

MAGNOLIA

**Magnolia Bostad
Annual Report
2015**

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This is Magnolia Bostad

Magnolia Bostad develops new residential properties, including rental apartments, tenant-owned apartments and hotels, in attractive locations in Sweden's growth areas and regional cities.

We create modern homes and residential environments utilizing smart functions, appealing architecture and attractive forms.

We put the home in focus – well thought-out and efficient on the inside, so people are happy where they are and can afford to live there. An appealing exterior, modern architecture and well executed projects create an attractive offer-

ing for Sweden's municipalities and our investors. Our buildings should be standing for many generations.

Our work is based on a holistic approach where the operations are conducted in a manner that promotes long-term, sustainable urban development.

Magnolia Bostad is listed on Nasdaq First North.

Business concept

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

Financial targets

- Return on equity shall amount to at least 30 percent on average during the period 2015–2017 and thereafter approximately 20 percent
- Equity/assets ratio: at least 30 percent.

Number of apartments in the project portfolio

6,978

New projects in 2015

18

Lund, Norrtälje, Örebro, Knivsta, Nacka, Uppsala, Bålsta, Göteborg, Malmö, Arlöv, four in Helsingborg, two in Karlstad and two in Sigtuna.

Land allocations won in 2015

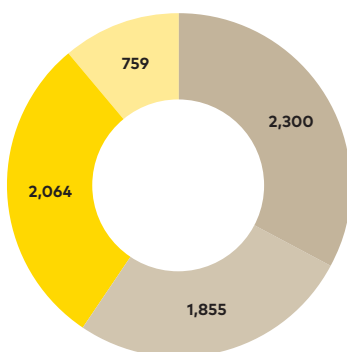
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Projects in Bålsta, Gothenburg, Norrtälje, Örebro and two in Helsingborg.

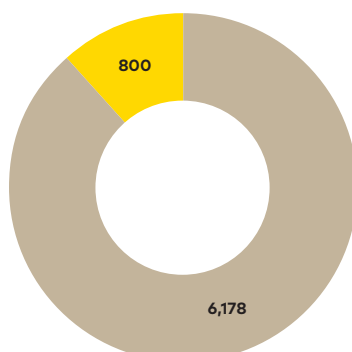
Sold projects in 2015

8

Projects in Karlstad, Malmö, Sigtuna, Sollentuna, Stockholm, Uppsala and two in Helsingborg.

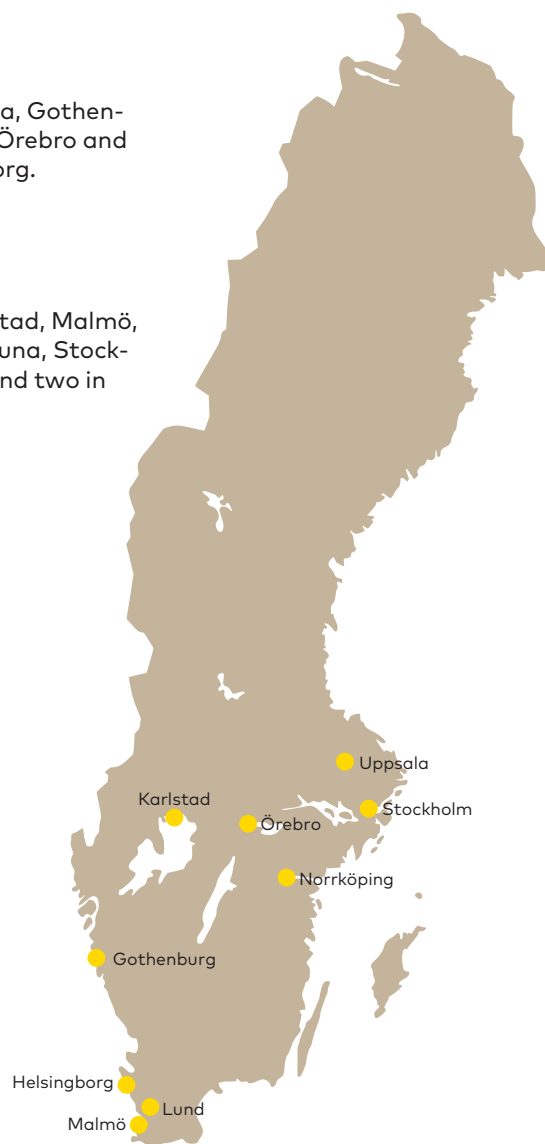


● Greater Stockholm
● Uppsala
● The Öresund region and Gothenburg
● Central Sweden



● Rental
● Tenant-owned

All information as at December 31, 2015.
Properties being sold are excluded from the diagrams (see page 39).



Magnolia Bostad in brief

- Develop rental apartments, tenant-owned apartments and hotels in Swedish growth areas
- Develop housing based on the needs of our customers and target groups. For example, rental apartments can be developed

keeping typical tenants in mind, as sheltered housing or as student apartments.

- Create conditions for service offerings in close proximity to the housing we develop.
- Constantly challenge both our-

selves and the conventions in Swedish housing construction in order to find new, efficient solutions and varied architecture.

- Work efficiently and quickly and do everything in our power to live up to our own high quality standards.

A good year for Magnolia Bostad

The past year was characterized by rapid, profitable growth – the Company's project portfolio expanded sharply during the year. It currently consists of around 7,000 apartments spread across 32 projects. Approximately 1,600 of these apartments were sold to Swedish institutions in 2015 and the rest are expected to be sold relatively evenly across the next three years.

The Company is reporting an operating profit of SEK 357.1 million (47.3) for the year. Profit after tax amounted to SEK 306.7 million (29.2).

A strong platform

The Company is focusing on Sweden's growth regions, and the Greater Stockholm region and Uppsala are the largest sub-markets. In 2015 we strengthened our positions in South and Central Sweden with new projects in Karlstad, Örebro, Malmö, Arlöv and Helsingborg, to name a few. In Helsingborg we are currently the municipality's largest developer of rental apartments.

Magnolia Bostad, with its strong reputation, close cooperation with several of Sweden's most well-known institutions and well executed projects in particular, has been welcomed by the country's municipalities. The results of this

are manifested in the six land allocation competitions the Company won during the year. We will treat this trust with the utmost respect. We are striving and working actively to expand and deepen our cooperation with Sweden's municipalities.

During the year, the Company completed five rental apartment deals with Swedish institutions – one in Uppsala with SEB's housing fund, Domestica II, one in Malmö with SPP Fastigheter, one in Karlstad with Slättö Förvaltning and two in Helsingborg with Alecta. We also signed in October a declaration of intent to sell six projects to Alecta over the next two years encompassing a total of more than 2,000 rental apartments.

We believe that there is strong potential to expand Magnolia Bostad's offer to include hotels, se-



Magnolia Bostad's CEO
Fredrik Lidjan.

nior housing and student housing. These segments are characterized by strong demand and offer good possibilities for profitability, and, much like our rental apartment projects, they do not tie up a lot of capital.

High pressure on the housing market

Sweden's municipalities are very aware of the seriousness of the growing shortage of housing and the activity on the Swedish housing market is higher than it has been for many years. This naturally benefits housing developers like Magnolia Bostad, but it also introduces challenges for the market as a whole.

There are, for example, a number of factors that are indicating that construction costs will rise – primarily due to the increasing consumption of resources. There

is also a shortage of resources within the municipalities, which could result in longer processing times with regard to local planning. This makes it extremely important for us to continue to work with a long-term focus and protect the solid relationships we have with our partners.

Listing on Nasdaq First North

On June 9, 2015, I had the honor of, together with Magnolia Bostad's founders, Fredrik Holmström and Andras Rutili, ringing the bell that marks the start of the trading day at Nasdaq First North. We had successfully floated the Company's share on Nasdaq First North, and the Company had gained quite a few new shareholders.

As a company, we are well-equipped for future growth, with a healthy balance sheet, a competent organization and a well-stocked and

attractive project portfolio that has an appropriate balance of risks.

During the year we greatly strengthened our organization, both in Stockholm and in the regional office we established in Helsingborg in September. I would like to thank all of our colleagues at Magnolia Bostad for their work and commitment during the past year. I would also like to thank our new shareholders for entrusting me to lead the Company. I look forward to a very expansive and profitable 2016.

Fredrik Lidjan
CEO

2015 in brief

Q1

Magnolia Bostad strengthens its organization with twelve new colleagues.

Magnolia Bostad increases its ownership in Senapsfabriken through acquisition and a forward contract to 80.25 percent, and thus is entitled to 76.30 percent of the profit.

Fredrik Lidjan assumes the post of CEO, replacing Andreas Rutili.

Magnolia Bostad wins three land allocation competitions:

- Lundbyvassen in Frihamnen, Gothenburg: production of a hotel and 150 rental apartments.
- Bålsta Centrum in Håbo Municipality in the northern part of the Greater Stockholm region: production of around 200 residential units.
- Oceanhamnen in Helsingborg: production of 110 rental apartments.

Q2

Magnolia Bostad acquires two properties in Märsta, Sigtuna. The agreement covers 42 tenant-owned apartments in production next to Valsta Centrum and land next to the Märsta commuter train station, where the Company is planning to build 180 apartments.

Magnolia Bostad was allocated yet another block in Bålsta Centrum. In total, the project includes around 440 apartments, a grocery store and a transportation hub.

Risto Silander and Andreas Rutili are elected to the Board of Directors of Magnolia Bostad at the Annual General Meeting.

The Company wins a land competition in the new district in Örebro, Södra Ladugårdsängen, consisting of approximately 175 residential units in the first phase of the project. Construction is planned to start during the second half of 2016.

Magnolia Bostad enters into an agreement with Helsingborg Municipality for a land transfer regarding the Slagan 1 property. The Company signs an agreement at the same time with the occupational pension company, Alecta, for the sale of the 292 rental units that will be developed on the property.

Magnolia Bostad acquires land in Arlöv outside of Malmö. The Company also enters into a partnership to develop an area of land in downtown Lund. The projects are expected to result in around 250 new apartments in Arlöv and 330 new apartments in Lund. Both projects are conditional upon receiving approval for the local planning.

Magnolia Bostad's share is listed on Nasdaq First North. The price for the offer to acquire shares in the Company is set at SEK 38 per share, and trade commenced on June 9.

Q3

Magnolia Bostad acquires the Nacka Orminge 52:1 property (Hantverkshuset) from Carnifex AB.

Magnolia Bostad starts sales for the Valsta Torg project, which consists of 42 tenant-owned apartments next to Valsta Centrum in Sigtuna Municipality.

Magnolia Bostad acquires land in Kanikenäsholmen in southeast Karlstad, where the Company plans to build a total of 316 apartments. The Company also signs an agreement for the sale of around 216 of the apartments to Slättö Förvaltning. The apartments will be rental apartments.

Magnolia Bostad recruits Clas Hjorth to head its hotel development operations. The Company and Clas Hjorth also start a joint venture to develop hotels.

Magnolia Bostad employs seven people and increases its presence in southern Sweden with a local office in Helsingborg.

Q4

Magnolia Bostad enters into a declaration of intent with Alecta for the sale of more than 2,000 rental apartments spread across six projects over the next two years.

Magnolia Bostad's share was admitted for trading on Nasdaq First North's index, First North 25.

Magnolia Bostad enters into a land allocation agreement with Knivsta Municipality for 200 apartments in central Knivsta.

Magnolia Bostad wins land competitions in Helsingborg and Norrtälje. These competitions refer to an additional 292 rental apartments covering two blocks in Mariastaden, Helsingborg and around 200 apartments in the future Lommarstranden neighborhood in Norrtälje Municipality.

Magnolia Bostad starts sales for the Kanikenäsholmen project, which consists of 100 tenant-owned apartments in the Varvet block in Karlstad.

Magnolia Bostad acquires a building right for around 280 apartments in Limhamn in Malmö. The Company signs an agreement at the same time with SPP Fastigheter AB for the sale of all of the rental apartments that will be developed on the properties.

Magnolia Bostad acquires land in Nyby, Uppsala, where the Company plans to build around 395 apartments. The company also signs an agreement at the same time for the sale of 325 of these apartments to SEB's residential housing fund, Domestica II. The apartments will be rental apartments.

Magnolia Bostad signs a declaration of intent with a Swedish institution for the sale of around 450 rental apartments that will be built on part of the Uppsala Kungsängen 25:1 property.

Magnolia Bostad acquires land in downtown Helsingborg where the Company plans to build 327 rental apartments. The Company signs a contract at the same time for the sale of the apartments to Alecta.

Events after the close of the period

Magnolia Bostad terminates agreements regarding the Huvudkontoret project, which consists of 90 tenant-owned apartments in Uppsala, since it was prevented from starting work on the property by the seller, Bergsporten AB. Magnolia Bostad has made a provision of SEK 32.7 million for expense risks related to the termination.

Magnolia Bostad expands its organization in Stockholm and Helsingborg with the addition of seven people in the areas of project management, business development, marketing and finance.

Magnolia Bostad signs a cooperation agreement with Västerkulla Hotel. Under the agreement, Västerkulla Hotell Holding AB has the possibility to acquire the hotels that Magnolia Bostad develops.

Magnolia Bostad acquires the Antikvarien 1 and Arkeologen 1 properties in Mariastaden from Helsingborg Municipality. At the same time, it sells the 325 rental apartments that will be developed on these properties to SPP Fastigheter.

Magnolia Bostad and Helsingborg Municipality sign a declaration of intent to collaborate on the development of new rental apartments with reasonable rents.

Magnolia Bostad signs a land allocation agreement for 600 apartments in the Norra Kajen harbor area in Sundsvall.

The sales target for the Varvet block of the Kanikenäsholmen project in Karlstad was met.

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



We are setting our sights higher

2015 is the year we truly established ourselves as one of Sweden's largest housing developers. It is nice to receive this confirmation and it provides us with a solid base for our vision – to be the leading player in Swedish urban development.

Magnolia Bostad was founded in the wake of the financial crisis of 2008, which was a tough time to start a company since access to capital was very restricted, to say the least. At the same time, these very difficult conditions created our formula for success. Innovation, courage and a healthy dose of a "never give up" were an absolute requirement to move projects forward, at the same time as the risk needed to be close to zero. Today, these words guide us in our work, and we know that all of our projects should receive the same focus we had back then, even if we now are doing things on a bigger scale.

From the start we saw the possibilities for changing the way that housing is developed in Sweden. We had a vision of creating new homes and residential areas that would last for many generations, not only because they were environmentally and financially sustainable, but also through new business models and a greater focus on quality in the pre-construction phase.

Today we are considered to be a natural partner for many of Sweden's leading municipalities as well as several of its larger institutions, much thanks to the creativity we demonstrated and the results we achieved. For us, this is just the

beginning of a long, exciting journey to becoming the leading housing developer in Sweden. As a first step, our goal is to join the OMX Stockholm Mid Cap list next year, in order to increase transparency and liquidity in the share.

When I was young, I traveled a lot and loved to explore beautiful, hard-to-access places. Some of the experiences and lessons from back then have proven to be useful even today.

Always be prepared and pack well.
If you do not pack enough, you are able to move faster in the beginning, but you will seldom reach the final goal.

Today, we are well prepared financially, in terms of expertise and at the project level to be able to complete the journey we have undertaken.

Talk to those who have been there before.
It has proven itself to be a good idea to ask more experienced travelers for advice about what to avoid, so as not to make the same mistakes they did.

Both at the Board level and operationally we have brought together a group of talented, experienced

people who have held management positions or been part of some of Sweden's finest finance and construction companies from the ground up.

Meet the storm.
When the wind picks up, it is easy to stay inside and wait for better conditions for reaching the peak. Often, the storm seems worse from inside the tent than when you head out to meet it.

For us here at Magnolia Bostad, it is important to move forward every day, and it is when others were resting that we have made our greatest advances.

We are entering into 2016 with great confidence and optimism. Together with the fantastic collective of talented people that today comprise Magnolia Bostad, we will take the next step toward the top.



Fredrik Holmström
Chair of the Board of Directors

Strategy

Magnolia Bostad operates within the areas of rental apartments, tenant-owned apartments and hotels. By working with several different types of ownership, the Company is able to achieve a sound diversification of risk.

The distribution between rental apartments and tenant-owned apartments in the project portfolio varies over time based on demand, the economy and factors that are considered the most beneficial for the Company at any given time.

