

MAGNOLIA

**Magnolia Bostad
Annual Report
2017**

17

	Magnolia Bostad in brief	2
	Events by quarter	4
	A word from the CEO	6
1.	Our operations	8
	Business idea and strategy	10
	Targets	11
	Business model	12
	Values	14
	Magnolia Bostad's business	16
	Market conditions	26
2.	Magnolia Bostad's projects	32
	Selection of housing projects	40
	Selection of hotel projects	46
	Selection of residential care projects	48
	Urban development projects	50
3.	Sustainable business	54
	Stakeholder engagement and materiality analysis	58
	A sustainable business model that creates value	60
	Strategic focus areas	62
	Opinion of the auditor regarding the statutory sustainability report	73
4.	Financing, the share and the owners	74
	Financing	76
	The share	78
	The owners	79
5.	Financial information	80
	Directors' Report	82
	Consolidated Income Statement	88
	Consolidated Statement of Comprehensive Income ..	88
	Consolidated Statement of Financial Position	89
	Consolidated Cash Flow Statement	91
	Consolidated Statement of Changes in Equity	92
	Parent Company Income Statement	93
	Parent Company Balance Sheet	94
	Parent Company Cash Flow Statement	95
	Parent Company Changes in Equity	96
	Additional Disclosures and Notes	97
	Auditor's Report	122
	Multi-Year Summary	126
6.	Corporate Governance	128
	Comments from the Chair of the Board of Directors	130
	Corporate Governance Report	132
	Board of Directors	142
	Management and Auditors	144
	Articles of Association	146
	Auditor's statement regarding the Corporate Governance Report	147
7.	Other information	148
	GRI Index	148
	Definitions	150
	Annual General Meeting	151
	Financial Calendar and Contact	152

Magnolia Bostad in brief

Magnolia Bostad is an urban developer that creates districts and neighborhoods where housing is an important part of a greater context.

Magnolia Bostad puts community and society in focus. We create modern homes and living environments while at the same time becoming involved in life in the areas where we are present.

As an urban developer, we are part of a growing Sweden; we have a role to play where there is a major shortage of housing. Our business model allows us to offer a comprehensive offer – rental apartments, tenant-owned apartments, residential care facilities and hotels – for municipalities that want to develop new districts and residential areas. Together with select partners, we create sustainable homes and residential areas where people are happy and can afford to live.

Through this approach, we ensure good and long-term relationships with our stakeholders and in this way are building a strong company.

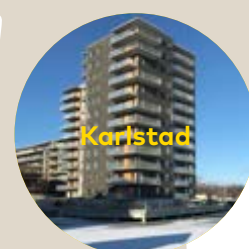
January–December 2017

- Net sales increased to SEK 1,772 million (1,010).
- The company reported an operating profit of SEK 375 million (355).
- Net profit for the period amounted to SEK 267 million (265). Earnings per share, after deductions for minority shares, amounted to SEK 5.16 per share (5.87).
- Equity amounted to SEK 1,171 million (998).
- Equity per share, after deductions for minority shares, amounted to SEK 26.20/share (22.79).
- During the period, Magnolia Bostad agreed on the acquisition of 7,501 estimated building rights (9,190) and sold 2,227 residential units (2,124).
- Magnolia Bostad's share has been traded since March 31, 2017 on Nasdaq First North Premier.
- The Board of Directors proposes a dividend of SEK 1.75 per share (1.75).

KPIs, Group

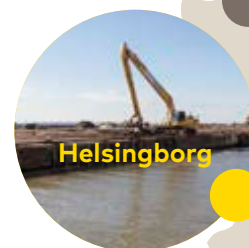
	2017 Jan-Dec	2016 Jan-Dec
Project-related		
Number of sold residential units in production during the period	2,227	2,124
Total number of residential units in production	5,849	3,945
Number of estimated building rights in the portfolio	16,429	11,190
Financials		
Operating margin (%)	21.2	35.1
Return on equity, % ¹⁾	21.0	28.8
Equity/assets ratio (%)	33.0	36.2
Interest coverage ratio (multiple)	3.3	3.8
Share-related		
Earnings per share (SEK) ¹⁾	5.16	5.87
Equity per share (SEK) ¹⁾	26.20	22.79

¹⁾ Excluding the minority
For definitions of alternative KPIs that are not defined in IFRS, see Note 37



Gothenburg

Halmstad
Laholm



Lund

Malmö

Ystad



2,227

Sold residential units

of which

500

Sold hotel rooms

and

60

Sold residential care facilities

Events per quarter

Q1

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

Agreement signed for the acquisition of leasehold rights to three properties in Bredäng. Magnolia Bostad will continue to pursue local planning to construct between 700 and 800 residential units here.

Agreement signed for the acquisition of property in Tumba. The property consists of around 238,000 m² of land, and Magnolia Bostad will pursue local planning to develop approximately 2,000 residential units and residential care facilities.

Sale of phase 2 of the Sländan project in Södertälje totaling 130 residential units. The buyers are Viva Bostad Sländan AB and occupancy is planned for 2020.

Magnolia Bostad's share has been accepted for trading on Nasdaq First North Premier. The first day of trading was March 31, 2017.

130 residential units were sold in the Sländan project in Södertälje

Q2

Agreement signed for the acquisition of two properties in Huddinge totaling approximately 1,800 estimated building rights. Magnolia Bostad will pursue local planning for primarily residential purposes, residential care facilities and hotels.

Agreement signed for the acquisition of property in Nynäshamn for the development of approximately 450 residential units.

Agreement signed for the acquisition of all shares in Svenska Vårdfastigheter AB. The acquired portfolio includes 12 projects of approximately 825 building rights with possession in July 2017.

Sale of phase 2 of Senapsfabriken in Uppsala in two separate transactions concerning a total of 650 residential units. The buyers are Slättö and Heimstaden Bostad.

The framework agreement with Slättö is no longer conditional. The scope is expanded to include projects for a total property value of at least SEK 7 billion.

Magnolia Bostad is publishing a prospectus and applying to move an existing bond loan of SEK 600 million from Nasdaq First North Bond Market to the Corporate Bond list at Nasdaq Stockholm.

The M6 project in Stockholm and Nya Parken Allé in Norrköping were completed and recognized.

The sale of the conversion projects Gjuteriet 1 and 2 in Eskilstuna regarding a total of 98 residential units. As at December 31, 2017, all of the residential units in Gjuteriet 1 and 38 of 49 residential units in Gjuteriet 2 were sold.

Sale of 460 residential units in Nynäshamn, of which 220 in Q3 and 240 in Q4

Q3

The management group was expanded in August to include Linda Wiman in her role as Head of Business Area Development.

Sale of phase 1 of the Fyren project in Nynäshamn with approximately 220 residential units to Viva Bostad Nynäshamn AB.

Sale of the Varvet Townhouse project in Karlstad with a total of 8 tenant-owned apartments. Production started in 2017 and occupancy is planned for 2018.

Magnolia Bostad publishes a prospectus and applies to move an existing bond loan of SEK 400 million from Nasdaq First North Bond Market to the Corporate Bond list at Nasdaq Stockholm.

Sale of the Varvet Townhouse project at Kanikenäsholmen in Karlstad



Magnolia Bostad conducts two hotel transactions: Alecia buys one hotel in Halmstad (the picture) and one in Lund.

Q4

Sale of phase 2 of the Fyren project in Nynäshamn with approximately 240 residential units and a pre-school to SEB Domestica IV.

Sale of the Hyllie Valhall project with the construction of 430 residential units and a large grocery store in Hyllie, Malmö. The buyer is Vault Investment Partners.

Magnolia Bostad completes two hotel transactions, one in Lund with 260 rooms and one in Halmstad with 240 rooms. The buyer is occupational pension company Alecia.

The sale of the Terra Nova project in Visby with 60 residential care units. The buyer is M&G.

Magnolia Bostad receives one land allocation for the development of a residential care facility in Motala and four land allocations in the City of Stockholm for the development of a total of 355 residential units.

A strategic partnership agreement is signed with contractor Consto AB. The agreement covers ten forthcoming projects and approximately 2,000 residential units.

The management group is expanded in November to include Stefan Berg in his role as Head of Business Development.

An Extraordinary General Meeting is held in October at which a new minority structure is approved.

We stand strong as urban developers

Magnolia Bostad's building rights portfolio grew in 2017 to 16,429 building rights, an increase of 47 percent during the year. More good news is that we also completed our first transactions in Hotel and Residential Care during the year.

Magnolia Bostad has expanded rapidly the past few years. Today, we have the organization and key competences in place that we need to successfully pursue complex local planning process from idea to building permission and on to completed residential properties ready for occupancy. It is positive to see how we successfully develop our projects through the various stages of the local planning process.

Transactions within Hotel and Residential Care

Magnolia Bostad is more than a housing developer. We are an urban planner, a partner who helps the country's municipalities plan and bring to life new residential areas with a mix of ownership forms and related services.

Two examples are the Vårby Bryggor and Kvarnsjödalen projects that we acquired in 2017, where we are developing new districts of 1,800 and 2,000 residential units, respectively. These projects are two of

the four major urban development projects that Magnolia Bostad is working on in the Greater Stockholm area and have a greater focus than simply producing residential properties. Here, Magnolia Bostad is developing entirely new urban districts with parks, streets and all the necessary services, where people will be able to enjoy living.

The development of residential properties, and primarily rental apartments, is the foundation of our business. As an urban developer, though, we would like to be able to offer a wider range of products, and we have therefore added hotel development and residential care facilities as new key components to our offering. These operations are a key complement to our housing development and contribute to greater profitability and improved risk distribution.

It is therefore particularly gratifying that we were able to close during the year our first transactions in

both the hotel and residential care business areas. We sold two hotel projects totaling approximately 500 rooms to Alecta, one in Halmstad and one in Lund. We expect that we will also be able to continue to complete one or two hotel projects per year.

In terms of residential care facilities, we sold the Terra Nova project outside of Visby. We are currently noting an even greater need for residential care facilities and a stronger market than we previously predicted. We are expecting in the long run that we will probably be able to deliver more than the two to four residential care facilities we previously planned to develop each year.

Strong end to the year

Magnolia Bostad closed 2017 with its strongest quarter ever. Behind the strong performance is the sale of the Hyllie project in Malmö and the second phase of the Gyren project in Nynäshamn as well as the above-mentioned sales.

During the year, two additional projects in the second phase of the Senapsfabriken project were sold, one to Heimstaden Bostad and the other to Slättö. Magnolia Bostad

"It's positive to see how we successfully develop our projects through the various stages of the local planning process"



Magnolia Bostad's CEO Fredrik Lidjan.

also received six land allocations during the year. An important event in 2017 was also the signing of the cooperation agreement with Norwegian-owned contractor Consto AB. This agreement, which has a contract value of approximately SEK 2 billion, includes ten future projects and approximately 2,000 residential units that the company plans to produce for Magnolia Bostad.

Market conditions

We continue to see strong interest and a strong market for rental apartments, hotels and residential care facilities. Despite this, Magnolia Bostad has been somewhat affected by the fall's uncertainty for Swedish housing developers – we

noted during the period a decrease in the interest in our tenant-owned apartment projects and a slow-down in the financial market. Since the start of 2018, we have noted a slight increase in demand for tenant-owned apartments and an upturn in the financial markets. One important confirmation of the market's confidence in us is that we issued an additional SEK 200 million in Q1 2018 under the framework of one of our existing bond loans. The bond issue was successfully placed, mainly among Swedish investors supported by additional demand from other Nordic countries. The proceeds will primarily be used for Magnolia Bostad's continued expansion.

I believe the future is bright. Our project portfolio developed favorably over the past year, which we believe will result in higher profitability per project and greater risk distribution in the operations.

I would like to thank our employees and partners for a successful year in 2017.

Stockholm, March 2018

A handwritten signature in black ink, consisting of a stylized 'F' and 'L' followed by a dot, representing Fredrik Lidjan.

Fredrik Lidjan
CEO

Our business



Business idea

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

Strategy

Working with several forms of housing enables the company to achieve satisfactory distribution of risk.

The distribution between rental apartments and tenant-owned apartments in the project portfolio varies over time based on demand, the state of the economy and conditions that at any given time are judged to be most favorable for the company. Growth must be associated with satisfactory profitability.

In order to achieve our targets within the framework of our business idea, the following strategies have been identified:

- Development must occur in areas with favorable demographic conditions in the long term.
- The properties are developed into residential units, hotels or residential care facilities based on a market assessment and each property's individual potential and characteristics.
- After the sale of rental apartment

projects, the company's goal is to work with the buyer to convert approximately 25 percent of the rental apartments into tenant-owned apartments.

- Production of projects only begins when demand has been secured.
- Focus on long-term partners.
- Make effective use of the balance sheet, primarily through a fast turnover rate in the entire project chain.

Long-term operating targets for production capacity that apply as of 2018

Residential

3,000

+

Residential care facilities

2-4

+

Hotel

1-2

Have the capacity to start production on 3,000 residential units a year starting in 2018.

Have the capacity to annually produce two to four residential care facilities, senior housing or student housing as of 2018.

Have the capacity to annually produce one to two hotels as of 2018.

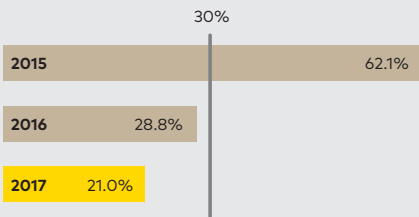
Targets

Financial targets

Return on equity

>30%

Return on equity must amount to at least 30 percent.



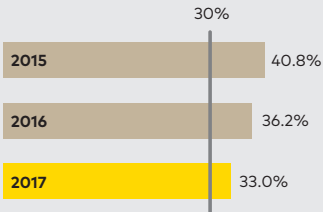
Outcome 2017

21.0%

Equity/assets ratio

>30%

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



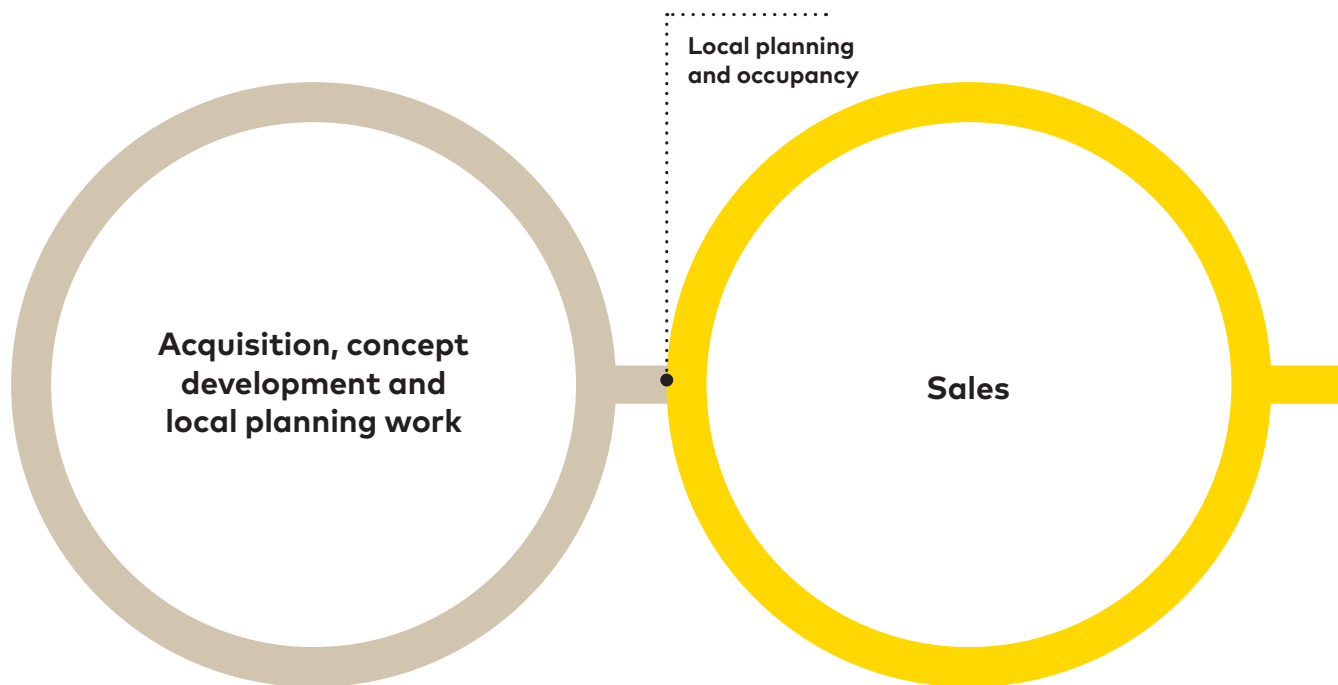
Outcome December 31, 2017

33.0%

For Magnolia Bostad's sustainability targets, see pages 62–69.

Business model

Magnolia Bostad's business model rests on several pillars. Balanced risk in all parts of the operations forms the core of our strength.



Balanced risk at all levels

Magnolia Bostad's business is based on developing financially, socially and environmentally sustainable residential units in the outskirts of the major cities and in the central areas of the mid-sized cities. The financial groundwork aims to balance risks in the areas of costs, revenue and liquidity; projects are sold at an early stage before any ground is broken. By carrying out the purchase of the land, contractor procurement and negotiations with investors at the same time, we reduce the time between acquisition and sale, which balances the risk in the operations.

A broad product offering and our presence in a large number of cities in the country are other important puzzle pieces. Magnolia Bostad develops everything from rental apartments and tenant-owned apartments to residential care facilities and hotels. Working with several forms of housing enables the us to achieve a wide distribution of risk. Municipalities in particular would like a mix of housing forms, which makes us an attractive partner for long-term cooperation.

Potential conversion

The majority of the tenant-owned apartments that we develop are initially sold according to a rental apartment calculation. Magnolia Bostad then has the possibility on behalf of the investor to sell certain residential units as tenant-owned apartments. The surpluses that are created through conversion are shared between Magnolia Bostad and the investor. If the conditions for conversion are not met, the rental apartment transaction is still valid.

Revenue recognition and exit



Conversion

Production through turnkey contracts and project management

Handover to customers

Recognition and occupancy

Broad portfolio

To be able to start production and deliver at a steady rate also requires a large building rights portfolio; our goal is to have at all times more than 15,000 building rights in stock. All of the company's acquisitions are based on a rental apartment calculation. This reduces the risk that Magnolia Bostad will pay too much. We expect over time to be able to convert approximately 25 per cent of the apartments in rental apartment projects to tenant-owned apartments. When converting tenant-owned apartments, the target is for the tenant-owned apartment to be worth around SEK 10,000 more per square meter than the rental apartment.

Effective organization

Clear procedures are crucial for the day-to-day operations, every employee must work efficiently if the company is to expand. In order to ensure maximum control over the company's refinement process, the operations' key functions are governed internally. The company has all key competences in place and effective processes and procedures for ensuring good control and effective operations.

Stable financing

A strong bank account is another key pillar for the operations, since financial strength is a prerequisite for making acquisitions. We finance acquisitions with our partners - stable Swedish institutions or other partners with strong reputations.

Magnolia Bostad has a strong position on the bond market. Our two bonds amounted to a total of SEK 900 million at the end of December 2017.

We are developing Magnolia Bostad together

Magnolia Bostad is a team of people with different backgrounds and skills. Together, we are fostering a strong sense of unity in the company's day-to-day activities.

Innovation, ambition and awareness are the guiding concepts that keep us together: all employees want to think outside the box and always challenge traditional approaches. We work efficiently and in a structured manner to maximize our productivity at all levels. We are fostering a genuine commitment to society, because we are a part of the big team -Sweden. Magnolia Bostad will and wants to make a difference in the areas where it is present.

We welcome new perspectives

We are fostering a unique culture, and we are developing it together. Magnolia Bostad will always have a need for people who can refine our offering by viewing it from another perspective. In exchange, we offer unrestricted and stimulating work with a lot of responsibility. All of this in a young, growing organization with an explicit target to be a role model when it comes to financially, socially and environmentally sustainable housing development.

●
We are fostering a unique culture, and we are developing it together"

Louise Persson, HR Responsible Magnolia Bostad



Louise Persson is HR Responsible at Magnolia Bostad.

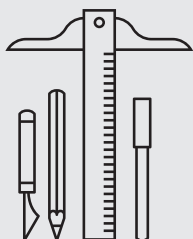
Innovation

We are driven by a desire to think outside the box, and we like to challenge one another to always take the next step. Curiosity is fundamental if we are to resolve today's and tomorrow's challenges in terms of architecture, design and environmentally sustainable building techniques. We are energetic and eager to learn, and we dare to dream.



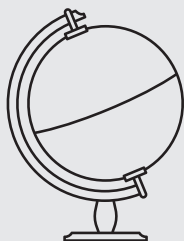
Ambition

We are proud, but never satisfied. We are constantly driven to improve our offering, which has made us one of the fastest growing urban developers in the country. There is nothing that can't be improved, there is nothing that can't be done more efficiently – it all comes down to how dedicated you are.



Awareness

We are a team that works every day to become stronger and more attractive for customers, partners and potential colleagues. But we are also a part of a bigger team – Sweden – where we play an important role. Sweden has a big need for sustainable homes where people can afford to live. Together, we are fostering a commitment to society that is crucial for being able to deliver more than just housing.



Name:
Anna Sjöblom
Title:
Marketing
Project Manager
Magnolia Bostad

Anna Sjöblom is a marketing project manager and has worked for the company for just over three years.

"I am responsible for the marketing of my projects. This means preparing concrete activity and communication plans, a budget, construction site profiling, printing production, campaigns in social and traditional media and online and customer communication, as well as the project management surrounding breaking ground and sale starts. A very creative and developing role with many contact areas both internally and externally.

"It is inspiring that we are present in so many different areas in the country"

"Magnolia Bostad is an innovative company with a broad portfolio of projects that differ in terms of both housing form and design. Personally, I think it is fun that we sponsor women's and girl's clubs in many of the areas where we have projects. We are located in downtown Stockholm in recently renovated premises, and the company is committed to social activities for the personnel."

"It is inspiring that we are present in so many different areas in the country. I like to discover a new city, see how the project emerges and meet the people who are going to move into our apartments."

Magnolia Bostad's business

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

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

Secure acquisitions

Magnolia Bostad has established itself as an urban developer - a partner who helps Sweden's municipalities develop new residential areas. We create new districts with a mix of ownership forms, residential care facilities, hotels and other

"We are a partner who helps Sweden's municipalities develop new residential areas"

Fredrik Lidjan
CEO Magnolia Bostad

necessary service. The company's acquisitions are based on careful preparations and an in-house rental apartment calculation that reduces the risk that we will pay too much.

Our good relationships with municipalities enable us to participate in land allocations in early stages. The exchange with contractors, architects and real estate companies is also important when searching for potential projects. Thanks to our flexible method of working and our effective organization, we are able

to stay one step ahead and secure new investment possibilities.

Product development is one step ahead

In parallel with the acquisition process, work is started to develop an attractive and sustainable concept adapted to the natural characteristics of the location. By deciding at an early stage how the project will be designed, we are more accurate in our financial assessments. We work closely with our contractors and exchange experiences with the

Feasibility studies and acquisitions

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

Program phase

- Pursue flexible, effective local planning to entry into force where needed.
- Develop the concept of the project.
- Determine the project's environmental classification.
- Negotiate and procure competitive turnkey contracts.
- Prepare agreements for the sale of rental accommodation projects.
- Start sales to customers in tenant-owner associations.

Implementation

- Project management and building permission.
- Signing of sales agreements and design and construction contracts.
- Revenue recognition.
- Delivery of the project to investors or the tenant-owner association.
- Project management of construction in cooperation with the contractor.





After sales

- Operational follow-up in collaboration with the customer.
- Exchange of experience.
- Handling customer relationships during the warranty period.
- Implementation of the warranty inspection.



Above: The Sländan project in Södertälje is in production, and occupancy is planned for 2020.

To the left: "The Sländan project is progressing according to schedule," says Andreas Lorenz, project developer at Magnolia Bostad.

aim of developing cost-effective solutions at an early stage. This further reduces the risks and increases the financial stability in the project. During the local planning processes, we strive to achieve as large an implementable volume as possible, although never by compromising quality.

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

"We always strive to achieve or exceed the requirements for environmental certification"

Rickard Langerfors
VP

Sales

To reduce the need for financing and the risk in our projects, the projects are sold at an early stage before ground has been broken. By completing the purchase of the land, contractor procurement and negotiations with investors at the same time, we reduce the time between acquisition and sale, which contributes to balanced risk in all parts of the operations.

We work closely with long-term institutional owners, who are less sensitive to the business cycle fluctuations than many other buyers. This provides us with continuity and

makes it possible to start discussions already at the planning stage about a final property value for the project. Early discussions also give the investor some possibility of influencing the design of the project.

Profitable conversion

The development of rental apartments is the foundation of Magnolia Bostad's operations. However, the profit potential of tenant-owned apartments is higher, which we take advantage of by striving over time to convert one-fourth of the apartments in a rental project to tenant-owned apartments. We can thereby double profitability on



Our product categories offer balanced risk



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



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



The Bryggeriet project in Helsingborg has 327 rental apartments.



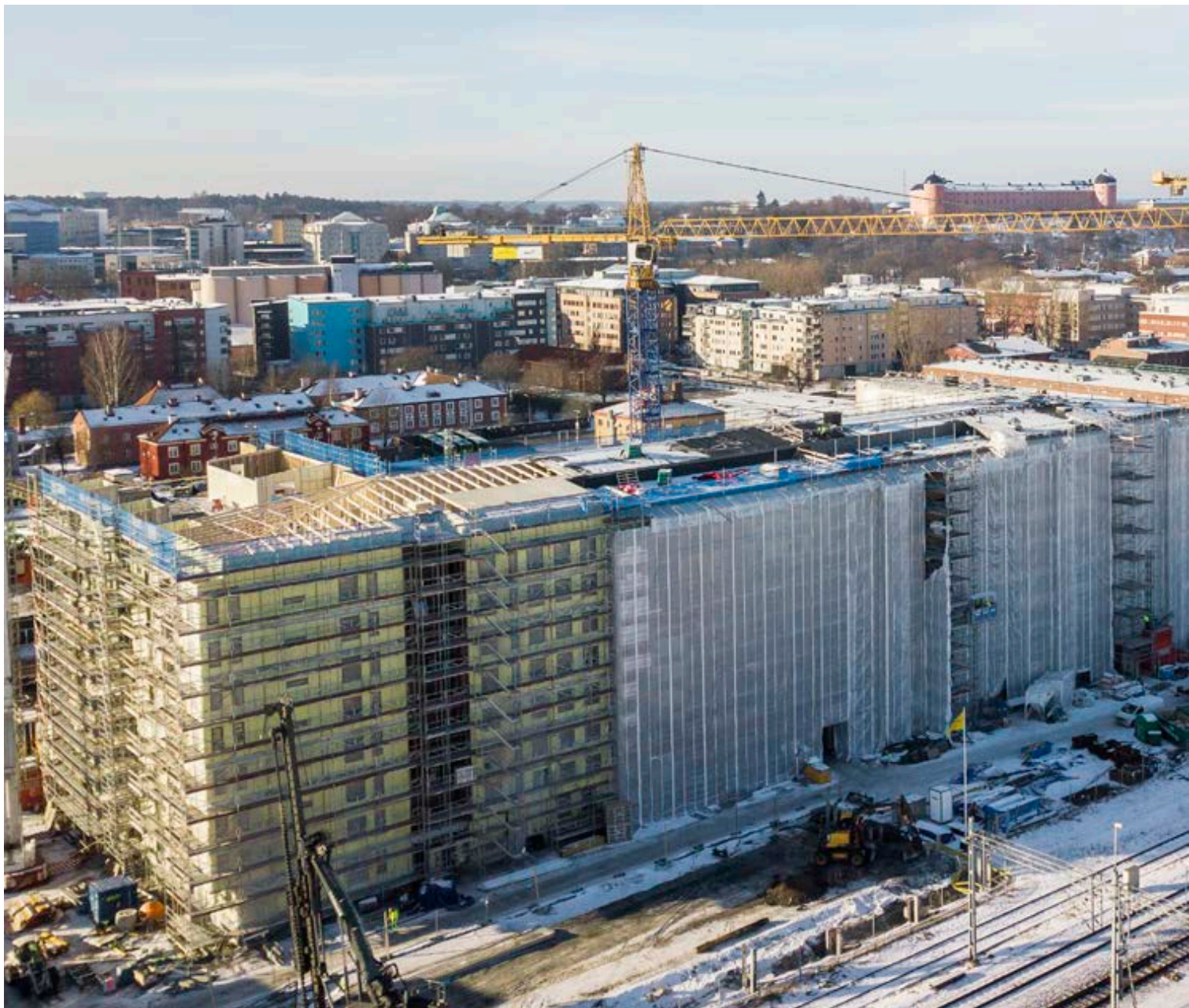
Residential
care housing

Magnolia Bostad acquired Svenska Vårdfastigheter AB in 2017 and thus strengthened its offer to both investors and the country's municipalities. By further expanding our product offering, we are strengthening our position as an urban developer.



Hotels

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



In Uppsala, construction has begun on the Senapsfabriken project.

converted residential units while maintaining low risk and low capital tie-up. When converting tenant-owned apartments, the target is for the tenant-owned apartment to be worth around SEK 10,000 more per square meter than the rental apartment.

Effective implementation

We are entering into long-term partnerships through framework agreements with well-established construction contractors. By working to involve our construction contractors early in the development process, we strengthen our possibilities for achieving high quality and delivery performance. We procure production as a turnkey contract at

"The development of rental apartments is the foundation of our operations"

Erik Rune
VP

a fixed price, which limits the risk for cost increases related to building production.

Magnolia Bostad's project developers have extensive experience in procurement and control of construction contracts. Regardless of the form of the housing, we develop the projects from the initial idea through the local planning work and concept development to final completion. One confirmation of

Magnolia Bostad's efficiency is that in 2017 we started projects for the production of more than 2,200 residential units. High scalability leads to lower costs per individual unit, which further contributes to the financial profitability of the operations.

Handover to the end customer

One fundamental condition for having satisfied customers is that the product is delivered on time and



without faults, which is a challenge for all actors in the industry. Magnolia Bostad therefore places considerable importance on ensuring that all residential units do not have any inspection comments at occupancy.

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

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



Name:
Angelica Andersson
Title:
Project Developer at Magnolia Bostad

"I LIKE the fast pace here at Magnolia Bostad. In some projects, it can take as little as six months to purchase some building rights and break ground.

Other projects have much longer horizons," explains Angelica Andersson. This applies, for example, to the four districts that Magnolia Bostad is developing right now in Stockholm and that she is working on.

"The enjoyment here is instead that the projects are so big. Södra Häggviks Gårdar in Sollentuna, for example, will consist of nine blocks of residential buildings. It will be an entirely new district where many people will live and spend a lot of their time."

"Environmental requirements today are very specific"

"We are working very closely with the municipality on the local planning to be able to meet the expectations and requirements. It is about finding the right mix of housing forms and creating an attractive and exciting district for the residents who will live there through the retail offering, services, roads and parks."

Angelica Andersson has spent many years working on planning for project development and urban development, often from a sustainability perspective. She thinks it is positive that sustainability has become more of a focus in project development work.

"Environmental requirements today are very specific. The projects we are developing are truly financially, socially and environmentally sustainable, and I think that is fantastic."

With a focus on residential care facilities

Name:

Dan T. Sehlberg, CEO
Svenska Vårdfastigheter
and Business Area Manager
Care at Magnolia Bostad,
and Erik Rune, VP of Magnolia Bostad

"Svenska Vårdfastigheter and Magnolia Bostad are a good fit – we have the same company culture and we both are driven by a strong entrepreneurial spirit, where the business is the main focus," says Dan T. Sehlberg, here together with Erik Rune.



"Svenska Vårdfastigheter demonstrated how flexible it was as a partner in the project to create new, modern and separate residential facilities at Terra Nova in Visby," says Maria Björkman, former Chair of the Social Services Committee in Region Gotland. "Svenska Vårdfastigheter was easy to communicate with and listened to our wishes and needs. They also demonstrated an understanding of the requirements we raised on behalf of Region Gotland, which were sometimes very specific."

MAGNOLIA BOSTAD ACQUIRED Svenska Vårdfastigheter in the summer of 2017. The transaction strengthens the company's position in the development of care facilities and increases the offer to both investors and Sweden's municipalities.

"Magnolia Bostad is an urban developer. Sweden's municipalities are looking for partners who offer a wide range of services; companies with competence in more than just housing development," says Dan T. Sehlberg, CEO of Svenska Vårdfastigheter and Business Area Manager Care at Magnolia Bostad. By acquiring Svenska Vårdfastigheter, the company enhances its offering to the municipalities. At the same time, Svenska Vårdfastigheter helps balance Magnolia Bostad's risk since the development of care facilities is reliable business due to the fact that demand does not rise and fall with the business cycle.

"The acquisition of Svenska Vårdfastigheter strengthens the company's offering to investors and municipalities"

As a product, residential care facilities are complex – not only do they include residential units but also serve as workplaces and medical facilities. There is also a long list of statutory requirements and regulations regulating how these facilities must function. Since Svenska Vårdfastigheter was formed in 2009, the company has invested a lot of work into developing its concept for residential care facilities.

"I think we produce Sweden's best care facilities - a premium product with a very good reputation," says Dan T. Sehlberg.





Continued high level of housing construction in 2017

In 2017, housing construction continued to increase in Sweden. During the year, construction began on approximately 50,750 apartments in apartment buildings, which is an increase of 9 percent compared to 2016.

LAST YEAR ENDED on a positive note in terms of the economic signals from the rest of the world, and a global growth that benefits Sweden. In 2018, the biggest question will be when interest rates will start to rise, and there is considerable uncertainty on the housing market about the effects of the new amortization requirement. The recent fall in house prices and a general uncertainty regarding the housing market is expected to continue at the beginning of the year and then stabilize.

