

MAGNOLIA

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**Magnolia Bostad
Annual Report
2019**



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Magnolia Bostad's formal financial reports can be found on pages 68 – 109 and are audited by the company's auditors.



Rental accommodation: Senapsfabriken



New districts: Vårby Udde



Tenant-owned apartments: Lilium



Community service property: Norrskén



Hotel

On pages 30–38, we present a selection of projects we are working on:

- **Rental accommodation:**
Senapsfabriken, Uppsala, page 30.
- **New districts:**
Vårby Udde, Huddinge, page 32.
- **Tenant-owned apartments:**
Lilium, Uppsala, page 34.
- **Community service properties:**
Special care units for the elderly at Norrskén in Östersund, page 36.
- **Hotels:**
Hotels adjacent to Halmstad's new travel centre, page 38.

2019 in brief

In 2019, we strengthened our building rights portfolio through a number of acquisitions and our investment in properties for self-management took off. During the year, we started the production process on a total of 2,678 residential units, which is well in line with our target.

January–December 2019

- Net sales amounted to SEK 751 m (1,054).
- The operating profit was SEK 380 m (164), of which SEK 348 m (67) refers to changes in the value of managed properties.
- The net profit before tax for the period was SEK 208 m (22) and the profit after tax was SEK 171 m (7).
- Earnings per share after deductions for minority shares was SEK 3.75 (0.26).
- During the year, Magnolia Bostad agreed on the acquisition of 3,548 estimated building rights (3,068) and started the production process on 2,678 residential units in 2019.
- The Board of Directors proposes that no dividend be paid for the financial year (0).

Operating profit 2019, SEK m

380

2018: SEK 164 m

Profit after tax 2019, SEK m

171

2018: SEK 7 m

KPIs, Group

	2019 Jan-Dec	2018 Jan-Dec
Project-related		
Number of production starts during the period ¹⁾	2,678	1,939
Number of sold residencies during the period ¹⁾	533	1,314
Total number of residencies in production ¹⁾	9,284	7,697
Number of estimated building rights in the portfolio ¹⁾	18,037	17,288
Financials		
Operating profit SEK m	380	164
Return on equity, % ²⁾	14.1	1.0
Equity/assets ratio, %	29.6	30.3
Interest coverage ratio, times	0.9	0.7
Share-related		
Earnings per share, SEK ²⁾	3.75	0.26
Equity per share, SEK ²⁾	28.55	24.77

¹⁾ Including projects developed in JVs.

²⁾ Excluding minority share

For definitions of alternative KPIs that are not defined in IFRS, see note 36.

Production process-started residential units 2019: rental, tenant-owned, residential care homes and community service properties

2,678

This included 1,057 residential units for self-management through joint ventures



Projects acquired in 2019



9

Nine projects of a total of 3,548 estimated building rights acquired, including 2,117 for self-management

Completed projects in 2019



7

Seven projects of a total 1,060 residential units completed, including 68 for self-management

Projects developed in

37



municipalities

Earnings per share 2019

3,75

SEK per share

Number of environmentally-certified projects in 2019



6

Four projects according to the Sweden Green Building Council's silver certification and two projects certified according to the Nordic Swan Ecolabel.



Events in 2019

Q1

A decision was made to develop the Brogårdstaden project in Upplands Bro for self-management. The project consists of around 840 residential units.

The Maria Forum project in Helsingborg consisting of 292 rental units was completed and handed over to the purchaser Alecta.

Zoning plans came into force for three projects totalling around 1,300 residential units.

Eight tenant-owned apartments were sold in the previously production-started Ophelias Brygga and Varvet Townhouse projects.



Maria Forum in Helsingborg, located in Mariastaden's new square, consists of seven five-storey buildings with square meter-smart studio to 2-bedroom rental apartments.



Lilium in Nyby, Uppsala - a small town in a big city where Magnolia Bostad has developed 109 tenant-owned apartments and 252 rental apartments.

Q2

Magnolia Bostad and Heimstaden Bostad formed a joint venture (JV) with the aim of jointly developing around 800 wooden homes in the new southern part of Bro in Upplands-Bro municipality. The land was previously owned by Magnolia Bostad. The turnkey contractor is Derome and the production process has started on 645 residential units.

An agreement was signed for the sale of 227 residential units in Norrtälje and Åkersberga to HEBA Fastighets AB. The estimated property value at completion is around SEK 670 m. The project has started the production process in Norrtälje, which comprises 167 residential units.

Magnolia Bostad signed an agreement to sell its part of the joint venture that owns the Skogskarlen project in Bergshamra, Stockholm. The property was acquired by Magnolia Bostad in 2014 and consists of an office building with a rentable area of around 9,000 sq.m.

The production process started on stage 2 of the Lilium project in Uppsala, with 109 tenant-owned apartments, of which 90 were sold during the quarter. 18 tenant-owned apartments were sold in the previously started Ophelias Brygga, Piccolo and Varvet Townhouse projects.

The Adjutanten project in Visby consisting of 68 residential units was completed. The project was developed for long-term self-management. The Bryggeriet project in Helsingborg consisting of 327 rental units was completed and handed over to the purchaser Alecta.

Q3

Magnolia Bostad and Heimstaden Bostad formed another JV and signed an agreement to acquire land in Åkersberga for developing around 2,000 residential units. The project will be developed for long-term self-management.

An agreement was signed to acquire land in Orminge Centrum, Nacka, for developing around 200 residential and 72 residential care units.

The production process started on three projects involving a total of 412 residential units that are being developed for self-management. The projects are based in Luleå, Eskilstuna and Örebro.

Investment support was granted for three of Magnolia Bostad's projects: Björnbäret in Kalmar, Kronandalen in Luleå and part of Brogårdsstaden in Upplands Bro.

26 tenant-owned apartments were sold in the previously production-started Ophelias Brygga and Lilium projects.



The Kronandalen project in Luleå started the production process in Q3 2019. Magnolia Bostad is developing 117 residential units for self-management. The project is a joint venture with Slättö as the other partner. Representation.



Magnolia Bostad is developing around 200 residential units in the new Partille Port district in Partille. Representation

Q4

Magnolia Bostad and Slättö formed a JV for developing housing and community service properties for long-term ownership and management. In the first phase, the JV will acquire five projects, of which four are from Magnolia Bostad. The company is expected to account for up to 800 residential units initially.

An agreement was signed to acquire part of the Tullholmssågen 4 property in Karlstad municipality. Magnolia Bostad plans to develop around 430 residential units on the property.

Investment support was granted for the Övre Bangården project in Östersund.

An agreement was signed to acquire land with a zoning plan in force in Nya Hovås, Göteborg. Magnolia Bostad plans to develop around 180 residential units in the property.

JV partners were bought out and the entire property Partille 11:61 was acquired with a zoning plan in force, in the new Partille Port district. Magnolia Bostad plans around 200 residential units in the property, as well as retail units and an underground garage.

The production process started on four projects totalling 1,345 residential units, including 80 residential care units. These consist of two projects in the current project portfolio in Lund and Spånga and two recently-acquired projects in Norrköping and Ystad. The project in Spånga has been sold as the first project in the framework agreement with Heimstaden Bostad. The estimated property value at completion will be around SEK 755 million.

The Kalkensten and Cementfabriken projects in Malmö, which consist of a total of 273 rental units, were completed and handed over to the buyer SPP Fastigheter.

Three tenant-owned apartments were sold in the previously production-started Ophelias Brygga and Piccolo projects.

Our business model is getting stronger

The rapid growth in the number of rental properties for self-management was a characteristic of 2019. The number of production starts during the year was also very positive.

Magnolia Bostad reported an operating profit of SEK 380 m for 2019. A large part of this result derives from changes in the value of properties that are being developed for long-term management.

A larger number of properties are being developed for self-management

At the start of 2019, we decided to expand our business model to include developing property for self-management. The idea behind this was to strengthen the balance sheet, generate a continuous cash flow and create long-term value growth. Growth then accelerated and at the turn of the year 2019/2020, we had 1,581 residential units for self-management in production and a further 2,190 estimated building rights for self-management that had not yet started production.

Most of our projects for self-management is developed within joint venture companies (JVs), which we run together with financially strong partners. During the year we formed three JVs: two with Heimstaden Bostad and one with Slättö.

Strong inward and outward flows from the building rights portfolio

During the year, we were active on the acquisition front and strengthened our building rights portfolio with 3,545 new building rights, from Ystad in the south to Luleå in the north. This meant that the building rights portfolio at the end of the year comprised 18,037 building rights, of which 2,190 are being developed through JVs for self-management.

We started the production process on 2,678 residential units during the year. These included partly sold units, partly units in sales agreements, and residential units for self-management.

The large number of production starts led to an increase in the number of residential units in production to 9,284, an increase of just over 20% compared to the end of 2018. We also completed 1,060 residential units,

mainly for our customers Alecta and SPP, but also tenant-owned apartments and a smaller project for own long-term management. The JV form is well-suited for large projects that are demanding from both a development and financing perspective.

Sustainability is integrated into our business

Sustainability is part of our daily activities. This is reflected in, among other things, environmental certification of projects, development of safe housing areas, working for an equal workplace and social initiatives in the places where we operate. We also see ourselves as a housing developer fulfilling an important need in communities with housing shortages.

Our work on developing rental accommodation for a wide range of the population is expanding further through the development of lower-cost accommodation that is eligible for investment support. In 2019, Magnolia Bostad was granted investment support for 1,216 residential units and in January 2020 for an additional 644 units. Around half of the housing we have received investment support for, we are developing within JVs. All residential units with subsidized grants will be developed in accordance with the most stringent requirements of the Swedish Board of Housing, Building and Planning. These homes will have extremely low energy consumption, leading to lower environmental impact and lower management costs.

The housing sector also plays a key role in the climate issue. We are working with Derome to build climate-smart homes with finished modules made of wood. This work intensified during the year and we signed an agreement on the construction of another 650 residential units, this time for our Brogårdstaden project.

Increasingly mature projects make financing easier

Our building rights portfolio continues to mature, which means that we now have the opportunity of moving towards financing that is increasingly linked to



specific projects. More project-related financing means utilizing established loan facilities and gives us a more even maturity structure of liabilities in the future and lower financing costs for the company.

A financing model that will also be important for us in the future is the formation of JVs with strong partners. The JV form is well-suited to large projects that are demanding from both a development and financing perspective.

Strong demand despite financial turmoil

As I write this, concerns prevail in the financial market due to the pandemic caused by Covid-19. It is still unclear to see what consequences this will have within society and for us as a company.

Despite the troubled situation, I can conclude that Sweden's large underlying housing needs will remain. Therefore, we have great confidence in our business and continue to develop space-effective housing.

For over a year now, our organization has consisted of four regional offices: East, Central, West and South.

Each region has its own project organization, which has brought us closer to each region's local market. I am pleased that the new structure is delivering as planned in the form of new business opportunities.

We will continue to focus primarily on rental accommodation and broaden our operations to include ever-larger development projects. This means that we will take advantage of our range of rental accommodation, tenant-owned apartments, community service properties and hotels. The market is in dire need of the type of properties we develop, which means that the future looks bright.

Finally, I would like to thank all my employees for their creativity and dedication that has made our strong development possible over the ten years that the company has existed.

Stockholm, March 2020

Fredrik Lidjan
CEO



2009



Andreas Rutili (original CEO) and Fredrik Holmström (chairman) founded the company. Magnolia Bostad's journey begins.

2011



Söderblick in Nyköping with 24 apartments is the company's first project outside Stockholm and is the largest project to date in the company's history. Starts are made on other housing projects.



2013



NYA
PARKEN
ALLÉ

Building work started on Nya Parken Allé - one of Norrköping's largest ever rental accommodation projects.



The company's strategy was decided with rental accommodation as its main focus. The first project is Traversen 18 in Sollentuna consisting of 230 apartments.

2015



Magnolia Bostad grows impressively and starts the production process on over 1,550 residential units during the year, in places including Karlstad, Helsingborg and Uppsala.



SENAPS
FABRIKEN

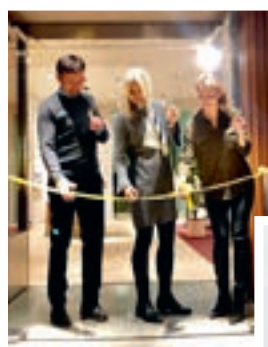


KANIKENÄS
K HOLMEN



Andreas Rutili, Fredrik Holmström and CEO Fredrik Lidjan ring the bell when the shares are listed on Nasdaq First North.

2019



Opening of our new lobby in Stockholm.

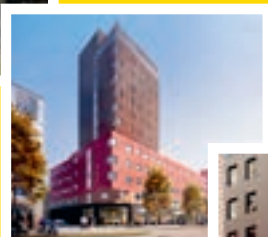
Occupancy in several projects, including Uppsala, Vallentuna and Helsingborg. The building rights portfolio now amounts to 18,037 residential units and 9,284 units are in production. During 2019, the production process started on 2 678 residential units.



Magnolia Bostad wins the Property Company of the Year – Housing award at the Property Gala.



We start our first three projects for self-management, totalling 625 residential units.



The company finalizes its first two hotel deals, in Halmstad and Lund.



The company's shares are listed on Nasdaq Stockholm's main list.



Start of construction on the Sländan project - the largest in Södertälje for 40 years.



- Vårby Udde and Södra Hågvik's estates are two of the company's major urban development projects.



Sales start for the Fyren project in Ny-Årshamn.



- Magnolia Bostad increases its focus on residential care.

OPHELIAS BRYGGA



2017

2016



We want to make a difference in places where we are active. This is why we have invested in girl's and women's soccer, sponsoring local clubs in places where we operate.



The building rights portfolio more than doubles during the year to around 11,200 building rights through acquisitions in Sollentuna, Lund and Upplands Väsby, among others.

This is Magnolia Bostad

Magnolia Bostad is an urban developer working in Sweden's growth towns and cities. We develop rental accommodation, tenant-owned apartments, community service properties and hotels - as individual projects or as part of larger projects where we create entirely new neighbourhoods.

We have one of the largest building rights portfolios in Sweden - 18,037 building rights - mainly for the development of rental accommodation. In addition, we have 9,284 residential units in production, which will be ready for occupancy within the next four years. Our operations are spread throughout Sweden - from Ystad in the south to Luleå in the north - and we have offices in four locations across the country.

Our work is guided by a holistic approach in which business is conducted in a way that promotes long-term sustainable social development. We focus on the community and society and create modern homes and living environments while connecting with life in the localities where we operate.

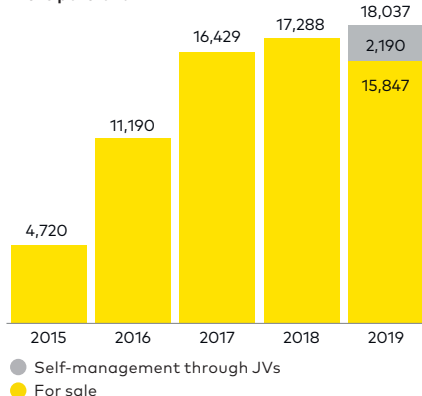


Since Magnolia Bostad was founded in 2009, we have delivered more than 1,900 ready-made residential units to customers.

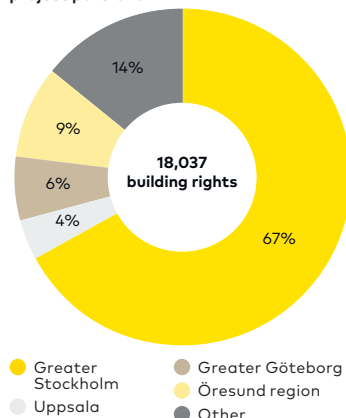


At the end of 2019, Magnolia Bostad had over 100 employees. Picture: Svenjo Behrens and Lena Hernström.

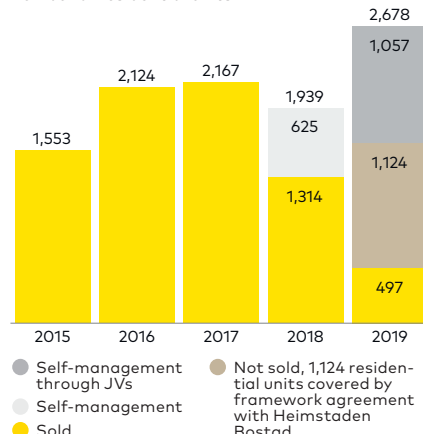
Estimated number of building rights in the portfolio



Geographical distribution of the project portfolio



Production process-started projects, number of residential units

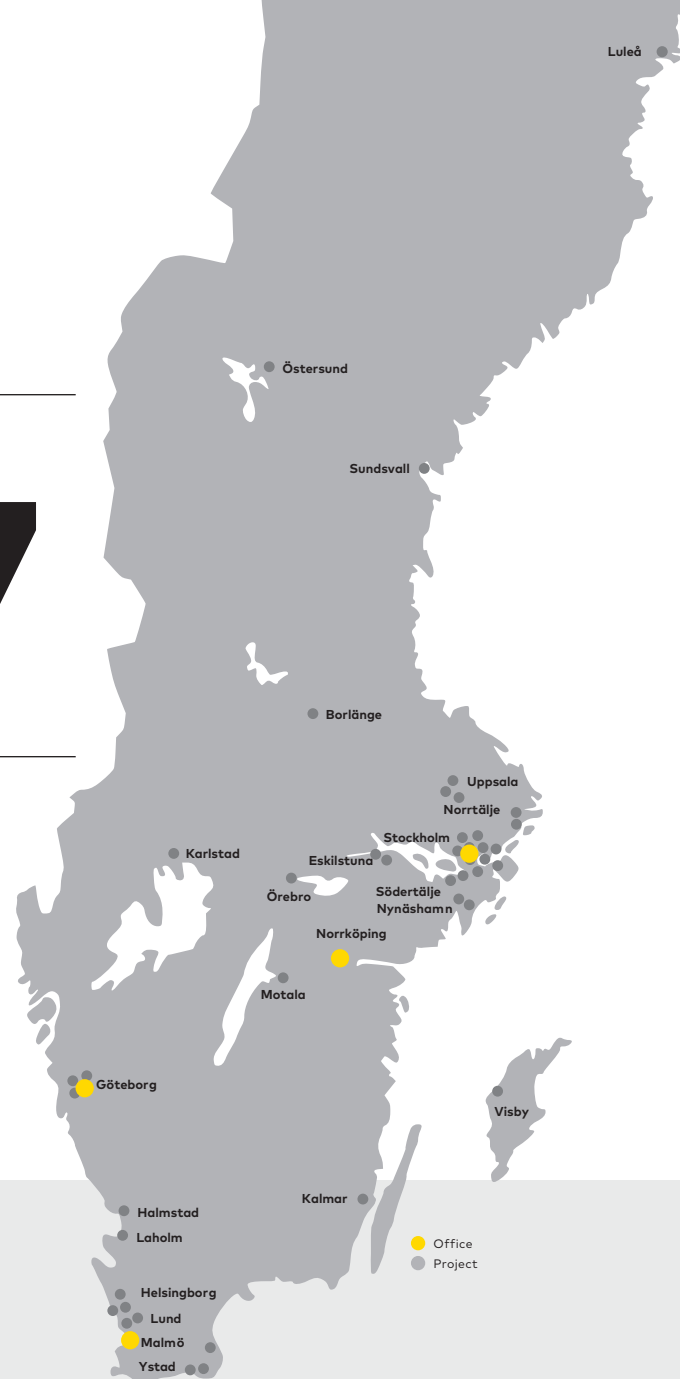


Number of estimated building rights in the project portfolio
31 December 2019

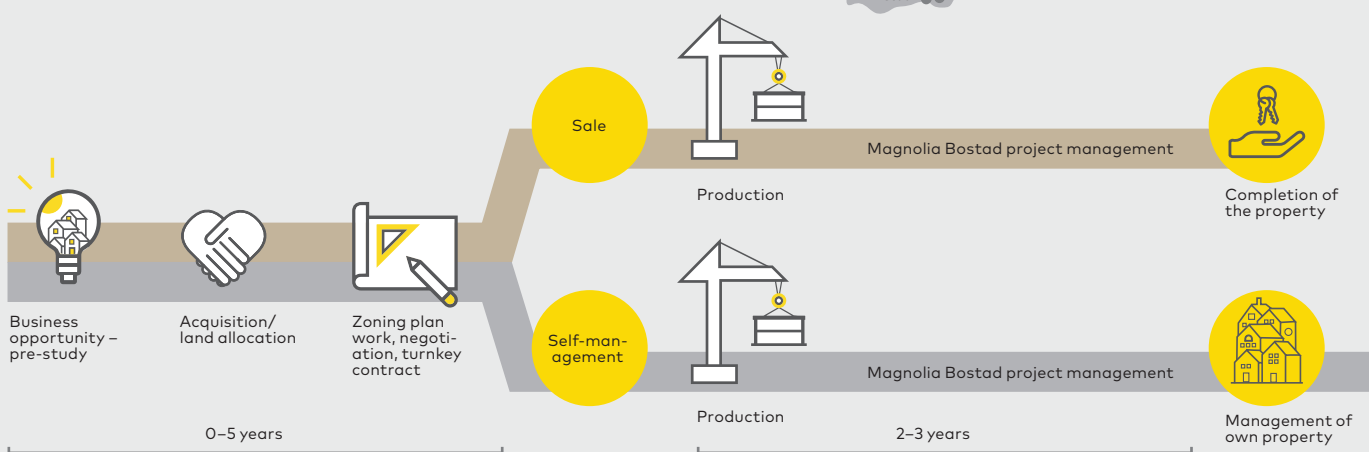
18,037

Number of residencies in production
31 December 2019

9,284



Magnolia Bostad's business model



- Magnolia Bostad's Business development department constantly monitors the market for business opportunities from either private or municipal players. Once attractive land has been identified, we carry out feasibility studies in the form of market analyses and revenue and cost estimates.
- After completing the acquisition, Magnolia Bostad will usually compile a zoning plan and negotiate with construction contractors for turnkey contracts for the projects.

- Most projects are sold at an early stage, generally before building permits have come into force and before production has started. The purchasers are normally financially strong institutional investors or property companies.
- Some of our projects are developed for self-management, usually as a JV with a financially strong partner. When these projects are completed, they contribute with long-term value growth and an ongoing cash flow to the company.
- Magnolia Bostad project manages all projects up to occupancy, a period that normally lasts over two to three years.

A value-creating business with the customer in focus

Magnolia Bostad's business is based on a balanced risk and creating value at all stages.

Business concept

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

Magnolia Bostad's cornerstones

Building rights portfolio

At the end of 2019, our building rights portfolio consisted of just over 18,000 building rights, most of which will be developed into rental accommodation. This makes Magnolia Bostad one of the largest developers of rental properties in Sweden. Our wide range of products also includes tenant-owned apartments, community service properties and hotels. We also develop entire neighbourhoods with a number of different types of accommodation.

Organization

The company has a local presence through offices in four regions with just over 100 employees. Our core competence lies in the areas of business development and project development. By running the work in these areas internally, the company has full control over a project from original idea to completion.

Financing

Financing usually occurs through bond loans and secured loans. Projects for selling are usually sold at an early stage, even before the foundations are laid. Sales often occur through a forward funding arrangement, i.e., the project is financed by the project's buyers during the production period. This reduces Magnolia Bostad's financing requirements.

As a result of our building rights portfolio maturing, we are now increasingly moving towards financing linked to specific projects. When it comes to projects for long-term management, financing is usually covered by the development work being carried out in joint ventures (JVs) with financially strong partners.

Flexible business model

We can choose to sell the project at an early stage or to develop it for self-management. We can also choose whether we will develop rental accommodation, tenant-owned apartments, community service properties or hotels.

How we create value for our stakeholders

Safe land acquisitions

All of the company's land acquisitions are based on a rent-based calculation and careful preliminary work, which reduces the risk of buying land too expensively. Sweden's municipalities have a great need for developing new residential areas.

Parallel development

In parallel with the acquisition process, work begins on developing an attractive and sustainable concept adapted to the conditions of the site. We work closely with our contractors, and exchange expertise in order to develop cost-effective solutions at an early stage. We also have contacts with buyers early in the process.

Sales at an early stage

Most of our projects are sold at an early stage, often before construction has begun, thus reducing our financing needs. We cooperate with long-term institutional investors and have framework agreements for sales consisting of a large part of the building rights portfolio. Magnolia Bostad then project manages the work until occupancy.

Long-term value growth in self-management

Over time, Magnolia Bostad intends to build up a larger portfolio for self-management that strengthens the balance sheet, provides a continuous cash flow and long-term value growth. Financing is usually secured by running these projects in JVs with financially strong partners.

Project management from start to finish

Magnolia Bostad runs the project – from the first idea, through zoning plan work and concept development up to the final completion. We have long-term cooperation agreements with well-established building contractors. Production is procured in the form of a turnkey contract at a fixed price, which limits the risk of cost increases related to construction.

Sustainability

We start from a life-cycle perspective as we develop housing and strive to achieve or exceed the requirements for environmental certification according to the Swedish Green Building Council's silver certificate, the Nordic Swan Ecolabel or the equivalent. Security is another important aspect to take into account and that is why we are a partner to Botryggt2030 (A cooperation body for urban planning that can prevent crime and increase security through measures in the physical environment).

Creating value for our stakeholders

Owners

Stable value growth.

Society

Sustainable accommodation and neighbourhoods.

Customers

Functional and attractive, high-quality accommodation that is easy to manage.

Partners

An effective, skilled partner.

Employees

An equal work place that nurtures and develops different skills.

How we create value



Safe land acquisitions

Acquisitions based on rent-based calculation. Good demand for our projects.



Parallel development

- Land
- Acquisitions
- Contractors
- Buyers



Early sales

Sales at the planning stage reduce the need for financing.



Self-management

Continuous cash flows and long-term value growth.



Project management from start to finish

Own project management. Turnkey contracts at a fixed price.



Sustainability

Projects developed according to a life cycle perspective and with support from Botryggt-2030

Magnolia Bostad's cornerstones

Building rights portfolio

Wide range of products and presence throughout Sweden.

Organization

Highly skilled, dedicated employees.

Financing

Bond loans, bank financing and JV structures.

Flexible business model

Choice between housing types and between selling or developing for self-management.

Business concept

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

Creating value for our stakeholders

Owners

Magnolia Bostad works to create sustainable value growth for its owners.

Society

Magnolia Bostad develops sustainable housing and neighborhoods, thereby helping to fill a need in society.

Customers

Magnolia Bostad delivers functional, area-efficient and attractive, high quality housing that beyond this are also easy to manage.

Partners

Magnolia Bostad is a partner who runs projects efficiently and with high level expertise from pre-study to completion.

Employees

Magnolia Bostads wants to be an attractive employer. We offer an equal and exciting workplace and work with skills development, career planning as well as promoting employees' health and well-being.

Strategy and targets

Based on our business concept and with support in our strategy, we work to achieve our targets, in business, financially and in sustainability.

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 must be developed for sale as residential units, community service properties or hotels based on current market conditions and each property's individual potential and characteristics
- Projects will also be developed for self-management with the aim of strengthening the balance sheet, generating a continuous cash flow and creating long-term value growth.

- Production only starts when demand has been assured.
- Collaboration should be formed with long-term partners.
- 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

Housing

3,000

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

Community service properties

3–5

Have the capacity to produce three to five community service facilities annually.

Hotels

1–2

Have the capacity to produce one to two hotels annually.

Financial targets

Return on equity

Return on equity shall amount to at least 30%.



2019 result: Return on equity was 14.1%.

Equity/assets ratio

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



2019 result: The equity/assets ratio is below the financial target of an equity/assets ratio of at least 30%. The equity/assets ratio has been adversely affected by the introduction of IFRS 16 – Leasing, and the investment in owning properties for self, long-term, management.

Sustainability targets

For targets and outcomes of sustainability indicators, see pages 64–65.



Gjuteriet, Eskilstuna

Shares and owners

Magnolia Bostad's shares are listed on Nasdaq Stockholm.

The shares

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 switched to be traded on Nasdaq First North Premier and on 20 June 2018 the shares were listed on Nasdaq Stockholm. The total number of shares issued in 2019 was at an average level and at year-end stood at 37,822,283 (37,822,283).

The share price at closing on 30 December 2018 was SEK 41.50. On average, 61 transactions were conducted per trading day in 2019 and the average trading volume per trading day was SEK 0.8 million

Dividend policy

Magnolia Bostad intends to pay dividends to the shareholders of up to 50% of the profit after tax, taking into account the company's financial position, current loan terms and prevailing market conditions.

Prior to the 2020 Annual General Meeting, the Board of Directors proposes that no dividend will be paid for the 2019 financial year.

Warrants

Magnolia Bostad has issued warrants in both 2017 and 2019.

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling. In total 260,500 warrants have been transferred to employees in accordance with the warrant program and 28,000 warrants have been re-purchased. 89 500 unutilized warrants have been cancelled during the year. 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.

The Annual General Meeting held on 10 May 2019 resolved to issue 200,000 warrants to the subsidiary

Magnolia Bostad as an investment

As a shareholder in Magnolia Bostad, you have the opportunity of being part of an innovative and responsible urban developer creating new neighbourhoods and residential areas in Sweden's growth towns and cities.

Opportunity for good value growth

The company has a project portfolio of about 18,000 estimated building rights that are steadily maturing. The project portfolio contains to a large extent projects for the type housing that is currently in demand in Sweden.

Balanced risk

Land acquisitions, usually conditional on the zoning plan coming into force, are always based on a calculation for the development of rental housing. This gives us the opportunity to profitably develop rental accommodation as well as tenant-owned apartments, community service properties or hotels. We balance risks related to

costs, revenues and liquidity through the sale of projects at an early stage.

Financially strong customers

Most of our customers are financially strong institutional investors or property companies. Usually, their projects use forward funding, or they form a JV with us and thereby become our long-term partners.

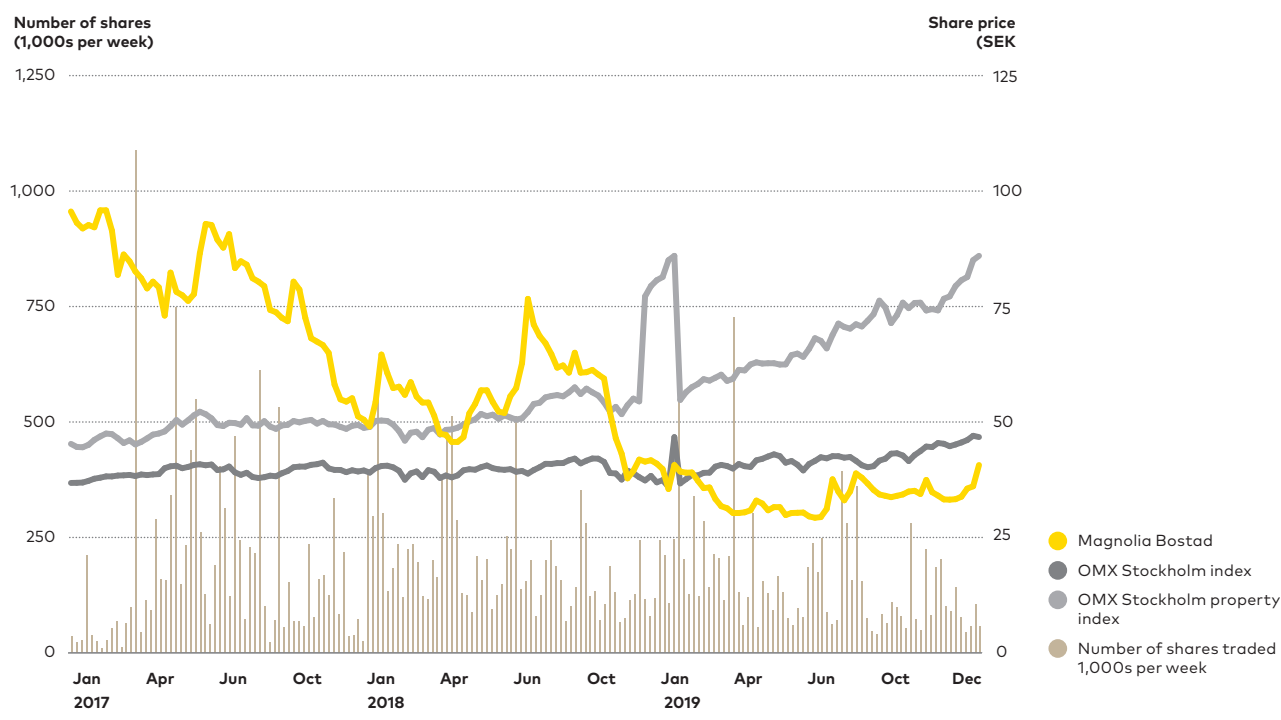
Effective implementation

We have close collaboration with well-established construction companies and other partners.

Sustainable urban development

We take responsibility for sustainable urban development by developing safe housing and neighbourhoods, while at the same time working to reduce the environmental impact. We also care about developing attractive neighbourhoods that will last a long time.

Turnover and price of the Magnolia Bostad share



Magnolia Utveckling. Following the AGM's decision, 170,000 of the warrants were offered to key employees at the subsidiary, all of which have been acquired by and assigned to key employees. The outstanding warrants remain in Magnolia Utveckling's ownership for the time being. Each warrant entitles the holder to subscribe for one share in Magnolia Bostad at a strike price of SEK 84 per share during the period from 1 November 2022 until 26 April 2024.

Owners

F. Holmström Fastigheter AB, which is controlled by Fredrik Holmström through companies, owns 53.67% of Magnolia Bostad.

The company's ten largest shareholders control 87.68% of the shares. 77.54% of the company's owners own 500 shares or less, while 22.46% own more than 500 shares.

As on 31 December 2019, the number of shareholders amounted to 3,691 (4,845). 3,619 owners are Swedish private individuals or legal entities, 42 are from the rest of the Nordic countries, 25 are from Europe (excluding the Nordic countries) and five are from the rest of the world. Of the company's owners, 127 are legal entities and of the 3,564 private individuals, 1,134 are women and 2,430 are men.

