions, which in themselves are reported in accordance with IFRS, affect Magnolia Bostad's conclusion. Magnolia Bostad cannot influence the activities relevant to the tenant-owner associations during the production phase. Magnolia Bostad therefore does not consider itself to have a controlling influence over the associations according to IFRS 10.

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 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 normally arise when the Group has more than 20% but less than 50% 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.

Segments

The identification of segments is based on the internal reporting to the highest executive 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 recognition takes place when a performance commitment is fulfilled by transferring a promised product or service to a customer. An asset is transferred when control of the asset is transferred to the customer. When a performance commitment is met, or as a result of it being met, a company must recognize the amount of the transaction price allocated to the performance commitment.

The Group develops new housing, including rental apartments and tenant-owned apartments, residential care facilities and hotels. At the sale of a project, two contracts are signed with the customer: one for the sale of the project (the property) and one for the project management. Under IFRS 15, these two contracts are considered a single contract. The Group has two separate performance obligations; project management is reported over time based on the degree of completion of the project and the sale of the project (property) is reported at a point in time when control is passed to the customer. The transaction price is allocated between the two performance obligations based on independent sales pricing for project management.

Revenue recognition of project management agreements

Project management is reported as a performance obligation, and the revenue attributable to the project management is reported over time in accordance with the input method since control is passed over time. Under the input method, revenue is recognized on the basis of initiatives or input to meet a performance obligation in relation to the total expected input for the satisfaction of the performance obligation. Magnolia Bostad has chosen actual project costs in relation to total estimated costs for each project management agreement. This method has been chosen because costs incurred are seen as best reflecting the transfer to the customer. Costs for the project management agreement consist mainly of personnel costs and costs for sub-consultants.

Revenue recognition of projects (property)

Magnolia Bostad considers that the time of revenue recognition of projects (property) is when control has been passed to the buyer. The control is deemed to pass when (i) a binding agreement is entered into with a purchaser of the project (the

property), (ii) zoning planning is in place, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is signed by or transferred to the buyer. The Group makes the assessment that control over the asset is passed at the point in time when there is a legally binding agreement with the purchaser and the significant risks and benefits associated with the ownership of the asset are thus passed to the purchaser.

The transaction price contains elements of variable consideration. For rental apartment projects, hotels and residential care facilities, the variable consideration is linked to the future property's rent/net operating income and area. Variable remuneration amounts are estimated at the expected value and included in the transaction price to the extent that a significant reversal at a later point in time is highly improbable. At the end of each reporting period, the estimated transaction price is updated to correctly reflect the circumstances at that point in time. The variable consideration for rents is dependent on warranties limited in time and scope linked to future rent levels/net operating income and future vacancy levels for rental apartment projects. The vacancy guarantee is updated using the current rental status.

Variable consideration in the transaction price linked to the area consists of planning risk and any risk in the turnkey contract. Planning risk is based on due diligence regarding the zoning planning work and is reported as revenue when the building permit gains legal force, which is when the uncertainty surrounding planning risk ceases. The risk in the turnkey contract is considered to cease and is reported as revenue when the turnkey contract has been concluded. The Group makes an individual assessment of the expected value of any variable consideration in each individual project. For tenant-owned apartment projects, the Group has an obligation to the tenant-owner association to purchase unsold tenant-owned apartments, whereupon unsold tenant-owned apartments are treated as an additional, variable consideration in the transaction price for the tenant-owned apartment project in addition to the variable consideration for the area consisting of planning risk and risk in the turnkey contract as described above. "Sold apartments" means that there is a binding agreement with tenant-owners.

Following remeasurements of the projects' expected final profit/loss, previously calculated profit in the projects concerned is adjusted and the projects are recognized as revenue or reported as a decrease in revenue in the period during which the transaction price is changed.

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 expenses.

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. In defined-contribution plans, the company pays fixed fees to an external public or private legal entity that manages the future pension commitments. The Group's profit is debited for costs as benefits are accrued. The Group has no additional payment commitments or other obligations 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 continues to dissolve the discounting effect as interest income. Interest income on impaired loan receivables and accounts receivable 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 they 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.

Management properties

Management properties are properties held for the purpose of collecting rental income or for an increase in value or a combination of the two. Initially, management properties are reported at acquisition cost, including costs attributable to the acquisition. Investment properties are normally reported on the balance sheet from the contract date, if the transfer from the seller is not made on a different date. If ownership of the property is transferred on a different date, this second date is used for the reporting of the investment property.

Additional expenses are only added to the reported value if it is probable that the future economic benefits associated with the asset will come to the company and the acquisition value can be calculated reliably. Expenses for repair and maintenance are reported in the period they occur.

Investment properties are reported at fair value on the balance sheet date. Fair value is the estimated amount that would be received in a transaction at the time of reporting between knowledgeable parties independent of each other and who have an interest in the transaction being carried out.

The valuations are made at the end of each quarter and all investment properties are externally valued at least once a year. Both unrealized and realized changes in value are reported in the income statement under the heading Changes in value of investment properties in operating profit.

Income from the sale of investment properties is normally reported on the contract date if the transfer to the buyer is not made on a different date. The transfer of the asset may have occurred at a different time to the contract date. If this is the case, the revenue is reported under this other date. When assessing the revenue recognition date, consideration is given to what has been agreed between the parties regarding risks and benefits and involvement in day-to-day management.

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 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.

Licences	5 years
Machinery and equipment	3–5 years

Impairment losses

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

Development and project 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. In certain agreements on asset acquisitions, there are additional payments that are payable if certain events occur in the future. These additional payments are recognized when the underlying event causing an additional payment occurs. 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, financial assets measured at accrued acquisition value and financial assets measured at fair value via Other comprehensive income.

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.

Classifications of liability and equity instruments are described below:

Liability instruments are the instruments that fulfil the definition of financial liabilities from the issuer's perspective, such as customer receivable and loan receivables. The Group classifies its liability instruments in one of the following two evaluation categories:

Financial assets measured at accrued acquisition value

Assets held for the purpose of collecting contractual cash flows that only constitute payments of principal amounts and interest, and which are not identified as valued at fair value through profit or loss, are valued at accrued acquisition value. The reported value of these assets is adjusted with any reported expected credit losses. Interest income from these financial assets is reported in net financial items using the effective interest method.

Customer receivables are reported at the amount that is expected to be received after deductions for doubtful receivables that have been assessed individually. The expected maturity of rental receivables is short, which is why the value is reported at a nominal amount without discounting. 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.

Financial assets measured at fair value through the income statement

Assets that do not meet the criteria for accrued acquisition value are measured at fair value through the income statement. Profits or losses due to a debt instrument that after initial recognition are valued at fair value through profit or loss and are not included in a hedging relationship are recognized in net financial items when they arise. Interest income from these financial assets is reported in net financial items using the effective interest method.

Liability instruments are reclassified only when the Group's business model for managing these assets changes.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, which means instruments without a contractual obligation to pay and which deposit a residual right in the issuer's net assets. Profits or losses due to equity instruments measured at fair value via the balance sheet are recognized in net financial items.

Financial assets measured at fair value through the income statement

Investments in participations in companies other than Group companies, joint ventures and associated companies are included in assets measured at fair value through the income statement.

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.

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.

Financial liabilities measured at accrued acquisition value

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.

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 to settle the items with a net amount or simultaneously realize the asset and settle the liability.

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 IFRS 9, Financial Instruments, 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.

IFRS 9 Financial Instruments

This standard replaced IAS 39 Financial Instruments: Recognition and Measurement as of 1 January 2018. This standard introduces new principles for the classification of financial assets, for hedge accounting and for credit reservations. IFRS 9 means that the principles for provisions for credit losses must be based on an estimate of expected losses. Since credit losses are very small, the transition has not had any significant impact on Magnolia Bostad's financial reporting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers entered into force for financial years commencing on 1 January 2018 or later and replaced the previously issued standards and interpretations that relate to revenue. The standard will be applied by the Group and Parent Company starting on January 1, 2018, with full retrospective restatement.

The transition to IFRS 15 has led to some redistribution in the time for revenue in projects recognized before the assessments and estimates linked to the planning risk were introduced in 2016. Revenue recognition prior to 2016 did not take into account potential uncertainty in the planning risk, which, following retrospective application of IFRS 15, resulted in lower initial revenue in some projects settled in 2015. For tenant-owned apartment projects, the transition to IFRS 15 did not have any effects.

Accumulated project profit/loss and thus outgoing equity in 2017 are unchanged compared to the application of previous accounting principles. For further description of effects of the

transition to IFRS 15, see Note 37 – Effects of the transition to IFRS 15.

New and revised accounting standards and interpretations

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

IFRS 16 Leasing agreements

IFRS 16 'Leasing Agreements' replaced IAS 17 from 1 January 2019. According to the new standard, most leased assets are 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 mean any major differences. Magnolia Bostad will not apply the standard retroactively.

For Magnolia Bostad, the new standard for the beginning of 2019 means an asset and liability item in the balance sheet of approximately SEK 64 million. Essentially, this item consists of parking spaces rented by Magnolia Bostad to be rented out, and rent for the premises in which Magnolia Bostad conducts its business. The effect on Magnolia Bostad's income statement is estimated to mean that operating profit will improve by SEK 5 million and the net financial items will decrease by a corresponding amount.

SEK million	2019
Obligations for operational leasing agreements as of 31 December 2018	81
Discounting these with the Group's marginal loan rate of 7.1%	64
Less: Short-term leasing agreements	-0
Less: Leases where the underlying asset is of low value	-0
Leasing liabilities as of 1 January 2019	64

For more information on leasing obligations, see note 7 – Operational leasing.

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 zoning planning, and (iii) a binding turnkey contract has been entered into with a contractor. The agreement for the turnkey contract is signed or handed over to the tenant-owner association. The Group makes an individual assessment on the need for any provisions in each individual project. Reported income is based on the agreed purchase price after deduction for unsold tenant-owned apartments. "Sold apartments" means that there is a binding agreement with tenant-owners. The Group makes a reservation for the planning risk based on the knowledge about the zoning planning work. The provision for planning risk is dissolved when the building permit enters

into legal force. The Group also makes provisions for any risk in the turnkey contract. Reassessments of the expected end result of the project mean adjustments of previously calculated profit in the projects concerned. These changes to forecasts are included in the recognized profit/loss for the period. Estimated losses are charged directly to the profit/loss in 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 a rental project purchaser, (ii) there is zoning planning, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is signed by or transferred to the buyer. The Group makes an individual assessment on the need for any provisions in each individual project. The Group establishes certain guarantees for the project in relation to vacancy and rental levels for which the Group makes provisions based on the specific circumstances of each respective project. Reassessment of the provision for rental guarantees takes place regularly based on the current rental situation. The Group makes provisions for planning risk on the basis of its knowledge of the zoning planning work. The provision for planning risk is dissolved when the building permit enters into legal force. The Group also makes provisions for any risk in the turnkey contract. Variable remuneration amounts are estimated at the expected value and included in the transaction price to the extent that a significant reversal at a later point in time is highly improbable. Assessment and estimation of variable components to include in the transaction price is largely based on an assessment of future expected performance and all information (historical, current and forecast) that is reasonably available to us. Reassessments of the expected end result of the project mean adjustments of previously calculated profit in the projects concerned. These changes to forecasts are included in the recognized profit/loss for the period. Estimated losses are charged directly to the profit/loss in the period in which they are identified.

Revenue from project management agreements is recognized gradually on the basis of the degree of completion of the project. The degree of completion is determined primarily on an continuous basis while the work is being carried out.

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 an individual assessment of each property to determine whether the purpose is to develop and sell residential units, both rental apartments and tenant-owned apartments, or whether it is to own the property in the long-term.

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 2018 and 2017, the company's management made the assessment that only asset acquisitions occurred.

Additional payments for asset acquisitions

In certain asset acquisitions, there are additional payments that are payable if certain events occur in the future. These additional payments are recognized when the underlying event causing an additional payment occurs.

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 2018, the company met all targets and requirements. 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. Internal liquidity forecasts are prepared on a regular basis 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. Capital tie-up is evaluated individually for each project financing and synchronized with each project maturity. The objective is to match cash flows from forward funding and final consideration from buyers with maturities on financing. Magnolia Bostad has a policy to hold cash of SEK 300 million, excluding overdraft facilities. In the short term, the Group's cash can be lower, but never lower than SEK 150 million excluding overdraft facilities. Decisions on investments that mean that the Group's limit on liquidity of SEK 300 million will be lowered shall be decided by the Board. At the end of the year, liquidity amounted to SEK 395 million (208), and available liquidity, including unutilized credit lines, amounted to SEK 1,229 million (540).

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 31/12/2018	0-1 years	1-2 years	2-3 years	3-5 years	Over 5 years
Interest-bearing liabilities	416	764	804	623	–
Liabilities to associated companies	2	20	–	–	–
Accounts payable	23	–	–	–	–
Other liabilities	181	34	–	–	–
Total	622	818	804	623	–

Maturity analysis 31/12/2018	0-1 years	1-2 years	2-3 years	3-5 years	Over 5 years
Interest-bearing liabilities	626	641	662	421	–
Liabilities to associated companies	2	35	–	–	–
Derivatives	–	–	–	–	–
Accounts payable	16	–	–	–	–
Other liabilities	189	30	–	–	–
Total	833	706	662	421	–

Of the cash flows from interest-bearing liabilities within 0–1 year of SEK 416 million (626), SEK 172 million (157) occurs within six months and SEK 244 million (469) after six months but within twelve months.

The majority of the bank financing is linked to different projects where the repayment of debt will occur as Magnolia Bostad exits the project. Of the loans that fall due in 2019 and 2020, SEK 175 million and SEK 165 million are collateralized property loans that are considered to be refinancable upon maturity, and in addition SEK 79 million and SEK 56 million are short-term loans related to projects that are assessed to be repayable upon maturity.

Financing risk

Financing risk refers to the risk that either no financing can be obtained or financing 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 in total increased borrowings within all existing frameworks for loans. A higher equity/assets ratio makes Magnolia a more attractive borrower.

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 1,933 million (2,076). The credit risk among claims for property sales is judged to be limited since the risk that counterparties would not be able to fulfil their commitments is considered to be low. Of the Group's Other non-current receivables and Other receivables totalling SEK 1,418 million (1,760), including receivables for property sales, SEK 209 million (309) refers to receivables on counterparties with an investment grade credit rating from an independent rating institute. Counterparties for other receivables do not have a credit rating from an independent rating institute. The majority are concentrated to a few counterparties, such as Alecta Pensionsförsäkring Ömsesidigt, our partners Slättö and Swedish real estate companies Heimstaden Bostad and Viva Bostad. The claims on these four counterparties amount to SEK 613 million (918). Of the remaining claims, SEK 42 million (117) is to Swedish tenant-owner associations.

At the end of the year, past due Loans and accounts receivable amount to SEK 0 million (0). Of consolidated net sales, 0% (6) is to counterparties with a credit rating of investment grade. The company is also exposed to credit risk to the extent that the surplus liquidity will be invested.

