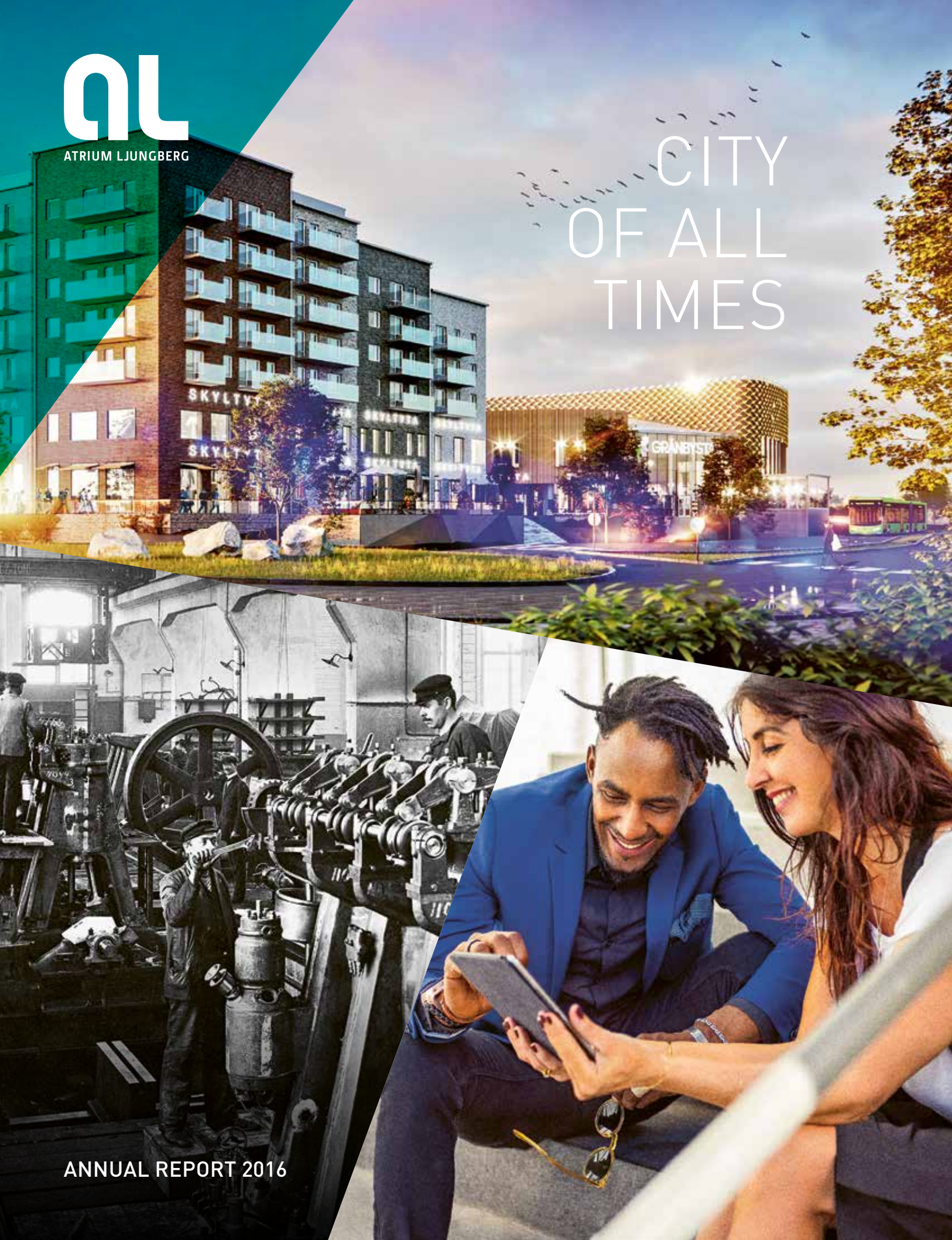




ATRIUM LJUNGBERG

# CITY OF ALL TIMES



ANNUAL REPORT 2016

# WHO WE ARE

Atrium Ljungberg owns, develops and manages properties. Our primary focus is on retail and offices, but our vibrant urban environments also include residential and cultural, service and educational facilities. We create sustainable city districts where people want to be, today and tomorrow. We are located where Sweden is growing: Stockholm, Gothenburg, Malmö and Uppsala.

Deciding to build attractive spaces for the future is every bit as obvious to us as deciding to create long-term value – for us, our owners and customers and society.

Atrium Ljungberg has been listed on the Nasdaq Stockholm Exchange since 1994.



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# ATRIUM LJUNGBERG – 2016 IN BRIEF

50 

NUMBER OF PROPERTIES

36 

PROPERTY VALUE,  
SEK BILLION

2.2 

CONTRACTED ANNUAL RENT,  
SEK BILLION

1,124 


LETTING AREA, M<sup>2</sup> '000

93 

LETTING RATE, %

281 

NUMBER OF EMPLOYEES

224 

ENERGY CONSUMPTION, KWH/M<sup>2</sup>

- ▶ The Group's net sales totalled SEK 2,299 million (SEK 2,468 m), of which rental income increased to SEK 2,150 million (SEK 2,122 m).
- ▶ The operating surplus increased to SEK 1,458 million (SEK 1,450 m), corresponding to an increase of 0.5 per cent.
- ▶ The profit before changes in value totalled SEK 965 million (SEK 945 m), corresponding to an increase of 2.1 per cent.
- ▶ The net profit for the year totalled SEK 2,681 million (SEK 2,784 m).
- ▶ Investments during the year in Atrium Ljungberg's own properties amounted to SEK 1,002 million (SEK 768 m).

*More information under the tab*



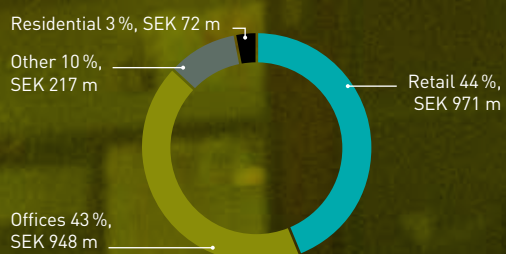
# KEY RATIOS

	2016	2015
Net sales, SEK m	2,299	2,468
Operating surplus, SEK m	1,458	1,450
Profit/loss before changes in value, SEK m	965	945
Profit after tax, SEK m	2,681	2,784
Investments in Atrium Ljungberg's own properties, SEK m	1,002	768
Acquisition of properties, SEK m	1,461	872
Cash flow from operating activities, SEK m	949	1,006
Letting rate, %	93	94
Operating surplus margin, %	68	68
Equity/assets ratio, %	43.7	43.7

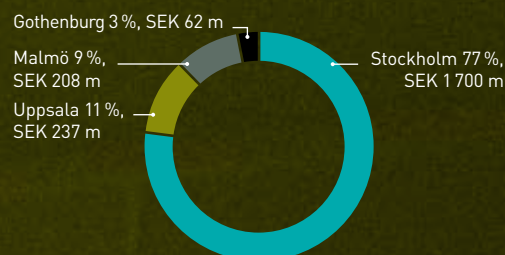
	2016	2015
Gearing ratio, %	41.9	43.0
Average interest rate on interest-bearing liabilities (at end of period), %	2.3	2.9
Interest coverage ratio, multiple	3.5	3.3
Earnings per share, SEK	20.13	20.89
Profit/loss before changes in value less nominal tax, SEK/share	5.65	5.54
Dividend, SEK/share (proposed for 2016)	3.95	3.55
Share price as of 31 December, SEK/share	142.30	133.00
Shareholders' equity, SEK/share	121.58	104.73
EPRA NAV, SEK/share	156.21	131.78
EPRA NNNNAV, SEK/share	144.38	122.95

This annual report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the translation, the former shall have precedence.

## CONTRACTED ANNUAL RENT PER PREMISES TYPE



## CONTRACTED ANNUAL RENT PER REGION



# SIGNIFICANT EVENTS 2016

## Q1

### NEW CEO AND BEGINNING OF RESIDENTIAL INITIATIVE

- Acquisition of the property Malmen 12 in central Malmö, an office and health care property totalling approximately 7,500 m<sup>2</sup> of letting area.
- A seven-year lease contract concluded with Bankgirot for approximately 7,000 m<sup>2</sup> in Liljeholmen, Stockholm.
- Construction start on the first residential building in Gränbystaden, including approximately 60 rental apartments.
- Annica Ånäs, former CFO and acting CEO, appointed to succeed Ingalill Berglund as CEO. Martin Lindqvist took over as the new CFO and is a member of company management.
- Atrium Ljungberg ranked for the third year in a row by Great Place To Work® as one of Sweden's best workplaces.
- The operating surplus from property management increased to SEK 357 million (SEK 344 m), which corresponds to an operating surplus margin of 68 per cent (67%).

## Q2

### LETTING IN BAS BARKARBY AND ACQUISITION IN KISTA

- Acquisition of the office property Borgarfjord 3 in Kista with approximately 13,500 m<sup>2</sup> letting area.
- A lease contract was concluded with Järfälla Municipality for 10,800 m<sup>2</sup> in the first phase of BAS Barkarby in Barkarbystaden, Järfälla. The lease contract is conditional on the approved detailed development plan and land transfer agreement as well as investment decisions.
- Three buildings for five new stores and restaurants were completed in northern Gränbystaden in Uppsala. In addition, a square and outdoor playground were inaugurated in the area.
- Nacka District Court judged Casco Adhesives AB (AkzoNobel) as liable to pay damages to Atrium Ljungberg as a result of a lease contract in Sickla Front in Sickla being revoked. The judgement was appealed, and the case is currently being heard by Svea Court of Appeal.
- Atrium Ljungberg's organisation was adapted to support our business model and vision in an even better manner.
- The accumulated operating surplus from property management increased to SEK 731 million (SEK 701 m), which corresponds to an operating surplus margin of 69 per cent (68%).

## Q3

### ACQUISITION IN SUNDBYBERG – NEW SUBSIDIARY MARKET

- Acquisition and occupancy of the office property Eken 6 in Sundbyberg with approximately 28,500 m<sup>2</sup> letting area. This is Atrium Ljungberg's first acquisition in Sundbyberg.
- We received our first environmental certification for an existing building when the retail hub Port 73 in Haninge was certified in accordance with Breeam In-Use.
- The accumulated operating surplus from property management increased to SEK 1,115 million (SEK 1,084 m), which corresponds to an operating surplus margin of 70 per cent (69%).

## Q4

### ACQUISITION OF SÖDERHALLARNA AND SUBSTANTIAL LETTING IN KISTA

- Atrium Ljungberg concluded an agreement for the acquisition of the property Fatburen 2, Söderhallarna, at Medborgarplatsen in Stockholm. The property houses a food market, stores and offices, with an area of approximately 8,500 m<sup>2</sup>. The acquisition is conditional on a decision to be made by the Stockholm City Council.
- An agreement was concluded with IBM Svenska AB for renting approximately 6,500 m<sup>2</sup> in the property Borgarfjord 3 in Kista – a property which was acquired in April 2016.
- Construction start of two residential projects in Gränbystaden, Gränby Entré buildings 2 and 3, with a total of approximately 130 apartments. In addition, reconstruction of Forumkvarteret in central Uppsala started.
- Atrium Ljungberg received the 'Breeam project of the year' award for its sustainability work in Gränbystaden.
- Monica Fallenius, new director of the business area Transaction and Establishment and member of company management was recruited.
- The accumulated operating surplus from property management increased to SEK 1,458 million (SEK 1,450 m), which corresponds to an operating surplus margin of 68 per cent (68%).

# CITY OF ALL TIMES

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Our legacy consists of the quality we deliver and our knowledge in relation to building for the future. Using the location's identity and soul as the foundation, we create a new and vibrant area – a place where history and the future are united, and where people, enterprises and visions can grow.

**Past, present and future**



## NOW IS THE TIME

*THE YEAR OF 2016 was characterised by strong development and a high pace. We made several important acquisitions that offer important future opportunities, and we are now planning to increase the pace of investment further. Our large project portfolio offers significant potential, and our new residential initiatives are an important piece of the puzzle in terms of building sustainable urban environments.*

### RESULTS 2016

We delivered stable results in 2016 and exceeded our forecast. A record-breaking property market with lower yield requirements and several positive new negotiations and renegotiations of lease contracts helped us increase the value of our properties by 9 per cent. Net letting amounted to SEK 128 million. The reason for the lower increase in operating surplus than the goal of 10 per cent is a large strategic sale of properties that took place in 2015. This, together with a lower than target pace of investments in 2014 and 2015, affected the operating surplus for 2016.

### PROJECT PORTFOLIO ACCELERATING

Our project portfolio is now gearing up in earnest, and the pace will increase in 2017 when several projects are launched that will be completed in 2018 and 2019. The construction starts in 2017 include retail, residential and offices in Gränbystaden and Sickla as well as offices in Hagastaden. In addition to ongoing projects,

our project portfolio allows us to invest an additional SEK 11 billion in the land we own and in our land allocations. A significant project portfolio!

### STRATEGY FOR RESIDENTIALS COMPLETE

Cutting the first sod in the spring of 2016 as the new CEO also marked the beginning of Atrium Ljungberg's residential initiative. We now have a clear strategy for our residential offer and have adapted the organisation to the new initiative.

The goal is to build approximately 300 apartments a year from 2019 onwards. We will build residential for individuals who are seeking a full-service environment with vibrant meeting places. The residential will be built in our existing areas and will contribute to a diverse urban environment that is lively-around-the-clock and which strengthens our total offer. The great majority will be tenant-owned dwellings, but we believe in the importance of also adding

undergoing strong development, and the number of residents will increase significantly over the coming years. We hope there will be additional business opportunities in Sundbyberg so that we can be a part of the municipality's development in the future.

### RATING

We have recently received a rating from the credit rating agency Moody's, which conducts an independent assessment of the company's credit risk. We were awarded a rating of Baa2 with a stable outlook, which entails investment grade. In all likelihood this will further improve our opportunities to finance ourselves through the capital market with good conditions.

### ONE OF SWEDEN'S BEST WORKPLACES

In addition to properties, I am passionate about organisational and leadership issues. I am therefore delighted that in 2016, we were once



Our project portfolio is now gearing up in earnest, and the pace will increase in 2017 as several projects are launched over the year.

rental dwellings to the areas. The initiative is already under way in Gränbystaden, and Sickla is next.

### NOTICEABLE SUSTAINABILITY WORK

Sustainability work is a natural part of our daily operations and is integrated into our strategies. Our residential investment is a central aspect in terms of creating sustainable urban environments since it combines housing with workplaces and retail. It also creates a flow of people, which results in improved security and better opportunities for a larger range of services and restaurants. Since we own large areas, we can take an overall approach and truly take sustainability into account.

We have signed the UN Global Compact, and support its principles.

### IMPORTANT ACQUISITIONS

During 2016 we made several important acquisitions that offer significant future opportunities. By purchasing the second of the two properties which comprise Söderhallarna in Stockholm, we will own the entire Söderhallarna complex. There is vast potential here to further develop the food market, strengthen the cultural atmosphere at Medborgarplatsen and upgrade the office premises. We now have good opportunities to create synergies between the properties in terms of both operations and concept and to develop Söderhallarna as a whole into an attractive meeting place. This is well suited to our strategy, to build urban environments with a mixed content where we can affect the entirety.

The acquisition of an office property in Sundbyberg worth one billion SEK means that we have entered a new subsidiary market with vast growth potential. Sundbyberg is a dynamic municipality

again included on the Great Place To Work® list that designates the best workplaces in Sweden. We improved our results once again in the most recent employee survey. The total confidence index was a high 89 per cent, which well exceeds our goal of 85 per cent. Our strong employer brand is also noticeable when we search for new employees. We get many good candidates and can recruit competent personnel who share our strong core values.

### OUTLOOK FOR 2017

There is a lot to indicate that Sweden's growth rate will be good in 2017 as well. However, irrespective of this we are a long-term player that has chosen to have strong financial key ratios. If the market slackens we have a strong balance sheet to rely on. Thus, irrespective of the economy, we will be able to continue investing in new development projects.

The forecast for profit before changes in value is SEK 1,055 million for 2017, compared to the outcome of SEK 965 million in 2016.

In conclusion, I would like to extend a big thank you to all of our employees who have so significantly contributed to our success with their drive and expertise. I would especially like to thank the members of my management group for their commitment, which is so very crucial as we together move Atrium Ljungberg forward.

I would also like to thank our tenants and other stakeholders for their positive collaboration during the past year.

Annica Ånäs, CEO



# URBAN ENVIRONMENTS THAT GENERATE VALUE



## PROJECT DEVELOPMENT

### For you as a tenant

Our project development comprises reconstruction and new builds in attractive growth markets, generally in connection with existing property holdings. We stay alert to find new business opportunities together with our customers, and we utilise our own employees to ensure continuity from concept to occupancy. By creating meeting places with a mixture of activities, we generate added value for our customers where the different players benefit from one another.

### For you as an owner

The projects generate good value growth for Atrium Ljungberg and the company's owners. Our goal is for project return in our new build and extension projects to be at least 20 per cent. Our broad project portfolio helps us increase the value and total return of our portfolio.

### For society

We create complete and sustainable urban environments where people can live, be, work and reside over time. We take advantage of the financial, social and environmental values that already exist, and add new ones.



## CORE VALUES

*Our core values permeate everything we do and guide us in our encounters with customers and other stakeholders. Solicitude for people and the environment makes up part of our business activities – through our business concept, vision, values, business processes, action plans and daily routines.*

### COLLABORATION

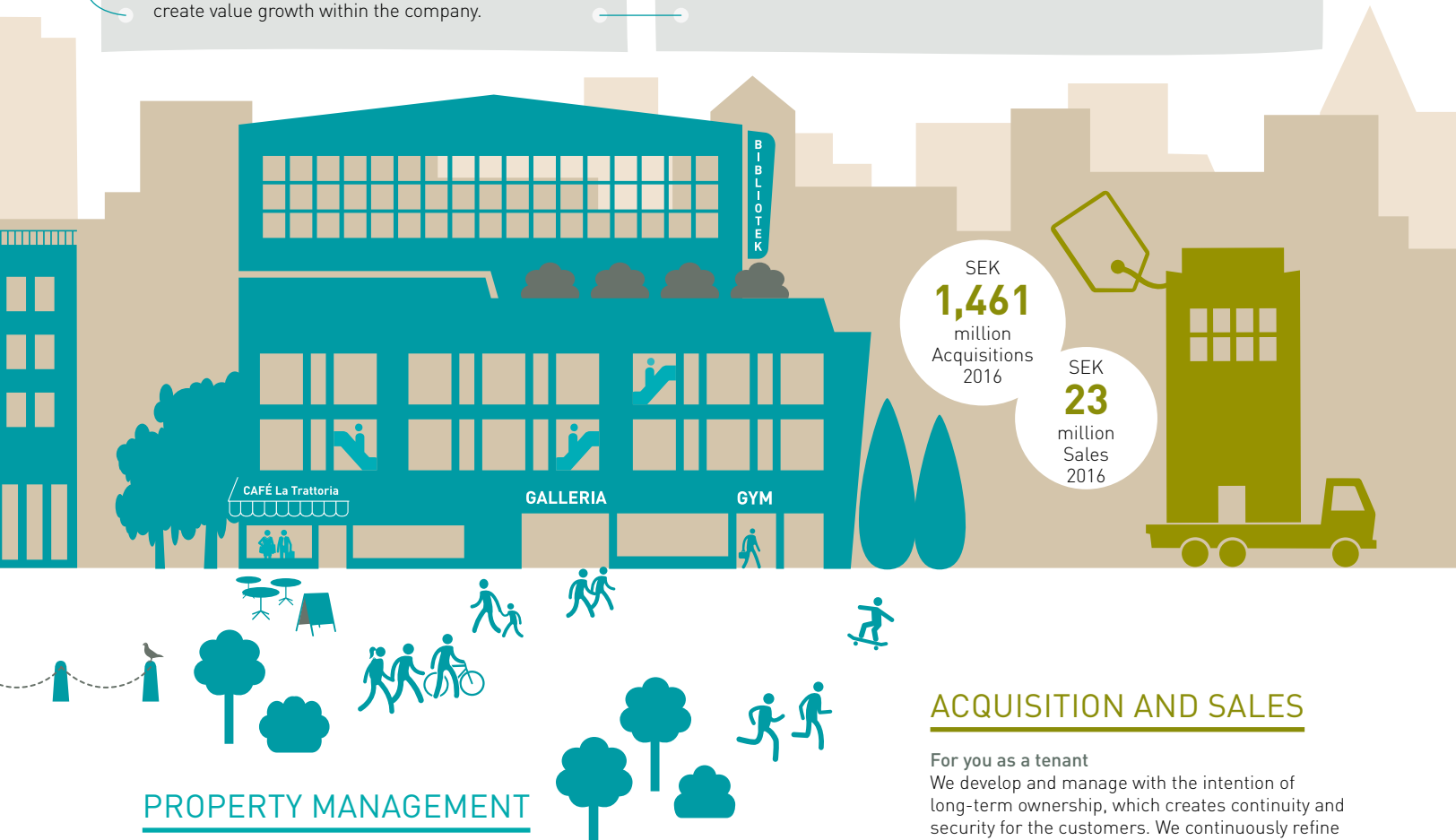
Collaborating over boundaries allows us to create entirely new opportunities – both for ourselves and for our customers.

## BUSINESS CONCEPT

Our long-term approach to ownership, development and property management allows us to offer our customers attractive urban environments for retail, office and residential in strong subsidiary markets. Our in-house expertise and holistic perspective enable us to generate added value for our customers and partners and to create value growth within the company.

## VISION: Our city – where everyone thrives

Our city is a place where everything you need and desire is right next door. A number of businesses meet here, creating an exciting urban environment where anyone would want to be. Here you can work, shop, conduct business, live, study, socialise and be entertained – everything that is part of life. Our locations have a soul and everyone should feel at home. Where people want to live – the city thrives.



## PROPERTY MANAGEMENT

### For you as a tenant

We are a long-term landlord that closely collaborates with our customers. Having local management allows us to intercept and understand customer needs early on, and thus create the conditions needed for them to conduct profitable and sustainable business.

### For you as an owner

We manage our properties effectively and have a steadily increasing operating surplus, which also contributes to higher property values. Our portfolio is concentrated to attractive areas in four metropolitan areas where growth is strong.

### For society

We work together at Atrium Ljungberg. We are very involved on a local level in the areas where we operate. We create the conditions needed for vibrant areas with a mixture of office workplaces, retail, service, residentials, education and culture.

## ACQUISITION AND SALES

### For you as a tenant

We develop and manage with the intention of long-term ownership, which creates continuity and security for the customers. We continuously refine our portfolio with acquisition and sales to create attractive and vibrant urban environments with a large flow of people.

### For you as an owner

We continuously refine our portfolio, which means it is broad and has a risk spread and strong total return.

### For society

In conjunction with acquisition, the object is reviewed, and we identify areas that can be improved in order to utilise and develop the financial, social and environmental values.

### LONG-TERM APPROACH

The future permeates everything we do – from our ownership and sustainable solutions to how we work within the company and in relation to our customers and partners.

### RELIABILITY

We keep our promises. The motto of 'a handshake is enough' is every bit as relevant today as it always has been.

### INNOVATIVE THINKING

We recognise opportunities and always find the best solutions in our own way.

# GOALS FOR PROFITABILITY, GROWTH, STABILITY AND SUSTAINABILITY

WE HAVE CLEAR goals for profitability and growth, long-term stability and sustainable enterprise. Our focus is on growth in the operating surplus. This, together with a stable capital structure, generates excellent conditions for good value growth. We also have concrete goals for working in a long-term and sustainable manner in relation to climate change and employee issues.

## PROFITABILITY AND GROWTH

Development of the operating surplus is the key to our success. Together with the value growth from investments, this lays the foundation for the total return.

Goals	<p>The operating surplus is to increase by 10 % a year.</p> <p>We are to invest SEK 1 billion every year in our own projects. For investment decisions from 2012 forward, the goal is for the return on new build and extension projects to be 20%.</p> <p>The dividend is to correspond to a minimum of 50 % of the profit before changes in value, after nominal tax.</p>																																				
Description	<p>By investing in our own new build and reconstruction projects, reducing vacancy levels, and ensuring cost-effective management, we will increase our operating surplus by 10 % a year. The investments also generate growth in the value of our properties and the company in that the yield on the projects exceeds the market's yield requirements. See pages 34–37 for further information about our projects.</p> <p>The owners will have a share in the company's profits from a long-term perspective by stable dividend payments. See pages 88–89 for further information about the share and our shareholders.</p>																																				
Goal fulfilment 2016	<p>In 2016, the operating surplus increased by 0.5%. In 2015, retail properties were strategically sold for close to SEK 1.3 billion, which negatively affects the operating surplus for 2016. <span style="color: red;">✗</span></p> <p>Investments in our own properties amounted to SEK 1,002 million and primarily concerned northern Gränbystaden and Sickla Front II. <span style="color: green;">✓</span> No projects were completed in 2016, so the project return goal is not addressed.</p> <p><b>Proposed dividend 2016</b> <b>3.95</b> SEK/share <span style="color: green;">✓</span></p> <p>A dividend of SEK 3.95/share is proposed for 2016, corresponding to a dividend payment of 70 % of the profit available for distribution, and a dividend yield of 2.8 %.</p>																																				
Historic goal fulfilment	<p><b>Increased operating surplus</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Increased operating surplus (%)</th> </tr> </thead> <tbody> <tr><td>2012</td><td>11.8</td></tr> <tr><td>2013</td><td>6.0</td></tr> <tr><td>2014</td><td>3.6</td></tr> <tr><td>2015</td><td>7.9</td></tr> <tr><td>2016</td><td>0.5</td></tr> </tbody> </table> <p><b>Investments</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Investments (SEK m)</th> </tr> </thead> <tbody> <tr><td>2012</td><td>1,512</td></tr> <tr><td>2013</td><td>1,302</td></tr> <tr><td>2014</td><td>707</td></tr> <tr><td>2015</td><td>768</td></tr> <tr><td>2016</td><td>1,002</td></tr> </tbody> </table> <p><b>Dividend</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Dividend (%)</th> </tr> </thead> <tbody> <tr><td>2012</td><td>68</td></tr> <tr><td>2013</td><td>61</td></tr> <tr><td>2014</td><td>67</td></tr> <tr><td>2015</td><td>64</td></tr> <tr><td>2016</td><td>70</td></tr> </tbody> </table>	Year	Increased operating surplus (%)	2012	11.8	2013	6.0	2014	3.6	2015	7.9	2016	0.5	Year	Investments (SEK m)	2012	1,512	2013	1,302	2014	707	2015	768	2016	1,002	Year	Dividend (%)	2012	68	2013	61	2014	67	2015	64	2016	70
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*Enables growth.*

**43.7**  
per cent

Continued high equity

## LONG-TERM STABILITY

Our strong capital base contributes to long-term stability and creates the conditions needed for successful business. Our goals of long-term stability has been fully achieved.

Goals	The minimum assets/equity ratio is to be 30%.		The minimum interest coverage ratio is to be a multiple of 2.0.																									
Description	The company's capital base is to be strong, to help ensure long-term stability and generate the conditions needed to do good business in different market situations. The operating cash flow is to cover interest costs by a wide margin.																											
Goal fulfilment 2016	The equity/assets ratio continues to be high and was 43.7%. <div>✓</div>		The interest coverage ratio was a multiple of 3.5. <div>✓</div>																									
Historic goal fulfilment	<p><b>Equity/assets ratio</b></p>  <table><thead><tr><th>Year</th><th>Equity/assets ratio (%)</th></tr></thead><tbody><tr><td>2012</td><td>40</td></tr><tr><td>2013</td><td>41</td></tr><tr><td>2014</td><td>40</td></tr><tr><td>2015</td><td>44</td></tr><tr><td>2016</td><td>44</td></tr></tbody></table>		Year	Equity/assets ratio (%)	2012	40	2013	41	2014	40	2015	44	2016	44	<p><b>Interest coverage ratio</b></p>  <table><thead><tr><th>Year</th><th>Interest coverage ratio (multiple)</th></tr></thead><tbody><tr><td>2012</td><td>2.6</td></tr><tr><td>2013</td><td>3.0</td></tr><tr><td>2014</td><td>3.0</td></tr><tr><td>2015</td><td>3.3</td></tr><tr><td>2016</td><td>3.5</td></tr></tbody></table>		Year	Interest coverage ratio (multiple)	2012	2.6	2013	3.0	2014	3.0	2015	3.3	2016	3.5
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*We can attract talents.*



Exceeded goal – GPTW index

## SUSTAINABLE ENTERPRISE

We are gradually strengthening our focus on sustainable enterprise. We have been certifying major new builds of premises since 2011. We will now continue the process by certifying our entire portfolio, and have developed the goal so that it now includes both new production and existing buildings.

Goals	By 2021, 100 % of our properties are to be certified (with the exception of project properties and properties acquired over the past two years).	Energy consumption per m <sup>2</sup> is to decrease by 20 % between 2014 and 2021.	By 2021, the proportion of green lease contracts is to be 50 % of the contracted annual rent.	As one aspect of having sustainable employees, we are to be one of Sweden's best workplaces.
Description	We have chosen to obtain environmental certification for our premises in accordance with the Breeam environmental classification system. Our residential properties are to be certified in accordance with Miljöbyggnad. <i>See pages 18–27 for further information about our sustainability work.</i>	We are to reduce our energy consumption, which represents not only a significant portion of a building's operating cost, but also impacts the climate change. We are to support our tenants and facilitate their efforts to conduct their activities in a resource-efficient manner. Green lease contracts are a joint undertaking to reduce environmental impact together.  <i>See pages 18–27 for further information about our sustainability work.</i>		We have taken part in the Great Place to Work® (GPTW) evaluation of 'Sweden's best workplaces' since 2011. Our goal is to achieve a minimum average index of 85 %. The results do not include TL Bygg's employees.  <i>Find out more about GPTW on page 24.</i>
Goal fulfilment 2016	As of 31/12/2016, 13.1 % of our letting area was certified.	Energy consumption was reduced by 16 % per m <sup>2</sup> between 2014 and 2016.	As of 31/12/2016, 10.1 % of the contracted annual rent derived from green lease contracts.	The employee survey for 2016 shows that we exceeded our goals and achieved an index of 89 %.
Historic goal fulfilment	<p><b>Share of certified properties</b></p> <p>%</p> <p>100</p> <p>13.1</p> <p>2016</p>	<p><b>Energy consumption</b></p> <p>kWh/m<sup>2</sup></p> <p>214</p> <p>268</p> <p>242</p> <p>224</p> <p>2014 2015 2016</p>	<p><b>Green lease contracts</b></p> <p>%</p> <p>50</p> <p>5.5</p> <p>10.1</p> <p>2015 2016</p>	<p><b>Sustainable employees</b></p> <p>%</p> <p>85</p> <p>81</p> <p>84</p> <p>87</p> <p>87</p> <p>89</p> <p>2012 2013 2014 2015 2016</p>

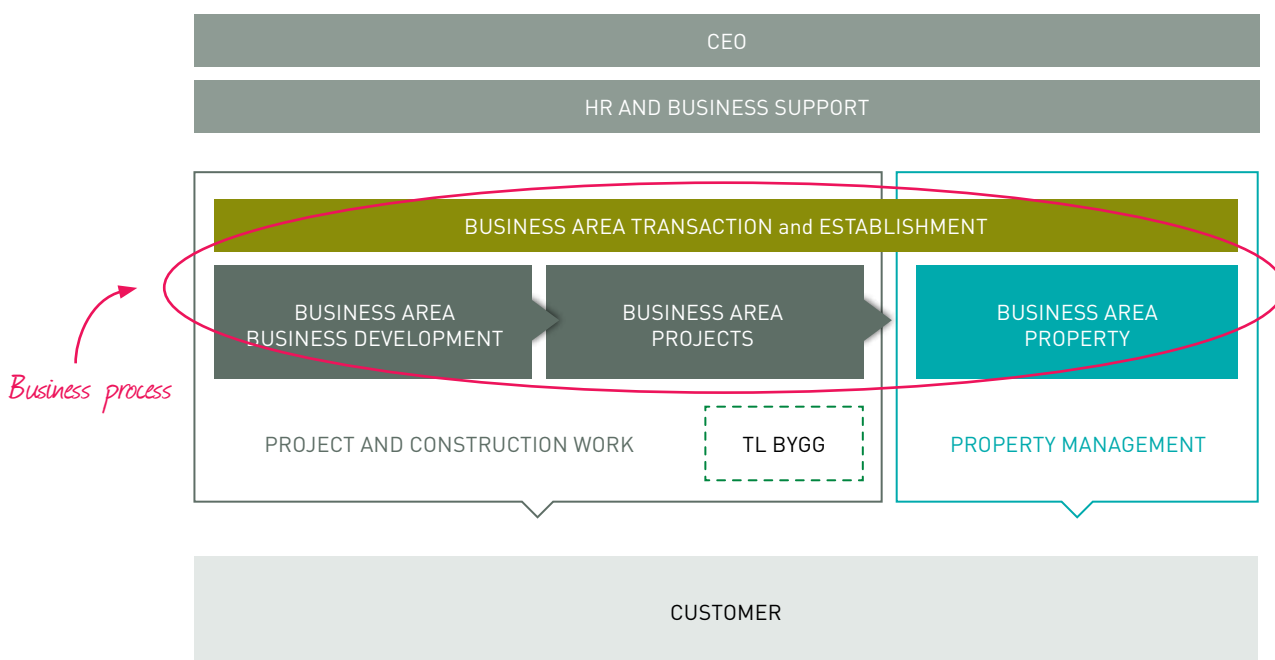
# STRATEGY WITH CLEAR DIRECTION

OUR STRATEGY HELPS us do the right things at the right places. The strategy also describes how we are to do those things: with focus on customers, sustainability and commitment.

STRATEGY	VALUE-ENHANCING FACTORS
We are to focus on developing urban environments <b>for the retail and office sectors</b> and, when possible, add housing, service, culture and education.	The mixture increases the flow of people at the location and creates synergies for everyone involved, which subsequently provides greater opportunities to conduct successful business.
We are to develop and improve <b>properties</b> and <b>development rights</b> .	We create value growth within the company through active property management, and generate project returns in our project development.
We are to establish a presence <b>in strong subsidiary markets</b> in metropolitan areas where there is potential for long-term population growth.	Long-term population growth creates the prerequisites for long-term profitability, both for us and for our customers.
We are to be a <b>significant player</b> with large, unified units in each subsidiary market.	As a significant player, we can lead and influence development and create urban environments with longevity.
We <b>focus on our customers</b> in everything we do. Collaboration with customers, suppliers, municipalities and other stakeholders should be close, long-term, stable and personal.	Through relationships and collaboration based on trust we find innovative solutions, and together create long-term sustainable and attractive environments.
We are to conduct and manage the entire <b>business process</b> in-house using our own expertise.	By conducting the entire business process ourselves, including project development, we can take care of our customers and generate value growth over time.
<b>Sustainability work</b> is integrated in the business strategy and constitutes an important component of our offering. We improve our own and our customers' resource efficiency.	Good resource efficiency strengthens the company's value and results, as well as the outside world's confidence in us.
We are to have <b>committed employees</b> who are passionate about what we do. Our core values – long-term approach, collaboration, reliability and innovative thinking – are to be firmly rooted.	One condition for achieving good results is competent, motivated and engaged employees. We work to ensure a positive and safe work environment and a culture that is characterised by participation. Sustainable employees help lay the foundation for development and profitability.

# ORGANISATION IN LINE WITH OUR VISION

*AN ORGANISATION THAT better supports our business model helps us create sustainable city districts that are in line with our vision.*



## CLOSE TO CUSTOMERS

Our organisation is designed to support our business model and the way we create sustainable city districts, with a focus on value growth, being close to our customers and short decision-making processes. Our operations are divided into two branches, namely Property Management and Project and Construction Work.

Our properties and areas are managed locally by our own, on-site staff. The management of our market areas is broken down by geographical area. Our head office is located in Sickla in Nacka, and we also have ten local offices where many of our employees have their regular workplaces close to our customers.

Transaction and Establishment identifies and implements new acquisitions within the framework of the strategy. The business area is also responsible for processing of new customers, letting premises for retail and offices and residential sales.

Project and Construction activities include Business Development, Projects and our subsidiary TL Bygg.

Our support functions are divided into HR and Business Support. Business Support includes functions such as Finance and Accounting, Financing, Investor Relations (IR), Communication, Sustainability, IT Support, Purchasing, Legal Affairs and Rental Administration.

# FOUR REASONS TO OWN SHARES IN ATRIUM LJUNGBERG

AS A SHAREHOLDER in Atrium Ljungberg you receive a stable dividend yield at low risk. At the same time, you have the potential for a good long-term total return on your investment with regard to the company's interesting project portfolio. Investing in Atrium Ljungberg also means investing in sustainable urban development.

1

## STABLE DIVIDEND YIELD

– The dividend yield over the past five years was 3.0 per cent per year on average. The dividends paid by the company since its flotation in 1994 have never dropped.

2

## LOW RISK

– Atrium Ljungberg has a strong financial position with strong key ratios, such as a low gearing ratio and high interest coverage ratio. We are located in attractive markets with strong growth.

3

## POTENTIAL FOR GOOD VALUE GROWTH

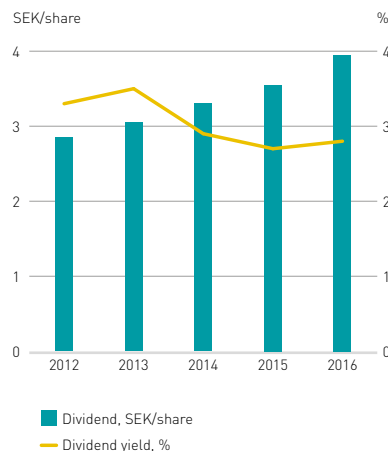
– With a planned investment rate of SEK 1 billion per year and a goal of 20 per cent return on new build and extension projects, Atrium Ljungberg – and hence the share – has excellent potential for good value growth over time. The total return over the past five years has been 18 per cent per year on average.

4

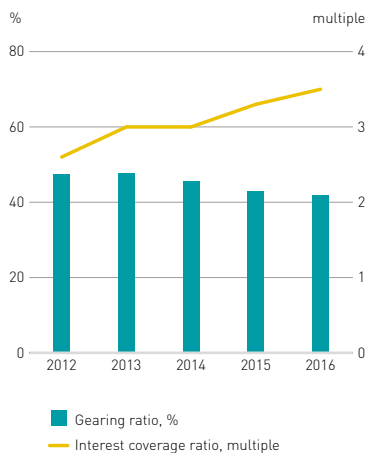
## SUSTAINABLE URBAN DEVELOPMENT

– Sustainability work is integrated in the business model where we continuously develop our areas in a sustainable direction. We are a long-term player that takes responsibility for the impact of our business has on human beings and the environment.

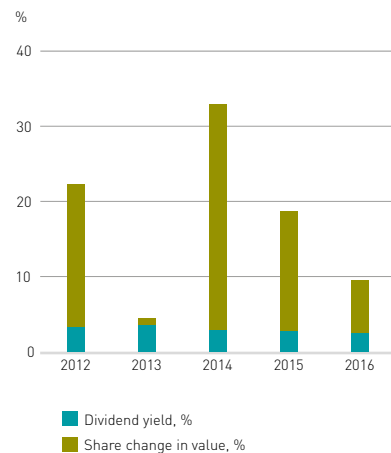
Dividend and share dividend yield



Gearing ratio and interest coverage ratio



Share's total return



# PROPERTY MARKET AT RECORD-BREAKING LEVELS

*THE GREAT INTEREST* in property investments resulted in record-breaking sales in the transaction market in 2016, at the same time that historically low interest rates continued to put downward pressure on yield requirements. The underlying driving forces in the property market are predicted to stay favourable in 2017.

## RECORD SALES IN THE TRANSACTION MARKET

The Swedish transaction market has been very strong over the past few years, and a high degree of competition and demand have resulted in high transaction volumes and declining yield requirements. Full-year 2016 ended exceptionally strong with record-high transaction volumes. According to Savills, property sales reached SEK 201 billion in value during the year, which is 30 per cent higher compared to the previous year and 23 per cent higher compared to the previous transaction record from 2014.

The office properties segment had the highest sales during the year with a total of SEK 53 billion, and it represented 26 per cent of the total transaction volume. Demand for retail properties was also strong during the year, and total sales for retail properties amounted to SEK 25 billion.

## LOW INTEREST RATES PUTTING DOWNWARD PRESSURE ON YIELD REQUIREMENTS

The favourable market situation has primarily been driven by the current low-interest rates, good access to equity and debt, as well as a lack of alternative investments. Global uncertainty in the finance markets and record-low yield on bonds have also resulted in increased interest in property investments, which provide a relatively stable yield. The high level of demand resulted in record-low yield requirements within

most of the subsidiary markets over the year. The difference compared to the 10-year government bond interest is nevertheless historically large.

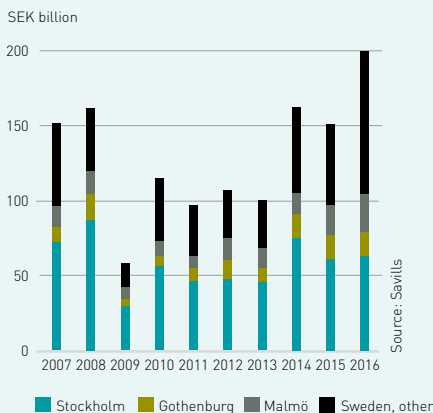
## FAVOURABLE CONDITIONS CONTINUE

In addition to the low yield requirements, the increase in value in the office segment is driven by rising rents and low vacancy levels. The services sector is thriving in Sweden, and demand for offices, especially in large cities, is very good. The substantial growth in population, decreasing unemployment and rising employment have resulted in growing demand for office properties, residentials and social services. The basic driving forces currently impacting the property market are expected to remain favourable, and most indications for 2017 point to continued interest in investing, positive pressure on office rents and low vacancy levels.

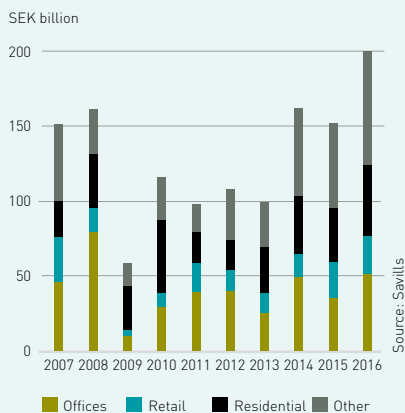
## TAX INVESTIGATION ONGOING

Several tax investigations are ongoing, which is creating some uncertainty and could result in higher taxation for the property sector in the form of more limited tax deductions in relation to interest expenses, higher title deed costs and increased taxation on property sales. So far, however, these uncertainties have not noticeably affected property values.

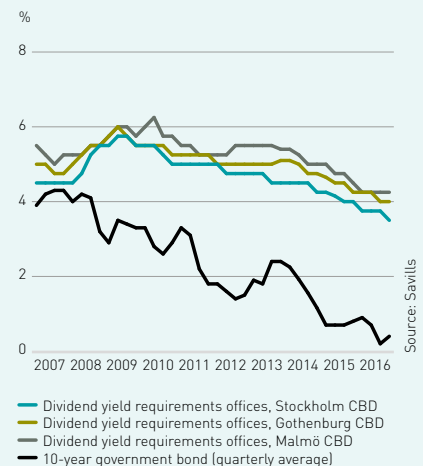
Transaction volume per geographic area



Transaction volume per property type



Dividend yield requirements for offices and 10-year government bond interest



# STRONG DEMAND FOR OFFICES

ATRIUM LJUNGBERG OWNS office properties in Stockholm, Gothenburg and Malmö where most of the country's population growth is expected to take place in the coming years. Strong demand and low vacancy levels have resulted in upward pressure on rental levels, and Stockholm had the highest rental growth in Europe in 2016 as a result.