Global growth was 3.2 percent at H1 2016, which was the lowest since the financial crisis. For FY 2017, global growth increased to 3.6 percent. It is expected to rise further in 2018 to 3.7 percent. In Sweden, the strong economy is getting stronger, and expansive finance and monetary policy and a strong construction boom have driven growth.

Due to the strong labor market, a good increase in disposable income and high population growth, conditions continue to be in place for strong growth in GDP in Sweden – in 2017 the Swedish GDP increased by 3 percent. During the year, unemployment decreased, the repo rate remained the same at –0.5 percent

“During the year, Sweden's population increased by 1.3 percent and 222 municipalities reported population growth”

and inflation rose, but unlike in 2016 commercial investments are larger than investments in residential properties.

The uncertainty on the housing market means that the construction sector will probably weaken, even if we assume a moderate drop in prices. Due to improved global demand and beneficial commodity composition, exports are expected to increase, which in turn contributes to continued good growth. The strong economy has helped keep inflation at almost 2 percent for a while.

The Market Conditions section was prepared in cooperation with Newsec, an advisor within the property industry. The description of the market and future assessments that are reported in the text are based on Newsec's total experience and assessments of the market.

The total transaction volume for FY 2017 was SEK 147.5 billion (for transactions of more than SEK 40 million), which is 26 percent lower than last year's record-setting volume of SEK 201 billion but is still at the same level as in 2015 (SEK 147 billion).

The housing segment attracted the most investors and represented 26 percent, or SEK 38 billion, of the transaction volume. The office segment lost a large percentage and this year was only 18 percent of the transaction volume (28 percent in 2016), which is the lowest percentage measured by Newsec.

Continued strong population growth

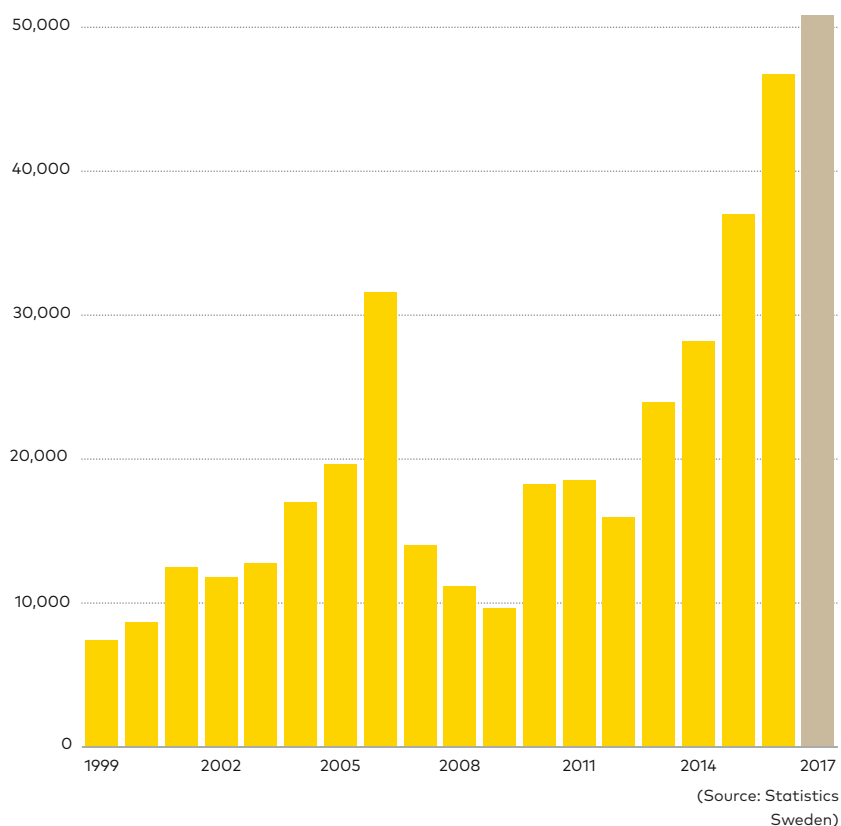
In November 2017, Sweden's population was 10.1 million, which corresponds to a population increase of 1.3 percent compared to the previous year. According to Statistics Sweden, the population is now growing by more than 100,000

persons a year, and Sweden will pass the 13-million mark in 2060. The strong population growth is due to higher migration inflows than outflows and that more people are born in Sweden than pass away each year.

The three metropolitan regions currently represent 39 percent of the Swedish population. In 2017, the population increased in 75 percent of Sweden's municipalities, or in total 222 municipalities, which is fewer than in the same period the previous year (90 percent of municipalities). This can be explained by the fact that population growth was more concentrated to the largest municipalities in 2017, and Stockholm Municipality increased the most in absolute figures.

The largest population growth in percent was in Knivsta Municipality (Uppsala County), which reported 2.4 percent growth. The population growth in Knivsta was primarily domestic migration, while the increase in Stockholm Municipality was due to a high birth rate and migration inflows. The high population growth in the majority of Sweden's municipalities indicates that these municipalities will need to increase their supply of housing.

Started apartments in apartment buildings, Sweden 1999–2017



Housing investments

Housing investments in relation to population growth has been low since the 1990s. Despite an increase in construction in recent years, the rate of construction has still not reached the levels that are needed to keep pace with the population growth, primarily in the metropolitan areas. According to The National Board of Housing, Building and Planning, the strong population growth will require 600,000 new residential properties by 2025, and more than half will be needed by 2020.

Swedish investment in housing as a share of GDP amounted in 2017 to approximately five percent, which is normal by international standards, but high for Sweden from a historical perspective. In Denmark, housing investments account for over four percent of GDP, and the equivalent figure in Germany and France is approximately six percent of GDP. Swedish housing investment as a percentage of GDP has been on average 3.2 percent over the past few years.

According to preliminary statistics from Statistics Sweden, construction was started on approximately 50,750 apartments in apart-

"The strong population growth requires the construction of 600,000 residential units by 2025"

ment buildings in 2017, compared to 46,661 in 2016. More than 50 percent of the new construction occurred in 2017 in and around the metropolitan areas of Stockholm, Gothenburg and Malmö.

Rental apartment market

According to the IPD Property Index prepared by MSCI, the total return on housing in Sweden was 8 percent in 2017. Total return for Swedish real estate in general was 10.8 percent.

The yield requirement for centrally located residential properties in the metropolitan areas of Stockholm, Gothenburg and Malmö has fallen steadily since 2008. This development shows that the residential sector is judged to be a stable investment sector facing low risk.

For centrally located residential properties in the best locations in Stockholm, Gothenburg and Malmö, it is primarily the square meter price for tenant-owned apartments in the same area that

steer the market value, following the possibility of conversion. For these residential properties, the direct yield requirement is estimated by Newsec to be 1.45 percent, 1.65 percent and 2.4 percent for the best residential locations in Stockholm, Gothenburg and Malmö, respectively. However, Newsec has observed transactions under these direct yield levels in several cases.

Tenant-owned apartment market

In the last quarter of 2017, prices of tenant-owned apartments in Sweden fell by 6.3 percent from an average price of SEK 40,420/sqm to SEK 37,889/sqm. For the full year 2017, prices of tenant-owned apartments in Sweden decreased by 4.2 per cent. Prices for tenant-owned apartments in Greater Stockholm fell by 6.7 per cent. Prices in Malmö rose by 5.6 per cent and fell by 0.5 per cent in Gothenburg.

The three metropolitan areas continue to dominate the market, with six out of ten tenant-owned apart-

ments being sold in one of these areas. In terms of value, the dominance is even more pronounced, and tenant-owned apartments in the three metropolitan areas represent 75 percent of the total turnover in the country.

The unique market with low interest rates and high growth at the same time as house prices are high increases the risk of future economic crises.

To build up resilience to the next economic crisis, Finansinspektionen is strengthening the amortization requirement for new mortgage holders. Under the stricter amortization requirement, which went into effect on March 1, 2018, all new mortgage holders that borrow more than 4.5 times their gross income must amortize more of their mortgage per year than what they would have needed to do previously. Since the percentage of households that is covered by the requirement is relatively small (approximately 14 per cent of new mortgage holders), the new amortization requirement is not expected to trigger a price fall on the housing market.



Name:
Klas Ljungberg
Title:
Business Area
Manager Municipality at Magnolia
Bostad

"IT IS AN EXCITING challenge to prepare local planning for a new district and then be part of building it," says Klas Ljungberg, Business Area Manager Municipality at Magnolia Bostad. "Many people with different roles cooperate in our projects – the municipality, the contractor, the architect and consultants, just to name a few. The interaction is challenging, but so amazing when it works!"

**"A young,
dynamic
company with
ambition, good
energy and a
high tempo"**

Klas is responsible for Magnolia Bostad's contact with the municipality and works with land allocations and the initiation of new projects. He has a municipal background and worked for 15 years with housing planning and commercial development.

"Magnolia Bostad is a young, dynamic company with ambition, good energy and a high tempo. It has grown quickly and successfully recruited many competent employees. It is very inspiring to work at Magnolia Bostad and build new neighborhoods that will take Sweden forward."

A strong cooperation

Name:

Rickard Langerfors, VP at Magnolia Bostad, and Niklas Malmfors, Business Manager NCC Building.

Cooperation:

The Senapsfabriken project, where Magnolia Bostad is developing 1,800 residential units in downtown Uppsala.

"NCC is a contractor with the knowledge and commitment to deliver in full in every project," says Rickard Langerfors, VP of Magnolia Bostad (left). Over the past few years, NCC has built up considerable competence in running projects in their early stages, which is an important component in achieving quality, efficient housing projects. To the right in the photo is Niklas Malmfors, Business Manager NCC Building.



Senapsfabriken, Uppsala.

UPPSALA'S LARGEST DEVELOPMENT AREA, Senapsfabriken, construction is in full swing. Magnolia Bostad is developing 1,800 residential units here, and NCC is the turnkey contractor for large parts of the project.

The companies have worked together since 2014, including on the now-finalized project in downtown Norrköping, Nya Parken Allé, with 268 rental apartments that was constructed next to the soccer arena.

"Creativity and the intensity with which it does business distinguishes Magnolia Bostad from others"

Niklas Malmfors is the Business Manager for NCC Building and works closely with Rickard Langerfors, VP of Magnolia Bostad.

"Magnolia Bostad is a driven client who wants to develop both the transaction itself as well as the way we traditionally do business today," says Niklas Malmfors. "This has helped us develop as a contractor, but Magnolia Bostad has also clearly prioritized our coopera-

tion today and in the future, which we think creates a valuable long-term aspect to our relationship."

"The creativity of Magnolia Bostad's employees and drive in how the business and project are carried out definitely separates Magnolia Bostad from other companies. Magnolia Bostad also demonstrates strong confidence in us as the contractor at all stages. This approach creates trust and commitment, which is necessary for running successful projects and collaborations."

Magnolia Bostad's projects



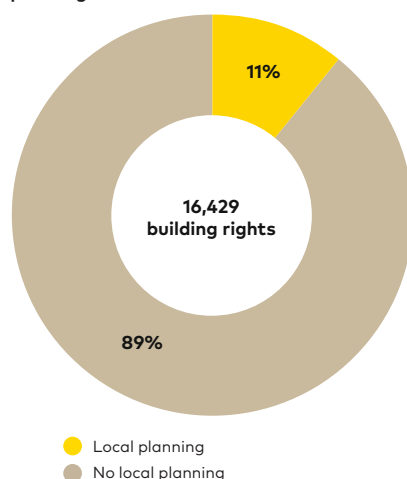
Projects

Magnolia Bostad develops primarily rental apartments, hotels and residential care facilities in Sweden's growth areas and large cities. These are sold at an early stage to major Swedish institutions or other partners with strong reputations. The company also develops tenant-owned apartments. Magnolia Bostad applies an urban planning perspective to its projects. Municipalities, and even institutional investors, are often looking for the competence to develop comprehensive residential areas that include not only homes but also, for example, student and residential care housing. By working with several products and housing forms, Magnolia Bostad achieves good risk distribution and becomes an attractive partner for long-term cooperation.

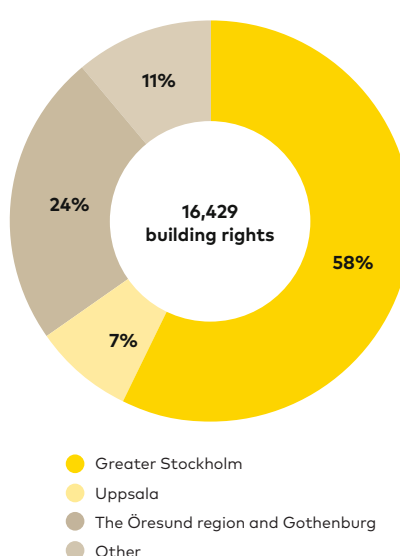
Magnolia Bostad has set a target margin of 10 percent for rental apartment transactions, 15 percent for hotel transactions and 20 percent for residential care and tenant-owned apartment transactions.

As at December 31, 2017, Magnolia Bostad had a project portfolio with a total of 16,429 estimated building rights, and the number of sold resi-

Percentage of the project portfolio with local planning



Geographic break-down of the project portfolio



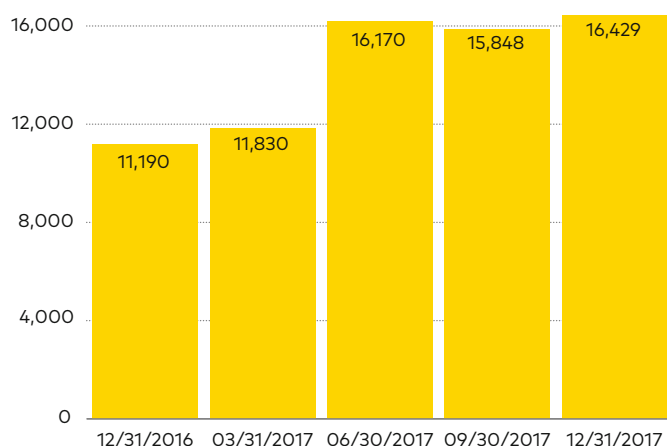
dential units in production amounted to 5,849.

During the 2017 financial year, the company signed agreements for the acquisition of 7,501 estimated building rights in Hyllie, Stockholm, Huddinge and Nynäshamn. In June, an agreement was also signed for the acquisition of all shares in Svenska Vårdfastigheter AB with a total of around 825 estimated resi-

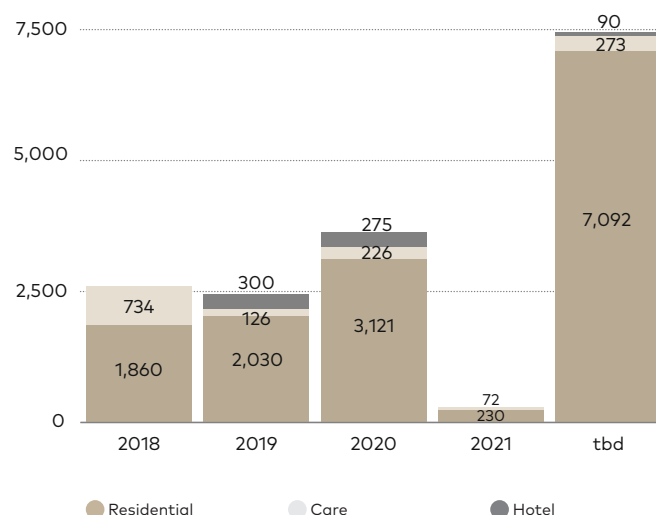
dential units in its project portfolio. Svenska Vårdfastigheter AB was absorbed into the company in July 2017.

In December, the company also sold its first hotels with a total of 500 rooms. In 2017, ten projects with a total of 2,227 residential units were sold.

Project portfolio, number of building rights



Estimated production starts in the project portfolio (unsold projects), number of building rights



ACQUISITIONS IN 2017

Quarter	Project	Municipality	Category	Estimated number of building rights
1	Bredängshöjden	Stockholm	R	750
2	Kvarnsjödalen	Botkyrka	R/C	2,000
2	Vårby Brygggor	Huddinge	R/C/H	1,800
2	Fyren, phase 1	Nynäshamn	R	220
2	Fyren, phase 2	Nynäshamn	R	230
2	Terra Nova	Visby	C	60
2	Täljöviken	Stockholm	C	55
2	Partilleport	Gothenburg	C	55
2	Allarp Laholm	Laholm	C	55
2	Visborg	Visby	C	55
2	Nyponrosen 5	Helsingborg	C	125
2	Gyllehemmet 1	Borlänge	C	55
2	Gyllehemmet 2	Borlänge	C	110
2	Österhagen	Stockholm	C	70
2	Erstavik	Stockholm	C	70
2	Mesta	Eskilstuna	C	55
2	Hasseludden	Stockholm	C	60
4	Adjutanten	Gotland	C	68
4	Mossenskolan	Motala	C	54
4	Drottninghög	Stockholm	C	100
4	Hotell Resecentrum	Halmstad	H	240
4	Hotell Brunnshög	Lund	H	260
4	Hyllie Valhall	Malmö	R	427
4	Ystad trädgårdsstad	Ystad	C	100
4	Hammarby-Smedby	Upplands Väsby	C	72
4	Skärholmen	Stockholm	R	85
4	Skarpnäcksgård	Stockholm	R	50
4	Årstaberget 1	Stockholm	R	100
4	Årstaberget 2	Stockholm	R	120
				7,501

R = Residential, C = Care, H = Hotel

SALES 2017

Quarter	Project	Municipality	Category	Acquired by	Number of units
1	Sländan, phase 2	Södertälje	R	Viva Bostad	130
2	Senapsfabriken, phase 2 south	Uppsala	R	Heimstaden Bostad	325
2	Senapsfabriken, phase 2 north	Uppsala	R	Slättö	325
3	Varvet Townhouse	Karlstad	R	TOA	4 ¹⁾
3	Fyren, phase 1	Nynäshamn	R	Viva Bostad	220
4	Fyren, phase 2	Nynäshamn	R	SEB Domestica IV	236
4	Hotell Resecentrum	Halmstad	H	Alecta	240
4	Hotell Brunnshög	Lund	H	Alecta	260
4	Hyllie Valhall	Malmö	R	Vault Investment Partners	427
4	Terra Nova	Visby	C	M&G	60
					2,227

¹⁾ Of a total of eight tenant-owned apartments.

Project portfolio

The tables on pages 36–37 show Magnolia Bostad's project portfolio as at December 31, 2017. It consists of 58 pending but not yet sold projects (associated company Norefjell Invest is not included). Magnolia Bostad's share of the projects listed on pages 36–37 amounts to 90 percent, unless otherwise specified.

The information on each project in the tables below is based on the company's current assessment of the project as a whole. Due to uncertainty factors such as local planning processes, decisions by government authorities or undetermined dates for vacancy, these assessments and thus the final outcome for each project may change over time.

Project	Property, municipality	Category	Estimated number of residential units	Estim. residential area/non-residential area/usable area (sqm)	Local planning	Estimated prod. start	Estimated completion	Planned buyer (PB) and/or contractor (CO)
Adjutanten ⁴⁾	A7 area, Gotland	C	68	4,200	●	2018	2018	PEAB (CO)
Täljöviken ⁴⁾	Näs 7:7, Stockholm	C	55	4,850	●	2018	2019	
Partilleport ⁵⁾	Partille 11:61, Gothenburg	C	54	11,100	●	2018	2019	Consto (CO)
Allarp Laholm ⁵⁾	Allarp 2:468, Helsingborg	C	54	3,850	●	2018	2019	
Visborg ⁴⁾	Skenet 3, Visby	C	58	3,950	●	2018	2019	
Nypronrosen 5 ⁵⁾	Nypronrosen 5, Helsingborg	C	125	8,360	●	2018	2019	
Lilium, phase 2	Part of Gamla Uppsala 99:1, Uppsala	R	110	5,200	●	2018	2019	Serneke (CO)
Gyllehemmet ⁴⁾	Gyllehemmet 1 & 2, Borlänge	C	106	10,500	●	2018	2019	
Mossenskolan ⁸⁾	Mossenskolan 3, Motala	C	54	4,400	●	2018	2019	
Konstnären	Östra Söla Backe, P2, block 5, Uppsala	R	120	5,500	●	2018	2020	
Norrbacka	Sigtuna Norrbacka 1:32-36, Sigstuna	R	210	12,000	●	2018	2020	Consto framework agreement (CO)
Ångloket	Ängby 1:1, Knivsta	R	250	14,000	●	2018	2020	Consto framework agreement (CO)
Sländan, phase 3	Sländan 9, Södertälje	R	200	10,000	●	2018	2022	
Hasseludden ⁴⁾	Hasseludden 1:79, Stockholm	C	60	4,300	●	2018	2020	
Ophelias Brygga	Part of Gamla Staden 1:1 and others	R	125	7,500	●	2018	2020	Serneke (CO)
Gjuteriet, phase 2	Nätet 15, Eskilstuna	R	100	5,800	●	2018	2020	
Slipsen, phase 1	Stora Råby 33:2 m.fl., Lund	R	195	9,900	●	2018	2020	Slättö framework agreement (PB)
Norrtälje Hamn, phase 1 ²⁾	Part of Tälje 3:1 and others & Alen 1-5, Norrtälje Harbor	R	145	7,400	●	2018	2020	Slättö framework agreement (PB)
Sportflygaren	Part of Nikolai 3:63 and others, Örebro	R	130	7,500	●	2018	2020	
Fasanen	Burlöv Arlöv 20:58 and others, Burlöv	R	275	12,670	●	2018	2020	
Drottninghög ⁸⁾	Drottninghög south 3 & part of squadron 1, Helsingborg	C	100	8,100	●	2018	2020	
Österhagen ⁴⁾	Länna 4:7, Stockholm	C	72	5,040	●	2019	2020	
Mesta ⁴⁾	Mesta 5:81, Eskilstuna	C	54	3,950	●	2019	2020	
Frihamnen ⁷⁾	Part of Lundbyvassen 736:168, Gothenburg	H	300	12,000	●	2019	2021	
Hagby Park	Hagby 1:5, Åkersberga	R	195	10,900	●	2019	2021	Slättö framework agreement (PB), Consto framework agreement (CO)
Nätverket	Husby 3:3, Åkersberga	R	335	9,200	●	2019	2021	Slättö framework agreement (PB), Consto framework agreement (CO)
Lommarstranden, phase 1	Part of Tälje 4:62, Norrtälje	R	100	5,500	●	2019	2021	Slättö framework agreement (PB), Consto framework agreement (CO)
Torgkvarteren, phase 1	Part of Våppeby 7:7, Bålsta	R	220	11,000	●	2019	2022	Consto framework agreement (CO)
Mejeriet, phase 1	Filborna 28:4, Helsingborg	R	230	10,400	●	2019	2022	Slättö framework agreement, part of project (PB)
Norrtälje Hamn, phase 2 ²⁾	Part of Tälje 3:1 and others & Alen 1-5, Norrtälje Harbor	R	145	7,500	●	2019	2022	Slättö framework agreement (PB)
Norrtälje Hamn, phase 3 ²⁾	Part of Tälje 3:1 and others & Alen 1-5, Norrtälje Harbor	R	150	7,600	●	2019	2022	Slättö framework agreement (PB)

Project	Property, municipality	Category	Estimated number of residential units	Estim. residential area/non-residential area/usable area (sqm)	Local planning	Estimated prod. start	Estimated completion	Planned buyer (PB) and/or contractor (CO)
Torgkvarteren, phase 2	Part of Väppeby 7:7, Bålsta	R	220	11,000	●	2019	2023	
Slipshen, phase 2	Stora Råby 33:2 m.fl., Lund	R	195	9,900	●	2019	2023	Slättö framework agreement (PB)
Norra kajen, phase 1	Norrmalm 3:18 & 4:2, Sundsvall	R	240	18,000	●	2019	2021	
Hammarby-Smedby ⁸⁾	Hammarby-Smedby 1:27, Upplands-Väsby	C	72	7,700	●	2020	2021	
Ystad trädgårdstad ⁹⁾	Mispeln 2, Ystad	C	100	4,600	●	2020	2021	
Frihamnen	Part of Lundbyvassen 736:168, Gothenburg	R	150	8,000	●	2020	2022	
Norra kajen, phase 2	Norrmalm 3:18 & 4:2, Sundsvall	R	230	16,000	●	2020	2022	
Lommarstranden, phase 2	Part of Tälje 4:62, Norrtälje	R	100	5,500	●	2020	2022	Slättö framework agreement (PB), Consto framework agreement (CO)
Mejeriet, phase 2	Filborna 28:4, Helsingborg	R	230	10,400	●	2020	2023	
Upplands Väsby Infra City	Grimsta 5:2, Upplands Väsby	R/C/H	800	42,000	●	2020	2023	Consto (CO)
Slipshen, phase 3	Stora Råby 33:2 m.fl., Lund	R	200	9,900	●	2020	2024	Slättö framework agreement (PB)
Mejeriet, phase 3	Filborna 28:4, Helsingborg	R	240	10,400	●	2020	2024	
Södra Häggviks Gårdar ¹⁾	Stinsen 2, Sollentuna	R	1,500	94,000	●	2020	-	Slättö framework agreement, part of project (PB)
Erstavik ⁵⁾	Erstavik 25:1, Stockholm	C	72	5,180	●	2021	2022	
Norra kajen, phase 3	Norrmalm 3:18 & 4:2, Sundsvall	R	230	16,000	●	2021	2023	
Bredängshöjden	Vita Liljan 3 and others, Stockholm	R	700	35,000	●	TBD ⁶⁾	-	Slättö framework agreement, part of project (PB)
Orminge Centrum	Orminge 52:1, Nacka	R	300	20,000	●	TBD ⁶⁾	-	
Instrumentet ³⁾	Instrumentet 2, Stockholm	R	100	4,700	●	TBD ⁶⁾	-	
Senapsfabriken, phase 3	Kungsängen 29:2, Uppsala	R	700	29,000	●	TBD ⁶⁾	-	Slättö framework agreement (PB)
Skogskarlen ³⁾	Skogskarlen 3, Solna	R	200	17,400	●	TBD ⁶⁾	-	
Bunkeflostrand	Limhamn 155:355, Malmö	R/C	1,300	58,500	●	TBD ⁶⁾	-	Slättö framework agreement, part of project (PB)
Kvarnsjödal	Tumba 7:241, Botkyrka	R/C	2,000	130,000	●	TBD ⁶⁾	-	Slättö framework agreement, part of project (PB)
Vårby Bryggor	Gambrinus 2 & 4, Huddinge	R/C/H	1,800	85,000	●	TBD ⁶⁾	-	Slättö framework agreement, part of project (PB)
Skärholmen ⁴⁾	Skärholmen 2:1, Stockholm	R	85	7,000	●	TBD ⁶⁾	-	
Skarpnäcksgård 1:1 ⁴⁾	Skarpnäcks gård 1:1, Stockholm	R	50	3,500	●	TBD ⁶⁾	-	
Årstaberg 1 ⁴⁾	Liljeholmen 1:5, Stockholm	R	100	6,300	●	TBD ⁶⁾	-	
Årstaberg 2 ⁴⁾	Årsta 1:1, Stockholm	R	120	7,500	●	TBD ⁶⁾	-	
Total			16,429	916,650				

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

²⁾ Developed in cooperation with Slättö Förvaltning AB.

³⁾ Magnolia Bostad's share of profit/loss amounts to 100%.

⁴⁾ Magnolia Bostad's share of profit/loss amounts to 92%.

⁵⁾ Part of a JV. Magnolia Bostad's share of profit/loss amounts to 46%.

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

⁷⁾ Magnolia Bostad's share of profit/loss amounts to 76%.

⁸⁾ Magnolia Bostad's share of profit/loss amounts to 78.2%.

⁹⁾ Part of a JV. Magnolia Bostad's share of profit/loss amounts to 39.1%.

R = Residential, C = Care, H = Hotel

● Local planning in force ● Local planning not in force

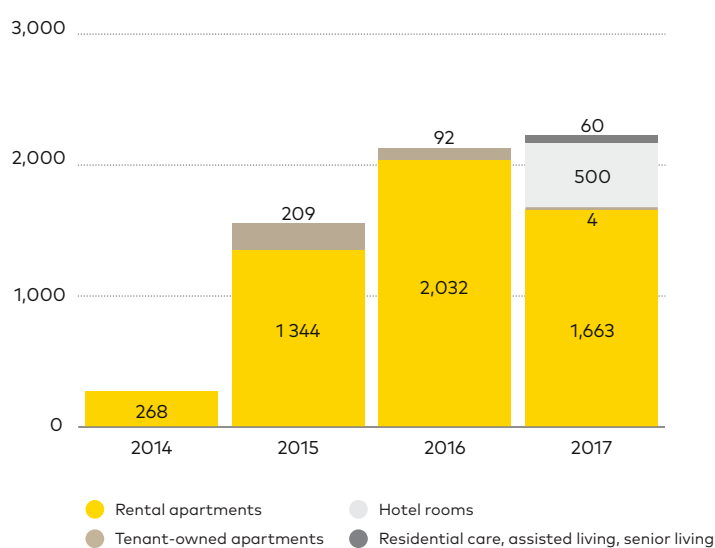
Sold projects

At December 31, 2017, Magnolia Bostad had 25 projects in production with a total of 5,853 residential units. Of these, 5,849 were sold and recognized. This corresponds to a sales rate of 99.9 percent. During the year, two projects were completed and recognized.

During the 2017 financial year, 10 projects with 2,227 residential units were sold and recognized.

In sold rental apartment projects, Magnolia Bostad, on behalf of and in cooperation with the buyer, can sell parts of the projects as tenant-owned apartments. In 2017, Magnolia Bostad sold and recognized 119 apartments that were converted to tenant-owned apartments.

Sold residential units per year, actual



CONVERSIONS IN SOLD RENTAL APARTMENT PROJECTS 2017

Project	City	Number of converted tenant-owned apartments sold to end customers	Partner
Slipen	Karlstad	32	Slättö
Gjuteriet, #1	Eskilstuna	49	Slättö
Gjuteriet, #2	Eskilstuna	38	Slättö
Total		119	

PROJECTS COMPLETED IN 2017

Project	City	Type of ownership	Number of residential units	Buyer
Nya Parken Allé	Norrköping	R	268	SEB Domestica II
M6	Stockholm	TO	55	TO association
Total			323	

Sold projects in production

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

SOLD PROJECTS IN PRODUCTION

Project	Property, municipality	Housing form	Sold residential units in production	GLA (sqm)	Unsold residential units in prod.	Prod. start	Completion	Buyer	Turnkey contract
Lumen ²⁾	Trapphuset 1, Sollentuna	TO	90	4,750	0	2015	2017	TOA	Wästbygg
Slipen	Part of Varvet 2, Karlstad	R	216	12,300	0	2015	2018	Slättö	Consto
Maria Forum	Slagan 1, Helsingborg	R	292	12,500	0	2015	2018	Alecta	Serneke
Bryggeriet	Norrland 11, Helsingborg	R	327	14,700	0	2015	2019	Alecta	Skanska
Nyby Lilium, phase 1	Part of Gamla Uppsala 99:1, Uppsala	R	300	14,000	0	2015	2019	SEB Domestica II	Serneke
Kalkstenen	Tankloket 1, Malmö	R	129	5,100	0	2015	2019	SPP Fastigheter	Veidekke
Cementfabriken	Kölen 1, Malmö	R	144	7,100	0	2015	2019	SPP Fastigheter	Veidekke
Varvet	Varvet 4 & Part of Varvet 2, Karlstad	TO	92	6,100	0	2016	2018	TOA	Consto
Segelflygaren	Glidplanet 1, Örebro	R	210	10,000	0	2016	2018	Slättö	Consto
Maria Mosaik	Arkeologen 1 & Antikvarien 1, Helsingborg	R	345	16,000	0	2016	2020	SPP Fastigheter	Veidekke
Senapsfabriken, phase 1 ¹⁾	Kungsängen 25:1, block 2, Uppsala	R	455	19,400	0	2016	2019	SEB Domestica III	NCC
Tegelslagaren	Vallentuna-Åby 1:166, Vallentuna	R	155	6,150	0	2016	2019	SEB Domestica II	ED Bygg
Tegelmästaren	Vallentuna-Åby 1:171, Vallentuna	R	160	5,950	0	2016	2019	SEB Domestica II	ED Bygg
Sländan, phase 1	Sländan 6, Södertälje	R	445	19,000	0	2016	2019	SPP Fastigheter	ED Bygg
Gjuteriet, phase 1	Nätet 7&8, Eskilstuna	R	262	13,900	0	2016	2019	Slättö	Consto
Terra Nova 4	Kopparslagaren 2, Visby	C	60	3,780	0	2017	2018	M&G	PEAB
Varvet Townhouse	Varvet 4 & Part of Varvet 2, Karlstad	TO	4	700	4	2017	2018	TOA	Consto
Sländan, phase 2	Sländan 7, Södertälje	R	130	5,300	0	2017	2020	Viva Bostad	ED Bygg
Fyren, phase 1	Telegrafan 16, Nynäshamn	R	220	10,500	0	2017	2020	Viva Bostad	Consto
Fyren, phase 2	Telegrafan 16, Nynäshamn	R	236	11,600	0	2017	2020	SEB Domestica IV	Consto
Hotell Resecentrum ⁴⁾	Kilot 2, Halmstad	H	240	9,500	0	2017	2020	Alecta	Serneke
Hotell Brunnshög ⁴⁾	Morgonen 1, Lund	H	260	8,900	0	2017	2020	Alecta	Serneke
Hyllie Valhall ³⁾	Valhall 1, Malmö	R	427	21,000	0	2017	2021	Vault Investment Partners	ED Bygg
Senapsfabriken, phase 2 north ¹⁾	Part of Kungsängen 45:1, 29:3, Uppsala	R	325	13,100	0	2017	2022	Slättö framework agreement	NCC
Senapsfabriken, phase 2 south ¹⁾	Part of Kungsängen 45:1, 29:3, Uppsala	R	325	13,900	0	2017	2023	Heimstaden Bostad	NCC
Total			5,849	265,230	4				

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

²⁾ Magnolia Bostad's share of profit/loss amounts to 100%.