Largest shareholders as on 31 December 2019

Shareholder	Number of shares	Percentage of share capital and votes
F. Holmström Fastigheter	21,321,837	56.7%
Länsförsäkringar Fondförvaltning AB (publ)	3,195,269	8.45%
Wealins S.A.	3,116,462	8.24%
Svolder	2,035,718	5.38%
Nordnet Pensionsförsäkring	1,87,014	3.14%
Avanza Pension	694,694	1.84%
Martin Dahlin	500,000	1.32%
John Larsson	502,430	1.33%
Carnegie Fonder	309,696	0.82%
Nordea Liv & Pension	298,490	0.79%
Total 10 largest shareholders	33,161,610	87.68%
Other shareholders	4,660,673	12.32%
Total	37,822,283	100.00%

Source: Monitor by Modular Finance AB. Data compiled and processed from sources such as Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

The market

There is a housing shortage in most of Sweden's municipalities and demand for property investment was at a record high in 2019.

In the last decade, the population in Sweden has increased by almost one million people according to statistics from Statistics Sweden (SCB). The increase is mainly due to the fact that immigration exceeds emigration but also partly due to a greater birth rate and life expectancy. According to SCB¹⁾ the age group that has significantly increased and is expected to increase most in the future is people 80 and older. This means that the need for different types of housing for the elderly is increasing significantly.

According to the National Board of Housing, Building and Planning's June 2019 forecast, there is estimated to be a need for about 640,000 additional homes over the coming ten-year period, which means around 64,000 new homes per year.

Property Location

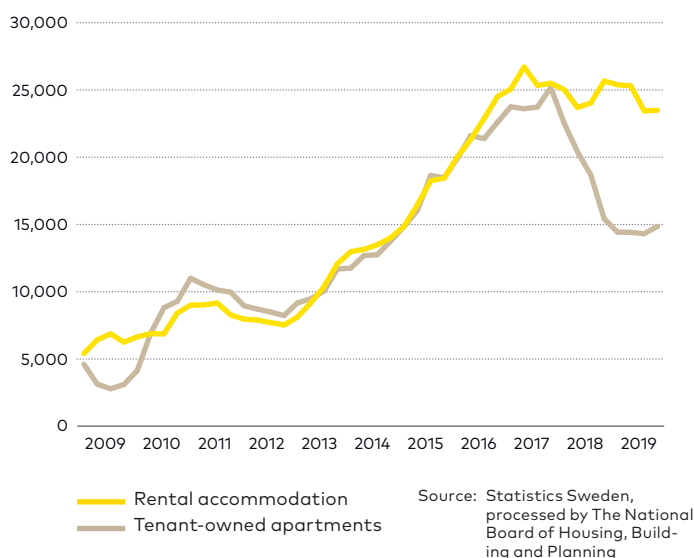
There are housing shortages in 240 of Sweden's 290 municipalities and 94% of the population live in a municipality with a housing shortage according to the National Board of Housing, Building and Planning's Market Survey 2019. The shortage is greatest in the larger cities. The greatest need is for one and two bed rental apartments, but there is also a lack of houses and tenant-owned apartments. Young people and new arrivals are reported to be the most affected by the housing shortage

Production of new housing

According to preliminary statistics from SCB published in February 2020, construction of 52,250 residential units began in 2019, of which 48,850 were new builds. Around 39,000 of the newly-built residential units are in apartment buildings, which is 6% less than in 2018 and 23% less than 2017. Of the apartments in apartment buildings that started in 2019, 62% are rental, compared with 60% for 2018 and 50% for 2017.

In terms of production-started rental accommodation in apartment buildings we have seen considerably more stability in recent years than has been the case for tenant-owned apartments, as construction of these fell sharply during 2018. In 2019, the twelve-month rate for tenant-owned apartments in prelimi-

Accommodation started, rolling twelve-month figures



nary statistics was stable from January onwards. The amount of rental accommodations started fell slightly over the year after Q1 2019.

Economic situation

During the autumn of 2019, the Swedish economy exited a boom period and entered a phase of lower growth.

GDP growth fell from 2.2% in 2018 to 1.2%²⁾ in 2019. The good supply of capital has led to low financing costs, which has benefited the property market.

Strong interest in property investment in 2019³⁾

Interest in investing in property in Sweden has been at a record level in recent years. In 2019, the transaction volume⁴⁾ for property amounted to SEK 219 billion, which is the highest figure recorded. The transaction volume increased in 2019 by SEK 57 billion or 35% compared with 2018 and was SEK 16 billion higher than the previous record from 2016.

In 2019, the transaction market was dominated by portfolio transactions (multiple properties in one deal). These accounted for 62% of the total transaction volume. In 2019, international investors were net buyers in the Swedish market for the third year in a row, accounting for 35% of the total invested capital during the year. International buyers have been active in all sub-segments and throughout Sweden.

Rental property³⁾

Rental property is one of the most attractive asset classes among commercial property.

In 2019, rental property sold was valued at SEK 80 billion, which is 49% more than the previous record from 2018. Rental properties were thus the single largest segment in terms of transaction volume and also the most liquid with 162 transactions during the year. Interest in unfinished projects (forward funding transactions) continued to be high during the year and amounted to SEK 17 billion, corresponding to 21% of the transaction volume for rental property. This compares with an average of SEK 6.5 billion per year for the previous five years.

Residential care property³⁾

Considerable interest in residential care property led to sales of SEK 6.4 billion in 2019. Interest in forward transactions regarding residential care property was also high, with around 16% of the transaction volume for the full year relating to unfinished projects.

Hotels³⁾

Over the past five years, hotel properties have averaged about 3% of the transaction volume. The volume amounted to SEK 2.7 billion in 2019. Institutions and listed property companies dominate among hotel buyers, together accounting for 37% of the acquisition volume. The hotel market performed strongly in 2019, the number of occupied hotel rooms rising by 4% compared with 2018. The weak Swedish krona led to increased tourism, both in terms of Swedish and foreign visitors.

Market for tenant-owned apartments³⁾

During the second half of 2019, housing market optimism increased, and housing prices rose. This is after prices in the housing market saw a decline in autumn 2017 after several years of rapidly rising housing prices. Young adults and single households have found it especially difficult to obtain financing for their home. However, the fundamental need for new housing remains high, even in the case of tenant-owned apartments, which is a major factor for the price increase.

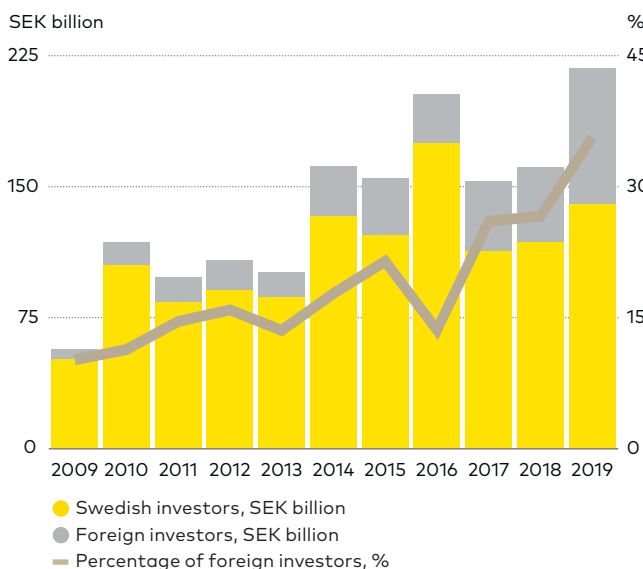
¹⁾ SCB, 2019 Sweden's future population

²⁾ SCB February 2020, preliminary GDP growth 2019

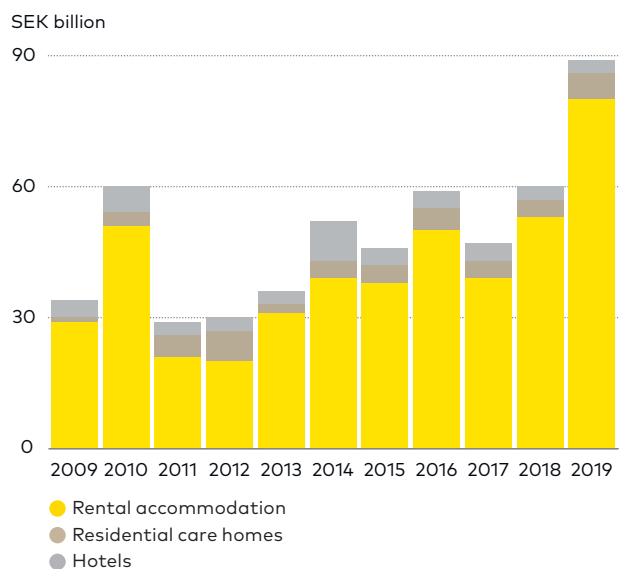
³⁾ Savills Research

⁴⁾ Transactions over SEK 25 m

Transaction volume all segments, SEK billion and %
Swedish and foreign investors



Transaction volumes rental accommodation, residential care homes and hotels, SEK billion



Magnolia Bostad's projects

Magnolia Bostad operates from Ystad in the south to Luleå in the north. The majority of our projects are sold to financially strong institutions, while a smaller proportion of the building rights portfolio is developed for self-management.

Magnolia Bostad has one of Sweden's largest building rights portfolios for the development of rental accommodation.

We develop rental accommodation, community service properties, hotels and, to a certain extent, tenant-owned apartments in Sweden's growth towns and cities. Our homes are developed as either individual projects or as part of a larger project as a whole new neighbourhood emerges. By working with several products and forms of tenure, Magnolia Bostad achieves a good spread of risk and becomes an attractive partner for long-term collaboration.

Magnolia Bostad operates in 37 of Sweden's municipalities and has local offices at four locations in the country: Stockholm, Göteborg, Malmö and Norrköping. Together with selected partners, we create sustainable homes and residential areas where we focus on fellowship and the community while at the same time getting involved in the localities where we operate.

At year-end 2019/2020, the company had 18,037 estimated building rights in its building rights portfolio and 9,284 units in production. In 2019, we completed seven projects covering a total of 1,060 housing units.

Number of estimated building rights in the project portfolio 31 December 2019

18,037

Number of residential units in production 31 December 2019

9,284

Number of residential units completed in 2019

1,060



Magnolia Bostad applies an urban planning perspective to its projects. Municipalities and institutional investors often require the expertise to develop comprehensive residential areas that include not only housing, but also, for example, community service properties such as residential care homes and nursery schools.

The majority of our projects are sold at an early stage to major Swedish institutions or other reputable partners.

Magnolia Bostad also develops accommodation for its own long-term management. Properties for self-management today constitute a minor part of the building rights portfolio. Over time, Magnolia Bostad intends to build a portfolio of self-managed properties that strengthens the balance sheet, provides a continuous cash flow and long-term value growth.

Unless otherwise stated, the information on pages 20–29 refers to all building rights and housing in each project, as well as completed properties for self-management, including projects developed in JVs.

Building rights portfolio

As on 31 December 2019, Magnolia Bostad had a project portfolio of 15,847 estimated building rights for sale, of which 1,857 through JVs (see pages 24–25), and 2,190 building rights in two non-production-started properties owned by JVs (see page 29). The total number of estimated building rights thus amounts to 18,037.

Projects in production

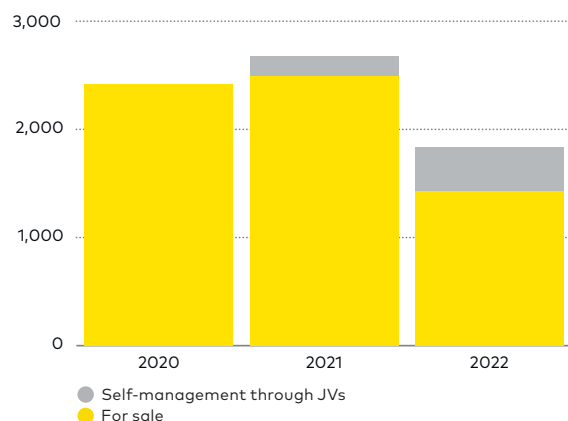
As on 31 December 2019, Magnolia Housing had 38 projects in production of a total of 9,284 residential units of which 7,703 units in projects for sale and 1,152 units for self-management.

Sold projects in production

In projects that are being developed for sale, 7,703 residential units were in the start of the production process (see pages 26–27). Of these, 6,551 were sold

Estimated production starts in the building rights portfolio over coming 3 years¹⁾

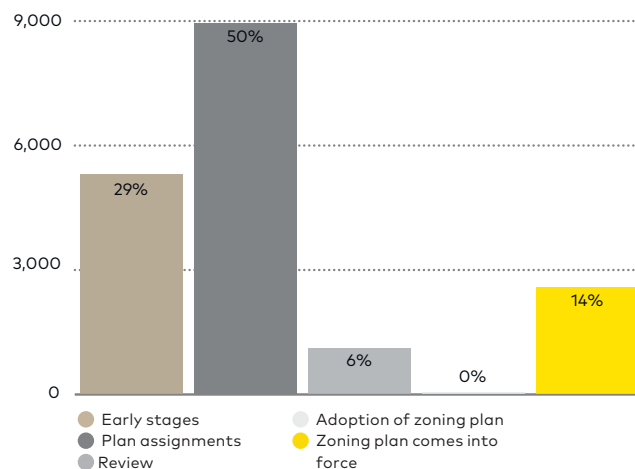
– number of residential units, rolling 12-month periods



¹⁾ Refers to all building rights and residential units in each project, including projects being developed in JVs

Zoning plan status in the building rights portfolio^{1) 2)}

– proportion of estimated building rights in each zoning plan phase



¹⁾ Percentages are rounded to the nearest whole number.

²⁾ Refers to all building rights and residential units in each project, including projects being developed in JVs.

and revenue recognized, which corresponds to a sales ratio of 85.0%. The difference of 1,152 units relates to three projects of 1,124 residential units that are included in the framework agreement with Heimstaden, as well as 28 units that have not yet been sold in two already started tenant-owned apartment projects.

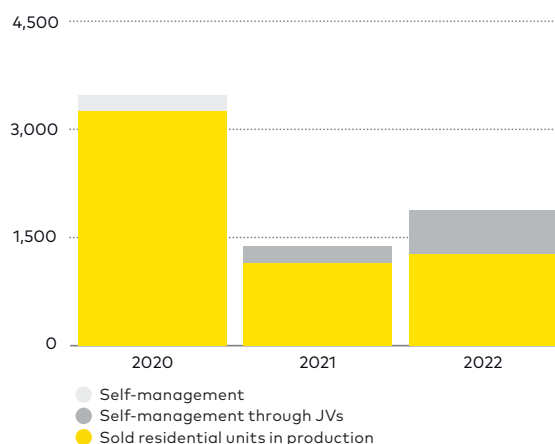
In sold rental accommodation projects, Magnolia Bostad can, on behalf of and in collaboration with the buyer, sell parts of sold rental accommodation projects as tenant-owned apartments. During Q4, 37 units were converted to tenant-owned apartments in the previously sold phase 1 of the rental accommodation project Fyren in Nynäshamn.

Properties for self-management in production

As on 31 December 2019, Magnolia Bostad had 1,581 residential units in production for self-management, of which 1,269 were through JVs (see page 29). These properties are being developed for long-term ownership.

Estimated completion of projects in production over coming 3 years¹⁾

– number of residential units, rolling 12-month periods



Events in 2019

Acquisitions

During the year, an agreement was signed for the acquisition of nine properties with a total of 3,648 estimated building rights. The project in Partille was previously owned by Magnolia Bostad through a JV where Magnolia Bostad has now signed an agreement to buy out the JV partner.

Project sales and production starts

In 2019, three projects comprising 497 residential units and 36 tenant-owned apartments were sold in production-started tenant-owned projects, giving 533 sold units during the year.

During the year, a total of ten projects started comprising 2 678 residential units, four of which were through JVs with Slättö. Of the remaining six projects, three have not yet been sold. These projects, a total of 1,124 residential units, are covered by the framework agreement with Heimstaden.

Completed projects

Seven projects were completed in 2019, of which four were rental accommodation projects, two tenant-owned apartment projects and one project comprising two residential care homes owned by Magnolia Bostad for long-term management.

Acquisitions 2019

Quarter	Project	Municipality	Category	Estimated number of building rights
3	Orminge hus, stage 1	Nacka	A	200
3	Orminge hus, stage 2	Nacka	CSP	80
3	Näsängen	Österåker	A	2,000
3	Kronandalen	Luleå	A	117
4	Tullholmsviken	Karlstad	A	430
4	Edvinshem	Ystad	A	225
4	Björkalund	Norrköping	A	116
4	Nya Hovås	Göteborg	A	180
4	Partille Port	Partille	A	200
Total				3,548

Production starts 2019¹⁾

Quarter	Project	Municipality	Category	Acquired by	Number of residential units
2	Norrtälje Hamn	Norrtälje	A, CSP	HEBA	167
2	Lilium, stage 2	Uppsala	A	Tenant-owned association	109
2	Brogårdstaden	Upplands-Bro	A	Self-management through JV	645
3	Kronandalen	Luleå	A	Self-management through JV	117
3	Gjuteriet, stage 2	Eskilstuna	A	Self-management through JV	115
3	Sportflygaren	Örebro	A	Self-management through JV	180
4	Ferdinand	Spånga	A	Heimstaden Bostad	221
4	Slipsen (stage 1 and 2)	Lund	A	Heimstaden	783
4	Björkalund	Norrköping	A	Heimstaden	116
4	Edvinshem	Ystad	A	Heimstaden	225
Total					2,678

Completed projects 2019¹⁾

Quarter	Project	Municipality	Category	Acquired by	Number of residential units
1	Maria Forum	Helsingborg	A	Alecta	292
2	Bryggeriet	Helsingborg	A	Alecta	327
2	Adjutanten	Visby	CSP	Self-management	68
4	Kalkstenen	Malmö	A	SPP Fastigheter	129
4	Cementfabriken	Malmö	A	SPP Fastigheter	144
4	Varvet	Karlstad	A	Tenant-owned association	92
4	Varvet Townhouse	Karlstad	A	Tenant-owned association	8
Total					1,060

¹⁾ Refers to all building rights and residential units in each project, including projects being developed in JVs.

A = Apartments
CSP= Community Service Properties, for definition see page 135

Projects for sale

Magnolia Bostad has a project portfolio for sale comprising 38 projects and 15,847 estimated building rights. The production process starts when the zoning plan has come into force, a turnkey contract has been signed, and a final purchase agreement has been signed. Larger projects usually start production in multiple stages of 200-300 residential units per stage.

A majority of projects are sold off at an early stage through forward funding to major Swedish institutions

or other reputable partners. Our customers are therefore financially strong and less cyclically sensitive than many other buyers. Through forward funding, Magnolia Bostad's financing needs are reduced and, with that, the risk to our operations as well. The projects are financed by the buyer during the production period.

Magnolia Bostad aims to achieve a margin of at least 10% for all projects that are being developed for sale.

Projects not yet production started – projects for sale

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 local zoning plan processes, decisions by government authorities or undetermined dates for vacancy, these assessments

and thus the final outcome for each project may change over time.

The information on pages 24–25 refers to all residential units in each project, including projects being developed within JVs. Magnolia Bostad's share of earnings amounts to 92% unless otherwise stated.

Name	Municipality	Area	Category	Estimated number of building rights	Estimated GFA/MUA/UFA (sq.m)	Zoning plan status	Planned buyer
Gyllehemmet	Borlänge	Central Borlänge	A, CSP	106	9,400	●●●●●	
Kvarnsjödalen ²⁾	Botkyrka	Tumba	A, CSP	2 000	130,000	●○○○○	Släutto agreement, part of project
Mesta	Eskilstuna	Mesta	CSP	54	3,950	●●○○○	
Nya Hovås	Göteborg	Nya Hovås	A	180	8,900	●●●●●	
Gamlestaden hotel ⁴⁾	Göteborg	Gamlestaden	H	240	7,600	●●●●●	
Frihamnen H ⁴⁾	Göteborg	Lundbyvassen	H	300	11,000	●●○○○	
Frihamnen ²⁾	Göteborg	Lundbyvassen	A	150	8,000	●●○○○	
Västerhaninge	Haninge	Västerhaninge	A	500	30,000	●●○○○	
Drottninghög	Helsingborg	Drottninghög	CSP	105	6,200	●●●●●	
Mejeriet ²⁾	Helsingborg	Filborna	A	540	30,000	●○○○○	Heimstaden agreement
Österhagen	Huddinge	Länna	CSP	80	5,300	●●○○○	
Vårby Udde ²⁾	Huddinge	Vårby	A, CSP, H	1800	115,000	●●○○○	Släutto agreement part of project
Torgkvarteren ²⁾	Håbo	Central Bålsta	A	405	21,500	●●●○○	Heimstaden agreement
Tullholmsviken	Karlstad	Tullholmsviken	A	430	25,500	●●●○○	
Ångloket ²⁾	Knivsta	Central Knivsta	A	325	15,000	●●●●●	Heimstaden agreement
Bunkeflostrand ²⁾	Malmö	Limhamn	A, CSP	1 000	45,600	●●○○○	
Hasseludden	Nacka	Hasseludden	CSP	60	4,300	●●●●○	
Orminge Hus	Nacka	Orminge Center	A, CSP	280	15,330	●●●○○	
Lommarstranden ²⁾	Norrtälje	Lommarstranden	A	240	12,000	●●○○○	
Nykvarn ³⁾	Nykvarn	Central Nykvarn	A	285	13,000	●●●●●	
Partilleport	Partille	Partille	A	200	11,100	●●●●●	

Cont. projects not yet production started - projects for sale

Name	Municipality	Area	Category	Estimated number of building rights	Estimated GFA/MUA/UFA (sq.m)	Zoning plan status	Planned buyer
Norrbacka ²⁾	Sigtuna	Norrbacka	A, CSP	265	12,500	●●○○○	
Södra Häggviks Gårdar ¹⁾	Sollentuna	Stinsen, Häggvik	A, CSP	1 500	94,000	●●○○○	Slätto agreement, part of project
Årstaberg 2	Stockholm	Årsta	A	120	6,500	●●○○○	
Bredängshöjden ²⁾	Stockholm	Bredäng	A	700	35,000	●●○○○	Heimstaden agreement, part of project
Erstavik ³⁾	Stockholm	Erstavik	CSP	72	5,180	●○○○○	
Årstaberg 1	Stockholm	Liljeholmen	A	100	5,500	●●○○○	Heimstaden agreement
Oktaven	Stockholm	Skärholmen	A	110	5,830	●●○○○	
Skarpnäcksgård 1:1	Stockholm	Skarpnäck	A	90	4,200	●●○○○	Heimstaden agreement
Norra kajen ²⁾	Sundsvall	Norra Kajen	A	800	37,300	●●●●●	Heimstaden agreement
Finnkajen ⁴⁾	Sundsvall	Stenstaden	H	270	9,000	●●○○○	
Sländan, stage 3 ²⁾	Södertälje	Central Södertälje	A	250	12,700	●●○○○	
Grimsta 5:2 (Infra) ²⁾	Upplands Väsby	Bredden	A, CSP, H	890	41,200	●●○○○	
Senapsfabriken ²⁾	Uppsala	Central Uppsala	A	700	29,000	●○○○○	
Konstnären ²⁾	Uppsala	Sala Backe	A	110	6,150	●●●●●	Heimstaden agreement
Nätverket ²⁾	Österåker	Åkersberga	A	335	9,600	●●○○○	Heimstaden agreement
Hagby Park ²⁾	Österåker	Åkersberga	A	195	10,300	●●○○○	Heimstaden agreement
Täljöviken	Österåker	Täljöviken, Åkersberga	CSP	60	4,650	●●●●●	HEBA
Total estimated number of building rights for sale				15,847	857,290		

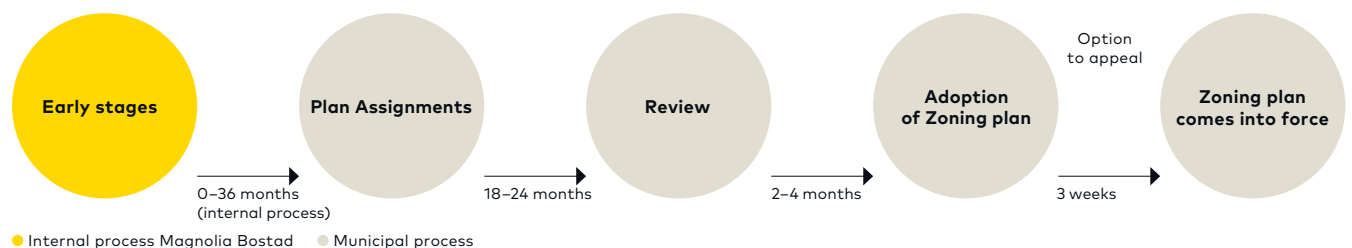
- ¹⁾ Magnolia Bostad owns 45 % of the JV. Magnolia Bostad's share of the development profit amounts to 90%.
- ²⁾ Magnolia Bostad's share of the profit amounts to 90%
- ³⁾ Part of JV. Magnolia Bostad's share of the profit amounts to 46 %
- ⁴⁾ Magnolia Bostad's share of the result amounts to 76%.

●●●●● = Zoning plan comes into force
 ●●●○○ = Adoption of Zoning plan
 ●●●○○ = Review
 ●●○○○ = Plan Assignments
 ●○○○○ = Early stages

A = Residential Units
 CSP= Community Service Properties, for definition see page 135
 H= Hotel

Zoning plan process

The timeline below shows the estimated average time spent in the various stages of the planning process



The above process can be affected by a number of factors and thus delayed due to, for example, political change or changed conditions in the development area.

An appeal against an adopted plan can delay the process by up to 18 months.

Projects in production – sold or being sold

The number of residential units sold in production is the estimated number of residential units at the time production starts.

The information on pages 26-27 refers to all residential units in each project, including projects being developed within JVs. Magnolia Bostad's share of earnings amounts to 90% unless otherwise stated.

Project	Area, Municipality	Category	Sold apart- ments	GFA/ MUA/ UFA (sq. m.)	Unsold apart- ments	Pro- duc- tion start	Buyer	Contractor
Slipen	Kanikenäsholmen, Karlstad	RU	216	12,300		2015	Slättö	Consto
Nyby Lilium, stage 1	Nyby, Uppsala	RU	300	14,000		2015	SEB Domes- tica II	Serneke
Maria Mosaik	Mariastaden, Helsingborg	RU	345	16,000		2016	SPP Fas- tigheter	Veidekke
Sländan, stage 1	Central Södertälje	RU	441	19,000		2016	SPP Fas- tigheter	ED Bygg
Senapsfabriken, stage 1 ¹⁾	Central Uppsala	RU	455	19,400		2016	SEB Domes- tica III	NCC
Tegelslagaren	Åby Ängar, Vallentuna	RU	155	6,150		2016	SEB Domes- tica II	ED Bygg
Tegelmästaren	Åby Ängar, Vallentuna	RU	160	5,950		2016	SEB Domes- tica II	ED Bygg
Gjuteriet, stage 1	Norr Munktelstaden, Eskilstuna	RU	262	1,900		2016	Slättö	Consto
Segelflygaren	Södra Ladugårdsängen, Örebro	RU	210	10,000		2016	Slättö	Consto
Senapsfabriken, stage 2 north ¹⁾	Central Uppsala	RU	325	13,100		2017	Slättö	NCC
Senapsfabriken, stage 2 south ¹⁾	Central Uppsala	RU	325	13,900		2017	Heimstaden Bostad	NCC
Sländan, stage 2	Central Södertälje	RU	136	5,300		2017	Viva Bostad	ED Bygg
Fyren, stage 1	Nynäshamn	RU	220	10,500		2017	Viva Bostad	Consto
Fyren, stage 2	Nynäshamn	RU	236	11,600		2017	SEB Domes- tica IV	Consto
Hyllie Gärde ²⁾	Hyllie, Malmö	RU	427	21,000		2017	Slättö	ED Bygg
Hotel Brunnshög ³⁾	Brunnshög, Lund	H	251	8,900		2017	Alecta	Serneke
Hotel ResacentAm ³⁾	Central Halmstad	H	244	9,500		2017	Alecta	Serneke
Visborg ²⁾	Visborg, Visby	CSP	58	3,950		2018	Northern Horizon	PEAB
Fasanen	Arlöv, Burlöv	RU	275	12,675		2018	Heimstaden Bostad	Serneke
Allarp Laholm ⁴⁾	Allarp, Helsingborg	CSP	54	3,850		2018	Northern Horizon	Consto
Brogårdstaden ²⁾	Bro, Upplands-Bro	RU	658	31,000		2018	Slättö	Consto
Ophelias Brygga	Oceanhamnen, Helsingborg	TO	103	7,500	21	2018	Tenant-owned association	Serneke
Nämndemansgatan ²⁾	Central Motala	CSP	54	4,400		2018	M&G	Gärahovs Bygg
Nyponrosen 5 ⁴⁾	Rosengården, Helsingborg	RU, CSP	125	8,360		2018	Northern Horizon	Veidekke
Piccolo ²⁾	Central Halmstad	TO	19	1,860	7	2018	Tenant-owned association	Serneke
Lilium, stage 2	Nyby, Uppsala	TO	109	5,200		2019	BRF	Serneke

Cont. projects in production – sold or being sold

Project	Area, Municipality	Category	Sold apart- ments	GFA/ MUA/ UFA (sq. m.)	Unsold apart- ments	Pro- duc- tion start	Buyer	Contractor
Norrtälje Hamn	Norrtälje Hamn, Norrtälje	RU, CSP	167	9,500		2019	Heba	Credentia
Ferdinand ²⁾	Spånga, Stockholm	RU, CSP	221	15,400		2019	Heimstaden Bostad	Consto
Björkalund ²⁾	Björkalund, Norrköping	RU		5,100	116 ⁵⁾	2019	Heimstaden	Derome
Edvinshem ²⁾	Edvinshem, Ystad	RU		13,730	225 ⁵⁾	2019	Heimstaden	Derome
Slippen	Södra Råbylund, Lund	RU		34,000	783 ⁵⁾	2019	Heimstaden	Serneke
			6,551	367,025	1,152			

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 amount to 76%.

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

⁵⁾ Covered by a framework agreement signed with Heimstaden Bostad in June 2018.

CSP= Community Service Properties, for definition see page 135

RU= Residential Unit

TO = Tenant-Owned

Projects sold 2019

Quarter	Project	Municipality	Acquired by	Estimated number of building rights
1	Ophelias Brygga	Helsingborg	Tenant-owned association	7
1	Varvet Townhouse	Karlstad	Tenant-owned association	1
2	Ophelias Brygga	Helsingborg	Tenant-owned association	12
2	Varvet Townhouse	Karlstad	Tenant-owned association	1
2	Piccolo	Halmstad	Tenant-owned association	5
2	Lilium, stage 2	Uppsala	Tenant-owned association	90
2	Norrtälje Hamn	Norrtälje	Heba	167
3	Lilium, stage 2	Uppsala	Tenant-owned association	19
3	Ophelias Brygga	Helsingborg	Tenant-owned association	7
4	Ferdinand	Spånga	Heimstaden Bostad	221
4	Piccolo	Halmstad	Tenant-owned association	2
4	Ophelias Brygga	Helsingborg	Tenant-owned association	1
Total				533

Properties for self-management

Properties for self-management now form part of the building rights portfolio. Over time, Magnolia Bostad intends to build up a self-management portfolio to strengthen the balance sheet and provide a continuous cash flow and long-term value growth. Magnolia Bostad develops properties for self-management both under its own management and within JVs.

For self-managed properties we run ourselves, a building credit is used during the development phase and then financing with planned tied-up capital of 3-5 years. Building credit is also used for development within JVs, but by working with financially strong partners, the need for our own financing is reduced. Magnolia Bostad contributes with its development expertise while our partner accounts for a larger share of the capital requirement. For further information about project financing, see pages 40-43

As on 31 December 2019, Magnolia Bostad had two completed properties for its own long-term management and seven properties for self-management in production. After completing these, the annual rental value is estimated to increase to SEK 174 m, of which SEK 126 m is reported as part of JVs and the properties have a property value of SEK 3,481 m, of which SEK 2,535 m is part of JVs. Production starts for properties under own management take place when the zoning plan has come into force and a turnkey contract signed.

Magnolia Bostad's share of earnings in the tables on page 29 amounts to 92% unless otherwise stated.

Valuation of properties for self-management and properties for self-management in production

Magnolia Bostad reports its properties for self-management at fair value in accordance with IAS 40, Investment Properties. Magnolia Bostad values all properties for self-management every quarter. To ensure the valuations, an external valuation of all properties for self-management is carried out annually.

During Q4, all completed properties for self-management and all properties for self-management in production were valued externally. In implemented valuations, direct yields in a range from 3.75% to 6.25% have been used.

Properties for self-management that are owned by JVs are measured at fair value within the JV, which affects the result of shares in associated companies and joint ventures and therefore the reported value of shares in associated companies and joint ventures. For further information about the valuation of Magnolia Bostad's properties, see pages 44-46.