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 (price risk) and 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. Interest rate expenses during the year amounted to SEK -150 million (-115), and the average interest rate at the end of the year

amounted to 7.1% (5.9). An increase in STIBOR 3M by one percentage point would increase the Group's interest rate expense for the financial year by around SEK 19 million (9).

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 2018, the Group's strategy was to maintain an equity/assets ratio of at least 30%. The equity/assets ratio on 31 December 2018 was 30.3% (33.0). Group's strategy is unchanged compared to last year.

FINANCIAL INSTRUMENTS PER CATEGORY

31/12/2018 Group	Financial assets/liabilities measured at fair value through the income statement	Amortized cost	Financial liabilities measured at amortized cost
Assets in the balance sheet			
Receivables from associated companies	-	94	-
Other securities held as non-current assets	31	-	-
Other long-term receivables	-	978	-
Accounts receivable	-	21	-
Other receivables	-	440	-
Prepaid expenses and accrued income	-	5	-
Cash and cash equivalents	-	395	-
Total	31	1,933	-
Liabilities in the balance sheet			
Non-current interest-bearing liabilities	-	-	1,914
Liabilities to associated companies	-	-	18
Other non-current liabilities	-	-	34
Current interest-bearing liabilities	-	-	278
Accounts payable	-	-	23
Other current liabilities	-	-	108
Accrued expenses and deferred income	-	-	73
Total	-	-	2,448

FINANCIAL INSTRUMENTS PER CATEGORY

31/12/2017 Group	Financial assets/liabilities measured at fair value through the income statement	Amortized cost	Financial liabilities measured at amortized cost
Assets in the balance sheet			
Receivables from associated companies	-	76	-
Other securities held as non-current assets	31	-	-
Other long-term receivables	-	1,165	-
Accounts receivable	-	31	-
Other receivables	-	595	-
Prepaid expenses and accrued income	-	1	-
Cash and cash equivalents	-	208	-
Total	31	2,076	-
Liabilities in the balance sheet			
Non-current interest-bearing liabilities	-	-	1,566
Liabilities to associated companies	-	-	36
Other non-current liabilities	-	-	30
Current interest-bearing liabilities	-	-	507
Accounts payable	-	-	16
Other current liabilities	-	-	74
Accrued expenses and deferred income	-	-	115
Total	-	-	2,344

The carrying amount of all financial assets and liabilities is not judged to deviate significantly from the fair value except for the bond loans, where the fair value is estimated to amount to SEK 1,440 million (870), compared to the carrying amount of SEK 1,428 million (883). 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.

Financial assets assessed at fair value through the income statement refer to an unlisted holding in Norefjell Prosjektutvikling AS. The holding was valued based on one transaction between two independent parties adjusted for the size of the holding in comparison with the observed transaction. Fair value for the holdings in Norefjell Prosjektutvikling AS were assessed in accordance with Level 3 of the fair value hierarchy since the value is based on the adjusted value of a transaction on a non-active market.

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% stake and Magnolia Bostad will invest and receive a 90% 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. Fredrik Lidjan AB thus holds a minority interest of 10% in these companies through its 10% ownership of Magnolia Holding 3 AB. Of the minority's total interests in the Group of SEK 156 million (180), Fredrik Lidjan AB's share of Magnolia Holding 3 AB amounts to SEK 11 million (40) and its share of net profit/loss for the year amounts to SEK –13 million (–1). At the Extraordinary General Meeting on 13 October 2017, a new minority ownership structure was adopted and replaced the current structure. Projects developed in limited

liability companies in the old minority structure will continue, but no new projects will be allocated to these companies.

Under the new structure, Fredrik Lidjan AB will co-invest in all of the company's future projects on market terms with an ownership of 8% in Magnolia Holding 4 AB and Magnolia Hotellutveckling 2 AB. In future hotel projects, Clas Hjort will have an ownership of 16% of Magnolia Hotellutveckling 2 AB. Magnolia Bostad is investing and thereby receives an ownership of 92% of the limited liability companies where rental apartments, tenant-owned apartments and residential care facilities are developed and an ownership of 76% in future hotel projects. The new agreements extends to 2020 for hotel projects and 2022 for all other projects. The minority's share of profit/loss in Magnolia Holding 4 AB amounts to SEK 22 million (7), and the minority's share of profit/loss in Magnolia Holding 4 AB amounts to SEK 15 million (7).

The minority's share of profit/loss in Magnolia Hotellutveckling 2 AB amounts to SEK 14 million (17), and the minority's share of profit/loss in Magnolia Hotellutveckling 2 AB amounts to SEK –3 million (17).

There is a minority holding in Group company Moutarde Holding AB, through which phases 1 and 2 of the Senapsfabriken are being run, whose share of profit/loss in these projects amounts to 23.7%, corresponding to SEK –4 million (50) of the profit for the year. In total, the minority holding in Moutarde Holding AB amounts to SEK 106 million (114).

There is a 15% minority in Magnolia Vårdfastigheter AB, under which future residential care projects will be acquired. The share of the minority in Magnolia Vårdfastigheter AB's in the year's profit/loss amounts to SEK 3 million (0), and in total the minority amounts to SEK 4 million (1). This is in addition to the minority interest held by Fredrik Lidjan AB through its 8% stake in Magnolia Holding 4 AB.

Certain Group loan agreements contain terms that limit the ability to transfer cash or other assets to other companies within the Group.

For a more detailed description of the minority structure and the Group composition, refer also to pages 119–121 of the Corporate Governance Report.

Condensed financial information for the sub-group that has a non-controlling interest is presented below. In 2018, dividends of SEK 7 million (–) were paid to minority owners of Magnolia Holding 3 AB. No other dividends to non-controlling interests were paid in 2018 or 2017.

	Moutarde Holding AB		Magnolia Holding 3 AB		Magnolia Holding 4 AB	
	2018	2017	2018	2017	2018	2017
Non-current assets	324	509	536	586	456	81
Cash and cash equivalents	2	44	77	53	27	17
Other current assets	234	430	596	779	653	429
Total assets	560	983	1,210	1,418	1,136	528
Equity	447	466	106	430	280	87
Non-current liabilities	34	228	59	142	134	156
Current liabilities	78	289	1,045	846	722	285
Total equity and liabilities	560	983	1,210	1,418	1,136	528
Net sales	-16	565	104	290	350	382
Operating expenses	-1	-352	-182	-241	-170	-287
Change in value, management properties	-	-	20	-	46	-
Net financial items	-1	-3	-65	-51	-21	-13
Net profit/loss for the year	-18	210	-126	-2	192	82
			Magnolia Hotellutveckling 2 AB		Magnolia Vårdfastigheter AB	
			2018	2017	2018	2017
Non-current assets			24	71	135	-
Cash and cash equivalents			0	0	5	4
Other current assets			39	0	45	17
Total assets			63	71	186	21
Equity			57	71	28	5
Non-current liabilities			4	-	1	-
Current liabilities			1	0	157	16
Total equity and liabilities			63	71	186	21
Net sales			-15	124	28	-
Operating expenses			0	-53	-20	0
Change in value, management properties			-	-	15	-
Net financial items			1	0	1	0
Net profit/loss for the year			-14	71	23	0

Note 5 Net sales

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

	The Group		Parent Company	
	2018	2017	2018	2017
Revenue from Contracts with Customers	1,030	1,734	10	14
Other income	24	47	-	-
Total	1,054	1,781	10	14

	The Group		Parent Company	
	2018	2017	2018	2017
Sales, development and project properties	789	1,347	-	-
Total income reported at a point in time	789	1,347	-	-
Project management revenue	28	24	-	-
Rental income	24	47	-	0
Other operating income	213	363	10	14
Total income recognised over time	265	434	10	14
TOTAL INCOME	1,054	1,781	10	14

Revenue from four (three) of Magnolia Bostad's customers exceeds 10% of Magnolia Bostad's total revenue. Below is a list of the revenue from customers whose transactions represent 10% or more of the company's revenue per year.

Revenue from major customers	The Group	
	2018	2017
BRF Ophelias Brygga	117	–
Genova Property Group	156	–
Skogskarlen Bergshamra Holding AB	234	–
Heimstaden Bostad	56	303
Slättö	188	252
Vault Investment Partners	–	233
Total	751	789

In total, these four customers, along with Heimstaden Bostad which is included as sales last year exceeded 10% represent sales of SEK 751 million (789). This revenue has been reported as the sale of development and project properties.

Cash flows from sales of projects are received in part in conjunction with the handover of land via forward funding since Magnolia Bostad is paid for investments that are made up to the handover. Magnolia Bostad often receives a part of the project gains in cash at the handover. The remaining cash flows from property sales are received in connection with project completion.

After selling and exiting the project, Magnolia Bostad works under a project management agreement for the project, which is valid until the property is completed. The project management agreement is invoiced and recognized as revenue on an ongoing basis during the contract period.

For sales of undeveloped property, the entire consideration is normally received in connection with the handover. Other income, such as rent, and invoicing to the projects, are reported and invoiced on an ongoing basis.

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.

	The Group		Parent Company	
	2018	2017	2018	2017
Contractual rental income within one year	11	44	–	–
Contractual rental income between one and five years	12	111	–	–
Contractual rental income beyond five years	–	13	–	–
Total	23	168	–	–

The sum of the rental income that is included in the consolidated income statement amounts to SEK 23 million (47).

Note 7 Operating leases

	The Group		Parent Company	
	2018	2017	2018	2017
Contractual rental payments within one year	–16	–7	0	0
Contractual rental payment between one and five years	–40	–15	0	0
Contractual rental payments beyond five years	–24	0	0	0
Total	–81	–22	0	0

Operating lease fees in the Group amounted to SEK 10 million (7) for the year. The Group's lease fees consist largely of rent for commercial premises.

Note 8 Disclosures regarding fees and cost reimbursement to the auditor

	The Group		Parent Company	
	2018	2017	2018	2017
Ernst & Young				
auditing assignment	–2.7	–2.7	–2.7	–2.1
audit operations in addition to the audit assignment	–0.5	–0.3	–0.1	–0.3
tax advisory services	–0.3	–0.7	–0.0	–0.2
other	–1.4	–3.5	–1.1	–2.5
Total	–4.6	–7.2	–3.9	–5.1

Auditing assignment refers to the audit of the annual report and the bookkeeping 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. Other assignments include transaction advice and consultation regarding sustainability reporting and warrant programs.

Note 9 Remuneration to employees

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	The Group			
	2018		2017	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	–19	–53	–16	–36
(of which bonuses, etc.)	(–5)	(–9)	(–3)	(–5)
Social security expenses	–5	–17	–4	–12
Pension expenses including special employer's contribution	–3	–8	–3	–6
Total	–28	–77	–22	–53

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 2018		Parent Company 2017	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-8	0	-7	0
(of which bonuses, etc.)	(-2)	0	(-2)	(0)
Social security expenses	-2	0	-2	0
Pension expenses including special employer's contribution	-1	0	-1	0
Total	-11	0	-11	0

REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2018, TSEK	Basic salary/ Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chairman of the Board	-450	0	0
Andreas Rutili, member	-250	0	0
Risto Silander, member	-250	0	0
Fredrik Tibell, member	-310	0	0
Jan Roxendal, member	-330	0	0
Viveka Ekberg, member	-310	0	0
Fredrik Lidjan, CEO ¹⁾	-2,319	0	-601
Erik Rune, VP	-1,697	-1,800	-457
Rickard Langerfors, VP	-1,354	-1,080	-338
Other senior executives, 6 persons	-5,046	-1,970	-1,250
Total	-12,316	-4,850	-2,646

¹⁾ Fredrik Lidjan holds 5,000 shares in Magnolia Holding 3 AB, CIN 559016-4140, 320 shares in Magnolia Holding 4 AB, CIN 559114-8415 and 40 shares in Magnolia Hotellutveckling 2 AB, CIN 559125-7604.

REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2017, TSEK	Basic salary/ Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chairman of the Board	-450	0	0
Andreas Rutili, member	-250	0	0
Risto Silander, member	-250	0	0
Fredrik Tibell, member	-290	0	0
Jan Roxendal, member	-303	0	0
Viveka Ekberg, member	-290	0	0
Fredrik Lidjan, CEO ¹⁾	-2,318	0	-577
Erik Rune, VP	-1,720	-1,680	-414
Rickard Langerfors, VP	-1,487	-720	-332
Other senior executives, 5 persons	-5,252	-1,087	-730
Total	-12,610	-3,487	-2,053

¹⁾ Fredrik Lidjan holds 5,000 shares in Magnolia Holding 3 AB, CIN 559016-4140, 320 shares in Magnolia Holding 4 AB, CIN 559114-8415 and 40 shares in Magnolia Hotellutveckling 2 AB, CIN 559125-7604.

For more information, see also Note 36 – Closely related parties

AVERAGE NUMBER OF EMPLOYEES

	The Group 2018	The Group 2017	Parent Company 2018	Parent Company 2017
Average number of employees	71	52	2	2
(of which men)	(32)	(24)	(2)	(2)

GENDER DISTRIBUTION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

	The Group 2018	The Group 2017	Parent Company 2018	Parent Company 2017
Board of Directors	6	6	6	6
(of which men)	(5)	(5)	(5)	(5)
CEO and Executive Management	9	8	8	8
(of which men)	(5)	(5)	(5)	(5)

Remuneration to the Board

The 2018 Annual General Meeting resolved on remuneration to the members of the Board of Directors for the period ending with the close of the 2019 Annual General Meeting of SEK 450,000 to the Chairman of the Board and SEK 250,000 to each of the other Board members. The Meeting furthermore resolved on remuneration to the Chairman of the Audit Committee of SEK 80,000 and of SEK 60,000 to each of the other members of the Audit Committee.

Executive Management

In 2018, Executive Management increased by one member and at the end of the year consisted of nine people (eight). At the end of the year, this consisted of the CEO, CFO, the two VPs, Head of Operational Development and Sustainability, Head of Residential Development, Head of Business Generation and Eastern Regional Director, Marketing and Head of Communications and Head of Legal.

Remuneration and benefits

The CEO is not entitled to any variable remuneration according to the employment agreement. Other members of Executive Management are paid fixed and variable salaries. Other employees are paid fixed and variable salaries. Variable salary is based on the fulfilment of targets linked to the company's results and individual performance. For Executive Management, variable salary shall follow the guidelines adopted by the Annual General Meeting for remuneration to Executive Management.

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.

Termination

The CEO's employment agreement has a mutual notice of termination of 12 months. There are non-competition terms and terms regarding remuneration after employment termination for the CEO. The competition ban applies for 12 months. Remuneration as a result of the non-competition clause must not exceed a total amount equivalent to 60% of the fixed salary for one year.

Other members of Group management have a six-month notice of termination.

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

	The Group		Parent Company	
	2018	2017	2018	2017
Share of profit/loss from associated companies and joint ventures	14	-9	-	-
Total	14	-9	-	-

Of the profit/loss from participations in associated companies, SEK 3 million (3) comes from Kanikenäsvarvet Bostad HB, which the company owns together with Slättö, SEK -15 million (11) from Sollentuna Stinsen JV AB that the company owns together with Alecia and SEK 16 million (-) from Skogskarlen Bergshamra Holding AB, which the company owns together with Randviken. For more information, see Note 20 – Participations in associated companies and joint ventures.