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

⁴⁾ Magnolia Bostad's share of profit/loss amounts to 76%.

R = Rental TO = Tenant-owned C = Care H = Hotel

Nynäshamn

— Fyren, 450 residential units





PROJECT FACTS

Location:	Entrance to central Nynäshamn
Housing form:	Rental and tenant-owned
Occupancy:	2020
Architect:	Scheiwiller Svensson Arkitekt-kontor
Certification:	Sweden Green Building Council Silver

Magnolia Bostad is building the Fyren project in Nynäshamn, which will be a spectacular residential area along the shore of the Baltic Sea.

Fyren consists of 450 residential units that will all feature bright apartments with an exclusive design. Large windows and a view of the water will bring nature and daylight right into the apartments. All apartments have their own balcony, most with a view of the water.

The two phases of the project were sold in 2017 to Viva Bostad Nynäshamn and SEB Domestica IV. Consto is the contracted turnkey contractor.



The Sländan neighborhood in downtown Södertälje, which is only a few hundred meters north of Stortorget and one block away from Södertälje Canal, is one of the municipality's largest development projects. Magnolia Bostad is developing approximately 800 residential units in three phases.

The first two phases of the project were sold in 2016 and 2017 to SPP Fastigheter and Viva Bostad. Production has begun on these two phases, and ED Bygg is the turnkey contractor. Production is expected to start on Sländan's third phase in 2018.

Occupancy of all phases is estimated to occur between 2019 and 2022.

PROJECT FACTS

Location:	Downtown Södertälje
Housing form:	Rental and tenant-owned
Occupancy:	2019-2022
Architect:	Lindberg Stenberg Arkitekter AB and Wingårdhs
Certification:	Sweden Green Building Council Silver

At Kanikenäsholmen in Karlstad, Magnolia Bostad is developing in total 315 residential units in varying housing forms under the project names Varvet, Slipen and Varvet Townhouse.

The units will be next to Lake Vänern with a marina, quays and boathouses and are located a comfortable walking distance to the center of Karlstad.

All of the projects are sold, and Consto is contracted as the turnkey contractor. Occupancy began in 2017 and will continue in 2018.

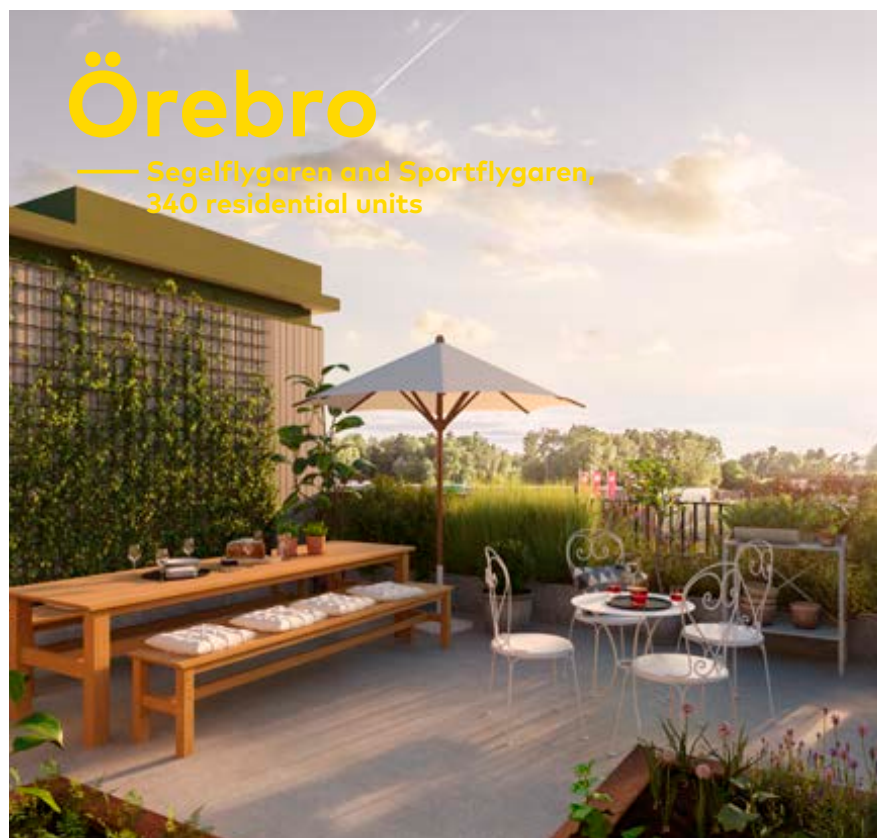


Karlstad

— Kanikenäsholmen, 315 residential units

PROJECT FACTS

Location:	Kanikenäsholmen
Housing form:	Rental and tenant-owned
Occupancy:	2017-2018
Architect:	Radar Arkitektur & Planering
Certification:	Sweden Green Building Council Silver



Örebro

— Segelflygaren and Sportflygaren, 340 residential units

The new districts of Segelflygaren and Sportflygaren are growing on the site where Örebro's first airport was located, Södra Ladugårdsängen.

Segelflygaren was sold to Slättö in 2016. Consto has begun production, and occupancy is planned for 2018. Production is expected to begin on Sportflygaren in 2018, and occupancy is planned for 2020.

PROJECT FACTS

Location:	Södra Ladugårdsängen
Housing form:	Rental
Occupancy:	2018 - 2020
Architect:	Klara Arkitekter and Dinell Johansson
Certification:	Parts of the project with Sweden Green Building Council Silver



Eskilstuna

— Gjúteriet, 360 residential units

The Munktelldagen area in Eskilstuna is undergoing a major transformation and when finished will consist of approximately 1,200 residential units. In the northern part of this area Magnolia Bostad is developing 360 residential units with mixed forms of housing.

Gjúteriet contains a mix of both small and large residential units, from unique penthouse apartments with large terraces to smaller, smart and space-efficient apartments with generous balconies.

Phase 1 was sold to Slättö in 2016 with Consto as the turnkey contractor. Occupancy is planned for 2019. Phase 2 consists of tenant-owned apartments that are expected to enter production in 2018. Occupancy for Phase 2 is planned for 2020.

PROJECT FACTS

Location:	Munktelldagen
Housing form:	Rental and tenant-owned
Occupancy:	2019-2020
Architect:	Hidemark & Stintzing
Certification:	Parts of the project with Sweden Green Building Council Silver



Uppsala

— Senapsfabriken, 1,800 residential units

Senapsfabriken is located in downtown Uppsala, and NCC is the turnkey contractor. In 2017, phase 2 was sold to Heimstaden Bostad and Slättö. Phase 1 was sold to SEB Domestica III in 2016.

Location: Central Uppsala
Housing form: Rental and tenant-owned
Occupancy: 2019-2023
Status: 3 phases, of which two are sold.



Helsingborg

— Mejeriet, 700 residential units

Magnolia Bostad is developing approximately 700 residential units in the Olympia area in three phases. The project is located immediately east of the downtown area and approximately 1 km to the train station. Production is estimated to start during the period 2019–2020.

Location: Olympia
Housing form: Rental and tenant-owned
Occupancy: 2022-2024
Status: Part of the project is included in the framework agreement with Slättö, work on the local planning is underway.

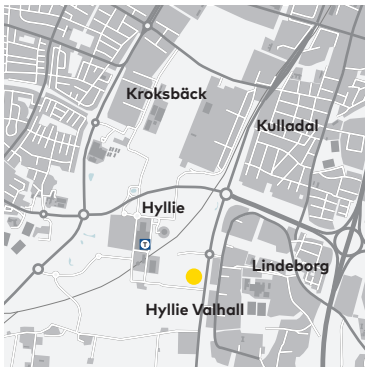


Stockholm

— Årstaberg, Skärholmen & Skarpnäcksgård, 355 residential units

In 2017, Magnolia Bostad received one land allocation in Skärholmsdalen, one direct allocation in Skarpnäcks Gård and two allocations in Årstaberg. These allocations represent the company's participation in the Fokus Skärholmen program and the expansion program for Bagarmossen-Skarpnäck.

Location: Greater Stockholm
Housing form: Rental and tenant-owned
Occupancy: TBD
Status: Local planning work will be started in 2018 and 2019.

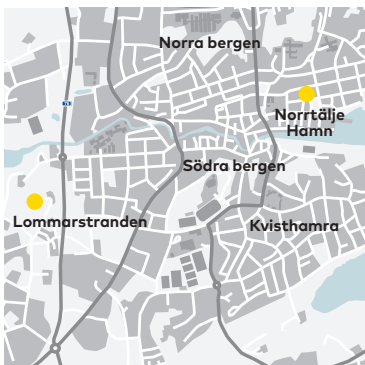


Malmö

— Hyllie Valhall, 430 residential units

The project is located in close proximity to the Emporia shopping center and the Hyllie train station. The district, which will feature new housing, offices and retail premises, is quickly growing into an important part of Malmö. The project was sold in 2017 to Vault Investment Partners and includes 430 residential units and a grocery store.

Location: Hyllie
Housing form: Rental
Occupancy: 2021
Status: The project is sold



Norrtälje

— Lommarstranden and Norrtälje Hamn, 640 residential

The Lommarstranden project and its 200 residential units is located next to the water and has good connections to public transportation and local services. The Norra Hamnen project will include the development of 440 residential units as part of Norrtälje's largest urban development project to date.

Location: Lommarstranden
Housing form: Rental
Occupancy: 2020- 2022
Status: The project is part of the framework agreement with Slättö. Estimated start of production 2018-2020.

Lund

— Hotel, 260 rooms



The hotel project in Lund is located in the northeastern corner of the city in the new Brunnshög district next to the ESS research facility. The property is situated alongside Lund's planned railway extension, and the district will include a mix of residential units, offices and services.

The building is designed by White Arkitekter in collaboration with Krook & Tjäder and will consist of a hotel with generous lounge areas, a tower and a sky bar.

The project was sold in 2017, and production start is planned for Q2 2018. Occupancy is planned for Q2 2020. Serneke is contracted as the turnkey contractor.

PROJECT FACTS

Location:	Brunnshög
Buyer:	Alecta
Operator:	Ligula Hospitality Group AB under the Motel L brand
Occupancy:	2020
Architect:	White Arkitekter and Krook & Tjäder
Certification:	BREEAM

The hotel project in Halmstad will be a landmark next to the new travel hub in the downtown area.

The project includes a hotel with a restaurant and bar and a tower with a lounge and roof terrace.

The project was sold in 2017, the production start is planned for Q2 2018 and occupancy is planned for Q2 2020. Serneke is contracted as the turnkey contractor.

PROJECT FACTS

Location:	Downtown Halmstad
Buyer:	Alecta
Operator:	Ligula Hospitality Group AB under the ProfilHotels brand
Occupancy:	2020
Architect:	Krook & Tjäder
Certification:	BREEAM



Halmstad

— Hotel, 240 rooms



Stockholm

— Hasseludden

Next to world-famous Yasuragi spa, Magnolia Bostad is planning to build residential care facilities consisting of 60 residential units. The property has a beautiful location at the foot of a forest-clad mountain.

PROJECT FACTS

Location:	Hasseludden, Nacka
Housing form:	Residential care
Caregiver:	TBD
Occupancy:	2020
Status:	Work on local planning is underway, estimated production start 2018.



Gothenburg

— Partilleport

Magnolia Bostad is developing residential care facilities and commercial premises in Partille 54. The inauguration of Partille Port is planned for 2019. The caregiver is Attendo and the turnkey contractor is Consto.

Location:	Partille
Housing form:	Residential care
Caregiver:	Attendo
Occupancy:	2019
Status:	Local planning has entered into force, estimated production start 2018.



Motala

— Mossenskolan

At the entrance to Göta Canal in downtown Motala, Magnolia Bostad is developing 54 residential units with a design that will let in as much light as possible and offer a large atrium.

Location: Downtown Motala
Housing form: Care
Caregiver: Motala Municipality
Occupancy: 2019
Status: Local planning has entered into force, estimated production start 2018.



Visby

— Terra Nova

Terra Nova is located four kilometers southeast of downtown Visby, and a bus to the city takes only 15 minutes. The project was sold in 2017 to M&G, and occupancy occurred in the same year. The turnkey contractor was PEAB.

Location: Terra Nova, Visby
Housing form: Care
Buyer: M&G
Caregiver: Region Gotland
Occupancy: 2017
Architect: SR-K



Österåker

— Täljöviken

The Täljö project is one of the largest development projects in the Greater Stockholm area. The goal is to create new, attractive districts in Åkersberga next to the water. Magnolia Bostad will build here modern residential care facilities with 55 apartments and a pre-school.

Location: Strandängarna
Housing form: Care
Caregiver: TBD
Occupancy: 2019
Status: Local planning has entered into force, estimated production start 2018.



Visby

— Visborg

The Visborg area is Gotland's largest development project to date. In the middle of Visborg's old barracks, Magnolia Bostad is planning to build modern residential care facilities consisting of 54 apartments.

Location: Visborg
Housing form: Care
Caregiver: Private rental apartments
Occupancy: 2019
Status: Local planning has entered into force, estimated production start 2018.



Laholm

— Allarp Laholm

In Laholm, Magnolia Bostad is planning to build Allarp, a residential care facility consisting of 54 apartments. Inauguration is planned for 2019.

Location: Allarp, Laholm
Housing form: Care
Caregiver: Vardaga
Occupancy: 2019
Status: Local planning has entered into force, estimated production start 2018.



Stockholm

— Four new districts take shape

In the Greater Stockholm area, Magnolia Bostad is developing four new districts: Södra Häggviks Gårdar, Vårby Bryggör, Kvarnsjödal and Bredängshöjden. These districts have a large focus on social sustainability, and Magnolia Bostad will develop rental apartments, tenant-owned apartments, hotels, residential care units, commercial premises, pre-schools, schools and related infrastructure such as streets, squares and parks.

In one of the projects, Magnolia Bostad is planning to transform the Stinsen shopping center into Södra Häggviks Gårdar – a district with around 1,500 new residential units, a pre-school, school and vibrant meeting places, thereby realizing Sollentuna Municipality's vision of a changing and growing Södra Häggvik.

Södra Häggviks Gårdar is planned to offer a mix of residential units – tenant-owned apartments and rental apartments for young and old as well as small and large families. The apartments are well thought-out, space-efficient and functional so people are able to both enjoy and afford their home. Many of the units have flexible lay-outs, which means that the residents can stay there even as their needs change. The residential areas will be supplemented with city streets with stores, restaurants and cafés as well as thriving residential streets on pedestrian terms. The project is designed by Arkitema Architects.

PROJECT FACTS

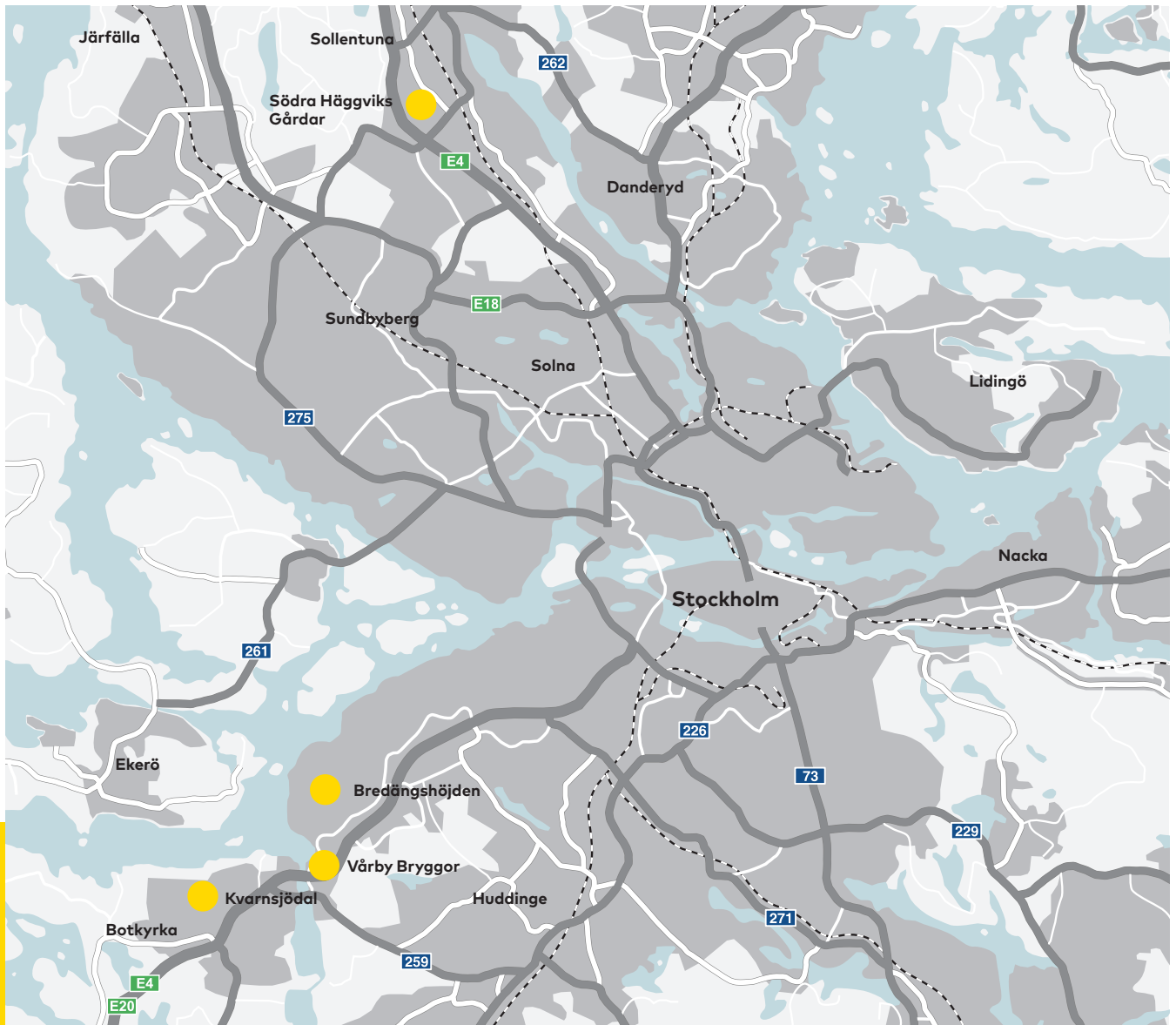
Södra Häggviks Gårdar, 1,500 building rights

Location: Sollentuna

Housing form: Rental and tenant-owned

Occupancy: TBD

Status: Part of the project is included in the framework agreement with Slättö. Completed local planning program.



PROJECT FACTS

Vårby Brygggor, 1,800 building rights

Location: Vårby, Huddinge
Housing form: Residential, care and hotel
Occupancy: TBD
Status: Part of the project is included in the framework agreement with Slättö. Ongoing local planning program.


Kvarnsjödalen, 2,000 building rights

Location: Tumba, Botkyrka
Housing form: Residential and care
Occupancy: TBD
Status: Local planning decision is expected in Q2 2018.

Bredängshöjden, 700 building rights

Location: Bredäng, Stockholm
Housing form: Residential
Occupancy: TBD
Status: Part of the project is included in the framework agreement with Slättö. Ongoing work with structural planning.

New districts



Name:
Dennis Söderlund
Title:
Head of Business Development at Magnolia Bostad



Emelie Ekman, Christian Matti and Dennis Söderlund, work in the Business Development department at Magnolia Bostad.

DENNIS SÖDERLUND IS a Business Development Manager at Magnolia Bostad. He is working right now among other things on the development of the four major urban development projects that the company acquired the past year: Södra Häggviks Gårdar in Sollentuna, Vårby Bryggör in Huddinge, Bredängshöjden in Stockholm and Kvarnsjödal in Botkyrka.

"I am running these projects together with an internal team of business developers, project developers and marketing managers, and I am responsible for the development. In total, the projects will consist of between 5,000 and 7,000 new residential units, including rental apartments, tenant-owned apart-

ments, hotels, residential care facilities, commercial premises, pre-schools, schools and related infrastructure such as streets, squares and parks."

"Being a part of developing these large projects is a fantastic challenge"

"Being a part of developing these urban development projects is a fantastic

challenge in and of itself. But add to this that Magnolia Bostad would like to fill these districts with so much more than just housing, and the assignment becomes significantly more multi-faceted and complex than my previous assignments, which is unbelievably exciting to be a part of."

Dennis has a long background as a housing developer. He came to Magnolia Bostad from Riksbyggen, where he was a Marketing Area Manager.

Why would you say that Magnolia Bostad is different from other companies in the industry?

"There are a lot of companies out there that say they are 'innovative', but Magnolia Bostad is truly innovative. I find that there is a strong culture that it is 'fun to go to work', but at the same time there are clear demands on project performance, which suits me really well."

3

Sustainable business

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

Magnolia Bostad works to achieve sustainable development and a reduced footprint by developing financially, socially and environmentally sustainable residential areas. We develop sustainable residential areas and districts that will last for many generations by working together and maintaining a dialog with municipalities, customers, contractors and other important stakeholders.

About this report

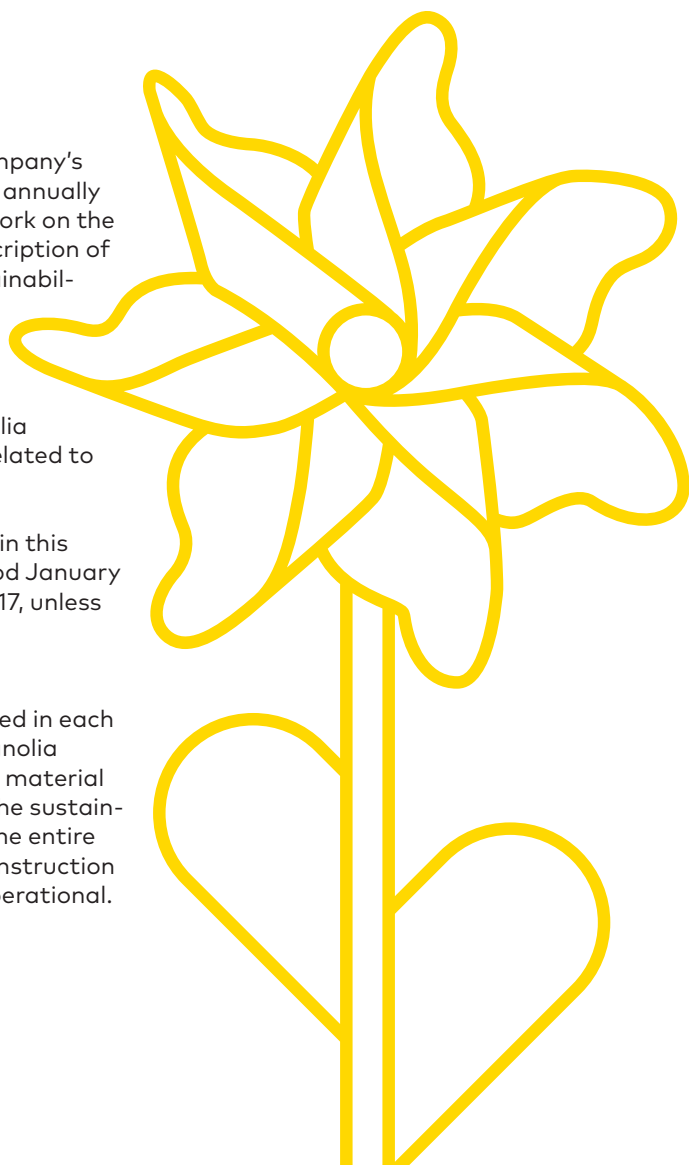
This report was prepared in accordance with GRI Standards: Core option, and it is Magnolia Bostad's first sustainability report. Magnolia Bostad conducted a stakeholder survey and materiality analysis through which it identified material sustainability aspects for the business. The report contains disclosures and targets for the company's sustainability work, which are integrated into the business strategy. Magnolia Bostad has applied the precautionary principle.

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 62–69. For Magnolia Bostad's general work related to risk, see pages 86–87.

All information included in this report refers to the period January 1, 2017–December 31, 2017, unless otherwise stated.

Limitations

The information presented in each focus area refers to Magnolia Bostad's operations and material sustainability aspects. The sustainability aspects refer to the entire value chain, from pre-construction until the buildings are operational.



2017 Sustainability Report for Magnolia Bostad

Magnolia Bostad's Sustainability Report is separate from the annual report. The sustainability report consists of pages 56–72 with further information about our business model on pages 12–13.

This chapter describes our accounting principles and presents more in-depth GRI information. The GRI Index can be found on pages 148–149.

The contact person for the Sustainability Report is Camilla Weiner, Head of Sustainability at Magnolia Bostad.

Our work is based on our fundamental values and committed employees. Sustainability is a natural and integral part of our operations. During the financial year, we took an important step by deepening and anchoring our sustainability work. For example, we conducted a survey of our stakeholders and identified material aspects that we then integrated into the overarching business strategy, and we also prepared a sustainability program.

In order to facilitate sustainability work at all levels of the organization, we developed and formulated a Code of Conduct and other policy documents that reflect Magnolia Bostad's material sustainability aspects.

Our work is forward-looking and takes a holistic approach, and the operations are conducted in such a manner as to promote long-term, sustainable urban development.

This work is based on dialog and cooperation and is carried out in the same manner as all other work at Magnolia Bostad – at a fast pace, in an innovative manner and with well-functioning methods for pursuing and following up on results. Through our strong ambition to constantly develop and improve, we are creating sustainable homes and districts for many generations to come.

Camilla Weiner
Sustainability Manager



Stakeholder engagement and materiality analysis

Our stakeholders are very important for our business. To better understand our stakeholders' expectations, we conducted a stakeholder survey in 2017. The answers were then used in a materiality analysis to identify the company's most material sustainability aspects and focus areas.

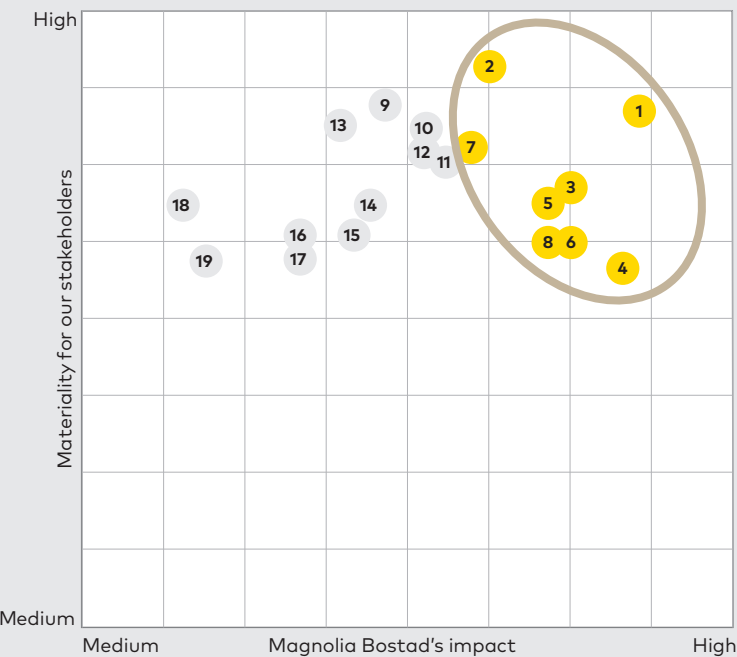
Materiality analysis
Based on the results of the stakeholder survey, a materiality analysis was conducted in which Magnolia Bostad defined and established material sustainability aspects and focus areas. The results of the materiality analysis were discussed, analyzed and adopted by the

management team and the Board of Directors of Magnolia Bostad. Based on this work, it was possible to identify aspects that are of material significance for both Magnolia Bostad and its stakeholders.

Results of the materiality analysis

A stakeholder survey and a materiality analysis were conducted in 2017 to identify material sustainability

aspects for both Magnolia Bostad and our stakeholders.



Strategic focus areas and material sustainability aspects

The eight most material sustainability aspects in Magnolia Bostad's materiality analysis (see the diagram on page 58) form three strategic focus areas: financial, social and environmental responsibility.

The sustainability aspects serve as the basis for Magnolia Bostad's long-term sustainability work and are relevant and material for Magnolia Bostad's operations, our stakeholders and the entire value chain.

One clear result from the stakeholder survey is that five of the eight material sustainability aspects are related to social sustainability. The aspects Health and safety, Training and skills development, and Diversity and equality issues are material aspects that are primarily linked to Magnolia Bostad's immediate operations.

Sustainable purchasing refers primarily to significant human rights in the supply chain. Pre-construction and design for socially sustainable operations and Environmental certification of buildings reflect how Magnolia Bostad contributes to the development of sustainable housing.

Anti-corruption and Long-term growth are aspects that are material for the entire value chain, Magnolia Bostad's immediate operations and our stakeholders' activities.

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

Stakeholders in Magnolia Bostad's sustainability engagement

- Customers/investors
- Tenants
- Employees
- Business partners
- Real estate agents
- Architects
- Property managers
- Municipalities
- Contractors
- Suppliers
- Analysts and shareholders
- Special interest organizations
- Management and Board of Directors
- Other (banks, law firms, etc.)

Strategic focus areas

Based on the stakeholder survey and the materiality analysis, we identified the eight most material sustainability aspects.

The aspects are of material significance for both Magnolia Bostad and our stakeholders.

Financial responsibility

- Long-term growth
- Anti-corruption

Social responsibility

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

Environmental responsibility

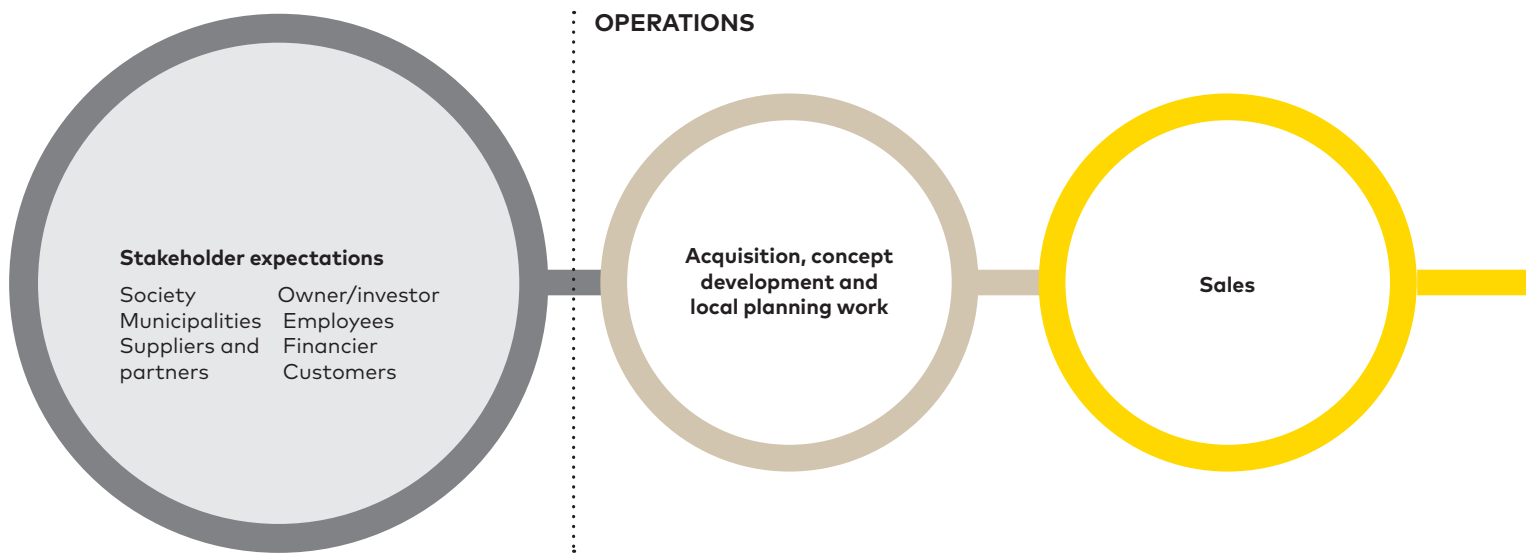
- Environmental certification of buildings



The eight material sustainability aspects form three strategic areas.

A sustainable business model that creates value

Magnolia Bostad is an urban developer. We plan, develop and build new, sustainable residential areas and districts with mixed forms of housing in many municipalities throughout Sweden. Magnolia Bostad would like to contribute to a sustainable society where companies take financial, social and environmental responsibility.



Magnolia Bostad's sustainable business is based on dialog and cooperation, generates value for our stakeholders and contributes to profitable growth.

Applying a long-term mindset and sustainable approach at all levels is fundamental for Magnolia Bostad's growth and profitability. Magnolia Bostad's material sustainability aspects are therefore also integrated into the overarching business strategy and business plan in order to create value.