Properties for self-management

Project	Area, Municipality	Category	Number of residential units	Rentable space (sq.m)	Property value (SEK m)	Occupancy rate (%)	Property value per sq. m (SEK)	Annual rental value (SEK m)
Orminge Centum ¹⁾	Orminge, Nacka	O	-	6,000	103	98	17,167	8
Adjutanten	A7-området, Visby	CSP	68	4,200	115	99	27,381	6
Total			68	10,200	218		44,548	14

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

Properties for self-management in production

Project	Area, Municipality	Category	Estimated number of residential units	Estimated rentable space at completion (sq.m)	Remaining investment (SEK m)	Estimated property value on completion (mkr)	Estimated annual rental value on completion (SEK m)	Estimated completion	JV partner
Björnbäret	Snurrom, Kalmar	A	232	10,950	73	383	20	2020	-
Norrskan	Central Östersund	CSP	80	5,800	224	282	14	2023	-
Total projects under self-management		312	16,750	297	665	34			
Övre Bangården ¹⁾	Central Östersund	A	212	9,200	306	334	18	2022	Slättö
Kronandalen ¹⁾	Kronandalen, Luleå	A	117	5,100	185	180	10	2021	Slättö
Gjuteriet, stage 2 ¹⁾	Norra Munktelstaden, Eskilstuna	A	115	5,850	180	243	12	2021	Slättö
Sportflygaren ¹⁾	Södra Ladugårdsängen, Örebro	A	180	8,350	258	394	20	2022	Slättö
Brogårdstaden ¹⁾	Bro, Upplands Bro	A	645	38,000	941	1,385	67	2022-2024	Heimstaden Bostad
Total projects through JVs			1,269	66,500	1,870	2,535	126		
Total			1,581	83,250	2,167	3,200	160		

Properties for self-management, not yet production started

Name	Area, Municipality	Category	Estimated number of building rights	Estimated rentable space at completion (sq.m)	Estimated completion	Zoning plan status	JV partner
Brogårdstaden ¹⁾	Bro, Upplands-Bro	RU	190	12,000	2022-2024	●●●●●	Heimstaden Bostad
Näsängen ¹⁾	Åkersberga, Österåker	RU	2,000	122,000	2025-2035	●○○○○	Heimstaden Bostad
Total			2,190	134,000			

¹⁾ Part of JV. Magnolia Bostad's share of the profit amounts to 46%.

For further information about the zoning plan process see page 25

O = Office

A = Apartment

CSP= Community Service Properties, for definition see page 135

RU = Residential Unit

●●●●● = Zoning plan comes into force

●●●●○ = Adoption of Zoning plan

●●●○○ = Review

●●○○○ = Plan Assignments

●○○○○ = Early stages

Senapsfabriken – a new residential area is emerging in Uppsala

Magnolia Bostad's building rights portfolio consists of over 18,000 estimated building rights. In addition to these, we have more than 9,000 units in production – one example is Senapsfabriken (the Mustard Factory) in central Uppsala.



Many people applied for the rental apartments in the first phase of the Senapsfabriken project and the project quickly became fully subscribed.

As recently as 2008, mustard was still produced at the factory at Kungsgatan in Uppsala. Today, the area is undergoing a transformation – old industrial land is becoming a sustainable, modern residential area with attractive housing. Through its central location, Senapsfabriken offers residents proximity to everything, including excellent transport links to locations like Arlanda Airport and Stockholm.

Magnolia Bostad started working on the project in 2013 and after a couple of years of development work construction could start. Occupancy began in 2018 and in 2019 the last tenant moved into the first stage. The apartments consist of space-effective studio and one-bedroom apartments as well as a small number of two-beds, all with spacious balconies or patios. The properties are built according to the Sweden Green Building Council's silver certification, have charging points for electric cars, individual measurement of hot water consumption and electricity for the properties via solar cells on the roofs.

The first two stages of the project consist of around 1,100 rental apartments and over ten premises. More information about the project can be found on pages 25, 26 and 41.



"The apartment feels and looks like a condominium"

Emma Nilsson and her boyfriend were among the first tenants to move into Senapsfabriken

"It's nice to live here. We weren't interested in buying an apartment right now, so this suits us well. It's a good standard and fresh looking – the apartment feels and looks like a condominium. It also works very well living here and commuting to Stockholm."



Alex Snäckerström, Riksbyggen, and Maria Cheung, Magnolia Bostad, inspect solar panels on the roof of Senapsfabriken. The panels contribute a large part of the properties' electricity, which keeps operating costs down.

"We are very happy about the great cooperation"

Maria Cheung at Magnolia Bostad is project managing work on Senapsfabriken in close collaboration with the turnkey contractor NCC and the customer Riksbyggen.

"The first part of the project was delivered on time according to the contract's schedule and with zero inspection remarks before moving in," says Maria.

"We now have 454 rental apartments occupied and have started building a further 644 apartments. We are very pleased with our excellent collaboration with NCC."

Roger Barkman, Production Manager at NCC, agrees:
"We entered the project at an ear-



Roger Barkman, NCC.

ly stage and during the production phase we have had a consensus on how to achieve the goals we have set together. This applies to goals involving both quality and the environment, as well as time and cost frameworks."

"The large number of residences places high demands on all involved and our collaboration is built on transparency, openness and clarity."

"Good choices of material makes the buildings easy to manage"

Alex Snäckerström at Riksbyggen, which runs letting and management, sees several advantages:

"Modern operational optimization systems allow us to monitor heat and ventilation remotely, and we can adjust any deviations at an early stage."

"Well-chosen materials in the stairwells make the buildings easy to keep clean, which makes it easier for us as managers and keeps down the costs for our client."

"We have also noticed that the tenants feel at home in their apartments and the beautiful courtyard. This makes our job easier and contributes to the good management of the premises."

Vårby Udde in Huddinge – a new neighbourhood takes shape

Magnolia Bostad also develops entire neighbourhoods, which the new neighbourhood of Vårby Udde is an example of.



The history of the area is reflected in the preservation including the integration of an attractive old industrial building with the new architecture. Representation of the square at Vårby Udde.

Magnolia Bostad plans to develop around 1,800 residential units, nurseries, residential care units, shops, restaurants and a hotel at Vårby Udde.

Work on the project has been ongoing since spring 2017 when Magnolia Bostad signed an agreement with Spendrups to purchase the place where their brewery business was based for a long time. Now one of the municipality's most attractive locations will be transformed from an industrial area to a new marine district. Accommodation, nurseries, residential care homes, shops, restaurants and a hotel are planned along with natural areas and a promenade. Vårby Udde has good transport links with two underground stations and the upcoming Spåvåg Syd (tramway) will have a station in the surrounding area.

The vision is for Vårby Udde to be an area where you feel welcome and safe around the clock. From the outset, there is a focus on sustainability. For more information about the project, see page 24.

From Viking town via industrial area to a new marine habitat

- During the Viking era, Vårby had a strategic importance in the defence of Birka's trade, so important that the town was named "Vardh by", the Guards' village.
- Vårby spa (or Wårby Spa) was founded in 1707 and the springs were considered to be able to cure most ills. People came from all over Europe.
- In 1932, a mineral water factory was built on the headland, which later became known as Wårby Hålsobrunn.
- In 1989 Wårby Bryggerier was acquired by Spendrups Bryggeri.
- In 2017, Magnolia Bostad signed an agreement with Spendrups to buy the land.
- In February 2020, Huddinge municipality decided to start the zonal plan work for Vårby Udde. Now the transformation into a new marine district in Huddinge is really underway.
- In the foreseeable future, around 4,000 people will have a new home in a new neighbourhood that has been planned from the start with a focus on economic, social and ecological sustainability.



Vårby Udde is centrally located and also close to nature at Lake Mälaren. The neighbourhood will be flanked with a promenade. Representation of Vårby Udde.

"We have a good dialogue with Magnolia Bostad and we are working towards the same goal"

In February 2020, Huddinge municipality decided to start the zonal plan work for the development of the area into a new marine district.

"It is important for us at the municipality to have a holistic perspective," says Malin Danielsson, Municipal Commissioner (L) of Huddinge municipality. To suit different interests and needs, we want the area to offer different types of accommodation. It is also important that there should be accommodation for all stages of life, if you feel comfortable you should be able to stay in the area.

"The area's cultural heritage will be nurtured in the development work. For example, we are giving a new use to a beautiful old industrial building, part of Sweden's industrial history. We also preserving the venerable Vårby Källa (water source).

"The area is close to both Lake Mälaren and Gömmaren nature reserve and we want the experiences from nature to be available. We plan to open up Gömmarebäck-en, which was a culvert during the industrial era, which



Malin Danielsson, Municipal Commissioner (L) in Huddinge. Photo: Thomas Carlgren

means that the fish in Lake Mälaren will get a place back to live.

"Magnolia Bostad's great ambitions in terms of sustainability are well in line with the municipality's ambitions. Together we have developed a detailed sustainability programme which is already at the zonal plan level based, among other things, on the UN's 17 Global Goals for Sustainable Development. By carrying out sustainability planning at such an early stage, we believe that we can achieve profound ecological, social and economic sustainability. We have a really good dialogue with Magnolia Bostad and we feel that we are working towards the same goal."

Tenant-owned apartment sales – focusing on the customer

Tenant-owned apartments are an important complement to Magnolia Bostad's overall business. We work with a structured process where the customer is always the focus.

Many municipalities planning new residential areas demand mixed forms of tenure. Magnolia Bostad therefore works with both rental accommodation and tenant-owned apartment projects. Although rental accommodation is the backbone of what we do, tenant-owned apartments are an important complement.

One example is the Lilium project in Nyby, Uppsala. Besides 252 rental apartments, Magnolia Bostad has developed 109 well-planned studio to three-bedroom apartments here. Moving into the new tenant-owned apartments began in the summer of 2019.

"Customer satisfaction is our greatest business benefit. By giving the customer the right expectations, keeping our promises, showing personal commitment and always having the customer in focus, we prepare the ground to achieve our goals," says Linda Wiman, who

is responsible for tenant-owned apartment business at Magnolia Bostad. "We therefore actively work with a focus on the customer throughout our process, from acquisition and product design to sales, access and aftermarket."

"Magnolia Bostad has a structured process for the sale of tenant-owned apartments where we manage sales in the same way in all projects. It is important for us to be seen as a safe, serious player, which is also a prerequisite for successful sales."

"We are committed to ensuring that the customer feels continuously informed and secure. For example, our security package reduces the risk of double housing costs if the buyer has difficulty getting their old apartment sold."



"I'm extremely pleased"

"I've been extremely pleased with the entire sales process," says Stefan Reinholdsson, who bought an apartment in the Lilium tenant-owned housing association in Uppsala. "I didn't have a clue of how to buy a new apartment before and the process has been incredibly good from start to finish."

"Magnolia Bostad's work before and during moving in as well as the management and follow-up after moving in, worked perfectly. The little things and adjustments that appeared after moving in were quickly handled. Magnolia Bostad has always been close to the customer and been available. It's been really, really good."

Picture on the left: Stefan Reinholdsson sees his new apartment for the first time.



Moving in began in the summer of 2019 in Magnolia Bostad's housing project Lilium in Nyby, Uppsala. More information about the project can be found on pages 23 and 26.



Frost interior design concept



Dis interior design concept



Vass design concept

Find your home with our three interior design concepts

Stylish as frost. Soft as haze. Natural as reeds. Our three interior design concepts help the customer make the right choice.

"We want you to be happy every time you step inside the door at your home," says Åsa Sjölund, account manager at Magnolia Bostad. "That's why we created Frost, Dis and Vass – three interior concepts designed by Lotta Agaton Interiors."

The décor consists of solid materials with timeless design that goes from kitchen to bathroom and creates a contiguous home. Each concept is also thought through from a sustainability perspective when it comes to the choice of materials and a design that will last.



Åsa Sjölund at Magnolia Bostad (right) helps Solveig Voss Jörgensen and Bengt Jörgensen with the options for their new tenant-owned apartment in Fyren in Nynäshamn.

Increased need for community service property in Sweden

The market in community service properties has grown significantly in recent years. During 2019, Magnolia Bostad increased its focus on developing properties for public services.



Catrin Viksten, Head of Community Service Property at Magnolia Bostad.

When a new area is to be developed, it is important to take into account the increased demand for community service property in addition to residential and commercial premises. A community property is a property that is predominantly used by tax-financed operations and is specifically adapted for community service. At Magnolia Bostad we primarily develop special housing for the elderly and other forms of adapted accommodation as well as schools and nurseries.

In recent years, the market in community service property has increased sharply. This is largely due to an overall increase in the Swedish population and an increasing proportion of older people. The segment has thus become a very attractive investment for institutional investors.

Catrin Viksten is the recently appointed head of developing community service property at Magnolia Bostad and has extensive experience from schools and residential care homes.

"Magnolia Bostad has a large land bank with around 35 potential community service property projects in the existing building rights portfolio," says Catrin. "We consider the growth opportunities in the business area to be very good and expect to be able to complete more community service property projects with a primary focus on special housing for the elderly, schools, nurseries and LSS housing (specially adapted accommodation)," she continues.

During the year Magnolia Bostad signed four 20-year leases with Borlänge municipality for the construction of a community service property comprising home care, a nursery, special housing for the elderly and daycare for the elderly. Magnolia Bostad also signed a 20-year lease agreement with Östersund municipality for the Norrsken residential care facility in central Östersund.



Representation. The Norrsken residential care home in Östersund will offer a view of Storsjön. For more information about the project, see page 29.

Residential care home with a unique design

Along Bangårdsgatan in central Östersund, Magnolia Bostad is developing the residential care home Norrsken. The project is expected to be ready for occupancy in 2022 and consists of 80 residential units of 32 m², with stunning views of Storsjön and Frösön.

The building will be built with inspiration from the municipality's Sami history with a façade consisting of wood panels in maintenance-free heat-treated pine that creates a graphic pattern of Lake Storsjön and its mountains in the background.

"It's a fantastic building that meets the municipality's functional requirements," says Lise Hjemgaard Svensson, Chairman of the municipality's Health and Care committee. "We believe that it will be a pleasant, enjoyable environment, inside and outside, for those who live and work here and who come to visit."



Norrsken will be built with inspiration from Östersund's Sami history. The façade shows a graphic pattern showing Lake Storsjön and the mountains. Representation.

Hotels as part of a major project or as an individual project

Magnolia Bostad has started production on two hotels and has a number in development.



The construction of a hotel adjacent to Halmstad's new travel centre is currently underway.



Representation of the hotel project in Halmstad.

Hotel projects are sometimes part of a larger urban development project, such as the Vårby Udde project. Magnolia Bostad is developing a completely new neighbourhood, including a hotel. Other hotels are being developed as their own, independent projects – an example of one, and which today is being built, is the hotel adjacent to Halmstad's new travel centre.

The hotel, which has 14 floors, is located in Halmstad's new important entrance area, the new travel centre and the new district square. The hotel will consist of about 240 rooms, a restaurant, sky bar, roof terrace, gym, relaxation area and parking garage.

The project has been acquired by Alecta and will be part of ProfilHotel's range of hotels in Sweden. It is being built by Serneke and is expected to be completed by the end of 2020/2021. The hotel is certified according to BREEAM Very Good. For more information about the project, see page 26.



Magnolia Bostad is developing a hotel with more than 200 rooms in the Gamlestaden area of Göteborg. Representation

Project financing

Financing is primarily required for the initial development phase, where capital is required for land acquisition and processing work.

Once a new project has been identified, we begin the process of developing concepts, zoning plans and building permits. Magnolia Bostad's investment in the projects normally increases, the closer the project is to acquiring the land and thus paying the purchase price.

The financing requirement varies from project to project, depending on the time the development process takes and the type of acquisition it is about. If Magnolia Bostad buys a property that does not have a zoning plan, it can take several years of planning and property conversion, unlike if we buy a property with a zoning plan in force.

During the course of the project, Magnolia Bostad has the opportunity to choose whether the property should be sold or run for long-term management.

Projects developed for sale

Most of Magnolia Bostad's bank financing is linked to individual projects where debt repayments are made in connection upon Magnolia Bostad's handover. Upon handover, Magnolia Bostad receives forward funding for the projects. This means that the buyer pays for investments made up to the time of handover. In this

way, the inflow is matched with the outflow of liquid funds. In connection with the handover, the buyer also usually pays part of the project's profit.

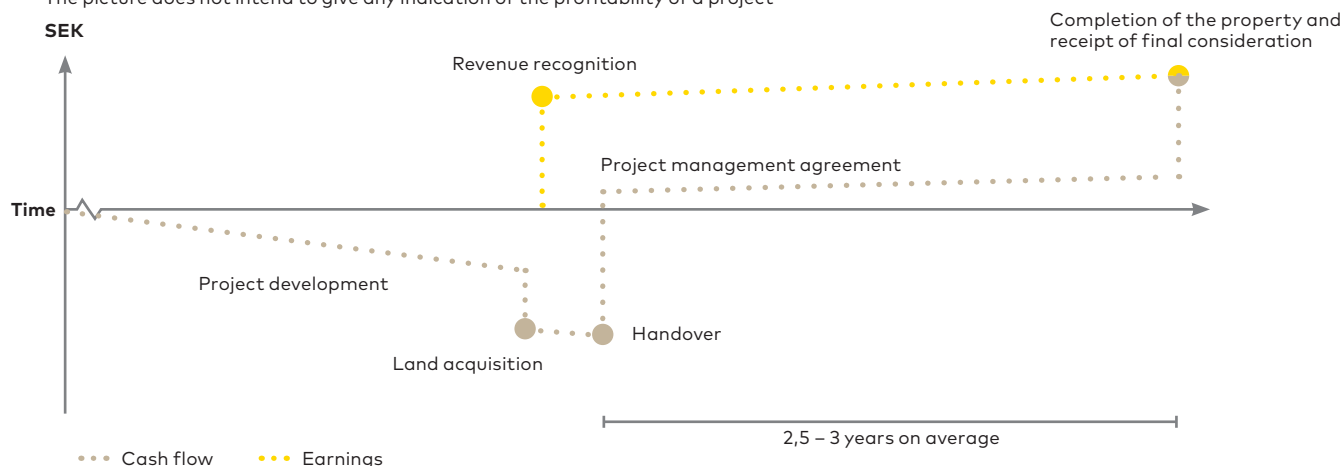
Sales and revenue are recognized when binding purchase agreements and an enforced zoning plan are in place, as well as a turnkey contract.

The time of Magnolia Bostad's handover is often when the building permit is obtained or when the division of the property has been approved. The time between revenue recognition and handover can therefore vary from project to project. Exit usually occurs two to six months after the contract date, but it can take up to one year after the contract date.

After the handover, financing responsibility for the project passes to the buyer. Magnolia Bostad has a project management agreement with the buyer for the period after handover, which runs until the property is completed. The project management agreement is invoiced and revenue is reported on an ongoing basis during the contract period. Upon completion of the property, Magnolia Bostad receives the bulk of the proceeds from the profit.

Projects being developed for sale: accumulated - cash flow and earnings

The picture does not intend to give any indication of the profitability of a project



Diagrammatic picture of cash flow and earnings in Magnolia Bostad's projects being developed for sale. The picture does not intend to give any indication of the profitability of a project.



The Senapsfabriken project in Uppsala is under construction. More information about the project can be found on pages 25, 26, 30 and 31.

Projects developed for long-term management

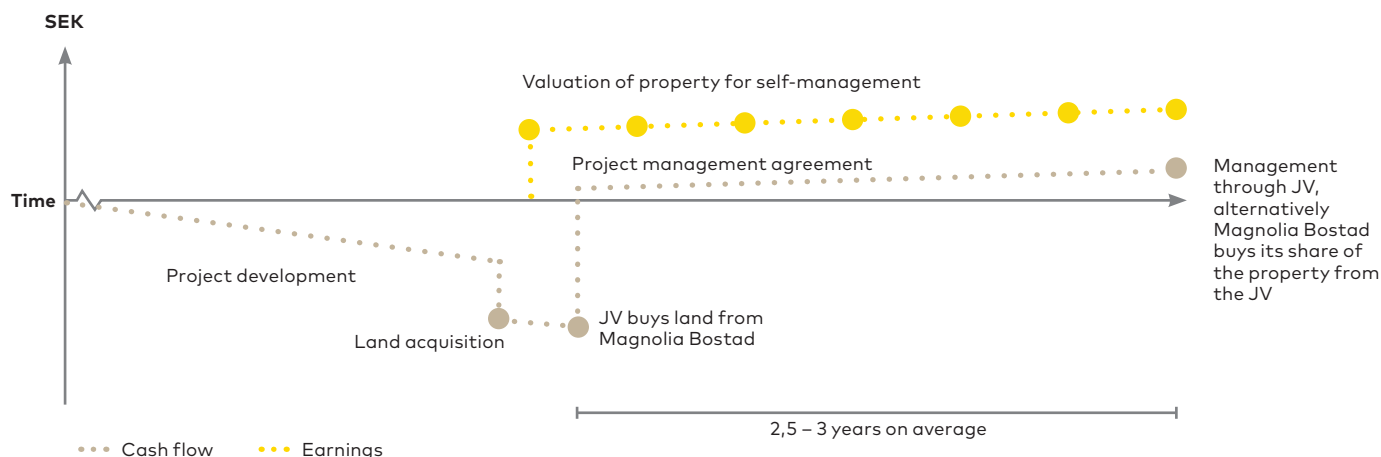
In cases where Magnolia Bostad develops properties for long-term management, this is mainly done with financially strong partners in the form of joint venture companies (JVs), which means that the JV's financing can be arranged on more favourable terms.

When the JV buys land from Magnolia Bostad and the project enters a production phase, a building credit is used. The purpose of developing properties for self-management is to strengthen the balance sheet and provide a continuous cash flow and long-term value growth.

In 2019 Magnolia Bostad formed two JVs with Heimstaden Bostad for the development of housing for self-management, one for the development of around 800 residential units in the new southern part of Bro in Upplands-Bro municipality and the other for the development of around 2,000 residential units in Näsengen in Österåker municipality. During the latter part of the year, Magnolia Bostad also formed a JV for long-term management with Slättö, initially for the development of around 800 residential units.

Projects developed in JVs for long-term management, for example: accumulated - cash flow and earnings

The picture does not intend to give any indication of the profitability of a project



Diagrammatic picture of cash flow and earnings in Magnolia Bostad's projects being developed in JVs for long-term management. The picture does not intend to give any indication of the profitability of a project.

Group financing as on 31 December 2019

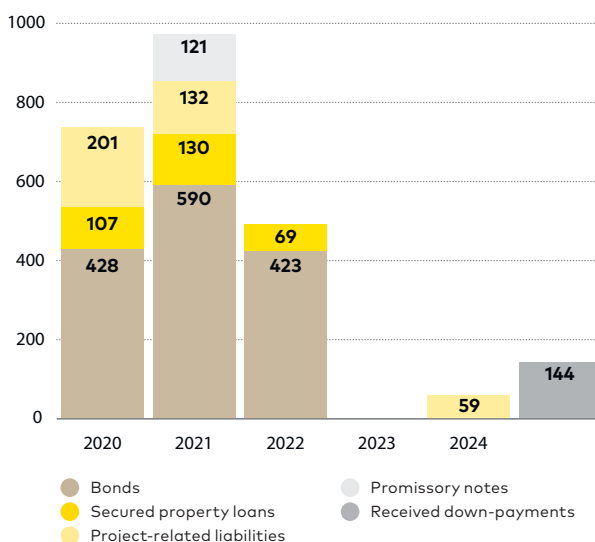
The majority of interest-bearing liabilities comprise bond loans with a book value of SEK 1,441 m.

Magnolia Bostad has three outstanding bonds totalling a nominal SEK 1,550 m, consisting of a covered bond of a nominal SEK 450 m, with a variable interest rate of Stibor 3m + 6.25% (with a Stibor floor), maturing in April 2020, and two unsecured bonds, maturing in 2021 and 2022, respectively. The bond maturing in 2021 has a nominal amount of SEK 600 m under a framework of SEK 1bn and a floating coupon of Stibor 3m + 7.25% (without a Stibor floor). The bond maturing in 2022 is an unsecured bond of a nominal SEK 500 m, and a floating coupon of Stibor 3m + 8.5% (without Stibor floor).

Bank financing amounts to SEK 698 m, of which SEK 306 m is secured in property. Remaining interest-bearing liabilities consist of received down-payments of SEK 144 m and promissory notes of SEK 121 m.

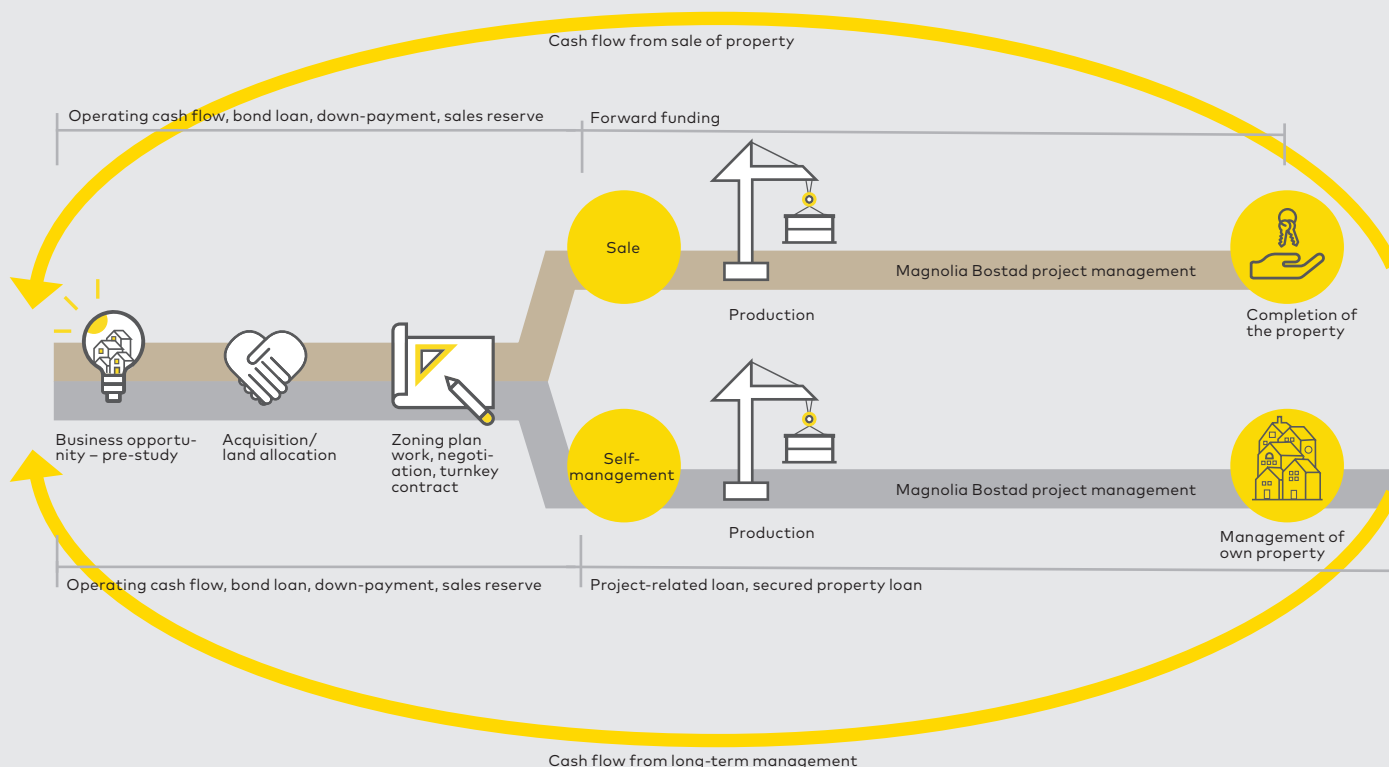
Of loans maturing in 2020 and 2021, SEK 107 m and SEK 130 m respectively consist of secured property loans, which are deemed to be refinanced upon maturity. In addition, SEK 201 m and SEK 132 m, respectively, are short-term project-related loans that are deemed to be repayable upon maturity.

Maturity structure, SEK m



Magnolia Bostad also has various short flexible credit facilities (RCF) amounting to SEK 1,338 m, of which SEK 788 m was unutilized as on 31 December 2019.

Financing in the business model



Three questions to Fredrik Westin, CFO

What types of financing best suit for Magnolia Bostad?

"As our building rights portfolio matures, we have been increasingly able to link funding to individual projects. More project-related financing means more utilization of various short flexible credit facilities (RCFs). In this way, we achieve a smoother maturity structure and a lower financing cost.

Another financing model that's also important for us is the formation of JV companies with financially strong partners. A JV is an ideal arrangement when we are developing large projects that are demanding from both a development and financing perspective."

Which part of your business is most financially demanding?

"We divide the development process into two main phases: the project development phase, which is the period from the start of the project

until we exit, and the project management phase, which begins after the handover and which extends to the completion of the project.

Our financing needs are mainly during the project development phase and are particularly great immediately before the handover of the project. During the project management phase, the buyer is responsible for the financing of sold properties."

How does your investment in properties for self-management affect your financing needs?

"We develop most of our self-management projects in JVs with financially strong partners. During the development period, the projects are financed through equity and building credits. Eventually, we see properties for self-management as an important foundation in Magnolia Bostad's business model as these properties generate stable ongoing cash flows. The reliability



of these cash flows strengthens the company's opportunities for favourable long-term financing."

KPIs, financing, 31 December

	2019	2018
Equity, SEK m	1,183	1,093
Cash and cash equivalents, SEK m	440	395
Net financial items, SEK m	-172	-142
Interest-bearing liabilities, SEK m	2,404	2,192
Unutilized credit, SEK m	788	834
Cash flow, operating activities, SEK m	75	-20
Cash flow, investment activities, SEK m	-267	-21
Cash flow, financing activities, SEK m	237	228
Equity/assets ratio, %	29.6	30.3
Average interest rate, %	7.0	7.1
Average tied-up capital period (excl. down-payments and utilized overdraft credits), number of years	1.6	2.4
Interest cover rate, times	0.9	0.7

Magnolia Bostad's main focus in the financing process is to provide the business with capital at market-favourable terms in terms of price, interest rate risk and structure. Financing operations are conducted in accordance with the rules and guidelines set by the Board of Directors annually. The company's overall financial policy aims to ensure the short- and long-term supply of capital, achieve a long-term and stable capital structure with a smooth maturity structure and the lowest possible risk exposure.

Magnolia Bostad's financial targets stipulate that the equity/assets ratio should be at least 30%.

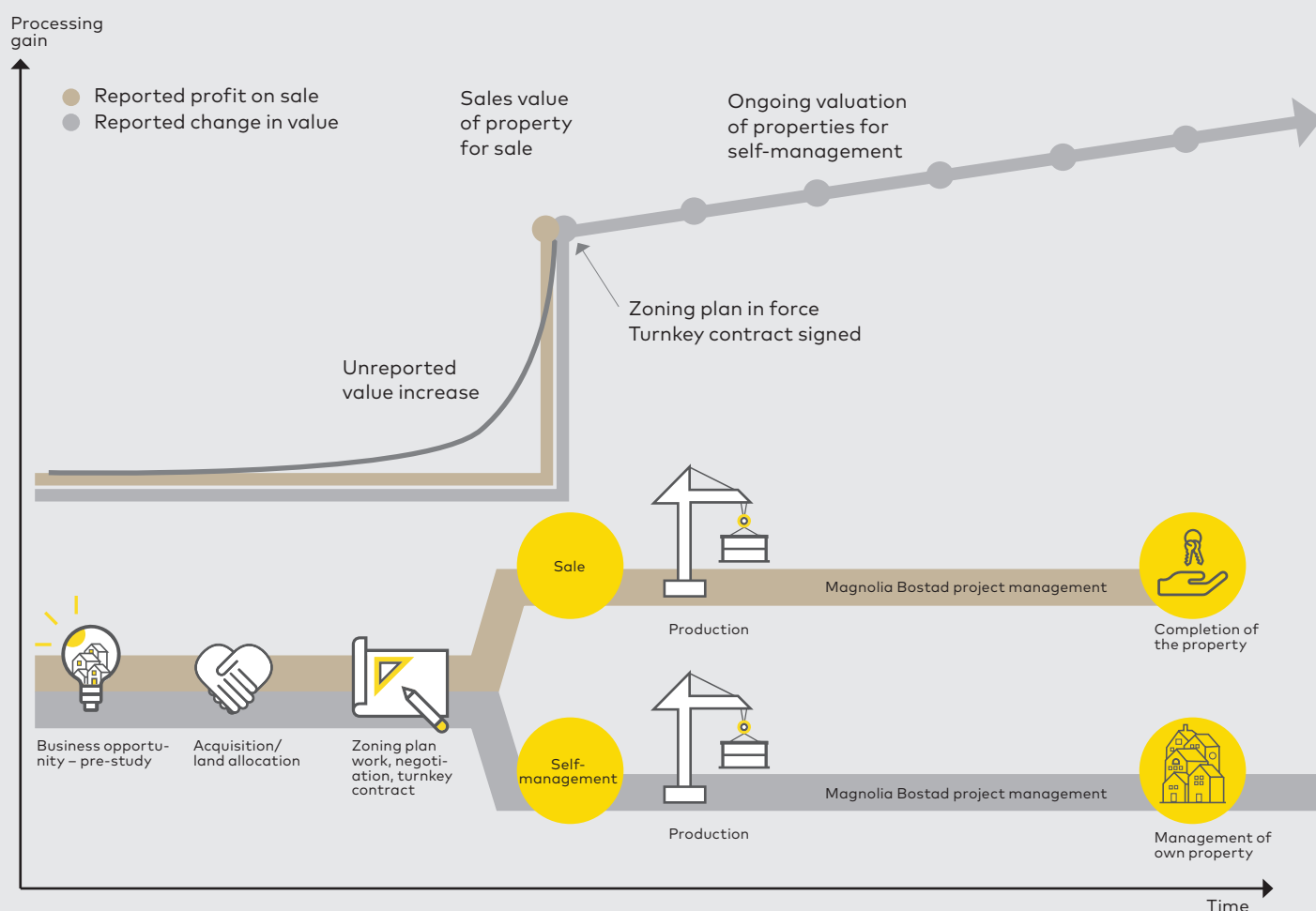
The equity/assets ratio as on 31 December 2019 was below the financial target of an equity/assets ratio of at least 30%. The equity/assets ratio has been adversely affected by the introduction of IFRS 16 – Leasing, and the investment in owning properties for our own long-term management.

Value and valuation

The value of the building rights portfolio is gradually increasing, but value change is only recognized at the time of sales or when the production process starts for self-management properties.

The value of a project where Magnolia Bostad has access to land increases during the planning process to gain an enforced zoning plan. The value of the land increases further when an agreement with a contractor

is signed and the building construction cost is known. In addition, factors such as inflation and returns have an impact on the value of the property.