## RAIL-BASED PUBLIC TRANSPORT AND VIBRANT LOCAL ENVIRONMENT IN DEMAND

The office market is driven by a number of factors such as economic growth, how attractive the area is and demographic development. In Sweden, large cities grow faster than small ones, and the population is becoming increasingly concentrated to Stockholm, Gothenburg and Malmö. The large cities also have a higher share of the employable population than the rest of the country, and this situation is expected to remain the same in the future. The vigorously growing population base, which is already high, contributes to increase demand for workplaces, social services and housing.

Tenants primarily want central locations with good and preferably rail-based transport options. Vibrant local environments are also in demand where people are out and about both mornings and evenings and where there is a wide range of residential, restaurants and other service.

## MORE EFFICIENT USE OF PREMISES

Demand for efficient and modern premises has clearly increased in the office market and continues to be a trend. An increasing number of tenants are demanding more efficient utilisation of premises and activity based working, which places great demands on flexible premises and modern technical equipment. More efficient utilisation of premises means tenants can pay higher rent per m<sup>2</sup> without increasing the total premises cost per employee, which puts upward pressure on rental levels.

The high level of demand for efficient office premises also frequently results in older and inappropriate premises being converted into residential or hotels, for example.

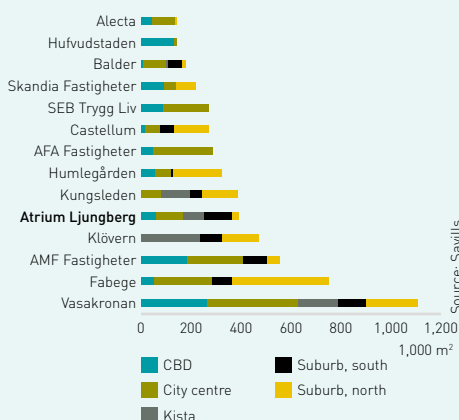
## RELOCATION AWAY FROM THE CITY CENTRE

The trend of relocating offices away from the city centre has continued, not least for large tenants. The high cost of office premises in central locations has prompted several large tenants to move to more peripheral locations where rents are lower and the offering of modern and efficient offices is greater. This trend should continue if the rental market stays strong, and many companies will potentially relocate, above all, back office functions to subsidiary markets that offer lower rent. However, the trend does not apply to young growth companies that have to compete for labour and are thus forced to choose locations in the city centre in order to attract employees.

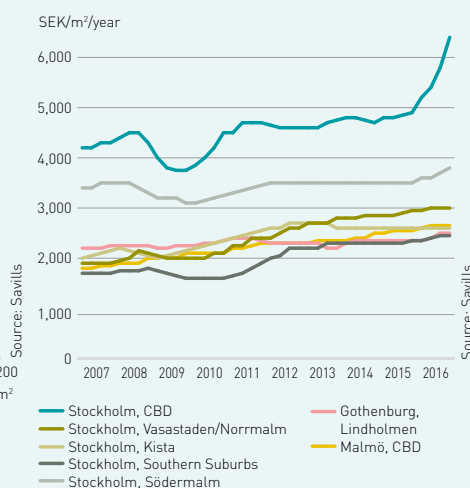
## STOCKHOLM MARKET

Demand for office premises in Stockholm was very strong in 2016. The vacancy level in the city centre has remained at around 3 per cent, which has placed a great deal of pressure on office rents. Prime rent for offices in the most central areas of Stockholm (CBD) experienced a strong upswing of close to 30 per cent over the year, which is the highest in Europe. Another contributing factor to the strong rental trend is that new production has been low the past few years in the most central areas of Stockholm.

Letting area for office space in Stockholm



Rental trend in Stockholm, Gothenburg and Malmö<sup>1)</sup>



Atrium Ljungberg's market shares in subsidiary markets, Offices

Subsidiary markets	m <sup>2</sup> office space, ('000 m <sup>2</sup> )	Share Atrium Ljungberg
<b>Stockholm</b>		
City centre, excl. CBD	4,970	2 %
Kista	842	10 %
Southern suburbs	1,667	9 %
Sundbyberg	1,874	1 %
<b>Gothenburg</b>		
Lindholmen	276	13 %
<b>Malmö</b>		
Central Malmö, Västra Hamnen, Hyllie	578	1 %

Source: Savills and Strateg Fastighetskonsult

# CONTINUED GROWTH IN THE RETAIL SECTOR

ATRIUM LJUNGBERG IS one of the largest owners of retail properties in Sweden. Retail space represents just under half of our total rental value, which means development of the retail sector is important to us. Despite several challenges, the retail sector continued to develop robustly in 2016.

## CONTINUED GROWTH IN THE RETAIL SECTOR IN 2016

In 2016, the retail sector faced several major challenges including a lower ROT deduction (for repairs, conversion and extension work) and higher employer contributions for young people, for example. Development in the retail sector was also very strong in 2015, which results in strong comparison figures. Despite these challenges, the retail sector managed to exceed the previous year with total sales of SEK 751 billion, corresponding to growth of 3.4 per cent. Consumer durables and sectors such as optical retail and home furnishing showed the strongest development. The electronics retail industry showed the weakest development, with negative growth of -0.3 per cent.

## E-COMMERCE

E-commerce continued to grow at a rapid pace in 2016. It increased by 16 per cent compared to the previous year, and amounted to just over SEK 58 billion. The market share for e-commerce thus increased from 6.9 to 7.7 per cent of the total retail sector. The increase is due to relatively new sector ventures and continued growth in the more mature sectors. As was the case in the retail sector otherwise, goods related to the home showed strong development; for example, hardware and building supplies increased by 29 per cent.

## RETAIL – GLOBAL AND EXTREMELY LOCAL

It is predicted that consumers in the future will shop both through global e-commerce and at physical stores found very locally. From a Swedish perspective, this trend is already clear

since one out of five consumers already shops from other countries through e-commerce. This behaviour is likely to continue as consumers grow more accustomed to purchasing from operators in other countries.

At the same time, consumers are becoming increasingly interested in saving time and want shopping to be convenient and easily accessible. In addition to e-commerce, this means consumers may select physical retail hubs that are located close to their home or workplace – or the area in between the two. This places greater demands on the existence of a sufficiently large and diverse range at these locations, and the importance of restaurants, service and experiences will increase even more.

## RETAIL YEAR 2017

HUI Research's forecast for the retail sector's growth in 2017 is 3.0 per cent. The challenges specified for 2016 apply to 2017 as well. The introduction of the amortisation requirement is also a cause for concern. Consumption and the savings rate have increased in parallel for quite some time, but higher housing prices in combination with the amortisation requirement may result in one of these needing to be reduced slightly.

## ATRIUM LJUNGBERG'S RETAIL HUBS

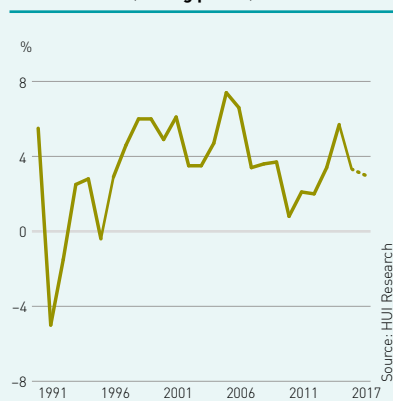
Our retail hubs are located in the strong regions of Stockholm, Uppsala and Malmö. The stores within our five largest retail hubs – Sickla, Farsta Centrum, Port 73, Gränbystaden and Mobilia – collectively reported a sales increase of 4.0 per cent in 2016 compared to the previous year.

Retail letting area in Sweden <sup>1)</sup>



<sup>1)</sup> Estimated area, as per 31 December 2016.

Retail sector's development and forecast for 1991–2017 (rolling prices)



Atrium Ljungberg's market shares in subsidiary markets, Retail

Municipality	Sales municipality, SEK m <sup>1)</sup>	Share Atrium Ljungberg
Haninge (Port 73)	4,471	20 %
Malmö (Mobilia)	24,223	8 %
Nacka (shopping district in Sickla)	7,139	45 %
Stockholm (Farsta Centrum, Västberga Handel)	69,120	5 %
Uppsala (Gränbystaden, Rådhuset, Forumgallerian)	14,940	19 %

<sup>1)</sup> Refers to sales per municipality 2015.

Source: HUI Research



## TOWN HALL BECAME FASHION DEPARTMENT STORE

*Rådhuset is one of Uppsala's most well-known profile buildings, and it is an important landmark. Few places in Uppsala – if any – have a history that is as long and exciting as Rådhuset's. A great deal has taken place in the building, which was damaged by city-wide fires twice, in 1702 and 1766. We bought the building in 2006 and carefully renovated it, showing the utmost respect for the soul and history of the building, and since 2012 Rådhuset has been a fashion department store.*

◆ Past, present and future

# WE CREATE SUSTAINABLE URBAN ENVIRONMENTS

*ATRIUM LJUNGBERG CREATES attractive and sustainable urban environments where people want to live, work and be – today and tomorrow. A value-governed organisation with motivated employees and close collaboration with our stakeholders form the basis for achieving this.*

## FOCUS AREAS AND GOVERNANCE

### OUR ROLE

Atrium Ljungberg takes a long-term approach and has a broad range of experience – we own, build, develop and manage properties. We are a significant player in the areas where we operate, and we have a large property portfolio in Sweden's strongest growth markets. This gives us good opportunities to develop improved urban qualities, including a mixture of businesses and meeting places – which contributes to a sense of well-being and security.

We have the property portfolio, expertise and financial strength required for turnkey projects and long-term investments.

Sustainable urban development has become more important as urbanisation and population in metropolitan areas have grown. Awareness that the earth's resources are limited and how humans impact the climate change has also grown.

The construction and property sector accounts for roughly one third of Sweden's energy consumption, and it has a large impact on climate change. Atrium Ljungberg is consequently an important player and a far-sighted partner that helps develop the areas where we operate in a sustainable direction.

With a clear customer focus, we develop collaboration with our tenants and join forces to reduce resource utilisation and environmental impact, and thus make greater progress than we could if we worked individually.

### IN DIALOGUE WITH STAKEHOLDERS

We have an ongoing dialogue with stakeholders that are part of our core business or that are affected by it. Our most important stakeholders are tenants, owners/investors, employees and the municipalities where we operate. Representatives of these stakeholder groups took part in the materiality analysis we conducted in 2015. We have used the results of the analysis as the basis for developing our focus areas, goals and policies. Read more about our materiality analysis on our website.

*See pages 24–25 for further information about employees.*

### GOALS

Our sustainability goals are based on the company's values. We developed our goals over the year in order to take another step forward. See page 10 for further information on the goals and outcomes.

### POLICIES

Atrium Ljungberg's Board lays down the company's overall sustainability policy and other related policies. These are evaluated and revised annually. Our policies are available in their entirety on our website.

### FOCUS AREAS SUSTAINABILITY

We want to strengthen our competitiveness and business through a broad approach where solicitude for people and the environment are natural components. Based on our business and dialogue with the company's most important stakeholders, we have identified four focus areas:

**URBAN DEVELOPMENT:** We develop our areas in a sustainable direction as a means to improve their attractiveness. Doing so creates value for tenants, municipalities and other stakeholders that utilise the space, as well as for us as a company.

**ENVIRONMENT AND RESOURCE UTILISATION** Resource utilisation, primarily energy consumption, represents not only a significant portion of a building's operating and production cost, but also its climate change impact. Consequently, we focus on improving our own and our customers' resource efficiency.

**EMPLOYEES:** One condition for achieving good results is competent, motivated and engaged employees. We work to ensure a positive and safe work environment and a culture that is characterised by participation. Employees help lay the foundation for development and profitability.

**BUSINESS ETHICS** Trustworthiness is of central importance to us. We uphold sound business practices in our own operations and in relation to suppliers and other partners.

## SUSTAINABLE URBAN DEVELOPMENT

We have far-reaching visions for our locations, and our working method is based on dialogue and participation. We aim to strengthen the area's urban qualities, meeting places and identity. Through a careful mixture of content in buildings and design of public spaces, we create urban life, green oases, security and well-being. Our locations are to be resource efficient and facilitate sustainable behaviour.

See pages 22–23 for concrete examples, and page 21 for further information on certification of buildings.

## STRATEGIES FOR SUSTAINABLE URBAN DEVELOPMENT

### IDENTITY AND HISTORY

Our locations are to be characterised by their unique qualities and history, which is why we take advantage of their cultural history. Contemporary culture and sound architecture also constitute an important component in our city.

### DIALOGUE AND PARTICIPATION

We fortify our locations by collaborating with local players. We manage and develop our locations in dialogue with tenants and local players such as residents, visitors, the business community and associations. A good dialogue with the municipalities plays a decisive role since Atrium Ljungberg is involved in urban development, local business and infrastructure.

### RESOURCE AND ENERGY EFFICIENCY

In the sustainable city, we take a resource-efficient and circular approach. We recycle and re-use materials in a smart way. We contribute to joint and efficient utilisation of resources, and facilitate sustainable behaviour.

### DIVERSITY AND FLEXIBILITY

Our locations house many different activities – retail and work are integrated with housing, service, culture and education. Our buildings are meant to last for a long time, and they are to have the capacity to develop over time based on shifting needs and social changes.

### ENCOUNTERS AND INTERACTION

Atrium Ljungberg's manner of developing city districts includes investments in what is needed for interaction, networks and learning. It is for this reason that we link shopping streets, and reinforce nodes and social structures. We develop different types of meeting places. It might be a matter of meetings and encounters between and within the business community, associations, culture and education. The issue also pertains to integrating cafés and restaurants.

### ECOSYSTEMS AND BIO DIVERSITY

We develop green spaces to promote bio diversity. By working with ecosystem services, we utilise land, walls and roofs in an efficient and sustainable manner. Trees, green roofs and smart surface water management help us ensure that our properties take the climate change into account, at the same time that we create attractive environments.

### CLOSE PROXIMITY AND COMFORT

Our locations offer shopping and a number of other comforts. We also make the locations accessible in a manner that benefits health and the environment. It is to be easy to walk and bicycle, as well as to travel by public transport and electric car. We collaborate with municipalities on the design of bicycle paths and regional and local public transport. We resolve parking in a space-efficient manner in order to optimise land usage and maximise proximity.

### SECURITY AND WELL-BEING

We focus on people and build in human scale with a carefully designed ground floor. Meticulous planning and a mixture of businesses ensure that the locations are populated during different times of the day and year, which increases the level of security and well-being. Squares, shopping streets and parks are to be perceived as open and inclusive, as well as promote meetings and encounters, relaxation and play.

## FROM WAX TO LED

Candles were first produced at Liljeholmen's candle factory in 1839. Today the candles have been replaced with energy-efficient LED bulbs. Former housing for workers and day care centres have also been replaced with office and industrial premises. Well-advanced plans are in place to develop and densify the area with attractive residential and service in order to build a vibrant city district with strong ties to Södermalm.

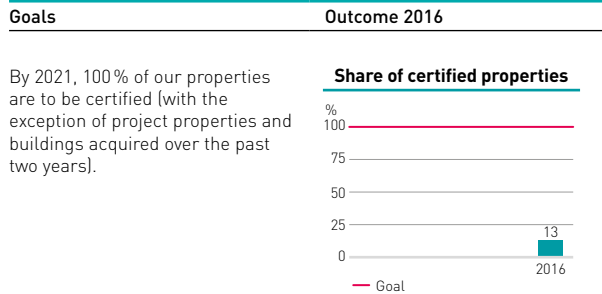
◆ Past, present and future.



## ENVIRONMENT AND RESOURCE UTILISATION

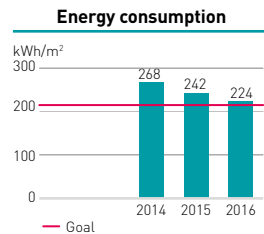
We aim to improve our own and our customers' resource efficiency and environmental performance on a continuous basis. Reducing energy consumption is important in terms of both operating costs and impact on climate change.

### Environmental and resource efficiency goals

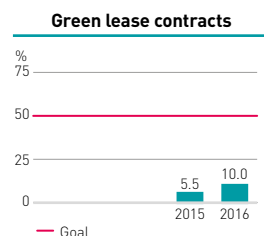


Energy consumption per m<sup>2</sup> is to decrease by 20 % between 2014 and 2021.

Energy intensity consists of all heating, cooling and electricity, including the tenants' energy consumption.



By 2021, the proportion of green lease contracts is to be 50 % of the contracted annual rent.



### CERTIFICATION

Since 2011, we have certified major new builds of premises in accordance with the global Breeam environmental classification system. Our minimum level is the rating 'Very Good'. In 2016 we received the award 'Breeam building of the year' for our sustainability work in northern Gränbystaden. We also certified our first building in accordance with Breeam In-Use, which is a certification system for existing buildings. We will continue the process to certify our entire portfolio, and we have extended our goal to include both new production and existing buildings.

Breeam assesses the building's environmental performance within several different areas: energy consumption, indoor climate including e.g. ventilation and lighting, water conservation, waste management and land usage, including impact on the local environment. Breeam also assesses and rates how the building is positioned in relation to public transport, selection of building materials and which pollutants the building might produce. A third party conducts the audit and rates the various aspects, whereby energy and health carry the greatest weight.

Breeam helps us build in a more sustainable manner. Certification makes it easier to compare the buildings' environmental performance, and, above all, to communicate with tenants about it.

Breeam is not suitable for residential properties. Rather, since 2015, we have certified our residential properties in accordance with the Sweden Green Building Council's Environmental Building certification system. Our minimum level is the 'Silver' rating. Sweden Green Building Council's requirements in relation to energy, materials and the indoor environment are extensive. Our pilot project, the Gränby Entré residential project in Uppsala, was certified with a Silver rating during the year.

## ENERGY CONSUMPTION

Electricity is responsible for the greatest share of our energy consumption. Usually, we provide the tenants with electricity and, with a few exceptions, we charge on the basis of actual consumption, which creates incentives for resource efficiency. Some tenants have their own subscription.

A majority of our properties use district heating as their heat source. We also have two properties with geothermal heating and one project property which is heated with wood pellets and oil. Comfort cooling has been installed in the majority of the properties. This type of cooling is provided partly by district cooling and partly by self-generated cooling.

As the properties become more energy efficient in the use phase, an ever greater proportion of their total energy consumption derives from the construction phase. Consequently, it is important to reduce energy consumption in the construction phase as well, and Breeam is helpful in this respect. Certification includes requirements related to energy consumption during construction site set-up and temporary heating and lighting. A substantial part of the energy consumption is also derived from the materials used in the building. In order to reduce the need for extensive reconstructions and demolitions, our properties are to be flexible and adaptable to new and modified needs.

### Outcome 2016 Energy Intensity

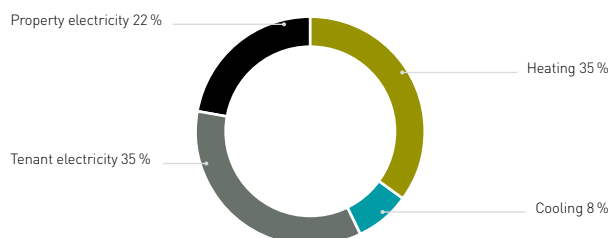
Area <sup>1)</sup>	Unit	2016	2015	2014
Heating	kWh/m <sup>2</sup>	78	79	92
Cooling	kWh/m <sup>2</sup>	19	17	19
Tenant electricity	kWh/m <sup>2</sup>	78	87	90
Property electricity	kWh/m <sup>2</sup>	50	59	67
<b>Total energy intensity</b>	<b>kWh/m<sup>2</sup></b>	<b>224</b>	<b>242</b>	<b>268</b>

<sup>1)</sup> **Power supply** is based on purchased quantities from suppliers, excluding values for solar cells that are monitored via individual meters. Heating and cooling, including tenant consumption. Tenant electricity is estimated for tenants with their own subscription.

**Weighting to an average year** for district heating, oil and pellets for each location. District cooling is not weighted to an average year.

**The area** is based on total letting area (excluding garage) indexed by a factor of 1.15. Purchased and sold properties are calculated in relation to the period of ownership.

### Energy consumption – distribution



**Total energy consumption** amounts to 237 GWh for 2016.

## MEASURES TO REDUCE ENERGY CONSUMPTION

We have reduced our energy consumption by 16 per cent since 2014. The reduction is due in part to increased focus on energy-related issues, implemented operational optimisations and other measures, but it is mostly due to changes in our property portfolio. A comparison of identical portfolios indicates that energy consumption has dropped by 9 per cent. We have also developed our system for monitoring energy consumption and have created monthly follow-up reports. The aim is to monitor the energy consumption of the individual properties in order to optimise operations and goal attainment for the entire property portfolio.

We believe in the importance of helping our customers in their efforts to achieve resource efficiency. Consequently, our overall energy goal includes the tenants' energy consumption, including their electricity consumption.

Our plan is for the majority of our properties to have undergone energy auditing by the end of 2017. Just over half of our portfolio had been audited by the end of 2016, which resulted in a large quantity of concrete proposals for improvement. Consequently, several beneficial measures will be implemented in 2017, and in conjunction with the audits, we will prepare the building for certification.

# 16 %

ENERGY REDUCTION PER M<sup>2</sup> SINCE 2014

*Read more about resource utilisation at al.se*

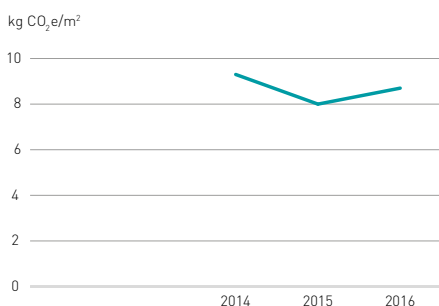
## CARBON DIOXIDE EMISSIONS

We report our carbon dioxide emissions in accordance with Greenhouse Gas Protocol, which internationally, is the most common method for voluntarily calculating a company's greenhouse gas emissions. Total carbon dioxide emissions arising from our energy consumption amounted to 8.7 kg CO<sub>2</sub>e/m<sup>2</sup>, and primarily derive from district heating. The main source of our total emissions are visitors who travel by car to our retail hubs.

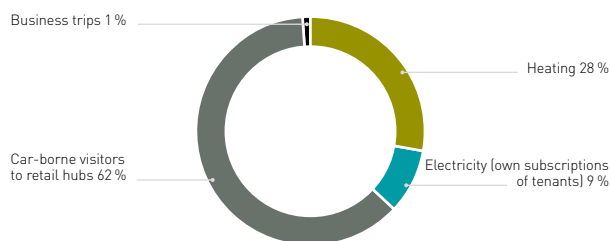
The extent of the emissions and the environmental impact partly depends on our energy suppliers' production mix, i.e. which fuels are used to produce district heating and district cooling. In the case of district heating and district cooling, we rely on the local supplier at each location, and environmental performance varies a great deal.

Carbon dioxide intensity has increased slightly due to the properties we have acquired where customers have their own electricity subscription. The electricity we use ourselves and which we provide as standard to the tenants is hydroelectric power with a guarantee of origin. Read more about our carbon dioxide emissions on our website.

### Carbon dioxide intensity from energy consumption



### Carbon dioxide emissions – distribution



**Emissions** which are generated from visitors' journeys are based on a rough estimate of habits and travel patterns. Emissions from heating consumption are weighted to an average year. Emission figures for calculating emissions from oil, pellets, electricity, district cooling, air travel and company cars have been obtained from the relevant supplier. Emission figures for district heating were obtained from the Swedish District Heating Association. Emission figures for car journeys to our retail hubs and service 10 km correspond to a general car, according to the Swedish Environmental Protection Agency. We use 'Nordenmix' as the basis for calculating emissions from tenants that have their own electricity subscription.

## COLLABORATION AND GREEN LEASE CONTRACTS

Sustainable and cost-efficient solutions are created in close collaboration between tenants and property owners. Green lease contracts are an example of a joint undertaking to reduce environmental impact together; they comprise energy, waste and transportation, for example. At the end of the 2016, 10 per cent of contracted annual rent was covered by green rental contracts. The goal is to achieve at least 50 per cent by 2021.

## LANDLORD WITH CIRCULAR OPPORTUNITIES

Sweden's second-hand market is growing in line with the increasing demand for second-hand goods such as furniture and clothing. We want to contribute. Our goal is to have at least one second-hand player per large retail hub by 2017. By the end of 2016, we had at least one second-hand player at 83 per cent of our large retail hubs. In addition, we are happy to see that businesses which extend product life cycles, such as tailors and shoemakers, are establishing themselves in our retail hubs.

For the third year in a row, we carried out the 'Återvin-win' campaign in eight of our retail centres, where customers were encouraged to hand in used clothing. Several office tenants also joined the campaign. The result for 2016 was 77 tonnes of collected clothing and other textiles for Stadsmissionen. A total of 233 tonnes has been collected over the past three years.

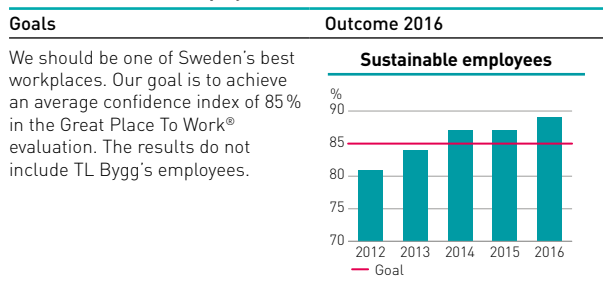
## RECYCLING AND WASTE

Well-functioning systems for recycling and waste management are important for our tenants. Atrium Ljungberg provides recycling at all properties. We have started introducing individual measurement of waste as a means to assist our tenants additionally. Our tenants want resource efficiency to be rewarded, as well as the possibility to monitor their recycling goals. We support these wishes. It is for this reason that in 2015, Atrium Ljungberg set the goal of being able to offer individual monitoring and billing of waste at our retail hubs by 2021. We extended our ambition during the year to include office buildings as well. By the end of December 2016, 4 per cent of our buildings had individual billing of waste.

## THE FOUNDATION FOR SUCCESS

Atrium Ljungberg's employees are the foundation for the company's development, success and profitability. Our employees are to be happy, thrive, perform and develop over time. To facilitate this, they need clear and communicated goals, ongoing feedback, development and a good workplace culture.

### Goal for sustainable employees



### ONE OF SWEDEN'S BEST WORKPLACES

For the third year in a row, Atrium Ljungberg was named as one of Sweden's best workplaces. The ranking is based on Great Place To Work® (GPTW). The result is two-thirds based on an employee survey and one-third on the assessment of a culture profile that amongst other things describes how the company functions in terms of employment, development and communication. We have carried out the GPTW employee survey for Atrium Ljungberg's employees since 2011, and it has a major impact on our improvement work. In 2016, we exceeded our goal to achieve an average confidence index of 85 per cent. We achieved 89 per cent.

### EMPLOYEE DEVELOPMENT

The skills of employees and their ability to use them are essential, both so that we remain competitive and so that employees feel that working for us is stimulating and satisfying. Mandatory career development reviews, action plans and follow-up are all part of Atrium Ljungberg's skills development process for employees. All employees within Atrium Ljungberg as well as administrative employees within TL Bygg are comprised by the Group's Performance Management process.

TL Bygg's skilled workers also have regular career development reviews. One hundred per cent of employees had career development reviews in 2016. This is a clear improvement over 2015 when the corresponding figure was 79 per cent. The improvement is a result of TL Bygg's revamping of career development reviews for skilled workers, which include new content, new procedures and a new structure for employee development.

The Performance Management process is our main tool for development and performance. The process helps managers and employees set goals that not only show us where we are to

go, but also how we are to get there by working in accordance with our values.

The Performance Management process also means that managers and employees together receive a half-year assessment, develop an individual development plan and evaluate the year's work. In addition to this, every employee has at least four ongoing feedback discussions with his or her manager during the year.

### DIFFERENT BACKGROUNDS AND SKILLS

All employees are to be afforded the same opportunities in relation to terms of employment, skills development and promotion within the framework of their know-how, willingness and/or ability.

We have a clear recruitment process that takes into account professional competence, personal characteristics and motivation. We also have a sound wage structure process that takes industry statistics and the employees' individual performance and goals into account. The wages are reviewed annually and there may be no unjustified differences.

These procedures contribute greatly to equal terms within the company. No cases of discrimination have been reported during the year. Read more about gender and age distribution in note [IE5](#).

### Employees per function

	2016			2015		
	Number of employees	Share of women	Share of men	Number of employees	Share of women	Share of men
Property management	107	33 %	67 %	97	36 %	64 %
Construction	70	–	100 %	82	–	100 %
Support functions + CEO	51	57 %	43 %	51	60 %	40 %
Construction work	29	7 %	93 %	27	1 %	99 %
Business Development	9	39 %	61 %	8	44 %	56 %
Project management	15	13 %	87 %	14	14 %	86 %
<b>Total</b>	<b>281</b>	<b>25 %</b>	<b>75 %</b>	<b>280</b>	<b>26 %</b>	<b>74 %</b>

4 | 3

WOMEN RESPECTIVELY MEN IN COMPANY MANAGEMENT

**Number of employees**

	2016			2015		
	Number of employees	Share of women	Share of men	Number of employees	Share of women	Share of men
Permanent employees						
of which full-time	281	25 %	75 %	280	26 %	74 %
of which part-time	0	-	-	0	-	-

The diversity indicators reported by Atrium Ljungberg include gender and age. In accordance with Swedish legislation ethnicity is not registered.

Read more about this year's gender and age distribution in note [IE5](#).

43

AVERAGE AGE, YEARS

6

YEARS EMPLOYED, YEARS

**NUMBER OF EMPLOYEES**

100 per cent of employees are covered by a collective bargaining agreement. Atrium Ljungberg almost only hires employees on a full-time or part-time employment basis. We also hire summer workers in our management organisation and extra personnel who wrap packages at our retail hubs around Christmastime. We employ approximately 100 people annually on an hourly basis, the majority of which are youths. Other than this, the company's number of employees remains relatively constant over the year. Read more about employee movement in note [IE5](#).

**HEALTH**

We have a zero-tolerance attitude towards stress-related illnesses and workplace accidents. During the year we offered a lecture and workshop on stress and health to all of Atrium Ljungberg's employees and to TL Bygg's administrative employees. Atrium Ljungberg's managers attended a continuation course, 'Stress in Organisations', which addressed, among other things, how stress can be discovered and how it impacts health. An activity group was formed during the year whose purpose is to organise activities that promote a healthy lifestyle. We utilise positive initiatives that originate from employees such as the step count challenge that was conducted during the year.

**SAFETY**

Serious health and safety risks are common in our business and industry. We have a zero-tolerance attitude towards workplace accidents. We hold regular work environment training courses for our project managers and technical managers as well as for managers at our subsidiary TL Bygg. TL Bygg trained several new safety representatives for the projects during the year. Read more about TL Bygg on page 74 and about suppliers on page 27.

In 2016 there were eleven cases of work-related illnesses. Four of the cases resulted in sick leave. No fatalities occurred within the Group or at any of Atrium Ljungberg's building sites.

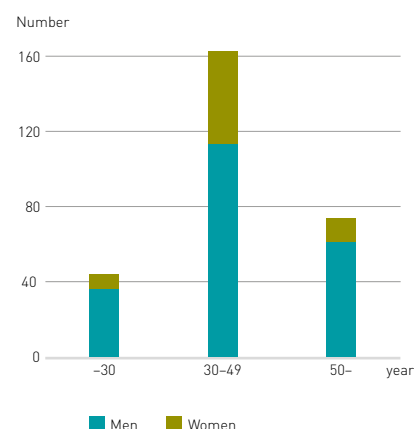
**Sick leave broken down by gender, %**

	2016	2015
Men	4 %	5 %
Women	3 %	5 %
<b>Total</b>	<b>4 %</b>	<b>5 %</b>

**Accidents and related absence**

	Number of workplace accidents <sup>1)</sup>	Number of days absence in absolute terms
Atrium Ljungberg	6	21
TL Bygg	5	80
<b>Total</b>	<b>11</b>	<b>101</b>
Men	10	101
Women	1	0
<b>Total</b>	<b>11</b>	<b>101</b>

<sup>1)</sup> Reported to the Swedish Work Environment Authority

**Age breakdown in 2016**

## FROM CHOCOLATE FACTORY TO OFFICES

*Topsy and Siljan were the names of the first chocolate bars produced at the chocolate factory in Sundbyberg at the end of the 1910s. The chocolate factory ceased operations 60 years later because the business had grown to the point that the factory had become too small. The old industrial character including the generous ceiling height and large windows was preserved for the building's current office operations.*

*Sundbyberg as a whole is growing by leaps and bounds. More residential is being planned for the area, as is a deck over the train tracks that currently divide central Sundbyberg into two sections. Our history in Sundbyberg is brief – just over six months in duration so far, but we aim to contribute to Sundbyberg's sustainable urban development for a long time to come.*

◆ Past, present and future.



## BUSINESS ETHICS

We promote sound business practices in our own activities and in relationships with suppliers and other partners. We have been a signatory of the UN Global Compact since 2009, and hence stand behind the ten principles concerning human rights, labour practices, the environment and anti-corruption.

### VALUE-BASED WORK

The values of long-termism, collaboration, reliability and innovative thinking govern our business and our encounters with our customers and other stakeholders. The business is based on a long-term approach to both ownership and relationships. We collaborate with a wide range of external partners and internally within the organisation, which creates new opportunities for the customers and for us.

Atrium Ljungberg stands for reliability. We take a great deal of responsibility, keep our promises and do not promise more than we can deliver. Our capacity and ability to innovate in all processes means that we follow our own path and achieve innovative solutions.

### BUSINESS WITH INTEGRITY

A mapping of corruption risks was conducted in 2016. As a further means to prevent corruption, we have reinforced our internal control and introduced a whistleblowing function. Our new business ethics policy is based on the company's values, and it comprises all regular employees and temporary employees. The policy constitutes our code of conduct and is available on our website. We have also developed guidelines for entertainment, gifts and benefits in order to provide more concrete guidance.

TL Bygg also adheres to the Swedish Anti-Corruption Institute's Industrial Code and the Swedish Construction Federation's Code of Conduct for legal and appropriate behaviour.

No cases of corruption have been reported during the year.

### PURCHASING AND SUPPLIERS

Atrium Ljungberg is a major purchaser with around 2,750 suppliers, primarily within finance, energy, construction contracting, operations and maintenance. We developed our purchasing process in 2016 in order to obtain effective support for the entire organisation and to satisfy our requirements related to sustainability and business ethics to an even greater extent. We initially began with purchasing management, but the intention is to implement the process for other purchases in 2017 as well.

We developed a new suppliers policy in 2016 which constitutes our code of conduct for suppliers and which is based on the company's basic values. The code of conduct helps promote continued implementation of the Atrium Ljungberg Group's commitment to international standards such as Universal Declaration of Human Rights, ILO Core Conventions and the Ten principles of the United Nations Global Compact. The code specifies the minimum require-

ments that the Atrium Ljungberg Group's suppliers must respect and meet in their own operations and supply chain.

The code of conduct is essentially based on the Swedish Property Federation's code of conduct for suppliers. The industry-wide code of conduct means that many property owners place the same requirements on suppliers, which gives us greater opportunities to affect suppliers in a positive direction.

The new purchasing process is based on every individual project or assignment having specific requirements that are defined in the contract for services or delivery agreement, and which include the code of conduct as an attachment.

Agreements within the framework of our major construction projects contain detailed requirements for the environment, quality and the work environment. To ensure good material selection, we use the environmental database called Swedish Building Materials Assessment.

### MONITORING AND AUDITING

We have launched a pilot project to monitor and audit our cleaning services suppliers. The cleaning services industry is at risk in terms of employment conditions, for example. Based on the results of the pilot project, in 2017 we will develop our procedures for monitoring and auditing other suppliers as well.

### TAX

We are to be a reliable, long-term and responsible member of society that consistently complies with laws and regulations and that, when required, transparently balances shareholder interests with public interests. We have a social responsibility to pay taxes as well as an obligation to shareholders to monitor and minimise all expenses in the company, including tax expenses. In cases where the rules and regulations are unclear or ambiguous, interpretation is to be based on the spirit of the law, and Atrium Ljungberg is to act proactively and transparently through open claims, advance notification and in dialogue with the Swedish Tax Agency.

## MEMBERSHIP IN ASSOCIATIONS AND TRADE ASSOCIATIONS

Atrium Ljungberg's main memberships in associations and organisations include the Swedish Property Federation, Sweden Green Building Council, the Stockholm Chamber of Commerce, EPRA, Almega, Sveriges HR Förening and Nordic Council of Shopping Centers. TL Bygg is a member of the Swedish Construction Federation.

# THE PROPERTY PORTFOLIO IN FIGURES

ATRIUM LJUNGBERG'S PROPERTY portfolio is concentrated to strong growth regions in Sweden and includes properties with a value of SEK 36 billion. The property market remains strong with lower yield requirements and higher market rents, which has led to unrealised changes in value of SEK 2,772 million during the year, corresponding to 9 per cent.

## PROPERTY PORTFOLIO

Our property portfolio primarily comprises modern and conveniently located retail and office properties in the growth regions of Stockholm, Gothenburg, Malmö and Uppsala. The property portfolio contains a total of 50 properties with a total letting area of 1,124,000 m<sup>2</sup>. Our residential portfolio comprises approximately 700 apartments located in Ärvinge in Kista and Mobilia in Malmö.

We acquired and took possession of three properties during the year. In April, the office property Borgarfjord 3 in Kista, with 13,500 m<sup>2</sup> of letting area, was taken into possession. In May the office and health care property Malmen 12 in Malmö, with 7,500 m<sup>2</sup> of letting area, was taken into possession. In September, the office property Eken 6 in Sundbyberg, with 28,500 m<sup>2</sup> of letting area, was taken into possession.

In November an agreement was concluded on the acquisition of Fatburen 2, Söderhallarna, at Medborgarplatsen in Stockholm. The acquisition is conditional on a decision to be made by the Stockholm City Council and was therefore not included in the accounts as of 31/12/2016.

## PROPERTY VALUE

The market value of the property portfolio at the end of the year totalled SEK 36,054 million (SEK 30,841 m). The average dividend yield requirement in the valuation was 4.9 per cent (5.2 %). Development rights and land account

for SEK 702 million (307 m); see pages 35–36 for further information about our projects.

Unrealised changes in the value of properties during the year totalled SEK 2,772 million (SEK 2,328 m). The change in value is explained mainly by the market's lower yield requirements and higher rents as a result of new lettings and renegotiations. Development rights have increased by SEK 334 million (–), largely due to several residential development rights being assessed likely to enter into force in the near future.

Read more about property valuation in note [A1](#).

### Changes in the value of the property portfolio

	2016	2015
Fair value at the start of the period	30,841	28,163
Acquisitions (after deduction of deferred tax)	1,461	872
Sale	–23	–1,291
Investments in our own properties	1,002	768
Unrealised changes in value	2,772	2,328
<b>Fair value at the end of the period</b>	<b>36,054</b>	<b>30,841</b>

### Unrealised changes in value

	2016	2015
Change in yield requirements	1,799	2,139
Change in operating nets, etc.	639	189
Development rights	334	–
<b>Total</b>	<b>2,772</b>	<b>2,328</b>

### Property portfolio, 31/12/2016

	Letting area, '000 m <sup>2</sup>	Fair value, SEK m	Fair value, SEK/m <sup>2</sup> <sup>1)</sup>
Office properties	584	17,716	37,247
Retail properties	415	14,400	43,006
Residential properties	71	1,390	23,530
<b>Business area Property</b>	<b>1,070</b>	<b>33,506</b>	<b>38,533</b>
Project properties	54	1,846	E/T <sup>2)</sup>
Land and development rights	–	702	
<b>Total</b>	<b>1,124</b>	<b>36,054</b>	
Properties sold			
<b>Total Group</b>			

<sup>1)</sup> m<sup>2</sup> excluding garage.

<sup>2)</sup> Letting area for new production is not reported until the project is completed and the figures hence do not accurately represent the actual situation.

### 2016

Rental income, SEK m	Property costs, SEK m	Operating surplus, SEK m	Operating surplus margin, %
1,021	–293	728	71
963	–334	629	65
84	–30	53	64
<b>2,068</b>	<b>–657</b>	<b>1,410</b>	<b>68</b>
82	–35	48	58
–	–	–	–
<b>2,150</b>	<b>–692</b>	<b>1,458</b>	<b>68</b>
–	0	–	–
<b>2,150</b>	<b>–692</b>	<b>1,458</b>	<b>68</b>

## RENTAL INCOME

The contracted annual rent at the end of the year totalled SEK 2,208 million (SEK 2,054 m). The rental value, i.e. contracted annual rent and estimated market rents for vacant space, amounted to SEK 2,374 million (SEK 2,192 m). This gives an economic letting rate including project properties of 93 per cent (94 %), and excluding project properties of 93 per cent (94 %). The EPRA vacancy rate is thus 7 per cent (6 %). Calculated based on letting area, the letting rate was 84 per cent (83 %).

The commercial lease contract portfolio, i.e. all lease contracts excluding residential and garage/parking, is well-diversified and comprises 1,865 lease contracts with an average contracted annual rent of SEK 1.1 million (SEK 1.1 m). The average remaining term at the turn of the year was 3.7 years (3.4 years). During 2017, 11 per cent (21 %) of the contracted annual rents will be subject to renegotiation.

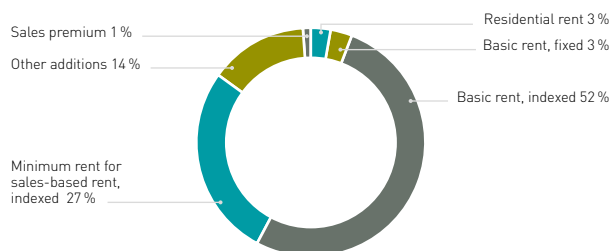
94 per cent of contracted annual rent is regulated with an

index clause linked to inflation. 28 per cent (29 %) of the contracted annual rent has a sales-based rent where rent is regulated based on the tenant's sales. The rental levels have however been secured through agreed minimum rents, and sales premium in addition to the minimum rent comprises 1 per cent (1 %) of the contracted annual rent.

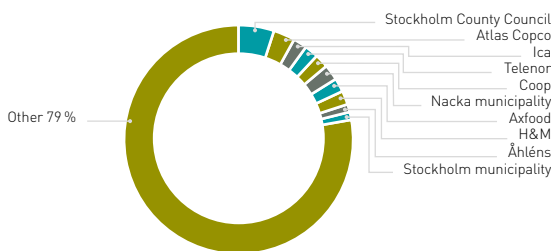
## PROPERTY COSTS

Property costs totalled SEK 692 million (SEK 671 m) during the year. Corrected for acquisitions and new builds, which have been adjusted to full-year value, and for one sold property that has been eliminated, property costs totalled SEK 666/m<sup>2</sup> (SEK 644/m<sup>2</sup>). The cost of operating retail properties in general and retail centres in particular is generally higher than for other types of commercial properties. These operating costs are, to some extent, covered by passing them on to the tenants in the form of rental surcharges.