Note 11 Costs for the business broken down by cost type

	The Group		Parent Company	
	2018	2017	2018	2017
Operating expenses	-8	-16	-	-
Production expenses	-774	-1,264	-	-
Other external costs	-95	-31	-29	-22
Personnel costs	-64	-41	-11	-9
Depreciation/amortization and impairment	-4	-2	0	0
Profit/loss from participations in associated companies	14	-9	-	-
Other operating expenses	-27	-35	-	-
Total	-958	-1,398	-40	-30

Note 12 Financial income

	The Group		Parent Company	
	2018	2017	2018	2017
Interest income	4	3	0	0
Interest income, associated companies	3	3	0	0
Interest income, Group companies	-	-	76	57
Dividends from Group companies	-	-	0	300
Total	8	6	76	357

Note 13 Financial expenses

	The Group		Parent Company	
	2018	2017	2018	2017
Interest expenses	-149	-115	-101	-65
Other financial expenses	-1	0	0	0
Total	-150	-115	0	-65

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.

Note 14 Tax on profit/loss for the year

	The Group		Parent Company	
	2018	2017	2018	2017
Current tax	0	0	0	0
Deferred tax for temporary differences	-15	0	0	0
Total	-15	0	0	0

RECONCILIATION OF REPORTED TAX

	The Group		Parent Company	
	2018	2017	2018	2017
Profit/loss before tax	22	276	-55	276
Nominal tax according to current tax rate (22%)	-5	-61	12	-61
Tax effect of other non-deductible expenses	-6	-3	0	0
Tax effect of non-taxable income	57	131	0	66
Tax effect of non-capitalized loss carry-forwards	-51	-53	-12	-5
Current tax attributable to previous years	0	-3	0	0
Other	-10	-11	0	0
Reported effective tax	-15	0	0	0

The tax expense is less than 22.0% since some reported income (primarily the sale of companies) is not taxable and that deferred tax is not reported as loss carry-forwards. 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. For more information on loss carry-forwards, see note 29 – Deferred tax.

Note 15 Earnings per share

	The Group	
	2018	2017
Net profit/loss for the year attributable to Parent Company shareholders	10	203
Weighted average number of outstanding shares	37,822,283	37,822,283
Weighted average number of outstanding shares after dilution	37,822,283	37,822,283
Number of outstanding shares on the balance sheet date	37,822,283	37,822,283
Earnings per share, basic, SEK	0.26	5.37
Earnings per share, diluted, SEK	0.26	5.37

Note 16 Goodwill

	The Group	
	31/12/2018	31/12/2017
Opening cost	6	6
Closing carrying amount	6	6

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

Note 17 Other intangible assets

	The Group	
	31/12/2018	31/12/2017
Opening cost	1	1
Purchases	0	1
Closing accumulated cost	1	1
Opening depreciation/amortization according to plan	-1	-1
Depreciation and amortization for the year according to plan	-0	-0
Closing accumulated depreciation/amortization according to plan	-1	-1
Closing residual value according to plan	1	1

Note 18 Machines and equipment

	The Group	
	31/12/2018	31/12/2017
Opening cost	11	1
Purchases	14	10
Closing accumulated cost	25	11
Opening depreciation/amortization according to plan	-3	0
Depreciation and amortization for the year according to plan	-3	-2
Closing accumulated depreciation/amortization according to plan	-6	-3
Closing residual value according to plan	19	8

Note 19 Management properties

	The Group	
	31/12/2018	31/12/2017
Opening fair value	-	-
Reclassifications	180	-
Investments and acquisitions	49	-
Unrealized changes in value	67	-
Closing fair value	295	-

Magnolia Bostad is reporting four properties as management properties. Three of the properties are management properties under construction. The first investment property under construction is expected to be completed within one year and the last one is expected to be fully completed within four years. Two of the properties were previously reported as development and project properties and have been reclassified during the year. Two properties were acquired during the year.

Internal valuations have been made of all investment properties as of 31 December 2018. All investment properties have also been valued by external valuers from CBRE and Cushman & Wakefield during the last quarter of 2018.

Investment properties are reported in accordance with IFRS as fair value. Normally, a cash flow model is used where the operating surplus less remaining investments is calculated at present value over a five- or ten-year calculation period to determine fair value. The calculation interest rate constitutes a nominal interest rate requirement for total capital before tax. The interest requirement is based on assessments of the market's return requirements for similar objects. The calculation interest rate for the investment properties is between 5.75% and 8.38% and the median amounts to 6.18%. The yield requirement in valuations carried out is within the range of 3.8–6.3% and the median amounts to 4.18%.

An individual assessment is made of the rental levels and trends. For rented premises, an estimated market rent is used in the cash flow calculations after the end of the rental agreement. Assessments are made of market rents, future normalized operating costs, investments, vacancies and more. Operating and maintenance costs are based on historical outcomes as well as on budget figures and statistics for similar properties. Investment properties under construction are valued on the basis of completed projects with deductions for remaining investments. Depending on the phase of the project, there is a risk premium.

In the valuations, a long-term inflation assumption of 2.0% has been used.

	Effect on value (SEK million)	Effect on equity/assets ratio, percentage points
Sensitivity analysis, property valuation		
Operating income, +/- 10%	+68/-68	+0,9/-1,9
Direct yield, +/-0.50% points	-51/+65	-0,7/+1,6

SENSITIVITY ANALYSIS, PROPERTY VALUE

	Effect on earnings (SEK million)	Equity/assets ratio (%)
Change in value before tax, %		
+10	23	30.7
0	0	30.3
-10	-23	29.4

Note 20 Shares in associated companies and joint ventures

	The Group		Parent Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Opening cost	111	116	2	2
Acquisitions	0	0	–	–
Contributions	3	3	–	0
Share for the year of profit/loss in associated companies and joint ventures	3	–9	–	–
Realization result	11	–	–	–
Dividend	–10	–	–	–
Sales	–11	–	–	–
Closing carrying amount	107	111	2	2

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 Group's share of profit/loss from individual, non-material associated companies amounts to SEK 0 million (0).

Group Company name	CIN	Domicile	Share of capital as a percentage ¹⁾	Carrying amount
Svenska Husgruppen Intressenter AB	556871-5717	Borlänge	45.0%	7
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%	0
Magnolia Senap AB	556887-5925	Stockholm	50.0%	0
Sollentuna Stinsen JV AB ²⁾	559085-9954	Stockholm	45.0%	74
Kanikenäsvarvet Bostad HB ²⁾	969782-0810	Stockholm	45.0%	8
KIASVA AB	559081-9487	Stockholm	46.0%	0
Fastighets AB Partille Port 5	556960-0298	Stockholm	46.0%	0
Bollmora Vårdfastigheter AB	559063-2955	Stockholm	46.0%	0
Hällestad Nyponknoppen AB	559092-4220	Stockholm	46.0%	–
Donatus AB	556825-9351	Stockholm	30.0%	0
Skogskarlen Bergshamra Holding AB ²⁾	559126-5771	Stockholm	50.0%	17
Bryggkaffe Fastighetsutveckling AB	559159-7496	Stockholm	50.0%	0
Total				107

¹⁾ Share of capital agrees with ownership

²⁾ Holdings classified as joint ventures

Sollentuna Stinsen JV AB	2018	2017
Non-current assets	–	0
Cash and cash equivalents	72	60
Other current assets	714	715
Non-current financial liabilities	–631	–581
Current financial liabilities	–5	–8
Other liabilities	–2	–8
Net assets	148	178
Company's share of net assets	74	89

Net sales	38	57
Depreciation/amortization	0	0
Interest expenses	–27	–34
Net profit/loss for the year	–31	–22
Company's share of profit/loss for the year	–15	–11

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 25 November 2016. The consideration paid for the property acquisition amounted to approximately SEK 700 million.

The property includes just under 54,200 m² in Södra Häggvik. On the property is the Stinsen shopping center, which offers approximately 41,600 m² of leasable retail and office space.

Kanikenäsvarvet Bostad HB	2018	2017
Non-current assets	0	0
Cash and cash equivalents	27	0
Other current assets	–	30
Non-current liabilities	0	0
Current liabilities	–9	0
Net assets	17	30
Company's share of net assets	8	15

Net sales	6	6
Net profit/loss for the year	6	6
Company's share of profit/loss for the year	3	3

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 25 November 2016.

Skogskarlen Bergshamra Holding AB	2018
Non-current assets	280
Cash and cash equivalents	6
Other current assets	7
Non-current financial liabilities	–172
Current financial liabilities	–64
Other liabilities	–23
Net assets	34
Company's share of net assets	17

Net sales	11
Depreciation/amortization	0
Interest expenses	–3
Net profit/loss for the year	34
Company's share of profit/loss for the year	17

Skogskarlen Bergshamra Holding AB is owned together with Randviken Fastigheter. During 2018, Skogskarlen Bergshamra Holding AB acquired Skogskarlen Bergshamra AB (previously Magnolia Bergshamra Holding AB) and with it the property Skogskarlen 3 in Bergshamra from Magnolia Bostad.

Note 21 Other long-term securities holdings

	The Group	
	31/12/2018	31/12/2017
Opening fair value	31	31
Closing carrying amount	31	31
	31/12/2018	31/12/2017
Other investments	31	31
Total	31	31

Fair value for the holdings in Norefjell Prosjektutvikling AS were assessed in accordance with Level 3 of the fair value hierarchy since the value is based on other input data than listed prices.

Note 22 Other long-term receivables

	The Group	
	31/12/2018	31/12/2017
Receivable property sales	863	1 067
Paid deposits	20	20
Deposits	7	0
Other	88	78
Total	978	1,165

Refers largely to long-term claims on owners.

	The Group	
	2018	2017
Receivable property sales	2018	2017
Opening balance	1,067	356
Incoming from new property sales	202	772
Change in estimate of variable remuneration	–34	–5
Outgoing to Other receivables	–372	–56
Closing balance	863	1,067

Reported as short-term Other receivables are additional claims from property sales of SEK 280 million (426). For information on short-term receivables on buyers, see Note 24 Other receivables. Counterparts are mainly Swedish institutions and other highly reputed cooperation partners. Receivables on buyers usually fall due for payment when construction of the property is completed and the project is handed over to the client. This usually occurs 2.5–3 years after exit of the property.

Note 23 Development and project properties

	The Group	
	31/12/2018	31/12/2017
Opening amount	1,310	1,160
Ongoing new construction	657	695
Reclassifications	-180	-
Acquisitions	183	684
Sales	-774	-1,229
Total	1,196	1,310

During 2018, two properties – Adjutanten in Visby and Orminge Centrum in Nacka – have been reclassified as Management properties.

Note 24 Accounts receivable

	The Group	
	31/12/2018	31/12/2017
Accounts receivable gross	21	31
Provision for bad debt	0	0
Closing carrying amount	21	31
Provision for bad debt		
Provision at beginning of year	0	0
Realized losses	0	0
Change/reserve for the year	0	0
Provision at end of year	0	0

	The Group	
	31/12/2018	31/12/2017
Age-distributed accounts receivable		
Accounts receivable not past due	21	31
Past due < 30 days	0	0
Past due 31-90 days	0	0
Total accounts receivable not written down	21	31
Past due and written down accounts receivable	0	0
Total accounts receivable	21	31

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

Note 25 Other receivables

	The Group		Parent Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Receivable property sales	280	423	-	-
Paid deposits	129	97	-	-
Other items	31	75	0	2
Total	440	595	0	2

SEK 0 million (0) of other receivables are past due.

	The Group	
	31/12/2018	31/12/2017
Receivable property sales		
Opening balance	423	403
Incoming from new property sales	345	259
Incoming from Other long-term receivables	372	56
Payments received	-860	-295
Total	280	423

The majority of the claims are against Swedish institutions and other reputable partners.

Note 26 Prepaid expenses and accrued income

	The Group		Parent Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Prepaid costs	7	3	0	0
Accrued income	5	0	0	0
Accrued interest income	2	0	0	0
	0	2	0	0
Other items	14	5	0	0
Total				

Note 27 Cash and cash equivalents

	The Group		Parent Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Cash and bank balances	395	208	100	4
Total	395	208	100	4

Note 28 Share capital and other contributed capital

Share capital in Parent Company Magnolia Bostad AB amounts to SEK 151 million (151) 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.

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. Every warrant entitles the holder to subscribe to one share and will be transferred to employees in accordance with the warrant programme. During 2018, 260,500 warrants were transferred to employees in accordance with the warrant programme. The programme is closed for other warrants. Other

warrants are still in the ownership of the subsidiary Magnolia Utveckling AB. Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

Equity in the Parent Company

Share capital

The share capital item includes the registered share capital. As at 31 December 2017, 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

	Number of shares	Quotient value/ share, SEK	Share capital, SEK
Ordinary shares			
Opening balance 01/01/2017	37,822,283	4	151,289,132
Closing balance 31/12/2017	37,822,283	4	151,289,132
Opening balance 01/01/2018	37,822,283	4	151,289,132
Closing balance 31/12/2018	37,822,283	4	151,289,132

Proposed appropriation of profits

The following is available to the Annual General Meeting, SEK:

Share premium reserve	184,732,539
Profit/loss carried forward	48,255,958
Net profit/loss for the year	-54,490,242
Total	178,498,256

The Board proposes:

To be carried forward	178,498,256
Total	178,498,256

Equity in the Group

Share capital

The share capital item includes the registered share capital. As at 31 December 2017, 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 29 Deferred tax

	The Group	
	31/12/2018	31/12/2017
Deferred tax liability		
for temporary difference between carrying amounts and taxable values of buildings	17	2
Total	17	2

Total loss carry-forwards without an equivalent capitalization of a deferred tax asset amount to SEK 733 million (501), which corresponds to a deferred tax asset of SEK 161 million (110) at a tax rate of 22%.

Note 30 Interest-bearing liabilities and Other non-current liabilities

	The Group		Parent Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Non-current interest-bearing liabilities				
Bank loans	220	608	-	0
Bond loans	1,429	883	1,429	883
Deposit	144	75	144	-
Seller promissory notes	121	-	-	-
Current interest-bearing liabilities				
Bank loans	255	382	-	0
Deposit	23	-	-	-
Seller promissory notes	-	125	-	-
Total	2,192	2,073	1,573	883
Liabilities that fall due for payment within one year after the balance sheet date	278	507	-	0
Liabilities that fall due for payment within one and five years after the balance sheet date	1,914	1,566	1,573	883
Liabilities that fall due for payment more than five years after the balance sheet date	-	-	-	-
Total	2,192	2,073	1,573	883

Shares in subsidiaries were pledged as collateral for the bond loan with an outstanding nominal amount of SEK 450 million (500). The value of the collateral pledged for the bond loan amounts to SEK 629 million (736) in the Group and SEK 74 million (74) in the Parent Company. For bank loans, the Group has pledged collateral totalling SEK 647 million (965).

