

**MAGNOLIA**

**Magnolia Bostad  
Annual Report  
2014**



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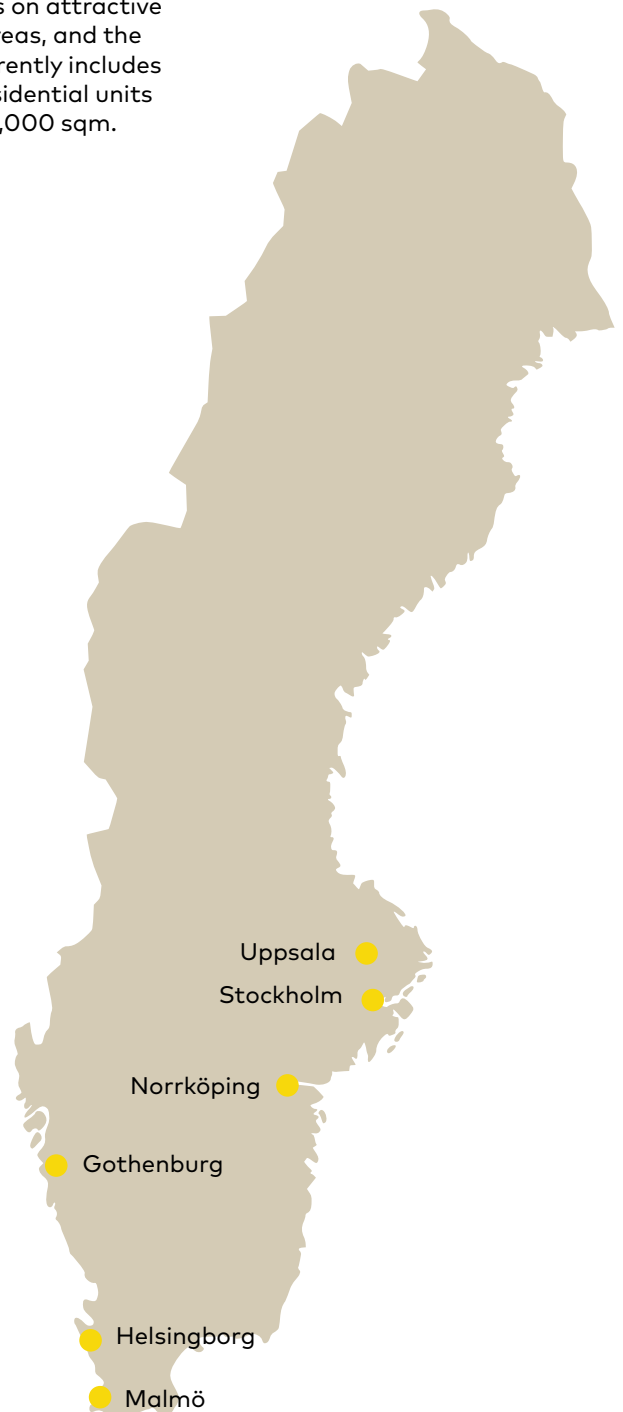
# This is Magnolia Bostad

Magnolia Bostad was founded in 2009 with the vision of creating modern homes and residential environments through smart functions and attractive architecture. We want more people to live as they want.

We acquire and convert properties into new, modern rental and tenant-owned apartments.

Environmental and sustainability issues are a natural part of our business. Taking a long-term approach to these issues is a fundamental requirement for the company's growth and profitability.

The business focuses on attractive locations in urban areas, and the project portfolio currently includes more than 4,000 residential units totaling around 300,000 sqm.



# Financial information

Property development is a capital-intensive business and access to capital is a basic prerequisite for enabling Magnolia Bostad to continue to develop. In addition to equity, interest-bearing liabilities, such as bank loans and bond loans, are the most important sources of capital.

## Income and earnings

Net sales for the full year in 2014 decreased to SEK 140.5 million (143.6). Income consists of rental income of SEK 12.0 million (4.4), the sale of development and project properties totaling SEK 127.4 million (136.8) and other income totaling SEK 1.1 million (2.4). Operating profit increased to SEK 47.3 million (23.7) and the

operating margin improved to 33.7 percent (16.5). Gains from property sales amounted to SEK 58.2 million (32.9) and are related to the Kungsängens-Tibble 20:2 and Kungsängens-Tibble 19:1 properties in Kungsängen and Publiken 1 in Norrköping, among other projects. Due to an increase in borrowings, net financial items decreased during the year to SEK -17.5 million (-3,2).

## Balance sheet total

Magnolia Bostad doubled its balance sheet total during the year and is expected to continue to grow in the next few years. In 2014, the acquisition of the Skogskarlen 3 property for SEK 160 million and the bond loan of SEK 200 million were the primary contributors to the increase in the balance sheet total to SEK 792.4 million (369.7).

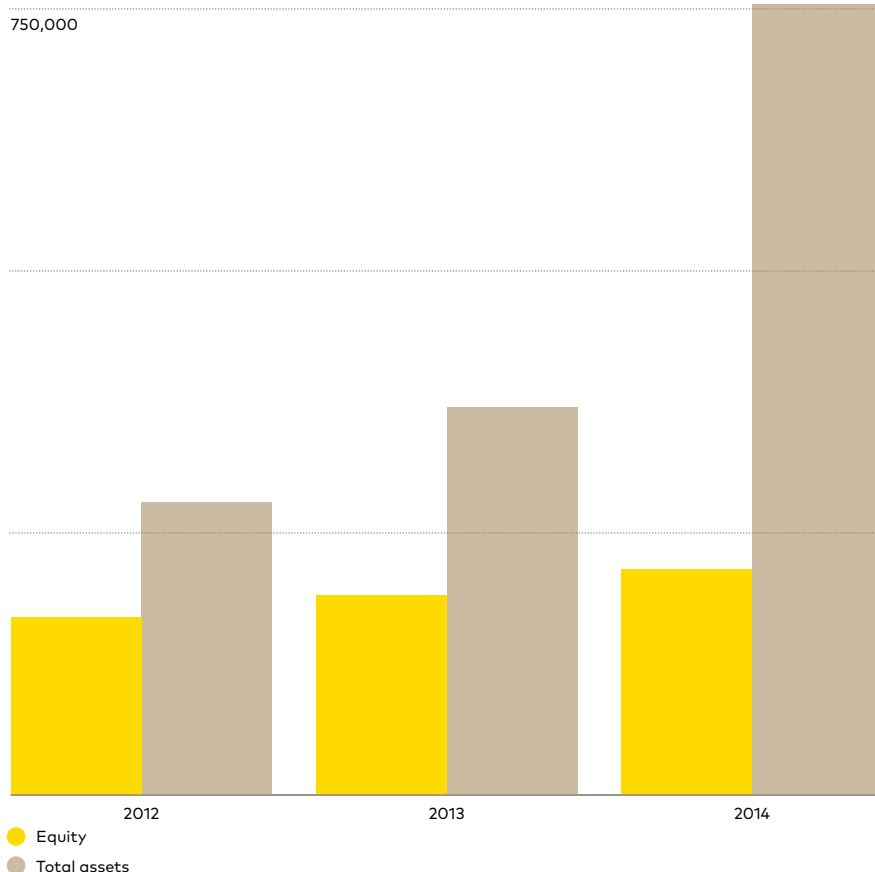
At 31 December 2014, equity amounted to SEK 253.4 million (190.1), which resulted in an equity/assets ratio of 32.0 percent (51.4).