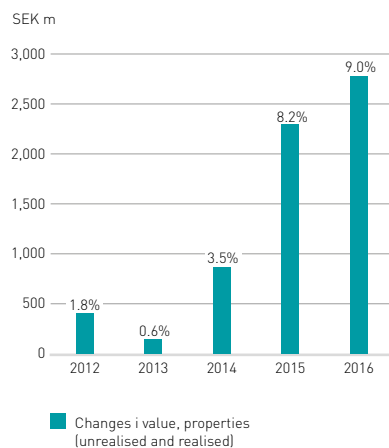
### Distribution by contracted annual rent



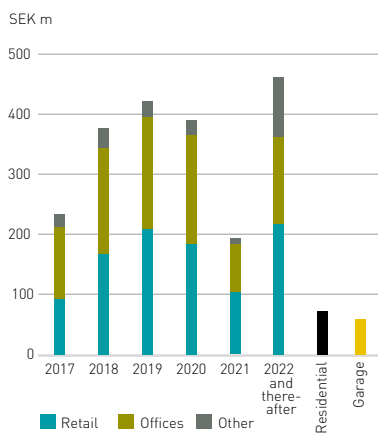
### Ten largest customers, contracted annual rent



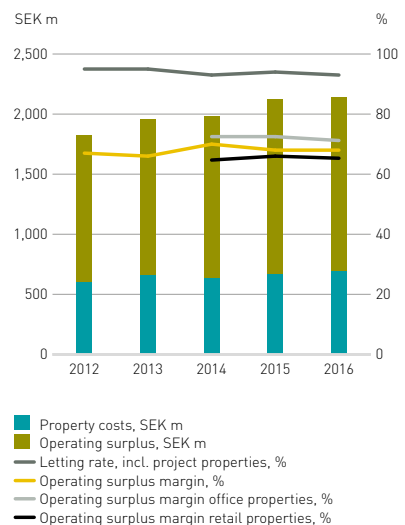
### Changes in value, properties



### Contracted annual rent per maturity year and premises type



### Operating surplus, letting rate and operating surplus margin



# PROPERTY LIST

		Letting area, m²													
Property name	Address/Description	Leasehold	Year of construction/ Reconstruction	Land area, m²	Possession	Proprietary share, %					Total	Rateable value, SEK m	Rental value, SEK m	Letting rate, %	
						Retail	Office	Residentials	Garage	Other <sup>1)</sup>					
STOCKHOLM															
1	Adam & Eva 17		1929/2006	1,777	Before 2007	100	3,304	4,507		137	7,948	480	48	97	
2	Arbetsstolen 3		1955/2008	17,330	Before 2007	100	16,127	775		824	17,726	59	31	93	
3	Blästern 6		1939/1995	5,100	2008-10	100	1,279	19,703	6,468	3,357	30,807	479	75	98	
4	Blästern 11		1930/2006	11,584	Before 2007	100	1,557	39,621	9,632	3,720	54,530	919	135	97	
5	Borgarfjord 3 <sup>2)</sup>		1984/2010	5,204	2016-04	100		13,550			13,550	175	23	5	
6	Borgarnäs 1 <sup>3)</sup>	T <sup>4)</sup>	2014	7,945	2012-02	100	737	13,616	6,700	10,989	32,042		69	92	
7	Eken 6		1916/1997	12,382	2016-09	100	46	25,757	19,000	2,307	47,110	407	66	93	
8	Fatburen 1		1991	2,380	Before 2007	100	2,123	9,172	3,773	3,360	18,428	382	45	80	
9	Fatburssjön 8		1930/2006	1,396	Before 2007	100		6,696		1,121	7,817	237	25	94	
10	Härden 14		1932/1957	1,134	2012-12	100	807	6,229	1,800	204	9,040	128	22	97	
11	Kolding 1	T	1993	27,713	Before 2007	100		128	15,800	3,087	19,015	201	22	96	
12	Kolding 2	T	1992	21,632	Before 2007	100	516	406	20,804	1,750	23,546	211	29	97	
13	Kolding 3	T	1993	13,676	Before 2007	100	954	16,099	1,256	6,848	25,977	195	41	89	
14	Kolding 4	T	1993/2001	24,332	Before 2007	100	251	24,107	8,067	977	33,402	396	45	70	
15	Proppen 6		1937/2008	2,607	Before 2007	100	978	10,128		1,493	12,599	247	30	85	
16	Roddaren 7		1900/1995	2,644	Before 2007	100	818	6,948	780	154	8,700	181	27	98	
17	Skotten 6		1959/2008	1,485	Before 2007	100	5,297	4,664		2,123	12,084	597	58	82	
18	Storö 2	T	1961/2006	6,175	Before 2007	100	4,910	4,482		2,168	11,560	126	31	97	
19	Storö 15	T	1961/1998	558	Before 2007	100	217			1,315	1,532		3	100	
20	Storö 21	T	1961/2010	36,374	Before 2007	100	42,039	23,512	13,692	10,693	89,936	1,128	223	97	
21	Storö 23	T	1961/1998	2,814	Before 2007	100	1,370	2,110	1,470	3,393	8,343		17	98	
22	Storö 24		2014	6,309	Before 2007	100	3,384				3,384	58	9	100	
23	Tranbodarne 12	T	1974/2006	4,487	Before 2007	100	92	23,200	2,886	36	26,214	754	98	100	
24	Sicklaön 83:22		1898/2012	168,913	Before 2007	100	73,489	56,814	47,470	29,487	207,260	2,254	453	97	
25	Sicklaön 83:32 <sup>3)</sup>		2014	12,268	Before 2007	100		9,718		383	10,100	171	25	77	
26	Sicklaön 83:33 <sup>5)</sup>		1943/1970	35,156	2014-02	100		3,447		13,268	16,715	97	16	94	
27	Sicklaön 87:1		1962	11,006	Before 2007	100	87			2,476	2,563		3	100	
28	Sicklaön 115:1		1929	2,249	Before 2007	100		370			370	2		97	
29	Sicklaön 115:4			9,375	2011-06	100			921		921	29	1	100	
30	Sicklaön 117:1		1967	2,823	2010-11	100	2,592	330		435	3,357	11	3	38	
31	Sicklaön 117:2		1909	1,368	2010-11	100						5			
32	Sicklaön 117:17		1978	10,175	Before 2007	100				1,629	1,629		4	100	
33	Sicklaön 265:5			2,029	Before 2007	100									
34	Sicklaön 346:1 <sup>5)</sup>			10,524	Before 2007	100						45		61	
35	Stora Katrineberg 16	T	1750/1945/1988	24,383	2015-02	100	3,736	36,208	12,400	2,539	54,883	791	84	86	
36	Söderby Huvudgård 2:43 <sup>4)</sup>		1974/2013	116,250	Before 2007	100	33,649	125		2,564	36,338	343	69	100	
37	Västnora 4:26			2,084	Before 2007	100									
38	Ribban 16			1,308	Before 2007	100									
Total Stockholm				626,949			200,358	362,421	38,781	145,823	102,042	849,425	11,109	1,831	93

<sup>1)</sup> Other includes, amongst other things, education, culture and service enterprises.

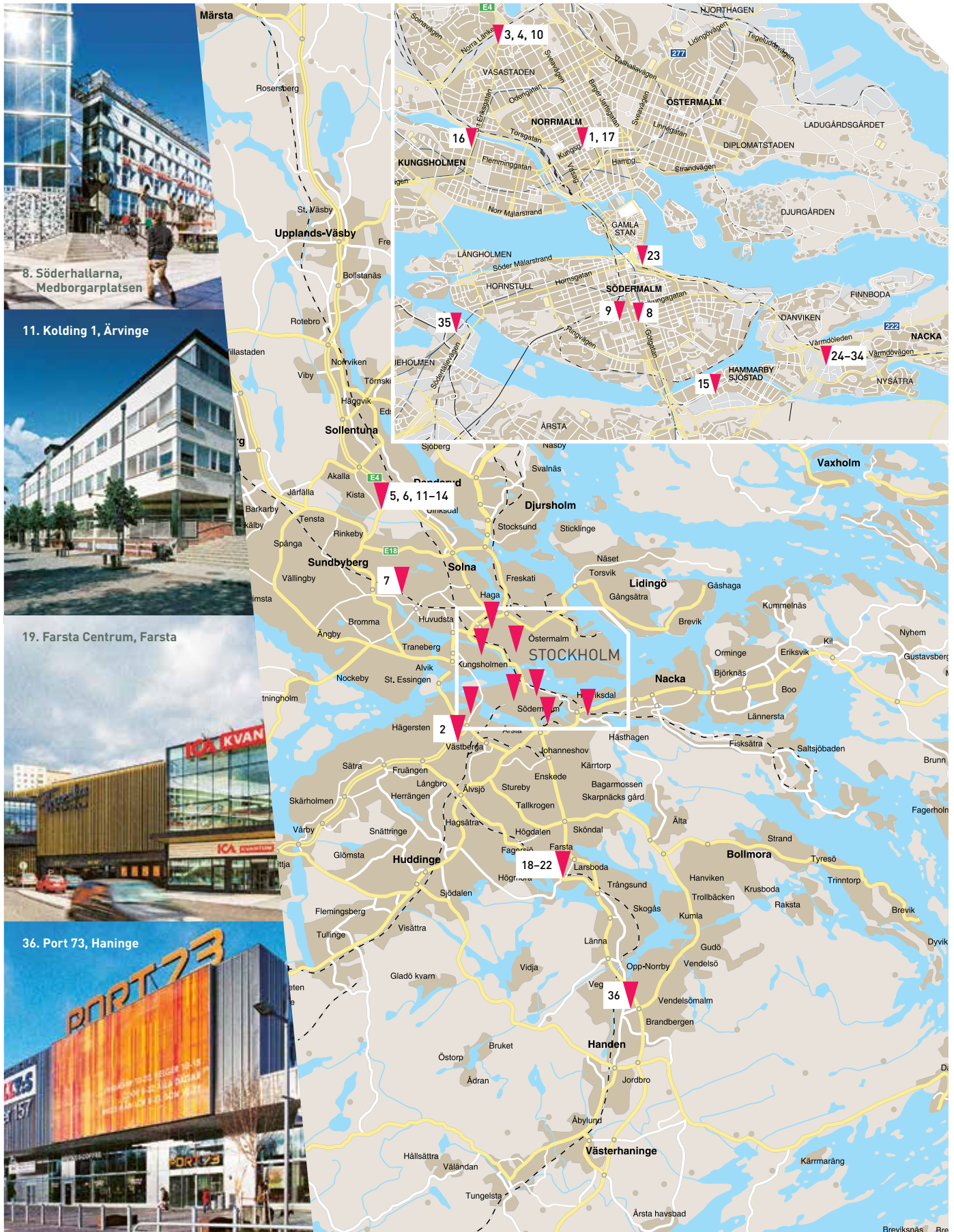
<sup>2)</sup> The property is certified in accordance with LEED.

<sup>3)</sup> All or part of the property is Breeam certified.

<sup>4)</sup> Decision on potential land acquisition will be made in 2017.

<sup>5)</sup> All or part of the property classified as a project property as of 31/12/2016.

<sup>6)</sup> The property is certified in accordance with Breeam In-Use.



## PROPERTY LIST

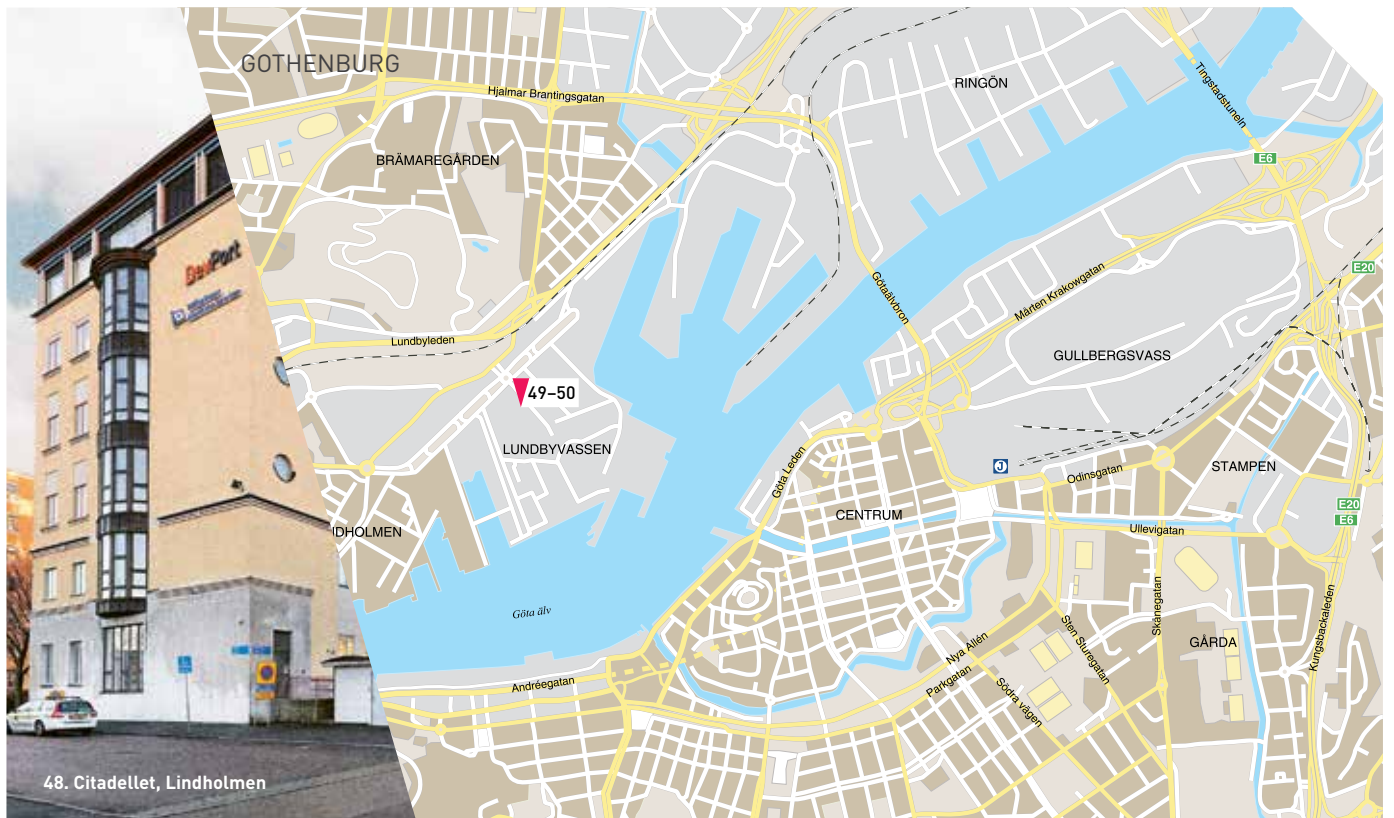
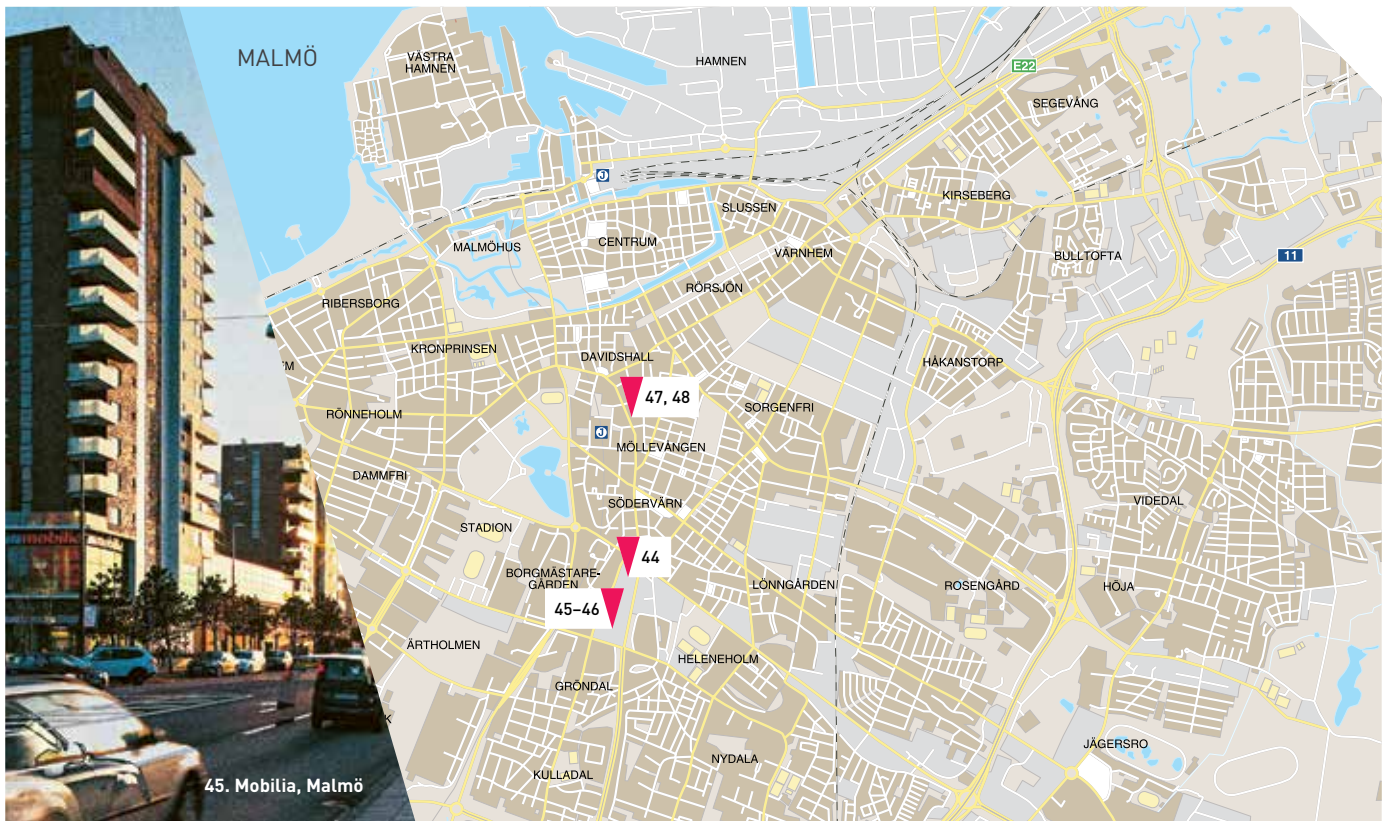
		Letting area, m²													
Property name	Address/Description	Leasehold	Year of construction/ Reconstruction	Land area, m²	Possession	Proprietary share, %					Total	Rateable value, SEK m	Rental value, SEK m	Letting rate, %	
						Retail	Office	Residentials	Garage	Other <sup>1)</sup>					
UPPSALA															
39-40	Brillinge 8:1, 9:1 <sup>2)</sup> <sup>3)</sup>	Gränbystaden	2013	104,704	2011-04	100	19,611				80	19,691	188	30	100
41	Dragarbrunn 19:1	Rådhuset	1645/2012	1,890	Before 2007	100	2,246	391			341	2,978	56	9	100
42	Dragarbrunn 27:2 <sup>2)</sup>	Forumgallerian	1902/2005	6,714	Before 2007	100	9,946	3,996	1,772		596	16,310	399	47	78
43	Gränby 21:4	Gränbystaden galleria	1971/2011	110,000	Before 2007	100	41,533	491			2,353	44,376	714	166	98
Total Uppsala				223,308			73,336	4,878	1,772		3,369	83,355	1,357	252	94
MALMÖ															
44	Bohus 7	Mobilia	1966/2010	12,023	2008-02	100	5,781	183	11,248	6,680	35	23,927	233	29	99
45	Bohus 8	Mobilia	1968/2013	76,745	Before 2007	100	47,932	3,603		37,800	4,713	94,048	951	156	87
46	Bohus 9	Mobilia	2014	979	Before 2007	100			4,103			4,103	79	7	100
47	Dimman 11	Barkgatan 2-8	1940/2014	4,278	2014-04	100		5,065			10,849	15,914		27	99
48	Malmen 12	Barkgatan 9-13	1971	2,464	2016-05	100		3,490			4,021	7,511		10	100
Total Malmö				96,489			53,713	12,341	15,351	44,480	19,618	145,503	1,263	228	91
GOTHENBURG															
49	Lundbyvassen 4:7	Lindholmsallén 10	1989	6,414	2015-09	100		17,094			230	17,324	207	27	96
50	Lundbyvassen 4:13	Lindholmsallén 12-20	1957/2007	12,205	2015-09	100	392	14,752		10,050	2,718	27,912	278	36	100
Total Gothenburg				18,619			392	31,846		10,050	2,948	45,236	485	63	98
Total Sweden				965,365			327,799	411,486	55,903	200,353	127,977	1.123.518	14,213	2.374	93

<sup>1)</sup> Other includes, amongst other things, education, culture and service enterprises.

<sup>2)</sup> All or part of the property classified as a project property as of 31/12/2016.

<sup>3)</sup> All or part of the property is Breeam certified.





# INVESTMENTS IN OUR OWN PROPERTIES, ACQUISITIONS AND SALES

**PROPERTY DEVELOPMENT** is an important aspect of Atrium Ljungberg's value growth. Our existing project portfolio will enable us to invest the equivalent of approximately SEK 11 billion in the future. The goal is to invest SEK 1 billion per year in our own development projects, where new build and extension projects yield a return of 20 per cent, thus generating good value growth within the company and growth in the company's cash flows. The projects help us achieve our growth objective of a 10 per cent increase in the operating net per annum.

**IN TERMS OF AREA, HALF OF OUR PROJECT PORTFOLIO** consists of residentials and half of offices, retail, education and hotels. The project portfolio is divided among all of our areas where Sickla and Uppsala account for approximately 70 per cent.

**THE RATE AT WHICH** we can complete the projects depends on the market situation and the progress made in the detailed development plan process. These issues are handled by our business development staff on a daily basis in close collaboration with internal resources such as project managers and market area managers, but principally with our customers and partners. A project market area is not usually started until we have secured a minimum return in the form of signed lease contracts.

**WE ACQUIRE** properties to create value growth or to obtain strategic benefits. This pertains both to acquiring land in order to gain access to development rights for future development projects and to acquiring investment properties that have development potential.

*Read more about investments and projects on the pages that follow.*



## ONGOING PROJECTS

In 2016, we invested a total of just over SEK 1 billion in our own properties, of which SEK 500 million was in project properties. The investments in project properties primarily concerned projects in Gränbystaden in Uppsala and Sickla in Nacka. Other investments primarily concerned major internal reconstruction of the Gränbystaden shopping centre and Mobilia, as well as tenant-specific adaptations in our properties in Gothenburg, Liljeholmen and Hagastaden.

The remaining investment volume for ongoing projects amounted to just under SEK 2 billion at the end of the year. No project properties were completed during the year.

Our ongoing projects are found in Uppsala and Sickla. In northern Gränbystaden, we are building to accommodate more retail, and next to Gränbystaden shopping centre, we are building residential properties with offices and commercial premises on the ground floors. Major transformation work is under way in Forumkvarteret, located in central Uppsala, which includes retail, offices and residentials. Construction work on Sickla Front II, which consists of two office buildings and a parking garage, is ongoing in Sickla.

It is assessed that the investment volume in our own properties will reach approximately SEK 1.5 billion in 2017.

Find out more about ongoing projects on pages 41, 61 and 63.

## Investments, acquisitions and sales



# ONGOING PROJECTS 2016

Project, property	Municipality	Letting area, Retail, m²		Letting area, Office, m²		Letting area, Residentials, m²		Parking, GFA	Total investment, SEK m		Of which remaining, SEK m	Completed	Fair value, SEK m	Rental value, SEK m <sup>1)</sup>	Letting rate, %	Environmental certification	READ MORE on page	
New builds and extensions																		
Sickla Front II, Sicklaön 346:1	Nacka	25,000		14,000		830		570	2018				63	E/T <sup>2)</sup>	Breeam	41		
Northern Gränbystaden, Brilllinge 8:1/9:1	Uppsala	31,000				590		190	2014–2018 <sup>3)</sup>				50	80	Breeam	61		
Gränby Entré building 1, Gränby 21:4	Uppsala	2,700	3,100		220		150	2017				16	62 <sup>4)</sup>	Miljöbyggnad	61			
Gränby Entré building 2, Gränby 21:4	Uppsala	900	1,300	3,300	220		210	2018				14	16 <sup>5)</sup>	Miljöbyggnad	61			
Gränby Entré building 3, Gränby 21:4	Uppsala	1,100	1,300	3,400	240		230	2019				15	0	Miljöbyggnad	61			
Gränbystaden, south garage, Gränby 21:4	Uppsala			11,000		180	130	2017				6)			Breeam In-Use <sup>7)</sup>	61		
Reconstruction																		
Forumkvarteret <sup>8)</sup>	Uppsala	8,100	2,600	1,400	260		210	2018		558	37	36 <sup>9)</sup>			Breeam In-Use <sup>7)</sup>	63		
Total ongoing projects		43,800	30,200	11,200	25,000	2,540	1,690			1,522	195							
Other project properties												324						
Total project properties												1,846						

<sup>1)</sup> Excluding premiums and any net sales result.

<sup>2)</sup> Letting rate not reported as a subtotal with regard to individual business transactions.

<sup>3)</sup> Covers approximately 45,000 m<sup>2</sup> GFA in total. Investment decisions and completion take place in stages, among other things, connected to letting.

<sup>4)</sup> The letting rate for commercial premises amounts to 99 %. Residentials are leased closer to completion.

<sup>5)</sup> The letting rate for commercial premises amounts to 31 %. Residentials are let closer to completion.

<sup>6)</sup> The garage will be used as a free of charge guest parking.

<sup>7)</sup> The entire property will be certified in accordance with Breeam In-Use.

<sup>8)</sup> The investment is partially conditional on letting.

<sup>9)</sup> Lease contract terminated for renegotiation not included in letting rate.

## PROPERTY TRANSACTIONS

We acquire properties to create value growth or to obtain strategic benefits. This pertains both to acquiring land in order to gain access to development rights for future development projects and to acquiring investment properties that have development potential. We make all of our acquisitions with the intention of long-term ownership and management of the properties. We acquired properties with a book value of approximately SEK 1.5 billion during the year. The acquisitions concern the office and health care property Malmen 12 in Malmö, the office property Borgarfjord 3 in Kista and the office property Eken 6 in Sundbyberg. A small property in Sollentuna was sold during the year.

We also concluded an agreement for the acquisition of the property Fatburen 2, Söderhallarna, at Medborgarplatsen in Stockholm. The property houses a food market, retail and offices. The acquisition is conditional on a decision to be made by the Stockholm City Council in the first quarter of 2017.

## POTENTIAL PROJECTS

There are several detailed development plan processes under way for areas in our portfolio where we believe the plans will enter into force during 2017. This means we will be able to start more new projects in 2017 and 2018, primarily in Gränbystaden and Sickla, as well as in Hagastaden, Mobilia, Malmö and Barkarbystaden in Järfälla. In 2017 we expect to start projects with a total investment volume of approximately SEK 2 billion.

See pages 42–67 for further information about potential projects.

### Acquisitions 2016

Property name	Municipality	Additional letting area, m <sup>2</sup> <sup>1)</sup>	Possession
Borgarfjord 3	Stockholm	13,550	20/04/2016
Malmen 12	Malmö	7,511	02/05/2016
Eken 6	Sundbyberg	47,110	15/09/2016

<sup>1)</sup> Incl. garage area.

### Sales 2016

Property name	Municipality	Deductible letting area, m <sup>2</sup>	Date vacated
Resan 1	Sollentuna	1,160	04/07/2016

# POTENTIAL DEVELOPMENT PROJECTS

	Municipality	Premises type <sup>1)</sup>	Project area, m <sup>2</sup> , GFA		Total investment, SEK m <sup>2)</sup>	READ MORE on page
			Detailed development plan exists	Change to detailed development plan required		
Barkarby <sup>3)</sup>	Järfälla	Education		26,000		56–57
Barkarby <sup>3)</sup>	Järfälla	Residential		11,000		56–57
Barkarby <sup>3)</sup>	Järfälla	Offices		13,000		56–57
Farsta Centrum	Stockholm	Retail	5,000			44–45
Forumgallerian	Uppsala	Residential		3,000		62
Gränbystaden	Uppsala	Retail	10,000	27,000		60
Gränbystaden	Uppsala	Residential	34,000			61
Hagastaden <sup>4)</sup>	Stockholm	Retail	1,000			46
Hagastaden <sup>5)</sup>	Stockholm	Offices	32,000			46
Mobilia	Malmö	Retail	11,000			64
Mobilia	Malmö	Residential	5,500			64
Northern Gränbystaden	Uppsala	Retail	5,000			61
Port 73	Haninge	Retail	8,000			54
Sickla	Nacka	Offices	22,000	11,000		41
Sickla	Nacka	Retail	3,000	3,000		40
Sickla	Nacka	Residential		161,000		42
Sickla	Nacka	Hotels	12,000			42
Sickla	Nacka	Education		9,000		42
Södermalm <sup>6)</sup>	Stockholm	Offices	17,000			50
<b>Total</b>			<b>165,500</b>	<b>264,000</b>	<b>11,000</b>	

<sup>1)</sup> Anticipated premises use may change and may include other elements.

<sup>2)</sup> The investment volume includes possible land acquisition.

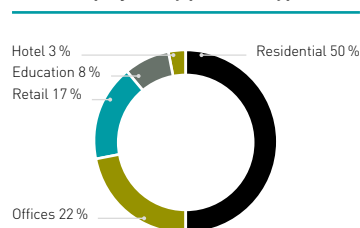
<sup>3)</sup> Refers to a land allocation with the option of acquiring land with a development right of approximately 50,000 m<sup>2</sup> GFA in Barkarbystaden.

<sup>4)</sup> Refers to a land allocation with the option of transferring land with development rights of just under 1,000 m<sup>2</sup> GFA alongside Norra Stationsgatan.

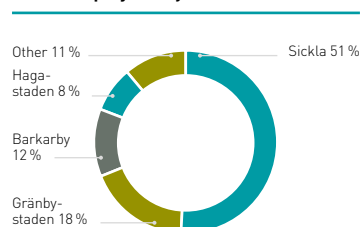
<sup>5)</sup> Refers to a land allocation with the option of leasing land with a development right of approximately 32,000 m<sup>2</sup> GFA alongside Solnavägen (part of the property Vasastaden 1:45).

<sup>6)</sup> Refers to a land allocation with the option of acquiring land with a development right of approximately 16,000–18,000 m<sup>2</sup> GFA on Stadsgårdsleden in front of Glashuset.

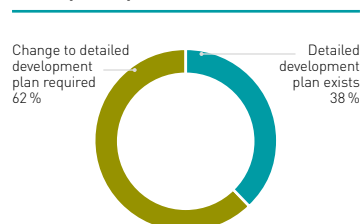
### Potential projects by premises type



### Potential projects by area



### Potential projects by detailed development plan



GRÄNBYSTADEN,  
UPPSALA

*In 2017 projects with a total investment volume of approximately SEK 2 billion are expected to start. Beyond this, it is possible to invest an additional SEK 9 billion in existing owned land and land allocations.*



SICKLA FRONT II,  
SICKLA



BAS BARKARBY,  
JÄRFÄLLA



OUR AREAS

# STOCKHOLM

77%

OF TOTAL RENTAL VALUE DERIVES FROM STOCKHOLM

Read more about our areas and properties  
in Stockholm at [www.al.se](http://www.al.se)

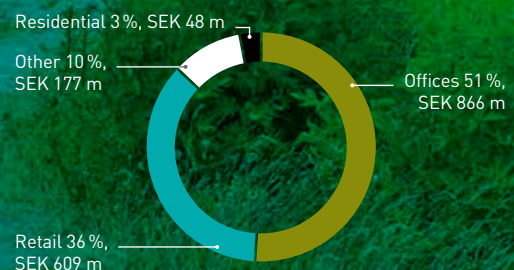


# SWEDEN'S ENGINE FOR GROWTH WHICH IS EVOLVING AND CHANGING

Stockholm is a city of contrasts: both urban and close to nature at the same time. Diversity and innovation are encouraged and innovations that spread all over the world are created here. The city is currently in an intensive development phase, and is preparing to make space for more than a million inhabitants. In order to accommodate the growth, hundreds of new construction projects, both large and small, are either under way or being planned – 140,000 new residentials will emerge in the next 15 years.

We are a part of Stockholm's development and have a presence in several strong subsidiary markets in the region.

TYPES OF PREMISES IN STOCKHOLM CONTRACTED ANNUAL RENT



## FACTS

Stockholm is Sweden's largest city with 900,000 inhabitants. The City of Stockholm is expected to have a million inhabitants and the County 2.5 million inhabitants by 2020.

# SICKLA

NEW CITY DISTRICT SINCE 1898

## 21%

OF TOTAL RENTAL VALUE DERIVES FROM SICKLA



Sickla has been a quickly growing and dynamic city district for several years. The combination of retail hub, workplaces and cultural, service and educational activities make modern Sickla a complete urban environments. The area's industrial history is distinct, and it creates a unique atmosphere where old meets new.

### DIFFERENT ACTIVITIES RIGHT NEXT DOOR TO EACH OTHER

The shopping district in Sickla is one of the largest retail hubs in Stockholm with approximately 160 stores, restaurants, cafés and service operations. Paradiset, Scandinavia's largest retail chain for ecological and natural products, opened a full-range store in Sickla at the turn of the year.

The large number of studio and craftsmanship stores and the Dieselverkstaden cultural centre clearly reflect Sickla's soul. Dieselverkstaden has a museum, library, theatre and cinema as well as other cultural activities. There are also several schools in the central area.

Around 5,000 people work in Sickla, and some of the many companies that have operations here include Atlas Copco and Intrum Justitia (head offices) and Stora Enso (Biomaterials division). The Swedish National Courts Administration will become a tenant in one of our office properties that is currently under construction.

We are temporarily using the empty industrial premises at Nobelberget in Sickla for cultural activities and concerts. We hope to export this successful cultural initiative to other parts of Sickla when we at a later stage start developing Nobelberget as residential property, among other things.

### SICKLA CONTINUES TO GROW

Nacka Municipality is planning for 14,000 new residentials. With the extended cross-town light rail link and the new underground section, Sickla will reinforce its role as an important link between Södermalm and Nacka, and help develop western Sicklaön into a more unified and dense city district. The cross-town light rail link extension will begin operating halfway through 2017, and the new underground, which is part of Stockholm's major underground initiative, is expected to be operational by 2025. The entrance and exit for the cross-town light rail link will be at Sickla Station next to our shopping district, and an underground entrance is being planned for the same location.

We will continue our long-term efforts to create and improve new attractive city districts and locations in Sickla where people want to be, today and tomorrow. Out of respect for the area's soul, we are taking the historic industrial heritage into the future.

#### Key ratios Sickla Retail

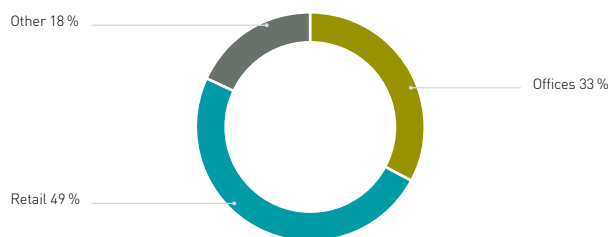
Type of retail hub	Regional retail centre
Retail letting area, m <sup>2</sup>	90,700
Stores and services, number	160
Stores' sales, SEK m	3,200
Visitors, number	13,500,000
Parking spaces, number	2,600
Bicycle parking spaces, number	400
Rental value, SEK m	273

#### Key ratios Sickla Office

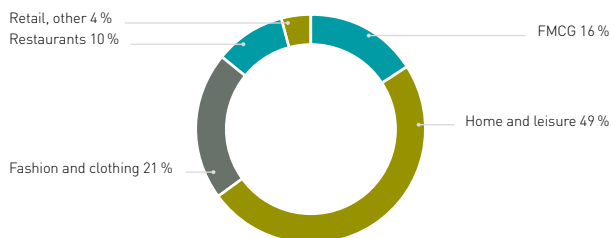
Office letting area, m <sup>2</sup>	103,800
Rental value, including garage SEK m	232



**Types of premises in Sickla, contracted annual rent**



**Sector break down in Sickla, contracted annual rent**



## ONGOING PROJECTS

### SICKLA FRONT II - FOR LARGE AND SMALL OFFICES

An attractive urban district is being constructed on Uddvägen in Sickla which connects Hammarby Sjöstad with the Sickla area. It will also give Sickla a new entrance. The district will consist of two office buildings for both large and small office businesses as well as a parking garage. The ground floor is being designed for activities for the public such as a gym and restaurants that operate both daytime and in the evenings.

The extension of the cross-town light rail link will run past our new district on the way to nearby Sickla Station.

The project Sickla Front II comprises approximately 25,000 m<sup>2</sup> of letting office area in total and 14,000 m<sup>2</sup> GFA for parking. Occupancy by the Swedish National Courts Administration, which will become a significant tenant in one of the new buildings, is expected to take place during the second quarter of 2018.

## POTENTIAL PROJECTS

*The cross-town light rail link will be in Sickla in the autumn of 2017.*

### WALLPAPER FACTORY GETS A NEW LEASE OF LIFE

We are planning to reconstruct and extend 12,000 m<sup>2</sup> GFA for a hotel, offices and a garage in an older office property located right in the heart of Sickla and in the immediate vicinity of stores, offices, restaurants and service. Our hotel initiative is an important aspect of our vision to continue developing Sickla into an even more vibrant city district.

The building was originally constructed as a factory for Kåbergs, a wallpaper manufacturer, in 1906. Our ambition is to continue building on Sickla's industrial heritage by retaining the brick façade, creating an entirely new interior of the building and adding a three-storey extension made of glass and steel. Work on the extension is expected to start in the middle of 2017. The project is comprised by the current detailed development plan.

### SICKLA 1898

By reconstructing and extending at Järnvägsgränd in Sickla, we have the opportunity to create an additional 14,500 m<sup>2</sup> GFA for retail and health care operations within the existing detailed development plan. The project, which we call Sickla 1898, concerns the characteristic old brick buildings that were constructed in 1898. Construction is expected to start at the end of 2017.

### SICKLA GALLERIA

In Sickla Galleria, we are planning for the reconstruction and extension of approximately 3,000 m<sup>2</sup> GFA of retail space as well as two floors for a parking garage with approximately 220 parking spaces. A new detailed development plan is expected to enter into force during 2017.

### SVINDERSVIKS SCHOOL IS GROWING

Nacka municipality's strong growth means an increased need for social services. An expansion is being planned for the Svindersviks primary school in Sickla, which is for pupils from pre-school class to Grade 9. We have the opportunity to reconstruct and extend the school from its current 3,000 m<sup>2</sup> GFA to approximately 9,000 m<sup>2</sup> GFA. The detailed development plan process is under way.

### SICKLA STATION – FIRST ENCOUNTER WITH SICKLA

As part of the new cross-town light rail link's detailed development plan, Atrium Ljungberg has a development right at Sickla Station, next to the planned entrance and exit for Tvärbanan, where the extended underground railway will also have a station. Here we plan to create a profile building with approximately 7,500 m<sup>2</sup> GFA, which will be the first encounter travellers on the cross-town light rail link have with Sickla. The station building will contain offices, retail and service. Detailed development planning is under way, and construction is expected to start in 2019.

### RESIDENTIALS IMPORTANT PIECE OF THE PUZZLE

In accordance with Nacka Municipality's residential vision and comprehensive plan, detailed development plan work is under way for residentials at Nobelberget in Kyrkviken and on Gillevägen in Sickla.

Nobelberget currently has several office buildings that are partially let. We are planning to develop Nobelberget into an attractive and dense urban environment with approximately 500 residentials as well as office premises. This initiative will link two city districts, Hammarby Sjöstad and Sickla, in a natural way. At present, we are using the empty office space for cultural activities and concerts. Our ambition is to export the cultural activities and concerts to other locations in Sickla when it comes time to start construction. We expect the detailed development plan for Nobelberget to be complete by the turn of the year 2017/2018.

Kyrkviken is located in the eastern part of Sickla in direct proximity to the waterfront, public transport and a wide shopping range. We aim to create 700 attractive residentials here, and add service in a pleasant neighbourhood setting.

At Gillevägen, a few hundred metres from the shopping district in Sickla, we have plans to build 50 new tenant-owned dwellings. Work on the detailed development plan for Kyrkviken and Gillevägen is under way.

# 221,000

M<sup>2</sup> GFA POTENTIAL PROJECT AREA IN SICKLA

### Geographic location

Sickla, in the south-eastern part of the Greater Stockholm area, is located where Stockholm meets Nacka. Hammarby Sjöstad and Södermalm are found nearby, and the Södra Länken link and Värmdöleden, which is the cross-town route to Nacka and Värmdö, are adjacent. Travel time from Slussen is approximately seven minutes.

### Population Nacka Municipality:

99,000 inhabitants. Population is expected to grow to 108,000 inhabitants by 2020, which is a 2 per cent rate of increase a year.



## WHEN DIFFERENT WORLDS MEET

*Nobelberget exemplifies how we work with innovative urban development. Together with passionate people from the worlds of clubs, music, the dramatic arts, technology and start-ups, and with a culture of participation, AkzoNobel's former premises have been transformed into a creative and attractive environment in which to work and visit – an invigorating site for creativity, enterprise and innovation.*

*The secret is the mixture. Nobelberget has taught us that at places where people and worlds meet, something entirely new can arise.*

◆ Past, present and future.

# FARSTA

FOCUS AREA IN STOCKHOLM'S  
CITY PLAN

# 12%

OF TOTAL RENTAL VALUE DERIVES FROM FARSTA



One of the first ABC communities was created in Farsta over fifty years ago – a place where work, residential and centres were all collected in one place. It was a new way of thinking back then, but is a lot more common today. Farsta Centrum is still one of Stockholm's largest city district centres and an important meeting place. One of Stockholm's busiest retail hubs is found here, with around 150 stores, restaurants and service businesses, together with cultural activities, educational enterprises and approximately 2,500 office workplaces.

We have managed to preserve the site's 60s character, where individually designed listed buildings create a unique atmosphere. Farsta Centrum's lively markets unite the area and create a pleasant city feel.

## NEW FOOD DESTINATION AND WORKPLACE FOR MANY PEOPLE

We have rejuvenated Farsta Centrum on a continuous basis, and over the past year have primarily expanded our range of restaurants, food stores and delicatessens. The centre's lower shopping level now has a square with several different restaurant and food concepts. It also has a large range of grocery stores such as ICA Kvantum, Coop, Lidl and Hemköp.

We also own almost 40,000 m<sup>2</sup> of office property in Farsta. One of the City of Stockholm's largest workplaces is found here, with the Farsta City District Committee, Jobbtorget and the Social and Elderly Care Administration.

## FOCUS AREA IN STOCKHOLM'S COMPREHENSIVE PLAN

The City of Stockholm has major plans in place for Farsta's development as a whole, including more residential and workplaces and a larger range of retail, culture, sports and service. Stockholm's new comprehensive plan identifies central Farsta as a focus area that offers good opportunities for this type of development.