Sustainability strategy and a sustainability program

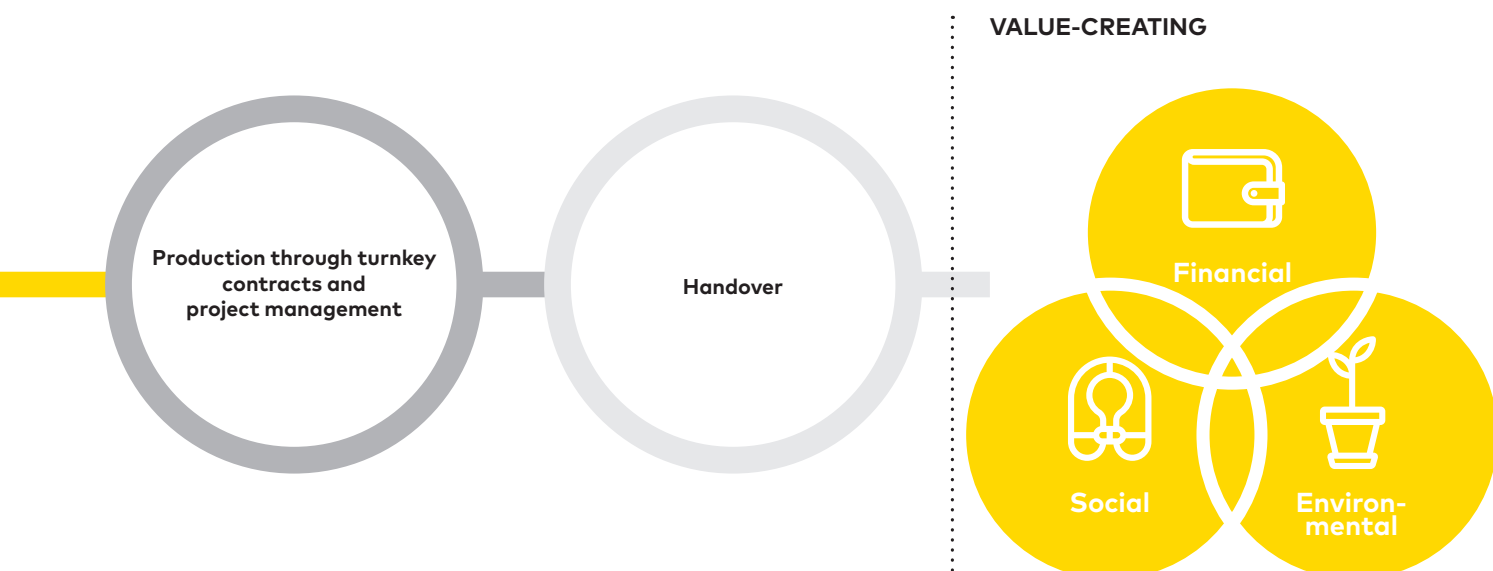
Based on Magnolia Bostad's focus areas and material sustainability aspects, a sustainability program was developed consisting of activities linked to relevant targets and

"Sustainability work is based on a dialog and is a natural part of the operations."

KPIs. Magnolia Bostad also established three overarching, long-term targets for its sustainability work. Magnolia Bostad will: be the industry leader in sustainable business, be the industry's most attractive employer and have climate-neutral operations by 2030.

The implementation of this sustainability program began in 2017, and

the material sustainability aspects were also integrated into the overarching business strategy. In order to facilitate sustainability work at all levels of the organization, a Code of Conduct and other policy documents that reflect Magnolia Bostad's material sustainability aspects were also developed and implemented.



Organization and governance

Sustainability work is a natural part of the company's operations, and sustainability issues are discussed and resolved at management meetings. The day-to-day sustainability work is part of the operations, and the work is implemented, followed up and developed. Magnolia Bostad's Head of Sustainability is a member of the company's executive management team, and sustainability work is reported at the company's Board meetings and is a natural part of the Board's work. Strategy and policy documents are addressed and revised once a year.

Magnolia Bostad's sustainability work is based on a dialog and is a natural part of the operations. Our work is forward-looking, and together with municipalities, customers, employees, suppliers and other partners, Magnolia Bostad strives to achieve sustainable development that creates value. For more information about Magnolia Bostad's business model, see page 12.

Strategic Focus Areas

Magnolia Bostad's sustainability aspects form three strategic focus areas: financial, social and environmental responsibility.



Financial responsibility

Through a strong focus on resource efficiency and scalability and solutions for a sustainable life style, we create the conditions for financially sustainable housing. Taking a long-term approach is not just about developing financially, socially and environmentally sustainable buildings and districts. It is also a prerequisite for the company's growth and profitability. Our work is influenced by a holistic approach, and the operations are conducted in a manner that promotes long-term, sustainable development.

Long-term growth

Magnolia Bostad is an urban developer that is constantly striving to be at the forefront. We create long-term growth and value for owners and other stakeholders by strengthening our competitiveness - financially, socially and environmentally. We do this by taking responsibility, taking action and applying a long-term approach when planning the development of tomorrow's sustainable residential areas and districts.

The reporting in "Direct economic value generated and distributed" (GRI 201-1) follows the financial accounting principles and shows Magnolia Bostad's economic value generated in 2017. Direct costs that generate value are, for example, wages, training, taxes and fees as well as remuneration to suppliers for goods and services. Indirect costs are, for example, costs for absence due to illness and the taxes that employees and others generate.

SUSTAINABILITY ASPECTS & TARGETS

Financial responsibility		
Sustainability aspect	Targets	Outcome
Long-term growth	See Magnolia Bostad's economic and financial targets, page 11	Direct economic value generated and distributed GRI 201-1 2017
		Generated value (SEK million)
		Property sales 1,338
		Rental income 47
		Project management revenue 24
		Other income 363
		Financial income 6
		Distributed value (SEK million)
		Operating expenses -1,320
		Employee wages and benefits -34
		Payments to providers of capital -211
		(of which dividends to owners) (-96)
		Payments to the public sector -34
		Unrealized changes in value -9
		Remaining in Magnolia Bostad 171
Anti-corruption	No corruption matters	Corruption incidents GRI 205-3 2017
		Breaches of the Code of Conduct 0
		Corruption incidents 0

For Magnolia Bostad's economic and financial targets, see page 11. For the Group's risk management, see page 86.

Business ethics and Anti-corruption

At Magnolia Bostad, we work continuously with our business ethics. Our Code of Conduct and shared values serve as an important compass in our day-to-day activities. The Code reflects the company's focus areas, material sustainability

aspects and values. Magnolia Bostad's Code of Conduct also builds on the UN's Global Compact, ten principles regarding human rights, labor law, the environment and corruption, and the UN's Agenda 2030 – Sustainable Development Goals. The Code of Conduct contains guidelines about the requirements we place on ourselves in our own behavior and conduct as well as what we expect from our business partners.



Magnolia Bostad takes a zero-tolerance approach to bribes and corruption, and the company's Code of Conduct also contains clear guidelines and requirements on such matters. During the year, a separate policy for conflicts of interest was also adopted by the Board of Directors. This policy has been addressed in the company's Personnel Handbook. In 2017, the Code of Conduct was rewritten to create conditions for sustainable work in everything the company

does. The Code of Conduct is also part of the introduction course for new employees and has been included in the employment contract since the fall of 2017. Starting in the fall of 2017, all employees will undergo training in the Code, and during the year more focus was placed on corruption and conflicts of interest. All employees, excluding those in units acquired during the year, also confirmed in writing that they had read and understood the company's Code of Conduct.

Whistleblower procedure

The procedure for whistleblowing is described in the company's Code of Conduct. The Code can be found on Magnolia Bostad's website and may be used by all employees and external stakeholders to report suspected incidents or deviations from the ethical guidelines that are described in our Code of Conduct. In 2017, no cases of corruption and/or breaches of Magnolia Bostad's Code of Conduct were reported or identified in any other way.



Social responsibility

Magnolia Bostad would like to contribute to a sustainable society and develop tomorrow's sustainable housing. We want to be an engaged participant in the areas where we are present, an attractive employer and an industry leader in sustainable business.

Magnolia Bostad's stakeholder engagement shows that there is considerable interest in social sustainability. Today, many people want to live a sustainable life. Developing socially sustainable residential areas and districts also increases the value for the residents as well as the value of the property and is significant for the company's growth and profitability.

Community involvement

Magnolia Bostad develops sustainable residential areas and districts and is contributing to the reduction in the housing shortage prevalent in many places in Sweden. We also hold an important role in society by actively contributing to the fulfillment of requirements on housing construction from the rising urbanization trend, with greater social and economic integration as the goal.

Furthermore, Magnolia Bostad offers a wide range of housing forms, primarily rental apartments but also tenant-owned apartments, hotels and residential care facilities, which makes it possible to develop housing for everyone. Through dialog and cooperation, we combine economic and resource-efficient solutions for secure, safe, healthy and inclusive residential environments and districts.

Engaged participant of the community

Magnolia Bostad is an engaged participant in the areas where we are present, and our goal is to be involved socially in the areas where the company is taking an active role in the development of the community. We intend to do this by supporting women's and girls' soccer,

"Our goal is to be involved socially in the areas where the company is taking an active role in the development of the community"

thereby promoting a natural forum for equality, diversity and integration in a context that also encourages physical activity and meaningful free time.

Magnolia Bostad is already collaborating with women's and girls' soccer teams in a number of our operational areas. We are also collaborating with and are a co-sponsor for Ronjabollen in Gottsunda, Uppsala, which the Swedish Police has identified as one of the country's most exposed areas.

Ronjabollen tackles equality and integration issues by bringing together girls and women for the pursuit of soccer - a natural and non-forced context that also encourages physical activity and meaningful free time.

Magnolia Bostad's collaboration with Ronjabollen aims to spread knowledge about the project's methodology and model for working with integration and girls' rights in society. For example, a cooperation was started in 2017 between Ronjabollen and Eskilstuna United, which Magnolia Bostad also sponsors.

Attractive employer

At Magnolia Bostad, we care about each other and our stakeholders, and we show consideration for every object and transaction. We offer reasonable working conditions and strive for our employees to be happy and develop. We would also like to be an inclusive employer who both promotes health and safety and develops and benefits from different competences and viewpoints.

Magnolia Bostad wants to have committed employees and be the most attractive employer in the industry. We are therefore working continuously with skills development, career planning and the promotion of our employees' health

and well-being. As an employer, we would like to offer secure, safe workplaces that are free from discrimination and harassment and where all employees are treated equally and with respect. We also want to have a dynamic, equal and diverse workplace.

Material sustainability aspects

Health and safety

Consideration of our employees' health and safety is a fundamental condition for a healthy organization and the company's growth and profitability. Magnolia Bostad works proactively to prevent workplace accidents and encourages employees to maintain a good balance between work and private life, with the aim of preventing work-related industries. We offer all employees wellness subsidies and participate regularly in charity runs. During the year, for example, we participated in "Spring för livet", a race that donated the registration fees to UNICEF's work for orphaned children in Malawi.

All employees are covered by an illness insurance and are represented by a safety and health committee consisting of management, employee and safety representatives. The committee held regular meetings during the year and conducted a safety round.

When it comes to workplace accidents, Magnolia Bostad takes zero-vision approach. Work was started during the year to prepare a procedure for contractors to report work place accidents for Magnolia Bostad. In 2017, no employees were injured at their workplace as part of Magnolia Bostad's direct operations.

Diversity and gender equity

Magnolia Bostad strives to have a dynamic and equal workplace that is inclusive and where differences

are welcomed, respected, valued and utilized. This contributes to, for example, satisfied employees and a good working environment, which also benefits the work climate and productivity.

There is a risk that a workforce that is too homogeneous would miss the potential and benefits of diversity, thus increasing the risk that the company would adopt a biased view on risks and opportunities. Magnolia Bostad's Code of Conduct, personnel handbook and policy regarding diversity in the Board of Directors contain guidelines for diversity and gender equity, and, for example Magnolia Bostad has an even distribution between the number of women and men who work for the company.

Diversity and gender equity also improve the company's ability to understand the needs of partners and local customers and the expectations of local markets, which is an important aspect for growth and profitability.

Training and skills development
At Magnolia Bostad, we value training and skills. Our values permeate throughout our operations, and we are driven by a strong ambition to continuously develop, improve and innovate. It is therefore of utmost importance that our employees are knowledgeable, so they are able to develop and carry out complex deals and housing development projects while applying a constant improvement and development perspective.

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

Therefore, at Magnolia Bostad we are working systematically with skills development, and one of the things we do is to hold knowledge transfer meetings every week with all employees. At these meetings, employees share everything from knowledge gained from seminars

SUSTAINABILITY ASPECTS & TARGETS

Social responsibility						
Sustainability aspect	Target year 2022	Outcome				
Health and safety				2017		
	All employees are covered by a health and safety committee	Representation in Work Environment Committees GRI 403-1		100%		
	No workplace accidents	Number of worksite accidents GRI 403-2		0 *		
	* Including contractors as of 2018					
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				
		2017				
		Women	Men	Total		
		Executive Management	26	23	24	
		Managers	19	35	27	
		Employees	17	26	20	
		Total	18	27	22	
	Performance reviews and career planning for all employees per year	Performance review and career planning GRI 404-3				
				2017		
			Percentage of employees with regular performance reviews and career planning			
		100%				
Diversity and gender equity	Gender breakdown between women and men	Diversity of governance bodies and employees GRI 405-1				
		2017				
		Board of Directors	Executive Management	Employees	Total	
		Gender break-down				
		Women	17%	37%	57%	51%
		Men	83%	63%	43%	49%
		Total	100%	100%	100%	100%
		Age group				
		<30	0%	0%	18%	14%
		30-50	33%	100%	70%	70%
>50	67%	0%	12%	16%		
	Total	100%	100%	100%	100%	
Sustainable purchasing and supplier evaluations				2017		
	The Code of Conduct is attached to the employment contract for all employees	Percentage of employment agreements with employees that include the Code of Conduct		100%		
	All employees undergo training in the Code of Conduct	Percentage of employees trained in human rights GRI 412-2		100%		
	Code of Conduct in all agreements with partners	Percentage of agreements with partners where the Code of Conduct was included GRI 412-3	(Implementation and reporting as of 2018.)			
	One audit per year of one contractor	Percentage of suppliers audited for human rights GRI 414-1	(Implementation and reporting as of 2018.)			
Pre-construction and design for socially sustainable operations	Pre-construction and design for socially sustainable operations in all projects	Percentage of projects included in Pre-construction and design for socially sustainable operations M1	(Implementation and reporting as of 2018.)			

and training courses to personal information. The meetings also serve as a forum for training and more in-depth knowledge. All employees also participate in a performance review every year, which includes individual training and career planning. Training is planned and budgeted per employee, and as of 2017 the number of training hours per year and per employee, gender, and occupational category will also be tracked.

During the year, employees participated in training related to contractor law, project-related work environment, project follow-up systems, CPR and the Code of Conduct. Furthermore, managers underwent training in systematic work environment.

Sustainable purchasing in the entire supply chain

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

the approach we take to each other and our stakeholders.

We place the same demands on our business partners as we place on ourselves, and our goal is to include the Code of Conduct in all partnership agreements starting in 2018. We are also striving to achieve sustainable purchasing throughout the entire supply chain, and our goal is to carry out supplier evaluations and an audit of at least one turnkey contractor starting in 2018.

During the financial year, Magnolia Bostad conducted an audit of one turnkey contractor. In addition to the overarching requirements of the agreement, the audit focused on quality, the environment and the work environment at a project in Karlstad. The audit resulted in improvement measures for both the turnkey contractor and Magnolia Bostad.

Pre-construction and design for socially sustainable operations
Developing socially sustainable residential areas and districts that facilitate a secure, inclusive and sustainable lifestyle increases the value for residents as well as the value of the property - and is a prerequisite for the company's growth and profitability.

The Safety and security aspect is high on the list of what residents think is most important in and around their home. It is therefore important to be involved locally to get to know the area and the residents who live there and to best understand their needs.

At Magnolia Bostad, for example, we support team sports in the areas where we are active, and women's and girls' soccer in particular. This provides us with a forum both to support social issues such as gender equity and integration, which are also important issues in the construction industry, and to gain insight into the social issues that are in focus in the area.

Through a dialog, clear requirements and follow-up of pre-construction and design of socially sustainable operations, Magnolia Bostad prevents any risk of suppliers and contractors not fulfilling their commitments and the final product not meeting Magnolia Bostad's requirements in terms of socially sustainable operations.

As of 2018, the goal is for all Magnolia Bostad projects to include pre-construction and design for socially sustainable operations.

Magnolia Bostad has identified the following three material aspects that are addressed in pre-construction and design for socially sustainable operations.

1. Dialog and cooperation

In order to meet and understand the local needs and expectations of stakeholders on socially sustainable operations and design, Magnolia Bostad works with municipalities, customers, contractors and other local stakeholders and community services (police, schools, local sports clubs, etc.). Through dialog and cooperation, Magnolia Bostad is developing socially sustainable residential areas and districts.

2. Homes and residential areas for everyone

Magnolia Bostad's broad range of housing forms enables us to build housing for everyone, even for weaker groups in the housing market or groups with special needs.

We also contribute actively to the fulfillment of requirements on housing construction that are resulting from rising urbanization, with greater social and economic integration as the goal. Magnolia Bostad is also working to reduce the housing shortage that is prevalent in many areas in Sweden with the approach of promoting diversity.

3. Safe and secure residential environments and districts

Magnolia Bostad is a partner of the "BoTryggt 2030" project, which was started by the Swedish Police in 2000. Magnolia Bostad is part of the project group that is developing a new standard for safe and secure residential areas and homes. Magnolia Bostad is applying this work, which aims to compile tested solutions and measures to create safer and more secure residential areas, to its projects.

"Financial, social and environmental sustainability go hand in hand"

"MANY PEOPLE WANT TO LIVE sustainable lives today. It is therefore important to not only focus on environmental certification for the buildings, but also factor in conditions for an ecological, resource-efficient and sustainable lifestyle," says Camilla Weiner, Magnolia Bostad's Head of Sustainability. "It is about developing not only healthy, environmental friendly buildings that will last a long time, but also socially sustainable residential environments, which also increases the value for the residents as well as the value of the property."

This can mean, for example, areas for gardening and greenhouses to promote self-sufficiency or solar panels to reduce energy consumption and create resource-efficient solutions that reduce housing costs."

"It can also be about using existing technology, such as having digital panels in the stairwells with the timetables for public transportation and digital tools that enable residents to measure and follow-up on their water and electricity consumption," says Camilla Weiner.

Safety and security is high on the list of what residents think is most important in and around their home.

"But security and safety often mean different things in different areas. It is therefore important to be involved locally to get to know the area and the residents who live there. Magnolia Bostad, for example, supports team sports in the areas where we are active, and women's and girls' soccer in particular. We can thus actively support social issues such as gender equity and integration, which also provides insight into the social issues most relevant for the area."



Name:
Camilla Weiner,
Head of Sustainability,
Magnolia Bostad

What is the most important part of sustainability work?

"Having a constant dialog with stakeholders, always listening, and following the technological development," says Camilla Weiner. "One clear trend is that we are moving toward small societies within society, where people don't only live at home but also work from home and do most of their errands in their immediate surroundings."

Which sustainability issues will be central for the real estate industry in the next few years?

"One: Continued focus on resource efficiency. In a sustainable society with a growing population and finite resources, we must also constantly be better at doing more with less. For those of us in the real estate industry, this means, for example, that we will continue to develop and improve our environmental performance."

Two: Sharing economy and digitalization. Those of us in the industry need to engage ourselves in issues related to sustainable transport to and from our properties, for example carpools and electric bikes. More homes will also function as workplaces, and the need and demand for sharing premises and rooms over a 24-hour period will probably increase.

Three: Social sustainability. Magnolia Bostad's stakeholder survey shows that aspects related to social sustainability are important, and we are also seeing a greater demand from our business partners when it comes to pre-construction for social sustainability.



Environmental responsibility

Our environmental commitment can be found throughout our operations, and we are constantly striving to improve our procedures and processes to minimize the company's footprint. Magnolia Bostad's goal is to environmentally certify all of its projects and have climate-neutral operations by 2030.

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

An increasing number of people want to live sustainable lives today. Minimizing the company's footprint and developing resource-efficient housing are important pillars for the company's growth and profitability. Developing healthy, environmentally friendly buildings that will last for a long time also increases the value for residents as well as the value of the property.

Magnolia Bostad does not have in-house construction operations, and all pre-construction and construction are carried out by contractors. Production constitutes approximately 40 percent of the building's total impact on the environment over the life cycle of the building, and construction companies are directly responsible for resource optimization.

By working with a dialog, clear requirements and policies as well as environmental audits and certification of buildings, Magnolia Bostad prevents the risk of suppliers and contractors not fulfilling their commitments and the final product not meeting Magnolia Bostad's strict environmental requirements.

SUSTAINABILITY ASPECTS & TARGETS

Environmental responsibility			
Sustainability aspect	Target year 2022	Outcome	
Environmental certification of buildings			2017
	Projects are environmentally certified in accordance with Sweden Green Building Council Silver as a minimum	Type and number of sustainability certificates, ranking and marking of new construction GRI CRE-8	No completed projects since the target was adopted in 2016

Environmental certification of buildings

It is Magnolia Bostad's overarching goal - and a requirement - that all buildings must be environmentally certified according to a minimum of the Sweden Green Building Council's Silver level.

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

Magnolia Bostad is also working to reduce the environmental impact of its suppliers and contractors by placing clear requirements on everything from handling of waste and environmentally friendly and efficient transport to the recycling of materials and products.

During the year, Magnolia Bostad conducted an agreement and environmental audit of a project in Karlstad. In 2017, Magnolia Bostad joined the Swedish Green Building Council (SGBC), Sweden's leading organization for urban development.

Environmental policy

Magnolia Bostad's environmental policy not only encompasses the environment and quality assurance, but also follows the intentions of ISO 14001 and ISO 9001. Svenska Vårdfastigheter's operations, which were acquired in 2017, are certified in accordance with ISO 14001. We

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

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

Energy efficiency

Magnolia Bostad is extremely ambitious when it comes to building energy-efficient homes that provide a satisfactory indoor environment. Energy efficiency is an important environmental aspect, and the energy consumption of our apartments is currently significantly lower than the level prescribed by the National Board of Housing, Building and Planning's Building Code.

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

The energy that Magnolia Bostad consumes in its direct operations

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

Climate-neutral operations

Magnolia Bostad is extremely ambitious when it comes to building resource-efficient homes that provide a satisfactory indoor environment with as little impact on the environment as possible.

Magnolia Bostad's long-term sustainability target is to have climate-neutral operations by 2030, including projects. In order to achieve this, it is necessary for us to cooperate with our contractors.

The ambition for 2018 is to work on special sustainability measures/ clauses, i.e. green agreements, with our contractors to facilitate optimal resource efficiency in projects. There is also an ambition to develop a method and model for how to calculate carbon dioxide emissions over a building's life cycle, which is a prerequisite for reaching the long-term goal of climate-neutral operations.

Support for environmental research

Together with our partners, we are striving to constantly improve, and to further develop the work on the environment we also support environmental research.

Magnolia Bostad is a co-sponsor and member of the reference group for a research study that is supported by SBUF (the building industry's development fund). The aim of the project is to supplement previous SBUF studies by conducting LCA calculations (life cycle analysis) of the environmental impact from the same type of building when different construction solutions are theoretically applied. The objective of the calculations is to show the environmental impact of each construction solution over the life cycle of the building.



Name:
Marita Loft
Title:
CEO, Storebrand
Fastigheter

MAGNOLIA BOSTAD HAS BEEN COOPERATING with SPP Fastigheter for several years. This cooperation currently consists of four projects including a total of 1,000 apartments: two projects in

Malmö, one in Helsingborg and one in Södertälje. All projects are in production, with planned completion in 2018 and 2019.

"Together we create rental apartments with a clear sustainability focus"

"We have chosen to work with Magnolia Bostad since they offered us the possibility of acquiring interesting rental housing projects,"

says Marita Loft, CEO of Storebrand Fastigheter, which manages the real estate company, SPP Fastigheter. Magnolia Bostad's business model works very well and offers both parties security in the project.

"Magnolia Bostad's strength is in its ability to find good locations and create attractive housing products. They are also open to our feedback and wishes when the project is designed," says Marita Loft. "We are creating rental apartments together that have a clear sustainability focus, and the buildings will also be certified in accordance with the Nordic Swan Ecolabel."

Women's soccer for diversity, integration and equality

"IT IS INCREDIBLY POSITIVE that Magnolia Bostad has decided to support Ronjabollen. Girls are under-represented in soccer in general, but girls with a foreign background are hardly even represented at all," says Sevana Bergström, one of the founders of Ronjabollen.

Ronjabollen is a soccer project for girls who normally would not be active members of a soccer team. The club focuses on girls from resource-weak areas, often new arrivals or unaccompanied children, and offers soccer practice immediately after the school has ended.

Values

"We work with groups, and every week we focus on different types of values, like discussing the Convention on the Rights of the Child and Swedish law. But we also talk about sport's - and soccer's - values: community, security and enjoyment.

Sevana Bergström is extremely interested in integration and equality issues. In addition to founding Ronjabollen, she also helped found TRIS (Girls Rights in Society). For the past year she has also been the Swedish Football Association's Integration Coordinator and works to increase diversity and social inclusion in soccer.

Concerned parents

One of the reasons that girls with foreign backgrounds are underrepresented in soccer and other sports is that their parents prevent them from participating. The parents often do not understand how



Name:

Sevana Bergström
Founder of Ronjabollen, Founder of TRIS (Girls Rights in Society), Integration Coordinator at the Swedish Football Association

Swedish sports clubs work and out of concern keep their girls at home. This is why Ronjabollen's activities occur immediately after school ends for the day.

"Thanks to Magnolia Bostad, in 2017 we were able to give the girls a snack at every practice. This snack is incredibly important – without it there is a risk that we will lose the girls' participation. If they go home

to eat before practice, their parents might not let them leave again."

Expanding now to more municipalities

In 2018, Sevana Bergström will work to introduce Ronjabollen to more areas in Sweden.

"We started in Uppsala and today can be found in several other locations, for example Skellefteå and Bromma in Stockholm. I hope that with Magnolia Bostad's support we will be able to spread our concept to even more municipalities and communities around the country."

Social sustainability within Magnolia Bostad

Magnolia Bostad has chosen to support local soccer teams in the areas where we are active. We primarily target girls' and women's teams. Soccer is a widespread sport that crosses all social classes, national borders and genders. By supporting team sports, the company is helping a large number

of participants and promoting equality, diversity and integration.





Emilie Lundberg is the starting goalkeeper in Eskilstuna United.

"Among the three best women's teams three years in a row"

"Magnolia Bostad's support has made it possible for us to continue our efforts to have an elite women's team in Eskilstuna. The project has been extremely successful – our team has been one of the top three in Sweden the past three years."

Name: Bengt Gustafsson
Marketing Responsible,
Eskilstuna United

"We will start a cooperation with Ronjabollen in 2018 through Hjärta United, where we gather all of the club's social projects." (Read more about Ronjabollen in the article on the page to the left.)

"We hope to attract more young girls to the club"

"Through Magnolia Bostad's sponsorship, we were able to make an additional investment in our women's representation team. We were able to purchase the members of the women's team warm-up suits and give them a subsidy for soccer cleats."

Name: Metin Rhawi
Club Manager,
Södertälje FK

"In 2018, we will be able repeat this for our older girls' teams. We also hope to be able to increase the number of younger girls in the club. It is particularly important to reach out early to girls since girls do not always naturally choose soccer as their first sport."

"A sponsor with a clear commitment to women's soccer"

"We are very pleased that Magnolia Bostad has become a main sponsor for our women's team. To gain a sponsor with such a clear commitment to women's soccer is naturally also a huge benefit, and it has generated added value on many levels."

Name: Mårten Sommelius
President,
Stattena IF,
Helsingborg



It is the long-term goal of the City of Helsingborg to reduce energy consumption in the city using innovative and environmentally smart solutions. In Magnolia Bostad's Ophelias Brygga project, we are focusing in part on renewable energy by installing solar panels on the roofs of the buildings. To contribute to an efficient production of biogas, we are installing, for example, garbage disposal units in the apartments' kitchens, so every household can compost its own food waste.

This is a translation from the Swedish original

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 2017 on pages 56–72 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 12 The auditor's opinion regarding the statutory sustainability 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 statutory sustainability statement has been prepared.

Stockholm March 22, 2018
Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

Financing, the share and the owners



Financing

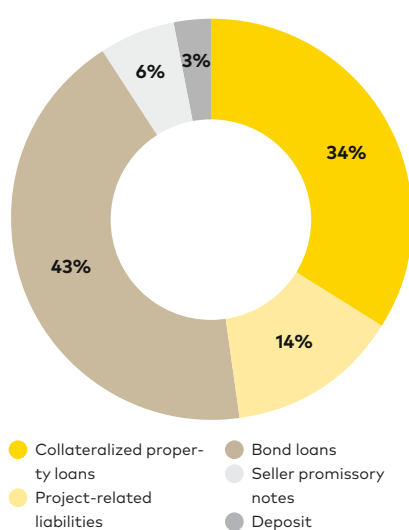
Magnolia Bostad needs to regularly finance and refinance its investments. It is therefore important for the company to have a solid financial position and the confidence of the capital market.

Magnolia Bostad is financed by both equity and liabilities, of which 87 percent of the liabilities are interest-bearing. Their distribution depends on the costs associated with each form of financing that are reflected in the assets' assessed risk and the lenders' pricing and requirements on equity. Magnolia Bostad continuously monitors opportunities to diversify its funding base.

Equity and the equity/assets ratio

At December 31, 2017, consolidated equity amounted to SEK 1,171 million (998), which means an equity/assets ratio of 33.0 percent (36.2). The minority share of equity was SEK 180 million (136). The fall in the equity/assets ratio since the previous year is due in part to the dividend of SEK 66 million to shareholders and SEK 30 million to holdings without a controlling influence as well as to the acquisition of Svenska Vårdfastigheter, which was partially financed through external loans. The return on equity amounted to 21.0 per cent compared to 28.8 per cent for the 2016 calendar year. The reduction in the return on equity compared to the 2016 calendar

Capital structure, percent



year is primarily attributable to higher average equity.

Interest-bearing liabilities

Total interest-bearing loans, including an interest-bearing deposit received from Slättö, amounted to SEK 2,073 million (1,505) as at December 31, 2017. The majority consists of bank financing of SEK 994 million, of which SEK 706 million is collateralized by property and the

remaining SEK 288 million is collateralized by shares, and the bond loan of SEK 900 million in nominal terms. The carrying amount for the bank financing amounts to SEK 990 million and for the bond loans SEK 883 million. The remaining liabilities consist of buyer promissory notes of SEK 125 million and deposits received from Slättö of SEK 75 million. After deductions for cash and cash equivalents of SEK 208 million (507), interest-bearing net liabilities amounted to SEK 1,865 million (998).

The largest portion of the bank financing is linked to different projects where the repayment of debt occurs as Magnolia Bostad exits the project. Of the loans that fall due in 2018 and 2019, SEK 294 million and SEK 285 million are collateralized property loans that are considered to be refinancable upon maturity. In addition, SEK 95 million and SEK 193 million are short-term loans related to projects and are assessed to be repayable upon maturity.

Bond loans

Magnolia Bostad has two outstanding bonds: one covered bond of nominal SEK 500 million with a floating coupon of STIBOR 3m + 6.25 percent (with STIBOR floor) and final maturity in April 2020 and one unsecured bond of nominal SEK 400 million pursuant to a bond frame of up to SEK 1 billion with a floating coupon of STIBOR 3M + 7.25 percent (without a STIBOR floor) and final maturity in October 2021.

Cash flow and cash and cash equivalents

Consolidated cash flow from operating activities amounted to SEK -617 million (-22), cash flow from investing activities amounted to SEK -13 million (-101) and cash flow from financing activities amounted

Magnolia Bostad's financial policy

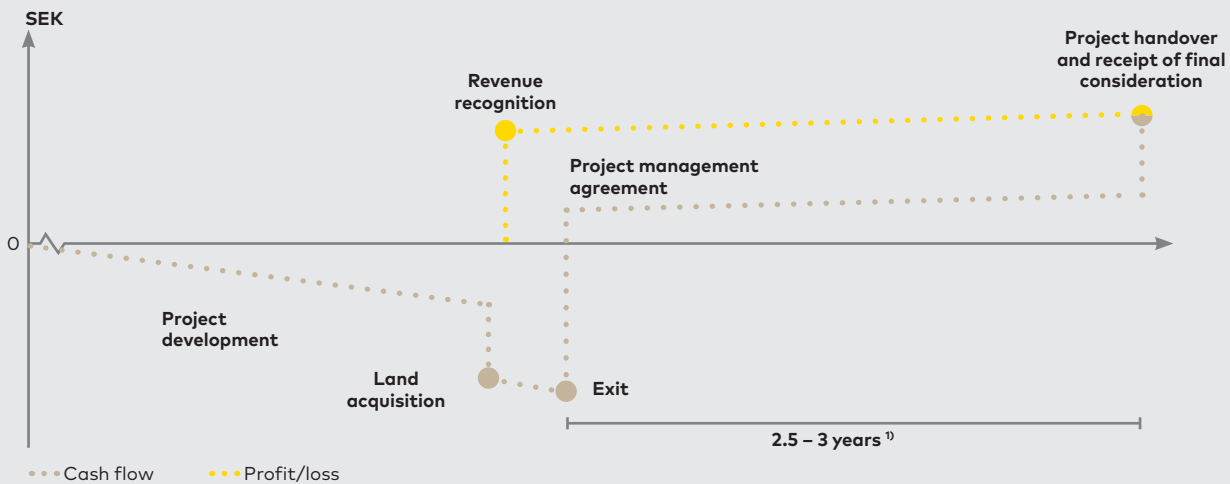
The financial operations at Magnolia Bostad are conducted in accordance with the rules and guidelines set by the Board of Directors every year. The financial policy aims to limit the risks that are associated with the company's financing, primarily liquidity, refinancing and interest rate risks.

The overarching goal of the financial policy is to ensure a

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

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

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



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

Project development time varies from project to project. It spans from projects acquired with local planning already in place, where time can be counted in days, to projects where initial project development may be ongoing for several years due to work with local planning process and property reallocation.

Magnolia Bostad's investment in projects will normally increase the closer the project is to obtaining local planning and when the company is about to gain access to the property.

Revenue recognition occurs when a binding agreement for the sale of the property has been signed, the local plan has been approved and a binding contract for turnkey production has been signed.

The time for exit from property is often conditional on, for example, building permits being approved or the subdivision of the property gaining legal force. The time between revenue recognition and legal time of exit can therefore vary from project to project. Usually the time of exit is 2-3 months from the date of the contract, but it may also exceed twelve months.

At the time of exit, Magnolia Bostad receives forward funding for the project, which means that Magnolia Bostad will be paid for investments made up until this point. At this time, the company will also often receive part of the project profit as cash or cash equivalents.

After 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.

to SEK 332 million (437). Cash and cash equivalents as per December 31, 2017, amounted to SEK 208 million (507). In addition to cash and cash equivalents, there are unused credit facilities totaling SEK 332 million as at December 31, 2017.