Projects for sale are valued during the project phase at a value based on the lower figure out of acquisition cost and estimated net sales value. Impairment testing is carried out on an ongoing basis. When the zoning plan is in force, contracts are usually signed with the contractor within a short time and the property is sold. At the time of sale, the development profit in the project is recognized.

For projects that are intended for long-term management, a valuation is made as there is a zoning plan in force and a turnkey contract in place. Before that, the land is only valued at cost, since the uncertainty factor is so large that no change in value is reported. A valuation is then made every quarter.

Method - valuation of properties for self-management

Properties under management as well as properties where the production process has started are reported at fair value in accordance with the accounting standard IAS 40. Properties where the production process hasn't started are reported at cost, which includes expenses directly attributable to the acquisition.

Determination of fair value

Fair value is determined by a combined application of the yield-based method and the price-location method.

The return-based method is based on the preparation of a cash flow analysis for each property. The cash flow analysis consists of an assessment of the current value of the property's future net operating income during the calculation period and the current value of the property's residual value at the end of the calculation period. The calculation period amounts to 10–15 years and the residual value has been assessed through an eternal capitalization of an estimated market-related net operating income the year after the end of the calculation period. Perpetual capitalization takes place with a direct yield that has been derived from the current transaction market for comparable properties, both direct and indirect (property sold in companies) transactions have been taken into account. Cash flow for operating, maintenance and administration costs is based on market and normalized payments for operation, maintenance and property administration, whereby corrections are made for deviations. Investments are calculated based on the investment needs that are considered to exist. Classification takes place at level 3 in accordance with IFRS 13.

Production of property is done by signing a contract with an external contractor. For properties under construction, costs for the turnkey contract, other production costs and a surcharge for production risk (risks and uncertainty factors such as time aspects, completion rate and local market risks) are included as investments in the cash flow analysis on which the return-based method is based.

In the fair value for managed properties, building rights can be included and then the return-based method is combined with the local price method. In the local price method, the appraiser bases the value on prices in similar markets and transactions, as well as on how the market views the item in question. For costs incurred, a simplified exploitation calculation is also made.

Process - valuation of properties for self-management

All properties are valued through internal valuation at the end of each quarterly report. At least once a year, an external valuation is carried out to validate the internal valuations. The external valuation was SEK 11 m higher than the internal valuation as on 31 December 2019. External valuations can be done more than once a year for projects that are in the early stages of the development process when uncertainty can be greater. To ensure a professionally performed valuation, the valuations are carried out in accordance with the International Valuation Standards (IVS) issued by the International Valuation Standards Council (IVSC).

Internal and external valuation respectively

	2019	2018
External valuation SEK m	1,372	295
External share of internal,%	100%	100%
External valuation higher than internal, SEK m	11	0

Value of managed properties (investment properties)

On 31 December 2019, the total value of Magnolia Bostad's managed properties (investment properties) amounted to SEK 1,362 m, of which the value of properties owned via JVs amounted to SEK 708 m. For more detailed information on each project, see page 29. The value of completed properties amounted to SEK 218 m. The value for 2019 increased in total by SEK 4 m. None of the completed properties are owned by JVs. The value of properties in production amounted to SEK 1,042 m, of which SEK 606 m for properties owned via JVs.

Value in SEK m as on 31 December 2019

See also pages 28 and 29

218

Value of completed self-managed properties (investment properties)

3,419

The value of completed self-managed properties (investment properties) in addition to the estimated value upon completion of properties for self-management currently in production

Investments and changes in value

The value of properties not included in JVs increased on 31 December 2019 compared to 31 December 2018 with investments of SEK 278 m and unrealized changes in value of SEK 348 m in total. During the year Magnolia Bostad sold properties worth SEK 428 m to JVs, where Magnolia Bostad and its JV partner continue to develop the properties.

The value of properties owned by JVs increased on 31 December 2019, compared with 31 December 2018, by SEK 428 m through acquisitions and investments and unrealized changes in value of SEK 261 m in total. Of properties acquired by JVs during the year SEK 428 m was acquired from Magnolia Bostad. The difference between what Magnolia Bostad reports as sales and what JVs report as investments and acquisitions is due to deductions for deferred tax in the transaction, transaction-related costs and subsequent investments.

Change of property portfolio

SEK m	2019	2018
Fair value at the beginning of the period	296	–
Reclassifications	170	180
Investments and acquisitions	278	49
Changes in value	348	67
Sales	–438	–
Fair value at the end of the period	654	296

Property value, properties for self-management owned by JVs

SEK m	2019
Fair value at the beginning of the period	–
Investments and acquisitions	428
Changes in value	261
Fair value at the end of the period	688

Fair value measurement data 31 December 2019:

Discount rate, range: 5.75–8.25%

Direct yield, range: 3.75–6.25%

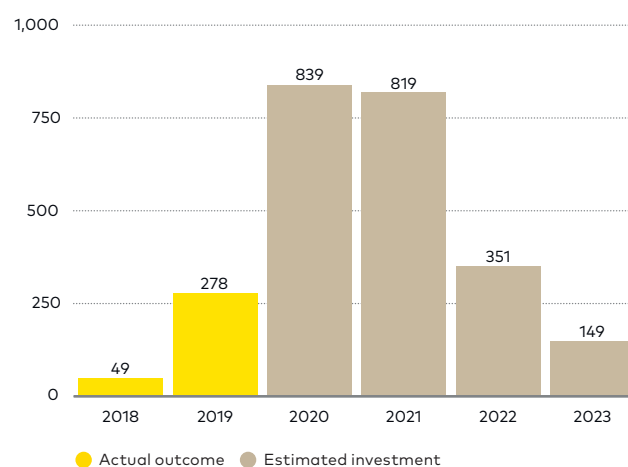
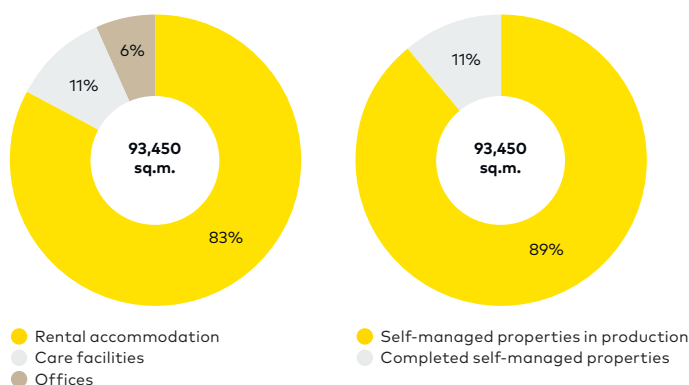
Reasons for valuation:

- Internal valuation is made every quarter and is validated through annual external valuations
- Fair value is calculated in accordance with Accounting Standard IAS 40

Estimated value in the completion of self-managed properties in production

The total value of the properties as on 31 December 2019 was SEK 1,342 m. On completion of properties in production as on 31 December 2019, the total property value is estimated to increase to SEK 3,418 m and have a rental value of SEK 174 m, of which SEK 2,535 m in property value and SEK 126 m in rental value is attributed to properties owned by JVs.

Estimated remaining investments as on 31 December 2019, including premiums for production risk, for properties in production amounted to SEK 2,167 m, of which SEK 1,870 m is in JVs. In total, properties and properties in production comprise 93,450 square meters, of which 66,500 square meters is owned via JVs. In addition, there are 134,000 square meters in properties that have not yet started production, all of which are owned by JVs.

Investments and acquisitions, including self-managed properties (investment properties) owned by JVs**Completed self-managed properties and properties for self-management in production, including self-managed properties owned by JVs**

Sustainability report

Sustainable business for Magnolia Bostad means that we develop economically, socially and environmentally sustainable societies.

992

Environmentally-certified apartments 2019, of 1,060 completed

18

In 2019, a total of 18 environmental audits were carried out on our projects.

**WE ARE ONE
OF SWEDEN'S
MOST EQUAL
STOCK
EXCHANGE
COMPANIES**

ALLBRIGHT

Allbright works for gender equality and diversification in leading positions in the business world. Every year, the foundation ranks Swedish listed companies, where equal opportunity companies are ranked on Allbright's green list. In 2019, Magnolia Bostad was ranked in 22nd place. Only 64 of the stock exchange's total of 333 companies were ranked on the green list.

"Magnolia Bostad's work with sustainability should focus on the long-term and integrated into everything we do."



During the year we started three wood-based projects in Östersund, Luleå and Kalmar. The first building in Kalmar was inspected at the end of 2019. We plan for further wood-based production in Bro during 2020.

In 2019, six of seven completed projects were environmentally certified. In addition to our environmental audits, we have carried out two audits of turnkey contracts in Uppsala and in Södertälje.

In 2019, we achieved an excellent result in Allbright's green list of listed companies. In addition, we were able to expand our football family with four more teams.

Another priority area for Magnolia Bostad is the work on security in our residential areas, something that we will continue to focus on during 2020."

Christina Hambäck
Head of Operational
Development and
Sustainability



Sustainable business

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

Magnolia Bostad's sustainability report is separate to the annual report and is issued by the Board. All information in the report refers to the period 1 January to 31 December 2019, unless otherwise stated. The sustainability report is on pages 47–67 and covers Magnolia Bostad AB and its 191 subsidiaries. Magnolia Bostad's business model can be found on page 11 and the GRI index is on pages 66–67.

The report has been prepared in accordance with GRI Standard's global guidelines level Core and is Magnolia Bostad's third sustainability report. Work with sustainability is based on a stakeholder dialogue and a materiality analysis.

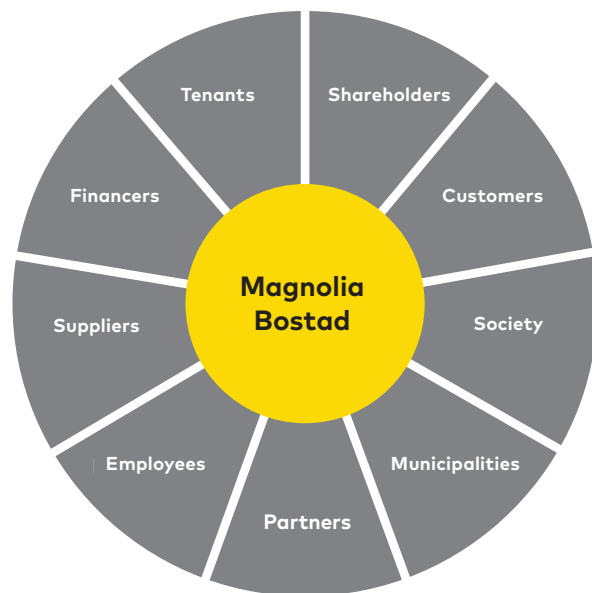
The report contains information and targets for the company's sustainability work, where the precautionary principle has been applied. A risk analysis of the company's operations is performed annually in connection with the work on the business plan. For a description of Magnolia Bostad's sustainability risks and how they are managed, refer to the section on each sustainability aspect on pages 52–54 and 58–60. For Magnolia Bostad's general work related to risk, see pages 74–75.

Materiality analysis

Magnolia Bostad's most significant sustainability aspects and focus areas were identified in a materiality analysis developed in the autumn 2017. These aspects have material significance for both Magnolia Bostad and the company's stakeholders.

In order to ensure that the materiality analysis is still relevant, Magnolia Bostad selected the company's sustainability aspects with a selection of the company's stakeholders during 2019. We conducted interviews with partners, suppliers, owners, employees and customers. In the interviews, the stakeholders specifically mentioned the subject of sustainable purchasing and supplier evaluations. After these interviews we were able to verify that the materiality analysis is still relevant. Magnolia Bostad will conduct a new stakeholder dialogue followed by a materiality analysis in 2020.

Magnolia Bostad's stakeholders



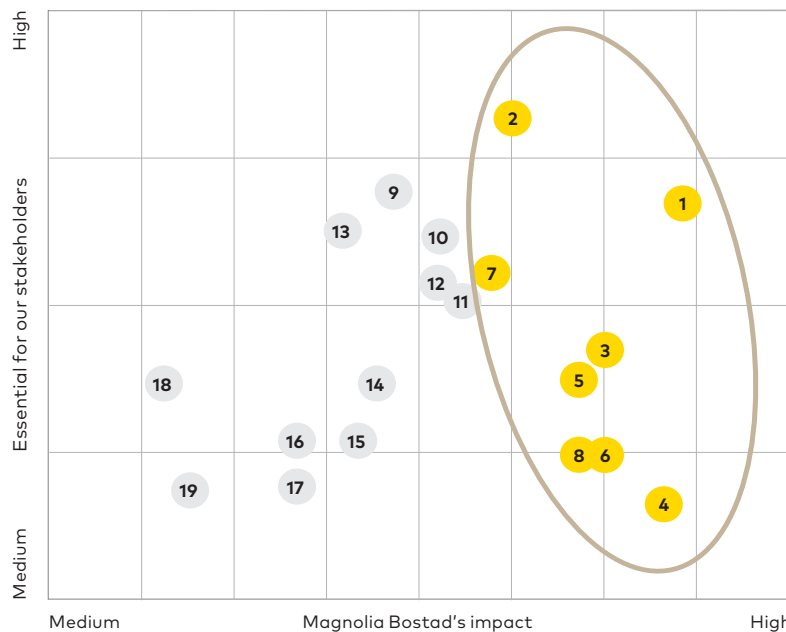
The eight most important aspects form three strategic focus areas, economic, social and environmental responsibility. The results have been discussed, analysed and determined by the management and Board of Magnolia Bostad.

Agenda 2030

Magnolia Bostad's sustainability work is also based on the ten principles of the United Nations global compact on human rights, labour, environment and Anti-corruption and on the UN Sustainable Development Goals.

In 2019, Magnolia Bostad analysed its own operations in relation to the Sustainable Development Goals in order to identify which goals the company can make a particular contribution to, and on which the company's operations have a reverse impact. Based on this analysis, Magnolia Bostad has chosen to focus specifically on targets 5, 7, 8, 10, 11, 13, 15 and 16.

Materiality analysis



The materiality analysis was performed at the end of 2017 and was verified by the company's stakeholders in 2019. A new materiality analysis will be performed in 2020.

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	Drain 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

Significant sustainability aspects

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

Sustainable business model

Magnolia Bostad's essential sustainability aspects are integrated into the overall business strategy and business plan. The company's business is based on developing economically, socially and environmentally sustainable housing, community service properties and hotels in the outer suburbs of large cities and in the central areas of medium-sized cities.

Magnolia Bostad runs a number of projects for its own management, but most projects are sold at an early stage. This reduces the financial risk. In order for the company's business and strategy to succeed, the company depends on healthy employees who can perform in a fast and changing environment, as well as on conducting business ethically. As an urban developer in an industry that accounts for a large part of Sweden's CO2 emissions, Magnolia Bostad is obliged to work actively to reduce the company's environmental and climate impact. Part of this is that all residencies must be

certified in accordance with the Sweden Green Building Council's silver certificate, the Nordic Swan Ecolabel or the equivalent, and that the company must collaborate with other players in the industry to find sustainable solutions for the future.

See page 11 for more information on Magnolia Bostad's business model and pages 40-46 for the financing and valuation of the projects.

Sustainability Strategy

Magnolia Bostad has three general directions for its sustainability work: we want to be at the forefront of sustainable business, follow the direction of the industry towards a climate-neutral business and be an attractive employer. Sustainability work is based on the essential sustainability aspects and consists of activities linked to goals and KPIs.

Sustainable organization and governance

Sustainability issues are raised and decided on at management meetings. The Head of Operational 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. The company started a sustainability council in 2019, which includes representatives from all regions. The purpose is to spread knowledge throughout the organization.

Limitations

Information presented under each strategic focus area relates to Magnolia Bostad's operations and significant sustainability aspects that relate to the entire value chain.

Magnolia Bostad and Agenda 2030

Magnolia Bostad carried out an analysis of Agenda 2030 during 2019, and linked eight of the 17 Sustainable Development Goals, including sub-targets, to the company's operations.

Magnolia Bostad wants to contribute to achieving all of the 17 Sustainable Development Goals (SDGs) but sees that the company's impact mainly affects eight of them. During the analysis with Agenda 2030, it has been important to identify how Magnolia Bostad can contribute to achieving the goals, but also to identify what negative impact we have on the respective goals. The company estimates that its negative impact mainly affects goal 15, Life on land. In the analysis, Magnolia Bostad has taken into account the sub-targets that are linked to the SDGs and analysed how the company can actually contribute to achieving these.

Goal 5 Gender equality

Sub-target 5.1 and 5.5



The company's executive management is evenly divided between men and women and overall the company has slightly more female than male employees in the organization. However, in some of the company's functions, the distribution between men and women is not even, which the company is striving to achieve. In 2019, Magnolia Bostad ranked 22nd on Allbright's green list of gender equality companies.

Harassment and discrimination are unacceptable at Magnolia Bostad. The company has a safety committee and an ethics council that works to prevent this. Magnolia Bostad's code of conduct is signed by all employees and is attached to all major external agreements. Magnolia Bostad also has a whistleblower function where employees and external stakeholders are asked to report suspected violations such as breaches of the Code of Conduct.

Goal 7 Affordable and clean energy

Sub-targets 7.2 and 7.3



By enabling energy from renewable sources in the projects Magnolia Bostad develops, we create the conditions for increased use of renewable energy. This contributes to opportunities for sustainable energy for all and the proportion of renewable energy in the global energy mix is increasing.

Goal 8 Decent work and economic growth

Sub-targets 8.1 and 8.8



One of Magnolia Bostad's goals is sustainable, long-term growth. The company works towards a safe and secure work environment for everyone through the company's safety committee, ethical council and employee forums that work with working environment issues. The company also maintains an active dialogue on the working environment with contractors and suppliers. Magnolia Bostad places demands on the working environment and safety work in contracting agreements. These requirements enable the company to work for safer workplaces in several stages, even outside direct operations. The company's code of conduct includes Magnolia Bostad's position on human rights violations.

Goal 10 Reduced inequalities

Sub-target 10.3



At Magnolia Bostad, equal rights and opportunities for development for every employee are given. The company works actively against unequal outcomes and unequal processes that favour a particular party. This is done through actions including mapping of salaries where any unjustified differences are corrected. Magnolia Bostad conducts employee surveys every year and works actively with the outcome. This is done partly through internal information, but also through discussions and evaluation of the results in smaller groups.



Goal 11 Sustainable cities and communities

Sub-target 11.1, 11.3 and 11.6



By developing rental accommodation, tenant-owned apartments, community service properties and hotels, Magnolia Bostad develops communities and residential areas that attract a wide range of people. Magnolia Bostad promotes inclusive and sustainable urbanization. The company develops areas where it should be easy to do right in terms of for example recycling, and develops smart mobility solutions for each project.

Goal 13 Climate action

Sub-target 13.1 and 13.3



One effect of climate change is that sea levels are expected to rise and that extreme weather such as floods and heat waves is expected to become more common. Magnolia Bostad takes this risk into account when developing new neighbourhoods.

The company is engaged in an active dialogue with other players on how we can develop resilient neighbourhoods together. Magnolia Bostad also participates in forums to gather knowledge and disseminate it. Through this, the company contributes to increasing knowledge about risks internally, at municipalities and at external partners.

Goal 15 Life on land



Goal number 15 is about promoting a sustainable ecosystem and biodiversity and preventing soil degradation. For Magnolia Bostad, this is a challenge as the company's operations are about meeting the need for new housing. To do this, we must prepare the soil, which affects ecosystems and biodiversity negatively.

To reduce the company's impact on the ecosystem, the company is working with specialists. Magnolia Bostad also works in close dialogue with municipalities and interest groups on how nearby habitats can be protected. For example, the company supports the introduction of small fish in an area in Norrtälje where the fish's habitat is affected by a bridge being built in the area.

Goal 16 Peace, justice and strong institutions

Sub-target 16.5



Magnolia Bostad works preventively against corruption and bribery in dialogue with partners and employees. This is done through the work on the company's code of conduct and whistleblower function, through dialogue and placing demands. Magnolia Bostad conducts anti-corruption training for all employees annually.

We are a partner of Botryggt2030 whose purpose is to develop safe and secure areas. In our projects, safety and security are mandatory aspects to consider.

Strategic focus areas

Economic 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's goal is to create long-term profitable growth and value for its owners and other stakeholders. By working with a diversified portfolio of rental accommodation, tenant-owned apartments, community service properties and hotels, as well as a large building rights portfolio, the company minimizes its financial risk. The company runs some projects under its own management, but most often the projects are sold at an early stage. In some cases, the company purchases land, procures contractors and negotiates with investors in parallel, which reduces the time between acquisitions and sales and contributes to a balance of risk in the business.

Magnolia Bostad is an ESG Transparency Partner at Nasdaq, which means that the company reports key figures related to the environment, social factors and governance to Nasdaq's ESG database to contribute to greater transparency in the financial market.



The reporting in "Direct economic value generated and distributed" (GRI 201-1) on page 64 follows the financial accounting principles and shows Magnolia Bostad's economic value creation in 2019. Direct costs that create value include salaries, training and taxes. Indirect costs consist of, for example, costs of absence due to illness.

The main reasons for the change in directly-created value between 2019 and 2018 are that:

- Income from property sales were lower in 2019 compared to 2018 due to fewer residencies sold
- Rental income was lower in 2019 compared to 2018 due to the sale of rental properties in 2018
- Salary costs increased in 2019, mainly due to an increase in staff
- Payments to the public sector have increased, mainly due to higher payments of staff-related taxes and fees as a result of an increase in staff
- Payments to financiers have increased, mainly due to higher average interest rates and an increase in total average interest-bearing liabilities.

For management of the respective sustainability aspects, see pages 52–54 and 58–60. For Magnolia Bostad's financial targets, see page 14. For the Group's risk management, see pages 74–75. For targets and outcomes of sustainability indicators, see pages 64–65.

Business ethics and anti-corruption

Magnolia Bostad is actively working to prevent corruption as the company would lose credibility as a player if it was associated with unethical behaviour.

Part of Magnolia Bostad's preventive work against corruption is the Code of Conduct, which contains the guidelines and requirements in business and conduct Magnolia Bostad expects from all employees and business partners. The code reflects the company's values and is based on the ten goals of the UN Global compact regarding human rights, labour, environment and anti-corruption.

There is zero tolerance of bribery and corruption at Magnolia Bostad and the company's Code of Conduct contains clear guidelines and requirements against this. The company has identified new employees as well as employees with customer contact as two groups that need extra information about the work against corruption. The Code of Conduct is therefore included as part of the introductory training program for new employees and has been an annex to employment contracts since autumn 2017. During introductory training, the company also goes through its stance against human rights violations. Furthermore, Magnolia Bostad has ongoing information on anti-corruption and conflicts of interest for all employees. The Code of Conduct is annexed to all major external agreements that Magnolia Bostad signs, and the company's partners are expected to take this into account. During the fiscal year, all new employees have accepted in writing that they have read and understood the company's Code of Conduct.

One way of dealing with any ethical business problems is to use the company's whistleblower function. The principle of whistleblowing is described in the company's Code of Conduct and is based on reporting suspected violations. The Code is available on both the company's website and intranet. In 2018, Magnolia Bostad worked on creating whistleblowing routines and an extended whistleblowing routine was launched at the start of 2019. The whistleblower policy is available to all employees and external stakeholders and provides the opportunity to report violations of law and violations of Magnolia Bostad's Code of Conduct or other policies. During the year, the company's external lawyers informed all employees about corruption and the company's whistleblower policy. Magnolia Bostad's Board of Directors has also adopted a policy for handling conflicts of interest.

No cases of corruption were reported in 2019.

We investigated one case of violation of the company's Code of Conduct and it has been handled internally in accordance with the company's guidelines.

Environmental responsibility

Magnolia Bostad develops resource-efficient residences, hotels and community service properties with good indoor environment and healthy materials that minimize the environmental and climate impact of the buildings. The building and property industry is one of the industries with the greatest climate impact and it is therefore important that Magnolia Bostad, like other organizations in the industry, takes responsibility and cooperates.

Magnolia Bostad wants to take environmental responsibility and strives to conduct business in a way that leaves as small an environmental footprint as possible. Part of this is to aim for all projects to be environmentally certified in accordance with the Swedish Green Building's silver certificate, the Nordic Swan Ecolabel or the equivalent, and to constantly improve the company's routines and processes.

During the year, Magnolia Bostad developed a new procurement process to get a better overview of our suppliers and be able to collaborate on sustainability issues in a better way in future. During the financial year, the company also developed a new room description that will be used as a standard in the development of new housing. The room description largely contains Nordic Eco-labelled products to ensure eco-friendly and sustainable material choices. The room description excludes purchases from countries that are on the UN and EU sanctions lists.

Environmental certification of buildings

Magnolia Bostad's overall goal and requirements are to certify all buildings according to at least the Swedish Green Building Council's silver certificate, the Nordic Swan Ecolabel or the equivalent. This means that we make higher demands than existing legislative requirements on indicators such as energy consumption, the share of renewable energy and the framework's and foundation's climate impact. Magnolia Bostad is also a member of the Swedish Green Building Council (SGBC), Sweden's leading urban building organization. There is always a risk of buildings not reaching the desired environmental certification. By maintaining dialogue, clear requirements and policies as well as environmental audits, Magnolia Bostad prevents any risks of contractors not fulfilling their commitments or that the final product does not meet Magnolia Bostad's stringent environmental requirements.

Magnolia Bostad allows an independent consultant to carry out two environmental audits in each project, one in the project planning phase and one in the production phase. A turnkey contract is also audited every year as a further check. During the financial year, 18 environmental audits were carried out on our projects, two further audits of turnkey contracts, and 992 apart-

ments have been environmentally certified according to the Swedish Green Building Council's silver certificate or, the Nordic Swan Ecolabel. The audits show that our projects are well-organized but that we can improve our routines around documentation in the project log-books. We have informed our contractors about this. In 2019, all completed projects have been environmentally certified according to the Swedish Green Building Council's silver certificate or, the Nordic Swan Ecolabel, besides a residential care home of 68 apartments. This was because the buyer did not want environmental certification.

The choice of materials and products is carefully evaluated to ensure that they do not pose any environmental or health risks either to the residents or to those who work with the production.

Environmental policy

Magnolia Bostad's environmental policy covers both environmental and quality assurance and follows the aims of ISO 14001 and ISO 9001. Magnolia Bostad also demands that the building contractors employed by the company must be ISO certified or meet the corresponding requirements in terms of quality, environment and working environment. In collaboration with consultants, architects, building contractors and other suppliers, a dialogue is held on the sustainability aspects of each project. The environmental policy was revised during autumn 2019 and is available on the company's intranet. It is reviewed annually and adopted by the company's CEO.

Magnolia Bostad expects employees and business partners to respect and comply with both environmental policy and other environmental requirements set by Magnolia Bostad. Along with the Code of Conduct, the environmental policy is attached to all of the company's contracting agreements.

The part of Magnolia Bostad that develops residential care homes is certified according to ISO 14001. An internal and external audit of the certification and follow-up of this has been carried out during the financial year.

Climate neutral activities

Magnolia Bostad has been a co-financier and a member of the reference group for a research study supported by SBUF (Swedish Construction Industry Development Fund). The purpose of the project was to supplement previous SBUF studies by performing LCAs (LCA: life cycle analysis) of the climate impact on one and the same type of residence, to which different design solutions are theoretically applied. The purpose of the calculations is to show the different climatic impacts of the design solutions over the life cycle of the building.

The project has been completed and during the year Magnolia Bostad had an internal review for all employees where the results of the research study were announced.

The LCAs Magnolia Bostad carried out on three projects in 2018 showed that the climate impact is greatest in the production phase and that concrete accounts for the greatest impact. In order to reduce the company's climate impact, the company developed a collaboration with Derome during the year on sustainable wooden districts. Together with Derome, the company develops properties with wooden frames, which significantly reduces the property's climate impact compared to concrete. During the year, Magnolia Bostad started production of 4 wooden buildings with 232 wooden frame apartments.

Energy efficiency and waste management

Although internal consumption of energy and waste is not where the company's major impact lies, we work consciously on resource efficiency in the office as well. During the year, Magnolia Bostad developed routines for purchasing for example, consumables, food and office supplies. The head office will move premises in 2020 and in planning the relocation the company has made a thorough examination of the need for waste sorting. A review was carried out for all employees during the autumn. The same review is planned for the exchange

of premises for the Göteborg office and for relocation from the office in Helsingborg to Malmö.

Sustainability in project development

During the year, Magnolia Bostad introduced a new routine for each project to have project files containing sustainability information about the project. This is to give the company an overall picture of the sustainability aspects of each individual project, and also to increase awareness of sustainability issues internally. The project files are living documents and reviews are done every quarter. They contain parameters that relate to both environmental and social sustainability aspects.

During the year, Magnolia Bostad set up a sustainability council with the aim of increasing the knowledge and commitment to sustainability issues throughout the organization. The sustainability council includes representatives from all of the company's regions.

Furthermore, Magnolia Bostad has developed a new standard for turnkey contracts, where sustainability is an important parameter. The purpose is to optimize resource efficiency in the projects.

For targets and outcomes on the company's sustainability indicators, see pages 64-65

"Collaboration is crucial in the industry's climate work"

Nickie Excellie works as Sustainability Coordinator at Magnolia Bostad. She coordinates the sustainability work within the organization and, among other things, runs the work on Färdplan 2045 (Fossil Free Sweden 2045).

How do you think the property sector can reduce its environmental and climate impact?

All companies must take responsibility, but we believe that collaboration between organizations is crucial. We follow the Construction sector's roadmap for fossil-free business in 2045, where we are a member of the Sustainable Procurement Group. We have also signed and are active in the LFM30, which is the Malmö region's local roadmap for achieving climate neutrality in 2030.

What is most important for Magnolia Bostad to work with to achieve a reduced climate impact?

Production accounts for about 40% of a building's total climate impact seen over its entire life cycle, so obviously we must focus on reducing that impact. We procure our projects on turnkey contracts, but place demands on the building companies on waste management and transport to reduce our impact.

How does Magnolia Bostad work with energy efficiency?

The environmental and energy measures we carry out depend on the conditions of the project. The usual measures are well insulated windows, geothermal heat-



ing and customized ventilation. When physical access permits, the majority of Magnolia Bostad's apartment blocks are also connected to district heating and for those projects with the right conditions, we also develop solar energy.

Sustainable wooden housing

We reduce our impact on the climate by building properties in wood.

The construction industry accounts for about 20% of Sweden's CO2 emissions. Every organization in the industry must therefore take responsibility for reducing its impact. At Magnolia Bostad we are convinced that collaboration is a prerequisite for success.

Magnolia Bostad develops some of its housing in wood and collaborates with Derome for building and Slättö as a JV partner and customer.

What are the benefits of building in wood? We put the question to Anders Carlsson, Technical Manager and Head of R&D at Derome and Fredrik Lackmann, Environmental and Sustainability Manager at Slättö Förvaltning.

"Wooden frame buildings have a significantly smaller climate footprint," says Anders Carlsson. "In Sweden, we have forest management laws that mean that you have to replant new forest after harvesting. In principle, every tree that is felled today is replaced with two new ones that bind carbon dioxide as they grow."

"Additionally, wooden houses can be prefabricated in an industrial environment. This means reduced transport, shorter construction time and less noise from the workplace - which is favourable both for those working at the building site and for people living or working in the immediate area."

Fredrik Lackmann agrees and adds:

"I think it's important that property managers also look after the surrounding areas and the community that the property is part of. As we condense cities, parameters such as construction time and noise will become more important."

What are the challenges of building in wood?

"Expertise in building apartment blocks in wood is not sufficiently widespread," says Lackmann. "This is largely due to contractors being used to working with other building systems. There is a need for increased skills in constructing apartment blocks in wood."

"The benefits of building in wood definitely dominate," says Carlsson. "Moisture problems and sound sensitivity are challenges that need to be respected. Handled incorrectly, moisture can cause damage in wooden houses, and the light weight of the wood can cause footfalls to be transferred between apartments. If you work properly with system solutions, design and not least in execution, the problems are relatively easy to avoid and manage."



Fredrik Lackmann, Environmental and Sustainability Manager at Slättö Förvaltning.



Anders Carlsson, Technical Manager and Head of R&D at Derome.

"It's also common to hear that there's a greater risk of fire in wooden houses," says Lackmann. "Wooden apartment blocks have the same functional requirements as other buildings. But people can still feel worried that wooden buildings are not as safe, and this concern must be countered by information that increases knowledge about building in wood."

Fredrik Lackmann, what do tenants say about living in a building with a wooden frame and wooden panels?

"We think that tenants are generally positive, with the environmental impact and feeling of nature as the main arguments. Many tenants also find that the sound and indoor environment in the building is good and that they are aesthetically pleasing – the building simply becomes more attractive with more wood."



Magnolia Bostad is developing the Övre Bangården project in Östersund with around 212 rental apartments built of wood. The project is being developed as a JV with Slättö. Derome is the turnkey contractor for the project. Representation.

Magnolia Bostad's life cycle perspective

We adopt a life cycle perspective when developing housing. When we begin planning a project, we plan for the land we are building on to be used by future generations.

Magnolia Bostad strives to be a responsible urban developer. For us, this means that we do business in an ethical way, take responsibility so we have healthy employees and strive to minimize our impact on people and the environment.

We want to build sustainable housing with sound material choices and low energy consumption, where people feel good and are happy for many years. Our responsibility includes creating the conditions for the land we prepare and the properties we build to be used by gen-

erations to come. If the building needs to be renovated or demolished in the future, the materials should not be hazardous to health and the environment and the land should be able to be used for the needs we face at that time.

We therefore work with a life cycle perspective when developing projects. For our nature and the environment, for our employees and residents and for future generations.

Maria Mosaik in Helsingborg is one of Magnolia Bostad's Nordic Swan Ecolabeled projects. The project has solar cells on the roof and parking facilities with electric chargers in the garage. The stairwells have screens set up so that tenants can easily see and note how much electricity the solar cells produce each day.



Magnolia Bostad roadmap – a life cycle perspective



Land acquisition/Ethical business

We do business in an ethically correct way and work to prevent bribery and corruption. New employees should sign our Code of Conduct, which is also attached to all major agreements. We also make a stand for human rights in the Code of Conduct.