Other non-current liabilities	The Group	
	31/12/2018	31/12/2017
Loans	0	0
Additional consideration	34	30
Deposits	0	0
Total	34	30

Other non-current liabilities	The Group	
	31/12/2018	31/12/2017
Liabilities that fall due for payment within one and five years after the balance sheet date	34	30
Liabilities that fall due for payment more than five years after the balance sheet date	–	–
Total	34	30

Change in financial liabilities	The Group		Parent Company	
	2018	2017	2018	2017
Opening balance	2,103	1,596	883	876
Borrowings	1,147	597	752	–
Acquired liabilities	–	195	–	–
Amortization	–848	–200	–72	–
Sales	–192	–91	–	–
Other non-cash flow changes	16	6	10	6
Closing balance	2,226	2,103	1,573	883

Note 31 Derivatives

	The Group	
	31/12/2018	31/12/2017
Opening fair value	–	0
Acquisition of derivatives	–	0
Changes in value	–	0
Total	–	–

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

Note 32 Accrued expenses and deferred income

	The Group		Parent Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Accrued personnel costs	22	13	1	2
Accrued interest expenses	31	19	25	11
Deferred income	1	8	0	0
Property tax	0	0	–	–
Other items	60	96	3	3
Total	114	136	29	16

Note 33 Pledged assets

	The Group		Parent Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Property mortgages	204	714	0	0
Pledged shares in subsidiaries	662	944	74	74
Pledged internal reversals	409	43	0	0
Total	1,276	1,701	74	74

Note 34 Contingent liabilities and other commitments

	The Group		Parent Company	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Guarantees to the benefit of Group companies	–	–	544	701
Guarantees to the benefit of Group companies	478	634	0	330
Guarantees to the benefit of liabilities according to contracting agreements	14	–	13	8
Total	492	634	557	1,040

In tenant-owner projects that have been transferred to a tenant-owner's association, the Group has a commitment to acquire housing that has not been leased with a tenant-owner's residence for a certain period of time after approved final inspection.

In certain asset acquisitions, there are additional payments that are payable if certain events occur in the future. These additional payments are recognized when the underlying event causing an additional payment occurs.

A seller of a property-owning company (the Seller) has in 2018 submitted a claim for a standardized damages of SEK 25 million under allegation of a breach of contract against a share transfer agreement. Magnolia Bostad has disputed the claim. The case is pending in the Stockholm district court by the Seller. In addition, the Seller has made additional claims of approximately SEK 22 million. These claims have also been disputed.

Magnolia Bostad becomes involved in litigation and legal proceedings from time to time in its operating activities. These disputes and legal processes are not expected to affect Magnolia Bostad's financial results or position to any significant extent, either individually or together.

Note 35 Participations in Group companies

	Parent Company	
	31/12/2018	31/12/2017
Opening cost	89	89
Closing carrying amount	89	89

Company name	CIN	Domicile	Share of capital as a percentage ¹⁾	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
Magnolia Hotellutveckling 2 AB	559125-7604	Stockholm	76.0%	0.0
				89.2

¹⁾ Share of capital agrees with ownership.

Note 36 Closely related parties

The Group

The Group is subject to controlling influence from F. Holmström Fastigheter AB, co. reg. no. 556530-3186, which is domiciled in Stockholm.

Transactions with related parties have 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.

Transactions with associated companies	The Group	
	31/12/2018	31/12/2017
Divestments to associated companies		
Svenska Husgruppen Intressenter AB	0	0
FL Properties Uppsala AB	0	0
Magnolia Senap AB	0	0
Moutarde Equity AB	0	0
KIASVA AB	0	0
KIAB Laholm AB	0	0
Bollmora Vårdfastigheter AB	0	0
Donatus AB	0	0
Sollentuna Stinsen JV AB	1	0
Skogskarlen Bergshamra AB	234	-
Acquisitions from associated companies		
Svenska Husgruppen Intressenter AB	0	0
FL Properties Uppsala AB	0	0
Magnolia Senap AB	0	0
Moutarde Equity AB	0	0
KIASVA AB	0	0
KIAB Laholm AB	0	0
Bollmora Vårdfastigheter AB	0	0
Donatus AB	0	24
Sollentuna Stinsen JV AB	0	0
Skogskarlen Bergshamra Holding AB	0	-

Receivables from associated companies	The Group	
	31/12/2018	31/12/2017
Svenska Husgruppen Intressenter AB	26	24
FL Properties Uppsala AB	1	3
Magnolia Senap AB	1	2
Moutarde Equity AB	0	16
KIASVA AB	10	8
KIAB Laholm AB	0	8
Bollmora Vårdfastigheter AB	21	15
Skogskarlen Bergshamra Holding AB	35	-
Total	94	76

Liabilities to associated companies	The Group	
	31/12/2018	31/12/2017
Moutarde Equity AB	18	36
Total	18	36

Transactions occurred with F. Holmström Fastigheter AB and other companies over which Fredrik Holmström, Chairman of the Board of Magnolia Bostad AB, has a controlling influence. During the year, Magnolia Bostad Group had expenses of SEK 1 million (1) for services carried out by companies with closely related parties to Fredrik Holmström. Magnolia Bostad rented commercial premises from F. Holmström Fastigheter AB for SEK 0 million (-).

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 1 million (18) was invoiced during the year.

Fredrik Lidjan also holds through Fredrik Lidjan AB 5,000 shares in Group company Magnolia Holding 3 AB, CIN 559016-4140, 320 shares in Group company Magnolia Holding 4 AB, CIN 559114-8415 and 40 shares in Group company Magnolia Hotellutveckling 2 AB, CIN 559125-7604. For more information, see Note 4. Group composition and the description of the minority ownership structure is on pages 119-121 in the Corporate Governance Report.

The associated company, Donatus AB, which was acquired as part of the acquisition of Svenska Vårdfastigheter, invoiced the Group SEK 0 million (24) for contracting services.

Board Member Andreas Rutili, through companies, has ownership and a right to a share of the profits in the projects Senapsfabriken Stage 1 and Senapsfabriken Stage 2.

In 2017, Magnolia Bostad sold the project, Sländan Stage 2, with approximately 130 apartments to Viva Bostad Sländan AB, a company in which Andreas Rutili holds an indirect ownership, but not a controlling influence. Furthermore, during the year Magnolia Bostad sold the project, Fyren Stage 1, with approximately 220 apartments to Viva Bostad Nynäshamn AB, a company in which Andreas Rutili holds an indirect ownership, but not a controlling influence. Both projects were sold from companies that are owned by Magnolia Holding 3 AB.

The Magnolia Bostad Group purchased services during the year for SEK 0 million (0) 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 34 – Participations in Group companies. The Parent Company has sold services to Group companies for SEK 10 million (14) and purchased services for SEK 0 million (0).

Note 37 Effects of the transition to IFRS 15

IFRS 15 *Revenue from Contracts with Customers* entered into force for financial years commencing on 1 January 2018 or later and replaced the previously issued standards and interpretations that relate to revenue with a joint model for revenue recognition. The standard will be applied by the Group and Parent Company starting on January 1, 2018, with full retrospective restatement (see tables below).

Revenue recognition of project management agreements

Project management is reported under IFRS 15, like under the current accounting principles, as a performance obligation, and the revenue attributable to the project management is reported over time in accordance with the input method since control is passed over time. Under the input method, revenue is recognized on the basis of initiatives or input to meet a performance obligation in relation to the total expected input for the satisfaction of the performance obligation.

Revenue recognition of projects (property)

In accordance with IFRS 15, revenue recognition of project (property) development occurs when the control has been passed to the purchaser. The Group makes the assessment that the point in time for revenue recognition under IFRS 15 has not changed compared to previous principles and control has been passed to the purchaser when (i) a binding agreement is entered into with a purchaser of the project (the property), (ii) zoning planning is in place, and (iii) a binding turnkey contract has been entered into with a contractor.

The transaction price contains elements of variable consideration. For rental apartment projects, hotel projects and residential care facilities, the variable consideration is linked to the future property's rent/net operating income and area. Variable remuneration amounts are estimated at the expected value and included in the transaction price to the extent that a significant reversal at a later point in time is highly improbable. At the end of each reporting period, the estimated transaction price is updated to correctly reflect the circumstances at that point in time. Some of the revenue was also recognized in accordance with previously applied accounting principles first when the outcome of some uncertainty, such as vacancy risk and potential risk in the turnkey contract, is known and the uncertainty in the variable consideration of the transaction price has ceased. As of 2016, potential uncertainty regarding planning risk in the assessment of the variable remuneration amount was also taken into account under previously applied accounting principles.

The transition has led to some redistribution in the time for revenue in projects recognized before the assessments and estimates linked to the planning risk were introduced in 2016. Revenue recognition prior to 2016 did not take into account potential uncertainty in the planning risk, which, following retrospective application of IFRS 15, resulted in lower initial revenue in some projects settled in 2015.

For tenant-owned apartment projects, the transition to IFRS 15 is not seen as having had any effect.

Accumulated project profit/loss and thus outgoing equity in 2017 are unchanged compared to the application of previous accounting principles. A compilation of the effects on the Consolidated Income Statement and Consolidated Balance Sheet from the application of IFRS 15 is presented in the tables on the following pages.

Income statement 2015

Amounts in SEK m	Previous reporting	IFRS 15 effects	According to IFRS 15
Operating income and expenses			
Net sales	876	-63	813
Production and operating costs	-657	-	-657
Central administration	-13	-	-13
Revaluation during transition from associated company to subsidiary	153	-	153
Operating profit/loss	359	-63	296
Financial income	3	-	3
Financial expenses	-52	-	-52
Profit/loss before tax	308	-63	245
Income tax	-1	-	-1
Net profit/loss for the year	308	-63	245

Income statement 2016

Amounts in SEK m	Previous reporting	IFRS 15 effects	According to IFRS 15
Operating income and expenses			
Net sales	1,010	54	1,064
Production and operating costs	-642	-	-642
Central administration	-27	-	-27
Profit/loss from participations in associated companies	14	-	14
Operating profit/loss	355	54	409
Financial income	3	-	3
Financial expenses	-93	-	-93
Profit/loss before tax	265	54	319
Income tax	0	-	0
Net profit/loss for the year	265	54	319

Income statement 2017

Amounts in SEK m	Previous reporting	IFRS 15 effects	According to IFRS 15
Operating income and expenses			
Net sales	1,772	9	1,781
Production and operating costs	-1,347	-	-1,347
Central administration	-41	-	-41
Profit/loss from participations in associated companies	-9	-	-9
Operating profit/loss	375	9	384
Financial income	6	-	6
Financial expenses	-115	-	-115
Profit/loss before tax	267	9	276
Income tax	0	-	0
Net profit/loss for the year	267	9	276

Balance sheet 1/1/2015

Amounts in SEK m	Previous reporting	IFRS 15 effects	According to IFRS 15
Other long-term receivables	15	-	15
Other non-current assets	109	-	109
Total non-current assets	124	-	124
Total current assets	671	-	671
Total assets	794	-	794
Equity	253	-	253
Total provisions/long-term liabilities	494	-	495
Current liabilities	46	-	46
Total equity and liabilities	794	-	794

Balance sheet 31/12/2015

Amounts in SEK m	Previous reporting	IFRS 15 effects	According to IFRS 15
Other long-term receivables	279	-63	216
Other non-current assets	64	-	64
Total non-current assets	342	-63	279
Total current assets	1,546	-	1,546
Total assets	1,888	-63	1,825

Equity	771	-63	708
Total provisions/long-term liabilities	843	-	843
Current liabilities	274	-	274
Total equity and liabilities	1,888	-63	-1,825

Balance sheet 31/12/2016

Amounts in SEK m	Previous reporting	IFRS 15 effects	According to IFRS 15
Other long-term receivables	406	-9	397
Other non-current assets	177	-	177
Total non-current assets	583	-9	574
Total current assets	2,172	-	2,172
Total assets	2,755	-9	2,746

Equity	998	-9	989
Total provisions/long-term liabilities	1,361	-	1,361
Current liabilities	396	-	396
Total equity and liabilities	2,755	-9	2,746

Balance sheet 31/12/2017

Amounts in SEK m	Previous reporting	IFRS 15 effects	According to IFRS 15
Other long-term receivables	1,165	-	1,165
Other non-current assets	180	-	180
Total non-current assets	1,345	-	1,345
Total current assets	2,205	-	2,205
Total assets	3,550	-	3,550

Equity	1,171	-	1,171
Total provisions/long-term liabilities	1,633	-	1,633
Current liabilities	745	-	745
Total equity and liabilities	3,550	-	3,550

Change in equity

Amounts in SEK m	Previous reporting	IFRS 15 effects	According to IFRS 15
Opening balance 01/01/2015	253	-	253
Redistribution during transition from associated company to subsidiary	-38	-	-38
New share issue	193	-	193
Issue expenses	-13	-	-13
Acquisition of subsidiaries	74	-	74
Dividend	-6	-	-6
Net profit/loss for the year	308	-63	245
Closing balance 31/12/2015	771	-63	708

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
Return on equity, %	Net profit/loss for the year attributable to the Parent Company's shareholders as a percentage of the average equity attributable to the Parent Company shareholders.	Return on equity shows the return generated on the capital invested by shareholders in the Company and in the accumulated results.
Equity per share	Equity attributable to Parent Company shareholders divided by the number of outstanding basic shares.	Equity per share is presented because it is a measure that shows the book value per share.
Net financial items	Net of financial income and financial expenses.	Net financial items are listed to give a picture of the profit/loss generated by the company's financing activities.
Cash flow from the operating activities, per share	Cash flow from operating activities divided by the average number of outstanding shares before dilution.	Cash flow from operating activities per share is presented to give a picture of funds generated by operating activities per share.
Profit/loss after financial items	Operating profit/loss plus financial income minus financial expenses.	Profit/loss after financial items presents the Company's profit/loss after tax.
Interest-bearing net liabilities	Interest-bearing liabilities minus cash and cash equivalents.	Interest-bearing net liabilities are presented as they can be used to show the financial position.
Interest coverage ratio (multiple)	Profit/loss after financial items including financial expenses divided by financial expenses.	Interest coverage ratio is presented as it can be used to give a picture of the company's ability to cover interest rate costs.
Operating margin (%)	Operating profit as a percentage of net sales.	Operating margin measures the operative profitability in company activities before financing and tax.
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.	Operating profit/loss and operating margin is presented to give a picture of the profit/loss generated in operating activities.
Equity/assets ratio (%)	Equity, including holdings without a controlling influence, as a percentage of the balance sheet total.	The equity/assets ratio is used to measure the Company's financial position. The equity/assets ratio shows how much of the Company's assets is financed with its own funds.
Profit margin (%)	Net profit for the year as a percentage of net sales.	Profit margin is presented to give a picture of the profit/loss generated in operating activities and their financing.

For reconciliation of alternative KPIs, refer to Magnolia Bostad AB's website, www.magnoliabostad.se.

Note 39 Events after the balance sheet date

A conditional agreement was signed to acquire land in Jakobsberg, Järfälla via a joint venture company with Heimstaden Bostad.