### Key ratios Farsta Centrum retail

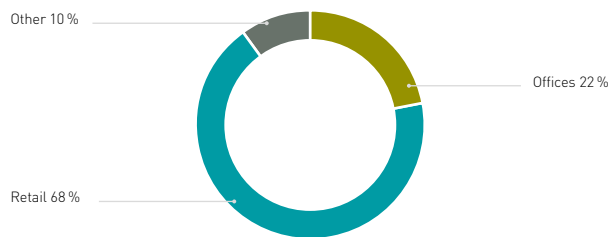
Type of retail hub	Regional retail centre
Retail letting area, m <sup>2</sup>	60,200
Stores and services, number	150
Stores' sales, SEK m	2,500
Visitors, number	18,000,000
Parking spaces, number	1,700
Bicycle parking spaces, number	160
Rental value, SEK m	205

### Key ratios Farsta Centrum Office

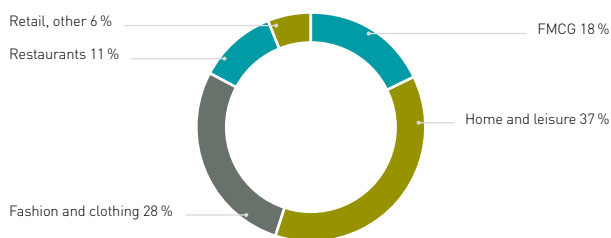
Office letting area, m <sup>2</sup>	39,400
Rental value, including garage SEK m	76



Types of premises in Farsta, contracted annual rent



Sector break down in Farsta, contracted annual rent



## POTENTIAL PROJECTS

### FROM SUBURBAN CENTRE TO WALKABLE CITY

As a significant property owner in Farsta, we are involved in the vision and development programme that is being conducted within the framework of ‘Tyngdpunkt Farsta’, a collaboration initiative between the city and the business community. The aim is to create conditions to help central Farsta become an attractive focal point in the southern suburbs by 2030.

Our ambition, in common with the City of Stockholm, is gradually to transform the area into a walkable city with an attractive city centre that offers a mixture of functions and activities. We have identified a long-term need to create up to 20,000 m<sup>2</sup> of additional space for retail, approximately 10,000 m<sup>2</sup> for workplaces and social services and 5,000 m<sup>2</sup> for education and culture. In addition, there is space for 1,000–1,500 residentials. New land acquisition is required for implementation.

The programme proposal that was subject to consultation in 2015 has been concluded, and the work to develop detailed development plans has started. The ambition is subsequently to identify suitable projects that in different phases will gradually transform Farsta Centrum into a walkable city by 2030.

# 5,000

M<sup>2</sup> GFA POTENTIAL PROJECT AREA IN FARSTA

### Geographic location

Farsta Centrum, in the Farsta city district, is a hub in the southern suburban area of Stockholm

Farsta is bordered by Tyresö to the east, Haninge to the south, and Huddinge to the west. Travel time to Stockholm’s city centre is 20 minutes by public transport.

# HAGASTADEN

WORLD-CLASS SCIENCE CITY

## 10%

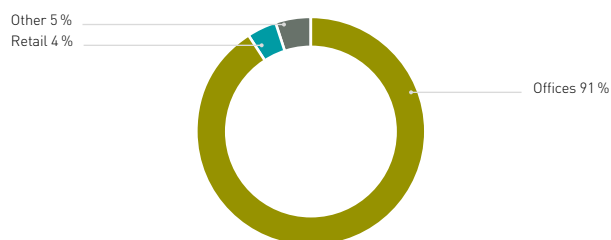
OF TOTAL RENTAL VALUE DERIVES FROM HAGASTADEN



The urban development project that is under way in and around Hagastaden is one of the largest ever undertaken in Stockholm. By 2025, a new city district will have arisen that merges Stockholm and Solna into one of the world's foremost clusters for life science. In the area, which starts at Karolinska Hospital and extends to Norrtull, business, research and entrepreneurship will be mixed with residential, meeting places, restaurants and service.

Old properties will encounter the new Hagastaden in a dynamic environment with a growing range of restaurants and local services as the new area emerges.

Types of premises in Hagastaden, contracted annual rent



### PROPERTY OWNER FOR OVER TWO DECADES

Atrium Ljungberg has been in Hagastaden for over two decades, and is one of the largest property owners in the area. Here we own and manage industrial properties characteristic of the 1930s, such as the former Apotekarnes Mineralvattenfabrik, Glashuset and PV-palatset. All of the properties have been converted and extended to accommodate modern offices, which preserve the industrial character and effective spaces.

Some of our current tenants in Hagastaden include Stockholm County Council, Vironova, MSD, Swedish Rheumatism Association and Nordic Morning.

Hagastaden is at present a huge construction site, but before too long it could be right here – where conditions are created for unexpected meetings, collaboration initiatives and new discoveries – that the foundation is laid for a future Nobel Prize.

Atrium Ljungberg has two land allocations in Hagastaden, which give us the opportunity to contribute to the future vision of Hagastaden.

### Key ratios Hagastaden

Letting area, m <sup>2</sup>	76,500
Rental value, including garage SEK m	232



## POTENTIAL PROJECTS

### LIFE CITY – THE HEART OF STOCKHOLM'S NEW CLUSTER

We have a land allocation with a development right of 32,000 m<sup>2</sup> GFA in the heart of Hagastaden, in one of Sweden's best areas for public transport along the Essingeleden motorway and next to the New Karolinska Solna (NKS) Hospital. Here, above the E4, we are planning to build Life City, an entire district for businesses, academia and society that will serve as a meeting place for people, discoveries and ideas. Construction is expected to start at the end of 2017.

### LAND ALLOCATION IN STRATEGIC LOCATION

On Norra Stationsgatan in Hagastaden, we have a land allocation of nearly 1,000 m<sup>2</sup> GFA. Our vision is to create an inviting meeting place for life science businesses and organisations. The building and its content will also offer added value for the people who visit and live in the area.

*Read more about Life City at  
[www.al.se](http://www.al.se)*

# 33,000

M<sup>2</sup> GFA POTENTIAL PROJECT AREA IN HAGASTADEN

### Geographic location

Hagastaden is located halfway between Vasastaden in Stockholm and the Karolinska Hospital in Solna. The city district will link Stockholm to Solna through the new regional hospital, New Karolinska Solna (NKS).

# KISTA

CLUSTER FOR WORLD-LEADING  
TECHNOLOGY DEVELOPMENT

# 10%

OF TOTAL RENTAL VALUE DERIVES FROM KISTA



In the space of 30 years, Kista has been transformed from being an industrial area to a place for world-leading research and technology development. Few places in the world can demonstrate the high concentration of expertise, innovation and business opportunities within information and communication technology (ICT) that Kista can. There are just over 1,000 ICT companies in the area, including, for example, Ericsson, IBM, Fujitsu, Samsung and Nokia, all of which either have their head office or their Swedish-based office here. Kista has a strong position due to the significant trade and industry there and its attractive geographical location close to the city of Stockholm, Arlanda and Uppsala.

## RIGHT IN THE MIDDLE OF VAST TRANSFORMATION

Over recent years, Kista has attracted investments worth billions, with new commercial areas, hotels and a trade fair hall. Infrastructure has been strengthened, mainly through new road links. At the same time Kista is undergoing a vast transformation. The environment in Kista will become increasingly urban, and within a few years, thousands of residential buildings will have been built and the cross-town light rail link will pass Kista. The 'Kista branch' of the cross-town light rail link will enable connection between Kista and the commuter train in Helenelund and with Bromma Airport. It is expected to be completed by 2023. One stop along the eight-kilometre line will be built next to our property in Ärvinge, and another one will be built at Kista Centrum.

## KISTA FRONT

Atrium Ljungberg has a long history in Kista. We created a garden city in the Ärvinge city district back in the 1990s. The district integrates different types of housing with offices, restaurants and local service.

At Kista Front, our office premises in Ärvinge, we offer

office solutions that can be quickly modified as companies develop and their needs change. There are several business support functions at the entrance and in the atrium such as a check-in counter/reception area, space for events/expos, café/bistro and meeting and conference facilities. It is also possible to share service, the reception and space for events with other tenants. The concept was created to increase the ability of companies to operate and network with other development-oriented businesses in a natural context. Some of our tenants at Kista Front include Atea and Arrow Electronics, and Kone and Konica Minolta Business Sweden have their Swedish head offices here.

## NOD – CONTRIBUTION TO THE SCIENCE CITY

In 2014 we completed our contribution to the science city, in an entirely new part of Kista: Kvarteret NOD. Nod is a dynamic melting pot for ICT, innovation, education and creativity, where people and companies with different skills meet and thrive. Here we created natural meeting places and flexible office solutions, such as hotspots and shared space, where tenants can access special premises. There are several meeting rooms, an open atrium for major events and digital displays for art and communications. Cross-border meetings take place every day between small and medium-sized ICT companies, universities, schools and start-ups.

The largest tenant at NOD is the Department of Computer and Systems Science at Stockholm University with nearly 7,000 students and hundreds of employees and graduate students. Other tenants include Fujitsu Sweden (head office), SenseGraphics, Esri Sverige, Cornerstone and Kista Science City.

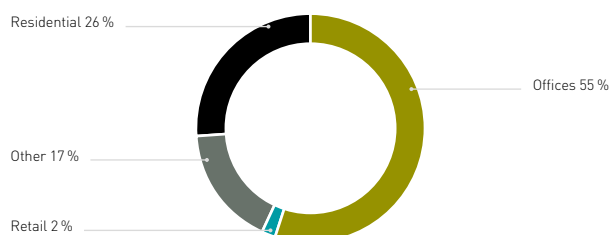


### IBM MOVING TO KISTA+

We have also owned Borgarfjord 3, a modern office property in north-eastern Kista, since the summer of 2016. The property is strategically located along Kistagången and Torshamnsgatan, and is within walking distance of Kista Galleria/Kista's underground and Helenelund's commuter train station. The property, which was previously fully let to Ericsson, is a good complement to the rest of our portfolio in Kista. The building is flexible and has vast potential to develop into a clear concept which can accommodate more companies within the ICT sector.

At the end of 2016, we concluded an agreement with IBM Svenska AB for the company to let approximately 6,500 m<sup>2</sup> for its head office. We will now develop the building and change its profile into a concept we have decided to call Kista+. The concept includes a modified exterior, modern digital communication and the development of common functions for the ground floor and street environment. The development plans played a major role in IBM's decision to relocate its operations here.

### Types of premises in Kista, contracted annual rent



### Key ratios Kista

Letting area including residentials, m <sup>2</sup>	121,000
Rental value, including garage SEK m	228

### Geographic location

Kista is located north of Stockholm. There are excellent transport options to Stockholm city centre, the surrounding municipalities and Arlanda Airport via the nearby E4 and E18 motorways, underground, buses and commuter train. The new cross-town light rail link which is expected to be completed in 2023 will also provide good transport options to Bromma Airport and on to Alvik.

# SÖDERMALM

CITY DISTRICT WITH  
HEART AND SOUL

# 7%

OF TOTAL RENTAL VALUE DERIVES FROM SÖDERMALM



Of all of Stockholm's areas, Södermalm is perhaps the one with the most vitality and charm. The old working district has been modernised, but the essential heart and soul remain in the culture here, which manifests itself in the historic buildings, plentiful restaurants and trendy boutiques. The city district is very attractive both for housing and for offices, especially for creative enterprises and the public sector.

## NYA SLUSSEN

Stockholm's major reconstruction project, Nya Slussen, is in full swing and will continue to affect the area during the next few years. The City of Stockholm's vision for the project is to transform Slussen into an attractive meeting place with new squares, quays and the first park in the area. Transport options, pedestrians and cyclists will obtain more space, at the same time that the area for road traffic will be reduced and adjusted in order to accommodate current traffic flows.

A revised detailed development plan for a new bus garage and bus terminal at Katarinaberget is expected to be adopted in 2018 and construction is expected to be completed by 2023. The City of Stockholm can then begin work to cover Stads-  
gårdsleden where we have a development right. The entire Nya Slussen project is expected to be completed by 2025.

## OFFICE PROPERTIES IN PRIME LOCATIONS

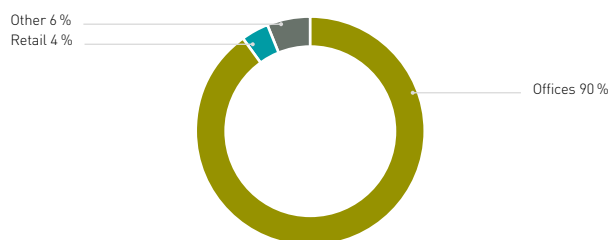
Our office properties are located in excellent locations on Södermalm: at Slussen and at Medborgarplatsen. At Slussen we own Glashuset, which is one of Stockholm's best-known buildings with a location at the inlet to Lake Mälaren in Stockholm. Some of Glashuset's tenants include Telenor, Tengbom, Proventus, Wingårdhs architects and TT.

We have owned one of Söderhallarna's two properties at Medborgarplatsen for quite some time. We concluded an agreement with the City of Stockholm in November 2016 to acquire the second property as well. This means we will secure right of disposition of Söderhallarna as a whole.

We aim to make Söderhallarna the obvious meeting place for food, culture and creativity on Södermalm for Stockholmers. By increasing accessibility by opening up the façade towards the square, for example, we aim to generate more street life and increase security around Medborgarplatsen.



#### Types of premises in Södermalm, contracted annual rent



#### Key ratios Södermalm

Letting area, m <sup>2</sup>	45,800
Rental value, including garage SEK m	168

## POTENTIAL PROJECTS

#### LAND ALLOCATION AT SLUSSEN

Atrium Ljungberg has a land allocation with a development right on Stadsgårdsleden in front of Glashuset. The development right is for approximately 17,000 m<sup>2</sup> GFA for offices, retail and service. The start of construction depends on the timetable for the overall transformation of Slussen. If an agreement on acquisition and development is concluded, construction can begin during the latter phases of Slussen's transformation process which is currently expected to be 2025 at the earliest.

# 17,000

M<sup>2</sup> GFA POTENTIAL PROJECT AREA ON SÖDERMALM

#### Geographic location

The Södermalm city district in Stockholm city centre is bordered by Slussen in the north and Skanstull in the south.

# LILJEHOLMEN

STRONG LOCATION WITH  
TIES TO SÖDERMALM

## 3%

OF TOTAL RENTAL VALUE DERIVES FROM LILJEHOLMEN



Liljeholmen has been an important location for Stockholm's industries since the 18th century. At the same time that the city centre has grown, Liljeholmen has developed into an increasingly vibrant city district with housing, entertainment and office clusters with market-leading companies.

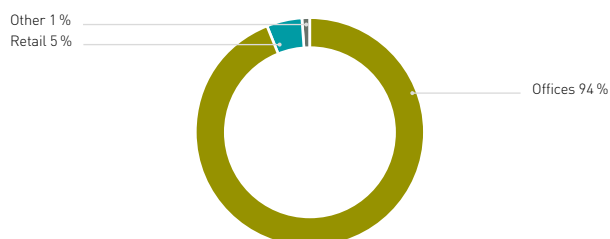
### PROPERTY WITH STRONG BRANDS

In Liljeholmen, we own an office property, Stora Katrineberg 16, that is strategically located at Liljeholmshamnen at Marievik's office district and Liljeholmen's shopping centre, with boat service to Gröndal directly from the quay. Companies such as Roche, Boehringer Ingelheim and VIA Egencia are found here, as is the Stockholm County Council.

We concluded a seven-year agreement with Bankgirot in 2016, which will move its entire operations in the spring of 2017 to Liljeholmen after almost 30 years in the Globe area. This means yet another company with a strong brand will come to the area. Bankgirot's premises are undergoing major reconstruction and the entire property will be upgraded prior to occupancy.

In 2016, we concluded an agreement with Boulebar to convert 1,300 m<sup>2</sup> of our premises in Liljeholmen into a Mediterranean park with boules courts, bars and a restaurant with a terrace – Boulebar's largest investment ever. Boulebar will open in September 2017.

### Types of premises in Liljeholmen, contracted annual rent



### Key ratios Liljeholmen

Letting area, m <sup>2</sup>	42,500
Rental value, including garage SEK m	84

### Geographic location

Liljeholmen is a city district in the southern suburbs of Stockholm Municipality. Liljeholmen borders the city districts of Årsta, Midsommarkransen, Aspudden, Gröndal and Södermalm.

# SUNDBYBERG

GROWING MUNICIPALITY SUCCESS-  
FULLY POSITIONED FOR THE FUTURE

## 3%

OF TOTAL RENTAL VALUE DERIVES FROM SUNDBYBERG

Sundbyberg, which is located north-west of Stockholm, was one of three municipalities in Sweden to be named a 'Super Municipality' in 2016. This distinction is given to municipalities that are deemed to be good role models and that are well-positioned for the future and the new knowledge society. Located a mere five minutes from Bromma Airport, Sundbyberg offers good public transport, green areas and a rich service, restaurant and cultural life, making the municipality an attractive location for both companies and housing.

Sundbyberg will undergo extensive development over the next few years. The track area, which currently divides the centre into two sections will be covered, and thus provide space for parks, residential and offices. The project is expected to start in 2019 and be completed in 2025. Other parts of Sundbyberg will also be developed, and the number of inhabitants is expected to increase substantially over the next few years.

### ACQUISITION OF FORMER CHOCOLATE FACTORY

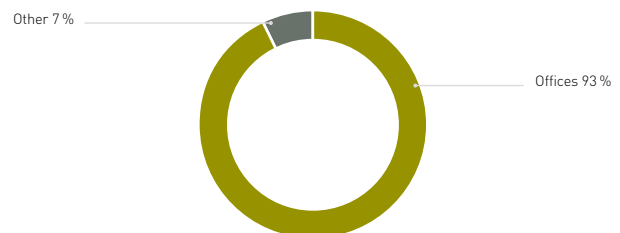
Since the summer of 2016, we have owned the property Eken 6 in central Sundbyberg. The property is a modern and flexible office property with an industrial character in what was previously Marabou's chocolate factory. Marabou relocated its chocolate manufacturing operations in the 1990s, and the building was reconstructed into offices that kept the historic industrial character intact.

The property currently consists of a main building, an

extension and a garage. A great deal of the property's industrial character has been preserved – including the generous ceiling height, large windows, light and space. Some of the tenants include ST1 Energy AB, Aditro Shared Services, the unemployment insurance fund Alfa-kassan, the Swedish Enforcement Authority, Friskis & Svettis and Opus Capita.

Solna/Sundbyberg is an interesting market where future development projects provide opportunities for us to continue growing. Just like at our other locations, here we aim to develop long-term sustainable urban environments together with the municipality, tenants and other collaboration partners.

### Types of premises in Sundbyberg, contracted annual rent



### Key ratios Sundbyberg

Letting area, m <sup>2</sup>	28,100
Rental value, including garage SEK m	66

### Geographic location

Sundbyberg Municipality is located north-west of Stockholm, borders Solna Municipality and is positioned five minutes from Bromma Airport.

### Population Sundbyberg Municipality:

46,000 Population is expected to grow to 58,000 inhabitants by 2020, which is a 5 per cent rate of increase a year and the highest expected percentage increase in Sweden.

# HANINGE

NEW REGIONAL CITY CENTRE IN GROWING MUNICIPALITY

3%

OF TOTAL RENTAL VALUE DERIVES FROM HANINGE



Haninge, in the southern part of Greater Stockholm, is a growth municipality where major infrastructure initiatives are ongoing and new ones are being planned, such as a new commuter train station for the Vega area where thousands of residential properties will be built in the next few years. The first residential properties are already in place and people have started moving into them. The commuter train station is expected to be operational by 2019.

Haninge has been specified as a regional city centre in Greater Stockholm's development plan, and it is believed that the entire region will experience strong population growth in the future.

The intersection at road 73 in the heart of Södertörn in Haninge that links Haninge, Tyresö and Nynäshamn has been one of Sweden's leading destinations for grocery retail since the 1970s. The infrastructure will now be developed further, and the entire area, which has already been rejuvenated with new residential, will follow.

## FIRST BREEAM IN-USE CERTIFICATION

Since 2009, Atrium Ljungberg has worked to develop Port 73 into a major regional retail hub in Södertörn.

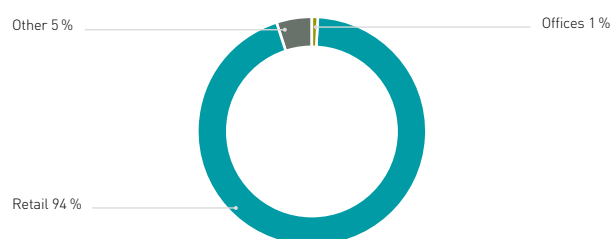
Port 73 has service enterprises, supermarkets and a shopping centre with a diverse range of around forty stores and restaurants.

In 2016, Port 73 as a whole was certified in accordance with the Breeam In-Use environmental certification. Since 2011, Atrium Ljungberg has certified all major new builds with Breeam, but Port 73 was our first existing building to receive environmental certification. Certification is proof

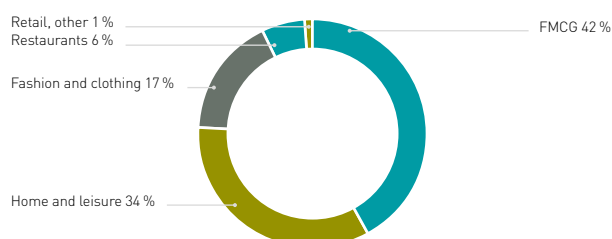
that Port 73 lives up to stringent requirements in relation to energy efficiency and waste management, for example. 'Very Good' is a successful rating as well as excellent acknowledgement of the consistent sustainability work found in our management of the property.

We will now continue to work on obtaining environmental certification for both the existing and new properties in our portfolio.

## Types of premises in Haninge, contracted annual rent



## Sector break down in Haninge, contracted annual rent





#### Key ratios Port 73

Type of retail hub	External retail hub
Retail letting area, m <sup>2</sup>	36,400
Stores and services, number	40
Stores' sales, SEK m	900
Visitors, number	5,200,000
Parking spaces, number	1,000
Bicycle parking spaces, number	100
Rental value, SEK m	69

## POTENTIAL PROJECTS

### CITY DISTRICT AS A NATURAL PART OF HANINGE

In the short term we aim to continue expanding Port 73's offering by adding additional retail, culture and services. We currently have a valid detailed development plan for this.

In the long term we want to further develop the area and add residentials in the immediate vicinity of Port 73, in a varied neighbourhood with generous parks, and better options for pedestrians and cyclists.

Our vision is to create a vibrant and attractive city district, which will merge and become a natural part of Haninge's city centre. Land acquisition and a new detailed development plan are required for the vision to be implemented.

# 8,000

M<sup>2</sup> GFA POTENTIAL PROJECT AREA IN HANINGE

#### Geographic location

Haninge is located just south of Stockholm. Port 73 in Haninge is located at the intersection of road 73 (Nynäsvägen) and the Gudöbroleden cross-town link between Haninge, Tyresö and Nynäshamn.

#### Population of Haninge Municipality:

81,000 Population is expected to grow to 93,000 inhabitants by 2020, which is a 2.2 per cent rate of increase a year.

# BARKARBY

GROWING CITY DISTRICT FOR  
ALMOST 40,000 NEW INHABITANTS



Barkarby in Järfälla Municipality is currently the largest expansion area in the Stockholm region. Over a 15-year period, a brand new city district, Barkarbystaden, will emerge with almost 40,000 new inhabitants and workplaces, schools, stores, cafés, restaurants, culture and services, with the overall goal of achieving a sustainable Järfälla. The new Barkarbystaden will be a city district with low energy consumption and good opportunities for sustainable development.

All of Järfälla already enjoys excellent transport options to Stockholm, and in a few years Barkarbystaden will become western Stockholm's new hub where underground trains, long-distance trains and commuter trains will stop.

This area has been important for many centuries. Throughout the 20th century, Barkarby Airport with its airfield was an important centre for the development of both military and civil aviation in Sweden. Barkarby Handelsplats, one of the largest external retail hubs in the country, is also found here.

# 50,000

M<sup>2</sup> GFA POTENTIAL PROJECT AREA IN BARKARBY

#### Geographic location

Barkarby is located in Järfälla Municipality, north-west of Stockholm. In a few years Barkarbystaden will become western Stockholm's new hub for underground trains, long-distance trains and commuter trains.

## POTENTIAL PROJECTS

### MULTI-FUNCTIONAL DISTRICT

In Barkarby, we have a development right of approximately 50,000 m<sup>2</sup> GFA. Together with Järfälla Municipality, we are planning to create BAS Barkarby, a multi-functional area in the heart of the growing city district. BAS Barkarby will promote learning focused on science and technology as well as culture, sports and business. This will be a place where individuals – both students and business people – study, work, meet and develop together.

In June 2016, Järfälla Municipality decided to lease almost 11,000 m<sup>2</sup> of the first phase for upper secondary education, a multi-purpose hall, a library and other cultural activities. The lease contract is conditional on the detailed development plan being approved, the land transfer agreement being concluded and an investment decision being made by Atrium Ljungberg's Board of Directors.

In 2016, we signed a letter of intent with E.ON to join forces and make BAS Barkarby an environmentally and socially sustainable meeting place. In addition to collaborating on smart energy solutions, our ambition is for E.ON to set up a new office in BAS Barkarby.

We will become part of the development in Järfälla through BAS Barkarby, and establish ourselves in one Stockholm's most exciting urban development areas and destinations.

BAS Barkarby will be built in two phases. The detailed development plan process comprising the first phase is expected to be adopted at the end of 2017. A decision on environmental permits is expected to be made in the summer of 2018 by the Land and Environmental Court. Construction of the first phase is expected to start by the summer of 2018 at the earliest, with occupancy in the autumn of 2021.

The second phase of BAS Barkarby will comprise a hotel and around 100 residentials.



## FROM COUNTRY STORE TO E-COMMERCE

*At the end of the 19th century there were over 4,000 country stores in Sweden – today there are fewer than 400.*

*The rapid technological development brings new goods and services that change our way of living and behaving. For instance, every fourth Christmas gift was purchased online last year.*

*It is predicted that consumers in the future will shop both through global e-commerce and at physical stores found very locally. Demands on the existence of a large and varied range at physical locations are increasing, as is the importance of restaurants, service and experiences being found on site.*

◆ Past, present and future.

## CITY WITH THE POWER OF ATTRACTION

Uppsala is Sweden's fourth largest city and one of the fastest growing municipalities in the country. Measured per inhabitant, housing construction is among the highest in the country, and buildings and infrastructure investments in the billions testify to the city's powerful attractiveness.

We are excited about helping to develop the city centre, and we will continue to be a driving force in the development of Gränbystaden – a brand new city district and Uppsala's second city centre.

OUR AREAS

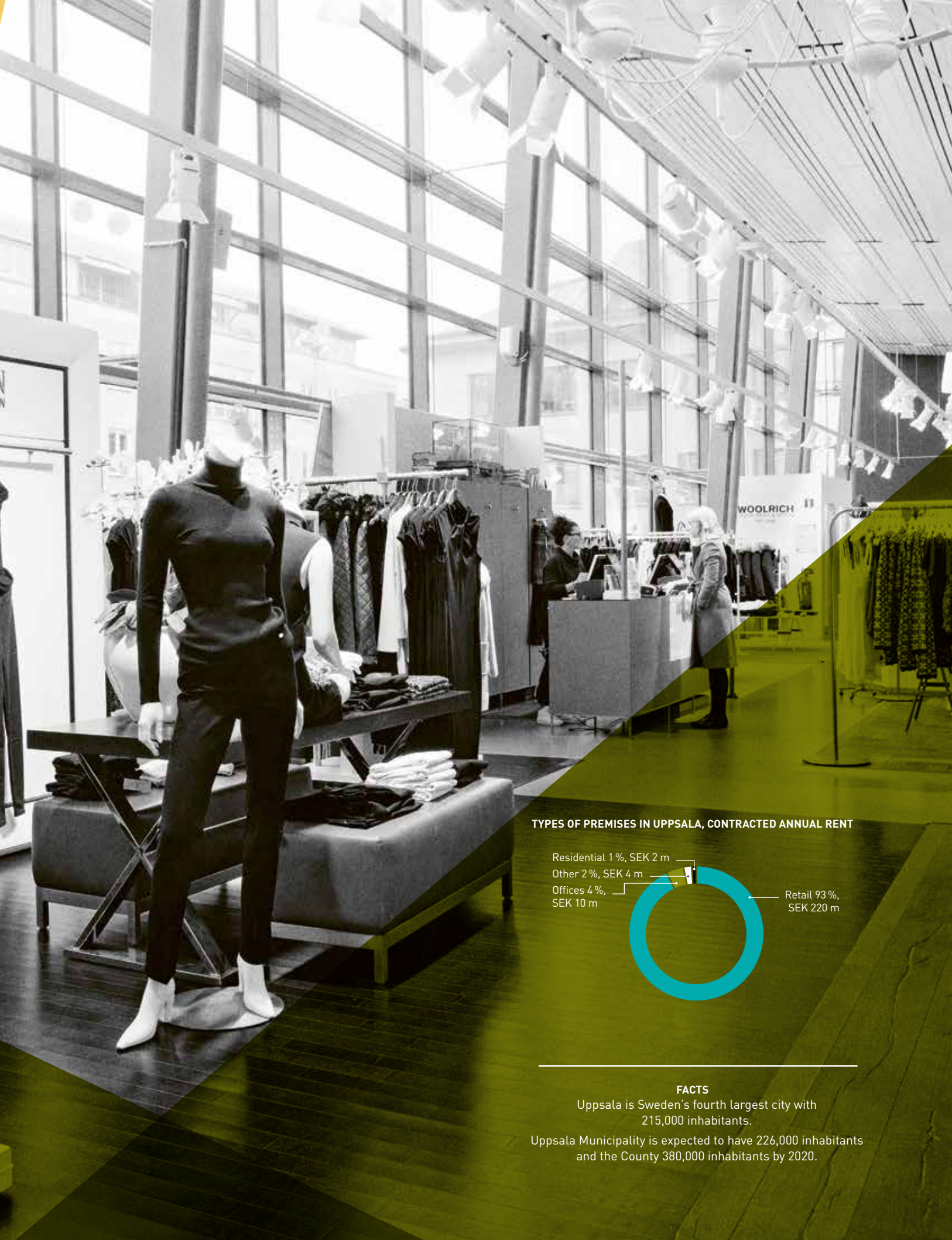
# UPPSALA

# 11%

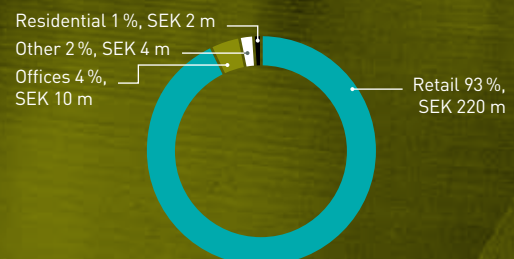
OF TOTAL RENTAL VALUE DERIVES FROM UPPSALA

Read more about our areas and properties  
in Uppsala at [www.al.se](http://www.al.se)





#### TYPES OF PREMISES IN UPPSALA, CONTRACTED ANNUAL RENT



#### FACTS

Uppsala is Sweden's fourth largest city with 215,000 inhabitants.

Uppsala Municipality is expected to have 226,000 inhabitants and the County 380,000 inhabitants by 2020.

# GRÄNBYSTADEN

UPPSALA'S SECOND CITY CENTRE

## 8%

OF TOTAL RENTAL VALUE DERIVES FROM GRÄNBYSTADEN



Gränbystaden in north-east Uppsala is one of the most important and expansive city districts in Uppsala, and Atrium Ljungberg is greatly involved in the development. The city district is undergoing major changes, and within a few years it will be completely integrated with Uppsala's city centre. Projects being planned and run by other players are also found here, including approximately 8,000 new residentials, a multi-arena and a number of sports facilities.

### SEVERAL NEW VENTURES IN GRÄNBYSTADEN

During the year, we focused on major interior reconstruction of the Gränbystaden Galleria (formerly Gränby Centrum), which is the leading regional retail hub and Uppsala's only retail hub with everything under one roof. Large spaces have been formed and among other things, a new and upgraded fashion passage was opened. It includes stores such as Gant, Johnnells and Feet First.

Our new retail hub continues to grow in northern Gränbystaden, next to the E4. We completed an additional three buildings during the year, where a total of five new stores, restaurants and a large sports and adventure land were opened. We also inaugurated a new square in the area with an outdoor playground and open-air café.

In 2016, a total of around 40 stores and restaurants set up operations or obtained new premises in Gränbystaden Galleria and northern Gränbystaden.

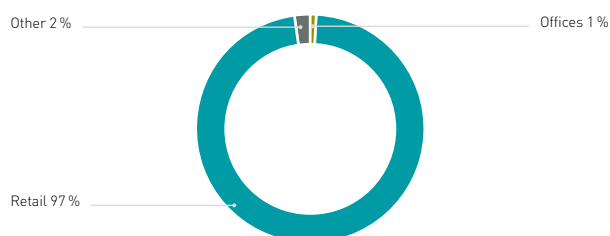
### FROM SHOPPING CENTRE TO CITY CENTRE

Our long-term endeavour to achieve a full-service environment in Gränbystaden is continuing with full intensity. Our aim here is to create an attractive and vibrant city district; consequently, our efforts concerning residentials, workplaces, culture and exciting encounters are on equal footing with those concerning retail and commercial experiences.

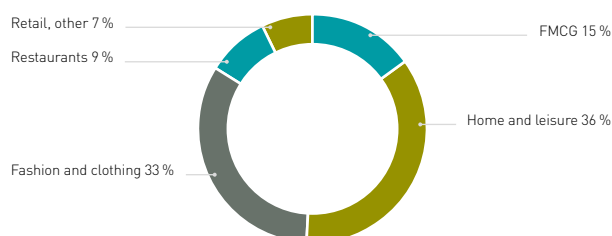
#### Key ratios Gränbystaden

Type of retail hub	Regional retail centre
Retail letting area, m <sup>2</sup>	64,100
Stores and services, number	120
Stores' sales, SEK m	2,100
Visitors, number	19,000,000
Parking spaces, number	2,600
Bicycle parking spaces, number	600
Rental value, SEK m	196

#### Types of premises in Gränbystaden, contracted annual rent



#### Sector break down in Gränbystaden, contracted annual rent





## ONGOING PROJECTS

### MORE RETAIL IN NORTHERN GRÄNBYSTADEN

At the end of 2016 and the beginning of 2017, we commenced construction of two more buildings in northern Gränbystaden. Elon is one business that will open here during the autumn of 2017, and Jula, JYSK and Rusta will do so during the autumn of 2018.

### RESIDENTIAL BUILDINGS NEXT TO THE GALLERIA

Construction of two residential buildings with approximately 60 respectively 70 rental apartments is ongoing close to Gränbystaden Galleria. There will be commercial premises on the ground floor of the buildings. Occupancy is expected to take place during the autumn of 2017 and by the turn of the year 2018/2019. We have also decided to construct a third residential building with roughly 70 more rental apartments. Occupancy will take place in the first quarter of 2019.

The buildings will be certified in accordance with the Green Building level Silver.

### NEW UNDERGROUND GARAGE

Construction of a parking garage with approximately 300 underground parking spaces is also ongoing next to Gränbystaden Galleria. The garage is expected to be completed in 2018.

## POTENTIAL PROJECTS

### RESIDENTIALS, RETAIL AND CULTURE

In northern Gränbystaden, our plans are well under way to create the 50,000 m<sup>2</sup> retail area that will supplement the Galleria's offering. There is a complete detailed development plan, and development is gradually progressing in line with the letting work.

In addition to the apartments which are already being constructed next to the shopping centre, we are also planning for approximately 250 tenant-owned dwellings next to the adjacent Gränbyparken. Construction of the first phase of the tenant-owned dwellings is expected to take place in 2019.

We are also planning a major reconstruction and extension project by the Galleria's southern area. The project comprises 11,700 m<sup>2</sup> for retail, restaurants, culture and entertainment, and is expected to start in 2017.

In addition, work on the detailed development plan is ongoing for the area just north of the Galleria, which will enable the development of an additional 27,000 m<sup>2</sup> GFA for retail and 30,000 m<sup>2</sup> GFA for parking.

# 66,000

M<sup>2</sup> GFA POTENTIAL PROJECT AREA IN GRÄNBYSTADEN

### Geographic location

Gränbystaden is located in the eastern part of Uppsala, and is strategically located close to the north exit from E4.

The Gränbystaden Galleria is two kilometres away from Uppsala City.

# UPPSALA CITY

ONE OF SWEDEN'S OLDEST  
CITY CENTRES

## 3%

OF TOTAL RENTAL VALUE DERIVES FROM UPPSALA CITY



We own and manage two of the most well-known retail hubs in Uppsala – Forumgallerian and Rådhuset. Both properties are located in Uppsala's city centre: one in the pedestrian zone and one at Stora Torget.

### FORUMGALLERIAN

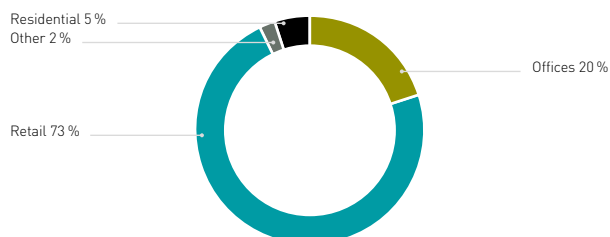
Forumgallerian has been a retail hub since 1953, and it forms part of an entire district with a large flow of visitors. Forumgallerian is more than just a retail hub, however. There are also several offices and residential in the district.

In 2016, improvements to office premises and apartments were made, and the shopping centre is currently being reconstructed.

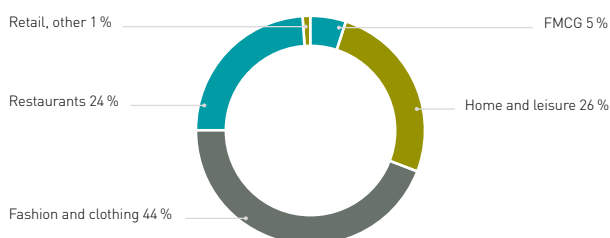
#### Key ratios Forumgallerian

Type of retail hub	City shopping centre
Letting area, m <sup>2</sup>	16,300
Stores and services, number	14
Stores' sales, SEK m	350
Visitors, number	4,500,000
Rental value, SEK m	47

#### Types of premises in Uppsala city, contracted annual rent



#### Sector break down in Uppsala city, contracted annual rent



**RÅDHUSET**

Rådhuset, which dates back to the 17th century, was opened as a modern fashion department store close to five years ago. Strong brand names are offered here in a unique environment. In 2016, Svenssons Krogar, Uppsala's largest restaurant operator, opened a new restaurant, bar and café concept with a total area of approximately 500 m<sup>2</sup>, as well as an open-air café in Rådhuset's courtyard. Rådhuset's top floor consists of office premises.

**Key ratios Rådhuset**

Type of retail hub	City shopping centre
Letting area, m <sup>2</sup>	3,000
Stores and services, number	3
Stores' sales, SEK m	65
Visitors, number	500,000
Rental value, SEK m	9

## ONGOING PROJECTS

**CHARMING CITY CENTRE DISTRICT**

We are conducting a major transformation project in Forumkvarteret. Our ambition is to create a charming city centre district with a strong retail offering combined with attractive office environments and residential. The shopping centre is currently undergoing reconstruction. Among other things, we are making space available and creating a clear interior concourse through the shopping centre.

The ongoing projects in Forumkvarteret are expected to be completed during the autumn of 2018.

## POTENTIAL PROJECTS

**TOWNHOUSES ON THE ROOF**

Detailed development plan work is under way to create development rights for 26 townhouses and studio apartments on top of Forumgallerian. Some of the residentials will have their own terrace/garden. Construction is planned to start in 2019 with occupancy scheduled for 2020.

*We aim to build 26 townhouses in Uppsala City.*

# 3,000

M<sup>2</sup> GFA POTENTIAL PROJECT AREA IN UPPSALA CITY

**Geographic location**

Forumgallerian and Rådhuset are located at the heart of Uppsala City.



OUR AREAS

MALMÖ

9%

OF TOTAL RENTAL VALUE DERIVES FROM MALMÖ

Read more about our areas and properties  
in Malmö at [www.al.se](http://www.al.se)

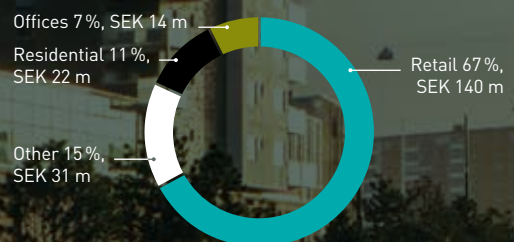


# ONE OF THE LARGEST LABOUR MARKETS IN THE NORDIC AREA

Few cities in Sweden are as flourishing and dynamic as Malmö. Malmö, with its strategic location in the Öresund region, is a growth area and an exciting city with attitude, history and soul. The region is one of the largest labour markets in the Nordic area with 3.8 million inhabitants.

We believe in Malmö and aim to continue to growing here. In addition to our long-term city development project with Mobilia, we are now also involved in the development of Möllevången – the culturally exciting area in the city centre.

**TYPES OF PREMISES IN MALMÖ,  
CONTRACTED ANNUAL RENT**



## **FACTS**

Malmö is Sweden's third largest city with 328,000 inhabitants.

Malmö's population is expected to grow to 350,000 inhabitants by 2020.

# MOBILIA

IN MALMÖ SINCE 1899

## 8%

OF TOTAL RENTAL VALUE DERIVES FROM MOBILIA



The textile factory that we can still discern traces of in Mobilia today was founded back in 1899, and the area has been a popular and pleasant retail hub since the end of the 1960s. A new Mobilia has also emerged over the past few years. Mobilia is undergoing change in the same way Malmö is.

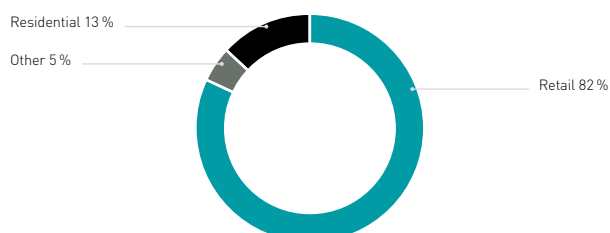
Mobilia is currently a vibrant city district, where its square with open-air cafés, walkways and cycle paths serve as a central meeting place. In addition to a wide range of stores, cafés and restaurants, the district also offers residential, and in the future there will cultural and health activities. Focus is on providing a wide range so that Mobilia can serve as a practical and inspiring location where everyone feels welcome. Old and new intermingle at Mobilia, and the industrial heritage from the old textile factory gives the area both attitude and soul.

Mobilia's proximity to Malmö City enables a large number of people to get here by bus, bicycle or on foot.

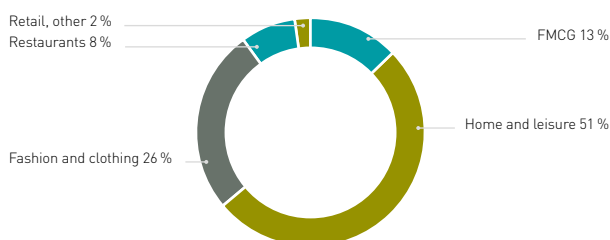
### Key ratios Mobilia

Type of retail hub	Regional retail centre
Retail letting area, m <sup>2</sup>	58,500
Stores and services, number	115
Stores' sales, SEK m	1,800
Visitors, number	14,000,000
Parking spaces, number	2,000
Bicycle parking spaces, number	600
Rental value, SEK m	167

### Types of premises in Mobilia, contracted annual rent



### Sector break down in Mobilia, contracted annual rent





## POTENTIAL PROJECTS

### CONTINUED DEVELOPMENT OF MOBILIA

We will continue developing Mobilia with additional retail, residentials, restaurants and culture. Mobilia is to be a place where people clearly want to be and live – at the same time that it retains its historic industrial heritage. Our immediate plans include new construction and extension of approximately 16,500 m<sup>2</sup> GFA for retail, residentials and cultural activities in the heart of the district as well as establishment of several restaurants facing towards Mobilia's square. This

will create more distinct links between Mobilia's different parts as well as provide opportunities to further develop the square right at the heart of the district, in order to create an even more vibrant and attractive environment. The project is comprised by current detailed development plans and construction is expected to start around the turn of the year 2017/2018.