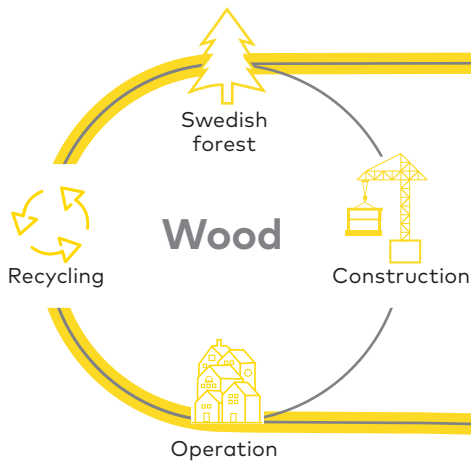
Employees/Organization

We are an equal opportunity organization that actively works against harassment and discrimination for healthy, committed employees.



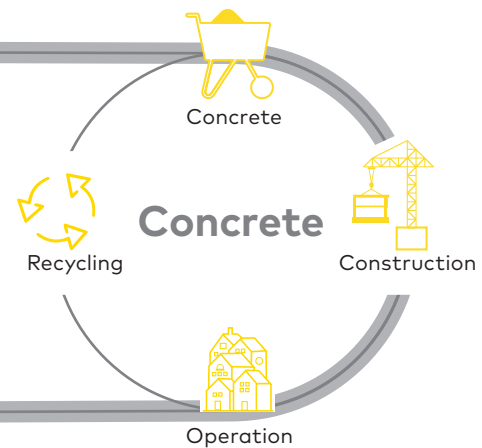
Land preparation

We prepare the land to develop neighbourhoods, which can have a negative impact on the land and biodiversity. We work to minimize this impact, for example by employing environmental specialists and by collaborating with the municipality.



Production

We develop neighbourhoods in both wood and concrete. Wood has a lower climate impact than concrete, but regardless of the material we strive to minimize our environmental and climate impact during the production phase.



Sustainable neighbourhoods

We build environmentally-certified homes and safe neighbourhoods to suit a wide range of people. We enable renewable energy and develop housing where it is easy to make environmentally smart choices.



Demolition

Demolishing buildings can adversely affect animals, nature and the environment when hazardous substances are released. Magnolia Bostad counteracts this by using materials with low environmental and climate impact in production and by having a clear list of the materials and products we use in the building.



Long-term sustainability

Magnolia Bostad takes a life cycle perspective when developing neighbourhoods. We want to take responsibility throughout, from planning the new neighbourhood to its eventual demolition, so that the land can be used to meet the needs of future generations.



Social responsibility

Magnolia Bostad wants to be an engaged organization in the locations where we are active, an attractive employer and an industry leader in sustainable business.

Community involvement

Magnolia Bostad offers a wide range of products and works to reduce the housing shortage in many locations around Sweden. The company mainly offers rental accommodation but also tenant-owned apartments, community service properties and hotels, and develops accommodations that suit many different people. The company plays an important role in society by helping to meet the housing construction demands that result from the increasing urbanization. Magnolia Bostad has increased social and economic integration as a goal and will build areas where the residents feel safe and comfortable.

During the financial year, the company appointed a new head of community service properties with solid experience from school and care homes with the aim of further developing the work with community service properties.

Committed local strength

Magnolia Bostad is a committed local strength where the company operates. The company runs a number of partnerships with women's and girls' soccer teams at a number of business locations around the country. The aim is to create a natural forum for equality, diversity and integration in a context that also encourages physical activity and meaningful leisure time. Research from the National Sports Federation¹⁾ shows that girls in their early teens do not participate in leisure activities to the same extent as boys of the same age, and especially not newly arrived girls. Through its support, Magnolia Bostad helps more girls go training and experience Swedish club activities.

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 continuously working on 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 an employee survey, with a follow-up measurement around the psychosocial work environment. The company formulated a long-term goal of an eNPS (Employer Net Promoter Score) of over

30, which is an ambitious target. In the employee survey, the company achieved an eNPS of 27. The average score for other companies is 9. The commitment index is 82, which indicates a high level of commitment among the company's employees.

Health and Safety

To succeed in its operations and to achieve the company's challenging goals, Magnolia Bostad is dependent on healthy employees. The company has a safety committee where the company's Head of Operational Development and Sustainability is the management group's representative. The safety committee also consists of the company's safety representative, HR and an employee representative. The committee held regular meetings during the financial year and carried out safety inspections at the offices in Stockholm, Norrköping and Helsingborg. The employees in Göteborg moved office in December 2019, and a safety inspection will be carried out at the new office in early 2020.

Magnolia Bostad is a company experiencing strong growth, operating in a changing environment. The company's employees are high-performing individuals with proven high commitment, which is a necessity for the company to succeed in the business. However, the risk with committed and ambitious employees is that the workload may be too great, which can lead to ill-health and stress-related illnesses in the long-term. As an employer, Magnolia Bostad has a serious responsibility to enable a balanced life for the company's employees. In order to prevent stress-related illnesses and ergonomically-related injuries, the company works preventively in the event of an employee not feeling well. This is done through talks and correcting the workload, among other things. The company also conducts work environment training for the company's managers every year.

All employees are covered by health insurance and rehabilitation insurance.

To promote health and well-being, Magnolia Bostad offers all employees wellness grants and opportunities for group training and yoga. During the year, Magnolia Bostad conducted a challenge together with Challenge to stimulate increased everyday exercise.

Magnolia Bostad's employees in Stockholm participated during the year in "Spring för livet" (Run for life) where the registration fees went to UNICEF's work for orphans in Malawi. 42% of the Stockholm office employees took part in the race in May and Magnolia Bostad donated a total of SEK 24,000.

¹⁾ Newly arrived migrant and refugee children and adolescents contact with organized sport in Sweden, Wagnsson, Augustsson, Kougioumtzis, Stråhlman & Patriksson, R&D report 2019: 3

Since Magnolia Bostad has no employees at the building companies, the production work is not a direct risk to the company, but it is important for Magnolia Bostad to have an open dialogue with the contractors about the working environment and injury reporting. This is also something that is regulated in the contractor agreements. Magnolia Bostad is still investigating the possibility of introducing a digital reporting tool in the workplace for reporting workplace accidents. Magnolia Bostad adopted a Crisis Communication Plan in 2018 as part of the crisis management process used internally. This has been updated during the financial year.

Magnolia Bostad has a zero vision for workplace accidents. In 2019, no employees were injured at their workplace in Magnolia Bostad's direct operations (excluding projects), see page 65.

Planning and design for socially sustainable operations

Safety and security is an aspect that is crucial for the comfort of residents in their homes. Therefore, it is important for Magnolia Bostad to engage locally to get to know the area and to understand the needs of the residents. Otherwise there is a risk that Magnolia Bostad misses important aspects that affect the well-being of the residents.

In Sweden, 28% of the population feel that they are very or quite insecure, or that due to insecurity they avoid going out alone late at night in their housing area¹⁾. Magnolia Bostad has a great responsibility as an urban developer to develop areas where residents can move around safely and securely.

By working with dialogue, clear requirements connected with procurement and following up on planning and design of socially sustainable operations, Magnolia Bostad prevents any risks that suppliers and contractors do not fulfil their commitments and that the final product does not meet Magnolia Bostad's requirements. To meet and understand local needs and stakeholders' expectations for socially sustainable operations and design, Magnolia Bostad collaborates with municipalities, citizens, customers, contractors and other important local stakeholders and community players (police, schools, local sports associations, etc.). For example, during the year Magnolia Bostad took part in a working group in Orminge on how we can work with security and safety in the Orminge Centre together with other organizations working there. Magnolia Bostad is also part of a BID (Business Improvement District) association in Vårby together with other players with the aim of working with security and well-being in Vårby. Through dialogue and collaboration, Magnolia

Bostad develops socially sustainable housing and neighbourhoods.

Magnolia Bostad works with socially sustainable operations in all of the company's projects. Among other things, the company supports BoTryggt2030 in the development of neighbourhoods. Magnolia Bostad is a partner to BoTryggt2030 and participated in workshops during the year. During the financial year all employees received information about BoTryggt2030.

Magnolia Bostad's aim is to include planning and design for socially sustainable operations in projects. This means that the company designs and projects so that the operation promotes a socially sustainable living environment. One example is that the company creates courtyards without dark corners to increase the security of the residents. Research shows that an area is perceived as more safe and secure if it is clean and tidy. In Håbo, Magnolia Bostad sponsors Tikspac, which offers biodegradable dog litter bags. There are 25 stations with dog litter bags in Håbo, where according to Tikspac, about 175,000 litter bags are used per year. A customer survey conducted by the company shows that the initiative halves the amount of dog litter bags in parks and around walking trails. Seen throughout Sweden, the business saves 70 tonnes of plastic a year.

During the year, Magnolia Bostad developed project manuals internally for each project, where the social sustainability aspects are a compulsory reporting aspect. Furthermore, Magnolia Bostad addresses socially sustainable operations, among other things, by designing sustainability programs in the early stages of the projects.

Magnolia Bostad also supports social issues such as gender equality and integration through its support for girls' and women's soccer in the locations where the company operates. This activity also gives an insight into the social issues the district and the resort are working on.

Training and skills development

Training and skills development are crucial for attracting talent and expertise to the organization, as well as retaining and developing employees within it. It is also important for the company's reputation, growth and profitability.

Training is planned and budgeted per employee, and the number of training hours per year is followed up per employee, per woman and man, and per service category. This is followed up by HR and the closest man-

¹⁾ National Security Survey 2019, Emergency Report 2019: 11

ager. Furthermore, Magnolia Bostad works with skills development and has, among other things, compulsory meetings with knowledge exchange every week for all employees. In 2019, three full-day training courses for new employees were completed, focusing on operations, culture and values. Furthermore, each team at the company conducted workshops that included a follow-up of this year's employee survey. Work on implementing the measures that have emerged has begun, and a number of measures have already been implemented. During the year, a work environment training session for managers was also conducted. The average number of training hours has risen for the company's management team and managers but has fallen for other employees. In total, the average number of training hours at the organization during 2019 fell from 40 to 34 hours. This is because the company's number of employees rose sharply during the year and that the training plan for the newly hired employees during the latter part of 2019 has not been put in place.

In 2019, 97% of the company's employees had regular employee interviews and career planning with their manager.

In 2019, the company had two leadership days, and this year's company conference focused on leadership and personal responsibility. One of the days was devoted to leadership and self-development where an external speaker spoke.

During the financial year, one of the leadership days focused on preventive work against abusive discrimination, an area that the management team focused particularly heavily on during the year.

Sustainable purchasing and supplier evaluation

Magnolia Bostad wants to contribute to a sustainable society and enable sustainable work at all levels. The company's suppliers can be divided into three general categories: contractors, service providers and material suppliers. Suppliers of materials for production are largely negotiated by our turnkey contractors. The majority of the company's suppliers are located in Sweden. The company works to counteract the risk of human rights violations in the supply chain through dialogue, requirements and the monitoring of suppliers and contractors. In the company's Code of Conduct, the company also places demands on material selection, waste management and recycling. Magnolia Bostad wants to be an active partner and have an ongoing dialogue in the supply chain in order to minimize the risk of suppliers but also to encourage collaboration. The company's Code of Conduct contains a detailed description of how the company's employees should relate to each other and to the company's stakeholders.

The company places the same demands on business partners as on employees and the aim is to include the

Code of Conduct (or its equivalent) in all the company's collaboration agreements. Magnolia Bostad strives for sustainable procurement throughout the supply chain and the aim is to conduct supplier evaluations on an ongoing basis and carry out audits of at least one turnkey contractor per year. During the year, Magnolia Bostad carried out two audits of turnkey contractors. The audits show that our contractors follow the regulations well but must improve routines for sorting waste and documentation.

Diversity and gender equality

Diversity and gender equality in the organization helps to increase the understanding of partners and local customers. It also contributes to a greater understanding of the local market, which is an important aspect of growth and profitability. If Magnolia Bostad does not work with diversity and gender equality, there is a great risk that the company will not succeed in attracting the talents that are necessary for the company's growth and thus miss business opportunities.

Magnolia Bostad's Code of Conduct, personnel handbook and policy on diversity of the Board, contains guidelines on diversity and gender equality. Today, Magnolia Bostad's employees consist of slightly more women than men. Magnolia Bostad's management team is equally divided between men and women. During the year, Magnolia Bostad was rated 22nd on Allbright's green list of listed stock market companies. The property industry was the first industry to attain 40% of women in the management of the listed companies. We see the investment as proof that the company's strategic efforts to achieve equality within the organization have been successful.

Magnolia Bostad is investigating how to develop its work on diversity in the future. In the procurement of contracts, Magnolia Bostad demands that contractors work with diversity and be a diversified working group as far as possible.

Other

In 2019, Magnolia Bostad started new collaborations with Angered IS, Bro IK, Lindö FF and Kalmar IK. The company also organized its first youth tournament for 300 young girls in Nynäshamn. For the second year in a row, Magnolia Bostad has awarded a scholarship to Statte-na IF. The scholarship has gone to one girl in the women's team and one in F16 who over the year have been a good friend, team player and leader.

During the financial year, Magnolia Bostad decided to make a donation to Stadsmissionen instead of giving Christmas presents to the company's employees.

For goals and outcomes on the company's sustainability indicators, see pages 64-65.

Female football for diversity, integration and gender equality

"How can a football change society?"

Julie Gardinier works with Magnolia Bostad's investment in girls' and women's football teams.

Why have you chosen to support the Swedish football associations girls' and women's activities?

"We want to get involved in the locations where we operate. Through this investment, we help more girls devote themselves to physical activity and achieve meaningful leisure time. At the same time, we create a natural place for equality, diversity and integration. We also help people who do not normally come into contact with Swedish team sports try football."

You support 18 teams today, how do you work with them?

"In many places we contribute, for example, snacks before training, loan equipment and safe bus transport to matches. But our support can vary from place to place."

"In Örebro, we support Örebro SK football through "Study help" which makes it easier for girls to combine football and school. After school, the girls get help with their studies from students of Örebro University, and after completing Study help, it's time for football training."

"We have also been cooperating with and are co-financier of Ronjabollen for several years, which has activities in Uppsala, Eskilstuna and Huddinge. Ronjabollen works on gender equality and integration issues by gathering girls and women around football as an activity in a natural and unconventional context. Ronjabollen was started by Sevana Ghadimi, who spread information over the year about football and integration based on the theme "How a football can change society".

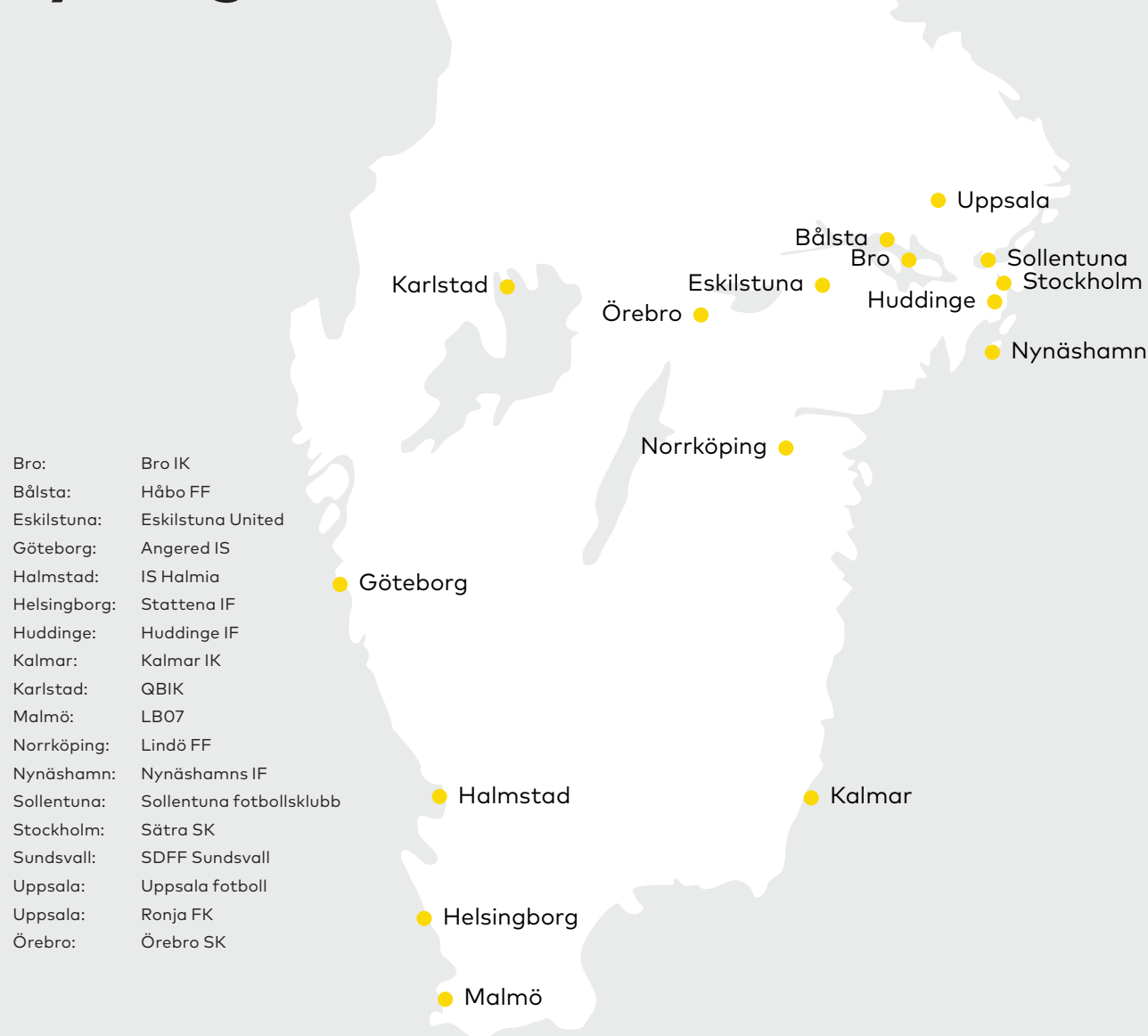
What plans do you have for the future?

"There's so much to do! In 2020; we hope to increase the number of teams we support, expand our cooperation with Ronjabollen and start a cup in addition to the one we help organize in Nynäshamn."

Read more about Magnolia Bostad's activities in girls' and women's football on pages 62 and 63.



Football Clubs supported by Magnolia Bostad



Social sustainability at Magnolia Bostad

Magnolia Bostad has chosen to support local football teams where we operate. Our support is primarily aimed at girls and women's teams. Football is a widespread sport that spans all classes of society, national boundaries and genders. By supporting team sports, the company helps a lot of participants and also promotes equality, diversity and integration.

"It's safe to say it was a hit!"

"I wanted to reach out to girls with a foreign background and limited means who rarely come into contact with the business world," says Lennart Lummi, founder and project manager for SDFF Plus. "My idea was that if the girls don't come to us, we must take the association to them. I went to areas where many new arrivals live and knocked on doors. I had a couple of balls and shirts with me and that's how it started eight years ago.

"It's safe to say it was a hit. After three months there were 50 girls and today the project involves around 600 players from all over the city. Every day there's football training with SDFF Plus in Sundsvall.

"As the project grew, even their mothers were curious and wanted to try out football, and then it wasn't long before the fathers got a bit jealous. So now they can also take part and have their own times for training with SDFF Plus."



Football training at SDFF, Sundsvall.

"We now have five new girls' teams and our own girls' cup"

"When my daughter wanted to start playing football there were no girls teams where we live in Nynäshamn," says Emma, who is currently a board member of Nynäshamns IF (Nifen) and a coach for girls born in 2009. "I therefore started a team for girls and now we have 86 players in five girls' leagues.

"When Magnolia Bostad started sponsoring us, the number of new players rose dramatically. The girls feel a great community spirit and pride in their team, for example through the water bottles and jerseys they received.

"In May 2019, we organized the Magnolia Bostad girls' cup, an eventful, enjoyable cup aimed at increasing interest in football among girls. 270 girls took part, and it was such a success that we have already booked the Magnolia Cup for the next three years."



Emma Ny, Nynäshamns IF

"Magnolia Bostad's support is invaluable"

LB07, IF Limhamn Bunkeflo, is today Skåne's largest football association with more than 1,400 active children and young people. Vesna Rosell is Marketing and CSR Manager:

We want to attract young people who are at risk of being excluded and give them better self-confidence and a connection through concrete, solid projects.

"Our project Night Football aims to give young people in segregated areas a meaningful activity at times when their need is greatest. In Oxie, Lindängen and Arlöv we are therefore offering free football until midnight on Friday and Saturday nights.

"We noticed that most of the guys came to our night football to play - the girls came to watch. Many girls, especially those from an immigrant background, have been told from childhood that girls do not play football. They are excluded from sports because of values, norms, social and economic factors. We started Boll-Sport for Girls to change that attitude and offer them a way into organized club life.

"Thanks to Magnolia Bostad we have been able to loan the girls boots, and snacks during the workouts. Many of the players have also received a gym bag with, among other things, training kit. They were overjoyed! Magnolia Bostad's support is invaluable."

Goals and outcomes of sustainability indicators

Economic responsibility

Sustainability aspect	Goal	Outcome
Long-term profitable growth	See Magnolia Bostad's Financial targets, page 14	Direct financial value created and delivered, GRI 201-1 SEK m
		2019 2018
		Created value
		Property sales 486 789
		Rental income 16 24
		Project management income 29 28
		Other income 220 214
		Financial income 17 8
		Distributed value
		Operating expenses -705 -902
		Salaries and remuneration to employees -56 -39
		Payment to financiers -267 -236
		(of which dividends to owners) (-78) (-86)
		Payments to the public sector -35 -29
		Unrealized changes in value 388 65
		Remaining in Magnolia Bostad 93 -79
Anti-corruption	No cases of corruption	Corruption incidents GRI 205-3
		2019 2018
		Violations of the Code of Conduct 1 0
		Corruption incidents 0 0

Magnolia Bostad creates value through the development of housing in Sweden. The economic value created is distributed among suppliers (mainly contractors), employees, society, financiers and owners. The reported distributed value to the employees differs from what is reported as personnel costs in Note 9, remuneration to employees. This is because some of the costs are capitalized on the projects and then reported as operating expenses. Furthermore, social security contributions and other staff-related taxes are reported as payments to the public sector in the Sustainability Report.

Environmental responsibility

Sustainability aspect	Goal	Outcome
Environmental certification of projects	Projects environmentally certified according to the Sweden Green Building Council's Silver level Nordic Swan Ecolabel or equivalent.	2019
		2018
		Type and number of sustainability certifications, rankings and markings according to new buildings, GRI CRE-8
		Four projects certified according to the Sweden Green Building Council's Silver level. Two projects were certified according to the Nordic Swan Ecolabel. One project was not certified.
		Four projects were certified in accordance with the Sweden Green Building Council's Silver level

The company has changed its reporting from environmentally certified projects to environmentally certified completed projects. Two projects that were reported as environmentally certified in 2018 are therefore also reported as environmentally certified in 2019.

Social responsibility



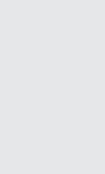
Sustainability aspect	Goal	Outcome
Health and safety		2019 2018
	All employees covered by a health and safety committee	Representation on working environment committees, GRI 403-1 100% 100%
	No workplace accidents	Number of workplace accidents, GRI 403-2 0 0 Covers direct Magnolia Bostad activities
Training 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
		2019 2018
		Women Men Total Women Men Total
		Management 69 32 47 41 51 32
		Managers 47 59 55 48 59 42
		Employees 27 30 28 37 34 41
		Total 33 36 34 39 38 40
	All employees must have employee interviews and career planning every year	Employee talks and career planning GRI 404-3 2019
		Percentage of employees with regular employee talks and career planning 97%
Diversity and gender equality	Gender breakdown between men and women	Diversity of governance bodies and employees GRI 405-1
		2019 2018
		The Management Board Employees Total The Management Board Employees Total
		Gender distribution
		Women 17% 50% 54% 52% 17% 41% 56% 52%
		Men 83% 50% 46% 48% 83% 59% 44% 48%
		Age group
		<30 0% 0% 11% 9% 0% 0% 14% 12%
		30-50 33% 88% 77% 75% 33% 100% 76% 79%
		>50 67% 12% 12% 16% 67% 0% 10% 9%
		Total number of employees by gender, region and type of employment GRI 102-8
		Employees at Magnolia Bostad 31/12/2019
		Region Men Women Total
		Eastern Region 34 50 84
		Central Region 4 0 4
		Southern Region 5 3 8
		Western Region 1 4 5
Total 44 57 101		
In the Eastern region, one part-time employee and one temporary employee (both are women). The Southern region has a man working part-time. These are included in the table above. In addition to this, everyone in the table is employed full time. As of 12/31/2019, the company had 16 consultants in the business. As the regional breakdown is new for 2019, the company has no comparative figures for 2018 to report.		
Sustainable purchasing and supplier evaluations		2019
	All new employees must sign the Code of Conduct	Percentage of new employees who signed the company's Code of Conduct 100%
	All employees must receive training on the Code of Conduct	Percentage of employees trained in human rights GRI 412-2 100%
	One audit of a contractor shall be carried out every year	Number of suppliers reviewed for compliance with contracts and Code of Conduct GRI 414-1 2


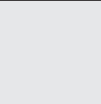




Changes in reporting scope GRI 102-49

The goal for the Code of Conduct to be attached to all employees' employment contracts has been changed to that all new employees should sign the Code of Conduct.

GRI index

GRI Standard	Details	Page reference	Comments
GENERAL INFORMATION			
GRI 102: General Disclosures 2016	102-1	Name of the organization	85
	102-2	Activities, brands, products and services	10-12, 68
	102-3	Location of headquarters	85
	102-4	Location of operations	10-11, 20
	102-5	Ownership and legal forms	17, 85
	102-6	Markets served	10-11
	102-7	Scale of the organization	10, 64, 73, 77-78
	102-8	Information on employees and other workers	65
	102-9	Supply chain	60
	102-10	Significant changes to the organization and its supply chain	No significant changes
	102-11	Precautionary principle or approach	48
	102-12	External initiatives	48
	102-13	Membership of associations	53, 59
	102-14	Statement from the CEO, Head of Sustainability and the Chairman of the Board of Directors	6-7, 47, 117
	102-16	Values, principles, standards and norms of behaviour	12-13, 52
	102-18	Governance structure	49, 118-131
	102-40	List of stakeholder groups	48
	102-41	Collective bargaining agreements	N/A
	102-42	Identifying and selecting stakeholders	48-49
	102-43	Approach to stakeholder engagement	48-49
	102-44	Key topics and concerns raised	48-49
	102-45	Entities included in the consolidated financial statements	48
	102-46	Defining report content and topic boundaries	48-49
	102-47	List of material topics	48-49
	102-48	Restatements of information	64
	102-49	Changes in reporting	65
	102-50	Reporting period	48
	102-51	Date of most recent report	03/28/2019
	102-52	Reporting cycle	48
	102-53	Contact point for questions regarding the report	Head of Operational Development and Sustainability
	102-54	Claims of reporting in accordance with the GRI Standards	48
	102-55	GRI content index	66-67
	102-56	Policy for external assurance	The report has not been externally reviewed

GRI Standard	Details	Page reference	SDG ¹⁾	Comments
SIGNIFICANT FOCUS AREAS				
Economic				
<i>Long-term profitable growth</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	48-49, 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	64	
<i>Anti-corruption</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	48-49, 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, 64	
Environment				
<i>Environmental certification of buildings</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	48-49, 53-54	
	103-2	The management approach and its components	53-54	
	103-3	Evaluation of the management approach	53-54	
GRI Construction and Real Estate Sector Supplement	CRE-8	Type and number of sustainability certificates, ranking and marking of new construction	53-54, 64	

GRI Standard	Details		Page reference	SDG ¹⁾	Comments
Social					
Health and safety					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	48–49, 58–59		
	103-2	The management approach and its components	58–59		
	103-3	Evaluation of the management approach	58–59		
GRI 403: Occupational Health and Safety 2016	403-1	Occupational health and safety management system	58–59, 65		
	403-2	Work-related injuries and illnesses	58–59, 65		
Training and skills development					2 managers and one employee did not have development talks in 2019, all of them were men.
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	48–49, 59–60		
	103-2	The management approach and its components	59–60		
	103-3	Evaluation of the management approach	59–60		
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	60, 65, 67		
	404-3	Percentage of employees receiving regular performance and career development reviews	60, 65, 67		
Diversity and gender equality					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	48–49, 60		
	103-2	The management approach and its components	61		
	103-3	Evaluation of the management approach	61		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	61, 65		
Sustainable purchasing and supplier evaluations					Do not report the number of hours Do not specify number as percentage.
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	49, 60		
	103-2	The management approach and its components	60		
	103-3	Evaluation of the management approach	60		
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	52, 65		
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Pre-construction and design for socially sustainable operations					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	48–49, 59		
	103-2	The management approach and its components	59		
	103-3	Evaluation of the management approach	59		

¹⁾ SDG: Sustainable Development Goals. The global goals for sustainable development.

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 for the year 2019 on pages 47–67 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 30 March, 2020
Ernst & Young AB

Fredric Hävrén
Authorized Public
Accountant

Ingemar Rindstig
Authorized Public
Accountant

Directors' report

The Board of Directors and CEO of Magnolia Bostad AB (pub), CIN 556797-7078 hereby submit the annual report and consolidated financial statements for the financial year 01/01/2019 – 31/12/2019.

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 runs operations within the housing industry related to tenant-owned and rental apartments, community service properties and hotels. Production is procured externally. Property management is conducted until the point in time when project management may begin, and from the end of 2018, the Group has owned certain properties for its own long-term management.

Significant events in the Group during the financial year

During the year, Magnolia Bostad agreed to acquire 3,548 (3,068) estimated building rights, the number of production process started residential units amounted to 2,678 (1,939) and 533 (1,314) residential units were sold during the period.

The Board proposes no dividend for the financial year 2019 (no dividend was paid for the financial year 2018).

Business concept, targets and strategy

Magnolia Bostad will develop efficient, attractive and functional new housing at a good profit. Magnolia Bostad's financial target is a return on equity of at least 30%. The Group's equity/assets ratio must amount to at least 30%. In 2019, return on equity amounted to 14.1% (1.0) and the equity/assets ratio at the end of the year was 29.6% (30.3). Magnolia Bostad has also set a target to have the capacity to start production on 3,000 residencies, three to five community service 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 Nordic Swan Ecolabel in all projects.

As of 31 December 2019, Magnolia Bostad was active in the areas of rental apartments, tenant-owned apartments, community service properties and hotels. Magnolia Bostad also owns properties for self-management. Working with several forms of tenure enables the company to achieve a satisfactory distribution of risk. Development shall be 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 191 companies (172) as of 31 December 2019.

Organization

Magnolia Bostad's organization is divided into the areas of Business Development, Project Development, Business Generation, Community Service Properties, Residential Development, Operational Development, Communications, Legal and Finance. The company's organization, as of 31 December 2018, consisted of 101 employees (86), of which 56 were women (46) and 45 were men (40), in Stockholm, Norrköping, Göteborg and Helsingborg.

Sustainability

Magnolia Bostad has a clear focus on ensuring that all housing projects are economically, socially and environmentally sustainable. The housing the company develops should not just be sustainable today, but for generations. Therefore, the company has a clear focus on sustainable material choices and social safety. A fundamental prerequisite for the company's growth and profitability is to think about long-term sustainability and integrate the issues into each part of the business. 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 handed over to the auditor at the same time as the annual report. The Sustainability Report can be found on pages 47–67.

Share information

The shares

Since 20 June 2018, Magnolia Bostad's shares have been listed on Nasdaq Stockholm, in the Small 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 30 December 2019 was SEK 41.50.

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. In total 260,500 warrants were transferred to employees in accordance with the warrant program, and 28,000 warrants have been repurchased. 89,500 unexercised warrants were cancelled during the year. 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.

The Annual General Meeting held on 10 May 2019 resolved to issue 200,000 warrants to the subsidiary Magnolia Utveckling AB. Following the AGM's decision, 170,000 of the warrants have been offered to key employees of Magnolia Utveckling AB, all of which have been acquired by and assigned to the key employees. The remaining warrants remain in the custody of Magnolia Utveckling AB. Each warrant entitles the holder to the right to subscribe for one share at a strike price of SEK 84 per share during the period from November 1, 2022 to April 26, 2024.

Ownership

The number of shareholders as per 31 December 2019, amounted to 3,691 (4,845). 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 87.7% (87.3) 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 751 million (1,054) and consisted mainly of sales of development and project properties. Magnolia Bostad has recognized revenue for 533 properties, compared to 1,314 properties last year.

The operating profit amounted to SEK 380 million (164) and includes changes in value on management properties of SEK 348 million (67). The operating profit was negatively affected by delays in certain projects as their zoning plans have been reviewed or appealed.

Magnolia Bostad strengthened the organization during the year, which led to costs for central administration increasing to SEK -89 million (-64).

Net financial items amounted to SEK -172 million (-142). The increase is primarily attributable to growing assets that are financed externally. The profit after tax for the full year amounted to SEK 171 million (7). The tax expense consisted of SEK -37 million (-15) and was entirely made up of deferred taxes on temporary differences in investment properties.

The balance sheet total increased by SEK 394 million to SEK 3,999 million (3,605). As of 31 December 2019, the Group's shareholders' equity amounted to SEK 1,183 million (1,093) with an equity assets ratio of 29.6% (30.3). The minority share of equity was SEK 103 million (156). During the year, a dividend of SEK 78 million was distributed to holders without a controlling influence. For 2019, the return on equity was 14.1% (1.0).

Total interest-bearing loans amounted to SEK 2,404 million (2,192) as of 31 December 2018. Interest-bearing net liabilities, after deductions for cash and cash equivalents of SEK 440 million (395), amounted to SEK 1,964 million (1,797). At the end of the year, Magnolia Bostad's

average interest rate on the nominal principal loan amount was 7.0% (7.1) with an interest coverage ratio of 0.9 (0.7). The average capital tie-up period, excluding downpayments and the credit line, was 1.6 years (2.4) on 31 December 2018.