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, 26 March 2019

Fredrik Holmström
Chairman of the Board

Jan Roxendal
Member

Viveka Ekberg
Member

Fredrik Tibell
Member

Andreas Rutili
Member

Risto Silander
Member

Fredrik Lidjan
CEO

We issued our Auditor's Report on 28 March 2018

Ernst & Young AB

Fredric Hävrén
Authorized auditor

Ingemar Rindstig
Authorized auditor

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 2018. The annual accounts and consolidated accounts of the company are included on pages 64-103 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 2018 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 2018 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages [A-B]. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

REVENUE RECOGNITION FROM SALES OF DEVELOPMENT AND PROJECT PROPERTIES

Description	How our audit addressed this key audit matter
<p>The Group's net sales attributable to the sale of development and project properties amounted to 789 MSEK for 2018.</p> <p>The Group recognizes revenue from projects development when (i) a binding agreement is entered into with a purchaser of the project (property), (ii) local planning is in place, and (iii) a binding turnkey contract has been entered into with a contractor. The transaction price includes elements of variable considerations, linked to future property area, rental level and vacancy level. Variable considerations in the transaction price linked to the property area consist of planning risk and potential risk in the turnkey contract. Planning risk is based on knowledge of the local planning and revenue is accounted for when building permit is received and the uncertainty linked to planning risk ceases. Risk in the turnkey contract is considered to be ceased and revenue is accounted for when the turnkey contract has been completed. The Group makes an individual assessment of the expected value of variable considerations in each individual project at the end of each reporting period. Revaluations of the assessed expected end project result results in a correction of previously reported result, which increases or decreases revenue, in the period which the transaction price changes.</p> <p>Due to the complexity of the assessments and assumptions made, in several areas as aspects, this is a key audit matter in our audit. The accounting and valuation principles are stated in Note 1 (accounting principles) and Note 2 (critical assessments and estimations)</p>	<p>In our review, we have reviewed the Group's accounting principles for revenue recognition. We have evaluated and assessed a selection of the Group's controls for revenue recognition.</p> <p>We have conducted detailed review of significant agreements, calculations and assessments regarding estimated transaction prices, including estimates of risks for different types of revenue reductions.</p> <p>We have reviewed the Group's assessments of the expected value of variable considerations in the transaction price and revaluations of estimated project results, including evaluating the reliability of estimated final transaction cost against past estimates.</p> <p>We have reviewed the information disclosed in the annual report.</p>

VALUATION OF DEVELOPMENT AND PROJECT PROPERTIES

Description	How our audit addressed this key audit matter
<p>Consolidated carrying value of development and project properties amounted to 1 196 MSEK in the statement of financial position at December 31, 2018.</p> <p>The development and project properties are classified as inventories. Booked value is at the lower of acquisition cost and net realizable value (estimated sales price after deduction of selling expenses and completion costs). The assessment of net realizable value is based on a number of assumptions, such as planning and development costs, time aspect and estimated sales price, resulting in valuation of development and project properties being considered as a key audit matter in our audit, as a result of the uncertainties included in the assumptions. The accounting and valuation principles are stated in Note 1 (accounting principles) and Note 2 (critical assessments and estimations).</p>	<p>Our audit includes review of acquisition cost of development and project properties and the internal valuation prepared by the Group.</p> <p>We have reviewed assumptions including expected yields, planning and development costs and estimated sales price. We have reviewed that booked value is at the lower of acquisition cost and net realizable value.</p> <p>We have reviewed the information disclosed in the annual report.</p>

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 uncer-

tainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Magnolia Bostad AB (publ) for the financial year 2018 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 assur-

ance 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.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Magnolia Bostad AB (publ) by the general meeting of the shareholders on the 28 April 2018 and has been the company's auditor since the 7 May 2014. Magnolia Bostad AB (publ) became a public interest company in 2017.

Stockholm March 28, 2019
Ernst & Young AB

Fredric Hävrén
Authorized Public
Accountant

Ingemar Rindstig
Authorized Public
Accountant

Multi-year overview

Income Statement Amounts in SEK m	01/01/2018 –31/12/2018	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016	01/01/2015 –31/12/2015	01/01/2014 ¹⁾ –31/12/2014
Net sales	1,054	1,781	1,064	813	141
Production and operating costs	–907	–1,347	–642	–657	–87
Gross profit/loss	147	434	422	156	54
Central administration	–64	–41	–27	–13	–6
Profit/loss from participations in associated companies	14	–9	14	0	–1
Revaluation during transition from associated company to subsidiary	–	–	0	153	
Change in value, management properties	67	–	–	–	–
Operating profit/loss	164	384	409	296	47
Financial income	8	6	3	3	3
Financial expenses	–150	–115	–93	–52	–21
Change in value, financial instruments	–	0	0	0	
Profit/loss before tax	22	276	319	245	30
Income tax	–15	0	0	–1	–1
NET PROFIT/LOSS FOR THE YEAR	7	276	319	245	29
Profit/loss attributable to					
Parent company shareholders	10	203	271	232	–
Holdings without a controlling influence	–3	73	48	13	–

¹⁾ According to previously applied accounting principles.

Balance Sheet Amounts in SEK m	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014 ¹⁾
ASSETS					
Goodwill	6	6	6	6	6
Other intangible assets	1	1	0	1	8
Total intangible assets	7	7	6	7	14
Management properties	295	–	–	–	–
Machinery and equipment	19	8	1	0	0
Total property, plant and equipment	314	8	1	0	0
Shares in associated companies and joint ventures	106	111	116	2	40
Receivables from associated companies	56	24	23	24	24
Other securities held as non-current assets	31	31	31	31	31
Other long-term receivables	978	1,165	397	216	15
Total financial assets	1,171	1,330	567	272	109
Total non-current assets	1,492	1,345	574	279	124
<i>Current assets</i>					
Development and project properties	1,196	1,310	1,160	1,139	424
Tenant-owned apartments	10	4	4	4	9
Accounts receivable	21	31	1	4	1
Receivables from associated companies	38	52	20	0	10
Other receivables	440	595	475	204	187
Prepaid expenses and accrued income	14	5	5	2	1
Cash and cash equivalents	395	208	507	193	37
Total current assets	2,114	2,205	2,172	1,546	669
TOTAL ASSETS	3,605	3,550	2,746	1825	792

Balance Sheet Amounts in SEK m	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014 ¹⁾
EQUITY AND LIABILITIES					
Equity attributable to Parent Company shareholders	937	991	854	621	253
Holdings without a controlling influence	156	180	135	87	0
Total equity	1,093	1,171	989	708	253
Deferred tax liability	17	2	2	2	0
Non-current interest-bearing liabilities	1,914	1,566	1,268	731	494
Non-current liabilities to associated companies	18	35	–	–	–
Other non-current liabilities	34	30	91	110	0
Total non-current liabilities	1,983	1,633	1,361	843	494
Current interest-bearing liabilities	278	507	237	130	0
Accounts payable	23	16	38	14	15
Liabilities to associated companies	0	1	–	–	–
Income tax liabilities	0	0	0	4	1
Other current liabilities	114	85	68	77	17
Accrued expenses and deferred income	114	136	53	50	11
Total current liabilities	529	745	396	274	44
TOTAL EQUITY AND LIABILITIES	3,605	3,550	2,746	1,825	792

¹⁾ According to previously applied accounting principles.

Cash Flow Statement Amounts in SEK m	01/01/2018 –31/12/2018	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016	01/01/2015 –31/12/2015	01/01/2014 ¹⁾ –31/12/2014
Operating activities					
Profit/loss after financial items	22	276	319	245	30
Adjustments for non-cash items, etc.	–301	–567	–405	–336	4
Income tax paid	0	0	–4	1	4
Cash flow from operating activities before changes in working capital	–279	–291	–90	–90	38
Cash flow from changes in working capital					
Decrease(+)/increase(–) of development and project properties	–71	–156	119	–144	–68
Decrease(+)/increase(–) in current receivables	373	–194	–4	104	–203
Decrease(+)/increase(–) in current liabilities	–43	24	–47	–20	5
Cash flow from operating activities	–20	–617	–22	–150	–229
Investing activities					
Acquisition of intangible fixed assets	0	–1	–	–1	–8
Acquisition of management properties	–21	–	–	–	–
Acquisition of property, plant and equipment	–8	–9	–1	–1	0
Investment in financial assets	–8	–3	–100	–5	–7
Sales/reduction of financial assets	0	0	–	7	–
Cash flow from investing activities	–21	–13	–101	0	–15
Financing activities					
New share issue	–	–	–	181	–
Issue of warrants	2	–	–	–	–
Contribution from holding without a controlling influence	–	1	–	–	–
Borrowings	1,147	597	1,059	471	367
Repayment of borrowings	–848	–200	–584	–340	–104
Dividend paid to parent company owners	–66	–66	–38	–6	–5
Dividend paid to minority interests	–7	–	–	–	–
Cash flow from financing activities	228	332	437	306	258
Cash flow for the year	187	–298	314	156	14
Cash and cash equivalents at the beginning of the year	208	507	193	37	23
Cash and cash equivalents at the end of the year	395	208	507	193	37

¹⁾ According to previously applied accounting principles.

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5

A word from the Chairman

My ambition is to be able to use the prevailing position today to grow and take market share.

In February of this year, I met my good friend and partner Andreas Rutili at a restaurant in central Stockholm to celebrate a very specific event: that it was right here, ten years ago that we decided to form Magnolia Bostad. Sometimes I can compare running Magnolia Bostad to having children and starting a family. I can't always say that it turned out as I thought, but in the better moments it has turned out to be so much more than I could have ever dreamed of.

During these ten years, we have gone from being a local actor that loves to do business to a company that is active all over Sweden and also integrates with society as a whole. We are happy to take more responsibility in the areas where we operate and today we have more than 17,000 building rights in more than 20 locations where we work for long-term social development.

More even flow of projects desirable

2018 was a shaky year for developers and turned out to be a poor year in terms of results for Magnolia Bostad. Many of our colleagues in the industry focusing on tenant-owned apartments had difficulty in getting their products sold to end consumers, which resulted in poorer results. It would be easy to assume that the same reason is behind Magnolia Bostad's results, but paradoxically we had a number of buyers waiting for our products, but unfortunately had almost nothing to sell. Quite simply, we didn't have zoning planning in place that we could package and sell as projects. This gives a jerkiness to our results over the year and does not always give a completely accurate picture of the work and value created in the company. Our ambition is, of course, to be able to create a smoother and more predictable flow of projects and hopefully we will be there in a year or two.

The Board proposes no dividend payment

I've always been clear that my ambition is to create a dividend-friendly company. Therefore, it's a dis-

appointment for me that the company has not been able to deliver on this goal this year. But due to the weak results and that there are many liquidity opportunities, the Board has chosen to propose to the Annual General Meeting that no dividend be paid. However, our objective has not changed and I see good conditions for us to be able to achieve a strong dividend in the future.

Development opportunities for self-management

Magnolia Bostad will always be a developer at heart and this is where I think we can really stand out and make a difference compared to our competitors and colleagues in the industry. That being said, I think we will move up in the value chain by choosing to build certain things for our own management or a structure where we can buy out the real assets that we created. In this way, we are creating more of substance, the possibility of a stronger cash flow and more options when projects are completed.

If we – when a project is completed – choose not to retain it for our own management, we will be paid more than if we sell the project at an early stage. There may also be interesting opportunities in the future to distribute properties as part of a possible structural transaction to shareholders. We currently have no clear goals in terms of volume or time frame for how this should be done, but have a positive attitude and are constantly looking at possible business.

Switch to the Nasdaq Stockholm main list

In 2018, Magnolia Bostad made the move onto the Nasdaq Stockholm main list. My hope is that this will eventually lead to increased liquidity and an increased spread of ownership. So far, the shares have not performed well, which means that we have much to prove in 2019, a challenge that we are happy to take on.



Building certification - an important sustainability goal

Our contribution to society should not be limited to the buildings we build. Magnolia Bostad has lofty goals in terms of sustainability. One of our goals is for all projects we develop to achieve environmental certification equivalent to at least the Sweden Green Building Council's Silver level. It's an ambitious target and we are proud that a number of our projects in 2018 were certified according to this standard.

In terms of social sustainability, we believe in being tangibly involved in the places where we operate. We believe that integration and gender equality are the key to a safe and positive society and have therefore chosen to sponsor girls' football through Ronjabollen. The organization helps immigrant girls in a context where they can go about, meet and learn about cultures and language. A concrete way to create encounters leading to mutual understanding at an early stage of life. Today we support 17 teams from Sundsvall in the north to Malmö in the south and the number of teams is steadily increasing.

Agreements are promising for the future

Something that did not appear in the figures for 2018 but which I believe will have a positive effect in the future is the framework agreement that we signed with Heimstaden. The agreement means that we will sell homes for SEK 9.6 billion to Heimstaden over the next few years. Another example is the agreement with Alecta, which was signed during the year and which comprises approximately 1,000 hotel rooms to be delivered in Göteborg and other growth areas.

Just as Magnolia Bostad was born in the aftermath of the financial crisis and was able to do good business in an uncertain market, my ambition is to be able to use the current position to be able to grow and take market share. I feel that we have good prospects of doing so and it is therefore inspiring to take Magnolia Bostad on into its next ten-year period.

Stockholm, March 2019

Fredrik Holmström

Corporate Governance Report

In order to ensure that Magnolia Bostad is managed in an efficient manner and to create long-term value for shareholders, the division of responsibility is clear between the company's decision-making bodies.

Magnolia Bostad AB (publ) is a Swedish public real estate company listed on Nasdaq Stockholm. 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 dialogue 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 has applied the Swedish Code of Corporate Governance (the Code) since 1 January 2017. The Code specifies a standard for good corporate governance at a higher level of ambition than the minimum requirements set out in the Swedish Companies Act and other rules.

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. The Articles of Association are on page 128 of this report and on our homepage under the Corporate governance section. The company's name is Magnolia Bostad AB, and the company is a Swedish public company domiciled in Stockholm. Its mailing address is Box 5853, 102 40 Stockholm, Sweden, and its physical address is Sturegatan 6, Stockholm, Sweden, telephone +46 (0)8 470 50 80. The company will – either directly or indirectly through subsidiaries – acquire, own, manage, develop and sell properties, carry on project activities relating to properties and own and manage securities and other associated activities.

Annual General Meeting

The Annual General Meeting is the highest decision-making body where all shareholders are entitled to participate.