# 16,500

M<sup>2</sup> GFA POTENTIAL PROJECT AREA IN MOBILIA

### Geographic location

Mobilia is located in Malmö's southern city centre district, only two kilometres from Malmö City. Mobilia is surrounded by Malmö's most important cross-town routes: Trelleborgsvägen, Ystadvägen and Stadiogatan.

# MALMÖ CITY – MÖLLEVÅNGEN

DYNAMIC MEETING PLACE IN  
THE HEART OF MALMÖ

# 1%

OF TOTAL RENTAL VALUE DERIVES FROM MALMÖ CITY

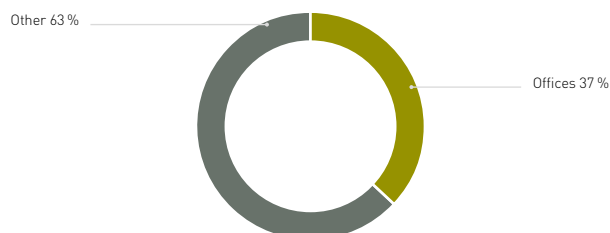


Möllevången, in the south-eastern part of central Malmö, is an exciting former factory area where several old buildings have been preserved. In the past decade, the area has been extensively developed, and 'Möllan' is now well-known for its many pubs, restaurants and night clubs. Its food and stores boast a broad ethnic mix and there is a diverse cultural offering.

Atrium Ljungberg has owned the property Dimman 11 in the area since 2014; it contains cultural and educational activities as well as offices. The City of Malmö leases a part of the property where the city archives, a restaurant and a cinema are found. Academedia and CDON are two other tenants. In 2016, we conducted a major project to renovate and improve the façade and the main entrance of the property.

We recognize future potential in Möllevången, and aim to be part of the development going on in this exciting city centre area. Our long-term strategy in Malmö City is to grow there, and in 2016 we consequently acquired an additional property in the area, Malmen 12. It is a small office and health care property that is located in close proximity to Dimman 11. The largest tenants are the City of Malmö and Region Skåne.

## Types of premises in Malmö city, contracted annual rent



## Key ratios Malmö City Office

Letting area, m <sup>2</sup>	23,400
Rental value, including garage SEK m	36

*Möllevångstorget is known for its  
pubs, restaurants and night clubs.*

## Geographic location

Möllevången is located in the south-eastern part of central Malmö.



## FROM TEXTILE INDUSTRY TO CITY DISTRICT

*Mobilia's history in textile goes way back in time. Manufakturaktiebolaget opened its textile factory in 1899 on the outskirts of Malmö. A successful era ended when manufacturing was discontinued at the factory in 1965, at about the same time that many other Swedish textile players discontinued their operations. Malmö's first retail centre opened three years later on the same premises, and now an additional 50 years later, a new era is beginning for Mobilia. Mobilia currently offers retail, service, residentials and culture.*

*From once having been part of Malmö's outskirts, Mobilia is now a city district and a natural part of the city centre.*

◆ *Past, present and future.*



OUR AREAS

# GOTHENBURG

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3%

OF TOTAL RENTAL VALUE DERIVES FROM GOTHENBURG

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Read more about our areas and properties  
in Gothenburg at [www.al.se](http://www.al.se)

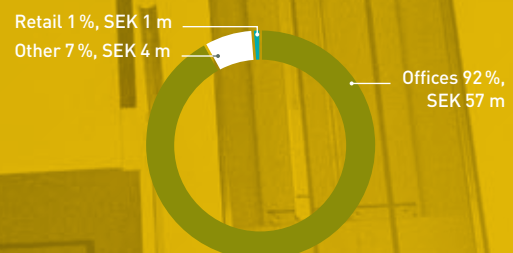


# LEADING ENGINEERING HUB AND KNOWLEDGE- INTENSIVE INDUSTRY

Although Gothenburg is an old city, it is a new city for Atrium Ljungberg. Our acquisition at Lindholmen means that we are now part of the extensive city development work that is currently under way in Gothenburg. Just like our other locations, here we want to develop long-term sustainable urban environments together with the municipality, tenants and other collaboration partners.

We are in the beginning of our relationship with Gothenburg, and are investing in a long and fruitful relationship with this city in the heart of Scandinavia.

## TYPES OF PREMISES IN GOTHENBURG, CONTRACTED ANNUAL RENT



## FACTS

Gothenburg is Sweden's second largest city with 557,000 inhabitants.

Gothenburg's population is expected to grow to 585,000 inhabitants by 2020.

# LINDHOLMEN

FROM SHIPBUILDING AREA TO  
A GENUINE CITY DISTRICT

## 3 %

OF TOTAL RENTAL VALUE DERIVES FROM LINDHOLMEN



Lindholmen is in a central location on the Hising side of Göta Älv in the central part of Gothenburg, and it is part of the Älvstaden development area. The former shipbuilding area is today a modern office area and international knowledge cluster where development-intensive technology and media companies rub shoulders with researchers and students from Lindholmen Science Park and Chalmers University of Technology. Local service, exercise facilities and a wide range of restaurants are also found here. In the heyday of the shipbuilding era, a few thousand people worked in Lindholmen at most. Today that figure is close to 20,000.

### UNDER TRANSFORMATION

Lindholmen is currently being transformed into a vibrant and attractive city centre. The work involved in building additional residentials, offices, service and the first skyscraper in Gothenburg is in full swing. The Vision Älvstaden project aims to link the two sides of the city over the river by adding sustainable urban environments and meeting places where pedestrians, cyclists and motorists can easily cross the river from the city centre. The plan is for 30,000 people to work and live here, and for the area to become a vibrant and buzzing city district, even after office hours.

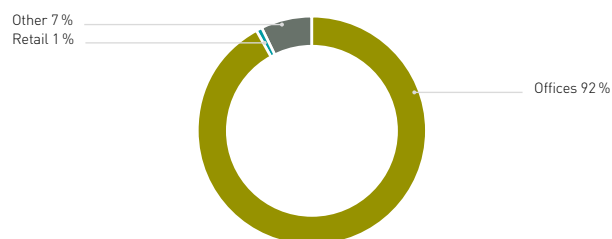
### PLANS FOR LONG-TERM GROWTH

We established ourselves in Gothenburg in 2015 by acquiring two office properties in Lindholmen. Our properties contain modern and flexible premises with details from the shipbuilding era, which breathes soul and history into the site. Since occupancy we have created floor space and implemented several tenant-specific adaptations. We also have several new lettings, and the premises are now fully let. Some of the tenants include Volvo, IBM, Valmet, Sykes, Esab and Älvstranden Utveckling. In 2016, AKQA, which is a world leader in digital platforms, set up its Nordic office here.

Transformation work is ongoing in one of the buildings in order to create common areas and make space for additional tenants.

We will continue to develop our current properties in Lindholmen, and add cultural and educational premises. We are also actively searching for new acquisition opportunities so that we can continue to add offices, retail and residentials in the area.

### Types of premises in Lindholmen, contracted annual rent

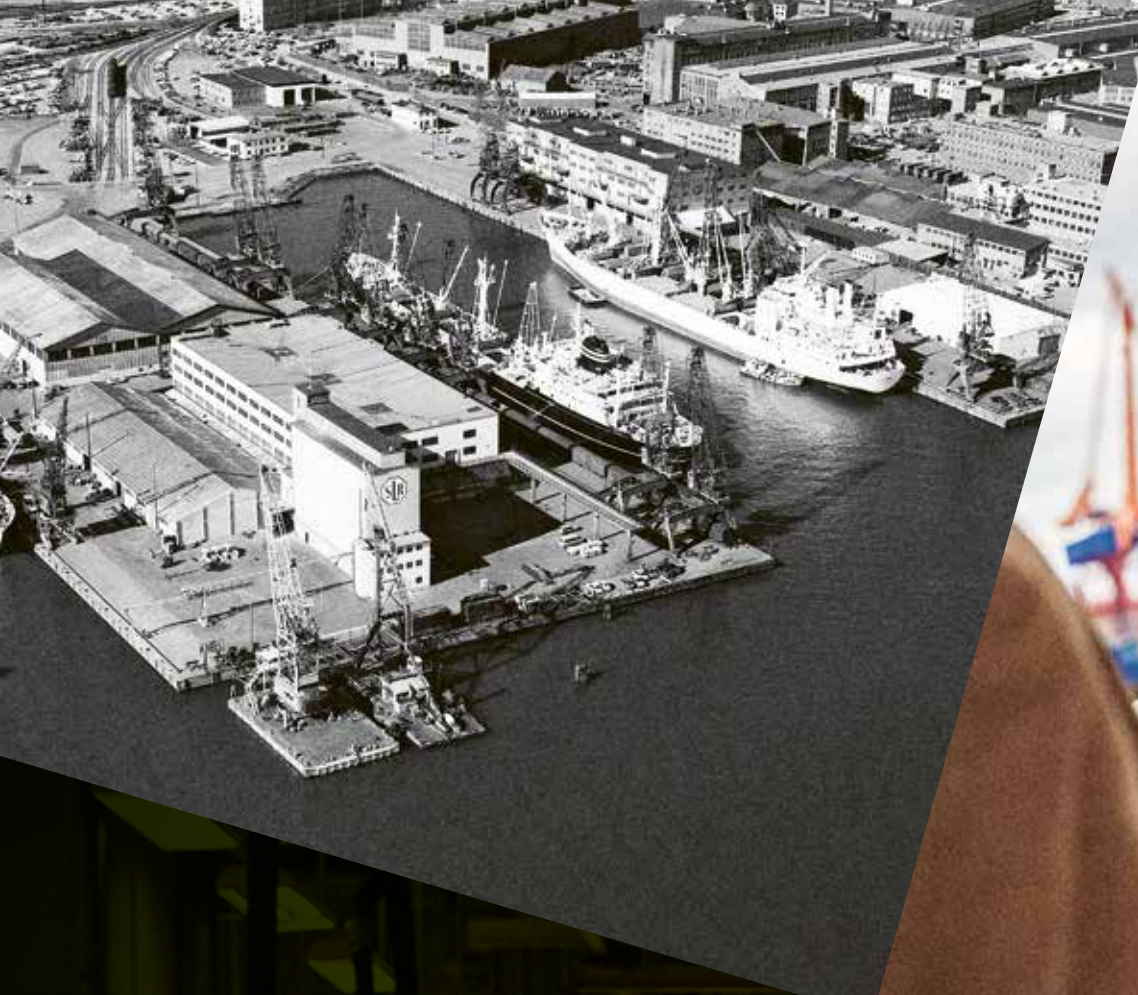


### Key ratios Lindholmen

Office letting area, m²	35,200
Rental value, including garage SEK m	63

### Geographic location

Lindholmen is in a central location on the Hising side of Göta Älv in the central part of Gothenburg. There are good transport options here, including boats and buses into the centre.



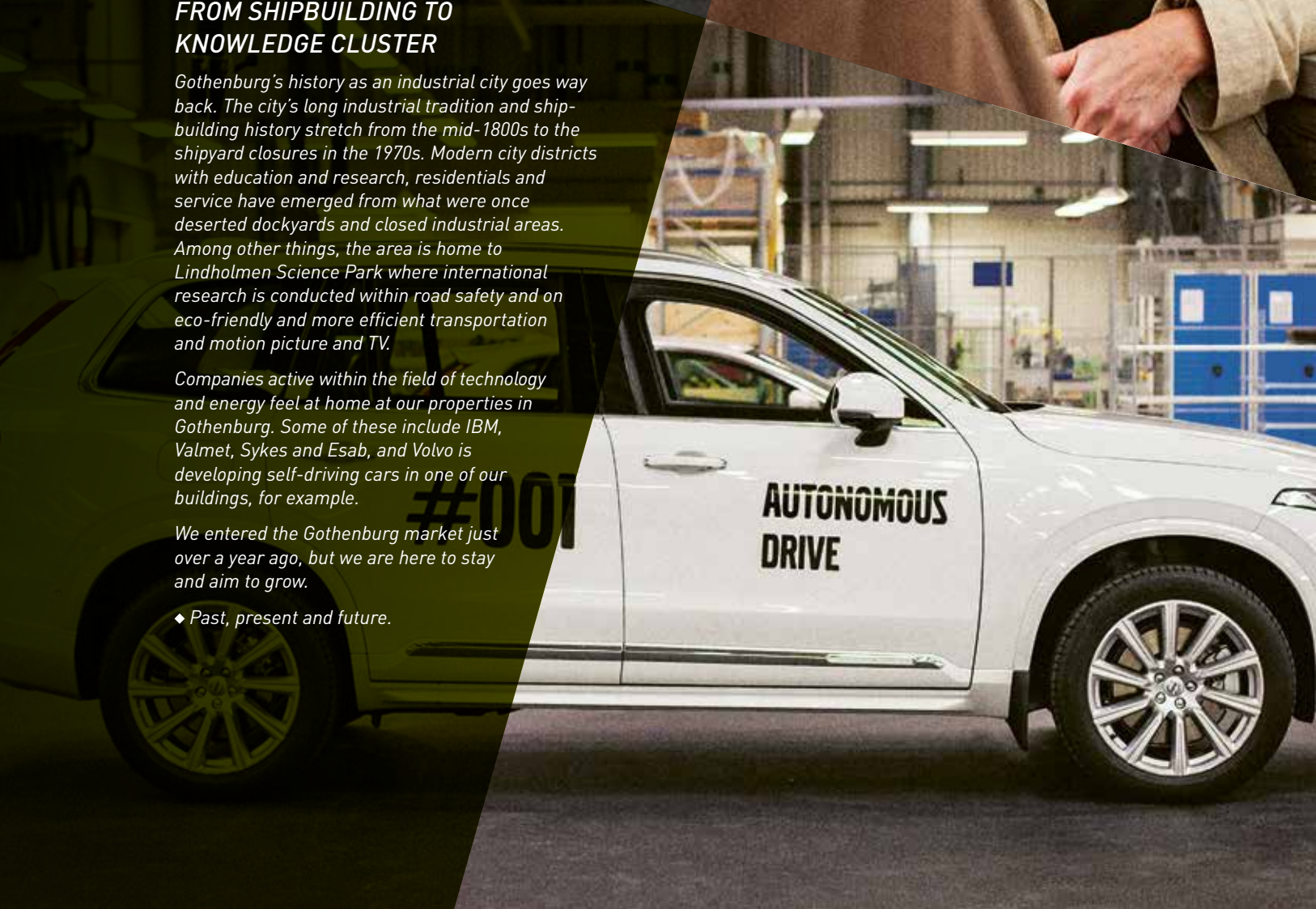
## FROM SHIPBUILDING TO KNOWLEDGE CLUSTER

*Gothenburg's history as an industrial city goes way back. The city's long industrial tradition and ship-building history stretch from the mid-1800s to the shipyard closures in the 1970s. Modern city districts with education and research, residencials and service have emerged from what were once deserted dockyards and closed industrial areas. Among other things, the area is home to Lindholmen Science Park where international research is conducted within road safety and on eco-friendly and more efficient transportation and motion picture and TV.*

*Companies active within the field of technology and energy feel at home at our properties in Gothenburg. Some of these include IBM, Valmet, Sykes and Esab, and Volvo is developing self-driving cars in one of our buildings, for example.*

*We entered the Gothenburg market just over a year ago, but we are here to stay and aim to grow.*

◆ *Past, present and future.*





Our aim is to have sustainable employees and clients who share our view upon long-termism and security.

*Johan Edlund, CEO, TL Bygg*



# TL BYGG – A SUSTAINABLE PARTNER



*DEVELOPING SUSTAINABLE ENVIRONMENTS* comprises several services that are traditionally found outside the sphere of property companies. Atrium Ljungberg's wholly-owned subsidiary TL Bygg allows us to take one step further in terms of impacting and governing the design of the different areas. TL Bygg consequently strengthens and simplifies Atrium Ljungberg's business.

TL Bygg AB was formed in 1983. It has its roots in the construction and property company that was founded by Tage Ljungberg in the middle of the 1940s, and which makes up part of our companies' DNA. The strong values that were formed there live on today in the culture of both TL Bygg and Atrium Ljungberg. TL Bygg has an historic construction tradition, a wide range of competence and strong environmental awareness.

TL Bygg works with all kinds of turnkey contract and pure construction contract assignments, primarily for residential and offices. The projects assume full responsibility for quality, the environment and the work environment. Customers are primarily found in Stockholm and Uppsala, and the main clients, apart from Atrium Ljungberg, include other property companies, the state and various municipalities.

## COLLABORATION THAT STRENGTHENS OUR BUSINESS

Having our own construction company helps us expand and strengthen our business. Close collaboration between TL Bygg and Atrium Ljungberg allows us to conduct a large number of projects with an efficient, controlled and flexible process. Collaboration helps both companies develop, and leads to a better product and more cost-efficient production.

## SECURITY AND SUSTAINABILITY – STABLE FOUNDATION FOR OPERATIONS

TL Bygg actively works with sustainability issues, which forms an integral part of its business models, customer

perspectives, production and employee attitudes. This work comprises the entire business, from business ethics and production to environmental and social responsibility. The long-term perspective aims to minimise negative impact on the environment and create sustainable employees. TL Bygg's values – long-termism, reliability, collaboration and commitment – form the basis of our entire business, not least our approach to employees where initiatives aim to ensure secure and safe working conditions, development opportunities and health promotion.

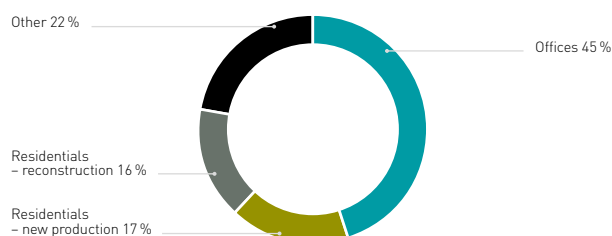
TL Bygg is certified in accordance with the management system BF9K, which sets requirements for quality, the environment and the work environment. The company is also a member of the trade and employers' organisation, the Swedish Construction Federation, and supports the federation's goals and visions for modern employee contracts, a sound construction industry and safe workplaces.



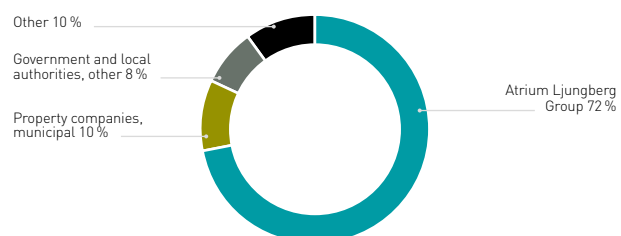
TL Bygg's and Atrium Ljungberg's combined expertise gives us the resources we need to take on major projects. This aspect is even more valuable in our residential initiatives where TL Bygg has extensive experience.

*Linus Kjellberg, Business Area Manager Business Development, Atrium Ljungberg*

Sales per assignment type



Sales per client category



Examples of TL Bygg's work on quality and the work environment include:

- Training for all administrative employees in work environment responsibility in order to increase their skills in the work environment and safety at the workplace.
- Its primary procurements are only from ranges that have been environmentally inspected.
- Business ethics training in the Swedish Construction Federation's Code of Conduct.
- Clear and measurable waste targets to reduce the amount of unsorted waste at the workplaces.

### PROJECTS 2016

In 2016, 72 per cent of total sales comprised work for Atrium Ljungberg. TL Bygg is the general contractor for our housing initiatives in Gränbystaden in Uppsala where three residential buildings with a total of around 200 apartments will be built. The project was started in March 2016, and the first building will be ready for occupancy in the autumn of 2017.

TL Bygg is also the general contractor for the reconstruction of Bankgirot's premises in our office property Stora Katrineberg 16 in Liljeholmen. The assignment includes total renovation and tenant-specific adaptation of approximately 7,000 m<sup>2</sup> on four floors.

The Skotten district in central Stockholm is another collaboration project where TL Bygg is adapting the office section of the property for two different tenants on three floors. One of the floors is being extended.

TL Bygg also had several external projects over the year including office adaptations, reconstruction of short-term accommodation and reconstruction of unfinished attic space for apartments, to name a few.

TL Bygg's profit was negatively impacted in both 2015 and 2016 due to acceleration costs in a construction contract.

Find out more at: [www.tlbygg.se](http://www.tlbygg.se)



**CONSTRUCTION COMPANY**  
OPERATING PRIMARILY IN THE GREATER STOCKHOLM AREA

**435** 

**NET SALES, SEK M**  
2016

**4** 

**PROFIT, SEK M**  
AFTER NET FINANCIAL ITEMS 2016

**BF9K**

**CERTIFIED**  
A MANAGEMENT AND PRODUCT CERTIFICATION  
SYSTEM FOR THE CONSTRUCTION INDUSTRY

**370** 

**ORDER BOOK, SEK M**  
AT THE END OF 2016

**110** 

**NUMBER OF EMPLOYEES**  
44 ADMINISTRATIVE EMPLOYEES, 66 SKILLED  
WORKERS

### Summary of income statements

SEK m	2016	2015	2014	2013	2012
Net sales, external clients	121	335	307	378	226
Net sales, Group companies	314	137	113	114	153
<b>Net sales, total</b>	<b>435</b>	<b>472</b>	<b>418</b>	<b>492</b>	<b>379</b>
Operating profit/loss	4	-11	15	35	20
Net financial items	0	2	3	2	1
Profit after net financial items	4	-9	18	37	21
Number of employees	110	120	130	135	122



## FINANCIAL REPORTS 2016



# DIRECTORS' REPORT

*THE BOARD OF DIRECTORS and the CEO of Atrium Ljungberg AB (publ.), company ID no. 556175-7047, hereby submit the annual accounts and the consolidated accounts for the 2016 financial year. The figures shown in parentheses refer to the preceding financial year. The legal annual report including the directors' report is, with the exception of the corporate governance report and statement of the Chairman of the Board, revised and covers pages 77–89 as well as 98–140.*

## THE OPERATIONS

Atrium Ljungberg is one of Sweden's biggest listed property companies. We own, develop and manage properties and areas – primarily for the retail and office sectors. The operations are conducted with a view to long-term ownership. We generate growth in value by developing and upgrading new and existing properties and development rights and by conducting active and customer-orientated property management. We lead and manage the entire business process with our employees, which provides knowledge and understanding of the entirety and generates added value for the customer. Our development projects generate a long-term yield.

## FINANCIAL GOALS

Our objective is for the operating surplus to increase by 10 per cent per annum. Our goal is to invest SEK 1 billion every year in our own development projects that yield 20 per cent profit on new build and extension projects. During 2016 the operating surplus increased by 0.5 per cent (7.9%) compared to the previous year. Investments during the year in Atrium Ljungberg's own properties amounted to SEK 1,002 million (SEK 768 m). The financial goals for the Group also state that the equity/assets ratio shall be a minimum of 30 per cent and that the interest coverage ratio multiple shall be a minimum of 2.0. At the 2016 year-end, the equity/assets ratio was 43.7 per cent (43.7%) and the interest coverage ratio multiple was 3.5 (3.3).

## DIVIDEND

Dividend payments shall correspond to at least 50 per cent of the profit before changes in value, after estimated tax, unless investments or the company's financial position otherwise justify a deviation from this policy. A dividend of SEK 3.95 per share (SEK 3.55/share) is proposed for the financial year, which corresponds to a dividend of SEK 69.9 per cent of the distributable profit (64.1%) and a dividend yield of 2.8 per cent (2.7%).

## MARKET

### FINANCE MARKET

The Swedish economy is continuing to develop positively. The primary driving force is strong private consumption and higher investments, among other things through increasing housing construction. The National Institute of Economic Research (NIER) predicts continued growth where exports and household consumption are the key drivers of growth. The GDP growth forecast of the National Institute of Economic Research for 2016 is 3.4 per cent, which indicates good continued growth. The variable rate, 3M Stibor, remains at a low level and was -0.59 per cent at the turn of the year, which is a decline by 0.30 percentage points during the year. The long-term interest rate increased during the fourth quarter after falling to the lowest level during August. The 10 year swap interest rate was 1.10 per cent at the turn of the year.

### PROPERTY MARKET

The Swedish property market continues to be strong with low vacancies and higher market rents. Continued large interest in property investments as a result of the low yield for other assets has resulted in that the market's yield requirements have continued to decline. According to Savills, the transaction volume in the Swedish property market during 2016 amounted to a record level of SEK 201 billion, 23 per cent higher than the top quotation of 2014.

### OFFICE MARKET

Demand for efficient and modern premises has clearly increased in the office market and continues to be a trend. An increasing number of tenants are demanding more efficient utilisation of premises and activity based working, which places great demands on flexible premises and modern technical equipment. More efficient utilisation of premises means tenants can pay higher rent per m<sup>2</sup> without increasing the total premises

cost per employee, which puts upward pressure on rental levels. The trend of relocating offices away from the city centre has continued, not least for large tenants. The high cost of office premises in central locations has prompted several large tenants to move to more peripheral locations where rents are lower and the offering of modern and efficient offices is larger. However, the trend does not apply to young growth companies that have to compete for labour and are thus forced to choose locations in the city centre in order to attract employees. Demand for office premises in Stockholm was very strong in 2016. The vacancy level in the city centre has remained at around 3 per cent, which has placed a great deal of upward pressure on office rents. Prime rent for offices in Stockholm CBD experienced a strong upswing of close to 30 per cent over the year, which is the highest in Europe.

### RETAIL MARKET

In 2016, the retail sector faced several major challenges including a lower ROT deduction (for repairs, conversion and extension work) and higher employer contributions for young people, for example. Development in the retail sector was also very strong during 2015, which results in strong comparison figures. Despite these challenges, the retail sector managed to exceed the previous year's sales with total sales of SEK 750 billion, corresponding to growth of 3.3 per cent. E-commerce continued to grow at a rapid pace in 2016. It increased by 17 per cent compared to the previous year, and amounted to just over SEK 58 billion. The market share for e-commerce thus increased from 6.9 to 7.7 per cent of the total retail sector. As was the case in the retail sector otherwise, goods related to the home showed strong development; for example, hardware and building supplies increased by approximately 40 per cent. It is predicted that consumers in the future will shop both through global e-commerce and at physical stores found

very locally. From a Swedish perspective, this trend is already clear since one out of five consumers already shops from other countries through e-commerce. At the same time, consumers are becoming increasingly interested in saving time and want shopping to be convenient and easily accessible. In addition to e-commerce, this means consumers may select physical retail hubs that are located close to their home or workplace – or the area in between the two. This places higher demands on the existence of a sufficiently large and diverse range at these locations, and the importance of restaurants, service and experiences increases even more.

## PROPERTY MANAGEMENT

### NET LETTING

Net letting, i.e. newly agreed contracted annual rents less annual rents terminated due to clients vacating the premises, amounted to SEK 128 million (SEK 62 m) during the year, and has primarily been impacted by a number of office lettings. The time lag between net letting and its effect on profit is assessed to be 6–9 months.

### RENTAL INCOME AND LETTING RATE

The contracted annual rent at the turn of the year totalled SEK 2,208 million (SEK 2,054 m) and the rental value amounted to SEK 2,374 million (SEK 2,192 m), respectively. This gives an economic letting rate including project properties of 93 per cent (94%) and excluding project properties of 93 per cent (94). The EPRA vacancy rate is thus 7 per cent (6%).

#### Letting rate<sup>1)</sup>

	Rental value, SEK m	Rental value, SEK/m <sup>2</sup>	Letting rate, %
Business area Property	2,280	2,622	93
Project properties	94	1,755	88
<b>Total</b>	<b>2,374</b>	<b>2,572</b>	<b>93</b>

<sup>1)</sup> Reported letting rates are based on the immediately subsequent quarter after the accounting date.

## PROFIT AND FINANCIAL POSITION

Comments on the net profit for the year and financial position are contained on pages 101, 103 and 105.

## PROJECT PROPERTIES

In 2016, we invested SEK 1,002 million in our own properties, of which SEK 509 million was in project properties. The investments in project properties mainly refer to northern Gränbystaden and Sickla Front II. Other

investments primarily refer to major internal renovation of the Gränbystaden shopping centre and Mobilia, as well as tenant-specific adaptations in our properties in Gothenburg, Liljeholmen and Hagastaden. The remaining investment volume for ongoing project properties amounted to approximately SEK 1,690 million at the turn of the year.

### SICKLA FRONT II – STOCKHOLM

The construction of two office buildings and a parking garage on Uddvägen in Sickla is proceeding according to plan. Here we are creating an urban district for large and small office businesses which links together Hammarby Sjöstad with Sickla. On the ground floor we are planning for public activities such as restaurants and a gym. The extension of Tvärbanan cross-town light rail link, which will be put into service during the second half of 2017, will run past our new district on the way to nearby Sickla station. The project Sickla Front II covers approximately 25,000 m<sup>2</sup> of letting office area in total and 14,000 m<sup>2</sup> of GFA for parking. Occupancy by the Swedish National Courts Administration, which will become a significant tenant in one of the new buildings, is expected to take place during the second quarter of 2018.

### GRÄNBYSTADEN – UPPSALA

Our long-term work with Gränbystaden is continuing with full intensity. New builds and extensions are continuing at both Gränbystaden's northern area alongside the E4 and by Gränbystaden shopping centre (formerly Gränby Centrum). In northern Gränbystaden we completed three buildings for stores, restaurants and activities during the second quarter of 2016 and at the end of 2016 and start of 2017 we commenced the construction of two more buildings in the area. Among other businesses, Elon will open here during the autumn of 2017 and Jysk and Rusta during the autumn of 2018. When these two projects have been completed, northern Gränbystaden will cover a total letting area of 31,000 m<sup>2</sup>.

Construction of three residential buildings with approximately 200 rental apartments as well as business premises on the bottom floor is taking place close to Gränbystaden shopping centre. Occupancy is expected to take place during the autumn of 2017, by the turn of the year 2018/2019 and during the first quarter of 2019. The buildings will be certified in accordance with the Green Building level silver.

Next to Gränbystaden shopping centre, construction is ongoing of a parking garage with approximately 300 underground parking spaces. The garage is expected to be completed in 2018.

### FORUMKVARTERET – UPPSALA

We are managing major transformation work in Forumkvarteret in central Uppsala. Our aim for the district, which contains retail in the form of Forumgallerian as well as office premises and residential, is to create a city centre district with a strong retail range combined with attractive office environments and residential. In 2016 improvements to office premises and rental apartments were made and currently reconstruction of the shopping centre is being conducted. Among other things, we are making space available and creating a clear internal concourse through the shopping centre. The ongoing projects in Forumkvarteret are expected to be completed during the autumn of 2018.

### POTENTIAL DEVELOPMENT PROJECTS

Our project portfolio with future projects enables investments corresponding to approximately SEK 11 billion. The increase in investment volume can be attributed to additional project areas as well as changed assumptions on investment costs. In terms of area, half of our project portfolio consists of residential and half of offices, retail, education and hotels. The project portfolio is divided among all our areas where Sickla and Uppsala account for approximately 70 per cent. The rate at which we can complete the projects depends on the market situation and the progress made in the detailed development plan process.

In Sickla we expect to start extension of an old office property in 2017 for 12,000 m<sup>2</sup> of GFA for hotels and offices as well as a garage. We are planning to start reconstruction and extension by Järnvägsgränd of 14,500 m<sup>2</sup> of GFA for retail and health care operations by the end of 2017. Both projects are covered by current detailed development plans. In Sickla Galleria we are planning for an extension of approximately 3,000 m<sup>2</sup> of retail space and two floors for a parking garage with approximately 220 parking spaces. A new detailed development plan is expected to enter into force during 2017. In addition, detailed development plans are ongoing for residential at Nobelberget, Kyrkvägen and Gillevägen where we expect a complete detailed development plan for Nobelberget by the turn of the year 2017/2018. Detailed

development plans are also ongoing for reconstruction and extension of Svindersviksskolan from the current 3,000 m<sup>2</sup> to approximately 9,000 m<sup>2</sup> GFA.

In Gränbystaden we want to create Uppsala's second city centre. In the northern part a retail area of 50,000 m<sup>2</sup> GFA is being created to supplement the shopping centre's offering. There is a complete detailed development plan and development is taking place in line with the letting work. Next to the shopping centre we are also planning for approximately 250 tenant-owned dwellings by the adjacent Gränbyparken. Construction of the first phase of tenant-owned dwellings is expected to take place in 2019. We are also planning a major reconstruction and extension project by the shopping centre's southern area. The project covers 11,700 m<sup>2</sup> for retail, restaurants, culture and entertainment and is expected to start in 2017. In addition, detailed development plans are ongoing for the area just north of the shopping centre which can enable the development of additional 27,000 m<sup>2</sup> GFA for retail and 30,000 m<sup>2</sup> of GFA for parking.

In Hagastaden, in the centre of the emerging life science cluster, we have a land allocation with a development right of 32,000 m<sup>2</sup> GFA. Here, above the E4, we are planning to build Life City, a complete district for businesses, academia and society. Construction is expected to start at the end of 2017 with planned occupancy during the autumn of 2020.

In Mobilia in Malmö our aim is to create new construction and extension of approximately 16,500 m<sup>2</sup> GFA for retail, residential and cultural activities in the heart of the district as well as several restaurants in towards Mobilia's square. The project is covered by current detailed development plans and construction is expected to start around the turn of the year 2017/2018.

In Barkarbystaden in Järfälla, together with Järfälla municipality, work is ongoing to create BAS Barkarby, a regional meeting place for learning, businesses and culture. The detailed development plan for the area

is expected to be adopted by the end of 2017. A decision on environmental permits is expected to be made in the summer of 2018 by the Land and Environmental Court. Construction of the first phase of BAS Barkarby is expected to start by the summer of 2018 at the earliest, with occupancy in the spring of 2021.

## PROPERTY TRANSACTIONS

In March the office and health care property Malmén 12 in central Malmö was acquired, totalling approximately 7,500 m<sup>2</sup> of letting area. The acquisition took place through a share deal with an underlying property value of SEK 125 million. Possession took place in May. In April, the office property Borgarfjord 3 was acquired and taken into possession, located in Kista with 13,500 m<sup>2</sup> of letting area. The acquisition took place through a share deal with an underlying property value of SEK 325 million. In July, the office property Eken 6 was acquired, located in Sundbyberg with approximately 28,500 m<sup>2</sup> of letting area. The acquisition took place through a share deal with an underlying property value of SEK 1,059 million. Possession took place in September. In November an agreement was concluded on acquiring Fatburen 2, Söderhallarna in Stockholm. The acquisition is conditional on a decision in the city council which is expected to be taken during the first quarter of 2017 and is therefore not included in the accounts as of 31/12/2016.

## PROPERTY VALUES

During 2016 we externally valued the equivalent of 44 per cent of the property portfolio's market value, of which 20 per cent was conducted during the fourth quarter. The valuations were carried out by Forum Fastighetsekonomi and Savills in accordance with the International Valuation Standards (IVS). The remaining properties were subject to an internal valuation with market rents, operating costs, vacancies and yield requirements quality assured by Forum Fastighetsekonomi. The market valuation is based on analyses of completed property transactions for properties

of a similar standard and in a similar location, in order to assess the market's yield requirements. The valuation also entails cash flow calculations, with individual assessments of the earning capacity of each individual property. Assumed rental levels in conjunction with contract expirations correspond to current market rent levels. Operating costs have been assessed on the basis of the company's actual costs. Development rights have been valued based on an assessed market value per m<sup>2</sup> of GFA for determined development rights in accordance with an approved detailed development plan or where the detailed development plan is assessed to enter into force within the near future. Project properties are valued on the basis of completed projects, less remaining investments. A risk surcharge is added to the yield requirement on the basis of the current phase of the project.

The reported value of the property portfolio totalled SEK 36,054 million (SEK 30,841 m). The average yield requirement in the valuation is 4.9 per cent (5.2%). Investments in Atrium Ljungberg's own properties during the period totalled SEK 1,002 million (SEK 768 m). The unrealised change in value amounted to SEK 2,772 million (SEK 2,328 m) and is primarily explained by the market's lower yield requirements for the majority of properties and higher rents as a result of new lettings and renegotiations. See more in note A1 page 123.

## OUTLOOK FOR 2017

Atrium Ljungberg's conditions are good. The higher urbanisation and population growth continue to drive growth in the metropolitan regions, where we are established. The investment volume in own properties for 2017 is assessed to amount to approximately SEK 1.5 billion. The forecast for profit before changes in value amounts to SEK 1,055 million in comparison to SEK 965 million for 2016. The forecast includes acquisition of the property Fatburen 2. The forecast net profit after tax is SEK 822 million, corresponding to SEK 6.17/share. Changes in value and any other future property acquisitions and sales have not been taken into account in the forecast.

### Acquisitions 2016

Property name	Municipality	Additional letting area, m <sup>2</sup> <sup>1)</sup>	Possession
Borgarfjord 3	Stockholm	13,550	20/04/2016
Malmén 12	Malmö	7,511	02/05/2016
Eken 6	Sundbyberg	47,110	15/09/2016

### Sales 2016

Property name	Municipality	Deductible letting area, m <sup>2</sup> <sup>1)</sup>	Date vacated
Resan 1	Sollentuna	1,160	04/07/2016

<sup>1)</sup> Incl. garage area.

# RISKS AND RISK MANAGEMENT

ATRIUM LJUNGBERG'S PROPERTY portfolio is primarily focused on retail and office operations in the Swedish market. We are thereby exposed to the performance of the Swedish economy as a whole and in particular the markets in which we operate. The Board of Directors has overall responsibility for risk management while the operational work has been delegated to the CEO and the various business areas.

Taking into account our operations, prioritised areas for risk management are letting, project and construction activities, property valuation and financing. Our operations and the opportunity to attain our goals are affected by both external factors and business risks. We cannot influence external factors, but we can work in a preventative

manner and be prepared for different scenarios. Operational risks are mainly handled by awareness of the risk and continuous work on minimising the negative impact which may occur.

The Board of Directors has overall responsibility for risk management while the operational work has been delegated to the

CEO and the various business areas. Risk management in the administration and project and construction activities is largely decentralised while financing, insurance and property valuation are managed centrally. Also see the corporate governance statement, pages 92–95 and internal control, pages 98–99.

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
<b>MANAGEMENT AND PROPERTY PORTFOLIO</b>		
<b>Property values</b>	The property portfolio is estimated at fair value, market value. The market value is determined partly by the expected yield which the market's players accept. A lower yield requirement affects the market value positively as well as a higher expected future operating net.	The market's yield requirement is an external factor which we cannot directly influence. By working in the long-term with our management and developing our areas to attractive places, we create the conditions for better and more stable cash flows from our properties which promote stable yield requirements.
<b>Assumptions for property valuation</b>	The real estate valuation is based on a number of input data and assumptions. In the valuation process there is a risk that the assumptions which have been made do not reflect the current market conditions and the valuation thereby becomes incorrect.	The real estate valuation is done on a quarterly basis. Approximately 40–50 per cent of the market value is valued externally every year. Our internal valuations are subjected to quality assurance by independent valuers. See more in note <b>A1</b> on page 123.
<b>Unpredictable events in our properties</b>	Our properties can be affected by unpredictable events in the form of fire, water damages and other damages.	We continuously work with preventative measures such as, for example, updated fire alarms, sprinkler systems, entrance control systems and trained security officers. All properties are insured for their full value through If.

## Sensitivity analysis, property valuation

Value parameter	Assumption	Impact on value, SEK m
Rental level	+/- 10 %	+/- 3,580
Operating cost	+/- 10 %	-/+687
Yield requirement	+/- 0.25 % units	-1,718 /+1,912
Long-term vacancy level	+/- 2 %	-/+ 1,046

The table shows how the effects of different parameters impact the market value.

## Sensitivity analysis, change in value

Change property value	-10 %	0 %	+10 %
Change in value, SEK m	-3,605	0	3,605
Gearing ratio	47 %	42 %	38 %

The changes in the value of properties also affect the company's key ratios The above sensitivity analysis shows how Atrium Ljungberg's gearing ratio is affected by changes in value of +/- 10 %.

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
<b>MANAGEMENT AND PROPERTY PORTFOLIO, CONTD.</b>		
<b>Rental income</b>	<p>Our rental income is affected by the economic performance in the subsidiary markets in which we operate and by how successfully we develop the areas where our properties are located.</p> <p>Economic growth is assumed to result in increased demand for premises, with lower vacancies as a result – a trend which, in turn, usually leads to higher market rents. A negative economic trend is assumed to result in the opposite effect.</p>	<p>We build urban environments with a focus on retail and office operations which are supplemented with housing, service, culture and education. The mix makes Atrium Ljungberg less sensitive to the economic development and increases the risk spread in the tenant structure.</p> <p>As commercial lease contracts are often signed for a term of three to five years, changed market rents have an impact on rental income gradually.</p> <p>As only 1 per cent of the rental income comprises sales-based rent, in the short-term Atrium Ljungberg is affected by declining sales of retail hubs to a very small extent. However, in the long-term it impacts the demand of our premises.</p>
<b>Letting rate</b>	A change in the company's letting rate has a relatively rapid effect on income.	By operating in strong subsidiary markets with close relations with both existing and prospective customers, we can satisfy the customers' need for premises in a timely manner and thereby prevent and reduce the risk of high vacancy levels.
<b>Property costs</b>	<p>Changed property costs can impact the property's operating net and thereby indirectly also the market value of the property. A large share of the cost is linked to energy consumption in the form of heating, cooling and electricity.</p> <p>Property costs are impacted by seasonal variations. Generally costs are higher during the first and last quarter of the year, primarily caused by higher costs of heating and property maintenance.</p>	<p>Some of the property costs are passed on to the tenant through regulations in the lease contracts and cost increases or savings consequently only have a limited impact on our results. Any vacancies that arise do, however, affect the result, not only in the form of lost rental income but in the form of costs that cannot be passed on to the tenants.</p> <p>We work purposefully, for the benefit of both our tenants and the company, to increase the efficiency of our consumption. As a part of this, Atrium Ljungberg has set a goal of reducing energy consumption per square metre between the years 2014 and 2021 by 20 per cent.</p> <p>Unforeseen damage and repairs can have a negative effect on the company's results and are prevented by means of a long-term maintenance programme in order to maintain a good standard throughout the property portfolio.</p> <p>We have ten properties with leasehold. The leasehold agreements are usually renegotiated at 10 or 20 year intervals. See more on leasehold fees for 2016 in note <b>IE4</b> on page 116.</p>

#### INVESTMENTS AND ACQUISITIONS

<b>Investments</b>	<p>Atrium Ljungberg develops and constructs own properties continuously in its project activities. Risks in these activities are that the customers' needs and expectations are not fulfilled, that the projects are more expensive due to miscalculation or changed conditions.</p>	<p>The projects are largely managed with in-house expertise and our subsidiary company TL Bygg. Consequently we have direct contact with the customers, short decision-making processes as well as rapid and simple handover to the management team.</p> <p>The company applies its prudence concept to all investments. This entails that no investments are made without having secured a reasonable yield by agreeing lease contracts.</p>
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#### Sensitivity analysis cash flows

	Change, %	Effect on profit, year 1, SEK m	Effect on profit, full-year, SEK m
Rental income	+/- 5 %	+/- 12	+/- 110
Property management costs	+/- 5 %	-/+ 35	-/+ 35
Letting rate	+/- 1 % unit	+/- 22	+/- 22
Atrium Ljungberg's average borrowing rate	+/- 1 % unit	-/+ 66	-/+ 151

<sup>1)</sup> The effect on the profit in year 1 relates to the effect in the immediately subsequent year with reference to fixed terms in lease contracts and loan agreements.