Financing costs

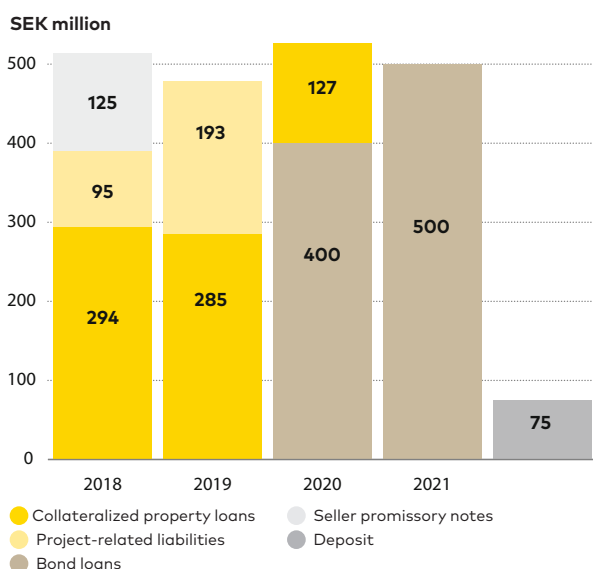
Net financial items amounted to SEK -109 million (-90). At the end of

the year, Magnolia Bostad's average interest rate on the nominal principal loan amount was 5.5 percent compared to 5.4 percent at the end of the previous year. Including the dissolution of paid advance fees, the average effective interest rate at the end of the quarter amounted to 5.9 percent. This increase in financing costs is due primarily to an increase in interest-bearing liabilities

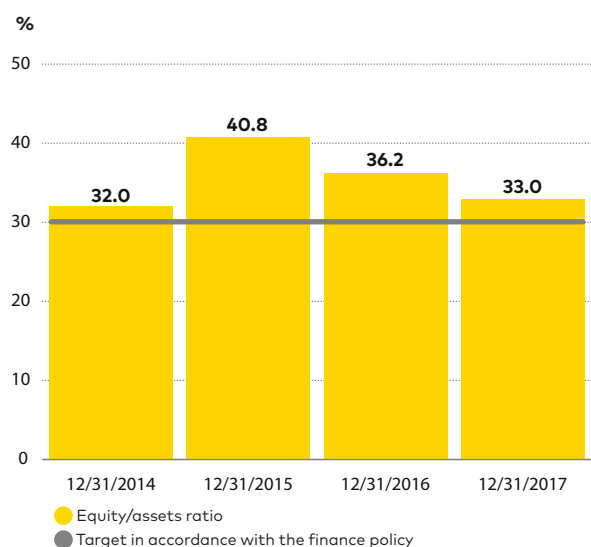
ties of SEK 568 million to SEK 2,073 million compared to SEK 1,505 million at the beginning of 2017.

The interest coverage ratio amounted to a multiple of 3.3 compared to 3.8 for FY 2016. The average capital tie-up period was 2.0 years at December 31, 2017, a decrease compared to 2.9 years at December 31, 2016.

Maturity structure, nominal amounts, SEK million



Equity/assets ratio, percent



The share

F. Holmström Fastigheter AB, in which Fredrik Holmström has a controlling interest through companies, holds a 56.38 percent stake in Magnolia Bostad. As at December 31, 2017, there were 4,803 (3,455) shareholders. The total number of issued shares at the end of the period was 37,822,283.

The share was listed on Nasdaq First North in June 2015 and is traded under MAG. Since January 2016 Magnolia Bostad has been included in Nasdaq First North's index, First North 25, which consists of the 25 largest and most traded shares on Nasdaq First North. As at March 31, 2017, the share is listed for trading on Nasdaq First North Premier. In 2018, Magnolia Bostad plans to apply for listing for the share on Nasdaq Stockholm.

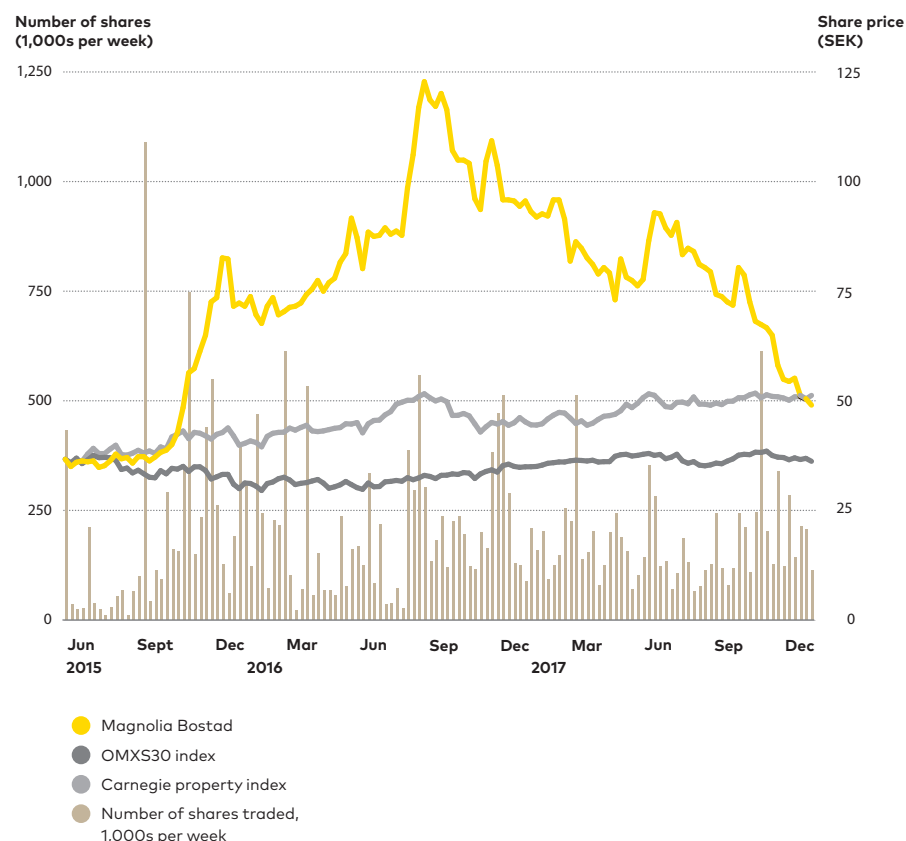
The share price at closing on December 29, 2017, was SEK 50. On average, 159 transactions were conducted per trading day between January 1, 2017 and December 29, 2017, and the average trading volume per trading day was SEK 2.9 million.

The Annual General Meeting held on April 26, 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. Each warrant entails the right to subscribe to one share and will be transferred to employees in accordance with the warrant program. In the fourth quarter, the Board of Directors decided to extend the deadline for the program until the 2018 Annual General Meeting. At year-end, all warrants remained in the subsidiary's possession.

Dividend

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

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



Average number of outstanding shares

	2017	2016
	Full year	Full year
Average number of outstanding shares	37,822,283	37,822,283

To the Annual General Meeting in 2018 the Board is proposing a dividend of SEK 1.75 per share (1.75), which corresponds, if the Meeting approves the proposal, to a direct yield of 3.5 percent (1.8) of Magnolia Bostad's share price on December 31, 2017.

Owners

Ownership as at December 31, 2017

Number of shares	Number of shareholders	Shareholder category	Number	Shareholders per country	Number
1-500	3,997	Legal persons	226	Sweden	4,696
501-1,000	317			Other Nordic countries	46
1,001-2,000	181	Private individuals, men	3,145	Other European countries (excl. Sweden and the Nordic countries)	51
2,001-5,000	162	Private individuals, women	1,432	USA	5
5,001-10,000	74			Rest of world	5
10,001-50,000	44	Total	4,803		
50,001-	28	of which living in Sweden	4,696	Total	4,803
Total	4,803				

Largest shareholders as at December 31, 2017

Shareholders	Percentage of		
	Number of shares	Share capital	Votes
F.Holmström Fastigheter	21,323,837	56.38%	56.38%
Danica Pension	3,127,991	8.27%	8.27%
Länsförsäkringar fondförvaltning AB	2,635,908	6.97%	6.97%
Nordnet Pensionsförsäkring AB	1,571,379	4.15%	4.15%
Svolder Aktiebolag	1,394,009	3.69%	3.69%
Försäkringsaktiebolaget, Avanza Pension	668,156	1.77%	1.77%
Dahlin, Martin	581,611	1.54%	1.54%
Swedbank Robur Fonder	460,437	1.22%	1.22%
Larsson, John	388,540	1.03%	1.03%
Cliens Sverige Fokus	360,000	0.95%	0.95%
Total 10 largest shareholders	32,511,868	85.97%	85.97%
Other shareholders	5,310,415	14.03%	14.03%
Total	37,822,283	100%	100%

5

Directors' Report

The Board of Directors and the President of Magnolia Bostad AB (pub), CIN 556797-7078 hereby submit the annual report and consolidated financial statements for the financial year 1/1/2017 – 12/31/2017.

The business in general

Parent Company

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

Group

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

Significant events in the Group during the financial year

During the year, Magnolia Bostad agreed on the acquisition of 7,501 estimated building rights and sold 2,227 apartments.

Magnolia Bostad's share has been traded since March 31, 2017 on Nasdaq First North Premier.

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

Business idea, targets and strategy

Magnolia Bostad will develop efficient, attractive and functional new housing at a good profit. Magnolia Bostad's financial targets include a return on equity of at least 30 percent and an equity/assets ratio for the Group of at least 30 percent. In 2017, return on equity amounted to 21.0 percent (28.8) and the equity/assets ratio at the end of the year was 33.0 percent (36.2). Magnolia Bostad has also set a target to have the capacity to start production on 3,000 apartments, two to four residential care facilities and one to two hotels a year starting in 2018 and is striving to meet the

environmental requirements for certification in accordance with the Sweden Green Building Council's Silver level or the Swan Ecolabel in all projects.

As at December 31, 2017, Magnolia Bostad was active within the areas of rental apartments, tenant-owned apartments and hotels as well as residential care and student housing. Working with several forms of housing enables the company to achieve satisfactory distribution of risk. Development in growth areas demonstrating favorable demographic conditions in the long term. Production of projects only begins when demand has been secured.

Legal structure

The Magnolia Bostad Group, in addition to holdings reported in accordance with the equity method, consisted of 140 companies (88) as at December 31, 2017.

Organizational structure

Magnolia Bostad's organization is divided into the areas of Business Development, Business Area Development, Communications, Project Development, Finance and Administration. The company's organization, as at December 31, 2017, consisted of 61 employees (40), of which 33 were women (21) and 28 were men (19), in Stockholm and Helsingborg.

Sustainability

Magnolia Bostad has a clear focus on ensuring that all housing projects are financially, socially and environmentally sustainable. The housing the company develops should not just be sustainable today, but for generations. Taking a long-term approach to these matters is not just about our customers living in beautiful, healthy buildings. It is also a fundamental prerequisite for the company's growth and profitability. In accordance with Chapter 6, section 11 of the Annual Accounts Act, Magnolia Bostad AB (publ) has opted to prepare its sustainability report as a separate report from the annual report. The sustainability report was turned over to the auditor at the same time as the

annual report. The Sustainability Report is found on pages 56-72.

Share information

The share

The share is admitted for trading on Nasdaq First North Premier under the short name MAG. The total number of issued shares at the end of the period was 37,822,283 with a quotient value of SEK 4 per share. According to Magnolia Bostad's Articles of Association, the share capital shall total no less than SEK 120 million and no more than SEK 480 million, which means that Magnolia Bostad shall have a minimum of 30,000,000 and a maximum of 120,000,000 shares. The share price at closing on December 29, 2017, was SEK 50.00. Since January 2016 Magnolia Bostad has been included in Nasdaq First North's index, First North 25, which consists of the 25 largest and most traded shares on Nasdaq First North. As at March 31, 2017, the share is listed for trading on Nasdaq First North Premier. In 2018, Magnolia Bostad plans to apply for listing for the share on Nasdaq Stockholm.

The Annual General Meeting on April 26, 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 program. In the fourth quarter, the Board of Directors decided to extend the deadline for the program until the 2018 Annual General Meeting. At year-end, all warrants remained in the subsidiary's possession.

Ownership

The number of shareholders as per December 31, 2017, amounted to SEK 4,803 (3,455). F. Holmström Fastigheter AB, in which Fredrik Holmström has a controlling interest through companies, holds a 56.4 (56.3) percent stake in Magnolia Bostad. The ten largest owners together hold 86.0 (85.6) percent of the votes. One (1) of these had holdings that amounted to 10 percent or more of the votes in the company.

Earnings and position

Group

Net sales for the financial year amounted to SEK 1,772 million (1,010) and consist primarily of sales of development and project properties. Magnolia Bostad recognized 2,227 residential units compared to 2,124 last year.

Operating profit amounted to SEK 375 million (355) and the operating margin was 21.2 percent (35.1).

During the year, Magnolia Bostad strengthened its organization, which resulted in an increase in costs for central administration to SEK -41 million (-27).

Net financial items amounted to SEK -109 million (-90). The increase is primarily attributable to growing assets that are financed externally. Profit/loss after tax for the full year amounted to SEK 267 million (265), which corresponds to a profit margin of 15.1 percent (26.2). The tax expense is less than 22.0 percent of the profit before tax since some reported income, primarily the sale of companies, is not taxable.

The balance sheet total increased by SEK 795 million to SEK 3,550 million (2,755). At December 31, 2017, consolidated equity amounted to SEK 1,171 million (998), with an equity/assets ratio of 33.0 percent (36.2). The minority share of equity was SEK 180 million (136). This change in equity during the year is due to dividends paid and net profit/loss for the year. In 2017, return on equity amounted to 21.0 percent (28.8).

Total interest-bearing borrowings amounted to SEK 2,073 million (1,505) at December 31, 2017. Interest-bearing net liabilities, after deductions for cash and cash equivalents of SEK 208 million (507), amounted to SEK 1,865 million (998). At the end of the year, Magnolia Bostad's average interest rate on the nominal principal loan amount was 5.5 percent compared to 5.4 percent at the end of the previous year with an interest coverage ratio of 3.3 (3.8). The average

capital tie-up term was 2.0 years (2.9) as at December 31, 2017.

Consolidated cash flow from operating activities amounted to SEK -617 million (-22), cash flow from investing activities amounted to SEK -13 million (-101) and cash flow from financing activities amounted to SEK 332 million (437). Cash and cash equivalents as per December 31, 2017, amounted to SEK 208 million (507). In addition to cash and cash equivalents, there are unused credit facilities totaling SEK 332 million (112) as at December 31, 2017.

Parent Company

The Parent Company's profit/loss after financial items amounted to SEK 276 million (-24), primarily due to received dividends from subsidiaries. The balance sheet total amounted to SEK 1,151 million (1,132). The equity/assets ratio in the Parent Company was 33.4 percent (21.3). The Parent Company's equity was affected by the profit/loss for the year and the dividends totaling SEK 66 million.

Project portfolio

The total number of estimated building rights in the portfolio amounted to approximately 16,429 as per December 31, 2017, an increase of 47 percent in twelve months. During 2017, 2,227 residential units were sold from ten projects, compared to 2,124 from eight projects in 2016. During the year, two projects totaling 323 residential units were completed, compared to four projects totaling 272 residential units last year. In 2017, a total of 119 tenant-owned apartments were converted and sold to end customers in rental apartment projects that were already sold.

Auditors

At the Annual General Meeting on April 26, 2017, the auditing company Ernst & Young AB was re-elected as the company's auditor for the period extending up to the end of the 2018 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 on First North and applicable laws and regulations form the basis of the company's corporate governance.

The ordinary Annual General Meeting in 2017 was held on April 26, 2017. Present at the meeting were 24 shareholders (14), representing in total 69.7 percent of the votes (63.5). Fredrik Holmström was elected chair of the Meeting. All Board members participated. The minutes from the Annual General Meeting are available at Magnolia Bostad's website, www.magnolia-bostad.se.

The Annual General Meeting in 2017 resolved on the following:

- Dividend of SEK 1.75 per share.
- 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.
- Election of Ernst & Young AB as auditing company for the period until the end of the next Annual General Meeting, with Ingemar Rindstig as auditor-in-charge.
- Adoption of remuneration to the Board of Directors and auditors.
- Adoption of the income statement and balance sheet for the 2016 financial year.
- Instructions for the next Nomination Committee were approved.
- Warrant programs and transfer of warrants in accordance with the Board's proposal were approved.

The Extraordinary General Meeting held on October 13, 2017 resolved to unanimously approve the change in the existing minority ownership structure.

The formal work plan for the Board of Directors includes information about the distribution of responsibility between the Board of Directors, the Chair of the Board and the President. The Board is responsible for the company's organization

and management. The work of the Board follows an annual meeting schedule that utilizes a fixed agenda structure for each Board meeting. As needed, employees from the company attend Board meetings to hold presentations.

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

Guidelines for remuneration to Executive Management

The 2017 Annual General Meeting resolved to adopt the following guidelines for remuneration to the Executive Management of the Group. Remuneration to Executive Management shall be on market terms and competitive and consist of a fixed salary. The fixed salary is reviewed at the beginning of the calendar year. The fixed salary will be based on factors such as the position, competence, experience and performance. During this assessment, consideration shall be given to the fact that the company is in a strong, expansive phase rather than a management phase. The company shall be able to employ consultants for the management group at competitive remuneration.

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

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

paid for all senior executives in the form of a company car and health care. These benefits will constitute a smaller portion of the total compensation and will conform to standard practice in the market.

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

The Board of Directors shall be entitled to deviate from any of the guidelines resolved by the Meeting on a case-by-case basis if there are special grounds for such a deviation. The costs of the variable remuneration to Executive Management in accordance with the Board of Director's proposal were estimated to amount to a maximum of SEK 9.4 million (including social security contributions). These costs are based on current remuneration levels and full utilization and assume that all targets required for remuneration are met.

Proposed guidelines for remuneration to Executive Management in 2018

The Board of Directors intends to propose to the Annual General meeting to be held on April 27, 2018, that the following guidelines for remuneration to Executive Management apply until the end of the next annual general meeting.

Remuneration to the Executive Management shall be on market terms, competitive and paid in the form of a fixed salary so that the company has the opportunity to 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, competence, experience and performance. During this assessment, consideration shall be given to the fact that the company is in a strong, expansive phase rather than a management phase. The company shall be able to employ consultants for the management group at competitive remuneration.

Variable remuneration in the form of a bonus may be paid to Execu-

tive Management at an amount corresponding to a maximum of 12 monthly basic salaries. Bonuses shall be based on the outcome based on established targets, in relation to both the company's profits and individual performance. Variable remuneration is paid as non-pensionable income.

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

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

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

It is the responsibility of the Board of Directors prior to every annual general meeting to prepare a proposal for guidelines on remuneration to Executive Management and to take into consideration in the proposal any changes in the company's size, operations, nature, management or ownership structure that justify a change in the guidelines. The guidelines are decided by the Meeting. Remuneration to Executive Management are proposed and approved according to the Board of Directors' work plan.

Costs for the variable remuneration to Executive Management in accordance with the proposal of the Board of Directors is estimated to amount to a maximum of SEK 10.3 million (including social security fees). These costs are based on

current remuneration levels and full utilization and assume that all targets required for remuneration are met. The estimated costs are based on the current number of senior executives. CEO Fredrik Lidjan is not entitled to variable remuneration in accordance with his employment agreement.

Events after the end of the period

Magnolia Bostad sold the Instrumentet 2 property in Örnberg to Genova Property Group. The underlying property value amounted to SEK 166 million before deductions for latent tax, and occupancy is planned for the end of Q1 2018.

Magnolia Bostad signed an agreement with Heimstaden Bostad for the sale of the Fasanen project in downtown Arlöv in Burlöv Municipality. The estimated property value upon completion is approximately SEK 400 million.

Magnolia Bostad issued additional corporate bonds of SEK 200 million within the frame for the existing bond of SEK 1 billion and maturity in 2021. Buyers were primarily Swedish investors.

Comments about the future

It is Magnolia Bostad's ambition in 2018 to move from Nasdaq First North Premier to Nasdaq Stockholm's main market.

Proposed appropriation of profits

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

Share premium reserve	184,732,539
Profit/loss carried forward	-161,095,990
Profit/loss for the year	275,540,943

Total 299,177,492

The Board proposes the following:

Dividend, (37,822,283 * SEK 1.75)	66,188,995
To be carried forward	232,988,498

Total 299,177,492

The record date is proposed for May 2, 2018, with an estimated date of payment of May 7, 2018.

Financial overview

Amounts in SEK million unless otherwise specified	2017	2016	2015	2014 ⁴⁾	2013 ⁴⁾
Net sales	1,772	1,010	876	141	144
Gross profit/loss	425	368	219	55	38
Operating profit/loss	375	355	358	47	24
Profit/loss after financial items	267	265	308	30	21
Net profit/loss for the year	267	265	308	29	21
Operating margin (%)	21.2	35.1	40.9	33.7	16.5
Interest coverage ratio (multiple)	3.3	3.8	6.9	2.4	4.3
Balance sheet total	3,550	2,755	1,888	792	370
Equity	1,171	998	771	253	190
Equity/assets ratio (%)	33.0	36.2	40.8	32.0	51.4
Return on equity, % ¹⁾	21.0	28.8	62.1	13.4	11.4
Earnings per share after tax, SEK ¹⁾	5.16	5.87	8.36	0.95	0.66
Earnings per share after full dilution, SEK ¹⁾	5.15	5.84	8.11	0.88	0.62
Equity per share (SEK) ¹⁾	26.20	22.79	17.93	8.10	6.07
Dividends per share (SEK)	1.75 ²⁾	1.75	1.00	0.20	0.25
Number of basic outstanding shares	37,822,283	37,822,283	37,822,283	31,288,942	31,288,942
Number of outstanding shares after full dilution	37,822,283	37,982,283 ³⁾	37,982,283 ³⁾	33,288,942	31,288,942

¹⁾ Excluding the minority

²⁾ The Board of Directors proposes a dividend for 2017 of SEK 1.75 per share.

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

⁴⁾ According to previously applied accounting principles

For information about alternative KPIs, see Note 38.

Risk management

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

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

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

External risks

Risk	Description	Risk assessment	Primary management
<i>Possibility to sell projects</i>	The business largely consists of the new production of residential properties in Sweden's growth areas. Magnolia Bostad is dependent on its ability to meet the market's demand in order to be able to successfully sell projects.	● ● ○	Through continuous market analysis, rules for when production may begin and breakdown of projects into stages.
<i>Macroeconomic factors</i>	The real estate 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 favorable/unfavorable future conditions. By locking commercial terms early or via framework agreements.
<i>Competition</i>	Magnolia Bostad operates in a competitive industry. Competitors may increase in number and strength in the future, for example through mergers, new strategies and/or enhanced financial possibilities.	● ● ○	Through competition analyses at both the regional and local levels and constantly striving to refine Magnolia Bostad's business model.
<i>Shortage of resources</i>	The increasing activity on the Swedish housing market could cause building prices to rise and make it difficult to secure production resources in the projects, which could result in longer delivery times. The municipalities also risk suffering from a shortage of resources, which could result in longer processing times in terms of planning processes and municipal housing projects.	● ● ○	The business model largely secures income before the project is started and costs are procured as turnkey contracts at a fixed price. The company works with different types of warranty solutions and long-term partnerships and can therefore tie up necessary resources at an early stage.
<i>Legal risks</i>	The business is regulated by not only a large number of laws and regulations, but also different processes and decisions related to these regulations, both at the political and officials level. In addition to the fact that this framework can change, it is important that the company has interpreted laws and rules correctly.	● ● ○	The company and its legal advisors follow these developments together by maintaining an ongoing dialog with municipalities and authorities.
<i>Tax risks</i>	Magnolia Bostad's operations are affected by the tax rules in effect in Sweden at any given time. Changes to or incorrect interpretations of the tax rules could have a negative impact.	● ● ●	The company monitors changes in legal practice and plans for modified legislation and regularly consults with external experts.

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

Operational risks

Risk	Description	Risk assessment	Primary management
<i>Business models and projects</i>	The operations consist of real estate 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>	Real estate transactions, which are associated with uncertainty and risks, are carried out on an ongoing basis. Such risks can include uncertain market conditions, legal issues, financial commitments, decisions by government authorities and the handling of rental tenants.	● ● ○	The business conducts due diligence in conjunction with acquisitions, including a legal analysis of existing documentation, review of land conditions and technical deficiencies, and when the acquisition goes through a corporate structure, an understanding of the tax situation, etc. When selling properties, one of the requirements is to be knowledgeable about the guarantees that normally accompany such a sale. In addition to its own staff, the company engages external advisors as needed to ensure the right competence when both purchasing and selling real estate.
<i>Key personnel</i>	Magnolia Bostad is dependent on the knowledge, skills and experience of key personnel. It is therefore important to keep and as needed recruit key personnel.	● ● ○	Ensure on an ongoing basis that the necessary competence is available and the extent to which competence needs to be recruited or engaged. Work with continuous competence transfer. Actively strive to make the company an attractive employer.
<i>Environmental risks</i>	Pollutants and other environmental damage are the responsibility of the party carrying out the business operations and this party is responsible for post-ex remediation. If the party carrying out the operations cannot pay post-ex remediation of a property, the party that owns the property is responsible.	● ○ ○	When acquiring a property, the seller agrees to be responsible for any environmental damages or such are handled with detailed investigations.

- ○ ○ 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 shall be well established and selected after careful consideration, and when selling tenant-owned apartments, diversification is obtained in that there are many different types of buyers.
<i>Liquidity risk</i>	If cash and cash equivalents are not available to pay current costs, investments and amortization payments on their due dates.	● ● ●	Ongoing forecasting of future cash flows based on different scenarios to ensure that financing is arranged in time.
<i>Financing risk</i>	If financing for acquisitions or development cannot be obtained, extended, expanded, refinanced or that such loans only can be obtained at unfavorable terms.	● ● ●	The company has established financial goals regarding the equity/assets ratio and liquidity that must be followed. Furthermore, the company is responsible for regularly following up on special commitments upon which the loans may be conditional. The company also maintains an ongoing dialog with several credit issuers.

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

Consolidated Income Statement

Amounts in MSEK	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Net sales	5, 6	1,772	1,010
Production and operating costs		-1,347	-642
Gross profit/loss		425	368
Central administration	8	-41	-27
Profit/loss from participations in associated companies and joint ventures	10	-9	14
Operating profit/loss	7, 9, 11	375	355
Financial income	12	6	3
Financial expenses	13	-115	-93
Change in value, financial instruments	30	0	0
Profit/loss before tax		267	265
Income tax	14	0	0
NET PROFIT/LOSS FOR THE YEAR		267	265
Profit/loss attributable to			
Parent Company shareholders		195	222
Holdings without a controlling influence		72	43
Earnings per share (SEK)	15		
Before dilution effects		5.16	5.87
After dilution effects		5.15	5.84

Consolidated Statement of Comprehensive Income

Amounts in MSEK	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Net profit/loss for the year		267	265
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Total other comprehensive income		0	0
COMPREHENSIVE INCOME FOR THE YEAR		267	265
Comprehensive income attributable to			
Parent Company shareholders		195	222
Holdings without a controlling influence		72	43

Comments to the Consolidated Income Statement

Net sales amounted to SEK 1,772 million (1,010), and operating profit was SEK 375 million (355). Profit after tax for the period was SEK 267 million (265).

Net sales and operating profit derive from the sale of 2,227 residential units (2,124). Operating profit increased by SEK 20 million, primarily due to the recognition of more units. In total, net sales from the sale of property totals SEK 1,338 million (835).

Rental income remained the same at SEK 47 million (47). Operating costs for properties that generate rental income amount to SEK 16 million (16), which means that their contribution to operating profit remained the same at SEK 31 million (31).

Revenue from project management services amounts to SEK 24 million (23), and other invoicing for the projects and other revenue has contributed SEK 363 million (105) to net sales. The increase compared to previous year is due to a higher number of deliveries to sold projects in production, in particular Varvet, Segelflygaren, Gjuteriet and Lumen.

Magnolia Bostad strengthened its organization during the year and completed the acquisition of Svenska Vårdfastigheter, which explains the increase in costs for central administration to SEK 41 million (27). Earnings from associated companies decreased to SEK -9 million (14), primarily due to the loss from ownership in Sollentuna Stinsen JV AB of SEK -11 million (-), which is in line with the project development plan. In addition to the contribution from Sollentuna Stinsen JV AB, Kanikenäs-varvet Bostad HB contributed SEK 3 million (-) to earnings from participations in associated companies and joint ventures.

Net financial items

Net financial items amounted to SEK 109 million (90). The increase in expenses is attributable to an increase in assets that are financed externally.

Net profit/loss for the period

Net profit for the period amounted to SEK 267 million (265), of which SEK 0 million (0) are income taxes. The tax expense is less than 22.0 percent of the profit before tax since some reported income, primarily the sale of companies, is not taxable.

Consolidated Statement of Financial Position

Amounts in MSEK	Note	12/31/2017	12/31/2016
ASSETS	1		
Non-current assets			
Goodwill	16	6	6
Other intangible assets	17	1	0
Total intangible assets		7	6
Machinery and equipment	18	8	1
Total property, plant and equipment		8	1
Shares in associated companies and joint ventures	19	111	116
Receivables from associated companies	36	24	23
Other securities held as non-current assets	20	31	31
Other long-term receivables	21	1,165	406
Total financial assets		1,330	576
Total non-current assets		1,345	583
Current assets			
Development and project properties	22	1,310	1,160
Tenant-owned apartments		4	4
Accounts receivable	23	31	1
Receivables from associated companies	36	52	20
Other receivables	24	595	475
Prepaid expenses and accrued income	25	5	5
Cash and cash equivalents	26	208	507
Total current assets		2,205	2,172
TOTAL ASSETS		3,550	2,755

Comments to the Consolidated Statement of Financial Position

The consolidated balance sheet total increased to SEK 3,550 million compared to SEK 2,755 million at the beginning of the year. This increase is due to the increase in other long-term receivables and other receivables, which together increased by SEK 879 million to SEK 1,760 million (881), attributable to paid deposits and increases in claims on buyers of the projects. Of the total receivables of SEK 1,760 million, SEK 117 million constitute paid deposits for future property acquisitions and SEK 1,490 million claims on buyers of the projects. Within the next 12 months, the Group is expected to receive SEK 423 million (433) in total claims on buyers of the projects, such as amor-

tization of promissory notes, payment of additional consideration, final consideration and forward funding.

Development and project properties increased by SEK 150 million and amount to 1,310 million (1,160). This increase is primarily due to the acquisition of Svenska Vårdfastigheter AB, which was financed by a buyer promissory note of SEK 125 million, bank financing of SEK 150 million and cash and cash equivalents.

Consolidated Statement of Financial Position

Amounts in MSEK	Note	12/31/2017	12/31/2016
EQUITY AND LIABILITIES	1		
Equity	27		
Share capital		151	151
Other capital contributions		185	185
Retained profits including profit/loss for the year		655	526
Equity attributable to Parent Company shareholders		991	862
Holdings without a controlling influence		180	136
Total equity		1,171	998
Non-current liabilities			
Deferred tax liability	28	2	2
Non-current interest-bearing liabilities	29	1,566	1,268
Non-current liabilities to associated companies	36	35	-
Derivatives	30	-	-
Other non-current liabilities	29	30	91
Total non-current liabilities		1,633	1,361
Current liabilities			
Current interest-bearing liabilities	29	507	237
Derivatives		-	0
Accounts payable		16	38
Liabilities to associated companies	36	1	-
Income tax liabilities		0	0
Other current liabilities		85	68
Accrued expenses and deferred income	31	136	53
Total current liabilities		745	396
TOTAL EQUITY AND LIABILITIES		3,550	2,755

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

Comments to the Consolidated Statement of Financial Position

Equity and the equity/assets ratio

At December 31, 2017, consolidated equity amounted to SEK 1,171 million (998), which resulted in an equity/assets ratio of 33.0 percent (36.2). The minority share of equity was SEK 180 million (136). The lower equity/assets ratio compared to the previous year is due in part to the dividend of SEK 66 million to Parent Company shareholders and SEK 30 million to holdings without a controlling influence as well as to the acquisition of Svenska Vårdfastigheter, which was partially financed through external loans.

The return on equity amounted to 21.0 per cent compared to 28.8 per cent for the 2016 calendar year. The reduction in the return on equity compared to the 2016 calendar year is primarily attributable to higher average equity.

Interest-bearing liabilities

Total interest-bearing loans, including an interest-bearing deposit received from Slättö, amounted to SEK 2,073 million (1,505) as at December 31, 2017. The primary portion of Magnolia Bostad's liabilities consist of bank financing of SEK 994 million, of which SEK 706 million collateralized by the property, and bond loans of SEK 900 m in nominal terms.

The carrying amount for the bank financing amounts to SEK 990 million and for the bond loans SEK 883 million. The remaining liabilities consist of buyer promissory notes of SEK 125 million and deposits received from Slättö of SEK 75 million. After deductions for cash and cash equivalents of SEK 208 million (507), interest-bearing net liabilities amounted to SEK 1,865 million (998).

Consolidated Cash Flow Statement

Amounts in MSEK	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Operating activities	1		
Profit/loss after financial items		267	265
<i>Adjustments for non-cash items, etc.</i>			
Less share in profits in associated companies		9	-14
Depreciation/amortization and impairment of assets		2	1
Capital gains/losses from the sale of development properties		-575	-338
Other provisions		0	0
Other profit/loss items that do not affect liquidity		6	0
Income tax paid		0	-4
Cash flow from operating activities before changes in working capital		-291	-90
Cash flow from changes in working capital			
Decrease (+)/increase (-) of development and project properties		-156	119
Decrease (+)/increase (-) in current receivables		-194	-4
Decrease (-)/increase (+) in current liabilities		24	-47
Cash flow from operating activities		-617	-22
Investing activities			
Acquisition of intangible fixed assets		-1	-
Acquisition of property, plant and equipment		-9	-1
Investment in financial assets		-3	-100
Cash flow from investing activities		-13	-101
Financing activities			
Contribution from holding without a controlling influence		1	0
Borrowings		597	1,059
Repayment of borrowings		-200	-584
Dividend paid		-66	-38
Cash flow from financing activities		332	437
Cash flow for the year		-298	314
Cash and cash equivalents at beginning of the year		507	193
Cash and cash equivalents at end of the year		208	507

Interest received amounts to SEK 8 million (2). Interest paid amounts to SEK -112 million (-74).