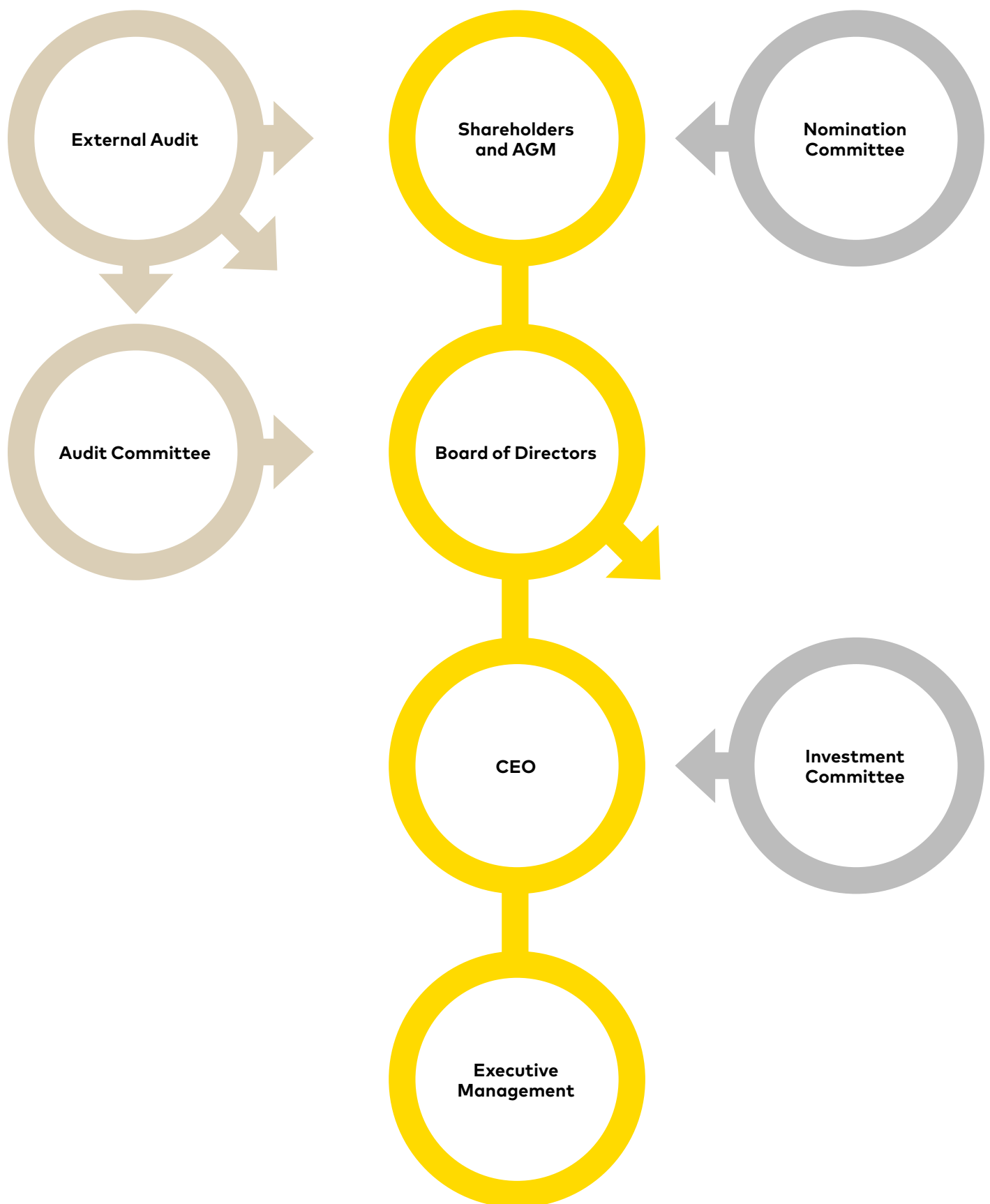
The Annual General Meeting discusses the company's development, and passes resolutions on, for example, dividends, discharge of liability for the Board of Directors, election of the auditor, remuneration to the Board of Directors and the auditor and election of the Board of Directors for the period up to the end of the next Annual General Meeting.

Annual General Meeting 2018

The ordinary Annual General Meeting in 2018 was held on 27 April 2018. Present at the meeting were 18 shareholders (26), representing in total 28.7% of the votes (69.7). Fredrik Holmström was elected Chairman of the Meeting. All Board members participated. The minutes from the Annual General Meeting are available on Magnolia Bostad's website, www.magnoliabostad.se.

The Annual General Meeting in 2018 resolved on the following:

- Adoption of the income statement and balance sheet for the financial year.
- Dividend of SEK 1.75 per share.
- Granting of discharge from liability for the Board members and the CEO for the financial year.
- Change to the Articles of Association.
- Adoption of remuneration to the Board of Directors and auditors.
- Re-election of Board members Viveka Ekberg, Fredrik Holmström, Jan Roxendal, Andreas Rutili, Risto Silander and Fredrik Tibell. Fredrik Holmström was elected Chairman of the Board.
- Reselection of the auditing company Ernst & Young AB as auditor.
- Selection of Ingemar Rindstig as auditor and Mikael Ikonen as deputy auditor.



All decisions apply to the period until the end of the next Annual General Meeting. The registered auditing company Ernst & Young AB selected Fredric Hävrén as chief auditor.

The shares and shareholders

Magnolia Bostad's shares have been listed on the Nasdaq Stockholm list since 20 June 2018. The company's shares were registered for trading on Nasdaq First North on 9 June 2015, and on Nasdaq First North Premier in March 2017.

The total number of shares on 31 December 2017 amounted to 37,822,283 distributed between 4,845 shareholders. The closing price on the balance sheet date was SEK 36.50, which corresponds to a market capitalization of SEK 1.4 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.

Warrants

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2018, 260,500 warrants were transferred to employees in accordance with the warrant programme. The programme is closed for other warrants. Other warrants are still in the ownership of the subsidiary Magnolia Utveckling AB. Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

Nomination Committee

The Nomination Committee was established and works according to the instructions determined at the 2017 Annual General Meeting. According to the instructions, the Nomination Committee shall consist of the Chairman of the Board of Directors and members representing the three largest shareholders in the company according to the share register kept by Euroclear Sweden as at 30 September of the year before the Annual General Meeting. The composition of the Nomination Committee shall be made public at least six months prior to the Annual General Meeting. Members of the Nomination Committee shall not receive remuneration, and the term of office runs until the composition of the next Nomination Committee has been made public.

The Nomination Committee's primary tasks are to nominate candidates to the posts of Chairman of the Annual General Meeting, Chairman of the Board and other members of the Board, submit proposals for fees and other remuneration for each Board member and submit proposals for remuneration for committee work for each Board member. The Nomination Committee shall also nominate candidates to the post of auditor and submit proposals for the fees to the auditor taking into consideration the recommendation from the Audit Committee. The Nomination Committee shall safeguard the communal interests of all shareholders in the matters that fall within its area of responsibility. The Nomination Committee shall perform its tasks

in accordance with the Code and thus observe the requirement for diversity and breadth in the company's Board of Directors in particular.

For more information regarding the work of the Nomination Committee, see the Nomination Committee decision suggestions for the Annual General Meeting on the company homepage, www.magnoliabostad.se.

The Nomination Committee up to the 2019 Annual General Meeting consists of Eva Fontér as a representative of F. Holmström Fastigheter AB, Henrik Buss as a representative of Wealins S.A. Johannes Wingborg as a representative of Länsförsäkringar Fondförvaltning AB and Chairman of the Board of Directors Fredrik Holmström.

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.

At the end of 2017, the company's Board of Directors consisted of six members elected by the 2017 Annual General Meeting. All members of the Board of Directors were re-elected. Fredrik Holmström was elected Chairman. For more information about the members of the Board of Directors, see page 142. The Board's tasks include establishing strategies, business plans and budgets, annual and interim reports, annual financial statements and adopting instructions, policies and guidelines. The Board of Directors also monitors economic trends, ensures the quality of the financial statements and the internal control and evaluates business activities based on the targets and guidelines established by the Board of Directors. Finally, the Board of Directors makes decisions regarding the company's significant investments and major changes to the organization and its business activities. 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, the Code and good Board practice. In addition to this, the Board of Director's work is governed by guidelines from the Annual General Meeting and the Board's work plan. The Board of Directors also adopts Instructions for the Audit Committee, instructions for the CEO as well as instructions for financial reporting.

Audit Committee and Remuneration Committee

As of 31 December 2018, the Audit Committee consisted of three members: Jan Roxendal (Chairman), Fredrik Tibell and Viveka Ekberg. The company's CEO or another representative of the company and the company's auditors participate in Audit Committee meetings when necessary. The CFO and the person responsible



The Magnolia Bostad Board of Directors, from left: Jan Roxendal, Andreas Rutili, Viveka Ekberg, Fredrik Holmström, Risto Silander and Fredrik Tibell.

for the consolidated financial statements also attend the meetings. The company's CFO is the rapporteur at the Audit Committee's meetings.

The Audit Committee is responsible for monitoring the company's financial statements, risk management, structure and policies for internal control and accounts and audits. The Audit Committee also reviews and monitors the auditor's impartiality and independence, other services provided by the company's auditor and assistants, the company's nomination committee when preparing proposals for the decision by the Annual General Meeting on selection of an auditor. Members of the audit committee must possess the qualifications and experience within accountancy, auditing and/or risk management required to fulfil the committee's obligations. In 2018, the Audit Committee held five minuted meetings, of which the company's auditors participated in three.

The Board of Directors has decided to carry out the tasks normally assigned to a Remuneration Committee since this is considered most appropriate for the company.

Chairman of the Board

The Chairman of the Board leads the Board's work, is responsible for ensuring that the Board's work is carried out efficiently and that the Board fulfils its obligations in accordance with applicable laws and rules. In particular, the Chairman of the Board must monitor the Board's performance and prepare and lead Board meetings. The Chairman of the Board is also responsible for ensuring that the Board evaluates its work every year and obtains the information it needs to be able to perform its work efficiently. The Chairman of the Board represents the Board in relation to the company's shareholders.

Work of the Board of Directors in 2018

The Board of Directors held 21 meetings during the 2018 financial year, of which one immediately followed the Annual General Meeting. According to the applicable work plan, the Board must hold at least seven ordinary board meetings per calendar year, one immediately following the Annual General Meeting. Board meetings are held in conjunction with the company's quarterly reporting, prior to the company's annual general meeting, prior to decisions on the company's business plan and prior to budget decisions.

The regular board meetings also have a recurring structure and deal with issues of major importance for the company such as ongoing business and projects, marketing, business development and reporting from the Audit Committee and Investment Committee. Furthermore, the Board is informed of the current business situation in both the property market and the credit market and receives an economic presentation and project follow-up. Among the regular cases dealt with by the Board in 2018 are corporate-wide policies, overall business plan, rules of procedure for the Board and operational and organizational issues.

The Company's Executive Management have participated in Board meetings as rapporteurs on specific issues. The Board has also met the auditors without the presence of the Executive Management.

Extra Board meetings are normally convened to decide on major transactions, financing and cooperation agreements. In 2018, the Board held a number of Board meetings within the framework of the work ahead of the listing on Nasdaq Stockholm. In addition, the company has had a transaction-intensive year and has, after a changed decision-making procedure for the company's investment committee, held several meetings for approval of acquisitions, sales and investment decisions. On the financing side, the Board has considered decisions on further financing within the framework of the existing bond and approval of a new bond loan.

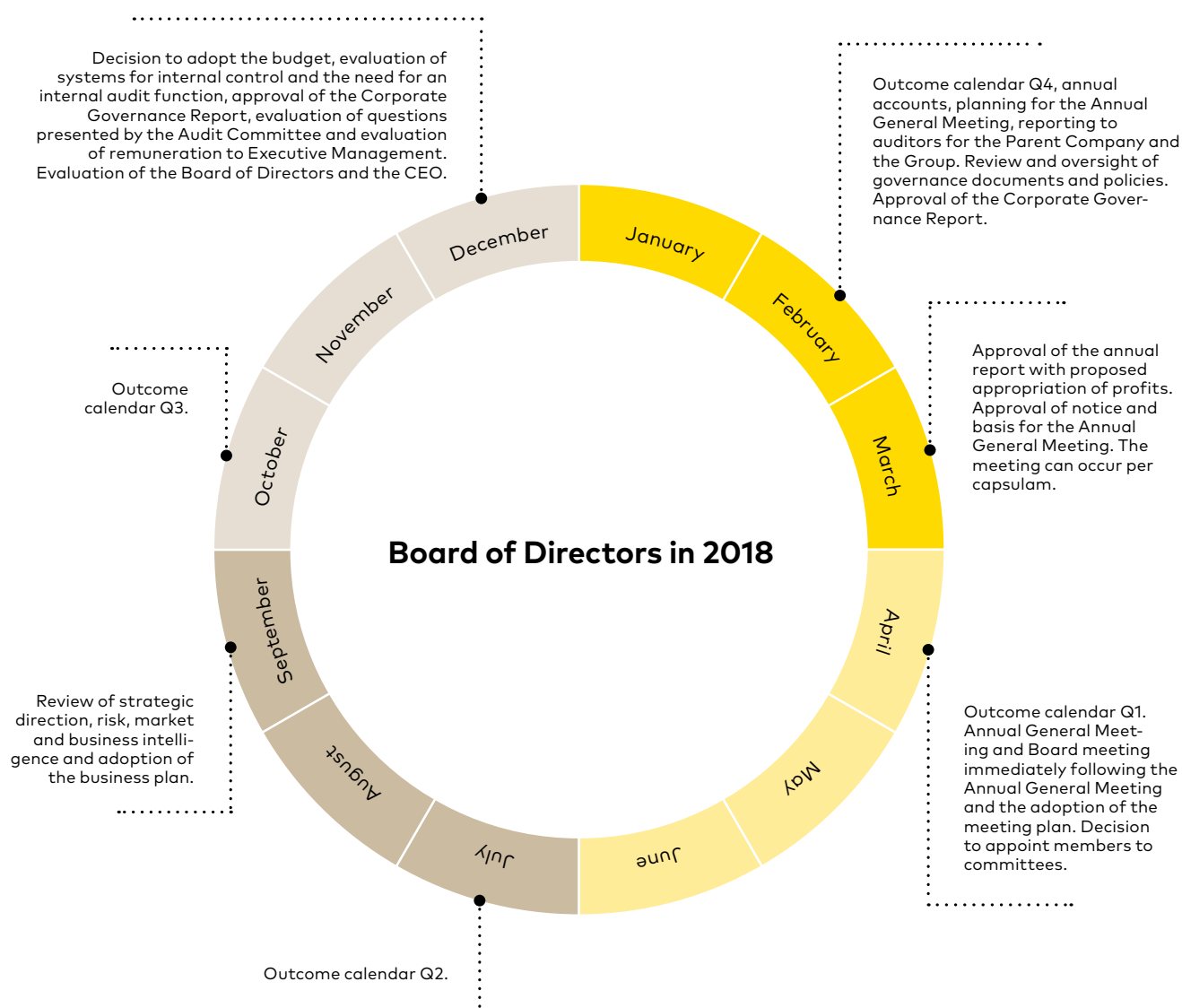
Evaluation of the work of the Board of Directors

The Board of Directors is evaluated each year, partly for the purpose of developing the Board's work and partly to create a basis for the Nomination Committee's evaluation of the Board's composition. An important objective of the evaluation of the Board of Directors is to ensure that the work of the Board is functioning well. This evaluation therefore includes investigating the type of questions that the Board believes should be given greater focus, determining the areas in which the Board needs additional competence and assessing the composition of the Board. This evaluation also functions as a basis for the work of the Nomination Committee. In 2018, the evaluation was conducted through a written survey, where Board members were able to give their view on the Board's method of working and effectiveness, its need for competence and strengths and its improvement areas. The responses were then compiled into a report that was presented to the Board by the Chairman of the Board. The subsequent board discussion is used as a basis for the continuous development of the Board's working methods and identified areas of improvement. According to the Board evaluation, the work of the Board functioned well during the year and that the outcome of several assessment criteria had improved since last year's evaluation. The evaluation also showed that the Board is greatly committed and provides relevant expertise for the company's operations and that cooperation with the company's management during the year has worked well.