In order to achieve our goals within the framework of our business concept, the following strategic guidelines have been established:

- Forward funding is applied to rental apartment deals and hotels.
- Tenant-owned apartment projects are completed in one single stage, if possible.
- We strive to meet the requirements on environmental certification in all of our projects.
- Residential and hotel development are limited to growth areas with strong demographic conditions in the long term.
- Production is started when a

- certain level of demand has been achieved.
- In collaborations, Magnolia Bostad shall be the controlling partner and never take a minority position.
- Growth shall be combined with good profitability.
- The Company shall utilize its balance sheet effectively, primarily via high turnover throughout the entire project chain.
- We shall have long-term relationships with well-respected partners.



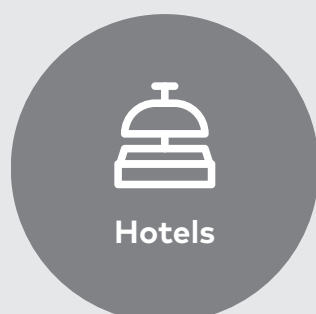
Rental apartment projects combine good profitability, low capital tie-up and low project risk with relatively limited utilization of internal resources. Magnolia Bostad has decided to make the development of

rental properties its primary focus. End customers in rental apartment projects are long-term institutional investors who acquire the properties early in the project.



Tenant-owned apartment projects have higher margins, but are more staff-intensive and place higher demands on financial resources during the course of the project. Magnolia Bostad strives to develop tenant-owned apartments as part of a larger project. Municipalities

often request that residential areas be developed to include a mix of types of ownership. By developing housing areas with a mix of types of ownership, we become an attractive partner for long-term collaborations.



Hotel projects are similar to rental apartment projects from a business perspective since the end customers are also institutional investors. New hotels are developed in areas demonstrating growth in the popu-

lation and commercial activity. The project must be centrally located or placed at a strategic transportation hub, for example at entry ramps by the highway or airports.



A business model focused on low risk

Magnolia Bostad's business model is based around securing cost coverage at an early stage in its projects. By working with two separate offers to two different customer categories, we combine good profitability with balanced risk-taking.

Magnolia Bostad develops apartments and works with different types of ownership, including rental and tenant-owned apartments and hotels.

The company works to eliminate risk by:

- Securing income to a large extent before taking on larger financial commitments.
- Setting production costs at an early stage.
- Running our projects with extensive purchaser competence.
- Creating conditions for growth by focusing on long-term goals. This applies to our relationship with both customers and contractors as well as our relationship with our own employees.

We offer apartments that our customers want. This applies to both form and function as well as today's environmental, energy and sustainability requirements.

We place considerable importance on only investing in attractive locations with good transportation alternatives in Swedish growth areas, where there is strong demand and good market potential

for new apartments, which means that there is less risk, even during economic downturns.

Purchaser competence and flexible organization

In order to ensure that our projects maintain a high level of quality, Magnolia Bostad steers and manages all of its projects internally. However, the company does not have its own building operations. Production is outsourced to contractors at a fixed price in the form of turnkey contracts. This allows for fewer resources, both financially and operationally, and the risk that production costs will rise is low. It also limits the warranty responsibility of the company. Our role is to be a professional purchaser and place the requisite demands on the construction company to ensure that the best results are achieved, both in terms of quality and the environment.

Different customer categories

The properties we develop as rental apartments or hotels are sold at an early stage to major Swedish institutions. Before production is started on the project, a final property owner shall have signed a binding purchase agreement with Magnolia Bostad, and this buyer thus financ-

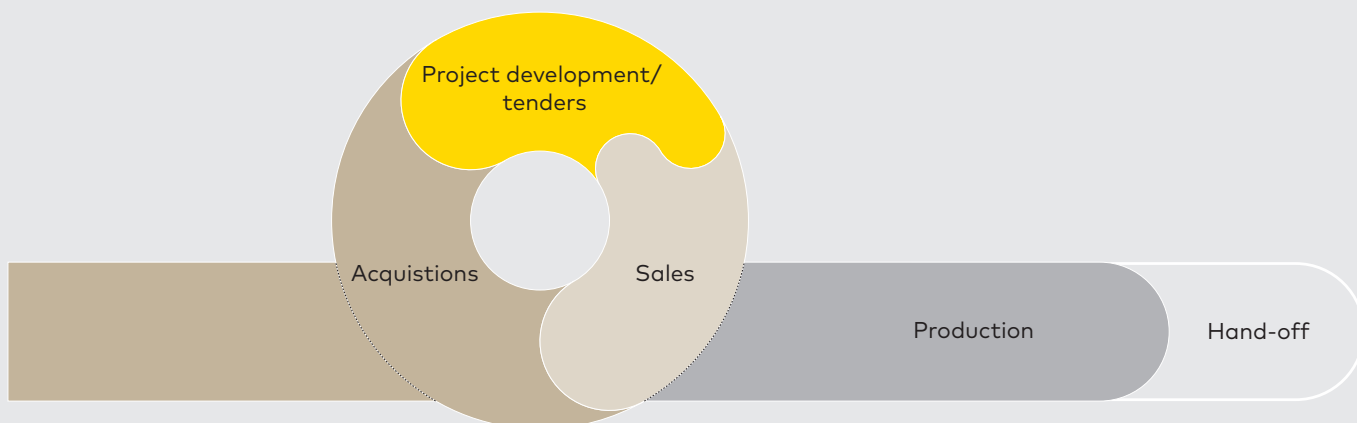
es the project on a continual basis during production through "forward funding".

This normally entails that Magnolia Bostad regains the capital it invested already at the point the buyer enters into the project, but Magnolia Bostad's profit is paid at project completion.

In our tenant-owned apartment projects we ultimately target private individuals. Our policy with regard to these types of projects is that there shall be binding agreements covering Magnolia Bostad's expenses before the project is begun.

In conjunction with signing the preliminary agreement, the tenant-owner pays a deposit of approximately SEK 50,000–100,000. Three to six months before occupancy, Magnolia Bostad receives ten percent of the final purchase price. The final payment is made upon occupancy.

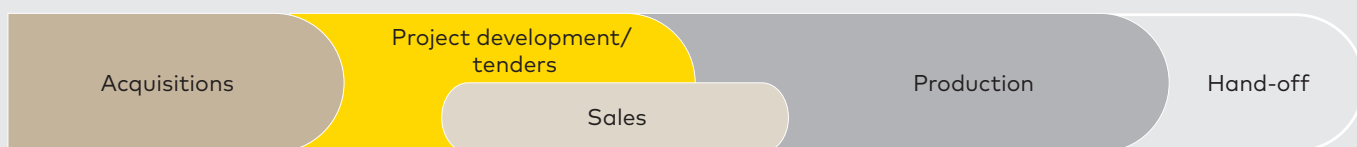
Selling apartments before customers have had an opportunity to see them requires a clear, efficient sales process. We therefore direct a significant amount of resources to marketing and sales.



Business model rental apartments/hotels

Acquisition of land, concept development and tendering of contractors are carried out to the greatest extent possible in consulta-

tion with the end investor. The project is funded during production by the investor and Magnolia Bostad's project margin is largely secured.



Business model tenant-owned apartments

Tenant-owned apartment projects follow a more traditional process, including the acquisition of land, concept development, sales, tendering and production. Before

construction begins, binding agreements covering the expenses for the project shall have been signed. These projects tie-up more capital, but also have higher profit margins.

Entry into force upon acquisition

Acquiring properties that can be developed into modern homes in appealing environments and markets with good demand is key for being able to conduct profitable housing development.

Magnolia Bostad has a competent organization that consists of staff members who work exclusively with the analysis and acquisition of new projects. When acquiring property, we analyze a project using fundamental assessments of demand, rent levels, housing prices, production costs, financing and risks. This analysis is conducted both in-house and in cooperation with external experts.

Using our extensive network of contractors, real estate companies, architects, credit institutions and

agents, we work actively and in a structured manner to find potential projects. By being well-prepared, and through our ability to make fast decisions, we can act quickly and thus secure new investment opportunities.

The strong relationships we have developed with the municipalities in the markets where we are active give us the opportunity to participate in land allocation competitions and other acquisition options that are being planned by the municipalities. As our production in growth regions increases, our position as a reliable actor on the market is strengthened. Therefore, the outlook is good that we will continue to work with the municipalities in the future.

Acquisitions

- Close contact with municipalities for land allocation.
- Ensure that all potential acquisitions are shown to Magnolia Bostad by maintaining a broad network of agents and other actors.
- Analysis of property ownership and outreach activities to find our own business opportunities.
- Quick follow-up of proposals from private individuals and real estate companies.

Product development early in the process

Work starts as early as in the acquisition phase to develop an attractive concept that suits the specific location and utilizes its potential to the greatest extent possible.

During local planning processes, we strive to extract as large of an implementable volume as possible without sacrificing quality. We also strive to make the local planning as flexible as possible in order to develop the best possible product.

By determining at an early stage how we want to design the project, we are able to be more accurate in our economic assessments. We work closely with our contractors to take advantage of their skills and develop cost-efficient solutions.

Space efficient, attractive accommodation

We shall offer in all of our projects well-planned, space-efficient hous-

ing without sacrificing functionality. This focus is given even closer attention in rental projects in order to be able to offer apartments at a reasonable monthly cost.

Magnolia Bostad's organization includes all of the skills that are required to develop modern homes. A Magnolia home shall be attractive, have a good layout and be adapted to the geographic conditions of its location as well as to the people who will live there. We work with leading architects and other suppliers to achieve an attractive architectural form and design and necessary functions. We place particular importance on the entrances, stairwells, halls, courtyards and other shared spaces.

Environmental and sustainability aspects are important in the project, and we always strive to meet the requirements for environmental

certification. We are very particular about our choice of material and suppliers in order to meet or exceed today's strict environmental, energy and sustainability requirements.

Project development/tenders

- Market and target group analysis.
- Preparation of flexible and efficient local planning.
- Concept development for each specific project.
- Development of space-efficient layouts.
- Tendering competitive turnkey contracts.

Focused sales activities

Customers must often decide to invest in a Magnolia project while it is still in the drawing phase. We therefore dedicate extensive resources to visualizing how the project will look when it is done in terms of shape, design, architecture and functions. A good overview of the project and the features and value of the apartment are important for keeping customers satisfied. Regardless of the type of ownership, Magnolia Bostad will manage and develop the project all the way through to completion.

Early sale of large projects

In order to decrease the need for funding and the risk in our rental and hotel projects, we sell the project before production begins. We work closely with long-term, institutional owners, that are not as sensitive to the economic cycle as many other buyers. This gives us continuity and the possibility to start discussions as early as in the planning phase about a final property value for the project, and it makes it possible for the investor to have a say in the design of the project.

Before projects are started, we thus ensure our project margins, which means that we obtain a good, risk-adjusted yield on our rental and hotel projects. Demand from institutions for major investments means that our rental projects often entail production of 200-400 apartments per project or hotels with at least 100 rooms. Hotel development preferably is concentrated to larger, central cities with at least 50,000 residents. The

city should also offer public services, such as a hospital, university, college or government offices. It is Magnolia Bostad's goal to implement one hotel project a year.

Cost coverage before starting tenant-owned apartment projects

The size of a tenant-owned apartment project is determined by how quickly the apartments can be sold on the local market, how much capital is tied up by the project and the project possibilities at the given point in time. We prefer to implement projects in a single phase of around 100 apartments.

In our tenant-owned apartment projects, we do not start construction until we have achieved cost coverage when the tenant-owner association has signed binding agreements with end customers for the sale of a certain number of apartments.

We always work with well-established agents. Magnolia Bostad has an appointed manager for each tenant-owned apartment project who is tasked with maintaining a high level of service with regard to the tenant-owner association and the end customers and ensuring a high level of delivery quality.

A carefully thought-out design concept is a major advantage for our customers. It means that the apartment, already in its standard form, will appeal to most customers, and they do not need to select more expensive add-ons. It also simplifies management for the company and minimizes the risk for error.

Sales

Rental apartment/hotel

- Create long-term relationships with strong institutions.

Tenant-owned apartments

- Sales material is produced.
- Agents are contacted.
- Customer relationships are managed.

Production with turnkey contracts

By working with well-established contractors, we strengthen the possibilities for achieving a high level of quality and delivery precision as well as lowering the risk in our projects.

We tender production in the form of turnkey contracts at a fixed price, which limits the risk that costs related to construction will rise, for example through change work and additional work that could arise during production.

Our project managers are very experienced in professional tenders

and verification of contractors. They work closely with the construction companies and regularly follow up on the production to ensure that we receive the right quality at the right price.

We have established a broad network of external consultants and suppliers who are very knowledgeable about our method of working. Together with the contractor, they help us in all parts of the pre-construction and general contracting processes and thus help us achieve the high level of quality we strive for in our projects.

Production

- Final planning of construction documentation.
- Building financing is secured.
- Contracting of turnkey contracts.
- Existing tenants move out.
- General contracting and ongoing inspections.

Smooth transition to end customer

Magnolia Bostad places considerable importance on the apartments being unencumbered by inspection comments at occupancy.

In rental apartment and hotel projects, Magnolia Bostad's end customer is the institution that has acquired the rental property. The end customer in tenant-owned apartment projects is the tenant-owner association and the private individuals who have purchased the apartments.

Common for all types of housing projects is that the handling of residual comments is a major point of irritation, which also entails significant costs.

The company's production process aims to identify any faults and deficiencies early in the process. Apartments should have a clean slate when the rental property is taken over by the end customer or the tenant-owner moves in. Magnolia Bostad appoints a customer coordinator in its tenant-owned apartment projects who assists the tenant-owner association and the end customer with the aim of identifying and rectifying faults at an early stage. In rental projects, the company's project manager ensures that the apartments meet the quality and standard that the parties have agreed upon.

Regardless of the type of the project, the company is available during the warranty period and takes responsibility if any questions or problems arise.

Hand-off

- Ensure apartments are fault-free.
- Management of occupancy and final payment.
- Hand-off.
- Training of property managers.
- Aftermarket.

First apartment

"It is definitely an advantage to live in a new, modern apartment where no other people have left their mark. My apartment has an open layout. It is very fresh and is on the ground floor with its own outdoor area facing the inner courtyard," says Matilda Rahm, 24, who moved into her apartment in Sollentuna at the end of November 2015.

Matilda was offered a contract for the apartment through the City of Stockholm's housing agency.

"There was not a lot of time to mull over the decision; there were a lot of people on the waiting list. I had been on the list for six years myself, so it was rather quick to get into the Greater Stockholm area. I decided almost on the spot and was really glad that I had gotten the opportunity. This was in the summer and it was still a building site. Getting an apartment in Sollentuna was fun since I grew up here. And the location is great, walking distance to public transportation and Sollentuna centrum," says Matilda. She has not lived with her parents for several years, but this is the first time she has held a lease for her own apartment.

The project is called Traversen 18 and was developed by Magnolia Bostad. It was acquired by Aberdeen Asset Management's housing fund in April 2014.

Matilda is studying Gender Studies at Södertörn University, which she reaches with the commuter train in 40 minutes. While studying she also works as a machine operator at a recycling facility.

Matilda dreams about having a larger apartment one day. She now has an attractive listing to swap.



Matilda Rahm moved into her own new rental apartment in Sollentuna at the end of November 2015. She lives together with her dog, Mix, a border collie mix from Ireland.

Fast, scalable organization

Magnolia Bostad has built up an organization and a Board of Directors that is characterized by many years of experience and extensive expertise in terms of property renovation and housing development.

The Company's organization currently consists of around 35 employees in Stockholm and Helsingborg. The organization was significantly strengthened during the past year, and the Company plans to continue to recruit more talent in 2016.

The organization is broken down into the following areas: Business Development, Marketing/Sales, Project Management and Finance.

Organization aimed at growth

In order to ensure maximum control over the Company's refining pro-

cess, the business's key functions are governed internally. The operations require thorough resource planning with good insight into how the Company will need resources over time in order to be able to guarantee a high level of delivery quality and minimize the risk for capacity deficiencies within the organization.

The Company's partner organization consists of individual specialists and suppliers within project management, sales, construction, financing, etc. The results are a cost-efficient, flexible organizational structure that can quickly be adapted to faster growth and new market conditions.