The consolidated cash flow from operating activities amounted to SEK 75 million (-20), the cash flow from investing activities amounted to SEK -267 million (-21) and cash flow from financing activities amounted to SEK 237 million (228). Cash and cash equivalents on 31 December 2019, amounted to SEK 440 million (208). In addition to cash and cash equivalents, there are unused credit facilities totalling SEK 788 million (834) on 31 December 2019.

Parent company

The parent company's profit after tax for the period was SEK 87 million (-55). The balance sheet total amounted to SEK 2,057 million (1,970). The equity/assets ratio in the parent company was 20.3% (16.8).

Project portfolio

The total number of estimated building rights in the portfolio amounted to 18,037 (17,288) as on 31 December 2019. During 2019, 535 residential units were sold from 6 projects, compared to 1,314 from 9 projects in 2018. During the year, 7 projects totalling 1,060 residential units were completed, compared to two projects totalling 150 residential units last year. In 2019, a total of 37 (10) apartments were converted to tenant-owned apartments and sold to end customers in rental apartment projects that were already sold.

Auditors

At the Annual General Meeting on 10 May 2019, the auditing company Ernst & Young AB was re-selected as the company's auditor for the period extending up to the end of the 2020 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 2019 was held on 10 May 2019. Present at the meeting were 20 shareholders (18), representing in total 72.0% of the votes (28.7). 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 2019 Annual General Meeting resolved on the following:

- Adoption of the income statement and balance sheet for the 2018 financial year and profit allocation.
- Granting of discharge from liability for the Board and the CEO for the 2018 financial year.

- Adoption of remuneration to 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.
- Re-election of the registered auditing firm Ernst & Young AB as auditor. Authorized Public Accountant Fredric Hävrén appointed Chief Auditor.
- Election of Ingemar Rindstig as auditor and Mikael Ikonen as deputy auditor.
- Resolution on warrants program and the transfer of warrants.
- Resolution on new nomination committee instructions.

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

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 2019 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 consist of a fixed part and a variable part, so that the company can attract and retain skilled employees.

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

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 termination of employment 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. The notice period for the CEO from the company is 12 months.

Benefits in addition to salary, variable remuneration and pension are paid for all senior executives in the form of health insurance and in some cases with company car. These benefits will constitute a smaller portion of the total remuneration 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 15 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 2020

The Board of Directors proposes to the Annual General Meeting to be held on 27 April 2020, that the following guidelines for remuneration to the Board of Directors, the company's CEO, Deputy CEO and other senior executives apply until new guidelines are adopted by a General Meeting, at the latest at the end of the 2024 AGM. Executive Management refers to members of the company's management team. The guidelines apply to agreements concluded after the meeting's resolution and in the event of changes being made to existing agreements after this date. The guidelines do not include board fees decided by the AGM or issues and transfers covered by Chapter 16 of the Companies Act.

Guidelines for the promotion of the company's business strategy, long-term interests and sustainability

In brief, the company's business strategy is the following. Magnolia Bostad is an urban developer working with rental accommodation, community service properties, hotels and tenant-owned apartments. We develop our accommodation as individual projects or as part of larger projects where we create a whole new neighbourhood. Magnolia Bostad will develop efficient, attractive and functional accommodation with good profitability. By working with several forms of tenure and by focusing on long-term partnerships, the company achieves a good diversification of risk. In order to achieve our targets within the framework of our business concept, the following strategic focus has been established: development will take place in locations with good, long-term demographic conditions; properties should be developed for sale as residential units, community service properties or hotels based on market conditions and each property's individual potential and characteristics; projects must also be developed for self-management, to strengthen the balance sheet, generate ongoing cash flow and create long-term value growth; production should start only when demand is ensured, cooperation should be with long-term partners and the balance sheet must be utilized efficiently, primarily through a high turnover rate throughout the project chain.

For further information on the company's business strategy, see <http://ir.magnoliabostad.se/>

Successful implementation of the company's business strategy and safeguarding the company's long-term interests and sustainability, requires that the company can recruit and retain skilled employees. This requires the company to be in a position to offer competitive remuneration. These guidelines enable senior executives to be offered a competitive total remuneration.

Previously decided incentive schemes

In previous years, the Board has used long-term incentives with the aim of promoting the company's long-term financial interests by encouraging ownership in the company. This promotes the company's business strategy and enables the shareholders and employees concerned to achieve the same long-term targets as well as a common view on sustainability issues. They have been approved by the AGM and are therefore not covered by these guidelines.

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 have been transferred to employees at market conditions in accordance with the warrant program. During 2019, 28,000 warrants have been repurchased. Repurchased warrants remain in the subsidiary Magnolia Utveckling AB's ownership. 89 500 unutilized warrants have been cancelled during 2019. 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.

The Annual General Meeting held on 10 May 2019 resolved to issue 200,000 warrants to the subsidiary Magnolia Utveckling AB. During 2019, 170 000 warrants have been transferred to key employees at Magnolia Bostad at market conditions in accordance with the warrant program. The outstanding warrants remain in Magnolia Utveckling AB's ownership and can, according to the AGM's decision, be offered to employees at Magnolia Bostad (which may include senior executives). Each warrant entitles the holder to subscribe for one share in Magnolia Bostad at a strike price of SEK 84 per share. The subscription period is from 1 November 2022 until 26 April 2024.

There is no agreed incentive scheme that has not fallen due for payment, i.e. there is no commitment for the company to pay in agreed schemes.

For more information on these schemes, see <http://ir.magnoliabostad.se/en>

Remuneration and forms of remuneration

Remuneration to senior executives shall be market-based and competitive and may consist of a fixed portion and a variable portion, as well as pensions and other benefits. In addition, the Board can prepare, and the AGM decide on, share- and share price-related incentive schemes. With a combination of remuneration forms, it is possible to achieve both short and long-term target management that works for target fulfilment. The various forms of remuneration that can be paid are described below.

Fixed part

The fixed salary (monthly salary) should be attractive in relation to the market and based on the employee's skills, experience and performance. The salary is evaluated annually. Senior executives do not receive remuneration for Board assignments in the Group.

Variable part

In addition to the fixed salary, variable remuneration can be paid to senior executives (however, the CEO only has a fixed salary). Variable remuneration may be paid at an amount corresponding to a maximum of 12 monthly salaries. As a maximum, the variable portion represents 50% of the total remuneration (fixed and variable salary).

Variable remuneration must be linked to set targets and must be partly based on individual performance and partly on the company's performance and results and must be designed to promote the company's business strategy and long-term interests, including the company's sustainability targets. The targets for variable remuneration should be related to the outcome of the company's financial targets as well as individual targets. The financial targets are set by the Board with a view to ensuring that they are in line with the company's business strategy and financial targets. The individual targets are used to ensure focus on non-financial targets of particular interest. The targets set should be measured during a calendar year. After the end of the calendar year, an overall assessment shall assess the extent to which the set targets have been met. It is the Board of Directors who is responsible for the overall assessment, however, the CEO assesses outcomes regarding individual targets to report to the Board which makes a decision.

Additional variable remuneration may be paid in exceptional circumstances, provided that such extraordinary arrangements are time-limited and made only at an individual level, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary work in addition to the person's ordinary duties. Such remuneration may not exceed an amount corresponding to a maximum of 50% of the total fixed portion of the remuneration and may not be paid more than once a year and per individual. A decision on such remuneration shall be made by the Board (where applicable after preparation by the remuneration committee).

Remuneration to Board members

In special cases, Board members elected by the AGM shall be able to receive remuneration and other remuneration for work carried out on behalf of the company, in addition to the work of the Board. For such services, a market-oriented fee shall be payable, if required, to be approved by the Board.

Pensions and other benefits

Pension terms shall be market-based and based on defined contribution pension solutions. Individuals in the group of senior executives have a defined contribution pension, with no other obligations from the company

other than the payment of an annual premium during the period of employment.

For the CEO and for other senior executives, pension benefits and private health insurance must be premium-determined. Variable cash remuneration (bonuses) should not be pensionable. The pension premiums for defined contribution pensions correspond to the ITP plan and amount to 4.5% of the fixed annual cash remuneration up to 7.5 income base amounts and 30% of the fixed annual salary exceeding 7.5 income base amounts. However, the pension premiums for defined contribution pensions shall amount to a maximum of 35% of the fixed part of the salary.

Other benefits shall be of limited scope and may include: life and medical insurance and car insurance. These benefits should form a minor part of the total remuneration and be consistent with market conditions.

The company has no employment conditions that are governed by non-Swedish regulations.

Conditions for termination of employment

The retirement age should normally be 65 years old. The notice period for the CEO from the company shall not exceed 12 months. The notice period for other senior executives shall not exceed 6 months. In the event of termination by the CEO, the period of notice is 12 months and from senior executives a maximum of 6 months.

Conditions for prohibition of competition and remuneration after termination of employment exist for the CEO. Remuneration as a result of the prohibition of competition shall not, in total, exceed an amount corresponding to 60% of the previous monthly income at the time of termination of employment (the average of the monthly income for the twelve months preceding the termination of employment). Such remuneration shall compensate for any loss of income during the period subject to the prohibition of competition obligation, which shall not exceed twelve months after the termination of employment.

Incentive schemes

In order to improve long-term decision-making and ensure long-term target fulfilment, the Board of Directors may propose to the AGM to decide on incentive schemes.

Salaries and terms of employment for other employees

In preparing this proposal for the guidelines, the salary and terms of employment for all the company's employees have been taken into account by the fact that information on employees' total remuneration, remuneration components and increase in remuneration over time has formed a basis of the Board's decision when evaluating the reasonableness of the guidelines and the limitations that follow these. The development will be reported in the remuneration report prepared before the AGM in 2021.

The decision-making process to establish, review and implement the guidelines

Given the size of the company and the scope of the business, the company has chosen not to set up a remuneration committee but has found that it is more appropriate that issues regarding remuneration and terms of employment for the company's management be handled by the Board in its entirety. If a Board member is a member of the executive management, he/she must not participate in this part of the work. The Board shall have a remuneration policy regarding remuneration and terms of employment for senior executives.

The Board of Directors has to prepare proposals for new guidelines at least every four years and submit the proposals for decision at the AGM. The guidelines shall apply until new guidelines have been adopted by the AGM. It is also the responsibility of the Board to monitor and evaluate any schemes for variable remuneration for the company's management, the application of the guidelines as well as applicable remuneration structures and remuneration levels in the company.

In the Board's treatment of and decisions on remuneration-related matters, the CEO or other members of the company's management do not attend, insofar as they are affected by the questions. All decisions ensure that conflicts of interest are counteracted and that any conflicts of interest are handled in accordance with the company's conflicts of interest policy.

Departure from the guidelines

The Board of Directors may decide to deviate temporarily from the guidelines in whole or in part, if there are specific reasons for this in an individual case and a departure is necessary to meet the company's long-term interests.

Information on remuneration decided that has not been due for payment and deviations from the guidelines for remuneration decided by the Annual General Meeting 2019

At previous AGMs, guidelines were set for remuneration and other terms of employment for senior executives for the period leading up to the next AGM. The guidelines adopted by the AGM of 2019 have been followed and all previously decided remuneration that has not yet been paid remains within the above framework. There is one case of a fixed bonus agreement but is based on an agreement with a person who at the time of signing the agreement was not a senior executive.

Description of significant changes to the guidelines

The content of the guidelines has been reviewed and adapted to reflect the legal requirements imposed by Directive (EU) 2017/828 of the European Parliament and of the Council, amending Directive 2007/36 / EC as regards the encouragement long-term involvement of shareholders.

Other

Note 9 shows the total remuneration and other benefits paid to senior executives during the year.

Events after the end of the period

Start of zoning plan work for the Vårby Udde project, Huddinge Municipality, extensive development of around 1,800 residential units.

Signed agreement on the sale of the Slipsen project with Heimstaden Bostad. The project consists of the properties Stora Råby 33:23 and others in Södra Råbylund, Lund municipality. The project started the production process in December 2019 and includes the development of around 780 residential units of 45,000 m² GFA. Estimated property value at completion is SEK 1.4 billion.

Won land allocation in Skellefteå for part of the Skellefteå 5:1 property, which consists of around 21,000 m² GFA where development of around 300 residential units with various forms of tenure is planned.

Signed agreement on the sale of the Edvinshem project to Heimstaden Bostad. The project consists of the properties Vrakbåten 1 & 4 in Fredenslund, Ystad municipality. The project started the production process in December 2019 and consists of the development of around 225 residential units. The estimated property value upon completion amounts to about SEK 400 million.

A JV between Magnolia Bostad and Slättö has signed an agreement with Slättö for the acquisition of land in Barkarbystaden, Stockholm. In the property the JV plans to develop around 23,000 m² of GFA divided between 350 residential units.

Signed agreement on acquisition of the properties Åkermymtan 4, 10, 13, 14 and 18 in the Bergsäter area near Borås city centre. Development of 28,000 m² of GFA of accommodation is planned for the properties. Turnkey contracts have been signed with Derome for the construction of wooden housing.

Repurchased secured bonds at a nominal value of SEK 41.4 million. The bonds run at a variable interest rate equivalent to STIBOR 3m plus 6.25% and mature in April 2020.

The outbreak of the Covid-19 coronavirus occurred after the end of the year. It is currently difficult to determine the consequences this will have on Magnolia Bostad and the market both in the short- and the long-term.

Proposed appropriation of profits

The following is available to the Annual

General Meeting, SEK:

Share premium reserve	184,732,539
Profit/loss brought forward	-6,234,284
Profit/loss for the year	86,725,305

Total	265,223,560
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The Board proposes

To be carried forward	265,223,560
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Total	265,223,560
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Financial overview

Amounts in SEK m unless otherwise specified	2019	2018	2017	2016	2015
Net sales	751	1,054	1,781	1,064	813
Gross profit/loss	44	147	434	422	156
Operating profit/loss	380	164	384	409	296
Profit/loss after financial items	208	22	276	319	245
Net profit/loss for the year	171	7	276	319	245
Interest coverage ratio (multiple)	0.9	0.7	3.4	4.4	5.7
Balance sheet total	3,999	3,605	3,550	2,746	1,825
Equity	1,183	1,093	1,171	989	708
Equity/assets ratio, %	29.6	30.3	33.0	36.0	38.8
Return on equity, % ¹⁾	14.1	1.0	22.0	36.7	53.1
Earnings per share, SEK ¹⁾	3.75	0.26	5.37	7.16	6.71
Earnings per share after full dilution, SEK ¹⁾	3.75	0.26	5.37	7.13	6.50
Equity per share SEK ¹⁾	28.55	24.77	26.20	22.58	16.42
Dividend per share, SEK ²⁾	0 ²⁾	0	1.75	1.75	1.00
Number of outstanding shares	37,822,283	37,822,283	37,822,283	37,822,283	37,822,283
Number of outstanding shares after full dilution	37,822,283	37,822,283	37,822,283	37,982,283 ³⁾	37,982,283 ³⁾

¹⁾ Excluding the minority

²⁾ The Board proposes no dividend payment for the financial year.

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

For information about alternative KPIs, see Note 36 – 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 skilled employees and good procedures does not simply identify risks in time but also contrib-

utes to higher profitability. Magnolia Bostad's risks are divided into three main types: (1) external risks, (2) operative risks, and (3) financial 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>Ability to allocate funds for 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.	● ○ ○	Together with the company's legal advisors, development is monitored, changes in laws are monitored and the company follows the case law relating to our business areas. In addition, there is an ongoing dialogue with municipalities and authorities.
<i>Reduction in valuations on properties</i>	Risk that the market value of development properties on the balance sheet is lower than the book value.	● ○ ○	An impairment test is performed for indications of impairment. If the net realizable value is less than the book value, a write-down is made.
<i>Zoning plan risk</i>	Risk that the company will not be able to obtain a zoning plan for the construction of housing in entered into agreements for the acquisition of land or that such a plan is delayed.	● ○ ○	Access to land has continued to increase, which reduces the risk of not being able to acquire new properties.
<i>Tax risks</i>	Magnolia Bostad's operations are affected by the tax regulations in effect in Sweden at any given time. Changes to or incorrect interpretations of the tax regulations 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 when required to ensure the right experience when both buying 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 expertise is available and the extent to which expertise needs to be recruited or engaged. Work with continuous skills 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 accepts responsibility for any environmental impact. Alternatively, this is managed by thorough investigation.

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

Financial risks

Risk	Description	Risk assessment	Primary management
<i>Interest rate risk</i>	Changes to market interest rates affect the borrowing cost.	● ○ ○	Interest rate expense is a significant cost for Magnolia Bostad, and 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 must be well established and selected after careful consideration, and when selling tenant-owned apartments, diversification is achieved by having 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. Risk that the margin has changed during re- or new financing	● ● ●	The company has established financial goals regarding the equity/assets ratio and liquidity that must be followed. Furthermore, the company is responsible for the regular follow-up on special commitments upon which the loans may be conditional. The company also maintains an ongoing dialogue with a number of credit issuers.

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

Consolidated Income Statement

Amounts in SEK M	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Net sales	5, 6	751	1,054
Production and operating costs		-707	-907
Gross profit/loss		44	147
Central administration	8	-89	-64
Profit/loss from participations in associated companies and joint ventures	10	77	14
Change in value, investment properties	19	348	67
Operating profit/loss	7, 9, 11	380	164
Financial income	12	17	8
Financial expenses	13	-189	-150
Profit/loss before tax		208	22
Income tax	14	-37	-15
NET PROFIT/LOSS FOR THE YEAR		171	7
Profit/loss attributable to			
Parent company shareholders		142	10
Holdings without a controlling influence		29	-3
Earnings per share (SEK)	15		
Before dilution effects		3.75	0.26
After dilution effects		3.75	0.26

Consolidated Statement of Comprehensive Income

Amounts in SEK M	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Net profit/loss for the year		171	7
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Total other comprehensive income		0	0
COMPREHENSIVE INCOME FOR THE YEAR		171	7
Comprehensive income attributable to			
Parent company shareholders		142	10
Holdings without a controlling influence		29	-3

Comments on the Consolidated Income Statement

Net sales amounted to SEK 751 million (1,054) and the operating profit was SEK 380 million (164). Profit before tax for the period was SEK 208 million (22).

The net sales figure is largely due to the sale of 533 residential units (1,314). In total, net sales from the sale of property totalled SEK 486 million (789). Rental income amounted to SEK 16 million (24). Operating costs for properties generating rental income were SEK -9 million (-8), which means that their contribution to operating profit has decreased, to SEK 7 million (16). Revenue from project management services amounted to SEK 29 million (28), and other invoicing for the projects and other revenue contributed SEK 220 million (213) to net sales.

Magnolia Bostad strengthened its organization during the year, which accounts for the increase in central administration costs to SEK -89 million (-64). Earnings from associated companies increased to SEK 77 million (14), affected by earnings from increases in value of property in jointly-owned JVs with Heimstaden and Slättö.

Management properties are reported in accordance with IFRS to fair value, which means a change in value of SEK 348 million (67), which is included in the operating profit.

Operating profit increased by SEK 216 million. This is explained by more projects being owned for purposes of long-term management, which has led to a greater increase in the value of investment properties and increased profit/loss from participations in associated companies and joint ventures.

Net financial items

Net financial items amounted to SEK -172 m (-142). This increase is attributable to increased assets being externally financed.

Net profit/loss for the year

The net profit for the year was SEK 171 m (7) of which SEK -37 (-15) 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	31/12/2019	31/12/2018
ASSETS	1		
Non-current assets			
Goodwill	16	6	6
Other intangible assets	17	0	1
Total intangible assets		6	7
Investment properties	19	654	295
Rights of use assets	7	51	–
Machinery and equipment	18	12	19
Total property, plant and equipment		717	314
Shares in associated companies and joint ventures	20	188	106
Receivables from associated companies	35	201	56
Other securities held as non-current assets	21	31	31
Other long-term receivables	22	578	978
Total financial assets		998	1,171
Total non-current assets		1,721	1,492
Current assets			
Development and project properties	23	1,114	1,196
Tenant-owned apartments		9	10
Accounts receivable	24	41	21
Receivables from associated companies	36	64	38
Other receivables	25	599	440
Prepaid expenses and accrued income	26	11	14
Cash and cash equivalents	27	440	395
Total current assets		2,278	2,114
TOTAL ASSETS		3,999	3,605

Comments on the Consolidated Statement of Financial Position

The consolidated balance sheet total increased to SEK 3,999 million compared to SEK 3,605 million at the beginning of the year. Properties held for long-term management are reported as management properties and totalled SEK 654 million (295).

Long-term and short-term receivables from associated companies and JV companies increased by SEK 171 million to SEK 265 million (94). The increase in receivables from associated companies is mainly accounted for by receivables from the company jointly-owned with Slättö. During Q4 2019, Magnolia Bostad received the last part of the consideration for the JV company jointly-owned with Heimstaden Bostad for the JV's acquisition of the Brogårdstaden project.

Of the long-term and other receivables of SEK 1,177 million (1,418), SEK 1,014 million (1,142) were receivables of buyers

of the projects, mainly of our partners and large Swedish institutions, while SEK 121 million (149) referred to downpayments paid for future property acquisitions. Within the next 12 months, the Group is expected to receive SEK 479 million (280) in total claims on buyers of the projects as amortization of promissory notes, payment of additional consideration, final consideration and forward funding.

Development and project properties declined due to sales completing at the same time the Group was continuing to invest in the project portfolio. During the period, Development and project properties declined by SEK 82 million and totalled 1,114 million (1,196).

Shares in associated companies and JVs rose by SEK 82 million to SEK 188 million (106), mainly due to unrealized changes in value at Brogårdstaden in the JV owned with Heimstaden Bostad.

Consolidated Statement of Financial Position

Amounts in SEK M	Note	31/12/2019	31/12/2018
EQUITY AND LIABILITIES	1		
Equity	28		
Share capital		151	151
Other capital contributions		187	187
Retained profits including net profit/loss for the year		742	599
Equity attributable to Parent Company shareholders		1,080	937
Holdings without a controlling influence		103	156
Total equity		1,183	1,093
Non-current liabilities			
Deferred tax liability	29	38	17
Non-current interest-bearing liabilities	30	1,667	1,914
Non-current liabilities to associated companies	35	–	18
Non-current lease liabilities	7	39	–
Other non-current liabilities	30	34	34
Total non-current liabilities		1,778	1,983
Current liabilities			
Current interest-bearing liabilities	30	737	278
Current lease liabilities	7	13	–
Accounts payable		53	23
Liabilities to associated companies	35	1	0
Income tax liabilities		0	0
Other current liabilities		105	114
Accrued expenses and deferred income	31	129	114
Total current liabilities		1,038	529
TOTAL EQUITY AND LIABILITIES		3,999	3,605

For information about the Group's pledged assets and contingent liabilities, refer to Notes 32 and 33.

Comments on the Consolidated Statement of Financial Position

Equity and equity/assets ratio

On 31 December 2019, consolidated equity amounted to SEK 1,183 million (1,093), with an equity/assets ratio of 29.6% (30.3), which is below the financial target/assets ratio of at least 30%. During Q4, a dividend of SEK 63 million was made to minority interests in Senapsfabriken stage 1 and stage 2. Of the consolidated equity, SEK 103 million (156) is attributable to holdings without controlling influence.

Investments in property for self-management, both as investment properties and through JVs, have meant that total assets have increased. The introduction of the accounting standard IFRS 16 has meant that right of use assets of SEK 51 million and a leasing liability of SEK 52 million have been reported, which further increased the balance sheet total.

Interest-bearing liabilities

Total interest-bearing loans, including interest-bearing deposits amounted to SEK 2,404 million (2,192) as at 31 December 2019. The majority of Magnolia Bostad's liabilities consist of bond loans with a book value of SEK 1,441 million and project and property-related liabilities of SEK 698 million, of which SEK 306 million is collateralized by property. Repayment for project-related liabilities is made in connection with Magnolia

Bostad's handover, or in connection with the final payment being received from buyers upon project completion. In 2020, SEK 201 million in project-related liabilities is expected to mature, of which SEK 91 million is linked to a project within the framework agreement with Heimstaden. The amount will be amortized in conjunction with Heimstaden Bostad joining the project.

The remaining interest-bearing liabilities are made up of deposits received of SEK 144 million and buyer promissory notes of SEK 121 million. The average capital tie-up period, excluding deposits and the utilized credit line, was 1.6 years at 31 December 2019, an increase compared to 2.4 years at 31 December 2018.

After deductions for cash and cash equivalents of SEK 440 million (395), interest-bearing net liabilities amounted to SEK 1,964 million (1,797). Receivables at buyers amount to SEK 1,014 million (1,142), interest-bearing net liabilities after deductions for receivables at buyers amounts to SEK 950 million (655), an increase of SEK 295 million compared to December 31, 2018.

During the period, investment properties increased by SEK 359 million to SEK 654 million (295), which ties up capital and was partly financed with interest-bearing liabilities.

Consolidated Cash Flow Statement

Amounts in SEK M	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Operating activities	1		
Profit/loss after financial items		208	22
<i>Adjustments for non-cash items, etc.</i>			
Less share in profits in associated companies		-77	-14
Earnings received from associated companies		10	10
Depreciation/amortization and impairment of assets		23	4
Change in value, investment properties		-348	-67
Capital gains/losses from the sale of development properties		-78	-246
Other provisions		0	0
Other profit/loss items that do not affect liquidity		13	12
Income tax paid		0	0
Cash flow from operating activities before changes in working capital		-249	-279
Cash flow from changes in working capital			
Decrease(+)/increase(-) of development and project properties		-88	-71
Decrease(+)/increase(-) in current receivables		385	373
Decrease(+)/increase(-) in current liabilities		27	-43
Cash flow from operating activities		75	-20
Investing activities			
Acquisition of intangible fixed assets		0	0
Acquisition of investment properties		-282	-21
Acquisition of property, plant and equipment		-3	-8
Investment in financial assets		-11	0
Sales/reduction of financial assets		29	8
Cash flow from investing activities		-267	-21
Financing activities			
Issue of warrants		0	2
Borrowings		590	1,147
Repayment of borrowings		-264	-848
Dividend paid to parent company owners		-	-66
Dividend paid to minority interests		-86	-7
Acquisition of non-controlling interests		-3	-
Cash flow from financing activities		237	228
Cash flow for the year		45	187
Cash and cash equivalents at the beginning of the year		395	208
Cash and cash equivalents at the end of the year		440	395

Interest received amounted to SEK 17 million (6). Interest paid amounts to SEK -176 million (-138).

Comments on the Consolidated Cash Flow Statement

Cash flow from operating activities for the entire year 2019 amounted to SEK 75 million (-20). The cash flow for the period was affected by investments in the project portfolio. The cash flow for the period from operating activities excluding investments and other changes in development and project properties, amounted to SEK 163 million (51).

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 be-

tween the reporting of the sales in the results and the received cash flow.

The cash flow from investment activities amounted to SEK -267 million (-21) and was affected by investments in self-managed properties of SEK -282 million (-21). The cash flow from financing activities amounted to SEK 237 million (228).

Cash and cash equivalents as on 31 December 2019 amounted to SEK 440 million, compared with SEK 395 million on 31 December 2018. In addition to cash and cash equivalents, there were unutilized credit facilities of SEK 788 million (834) available as on 31 December 2019 of which there were unutilized overdraft facilities of SEK 50 million.

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	Non-controlling interests	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

Amounts in SEK M	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Non-controlling interests	Total equity
Opening equity 01/01/2019	151	187	0	599	156	1,093
Dividend	-	-	-	-	-78	-78
Issue of warrants	-	0	-	-	-	0
Acquisition of non-controlling interests	-	-	-	1	-4	-3
Net profit/loss for the year	-	-	0	142	29	171
Other comprehensive income	-	-	0	-	0	0
Closing equity 31/12/2019	151	187	0	742	103	1,183

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

Parent Company Income Statement

Amounts in SEK M	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Net sales	5, 6	12	10
Total income		12	10
Central administration	7, 8, 9	-26	-40
Operating profit/loss	11	-14	-30
Financial income	12	243	76
Financial expenses	13	-142	-101
Profit/loss after financial items		87	-55
Tax on profit/loss for the year	14	0	0
NET PROFIT/LOSS FOR THE YEAR		87	-55

Parent Company Statement of Comprehensive Income

Amounts in SEK M	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Net profit/loss for the year		87	-55
Other comprehensive income		0	0
COMPREHENSIVE INCOME FOR THE YEAR		87	-55

Parent Company Balance Sheet

Amounts in SEK M	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Participations in Group companies	34	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		1,880	1,714
Receivables from associated companies		0	2
Other receivables	25	1	0
Prepaid expenses and accrued income	26	2	0
Total current receivables		1,883	1,716
Cash and bank balances	27	20	100
Total current assets		1,903	1,816
TOTAL ASSETS		2,057	1,970
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		-6	49
Net profit/loss for the year		87	-55
Total non-restricted equity		266	179
Total equity		417	330
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	30	1,157	1,573
Total non-current liabilities		1,157	1,573
<i>Current liabilities</i>			
Current interest-bearing liabilities		428	0
Accounts payable		1	0
Liabilities to Group companies		22	38
Other current liabilities		2	0
Accrued expenses and deferred income	31	30	29
Total current liabilities		483	67
Total liabilities		1,640	1,640
TOTAL EQUITY AND LIABILITIES		2,057	1,970

For information about pledged assets and contingent liabilities, refer to Notes 32 and 33.

Parent Company Cash Flow Statement

Amounts in SEK M	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Operating activities		
Profit/loss after financial items	87	-55
Adjustments for non-cash items, etc.	13	10
Tax paid	0	0
Cash flow from operating activities before changes in working capital	100	-45
Cash flow from changes in working capital		
Decrease(+)/increase(-) in current receivables	-167	-523
Decrease(+)/increase(-) in current liabilities	-12	50
Cash flow from operating activities	-79	-518
Investing activities		
Sales/reduction of financial assets	0	-
Change in long-term receivables	0	-
Cash flow from investing activities	0	-
Financing activities		
Borrowings	-	752
Repayment of borrowings	-	-72
Dividend paid	-	-66
Cash flow from financing activities	-	614
Cash flow for the year	-79	96
Cash and cash equivalents at the beginning of the year	100	4
Cash and cash equivalents at the end of the year	20	100

Interest received amounted to SEK 7 million (0). Interest paid amounts to SEK -126 million (-87).

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 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

Amounts in SEK M	Share capital	Share premium reserve	Retained profits incl. net profit/loss for the year	Total equity
Opening equity 01/01/2019	151	185	-6	330
Net profit/loss for the year			87	87
Other comprehensive income	–	–	0	0
Closing equity 31/12/2019	151	185	81	417

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

Additional information and notes

Note 1 Accounting principles

About the company in general

Magnolia Bostad AB, corporate identity no. 556797-7078, domiciled in Stockholm, is subject to controlling influence from F. Holmström Fastigheter AB, corporate identity no. 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 head 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 associations

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 is thus 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 turn-

key contractor for the production and supply of a ready-to-inhabit residential property. With agreements entered into, Magnolia Bostad and the tenant-owned 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-owned associations during the production phase. After the tenant-owned association has taken over the project, Magnolia Bostad is no longer part of the turnkey contract.

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-owned 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 sometime after the final inspection and thus the non-influential risk of a price decline (see Note 33). 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.

As of 31 December 2019, Magnolia Bostad has three ongoing tenant-owned projects in production, a total of 259 residential units. In all three projects, the respective tenant-owned association has acquired and taken over the project. Magnolia Bostad is thus no longer part of the turnkey contract for any of the projects. In one project, Lilium stage 2, 108 buyers out of a total of 109 in the project had completed as of 31 December 2019.

In an overall assessment of all facts and circumstances, Magnolia Bostad therefore does not consider that the above conditions affect Magnolia Bostad's conclusion. Magnolia Bostad cannot influence the activities relevant to the tenant-owned 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.

Magnolia Bostad develops new residential properties, including rental apartments and tenant-owned apartments, community service properties 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) local 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 community service properties, 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 local 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-owned 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 zoning plan risk and risk in the turnkey contract as described above. "Sold apartments" means that there is a binding agreement with tenant-owners.

Following revaluation 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 – lessor

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.

Leasing – lessee

As the lessee, rights of use and leasing liabilities for the vast majority of leasing agreements are recognized in the balance sheet. Depreciation of rights of use and interest costs for leasing liabilities are reported in the income statement. In the cash flow analysis, payments attributable to the amortization

of leasing debt are reported in financing operations and payments attributable to interest in operating activities.

The lease liability is valued at the acquisition date at the present value of unpaid leasing fees at the commencement date. Subsequently, the lease liability increases with interest costs and decreases with paid lease fees. The right of use is initially reported at acquisition value, i.e. the original value of the lease liability. The right of use then depreciates over the period of use. Leasing fees are discounted by the marginal loan interest rate. The Group applies the exceptions that the standard allows for short-term leases and leases for which the underlying asset is of low value. These lease agreements are reported as other expenses. After the start date, the lease liability is revalued to reflect re-evaluations and changes to the lease agreement. The revaluation of the lease liability is adjusted against the right of use. Profits or losses attributable to changes in lease agreements are recognized in the income statement.

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.

Investment properties

Investment properties are properties held for the purpose of collecting rental income or for an increase in value or a combination of the two. Initially, investment 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.

Licenses	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 addition-

al 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 rebate at acquisition will reduce the property's acquisition value.

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.

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 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.

es. Magnolia Bostad has chosen not to 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 SEK 64 million. Essentially, this item consists of parking spaces rented by Magnolia Bostad to be rented out in three projects, and rent for the premises in which Magnolia Bostad conducts its business.

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 – Leasing - lessee.