Investment Committee

The Board has established an Investment Committee. The Investment Committee's main task is to act as an advisor and to support the Board of Directors in connection with acquisitions and sales of property projects. During the year, the work description for the investment committee was updated in June and in September with changed delegation levels and changes to the members of the committee.

The Investment Committee must consist of four to five members, who are chosen by the Board once a year.



On 31 December 2018, the Investment Committee consisted of four members: The company CEO Fredrik Lidjan, VP Erik Rune, VP Rickard Langerfors and Head of Legal Hanna Jessing.

The Investment Committee has a fixed time during the week set aside for meetings, but meetings only take place when needed. The Investment Committee's decisions are documented by minutes which, together with other relevant documentation and information, are made available to the Board. The CEO reports decisions from the Investment Committee at the ordinary board meeting and when it is otherwise deemed necessary. In 2018, the Investment Committee held 35 minuted meetings, at which a total of 58 matters were discussed.

CEO and Executive Management

At 31 December 2018, this consisted of the CEO, CFO, the two VPs, Head of Operational Development and

Sustainability, Head of Residential Development, Head of Business Generation and Eastern Regional Director, Head of Marketing and Communications and Head of Legal. The Executive Management meets regularly to discuss primarily overarching operational issues and prepare matters for the Board of Directors. The CEO is responsible for the company's ongoing management in accordance with the instructions for the CEO, which are adopted annually by the Board of Directors, the rules set out in the Companies Act, other applicable laws and guidelines and in accordance with the company's policies and the directions of the Board of Directors.

Remuneration to Members of the Board of Directors and the CEO

Remuneration of Board members

Fees and other remuneration for the Board members, including the Chairman of the Board, are determined by the Annual General Meeting. The Annual General Meeting held on 27 April 2018, resolved that the fees

for Board members for the period up to the next Annual General Meeting shall amount to SEK 1.7 million. SEK 450,000 shall be paid to the Chairman of the Board and SEK 250,000 shall be paid to each of the five other Board members. In addition to this, SEK 80,000 shall be paid to the Chairman of the Audit Committee and SEK 60,000 to each of the other members of the Audit Committee. The company's Board members are not entitled to any benefits when they leave the Board of Directors.

Remuneration to the CEO

Fredrik Lidjan receives competitive remuneration in his role as CEO. For more information, see Note 9 – Remuneration to employees.

Fredrik Lidjan has been involved in Magnolia Bostad's operations since it was founded in 2009, including 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 Fredrik Lidjan's 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. Fredrik Lidjan had an agreement that entailed that he would work without fixed compensation but was entitled to 8-12% of the profit of certain rental apartment projects. The agreement included the projects: Traversen 18, Nya Parken Allé, Tibble, Valsta Torg, Lumen and Phases 1 and 2 of Senapsfabriken. 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.

Minority ownership structure 2015-2017

In conjunction with Fredrik Lidjan's accession to the position of CEO, a new agreement was reached between the company and Fredrik Lidjan AB. Under this agreement, the company and Fredrik Lidjan AB would co-invest in future rental apartment projects. Fredrik Lidjan AB would invest at market terms with a 10% stake and Magnolia Bostad would invest and receive a 90% stake in the companies in which the rental apartment projects would be operated. The agreement could also include tenant-owned apartments if this applied to the same plot of land and the tenant-owned apartments constituted a small portion of the entire project.

Minority ownership structure 2017-2020 and 2022

At the Extraordinary General Meeting on 13 October 2017, a new minority ownership structure was adopted and replaced the current structure. Projects developed in limited liability companies in the old minority structure will continue, but no new projects will be allocated in accordance with the previous structure.

Under the minority ownership structure, Fredrik Lidjan AB will co-invest in all of the company's future projects on market terms with an 8% stake. In future hotel projects, Clas Hjort's, head of the hotel business, stake will be 16%. Magnolia Bostad will then hold a 92% stake in all projects under this structure, apart from hotels where the total will be 76%. This minority ownership structure comprises investments that take place up to

and including 2022 for all projects except hotel projects that include investments that take place up to and including 2020.

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 have been prepared in accordance with applicable laws and regulations. The 2018 Annual General Meeting resolved for the period until the end of the next annual general meeting to elect Ernst & Young AB as auditors. The AGM also decided to select Ingemar Rindstig as auditor and Mikael Ikonen as deputy, for the period up until the end of the 2019 Annual General Meeting. Ernst & Young AB selected Fredric Hävrén as chief auditor. In addition to the audit, Ernst & Young also provided advisory services during the year mainly regarding tax and sustainability reporting. In 2017, remuneration to auditors was paid totalling SEK 4.2 million (7.2). See also Note 8 – Disclosures regarding fees and cost reimbursement to the auditor, for more information.

Internal controls

The Board of Director's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Code of Corporate Governance. The Board of Directors is ultimately responsible for ensuring that internal controls are developed, communicated and understood by the employees at Magnolia Bostad. Magnolia Bostad implements the individual control structures and is responsible for ensuring that the control structures are monitored, executed, updated and observed. Heads of Department for each level are responsible for ensuring that internal controls are established within their areas and that these controls achieve the intended effect.

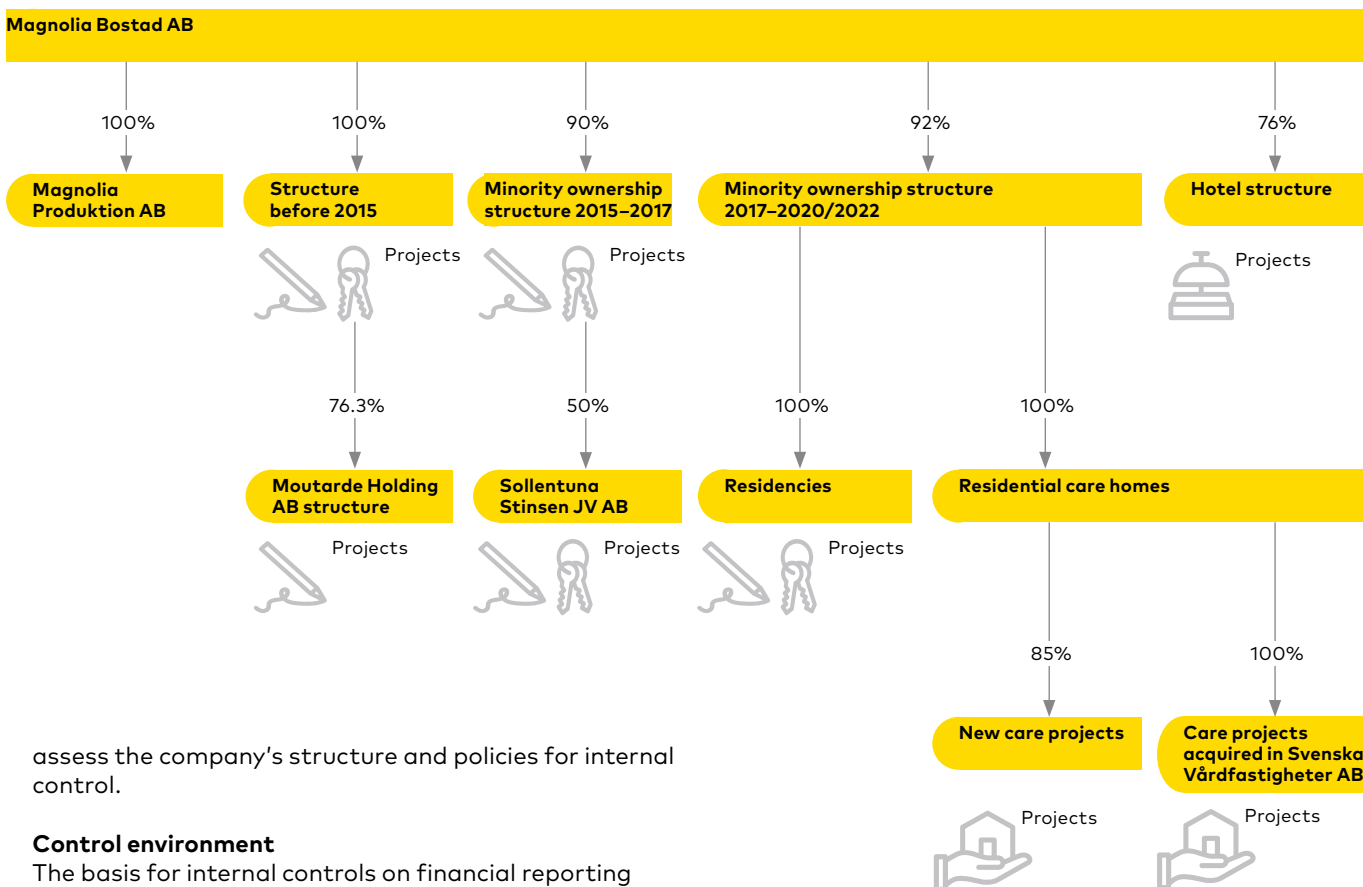
Magnolia Bostad complies with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) framework for evaluating a company's internal control over financial reporting "Internal Control – Integrated Framework". The framework consists of the following five components: control environment, risk assessment, control activities, information and communication and monitoring.

The process for internal controls and risk assessment, as well as control structures and monitoring in relation to financial reports has been designed to guarantee reliable overall financial reporting and external financial reporting that complies with IFRS, applicable laws and rules and other requirements that may exist for companies listed on Nasdaq Stockholm. This work involves the Board of Directors, senior executives and other employees.

The manner in which the Board of Directors monitors and ensures the quality of internal controls is documented in the adopted work plan for the Board of Directors and in the instructions for the Audit Committee. Part of the work of the Audit Committee is to

Magnolia Bostad's Group structure

See pages 30 to 33 for information on which projects are part of the different structures.



assess the company's structure and policies for internal control.

Control environment

The basis for internal controls on financial reporting is Magnolia Bostad's organization, decision-making procedures, responsibility and authorizations that are communicated in the governing documents. These documents include the Articles of Association, the Board of Directors' rules of procedure, the CEO's instructions, the Code of Conduct, the business plan, policies, process description and manuals. Magnolia Bostad's work on internal control aims to identify high-risk areas and minimize these risks.

Risk Assessment

The risks of material misstatement in financial reports is assessed by Magnolia Bostad's Board of Directors, the Executive management and the company's external auditors. There is an established risk management process within Magnolia Bostad. The CEO, in collaboration with other departments within the company, is responsible for structured risk mapping across all business activities. Magnolia Bostad's risks are divided into four main types: (1) external risks, (2) operative risks, (3) financial risks and (4) organizational risks.

External risks consist of external risks such as macro-economic, regulatory, socio-economic, price and competition-related risks that affect our market, industry, business and internal processes.

Operational risks consist of business risks relating to our business, projects and processes such as regulatory compliance, quality defects and ethical violations.

Financial risks that affect the financial conditions for our business are interest rate risk, financing risk, liquidity risk and credit risk. Financial risks also include risks in Magnolia Bostad's internal processes relating to accounting and reporting.

Organizational risks are primarily attributable to succession planning, supply of skills and resource planning. Magnolia Bostad's established business model, along with an established control system, procedures and processes, limits the company's total risks and guarantees an ability to act whenever necessary.

Control activities

Control activities are designed on the basis of the risk analysis to address the significant risks identified. These are both of a preventive nature, in other words actions aiming to avoid losses or errors in reports and in the nature of detection. The controls must also ensure that any errors will be corrected.

Examples of areas that have a material impact on the company's results and that have well-established quality control measures include accounting for projects and funding matters and sales. Controls are

carried out using methods such as variance analyses and on the occasion of quarterly meetings between business areas and the group management. For the business, the business system forms the basis of the control structure established and focuses on important stages in the business such as investment decisions, production start-up and sales. Magnolia Bostad places great emphasis on follow-up of projects linked to established procedures for the project process, such as weekly meetings, the Investment Committee and the Quality Council.

Information, communication

Magnolia Bostad's policy documents in the form of a code of conduct, policies, process descriptions and manuals are reviewed annually by process owners and updated when necessary and are made available via the company's intranet. All new employees receive information on the governing documents and Magnolia Bostad holds information sessions where the values and the code of conduct are discussed. All employees also are responsible for being aware of applicable laws and rules and acting in accordance with the company's guidelines. Magnolia Bostad has an information policy to ensure that the company complies with applicable requirements for accurate information for the market.

Follow-up

Follow-up takes place on many different levels within Magnolia Bostad. The company has a business plan and a budget is decided on by the Board of Directors each year. The Board of Directors receives summary financial statements every month and financial statements with comments including project follow-up and follow-up of warranties and reserves at least once a quarter. The Board of Directors also reviews interim reports and year-end reports prior to publication.

The company's external auditor reports his findings from audits and assessments of the internal control to the Audit Committee and the Board of Directors during

the autumn and when the year-end accounts are audited. Magnolia Bostad has procedures to ensure that action is taken to address any deficiencies and that highlighted actions are followed up. After a review, the Board has found that the Group has a simple operational structure in which business is conducted in one sector. Follow-up of ongoing and completed investments is presented to the Board on an ongoing basis. The Board of Directors believes that the external auditors' audit and its own follow-up is sufficient to ensure that internal control of financial reporting is good. All in all, this means that it is not considered justified to have a special internal audit unit. This decision is reviewed annually.

Information policy and insider policy

The company has created an information policy and an insider policy with the aim of informing employees and other parties concerned within the company of the laws and rules that apply in relation to the company's dissemination of information and the specific requirements imposed on persons who reactive in a company listed on the stock exchange, e.g. in relation to insider information. The company has established procedures for counteracting the dissemination of information that has not been published.

IR function

The IR function is led by Magnolia Bostad's CFO, with support from the company's IR manager. The primary tasks of the IR function are to support the Chief Executive Officer and senior executives in relation to the capital markets, including management of the spread of information that has not been published, to help the Chief Executive Officer and communications team prepare the quarterly and annual reports, analyst meetings, Annual General Meetings and capital market presentations and regular reports on IR activities.

Composition of the Board

Member	Elected	Post	Born	Nationality	Independent in relation to the company/ company management	Independent in relation to major shareholders	Number of meetings	Attendance	Number of Audit Committee meetings ¹⁾	Attendance
Fredrik Holmström	2009	Chairman	1971	Swedish	No	No	21	21	–	–
Andreas Rutili	2015	Member	1975	Swedish	No	Yes	21	18	–	–
Fredrik Tibell	2010	Member	1966	Swedish	Yes	No	21	21	5	5
Risto Silander	2015	Member	1957	Swedish	Yes	Yes	21	21	–	–
Jan Roxendal	2016	Member	1953	Swedish	Yes	Yes	21	20	5	5
Viveka Ekberg	2017	Member	1962	Swedish	Yes	Yes	21	21	5	5

¹⁾ Members of the Audit Committee: Viveka Ekberg, Jan Roxendal and Fredrik Tibell.