Attractive workplace

In order to be able to secure the long-term supply of necessary skills for the Company's key positions, Magnolia Bostad aims to offer one of the industry's most attractive workplaces. As a mid-size, rapidly expanding organization, with a sound company culture and a growing brand, the possibilities for becoming a long-term, attractive employer are strong.

At the end of 2015 and early in 2016, the tenants moved into Traversen 18 at Turebergs Allé in Sol-lentuna. Magnolia Bostad sold the 230 apartments to Aberdeen Residential Fund in 2014.



Values are our compass

Our values summarize our culture and our sources of inspiration. They also serve as a basis for how we treat our customers, suppliers, partners and stakeholders in general.

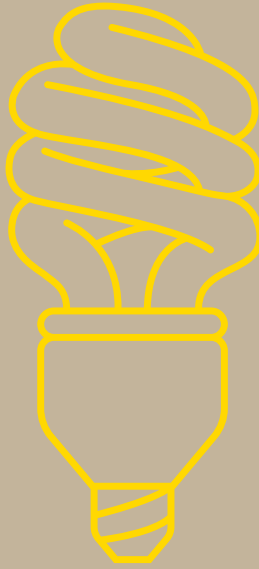
It is Magnolia Bostad's goal to generate strong growth and return for our shareholders. This shall be accomplished in a financially, environmentally and ethically sustainable manner.

Our values function as our moral compass. We are inspired by a desire to be focused but also to think outside the box.

The pillars upon which we are building "the Magnolia House" are: Innovation, Ambition and Awareness. In brief, this means that we have the desire to change and challenge traditional ways of thinking. We work in a focused, structured manner drawing on industrialized processes in order to optimize our productivity – order permeates everything from planning to occupancy. Our company spirit is characterized by transparency, happiness and dynamics.

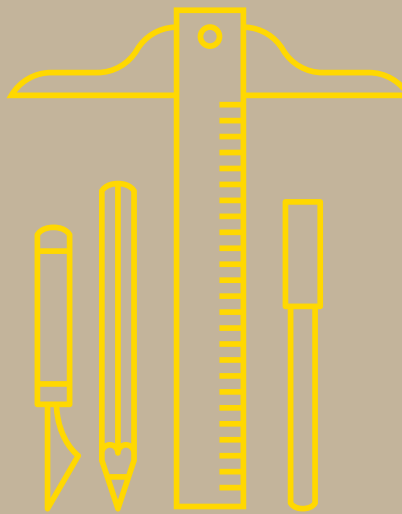
Innovation

We are driven by the possibility to break new ground. We have a deeply rooted belief in renewing and challenging traditions. To build for the needs of today and the future and embrace modern solutions for architecture, service and construction techniques. This requires curiosity and an ability to take initiative. We are energetic and highly mobile. We are a company that dares to dream big and makes decisions accordingly.



Ambition

We constantly strive to improve and innovate – all the time and in every nook and cranny of our operations. We do not do leave anything to chance; there is a thought behind every action. This requires order. We are taking strides forward, consistently and rapidly. Our culture is built around people who share an honest desire to listen to and understand the customer. It is with this ambition that we construct our buildings.



Awareness

We are part of the inclusive society, a sustainable society where we construct our buildings based on how contemporary society wants to live. We consider the environment to the greatest extent possible, because part of our ambition to build for the future is to take responsibility for coming generations.

We encourage, value and respect that people are different. Differences create dynamics, which generate new solutions, which means better housing. We show our suppliers, investors and other partners this same respect.



"No two days are exactly the same!"

"The most important reason I chose to start working at Magnolia Bostad was the opportunity to be close to the customer. From the very first phone call to handing over the keys at occupancy. Another reason was that Magnolia Bostad takes an approach that is new, different and forward-thinking." Anna Bjernevik began working as Customer Coordinator one year ago.

"Being able to work with people and get to understand their needs and desires is one of the greatest things I know. In this job, you have to be somewhat of a chameleon and understand that people are different. Some customers are very experienced in buying tenant-owned apartments – others may have never bought a home before. It is my job to make sure that our customers get answers to their questions and that they feel secure

from the very first time they contact us until they sign for the key to their new home. And even after moving in the customer needs to feel that we are there if any questions should arise."

Anna is a trained real estate agent with ten years of experience working with customers in the housing industry. She left her job at a municipal housing company in Stockholm just over one year ago to start her new job. She is pleased to have come to a new, forward-moving company, which thinks in every possible way but the normal way. Here, she follows the project – and the customer – from start to finish. Anna is already involved in the project meetings in the early stages to monitor the issues that are related to customers' wishes.

"Being able to hand over keys to new apartments in a project is a

very special experience. Customers who are satisfied with their new home at occupancy are a sign that we are doing the right thing."

Right now she is working to help customers with the design of the interiors in the M6 project on Södermalm in Stockholm, the Lumen project in Sollentuna and the Varvet block at Kanikenäsholmen in Karlstad.

"Today we have around 350 tenant-owners for whom I am responsible for giving the best possible service, so there is definitely a lot to do. But I get help from our designer and agent, so it works well," says Anna.

"I am able to be a part of and influence all of the processes and I am always meeting new people, so I never get tired of this job. No two days are exactly the same!"



Anna Bjernevik works as Customer Coordinator at Magnolia Bostad.

Good conditions for housing developers

Over the next ten-year period, 700,000 new homes will be required in Sweden since the population is expected to increase by one million people. In other words, housing developers are facing excellent conditions.

The Swedish economy improved in 2015 and Swedish households and companies are demonstrating increased optimism. The Stockholm Stock Exchange reached an all-time high in April 2015, but December was very volatile and the stock market closed the year at -1.2 percent.

A high level of migration and explosive housing construction combined with the Riksbank's strategy of continuing to lower the key interest rate and its repurchase of government bonds has kick-started Swedish growth. In 2015, unemployed decreased, inflationary pressures increased slightly and the Swedish krona strengthened during the second half of the year after a downturn during the first half. The Riksbank decided to lower the key interest rate an additional 15 points to -0.50 per cent at its meeting in February 2016.

Forecasts for the Swedish economy are positive for 2016-2017, even if uncertainty is relatively high. The primary drivers in 2016 will be continued high private and public consumption, housing investments and higher exports.

Strong demand in metropolitan areas

Sweden's population will continue to increase and during the period

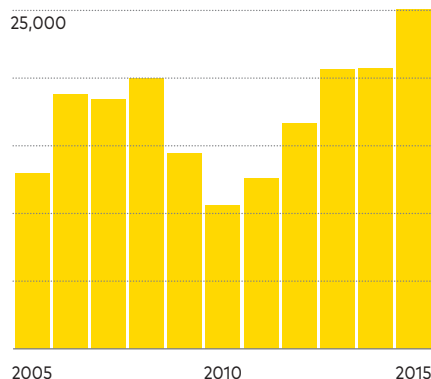
2016-2018 Statistics Sweden believes that population growth will reach record-high levels, 1.4 percent annually, much of which will come from immigration. According to Statistics Sweden's forecasts, Sweden will pass the ten-million mark already in 2016 and estimates that Sweden's population in 2025 will exceed 11 million, an average increase of more than 100,000 per year.

More than 53 percent of the population lives in one of the three major metropolitan areas: Stockholm, Gothenburg and Malmö. Urbanization is continuing, and by 2020 this number is expected to have increased to 55 percent. The Stockholm region is expected to increase sharply – by almost 500,000 people up to 2030.

Low share of housing investments

Housing construction in Sweden plummeted at the beginning of the 1990s and since then has been at much too low of a level and not adapted to the rate of population growth. There is therefore a pent-up need, and the population growth in the future is expected to be high. Despite an increase in building in recent years, too little is still being built to cover the need, primarily in the metropolitan areas. The National Board of Housing, Building

Completed apartments in apartment buildings, Sweden 2005-2015

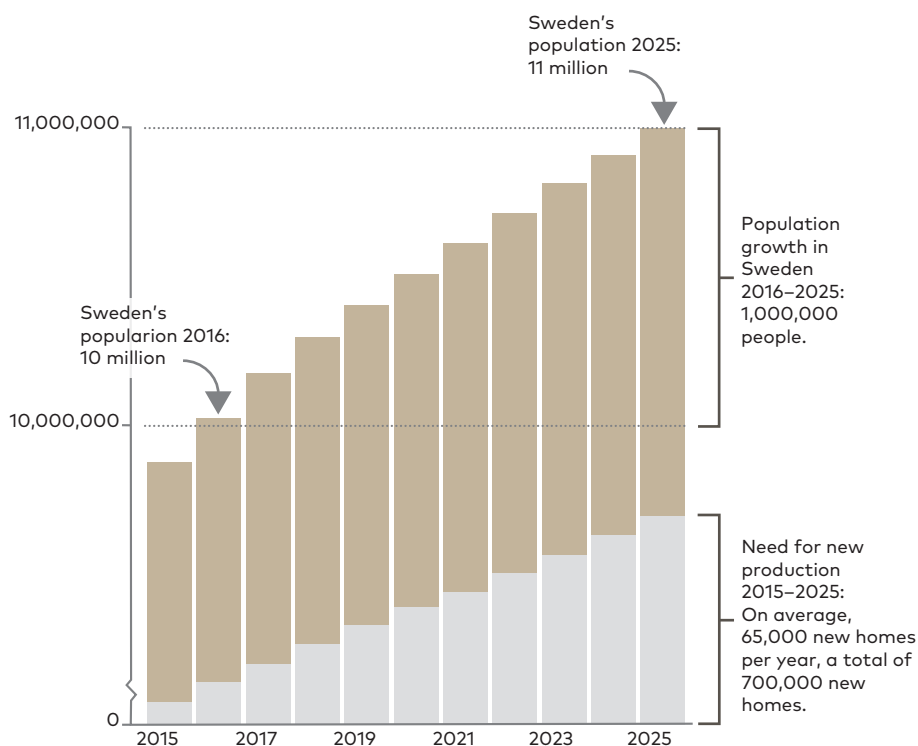


Source: Statistics Sweden

and Planning estimated in a report in 2015 that 700,000 new homes need to be built in Sweden by 2025.

Swedish housing investments as a share of GDP amount to around three percent, which is low in international comparison. In Denmark, for example, the housing investments are more than four percent of the GDP, and in Norway five percent. In Germany and France, housing investments amount to roughly six percent of the GDP.

According to Statistics Sweden, 34,150 homes were completed in Sweden in 2015, which can be compared to 29,164 in 2014. The number



According to Statistics Sweden, Sweden's population will pass ten million people in 2016. In 2025, the population will have increased by another million to eleven million people. The National Board of Housing, Building and Planning estimated in a report published in 2015 that 700,000 new homes need to be produced by 2025, i.e. 65,000 a year. In 2015, around 25,000 new apartments were completed in apartment buildings in Sweden, and during the period 2005–2014 on average around 16,500 apartments were completed per year in Sweden.

of completed apartments in apartment buildings increased in 2015 to 25,000, compared to 20,754 in 2014. (Data for 2015 is preliminary.)

In the Greater Stockholm area, production started on around 9,300 apartments in 2015, which was the same level as in 2014. According to the National Board of Housing, Building and Planning, production must be started on around 26,000 homes in the capital per year, which is significantly more than the barely 10,000 homes that were completed each year in recent years.

Rental market

According to IPD Svenskt Fastighetsindex, the total yield on housing in Sweden was 14.7 percent in 2015. This represents an increase in the value of real estate property in 2015 of 10.5 percent. The wider index, IPD Svenskt Bostadsindex, which also includes properties for 19 municipally owned housing companies, demonstrated a slightly lower increase in value of 7.0 percent.

The direct yield requirement for housing property with good locations has continuously declined since 2008, which indicates that the housing sector is considered to be a stable investment sector with low risk. The largest decrease in the direct yield requirement

was centrally in the metropolitan regions, where yield is also affected by the possibility to convert to tenant-owner associations and in general have lower rents with higher potential. For several new production projects for rental apartments, the rent is relatively close to an assessed market rent and is expected to increase in line with or just above inflation. The direct yield requirement for new production has also declined, but to less of an extent, and, depending on the location, is often between 4 and 5 percent, even in regional cities.

The direct yield requirement for centrally located residential properties in the best locations in Stockholm, Gothenburg and Malmö during 2015 is judged by Newsec to be 1.75 percent, 2.10 percent and 2.95 percent, respectively.

The direct yield requirement for centrally located residential properties in Uppsala, Norrköping, Helsingborg and Karlstad are higher than the municipalities, but are relatively low: 3.25 percent, 3.75 percent, 3.40 percent and 3.75 percent, respectively.

Tenant-owned apartment market

A low supply of housing and demand that has been stronger than expected meant that pres-

sure on the housing markets of the metropolitan areas continued to be high in 2015. The market reached record levels in terms of prices and recorded faster increases than ever before. However, during the fourth quarter prices leveled off.

Despite a lower rate of increase in prices at the end of 2015, the beginning of 2016 still appears to be positive. The reason for this is primarily positive growth in the households' financial assets, strong population growth and continued low interest rates.

Prices for tenant-owned apartments have demonstrated growth throughout the country as a whole in 2015, with an upswing of 16 percent in the country. All metropolitan areas showed a clear upward trend in prices. In the Greater Stockholm and Greater Gothenburg areas, prices rose by 18 percent, and in Greater Malmö area by 12 percent. In other regions, the development of tenant-owned apartment prices has varied. In both Helsingborg and Karlstad, there was a clear increase in prices, 12 percent and 14 percent, respectively, while in Uppsala and Norrköping prices stood still at 0 percent and 1 percent, respectively.





Housing that holds for generations

We are strongly focused on making our housing projects financially, socially and environmentally sustainable. The homes we are developing should not just be sustainable today, but for generations.

For us, environmental and sustainability issues are a natural part of our business. Taking a long-term approach to these issues is not just about our customers living in beautiful, healthy buildings – it is also about a fundamental condition for the Company's growth and profitability.

Every project has its special conditions for being developed into homes that our customers want. This permeates everything we do – from planning, acquisitions, pre-construction and sales to production.

Our goal is to always improve the process to minimize our projects' impact on the environment. We do not merely comply with the already strict requirements on environmental and sustainability measures that the Government, municipalities and authorities require today, but we also try to be a leader in guaranteeing sound, energy-efficient and sustainable projects.

Sound production and sound materials create a long lifetime

In all of our work with consultants, architects, contractors and other suppliers, we maintain a dialogue about the sustainability aspect of each individual project. We require that the contractors we hire must

be ISO certified or work with an equivalent structure in terms of quality, environment and the work environment.

By tendering our projects as turn-key contracts, the contractor is responsible for compliance with the requirements. For example, only material and substances are used that have been carefully evaluated from a life cycle perspective and do not contain any environmental or health risks, whether for the tenants or those working in production. We require that the handling of waste and transports must be as environmentally friendly as possible, and that as many of the materials and products that are used as possible can be recycled.

Perhaps the most important environmental aspect is energy efficiency. We have high ambitions in terms of building homes that are energy-efficient and have a good indoor environment.

If possible in terms of geographical access, the majority of our newly produced apartment buildings are connected to district heating, and the energy consumption of our homes is significantly lower than what is prescribed by the National Board of Housing, Building and Planning's Building Rules.

The environmental and energy measures that are taken as part of a project can vary depending on the specific conditions of the projects, for example particularly well insulated windows, needs-adapted ventilation, sun catchers, solar panels or geothermal heating. The projects also use a high degree of natural materials, such as tiles and wood.

Research projects to decrease our footprint

Magnolia Bostad is a co-sponsor and a member of the reference group in a research project that the Swedish Construction Federation has conducted with support from the Development Fund of the Swedish Construction Industry. The study investigated the impact on the climate of the building process through materials extraction and materials production, transports and construction at the worksite. The goal is to raise the issue of the impact the building process on the climate to increase understanding for and knowledge in the building sector and among authorities and politicians.

Leading urban development in Helsingborg

Oceanhamnen in Helsingborg is a good example of a project with demanding goals when it comes to the environment, energy and

sustainability. The project is part of Helsingborg Municipality's ambitious city renewal project, H+, and consists of 110 rental apartments that are planned for occupancy in 2020.