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-owned association for the construction of tenant-owned apartments, (ii) there is local planning, and (iii) a binding turnkey contract has been entered into with a contractor. The agreement for the turnkey contract is signed or handed over to the tenant-owned 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 local 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

local 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 zoning plan risk on the basis of its knowledge of the local planning work. The provision for zoning plan risk is dissolved when the building permit enters into legal force and the uncertainty connected with the zoning plan risk disappears. 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 company 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 2019 and 2018, 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 2019, the company met all targets and requirements. In order for a dividend to be paid or a buy-back of shares to be made, the Group's equity ratio according to the latest published financial report at the time of disbursement must exceed 30% tested pro forma, including the relevant payment. 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 analysed 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 position may be lower. 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, cash and cash equivalents totalled SEK 440 million (395). In addition to cash and cash equivalents, there were unutilized credit facilities of SEK 788 million (834) available, including unutilized overdraft facilities of SEK 50 million.

Below is a maturity analysis for financial liabilities. The table contains undiscounted cash flows based on the date of

contract and includes both the interest rate and the nominal amount.

Maturity analysis 31/12/2019	0-1 years	1-2 years	2-3 years	3-5 years	Over 5 years
Interest-bearing liabilities	869	1,091	544	222	–
Leasing liabilities	16	14	6	10	19
Liabilities to associated companies	1	–	–	–	–
Accounts payable	53	–	–	–	–
Other liabilities	162	–	–	–	–
Total	1,101	1,105	550	232	19

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	–

Of the cash flows from interest-bearing liabilities within 0-1 year of SEK 869 million (416), SEK 516 million (172) occurs within six months and SEK 353 million (244) 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 upon Magnolia Bostad exiting the project, when sales proceeds are received from the project buyers. Of the loans that fall due in 2020 and 2021, SEK 107 million and SEK 130 million are collateralized property loans that are considered to be refinaneable upon maturity, and in addition SEK 201 million and SEK 132 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 9 months prior to the maturity date. The Group has an equity/assets ratio target of at least 30%. A higher equity/assets ratio makes Magnolia Bostad a more attractive borrower. Outstanding bonds have certain limitations in terms of the type of debt that may be raised. According to the terms for outstanding bonds, the Group's equity/assets ratio according to the latest published financial report at the time of the loan, must exceed 30%, tested pro forma and including relevant loans, in order for Magnolia Bostad to take up new bond liability or other debt that is ranked equally, or subordinated, existing bonds. There are no restrictions on the raising of project-related debt in the terms for outstanding bonds.

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 1,925 million (1,933). 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 1,177 million (1,418), including receivables for property sales, SEK 353 million (209) 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 Viva Bostad and Heba. The claims on these four counterparties amount to SEK 431 million (613). Of the remaining claims, SEK 175 million (42) is to Swedish tenant-owned associations.

At the end of the year, past due Loans and accounts receivable amount to SEK 0 million (0). Of consolidated net sales, 29.9% (0) 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. Funds in cash accounts and any investments may not exceed SEK 750 million in exposure to one and the same banking group.

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 -189 million (-150), and the average interest rate at the end of the year amounted to 7.0% (7.1). An increase in STIBOR 3M by one percentage point would increase the Group's interest rate expense for the financial year by around SEK 23 million (19).

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 2019, the Group's strategy was to maintain an equity/assets ratio of at least 30%. The equity/assets ratio on 31 December 2019 was 29.6% (30.3). Group's strategy is unchanged compared to last year.

FINANCIAL INSTRUMENTS PER CATEGORY

31/12/2019 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	–	265	–
Other securities held as non-current assets	31	–	–
Other long-term receivables	–	578	–
Accounts receivable	–	41	–
Other receivables	–	599	–
Prepaid expenses and accrued income	–	2	–
Cash and cash equivalents	–	440	–
Total	31	1,925	–

Liabilities in the balance sheet

Non-current interest-bearing liabilities	–	–	1,667
Liabilities to associated companies	–	–	1
Other non-current liabilities	–	–	34
Current interest-bearing liabilities	–	–	736
Accounts payable	–	–	53
Other current liabilities	–	–	65
Accrued expenses and deferred income	–	–	97
Total	–	–	2,654

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

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 1,427 million (1,440), compared to the carrying amount of SEK 1,441 million (1,428). 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 varia-

ble 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 34 – 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 103 million (156), Fredrik Lidjan AB's share of Magnolia Holding 3 AB amounts to SEK 3 million (11) and its share of net profit/loss for the year amounts to SEK -1 million (-13).

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 percent in Magnolia Holding 4 AB and Magnolia Hotellutveckling 2 AB. In future hotel projects, Clas Hjorth 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, residential care property and municipal properties are developed and an ownership of 76% in future hotel projects. The new agreement 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 46 million (22), and the minority's share of profit/loss in Magnolia Holding 4 AB amounts to SEK 29 million (15).

The minority's share of profit/loss in Magnolia Hotellutveckling 2 AB amounts to SEK 10 million (14), and the minority's share of profit/loss in Magnolia Hotellutveckling 2 AB amounts to SEK 0 million (-3).

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 2 million (-4) of the profit for the year. In total, the minority holding in Moutarde Holding AB amounts to SEK 45 million (106).

There was previously a minority holding of 15% in Magnolia Vårdfastigheter AB. During the first quarter of 2019 this minority was bought out for a purchase price of SEK 3 million. The share of the minority in Magnolia Vårdfastigheter AB's in the year's profit/loss amounts to SEK – million (3), and in total the minority amounts to SEK – million (4). 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 124-125 of the Corporate Governance Report.

Condensed financial information for the sub-group that has a non-controlling interest is presented below. During 2019, dividends of SEK 6 million (7) were paid to minority shareholders in Magnolia Holding 3 AB, SEK 5 million (-) was paid to minority shareholders in Magnolia Holding 4 AB, SEK 4 million (-) was paid to minority shareholders in Magnolia Hotel Development 2 AB and SEK 63 million (-) to minority shareholders in Moutarde Holding AB.

	Moutarde Holding AB		Magnolia Holding 3 AB		Magnolia Holding 4 AB	
	2019	2018	2019	2018	2019	2018
Non-current assets	192	324	395	536	964	456
Cash and cash equivalents	4	2	125	77	102	27
Other current assets	70	234	692	596	440	653
Total assets	266	560	1,212	1,210	1,506	1,136
Equity	191	447	34	106	576	280
Non-current liabilities	–	34	59	59	406	134
Current liabilities	75	78	1,119	1,045	524	722
Total equity and liabilities	266	560	1,212	1,210	1,506	1,136
Net sales	4	-16	133	104	202	350
Operating expenses	-1	-1	-140	-182	-136	-170
Change in value, investment properties	–	–	80	20	268	46
Profit/loss from participations in associated companies and joint ventures	–	–	-22	-12	98	8
Net financial items	8	-1	-61	-53	-37	-29
Income tax	0	–	-1	-2	-36	-13
Net profit/loss for the year	10	-18	-11	-126	358	192

	Magnolia Hotellutveckling 2 AB		Magnolia Vårdfastigheter AB	
	2019	2018	2019	2018
Non-current assets	24	24	115	135
Cash and cash equivalents	0	0	26	5
Other current assets	22	39	107	45
Total assets	46	63	249	186
Equity	40	57	20	28
Non-current liabilities	4	4	70	1
Current liabilities	5	1	159	157
Total equity and liabilities	46	63	249	186
Net sales	–	-15	2	28
Operating expenses	0	0	-8	-20
Change in value, investment properties	–	–	2	15
Profit/loss from participations in associated companies and joint ventures	–	–	–	–
Net financial items	1	1	-4	1
Net profit/loss for the year	1	-14	-8	23

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	
	2019	2018	2019	2018
Revenue from Contracts with Customers	735	1,030	12	10
Other income	16	24	–	–
Total	751	1,054	12	10
	The Group		Parent Company	
	2019	2018	2019	2018
Sales, development and project properties	486	789	–	–
Total income reported at a point in time	486	789	–	–
Project management revenue	29	28	–	–
Rental income	16	24	–	–
Other operating income	220	213	12	10
Total income recognised over time	265	265	12	10
TOTAL INCOME	751	1,054	12	10

Revenue from four (four) 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 ten percent or more of the company's revenue per year.

Revenue from major customers	The Group	
	2019	2018
BRF Ophelias Brygga	46	117
Genova Property Group	–	156
Skogskarlen Bergshamra Holding AB	–	234
Heimstaden Bostad	200	56
Slättö	82	188
Heba	108	–
BRF Lilium in Uppsala	169	–
Total	605	751

In total, these four customers, along with BRF Ophelias Brygga which is included as sales last year exceeded 10%, representing sales of SEK 605 million (751). This revenue has mainly been reported as the sale of development and project properties.

Cash flow from the sale of projects is partly received in connection with the handover of land via forward funding, since Magnolia Bostad is paid for investments made up to this point. 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 Leasing – lessor

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	
	2019	2018	2019	2018
Contractual rental income within one year	13	11	–	–
Contractual rental income between one and five years	8	12	–	–
Contractual rental income beyond five years	–	–	–	–
Total	21	23	–	–

The sum of the rental income that is included in the consolidated income statement amounts to SEK 16 million (23).

Note 7 Leasing – lessee

Group leasing fees consist main of parking spaces rented by the Group in three projects to be rented out, and rent for the premises in which Magnolia Bostad conducts its business. Right-of-use assets are reported in the balance sheet as Rights of use.

	The Group
	2019
Rights of use	
Opening carrying amount	–
Changes to accounting principles, IFRS 16	64
Acquisitions	1
Depreciation/amortization	-14
Closing carrying amount	51

Changes to lease liabilities linked to right-of-use assets are listed below.

	The Group
	2019
Leasing liabilities	
Opening carrying amount	–
Changes to accounting principles, IFRS 16	64
Additions	1
Interest costs	4
Payments	-16
Closing carrying amount	52
Current lease liabilities	13
Non-current lease liabilities	39

The maturity structure of leasing liabilities is detailed in Note 3 – Financial risks and finance policy.

	The Group
	2019
Reported in the income statement	
Depreciation of right-of-use assets	-14
Leasing liability interest costs	-4
Short-term leasing costs	0
Costs for low-value leases	0
Costs for variable leasing fees	0
Income from sub-leasing right-of-use assets	2
Total sum reported in the income statement	-16

Note 8 Disclosures regarding fees and cost reimbursement to the auditor

	The Group		Parent Company	
	2019	2018	2019	2018
Ernst & Young				
auditing assignment	-3.3	-2.7	-3.3	-2.7
audit operations in addition to the audit assignment	-0.0	-0.5	-0.0	-0.1
tax advisory services	-0.2	-0.3	-0.2	-0.0
other	-0.4	-1.4	-0.4	-1.1
Total	-3.9	-4.6	-3.9	-3.9

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			
	2019		2018	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-17	-71	-19	-53
(of which bonuses, etc.)	(-3)	(-8)	(-5)	(-9)
Social security expenses	-5	-23	-5	-17
Pension expenses including special employer's contribution	-4	-14	-3	-8
Total	-26	-107	-28	-77

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			
	2019		2018	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-7	0	-8	0
(of which bonuses, etc.)	(-1)	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

2019, SEK 000	Basic salary/ Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chairman of the Board	-483	0	0
Andreas Rutili, member	-283	0	0
Risto Silander, member	-283	0	0
Fredrik Tibell, member	-350	0	0
Jan Roxendal, member	-370	0	0
Viveka Ekberg, member	-350	0	0
Fredrik Lidjan, CEO ¹⁾	-2,318	0	-598
Erik Rune, VP ²⁾	-1,563	-1,276	-379
Gurmo Endale VP ³⁾	-260	-200	-70
Rickard Langerfors VP ⁴⁾	-101	0	-28
Other senior executives, 6 persons	-7,763	-1,176	-1,981
Total	-14,125	-2,652	-3,056

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.

²⁾ For the period January-October 2019.

³⁾ For the period November-December 2019.

⁴⁾ For January 2019.

REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2018, SEK 000	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.

For more information, see also Note 35 – Closely related parties

AVERAGE NUMBER OF EMPLOYEES

	The Group 2019	The Group 2018	Parent Company 2019	Parent Company 2018
Average number of employees	96	71	2	2
(of which men)	(44)	(32)	(2)	(2)

GENDER DISTRIBUTION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

	The Group 2019	The Group 2018	Parent Company 2019	Parent Company 2018
Board of Directors	6	6	6	6
(of which men)	(5)	(5)	(5)	(5)
CEO and Executive Management	8	9	8	8
(of which men)	(5)	(5)	(5)	(5)

Remuneration to the Board

The 2019 Annual General Meeting resolved on remuneration to the members of the Board of Directors for the period ending with the close of the 2020 Annual General Meeting of SEK 500,000 to the Chairman of the Board and SEK 300,000 to each of the other Board members. The Meeting furthermore resolved on remuneration to the Chair of the Audit Committee of SEK 90,000 and of SEK 70,000 to each of the other members of the Audit Committee.

Executive Management

In 2019, Executive Management decreased by one member and at the end of the year consisted of eight people (nine). At the start of the year, it consisted of the CEO, CFO, CIO and deputy CEO, Head of Operational Development and Sustainability, Head of Housing Development, Head of Marketing and Communication, Head of Legal and Head of Business Generation and Eastern Regional Director.

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 three to six month mutual notice of termination.

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

	The Group		Parent Company	
	2019	2018	2019	2018
Share of profit/loss from associated companies and joint ventures	77	14	-	-
Total	77	14	-	-

Of profits from participations in associated companies, SEK 88 million comes from Upplands Bro Brogårds Etapp 2 AB, which the company owns together with Heimstaden Bostad Invest AB, SEK 13 million from the Magnolia project 5224 AB, which the company owns together with Slättö Core Plus Holding AB and SEK -25 million (-15) from Sollentuna Stinsen JV AB, which the company owns together with Alecta. 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	
	2019	2018	2019	2018
Operating expenses	-9	-8	-	-
Production expenses	-644	-774	-	-
Other external costs	-4	-95	-16	-29
Personnel costs	-89	-64	-10	-11
Depreciation/amortization and impairment	-23	-4	0	0
Profit/loss from participations in associated companies	77	14	-	-
Other operating expenses	-26	-27	-	-
Total	-718	-958	-26	-40

Note 12 Financial income

	The Group		Parent Company	
	2019	2018	2019	2018
Interest income	14	4	9	0
Interest income, associated companies	3	3	0	0
Interest income, Group companies	-	-	100	76
Dividends from Group companies	-	-	134	0
Total	17	8	243	76

Note 13 Financial expenses

	The Group		Parent Company	
	2019	2018	2019	2018
Interest expenses	-188	-149	-139	-101
Interest expenses, Group companies	-	-	-2	0
Other financial expenses	-1	-1	0	0
Total	-189	-150	-142	-101

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	
	2019	2018	2019	2018
Current tax	-1	0	0	0
Deferred tax for temporary differences	-36	-15	0	0
Total	-37	-15	0	0

RECONCILIATION OF REPORTED TAX

	The Group		Parent Company	
	2019	2018	2019	2018
Profit/loss before tax	208	22	87	-55
Nominal tax according to current tax rate (2019: 21.4%, 2018: 22%)	-45	-5	-19	12
Tax effect of non-deductible interest expenses	-41	-	-7	-
Tax effect of other non-deductible expenses	-0	-6	0	0
Tax effect – non-taxable sales investment property	52	-	-	-
Tax effect of other non-taxable income	31	57	29	0
Tax effect of non-capitalized loss carry-forwards	-44	-51	-3	-12
New future corporation tax	2	-	-	-
Current tax attributable to previous years	0	0	0	0
Other	8	-10	0	0
Reported effective tax	-37	-15	0	0

The tax expense is less than 21.4% (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	
	2019	2018
Net profit/loss for the year attributable to Parent Company shareholders	142	10
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	3.75	0.26
Earnings per share, diluted, SEK	3.75	0.26

In 2018 and 2019, warrants were issued. For more information, see Note 28 – Share capital and other capital contributions.

Note 16 Goodwill

	The Group	
	31/12/2019	31/12/2018
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	
	31/12/2019	31/12/2018
Opening cost	1	1
Purchases	0	0
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	0	1

Note 18 Machines and equipment

	The Group	
	31/12/2019	31/12/2018
Opening cost	25	11
Purchases	3	14
Closing accumulated cost	27	25
Opening depreciation/amortization according to plan	-6	-3
Depreciation and amortization for the year according to plan	-9	-3
Closing accumulated depreciation/amortization according to plan	-15	-6
Closing residual value according to plan	12	19

Note 19 Investment properties

	The Group	
	31/12/2019	31/12/2018
Opening fair value	295	-
Reclassifications	170	180
Investments and acquisitions	278	49
Unrealized changes in value	348	67
Sales	-438	-
Closing fair value	654	295

Magnolia Bostad is reporting four (four) properties as investment properties. Two (three) of the properties are investment properties under construction. The first investment property under construction is expected to be completed within one year and the second is expected to be fully completed within three years. In 2019, five investment properties were sold to two separate JV companies. The Brogårdstaden project was sold to a JV with Heimstaden Bostad and Kronandalen. Gjuteriet etapp 2, Sportflygaren and the rental element of Övre Bangården were sold to a JV with Slättö. These projects are being developed for long-term ownership by the respective JV company. For more information, see Note 20 – Participations in associated companies and joint ventures.

Four of the properties were previously reported as development and project properties and have been reclassified during the year. Internal valuations have been made of all investment properties as of 31 December 2019. All completed investment properties, along with investment properties under construction, were also valued by external valuers from CBRE and Cushman & Wakefield during the last quarter of 2019.

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 5.8% and 8.3% and the median amounts to 6.19%. The yield requirement in valuations carried out is within the range of 3.8-6.3% and the median amounts to 4.4%.

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.

Sensitivity analysis, property valuation	Effect on value (SEK million)	Effect on equity/assets ratio, percentage points
Operating income, +/- 10%	+82/-82	+1.0-1.0
Direct yield, +/-0.50% points	-74/+94	-0.9+1.1

SENSITIVITY ANALYSIS, PROPERTY VALUE

Change in value before tax, %	Effect on earnings (SEK million)	Equity/assets ratio (%)
+10	52	30.4
0	0	29.6
-10	-52	28.8

Note 20 Shares in associated companies and joint ventures

	The Group		Parent Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening cost	107	111	2	2
Acquisitions	0	0	-	-
Contributions	42	3	-	-
Share for the year of profit/loss in associated companies and joint ventures	71	3	-	-
Realization result	6	11	-	-
Dividend	-11	-10	-	-
Sales	-26	-11	-	-
Closing carrying amount	189	107	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%	8
Söderblick Utveckling AB	556849-9445	Stockholm	-	-
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%	1
Magnolia Senap AB	556887-5925	Stockholm	50.0%	0
Sollentuna Stinsen JV AB ²⁾	559085-9954	Stockholm	45.0%	49
Kanikenäsvarvet Bostad HB ²⁾	969782-0810	Stockholm	45.0%	0
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%	18
Hällestad Nyponknoppen AB	559092-4220	Stockholm	46.0%	-
Donatus AB	556825-9351	Stockholm	30.0%	0
Skogskarlen Bergshamra Holding AB ²⁾	559126-5771	Stockholm	-	-
Bryggkaffe Fastighetsutveckling AB	559159-7496	Stockholm	46.0%	0
Upplands Bro Brogårds Etapp 2 AB	559175-4915	Stockholm	46.0%	99
Magnolia Projekt 5224 AB	559175-4923	Stockholm	46.0%	13
Magnolia Projekt 5222 AB	559175-4907	Stockholm	46.0%	0
Total				189

¹⁾ Share of capital agrees with ownership

²⁾ Holdings classified as joint ventures

In 2019, Magnolia Bostad sold five investment properties to two separate JV companies. The Brogårdsstaden project was sold to Upplands Bro Brogårds Etapp 2 AB, which is co-owned with Heimstaden Bostad and Kronandalen, Gjuteriet, etapp 2, Sportflygaren and the rental element of Övre Bangården were sold to Magnolia Projekt 5224 AB, which is co-owned with

Slättö. All the properties are under construction and being developed for long-term ownership by the JV companies.

Internal valuations have been made of all investment properties owned through JV companies as of 31 December 2019. They have all also been valued by external valuers from Cush-

man & Wakefield and Newsec during the last quarter of 2019. 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 6.1% and 6.5% and the median amounts to 6.13%. The yield requirement in valuations carried out is within the range of 4.1-4.5% and the median amounts to 4.13%.

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.

Sensitivity analysis, property valuation	Effect on value of property in JV companies (SEK million)	Effect on value of company's holding in JV (SEK million)	Effect on company equity/assets ratio, percentage points
Operating income, +/- 10%	+219/-198	+87-87	+1.5-1.6
Direct yield, +/-0.50% points	-241/+309	-96+123	-1.7+2.1

Sollentuna Stinsen JV AB	2019	2018
Non-current assets	-	-
Cash and cash equivalents	106	72
Other current assets	730	714
Non-current financial liabilities	-728	-631
Current financial liabilities	-9	-5
Other liabilities	-1	-2
Net assets	98	148
Company's share of net assets	49	74

Net sales	20	38
Depreciation/amortization	0	0
Interest expenses	-44	-27
Net profit/loss for the year	-49	-31
Company's share of profit/loss for the year	-25	-15

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 centre, which offers approximately 41,600 m² of leasable retail and office space.

Kanikenäsvarvet Bostad HB	2019	2018
Non-current assets	0	0
Cash and cash equivalents	7	27
Other current assets	-	-
Non-current liabilities	0	0
Current liabilities	-6	-9
Net assets	1	17
Company's share of net assets	0	8

Net sales	0	6
Net profit/loss for the year	5	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	2019	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

During 2019, the 50% holding in Skogskarlen Bergshamra Holding AB was sold to Randviken Fastigheter, which previously owned the other 50%. 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.

Upplands Bro Brogårds Etapp 2 AB	2019
Non-current assets	508
Cash and cash equivalents	0
Other current assets	4
Non-current financial liabilities	0
Current financial liabilities	-268
Other liabilities	-47
Net assets	198
Company's share of net assets	

Net sales	0
Depreciation/amortization	0
Interest expenses	-3
Change in value, investment properties	227
Income tax	-47
Net profit/loss for the year	177
Company's share of profit/loss for the year	88

During 2019, 50% of the shares in Upplands Bro Brogårds Etapp 2 AB were sold to Heimstaden Bostad Invest AB. Upplands Bro Brogårds Etapp 2 AB acquired the property for the development of an estimated 835 residential units, of which production had started on 645 during the year. The property is being developed for long-term management. The profit/loss for the year largely consists of changes in the value of housing where production has started.

Magnolia Projekt 5224 AB	2019
Non-current assets	200
Cash and cash equivalents	0
Other current assets	0
Non-current financial liabilities	0
Current financial liabilities	-170
Other liabilities	-7
Net assets	23
Company's share of net assets	13

Net sales	0
Depreciation/amortization	0
Interest expenses	0
Change in value, investment properties	34
Income tax	-7
Net profit/loss for the year	26
Company's share of profit/loss for the year	13

During 2019, 50% of the shares in Magnolia Projekt 5224 AB were sold to Slättö Core Plus Holding AB. Magnolia Projekt 5224 AB subsequently acquired Kronandalen, Gjuteriet etapp 2, Sportflygaren and the rental element of Övre Bangården from Magnolia Bostad. The properties are being developed for long-term management. The profit/loss for the year largely consists of changes in the value of housing where production has started.

Note 21 Other long-term securities holdings

	The Group	
	31/12/2019	31/12/2018
Opening fair value	31	31
Closing carrying amount	31	31
	31/12/2019	31/12/2018
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	
	31/12/2019	31/12/2018
Receivable property sales	535	863
Paid deposits	20	20
Deposits	7	7
Other	16	88
Total	578	978

Refers largely to long-term claims on buyers.

	The Group	
	2019	2018
Receivable property sales	2019	2018
Opening balance	863	1,067
Incoming from new property sales	61	202
Change in estimate of variable remuneration	-12	-34
Outgoing to Other receivables	-377	-372
Closing balance	535	863

Reported as short-term Other receivables are additional claims from property sales of SEK 479 million (280). 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 handover of the property.

Note 23 Development and project properties

	The Group	
	31/12/2019	31/12/2018
Opening amount	1,196	1,310
Ongoing new construction	559	657
Reclassifications	-170	-180
Acquisitions	173	183
Sales	-644	-774
Total	1,114	1,196

During 2019, four (two) properties – Övre Bangården in Östersund, Kronandalen in Luleå, Gjuteriet etapp 2 in Eskilstuna, Sportflygaren in Örebro and Brogrådstaden i Bro – have been reclassified as investment properties.

Note 24 Accounts receivable

	The Group	
	31/12/2019	31/12/2018
Accounts receivable gross	41	21
Provision for bad debt	0	0
Closing carrying amount	41	21

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	
	31/12/2019	31/12/2018
Age-distributed accounts receivable		
Accounts receivable not past due	21	21
Past due < 30 days	0	0
Past due 31-90 days	1	0
Past due < 90 days	19	–
Total accounts receivable not written down	41	21
Past due and written down accounts receivable	0	0
Total accounts receivable	41	21

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

Note 25 Other receivables

	The Group		Parent Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Receivable property sales	479	280	–	–
Paid deposits	101	129	–	–
Deposits	7	0	–	–
Other items	12	31	0	0
Total	599	440	0	0

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

	The Group	
	31/12/2019	31/12/2018
Receivable property sales	31/12/2019	31/12/2018
Opening balance	280	423
Incoming from new property sales	113	345
Incoming from Other long-term receivables	377	372
Payments received	-291	-860
Total	479	280

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

Note 26 Prepaid expenses and accrued income

	The Group		Parent Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Prepaid costs	8	7	0	0
Accrued income	1	5	0	0
Accrued interest income	2	2	2	0
Other items	0	0	0	0
Total	11	14	2	0

Note 27 Cash and cash equivalents

	The Group		Parent Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Cash and bank balances	440	395	20	100
Total	440	395	20	100

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. 28,000 warrants were bought back. 89,500 unexercised warrants were cancelled during 2019. 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.

The Annual General Meeting held on 10 May 2019 resolved to issue 200,000 warrants to the subsidiary, Magnolia Utveckling AB. Following the AGM's decision, 170,000 of the warrants were offered to key employees at the subsidiary, all of which have been acquired by and assigned to key employees. The outstanding warrants remain in Magnolia Utveckling's ownership for the time being. Each warrant entitles the holder to subscribe for one share in Magnolia Bostad at a strike price of SEK 84 per share during the period from 1 November 2022 until 26 April 2024.

Equity in the Parent Company

Share capital

The share capital item includes the registered share capital. As at 31 December 2019, there are 37,822,283 shares (37,822,283) and the quotient value is SEK 4 per share.

Share premium reserve

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

Profit/loss carried forward

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

SHARE CAPITAL GROWTH

Ordinary shares	Number of shares	Quotient value/ share, SEK	Share capital, SEK
Opening balance 01/01/2018	37,822,283	4	151,289,132
Closing balance 31/12/2018	37,822,283	4	151,289,132
Opening balance 01/01/2019	37,822,283	4	151,289,132
Closing balance 31/12/2019	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	-6,234,284
Net profit/loss for the year	86,725,305

Total **265,223,560**

The Board proposes:

To be carried forward 265,223,560

Total **265,223,560**

Equity in the Group

Share capital

The share capital item includes the registered share capital. As at 31 December 2019, 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	
	31/12/2019	31/12/2018
Deferred tax liability		
for temporary difference between carrying amounts and taxable values of buildings	38	17
Total	38	17

Reported deferred tax liability has been calculated at 20.6% (20.6). Total loss carry-forwards without an equivalent capitalization of a deferred tax asset amount to SEK 1,010 million (733), which corresponds to a deferred tax asset of SEK 216 million (161) at a tax rate of 21.4% (22.0).

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

	The Group		Parent Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Non-current interest-bearing liabilities				
Bank loans	390	220	–	–
Bond loans	1,013	1,429	1,013	1,429
Deposit	144	144	144	144
Seller promissory notes	121	121	–	–
Current interest-bearing liabilities				
Bank loans	308	255	–	–
Bond loans	428	–	428	–
Deposit	–	23	–	–
Total	2,404	2,192	1,585	1,573
Liabilities that fall due for payment within one year after the balance sheet date	736	278	428	–
Liabilities that fall due for payment within one and five years after the balance sheet date	1,668	1,914	1,157	1,573
Liabilities that fall due for payment more than five years after the balance sheet date	–	–	–	–
Total	2,404	2,192	1,585	1,573

Shares in subsidiaries were pledged as collateral for the bond loan with an outstanding nominal amount of SEK 450 million (450). The value of the collateral pledged for the bond loan amounts to SEK 742 million (629) in the Group and SEK 74 million (74) in the Parent Company. For bank loans, the Group has pledged collateral totalling SEK 656 million (647).

	The Group	
Other non-current liabilities	31/12/2019	31/12/2018
Loans	0	0
Additional consideration	34	34
Deposits	0	0
Total	34	34

	The Group	
Other non-current liabilities	31/12/2019	31/12/2018
Liabilities that fall due for payment within one and five years after the balance sheet date	34	34
Liabilities that fall due for payment more than five years after the balance sheet date	–	–
Total	34	34

Change in interest-bearing liabilities and other non-current liabilities	The Group		Parent Company	
	2019	2018	2019	2018
Opening balance	2,226	2,103	1,573	883
Borrowings	590	1,147	–	752
Acquired liabilities	–	–	–	–
Amortization	-264	-848	–	-72
Sales	-140	-192	–	–
Other non-cash flow changes	26	16	12	10
Closing balance	2,438	2,226	1,585	1,573

Note 31 Accrued expenses and deferred income

	The Group		Parent Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Accrued personnel costs	29	22	3	1
Accrued interest expenses	33	31	25	25
Deferred income	2	1	0	0
Property tax	0	0	–	–
Other items	64	60	2	3
Total	129	114	30	29

Note 32 Pledged assets

	The Group		Parent Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Real estate mortgages	453	204	–	–
Pledged shares in subsidiaries	742	662	74	74
Pledged internal reversals	204	409	–	–
Total	1,398	1,276	74	74

Note 33 Contingent liabilities and other commitments

	The Group		Parent Company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Guarantees to the benefit of Group companies	–	–	856	544
Guarantees to the benefit of Group companies	107	478	87	0
Guarantees to the benefit of liabilities according to contracting agreements	18	14	33	13
Total	126	492	976	557

In tenant-owned 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) submitted a claim in 2018 for standardized damages of SEK 25 million under allegation of a breach of contract against a share transfer agreement. In 2018, the Seller submitted a claim for a further SEK 22 million approximately. During 2019, the case was amended. The Seller is currently pursuing a claim of SEK 46.5 million plus interest in the district court for breach of contract. Magnolia Bostad continues to dispute the claim.

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 34 Participations in Group companies

	Parent Company	
	31/12/2019	31/12/2018
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
Magnolia Utveckling AB	556776-1464	Stockholm	100.0%	74
Magnolia Hotellutveckling AB	559062-5645	Stockholm	60.0%	–
Magnolia Hotellutveckling 2 AB	559125-7604	Stockholm	76.0%	0
				89

¹⁾ Share of capital agrees with ownership.

During 2019, Magnolia Hotellutveckling AB was sold.

Note 35 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	
	31/12/2019	31/12/2018
Divestments to associated companies		
Svenska husgruppen Intressenter AB	10	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
Bollmora Vårdfastigheter AB	0	0
Donatus AB	–	0
Sollentuna Stinsen JV AB	3	1
Skogskarlen Bergshamra Fast AB	0	234
Upplands Bro Brogårds Etapp 2 AB	281	–
Magnolia Projekt 5224 AB	167	–
Total	462	235
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	0
Sollentuna Stinsen JV AB	0	0
Skogskarlen Bergshamra Holding AB	–	0
Total	0	0

Receivables from associated companies	The Group	
	31/12/2019	31/12/2018
Svenska Husgruppen Intressenter AB	36	26
FL Properties Uppsala AB	1	1
Magnolia Senap AB	0	1
Moutarde Equity AB	0	0
KIASVA AB	36	10
KIAB Laholm AB	–	0
Bollmora Vårdfastigheter AB	2	21
Skogskarlen Bergshamra Holding AB	–	35
Bryggkaffe Fastighetsutveckling AB	4	–
Upplands Bro Brogårds Etapp 2 AB	19	–
Magnolia Projekt 5224 AB	167	–
Total	265	94

Liabilities to associated companies	The Group	
	31/12/2019	31/12/2018
Moutarde Equity AB	1	18
Total	1	18

Transactions occurred with F. Holmström Fastigheter AB and other companies over which Fredrik Holmström, Chair of the Board of Magnolia Bostad AB, has a controlling influence. During the year, Magnolia Bostad Group had expenses of SEK 2 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 1 million (0).

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 0 million (1) 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 124-125 of the Corporate Governance Report.

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

In 2017, Magnolia Bostad sold the project, Sländan Phase 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 Phase 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, owned by Board member Fredrik Tibell. 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 12 million (10) and purchased services for SEK 1 million (0).

Note 36 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 with reversal of financial expenses and deduction for unrealized changes in value of investment properties 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 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 37 Events after the balance sheet date

Start of zoning plan work for the project Vårby Udde, Huddinge Municipality, comprising development of around 1,800 residential units.

Agreement signed for the sale of the Slipsen project to Heimstaden Bostad. The project comprises the property Stora Råby 33:23 and others in Södra Råbylund in Lund municipality. Production started on the project in December 2019 and consists of the development of approximately 780 residential units with a GFA of 45,000 m². The estimated value of the property upon completion totals SEK 1.4 billion.

Won a land allocation process in Skellefteå for a part of the Skellefteå 5:1 property, comprising around 22,000 m², where approximately 300 residential units in various forms are planned.

Agreement signed for the sale of the Edvinshem project to Heimstaden Bostad. The project consists of the Vrakbåten 1 & 4 properties in Fredenslund in Ystad municipality. Production started on the project in December 2019 and consists of the development of approximately 225 residential units. The es-

timated value of the property upon completion totals around SEK 400.

The JV company formed by Magnolia Bostad and Slättö has signed an agreement with Slättö for the acquisition of land in Barkarbystaden, Stockholm. The JV is planning to develop approximately 23,000 m² of GFA divided into 350 residential units.