#### Bad debt losses

SEK m	
2012	4
2013	6
2014	7
2015	15
<b>2016</b>	<b>12</b>

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
<b>INVESTMENTS AND ACQUISITIONS, CONTD.</b>		
<b>Acquisitions</b>	Atrium Ljungberg's expansion also takes place through acquisition of properties. Risks during the acquisition are that the letting rate and rental trend will be lower than expected or that the technical standard is lower than the conducted assessments. Another risk is that there are unexpected environmental consequences. During the acquisition of properties through companies there is also a tax risk.	The risks during an acquisition are prevented by a due-diligence process in which we inspect the property and examine agreements, accounts and fiscal aspects with both internal and external specialists. All acquisitions are made with the intention of owning and developing the properties in the long-term.
<b>Project portfolio</b>	Property development through investments in in-house properties and production of development rights is very important in terms of the company's value growth. A limited project portfolio can reduce future growth.	In order to maintain long-term growth, we are constantly searching for new business opportunities and projects through continuous dialogue with municipalities and other market players. See pages 35–37 for further information about our project portfolio.
<b>EMPLOYEES AND SUPPLIERS</b>		
<b>Expertise</b>	The ability to attract and retain skilled personnel is an important prerequisite for our success.	By working towards being one of Sweden's best workplaces in accordance with "Great Place to Work®," Atrium Ljungberg strives to both attract and retain competent personnel. See pages 24–25 for further information.
<b>Suppliers</b>	Supplier risk refers to the risk that our suppliers cannot fulfil their deliveries, that they use unethical business practices or do not fulfil the environmental requirements which have been imposed.	Atrium Ljungberg's purchasing function comprises efficient support for the entire organisation by coordinating purchasing. This results in higher quality and lower costs. Furthermore, the purchasing function ensures that the Group's suppliers comply with Atrium Ljungberg's requirements within sustainability and business ethics.
<b>Corruption</b>	Improprieties which affect Atrium Ljungberg and which may seriously injure our brand and staff.	Atrium Ljungberg has established a whistleblowing service through an external party. In this manner we can guarantee a system with highest secrecy and total anonymity which makes it safe for our employees, customers and collaboration partners to submit a complaint. Complaints can be submitted through our website and are then handled by the external party. There is a policy for business ethics with guidelines which provide more concrete guidance.
<b>FINANCIAL RISKS</b>		
<b>Credit risk</b>	The term, credit risk, refers to the risk that our tenants will be unable to fulfil their payment obligations.	Each market area continuously evaluates the capacity of new and existing tenants to pay the agreed rent. In many cases, default in payment of rent is secured through deposits and bank guarantees. A large number of tenants in different sectors ensures a good risk spread.
<b>Currency risk</b>	Currency risk refers to the risk that our income/expenses are lower/higher, and that our receivables/liabilities are lower/higher.	We have no income or any financing in foreign currencies. The only exception is purchases made in foreign currency, which entails a small currency risk.
<b>Interest</b>	The main risks involve fluctuations in profits and cash flow as a result of changes in interest rates.	The interest maturity structure has been spread over different terms through interest derivatives in order to limit the risk of severe fluctuations in interest expenses. See pages 86–87 for further information.
<b>Refinancing</b>	Refinancing risks and credit risks linked to renegotiations of existing credit and financing of future investments taking into account the company's high investment rate comprise a risk.	In order to limit the refinancing risk, a maximum of 50 per cent of the financing is provided for by an individual lender. Atrium Ljungberg has credit agreements with five different lenders, of which the largest has 13 per cent. Bank financing is supplemented with financing in the capital market through certificates and MTN programmes. See pages 86–87 for further information about financing.

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
<b>ENVIRONMENT AND OUTSIDE WORLD</b>		
<b>Contamination in our properties</b>	According to the Swedish Environmental Code, the property owner may be liable to defray measures resulting from a contamination incident or a serious case of environmental damage.	We conduct surveys and screening work ahead of property acquisitions and new projects in order to identify any potential environmental risks. The process also contributes to identifying opportunities for energy efficiency and reducing the incidence of material with a negative impact on human beings and the environment.
<b>Climate changes</b>	Extreme weather conditions such as cloudburst, storms and large temperature fluctuations as a result of global climate changes risk damaging our property portfolio and increasing the construction and development cost of properties.	Atrium Ljungberg works continuously on improvement maintenance in order to increase the resistance of our properties during extreme weather conditions. The risks are considered to the highest degree possible for new production and major reconstruction projects.
<b>Requirements for more efficient energy consumption</b>	Increased agency requirements for energy consumption.	Atrium Ljungberg works continuously on energy efficiency through implementation of new technology in both the existing property portfolio and for new production, which results in lower current expenses. See pages 21–23 for further information about our energy work.
<b>E-commerce</b>	E-commerce has become an important sales channel and the sales volume is increasing annually from e-commerce. Several retail companies are establishing online stores. This may impact the demand for retail premises.	According to HUI Research, e-commerce accounted for 7.7 per cent of the total retail sector in 2016. We are monitoring the trend closely and also have a close dialogue with our retail customers. Atrium Ljungberg builds places with attractiveness and flexible premises which can be adapted to new conditions. In recent times combining online trade and retail sale has also been successful as the consumer can attain further experiences in the physical store and have the opportunity of collection and return of purchased goods.
<b>Changed tax rate</b>	Current accounting regulations require deferred tax liabilities to be reported as if all property sales were taxed at 22 per cent. However, the size of the actual deferred tax liability depends on the company's tax position, how long we have held the property and the market's pricing of the deferred tax liability in conjunction with sale of the property through companies.	Assuming a deferred tax rate of 4 per cent (in accordance with EPRA NNNAV) for costing purposes for properties, the deferred tax totals SEK 556 million, rather than the reported value of SEK 3,275 million, which would have a positive effect on shareholders' equity of SEK 2,426 million.
<b>Changed tax rules within the property and stamp duty area</b>	In 2015 the Government decided to appoint a special investigation to review the property and stamp duty area. The investigation should particularly review the regulations for packaging of properties and acquisitions through registration of property measures. The investigation will be presented on 31 March 2017.	We do not currently have knowledge of the conclusion of the investigation and its impact on the Group. Atrium Ljungberg is monitoring the development carefully.
<b>Changed tax rules for the right to deduction for borrowing costs</b>	The EU Directive against tax avoidance should be implemented in Swedish legislation by the end of 2018 at the latest. The Directive aims to combat tax avoidance and stop advanced tax planning. The EU Directive specifies the minimum level of measures which individual countries must implement. This may include a restriction of the current right to deduction for interest rates and other borrowing costs.	The fiscal effect of the investigation cannot currently be presented, but Atrium Ljungberg is monitoring the development.



## FROM WALLPAPER WORKSHOP TO HOTEL

Kåberg moved its wallpaper workshop to Atlas Copco's old industrial area in Sickla already in 1906. There they manufactured their prize-winning wallpaper up until the 1960s. Now we are planning to revive the old wallpaper factory as a modern design hotel with 152 rooms, in the middle of the expansive area which will grow by thousands of new residences and workplaces.

◆ Past, present and future.

# STRONG FINANCIAL POSITION

ATRIUM LJUNGBERG'S ASSETS are valued at SEK 37 billion and are primarily financed by means of shareholders' equity and debt. The operations are capital-intensive and access to capital and the choice of capital structure are, therefore, important in achieving the desired combination of financing risk relative to financial cost. The objective is for the equity/assets ratio to exceed 30 per cent and the interest coverage ratio to be a multiple of 2.0.

## FINANCE MARKET 2016

Recovery of the global economy continues to be sluggish, resulting in inflation in large parts of Europe being lower than the inflation target. Following the US presidential election in November 2016, long-term interest rates increased but the upswing ceased before the turn of the year.

The Swedish economy is continuing to develop positively. The primary driving force is strong private consumption and higher investments, among other things through increasing housing construction. The GDP growth forecast of the National Institute of Economic Research for 2016 is 3.4 per cent and 2.2 per cent for 2017.

During the year Swedish market interest rates have fluctuated significantly, but after the summer the trend has been higher long-term interest rates. The 5 year swap interest rate has moved from 0.75 per cent at the turn of the year and was 0.26 per cent at the end of the year. The variable rate, 3M Stibor, started the year at -0.30 per cent and was -0.59 per cent at the end of the year.

## FINANCE MARKET 2017

The recovery is sluggish but forward-looking indicators have strengthened, and therefore developments during the upcoming period

appear stronger. Continued expansive monetary policy and to a certain extent even a more expansive fiscal policy support the recovery. However, the political situation in several areas around the globe, including the US, contributes to making the economic development more difficult to predict. In 2017 elections will be held in France, the Netherlands and Germany. The results will be important for the economic development in Europe.

The Swedish economy has a good position with strong GDP growth and rising inflation. However, there is some concern about backlash linked to political uncertainty in the outside world.

The Riksbank is expected to increase the key interest rate first in 2018 as it takes time for the inflation to reach the inflation target. This results in continued low interest rates during 2017.

## FINANCING AND FINANCIAL POLICY

The property sector is a capital-intensive sector, which often entails a range of financial risks. The primary risks are fluctuations in the profit and cash flow due to interest rate changes, along with refinancing risks and credit risks in association with renegotiations of loans, bond maturity and new financing requirements taking into account invest-

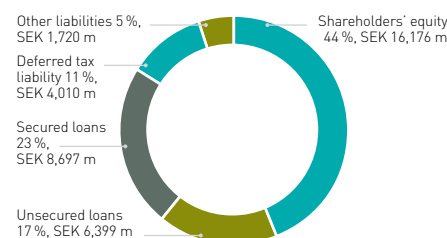
ments in own properties and acquisitions. Financial operations are regulated by our financial policy, which is reviewed at least once a year and adopted by the Board of Directors.

## CAPITAL STRUCTURE AND CAPITAL MARKET

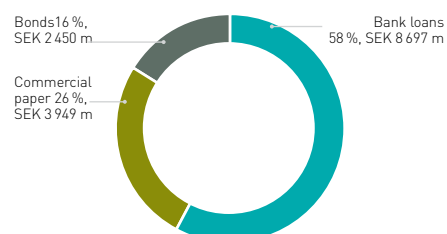
Atrium Ljungberg has shareholders' equity totalling SEK 16,176 million (SEK 13,953 m) and liabilities totalling SEK 20,825 million (SEK 17,995 m), of which SEK 15,095 million (SEK 13,261 m) refers to interest-bearing liabilities. The gearing ratio, i.e. the percentage of interest-bearing liabilities in relation to the value of the property holdings, is 41.9 per cent (43.0%), which is lower than the industry average among listed Swedish property companies.

The banks are Atrium Ljungberg's biggest financiers, and bank loans account for 58 per cent (71 %) of the total loan volume. As a supplement to bank financing there is a commercial paper programme and an MTN programme. At the turn of the year,

### Capital structure



### Interest-bearing liabilities



### Financial policy 2016

	Goal/Mandate	Result, 31/12/2016
Gearing ratio, commercial properties	max. 70 %	69 %
Gearing ratio, residential property	max. 75 %	60 %
Gearing ratio, the Group	max. 50 %	42 %
Percentage of interest falling due within 12 months	0-55 %	44 %
Percentage of loans falling due within 12 months	10-30 %	13 %
Currency risk, financing	Not permitted	None
Bank deposits	SEK 0-200 million	SEK 276 million
Unutilised overdraft facility	SEK 300-500 million	SEK 300 million
Number of financing providers, banks	3-7	5
Loan volume with a single provider	max. 50 %	13 %

### Financial goals

	Goals	Result, 31/12/2016
Equity/assets ratio	min. 30 %	44 %
Interest coverage ratio	> Multiple of 2	Multiple of 3.5

the framework amount for the commercial paper programme was SEK 5 billion and for the MTN programme it was SEK 3 billion. Outstanding commercial papers totalled SEK 3,949 million (SEK 2,350 m) at the turn of the year and bonds of SEK 2,450 million (SEK 1,450 m) were outstanding under the MTN programme. Unutilised lines of credit amounted to SEK 4,500 million (SEK 3,000 m). The company also has an unutilised overdraft facility totalling SEK 300 million (SEK 300 m).

### CAPITAL COMMITMENT AND FIXED INTEREST

Atrium Ljungberg's property ownership is a long-term commitment and long-term financing is hence required. Long-term capital commitment also reduces the refinancing risk. The remaining capital commitment term at the turn of the year was 3.5 years (3.1 years).

Interest expenses are the biggest single cost item in the Income Statement. They are affected primarily by changes in market rates and the credit market preconditions that influence the margin of lenders. Interest rates are fixed for a variety of terms in order to reduce the fluctuations in interest expenses. We use tools such as interest

derivatives, which offer a flexible and cost-effective way of extending the interest term of the loans, in order to achieve the desired fixed interest term. The average fixed interest term amounted to 3.9 years (4.4 years) at the year-end. Interest swaps have been entered into for a total value of SEK 9,125 million (SEK 8,411 m) with terms maturing between 2017 and 2029. In addition, there is SEK 900 million (SEK 800 m) in forward-starting swaps.

### FINANCIAL INSTRUMENTS

Interest derivatives shall, in accordance with the accounting regulation, IAS 39, be valued at market rate, which means that an unrealised surplus or deficit value arises if the agreed interest rate deviates from the current market interest rate. The amount is recognised directly against the result. During maturity a derivative contract's market value is entirely dissolved and the change in value over time has thereby not impacted shareholders' equity. The unrealised change in the value of financial instruments totalled SEK -307 million (SEK 201 m) as interest rates had fallen on the terms covered by derivatives during the period. The deficit book value of the derivatives portfolio totalled SEK -909

million (SEK -621 m) at the turn of the year.

### SECURITIES

Our borrowing is largely secured by real estate mortgages. Of the interest-bearing liabilities, SEK 8,697 million (SEK 9,469 m) is secured by mortgage deeds and SEK 6,399 million (SEK 3,800 m) is unsecured. The share of secured financing is 23 per cent in relation to the total assets.

In addition to providing security over real estate mortgage certificates, the parent company in some cases grants security over shares in the property holding subsidiaries. The parent company also provides parent guarantees to secure its subsidiaries' liabilities in connection with guarantee commitments or borrowing. Guarantee undertakings of the parent company for subsidiary companies amounted to SEK 200 million (SEK 200 m) at the turn of the year.

### COVENANTS

Covenants, i.e. the terms and conditions a lender requires for providing a credit and which entail that a credit is due for payment if the terms and conditions are not fulfilled, are similar in the various credit agreements. The agreements primarily prescribe a minimum interest coverage margin multiple of 1.30–1.75, a maximum gearing ratio of 65–75 per cent, and a minimum equity/assets ratio of 25–30 per cent.

### PUBLIC RATING

In February 2017 Atrium Ljungberg received an investment grade rating from the credit rating agency Moody's and was awarded Baa2 grade with a stable outlook.

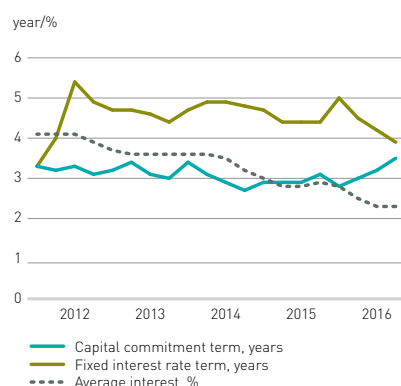
#### Capital commitment

Maturity date	Amount, SEK m	Percentage, %
2017	1,960	13
2018	3,197	21
2019	3,520	23
2020	1,779	12
2021	1,019	7
2022 and thereafter	3,621	24
<b>Total</b>	<b>15,095</b>	<b>100</b>

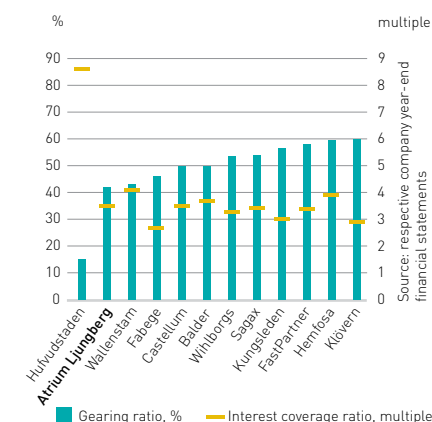
#### Fixed interest

	Amount, SEK m	Percentage, %	Average interest, %
Fixed interest term			
2017	6,600	44	0.9
2018	949	6	3.3
2019	–	–	–
2020	600	4	4.3
2021	760	5	4.3
2022 and thereafter	6,186	41	3.5
<b>Total</b>	<b>15,095</b>	<b>100</b>	<b>2.3</b>

#### Average interest, capital commitment term and fixed interest rate term



#### Gearing ratio and interest coverage ratio as per 31/12/2016, the largest listed property companies



#### Financial key ratios

	31/12/2016	31/12/2015
Interest-bearing liabilities	15,095	13,261
Shareholders' equity, SEK m	16,176	13,953
Gearing ratio, %	41.9	43.0
Adjusted gearing ratio, %	41.9	43.0
Average fixed interest term, years	3.9	4.4
Average capital commitment term, years	3.5	3.1
Average interest rate for interest-bearing liabilities, %	2.3	2.9
Interest coverage ratio, multiple	3.5	3.3

# THE ATRIUM LJUNGBERG SHARE

ATRIUM LJUNGBERG IS one of the largest listed property companies in Sweden. During the year the class B share listed its highest share price to date with SEK 164.00 and had a total return of approximately 10 per cent.

## MARKET CAPITALISATION

Market capitalisation, i.e. the value of all outstanding shares, amounted to SEK 18,388 million (SEK 17,186 m) at the turn of the year. This makes Atrium Ljungberg one of the largest listed property companies in Sweden.

## SHARE PRICE TREND AND YIELD

During the year the share price of class B share increased by 7.0 per cent to SEK 142.30 (SEK 133.00). The year's highest rate amounted to SEK 164.00 and the lowest to SEK 116.00.

The total return for the share, corresponding to the total of paid dividend and share price growth, was 9.7 per cent (18.8%) during the year. The corresponding return for OMXS Benchmark GI, which contains a selection of the largest and most traded shares on Nasdaq, was 13.0 per cent (6.1%) and for OMXS Real Estate GI, with the listed

property companies on the Nasdaq Stockholm exchange, was 12.4 per cent (26.5%).

## RETAIL AND SALES

Atrium Ljungberg's class B share (ATRLJ B) is listed on the Nasdaq Stockholm exchange and is traded on the list for large companies, Large Cap. During 2016 a total of SEK 13.6 million shares (SEK 20.2 m) were sold at a value of SEK 1.8 billion (SEK 2.5 bn). Of these 72 per cent (73%) were traded on Nasdaq Stockholm and the remaining on other marketplaces such as BOAT, Bats and Turquoise. The turnover rate was 11 per cent (15%).

## LIQUIDITY

Atrium Ljungberg has engaged Remium as a liquidity guarantor in order to improve the share's liquidity. Remium has undertaken to set bid and ask prices on a daily basis for a volume of shares corresponding to SEK

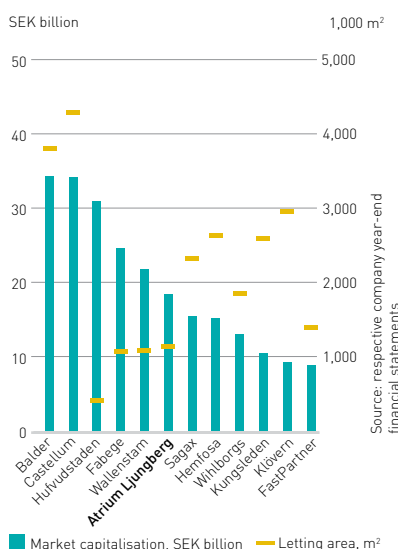
30,000, with a maximum difference of 4 per cent on the basis of the ask price.

## EPRA NAV AND EPRA NNNAV

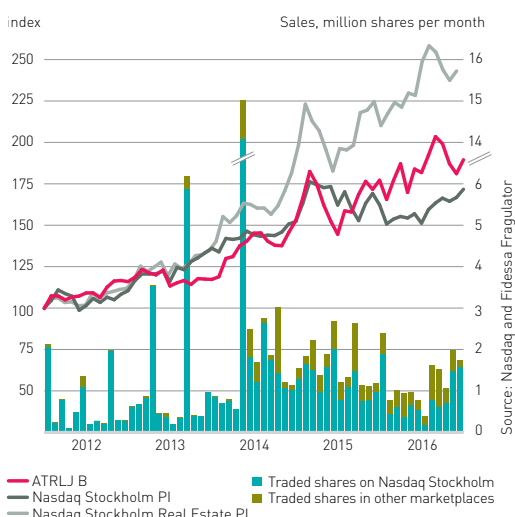
As Atrium Ljungberg's properties are reported at fair value, the net worth can be calculated on the basis of the Balance Sheet equity. EPRA NAV and EPRA NNNAV are reported in accordance with the EPRA's guidelines, see further under note E on page 133.

Atrium Ljungberg has a substantial project portfolio in which the development of our own development rights generates growth in value. The calculation of EPRA NAV and EPRA NNNAV does not take into account future value potential of the project portfolio. See pages 35–37 for further information about the project portfolios.

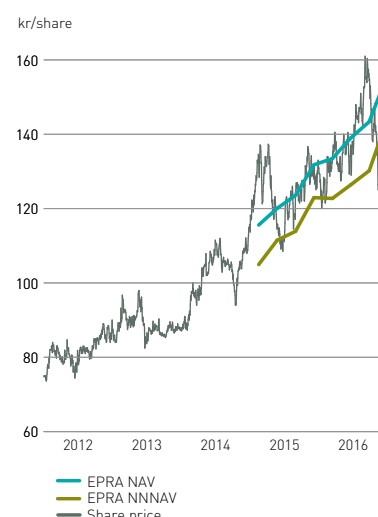
Market capitalisation and letting area as per 31/12/2016, the largest listed property companies



The Atrium Ljungberg share



EPRA NAV, EPRA NNNAV and share price



## DIVIDEND

The dividend shall correspond to a minimum of 50 per cent of the profit before changes in value after nominal tax, unless investments or the company's financial position in general motivates a deviation from this norm. For the 2016 financial year a dividend of SEK 3.95 (SEK 3.55) per share is proposed, which corresponds to a dividend yield of 2.8 per cent (2.7%) calculated on the share price at the end of the year.

## OWNERSHIP STRUCTURE

At the turn of the year there were 3,689 shareholders (2,901) in Atrium Ljungberg. The largest owners are the Stockholm Consumer Cooperative Society, together with the Ljungberg family and the Holmström family, who together own 64 per cent in total. The foreign ownership amounted to 15 per cent (15%).

One class A share grants entitlement to ten votes and one class B share grants

entitlement to one vote. The Articles of Association include a pre-emption clause with regard to class A shares whereby shareholders wishing to sell their shares must first offer them to other holders of class A shares. There is also an agreement between the company's class A shareholders whereby if the pre-emption right is not exercised, the class A shares should be converted to class B shares before a transfer may occur.

### Major shareholders on 31/12/2016

	Class A shares, '000	Class B shares, '000	Share of votes, %	Share of capital, %
Ljungberg family	2,190	27,066	28.9	22.0
The Stockholm Consumer Cooperative society	–	38,966	23.0	29.2
Holmström family	1,810	14,958	19.5	12.6
Carnegie Funds	–	8,077	4.8	6.1
The mutual occupational pension insurance company, Varma	–	7,143	4.2	5.4
Länsförsäkringar Funds	–	3,157	1.9	2.4
Swedbank Robur Funds	–	2,164	1.3	1.6
AFA Insurance	–	1,847	1.1	1.4
Margareta af Ugglas	–	1,445	0.9	1.1
Ilmarinen Mutual Pension Insurance	–	1,405	0.8	1.1
Other	–	22,993	13.6	17.2
<b>Total number of shares issued</b>	<b>4,000</b>	<b>129,221</b>	<b>100</b>	<b>100</b>

### Shareholding structure on 31/12/2016

Shareholding, number of shares	Number of owners	Percentage, %	Number of shares, '000	Percentage, %
1 – 1,000	3,082	84	645	1
1,001 – 10,000	441	12	1,449	1
10,001 – 50,000	86	2	1,870	1
50,001 – 100,000	18	1	1,268	1
100,001 – 500,000	35	1	8,588	6
500,001 – 1,000,000	10	0	6,995	5
1,000,001–	17	0	112,405	85
<b>Total</b>	<b>3,689</b>	<b>100</b>	<b>133,221</b>	<b>100</b>

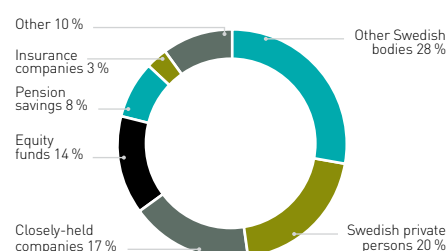
## INFORMATION FOR SHAREHOLDERS

Atrium Ljungberg's primary information channel is the company's website, [www.al.se](http://www.al.se). All press releases and financial reports are published here. Regular meetings are organised for analysts, shareholders, potential investors and financiers, both in Sweden and abroad.

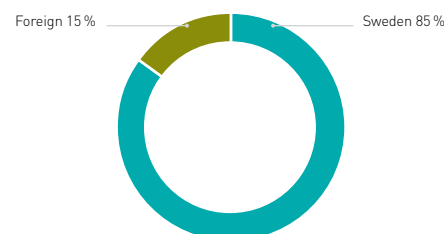
### Monitoring by analysts

ABG Sundal Collier	Tobias Kaj
Carnegie Investment Bank	Erik Granström
Handelsbanken Capital Markets	Albin Sandberg
Nordea	Niclas Höglund
Pareto Securities	Johan Edberg
Remium	Markus Henriksson
SEB Merchant Banking	Svante Krokfors
Swedbank Markets	Jan Ihrfelt

### Ownership categories



### Ownership per country



### Calendar

2017 Annual General Meeting	05/04/2017
Interim Report, January–March 2017	20/04/2017
Interim Report, January–June 2017	12/07/2017
Interim Report, January–September 2017	18/10/2017
2017 Preliminary Financial Statements	Feb. 2018
2017 Annual Report	Mar. 2018



# OUR VISION IS THE KEY TO CONTINUED SUCCESS

*ATRIUM LJUNGBERG'S STRONG development is continuing. Our vision "Our city – where everyone thrives" is an excellent guiding star when we develop the company for the future. It creates value for all our stakeholders, not least for our shareholders. In this context our long-term investment in residential fits in as an important piece of the puzzle. I am extremely hopeful that we can match our historic success with good measure in the future as well.*

Last year was strong and thereby in line with Atrium Ljungberg's long, solid and successful history. Our aim for the future is naturally to continue building on our strengths while we create the conditions for even better development in the future. The Board of Directors, and particularly myself as Chairman of the Board, constantly work with an open approach. We continuously review our strategy and make any adjustments to create optimal conditions for Atrium Ljungberg's long-term development. The strategy should always be seen in the light of sustainable urban development and go hand in hand with higher values for all our stakeholders, not least the shareholders. Our strong balance sheet also entails that we can make use of business opportunities which may arise if market conditions get more difficult in the future.

Our vision "Our city – where everyone thrives" is a fantastic guiding star when we develop Atrium Ljungberg for the future. It entails a focus on sustainability and comprises a natural stepping-stone for our development in the future. The vision is also about so much more than simply constructing buildings. Atrium Ljungberg wants to develop sustainable full-service environments in city districts where people can meet, live and work. This benefits many stakeholders of the company; investors, municipalities, business owners, customers, citizens and shareholders.

## CORPORATE GOVERNANCE

The year 2016 was eventful and future-oriented from a corporate governance perspective. The year started with Annica Ånäs being appointed as regular CEO after serving as acting CEO for six months. The Board of Directors feels both confident and satisfied with this decision. During the year the Board of Directors has given the management an overall focus and taken a number of important decisions for Atrium Ljungberg's long-term development. In this context it is particularly evident that we have established

ourselves as a player in Sundbyberg, a municipality with many development plans in which we hope to participate. We have also taken many steps forward to increase the company's investments in our own development projects where residential comprise a large part of the project portfolios. During the year we also decided to conduct an external rating. Moodys awarded us the Baa2 grade with a stable outlook, evidence of our financial stability and an opportunity to further lower our borrowing cost in the future.



**Atrium Ljungberg has operated for a long time and we will continue to operate for at least one hundred more years.**

## INVESTMENT IN RESIDENTIALS AN IMPORTANT PIECE OF THE PUZZLE

Full-service environments are something we have worked with for a long time and are an integral part of the organisation's DNA. Retail, offices, culture, service and education. Vibrant environments where the pulse never stops. Residential have also been a part but historically they have only played a modest role. As the starting shot of our long-term investment in residential has now been fired, we are putting in place a key piece of the puzzle and starting to really build our city. Residential are extremely important for an urban environment to be vibrant and commercially attractive, not least before and after office hours.

There has been a high investment rate in our projects during 2016 and it will increase clearly in 2017. It is often the case of digging where you are standing by further developing an existing area. As a rule the result is an improvement for the people who spend time

there and at the same time this creates significant value for our shareholders through efficient utilisation of each invested Swedish krona.

We are also continuously searching for new areas which we can develop in accordance with our urban development strategy. The strong urbanisation trend in Sweden entails that there is significant development potential for new urban districts close to the existing city centres in our metropolitan areas.

## SHAREHOLDER VALUES ARE ESSENTIAL

As Chairman of the Board and a shareholder, I work towards creating the maximum possible shareholder value. I am convinced that the best way to attain this is for us to work towards our vision and build city districts where people want to live. That this is beneficial for our profits, in addition to both sustainability and customer benefits, is confirmed by the good long-term development of the Atrium Ljungberg share. Almost regardless of the time period which is chosen.

Those who purchased shares during the flotation in 1994 have received a total return which corresponds to approximately 18 per cent per year, including reinvested dividend. This is an impressive figure and also entails a challenge in terms of both matching and surpassing this level in the future. With a strong management and unbeatable vision, I am confident that we can deliver high returns. This is achieved by a large number of people who are committed to their work, both with their mind and heart, namely all the exceptional employees in Atrium Ljungberg. They are crucial for our success. I would like to extend a big thank you for all the efforts over the past year.

Johan Ljungberg, Chairman of the Board

# CORPORATE GOVERNANCE REPORT

Atrium Ljungberg AB is a Swedish public limited company with registered offices in Nacka. The Articles of Association prescribe the company's operations as follows: the company shall conduct construction operations, own and manage real property or leaseholds and securities, conduct trade in properties, and engage in any and all other activities compatible therewith. The Articles of Association do not contain any provisions for changes in the Articles of Association. The company's class B share (ATRLJ B) is listed on the Nasdaq OMX Stockholm exchange, the Large Cap. The foundation of corporate governance comprises the Articles of Association, the Swedish Companies Act, other applicable laws and ordinances, the regulatory framework of the stock exchange, the Global Reporting Initiative (GRI), internal guidelines and policies and the Swedish Code of Corporate Governance, ("the Code"). The overriding purpose of the Code is to strengthen the confidence of Swedish quoted companies by promoting a positive development of the corporate governance. These norms are not compulsory but are based on the principle that any deviations should be specified and explained. During the year the

company has not reported any deviations from the Code and has otherwise complied with good practice in the stock market. Atrium Ljungberg strives for openness for the company's decision-making pathways, responsibilities, and different control systems.

## GOVERNANCE STRUCTURE

The structure of corporate governance within Atrium Ljungberg is presented in the image below and the following sections.

## OWNERS AND SHARES

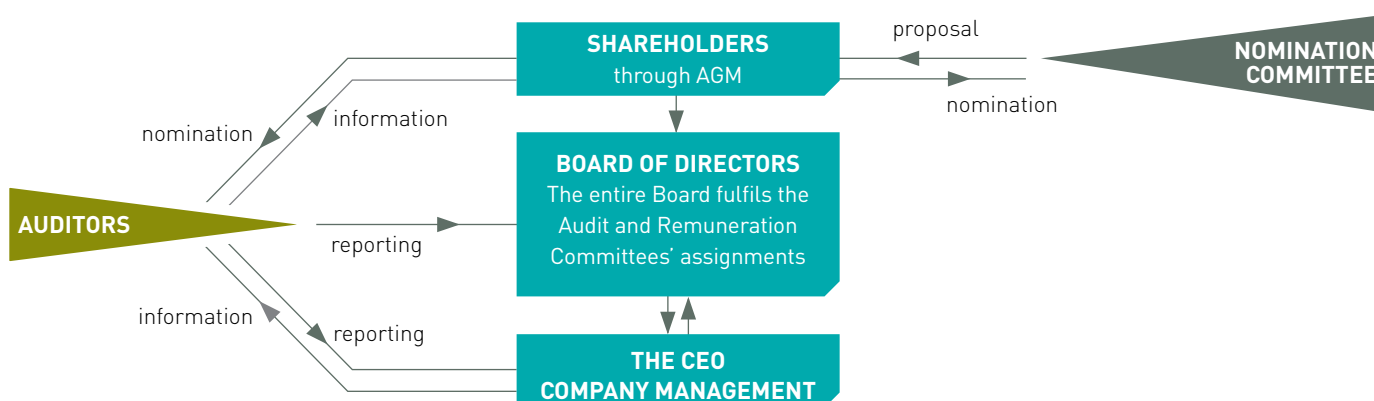
The company's share capital amounted to SEK 333,051,840 on 31 December 2016, divided among 4,000,000 class A shares (ten votes per share) and 129,220,736 class B shares (one vote per share). The company does not own class B shares. There is no restriction on voting rights. The company's market capitalisation at the year-end totalled SEK 18,388 million. Atrium Ljungberg's target is for the dividend to correspond to at least 50 per cent of the profit before changes in value after nominal tax unless investments or the company's financial position otherwise mandate a deviation from this norm.

The number of shareholders amounted to 3,689 at the year-end. The following owners have direct or indirect shareholding in the company which represents at least a tenth of the number of votes for all shares in the company; the Stockholm Consumer Cooperative society (29.2% of the capital and 23.0 % of the votes), the Ljungberg family (22.0% of the capital and 28.9% of the votes) and the Holmström family (12.6% of the capital and 19.5% of the votes). More information on the ownership structure is contained in the table on page 89.

## ANNUAL GENERAL MEETING

The shareholders' influence within the company is exercised through the Annual General Meeting (AGM) of the company's shareholders, which is the company's most senior decision-making body and should be held within six months of the end of the financial year. The AGM appoints the Board of Directors and the company's auditors, and adopts principles governing remuneration to the Board of Directors, the auditors, and the company's senior executives. The Meeting also takes decisions with regard to the Articles of Association, dividends, and any

### Governance structure of Atrium Ljungberg



### Internal steering instruments

Business concept, business plan, goals and strategies, the formal work plan of the Board of Directors, the CEO's instructions, policies, job descriptions, core values, delegation instructions and authorisation instructions.

### External steering instruments

The Nordic Exchange rules for issues, the Swedish Code of Corporate Governance, the Swedish Companies Act, IFRS, the Swedish Annual Accounts Act, GRI and other relevant legislation.

changes to the share capital. The AGM should also adopt the balance sheet and income statements and decide on the discharge from liability for the Board of Directors and the CEO. The date of the AGM is announced in conjunction with the Interim Report of 30 September at the latest. Notices convening the Annual General Meeting shall be issued 4–6 weeks before the meeting and shall be issued by means of press releases, announcements in the Swedish Official Gazette, and on the company's website, [www.al.se](http://www.al.se). The issue of the convening notice shall be announced in the Dagens Nyheter newspaper. Shareholders are entitled to have an issue discussed at the meeting if the Board is provided with notice thereof no later than seven weeks before the meeting is held. The 2016 Annual General Meeting was held on 6 April which was attended by 172 shareholders representing 81.6 per cent of the share capital and 85.5 per cent of the votes. The Annual General Meeting took decisions on, amongst other things, the following issues:

- the adoption of Income Statements and Balance Sheets for the Parent Company and the Group;
- the granting of discharge from liability for the Board of Directors and the CEO;
- the determination of the appropriation of profits entailing a dividend of SEK 3.55 per share;
- the election of the Board of Directors;

- the determination of Directors' fees totalling SEK 1,400,000, broken down as SEK 400,000 payable to the Chairman of the Board and SEK 200,000 payable to each of the Board Members;
- the determination of Auditors' fees in accordance with an approved presentation of invoice;
- the establishment of a nomination committee representing the five biggest shareholders by vote as of the last banking day in February 2016;
- guidelines for the remuneration of senior executives within the Group;
- authorisation to the Board of Directors to, on one or several occasions, acquire as many class B shares that the company's holding at the respective time does not exceed 10% of all shares in the company, in a regulated market where the shares are listed;
- authorisation to the Board of Directors to, on one or several occasions, decide on an issue in kind of maximum SEK 13.3 million shares of class B.

Minutes of the Annual General Meeting and other meeting documents are available on the company's website.

## BOARD OF DIRECTORS

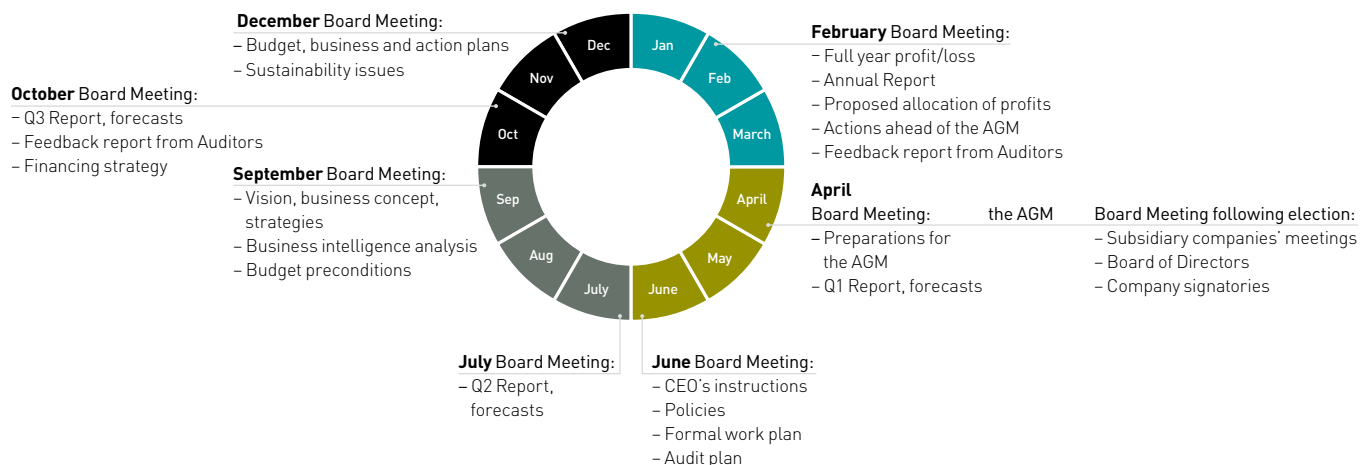
The Board has comprised of six members during the year (information about the

members is contained on page 96). The Code states that a majority of the Board shall be independent in relation to the company and the senior executives. At least two of the independent members must also be independent in relation to the company's major shareholders. The composition of the Board complies with the independence requirements. The Articles of Association do not contain any provisions on the appointment and dismissal of board members.

The Board has an overall responsibility for the company's organisation, the financial reporting and for ensuring that the management of the company's affairs is handled in a manner which ensures that the interests of owners for long-term good capital yield are fulfilled. The responsibility also covers efficient and appropriate systems for governance, internal control and risk management.

As a supplement to the Swedish Companies Act, the Articles of Association and the Code, the Board annually determines a formal work plan (including the CEO's instructions, instructions for the financial reporting, business plan and budget, policy for business ethics, suppliers policy, affiliated policy, equal opportunity and discrimination policy, sustainability policy, work environment policy, communication policy, financial policy, crisis policy, IT policy, whistleblowing policy, affiliated policy and tax policy). The formal work plan regulates the Board's work

### The Board's annual planning in addition to standing items, such as investment decisions, progress report, ongoing projects and management, liquidity and financing



structure. The Chairman of the Board organises and leads the work of the Board, ensures that the Board has the expertise and know-how required to perform its duties, that the Board receives the information and decision data required for its work, that the Board's resolutions are implemented, and that the work of the Board is evaluated every year. The Board's assignments include setting operational goals and strategies, appointing, evaluating and if necessary dismissing the CEO, ensuring that effective systems are put in place for monitoring and control of the company's operations and that there is compliance with legislative and other requirements, and deciding on transfer of properties and companies as well as investments of SEK 20 million or more. The work of the Board and CEO should be evaluated annually. The formal work plan prescribes that the Board shall, over and above the Board Meeting following election, meet at least five times per year. The Board has held 9 ordinary Board Meetings of which one Board Meeting following election was held during the year.

In 2016, the Board laid down the overall goals for the company's operations and decided on the strategies needed to achieve these goals. Goals and goal fulfilment are described on pages 8–10 of the Annual report. The Board has decided on all investments in excess of SEK 20 million and on property acquisitions and sales carried out. There has been a strong focus on ongoing and future investment projects, sustainability issues, transfer of land and financing issues. Feedback reports from the Group management with regard to the company's economic and financial position, sustainability reporting,

current market issues, and ongoing projects have been presented at the Board Meetings. Results in comparison with the budget have been reported quarterly during the year, together with revised forecasts for the financial year. The annual planning of the Board is presented in the image on the previous page.

The Board members have appropriate collected experience, expertise and breadth with respect to Atrium Ljungberg's operations, development phases and conditions in general. The formal work plan does not contain any provisions on work allocation between the members. The entire Board has comprised the Audit and Remuneration Committees, in that the Board has deemed it more appropriate to address these issues within the context of the normal work of the Board. The Remuneration Committee prepares, complies with and evaluates issues concerning terms of employment and any programmes for variable remuneration for the company management, guidelines for remuneration of senior executives and remuneration structures and levels in the company. The Audit Committee is responsible for preparation of the Board's work on quality assurance of the company's financial reporting, regularly meets the company's auditors to learn about the focus and scope of the audit and to discuss the coordination between the external and internal audit and view of the company's risks, establishes guidelines for which services besides the audit the company may procure from the company's auditor, evaluates the audit effort and informs the company's Nomination Committee about the results of the evaluation and assists the Nomination Committee

for preparing proposals for auditors and remuneration of the audit effort.

The company's auditors have reported on their work and observations to the Board on two occasions during the year, on one of these occasions without the presence of the company management. The Board has evaluated the work of the CEO, and under the direction of the Chairman of the Board and Nomination Committee, conducted an evaluation of the Board's work and members. A feedback report on the evaluation was submitted to the Board.

The company's Legal Counsel has acted as Secretary to the Board. The Chairman of the Board has had frequent ongoing contact with the CEO during the year.

## THE CEO AND SENIOR EXECUTIVES

The company management comprises the CEO and six managers responsible for the business areas Property, Business development, Transaction and establishment, Projects, Business support and HR. In addition to ongoing matters within each function, the company management has prioritised issues concerning ongoing investment projects, transfer of land, financing issues, business development and sustainability issues.