The municipality has a goal of being energy-neutral in 2035 and has therefore prepared an environmental profile for the city renewal project. This profile shall function as a framework and joint support for all parties involved in the city development process to ensure that planning, building and management of H+ results in a strong, reliable environmental profiling.

Based on the Environmental Profile of H+, Magnolia Bostad has designed a block with a focus on the

environment, energy and sustainability. Considerable importance has been placed on finding new, innovative solutions that not only create a more energy-efficient and environmentally friendly concept, but also increase the quality of life and motivate tenants to take on a healthy, sustainable lifestyle. The goal is to minimize the footprint we leave behind on the environment, to take a long-term approach and inspire others to set a good example.

Focus is placed on minimizing the loss of resources at all levels, taking advantage of residual products in the area, contributing renewable energy, handling stormwater as a resource, etc. Among the measures that are prioritized include:

- Sustainable material choices and

construction principles that lead to good resource efficiency.

- Green roofs bind carbon dioxide from the air and reduce run-off into the stormwater system.
- Separate sea water heating pumps provide environmentally efficient energy supply and contribute with renewable energy.
- Compact building forms, heat insulation and air seals create a good indoor climate and minimize energy consumption.
- Separate system for waste (for example garbage disposals in each apartment) and advanced recycling.

Environment that creates well-being in Östra Sala backe

Another example of how Magnolia Bostad is working with sustainability issues is the Östra Sala backe project in Uppsala. Here, the Company is one of eight builders that will develop Phase 2 of a new block located in and around Årsta Centrum. The area offers a mix of apartments, service and offices.

Working closely with the municipality and the other builders, the area will be developed within a framework for social, ecological and financial sustainability.

The project is estimated to consist of around 110 homes in high, narrow buildings that surround a green courtyard. In the courtyard there will be a pond and small allotments. Flowers, trees and fruit and berry bushes will be planted. There will also be a compost for gardening waste. The courtyard will offer joint activities for tenants. The roof sections that face that south and west will have integrated solar panels. Sections of the roof facing other directions and lower sections will have sedum roofs and be integrated into the block's stormwater system. There are also plans for good public transportation, bicycle paths and a car-sharing program.

Proactive environmental work

Another good example can be found in Gothenburg, where Magnolia Bostad has won land allocation competitions for the development of Frihamnen. The Company is now working on the development of 150 rental apartments and a hotel that has around 300 guest rooms, a conference department and a restaurant.





At Nya Parken Allé, Norrköping, Magnolia Bostad is currently building 268 rental apartments. The rental apartments have been sold to SEB's housing fund, Domestica II.

Älvstranden Utveckling AB is responsible for the urban development of the new district.

The Company works actively with environmental issues and sustainable urban development. The entire project is characterized by proactive work with the environment.

The work with Älvstrandens Utveckling revolves around an innovation platform for sustainable urban development, where, for example, green rental agreements, active

green roofs and local electric buses for goods transports are important components.

Financial sustainability in Norrköping and Kungsängen

Two examples of how a project's sustainability and energy efficiency result in good business are the 268 rental apartments that Magnolia Bostad is currently building in central Norrköping and the 133 rental apartments it is building in Kungsängen north of Stockholm.

The development of these projects has a strong focus on sustainability and energy efficiency. Energy consumption is significantly lower than the norm and the materials are durable and of high quality. This means that the project is sustainable in the long run for both the property owner and the tenants. In order to encourage environmentally friendly transport, the buildings will be equipped with electronic time-tables in their entrances that show the real time departures for local public transportation.



Richard Gavel is a portfolio manager at SEB's housing fund, Domestica, which has signed three agreements with Magnolia Bostad in a short period of time for rental apartments.

"At the forefront of rental apartment production"

SEB's housing fund, Domestica, has signed over a short period of time three agreements with Magnolia Bostad for rental apartment projects. In October 2015, it acquired approximately 400 rental apartments in Norrköping and Kungsängen, Upplands Bro. In December of the same year, it acquired around 325 rental apartments in Uppsala.

How are these transactions carried out?

"Magnolia Bostad comes to us with proposals for projects and if they are in line with our strategy and we can agree on a price we sign an agreement. The fact that we can contribute financing during production is a particularly positive aspect for them. We work with both "belts and suspenders" in order to mitigate risk and have long-term, stable properties in our portfolio, and we have been very satisfied with this partnership," says Richard Gavel, portfolio manager at SEB's housing fund, Domestica. The investor collective consists of institutional capital.

Tell us about SEB's housing funds.

"SEB's housing funds have been successful. The first, Domestica I, was fully invested in 2013 with 1,100 rental apartments in its portfolio. Domestica II was founded the following year, and soon a third fund, Domestica III, will follow."

What do you look for when acquiring rental apartments?

"We look for properties in growth regions with an underlying need for rental apartments. The apartments must be space-efficient and hold a high standard in terms of both quality and the environment."

"This may sound cliché, but there is a strong desire from both our investors and us internally to contribute to the development of society, so we must take a long-term approach and build and manage environmentally sustainable homes in attractive environments."

The rental apartments in Nyby, Uppsala, will be classed in accordance with the Silver level of the Sweden Green Building Council. The other two rental apartment projects in central Norrköping and Kungsängen

also have a strong focus on sustainability and energy efficiency.

"In the Uppsala project, we were involved already in the tendering process, when Uppsala Municipality sold the land. It was a completely new experience for us to be involved at such an early stage – and very positive."

How has it been working with Magnolia Bostad?

"They are truly in the forefront in terms of the production of rental apartments. If we are to invest in new rental apartments, important criteria include – in addition to location – the distribution of the apartments, the size of the apartments and the choice of materials. In the projects that we have developed together, the standard of the rental apartments has been almost the same as in new tenant-owned apartments."

"The employees are quick and listen to our needs. They are very professional and are very knowledgeable about what the market wants. We look forward to continuing to work with them!"





"Clear playing rules resulted in projects in record time"

"Traversen 18, a turnkey contract where we produced 230 rental apartments in a central location in Sollentuna, was completed in record time. From the construction of the first cellar wall until the last tenant had moved in took only 17 months," says Sture Nilsson, Regional Manager at Veidekke Bygg, Mälardalen.

"One reason that this project was such a success was that Magnolia Bostad's employees were very clear in their requirements and expectations, while at the same time giving us freedom under clearly defined limits. They were also quick to make decisions and trusted us, which stimulates and motivates us to give them the absolute best delivery.

"This gives us the possibility to design a good project. There were challenges along the way, but by solving them we strengthened our trust in one another. In these kinds

of situations, the solid cooperation between the purchaser and the contractor is tested and this is when people really get to know one another. We solved any issues in a very constructive manner."

"Another reason was our concept, Veidekke Max. This helps us reduce building expenses and shortens the building process by prefabricating a larger share of the building components and placing a larger focus on involving processes to make production more efficient. But not at the expense of design or quality.

"Our involving method of working at Veidekke means that, for example, we hold morning meetings with all employees and suppliers of the project, we have clear weekly production goals, and we work closely with the customer, in this case Magnolia Bostad, particularly in the introductory pre-construction phase.

"Thanks to our good collaboration, we will be the contractor for Limhamn, Malmö, which consists of 280 rental apartments. And discussions regarding other projects are underway. I view this as confirmation that there is mutual trust," says Sture Nilsson.

Sture Nilsson has previously headed operations for property management and facility management, which influences his approach already at an early stage of the process.

"The buildings we deliver should be operationally dependable and we should have a good relationship with the tenants. We provide a function, not just an empty building. I see here an important dimension in the cooperation with Magnolia Bostad – that we guarantee a good residential environments over time to the long-term property owner.

Sture Nilsson is Regional Manager for Veidekke Bygg, Mälardalen.





Magnolia Bostad Project Portfolio

The company has active and future projects that include approximately 7,000 apartments with a gross area of approximately 500,000 sqm.



Lumen, Sollentuna.



Ongoing and future projects

As at December 31, 2015

Project	Property	City	Type of ownership	No. of housing units	Gross area (sqm)	Living area (sqm)	Phase	Estimated construction start	Estimated occupancy
Åby Ängar ¹⁾	Vallentuna-Åby 1:94	Vallentuna	R	150	8,100	6,100	CD	2016	2018
Kanikenäsholmen ¹⁾	Varvet 4 & Part of Varvet 2	Karlstad	TO	100	8,700	6,800	CD	2016	2018
Senapsfabriken ²⁾	Kungsängen 25:1, blocks 2 & 3	Uppsala	R	1,150	66,000	50,000	CD	2016	2018–2019
Åby Ängar ¹⁾	Vallentuna-Åby 1:149	Vallentuna	R	150	8,100	6,100	CD	2016	2018
Södra Ladugårdsängen ¹⁾	Part of Nikolai 3:65	Örebro	R	175	10,000	8,000	CD	2016	2018
Maria station ¹⁾	Arkeologen 1 and Antikvarien 1	Helsingborg	R	325	20,000	16,000	CD	2016	2018
Bålsta centrum ¹⁾	Part of Väppeby 7:7	Bålsta	R/TO	440	31,800	22,000	P	2017	2019
Lilium ¹⁾	Part of Gamla Uppsala 99:1	Uppsala	TO	70	3,700	3,200	CD	2017	2018
Östra Sala Backe ¹⁾	Östra Sala Backe, E2, block 5	Uppsala	R	110	6,700	5,200	CD	2017	2018
Norrbacka ¹⁾	Sigtuna Norrbacka 1:32-36	Sigtuna	R	180	15,000	11,500	P	2017	2019
Orminge centrum ¹⁾	Orminge 52:1	Nacka	R	400	35,000	25,000	P	2017	2019
Ängby ¹⁾	Ängby 1:1	Knivsta	R/TO	200	18,000	14,000	P	2017	2019
Arlöv ¹⁾	Burlöv Arlöv 20:58 and others	Burlöv	R	250	16,500	12,500	P	2017	2019
Frihamnen ³⁾	Part of Lundbyvassen 736:168	Gothenburg	Hotel	–	12,000	–	P	2018	2019
Frihamnen ¹⁾	Part of Lundbyvassen 736:168	Gothenburg	R	150	10,500	8,000	P	2018	2019–2020
Oceanhamnen ¹⁾	Part of Gamla Staden 1:1, etc.	Helsingborg	R	110	8,500	6,500	CD	2018	2020
Lommarstranden ¹⁾	Part of Tälje 4:62	Norrtälje	R	200	15,000	11,000	P	2018	2020
Skogskarlen 3	Skogskarlen 3	Solna	TO	130	8,000	6,000	P	2018	2020
Stora Råby ¹⁾	Stora Råby 33:2 and others	Lund	R	330	23,800	18,000	P	2018	2020
Instrumentet 2	Instrumentet 2	Stockholm	TO	100	6,100	4,700	P	2019	2020
Total				4,720	331,500	240,600			

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

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

³⁾ Magnolia Bostad's share of the profit amounts to 60%.

All areas are estimated.

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

Phase: P=Planning work, CD=Concept development and sales, C=Construction

Living area: Estimated area based on preliminary drawings or calculated using standardized data.

Sold projects in production

As at December 31, 2015

Project	Property	City	Type of ownership	No. of apartments	Gross area (sqm)	Living area (sqm)	Phase	Estimated construction start	Estimated occupancy
Traversen 18	Traversen 18	Sollentuna	R	230	16,800	13,200	C	2014	2015-2016
Valsta Torg ¹⁾	Sigtuna Valsta 3:190	Sigtuna	TO	42	1,960 ²⁾	1,960	C	2014	2015-2016
Nya Parken Allé	Publiken 1	Norrköping	R	268	21,900	16,600	C	2014	2016
Tibble	Kungsängens-Tibble 19:1	Kungsängen	R	40	3,300	2,600	C	2014	2016
Tibble	Kungsängens-Tibble 20:2	Kungsängen	R	93	6,600	5,200	C	2014	2016
M6	Muttern 6	Stockholm	TO	55	2,900 ²⁾	2,900	C	2015	2016
Lumen	Trapphuset 1	Sollentuna	TO	90	6,600	4,750	C	2016	2017
Kanikenäsholmen ¹⁾	Part of Varvet 2	Karlstad	R	216	15,700	12,300	C	2016	2017-2018
Mariastaden ¹⁾	Slagan 1	Helsingborg	R	292	14,700	12,500	C	2016	2017-2018
Nyby ¹⁾	Part of Gamla Uppsala 99:1	Uppsala	R	325	19,500	15,200	C	2016	2017-2018
Limhamn ¹⁾	Limhamn 151:467 & 151:470	Malmö	R	280	15,900	12,100	C	2016	2018
Bryggeriet ¹⁾	Norrland 11	Helsingborg	R	327	19,000	14,700	C	2016	2018-2019
Total				2,258	144,860	114,010			

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

²⁾ Living area.

All areas are estimated.

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

Phase: P=Planning work, CD=Concept development and sales, C=Construction

Properties being sold

The company intends to sell the following properties and does not plan to develop them.

As at December 31, 2015

Project	Property	City	Type of ownership	No. of housing units	Gross area (sqm)	Living area (sqm)
Lake View	Svedje 1:307, etc.	Åre	COND	14	1,300	1,000
Senapsfabriken ^{1) 2)}	Kungsängen 25:1, block 1	Uppsala	TO	400	29,000	22,000
Kopplingsboxen 26	Kopplingsboxen 26	Stockholm	TO	20	1,130	870
Total				434	31,430	23,870
Total ongoing projects, sold projects in production and projects being sold				7,412	507,790	378,480

¹⁾ Magnolia Bostad's share of the profit amounts to 76.3%, including forward transactions.

²⁾ Magnolia Bostad entered into an agreement in February 2013 to sell this part of the property, on the condition that the land can be divided as intended.

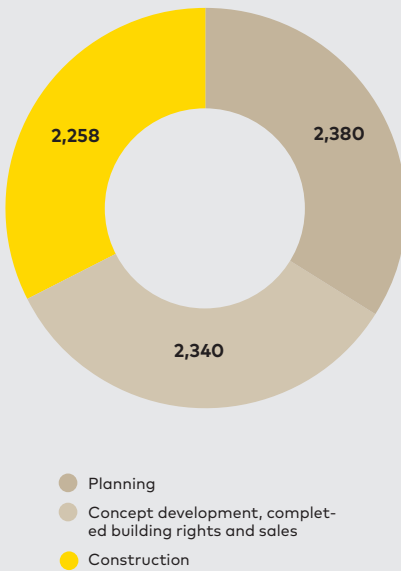
All areas are estimated.

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

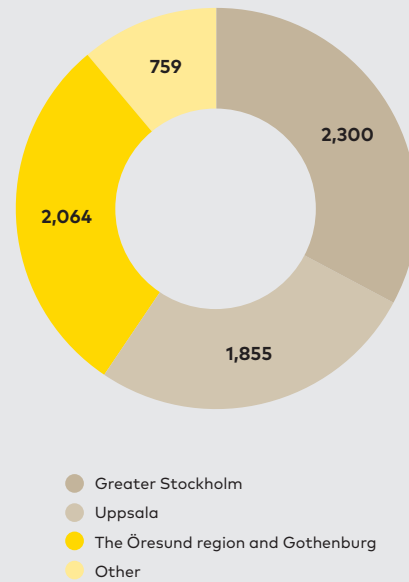
Living area: Estimated area based on preliminary drawings or calculated using standardized data.

Project portfolio at a glance

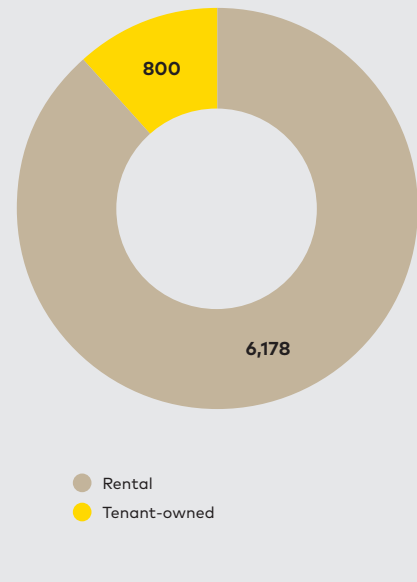
Number of apartments per development phase ^{1) 2)}



Number of apartments per geographic area ^{1) 2)}



Number of apartments per type of ownership ^{1) 2)}



Activity was high in Magnolia Bostad's project portfolio during 2015. The company started 18 new projects during the year and sharply expanded its portfolio.