Agreement signed for the acquisition of the properties Åkermynatan 4, 10, 13, 14 and 18 in the Bergsäter area close to the centre of Borås. The development of housing with a GFA of 28,000 is planned. A turnkey contract has been signed with Derome for the construction of wooden housing.

Secured corporate bonds of a nominal value of SEK 41.4 million were bought back. The bonds are at a variable interest rate equivalent to STIBOR 3m plus 6.25% and mature in April 2020.

After the end of the year, the outbreak of the Covid-19 coronavirus occurred. It is currently difficult to assess what consequences this will have on Magnolia Bostad and the market in both the short and long term.

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, 27 March 2020

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 30 March 2020

Ernst & Young AB

Fredric Hävrén
Authorized auditor

Ingemar Rindstig
Authorized auditor

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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 2019. The annual accounts and consolidated accounts of the company are included on pages 68-109 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 2019 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 2019 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.

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 486 MSEK for 2019.</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 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 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 1 114 MSEK in the statement of financial position at December 31, 2019.</p> <p>The development and project properties are classified as inventories. Book 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. 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>

VALUATION OF INVESTMENT PROPERTIES

Description	How our audit addressed this key audit matter
<p>The fair value of the Groups investment properties amounted to SEK 654 million on December 31, 2019. The unrealized changes in value during the year, reported in the Group's income statement, amounted to SEK 348 million.</p> <p>The valuations are prepared in accordance with the discounted cash flow model, whereby the future cash flows are forecast. The properties are valued internally, with additional external valuation for control purposes. The required yields for the properties are assessed on each property's unique risk profile and observable transactions in the market for properties with a similar nature. Based on the high degree of assumptions and assessments which are made in connection with the property valuations, we believe that this area is a key audit matter in our audit. A description of the valuation of the property portfolio is stated in the annual report in Note 1 "Accounting principles" on page 88 and in Note 19 "Investment properties" on page 99-100.</p>	<p>In our audit we have evaluated the company's process for property valuation by evaluating the valuation methodology, valuation model and input data in the internally and externally prepared valuations. We have reviewed the valuation model used and reviewed the reasonability of the adopted assumptions such as yield requirements, vacancy rates, rental income and operating costs. We have reviewed input, calculations in the valuation model and assumptions at property level for a selection of investment properties. Selection has been made based on the risk and size criteria. We have discussed important assumptions and assessments with management. We have made comparisons to known market information. We have evaluated the skills and objectivity of the external experts.</p> <p>We have reviewed the disclosures provided in the annual accounts.</p>

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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 2-67 and 134-136. 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.

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.

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 uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Magnolia Bostad AB (publ) for the financial year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined 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 10 May 2019 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 30, 2020
Ernst & Young AB

Fredric Hävrén
Authorized Public
Accountant

Ingemar Rindstig
Authorized Public
Accountant

Multi-year overview

Income Statement Amounts in SEK M	01/01/2019 –31/12/2019	01/01/2018 –31/12/2018	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016	01/01/2015 –31/12/2015
Net sales	751	1,054	1,781	1,064	813
Production and operating costs	-707	-907	-1,347	-642	-657
Gross profit/loss	44	147	434	422	156
Central administration	-89	-64	-41	-27	-13
Profit/loss from participations in associated companies	77	14	-9	14	0
Revaluation during transition from associated company to subsidiary	–	–	–	0	153
Change in value, investment properties	348	67	–	–	–
Operating profit/loss	380	164	384	409	296
Financial income	17	8	6	3	3
Financial expenses	-189	-150	-115	-93	-52
Change in value, financial instruments	–	–	0	0	0
Profit/loss before tax	208	22	276	319	245
Income tax	-37	-15	0	0	-1
NET PROFIT/LOSS FOR THE YEAR	171	7	276	319	245
Profit/loss attributable to					
Parent company shareholders	142	10	203	271	232
Holdings without a controlling influence	-29	-3	73	48	13

Balance Sheet Amounts in SEK M	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
ASSETS					
Goodwill	6	6	6	6	6
Other intangible assets	0	1	1	0	1
Total intangible assets	6	7	7	6	7
Investment properties	654	295	–	–	–
Right of use assets	51	–	–	–	–
Machinery and equipment	12	19	8	1	0
Total property, plant and equipment	717	314	8	1	0
Shares in associated companies and joint ventures	188	106	111	116	2
Receivables from associated companies	201	56	24	23	24
Other securities held as non-current assets	31	31	31	31	31
Other long-term receivables	578	978	1,165	397	216
Total financial assets	998	1,171	1,330	567	272
Total non-current assets	1,721	1,492	1,345	574	279
<i>Current assets</i>					
Development and project properties	1,114	1,196	1,310	1,160	1,139
Tenant-owned apartments	9	10	4	4	4
Accounts receivable	41	21	31	1	4
Receivables from associated companies	64	38	52	20	0
Other receivables	599	440	595	475	204
Prepaid expenses and accrued income	11	14	5	5	2
Cash and cash equivalents	44	395	208	507	193
Total current assets	2,278	2,114	2,205	2,172	1,546
TOTAL ASSETS	3,999	3,605	3,550	2,746	1,825
EQUITY AND LIABILITIES					
Equity attributable to Parent Company shareholders	1,080	937	991	854	621
Holdings without a controlling influence	103	156	180	135	87
Total equity	1,183	1,093	1,171	989	708
Deferred tax liability	38	17	2	2	2
Non-current interest-bearing liabilities	1,667	1,914	1,566	1,268	731
Non-current liabilities to associated companies	–	18	35	–	–
Non-current lease liabilities	39	–	–	–	–
Other non-current liabilities	34	34	30	91	110
Total non-current liabilities	1,778	1,983	1,633	1,361	843
Current interest-bearing liabilities	737	278	507	237	130
Current lease liabilities	13	–	–	–	–
Accounts payable	53	23	16	38	14
Liabilities to associated companies	1	0	1	–	–
Income tax liabilities	0	0	0	0	4
Other current liabilities	105	114	85	68	77
Accrued expenses and deferred income	129	114	136	53	50
Total current liabilities	1,038	529	745	396	274
TOTAL EQUITY AND LIABILITIES	3,999	3,605	3,550	2,746	1,825

Cash Flow Statement Amounts in SEK M	01/01/2019 –31/12/2019	01/01/2018 –31/12/2018	01/01/2017 –31/12/2017	01/01/2016 –31/12/2016	01/01/2015 –31/12/2015
Operating activities					
Profit/loss after financial items	208	22	276	319	245
Adjustments for non-cash items, etc.	-457	-301	-567	-405	-336
Income tax paid	0	0	0	-4	1
Cash flow from operating activities before changes in working capital	-249	-279	-291	-90	-90
Cash flow from changes in working capital					
Decrease(+)/increase(-) of development and project properties	-88	-71	-156	119	-144
Decrease(+)/increase(-) in current receivables	385	373	-194	-4	104
Decrease(+)/increase(-) in current liabilities	27	-43	24	-47	-20
Cash flow from operating activities	75	-20	-617	-22	-150
Investing activities					
Acquisition of intangible fixed assets	0	0	-1	–	-1
Acquisition of investment properties	-282	-21	–	–	–
Acquisition of property, plant and equipment	-3	-8	-9	-1	-1
Investment in financial assets	-11	-8	-3	-100	-5
Sales/reduction of financial assets	29	0	0	–	7
Cash flow from investing activities	-267	-21	-13	-101	0
Financing activities					
New share issue	–	–	–	–	181
Issue of warrants	0	2	–	–	–
Contribution from holding without a controlling influence	–	–	1	–	–
Borrowings	590	1,147	597	1,059	471
Repayment of borrowings	-264	-848	-200	-584	-340
Dividend paid to parent company owners	–	-66	-66	-38	-6
Dividend paid to minority interests	-3	-7	–	–	–
Cash flow from financing activities	237	228	332	437	306
Cash flow for the year	45	187	-298	314	156
Cash and cash equivalents at the beginning of the year	395	208	507	193	37
Cash and cash equivalents at the end of the year	440	395	208	507	193

Word from the Chairman



Ten years ago, Andreas Rutili and I founded Magnolia Bostad with the idea of developing housing in Sweden. Over time, this has matured into a vision of creating new modern residential units and sustainable neighbourhoods.

We have had a fantastic journey over our first decade and passed a number of milestones. I can proudly look back on how we have evolved from a purely tenant-owner apartment developer to an urban developer who takes overall responsibility and provides new neighbourhoods with rental accommodation as well as tenant-owner apartments, residential care homes, schools and hotels. We have become one of the leading players in our segment with over a hundred employees working on projects across the country, divided into four regional offices. For us, it is important to have a local connection and get closer to both the municipalities we work with, our partners and the people who live in the properties we have developed. We build homes but we always focus on personal contacts and people.

At the end of the year, we won the award for Best Housing Property Company of the Year. I see this as an acknowledgement of the fantastic work that has been done within the company and think it highlights our 10-year anniversary nicely. Together with all the employees at Magnolia Bostad, I feel a huge responsibility to continue this fine journey and develop the company further over the next decade.

If there is something that has been constant in our history then it is change. We are always looking for new, different ways to build value in the best way while limiting risk. Something that we have increased our focus on for some time and that we will continue to do, is to build properties for our own management. In this way, we want to create a long-term increase in the net asset value of the company and a stronger cash flow that provides stability to the company's finances. We will always be a developer in our hearts and will continue to sell projects, but we will also, through self-management, become more like some of the more traditional property companies. I want to build a company that is easy to have ownership in over time, and the ambition is to provide a stable return to shareholders through both dividends and growth in value.

At the time of writing this, there is a crisis in the financial system due to Covid-19. This is something we are



taking very seriously and will be able to adapt to in the foreseeable future. The global economic situation was also difficult when we started the company immediately after the financial crisis. At that time, we were one of the players who managed to make the right choice, which laid the foundations for where we are today.

I feel humbled by the difficulties that exist in the market, but changes in the market also give us the chance to improve our position if we choose the right path between risks and opportunities as Magnolia now begins its journey into the next ten years.

Stockholm, March 2020

Fredrik Holmström
Chairman of the Board

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 property company listed on Nasdaq Stockholm. The Corporate Governance Report describes how Magnolia Bostad's owners have indirectly or directly guided the company through different decision-making systems during the year. Corporate governance aims to clarify the distribution of roles and responsibility between executive 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 132 of this report and on our website 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.

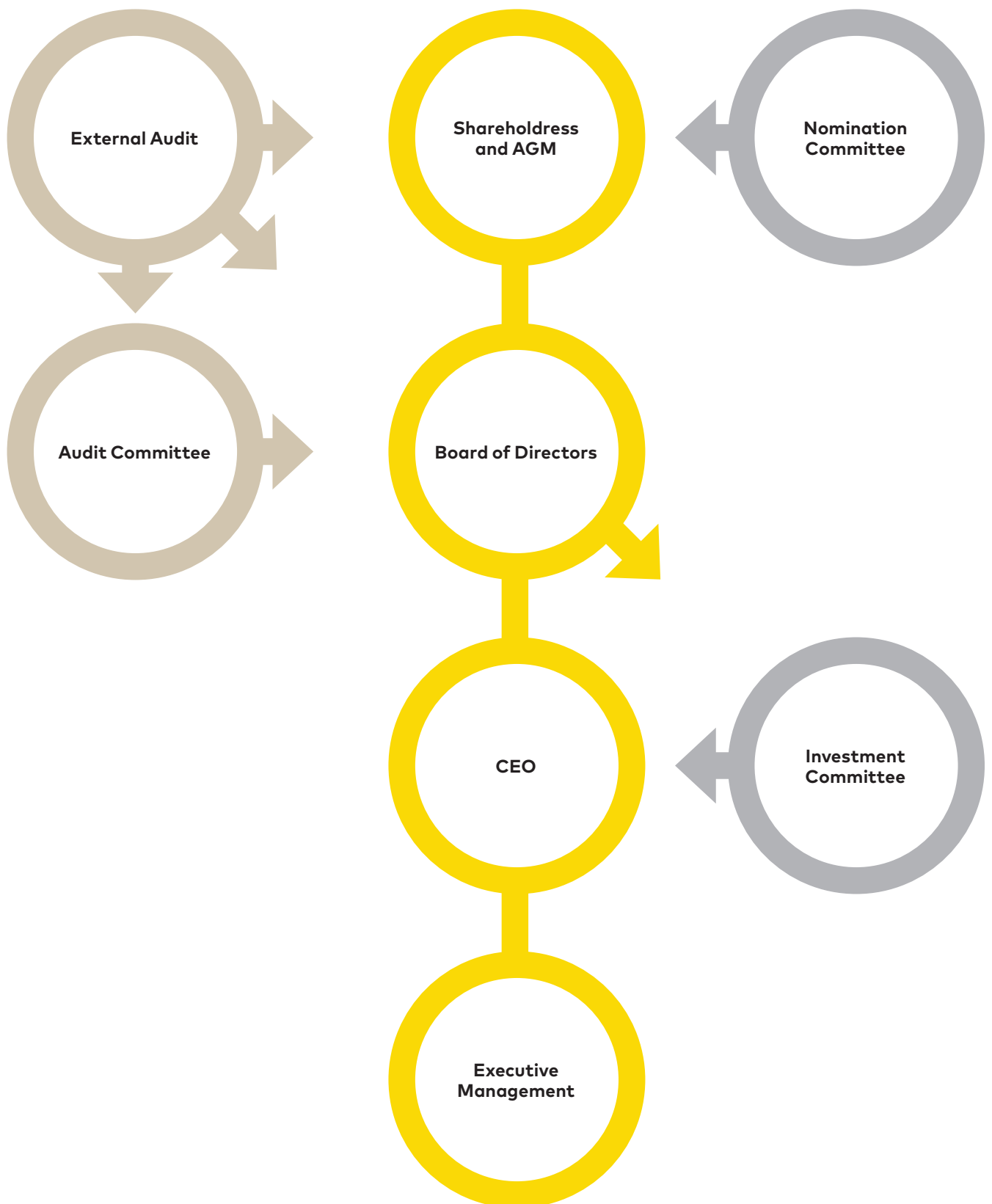
The Annual General Meeting discusses the company's development, and passes resolutions on, for example, dividends, discharge of liability for the Board of Directors, election of the auditor, remuneration to the Board of Directors and the auditor and election of the Board of Directors for the period up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

Annual General Meeting 2019

The ordinary Annual General Meeting in 2019 was held on 10 May 2019. Present at the meeting were 20 shareholders (18), representing in total 72.0% of the votes (28.7). Fredrik Holmström was elected chair 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 2019 resolved on the following:

- Adoption of the income statement and balance sheet for the financial year and the appropriation of company profits in accordance with the adopted balance sheet (in accordance with the recommendation of the Board, no dividend was recommended for the financial year).
- Granting of discharge from liability for the Board members and the CEO for the financial year.
- 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 Chair of the Board.

- Re-election of the auditing company Ernst & Young AB as auditor. Authorized auditor Fredric Hävrén was appointed chief auditor.
- Selection of Ingemar Rindstig as elected auditor and Mikael Ikonen as deputy auditor.
- All decisions apply to the period until the end of the next Annual General Meeting.
- Guidelines for remuneration to Executive Management.
- Warrant programme and the subject of warrant transfers.
- New nomination committee instructions.

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 2019 amounted to 37,822,283 distributed between 3,691 shareholders. The closing price on 30 December 2019 was SEK 41.50, which corresponds to a market capitalization of SEK 1.6 billion. The quotient value for all shares is SEK 4.00. Each share is entitled to one vote and grants an equal right to the share of the capital.

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. 89,500 warrants were cancelled during the year. 28,000 warrants were bought back during the year. Warrants that have been bought back 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.

The Annual General Meeting held on 10 May 2019, resolved to issue 200,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2019, 170,000 warrants were transferred to key personnel at Magnolia Bostad in accordance with the warrant programme. Other warrants are still in the ownership of the subsidiary Magnolia Utveckling AB and in accordance with the decision of the AGM, can later be offered to employees of Magnolia Bostad. 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 01 November 2022 until 26 April 2024.

Nomination Committee

The Nomination Committee was established and works according to the instructions determined at the 2019 Annual General Meeting. According to the instructions, the Nomination Committee shall consist of representatives of the three largest shareholders in terms of votes according to the share register kept by Euroclear Sweden as at 30 September of the year before the Annual General Meeting. The member representing the largest shareholder in terms of votes shall be appointed Chair of the Nomination Committee. The Chairman of the Board shall also attend Nomination Committee meetings, although not as a member. 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 Chair of the Annual General Meeting, Chair 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 on 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 prior to the 2020 Annual General Meeting consists of Katarina Strömberg as the representative of F Holmström Fastigheter AB, Johannes Wingborg as the representative of Länsförsäkringar Fondförvaltning AB and Henrik Buss as the representative of Wealins S.A.

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.



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

Composition of the Board

Member	Elected	Post	Born	Nation- ality	Independent in relation to the company/ company management	Independent in relation to major share- holders	Number of meet- ings	Attend- ance	Number of Audit Com- mittee meetings ¹⁾	Attend- ance
Fredrik Holmström	2009	Chairman	1971	Swedish	No	No	17	17	–	–
Andreas Rutili	2015	Member	1975	Swedish	No	Yes	17	17	–	–
Fredrik Tibell	2010	Member	1966	Swedish	Yes	No	17	17	6	6
Risto Silander	2015	Member	1957	Swedish	Yes	Yes	17	17	–	–
Jan Roxendal	2016	Member	1953	Swedish	Yes	Yes	17	16	6	6
Viveka Ekberg	2017	Member	1962	Swedish	Yes	Yes	17	17	6	6

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

At the end of 2019, the company's Board of Directors consisted of six members elected by the 2019 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 pages 128 and 129. 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 material 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

As of 31 December 2019, 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 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 2019, the Audit Committee held six minuted meetings, of which the company's auditors participated in three.

Remuneration Committee

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 Chair 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 2019

The Board of Directors held 17 meetings during the 2019 financial year, of which one was a statutory meeting after 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.

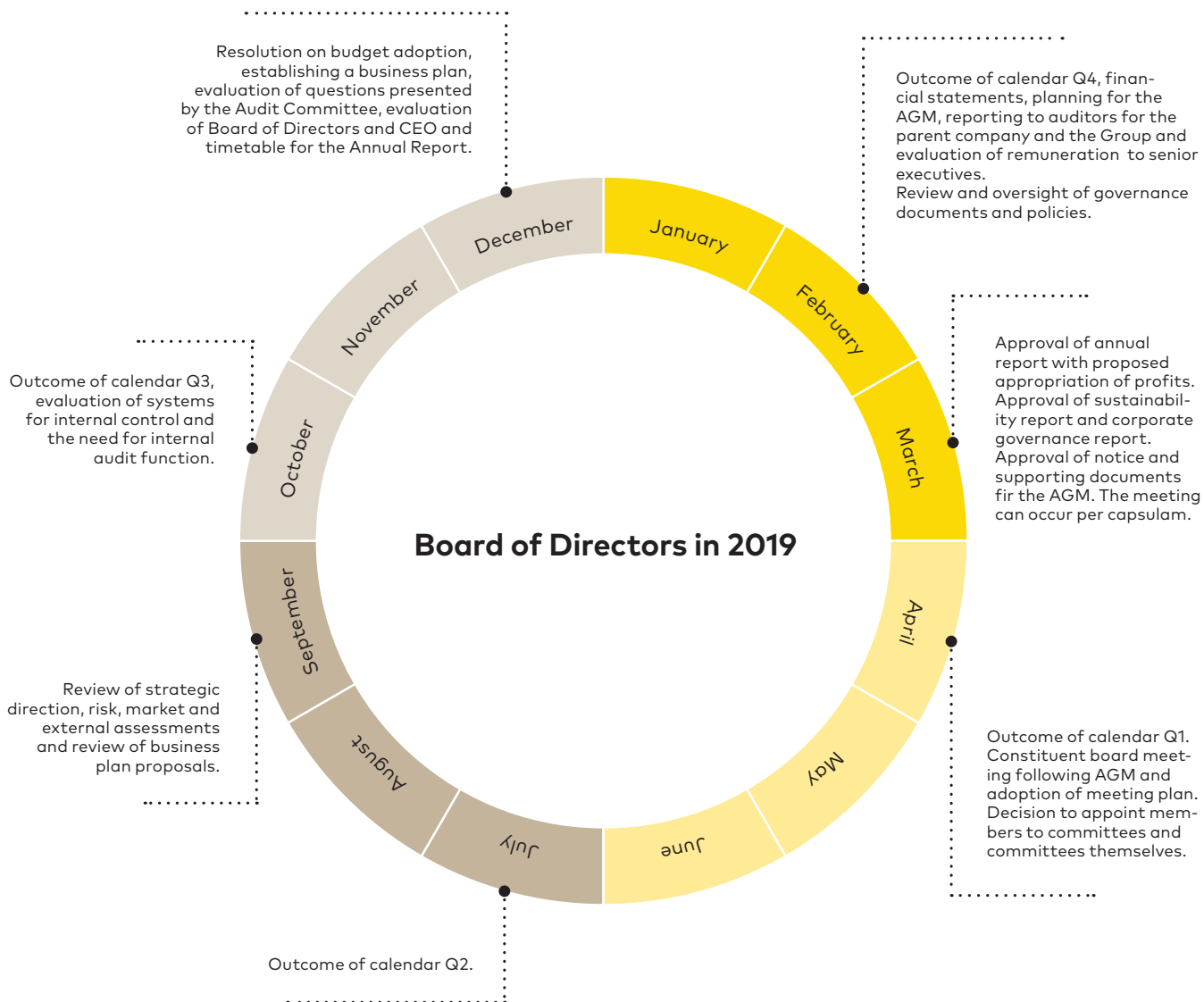
Board meetings are held in conjunction with the company's quarterly reporting, prior to the company's annual general meeting, prior to decisions on the company's business plan and prior to budget decisions. The regular board meetings also have a recurring structure and deal with issues of major importance 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 updates on ongoing projects. The regular matters dealt with by the Board in 2019 included corporate policies and rules of procedure for the Board, overall business plan, budget, 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 company auditors at two meetings without Executive Management being present.

Extra Board meetings are normally convened to decide on major transactions and the raising of finance.

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 2019, 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. According to the Board evaluation, the work of the Board in general was seen

as improving and is at a good level. The Board has been shown to be greatly committed and provides relevant expertise for the company's operations and that cooperation with the company's management during the year has developed well. Documentation from the evaluation, with identified areas of improvement and the subsequent board discussion is used as a basis for the continuous development of the Board's working methods.

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 job description for the

Investment Committee was updated with a change in Committee members and with the adoption of a revised matrix for decisions on acquisitions and sales of projects.

The Investment Committee must consist of four to five members, who are chosen by the Board once a year. On 31 December 2019 the Investment Committee consisted of five members: CEO Fredrik Lidjan, CFO Fredrik Westin, VP and CIO Gurmo Endale, Head of Legal Hanna Jessing and Erik Rune.

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 via the Board portal. The CEO reports decisions from the Investment Committee at the ordinary board meeting. In 2019, the Investment Committee held 45 minuted meetings, at which a total of 53 matters were discussed.

CEO and Executive Management

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.

As of 31 December 2019, Executive Management consisted of the company's CEO, CFO, VP and CIO, Head of Business Generation and Eastern Regional Director, Head of Operational Development and Sustainability, Head of Marketing and Communication, Head of Residential Development and Head of Legal. The Executive Management meets regularly to discuss primarily overarching operational issues and strategies. As of Q1 2020, the Business Generation and Eastern Regional Director and Head of Residential Development functions are no longer part of Executive Management.

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 10 May 2019, resolved that the fees for Board members for the period up to the next Annual General Meeting shall amount to SEK 2.0 million. SEK 500,000 shall be paid to the Chair of the Board and SEK 300,000 shall be paid to each of the five other Board members. In addition to this, SEK 90,000 shall be paid to the Chair of the Audit Committee and SEK 70,000 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.

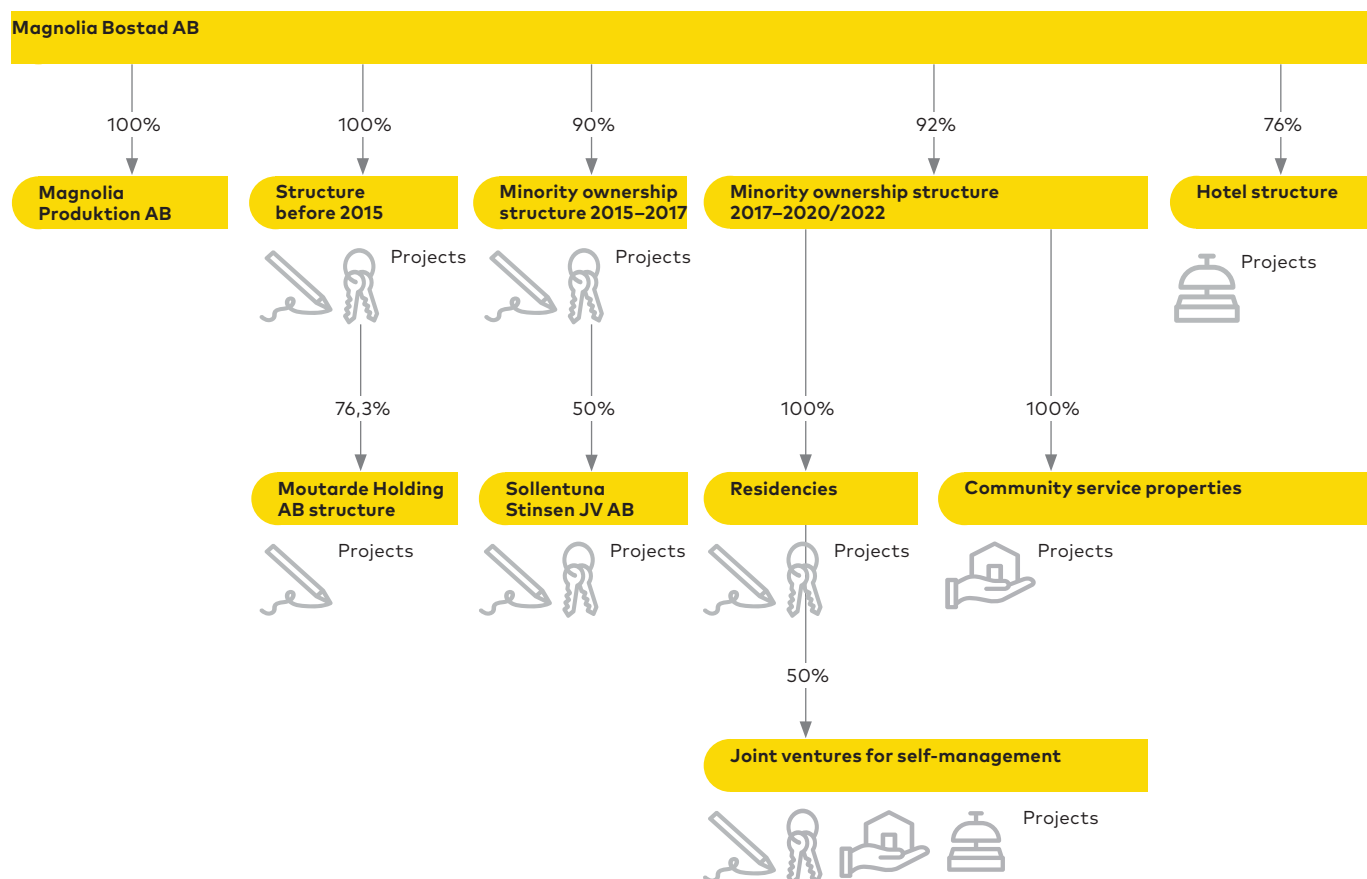
Minority ownership structure 2017-2020 and 2022

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.

Magnolia Bostad's Group structure

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



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 2019 Annual General Meeting decided to select Ernst & Young AB as auditor for the period up to the end of the 2020 Annual General Meeting, and Fredric Hövrén was appointed as chief auditor. The AGM also decided to select Ingemar Rindstig as elected auditor with Mikael Ikonen as deputy, for the period up until the end of the 2020 Annual General Meeting. In addition to the audit, Ernst & Young also provided advisory services during the year, mainly regarding tax. In 2019, remuneration to auditors was paid totalling SEK 3.9 million (4.2). Also see Note 8 – Disclosures regarding fees and cost reimbursement to the auditor.

Internal controls

The Board of Director's responsibility for internal control is regulated by the Swedish Companies Act and the Code. 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 Board's work plan and in the instructions for the Audit Committee. Part of the work of the Audit Committee is to 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 company's business plan, policies, the Investment Committee work description, process descriptions and manuals. Magnolia Bostad's work on internal control aims to identify high-risk areas and minimize these risks. All internal steering documents are regularly updated when, for example, legislation, accounting standards or listing requirements are changed and when other needs occur.

Risk Assessment

The risk of material misstatement in financial reports is assessed by Magnolia Bostad's Board of Directors, 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 three main types: (1) external risks, (2) operative risks and (3) 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. Operational risks also include organizational risks

attributable to succession planning, skills provision and resource planning.

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.

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 for purposes of discovery. 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.

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 managing the dissemination of infor-



The Magnolia Bostad's Executive Management, March 2020, from left: Suzana Bossel (Head of Marketing and Communications), Fredrik Lidjan (CEO), Fredrik Westin (CFO), Christina Hambäck (Head, Business Development and Sustainability), Gurmo Endale (CIO and VP), and in the middle Hanna Jessing (Head of Legal).

mation that has not been published. 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 CEO and the senior executives in relation to the capital markets, prepare quarterly and annual reports, analyst meetings, AGMs and capital market presentations, and regular reports on IR activities.

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 once a 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.

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 chair of Apoteket AB's pension fund.

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. Chair 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 2019.



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 2019 via capital insurance with Wealins S.A.



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 and Endeavour Pembroke Funds. 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. Chair 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 2019.

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 have significant business connections, see page 120.



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): 2,000 as well as 30,000 warrants.



Gurmo Endale
CIO and VP
Employed 2015-2017 and
2018 onwards
Member of Executive Management since October 2019
Born 1983

Previously Business Developer and Chief Investment Officer at Magnolia Bostad. Has 10 years of experience in the property industry, including transactions at CBRE and Business Development at Veidekke Bostad. MSc. degree from the Royal Institute of Technology (KTH), Stockholm.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 2,235 as well as 40,000 warrants.



Christina Hambäck
Head of Operational Development and Sustainability
Employed since 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.

The above details are correct as of 31 December 2019.



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 25,000 warrants.



Hanna Jessing
Head of Legal
 Employed since 2017
 Member of Executive Management since 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): 22,000 warrants.

Linda Wiman
Head of Residential Development
 Employed since 2017
 Born 1975

As of 9 March 2020, Linda Wiman has assumed the position of Head of the Tenant-Owner business area and will henceforth be part of Executive Management.

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

Thomas Persson
Head of Business Generation and Eastern Regional Director
 Employed since 2018
 Born 1969

Thomas Persson will leave his post at Magnolia Bostad on 31 January 2020.

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

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 2019.

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

§ 10 Annual General Meeting

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

1. Election of the Chair of the Meeting;
2. Preparation and approval of the voting list;
3. Approval of the meeting agenda;
4. Election of one or two adjusters;
5. Resolution concerning the due convening of the meeting;
6. Presentation of the annual report and the auditor's report and, where appropriate, consolidated financial statements and consolidated auditor's report;
7. Resolution regarding
 - a. adoption of the income statement, balance sheet and, where appropriate, consolidated income statement and consolidated balance sheet,
 - b. dispositions concerning profit or loss as stated in the adopted balance sheet,
 - c. discharge of the members of the Board and the CEO from liability;
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 2019 on pages 117–132 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 March 30, 2020
Ernst & Young AB

Fredric Hävrén
*Authorized Public
Accountant*

Ingemar Rindstig
*Authorized Public
Accountant*

Annual General Meeting 2020

Annual General Meeting of Magnolia Bostad AB

The Annual General Meeting of Magnolia Bostad AB will take place on Monday 27 April 2020 at 2:00pm at Magnolia Bostad's offices at Sturegatan 6, Stockholm. Registration will start at 1:30pm.

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 Tuesday 21 April 2019, and notify the company of their intent to participate by Tuesday 21 April at the latest.

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 70 775 57 57 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.

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 Tuesday 21 April 2020. 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.

Financial Calendar

- Interim Report January–March 2020: 24 April 2020
- Annual General Meeting 2020: 27 April 2020
- Interim Report January–June 2020: 7 July 2020
- Interim Report January–September 2020: 22 October 2020
- Year-End Report January–December 2020: 24 February 2021

Definitions

Alternative KPIs not defined within IFRS
see page 108.

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. Due to uncertainties such as zoning plan processes, government decisions or non-established dates for vacancy of project properties, assessments of the number of residential units may change over time.

Estimated production start, project portfolio

Estimated production start is the management's best assessment of when the zoning plan has come into legal force and the turnkey contract and binding sales agreements have been signed. Due to uncertainty factors such as the zoning plan processes, government decisions or non-established dates for vacancy of project properties, assessments can change over time.

Estimated completion of projects

The time for the estimated completion of a project is when the project is completed and finalized.

Residential units

Refers to rental apartments, tenant-owned apartments, residential care properties or hotel rooms.

Sales rate

Sold residential units in production divided by units in projects in production

Production start, project portfolio

Production commences when the zoning plan has come into legal force and the turnkey contract and binding sales agreements have been signed.

Production start, properties for own management

Production commences when the zoning plan has come into legal force and the turnkey contract has been signed

Community service properties

Property that is used predominantly by tax-financed activities and is specifically adapted for community service. Residential care facilities are included under community service properties. In terms of community service properties, Magnolia Bostad primarily develops housing for the elderly and other forms of adapted housing, along with schools and nursery schools.

Sold residential units in production

Number of residential units in sold projects where binding sales agreements were signed, and the revenue recognized.

Occupancy rate,%

Leased area in relation to leasable area.

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 2019

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MAGNOLIA

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