## Cash flow and financing

Cash flow from operating activities totaled SEK -229.1 million (-46.6). Financing activities were affected by a net change in interest-bearing liabilities of SEK 258.1 million (71.4).

Total interest-bearing loans amounted to SEK 506.5 million (152.1) and primarily increased due to the acquisition of the Skogskarlen 3 property and a raised bond loan. Consolidated available liquidity amounted to SEK 37.4 million (23.3). Magnolia Bostad currently has no immediate need to raise new loans, but continued growth will require additional capital.

Equity and total assets, SEK thousand



## Financial targets

Magnolia Bostad's financial targets are to be more profitable and report stronger key ratios than companies with similar operations and risk profiles. This shall be achieved by conducting financial controls to ensure that the visible equity/assets ratio does not fall below 30 percent over time. This ratio may deviate from the target during short periods of time if justified by the business and market environments.

# Three-year summary

Income statements	2014	2013	2012
Net sales (SEK thousand)	140,541	143,576	3,795
Operating profit/loss (SEK thousand)	47,332	23,710	-11,508
Profit/loss after financial items (SEK thousand)	29,804	20,510	-11,841
Profit/loss for the year (SEK thousand)	29,196	20,518	-11,997
Operating margin (%)	33.7	16.5	-303.2
Interest coverage ratio (multiple)	2.4	4.3	-24.5
Balance sheet total (SEK thousand)	792,389	369,696	279,163
Equity (SEK thousand)	253,416	190,063	169,489
Equity/assets ratio (%)	32.0	51.4	60.7
Return on equity (%)	13.4	11.4	-7.2
Return on capital employed (%)	9.1	8.5	-5.1
Return on total assets (%)	8.7	8.2	-4.8
Earnings per share after tax (SEK)	0.95	0.66	-0.41
Equity per share (SEK)	8.10	6.07	5.42
Dividends per share (SEK)	0.16	0.25	-
Number of shares (thousand)	31,289	31,289	31,289

Multiple year data has not been adjusted for amended accounting principles. The changes that were made include the reporting of gains/losses from the sale of properties in earlier years as financial items, but as of year-end 2013 they are reported gross under gross profit/loss.

# Directors' Report

The Board of Directors and the President of Magnolia Bostad AB (CIN 556797-7078) hereby submit the annual accounts and consolidated financial statements for the financial year 1/1/2014 – 12/31/2014.

## **The business in general**

### *Parent Company*

The Parent Company, Magnolia Bostad AB, which is domiciled in Stockholm, does not conduct any operations other than to acquire, own and manage subsidiaries in the housing industry.

### *Group*

The Group conducts business in the housing industry related to tenant-owned and rental apartments. Production is procured externally. Property management is conducted pending project development.

## **Significant events in the Group during the financial year**

Magnolia Bostad begins production in January of 230 rental apartments at the Traversen 18 property in Sollentuna. Occupancy is planned for June 2015. The property was divested via companies to Aberdeen's residential fund in 2013, at which point the sale was also reported by Magnolia Bostad.

Magnolia Bostad signs an option for the acquisition of the Orminge 52:1 property in Orminge centrum. The property currently consists of approximately 6,000 sqm of leased office, retail and warehouse space. A planning process has been launched to obtain building permits for at least 20,000 sqm of housing, offices and retail premises. The Company plans to develop more than 300 rental and tenant-owned apartments in Orminge centrum.

Magnolia Bostad successfully floats a covered bond issue for a number of institutional and private investors in Sweden. The bond loan totals SEK 200 million at a fixed rate of eight percent and was listed on NASDAQ First North.

The Company acquires the Skogskarlen 3 commercial property in Bergshamra, Solna that has a total of 8,950 sqm of lettable space.

The Kungsängens-Tibble 20:2 and Kungsängens-Tibble 19:1 properties in the northern part of the Greater Stockholm region are acquired. Magnolia Bostad will develop 133 rental apartments here.

The company wins a land allocation competition in Vallentuna for Åby Ängar. The project consists of 245 rental apartments with a total area of 13,450 sqm.

Magnolia Bostad signed a 4.5-year agreement with the City of Stockholm's Education Department for the rental of 5,850 sqm in the Instrumentet 2 property in Örnberg/Aspudden. A process to modify the local plan for residential units was started together with the surrounding property owners with the aim of being able in the long run to develop the property into attractive residential apartments.

Magnolia Bostad acquires the Publiken 1 property in central Norrköping. In this property, the company will develop 268 space- and energy-efficient rental apartments covering a total area of 16,600 sqm. A construction agreement for the build was signed with NCC.

SEB's property fund, Domestica II, acquires 401 rental apartments from Magnolia Bostad. The deal includes two projects: 133 rental apartments in central Kungsängen and 268 rental apartments in central Norrköping, covering a total area of around 24,450 sqm.

A new local plan for the development of more than 1,550 apartments, with a planned building right of around 95,000 sqm of total space in the Kungsängen 25:1 property (previously the Slotts mustard factory), was adopted by Uppsala Municipality. The construction

of apartments in the property is planned to start at the end of 2015/ beginning of 2016.

In November, Magnolia Bostad wins a land allocation competition for Östra Sala Backe in Uppsala. The project consists of production of around 100 rental apartments.

## **Significant events in the Group after closing**

Magnolia Bostad strengthens its organization in January with the recruitment of twelve employees within the areas of transactions, finance, marketing and others.

In January, an additional 4.5 percent is acquired in the Kungsängen 25:1 project in Uppsala as well as another 13.0 percent through a forward contract with possession in 2016 and 2017.

Fredrik Lidjan assumes the post of President of the Company. He succeeds Andreas Rutili, who has been proposed for election to the Board of Directors of the company.

Magnolia Bostad wins another three land allocation competitions:

- Lundbyvassen in Frihamnen, Gothenburg: production of a hotel covering 12,000 sqm and 150 rental apartments.
- Bålsta centrum in Håbo Municipality in the northern part of the Greater Stockholm region: production of a transportation hub and around 200 residential units.
- Oceanhamnen in Helsingborg: production of 109 rental apartments.

## **Ownership**

Magnolia Bostad's controlling owner, F. Holmström Fastigheter AB, CIN 556530-3186, domiciled in Stockholm, owns 78.0 percent of the company. The remaining 22.0 percent is owned by a number of companies and private individuals.