The total number of apartments in its project portfolio (including properties being sold) increased to 7,412.

The number of apartments in ongoing and future projects and in sold projects in construction amounted to 6,978 on December 31. Of these, approximately one-third are in each of the phases planning,

concept development and construction.

Geographically, just under 90 percent of the apartments are distributed relatively evenly between the Greater Stockholm region, Uppsala and the Öresund region and Gothenburg. The remaining 10 percent consist of apartments in projects in, for example, Karlstad, Örebro and Norrköping.

In terms of distribution per type of ownership, 89 percent are rental apartments and 11 percent are tenant-owned apartments.

The number of apartments in the ongoing and future projects category increased during the year to 4,720.

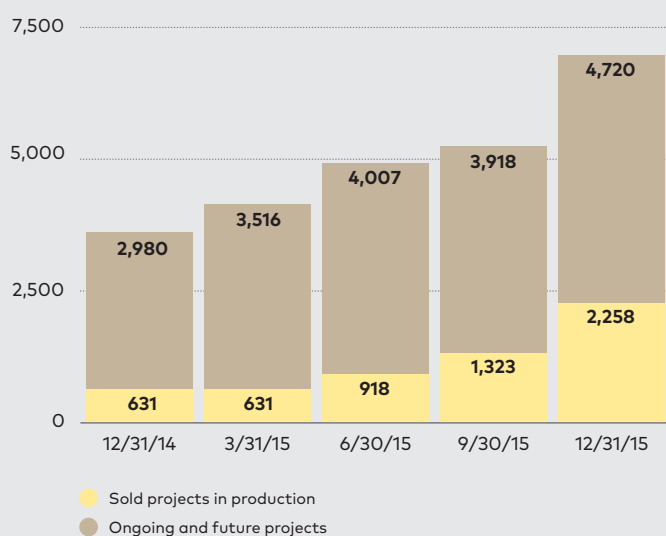
During 2015, the number of apartments in the sold projects in production category rose sharply, from 631 at the beginning of the year to 2,258 on December 31.

Production was started on 1,627 apartments during the year.

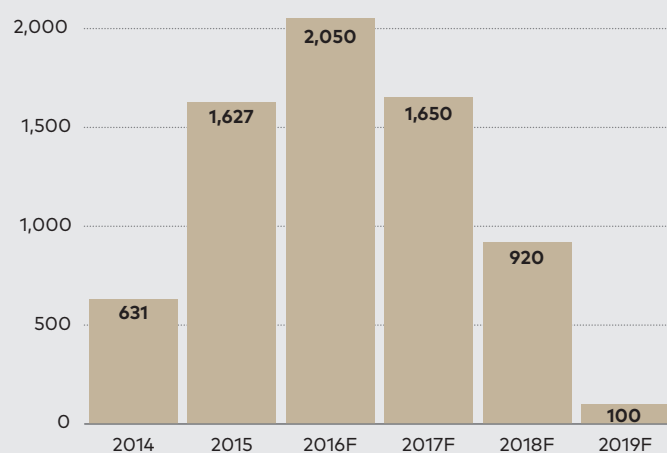
¹⁾ Refers to ongoing and future projects and sold projects in production. Properties being sold/associated companies are excluded.

²⁾ Refers to all apartments in each project, i.e. no adjustment for projects with shared ownership.

Ongoing and future projects and sold projects in production, number of apartments^{1) 2)}

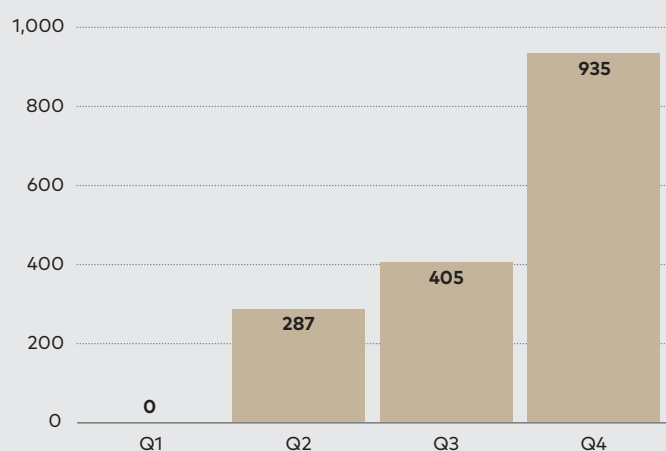


Distribution of production starts per year for existing projects^{1) 2)}

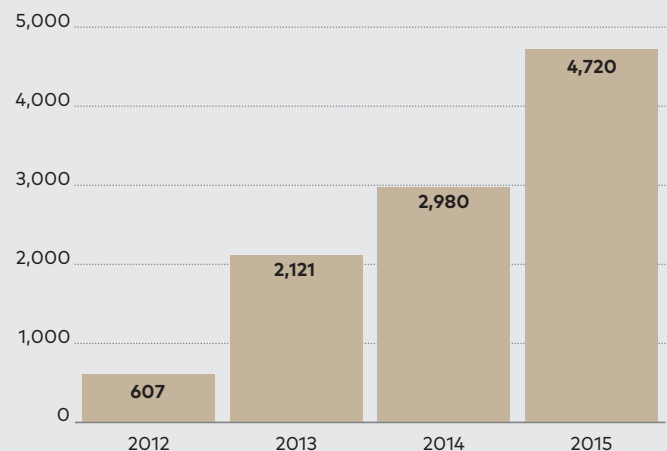


The diagram shows when production of the company's existing projects is expected to start. The forecasts for coming years do not take into account that new projects are regularly added to the portfolio.

Number of apartments that entered production, 2015¹⁾



Ongoing and future projects 2012–2015²⁾



¹⁾ Refers to ongoing and future projects and sold projects in production. Properties being sold/associated companies are excluded.

²⁾ Refers to all apartments in each project, i.e. no adjustment for projects with shared ownership.

Bryggeriet Helsingborg





In central Helsingborg Magnolia Bostad is planning 327 rental apartments across four blocks. This housing project is part of H+, Helsingborg Municipality's extensive renewal project for the southern part of the city. The project will complement existing apartment buildings through a fusion of modern architecture and characteristics that are typical to the city.

Construction is preliminarily planned for the second quarter of 2016, with the first stage of occupancy in the latter part of 2018. The apartments were sold to Alecta in conjunction with the acquisition of the land.

Project facts

327 rental apartments sold to Alecta

Location: Helsingborg

Type of ownership: Rental

Number of apartments: 327

Architect: Jaenecke Arkitekter

Planned occupancy: 2018–2019

Oceanhamnen Helsingborg

Oceanhamnen at the entrance to Helsingborg's harbor has a spectacular location looking out over Öresund, and it is only a mere stone's throw from the central train station. A new neighborhood, H+, is being planned for this area, with apartments, offices, restaurants and stores close to the water.

Magnolia Bostad will produce 110 well-planned, modern rental apartments in the area.

The project places considerable focus on the environment and sustainability, with well thought-out material choices and smart technological solutions. In order to decrease the need for a car, the area will offer both a car sharing and a bike sharing service, and the buildings will be equipped with schedules that show the departures of nearby public transportation in real time.

Project facts

Location: Helsingborg

Type of ownership: Rental

Number of apartments: 110

Architect: Link Arkitektur
and Batteriiö Arkitekter

Planned occupancy: 2020





Senapsfabriken Uppsala

Senapsfabriken is a larger development area in central Uppsala, where Magnolia Bostad will develop 1,150 apartments.

The property is located in the Kungsängen district, close to the south exit for Uppsala centrum, which has been undergoing exten-

sive growth in the past few years. The new apartments will be located only a few minutes' walk from Uppsala's newly constructed transportation hub and a stone's throw from the shoreline of Fyrisån. The train to Stockholm takes only 40 minutes, which creates an attractive residential area for commuters.

Project facts

Location: Central Uppsala
Type of ownership: Rental
Number of apartments: 1,150
Architect: BSK Arkitekter
Planned occupancy: 2018–2019

Residential projects

Kanikenäsholmen Karlstad





At Karlstad's old shipyards at Kanikenäsholmen, Magnolia Bostad is planning to build a new residential area close to the water. The company is developing 316 apartments with varying types of ownership that have a direct link to Lake Vänern, including a small boat harbor, quays and boathouses, and downtown Karlstad is only a short walk away.

The 216 rental apartments have been sold to Slättö Förvaltning. Sales started for the first tenant-owned apartments in the Varvet neighborhood in Q4 2015. The ground was broken at the end of 2015.

Project facts

216 rental apartments sold to Slättö Förvaltning.

Location: Karlstad

Type of ownership: Rental apartments and tenant-owned apartments

Number of apartments: 316

Architect: Radar Arkitektur & Planering

Planned occupancy: 2017-2018



Lumen Greater Stockholm

Project facts

Location: Sollentuna
Type of ownership: Tenant-owned
Number of apartments: 90
Architect: Vera Arkitekter
Planned occupancy: 2017

Turebergs Allé in Sollentuna is undergoing a transformation and a number of new apartment buildings are being built. Here, between Sollentuna Centrum and Stinsens shopping center, Magnolia Bostad has developed 90 tenant-owned apartments. Sales started in September 2015 and there has been a lot of interest – binding agreements have been signed for basically all of the apartments.

The building is located between the Traversen 18 project and an existing single-family home development on the other side of Turebergs allé.

The apartments have balconies, and private inner courtyards create pleasant meeting areas. There are plans to have a gym in the ground floor.

Mariastaden Helsingborg

Project facts

292 rental apartments sold to Alecta.

Location: Helsingborg

Type of ownership: Rental

Number of apartments: 292

Architect: Radar Arkitektur & Planering

Planned occupancy: 2017-2018

Magnolia Bostad is developing 292 rental units in the eastern part of Mariastaden in Helsingborg, roughly 600 m from Maria station and 4.5 kilometers from Knutpunkten.

The Småryd Nature Reserve and Pålsjö skog, with walking paths, tennis courts and soccer fields, are located in close proximity, as is Sofiero Palace and its fantastic park. There are also grocery stores, cafés, restaurants and a nursery in the area.

This urban construction will take the shape of a closed block, with active ground floors and a protected courtyard.

The apartments vary in size, which guarantees a mix of tenants, and families with children will be intermingled with both older and younger tenants.

The apartments were sold to Alecta in conjunction with the acquisition of the land.



Bålsta Torg Greater Stockholm

Bålsta centrum is undergoing an extensive transformation with the construction of a new transportation hub and a square adjacent to new residential areas. Magnolia Bostad will build the transportation hub and 440 apartments with varying types of ownership. The apartments will contribute to a vibrant and varied urban environment that is economically, socially and environmentally sustainable.

Project facts

Location: Bålsta (Håbo Municipality)

Type of ownership: Rental apartments and tenant-owned apartments

Scope: 440 apartments, transportation hub, grocery store

Architect: ETTIELVA Arkitekter/Tengbom

Planned occupancy: 2019

The apartments are distributed across three large blocks and include space for stores, outdoor cafés and offices on the ground floor and entrances that stretch along Mälärbanan. A grocery store totaling 3,000 sqm will also be built here.







Nyby and Lilium Uppsala

Magnolia Bostad acquired land in Nyby, Uppsala in December 2015. The plan is to build apartments with varying types of ownership in the Nyby and Lilium projects.

The rental apartments were sold to SEB's residential housing fund, Domestica II.

Project facts

325 rental units were sold to SEB's residential housing fund, Domestica II.

Location: Uppsala

Type of ownership: Rental apartments and tenant-owned apartments

Number of apartments: 325 rental and 70 tenant-owned

Architect: C.F. Møller

Planned occupancy: 2017-2018

M6, Stockholm



Only a stone's throw away from Riddarfjärden and Hornstull on Södermalm in Stockholm is Magnolia Bostad's Muttern 6 property, two classic buildings built in 1929.

The property is being completely renovated, and occupancy is planned for the fourth quarter of 2016.

Project facts

Location: Södermalm, Stockholm
Type of ownership: Tenant-owned
Number of apartments: 55
Architect: Love Arbén
Planned occupancy: 2016

Södra Ladugårdsängen, Örebro



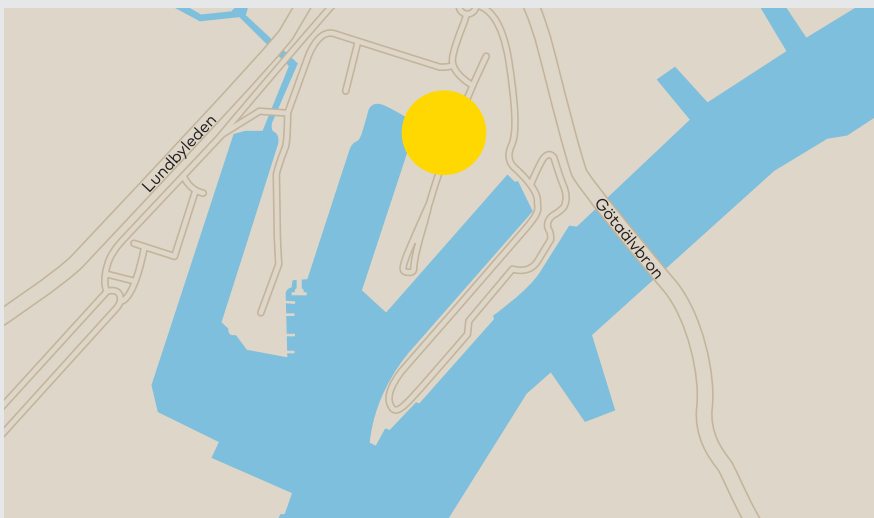
The municipality is planning a new neighborhood, Södra Ladugårdsängen, only two kilometers from downtown Örebro. Magnolia Bostad is developing 175 rental apartments here and occupancy is planned for 2018.

The neighborhood is close to Örebro University, nature areas, a golf course, a racket hall, a pool and gym and a nature reserve.

Project facts

Location: Örebro
Type of ownership: Rental
Number of apartments: 175
Architect: C.F Møller
Planned occupancy: 2018

Frihamnen, Gothenburg



In the fall of 2014, Gothenburg Municipality named Magnolia Bostad one of the winners of the land allocation competition for the transformation of Frihamnen. The company will develop approximately 150 rental apartments here as well as a hotel with around 300 guest rooms, a conference department and a restaurant.

Project facts

Location: Gothenburg
Type of ownership: Rental apartments and hotel
Number of apartments: 150 plus 300 hotel rooms
Planned occupancy: 2019-2020

Share and shareholders

F. Holmström Fastigheter AB, in which Fredrik Holmström has a controlling interest through companies, holds a 56.3 percent stake in Magnolia Bostad. As at December 30, 2015 there were 998 (21) shareholders. The share is admitted for trading on Nasdaq First North under the short name MAG. The total number of issued shares at the end of the period was 37,822,283.

The share price at closing on December 30, 2015, was SEK 84.00. On average, 52 transactions were conducted per trading day between June 9, 2015 and December 30, 2015, and the average trading volume per trading day was SEK 1.8 million.