Annica Ånäs (born in 1971) took over as CEO of the company in February 2016. She was employed in the company in 2011 as the company's CFO and was also an employee 2008–2010. Annica Ånäs also has experience as CFO at Hemsö Fastigheter and served as CEO within the communication sector. She also has experience of several directorships including the listed Finnish property company Technopolis. Annica Ånäs has an academic

### The Board of Directors, 2016

		Elected	Remuneration, SEK	Independent*	Independent**	Note	Board Meetings
Johan Ljungberg	Chairman	2001	400,000	Yes	No	1)	9 of 9
Sune Dahlqvist	Member	2006	200,000	Yes	No	2)	7 of 9
Simon de Château	Member	2014	200,000	Yes	Yes		9 of 9
Hanna Graflund Sleyman	Member	2015	200,000	Yes	Yes	3)	9 of 9
Anna Hallberg	Member	2009	200,000	Yes	Yes		9 of 9
Erik Langby	Member	2014	200,000	Yes	Yes		9 of 9

\* Independent in relation to the company and the company management

\*\* Independent in relation to the company's major shareholders

<sup>1)</sup> Chairman of the Board as of the 2015 Annual General Meeting Member 2009–2015. Deputy Member, 2001–2009 Directly and/or indirectly a major shareholder in the company.

<sup>2)</sup> Chairman of the Stockholm Consumer Cooperative Society, which is one of the company's major shareholders. Deputy Member, 2006–2011.

<sup>3)</sup> Elected at the 2015 Annual General Meeting.

background as Legal Counsel and Graduate Business Administrator. Annica Ånäs holds 5,500 class B shares in Atrium Ljungberg, and has no shareholdings in companies with which Atrium Ljungberg has significant commercial links.

The other members of the senior management are presented on page 97 and the organisation structure on page 12.

## REMUNERATION FOR SENIOR EXECUTIVES

Resolutions regarding guidelines for remuneration for senior executives were adopted at the Annual General Meeting held in 2016, which conform to the proposals for guidelines for 2017. Salaries and other terms of employment for the company management shall be market-based and competitive, but shall not be market leaders in terms of salary paid in relation to other comparable companies. The guidelines shall apply for the senior management team which consists of the CEO and six other senior executives. The CEO's remuneration shall be proposed by the Chairman and determined by the Board of Directors. Remuneration payable to other members of the senior management team shall be proposed by the CEO and approved by the Board. Remuneration payable to the senior company management team, including the CEO, comprises a fixed salary. No variable salary or performance-related remuneration shall be payable. The CEO's retirement age is 62, while that of the other members of the company management is 65. Pension plans are defined contribution plans, and the company hence has no additional obligations after payment of the annual premiums.

The CEO shall, if notice of termination is given by the company, be entitled to a 12 month notice period and severance pay corresponding to 12 months' salary. No other severance pay is payable. Other members of the senior management have notice periods of up to 6 months. The terms and conditions applied by the company for other Group employees, either in accordance with collective agreements or in accordance with unilateral undertakings by the company to the employees, shall otherwise apply, where applicable, to the company management. Departure from the above-mentioned guidelines by the Board of Directors is permitted if there are specific grounds for doing so in a particular instance.

## AUDITING

Ernst & Young was elected at the 2015 Annual General Meeting to act as auditors with authorised public accountant Jonas Svensson as the auditor in charge. In 2016 Jonas Svensson was replaced by authorised public accountant Ingemar Rindstig.

The auditing team has ongoing contact for information purposes with the company during the year, over and above the review activities conducted. The Board meets with the auditor at least twice a year, one of which meetings is held in the absence of the company management. The company's auditors audit the annual financial statements and also carry out a review of the interim accounts as per 30 September and review the company's internal controls.

## NOMINATION COMMITTEE

The Nomination Committee is the General

Meeting's body for preparing the meeting's resolutions on appointment-related issues. The Nomination Committee shall propose a basis for the Meeting's handling of the following issues:

- the election of the Chairman of the Meeting, the Chairman of the Board and other Members of the Board of Directors of the company;
- the determination of Directors' fees for the Chairman of the Board, other Board Members, and any remuneration for committee work and, where relevant, the election and remuneration of Auditors;
- decisions on principles relating to the structure of the Nomination Committee ahead of impending Annual General Meetings;

At the Annual General Meeting held on 6 April 2016, it was decided that the Nomination Committee for the 2017 Annual General Meeting shall comprise representatives of the company's five biggest shareholders by votes, as of the last banking day in February. The Nomination Committee's members were appointed, consisting of Lars Ericson representing the Stockholm Consumer Cooperative society, Per-Erik Hasselberg (also the Nomination Committee's Chairman) representing the Holmström family, Hans Hedström representing Carnegie Fonder, Johan Ljungberg representing the Ljungberg family, and Ilkka Tomperi representing the mutual occupational pension insurance company, Varma. In some cases the Nomination Committee can increase the number of members to maximum seven.

### Remuneration for company management 2016

SEK k	Basic salary/ fee	Other remuneration	Other benefits	Pension costs	Share-related remuneration	Total
Annica Ånäs, CEO	3,856	–	56	985	–	4,897
Ingalill Berglund, CEO	9,967 <sup>1)</sup>	–	55	2,673	–	12,695
Other senior executives	9,921	70	220	2,351	–	12,562

<sup>1)</sup> Refers to a notice period of 12 months and severance pay of 12 months.



From the left:  
Simon de Chateau,  
Sune Dahlqvist,  
Anna Hallberg,  
Hanna Graflund Sleyman,  
Johan Ljungberg,  
Erik Langby.

## BOARD OF DIRECTORS

### SIMON DE CHÂTEAU

Member of the Board. Born 1970. Graduate Business Administrator, the Stockholm School of Economics. Chief Investment Officer in Alma Property Partners. Member of the Board since 2014.

#### Other significant directorships:

Member of the Boards of Sveafastigheter Fund II AB, Sveafastigheter Fund III AB and Cormorant Pharmaceuticals AB.

**Atrium Ljungberg shareholding:** No shareholding.

### HANNA GRAFLUND SLEYMAN

Member of the Board. Born 1978. Graduate Business Administrator, the Stockholm School of Economics. CEO Departments & Stores (RNB, the NK part). Member of the Board since 2015.

#### Other significant directorships:

Member of the Boards of companies within the RNB Group.

**Atrium Ljungberg shareholding:** No shareholding.

### SUNE DAHLQVIST

Member of the Board. Born 1948. LO's folk high school. Former Negotiations Manager for the Swedish Union of Tenants, Stockholm Region. Member of the Board since 2011. Deputy Member of the Board, 2006–2011.

#### Other significant directorships:

Chairman of the Board of Stockholm Consumer Cooperative Society. Member and Second Vice President of the Boards of the Swedish Cooperative Union (KF), member of KF's presiding committee and remuneration committee. Chairman of Fastighetsbolaget Folkets Hus Åkersberga AB.

**Atrium Ljungberg shareholding:** 1,000 class B shares.

### JOHAN LJUNGBERG

Chairman of the Board. Born 1972. Graduate Engineer. Chairman of the Board of Tagehus AB. Member of the Board since 2009. Deputy Member of the Board between 2001 and 2009, and Member of the Board for part of 2006.

#### Other significant directorships:

Chairman of the Board and member of the Boards of companies within the Tagehus Group. Chairman of the Board of Credentia AB.

**Atrium Ljungberg shareholding:** 1,396,410 class A shares and 4,067,600 class B shares.

### ANNA HALLBERG

Member of the Board. Born 1963. Economics & Law graduate of the Gothenburg School of Economics and Business Administration. Deputy CEO of Almi Företagspartner AB. Member of the Board since 2009.

#### Other significant directorships:

Member of the Boards of Partnerinvest Norr, Högskolan Väst and companies within the Almi Group.

**Atrium Ljungberg shareholding:** 2,000 class B shares.

### ERIK LANGBY

Member of the Board. Born 1951. Social Sciences education, Stockholm University. Chairman of the municipal executive board of Nacka 1983–2012. Member of the Board since 2014.

#### Other significant directorships:

Chairman of the Board of Nacka StrandsMässan AB, AB Solom and Texab AB. Member of the Board of Kommuninvest i Sverige AB.

**Atrium Ljungberg shareholding:** No shareholding.



From the left:  
Monica Fallenius,  
Annica Ånäs,  
Linus Kjellberg,  
Mattias Celinder,  
Helena Martini,  
Angela Berg,  
Martin Lindqvist

## THE COMPANY MANAGEMENT

### ANNICA ÅNÄS

Born 1971. CEO. Previously CFO. Employed by the Atrium Ljungberg Group since 2011, also employed between 2008–2010.

**Other significant directorships:** Member of the Board of Finnish listed property company Technopolis.

**Atrium Ljungberg shareholding:** 5,500 class B shares.

### MATTIAS CELINDER

Born 1972. Business Area Director, Properties. Employed by the Atrium Ljungberg Group since 2006.

**Atrium Ljungberg shareholding:** 1,150 class B shares.

### MARTIN LINDQVIST

Born 1970. CFO and Business Area Director, Business support. Employed by the Atrium Ljungberg Group since 2016.

**Atrium Ljungberg shareholding:** No shareholding.

### ANGELA BERG

Born 1975. Business Area Director, Projects. Employed by the Atrium Ljungberg Group since 2011.

**Atrium Ljungberg shareholding:** No shareholding.

### HELENA MARTINI

Born 1965. HR Manager. Employed by the Atrium Ljungberg Group since 2010.

**Atrium Ljungberg shareholding:** 400 class B shares.

### LINUS KJELLBERG

Born 1972. Business Area Director, Business development. Employed by the Atrium Ljungberg Group since 2003.

**Atrium Ljungberg shareholding:** No shareholding.

### MONICA FALLENIOUS

Born 1972. Business Area Director, Transaction and establishment. Employed by the Atrium Ljungberg Group as of 1 February 2017.

**Atrium Ljungberg shareholding:** 400 class B shares.

# INTERNAL CONTROL

*THE BOARD OF DIRECTORS is, subject to the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance, responsible for the company's internal control. This report has been prepared in accordance with chapter. 6, §6 of the Swedish Annual Accounts Act and is consequently limited to internal control in respect of the financial reporting. The company has, in order to describe the internal control, followed the framework established by COSO (the Committee of Sponsoring Organisations), which comprises five components, namely control environment, risk management and assessment, control activities, information and communication, and follow-up work.*

## CONTROL ENVIRONMENT

The Board of Directors has overall responsibility for ensuring good internal control and effective risk management. The Board adopts a formal work plan every year, laying down the Board's responsibilities and regulating the Board's internal division of labour. The Board has decided that the entire Board shall comprise both the Audit Committee and the Remuneration Committee. The Board exercises its control primarily through the annual adoption of policy documents, CEO's instructions, delegation instructions, instructions for the financial reporting, operational goals and strategies, and business plans and budgets. The company's policies are:

- Policy for business ethics
- Supplier policy
- Affiliated policy
- Equal opportunity and discrimination policy
- Sustainability policy
- Work environment policy
- Communication policy
- Financial policy
- IT policy
- Whistleblowing policy
- Crisis policy
- Tax policy

The company management is responsible for structuring, documenting, maintaining and testing the systems and processes needed to minimise risks as part of the operating activities and financial reporting. There are, in addition to policy documents, delegation instructions, authorisation instructions, and job descriptions for the respective employees containing details

of the employees' responsibilities and authorities, and standardised reporting routines.

The company also has very well-supported core values that permeate every aspect of our operations, such as reliability, a long-term approach, and collaboration.

Atrium Ljungberg is also a member of the Global Compact and has consequently signed up to the ten principles in the fields of human rights, labour law, the environment and anti-corruption. The company has also, since 2008, reported in accordance with GRI (Global Reporting Initiative). A GRI index is presented on pages 149–150 of the Annual Report. For a more detailed presentation, see the company's website at [www.al.se](http://www.al.se).

## RISK MANAGEMENT AND ASSESSMENT

Risk assessment means that Atrium Ljungberg has identified the work processes and Income Statement and Balance Sheet items where there is a risk that inaccuracy, incompleteness, or improprieties could arise if the requisite control activities are not built into the routines. Risk assessment accordingly analyses whether errors could occur and, if so, how and where they could occur in the process. The risk assessment work has identified the items where the risk of significant errors is greatest, namely items where the sums involved in the transactions are substantial or where the process is highly complex and requires strong internal control. The three most important risk areas are: project operations, property valuation and financing activities.

## PROJECT OPERATIONS

During 2016 the company invested SEK 1,002 million in own properties, of which the investment in northern Gränbystaden and Sickla Front II account for the largest share. No investments are made until a reasonable yield can be secured. Detailed costing calculations based on extensive expertise in the field are carried out in order to minimise the risks inherent in construction projects. Procurement is conducted cost-effectively using in-house project managers by means of a so-called divided contract process whereby several operators are allowed to submit quotes for individual components of the construction project. Project reviews are conducted every quarter and attended by the Chairperson of the steering group, business developers, project managers, the CFO, and the project controller. Project reports are submitted on a rolling basis to the company management and the Board, noting any deviations from the plan.

## PROPERTY VALUATION

Monitoring trends in the property market in order to ensure the ability to assess the properties' market values is one of the important components of the valuation process. During 2016 the company consequently conducted quarterly reconciliations with external valuation experts. The company conducts internal valuations during each quarter and also conducts external valuations at the turn of the full-year and half-year. For 2016, 44 per cent of the property portfolio has been externally valued. External valuation experts also quality assure assumed rents, costs, vacancies and yield require-

ments in conjunction with the internal valuation processes.

#### FINANCING ACTIVITIES

Property operations are a capital-intensive sector, which often entails a range of financial risks. The main risks involve fluctuations in profits and cash flow as a result of changes in interest rates, and refinancing risks. These risks are regulated in the company's financial policy and are monitored continuously by the company's management and Board of Directors. The Board also monitors compliance with mandates specified in the financial policy.

The following processes have also been analysed during the year in addition to the above-mentioned risk areas:

- The project process
- The letting process
- The purchasing process
- The payroll process
- The year-end accounts process
- The property valuation process
- The financing process
- Routines in conjunction with property transactions

See the section entitled "Risks and risk management" on pages 81–84 with regard to other risks identified.

#### CONTROL ACTIVITIES

A number of control activities have been introduced in order to prevent inaccuracies occurring and with the aim of ensuring that the control goals are fulfilled. The work on risk assessment and structuring of control activities has been conducted by individuals involved in the respective processes on an ongoing basis, in cooperation with the company's controllers, Senior Controller, and CFO in order to ensure participation and an understanding of the risks and the importance of conducting internal controls. Internally, the company also works continuously to evaluate and enhance the efficiency of its control activities. The controls are carried out both at an overall level, through analyses

of results and key ratios, and at a detailed level by defining a number of control points in the ongoing processes and routine descriptions. The company's results are compared with budgets and forecasts every quarter and ongoing projects are monitored in relation to Board resolutions. Detailed commentaries are submitted to the company management and Board of Directors in accordance with standardised reporting routines as part of the follow-up work.

In 2016 a function for purchasing was established, a whistleblowing policy was introduced and a mapping of corruption risks was conducted in selected processes of the company.

#### INFORMATION AND COMMUNICATION

The Annual Accounts, Preliminary Financial Statement, Interim Reports and other ongoing information are prepared in accordance with Swedish legislative requirements and praxis. The information provision shall be characterised by transparency and shall be reliable. A communications policy regulating the way in which information is to be provided has been established in order to ensure that external communication with the stock market is correct. Our aim is to generate an understanding of and confidence in the operations on the part of owners, investors, analysts and other stakeholders.

The company management is responsible for informing relevant employees of their responsibilities with regard to the maintenance of good internal control. Employees are kept up to date with regulations and policies via the company's intranet and information meetings. The creation of job descriptions for every position within the company also ensures clarity with regard to division of responsibility.

#### FOLLOW-UP WORK

All process descriptions, policies and steering documents are updated as necessary, but at least once a year. An evaluation of the internal controls is also conducted every year. Both the senior management and the Board of Directors are notified of the results. Atrium

Ljungberg has no internal audit department. The system for internal controls is followed up by the Group's CFO, the Senior Controller, Accounting Managers, the company's Controllers (who have specialist competence), and through self-evaluation, and feedback is provided to the Board of Directors. These controls are deemed to be necessary and sufficient to generate appropriate knowledge, feedback of experience and high quality in the ongoing accountancy work, and hence in the financial reporting. The company's auditors also conduct ongoing reviews of the company's internal controls and report their findings on the company's internal control to the company's senior management and Board. For 2016 the auditors considered the following focus areas during the review of internal control; the project process, letting process, purchasing process, payroll process, year-end accounts process, property valuation process, financing process, procedures for property transactions. The 2016 feedback report of the auditors shows that Atrium Ljungberg has very good internal control. The Board believes that the establishment of a separate internal audit function is consequently not justified.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Note	2016	2015
Rental income	IE 2	2,150	2,122
Sales, project and construction work		149	346
<b>Net sales</b>	IE 1	<b>2,299</b>	<b>2,468</b>
Property management costs			
Service charge-related costs		-176	-177
Other operating costs		-154	-150
Management costs		-148	-136
Repairs		-50	-47
Property tax		-130	-126
Leasehold fees		-25	-26
Non-deductible VAT		-10	-10
	IE 4-8	-692	-671
Project and construction work costs	IE 9	-162	-372
<b>Gross profit/loss</b>		<b>1,445</b>	<b>1,425</b>
– of which gross profit/loss property management (operating surplus)		1,458	1,450
– of which gross profit/loss from project and construction work		-12	-26
Central administration, property management		-82	-60
Central administration, project and construction work		-15	-15
		-97	-76
Financial income	F 3	1	2
Financial expenses	F 3	-385	-405
		-384	-403
<b>Profit/loss before changes in value</b>		<b>965</b>	<b>945</b>
<b>CHANGES IN VALUE</b>			
Properties, unrealised	A 1-2 IE 10	2,772	2,328
Properties, realised	A 1-2	6	-44
Derivatives, unrealised	F 2	-307	201
		2,471	2,485
<b>Profit/loss before tax</b>		<b>3,436</b>	<b>3,431</b>
Current tax	T 1	-4	-17
Deferred tax	T 1-3	-751	-630
		-755	-647
<b>Net profit/loss for the year</b>		<b>2,681</b>	<b>2,784</b>
<b>Other comprehensive income</b>			
<i>Items which will be reclassified to profit/loss</i>			
Cash flow hedging	F 2	19	25
Tax attributable to other reported income and expenses	T 3	-4	-5
<b>Total other comprehensive income</b>		<b>15</b>	<b>19</b>
<b>Total comprehensive income for the year</b>		<b>2,696</b>	<b>2,803</b>
<b>Data per share</b>			
Earnings per share, SEK		20.13	20.89
Average number of outstanding shares, '000		133,221	133,221

## COMMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### NET SALES

The Group's net sales totalled SEK 2,299 million (SEK 2,468 m). Rental income for the period increased to SEK 2,150 million (SEK 2,122 m), corresponding to a year-on-year increase of 1.3 per cent. Rental income increased by approximately 3.5 per cent in like-for-like portfolios as a result of new letting and renegotiations. The letting rate was 93 per cent (94%), including project properties. Contracted annual rents at the year-end totalled SEK 2,208 million (SEK 2,054 m). During the year non-recurring remuneration of SEK 2 million (SEK 16 m) was received for premature vacating of premises.

Sales for project and construction activities during the year totalled SEK 149 million (SEK 346 m). TL Bygg's sales totalled SEK 435 million (SEK 472 m), of which SEK 314 million (SEK 164 m) comprised work on behalf of Group companies.

#### Rental income trend

	2016	2015	Change, %
Like-for-like portfolio	1,892	1,828	3.5
Non-recurring remuneration	2	16	
Project properties	82	71	
Properties acquired	173	95	
Properties sold	–	112	
<b>Rental income</b>	<b>2,150</b>	<b>2,122</b>	<b>1.3</b>

At the end of the period the market value for the comparable portfolio was SEK 30,300 million (SEK 27,207 m).

### PROPERTY COSTS

Property costs totalled SEK –692 million (SEK –671 m), corresponding to a year-on-year increase of 3.2 per cent. Property costs in like-for-like portfolios increased by approximately 2.8 per cent.

#### Property costs trend

	2016	2015	Change, %
Like-for-like portfolio	–589	–573	2.8
Project properties	–35	–27	
Properties acquired	–68	–29	
Properties sold	0	–43	
<b>Property management costs</b>	<b>–692</b>	<b>–671</b>	<b>3.2</b>

### GROSS PROFIT

Gross profit for property management (operating surplus) increased to SEK 1,458 million (SEK 1,450 m), an increase of 0.5 per cent compared to the previous year. Operating surplus in comparable portfolios increased by approximately 3.8 per cent. The increase in gross profit is mainly the result of contributions from acquired properties, new lettings and renegotiations, but was also impacted by the effect of sold properties. During the fourth quarter the operating surplus has been charged with approximately SEK 10 million, of which the majority relates to compensation for delayed possession. The operating surplus margin was 68 per cent (68%). The gross profit for project and construction activities totalled SEK –12 million (SEK –26 m). Costs in connection with ongoing development projects that cannot be capitalised have been charged to profit/loss. TL Bygg's gross profit amounted to SEK 20 million (SEK 5 m). The results for last year were charged by acceleration costs in a construction contract that was carried out.

### CENTRAL ADMINISTRATION

The cost during the year amounted to SEK –97 million (SEK –76 m) and has been affected by costs in connection with changes in the company management as well as investments in sustainability and purchasing.

### FINANCIAL INCOME AND EXPENSES

The financial costs amounted to SEK –385 million (SEK –405 m) and thereby reduced despite a higher share of interest-bearing liabilities. Financial income totalled SEK 1 million (SEK 2 m).

### CHANGES IN VALUE

Unrealised changes in the value of properties totalled SEK 2,772 million (SEK 2,328 m) and are explained in the table below.

#### Unrealised changes in value

SEK m	2016	2015
Change in yield requirements	1,799	2,139
Change in operating net etc.	639	189
Development rights	334	–
<b>Total</b>	<b>2,772</b>	<b>2,328</b>

Realised changes in the value of properties totalled SEK 6 million (SEK –44 m).

At the end of the year, the derivative portfolio comprised of SEK 9,125 million (SEK 8,411 m) in interest swaps, with maturity between the years 2017–2029. In addition, there is SEK 900 million in interest swaps starting in 2017. The unrealised change in the value of derivatives during the year totalled SEK –307 million (SEK 201 m) as market interest rates have fallen on the terms covered by the derivatives during the period.

### TAX

The current tax for the year totalled SEK –4 million (SEK –17 m) and has been affected by, among other things, tax deductible depreciation and investments, and by loss carry-forwards from the previous year's tax assessment.

The change in deferred tax amounts to SEK –751 million (SEK –630 m) and has primarily been impacted by deferred tax on unrealised changes in the value of properties and derivatives.

### RESULTS

The Group posted a profit before changes in value of SEK 965 million (SEK 945 m), an increase of 2.1 per cent. The net profit for the year totals SEK 2,681 million (SEK 2,784 m), corresponding to SEK 20.13/share (SEK 20.89/share).

### OTHER COMPREHENSIVE INCOME

Other comprehensive income reports reversal of the hedging reserve in shareholders' equity which relates to the derivatives (interest swaps) which until 31/12/2011 applied hedge accounting. As of this date Atrium Ljungberg does not apply hedge accounting to these instruments.

# CONSOLIDATED BALANCE SHEETS

Amounts in SEK m	Note	31/12/2016	31/12/2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investment properties	A1	36,054	30,841
Tangible fixed assets	A3	20	18
Goodwill	A2	263	263
Participations in associated companies and joint ventures	GS2	0	0
Deferred tax receivable	T2	22	30
Other long-term receivables		10	–
<b>Total fixed assets</b>		<b>36,368</b>	<b>31,152</b>
<b>Current assets</b>			
Accounts receivable	A5	110	108
Tax receivables		24	109
Other receivables	A5	112	70
Prepaid costs and accrued income	A6	111	118
Liquid assets	F1-2	276	389
<b>Total current assets</b>		<b>633</b>	<b>795</b>
<b>Total assets</b>		<b>37,001</b>	<b>31,947</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		333	333
Other capital contributed		3,960	3,960
Provisions		–54	–69
Profits brought forward including net profit/loss for the year		11,937	9,729
<b>Total shareholders' equity attributable to the Parent Company's shareholders</b>		<b>16,176</b>	<b>13,953</b>
<b>Long-term liabilities</b>			
Deferred tax liability	T3	4,010	3,275
Long-term interest-bearing liabilities	F1-2	13,125	10,976
Derivatives	F2	900	621
Other long-term liabilities	OL2	60	32
<b>Total long-term liabilities</b>		<b>18,095</b>	<b>14,905</b>
<b>Current liabilities</b>			
Short-term interest-bearing liabilities	F1-2	1,970	2,285
Derivatives	F2	9	0
Accounts payable		188	155
Other liabilities	OL2	53	53
Accrued costs and prepaid income	OL3	510	597
<b>Total current liabilities</b>		<b>2,730</b>	<b>3,090</b>
<b>Total shareholders' equity and liabilities</b>		<b>37,001</b>	<b>31,947</b>

## COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

### FIXED ASSETS

The reported value of the property portfolio totalled SEK 36,054 million (SEK 30,841 m) at the year-end. Development rights and land account for SEK 702 million (SEK 307 m) of this total. Investments in Atrium Ljungberg's own properties amounted to SEK 1,002 million (SEK 768 m). During the year the properties Malmen 12, Borgarfjord 3 and Eken 6 have been acquired. The year's sales relate to the property Resan 1. The year's unrealised changes in the value of the investment properties totalled SEK 2,772 million (SEK 2,328 m).

#### Changes in the value of the property portfolio

SEK m	2016	2015
Property portfolio on 1 January	30,841	28,163
Acquisitions	1,461	872
Investments in our own properties	1,002	768
Sale	-23	-1,291
Unrealised changes in value	2,772	2,328
<b>Property portfolio on 31 December</b>	<b>36,054</b>	<b>30,841</b>

The consolidated goodwill arose in conjunction with an operational acquisition and comprises the difference between nominal tax and the tax which the company actually included during the acquisition. The reported goodwill has not changed at SEK 263 million.

A deferred tax receivable for loss carry-forwards totalling SEK 30 million was reported at the beginning of the year. The deferred tax receivable calculated on the basis of the fiscal deficit as of 31/12/2016 totals SEK 22 million.

### CURRENT ASSETS

Liquid assets at the end of the financial year totalled SEK 276 million (SEK 389 m). Other current assets have decreased by SEK 49 million.

### SHAREHOLDERS' EQUITY

Shareholders' equity on the closing day totalled SEK 16,176 million (SEK 13,953 m), corresponding to SEK 121.42/share (SEK 104.73/share). The change in the shareholders' equity is mainly attributable to the net profit for the year of SEK 2,681 million. The hedging reserve has decreased by SEK 15 million. The change in the hedging reserve refers to the successive reversal of the opening hedging reserve due to the fact that the Group no longer applies hedge accounting to interest swaps.

The dividend paid, which was approved at the Annual General Meeting held on 06 April 2016, totalled SEK 473 million. The equity/assets ratio at the year-end was 43.7 per cent (43.7%). EPRA NNNNAV amounted to SEK 144.38/share (SEK 122.95/share).

### DEFERRED TAX LIABILITY

Deferred tax liability is reported at 22 per cent of temporary differences between fiscal values and book values, primarily with regard to investment properties and financial instruments. The reported liability as of 31/12/2016 totalled SEK 4,010 million (SEK 3,275 m). The year-on-year change is attributable to unrealised changes in the value of properties and financial instruments, fiscal depreciation of buildings, and direct deductions for investments.

The probable effective tax rate is lower than 22 per cent. See further calculation of the company's net worth on pages 133–134 in accordance with EPRA.

### INTEREST-BEARING LIABILITIES

At the turn of the year, the interest-bearing liabilities in accordance with the balance sheet totalled SEK 15,095 million (SEK 13,261 m), a net increase of SEK 1,834 million. The raising of new loans refers to financing of investments and acquisitions.

The average capital commitment term was 3.5 years (3.1 years). The average fixed interest term was 3.9 years (4.4 years). The gearing ratio was 41.9 per cent (43.0%).

The market value of derivatives at the turn of the year totalled SEK -909 million (SEK -621 m).

Atrium Ljungberg's financing is described in more detail on pages 86–87.

# CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

Amounts in SEK m	Attributable to the Parent Company shareholders				
	Share capital	Other capital contributed	Hedging reserves	Profits brought forward	Total shareholders' equity
<b>Opening balance as per 1 January 2015</b>	<b>333</b>	<b>3,960</b>	<b>-88</b>	<b>7,385</b>	<b>11,590</b>
Net profit/loss for the year				2,784	2,784
Other comprehensive income			19		19
Dividend, SEK 3.30/share				-440	-440
<b>Closing balance, as per 31 December 2015</b>	<b>333</b>	<b>3,960</b>	<b>-69</b>	<b>9,729</b>	<b>13,953</b>
<b>Opening balance as per 1 January 2016</b>	<b>333</b>	<b>3,960</b>	<b>-69</b>	<b>9,729</b>	<b>13,953</b>
Net profit/loss for the year				2,681	2,681
Other comprehensive income			15		15
Dividend, SEK 3.55/share				-473	-473
<b>Closing balance, as per 31 December 2016</b>	<b>333</b>	<b>3,960</b>	<b>-54</b>	<b>11,937</b>	<b>16,176</b>

There are a total of 133,220,736 shares (133,220,736 shares), of which 4,000,000 (4,000,000) are class A shares and 129,220,736 (129,220,736) are class B shares. One class A share grants entitlement to ten votes and one class B share grants entitlement to one vote. At the end of the year, the number of outstanding shares amounted to 133,220,736 shares (133,220,736 shares). The average number of outstanding shares for 01/01/2016–31/12/2016 amounts to 133,220,736 shares (133,220,736 shares). The quota value of the share is SEK 2.50.

# CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK m	Note	2016	2015
Profit/loss before tax		3,436	3,431
Reversal of depreciation and write-downs	IE 2	6	8
Realised changes in value, investment properties		-6	33
Unrealised changes in value, investment properties	A 1	-2,772	-2,328
Unrealised changes in value, financial instruments		307	-201
Other items not included in the cash flow		6	17
Tax paid		-35	-22
<b>Cash flow from operating activities before changes in working capital</b>		<b>941</b>	<b>938</b>
Net change in working capital		8	68
<b>Change in working capital</b>		<b>8</b>	<b>68</b>
<b>Cash flow from operating activities</b>		<b>949</b>	<b>1,006</b>
<b>INVESTMENT ACTIVITIES</b>			
Acquisition of properties	A 1	-1,461	-1,958
Reconstruction and new construction of properties	A 1	-1,002	-769
Sale of properties		36	1,201
Purchases of machinery and equipment		-8	-9
<b>Cash flow from investment activities</b>		<b>-2,435</b>	<b>-1,535</b>
<b>FINANCING ACTIVITIES</b>			
Change in other long-term liabilities		16	5
Loans raised	F 1	5,090	3,811
Amortisation of debts	F 1	-3,260	-2,873
Dividends paid		-473	-440
<b>Cash flow from financing activities</b>		<b>1,373</b>	<b>504</b>
<b>Cash flow for the year</b>		<b>-113</b>	<b>-25</b>
Liquid assets at the beginning of the year		389	415
Liquid assets at the end of the year		276	389
<b>Information on interest paid</b>			
Interest received totalled		1	1
Interest paid totalled		-385	-412
<b>Information on liquid assets at the end of the year</b>			
Bank deposits, excluding blocked funds		276	389

## COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow from operating activities totalled SEK 949 million (SEK 1,006 m), corresponding to SEK 7.06/share (SEK 7.55/share). The lower cash flow compared to last year is mainly explained by the change in operating capital.

SEK -2,435 million (SEK -1,535 m) in investment activities has been charged to the cash flow attributable to investments in Atrium Ljungberg's own properties as well

as acquisition of the properties Malmen 12 in Malmö, Borgarfjord 3 in Kista as well as Eken 6 in Sundbyberg. The sale of Resan 1 has affected the cash flow by SEK 36 million.

The cash flow within financing activities amounted to SEK 1,373 million (SEK 504 m) due to net borrowing and dividend paid.

Available liquidity amounted to SEK 1,126 million (SEK 1,339 m) and comprised bank deposits of SEK 276 million (SEK 389 m),

unutilised overdraft facilities of SEK 300 million (SEK 300 m) and unutilised lines of credit of SEK 550 million (SEK 650 m) in addition to credit facilities covering outstanding commercial papers.

# INCOME STATEMENTS PARENT COMPANY

Amounts in SEK m	Note	2016	2015
Rental income	IE 2	169	169
Management income	IE 5-6 IE 8	175	209
<b>Net sales</b>	IE 9	<b>343</b>	<b>378</b>
Property costs		-57	-58
Management and administration expenses	IE 3 IE 5-8	-254	-240
Depreciation		-19	-20
<b>Operating profit/loss</b>	GI 5 IE 4	<b>14</b>	<b>59</b>
Result of participations in Group companies	PC 2	665	620
Interest income and similar profit/loss items	F 3	484	473
Interest expenses and similar profit/loss items	F 3	-418	-426
		<b>731</b>	<b>667</b>
<b>Profit/loss after financial items</b>		<b>744</b>	<b>726</b>
Appropriations	PC 4	-50	-139
<b>Profit/loss before tax</b>		<b>694</b>	<b>587</b>
Current tax	T 1	0	-12
Deferred tax	T 1-3	-16	-22
		<b>-16</b>	<b>-34</b>
<b>Net profit/loss for the year</b>		<b>678</b>	<b>553</b>
Net profit/loss for the year as per Income Statement		678	553
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>678</b>	<b>553</b>
Dividend per share, SEK (2016, proposed)		3.95	3.55

## STATEMENT OF COMPREHENSIVE INCOME PARENT COMPANY

## COMMENTS ON THE PARENT COMPANY ACCOUNTS

The Parent Company's operations comprise Group-wide functions and the organisation for the management of the properties owned by the Parent Company and the subsidiary companies.

Net sales totalled SEK 343 million (SEK 378 m). The higher sales mainly depend on a changed invoicing principle between the parent company and the Group's subsidiaries. This has also affected the management and administration expenses. Operating profit/loss totalled

SEK 14 million (SEK 59 m). The profit/loss after financial items totals SEK 744 million (SEK 726 m) and was mainly affected by higher dividends from subsidiary companies. Dividends from subsidiaries amounted to SEK 550 million (SEK 430 m). Interest-bearing liabilities amount to SEK 13,024 million (SEK 9,685 m). These funds finance the company's property portfolio and are lent on to other Group companies.

The parent company's setup for the income statement has been changed. The change has not entailed any effect on the operating profit. The comparison figures have been updated in accordance with the new setup.

The cash flow from investment activities is mainly explained by the sale of Sickla Industrifastigheter KB to another Group company.

# BALANCE SHEETS PARENT COMPANY

Amounts in SEK m	Note	31/12/2016	31/12/2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Investment properties	A1 PC3	1,497	1,434
Machinery and equipment	A3	5	5
<b>Total tangible fixed assets</b>		<b>1,502</b>	<b>1,439</b>
<b>Financial fixed assets</b>			
Participations in Group companies	GS1 PC2	443	2,613
Deferred tax receivable		4	–
Other long-term receivables		10	–
<b>Total financial fixed assets</b>		<b>456</b>	<b>2,613</b>
<b>Total fixed assets</b>		<b>1,958</b>	<b>4,051</b>
<b>Current assets</b>			
Accounts receivable	A4	1	2
Receivables from Group companies	IE4 GI5	20,217	14,146
Tax receivables		27	28
Other receivables	A5	11	9
Prepaid costs and accrued income	A6	108	178
Liquid assets	F2	211	359
<b>Total current assets</b>		<b>20,575</b>	<b>14,721</b>
<b>Total assets</b>		<b>22,533</b>	<b>18,773</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
<i>Restricted shareholders' equity</i>			
Share capital (133,220,736 shares, quota value: SEK 2.5)		333	333
Statutory reserve		265	265
		598	598
<i>Non-restricted shareholders' equity</i>			
Share premium reserve		3,948	3,948
Profit brought forward		2,382	2,302
Net profit/loss for the year		674	553
		7,004	6,803
<b>Total shareholders' equity</b>		<b>7,602</b>	<b>7,401</b>
<b>Untaxed reserves</b>	PC4	<b>50</b>	<b>42</b>
<b>Provisions</b>			
Deferred tax liability	T1	277	258
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	F1-2	11,254	8,905
Other long-term liabilities	OL1	57	29
<b>Total long-term liabilities</b>		<b>11,311</b>	<b>8,934</b>
<b>Current liabilities</b>			
Short-term interest-bearing liabilities	F1-2	1,770	780
Accounts payable		21	13
Liabilities to Group companies	GI5 F2	1,412	1,262
Other liabilities	OL2	14	7
Accrued costs and prepaid income	OL3	75	75
<b>Total current liabilities</b>		<b>3,293</b>	<b>2,138</b>
<b>Total shareholders' equity and liabilities</b>		<b>22,533</b>	<b>18,773</b>

# CHANGES IN SHAREHOLDERS' EQUITY PARENT COMPANY

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Profits brought forward	Total share-holders' equity
<b>Opening balance as per 1 January 2015</b>	<b>333</b>	<b>265</b>	<b>3,948</b>	<b>2,741</b>	<b>7,288</b>
Net profit/loss for the year				553	553
Dividend, SEK 3.30/share				-440	-440
<b>Closing balance, as per 31 December 2015</b>	<b>333</b>	<b>265</b>	<b>3,948</b>	<b>2,855</b>	<b>7,401</b>
Net profit/loss for the year				674	674
Dividend, SEK 3.55/share				-473	473
<b>Closing balance, as per 31 December 2016</b>	<b>333</b>	<b>265</b>	<b>3,948</b>	<b>3,056</b>	<b>7,602</b>

There are a total of 133,220,736 shares (133,220,736 shares), of which 4,000,000 (4,000,000) are class A shares and 129,220,736 (129,220,736) are class B shares. One class A share grants entitlement to ten votes and one class B share grants entitlement to one vote. At the end of the year, the number of outstanding shares amounted to 133,220,736 shares (133,220,736 shares). The average number of outstanding shares for 2016 amounts to 133,220,736 shares (133,220,736 shares). The quota value of the share is SEK 2.50.

# CASH FLOW STATEMENT PARENT COMPANY

Amounts in SEK m	Note	2016	2015
Profit/loss before tax		695	587
Reversal of depreciation and write-downs	IE 8	19	20
Capital gain/loss		-3	-
Unreceived dividends from subsidiary companies		-550	-430
Other items not included in the cash flow		38	11
Tax paid		-29	-17
<b>Cash flow from operating activities before changes in working capital</b>		<b>170</b>	<b>171</b>
Increase/decrease in current receivables		73	-161
Increase/decrease in current liabilities		15	-3
<b>Change in working capital</b>		<b>88</b>	<b>-164</b>
<b>Cash flow from operating activities</b>		<b>258</b>	<b>7</b>
<b>INVESTMENT ACTIVITIES</b>			
Participations in Group companies		-111	-190
Sale of group companies		2,281	-
Purchase/sale of machinery and equipment		-4	-12
Reconstruction and new construction of properties		-80	-82
<b>Cash flow from investment activities</b>		<b>2,086</b>	<b>-275</b>
<b>FINANCING ACTIVITIES</b>			
Change in other long-term liabilities		18	4
Change in receivables from Group companies		-5,521	-87
Change in liabilities to Group companies		150	-590
Loans raised	F1	5,088	3,501
Amortisation of debts	F1	-1,755	-2,082
Dividends paid		-473	-440
<b>Cash flow from financing activities</b>		<b>-2,493</b>	<b>306</b>
<b>Cash flow for the year</b>		<b>-149</b>	<b>38</b>
Liquid assets at the beginning of the year		359	321
Liquid assets at the end of the year		211	359
<b>Information on interest paid</b>			
Interest received totalled		484	473
Interest paid totalled		-413	-425
<b>Information on liquid assets at the end of the year</b>			
Bank deposits, excluding blocked funds		211	359

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# SUPPLEMENTARY INFORMATION – NOTES

## GI GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

### GI.1 GENERAL INFORMATION

Atrium Ljungberg AB (publ.), company ID no.: 556175-7047, is registered in Sweden with registered offices in Nacka and visiting address of Sickla Industriväg 19, SE-131 04 Nacka. Atrium Ljungberg's class B share has been listed on the Nasdaq Stockholm Exchange since 1994. Atrium Ljungberg shall engage in the long-term ownership, development and management of retail properties, office properties and full-service environments in strong subsidiary markets, primarily in large urban regions, and shall engage in project and construction activities. The annual accounts and the consolidated accounts in respect of the 2016 financial year were approved for publication by the Board of Directors on 9 March 2016. It is proposed that the annual accounts and the consolidated accounts be adopted at the Annual General Meeting held on 05 April 2017.

### GI.2 CONSOLIDATED ACCOUNTS AND BASIS FOR PREPARATION

#### SCOPE

The consolidated accounts comprise the Parent Company, Atrium Ljungberg AB, and the companies over which the Parent Company has a controlling influence (subsidiary companies). The parent company has controlling influence when it is exposed to or has entitlement to variable yield from its engagement in a company and can affect the yield using influence over the company. This is normally fulfilled when the parent company directly or indirectly holds shares which represent more than 50 per cent of the votes. Controlling influence can also be exercised in ways other than through share ownership.

The results of subsidiary companies acquired or sold during the year are included in the Consolidated Statement of Comprehensive Income up to and including the date when the transaction occurred, i.e. when the controlling influence arises and ceases.

#### BASIS FOR PREPARATION

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as of 31 December 2016. The consolidated accounts have also been prepared in accordance with Swedish law and with application of RFR 1, Complementary accounting regulations for corporate groups, issued by the Swedish Accounting Standards Board.

If the accounting principles of the subsidiary companies deviate from those of the Group, the subsidiary companies' accounting is adjusted to comply with the same principles as other Group companies.

Internal transactions between Group companies and intra-Group transactions are eliminated in conjunction with the preparation of the consolidated accounts. Assets and liabilities are reported at acquisition values, with the exception of investment properties and derivative instruments, which are valued and reported at fair value. The consolidated accounting principles described have been applied consistently to all periods presented in the Group's financial reports, unless otherwise indicated below. The functional currency of the Parent Company is the Swedish krona, which is also the reporting currency for the Parent Company and the Group. All amounts are shown in SEK million unless otherwise indicated.

#### ACQUISITIONS

During an acquisition an assessment is done to ascertain whether it is an operational acquisition or an asset acquisition. An operational acquisition is defined in accordance with IFRS 3 and requires that assets and liabilities which are acquired should comprise a business/operation. When a group of assets or net assets is acquired which does not comprise a business/operation, it is classified as an asset acquisition.

For acquisition of a subsidiary, the assets

of which only comprise a property and lack management organisation and administration, the acquisition is classified as an asset acquisition in most cases. The acquisition value of assets or net assets is divided among the individual identifiable assets and liabilities based on their relative fair values at the time of acquisition.

Acquisition of an independent business thus only comprises an operational acquisition and is reported using the acquisition accounting method. The acquisition value of an operational acquisition comprises the fair value on the transaction date of assets paid, of liabilities arising or assumed, and of the shareholders' equity instruments issued by the acquiring party in return for the controlling influence over the acquired unit. Acquired and identifiable assets, liabilities and contingent liabilities are valued at fair value on the acquisition date. If the acquisition value of the participations acquired exceeds the sum of the fair value of acquired and identifiable assets, liabilities and contingent liabilities, the difference is reported as goodwill. If the acquisition cost is lower than the fair value calculated in the manner described above, the difference is reported directly in the Income Statement.

Minority interests are reported showing the minority owners' proportional share of the reported fair value of assets, liabilities and contingent liabilities. Any difference between the acquisition value of the participations acquired and the fair value of acquired and identified assets and liabilities in conjunction with the acquisition of minority holdings is reported directly to shareholders' equity.