## Financial overview

	2014	2013	2012	2011
<b>Group</b>				
Net sales	140,541	143,576	3,795	240
Operating profit/loss	47,332	23,710	-11,508	-10,223
Profit/loss after financial items	29,804	20,510	-11,841	22,110
Balance sheet total	792,389	369,696	279,163	190,951
Equity/assets ratio (%)	32.0	51.4	60.7	83.4
<b>Parent Company</b>				
Net sales	-	113	-	-
Operating profit/loss	-480	-246	-587	-864
Profit/loss after financial items	-2,650	-628	588	-14,716
Balance sheet total	367,381	202,711	166,950	129,875
Equity/assets ratio (%)	36.3	69.4	84.7	91.0

### Work of the Board

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

### Financial risk management

#### Currency risk

The Group is not subject to currency risk since all of its business is conducted in Sweden.

#### Interest rate risk

The Group's interest rate risk is primarily linked to interest-bearing liabilities, which amounted at closing to SEK 506,453,000. The Group's interest-bearing liabilities are primarily subject to fixed interest rates.

#### Credit risk

The Group strives for its counterparties to have the best possible creditworthiness. The majority of the Group's sales can take place with low credit risk. Historically, credit losses have been low.

#### Liquidity risk

The Group works continuously with its liquidity through ongoing follow-up and assessments.

### Earnings and position

#### Parent Company

The Parent Company's profit/loss after financial items amounted to SEK -2,650 (-628) thousand and its total assets to SEK 367,381 thousand (202,711). The equity/assets ratio in the Parent Company was 36.3 percent (69.4).

#### Group

The Group's operating profit/loss amounted to SEK 47,332 thousand (23,710), which corresponds to an operating margin of 33.7 percent (16.5).

The Group's operating profit/loss after financial items amounted to SEK 29,804 thousand (20,510), which corresponds to an operating margin of 21.2 percent (14.3).

The balance sheet total at closing amounted to SEK 792,389 thousand (369,696) with an equity/assets ratio of 32.0 percent (51.4).

Cash and cash equivalents amounted to 37,399 thousand (23,256).

### Proposed appropriation of profits

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

Opening accumulated profit	15,619,491
Shareholders' contribution	110,591
Dividend	-5,006,527
Profit/loss for the year	-2,649,705

**Total 8,073,850**

The Board proposes the following:

Dividends, (31,288,942 * SEK 0.20)	6,257,788
To be carried forward	1,816,062

**Total 8,073,850**

### Statement of the Board of Directors

It is the assessment of the Board of Directors that the proposed dividends are in line with the requirements imposed by the nature, scope and risks of the operations on the size of the Company's and the Group's equity as well as the Company's and the Group's consolidation needs, liquidity and position in general.

With regard to the Parent Company's and the Group's profit/loss and position in general, please refer to the following income statements, balance sheets, cash flow statements and additional disclosures. All amounts are expressed in SEK thousand unless otherwise specified.

# Consolidated income statement

	Note	1/1/2014 – 12/31/2014	1/1/2013 – 12/31/2013
<b>Operating income</b>			
Net sales	1	140,541	143,576
		<b>140,541</b>	<b>143,576</b>
<b>Operating expenses</b>			
Production and operating costs		–75,420	–105,248
Other external costs	2, 3	–9,679	–7,740
Personnel costs	4	–5,560	–5,541
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	5	–1,399	–1,336
Profit/loss from participations in associated companies	6	–1,152	–
<b>Operating profit/loss</b>	7	<b>47,332</b>	<b>23,710</b>
<b>Profit/loss from financial items</b>			
Interest income and similar profit/loss items	8	3,412	3,062
Interest expenses and similar profit/loss items	9	–20,940	–6,262
<b>Profit/loss before tax</b>		<b>29,804</b>	<b>20,510</b>
Tax on profit/loss for the year	10	–608	8
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>29,196</b>	<b>20,518</b>



# Consolidated balance sheet

	Note	12/31/2014	12/31/2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Goodwill	11	5,946	7,146
Other intangible assets	12	8,304	314
		<b>14,249</b>	<b>7,460</b>
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	13	199	217
		<b>199</b>	<b>217</b>
<i>Financial assets</i>			
Participations in associated companies	15	39,832	4,525
Receivables from associated companies		23,541	26,541
Other securities held as non-current assets	17	30,614	30,614
Other long-term receivables	18	15,109	14,950
		<b>109,096</b>	<b>76,630</b>
<b>Total non-current assets</b>		<b>123,544</b>	<b>84,307</b>
<b>Current assets</b>			
Development and project properties	19	424,231	209,608
Tenant-owned apartments		9,092	–
Accounts receivable		1,057	1,507
Receivables from associated companies		9,598	46,973
Other receivables	20	186,952	3,714
Prepaid expenses and accrued income	21	517	332
		<b>631,447</b>	<b>262,133</b>
<b>Cash and bank balances</b>		<b>37,399</b>	<b>23,256</b>
<b>Total current assets</b>		<b>668,845</b>	<b>285,389</b>
<b>TOTAL ASSETS</b>		<b>792,389</b>	<b>369,696</b>

## Consolidated balance sheet (cont'd)

	Note	12/31/2014	12/31/2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	22		
Share capital		125,156	125,156
Equity method reserve		38,068	–
Other equity		60,997	44,389
Net profit/loss for the year		29,196	20,518
<b>Total equity</b>		<b>253,416</b>	<b>190,063</b>
<b>Provisions</b>			
Provision for deferred taxes	16	169	–
		<b>169</b>	<b>–</b>
<b>Liabilities</b>			
<i>Long-term liabilities</i>			
Interest-bearing liabilities	23	494,353	146,130
Other long-term liabilities		100	4,000
		<b>494,453</b>	<b>150,130</b>
<i>Current liabilities</i>			
Liabilities to credit institutions		–	2,000
Accounts payable		15,131	6,465
Liabilities to Group companies		–	12,311
Liabilities to associated companies		–	3,904
Income tax liabilities		1,138	15
Other current liabilities		17,336	1,062
Accrued expenses and deferred income	24	10,746	3,747
		<b>44,350</b>	<b>29,503</b>
<b>Total liabilities</b>		<b>538,803</b>	<b>179,633</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>792,389</b>	<b>369,696</b>
<b>MEMORANDUM ITEMS</b>			
Pledged collateral	25	314,990	141,890
Contingent liabilities		None	None

# Consolidated cash flow statement

	1/1/2014 – 12/31/2014	1/1/2013 – 12/31/2013
<b>Operating activities</b>		
Profit/loss after financial items	29,804	20,510
Adjustments for non-cash items, etc.	4,407	–30,636
	<b>34,211</b>	<b>–10,126</b>
Income tax paid	3,635	–44
<b>Cash flow from operating activities before changes in working capital</b>	<b>37,846</b>	<b>–10,170</b>
<b>Cash flow from changes in working capital</b>		
Reduction (+)/increase (-) of development and project properties	–68,383	–36,748
Decrease(+)/increase(-) in current receivables	–203,324	–1,754
Decrease(+)/increase(-) in current liabilities	4,750	2,088
<b>Cash flow from operating activities</b>	<b>–229,111</b>	<b>–46,584</b>
<b>Investing activities</b>		
Acquisition of intangible fixed assets	–8,083	–58
Acquisition of property, plant and equipment	–88	–19
Investment in financial assets	–6,660	–21,975
Disposal/reduction of financial assets	–	500
<b>Cash flow from investing activities</b>	<b>–14,831</b>	<b>–21,552</b>
<b>Financing activities</b>		
Shareholders' contributions received	53	55
Borrowings	366,704	77,324
Repayment of borrowings	–103,666	–5,897
Paid dividends	–5,006	–
<b>Cash flow from financing activities</b>	<b>258,085</b>	<b>71,482</b>
<b>Cash flow for the year</b>	<b>14,143</b>	<b>3,346</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>23,256</b>	<b>19,910</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>37,399</b>	<b>23,256</b>