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

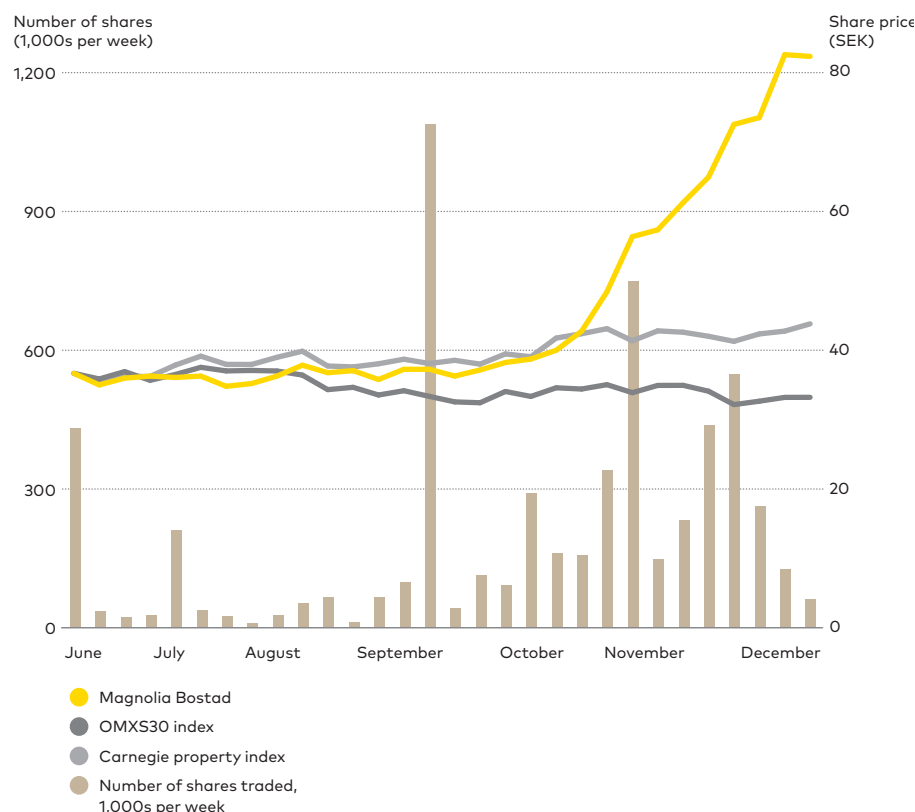
Long-term dividend policy

The dividend policy shall be based on that which at any time is considered to promote the overall goal of optimizing the total return for the shareholders. The Board of Directors has made the assessment that the dividend will be proposed up to a maximum of 25% of the company's profit after tax over the next two years and thereafter up to an increasing percentage.

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	59,592,120	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
June 2015	New share issue with subscription warrants	3,200,000	128,355,768	32,088,942	4
June 2015	New share issue with subscription warrants	4,160,000	132,515,768	33,128,942	4
June 2015	New share issue in the offer	18,773,364	151,289,132	37,822,283	4

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



Average number of outstanding shares

	2015		2014	
	Q4	Full year	Q4	Full year
Average number of outstanding shares	37,822,283	35,100,058	31,288,942	31,288,942

Ownership as at December 31, 2015

Number of shares	Number of shareholders	Shareholder category	Number	Share of votes	Shareholders per country	Number	Share of votes
1–500	547	Legal persons	156	90.94%	Sweden	939	94.09%
501–1,000	105	Private individuals, men	643	7.32%	Other Nordic countries	11	1.10%
1,001–2,000	92	Private individuals, women	199	1.74%	Other European countries (excl. Sweden and the Nordic countries)	41	4.11%
2,001–5,000	103				USA	2	0.20%
5,001–10,000	53				Other world	5	0.50%
10,001–50,000	62	Total	998	100%	Total	998	100%
50,001–	36	of which living in Sweden	939	91.60%			
Total	998						

Largest shareholders as at December 31, 2015

Shareholders	Number of shares	Percentage of Share capital	Votes
F.Holmström Fastigheter AB	21,286,837	56.28%	56.28%
Danica Pension	3,222,689	8.52%	8.52%
Nordnet Pensionsförsäkring AB	2,926,967	7.74%	7.74%
Swedbank Robur Småbolagsfond Sverige	1,085,075	2.87%	2.87%
Cliens Fonder ¹⁾	1,050,792	2.78%	2.78%
Svolder AB	950,000	2.51%	2.51%
Dahlin, Martin	938,668	2.48%	2.48%
Stockheat AB	386,895	1.02%	1.02%
Humble Småbolagsfond	374,718	0.99%	0.99%
Thomhave Holding AB	341,200	0.90%	0.90%
Total 10 largest shareholders	32,563,841	86.09%	86.09%
Other shareholders	5,258,442	13.91%	13.91%
Total	37,822,283	100%	100%

¹⁾ Consists of Cliens Allokering Sverige, Cliens Absolut Aktier Sverige and Cliens Sverige Fokus.
Source: Modular Finance AB

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.

Shareholding in Magnolia Bostad:
21,504,507



Erik Paulsson

Member

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

Shareholding in Magnolia Bostad: 0



Fredrik Tibell

Member

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

Shareholding in Magnolia Bostad:
10,000.



Andreas Rutili

Member

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

Shareholding in Magnolia Bostad:
2,926,065.



Risto Silander

Member

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

Shareholding in Magnolia Bostad:
120,000.

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

Executive management



Fredrik Lidjan
CEO

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



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 the President of the Nordic operations for London & Regional Properties. Also previously worked in real estate financing at Eurohypo and SEB and the real estate advisory department at SEB Enskilda. MSc (Economics) from Stockholm School of Economics. Shareholding in Magnolia Bostad: 175,000.



Rickard Langerfors
VP/Project Manager

Born in 1972. Employed since 2011. Previously project manager at Skanska with responsibility for the residential development of Järvastaden and other areas. Also has a background as product manager with responsibility for the standardization of Skanska's production of residential units in Sweden. Former project manager at HSB. MSc (Engineering) from KTH Royal Institute of Technology. Shareholding in Magnolia Bostad: 309,000.



Suzana Bossel
Head of Communications

Born in 1973. Employed since 2014. Background as PR and marketing manager for Ettelva Arkitekter and single-family home developer, Arkitekt-hus. Extensive experience in concept development in the housing industry, including from JM AB. Marketing Specialist from IHM Business School and a degree in information from Mälardalen University. Shareholding in Magnolia Bostad: 120,000.

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

Corporate governance

Magnolia complies with the rules laid down by applicable laws and other regulations. Magnolia Bostad does not comply with the Swedish Corporate Governance Code except for selected areas that the Company complies with voluntarily where the assessment is that they are 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 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 public company domiciled in Stockholm. The Company shall own and manage land and construction and engineering projects as well as any related operations. The Company's shares shall be registered in a CSD register.

Internal control

The Company has a relatively small organization and therefore out-sources some management, legal and financial services. The Board of Directors is responsible for the internal control and has prepared

documents such as the Board's formal work plan and instructions for the CEO. Internal guidelines and manuals are also important for the internal control.

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 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. Notification of the Annual General Meeting takes place no earlier than six weeks and no later than four weeks prior to the Meeting. The 2015 Annual General Meeting was held on April 22. Thirteen shareholders were represented at the Meeting, corresponding to 94.4 percent of the votes.

In addition to adopting the income statement and balance sheet for the 2014 financial year, one of the resolutions that was passed was to pay a dividend of 20 öre per share. Furthermore, the Board of Directors was granted authorization to make a decision regarding a new share issue.

Nomination Committee

Magnolia Bostad does not have a Nomination Committee. The proposal for a new Board of Directors is presented by the primary own-

er following discussions with the larger shareholders. In accordance with the Articles of Association, the Board of Directors shall consist of three to seven members. The members of the Board of Directors are elected by the Annual General Meeting for a mandate period extending to the next Annual General Meeting. At the 2015 Annual General Meeting, five members were elected.

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 2015 financial year, the Board held twelve meetings.

The most important documents for the Board of Directors are the Articles of Association, the Board's formal work plan, the instructions for the CEO and the guidelines for financial reporting and the budgeting process. The Board 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 devel-

opment. 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

In order to ensure a high level of quality in terms of both external and internal information and compliance with applicable legislation and Nasdaq First North's information rules, the Board of Directors of Magnolia Bostad adopted an information policy. Furthermore, 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. Press releases are issued for significant events between reporting periods. The information in these reports shall primarily refer to the consolidated financial statements.

Governance and follow-up

Financial follow-up of outcomes is conducted at the project, company and group levels. Follow-up is based on the budget and the previous year.

CEO

The CEO is responsible for the Company's ongoing management in accordance with the rules set out in the Companies Act and the instructions and rules adopted by the Board of Directors.

Remuneration to Members of the Board of Directors and the CEO

Remuneration to Board members
Fees and other remuneration to Board members, including the Chair of the Board, are determined by the Annual General Meeting. The 2015 Annual General Meeting resolved that the total fees for the Board members for the period up until the next Annual General Meeting shall be SEK 850,000. SEK 250,000 shall be paid to the Chair of the Board and SEK 150,000 shall be paid to each of the other four Board members. The Company's Board members are not entitled to any benefits when they step down from the Board.

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

He has been involved in Magnolia Bostad's operations since it was founded in 2009, for example as an advisor. In 2013, he was engaged as a consultant through his company, Fredrik Lidjan AB, to start the rental apartment production business area. Under his guidance, at that time as a consultant, the business area grew rapidly and is today, according to the Company, Magnolia Bostad's largest competitive advantage. The agreement with him entailed that he would work without fixed compensation, but was entitled to 12 percent of the profit in rental apartment projects (10 percent for Senapsfabriken). The agreement included under Sold projects in production, Traversen 18,

Nya Parken Allé, Tibble (Kungsängens-Tibble 19:1 and 20:2), Valsta Torg and Lumen, and under Ongoing and future projects, 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.

In February 2015, an agreement was reached between the Company and Fredrik Lidjan AB regarding future collaborations within the rental apartment business area. Under this agreement, the Company and Fredrik Lidjan AB will co-invest in future rental apartment projects. Fredrik Lidjan AB will invest at market terms with a 10 percent stake and Magnolia Bostad will invest and receive a 90 percent stake in the companies in which the rental apartment projects will be operated. The agreement can also include tenant-owned apartments if this applies to the same plot of land and the tenant-owned apartments constitute a small portion of the entire project. This agreement applies until February 2019.

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

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 the organization's competence and procedures does not simply identify risks in time but also contributes to higher profitability.

External risks

Risk	Description	Primary management
Macroeconomic factors	The real estate industry is greatly affected by macroeconomic factors such as general economic development, regional economic development, population growth, rate of production, etc.	Ongoing macroeconomic analysis and business planning of which municipalities and districts have favorable/unfavorable future conditions.
Competition	Magnolia Bostad operates in a competitive industry. Competitors may increase in number and strength in the future, for example through mergers, new strategies and/or enhanced financial possibilities.	Competition analyses at both the regional and local levels and constantly striving to refine Magnolia Bostad's business model.
Possibility to sell residential properties	The business largely consists of the new production of residential properties in Sweden's growth areas. Magnolia Bostad is dependent on its ability to meet the market's demand in order to be able to successfully sell rental apartment properties or individual tenant-owned apartments.	Continuous market analysis, rules for when production may begin and breakdown of projects into stages.
Shortage of resources	The increase in activity on the Swedish housing market could cause building prices to rise and make it difficult to secure production resources in the projects, which would result in longer delivery times. The municipalities also risk suffering from a shortage of resources, which could result in longer processing times in terms of planning processes and municipal housing projects.	The business model largely secures income before the project is started and costs are tendered as turnkey contracts at a fixed price. The Company works with different types of warranty solutions and long-term partnerships and can therefore tie up necessary resources at an early stage.
Legal risks	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 dialogue with municipalities and authorities.

Operational risks

Risk	Description	Management
Business models and projects	The operations consist to a large extent of real estate development projects, and one prerequisite is that these projects can be implemented profitably.	The projects are based on detailed financial calculations in the project governance system, which is followed up on a regular basis. Price risk is managed by the business model, as part of which income is secured to a large extent before the project is started, and costs are largely tendered at a fixed price.
Transaction risks	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.
Key personnel	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.
Environmental risks	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.
Tax risks	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.

Financial risks

Risk	Description	Management
Interest rate risk	Changes to market interest rates affect the borrowing cost.	Interest rate expense is a significant cost for Magnolia Bostad and for each financing transaction, the risk that interest rates may change are included in the calculation.
Financing risk	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, it is responsible for regularly following up on special commitments upon which the loans may be conditional. The Company also maintains an ongoing dialogue with several credit issuers.
Credit risk	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.
Liquidity risk	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.

Financial statements

Directors' report

The Board of Directors and the CEO of Magnolia Bostad AB (pub), CIN 556797-7078 hereby submit the annual report and consolidated financial statements for the financial year 1/1/2015 – 12/31/2015.

The business in general

Parent Company

The Parent Company, Magnolia Bostad AB, which is domiciled in Stockholm, has employees and conducts its business through the acquisition, ownership and management of 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 strengthens its organization with twelve new colleagues.

Magnolia Bostad increases its ownership in Senapsfabriken through acquisition and a forward contract to 80.25 percent, and thus is entitled to 76.30 percent of the profit.

Fredrik Lidjan assumes the post of CEO, replacing Andreas Rutili.

Magnolia Bostad wins three land allocation competitions:

- Lundbyvassen in Frihamnen, Gothenburg: production of a hotel and 150 rental apartments.
- Bålsta Centrum in Håbo Municipality in the northern part of the Greater Stockholm region: production of around 200 residential units.
- Oceanhamnen in Helsingborg: production of 110 rental apartments.

Magnolia Bostad acquires two properties in Märsta, Sigtuna. The

agreement covers 42 tenant-owned apartments in production next to Valsta Centrum and land next to the Märsta commuter train station, where the Company is planning to build 180 apartments.

Magnolia Bostad was allocated yet another block in Bålsta Centrum. In total, the project includes around 440 apartments, a grocery store and a transportation hub.

Risto Silander and Andreas Rutili are elected to the Board of Directors of Magnolia Bostad at the Annual General Meeting.

The Company wins a land competition in the new district in Örebro, Södra Ladugårdsängen, consisting of approximately 175 residential units in the first phase of the project. Construction is planned to start during the second half of 2016.

Magnolia Bostad enters into an agreement with Helsingborg Municipality for a land transfer regarding the Slagan 1 property. The Company signs an agreement at the same time with the occupational pension company, Alecta, for the sale of the 292 rental units that will be developed on the property.

Magnolia Bostad acquires land in Arlöv outside of Malmö. The Company also enters into a partnership to develop an area of land in downtown Lund. The projects are expected to result in around 250 new apartments in Arlöv and 330 new apartments in Lund. Both projects are conditional upon receiving approval for the local planning.

Magnolia Bostad's share is listed on Nasdaq First North. The price for the offer to acquire shares in the Company is set at SEK 38 per share, and trade commenced on June 9.

Magnolia Bostad acquires the Nacka Orminge 52:1 property (Hantverkshuset) from Carnifex AB.

Magnolia Bostad starts sales for the Valsta Torg project, which consists of 42 tenant-owned apartments next to Valsta Centrum in Sigtuna Municipality.

Magnolia Bostad acquires land in Kanikenäsholmen in southeast Karlstad, where the Company plans to build a total of 316 apartments. The Company also signs an agreement for the sale of around 216 of the apartments to Slättö Förvaltning. The apartments will be rental apartments.

Magnolia Bostad recruits Clas Hjorth to head its hotel development operations. The Company and Clas Hjorth also start a joint venture to develop hotels.

Magnolia Bostad employs seven people and increases its presence in southern Sweden with a local office in Helsingborg.

Magnolia Bostad enters into a declaration of intent with Alecta for the sale of more than 2,000 rental apartments spread across six projects over the next two years.

Magnolia Bostad's share was admitted for trading on Nasdaq First North's index, First North 25.

Magnolia Bostad enters into a land allocation agreement with Knivsta Municipality for 200 apartments in central Knivsta.

Magnolia Bostad wins land competitions in Helsingborg and Norrtälje. These competitions refer to an additional 292 rental apartments covering two blocks in Mariastaden, Helsingborg and around 200 apartments in the future Lommarstranden neighborhood in Norrtälje Municipality.

Magnolia Bostad starts sales for the Kanikenäsholmen project, which consists of 100 tenant-owned apartments in the Varvet block in Karlstad.

Financial overview

Income statements, SEK thousand	2015	2014	2013
Net sales	875,722	140,541	143,576
Operating profit/loss	357,113	47,332	23,710
Profit/loss after financial items	307,284	29,804	20,510
Net profit/loss for the year	306,720	29,196	20,518
Operating margin (%)	40.8	33.7	16.5
Interest coverage ratio (multiple)	6.9	2.4	4.3
Balance sheet total	1,887,111	792,389	369,696
Equity	770,166	253,416	190,063
Equity/assets ratio (%)	40.8	32.0	51.4
Return on equity (%)	61.8 ¹⁾	13.4	11.4
Return on capital employed (%)	29.9	9.1	8.5
Return on total equity (%)	26.8	8.7	8.2
Earnings per share after tax (SEK)	7.60 ¹⁾	0.95	0.66
Earnings per share after tax (SEK)	7.57	0.88	0.62
Equity per share (SEK)	17.90 ¹⁾	8.10	6.07
Dividends per share (SEK)	1.00 ²⁾	0.20	0.25
Number of basic outstanding shares	37,822,283	31,288,942	31,288,942
Number of outstanding shares after full dilution	37,982,283 ³⁾	33,288,942 ³⁾	31,288,942

¹⁾ Excluding the minority

²⁾ The Board of Directors proposes a dividend in 2015 of SEK 1.00 per share.