Comments to the Consolidated Cash Flow Statement

Cash flow from operating activities before changes in working capital amounted to SEK -291 million (-90), which primarily is due to a large part of earnings consisting of gains/losses from the sale of development properties, which did not affect cash flow when the projects were recognized.

Cash flow from changes in working capital amount to SEK -326 million (68), which is largely due to cash flow from the increase of development and project properties of SEK -156 million (119) and cash flows from the increase of current receivables of SEK -194 million (-4). The increase in development and project properties is primarily due to the cash flow from the acquisition of the project portfolio in Svenska Vårdfastigheter. The increase of current receivables is primarily due to paid deposits for projects that the company has not yet taken possession of, which affected cash flow by SEK -77 million and the increase of accounts receivable which affected cash flow by SEK -30 million. Cash flow from operating activities totals SEK -617 million (-22).

Cash flow from investing activities amounted to SEK -13 million (-101), where the acquisition of the associated company Sollentuna Stinsen JV AB affected cash flow by SEK 100 million last year.

Cash flow from financing activities amounted to SEK 332 million (437), which was affected by borrowings of SEK 597 million (1,059), amortization of loans totaling SEK -200 million (-584) and dividends paid of SEK -66 million (-38). Cash and cash equivalents as per December 31, 2017, amounted to SEK 208 million (507). In addition to cash and cash equivalents, there are unused credit facilities totaling SEK 332 million as at December 31, 2017.

Consolidated Statement of Changes in Equity

Amounts in MSEK	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Holdings without a controlling influence	Total equity
Opening equity 1/1/2016	151	185	0	342	93	771
Dividend	-	-	-	-38	-	-38
Net profit/loss for the year	-	-	-	222	43	265
Other comprehensive income	-	-	0	-	0	0
Closing equity 12/31/2016	151	185	0	526	136	998

Amounts in MSEK	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Holdings without a controlling influence	Total equity
Opening equity 1/1/2017	151	185	0	526	136	998
Dividend	-	-	0	-66	-30	-96
Acquisition of subsidiaries	-	-	-	-	1	1
Net profit/loss for the year	-	-	-	195	72	267
Other comprehensive income	-	-	0	-	0	0
Closing equity 12/31/2017	151	185	0	655	180	1,171

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

Parent Company Income Statement

Amounts in MSEK	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Net sales	5, 6	14	2
Total income		14	2
Central administration	7, 8, 9	-30	-12
Operating profit/loss	11	-16	-10
Financial income	12	357	41
Financial expenses	13	-65	-55
Profit/loss after financial items		276	-24
Tax on profit/loss for the year	14	0	0
NET PROFIT/LOSS FOR THE YEAR		276	-24

Parent Company Statement of Comprehensive Income

Amounts in MSEK	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Net profit/loss for the year		276	-24
Other comprehensive income		0	0
COMPREHENSIVE INCOME FOR THE YEAR		276	-24

Parent Company Balance Sheet

Amounts in MSEK	Note	12/31/2017	12/31/2016
ASSETS			
Non-current assets			
Participations in Group companies	34	89	89
Receivables from Group companies		39	234
Participations in associated companies	19	2	2
Receivables from associated companies		24	24
Total non-current assets		154	349
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		1,191	718
Receivables from associated companies		0	0
Other receivables	24	2	1
Prepaid expenses and accrued income	25	0	0
Total current receivables		1,193	719
Cash and bank balances	26	4	64
Total current assets		1,197	783
TOTAL ASSETS		1,351	1,132
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	27	151	151
Total restricted equity		151	151
<i>Non-restricted equity</i>			
Share premium reserve		185	185
Profit/loss carried forward		-161	-70
Net profit/loss for the year		276	-24
Total non-restricted equity		300	90
Total equity		451	241
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	29	883	876
Total non-current liabilities		883	876
<i>Current liabilities</i>			
Accounts payable		0	0
Liabilities to Group companies		0	0
Other current liabilities		1	0
Accrued expenses and deferred income	31	16	15
Total current liabilities		17	15
Total liabilities		900	891
TOTAL EQUITY AND LIABILITIES		1,351	1,132

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

Parent Company Cash Flow Statement

Amounts in MSEK	1/1/2017 12/31/2017	1/1/2016 12/31/2016
Operating activities		
Profit/loss after financial items	276	-24
Adjustments for non-cash items, etc.	-293	7
Tax paid	0	0
Cash flow from operating activities before changes in working capital	-17	-17
Cash flow from changes in working capital		
Decrease (+)/increase (-) in current receivables	21	-538
Decrease (-)/increase (+) in current liabilities	2	-2
Cash flow from operating activities	6	-557
Investing activities		
Investment in financial assets	-	0
Disposal/reduction of financial assets	-	0
Change in long-term receivables	-	0
Cash flow from investing activities	-	0
Financing activities		
Borrowings	-	976
Repayment of borrowings	-	-329
Dividend paid	-66	-38
Cash flow from financing activities	-66	609
Cash flow for the year	-60	52
Cash and cash equivalents at beginning of the year	64	12
Cash and cash equivalents at end of the year	4	64

Interest received amounts to SEK 0 million (0). Interest paid amounts to SEK -65 million (-37).

Changes in equity, Parent Company

Amounts in MSEK	Share capital	Share premium reserves	Retained profit incl. net profit/loss for the year	Total equity
Opening equity 1/1/2016	151	185	-32	304
Dividend	-	-	-38	-38
Net profit/loss for the year	-	-	-24	-24
Other comprehensive income	-	-	0	0
Closing equity 12/31/2016	151	185	-94	241

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

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

Note 1 Accounting principles

About the company in general

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

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

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

Applied regulations

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee as adopted by the EU. Furthermore, the consolidated accounts were prepared in accordance with Swedish 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 regulation.

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 percent of the votes, and is included in the consolidated financial statements until the date on which the controlling influence ceases. Intra-Group transactions and any associated profit/loss are eliminated.

Business combinations vs. asset acquisitions

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

The difference between the cost of a business combination and the acquired share of net assets in the acquired operations is classified as goodwill and reported as an intangible asset in the balance sheet. Goodwill is measured at cost less accumulated write-downs. Goodwill is distributed among cash-generating units following an annual impairment test in accordance with IAS 36. Transaction costs are expensed directly to the period's profit/loss. When acquiring assets, the cost is distributed among the acquired net assets in the acquisition analysis.

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

Reporting of associated companies and joint arrangements

Joint arrangements are companies in which the Group exercises joint controlling influence through established agreements. Joint arrangements are classified as either joint operations or joint ventures. Joint operations are joint arrangements in which Magnolia Bostad is entitled to the joint operations' assets and obligations for liabilities and reports its share of income and expenses item-by-item in the consolidated financial statements. Magnolia Bostad currently does not have any companies that are considered 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 percent but less than 50 percent of the votes in the legal entity. The Group reports participations in associated companies and joint ventures in accordance with the equity method. In the event the Group acquires additional participations in the associated company, but the company remains an associated company to the Group, the previous holding is not remeasured. When participations in associated companies are divested such that the significant influence is no longer present, the entire holding is reported as divested and any gains or losses are recognized in the consolidated income statement. In the event participations are left, they are reported as Other securities.

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

Gradual acquisitions

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

Elimination of transactions between Group companies

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

Segment

The identification of segments is based on the internal reporting to the highest 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 is recognized in the income statement when it is probable that the future economic benefits will flow to the company and these benefits can be calculated in a dependable manner.

Revenue recognition from project development of tenant-owned apartments

The Group recognizes revenue from the date on which (i) binding agreements are entered with the tenant-owner association on the construction of tenant-owned apartments, (ii) local planning is in place, and (iii) a binding turnkey contract has been entered with a contractor. The agreement for the turnkey contract is signed or handed over to the tenant-owner association. The Group makes an individual assessment on the need for any provisions in each individual project. Reported income

is based on the agreed purchase price after deduction for unsold tenant-owned apartments. "Sold apartments" means that there is a binding agreement with the tenant-owner. 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.

Revenue recognition from project development of rental apartments

The Group recognizes revenue on the day when (i) the binding agreement is entered into with a purchaser of the rental apartment project (the property), (ii) the 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 handed over to the purchaser. 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 a provision is made based on the specific circumstances of each respective project. Reassessment of the provision for rental guarantees takes place regularly based on the current rental situation. The Group makes provisions for planning risk on the basis of its knowledge of the local planning work. The provision for planning risk is dissolved when the building permit gains 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.

Revenue recognition from project management agreements

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 a continuous basis while the work is being carried out.

Rental income

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

Remuneration to employees and the Board of Directors

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

Defined-contribution pensions

The Group only utilizes defined-contribution pension plans. In defined-contribution plans, the company pays fixed fees to an external public or private legal entity that manages the future pension commitments. The Group's profit is debited for costs as benefits are accrued. The Group has no additional payment commitments or other obligations once the fees are paid.

Financial income and expenses

Financial income consists of interest-bearing income on bank balances, receivables and financial investments. Interest income is reported using the effective interest method. When

the value of a receivable classified as a loan receivable and accounts receivable or a loan liability has been impaired, the Group lowers the carrying amount to the recoverable amount, which is determined by the forecast cash flow discounted by the original effective interest rate for the instrument, and continues to dissolve the discounting effect as interest income. Interest income on impaired loan receivables and accounts receivable are reported at the original effective interest rate.

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

Leasing

Lease agreements are classified as either finance or operating leases. Finance leases occur when the economic risks and rewards attributable to the leasing object in all material respects are transferred to the lessee. All other leases are considered to be operating leases. The Group does not have any material finance lease agreements and all lease agreements are therefore reported as operating lease agreements, which means that the lease fee is distributed on a straight-line basis over the term of the lease.

Taxes

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

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

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

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

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

Provisions and contingent liabilities

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

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

Financial instruments

A financial asset or financial liability is recognized in the balance sheet when the company becomes party to the instru-

ment's contractual terms and conditions. Financial assets are derecognized from the balance sheet when the rights of the agreement are realized, fall due or the company in any other way loses control over them. Financial liabilities are derecognized from the balance sheet when the obligations in the agreement are discharged or in any other way extinguished.

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

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

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

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

Loans and receivables

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

Receivables are reported at cost less any impairment losses.

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

Available-for-sale financial assets

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

Cash and cash equivalents and blocked accounts

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

Financial liabilities measured at fair value through the income statement

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

Other financial liabilities

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

Cash Flow Statement

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

Parent Company accounting principles

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

Participations in Group companies

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

Group contributions, dividends and shareholders' contributions

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

Financial instruments

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

Changed reporting principles

New and revised existing standards approved by the EU.

New and revised accounting standards and interpretations

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

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers enters into force for financial years commencing on January 1, 2018 or later and replaces all previously issued standards and interpretations that relate to revenue. If a customer contract contains more than one performance obligation, each performance obligation must be valued individually and recognized when the performance is carried out, either at a specific point in time or over time. According to IFRS 15, multiple contracts with the same customer shall be viewed as a single contract if the contracts are negotiated as a package with a single commercial objective. There are two ways to report the transition to IFRS 15: a retrospective method or a cumulative effect method. The Group applies the retrospective method to its reporting, which means that the approach will apply retroactively to every reported reporting period.

The Group develops new housing, including rental apartments and tenant-owned apartments, residential care facilities, hotels and student housing. 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 for project development

The Group recognizes revenue when control has been passed to the purchaser. The Group makes the assessment that this occurs 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 delivered to the purchaser. The Group makes the assessment that control over the asset is passed at the point in time when there is a legally binding agreement with the purchaser and the significant risks and benefits associated with the ownership of the asset are thus passed to the purchaser.

The transaction price contains elements of variable consideration. For rental apartment projects, hotels and residential care facilities, the variable consideration is linked to the future property's rent/net operating income and area. 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-owner association to purchase unsold tenant-owned apartments, whereupon unsold tenant-owned apartments are treated as an additional, variable consideration in the transaction price for the tenant-owned apartment project in addition to the variable consideration for the area consisting of planning risk and risk in the turnkey contract as described above. "Sold apartments" means that there is a binding agreement with tenant-owners.

Following remeasurements of the projects' expected final profit/loss, previously calculated profit in the projects concerned is adjusted and the projects are recognized as revenue or reported as a decrease in revenue in the period during which the transaction price is changed. Refer to Note 36 Effects of the transition to IFRS 15 for a description of the effects of the transition to IFRS 15.

IFRS 16 Leases

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

Note 2 Critical assessments and estimations

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

Revenue recognition

The project development of tenant-owned apartments is recognized as revenue as of the date that (i) a binding agreement has been entered into with the tenant-owner association for the construction of tenant-owned apartments, (ii) there is local planning, and (iii) a binding turnkey contract has been entered into with a contractor. The agreement for the turnkey contract is signed or handed over to the tenant-owner association. The Group makes an individual assessment on the need for any provisions in each individual project. Reported income is based on the agreed purchase price after deduction for unsold tenant-owned apartments. "Sold apartments" means that there is a binding agreement with the tenant-owner. 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 the purchaser of the rental apartment project, (ii) there is local planning, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is signed by or delivered to the purchaser. 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 a provision is made based on the specific circumstances of each respective project. Reassessment of the provision for rental guarantees takes place regularly based on the current rental situation. The Group makes provisions for planning risk on the basis of its knowledge of the local planning work. The provision for planning risk is dissolved when the building permit gains 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.

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

Deferred tax asset

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

Classification of development and project properties and management properties

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

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

Demarcation between business combinations and asset acquisitions

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

Executive management makes an assessment on an acquisition-by-acquisition basis which criteria are met. In 2017 and 2016, the company's management made the assessment that only asset acquisitions occurred.

Note 3 Financial risks and finance policy

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

The company's financial risk-taking and position can be derived from, for example, the equity/assets ratio, interest coverage ratio and loan-to-value ratio. Credit agreements with banks and credit institutions often have established covenants for these three performance measures. The company's own targets are in line with the banks' requirements. In 2017, the

company well exceeded all targets and requirements. For a description of the company's risks and risk management, see the section Risk Management in the Director's Report.

Liquidity risk

Liquidity risk refers to the risk that there would not be sufficient liquidity to meet future payment obligations. Internal liquidity forecasts are prepared on a regular basis for the coming twelve months, where all items affecting the cash flow are analyzed in aggregate. The aim of the liquidity forecast is to verify the need for capital. Capital tie-up is evaluated individually for each project financing and synchronized with each project maturity. The objective is to match cash flows from forward funding and final consideration from buyers with maturities on financing. Magnolia Bostad has a policy to hold cash of SEK 150 million, including overdraft facilities. At the end of the year, available liquidity, including unutilized credit lines, amounted to SEK 540 million (619).

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

Maturity analysis 12/31/2017	0-1 year	1-2 years	2-3 years	3-5 years	More than 5 years
Interest-bearing liabilities	626	641	662	421	-
Liabilities to associated companies	2	35	-	-	-
Derivatives	-	-	-	-	-
Accounts payable	16	-	-	-	-
Other liabilities	189	30	-	-	-
Total	833	706	662	421	-

Maturity analysis 12/31/2016	0-1 year	1-2 years	2-3 years	3-5 years	More than 5 years
Interest-bearing liabilities	321	300	231	984	-
Liabilities to associated companies	-	-	-	-	-
Derivatives	0	-	-	-	-
Accounts payable	38	-	-	-	-
Other liabilities	110	91	-	-	-
Total	469	391	231	984	-

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

The majority of the bank financing is linked to different projects where the repayment of debt will occur as Magnolia Bostad exits the project. Of the loans that fall due in 2018 and 2019, SEK 294 million and SEK 285 million are collateralized property loans that are considered to be refinancable upon maturity, and in addition SEK 95 million and SEK 193 million are short-term loans related to projects that are assessed to be repayable upon maturity.

Financing risk

Financing risk refers to the risk that either no financing can be obtained or financing can only be obtained at much higher

prices. In order to manage this risk, the Finance Policy contains rules regarding the spread of capital tie-up for the credit stock and the size of unutilized loan facilities and investments. The refinancing risk is reduced through a structured and early start to the refinancing process. For large loans, the process is begun 12 months prior to the maturity date. The Group has an equity/assets target of at least 30 percent and strives to always have facilities totaling SEK 200 million in total increased borrowings within all existing frameworks for loans. A higher equity/assets ratio makes Magnolia a more attractive borrower.

Credit risk

Credit risk refers to the risk that a counterparty or issuer cannot discharge its obligations to the company. The maximum credit exposure corresponds to the assets' carrying amount and amounts to SEK 2,076 million (1,437). The credit risk among claims for property sales is judged to be limited since the risk that counterparties would not be able to fulfill their commitments is considered to be low. Of the Group's Other non-current receivables and Other receivables totaling SEK 1,760 million, including receivables for property sales, SEK 309 million 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 Alecia Pensions-försäkring Ömsesidigt, our partners Slättö and Swedish real estate companies Heimstaden and Viva Bostad. The claims on these four counterparties amount to SEK 918 million. Of the remaining claims, SEK 117 million is to Swedish tenant-owner associations.

At the end of the year, past due Loans and accounts receivable amount to SEK 0 million (0). Of consolidated net sales, 6 percent (55) 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. In 2017, the company closed its interest rate swaps and at the end of the year held no interest rate swaps or other derivative instruments.

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 -115 million (-93), and the average interest rate at the end of the year amounted to 5.9 per cent. An increase in STIBOR 3M by one percentage point would increase the Group's interest rate expense for the financial year by around SEK 9 million (1). A change in the interest rates by one percentage point would also affect the value of interest rate derivatives by SEK - million (0).

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 2017, the Group's strategy was to maintain an equity/as-

sets ratio of at least 30 percent. The equity/assets ratio on December 31, 2017 was 33.0 percent, compared to 36.2 percent on December 31, 2016. The Group's strategy is unchanged compared to 2016.

FINANCIAL INSTRUMENTS PER CATEGORY

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

FINANCIAL INSTRUMENTS PER CATEGORY

12/31/2016 Group	Financial assets/liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
Assets in the balance sheet				
Receivables from associated companies	-	43	-	-
Other securities held as non-current assets	-	-	31	-
Derivatives	0	-	-	-
Other long-term receivables	-	406	-	-
Accounts receivable	-	1	-	-
Other receivables	-	475	-	-
Prepaid expenses and accrued income	-	5	-	-
Cash and cash equivalents	-	507	-	-
Total	0	1,437	31	-
Liabilities in the balance sheet				
Non-current interest-bearing liabilities	-	-	-	1,268
Other non-current liabilities	-	-	-	91
Current interest-bearing liabilities	-	-	-	237
Derivatives	0	-	-	-
Accounts payable	-	-	-	38
Other current liabilities	-	-	-	68
Accrued expenses and deferred income	-	-	-	42
Total	0	-	-	1,744

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 870 million (923), compared to the carrying amount of SEK 883 million (876). Fair value for the bond loans has been assessed according to Level 1, which means that the value is derived from listed prices on an active market. Accounts receivable, other receivables, cash and cash equivalents, accounts payable and some other liabilities have a remaining life of less than six months, which is why the carrying amount is considered to reflect the fair value. The majority of the interest-bearing bank loans have a variable interest rate, and the carrying amount thus is considered to reflect fair value.

Available-for-sale financial assets refer to an unlisted holding in Norefjell Prosjektutvikling AS. 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. The holding is reported as available-for-sale assets since it is not in line with Magnolia Bostad's current business model. Because ownership is concentrated and there is no active market for the instruments, the schedule for planned divestment is uncertain.

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

Note 4 Group composition

The operations of Magnolia Bostad Group are conducted by a number of companies in the Group. Ownership in the operational companies is spread among several different holding companies that are owned either directly or indirectly by Magnolia Bostad AB. For information about Magnolia Bostad AB's subsidiaries, see Note 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 percent stake and Magnolia Bostad will invest and receive a 90 percent stake in the companies in which the rental apartment projects will be operated. The agreement can also include tenant-owned apartments if this applies to the same plot of land and the tenant-owned apartments constitute a small portion of the entire project. This agreement applies until February 2019. Fredrik Lidjan AB thus holds a minority interest of 10 percent in these companies through its 10-percent ownership of Magnolia Holding 3 AB. Of the minority's total interests in the Group of SEK 180 million (136), Fredrik Lidjan AB's share of Magnolia Holding 3 AB amounts to SEK 40 million (47) and its share of net profit/loss for the year amounts to SEK -1 million (28).

At the Extraordinary General Meeting on October 13, 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 Hjort will

have an ownership of 16 percent of Magnolia Hotellutveckling 2 AB. Magnolia Bostad is investing and thereby receives an ownership of 92 percent of the limited liability companies where rental apartments, tenant-owned apartments and residential care facilities are developed and an ownership of 76 percent 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 7 million, which is the total minority in Magnolia Holding 4 AB.

The minority's share of profit/loss in Magnolia Hotellutveckling 2 AB amounts to SEK 17 million, which is the total minority in Magnolia Hotellutveckling 2 AB.

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 percent, corresponding to SEK 50 million (15) of the profit for the year. In total, the minority holding in Moutarde Holding AB amounts to SEK 114 million (88).

There is a 15 percent minority in Magnolia Vårdfastigheter AB, under which future residential care projects will be acquired. The share of the minority in Magnolia Vårdfastigheter AB's in the year's profit/loss amounts to SEK 0 million, and in total the minority amounts to SEK 1 million. This is in addition to the minority interest held by Fredrik Lidjan AB through its 8 percent 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 136-138 of the Corporate Governance Report.

Condensed financial information for the sub-group that has a non-controlling interest is presented below. No dividends were paid to non-controlling interests in 2017 or 2016.

Moutarde Holding AB	2017	2016
Non-current assets	509	0
Cash and cash equivalents	44	20
Other current assets	430	277
Total assets	983	297
Equity	466	137
Non-current liabilities	228	157
Current liabilities	289	3
Total equity and liabilities	983	297
Net sales	565	221
Operating expenses	-352	-135
Net financial items	-3	-22
Net profit/loss for the year	210	64

Magnolia Holding 3 AB	2017	2016
Non-current assets	586	469
Cash and cash equivalents	53	9
Other current assets	779	577
Total assets	1,418	1,055
Equity	430	495
Non-current liabilities	142	197
Current liabilities	846	363
Total equity and liabilities	1,418	1,055
Net sales	281	631
Operating expenses	-241	-354
Net financial items	-51	-1
Net profit/loss for the year	-11	276

2017	A	B	C
Non-current assets	81	71	0
Cash and cash equivalents	17	0	4
Other current assets	429	0	17
Total assets	528	71	21
Equity	87	71	5
Non-current liabilities	156	-	-
Current liabilities	285	0	16
Total equity and liabilities	528	71	21
Net sales	382	124	0
Operating expenses	-287	-53	0
Net financial items	-13	0	0
Net profit/loss for the year	82	71	0

A = Magnolia Holding 4 AB, B = Magnolia Hotellutveckling 2 AB, C = Magnolia Vårdfastigheter AB.

Note 5 Net sales

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

	Group		Parent Company	
	2017	2016	2017	2016
Rental income	47	47	0	0
Sales, development and project properties	1,338	835	-	0
Project management revenue	24	23	-	-
Other operating income	363	105	14	2
Total	1,772	1,010	14	2

Revenue from three (three) of Magnolia Bostad's customers exceeds 10 percent of Magnolia Bostad's total revenue, respectively. 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	Group	
	2017	2016
Heimstaden Bostad	303	-
Slättö	252	162
Vault Investment Partners	233	-
Skandinaviska Enskilda Banken AB	-	300
SPP Fastigheter	-	256
Total	789	718

In total, these three customers represent sales of SEK 789 million (718). This revenue has been reported as the sale of development and project properties.

Note 6 Contractual future rental income

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

	Group		Parent Company	
	2017	2016	2017	2016
Contractual rental income within one year	44	38	-	0
Contractual rental income between one and five years	111	67	-	0
Contractual rental income beyond five years	13	0	-	0
Total	168	105	-	0

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

Note 7 Operating Leases

	Group		Parent Company	
	2017	2016	2017	2016
Contractual rental payments within one year	-7	-5	0	0
Contractual rental payments between one and five years	-15	-18	0	0
Contractual rental payments beyond five years	0	0	0	0
Total	-22	-23	0	0

Operating lease fees in the Group amounted in 2017 to SEK 7 million (4). The Group's lease fees consist largely of rent for commercial premises.

Note 8 Disclosures regarding fees and cost reimbursement to the auditor

	Group		Parent Company	
	2017	2016	2017	2016
Ernst & Young				
auditing assignment	-2.7	-1.9	-2.1	-1.9
audit operations in addition to the audit assignment	-0.3	-0.2	-0.3	-0.2
tax advisory services	-0.7	-0.1	-0.2	-0.1
other	-3.5	0	-2.5	0
Total	-7.2	-2.2	-5.1	-2.2

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

	Group			
	2017		2016	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-16	-36	-10	-21
(of which bonuses, etc.)	(-3)	(-5)	(-2)	(-2)
Social security expenses	-4	-12	-2	-7
Pension expenses including special employer's contribution	-3	-6	-1	-3
Total	-22	-53	-13	-31

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			
	2017		2016	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-7	0	-4	0
(of which bonuses, etc.)	(-2)	(0)	(-1)	(0)
Social security expenses	-2	0	-1	0
Pension expenses including special employer's contribution	-1	0	0	0
Total	-11	0	-5	0

REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

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

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

REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2016, TSEK	Basic salary/Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chair of the Board	-383	0	0
Erik Paulsson, Member	-50	0	0
Andreas Rutili, Member	-217	0	0
Risto Silander, Member	-217	0	0
Fredrik Tibell, Member	-217	0	0
Jan Roxendal, Member	-167	0	0
Fredrik Lidjan, CEO ¹⁾	-3,190	0	0
Erik Rune, VP	-1,494	-780	-473
Rickard Langerfors, VP	-1,346	-660	-370
Other senior executives, 2 persons	-1,157	-419	-222
Total	-8,438	-1,859	-1,065

¹⁾ Remuneration for the CEO in 2016 was invoiced in accordance with a consultancy agreement.

For more information, see also Note 35 Closely related parties

AVERAGE NUMBER OF EMPLOYEES

	Group		Parent Company	
	2017	2016	2017	2016
Average number of employees	52	33	2	1
(of which men)	(24)	(17)	(2)	(1)

GENDER DISTRIBUTION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

	Group		Parent Company	
	2017	2016	2017	2016
Board of Directors	6	5	6	5
(of which men)	(5)	(5)	(5)	(5)
CEO and Executive Management	8	5	8	5
(of which men)	(5)	(4)	(5)	(4)

Remuneration to the Board

The 2017 Annual General Meeting resolved on remuneration to the members of the Board of Directors for the period ending with the close of the 2018 Annual General Meeting of SEK 450,000 to the to the Chair of the Board and SEK 250,000 to each of the other Board members. The Meeting furthermore resolved on remuneration to the Chair of the Audit Committee of SEK 80,000 and of SEK 60,000 to each of the other members of the Audit Committee.

Executive Management

In 2017, Executive Management increased by two members and at the end of the year consisted of eight people: the CEO, CFO, VP/COO, VP/Head of Project Development, Head of Business Development, Head of Business Area Development, Marketing and Head of Communications and Head of Sustainability.

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 salaries consist of bonuses. Variable salary is based on the fulfillment 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 terms shall in total not exceed an amount corresponding to 60% of the fixed salary for one year.

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

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

	Group		Parent Company	
	2017	2016	2017	2016
Share of profit/loss from associated companies and joint ventures	-9	14	-	-
Total	-9	14	-	-

Of the profit/loss from participations in associated companies, SEK 3 million (12) comes from Kanikenäsvarvet Bostad HB, which the company owns together with Slättö, and SEK -11 million (-) from Sollentuna Stinsen JV AB that the company owns together with Alecta. For more information, see Note 19 Participations in associated companies and joint ventures.

Note 11 Costs for the business broken down by cost type

	Group		Parent Company	
	2017	2016	2017	2016
Operating expenses	-16	-14	-	-
Production expenses	-1,264	-571	-	-
Other external costs	-31	-45	-22	-8
Personnel costs	-41	-27	-9	-4
Depreciation/amortization and impairment	-2	-1	0	0
Profit/loss from participations in associated companies	-9	14	-	0
Other operating expenses	-35	-11	-	-
Total	-1,398	-655	-30	-12

Note 12 Financial income

	Group		Parent Company	
	2017	2016	2017	2016
Interest income	3	3	0	0
Interest income, associated companies	3	0	0	0
Interest income, Group companies	-	-	57	41
Dividends from Group companies	-	-	300	-
Total	6	3	357	41

Note 13 Financial expenses

	Group		Parent Company	
	2017	2016	2017	2016
Interest expenses	-115	-86	-65	-48
Other financial expenses	0	-7	0	-7
Total	-115	-93	-65	-55

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

Note 14 Tax on profit/loss for the year

	Group		Parent Company	
	2017	2016	2017	2016
Current tax	0	0	0	0
Deferred tax for temporary differences	0	0	0	0
Total	0	0	0	0

RECONCILIATION OF REPORTED TAX

	Group		Parent Company	
	2017	2016	2017	2016
Profit/loss before tax	267	265	276	-24
Nominal tax according to current tax rate (22%)	-59	-58	-61	5
Tax effect of other non-deductible expenses	-3	-1	0	0
Tax effect of non-taxable income	129	77	66	0
Tax effect of non-capitalized loss carry-forwards	-53	-11	-5	-5
Current tax attributable to previous years	-3	0	0	0
Other	-11	-7	0	0
Reported effective tax	0	0	0	0

The tax expense is less than 22.0 percent since some reported income (primarily the sale of companies) is not taxable. Loss carry-forwards consist of tax losses from previous years. The losses, which are not time-limited, are rolled over to the next year and set off against future taxable profits. No deferred tax asset for loss carry-forwards has been capitalized since these deficits will probably not be utilized in the foreseeable future. For more information about loss carry-forwards see note 28 Deferred tax.

Note 15 Earnings per share

	Group	
	2017	2016
Net profit/loss for the year attributable to Parent Company shareholders	195	222
Weighted average number of outstanding shares	37,822,283	37,822,283
Weighted average number of outstanding shares after dilution	37,822,283	37,982,283
Number of outstanding shares on the balance sheet date	37,822,283	37,822,283
Earnings per share, basic, SEK	5.16	5.87
Earnings per share, diluted, SEK	5.15	5.84 ¹⁾

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

Note 16 Goodwill

	Group	
	12/31/2017	12/31/2016
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

	Group	
	12/31/2017	12/31/2016
Opening cost	1	1
Purchases	1	0
Closing accumulated cost	1	1
Opening depreciation/amortization according to plan	-1	0
Depreciation and amortization for the year according to plan	-0	-1
Closing accumulated depreciation/amortization according to plan	-1	-1
Closing residual value according to plan	1	0

Note 18 Machines and equipment

	Group	
	12/31/2017	12/31/2016
Opening cost	1	1
Purchases	10	0
Closing accumulated cost	11	1
Opening depreciation/amortization according to plan	0	0
Depreciation and amortization for the year according to plan	-2	0
Closing accumulated depreciation and amortization according to plan	-3	0
Closing residual value according to plan	8	1

Note 19 Participations in associated companies and joint ventures

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening cost	116	2	2	2
Acquisitions	0	100	-	0
Contributions	3	-	0	-
Share for the year of profit/loss in associated companies and joint ventures	-9	14	-	-
Closing carrying amount	111	116	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 (3).

Group Company name	CIN	Domicile	Share of capital as a percent ¹⁾	Carrying amount
Svenska Husgruppen Intressenter AB	556871-5717	Borlänge	45.0%	6
Söderblick Utveckling AB	556849-9445	Stockholm	50.0%	0
Söderblick Produktion AB	556849-9452	Stockholm	50.0%	0
FL Properties Uppsala AB	556870-5304	Stockholm	50.0%	0
Moutarde Equity AB	556912-2079	Stockholm	35.0%	0
Magnolia Senap AB	556887-5925	Stockholm	50.0%	0
Sollentuna Stinsen JV AB ²⁾	559085-9954	Stockholm	45.0%	89
Kanikenäsvarvet Bostad HB ²⁾	969782-0810	Stockholm	45.0%	15
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%	1
Hällestad Nyponknoppen AB	559092-4220	Stockholm	46.0%	0
Donatus AB	556825-9351	Stockholm	50.0%	0
Total				111

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

¹⁾ Share of capital agrees with ownership

²⁾ Holdings classified as joint ventures

Sollentuna Stinsen JV AB	2017	2016
Non-current assets	0	0
Cash and cash equivalents	60	89
Other current assets	715	700
Long-term financial liabilities	-581	-300
Short-term financial liabilities	-8	-289
Other liabilities	-8	0
Net assets	178	200
Company's share of net assets	89	100
Net sales	57	4
Depreciation/amortization	0	-1
Interest expenses	-34	-3
Net profit/loss for the year	-22	0
Company's share of profit/loss for the year	-11	0

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

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

Kanikenäsvarvet Bostad HB	2017	2016
Non-current assets	0	0
Cash and cash equivalents	0	0
Other current assets	30	24
Non-current liabilities	0	0
Current liabilities	0	0
Net assets	30	24
Company's share of net assets	15	12
Net sales	6	87
Net profit/loss for the year	6	24
Company's share of profit/loss for the year	3	12

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

Note 20 Other long-term securities holdings

	Group	
	12/31/2017	12/31/2016
Opening fair value	31	31
Closing carrying amount	31	31
Other investments	31	31
Total	31	31

The unlisted holding in Norefjell Prosjektutvikling AS has been categorized by management as a financial asset that is available for sale. 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 input data other than listed prices.