# Parent Company income statement

	Note	1/1/2014 – 12/31/2014	1/1/2013 – 12/31/2013
<b>Operating income</b>			
Net sales	1	–	113
		–	<b>113</b>
<b>Operating expenses</b>			
Production and operating costs		–	–113
Other external costs		–480	–246
<b>Operating profit/loss</b>		<b>–480</b>	<b>–246</b>
Interest income and similar profit/loss items	8	12,620	1,464
Interest expenses and similar profit/loss items	9	–14,789	–1,846
<b>Profit/loss before tax</b>		<b>–2,650</b>	<b>–628</b>
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>–2,650</b>	<b>–628</b>

# Parent Company balance sheet

	Note	12/31/2014	12/31/2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Financial assets</i>			
Participations in Group companies	14	88,822	88,822
Receivables from Group companies		234,016	–
Participations in associated companies	15	1,850	1,450
Receivables from associated companies		27,241	26,541
		<b>351,929</b>	<b>116,813</b>
<b>Total non-current assets</b>		<b>351,929</b>	<b>116,813</b>
<b>Current assets</b>			
Development and project properties	19	3,823	–
Accounts receivable		3	3
Receivables from Group companies		10,778	67,584
Receivables from associated companies		221	297
Other receivables	20	1	272
Prepaid expenses and accrued income	21	74	47
		<b>14,900</b>	<b>68,204</b>
<b>Cash and bank balances</b>		<b>551</b>	<b>17,693</b>
<b>Total current assets</b>		<b>15,451</b>	<b>85,897</b>
<b>TOTAL ASSETS</b>		<b>367,381</b>	<b>202,711</b>

# Parent Company balance sheet (cont'd)

	Note	12/31/2014	12/31/2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	22		
<i>Restricted equity</i>			
Share capital (31,288,942 shares, quota value SEK 4)		125,156	125,156
		<b>125,156</b>	<b>125,156</b>
<i>Non-restricted equity</i>			
Profit/loss brought forward		10,724	16,247
Net profit/loss for the year		-2,650	-628
		<b>8,074</b>	<b>15,619</b>
<b>Total equity</b>		<b>133,230</b>	<b>140,775</b>
<b>Liabilities</b>			
<i>Long-term liabilities</i>			
Interest-bearing liabilities	23	220,034	23,324
Other long-term liabilities		-	111
		<b>220,034</b>	<b>23,434</b>
<i>Current liabilities</i>			
Accounts payable		69	1,762
Liabilities to Group companies		1,948	36,595
Other current liabilities		12,000	12,000
Accrued expenses and deferred income	24	100	144
		<b>14,117</b>	<b>38,501</b>
<b>Total liabilities</b>		<b>234,151</b>	<b>61,935</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>367,380</b>	<b>202,711</b>
<b>MEMORANDUM ITEMS</b>			
Pledged collateral		None	None
Contingent liabilities		None	None

# Parent Company cash flow statement

	1/1/2014 – 12/31/2014	1/1/2013 – 12/31/2013
<b>Operating activities</b>		
Profit/loss after net financial items	–2,650	–628
Adjustments for non-cash items, etc.	1,572	–
<b>Cash flow from operating activities before changes in working capital</b>	<b>–1,078</b>	<b>–628</b>
<b>Cash flow from changes in working capital</b>		
Reduction (+)/increase (-) of development and project properties	–3,823	–
Decrease(+)/increase(-) in current receivables	–176,890	–22,711
Decrease(+)/increase(-) in current liabilities	–36,385	13,066
<b>Cash flow from operating activities</b>	<b>–218,176</b>	<b>–10,273</b>
<b>Investing activities</b>		
Investment in financial assets	–1,100	–4,000
<b>Cash flow from investing activities</b>	<b>–1,100</b>	<b>–4,000</b>
<b>Financing activities</b>		
Borrowings	215,139	23,323
Repayment of borrowings	–8,000	–
Paid dividends	–5,006	–
<b>Cash flow from financing activities</b>	<b>202,133</b>	<b>23,323</b>
<b>Cash flow for the year</b>	<b>–17,143</b>	<b>9,050</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>17,694</b>	<b>8,644</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>551</b>	<b>17,694</b>

## Additional disclosures

### General accounting principles

As of 2014, the financial statements are prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general guideline, BFNAR 2012:1 (K3). The transition to K3 has not had an impact on the Group's or the Parent Company's income statement, balance sheet, cash flow statement or notes other than the expanded disclosure requirements. No effects have had an impact on the Group's or the Parent Company's equity at the time of the transition or for the comparison year. Neither has the transition to K3 resulted in any material change to the accounting principles for the Group or the Parent Company.

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

All amounts, unless stated otherwise, are rounded to the nearest thousand. The amounts in the report are based on the consolidation system, which is in SEK. Due to the rounding of numbers in tables, it may be possible that the totals do not correspond to the sum of the rounded whole numbers.

### The Company's domicile

The Parent Company, Magnolia Bostad AB, is a holding company and conducts its operations as a limited liability corporation. It is domiciled in Stockholm. The subsidiaries in the Group also conduct their operations as limited liability corporations. The domicile of the subsidiaries is presented below in Note 14 regarding shares in Group companies. The address of the head office is Grev Turegatan 11 A, Box 5853, 102 40 Stockholm.

### Measurement principles

Assets, provisions and liabilities have been measured at cost unless otherwise stated below.

### Non-current assets

#### 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 Group/Company and the cost for the asset can be calculated in a reliable manner.

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

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

Licenses	5 years
Goodwill	10 years
Machinery and equipment	3–5 years

The difference between depreciation/amortization according to plan and tax depreciation is reported as appropriations in the Parent Company's income statement. Goodwill is attributable to strategic acquisitions and these intangible assets are expected to provide a return over a period of at least 10 years.

### Receivables

Receivables are reported at the amount expected to be received.

### 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.

### 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.

### Interest rates

Financing costs are capitalized and dissolved on a regular basis during the term of the loan by reporting them as interest expenses.

### 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

The reporting of income tax includes current tax and deferred tax.

Taxes are reported in the income statement except when the underlying transaction is reported directly against equity and all related tax



effects are thus also reported under equity. Current tax is tax that shall be paid or received with regard to the current year. This also includes adjustments to current tax that are attributable to previous periods.

Current tax is the tax that is calculated on the taxable profit/loss for a period. Deferred tax is calculated based on the "balance sheet approach", which means that a comparison is made between the carrying amount and the tax base of assets and liabilities, i.e. temporary differences. The difference between these values is multiplied by a current tax rate to generate the amount of deferred tax. Deferred tax assets are reported in the balance sheet to the extent that it is probable that the amounts can be applied to future taxable profit/loss.