Magnolia Bostad's Executive Management, from left: Linda Wiman, Fredrik Lidjan, Christina Hambäck, Thomas Persson, Hanna Jessing, Erik Rune, Suzana Bossel and Fredrik Westin.

Board of Directors



Fredrik Holmström
Chairman since 2009

Born 1971

Founder of Magnolia Bostad. President 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.

BSBA from IUM, Monaco (formerly University of Southern Europe).

Dependent of the company and management. Dependent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 21,542,787.



Viveka Ekberg
Member since 2017

Born 1962

Former CEO of PP Pension, Head of Nordics at Morgan Stanley Investment Management, Associate Partner and Head of Project Management at Brummer & Partners, Head of SEB Institutionell Förvaltning, and analyst at Alfred Berg Fondkommission as well as financial analyst and journalist at Affärsvärlden. Board member of Lindab International AB, Svolder AB, Skagen AS, Areim AB, SPP Pension & Försäkring AB and Centrum för rättvisa, and Chairman of Apoteket AB:s Pensionsstiftelse.

MBA from Stockholm School of Economics.

Independent of the company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 20,000.



Jan Roxendal
Member since 2016

Born 1953

Previously President of Gambro Holding AB and CEO of Intrum Justitia AB, Executive Vice President and member of the Executive Board of the ABB Group, Group responsible for ABB Financial Services, as well as other senior positions within the ABB Group. Chairman of AP2 and Board member of Catella AB.

Higher general banking degree.

Independent of the company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 5,000 as well as Corporate Bonds ISIN SE0008293823 with a face value of SEK 900,000.

The above details are correct as of 31 December 2018.



Andreas Rutili

Member since 2015

Born 1975

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 CEO of the food company Bonesto AB.

Studies in economics at Uppsala University and Stockholm University.

Dependent of the company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 2,938,565.

Shareholding as of 31 December 2018 via capital insurance with Danica Pension.



Risto Silander

Member since 2015

Born 1957

Previously CEO 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, BH-DG Funds, Trygg Stiftelsen and Gamla Livförsäkringsaktiebolaget SEB Trygg Liv.

MSc (Economics) from Stockholm School of Economics.

Independent of the company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 80,000.



Fredrik Tibell

Member since 2010

Born 1966

Founder and President of Caritas Corporate Finance AB, which provides financial advisory services primarily to companies within the real estate industry. Chairman of the Board of Svenska Husgruppen Intressenter AB and others.

Finance studies at Stockholm University.

Independent of the company and management. Dependent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 10,000.

The above details are correct as of 31 December 2018.

Executive Management and auditors



Fredrik Lidjan
CEO
Employed 2017
CEO since 2015
Born 1973

Previously responsible for the development of rental apartment development at Magnolia Bostad. 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 (owned personally and by closely-related persons): 155,300. Owns Fredrik Lidjan AB, a company with which Magnolia Bostad has significant business connections, see page 120.



Erik Rune
VP
Employed since 2015
Born 1973

Previously CFO and Head of Business Development at Magnolia Bostad and CFO in the Nordic region for CBRE Global Investors. Also has a background as the CEO of the Nordic operations for London & Regional Properties and 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 (owned personally and by closely-related persons): 175,000 as well as 87,500 warrants.



Fredrik Westin
CFO
Employed since 2016
Born 1973

Previously Head of Finance at Kungsleden. Also has a background as FP&A Manager and Accounting Manager at GE Capital Real Estate Nordic. Master in Business Administration from the Gothenburg School of Economics.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 1,600 as well as 20,000 warrants.



Christina Hambäck
Head of Operational Development and Sustainability
Employed since August 2018
Member of Executive Management since October 2018
Born 1978

Former Director at Newsec within investment consultancy. Also has a background as Business Development Manager at Ikano Bostad and before that also worked at DTZ, JLL and CBRE. MSc. degree from the Royal Institute of Technology (KTH), Stockholm and a BSc. in Economics and Business Administration from Stockholm University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 1,400.



Linda Wiman
Head of Residential Development
Employed since 2017
Born 1975

Former sales and marketing manager at JM AB. In addition experience from JM in project development, marketing communication, sales and business development. Marketing economist from IHM Business School.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 510 as well as 3,000 warrants.

The above details are correct as of 31 December 2018.

**Thomas Persson***Head of Business Generation and Eastern Regional Director*

Employed since

December 2018

Born 1969

Previously International Partner at Cushman & Wakefield. Prior to that Senior Partner and Managing Director at Catella Corporate Finance. Master of Science, Royal Institute of Technology and business studies, Stockholm University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): –

**Suzana Bossel***Head of Marketing and Communications*

Employed since 2014

Born 1973

Extensive background in PR and Communications from the housing industry, for example with JM AB. In addition, she was PR and marketing manager for Ettelva Arkitekter and the single-family home developers Arkitekthus and Svenska Husgruppen. Market Economist from IHM Business School and Higher Degree in Technical Editorial Work from Mälardalen University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 105,000 as well as 15,000 warrants.

**Hanna Jessing***Head of Legal*

Employed since 2017

Member of Executive Management since October 2018

Born 1971

Former legal counsel at Vasakronan AB. Before that, attorney at Lindskog Malmström Advokatbyrå and district court lawyer. Degree of Master of Laws (LL.M) from Stockholm University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 12,000 warrants.

Rickard Langerfors*VP*

Employed since 2011

Born 1972

Rickard Langerfors will leave his post at Magnolia Bostad on 30 June 2019. Previously head of project development within Magnolia Bostad.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 294,000 as well as 16,000 warrants.

Auditors**Ernst & Young AB**

Fredric Hävrén

*Authorized auditor***Chief auditor**

Ingemar Rindstig

*Authorized auditor***Elected auditor**

The above details are correct as of 31 December 2018.

Articles of Association

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

ARTICLES OF ASSOCIATION OF MAGNOLIA BOSTAD AB Reg nr 556797-7078

Adopted at the Annual General Meeting on 27 April 2018

§ 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 will – either directly or indirectly through subsidiaries – acquire, own, manage, develop and sell properties, carry on project activities relating to properties and own and manage securities and other associated activities.

§ 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.

§ 6 Auditors

The Company shall have one to two auditors, of which one can be a registered accounting firm, with a maximum of two deputy auditors.

§ 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 of the meeting

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

§ 10 Annual General Meeting

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

1. Election of the Chairman 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;
8. Determination of the number of 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 and auditors;
10. Election to the Board of Directors and auditor;
11. Resolution on guidelines for remuneration payable to senior executives;
12. 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 Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

Auditor's report on the corporate governance statement

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

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2018 on pages 114–128 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 28 March 2019
Ernst & Young AB

Fredric Hävrén
*Authorized Public
Accountant*

Ingemar Rindstig
*Authorized Public
Accountant*

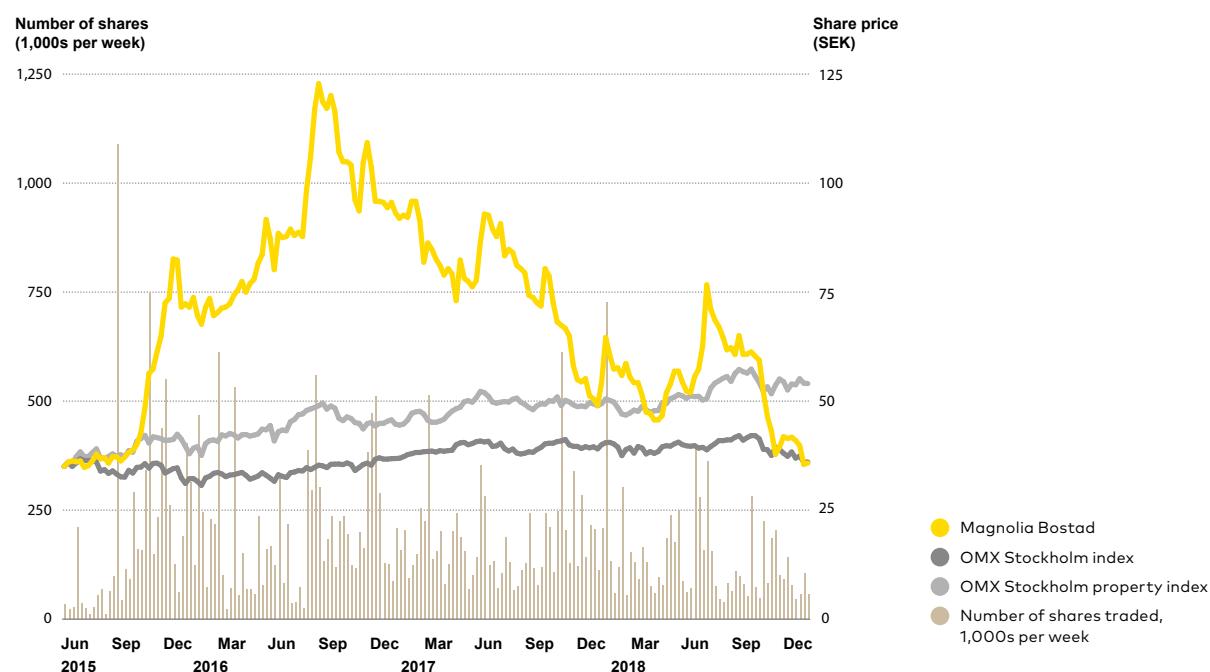
Shares, owners, Annual General Meeting and other information

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The shares

Turnover and price of the Magnolia Bostad share



F. Holmström Fastigheter AB, which is controlled by Fredrik Holmström through a company, owns 56.37% of Magnolia Bostad. As of 31 December 2018, the number of shareholders was 4,845 (4,803). The total number of issued shares at the end of the period was 37,822,283.

Magnolia Bostad's shares are listed on Nasdaq Stockholm, and are traded under the short name MAG. The shares were traded for the first time in June 2015 on Nasdaq First North. In January 2016, the shares moved to be traded on Nasdaq First North Premier and on 20 June 2018 the shares were listed on Nasdaq Stockholm.

The share price at closing on 28 December 2018 was SEK 36.50. On average, 110 transactions were conducted per trading day between 1 January 2018 and 31 December 2018, and the average trading volume per trading day was SEK 1.7 million.

Average number of outstanding shares

	2018 Full year	2017 Full year
Average number of outstanding shares	37,822,283	37,822,283

Warrants

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2018, 260,500 warrants were transferred to employees in accordance with the warrant programme. The programme for unused warrants is closed. Other warrants are still in the ownership of the subsidiary Magnolia Utveckling AB.

Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

Dividend policy

Magnolia Bostad intends to pay dividends to the shareholders of up to 50% of profits after tax, taking into account the company's financial position, current loan terms and prevailing market conditions.

To the 2019 Annual General Meeting, the Board is proposed no dividend to be paid for 2018.

Owners

Shareholder's structure as of 31 December 2018

Number of shares	Number of share holders	Shareholder category	Number	Shareholders per country	Number
1-500	4,037	Legal persons	149	Sweden	4,780
501-1,000	349			Other Nordic countries	35
1,001-2,000	176	Private individuals, men	3,203	Other European countries (excl. Sweden and the Nordic countries)	24
2,001-5,000	158	Private individuals, women	1,493	USA	3
5,001-10,000	57			Rest of the world	3
10,001-50,000	41	Total	4,845		
50,001-	27	of which living in Sweden	4,780		
Total	4,845			Total	4,845

Largest shareholders as of 31 December 2018

Shareholders	Number of shares	Share capital	Percentage of Votes
F. Holmström Fastigheter	21,321,837	56.37%	56.37%
Länsförsäkringar Fondförvaltning AB (publ)	3,195,269	8.45%	8.45%
Danica Pension	3,116,462	8.24%	8.24%
Svolder	1,661,161	4.39%	4.39%
Nordnet Pensionsförsäkring	1,453,998	3.84%	3.84%
Avanza Pension	728,575	1.93%	1.93%
Martin Dahlin	581,611	1.54%	1.54%
John Larsson	500,000	1.32%	1.32%
Jennie Sinclair	220,950	0.58%	0.58%
Alfred Berg Fonder	217,602	0.58%	0.58%
Total 10 largest shareholders	32,997,465	87.25%	87.25%
Other shareholders	4,824,818	12.75%	12.75%
Total	37,822,283	100.00%	100.00%

Source: Monitor by Modular Finance AB. Data compiled and processed from sources such as Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

Annual General Meeting 2019

Annual General Meeting of Magnolia Bostad AB

The Annual General Meeting of Magnolia Bostad AB will take place on Friday 10 May 2019 at 2:00pm at Magnolia Bostad's offices at Sturegatan 6, Stockholm. Registration will start at 1:00pm. 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 Saturday 4 May, 2019,¹⁾ and notify the company of their intent to participate no later than Monday 6 May 2019.

After public notice of the Meeting, notification of participation may be submitted:

- in writing to the company at:
Magnolia Bostad AB, Box 5853, 102 40 Stockholm, Sweden,
- via e-mail to: bolagsstamma@magnoliabostad.se,
- or by telephone: +46 72 504 68 05 weekdays between 1:00pm and 3:00pm.

Please state the name or company name, personal ID number or CIN, address and daytime telephone number in the notification. Notification of assistants is subject to the above notification procedure.

¹⁾ Since Saturday 4 May 2019 is not a banking day, Euroclear Sweden AB will issue the share register for the AGM on Friday 3 May 2019.

Nominee-registered shares

To be entitled to participate at the Meeting, shareholders with nominee-registered shares must register their shares through the nominee in their own name, so the person in question is registered in the share register kept by Euroclear Sweden AB on Saturday 4 May 2019¹⁾. 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, 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.

Definitions

Alternative KPIs not defined within IFRS, see page 102.

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

GFA: Gross Floor Area

MUA: Main Usable Area

UFA: Usable Floor Area

Estimated number of building rights

Number of estimated future residential units in acquired properties.

Sales rate

Sold residential units in production divided by units in projects in production.

Residential units

Refers to rental apartments, tenant-owned apartments, residential care facilities or hotel rooms.

Sold residential units in production

Number of residential units in sold projects where binding sales agreements were signed, and the profits recognized.



In January 2019 we opened our new entrance at Sturegatan 6 in Stockholm. The lobby is not only the company's main entrance but also a meeting place inviting dialogue on issues concerning housing, the design of tomorrow's new neighbourhoods and sustainable social development.

Financial Calendar

- Interim Report January–March 2019: 25 April 2019
- Annual General Meeting 2019: 10 May 2019
- Interim Report January–June 2019: 8 July 2019
- Interim Report January–September 2019: 25 October 2019

Contact

Fredrik Lidjan

CEO

fredrik.lidjan@magnoliabostad.se

Fredrik Westin

CFO

fredrik.westin@magnoliabostad.se

Magnolia Bostad switchboard: +46 08 470 50 80

Magnolia Bostad's shares (MAG) are listed on Nasdaq Stockholm.
More information is available at www.magnoliabostad.se

Magnolia Bostad | Annual Report 2018

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MAGNOLIA

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