Note 21 Other long-term receivables

	Group	
	12/31/2017	12/31/2016
Receivable property sales	1,067	365
Paid deposits	20	40
Deposits	0	1
Other	78	0
Total	1,165	406

Refers largely to long-term claims on owners.

	Group	
	2017	2016
Receivable property sales	2017	2016
Opening balance	365	278
Incoming	767	189
Outgoing	-65	-103
Closing balance	1,067	365

Reported as short-term Other receivables are additional claims from property sales of SEK 423 million (403). For information on short-term receivables on buyers, see Note 24 Other receivables. Counterparts are mainly Swedish institutions and other highly reputed cooperation partners. Receivables on buyers usually fall due for payment when construction of the property is completed and the project is handed over to the client. This usually occurs 2.5–3 years after exit of the property.

Note 22 Development and project properties

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening amount	1,160	1,138	-	0
Ongoing new construction	695	438	-	0
Acquisitions	684	155	-	0
Sales	-1,229	-571	-	0
Total	1,310	1,160	-	-

Note 23 Accounts receivable

	Group	
	12/31/2017	12/31/2016
Accounts receivable gross	31	1
Provision for bad debt	0	0
Closing carrying amount	31	1
Provision for bad debt		
Provision at beginning of year	0	0
Realized losses	0	0
Recovered accounts receivable	0	0
Change/reserve for the year	0	0
Provision at end of year	0	0

	Group	
	12/31/2017	12/31/2016
Age-distributed accounted receivable		
Accounts receivable not past due	31	1
Past due < 30 days	0	0
Past due 31 - 90 days	0	0
Total accounts receivable not written down	31	1
Past due and written down accounts receivable	0	0
Total accounts receivable	31	1

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

Note 24 Other receivables

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Receivable property sales	423	403	-	-
Paid deposits	97	30	-	-
Other items	75	42	2	1
Total	595	475	2	1

SEK 0 million (0) of other receivables are past due. The majority of the claims are against Swedish institutions and others reputable partners.

Note 25 Prepaid expenses and accrued income

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Accrued interest income	0	3	0	0
Other items	5	2	0	0
Total	5	5	0	0

Note 26 Cash and cash equivalents

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Cash and bank balances	208	507	4	64
Total	208	507	4	64

Note 27 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 on April 26, 2017 resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. Each warrant entails the right to subscribe to one share and will be transferred to employees in accordance with the warrant program. In the fourth quarter, the Board of Directors decided to extend the deadline for the program until the 2018 Annual General Meeting. At year-end, all warrants remained in the subsidiary's possession.

Equity in the Parent Company

Share capital

The share capital item includes the registered share capital. As at December 31, 2017, there are 37,822,283 shares (37,822,283) and the quotient value is SEK 4 per share.

Share premium reserve

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

Profit/loss carried forward

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

SHARE CAPITAL GROWTH

Ordinary shares	Number of shares	Quotient value/share, SEK	Share capital, SEK
Opening balance 1/1/2016	37,822,283	4	151,289,132
Closing balance 12/31/2016	37,822,283	4	151,289,132
Opening balance 1/1/2017	37,822,283	4	151,289,132
Closing balance 12/31/2017	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	-161,095,990
Profit/loss for the year	275,540,943
Total	299,177,492

The Board proposes the following:

Dividend	66,188,995
To be carried forward	232,988,498
Total	299,177,492

Proposed dividend corresponds to SEK 1.75 per share. The record date is proposed for May 2, 2018, with an estimated date of payment of May 7, 2018.

Equity in the Group

Share capital

The share capital item includes the registered share capital. As at December 31, 2017, there are 37,822,283 shares (37,822,283) and the quotient value is SEK 4 per share.

Other capital contributions

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

Retained profits including net profit/loss for the year

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

Note 28 Deferred tax

	Group	
	12/31/2017	12/31/2016
Deferred tax liability		
for temporary difference between carrying amounts and taxable values of buildings	2	2
for financial derivatives	-	0
tax allocation reserves	0	0
Total	2	2

Total loss carry-forwards without an equivalent capitalization of a deferred tax asset amount to SEK 501 million (200), which corresponds to a deferred tax asset of SEK 110 million (44).

Note 29 Interest-bearing liabilities and Other non-current liabilities

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Non-current interest-bearing liabilities				
Bank loans	608	392	0	0
Bond loans	883	876	883	876
Deposit	75	-	-	-
Current interest-bearing liabilities				
Bank loans	382	222	0	0
Seller promissory notes	125	15	-	0
Total	2,073	1,505	883	876

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Liabilities that fall due for payment within one year after the balance sheet date	507	237	0	0
Liabilities that fall due for payment between one and five years after the balance sheet date	1,566	1,268	883	876
Liabilities that fall due for payment more than five years after the balance sheet date	-	-	-	-
Total	2,073	1,505	883	876

Shares in subsidiaries were pledged as collateral for the bond loan with an outstanding nominal amount of SEK 500 million. The value of the collateral pledged for the bond loan amounts to SEK 736 million (638) in the Group and SEK 74 million (74) in the Parent Company. For bank loans, the Group has pledged collateral totaling SEK 965 million (734).

Other non-current liabilities	Group	
	12/31/2017	12/31/2016
Loans	0	91
Additional consideration	30	0
Deposits	0	0
Total	30	91

Other non-current liabilities	Group	
	12/31/2017	12/31/2016
Liabilities that fall due for payment between one and five years after the balance sheet date	30	91
Liabilities that fall due for payment more than five years after the balance sheet date	-	-
Total	30	91

Change in financial liabilities	Group		Parent Company	
	2017	2016	2017	2016
Opening balance	1,596	983	876	222
Borrowings	597	1,059	-	976
Acquired liabilities	195	125	-	-
Amortization	-200	-584	-	-329
Sales	-91	-	-	-
Other non-cash flow changes	6	13	6	7
Closing balance	2,103	1,596	883	876

Note 30 Derivatives

	Group	
	12/31/2017	12/31/2016
Opening fair value	0	0
Acquisition of derivatives	0	0
Sale of derivatives	0	0
Changes in value	0	0
Total	-	0

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

Note 31 Accrued expenses and deferred income

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Accrued personnel costs	13	3	2	1
Accrued interest expenses	19	16	11	11
Deferred income	8	8	0	0
Property tax	0	0	-	0
Other items	96	26	3	3
Total	136	53	16	15

Note 32 Pledged assets

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Real estate mortgages	714	503	0	0
Pledged shares in subsidiaries	944	845	74	74
Pledged internal reversals	43	13	0	0
Total	1,701	1,360	74	74

Note 33 Contingent liabilities

	Group		Parent Company	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Guarantees to the benefit of Group companies	-	-	701	508
Guarantees to the benefit of liabilities in tenant-owner associations	634	140	330	140
Guarantees to the benefit of liabilities according to contracting agreements	-	-	8	0
Total	634	140	1,040	648

Note 34 Participations in Group companies

	Parent Company	
	12/31/2017	12/31/2016
Opening cost	89	89
Acquisitions	0	-
Closing carrying amount	89	89

Company name	CIN	Domicile	Share of capital as a percent ¹⁾	Carrying amount
Norefjell i Oslo Invest AB	556746-2923	Stockholm	100.0%	14.4
Magnolia Utveckling AB	556776-1464	Stockholm	100.0%	74.4
Magnolia Hotellutveckling AB	559062-5645	Stockholm	60.0%	0.3
Magnolia Hotellutveckling 2 AB	559125-7604	Stockholm	76.0%	0.0
				89.2

¹⁾ Share of capital agrees with ownership.

Note 35 Closely related parties

Group

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

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

	Group	
Transactions with associated companies	12/31/2017	12/31/2016
Divestments to associated companies		
Svenska Husgruppen Intressenter AB	0	0
FL Properties Uppsala AB	0	0
Magnolia Senap AB	0	0
Moutarde Equity AB	0	0
KIASVA AB	0	-
KIAB Laholm AB	0	-
Bollmora Vårdfastigheter AB	0	-
Donatus AB	0	-
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	-
KIAB Laholm AB	0	-
Bollmora Vårdfastigheter AB	0	-
Donatus AB	24	-

	Group	
Receivables from associated companies	12/31/2017	12/31/2016
Svenska Husgruppen Intressenter AB	24	24
FL Properties Uppsala AB	3	2
Magnolia Senap AB	2	2
Moutarde Equity AB	16	14
KIASVA AB	8	-
KIAB Laholm AB	8	-
Bollmora Vårdfastigheter AB	15	-
Total	76	43

	Group	
Liabilities to associated companies	12/31/2017	12/31/2016
Moutarde Equity AB	36	-
Total	36	-

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

The company's CEO invoiced the Magnolia Bostad Group in 2016 through Fredrik Lidjan AB for remuneration for his work as CEO. Before Fredrik Lidjan took over as CEO for Magnolia Bostad, Fredrik Lidjan AB also entered into a profit-sharing agreement with the Magnolia Bostad Group, for which SEK 18 million (30) 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 on pages 136-138 in the Corporate Governance Report.

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

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, where Board member Fredrik Tibell is a member of the Board. The services refer to ongoing financial advice.

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

Parent Company

In addition to the closely related parties specified for the Group, the Parent Company has closely related parties that have a controlling influence over their subsidiaries, see Note 34 Participations in Group companies. The Parent Company has sold services to Group companies for SEK 14 million (0) and purchased services for SEK 0 million (0).

Note 36 Effects of the transition to IFRS 15

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

Revenue recognition of project management agreements

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

Revenue recognition of project development

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

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

Some of the revenue was also recognized in accordance with previously applied accounting principles first when the outcome of some uncertainty, such as vacancy risk and potential risk in the turnkey contract, is known and the uncertainty in the variable consideration of the transaction price has ceased. As of 2016, potential uncertainty regarding planning risk in the assessment of the variable remuneration amount was also taken into account under previously applicable accounting principles.

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

For tenant-owned apartment projects, the transition to IFRS 15 is not judged to have any effects.

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

Income Statement 2015

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

Income Statement 2016

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

Income Statement 2017

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

Balance Sheet 1/1/2015

Amounts in MSEK	Previous reporting	IFRS 15 effects	According to IFRS 15
Other long-term receivables	15	-	15
Other non-current assets	109	-	109
Total non-current assets	124	-	124
Total current assets	671	-	671
Total assets	794	-	794

Equity	253	-	253
Total provisions/long-term liabilities	494	-	495
Current liabilities	46	-	46
Total equity and liabilities	794	-	794

Balance Sheet 12/31/2015

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

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

Balance Sheet 12/31/2016

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

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

Balance Sheet 12/31/2017

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

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

Change in equity

Amounts in MSEK	Previous reporting	IFRS 15 effects	According to IFRS 15
Opening balance 1/1/2015	253	-	253
Redistribution during transition from associated company to subsidiary	-38	-	-38
New share issue	193	-	193
Issue expenses	-13	-	-13
Acquisition of subsidiaries	74	-	74
Dividend	-6	-	-6
Net profit/loss for the year	308	-63	245
Closing balance 12/31/2015	771	-63	708

Note 37 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 Parent Company's shareholders as a percent of the average equity attributable to Parent Company shareholders.	Measures profitability in invested capital.
Equity per share	Equity attributable to Parent Company shareholders divided by the number of outstanding basic shares.	Measures share value.
Net financial items	Net of financial income and financial expenses.	Measures the net of the financing activities.
Cash flow from operating activities, per share	Cash flow from operating activities divided by average number of outstanding shares before dilution.	Measures cash flow per share generated in the operating activities.
Profit/loss after financial items	Operating profit/loss plus financial income minus financial expenses.	Measures profit/loss before tax.
Interest-bearing net liabilities	<i>Interest-bearing liabilities minus cash and cash equivalents.</i>	Measures financial position.
Interest coverage ratio (multiple)	Profit/loss after financial items including financial expenses divided by financial expenses.	Measures the ability to cover interest expenses.
Operating margin (%)	Operating profit as a percentage of net sales.	Measures profitability in the operations.
Operating profit/loss	Net sales minus costs for production and operation, central administration, depreciation/amortization and impairment of intangible assets and property, plant and equipment and profit/loss from participations in associated companies.	Measures profit/loss in the operations.
Equity/assets ratio (%)	Equity, including holdings without a controlling influence, as a percentage of the balance sheet total.	Measures financial position.
Profit margin, %	Net profit for the year as a percent of net sales.	Measures total profitability in the operations.

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

Note 38 Events after the balance sheet date

Magnolia Bostad sold the Instrumentet 2 property in Örnberg to Genova Property Group. The underlying property value amounted to SEK 166 million before deductions for latent tax and occupancy is planned for the end of Q1 2018.

Magnolia Bostad signed agreements with Heimstaden Bostad for the sale of the Fasanen project in downtown Arlöv in Burlöv Municipality. The estimated property value upon completion is approximately SEK 400 million.

Magnolia Bostad issued additional corporate bonds of SEK 200 million within the frame for the existing bond of SEK 1 billion and maturity in 2021. Buyers were primarily Swedish investors.

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

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

Stockholm, March 22, 2018

Fredrik Holmström
Chair 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 March 22, 2018

Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

This is a translation from the Swedish original

Auditor's Report

To the Annual General Meeting
of Magnolia Bostad AB (publ),
corporate identity number 556797-7078

Report on the annual report and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Magnolia Bostad AB (publ) for the financial year 2017. The annual accounts and consolidated accounts of the company are included on pages 82-121 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 2017 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 2017 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

The Group's net sales attributable to the sale of development and project properties amounted to SEK 1,338 MSEK for 2017.

The Group recognizes revenue from projects development when (i) a binding agreement is entered into with a purchaser of the project (property), (ii) local planning is in place, and (iii) a binding turnkey contract has been entered into with a contractor. The transaction price includes elements of variable considerations, linked to future property area, rental level and vacancy level. Variable considerations in the transaction price linked to the property area consist of planning risk and potential risk in the turnkey contract. Planning risk is based on knowledge of the local planning and revenue is accounted for when building permit is received and the uncertainty linked to planning risk ceases. Risk in the turnkey contract is considered to be ceased and revenue is accounted for when the turnkey contract has been completed. The Group makes an individual assessment of the expected value of variable considerations in each individual project at the end of each reporting period. Revaluations of the assessed expected end project result results in a correction of previously reported result, which is accounted for as revenue or a decrease in revenue in the period which the transaction price changes.

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 and Note 2.

How our audit addressed this key audit matter

In our review, we have reviewed the Group's accounting principles for revenue recognition and whether these are in accordance with IFRS. We have evaluated and assessed the Group's controls for revenue recognition at the right estimated transaction price and in the right period.

We have conducted analytical review, and detailed review of significant agreements, calculations and assessments regarding estimated transaction prices, including estimates of risks for different types of revenue reductions.

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.

We have evaluated whether the information provided in the annual report is appropriate.

Valuation of development and project properties

Description

Consolidated carrying value of development and project properties amounted to 1 310 MSEK in the statement of financial position at December 31, 2017.

The development and project properties are classified as inventories, although some properties, awaiting development, generates rental income. 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

development 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 and Note 2.

How our audit addressed this key audit matter

In our audit, we evaluated the group's process for valuing development and project properties. We have reviewed the group's model and method of valuation. We have also made comparisons with market parameters and assumptions to assess and evaluate assumptions and assessments for a selection of the valuations. We have evaluated whether the information provided in the annual report is appropriate.

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 2-81, 126-131 and 148-152. The Board of Directors and the Managing Director are responsible for this other information.

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

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

If we, based on the work performed

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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 r

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 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability

to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

Ernst & Young AB, Box 7850 103 99 Stockholm, was appointed auditor of Magnolia Bostad AB (publ) by the general meeting of the shareholders on April 26, 2017 and has been the company's auditor since May 7, 2014. Magnolia Bostad AB (publ) became a public interest company in 2017.

Stockholm March 22, 2018
Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

Multi-year overview

Income Statement Amounts in MSEK	1/1/2017 -12/31/2017	1/1/2016 -12/31/2016	1/1/2015 -12/31/2015	1/1/2014 ¹⁾ -12/31/2014	1/1/2013 ¹⁾ -12/31/2013
Net sales	1,772	1,010	876	141	144
Production and operating costs	-1,347	-642	-657	-87	-114
Gross profit/loss	425	368	219	54	30
Central administration	-41	-27	-13	-6	-6
Profit/loss from participations in associated companies	-9	14	0	-1	
Revaluation during transition from associated company to subsidiary	-	0	153		
Operating profit/loss	375	355	358	47	24
Financial income	6	3	3	3	3
Financial expenses	-115	-93	-52	-21	-6
Change in value, financial instruments	0	0	0		
Profit/loss before tax	267	265	308	30	21
Income tax	0	0	-1	-1	0
NET PROFIT/LOSS FOR THE YEAR	267	265	308	29	21
Profit/loss attributable to					
Parent Company shareholders	195	222	289	-	-
Holdings without a controlling influence	72	43	19	-	-

¹⁾ According to previously applied accounting principles.

Balance Sheet Amounts in MSEK	12/31/2017	12/31/2016	12/31/2015	12/31/2014 ¹⁾	12/31/2013 ¹⁾
ASSETS					
Goodwill	6	6	6	6	7
Other intangible assets	1	0	1	8	0
Total intangible assets	7	6	7	14	7
Machinery and equipment	8	1	0	0	0
Total property, plant and equipment	8	1	0	0	0
Shares in associated companies and joint ventures	111	116	2	40	5
Receivables from associated companies	24	23	24	24	27
Other securities held as non-current assets	31	31	31	31	31
Other long-term receivables	1,165	406	279	15	15
Total financial assets	1,330	576	336	109	77
Total non-current assets	1,345	583	342	124	84
Current assets					
Development and project properties	1,310	1,160	1,139	424	210
Tenant-owned apartments	4	4	4	9	0
Accounts receivable	31	1	4	1	2
Receivables from associated companies	52	20	0	10	47
Other receivables	595	475	204	187	4
Prepaid expenses and accrued income	5	5	2	1	0
Cash and cash equivalents	208	507	193	37	23
Total current assets	2,205	2,172	1,546	669	285
TOTAL ASSETS	3,550	2,755	1,888	792	370

Balance Sheet Amounts in MSEK	12/31/2017	12/31/2016	12/31/2015	12/31/2014 ¹⁾	12/31/2013 ¹⁾
EQUITY AND LIABILITIES					
<i>Equity</i>					
Equity attributable to Parent Company shareholders	991	862	678	253	190
Holdings without a controlling influence	180	136	93	0	0
Total equity	1,171	998	771	253	190
Deferred tax liability	2	2	2	0	0
Non-current interest-bearing liabilities	1,566	1,268	731	494	146
Non-current liabilities to associated companies	35	-	-	-	-
Derivatives	-	0	0		
Other non-current liabilities	30	91	110	0	4
Total non-current liabilities	1,633	1,361	843	494	150
Current interest-bearing liabilities	507	237	130	0	2
Accounts payable	16	38	14	15	6
Liabilities to associated companies	1	-	-	-	16
Income tax liabilities	0	0	4	1	0
Other current liabilities	85	68	77	17	1
Accrued expenses and deferred income	136	53	50	11	4
Total current liabilities	745	396	274	44	30
TOTAL EQUITY AND LIABILITIES	3,550	2,755	1,888	792	370

¹⁾ According to previously applied accounting principles.

Cash Flow Statement Amounts in MSEK	1/1/2017 -12/31/2017	1/1/2016 -12/31/2016	1/1/2015 -12/31/2015	1/1/2014 ¹⁾ -12/31/2014	1/1/2013 ¹⁾ -12/31/2013
Operating activities					
Profit/loss after financial items	267	265	308	30	21
Adjustments for non-cash items, etc.	-558	-351	-399	4	-31
Income tax paid	0	-4	1	4	0
Cash flow from operating activities before changes in working capital	-291	-90	-90	38	-10
Cash flow from changes in working capital					
Decrease(+)/increase(-) of development and project properties	-156	119	-144	-68	-37
Decrease (+)/increase (-) in current receivables	-194	-4	104	-203	-2
Decrease (-)/increase (+) in current liabilities	24	-47	-20	5	2
Cash flow from operating activities	-617	-22	-150	-229	-47
Investing activities					
Acquisition of intangible fixed assets	-1	-	-1	-8	0
Acquisition of property, plant and equipment	-9	-1	-1	0	0
Acquisition of subsidiaries	0	0	0		
Investment in financial assets	-3	-100	-5	-7	-22
Disposal/reduction of financial assets	0	-	7	-	1
Cash flow from investing activities	-13	-101	0	-15	-22
Financing activities					
New share issue	-	-	181		
Contribution from holding without a controlling influence	1	-	-	-	-
Borrowings	597	1,059	471	367	77
Repayment of borrowings	-200	-584	-340	-104	-6
Dividend paid	-66	-38	-6	-5	-
Cash flow from financing activities	332	437	306	258	71
Cash flow for the year	-298	314	156	14	3
Cash and cash equivalents at beginning of the year	507	193	37	23	20
Cash and cash equivalents at end of the year	208	507	193	37	23

¹⁾ According to previously applied accounting principles.

Corporate governance





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

We currently have strong momentum

It pleases me that the strategy we have implemented over the past few years has been so successful. As a result of our efforts, Magnolia Bostad is currently experiencing strong momentum.

Our decision to expand to include the development of hotels and residential care facilities was a natural step for us, and this area has proven to be a strong complement to our building rights portfolio. We were able to realize clear synergies in the platform that we already have and an improved offer to municipalities, partners and institutions.

Long-term commitment

Within Magnolia Bostad, we enjoy working in partnerships with select individuals, contractors and institutions. We have also recently begun to do the same in the municipalities where we would like to establish long-term cooperation. We would like to undertake a long-term commitment to the cities where we are present.

At the same time, we feel it is important to also give back to the municipalities we are working with; to invest in the areas and people who are part of the neighborhoods we are building. Given this background, we have chosen to support women's and girls' soccer clubs in the areas we are developing.

Sports, and soccer in particular, reach across all social classes and nationalities, and we believe that this investment will increase

diversity and equality and improve opportunities for the integration of Sweden's many new arrivals.

The soccer clubs we support also provide us with a fantastic opportunity to get to know and interact with the people who will live in the areas we are creating and understand their needs and wishes. We intend to continue to develop this activity, and we also see possibilities for expanding it into other areas in the future.

Application for a listing change

As we announced previously, we have decided to wait for the full implementation of IFRS 15 before we apply to change our listing to Nasdaq Stockholm's main market. We will report for the first time in accordance with the new accounting principles in Q1 2018. I am very positive about the listing change, since I think it will lead to a higher turnover of the share and, in the future, an even larger shareholder base. Since we listed on First North in 2015, we have gone from approximately 700 shareholders to almost 5,000 today. We are working actively to communicate and reach out to the market, and we are being followed today by five analysis firms, which we hope will increase the transparency of the share.

Positive development in all areas

The housing rights market has had a weak development in 2017 and it has strengthened us in our conviction that our strategy to work with different housing forms is successful. Demand continues to be good in all our main markets. With the right product, location and price, apartments will sell today, and they will continue to sell in the future as well.

Magnolia Bostad has created a platform that will help us attract business, capital and competence. In the future, we will use this platform to create new business and partnerships in existing areas, and hopefully in new areas as well.

I would like to thank all of the fantastic people who have supported the company and are working hard every day, so we can be the great company we are today.



Fredrik Holmström
Chair of the Board of Directors

Corporate Governance Report

Magnolia Bostad AB (publ) is a Swedish public real estate company listed on Nasdaq First North Premier. The Corporate Governance Report describes the manner in which Magnolia Bostad's owners indirectly or directly have guided the company during the year via different decision-making systems. Corporate governance aims to clarify the distribution of roles and responsibility between management and control bodies, safeguard the owners' possibilities to protect their interests through management bodies and establish conditions that promote a dialog between owners and the capital market that is as strong as possible. Corporate governance is based on external and internal regulations that are constantly being developed and improved. The company has applied the Swedish Code of Corporate Governance since January 1, 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. They are available in their entirety on the website, under Corporate Governance. 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

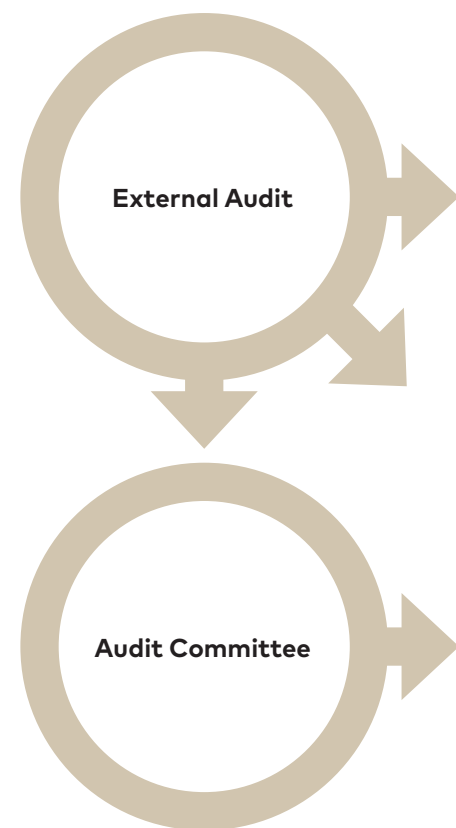
The Annual General Meeting is the highest decision-making body where all shareholders are entitled to participate. The Annual General Meeting discusses the company's development, and passes resolutions on, for example, dividends, discharge of liability for the Board of Directors, election of the auditor, 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 2017

The ordinary Annual General Meeting in 2017 was held on April 26, 2017. Present at the meeting were 26 shareholders (14), representing in total 69.68 percent of the votes (63.5). Fredrik Holmström was elected chair of the Meeting. All Board members participated. The minutes from the Annual General Meeting are available at Magnolia Bostad's website, www.magnolia-bostad.se.

The 2017 Annual General Meeting resolved on the following:

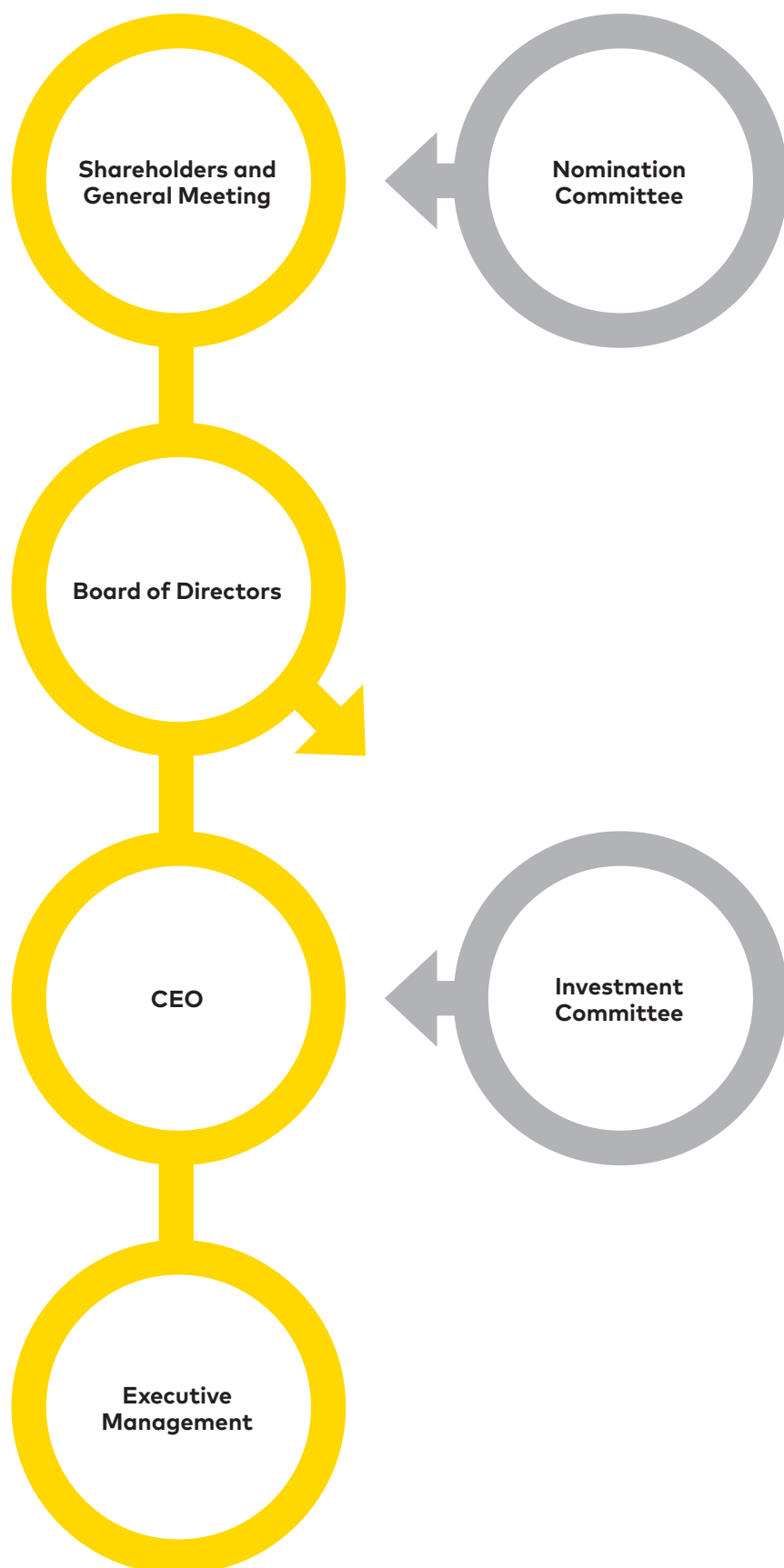
- Re-election of all Board members.
- Election of Fredrik Holmström to Chair of the Board of Directors.
- Dividend of SEK 1.75 per share.
- Election of Ernst & Young AB as auditing company for the period until the end of the next Annual General Meeting, with Ingemar Rindstig as auditor-in-charge.
- Adoption of remuneration to the Board of Directors and auditors.
- Adoption of the income statement and balance sheet for the 2016 financial year.
- Discharge of liability for the 2016 financial year for the Board of Directors and the CEO.
- Adoption of the instructions for the Nomination Committee.
- Adoption of guidelines for remuneration to Executive Management.
- Amendments to the Articles of Association.
- Decisions on warrant programs and approval of the transfer of warrants.



Two extraordinary general meetings were held in 2017. The Extraordinary General Meeting held on January 19, 2017, resolved that the Board of Directors will consist of six Board Members elected by the Meeting and no alternate members for the period ending with the next Annual General Meeting. The same Extraordinary General Meeting resolved to elect Viveka Ekberg to the Board. The Extraordinary General Meeting held on October 13, 2017, resolved to approve the introduction of a new minority ownership structure that was proposed to the Meeting. The CEO of the company was not able to attend the Meeting held on October 13, 2017, for personal reasons.

The share and shareholders

Magnolia Bostad's share has been registered for trading on Nasdaq



First North since June 9, 2015, and since March 31, 2017, on Nasdaq First North Premier. The total number of shares on December 31, 2017, amounted to 37,822,283 distributed between 4,803 shareholders. The closing price on the balance sheet date was SEK 50.00, which corresponds to a market capitalization of SEK 1.9 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.

The Annual General Meeting on April 26, 2017 decided to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. Each warrant entails the right to subscribe to one share and will be transferred to employees in accordance with the warrant program. In the fourth quarter, the Board of Directors decided to extend the deadline for the program until the 2018 Annual General Meeting. At year-end, all warrants remained in the subsidiary's possession.

Nomination Committee

At the Annual General Meeting held on April 26, 2017, the Meeting resolved to establish a Nomination Committee and to adopt instructions for this committee. According to the instructions, the Nomination Committee shall consist of the Chair of the Board of Directors and members representing the three largest shareholders in the company according to the share register kept by Euroclear Sweden as at September 30 of the year before the Annual General Meeting. The composition of the Nomination Committee shall be made public at least six months prior to the Annual General Meeting. Members of the Nomination Committee shall not receive remuneration, and the term of office runs until the composition of the next Nomination Committee has been made public. The Nomination Committee's primary tasks are to nominate candidates to the posts of 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.