Deferred tax assets and tax liabilities are offset when they relate to taxes levied by the same taxing authority and when the Group intends to settle the tax on a net basis.

#### **Cash flow statement**

The cash flow statement is prepared in accordance with the indirect method. The reported cash flow only includes transactions that result in incoming or outgoing payments.

#### **Remuneration to employees**

##### *Defined-contribution pensions*

The Company's obligation for each period is determined by the amounts the Company shall contribute for the period in question. As a result, no actuarial assumptions are required to calculate the obligation or cost and this approach does not give rise to any actuarial gains or losses.

#### **Consolidated financial statements**

The consolidated income statement and balance sheet encompass all of the 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 and a more significant share of the profit/loss of the operations.

The consolidated financial statements are prepared in accordance with the acquisition method. In the consolidated balance sheet, each individual company's untaxed reserves are reported under equity and deferred tax liability. In the income statement, the tax attributable to the change in untaxed reserves for the year is reported as deferred tax.

Internal gains and balances within the Group are eliminated in the consolidated financial statements.

##### *Goodwill*

If the cost of shares in subsidiaries exceeds the estimated market value of the company's identified net assets in accordance with the acquisition analysis, the difference is applied to Group goodwill, which is amortized over the estimated useful life.

##### *Associated companies*

The Group's holdings of participations in a company that is not a subsidiary but where the Group exercises significant but not controlling influence are classified as holding of participations in associated companies. Associated companies arise when the Group has more than 20 percent but less than 50 percent of the votes in the legal entity. The Group reports participations in associated companies in accordance with the equity method. In the event the Group acquires additional participation 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 that some participations are left, they are reported as Other securities held as non-current assets.

##### *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.

#### **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 related parties occurred between the Parent Company and its subsidiaries and between the subsidiaries in the form of loans of cash and cash equivalents and invoicing of internal administrative services between the companies. All transactions occurred at market terms and conditions.

##### *Parent Company*

In addition to the related parties specified for the Group, the Parent Company has related parties that have a controlling influence over their subsidiaries, see Note 14 below regarding participations in Group companies.

## Note 1 Net sales

	Group		Parent Company	
	2014	2013	2014	2013
Rental income	11,969	4,435	–	–
Capitalized costs for the company's own use	–	2,263	–	–
Sales, development and project properties	127,440	136,765	–	–
Other operating income	1,132	113	–	113
<b>Total</b>	<b>140,541</b>	<b>143,576</b>	<b>–</b>	<b>113</b>

## Note 2 Disclosures regarding fees and cost reimbursement to the auditor

	Group		Parent Company	
	2014	2013	2014	2013
R3				
Auditing assignments	–175	–563	–	–134
Ernst & Young				
Auditing assignments	–359	–	–100	–
<b>Total</b>	<b>–534</b>	<b>–563</b>	<b>–100</b>	<b>–134</b>

Auditing assignment refers to the audit of the annual report and the bookkeeping as well as the Board's and the President'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. All other tasks are other assignments.

## Note 3 Operating lease agreements

	Group		Parent Company	
	2014	2013	2014	2013
<b>Future leasing fees with regard to operating lease agreements with a remaining duration in excess of one year</b>				
Within one year	–5,012	–1,189	–	–
Between one and five years	–3,180	–2,573	–	–
<b>Total</b>	<b>–8,192</b>	<b>–3,762</b>	<b>–</b>	<b>–</b>
Costs for operating lease agreements for the year amount to	–1,642	–1,247	–	–
<i>(Of which costs for rented premises)</i>	<i>(–1,324)</i>	<i>(–959)</i>	<i>(–)</i>	<i>(–)</i>

## Note 4 Number of employees, salaries, other remuneration, social security expenses and absence due to illness

	2014		2013	
Average number of employees in the Group	Number of employees	Of which men	Number of employees	Of which men
Parent Company	–	–	–	–
<b>Total in the Parent Company</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Subsidiaries	8	5	7	6
<b>Total in subsidiaries</b>	<b>8</b>	<b>5</b>	<b>7</b>	<b>6</b>
<b>Total in the Group</b>	<b>8</b>	<b>5</b>	<b>7</b>	<b>6</b>

	Group		Parent Company	
Break-down of executive management at closing	2014	2013	2014	2013
<b>Men</b>				
Board members	100%	100%	100%	100%
Other executive management, including the President	67%	100%	–	–

Salaries and other remuneration	2014		2013	
	Board, President and Vice President	Other employees	Board, President and Vice President	Other employees
<b>Parent Company</b>				
Salaries and other remuneration	–	–	–	–
(Of which bonuses, etc.)	(–)	(–)	(–)	(–)
Social security expenses	–	–	–	–
(Of which pension expenses)	(–)	(–)	(–)	(–)
<b>Subsidiaries</b>				
Salaries and other remuneration	–1,657	–4,698	–1,373	–2,287
(Of which bonuses, etc.)	(–)	(–)	(–)	(–)
Social security expenses	–744	–2,338	–552	–933
(Of which pension expenses)	(–158)	(–666)	(–91)	(–146)

The Parent Company does not have any employees. Of the Group's pension expenses, SEK –158 thousand (–91) refer to the Group's Board of Directors, President and Vice President.

## Note 5 Depreciation, amortization and impairment of property, plant and equipment and intangible assets

	Group		Parent Company	
	2014	2013	2014	2013
<b>Depreciation and amortization for the year according to plan</b>				
Goodwill	–1,200	–1,200	–	–
Other intangible assets	–93	–78	–	–
Machinery and equipment	–106	–58	–	–
<b>Total depreciation and amortization</b>	<b>–1,399</b>	<b>–1,336</b>	<b>–</b>	<b>–</b>

## Note 6 Profit/loss from participations in associated companies

	Group		Parent Company	
	2014	2013	2014	2013
Share in profits from associated companies	–1,152	–	–	–
<b>Total</b>	<b>–1,152</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Note 7 Operating profit/loss

Operating profit increased to SEK 47.3 million (23.7) and the operating margin improved to 33.7 percent (16.5). Gains from property sales amounted to SEK 58.2 million (32.9) and are related to Kungsängens-Tibble 20:2 and Kungsängens-Tibble 19:1 in Kungsängen and Publiken 1 in Norrköping, among other projects.