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

Magnolia Bostad acquires a building right for around 280 apartments in Limhamn in Malmö. The Company signs an agreement at the same time with SPP Fastigheter AB for the sale of all of the rental apartments that will be developed on the properties.

Magnolia Bostad acquires land in Nyby, Uppsala, where the Company plans to build around 395 apartments. The company also signs an agreement at the same time for the sale of 325 of these apartments to SEB's residential housing fund, Domestica II. The apartments will be rental apartments.

Magnolia Bostad signs a declaration of intent with a Swedish institution for the sale of around 450 rental apartments that will be built on part of the Uppsala Kungsängen 25:1 property.

Magnolia Bostad acquires land in downtown Helsingborg where the Company plans to build 327 rental apartments. The Company signs a contract at the same time for the sale of the apartments to Alecta.

Significant events in the Group after closing

Magnolia Bostad terminates agreements regarding the Huvudkontoret project, which consists of 90 tenant-owned apartments in Uppsala, since it was prevented from starting work on the property by the seller, Bergsporten AB. Magnolia Bostad has made a provision of SEK 32.7 million for expense risks related to the termination.

Magnolia Bostad expands its organization in Stockholm and Helsingborg with the addition of seven people in the areas of project management, business development, marketing and finance.

Magnolia Bostad signs a cooperation agreement with Västerkulla Hotel. Under the agreement, Västerkulla Hotell Holding AB has the possibility to acquire the hotels that Magnolia Bostad develops.

Magnolia Bostad acquires the Antikvarien 1 and Arkeologen 1 properties in Mariastaden from Helsingborg Municipality. At the same time, it sells the 325 rental apartments that will be developed on these properties to SPP Fastigheter.

Magnolia Bostad and Helsingborg Municipality sign a declaration of intent to collaborate on the development of new rental apartments with reasonable rents.

Magnolia Bostad signs a land allocation agreement for 600 apartments in the Norra Kajen harbor area in Sundsvall.

The sales target for the Varvet block of the Kanikenäsholmen project in Karlstad was met.

Ownership

F. Holmström Fastigheter AB, in which Fredrik Holmström has a controlling interest through companies, holds a 56.3 percent stake in Magnolia Bostad. As at December 31, 2015 there were 998 (21) shareholders. The share is admitted for trading on Nasdaq First North under the short name MAG. The total number of issued shares at the end of the period was 37,822,283.

Work of the Board

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

Financial risk management

Currency risk

The Group has limited currency risk since more or less all of its trade takes place in Sweden.

Interest rate risk

The Group's interest rate risk is primarily linked to interest-bearing liabilities, which amounted on the balance sheet date to SEK 872,909 thousand. 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.

A description of other risks can be found on pages 60–61.

Earnings and position

Parent Company

The Parent Company's profit/loss after financial items amounted to SEK –3,183 (–2,650) thousand and its total assets to SEK 543,968 thousand (367,381). The equity/assets ratio in the Parent Company was 55.9 percent (36.3). The increase in the balance sheet total and the improvement in the equity/assets ratio compared to the previous year is largely due to the new share issue that the Company conducted in conjunction with the listing of the Company's shares on NASDAQ First North.

Group

Net sales for the full year in 2015 increased to SEK 875,722 thousand (140,541). Income consists of rental income of SEK 42,293 thousand (11,969), the sale of development and project properties totaling SEK 821,714 thousand (127,440) and other income totaling SEK 11,715 thousand (1,132). Operating profit increased to SEK 357,113 thousand (47,332) and the operating margin improved to 40.8 percent (33.7). The sharp improvement in the operating profit is attributable in part to the consolidation of the Kungsängen 25:1 property and in part to gains from the sale of projects during the year in Helsingborg, Uppsala, Limhamn, Karlstad, Sollentuna and Stockholm. Gains/losses from the sale of property amounted to SEK 252,482 thousand (58,195).

The Group's profit/loss after financial items amounted to SEK 307,284 thousand (29,804), which corresponds to an operating margin of 35.1 percent (21.2). Earnings per share after tax was SEK 7.60 (0.95).

Due to an increase in borrowings, net financial items decreased during the year to SEK –49,829 thousand (–17,528).

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.

The balance sheet total on the balance sheet date was SEK 1,887,111 thousand (792,389). The increase in the balance sheet total compared to the previous year is largely due to the consolidation of the Kungsängen 25:1 project, the new share issue conducted by the Company, the acquisition of the Nacka Orminge 52:1 property and the project gains from the year. According to its forecast, the Company will continue to grow in the next few years.

Equity attributable to the Parent Company's shareholders amounted to SEK 677,197 thousand (253,416) on December 31. The minority share of equity was SEK 92,969 thousand (0.0). The equity/assets ratio increased to 40.8 percent (32.0), an improvement that is primarily attributable to this year's profit and

the new share issue. Cash and cash equivalents amounted to 193,358 thousand (37,399).

Cash flow from operating activities totaled SEK –149,545 thousand (–229,111). Financing activities were affected by a net change in interest-bearing liabilities of SEK 305,292 thousand (258,085).

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.

Total interest-bearing loans amounted to SEK 872,909 thousand (506,453) and primarily increased due to an increase in borrowings in conjunction increased project financing.

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.

Proposed appropriation of profits

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

Profit/loss	
carried forward	156,184,283
Profit/loss for the year	–3,181,858

Total	153,002,425
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The Board proposes the following:

Dividends, (37,822,283 * SEK 1.00)	37,822,283
To be carried forward	115,180,142

Total	153,002,425
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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

SEK thousand	Note	1/1/2015 – 12/31/2015	1/1/2014 – 12/31/2014
Operating income			
Net sales	2, 3	875,722	140,541
Total income		875,722	140,541
Operating expenses			
Production and operating costs	4, 5	–648,576	–85,099
Central administration	6	–12,992	–5,560
Depreciation, amortization and impairment and disposal of property, plant and equipment and intangible assets	7	–9,513	–1,399
Profit/loss from participations in associated companies	8	–120	–1,152
Revaluation during transfer from associated company to subsidiary		152,592	–
Operating profit/loss	9	357,113	47,332
Profit/loss from financial items			
Interest income and similar profit/loss items	10	2,580	3,412
Interest expenses and similar profit/loss items	11	–52,409	–20,940
Profit/loss before tax		307,284	29,804
Tax on profit/loss for the year	12	–564	–608
NET PROFIT/LOSS FOR THE YEAR		306,720	29,196
Attributable to:			
Parent Company shareholders		287,606	29,196
Minority interest		19,114	–

Consolidated balance sheet

SEK thousand	Note	12/31/2015	12/31/2014
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill	13	4,746	5,946
Other intangible assets	14	746	8,304
Total intangible assets		5,492	14,249
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	15	439	199
Total property, plant and equipment		439	199
<i>Financial assets</i>			
Participations in associated companies	17	1,900	39,832
Receivables from associated companies		23,541	23,541
Other securities held as non-current assets	19	30,614	30,614
Other long-term receivables	20	278,945	15,109
Total financial assets		335,000	109,096
Total non-current assets		340,931	123,544
Current assets			
Development and project properties	21	1,138,835	424,231
Tenant-owned apartments		3,800	9,092
Accounts receivable		3,785	1,057
Receivables from associated companies		301	9,598
Other receivables	22	204,121	186,952
Prepaid expenses and accrued income	23	1,981	517
Cash and bank balances		193,358	37,399
Total current assets		1,546,181	668,845
TOTAL ASSETS		1,887,111	792,389

Consolidated balance sheet (cont'd)

SEK thousand	Note	12/31/2015	12/31/2014
EQUITY AND LIABILITIES			
Equity			
Share capital		151,289	125,156
Equity method reserve		–	38,068
Profit/loss carried forward		238,303	60,997
Net profit/loss for the year		287,605	29,196
Equity attributable to Parent Company shareholders		677,197	253,416
Minority's share of equity		92,969	–
Total equity		770,166	253,416
Provisions			
Provision for taxes	18	2,095	169
Total provisions		2,095	169
Liabilities			
<i>Long-term liabilities</i>			
Interest-bearing liabilities	24	730,659	494,353
Other long-term liabilities	25	110,056	100
Total long-term liabilities		840,715	494,453
<i>Current liabilities</i>			
Liabilities to credit institutions		130,250	–
Accounts payable		13,887	15,131
Income tax liabilities		3,535	1,138
Other current liabilities		76,507	17,336
Accrued expenses and deferred income	26	49,955	10,746
Total current liabilities		274,134	44,350
Total liabilities		1,114,849	538,803
TOTAL EQUITY AND LIABILITIES		1,887,111	792,389
MEMORANDUM ITEMS			
Pledged collateral	27	732,092	314,990
Contingent liabilities	28	859,450	None

Consolidated cash flow statement

SEK thousand	1/1/2015 – 12/31/2015	1/1/2014 – 12/31/2014
Operating activities		
Profit/loss after financial items	307,284	29,804
Adjustments for non-cash items, etc.	–398,257	4,407
	–90,973	34,211
Income tax paid	812	3,635
Cash flow from operating activities before changes in working capital	–90,161	37,846
Cash flow from changes in working capital		
Reduction (+)/increase (-) of development and project properties	–143,811	–68,383
Decrease(+)/increase(-) in current receivables	104,402	–203,324
Decrease(+)/increase(-) in current liabilities	–19,975	4,750
Cash flow from operating activities	–149,545	–229,111
Investing activities		
Acquisition of intangible fixed assets	–607	–8,083
Acquisition of property, plant and equipment	–523	–88
Shareholder contributions made	–200	
Sale of property, plant and equipment	2	–
Investment in financial assets	–5,235	–6,660
Disposal/reduction of financial assets	6,775	–
Cash flow from investing activities	212	–14,831
Financing activities		
New share issue	180,502	–
Shareholders' contributions received	–	53
Borrowings	471,350	366,704
Repayment of borrowings	–340,302	–103,666
Paid dividends	–6,258	–5,006
Cash flow from financing activities	305,292	258,085
Cash flow for the year	155,959	14,143
Cash and cash equivalents at the beginning of the year	37,399	23,256
Cash and cash equivalents at the end of the year	193,358	37,399

Changes in equity, Group

Group, SEK thousand	Share capital	Equity method reserve	Profit/loss carried forward	Net profit/loss for the year	Total equity, principal owner	Minority interest	Total equity
Amount at beginning of year 1/1/2014	125,156		44,389	20,518	190,063		190,063
			20,518	-20,518	0		0
Write-up		39,000			39,000		39,000
Shareholders' contributions			164	-	164		164
Dividends			-5,006	-	-5,006		-5,006
Change in equity method reserve		-932	932		0		0
Net profit/loss for the year				29,196	29,196		29,196
Amount at end of year 12/31/2014	125,156	38,068	60,997	29,196	253,416		253,416

Group, SEK thousand	Share capital	Equity method reserve	Profit/loss carried forward	Net profit/loss for the year	Total equity, principal owner	Minority interest	Total equity
Amount at beginning of year 1/1/2015	125,156	38,068	60,997	29,196	253,416		253,416
			29,196	-29,196	0		0
Redistribution during transfer from associated company to subsidiary		-38,068			-38,068		-38,068
New share issue	26,133		167,365		193,498		193,498
Issue expenses			-12,996		-12,996		-12,996
Acquisition of subsidiaries					0	73,854	73,854
Dividends			-6,258		-6,258		-6,258
Net profit/loss for the year				287,605	287,605	19,115	306,720
Amount at end of year 12/31/2015	151,289	-	238,303	287,605	677,197	92,969	770,166

Parent Company income statement

SEK thousand	Note	1/1/2015 – 12/31/2015	1/1/2014 – 12/31/2014
Operating income			
Net sales	2	4,113	–
Total income		4,113	–
Operating expenses			
Other external costs	4	–2,625	–480
Central administration	6	–2,432	–
Operating profit/loss		–944	–480
Profit/loss from financial items			
Interest income and similar profit/loss items	10	18,582	12,620
Interest expenses and similar profit/loss items	11	–20,821	–14,789
Profit/loss before tax		–3,183	–2,650
NET PROFIT/LOSS FOR THE YEAR		–3,183	–2,650

Parent Company balance sheet

SEK thousand	Note	12/31/2015	12/31/2014
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Participations in Group companies	16	88,822	88,822
Receivables from Group companies		234,026	234,016
Participations in associated companies	17	2,050	1,850
Receivables from associated companies		26,941	27,241
Total financial assets		351,839	351,929
Total non-current assets		351,839	351,929
Current assets			
Development and project properties	21	–	3,823
Accounts receivable		–	3
Receivables from Group companies		159,307	10,778
Receivables from associated companies		265	221
Other receivables	22	21,228	1
Prepaid expenses and accrued income	23	193	74
Cash and bank balances		11,137	551
Total current assets		192,129	15,451
TOTAL ASSETS		543,968	367,381

Parent Company balance sheet

SEK thousand		12/31/2015	12/31/2014
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		151,289	125,156
		151,289	125,156
<i>Non-restricted equity</i>			
Profit/loss carried forward		156,185	10,724
Net profit/loss for the year		-3,182	-2,650
		153,003	8,074
Total equity		304,292	133,230
Liabilities			
<i>Long-term liabilities</i>			
Interest-bearing liabilities	24	222,326	220,034
Total long-term liabilities		222,326	220,034
<i>Current liabilities</i>			
Accounts payable		-	69
Liabilities to Group companies		3,882	1,948
Other current liabilities		12,000	12,000
Accrued expenses and deferred income	26	1,468	100
Total current liabilities		17,350	14,117
Total liabilities		239,676	234,151
TOTAL EQUITY AND LIABILITIES		543,968	367,380
MEMORANDUM ITEMS			
Pledged collateral		None	None
Contingent liabilities	28	809,450	None

Parent Company cash flow statement

	1/1/2015 – 12/31/2015	1/1/2014 – 12/31/2014
Operating activities		
Profit/loss after net financial items	–3,183	–2,650
Adjustments for non-cash items, etc.	2,293	1,572
Cash flow from operating activities before changes in working capital	–890	–1,078
Cash flow from changes in working capital		
Reduction (+)/increase (-) of development and project properties	3,823	–3,823
Decrease(+)/increase(-) in current receivables	–169,916	–176,890
Decrease(+)/increase(-) in current liabilities	3,235	–36,385
Cash flow from operating activities	–163,748	–218,176
Investing activities		
Investment in financial assets	90	–1,100
Cash flow from investing activities	90	–1,100
Financing activities		
Borrowings	–	215,139
Repayment of borrowings	–	–8,000
New share issue	180,502	–
Paid dividends	–6,258	–5,006
Cash flow from financing activities	174,244	202,133
Cash flow for the year	10,586	–17,143
Cash and cash equivalents at the beginning of the year	551	17,694
Cash and cash equivalents at the end of the year	11,137	551

Changes in equity, Parent Company

Parent Company, SEK thousand	Share capital	Profit/loss carried forward	Net profit/loss for the year	Total equity
Amount at beginning of year 1/1/2014	125,156	16,247	-628	140,775
Shareholders' contributions		111		111
Profit/loss from the previous year carried forward		-628	628	0
Dividends		-5,006	-	-5,006
Net profit/loss for the year			-2,650	-2,650
Amount at end of year 12/31/2014	125,156	10,724	-2,650	133,230

The outstanding number of basic shares at 12/31/2014 amounts to 31,288,942.

The outstanding number of shares after full dilution at 12/31/2014 amounts to 33,288,942 (160,000 warrants are held by the Magnolia Bostad Group).

Parent Company, SEK thousand	Share capital	Profit/loss carried forward	Net profit/loss for the year	Total equity
Amount at beginning of year 1/1/2015	125,156	10,724	-2,650	133,230
Profit/loss from the previous year carried forward		-2,650	2,650	0
New share issue	26,133	167,366		193,499
Issue expenses		-12,996		-12,996
Dividends		-6,258		-6,258
Net profit/loss for the year			-3,182	-3,182
Amount at end of year 12/31/2015	151,289	156,185	-3,182	304,292

The outstanding number of basic shares at 12/31/2015 amounts to 37,822,283.