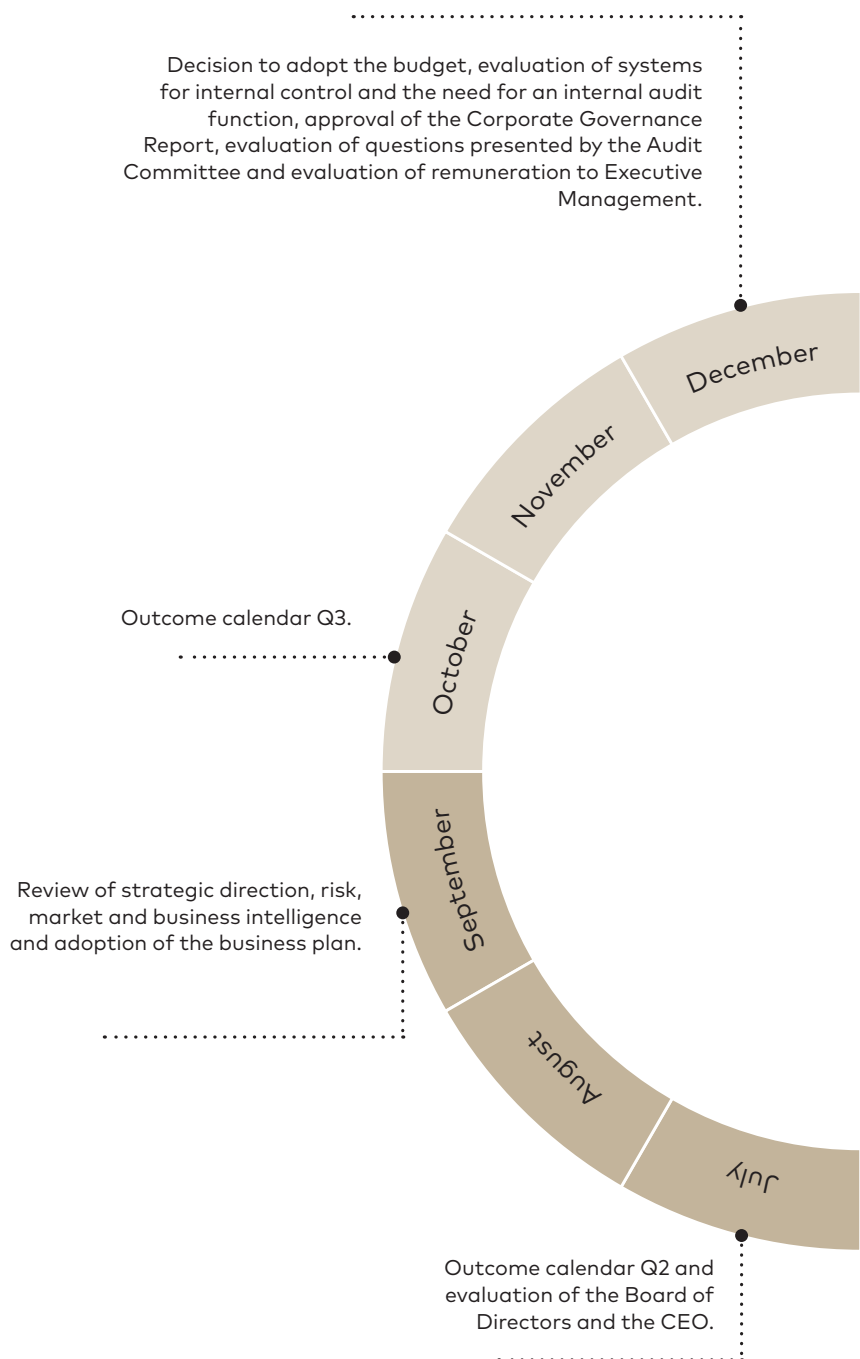
The Nomination Committee up to the 2018 Annual General Meeting consists of Karin Sundberg (F. Holmström Fastigheter AB), Henrik Buss (Andreas Rutili via companies), Johannes Wingborg (Länsförsäkringar) and Chair of the Board of Directors Fredrik Holmström. The Nomination Committee represents 71.12 percent of the votes as at December 31, 2017.

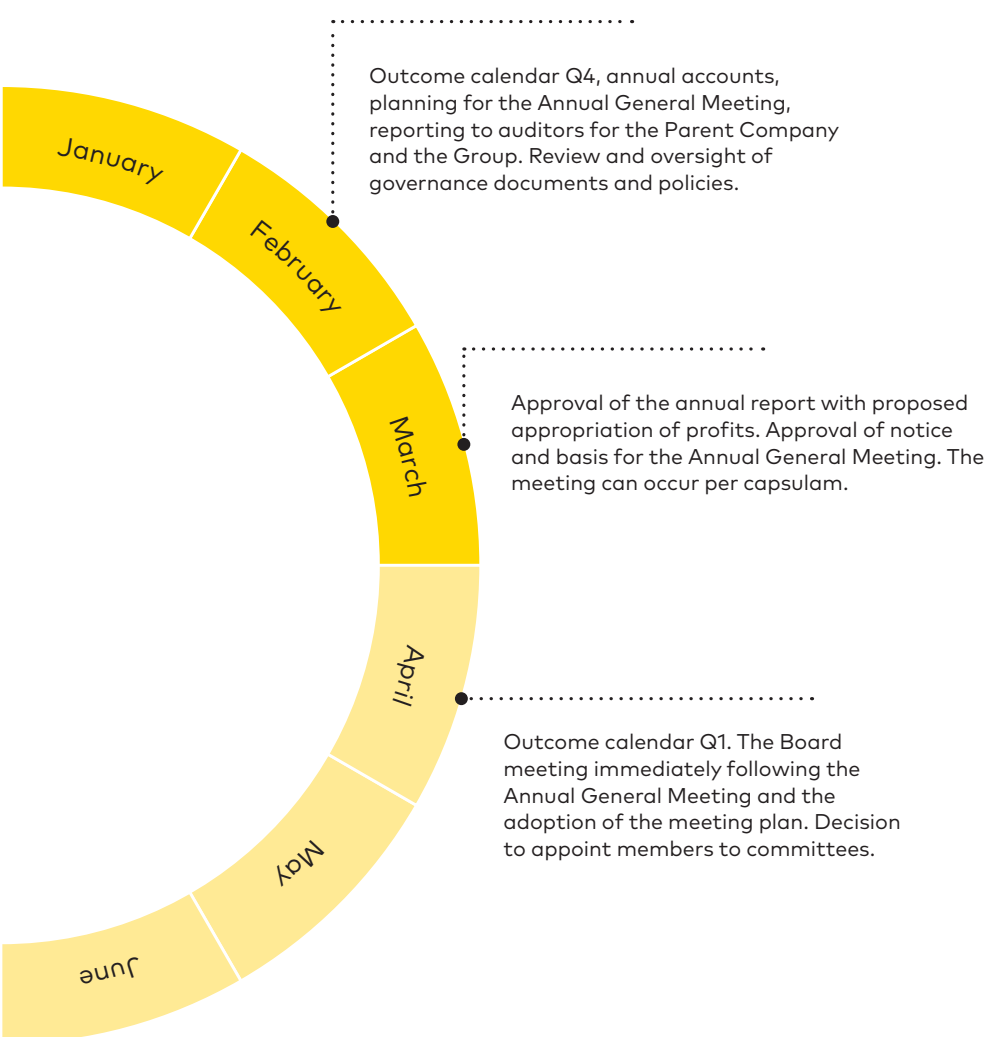
Board of Directors

The Board of Directors is elected by the Annual General Meeting. It is the Board of Directors, on behalf of the owners, that manages Magnolia Bostad by establishing goals and strategies, assessing the operating activities and determining procedures and systems to follow up on established goals. The Board of Directors of Magnolia Bostad, according to the Articles of Association, shall consist of three to seven Board members.

At the end of 2017, the company's Board of Directors consisted of six members elected by the 2017 Annual General Meeting. All members of the Board of Directors were re-elected. Fredrik Holmström was elected Chair. For more information about the members of the Board of Directors, see page 142.

Board of Directors in 2017





The Board's tasks include establishing strategies, business plans and budgets, annual and interim reports, annual financial statements and adopting instructions, policies and guidelines. The Board of Directors also monitors economic trends, ensures the quality of the financial statements and the internal control and evaluates business activities based on the targets and guidelines established by the Board of Directors. Finally, the Board of Directors makes decisions regarding the company's significant investments and major changes to the organization and its business activities. The tasks of the Board of Directors are conducted through an organized cooperation between the Board and Executive Management. The Board has a control function to ensure that the interests of the company's owners are met and that the Board, through reports, can follow the assessment obligations set forth by law, listing regulations, the Code and good Board practice. In addition to this, the Board of Director's work is governed by guidelines from the Annual General Meeting and the Board's work plan. The Board of Directors also adopts instructions for the Board's committees and instructions for the Chief Executive Officer of Magnolia Bostad as well as instructions for financial reporting.

Chair of the Board

The Chair 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 fulfills its obligations in accordance with applicable laws and rules. In particular, the Chair 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 Chair of the Board represents the Board in relation to the company's shareholders.

Work of the Board of Directors in 2017

The Board of Directors held 17 (13) meetings during the 2017 financial year, of which seven were regular meetings and one immediately followed the Annual General Meeting. The regular Board of Director meetings had a recurring structure with standing points in the agenda. Extra Board meetings are normally convened to decide on major transactions, financing and cooperation agreements. Material and the basis for decisions is normally sent out one week before each Board meeting. Member of Executive Management have participated in Board meetings to report on specific matters.

Evaluation of the work of the Board of Directors

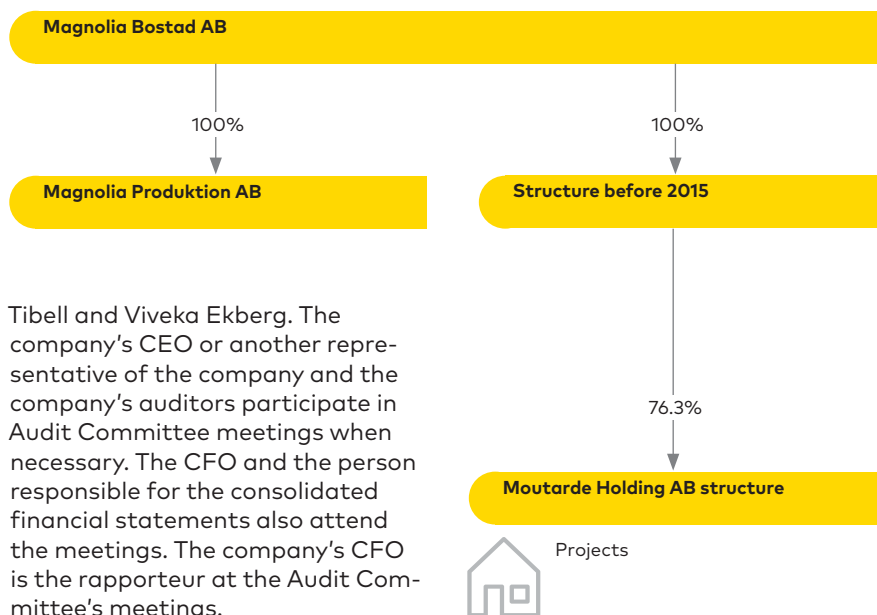
An important objective of the evaluation of the Board of Directors is to ensure that the work of the Board is functioning well. This evaluation therefore includes investigating the type of questions that the Board believes should be given greater focus, determining the areas in which the Board needs additional competence and assessing the composition of the Board. This evaluation also functions as a basis for the work of the Nomination Committee.

In 2017, 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. According to the Board evaluation, the work of the Board functioned well during the year. Potential areas of improvement were also identified through the evaluation. The Board also considers the composition to be appropriate, and that the cooperation with Executive Management worked well.

Audit Committee and Remuneration Committee

The Audit Committee consisted of three members on December 31, 2017: Jan Roxendal (Chair), Fredrik

Magnolia Bostad's Group structure



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 fulfill the committee's obligations. In 2017, the Audit Committee held seven minutes meetings, of which the company's auditors participated in four.

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.

Investment Committee

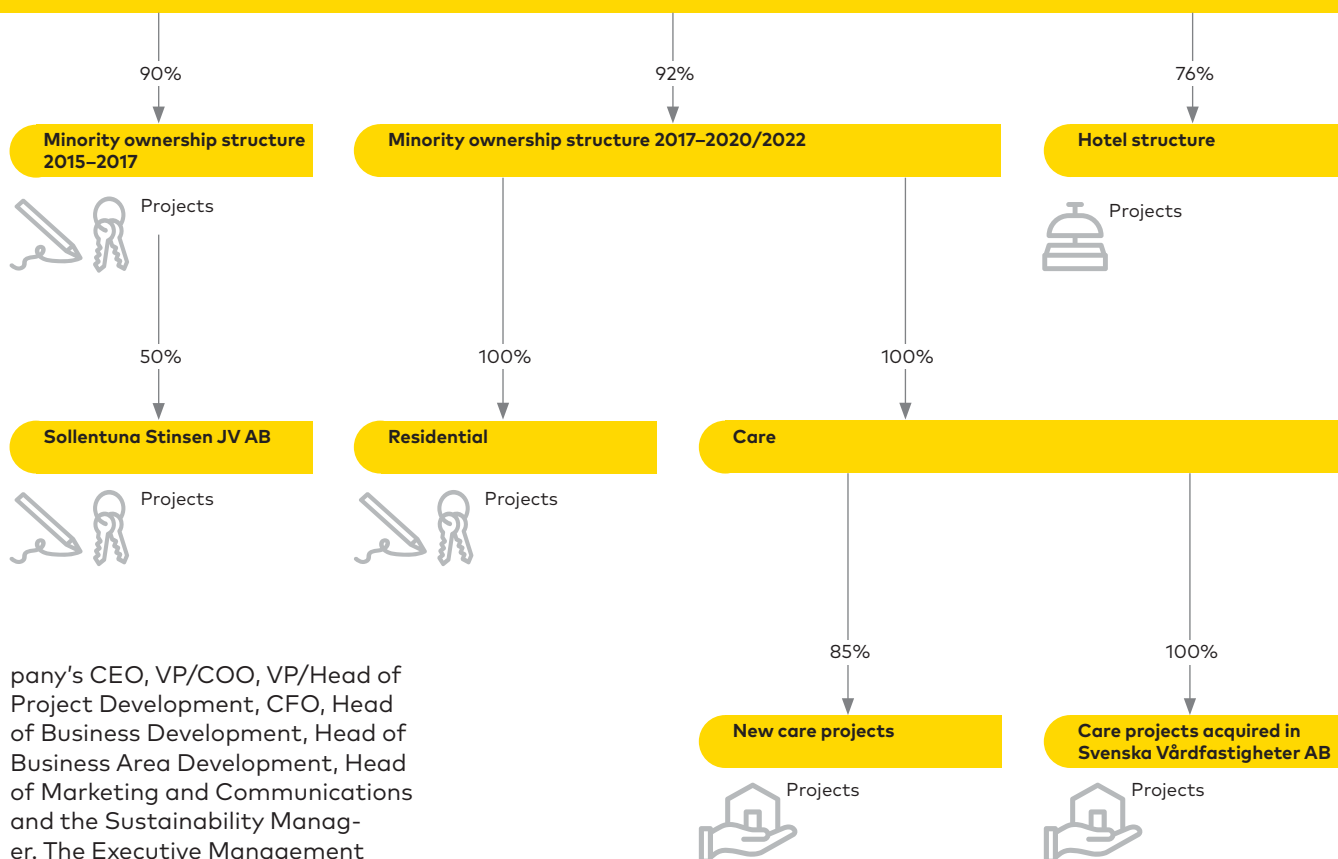
The Investment Committee's main task is to act as an advisor and to support the Board of Directors in connection with acquisitions and

sales of property projects. The Investment Committee reports regularly to the Chair of the Board, who has been allocated a discretionary decision mandate from the Board regarding acquisition and sales that are not considered to qualify as insider information according to the EU Market Abuse Regulation. Decisions regarding a transaction that qualifies as insider information shall be made by the entire Board. The Investment Committee is appointed by the Board of Directors and on December 31, 2017, consisted of the CEO, VP/COO, VP/Head of Project Development, Head of Business Area Development and one senior advisor.

At each regular meeting of the Board of Directors, the Investment Committee shall submit a summary of cases that the Investment Committee has dealt with since the previous regular meeting of the Board of Directors. The Investment Committee meets once or twice a week and held 46 minutes meetings in 2017.

CEO and Executive Management

Executive Management consisted on December 31, 2017 of the com-



pany's CEO, VP/COO, VP/Head of Project Development, CFO, Head of Business Development, Head of Business Area Development, Head of Marketing and Communications and the Sustainability Manager. The Executive Management meets regularly to discuss primarily overarching operational issues and prepare matters for the Board of Directors. The CEO is responsible for the company's ongoing management in accordance with the instructions for the CEO, which are adopted annually by the Board of Directors, the rules set out in the Companies Act, other applicable laws and guidelines and in accordance with the company's policies and the directions of the Board of Directors.

Remuneration to Members of the Board of Directors and the CEO

Remuneration of Board members
Fees and other remuneration for the Board members, including the Chair of the Board, are determined by the Annual General Meeting. The Annual General Meeting held on April 26, 2017, resolved that the fees for Board members for the period up to the next Annual General

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

Remuneration to the CEO

Fredrik Lidjan was named CEO in March 2015 and has been employed by the company since January 1, 2017. Fredrik Lidjan receives competitive remuneration in his role as CEO. For more information, see Note 9.

He 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 his guidance, at that time as a consultant, the business area grew rapidly, and the company today views this business area as its greatest competitive advantage. The agreement entailed that he would work without fixed compensation but was entitled to 12 percent of the profit of rental apartment projects (10 percent for Senapsfabriken). The agreement included the 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 will co-invest in future rental apartment projects. Fredrik Lidjan AB will invest at market terms with a 10 percent stake and Magnolia Bostad will invest and receive a 90 percent stake in the companies in which the rental apartment projects will be operated. The agreement can also include tenant-owned apartments if this applies to the same plot of land and the tenant-owned apartments constitute a small portion of the entire project.

In addition to rental projects, Fredrik Lidjan AB is expected to co-invest on market terms in the company's future hotel projects. Fredrik Lidjan will invest on market terms with a 24-percent stake. Clas Hjorth (responsible for the Hotel business area) is also expected to invest in hotel projects with a 16-percent stake, and Magnolia Bostad will invest and hold a 60-percent stake in future hotel projects.

Minority ownership structure 2017 – 2020 and 2022

At the Extraordinary General Meeting on October 13, 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 them.

Under the new structure, Fredrik Lidjan AB will co-invest in all of the company's future projects on market terms with an 8-percent stake. In future hotel projects, Clas Hjort's stake will still be 16 percent. Magnolia Bostad will then invest and hold a 76-percent stake in hotel projects and a 92-percent stake in other projects. The new agreement covers investments through 2020 for hotel projects and 2022 for all other projects.

Auditors

Magnolia Bostad's external auditors are appointed by the Annual General Meeting. The auditors are tasked with reviewing on behalf of the shareholders the Board of Directors' and the CEO's management of the company and that the annual financial statements have been prepared in accordance with applicable laws and regulations. The 2017 Annual General Meeting resolved for the period until the end of the next annual general meeting to elect Ernst & Young AB with Ingemar Rindstig as auditor-in-charge. In addition to the audit, Ernst & Young also provided advisory services during the year regarding tax,

incentive programs, sustainability reporting and financial due diligence in transactions in subsidiaries. In 2017, remuneration was paid totaling SEK 7.2 million (2.2). See also Note 8, Disclosures regarding fees and cost reimbursement to the auditor, for more information.

Internal controls

The Board of Director's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Code of Corporate Governance. The Board of Directors is ultimately responsible for ensuring that internal controls are developed, communicated and understood by the employees at Magnolia Bostad who implement the individual control structures and that the control structures are monitored, executed, updated and monitored. 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, risk assessment, control structures

Board composition

Member	Elected	Post	Born	Nationality	Independent in relation to the company/ company management	Independent in relation to major shareholders	Number of meetings	Attendance
Fredrik Holmström	2009	Chair	1971	Swedish	No	No	17	16
Andreas Rutili	2015	Member	1975	Swedish	No	Yes	17	17
Fredrik Tibell	2010	Member	1966	Swedish	Yes	No	17	17
Risto Silander	2015	Member	1957	Swedish	Yes	Yes	17	17
Jan Roxendal	2016	Member	1953	Swedish	Yes	Yes	17	17
Viveka Ekberg	2017	Member	1962	Swedish	Yes	Yes	17	17



Magnolia Bostad's Executive Management.

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

The manner in which the Board of Directors monitors and ensures the quality of internal controls is documented in the adopted work

plan for the Board of Directors and in the instructions for the Audit Committee. Part of the work of the Audit Committee is to assess the company's structure and policies for internal control.

Control environment

The basis for internal controls on financial reporting is Magnolia Bostad's organization, decision-making procedures, responsibility and authorizations that are communicated in the governing documents. These documents include the Articles of Association, the Board

of Directors' rules of procedure, the CEO's instructions, the Code of Conduct, the business plan, policies, process description and manuals. Magnolia Bostad's work on internal control aims to identify high-risk areas and minimize these risks.

Risk Assessment

The risks of material misstatement in financial reports is assessed by Magnolia Bostad's Board of Directors, the Executive management and the company's external auditors. There is an established risk management process within

Magnolia Bostad. The CEO, in collaboration with other departments within the company, is responsible for structured risk mapping across all business activities. Magnolia Bostad's risks are divided into four main types: (1) external risks, (2) operational risks, financial risks (3) and (4) organizational risks.

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

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

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

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

Control activities

Control activities are designed on the basis of the risk analysis to address the significant risks identified.

These are both of a preventive nature, in other words actions aiming to avoid losses or errors in reports and in the nature of detection. The controls must also ensure that any errors will be corrected.

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

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

Information, communication

Magnolia Bostad's policy documents in the form of a code of conduct, policies, process descriptions and manuals are updated regularly by process owners and the management and are made available via Magnolia Bostad'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 Magnolia Bostad's guidelines. Magnolia Bostad has an information policy to ensure that the company complies with applicable requirements for accurate information for the market.

Follow-up

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

The company's external auditor reports his findings from audits and assessments of the internal control

to the Audit Committee and the Board of Directors during the fall 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.

Magnolia Bostad has no internal audit department of its own. The Group has a simple operational structure where the operations are conducted as one segment. Monitoring of ongoing and completed investment is presented to the Board of Directors on a continuous basis. The Board of Directors considers the external auditors' audit and its own follow-up to be sufficient for ensuring that internal control of the financial statements is satisfactory. The decision is assessed annually.

Information policy and insider policy

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

IR function

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



Gjuteriet, Eskilstuna.

Board of Directors



Fredrik Holmström

Chair since 2009

Born 1971

Founder Magnolia Bostad. President and owner of Holmströmgruppen AB, the parent company in a privately owned group focused on the production of residential units, management of properties and trade in listed and unlisted holdings.

BsBA from University of Southern Europe, Monaco.

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

Shareholding in Magnolia Bostad: 21,542,787.



Viveka Ekberg

Member since 2017

Born in 1962

Former CEO of the PP Pension Försäkringsförening and PP Pension Fondförsäkring, 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, Piab Group AB, Skagen AS, Areim AB, SPP Pension & Försäkring AB and Centrum för rättvisa, and chair of Apoteket AB:s Pensionsstiftelse.

MBA from Stockholm School of Economics.

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

Shareholding in Magnolia Bostad: 20,000.



Jan Roxendal

Member since 2016

Born in 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 the Export Credits Guarantee Board and Deputy Chair of the second AP fund, AP2. Board member of Catella AB.

Higher general banking degree.

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

Shareholding in Magnolia Bostad: 5,000.

The information above is as at December 31, 2017, and refers to his own holdings, the holdings of closely related parties and endowment insurance as well as his own holdings and the holdings of closely related parties via companies.



Andreas Rutili
Member since 2015

Born in 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 the President of the food company, Bonesto AB.

MBA from Stockholm University.

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

Shareholding in Magnolia Bostad: 2,938,565.



Risto Silander
Member since 2015

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

MSc (Economics) from Stockholm School of Economics.

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

Shareholding in Magnolia Bostad: 80,000.



Fredrik Tibell
Member since 2010

Born in 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. Board member of Moutarde Holding AB and others.

Finance studies at Stockholm University.

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

Shareholding in Magnolia Bostad: 10,000.

The information above is as at December 31, 2017, and refers to his own holdings, the holdings of closely related parties and endowment insurance as well as his own holdings and the holdings of closely related parties via companies.

Executive Management and auditors



Fredrik Lidjan
CEO

Employed in 2017
CEO since 2015
Born in 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: 155,300.



Rickard Langerfors
VP/Head of Project Development

Employed since 2011

Born in 1972
Previously project manager at Skanska with responsibility for the residential development of Järvastaden and other areas. Also has a background as product manager with responsibility for the standardization of Skanska's production of residential units in Sweden. Former project manager at HSB.

MSc (Engineering) from KTH Royal Institute of Technology.

Shareholding in Magnolia Bostad: 294,000.



Erik Rune
VP/COO

Employed since 2015

Born in 1973
Previously CFO and Head of Business Development at Magnolia Bostad and CFO in the Nordic region for CBRE Global Investors. Also has a background as the President of the Nordic operations for London & Regional Properties and worked in real estate financing at Eurohypo and SEB and the real estate advisory department at SEB Enskilda.

MSc (Economics) from Stockholm School of Economics.

Shareholding in Magnolia Bostad: 175,000.



Fredrik Westin
CFO

Employed since 2016

Born in 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: 1,600.

The information above is as at December 31, 2017, and refers to his own holdings, the holdings of closely related parties and endowment insurance as well as his own holdings and the holdings of closely related parties via companies.



Suzana Bossel
Head of Marketing and Communications

Employed since 2014

Born in 1973
Background as PR and marketing manager for Ettelva Arkitekter and single-family home developer, Arkitekthus. Extensive experience in marketing communication in the housing industry, including from JM AB.

Marketing economist from IHM Business School and Higher Degree in Technical Editorial Work from Mälardalen University.

Shareholding in Magnolia Bostad: 105,000.



Camilla Weiner
Sustainability Manager

Employed since 2017

Born in 1968
Founder Weiner Communications, consultant as IR, communications and sustainability manager for, among others, Pandox and Capio. Previous positions include Communications Director SCA, Communications and Sustainability Director at Axfood and Ahlsel and Communications and IR Manager at Securitas, and Auditor at PWC.

MBA from Stockholm University.

Shareholding in Magnolia Bostad: 0.



Stefan Berg
Head of Business Development

Employed since 2017

Born in 1979
Former CEO of the Nordic operations at CBRE Global Investors. Prior to this, he worked at Pembroke Real Estate and as head of Asset Management at the fund manager Genesta.

Master of Science from KTH Royal Institute of Technology.

Shareholding in Magnolia Bostad: 0



Linda Wiman
Head of Business Area Development

Employed since 2017

Born in 1975
Former sales and marketing manager at JM AB. Over 20 years of experience from JM in project development, marketing communication, sales and business development.

Marketing economist from IHM Business School.

Shareholding in Magnolia Bostad: 0

The information above is as at December 31, 2017, and refers to his own holdings, the holdings of closely related parties and endowment insurance as well as his own holdings and the holdings of closely related parties via companies.

Auditor
Ingemar Rindstig
Born in 1949
Authorized Public Accountant
Ernst & Young AB

Articles of association

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

ARTICLES OF ASSOCIATION FOR MAGNOLIA BOSTAD AB CIN 556797-7078

Adopted at the Annual General Meeting on April 26, 2017

§ 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 must be no lower than 30,000,000 and no higher than 120,000,000.

§ 5 Board of Directors

The Board of Directors shall consist of between three and seven members.

§ 6 Auditors

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

§ 7 Notice of General Meeting

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

§ 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 working 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 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. The following business is conducted at the Annual General Meeting:

1. Election of a Chair for the meeting;
2. Preparation and approval of the voting list;
3. Approval of the meeting agenda;
4. Election of one or two persons to sign the minutes;
5. Examination of whether the General Meeting has been validly called;
6. Presentation of the annual financial statements and the auditor's report and, where appropriate, consolidated financial statements and consolidated auditor's report;
7. Decisions 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 of Directors and the Chief Executive Officer from liability;
8. Determination of the number of members of the Board of Directors and of the number of auditors and deputy auditors to be appointed by the General Meeting;
9. Adoption of the fees for the Board of Directors and auditor;
10. Election of the Board of Directors and of firms of auditors or auditors;
11. Decision on guidelines for remuneration to senior executives;
12. Any other business that arises at the meeting in accordance with the Swedish Companies Act or the Company's articles of association.

§ 11 Fiscal year

The Company's fiscal year shall be a calendar year.

§ 12 Record day provision

The Company's shares shall be registered in a securities register according to the Financial Instruments Accounts Act (1998:1479).

This is a translation from the Swedish original

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 financial year 2017 on pages 132-146 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 22, 2018
Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

GRI Index

GRI Standard	Dis- closures	Page reference	Limitations
GENERAL DISCLOSURES			
GRI 102: General Disclosures 2016	102-1	Name of the organization	97
	102-2	Activities, brands, products and services	16–21
	102-3	Location of headquarters	97
	102-4	Location of operations	2–3
	102-5	Ownership and legal form	79, 132
	102-6	Markets served	2–3
	102-7	Scale of the organization	82, 85, 90
	102-8	Information on employees and other workers	65
	102-9	Supply chain	60–61
	102-10	Significant changes during the accounting period	N/A (first report)
	102-11	Precautionary Principle or approach	56
	102-12	External initiatives	59
	102-13	Membership of associations	68
	102-14	Statement from the Head of Sustainability and the Chair of the Board of Directors	57, 131
	102-16	Values, principles, standards and norms of behavior	60, 140
	102-18	Governance structure	60–61, 132–140
	102-40	List of stakeholder groups	59
	102-41	Collective bargaining agreements	None
	102-42	Identifying and selecting stakeholders	59
	102-43	Approach to stakeholder engagement	58
	102-44	Key topics and concerns raised	58
	102-45	Entities included in the consolidated financial statements	56
	102-46	Defining report content and topic boundaries	58
	102-47	List of material topics	59
	102-48	Restatements of information	N/A (first report)
	102-49	Changes in reporting	N/A (first report)
	102-50	Reporting period	56
	102-51	Date of most recent report	N/A (first report)
	102-52	Reporting cycle	56
	102-53	Contact point for questions regarding the report	56
	102-54	Claims of reporting in accordance with the GRI Standards	56
	102-55	GRI content index	148–149
	102-56	External assurance	The report has not been externally reviewed

GRI Standard	Dis- losures		Page reference	Limitations
SIGNIFICANT FOCUS AREAS				
Finances				
<i>Long-term growth</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	62	
	103-2	The management approach and its components	62	
	103-3	Evaluation of the management approach	62	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	62	
<i>Anti-corruption</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	62	
	103-2	The management approach and its components	63	
	103-3	Evaluation of the management approach	63	
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	62	
Environment				
<i>Environmental certification of buildings</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	68	
	103-2	The management approach and its components	68	
	103-3	Evaluation of the management approach	68	
GRI Construction and Real Estate Sector Supplement	CRE-8	Type and number of sustainability certificates, ranking and marking of new construction	68	
Social				
<i>Health and safety</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	64	
	103-2	The management approach and its components	64	
	103-3	Evaluation of the management approach	65	
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	65	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	65	
<i>Training and skills development</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	65	
	103-2	The management approach and its components	65	
	103-3	Evaluation of the management approach	65–66	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	65	
	404-3	Percentage of employees receiving regular performance and career development reviews	65	
<i>Diversity and gender equity</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	64	
	103-2	The management approach and its components	65	
	103-3	Evaluation of the management approach	65	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	65	
<i>Sustainable purchasing and supplier evaluations</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	66	
	103-2	The management approach and its components	66	
	103-3	Evaluation of the management approach	66	
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	65	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		To be implemented in 2018
	414-1	New suppliers that were screened using social criteria		To be implemented in 2018
<i>Pre-construction and design for socially sustainable operations</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	66	
	103-2	The management approach and its components	66	
	103-3	Evaluation of the management approach	66	
	M1	Pre-construction and design for socially sustainable operations		To be implemented in 2018

Definitions

Alternative KPIs not defined within IFRS

Return on equity (%)

Net profit/loss for the period attributable to the Parent Company's shareholders as a percent of the average equity attributable to the Parent Company shareholders.

Equity per share

Equity attributable to Parent Company shareholders divided by the number of outstanding basic shares.

Net financial items

Net of financial income and financial expenses.

Cash flow from operating activities, per share

Cash flow from operating activities divided by the average number of outstanding shares before dilution.

Profit/loss after financial items

Operating profit/loss plus financial income minus financial expenses.

Interest-bearing net liabilities

Interest-bearing liabilities minus cash and cash equivalents.

Interest coverage ratio (multiple)

Profit/loss after financial items including financial expenses divided by financial expenses.

Operating margin (%)

Operating profit as a percentage of net sales.

Operating profit/loss

Net sales minus costs for production and operation, central administration, depreciation/amortization and impairment of intangible assets and property, plant and equipment and profit/loss from participations in associated companies.

For reconciliation of alternative KPIs, refer to ESMA KPIs at Magnolia Bostad AB's website, magnolia-bostad.se.

Definitions, other

Estimated gross area

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

Estimated number of building rights

Number of estimated future residential units in acquired properties.

Sales rate

Sold residential units in production divided by units in projects in production.

Residential units

Refers to rental apartments, tenant-owned apartments, residential care facilities or hotel rooms.

Sold residential units in production

Number of residential units in sold projects where binding sales agreements were signed and the revenue recognized.

Annual General Meeting 2018

The Board of Directors for Magnolia Bostad AB has decided to issue the Notice of the Annual General Meeting to be held on Friday, April 27, 2018.

The notice will be published in Post-och Inrikes Tidningar and on the company's website.

Notice to the Annual General Meeting of Magnolia Bostad AB

Magnolia Bostad AB will hold its Annual General Meeting on Friday, April 27, 2018, at 2:00 PM at Berns, Berzelii Park, Stockholm. Registration begins at 1:00 PM. Light snacks will be served during the Annual General Meeting.

Right to participate and notification to the company

Shareholders who wish to participate in the Meeting shall

- be registered in the share register maintained by Euroclear Sweden AB on Saturday, April 21, 2018, and
- notify the company of their intent to participate no later than Monday, April 23, 2018.

Notification of participation may

- be submitted in writing to the company at
Magnolia Bostad AB, Box 5853,
102 40 Stockholm, Sweden
- or by phone at +46 70 288 80 49 weekdays between 9:00 AM and 4:00 PM
- or via the company's website,
www.magnoliabostad.se.

Please state the name or company name, personal ID number or CIN, address and daytime telephone number in the notification. Notification of assistants are subject to the above notification procedure.

Nominee-registered shares

To be entitled to participate at the Meeting, shareholders with nominee-registered shares must register their shares through the nominee in their own name, so the person in question is registered in the share register kept by Euroclear Sweden AB on Saturday, April 21, 2018. Such registration may be temporary.

As Saturday, April 21, 2018, is not a business day, Euroclear Sweden AB will issue the share register for the Meeting as per Friday, April 20, 2018. Shareholders who would like to participate in the meeting must therefore be entered and directly registered in the share register already on Friday, April 20, 2018.

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: April 27, 2018
- Annual General Meeting 2018: April 27, 2018
- Interim Report January-June 2018: July 13, 2018
- Interim Report January-September 2018: October 24, 2018
- Year-End Report 2018: February 22, 2019

Contact

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CEO

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Fredrik Westin

CFO

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Magnolia Bostad's share (MAG) is listed on Nasdaq First North Premier.

Erik Penser Bank is the Certified Adviser for the company.

More information is available at www.magnoliabostad.se

Magnolia Bostad | Year-End Report 2017

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