## Note 8 Interest income and similar profit/loss items

	Group		Parent Company	
	2014	2013	2014	2013
Interest income - Group	–	–	12,174	–
Interest income - external	3,412	3,062	446	1,464
<b>Total</b>	<b>3,412</b>	<b>3,062</b>	<b>12,620</b>	<b>1,464</b>

## Note 9 Interest expenses and similar profit/loss items

	Group		Parent Company	
	2014	2013	2014	2013
Interest expenses - external	-19,083	-6,262	-13,157	-1,846
Other financial expenses	-1,857	-	-1,632	-
<b>Total</b>	<b>-20,940</b>	<b>-6,262</b>	<b>-14,789</b>	<b>-1,846</b>

## Note 10 Tax on profit/loss for the year

	Group		Parent Company	
	2014	2013	2014	2013
Current tax	-439	-	-	-
Deferred tax for temporary differences	-169	8	-	-
<b>Total reported tax expense</b>	<b>-608</b>	<b>8</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of effective tax</b>				
Reported profit/loss before tax	29,804	20,510	-2,650	-628
Tax in accordance with applicable Swedish tax rates	-6,557	-4,512	583	165
Effect of non-deductible amortization of goodwill	-264	-	-	-
Effect of other non-deductible expenses	-674	-1,163	-4	-5
Effect of non-taxable income	12,809	10,228	-	-
Increase in loss carry-forward without corresponding capitalization of deferred tax	-5,669	-4,545	-579	-160
Other	-254	-	-	-
<b>Reported effective tax</b>	<b>-608</b>	<b>8</b>	<b>-</b>	<b>-</b>

## Note 11 Goodwill

	Group		Parent Company	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Opening cost	12,000	12,000	-	-
<b>Closing accumulated cost</b>	<b>12,000</b>	<b>12,000</b>	<b>-</b>	<b>-</b>
Opening depreciation and amortization	-4,854	-3,654	-	-
Depreciation and amortization for the year according to plan	-1,200	-1,200	-	-
<b>Closing accumulated depreciation and amortization</b>	<b>-6,054</b>	<b>-4,854</b>	<b>-</b>	<b>-</b>
<b>Closing residual value according to plan</b>	<b>5,946</b>	<b>7,146</b>	<b>-</b>	<b>-</b>

## Note 12 Other intangible assets

	Group		Parent Company	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Opening cost	392	-	-	-
Purchases	8,083	58	-	-
Reclassifications during the year	-	334	-	-
<b>Closing accumulated cost</b>	<b>8,475</b>	<b>392</b>	<b>-</b>	<b>-</b>
Opening depreciation and amortization	-78	-	-	-
Depreciation and amortization for the year according to plan	-93	-78	-	-
<b>Closing accumulated depreciation and amortization according to plan</b>	<b>-171</b>	<b>-78</b>	<b>-</b>	<b>-</b>
<b>Closing residual value according to plan</b>	<b>8,304</b>	<b>314</b>	<b>-</b>	<b>-</b>

## Note 13 Equipment, tools, fixtures and fittings

	Group		Parent Company	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Opening cost	306	593	–	–
Purchases	88	19	–	–
Reclassifications during the year	–	–306	–	–
<b>Closing accumulated cost</b>	<b>394</b>	<b>306</b>	<b>–</b>	<b>–</b>
Opening accumulated depreciation, amortization and impairment	–89	–32	–	–
Reclassifications during the year	–	–	–	–
Depreciation and amortization for the year according to plan	–106	–57	–	–
<b>Closing accumulated depreciation, amortization and impairment</b>	<b>–195</b>	<b>–89</b>	<b>–</b>	<b>–</b>
<b>Closing residual value</b>	<b>199</b>	<b>217</b>	<b>–</b>	<b>–</b>

## Note 14 Participations in Group companies

	Parent Company	
	12/31/2014	12/31/2013
Opening cost	88,822	88,822
<b>Closing carrying amount</b>	<b>88,822</b>	<b>88,822</b>

### Parent Company's holding of shares in Group companies at 12/31/2014

Company name	CIN	Domicile	Number of shares	Share of capital, %	Equity	Profit/loss 2014	Carrying amount
Norefjell i Oslo Invest AB	556749-2923	Stockholm	319,567	100%	29,134	–19	14,385
Magnolia Utveckling AB	556776-1464	Stockholm	708,930	100%	26,945	–12,793	74,437
<b>Total</b>							<b>88,822</b>

## Note 15 Participations in associated companies

	Group		Parent Company	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
At beginning of year	4,525	500	1,450	450
Write-up	39,000	–	–	–
Investments for the year	409	4,025	400	1,000
Impairments	–2,950	–	–	–
Share of profits in associated companies for the year	–1,152	–	–	–
<b>Total carrying amount in the Group</b>	<b>39,832</b>	<b>4,525</b>	<b>1,850</b>	<b>1,450</b>

Associated companies	Share, %	CIN	Domicile	12/31/2014	12/31/2013
<b>Parent Company holdings</b>					
Svenska Husgruppen Intressenter AB	45%	556871-5717	Stockholm	1,850	1,450
				<b>1,850</b>	<b>1,450</b>
<b>Group holdings</b>					
Svenska Husgruppen Intressenter AB	45%	556871-5717	Stockholm	1,639	1,450
Söderblick Utveckling AB	50%	556849-9445	Stockholm	25	25
Söderblick Produktion AB	50%	556849-9452	Stockholm	25	2,975
Magnolia Senap AB	50%	556887-5925	Stockholm	25	25
Moutarde Holding AB	50%	556910-7856	Stockholm	38,118	50
<b>Total</b>				<b>39,832</b>	<b>4,525</b>

## Note 16 Deferred tax assets and deferred tax liabilities

Group 12/31/2014	Deferred tax asset	Deferred tax liability	Net
<b>Deferred tax assets/liabilities (net) are attributable to the following items</b>			
Tax allocation reserves	–	–169	–169
<b>Total</b>	<b>–</b>	<b>–169</b>	<b>–169</b>

Total loss carry-forward without corresponding capitalization of deferred tax, see Note 10.

## Note 17 Other securities held as non-current assets

	Share, %	Group 12/31/2014	Group 12/31/2013	Parent Company 12/31/2014	Parent Company 12/31/2013
At beginning of year		30,614	31,114	–	–
Deductible assets		–	–500	–	–
<b>Total</b>		<b>30,614</b>	<b>30,614</b>	<b>–</b>	<b>–</b>

### Specification of securities

Norefjell Prosjektutvikling AS	15.93%	30,614	30,614	–	–
<b>Total</b>		<b>30,614</b>	<b>30,614</b>	<b>–</b>	<b>–</b>

## Note 18 Other long-term receivables

	Group 12/31/2014	Group 12/31/2013	Parent Company 12/31/2014	Parent Company 12/31/2013
Loan receivable	14,150	14,950	–	–
Other	959	–	–	–
<b>Total</b>	<b>15,109</b>	<b>14,950</b>	<b>–</b>	<b>–</b>

## Note 19 Development and project properties

	Group 12/31/2014	Group 12/31/2013	Parent Company 12/31/2014	Parent Company 12/31/2013
Opening amount	209,608	19,580	–	–
Purchases and ongoing construction	291,236	75,725	3,823	–
Sales	–76,613	–10,510	–	–
Reclassifications during the year	–	124,813	–	–
<b>Total</b>	<b>424,231</b>	<b>209,608</b>	<b>3,823</b>	<b>–</b>

In 2013 a reclassification was made at the Group level from buildings and land to development and project properties.