The outstanding number of shares after full dilution at 12/31/2015 amounts to 37,982,283 (160,000 warrants are held by the Magnolia Bostad Group).

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, BFAR 2012:1 (K3).

Estimates and judgments

In the preparation of the financial statements, it is necessary to make judgments and assumptions that affect the assets, liabilities, income, expenses and other information reported in the annual accounts. These judgments and assumptions are based on historic experience and other factors that are judged to be reasonable given current circumstances. The actual outcome may vary from these judgments if other assumptions are made or other conditions arise. The areas where judgments and assumptions are of considerable importance for the Group and that may affect the financial statements if they were to change are described below.

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.

Revenue recognition from project development of tenant-owned apartments

The Group recognizes revenue gradually 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, and (ii) a binding turnkey contract has been entered into with a contractor. Reported income is based on the sales rate, which is defined as the number of sold apartments in relation to the total number of apartments that will be produced. "Sold apartments" means that there is a binding agreement with the tenant-owner. Reassessments of the projects' expected end result mean that previously calculated results in affected projects are adjusted. This change in forecast is included in the period's reported profit/loss. Estimated losses are charged in their entirety directly to the period's profit/loss.

Revenue recognition from project development of rental apartments

The Group recognizes revenue as of the date that (i) a binding agreement has been entered into with the purchaser of the rental apartment project, and (ii) a binding turnkey contract has been entered into with a contractor. The Group pledges certain guarantees for the project, including a limited vacancy guarantee. In general, the Group makes a provision for 50% of such a vacancy risk. The Group also makes a provision of 10% of the project gains for other expense-related risks, normally corresponding to around 1.5-2.0% of the contractor's expenses, excluding VAT. Reassessments of the projects' expected end result mean that previously calculated results in affected projects are adjusted. This change in forecast is included in the period's reported profit/loss. Estimated losses are charged in their entirety directly to the period's profit/loss.

Revenue recognition from project management agreements

Revenue from project management agreements is recognized gradually

based on the degree of completion of the project. The degree of completion is determined primarily on an ongoing basis while the work is being performed.

Rental income

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

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.

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 16 below regarding participations in Group companies.

Note 1 Intra-Group purchases and sales

	Group		Parent Company	
	2015	2014	2015	2014
Sales referring to Group companies	–	–	4,113	–
Purchases referring to Group companies	–	–	–	–
Total	–	–	4,113	–

Note 2 Net sales

	Group		Parent Company	
	2015	2014	2015	2014
Rental income	42,293	11,969	–	–
Sales, development and project properties	821,714	127,440	–	–
Other operating income	11,715	1,132	4,113	–
Total	875,722	140,541	4,113	–

Note 3 Operating lease agreements – lessor

	Group		Parent Company	
	2015	2014	2015	2014
Future leasing fees with regard to operating lease agreements – lessor with a remaining duration in excess of one year				
Within one year	53,354	9,249	–	–
Between one and five years	199,389	46,244	–	–
Total	252,743	55,493	–	–
Income for the year for operating lease agreements – lessor amounts to	42,293	11,969	–	–

Note 4 Disclosures regarding fees and cost reimbursement to the auditor

	Group		Parent Company	
	2015	2014	2015	2014
Ernst & Young				
Auditing assignments	–324	–359	–200	–100
Tax advisory services	–	–	–242	–
R3				
Auditing assignments	–	–175	–	–
Parsells Revisionsbyrå				
Auditing assignments	–41	–	–	–
Total	–365	–534	–442	–100

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. All other tasks are other assignments.

Note 5 Operating lease agreements

	Group		Parent Company	
	2015	2014	2015	2014
Future leasing fees with regard to operating lease agreements with a remaining duration in excess of one year				
Within one year	–4,940	–5,012	–	–
Between one and five years	–4,856	–3,180	–	–
Total	–9,796	–8,192	–	–
Costs for operating lease agreements for the year amount to	–3,303	–1,642	–	–
(Of which costs for rented premises)	(–2,821)	(–1,324)	(–)	(–)

Note 6 Number of employees, salaries, other remuneration, social security expenses and absence due to illness

Average number of employees in the Group	2015		2014		Gender distribution, executive management	2015		2014	
	Number of employees	Of which men	Number of employees	Of which men		Number of men	Number of women	Number of men	Number of women
Parent Company	1	1	–	–	Board of Directors	5	–	3	–
Total in the Parent Company	1	1	–	–	Executive Management	3	1	2	1
Subsidiaries	22	12	8	5					
Total in subsidiaries	22	12	8	5					
Total in the Group	23	13	8	5					

Salaries and other remuneration	2015		2014	
	Board of Directors and Management	Other employees	Board of Directors and Management	Other employees
Parent Company				
Salaries and other remuneration	–1,814	–	–	–
(Of which bonuses, etc.)	(–)	(–)	(–)	(–)
Social security expenses	–570	–	–	–
Pension expenses including social security expenses	–393	–	–	–
Subsidiaries				
Salaries and other remuneration	–4,600	–12,214	–1,657	–4,698
(Of which bonuses, etc.)	(–785)	(–2,554)	(–)	(–)
Social security expenses	–927	–2,910	–744	–2,338
Pension expenses including social security expenses	–579	–1,537	–158	–666

The Parent Company had 1 (0) employee in 2015. Of the Group's pension expenses, SEK –782 thousand (–158) refer to the Group's Board of Directors and executive management.
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 stated in the income statement.

Remuneration to the Board of Directors and executive management	Basic salary/Board fees	Variable remuneration	Pension premiums	Total
Fredrik Holmström, Chairman of the Board	167	0	0	167
Erik Paulsson, Member	100	0	0	100
Andreas Rutili, Member	100	0	0	100
Risto Silander, Member	100	0	0	100
Fredrik Tibell, Member	100	0	0	100
Fredrik Lidjan, CEO ¹⁾	1,650	0	0	1,650
Andreas Rutili, former CEO	299	0	78	377
Other executive management (3 people) ²⁾	3,113	785	704	4,602
Total	5,629	785	782	7,196

¹⁾ Remuneration for the CEO has been invoiced in accordance with a consultancy agreement. The agreement's notice of termination is three months. Fredrik Lidjan holds 5,000 shares in Magnolia Holding 3, CIN 559016–4140.

²⁾ Other executive management normally have three to six months of mutual termination.

Note 7 Depreciation, amortization and impairment and disposal of property, plant and equipment and intangible assets

	Group		Parent Company	
	2015	2014	2015	2014
Depreciation, amortization and impairment and disposals for the year				
Goodwill	–1,200	–1,200	–	–
Other intangible assets	–8,164	–93	–	–
Machinery and equipment	–148	–106	–	–
Total depreciation and amortization	–9,513	–1,399	–	–

Note 8 Profit/loss from participations in associated companies

	Group		Parent Company	
	2015	2014	2015	2014
Share in profits from associated companies	-120	-1,152	-	-
Total	-120	-1,152	-	-

Note 9 Operating profit/loss

Operating profit increased to SEK 357.1 million (47.3) and the operating margin improved to 40.8 percent (33.7). Gains from property sales amounted to SEK 252.5 million (58.2) for the sale of Mariastaden and Bryggeriet in Helsingborg, Kanikenäsholmen in Karlstad, Limhamn in Malmö and Nyby in Uppsala.

Note 10 Interest income and similar profit/loss items

	Group		Parent Company	
	2015	2014	2015	2014
Interest income – Group	-	-	18,189	12,174
Interest income – external	1,778	3,412	92	446
Interest income – associated companies	802	-	301	-
Total	2,580	3,412	18,582	12,620

Note 11 Interest expenses and similar profit/loss items

	Group		Parent Company	
	2015	2014	2015	2014
Interest expenses - external	-45,739	-19,083	-18,393	-13,157
Other financial expenses	-6,670	-1,857	-2,428	-1,632
Total	-52,409	-20,940	-20,821	-14,789

Note 12 Tax on profit/loss for the year

	Group		Parent Company	
	2015	2014	2015	2014
Current tax	-439	-439	-	-
Deferred tax for temporary differences	-125	-169	-	-
Total reported tax expense	-564	-608	-	-
Reconciliation of effective tax				
Reported profit/loss before tax	307,284	29,804	-3,183	-2,650
Tax in accordance with applicable Swedish tax rates	-67,602	-6,557	700	583
Effect of non-deductible amortization of goodwill	-264	-264	-	-
Effect of other non-deductible expenses	-4,965	-674	-3	-4
Effect of non-taxable income	76,053	12,809	-	-
Increase in loss carry-forward without corresponding capitalization of deferred tax	-3,908	-5,669	-697	-579
Other	122	-254	-	-
Reported effective tax	-564	-608	-	-

The tax expense is less than 22.0 percent since some reported income (primarily the sale of companies) is not taxable. No deferred tax has been calculated since these deficits will probably not be utilized. 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.

Note 13 Goodwill

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Opening cost	12,000	12,000	–	–
Closing accumulated cost	12,000	12,000	–	–
Opening depreciation and amortization	–6,054	–4,854	–	–
Depreciation and amortization for the year according to plan	–1,200	–1,200	–	–
Closing accumulated depreciation and amortization	–7,254	–6,054	–	–
Closing residual value according to plan	4,746	5,946	–	–

Note 14 Other intangible assets

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Opening cost	8,475	392	–	–
Purchases	607	8,083	–	–
Disposal	–8,012	–	–	–
Closing accumulated cost	1,070	8,475	–	–
Opening depreciation and amortization	–171	–78	–	–
Depreciation and amortization for the year according to plan	–152	–93	–	–
Closing accumulated depreciation and amortization according to plan	–323	–171	–	–
Closing residual value according to plan	746	8,304	–	–

Note 15 Equipment, tools, fixtures and fittings

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Opening cost	394	306	–	–
Purchases	525	88	–	–
Disposal	–248	–	–	–
Closing accumulated cost	671	394	–	–
Opening accumulated depreciation, amortization and impairment	–195	–89	–	–
Disposal	108	–	–	–
Depreciation and amortization for the year according to plan	–145	–106	–	–
Closing accumulated depreciation, amortization and impairment	–232	–195	–	–
Closing residual value	439	199	–	–

Note 16 Participations in Group companies

	Parent Company	
	12/31/2015	12/31/2014
Opening cost	88,822	88,822
Closing carrying amount	88,822	88,822

Parent Company's holding of shares in Group companies at 12/31/2015

Company name	CIN	Domicile	Number of shares	Share of capital (%)	Equity	Profit/loss 2015	Carrying amount
Norefjell i Oslo Invest AB	556746-2923	Stockholm	319,567	100%	29,242	–1	14,385
Magnolia Utveckling AB	556776-1464	Stockholm	708,930	100%	103,288	76,343	74,437
Total							88,822

Note 17 Participations in associated companies

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
At beginning of year	39,832	4,525	1,850	1,450
Write-up	–	39,000	–	–
Investments for the year	75,437	409	200	400
Impairments	–	–2,950	–	–
Transfer against subsidiary shares	–113,389	–	–	–
Share of profits in associated companies for the year	20	–1,152	–	–
Total carrying amount in the Group	1,900	39,832	2,050	1,850

Associated companies	Share, %	CIN	Domicile	12/31/2015	12/31/2014
Parent Company holdings					
Svenska Husgruppen Intressenter AB	45%	556871-5717	Borlänge	2,050	1,850
				2,050	1,850
Group holdings					
Svenska Husgruppen Intressenter AB	45%	556871-5717	Borlänge	1,850	1,639
Söderblick Utveckling AB	50%	556849-9445	Stockholm	25	25
Söderblick Produktion AB	50%	556849-9452	Stockholm	25	25
Magnolia Senap AB	50%	556887-5925	Stockholm	–	25
Moutarde Holding AB	50%	556910-7856	Stockholm	–	38,118
Total				1,900	39,832

Note 18 Provision for taxes

Group 12/31/2015	Deferred tax asset	Deferred tax liability	Net
Deferred tax assets/liabilities (net) are attributable to the following items			
At beginning of year	–	169	169
Tax allocation reserves	–	122	122
Buildings and land (taken over from acquisition)	–	1,804	1,804
Total	–	2,095	2,095

Total loss carry-forward without corresponding capitalization of deferred tax SEK 36,688 thousand (12,233).

Note 19 Other securities held as non-current assets

	Share, %	Group		Parent Company	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
At beginning of year		30,614	30,614	–	–
Deductible assets		–	–	–	–
Total		30,614	30,614	–	–
Specification of securities					
Norefjell Prosjektutvikling AS	15.93%	30,614	30,614	–	–
		30,614	30,614	–	–

Note 20 Other long-term receivables

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
At beginning of year	15,109	14,950	–	–
Promissory notes	263,832	–800	–	–
Deposits	4	959	–	–
Total	278,945	15,109	–	–

Note 21 Development and project properties

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Opening amount	424,231	209,608	3,823	–
Ongoing new construction	107,771	291,236	–	3,823
Acquisitions	816,470	–	–	–
Sales	–209,637	–76,613	–3,823	–
Total	1,138,835	424,231	–	3,823

Note 22 Other receivables

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Receivable property sales	185,489	126,706	–	–
Other items	18,632	60,246	21,228	1
Total	204,121	186,952	21,228	1

Note 23 Prepaid expenses and accrued income

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Prepaid interest expenses	–	74	85	74
Other items	1,981	443	108	–
Total	1,981	517	193	74

Note 24 Long-term interest-bearing liabilities

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Liabilities that fall due for payment between one and five years				
Bank loans	504,659	268,353	–	–
Bond loans	226,000	226,000	222,326	220,034
Total	730,659	494,353	222,326	220,034
Liabilities that fall due for payment in more than five years				
Bank loans	–	–	–	–
Total	–	–	–	–
Total long-term interest-bearing liabilities	730,659	494,353	222,326	220,034

Note 25 Other long-term liabilities

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Liabilities that fall due for payment between one and five years				
Loans	109,647	–	–	–
Deposits	409	100	–	–
Total	110,056	100	–	–
Liabilities that fall due for payment in more than five years				
Loans	–	–	–	–
Total	–	–	–	–
Total other long-term liabilities	110,056	100	–	–

Note 26 Accrued expenses and deferred income

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Accrued personnel costs	5,827	982	247	–
Accrued interest expenses	3,572	361	–	–
Deferred income	8,213	5,223	–	–
Other items	32,343	4,180	1,221	100
Total	49,955	10,746	1,468	100

Note 27 Pledged collateral

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Real estate mortgages	467,863	258,990	–	–
Participations in Group companies	264,229	56,000	–	–
Total	732,092	314,990	–	–

Note 28 Contingent liabilities

	Group		Parent Company	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Guarantees benefiting subsidiaries	609,450	–	609,450	–
Other guarantees	250,000	–	200,000	–
Total	859,450	–	809,450	–

Stockholm, April 13, 2016

Risto Silander
Member

Fredrik Holmström
Chair

Erik Paulsson
Member

Andreas Rutili
Member

Fredrik Tibell
Member

Fredrik Lidjan
CEO

Our audit report was submitted on April 13, 2016.
Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

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 (publ) for the 2015 financial year. The annual report and consolidated financial statements of the Company are included in the printed version of this document on pages 62–83.

Responsibilities of the Board of Directors and the CEO for the annual report and consolidated financial statements

The Board of Directors and CEO 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 CEO 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 CEO, as well as an evaluation the overall presentation of the annual report and consolidated financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our 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 2015 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 for the Group.

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 CEO of Magnolia Bostad AB (publ) for the 2015 financial year.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed appropriations of the company's profit or loss, and the Board of Directors and the CEO 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 CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO 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 CEO be discharged from liability for the financial year.

Stockholm, April 13, 2016
Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

2016 reporting dates

Financial Calendar

- Interim report January-March: May 17, 2016
- Interim Report January-June: August 23, 2016
- Interim Report January-September: November 22, 2016
- Year-End Report: February 24, 2017

Definitions

Return on equity

Profit after tax as a percentage of average visible equity (excluding the minority).

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, basic

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

Earnings per share, diluted

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 including the minority's share of equity less deferred tax as a percentage of the balance sheet total.

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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