## Note 20 Other receivables

	Group 12/31/2014	Group 12/31/2013	Parent Company 12/31/2014	Parent Company 12/31/2013
Receivable property sales	126,706	–	–	–
Other items	60,246	3,714	1	272
<b>Total</b>	<b>186,952</b>	<b>3,714</b>	<b>1</b>	<b>272</b>

## Note 21 Prepaid expenses and accrued income

	Group		Parent Company	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Prepaid insurance policies	–	1	–	–
Prepaid interest expenses	74	47	74	47
Other items	443	284	–	–
<b>Total</b>	<b>517</b>	<b>332</b>	<b>74</b>	<b>47</b>

## Note 22 Change in equity

Group	Share capital	Equity method reserve	Other equity	Net profit/loss for the year
Amount at beginning of the year	125,156	–	44,389	20,518
Profit/loss for the year carried forward			20,518	–20,518
Write-up		39,000		
Shareholders' contributions			164 <sup>1)</sup>	–
Dividends			–5,006	–
Change in equity method reserve		–932	932	
Net profit/loss for the year				29,196
<b>Amount at end of the year</b>	<b>125,156</b>	<b>38,068</b>	<b>60,997</b>	<b>29,196</b>

Parent Company	Share capital	Profit/loss carried forward	Net profit/loss for the year
Amount at beginning of the year	125,156	16,247	–628
Shareholders' contributions		111 <sup>1)</sup>	
Appropriation of profit/loss as per resolution by the AGM		–628	628
Dividends		–5,006	–
Net profit/loss for the year			–2,650
<b>Amount at end of the year</b>	<b>125,156</b>	<b>10,724</b>	<b>–2,650</b>

<sup>1)</sup> Warrants

## Note 23 Long-term interest-bearing liabilities

	Group		Parent Company	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
<b>Liabilities that fall due for payment between one and five years</b>				
Bank loans	268,353	118,434	–	–
Bond loans	226,000	25,000	220,034	23,324
<b>Total</b>	<b>494,353</b>	<b>143,434</b>	<b>220,034</b>	<b>23,324</b>
<b>Liabilities that fall due for payment in more than five years</b>				
Bank loans	–	2,696	–	–
<b>Total</b>	<b>–</b>	<b>2,696</b>	<b>–</b>	<b>–</b>
<b>Total long-term interest-bearing liabilities</b>	<b>494,353</b>	<b>146,130</b>	<b>220,034</b>	<b>23,324</b>

## Note 24 Accrued expenses and deferred income

	Group		Parent Company	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Accrued personnel costs	982	–	–	–
Accrued interest expenses	361	–	–	–
Deferred income	5,223	–	–	–
Other items	4,180	3,747	100	144
<b>Total</b>	<b>10,746</b>	<b>3,747</b>	<b>100</b>	<b>144</b>

## Note 25 Pledged collateral

	Group		Parent Company	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Real estate mortgages	258,990	141,890	–	–
Participations in Group companies	56,000	–	–	–
<b>Total</b>	<b>314,990</b>	<b>141,890</b>	<b>–</b>	<b>–</b>

Stockholm, March 27, 2015

Fredrik Holmström      Erik Paulsson  
*Chairman*

Fredrik Tibell      Fredrik Lidjan  
*President*



# Auditor's Report

To the Annual General Meeting of  
Magnolia Bostad AB, CIN 556797-  
7078

## **Report on the annual report and consolidated financial statements**

We audited the annual report and the consolidated financial statements for Magnolia Bostad AB for the 2014 financial year. The annual report and consolidated financial statements of the Company are included in the printed version of this document on pages 4–22.

### *Responsibilities of the Board of Directors and the President for the annual report and consolidated financial statements*

The Board of Directors and President are responsible for the preparation of an annual report and consolidated financial statements that provide a fair and true view in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of an annual report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the annual report and consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual report and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report and consolidated financial statements. The auditor selects the procedures that are conducted, including an assessment of the risks of material misstatement in the annual report and consolidated financial statements, whether due to fraud or error. When making such risk assessments, the auditor takes into consideration the parts of the internal control that are relevant

for how the company prepares the annual report and consolidated financial statements in order to provide a true and fair view with the aim of designing audit procedures that are appropriate given the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as an evaluation the overall presentation of the annual report and consolidated financial statements.

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

### *Opinions*

In our opinion, the annual report and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and provide, in all material respects, a true and fair view of the Parent Company's and the Group's financial position as at 31 December 2014 and of its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The Directors' Report is consistent with the other parts of the annual report and consolidated financial statements.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the Parent Company and Group.

### *Other disclosures*

The annual report for the 2013 financial year was audited by a different auditor, who has submitted an Auditor's Report dated April 4, 2014 with unmodified opinions in the Report on the annual report.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual report and the consolidated financial statements, we also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Magnolia Bostad AB for 2014.

### *Responsibilities of the Board of Directors and the President*

The Board of Directors is responsible for the proposed appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration in accordance with the Swedish Companies Act.

### *Auditor's responsibility*

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the appropriations of the company's profit or loss proposed by the Board of Directors, 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 Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual report and consolidated financial statements, we examined significant decisions, procedures and circumstances of the company in order to be able to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has acted in any other way in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association

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

### *Opinions*

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 27, 2015  
Ernst & Young AB  
Ingemar Rindstig  
Authorized Public Accountant

# Corporate governance

Magnolia Bostad complies with the rules laid down by laws and other regulations as well as selected areas of the Swedish Corporate Governance Code that are assessed to be of use for the Company's governance and development.

Magnolia Bostad is being built both organizationally and financially for growth over the next few years. As a result, the bar is also set high in terms of procedures for internal governance and control, which in addition to the ongoing reporting also includes procedures and policies for investment and production decisions as well as project implementation. It is the belief of the Board of Directors that these procedures for the Company's governance are an important foundation for future growth in share value.

## Articles of Association

According to the Articles of Association, the Company's legal name is Magnolia Bostad AB and it is a private company domiciled in Stockholm. The Company shall own and manage land and construction and engineering projects as well as any related operations.

## Internal control

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

## 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 decisions are made regarding, for example, dividends, discharge of liability for the Board of Directors, appointment of the auditor, remuneration to 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.

Notification of the Annual General Meeting takes place no earlier than six weeks and no later than four weeks prior to the Meeting. Notification is sent by mail. The 2014 Annual General Meeting was held on May 7. Ten shareholders were represented at the Meeting, corresponding to 87 percent of the votes. In addition to deciding on the income statement and balance sheet for the 2013 financial year, one of the decisions that was made was about the dividend.

The 2015 Annual General Meeting will be held on April 22.

## Nomination Committee

Magnolia Bostad does not have a Nomination Committee. The proposal for the new Board of Directors is presented by the primary owner following discussions with the larger shareholders. In accordance with the Articles of Association, the Board of Directors shall consist of one to five members. The members of the Board of Directors are elected by the Annual General Meeting for a mandate period extending to the next Annual General Meeting. At the 2014 Annual General Meeting, three members were elected. One of these three is independent in relation to the owners.

## Work of the Board

The work of the Board of Directors focuses on strategic issues such as business focus, the market, finance, purchases and sales and internal control and risk management. HR issues and decisions regarding the start of construction on projects are made by the executive management within established guidelines following reconciliation with the Chairman of the Board of Directors. During the 2014 financial year, the Board held seven meetings.

The most important documents for the Board of Directors are the

Articles of Association, the Board's formal work plan, the instructions for the President and the guidelines for financial reporting and the budgeting process.

The Board of Directors does not use any committees.

## Risk management

Magnolia Bostad's risks are divided into three main areas: external risks, operational risks and financial risks. External risks are attributable to changes in the Company's external environment, and operational risks are primarily related to the project portfolio and organizational development. Financial risks are primarily interest rate risk and financing risk. Magnolia Bostad has established a business model as well as a control system, procedures and processes to limit all of the Company's risks and safeguard the power to act when needed.

## Information

The Company issues interim reports on a quarterly basis that outline significant events and financial performance as well as an annual report prior to the Annual General Meeting. The information in these reports shall primarily refer to the consolidated financial statements.

## Governance and follow-up

Internal financial follow-up of results is conducted at the project, company and group level. Follow-up is based on the budget and the previous year.

## Dividend policy

In its dividend proposal, the Board of Directors shall take into consideration the fact that the Company's shares are not admitted to trading and consequently which direct return is considered to be appropriate. However, the proposal shall also take into consideration that the Company is currently in a growth phase and the payment of any dividends may not obstruct the overall goal of optimizing the total return for the shareholders.

# Share and shareholders

## The largest shareholders

Owners	Number of shares	Percentage of capital/votes
F. Holmström Fastigheter AB	24,415,731	78.03%
Terraviva Fastigheter AB	1,900,000	6.07%
Pakta Förvaltning AB	1,564,447	5.00%
Martin Dahlin	938,668	3.00%
Terraviva KB	626,065	2.00%
Other 16 shareholders	1,844,031	5.89%
<b>Total</b>	<b>31,288,942</b>	<b>100.0%</b>

Magnolia Bostad has share capital of SEK 125,155,768 divided into 31,288,942 shares with a quota value of SEK 4 with equal voting rights. At the Annual General Meeting every shareholder entitled to vote may vote for the full number of shares owned and represented by him or her without limit to the voting rights. The share is not traded on an active market.

### Ownership

As at October 31, 2014 there were 21 shareholders. Five owners hold shares exceeding two percentage points and together represent 94.1 percent of the capital and votes.

### Warrants

Magnolia Bostad has issued two warrant programs where every warrant entitles the holder to subscribe to one new share. The warrants were subscribed by key personnel at market terms. Warrants 1 2011/15 was issued in May 2011 and includes 800,000 warrants with a term extending to December 2015 at a strike price of SEK 6.20. Warrants 2 2013/18 was issued in April 2013 and includes 1,200,000 warrants with a term extending to April 2018 at a strike price of SEK 9.80. In the event that all issued warrants are exercised, Magnolia Bostad will receive SEK 16,720,000. The dilution will be 6.0 percent.

## Change in share capital

Date	Transaction	Increase in share capital	Total share capital	Total number of shares	Quota value
December 2009	Registration	100,000	100,000	1,000	100
November 2010	Split	0	100,000	25,000	4
December 2010	Non-cash acquisitions	19,592,736	19,692,736	4,923,184	4
December 2010	Non-cash acquisitions	59,550,120	79,242,856	19,810,714	4
December 2010	Non-cash acquisitions	11,507,652	90,750,508	22,687,627	4
December 2010	New share issue	16,000,000	106,750,508	26,687,627	4
April 2012	New share issue	18,405,260	125,155,768	31,288,942	4

# Board of Directors



**Fredrik Holmström**

*Chairman of the Board*

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



**Erik Paulsson**

*Member*

Born in 1942. Member since 2010. Chairman of the Board of Backahill AB, Fabega AB, SkiStar AB and Wihlborgs Fastigheter AB. Board member of Catena AB.



**Fredrik Tibell**

*Member*

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



**Andreas Rutili**

*Elected as a member by the 2015 AGM*

Born in 1975. Founder and President of Magnolia Bostad 2009–2015. Previously CEO of Vitoshia Capital AB, a property development company with a focus on new production of residential units in Eastern Europe. Also has a background as the CEO of the food company, Bones-to AB. Bachelor in Business and Administration from Stockholm University.



**Risto Silander**

*Elected as a member by the 2015 AGM*

Born in 1957. Previously CEO of Alfred Berg Group. Prior to this senior management positions at Svenska Handelsbanken, Goldman Sachs and UBS. Currently a Board member of Varenne AB, Stronghold Invest AB, Niam AB, Brevan Howard Funds, DW Funds, Endeavour Pembroke Funds, E. Öhman Jr. AB, Trygg Stiftelsen and Gamla Livförsäkringsaktiebolaget SEB Trygg Liv AB. MSc (Business and Economics) from Stockholm School of Economics.

# Executive Management



**Fredrik Lidjan**  
*President*

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



**Erik Rune**  
*VP/CFO*

Born in 1973. Employed since 2015. Previously CFO in the Nordic region for CBRE Global Investors. Also has a background as CEO of the Nordic operations for London & Regional Properties. He also previously worked with real estate financing at Eurohypo and SEB as well as real estate advisory at SEB Enskilda. MSc (Economics) from Stockholm School of Economics.



**Rickard Langerfors**  
*VP/Project Manager*

Born in 1972. Employed since 2011. Previously project director 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. Previously project manager at HSB with responsibility for Hammarby sjöstad and other areas. MSc (Engineering) from KTH Royal Institute of Technology.



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

Born in 1973. Employed since 2014. Background as PR and marketing manager for Ettelva Arkitekter, the single-family home developer Arkitekthus, and others. Extensive experience in concept development, communications and branding in the housing industry, including from JM AB. IHM Diploma in Business Administration from IHM Business School and a degree in information from Mälardalen University.

## 2015 reporting dates

### Annual General Meeting

The Annual General Meeting for Magnolia Bostad will be held on April 22, 2015, at 10:00 AM at the Company's premises, Grev Turegatan 11 A in Stockholm. Shareholders who wish to participate at the Meeting must be entered in the register of shareholders by April 22 and must send notification to the Company by 4 p.m. on Friday, April 17, 2015, to  
Magnolia Bostad AB  
Box 5853, 102 40 Stockholm,  
or by email:  
info@magnoliabostad.se

### Financial calendar

- Annual General Meeting: April 22
- Interim report January-March: May 11
- Interim report January-June: August 17
- Interim report January-September: November 9
- Year-end report January-December: February 26, 2016

## Definitions

### Return on equity

Profit after financial items as a percentage of average equity

### Return on capital employed

Profit after financial items including interest expenses as a percentage of average capital employed

### Return on total equity

Profit after financial items including interest expenses as a percentage of average total assets

### Earnings per share

Profit for the year divided by the average number of outstanding diluted shares

### Interest coverage ratio

Profit after financial items including interest expenses divided by interest rate expenses

### Operating margin

Operating profit as a percentage of net sales

### Equity/assets ratio

Equity as a percentage of total assets

### Capital employed

Total assets minus non-interest-bearing liabilities

### Total area

Total area is the sum of the residential area and the non-residential floor area of the premises

### Profit margin

Profit after financial items as a percentage of total income

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