#### ASSOCIATED COMPANIES

Associated companies are companies in which the Group has a controlling influence, normally through a shareholding of minimum 20 per cent and maximum 50 per cent and is reported using the equity method. Under the equity method, participations in associated companies are reported at the acquisition value on the acquisition date and subsequently adjusted by the Group's share of the change

in the associated company's net assets. The Group's book value of the shares in the associated companies corresponds to the Group's share in the associated companies' shareholders' equity and any residual value of consolidated surplus and deficit values.

#### SIGNIFICANT ASSESSMENTS AND ASSUMPTIONS IN CONNECTION WITH THE APPLICATION OF THE GROUP'S ACCOUNTING PRINCIPLES

Preparing financial reports in accordance with IFRS requires the Board of Directors and the company management to make assessments and estimates that affect the application of the accounting principles and the reported values of assets, liabilities, income and expenses.

Assumptions and estimates are based on, amongst other things, historical experience and other factors deemed relevant under the circumstances currently obtaining. These assumptions and estimates are used to assess the reported values of assets, liabilities, income and expenses whose value is not otherwise clear from other sources. The actual result may deviate from these estimates and assessments. Assumptions and estimates are analysed regularly by the Board of Directors and senior management. Changes are reflected in the accounts for the period when the change is made if the change only affects the current period. If the change affects the current period and subsequent periods, the accounts are affected in accordance therewith. The assumptions deemed most significant when preparing the financial reports are described below.

The investment properties are valued at fair value. The valuation includes assessments and assumptions that are regarded as critical to the values reported. Assumptions, uncertainty factors and assessments are described in greater detail in [A1](#). An assessment is made, in conjunction with the acquisition of companies, of whether the acquisition shall be classified as an asset acquisition or an operational acquisition. An asset acquisition is deemed to exist if the acquisition refers to properties but does not include any organisation or management processes required to conduct the operations. Other acquisitions are classified as operational acquisitions.

An assessment is made, in conjunction with property transactions, of when the

transfer of risks and benefits occurs. This assessment acts as a guide to when the transaction is recognised.

An assessment of the potential for offsetting the deficit against future profits is made during valuation of loss carry-forwards.

Allocations to the guarantee reserve for construction work are made in the amount of 0.5 per cent of the contract sum during the guarantee period. The allocation is based on historical experience and an assessment of the risks inherent in ongoing projects. The allocations, as of 31 December 2016, exceed the costs expended for guarantee work during the year.

#### CASH FLOW STATEMENT

Cash flow statement are prepared using the indirect method, in accordance with IAS 7, and the profit/loss is consequently adjusted for transactions that have not entailed payments received or made and for income and expenses that can be attributed to investment and/or financial activities.

#### NEW ACCOUNTING PRINCIPLES

Amendments to standards and interpretations which are applied as of 01 January 2016 are of a very limited scope and have not had any significant impact on Atrium Ljungberg's financial reports.

#### GI.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS AFTER 2016

The International Accounting Standards Board (IASB) has issued new standards which will enter into force in 2018 and 2019. These are described below.

#### IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial instruments replaces IAS 39 Financial instruments: Recognition and Measurement as of 2018. IFRS 9 mainly entails changes to how financial assets and liabilities are classified and measured. The new standard contains changes to principles for hedge accounting and for a write-down model which is based on expected credit losses instead of incurred losses.

Atrium Ljungberg has analysed the effects the new standard is expected to have on accounting of the Group's financial instruments.

Atrium Ljungberg's financial assets essen-

tially consist of current receivables and liquid assets. The Group's financial liabilities primarily comprise interest-bearing liabilities, interest derivatives reported at fair value through the income statement and other current liabilities. See further in note [F2](#).

The reporting of these instruments is not expected to change materially based on the changed principles in IFRS 9 for classification and measurement of financial assets and liabilities.

As the Group has ceased hedge accounting, the new principles for hedge accounting will not impact the Group's reporting.

The new write-down model for receivables in IFRS 9 entails that provisions should be made for the risk of loss for all receivables, irrespective of whether there is an observable event which indicates a risk of loss. Provisions should be made in every closing of the accounts based on historical experiences of the size of the losses and expectation of their future development, in relation to the size of the receivables.

Atrium Ljungberg's provision for doubtful receivables amounts to SEK 25 million (SEK 27 m) on the closing day. During the year the Group's confirmed bad debt losses amounted to SEK 12 million (SEK 15 m), corresponding to 0.5% (0.6%) of the Group's net sales. See further in note [A5](#). Based on the low historical losses, the new write-down model is not expected to have any material effects.

Together with the new standard, the IASB is still considering how principles of insignificant modifications to loans should be interpreted. The view which is currently indicated entails that an effect on profit may arise for insignificant modifications, which differs from the reporting in accordance with IAS 39.

As the Group normally does not agree with financiers on modifications to loan agreements, the potential change to IFRS 9 is not expected to have any significant effect on the Group's reporting. Atrium Ljungberg does not plan to apply IFRS 9 in advance and has not selected the transition method yet.

#### IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 Revenue as of 2018 and IAS 11 Construction Contracts with related interpretations:

- IFRIC 13 Customer Loyalty Programmes

- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 18 Transfers of Assets from Customers
- SIC 31 Revenue – Barter Transactions Involving Advertising Services

Reporting of revenue starts in IFRS 15 as of the date control of a good or service is transferred to the customer, which differs from the approach in IAS 18 and IAS 11 which starts when risks and benefits are transferred. Accordingly, the introduction of IFRS 15 entails a new approach for how revenue is reported compared to now.

Atrium Ljungberg has analysed the effects the new standard is expected to have on accounting of the different revenue streams in the Group's business areas. Project and construction activities have been analysed separately in the analysis.

#### Construction

Construction are conducted through the wholly-owned subsidiary TL Bygg. TL Bygg works primarily within residentials and offices in turnkey contracts and pure construction contract assignments. In the analysis a selection of contracts has been reviewed in order to determine:

- whether there is an agreement based on the standard's criteria,
- whether the agreement contains one or several performance obligations,
- what the transaction price amounts to in accordance with the contract,
- how the transaction price should be divided for the different performance obligations, as well as
- when control has transferred to the customer, i.e. at what time revenue should be reported.

Furthermore, the review has covered whether there are costs for receiving the contracts.

Atrium Ljungberg's assessment is that the new standard will have a very limited effect on the date of reporting revenue of the construction activities.

Any existence of major quantities of material which has not yet been installed should be considered during the assessment of the degree of completion of a project during reporting of revenue over time, which is a change compared to the current situation. In the event that this exists, the corresponding

share of revenue and result would be reported slightly later. However, the analysis has found that this is relatively uncommon.

#### Property management

A range of lease contracts have been analysed within property management. The analysis has focused on what should be deemed as comprising rent and thereby reported in accordance with IFRS 16 Leases and what comprises service and is reported in accordance with IFRS 15. In this analysis Atrium Ljungberg has noted that clear guidance for this definition of boundaries is lacking in the two standards. The definition of boundaries is still a subject of discussion within the sector. Atrium Ljungberg is following and participating in discussions until consensus is established. Irrespective of whether the revenue should be reported as service or rent, the allocation of revenue will take place in the same manner as previously. However, the definition of boundaries will impact submission of the supplementary disclosures which IFRS 15 and IFRS 16 require.

#### Project development

A selection of contracts have been analysed for project development in order to determine whether the contract is covered by IFRS 15 or should be reported in accordance with IFRS 16. Revenue for these activities mainly refers to compensation for tenant-specific adaptations. Atrium Ljungberg's conclusion is that irrespective of whether the Group invoices the tenant for expenses for conducted adaptations to premises on one occasion, or if equivalent revenue is obtained in the form of increased rent for the entire or parts of the lease period, the revenue comprises rent and should be reported in accordance with IFRS 16. This revenue will be analysed in more detail during future assessment of effects of the introduction of IFRS 16.

#### Sale of investment properties

A property sale is currently reported on the date of contract, unless there are specific contractual terms and conditions in the purchase agreement. In accordance with IFRS 15, sale should be reported when control transfers to the buyer. This may entail that the transaction and capital gain or loss are reported on a later date compared to now.

#### Summary and implementation

To sum up, the introduction of IFRS 15 is not expected to have any material impact on the Group's revenue and its allocation. Atrium Ljungberg intends to apply full retrospectivity as transition method during the introduction of IFRS 15. The Group has chosen not to apply IFRS 15 in advance.

Finally it is noted that IFRS 15 will add additional disclosure requirements for reporting of the Group's revenue and its recognition over time. Furthermore, disclosures regarding the Group's contract assets and contract liabilities will be added.

The supplementary disclosures will increase transparency of the Group's reporting and simplify Atrium Ljungberg's financial reports for the reader.

#### IFRS 16 LEASES

The standard requires lessees to report assets and liabilities attributable to all leasing agreements, with the exception of agreements which are shorter than twelve months and/or refer to small amounts.

Atrium Ljungberg is a lessee of vehicles, program licences and copying machines. See further in note [IE4](#). The reporting of these leases may change as a result of the new standard.

The reporting for lessors will essentially be unchanged. The standard replaces IAS 17 Leases as well as associated interpretations. The standard should be applied as of 2019. Atrium Ljungberg intends to analyse the new standard and its effects on the Group's reporting in detail in 2017.

#### GI.4 EVENTS AFTER THE CLOSING DAY

At the city council meeting of the City of Stockholm on 13 February, the sale of Fatburen 2 was decided in accordance with a previously communicated policy decision.

In February the credit rating agency Moody's gave Atrium Ljungberg the rating Baa2, investment grade with a stable outlook.

## GI.5 INFORMATION ON RELATED PARTIES

The following legal entities and physical persons have been identified as related parties of Atrium Ljungberg AB:

- All companies within the Atrium Ljungberg Group, see note [GS1](#)
- Board members and company management and their close family members
- Companies controlled by board members, company management or their family members
- Our principal owners; the Stockholm Consumer Cooperative society, the Ljungberg family with companies and the Holmström family with companies

## OTHER

No other transactions between related parties and Atrium Ljungberg have taken place during the year. Remuneration to the Board of Directors and company management is shown in note [IE7](#).

## TRANSACTIONS AND DEALINGS BETWEEN THE PARENT COMPANY AND OTHER GROUP COMPANIES

	Parent Company	
	2016	2015
Sale to subsidiary companies	174	210
Purchasing from subsidiaries	-42	-38
Interest income from subsidiaries	484	473
Dividends from subsidiaries	554	430
Interest expenses to subsidiaries	-72	-96
Receivables from related parties (Group companies)	20,217	14,146
Liabilities to related parties (Group companies)	1,412	1,263

## IE INCOME AND EXPENSES

## REVENUE RECOGNITION

Revenue comprises rents and remuneration for external project and construction activities. All lease contracts are classified as operational leasing agreements. Rental income is distributed linearly over the term of the contract other than when the terms of the lease contract are such that a different form of distribution would better reflect the way in which the economic benefits attributable to the letting of the investment property change over time. Rental payments in advance are reported as prepaid income. The gross rent includes items in respect of costs passed on for property tax, electricity and heating. Substantial rent discounts have been distributed over the term of the contracts. Sales-based rent has been estimated in the closing accounts on the basis of reported sales data. Sales-based rent is determined in subsequent years once tenants' auditors have determined the tenants' sales. Any difference between the determined and estimated annual rent is reported as an amended determination in the period in which the annual rent is determined.

Project and construction revenue is reported as the project progresses, i.e. in accordance with so-called successive revenue recognition. The degree of recognition – the degree of completion – is primarily determined on the basis of project costs

expended in relation to the estimated total engagement expenses in conjunction with completion. If the result of a project cannot be reliably calculated, a revenue is recognised that corresponds to expenses disbursed as of the closing day. Anticipated losses are reported immediately as a cost. The difference between recognised project revenue and as yet uninvoiced amounts is reported as an asset. Equally, the difference between an invoiced amount and as yet unrecognised project revenue is reported as a liability.

Dividend income is reported when the shareholders' right to receive payment has been confirmed.

Interest income is reported over the interest term, applying the effective interest method. Effective interest is the interest that ensures that the current value of all future payments received and made during the fixed interest term is the same as the reported value of the receivable.

## PROPERTY MANAGEMENT COSTS

The concept property costs includes both direct and indirect expenses of managing a property. Direct expenses relate to service charge-related costs, maintenance costs, leasehold fees and property tax. Service charge-related costs cover electricity, heating, cooling, water and sewage. Indirect

expenses relate to costs of letting, rent administration and accounting.

## LEASING

A leasing agreement is an agreement whereby a lessor grants a lessee the right, on agreed terms and conditions for a contractually agreed period of time, to make use of an asset in return for payment. Leasing is classified as either financial or operational leasing in the consolidated accounts. A financial leasing agreement exists when the economic risks and benefits associated with ownership are transferred, in every significant respect, to the lessee. If this is not the case, then the agreement is an operational leasing agreement.

Atrium Ljungberg is the lessor in conjunction with the granting of premises to tenants and lessees for vehicles and leasehold fees. Details of these agreements are shown in notes [IE2](#) and [IE4](#). All leasing agreements are classified as operational leasing agreements in that a significant portion of the risks and benefits associated with ownership are retained by the lessor. Income and expenses in respect of leasing agreements are distributed linearly over the leasing period. Benefits received in conjunction with the signing of a leasing agreement are reported linearly in the Income Statement over the term of the leasing agreement. Increased leasing fees are distributed over the term of the leasing agreement.

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OL OPERATING LIABILITIES

F FINANCING AND CAPITAL STRUCTURE

E EPRA

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PC PARENT COMPANY NOTES

## IE.1 SEGMENT REPORTING

### ACCOUNTING PRINCIPLES

Atrium Ljungberg's segment reporting is based on two lines of business; Property management and Project and construction activities. Property management is divided into the Business area Properties and Project properties as well as properties sold. Project and construction activities are divided into project development and the subsidiary TL Bygg. The identification of reportable segments is based on the internal reporting to the most senior executive decision maker which, for Atrium Ljungberg, is deemed to be the CEO. The

Group is managed and reported on the basis of the result measurement of gross profit divided by the identified and reportable operating segments. Three profit and loss items are not divided by segment, namely central administration costs, financial items, and taxes. Accounting principles applied in the segment reporting concur with the consolidated accounting principles and presentation formats for the Income Statement.

2016	Business area Property	Project properties <sup>1)</sup>	Properties sold	Property management, total	Project development <sup>2)</sup>	TL Bygg	Project and construction work in total	Non-allocated items and eliminations	The Group
Amounts in SEK m									
Rental income	2,078	82	0	2,160				-10	2,150
Sales, project and construction work					28	435	463	-314	149
<b>Net sales</b>	<b>2,078</b>	<b>82</b>	<b>0</b>	<b>2,160</b>	<b>28</b>	<b>435</b>	<b>463</b>	<b>-324</b>	<b>2,299</b>
Property management costs	-665	-33	-0	-698				6	-692
Project and construction work costs					-63	-415	-478	317	-162
<b>Gross profit/loss</b>	<b>1,413</b>	<b>49</b>	<b>0</b>	<b>1,462</b>	<b>-35</b>	<b>20</b>	<b>-15</b>	<b>-2</b>	<b>1,445</b>
- of which gross profit/loss from property management	1,413	49	0	1,462				-4	1,458
- of which gross profit/loss from project and construction work					-35	20	-15	-3	-12
Central administration, property management				-83				1	-82
Central administration, project and construction work						-16	-16	1	-15
Financial income								1	1
Financial expenses								-385	-385
<b>Profit/loss before changes in value</b>	<b>1,413</b>	<b>49</b>	<b>0</b>	<b>1,380</b>	<b>-35</b>	<b>4</b>	<b>-31</b>	<b>-384</b>	<b>965</b>
Properties, unrealised changes in value	2,445	327		2,772					2,772
Properties, realised changes in value			6	6					6
Derivatives, unrealised changes in value								-307	-307
Current tax								-4	-4
Deferred tax								-751	-751
<b>Profit for the period</b>	<b>3,858</b>	<b>376</b>	<b>6</b>	<b>4,158</b>	<b>-35</b>	<b>4</b>	<b>-31</b>	<b>-1,446</b>	<b>2,682</b>
<b>Investments and acquisitions</b>									
Investments, investment properties	493	509		1,002					1,002
Investments, project and construction work									
Acquisitions, investment properties	1,461			1,461					1,461
	<b>1,954</b>	<b>509</b>		<b>2,463</b>					<b>2,463</b>
<b>Assets, period end</b>									
Investment properties	33,506	2,548		36,054					36,054
Non-allocated assets in common						104	104	843	947
<b>Total assets</b>	<b>33,506</b>	<b>2,548</b>		<b>36,054</b>		<b>104</b>	<b>104</b>	<b>843</b>	<b>37,001</b>

<sup>1)</sup> Including land and development rights.

<sup>2)</sup> The profit within Project development mainly refers to costs of investigations in early project stages and ongoing development projects.

## IE.1 SEGMENT REPORTING, CONTD.

100 per cent of the income was generated in Sweden, i.e. in the country in which Atrium Ljungberg has its registered office. The intra-group sales in respect of project and construction activities within the Group totalled SEK 314 million (SEK 164 m) and have been eliminated in the Group's sales.

On the closing day engagement expenses including reported profit in respect of ongoing engagements in accordance with

construction agreements amount to SEK 72 million (SEK 339 m). Sums received from the client for ongoing engagements total SEK 3 million (SEK 3 m). Project and construction work assets comprise fixed assets and current assets, excluding liquid assets. No single customer accounts for more than 10 per cent of the group's total revenue.

2015 <sup>1)</sup> Amounts in SEK m	Business area Property	Project properties <sup>2)</sup>	Properties sold <sup>3)</sup>	Property management, total	Project development <sup>4)</sup>	TL Bygg	Project and construction work in total	Non-allocated items and eliminations	The Group
Rental income	1,996	24	112	2,132				-10	2,122
Sales, project and construction work					38	472	510	-164	346
<b>Net sales</b>	<b>1,996</b>	<b>24</b>	<b>112</b>	<b>2,132</b>	<b>38</b>	<b>472</b>	<b>510</b>	<b>-174</b>	<b>2,468</b>
Property management costs	-624	-10	-43	-677				6	-671
Project and construction work costs					-69	-470	-539	167	-372
<b>Gross profit/loss</b>	<b>1,372</b>	<b>14</b>	<b>69</b>	<b>1,455</b>	<b>-31</b>	<b>2</b>	<b>-29</b>	<b>-1</b>	<b>1,425</b>
– of which gross profit/loss from property management	1,372	14	69	1,455				-4	1,450
– of which gross profit/loss from project and construction work					-31	2	-29	3	-26
Central administration, property management				-61				1	-60
Central administration, project and construction work						-16	-16	1	-15
Financial income								2	2
Financial expenses								-405	-405
<b>Profit/loss before changes in value</b>	<b>1,372</b>	<b>14</b>	<b>69</b>	<b>1,394</b>	<b>-31</b>	<b>-14</b>	<b>-45</b>	<b>-403</b>	<b>945</b>
Properties, unrealised changes in value	2,310	19		2,329					2,329
Properties, realised changes in value			-44	-44					-44
Derivatives, unrealised changes in value								201	201
Current tax								-17	-17
Deferred tax								-630	-630
<b>Profit for the period</b>	<b>3,682</b>	<b>33</b>	<b>25</b>	<b>3,679</b>	<b>-31</b>	<b>-14</b>	<b>-45</b>	<b>-849</b>	<b>2,784</b>
<b>Investments and acquisitions</b>									
Investments, investment properties	550	219		768					768
Investments, project and construction work						1	1		1
Acquisitions, investment properties	872			872					872
	<b>1,422</b>	<b>219</b>		<b>1,640</b>		<b>1</b>	<b>1</b>		<b>1,641</b>
<b>Assets, period end</b>									
Investment properties	29,692	1,150		30,841					30,841
Non-allocated assets in common						171	171	935	1,106
<b>Total assets</b>	<b>29,692</b>	<b>1,150</b>		<b>30,841</b>		<b>171</b>	<b>171</b>	<b>935</b>	<b>31,947</b>

<sup>1)</sup> Segment reporting has been recalculated taking into account the merger of previous Business area Retail and Business area Offices.

<sup>2)</sup> Including land and development rights.

<sup>3)</sup> Has been recalculated for properties sold in the fourth quarter of 2015.

<sup>4)</sup> The profit within Project development mainly refers to costs of investigations in early project stages and ongoing development projects.

## NOTES

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**A** ASSETS

**OL** OPERATING LIABILITIES

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**E** EPRA

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### IE.2 INCOME AND LEASE CONTRACTS

As of 01/01/2017 the contracted annual rent amounted to SEK 2,208 million (SEK 2,054 m) in the Group, of which SEK 166 million (SEK 163 m) in the parent company.

Premises, contract maturity structure	The Group		Parent Company	
	Contracted rent, SEK m	Percentage, %	Contracted rent, SEK m	Percentage, %
2017	233	11	18	11
2018	377	17	8	5
2019	422	19	19	11
2020	391	18	36	21
2021	193	9	7	4
2022 and thereafter	462	21	20	12
Residential	72	3	46	28
Garage/parking	59	3	12	7
<b>Total</b>	<b>2,208</b>	<b>100</b>	<b>166</b>	<b>100</b>

Letting rate, Q1 2017 <sup>1)</sup>	Rental value, SEK m		Rental value, SEK/m <sup>2</sup> Letting rate, %	
Offices	979	2,422	90	
Retail	955	3,201	96	
Other	214	1,877	96	
Residential	71	1,327	98	
Garage	62	–	98	
<b>Business area Property</b>	<b>2,280</b>	<b>2,622</b>	<b>93</b>	
Project properties	94	1,755	88	
<b>Total</b>	<b>2,374</b>	<b>2,572</b>	<b>93</b>	

<sup>1)</sup> Reported letting rates are based on the immediately subsequent quarter after the accounting date.

Lease contracts for retail space contain contractual terms that mandate a minimum rent and a sales clause. One per cent of the contracted annual rent comprises the sales premium in addition to the minimum rent.

### IE.3 CENTRAL ADMINISTRATION

#### ACCOUNTING PRINCIPLES

Central administration comprises the costs in connection with the Board of Directors, the CEO, and other senior executives, and of audit and corporate costs in respect of, inter alia, the provision of information for shareholders, maintaining the stock market listing, and the production of the annual accounts. For depreciation of machinery and equipment associated with the central administration, see note **IE9**.

#### REMUNERATION TO AUDITORS

Central administration also includes remuneration to auditors, see the table below.

Fees and expenses paid to auditors	The Group		Parent Company	
	2016	2015	2016	2015
Audit engagement				
Ernst & Young AB	2	2	2	2
Accounting engagements over and above audit engagements				
Ernst & Young AB	0	0	2	0
Tax consultancy				
Ernst & Young AB	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>2</b>

### CENTRAL ADMINISTRATION FOR PROJECT AND CONSTRUCTION WORK

Central administration for project and construction work includes costs in connection with the CEO of TL Bygg and other support functions within the operations.

### IE.4 LEASEHOLD AGREEMENTS AND OTHER LEASING AGREEMENTS

#### ACCOUNTING PRINCIPLES

Atrium Ljungberg is a lessee of a number of site leasehold agreements as well as other leases. These agreements are classified as operational leases where the lease payments are carried as expenses linearly in the income statement over the leasing period.

#### LEASEHOLD AGREEMENTS

The year's leasehold fees totalled SEK 25 million (SEK 26 m), SEK 6 million (SEK 7 m) of which refers to the Parent Company.

Leasehold agreements maturity structure	The Group		Parent Company	
	Rent, SEK m	Percentage, %	Rent, SEK m	Percentage, %
2017	–	–	–	–
2018	–	–	–	–
2019	1	2	–	–
2020	4	11	–	–
2021 and thereafter	35	87	7	100
<b>Total</b>	<b>40</b>	<b>100</b>	<b>7</b>	<b>100</b>

#### OTHER LEASING AGREEMENTS

Agreed leasing agreements refer primarily to vehicles, program licences and copying machines and have a maturity date of less than 3 years. The year's leasing costs in this category totalled SEK 8 million (SEK 4 m), while remaining costs during the term totalled SEK 14 million (SEK 9 m).

### IE.5 NUMBER OF EMPLOYEES

Average number of employees	The Group		Parent Company	
	2016	2015	2016	2015
Men	210	206	110	100
Women	71	74	61	67
	<b>281</b>	<b>280</b>	<b>171</b>	<b>167</b>

#### Number of employees

The average number of employees has increased marginally from 2015 to 2016. During the year the share of employees under collective agreements has increased in relation to the share of officials by three percentage points.

## IE.5 NUMBER OF EMPLOYEES

	The Group						Parent Company					
	2016			2015			2016			2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Year's change in number of employees</i>												
Number of employees at start of the year	206	74	280	207	71	278	100	67	167	92	66	158
Recruitment	32	8	40	33	7	40	18	4	22	21	5	26
Resignations	28	11	39	34	4	38	8	10	18	13	4	17
<b>Number of employees at year-end</b>	<b>210</b>	<b>71</b>	<b>281</b>	<b>206</b>	<b>74</b>	<b>280</b>	<b>110</b>	<b>61</b>	<b>171</b>	<b>100</b>	<b>67</b>	<b>167</b>
<i>New employees</i>												
below 30	7	1	8	11	2	13	4	1	5	5	1	6
30–49	17	6	23	17	5	22	9	3	12	12	4	16
50 and above	8	1	9	5	0	5	5	0	5	4	0	4
<b>Total</b>	<b>32</b>	<b>8</b>	<b>40</b>	<b>33</b>	<b>7</b>	<b>40</b>	<b>18</b>	<b>4</b>	<b>22</b>	<b>21</b>	<b>5</b>	<b>26</b>
<i>Resignations</i>												
below 30	3	0	3	7	1	8	1	0	1	4	1	5
30–49	14	8	22	17	2	19	4	7	11	4	2	6
50 and above	11	3	14	10	1	11	3	3	6	5	1	6
<b>Total</b>	<b>28</b>	<b>11</b>	<b>39</b>	<b>34</b>	<b>4</b>	<b>38</b>	<b>8</b>	<b>10</b>	<b>18</b>	<b>13</b>	<b>4</b>	<b>17</b>
<i>Form of employment</i>												
Gainfully employed	107	3	110	112	3	115	41	3	44	35	3	38
Officials	103	68	171	94	71	165	69	58	127	65	64	129
<b>Number of employees, period end</b>	<b>210</b>	<b>71</b>	<b>281</b>	<b>206</b>	<b>74</b>	<b>280</b>	<b>110</b>	<b>61</b>	<b>171</b>	<b>100</b>	<b>67</b>	<b>167</b>
<i>Type of employment</i>												
Full-time	210	71	281	206	74	280	110	61	171	100	67	167
Part-time	0	0	0	0	0	0	0	0	0	0	0	0
<b>Number of employees, period end</b>	<b>210</b>	<b>71</b>	<b>281</b>	<b>206</b>	<b>74</b>	<b>280</b>	<b>110</b>	<b>61</b>	<b>171</b>	<b>100</b>	<b>67</b>	<b>167</b>
<i>Age distribution all employees</i>												
below 30	36	8	44	34	9	43	11	7	18	9	8	17
30–49	113	50	163	113	53	166	64	43	107	61	48	109
50 and above	61	13	74	59	12	71	35	11	46	30	11	41
<b>Number of employees, period end</b>	<b>210</b>	<b>71</b>	<b>281</b>	<b>206</b>	<b>74</b>	<b>280</b>	<b>110</b>	<b>61</b>	<b>171</b>	<b>100</b>	<b>67</b>	<b>167</b>
<i>Age distribution company management</i>												
below 30	0	0	0	0	0	0	0	0	0	0	0	0
30–49	3	2	5	3	3	6	3	2	5	3	3	6
50 and above	0	1	1	0	1	1	0	1	1	0	1	1
<b>Total company management</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>4</b>	<b>7</b>
<i>Age distribution other managers and employees</i>												
below 30	36	8	44	34	9	43	11	7	18	9	8	17
30–49	110	48	158	110	50	160	61	41	102	58	45	103
50 and above	61	11	72	59	11	70	35	9	44	10	10	20
<b>Total other managers and employees</b>	<b>207</b>	<b>67</b>	<b>274</b>	<b>203</b>	<b>70</b>	<b>273</b>	<b>107</b>	<b>57</b>	<b>164</b>	<b>77</b>	<b>63</b>	<b>140</b>
<i>Age distribution Board of Directors</i>												
below 30	0	0	0	0	0	0	0	0	0	0	0	0
30–49	2	1	3	2	1	3	2	1	3	2	1	3
50 and above	2	1	3	2	1	3	2	1	3	2	1	3
<b>Total Board of Directors</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>6</b>

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### IE.5 NUMBER OF EMPLOYEES, CONTD.

	The Group						Parent Company					
	2016			2015			2016			2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Gender distribution</i>												
Board of Directors	4	2	6	4	2	6	4	2	6	4	2	6
Company management	3	3	6	3	4	7	3	3	6	3	4	7
Mid-level management	20	7	27	18	10	28	12	7	19	11	10	21
Other	187	61	248	185	60	245	95	51	146	86	53	139
<b>Number at period end</b>	<b>214</b>	<b>73</b>	<b>287</b>	<b>210</b>	<b>76</b>	<b>286</b>	<b>114</b>	<b>63</b>	<b>177</b>	<b>104</b>	<b>69</b>	<b>173</b>

#### Sick leave

The Group's sick leave has declined during the year with one percentage point compared to last year. Atrium Ljungberg actively works with "sustainable employees" and has a zero-tolerance

attitude towards stress-related illnesses and workplace accidents. All employees also have a personal sustainability target which is monitored continuously during the year.

	The Group						Parent Company					
	2016			2015			2016			2015		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>% of total working hours</i>												
below 30	5.0	1.3	4.3	4.4	1.2	3.9	1.3	0.7	1.1	1.1	1.0	1.0
30-49	2.4	2.2	2.4	4.0	1.2	3.9	1.7	2.3	1.9	1.7	1.0	2.7
50 and above	6.2	6.5	6.3	6.4	10.5	7.1	3.4	7.2	4.2	2.3	11.3	4.6
<b>Total</b>	<b>4.1</b>	<b>2.9</b>	<b>3.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>2.3</b>	<b>3.0</b>	<b>2.5</b>	<b>1.9</b>	<b>5.1</b>	<b>3.2</b>

### IE.6 PERSONNEL EXPENSES

#### ACCOUNTING PRINCIPLES

Remuneration to employees in the form of salaries, paid leave, paid absence due to sickness, etc., and pensions, are reported as they are earned. Pensions and other remuneration after employment ceases are classified as defined contribution or defined benefit pension plans. The company pays defined fees to a separate, independent legal entity for defined contribution pension plans and has no obligation to pay any additional fees. Costs are charged to the Group's profit/loss as the benefits are earned. The Group has only one defined benefit pension plan, the Alecta plan. According to a statement issued by the Swedish Financial Reporting Board, UFR 10, this is a defined benefit plan that comprises several employers. A pension plan in accordance with ITP (supplementary pensions for salaried employees) that is secured through an insurance policy with Alecta shall, for those financial years for which the company has not had access to information that enables this plan to be reported as a defined benefit plan, be reported as a defined contribution plan.

	The Group		Parent Company	
SEK k	2016	2015	2016	2015
<b>Board of Directors and senior executives<sup>1)</sup></b>				
Salaries	25,545	16,831	25,545	16,831
Payroll overheads	9,428	6,198	9,428	6,198
Pension costs	6,009	3,916	6,009	3,916
<b>Other</b>				
Salaries	136,381	130,987	87,229	78,438
Payroll overheads	47,186	44,679	30,524	27,296
Pension costs	17,901	15,655	14,066	11,883
<b>Total</b>	<b>242,450</b>	<b>218,266</b>	<b>172,801</b>	<b>144,562</b>

<sup>1)</sup> Comprises a notice period of 12 months and severance pay of 12 months for the former CEO.

#### PENSIONS

The year's pension insurance fees in accordance with ITP for the policy with Alecta total SEK 5 million (SEK 6 m). Alecta's surplus may be allocated to the policyholders and/or those insured. At the end of 2016, Alecta's surplus in the form of the collective consolidation level totalled 149 per cent (153%).

## IE.6 PERSONNEL EXPENSES, CONTD.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance undertakings calculated in accordance with Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

The CEO of the Parent Company may retire from the age of 62. The premium is a defined contribution plan, and the company consequently has no additional undertaking once the annual premium has been paid. The pensionable age for senior executives other than the CEO is 65. All pensions are, with the exception of the defined benefit ITP plan in accordance with collective agreements, defined benefit pension plans.

## IE.7 REMUNERATION SENIOR EXECUTIVES

## BOARD OF DIRECTORS

Remuneration to the Board of Directors is based on fees determined by the Annual General Meeting. Directors' fees are paid as salary or invoicing from the member of the Board's private firm or company. In the event the directors' fees are invoiced, this is conducted with surcharge for an amount corresponding to the social security payments which Atrium Ljungberg does not need to pay accordingly.

## SENIOR EXECUTIVES' TERMS AND REMUNERATION

Salaries and other terms of employment for the company management shall be market-based and competitive, but shall not be market leaders in terms of salary paid in relation to other comparable companies. The guidelines shall apply for the senior management team which consists of the CEO and seven other senior executives. The CEO's remuneration shall be proposed by the Chairman and determined by the Board of Directors. Remuneration payable to other members of the senior management team shall be proposed by the CEO and approved by the Board. Remuneration payable to the senior company management team, including the CEO, comprises a fixed salary. No variable salary or performance-related remuneration shall be payable. The CEO's retirement age is 62, while that of the other members of the company management is 65. Pension plans are defined contribution plans, and the company hence has no additional obligations after payment of the annual premiums.

The CEO shall, if notice of termination is given by the company, be entitled to a 12 month notice period and severance pay corresponding to 12 months' salary. No other severance pay is payable. Other members of the senior management have notice periods of up to 6 months. The terms and conditions applied by the company for other Group employees, either in accordance with collective agreements or in accordance with unilateral undertakings by the company to the employees, shall otherwise apply, where applicable, to the company management. Departure from the above-mentioned guidelines by the Board of Directors is permitted if there are specific grounds for doing so in a particular instance.

The company management team is presented on page 97.

	Basic salary/ Directors' fees	Other remuneration	Other benefits	Pension costs	Share-related remuneration	Total
<b>2016 SEK k</b>						
<b>Chairman of the Board</b>						
Johan Ljungberg	400	-	-	-	-	400
<b>Other board members</b>						
Anna Hallberg	200	-	-	-	-	200
Hanna Sleyman Graflund	200	-	-	-	-	200
Simon de Château	200	-	-	-	-	200
Erik Langby	200	-	-	-	-	200
Sune Dahlqvist	200	-	-	-	-	200
	1,400	-	-	-	-	1,400
CEO, Ingalill Berglund	9,967 <sup>11</sup>	-	55	2,673	-	12,695
CEO Annica Ånäs	3,856	-	56	985	-	4,897
Other senior executives	9,921	70	220	2,351	-	12,562
	23,744	70	331	6,009	-	30,154
<b>Total</b>	<b>25,144</b>	<b>70</b>	<b>331</b>	<b>6,009</b>	<b>-</b>	<b>31,554</b>

<sup>11</sup> Refers to a notice period of 12 months and severance pay of 12 months.

	Basic salary/ Directors' fees	Other remuneration	Other benefits	Pension costs	Share-related remuneration	Total
<b>2015 SEK k</b>						
<b>Chairman of the Board</b>						
Johan Ljungberg	400	-	-	-	-	400
<b>Other board members</b>						
Anna Hallberg	200	-	-	-	-	200
Hanna Sleyman Graflund	200	-	-	-	-	200
Simon de Château	200	-	-	-	-	200
Erik Langby	200	-	-	-	-	200
Sune Dahlqvist	200	-	-	-	-	200
	1,400	-	-	-	-	1,400
CEO, Ingalill Berglund	3,563	-	56	938	-	4,557
Other senior executives	11,386	116	297	2,978	-	14,777
	14,949	116	353	3,916	-	19,334
<b>Total</b>	<b>16,349</b>	<b>116</b>	<b>353</b>	<b>3,916</b>	<b>-</b>	<b>20,734</b>

## IE.8 DEPRECIATION AND WRITE-DOWNS

	The Group		Parent Company	
	2016	2015	2016	2015
<b>Depreciation in management and production</b>				
Investment properties	-	-	16	15
Machinery and equipment	5	4	0	0
	<b>5</b>	<b>4</b>	<b>16</b>	<b>16</b>
<b>Depreciation in central administration</b>				
Machinery and equipment	3	4	3	4
<b>Total</b>	<b>8</b>	<b>8</b>	<b>19</b>	<b>20</b>

## NOTES

**GI** GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

**IE** INCOME AND EXPENSES

**T** TAX

**A** ASSETS

**OL** OPERATING LIABILITIES

**F** FINANCING AND CAPITAL STRUCTURE

**E** EPRA

**GS** GROUP STRUCTURE

**PC** PARENT COMPANY NOTES

### IE.9 PROJECT AND CONSTRUCTION ACTIVITIES

	The Group		Parent Company	
	2016	2015	2016	2015
Gross profit/loss, TL Bygg AB	20	5	–	–
Development project costs that cannot be capitalised	–32	–31	–26	–27
<b>Total</b>	<b>–12</b>	<b>–26</b>	<b>–25</b>	<b>–27</b>

### IE.10 UNREALISED CHANGES IN VALUE

Unrealised changes in value, properties	2016	2015
Change in yield requirements	1,799	2,139
Change in operating net etc.	639	189
Development rights	334	–
<b>Total</b>	<b>2,772</b>	<b>2,328</b>

For further information, see note **A1**.

## S TAX

### S.1 CURRENT TAX

#### ACCOUNTING PRINCIPLES

Current tax is calculated on the basis of the taxable profit/loss for the period and is reported as an expense or income in the Income Statement. The taxable profit/loss differs from the reported profit/loss in the Income Statement in that it has been adjusted for non-taxable income and non-deductible expenses and for income and expenses that are taxable or deductible in other periods. The Group's current tax liability is calculated using the tax rates confirmed or announced as of the closing day.

Property tax and advertising tax are reported as property costs and social security payments as property costs and central administration. The obligation to pay property tax is based on the existing property portfolio at the start of the year. Due to this, the entire property tax is entered as a liability on 1 January every year to later be distributed linearly over the year. The share which is not carried as an expense is reported as a prepaid cost.

Deferred tax is reported on the difference between the reported and fiscal values of assets and liabilities. Changes in the reported deferred tax receivable or liability are reported as an expense or income in the Income Statement, except when the tax is related to items which are reported in Other comprehensive income or directly to shareholders' equity.

Tax calculation SEK m	Current tax		Deferred tax	
	2016	2015	2016	2015
Reported profit/loss before tax	3,436	3,431	–	–
tax deductible				
depreciation	–559	–572	559	572
investments	–234	–220	234	220
disposal of building	–	–35	–	35
Non-taxable/non-deductible				
changes in the value of properties, unrealised	–2,772	–2,328	2,772	2,328
changes in the value of properties, realised	9	44	–11	–532
changes in the value of financial instruments, unrealised	307	–201	–307	201
consolidated capitalisation of borrowing	–14	–8	14	8
Other fiscal adjustments	3	2	–12	1
<b>Taxable profit/loss before loss carry-forwards</b>	<b>176</b>	<b>112</b>	<b>3,249</b>	<b>2,834</b>
Change in loss carry-forwards	–167	–34	156	30
<b>Taxable profit/loss</b>	<b>9</b>	<b>78</b>	<b>3,405</b>	<b>2,864</b>
<b>Of which 22 % tax</b>	<b>–2</b>	<b>–17</b>	<b>–749</b>	<b>–630</b>
Adjustment of tax in relation to previous years	–2	0	–2	–
<b>Reported tax expense</b>	<b>–4</b>	<b>–17</b>	<b>–751</b>	<b>–630</b>

## T.1 CURRENT TAX, CONTD.

The income tax for limited companies in Sweden is 22 per cent. In the Income Statement tax is divided between current tax and deferred tax. Current tax is the tax which is calculated on the basis of the taxable profit for a period in each individual group company, after profit equalisation through group contributions. The sum of the group company's taxable profit is often lower than the Group's accounting profit, mainly depending on tax depreciation, difference in the handling of investments in repair, maintenance and reconstruction, unrealised changes in value, the opportunity to sell properties through companies tax-free, difference in handling of borrowing costs in construction projects and utilisation of previous years' deficit.

## DEPRECIATION

As Atrium Ljungberg has chosen to report investment properties at fair value, no depreciation for these is reported in the consolidated accounts. However, the tax rules permit depreciation by 2–5 per cent of buildings, 5 per cent of land improvements and 20–30 per cent of the areas and fixtures of a building or of the type of land improvements which comprise the building's furniture and fixtures and land inventory. Land is not subject to depreciation.

## INVESTMENTS

Expenses in connection with renovation and maintenance work that has entailed an economic benefit and which can be calculated reliably, are capitalised in the accounting. However, the tax rules permit direct deduction for repair and maintenance and certain types of amendment work which technically entails reconstruction but which is normal in the business and which does not comprise the building's furniture and fixtures. Examples of such amendment work within Atrium Ljungberg are the tenant-specific adaptations which take place continuously along with renegotiation of lease contracts or during change of tenants.

## UNREALISED CHANGES IN VALUE

In the consolidated accounts Atrium Ljungberg values investment properties and derivative instruments (interest swap agreements) at fair value. Changes in the market value are reported in the consolidated income statement. Accounting rules do not permit properties to be reported at fair value in the individual group companies. The interest swap agreements which Atrium Ljungberg has concluded may, but do not need to, be reported in the individual group company. Accordingly, no unrealised changes in value from investment properties or derivative instruments are reported in the individual companies.

## SALE OF PROPERTIES

Properties may be sold directly or indirectly by the property holding subsidiary being sold. Profits from the sale of properties are taxable, while profits from the sale of companies in most cases are non-taxable.

## BORROWING COSTS

In the consolidated accounts Atrium Ljungberg capitalises loan charges during major reconstruction and extensions to the extent they arose during the construction period. However, the accounting rules allow reporting of these as a cost in the individual group companies, whereby the cost is also directly tax deductible.

## DEFICIT FROM PREVIOUS YEARS

The current tax is calculated on the basis of the taxable profit for the taxation year. This profit may, sometimes with certain limitations, be reduced by unutilised tax deficits which have emerged during previous tax years.

The deficit which exists within Atrium Ljungberg has primarily emerged through examination of previous years' income tax assessments or by there being unutilised tax deficit from previous years in property companies which have been acquired by Atrium Ljungberg.

Tax calculation	Current tax		Deferred tax	
	2016	2015	2016	2015
<b>Parent Company</b>				
Reported profit/loss before tax	690	587	–	–
Change in difference between book and fiscal values of properties	–42	–99	42	99
Result of participations in Group companies	–665	–430	–	–
Other fiscal adjustments	1	0		1
<b>Taxable profit/loss</b>	<b>–16</b>	<b>58</b>	<b>42</b>	<b>101</b>
<b>Of which 22 % tax</b>	<b>4</b>	<b>–13</b>	<b>–9</b>	<b>–22</b>
Adjustment of tax in relation to previous years	–0	1	–	–
<b>Reported tax expense</b>	<b>3</b>	<b>–12</b>	<b>–9</b>	<b>–22</b>

Reconciliation of tax expenses	The Group		Parent Company	
	2016	2015	2016	2015
Profit/loss before tax	3,436	3,431	690	587
<b>Nominal tax rate, 22 %</b>	<b>–756</b>	<b>–755</b>	<b>–152</b>	<b>–129</b>
Fiscal effect of				
changes in the value of properties, realised	0	110	–	–
goodwill write-downs	–	–2	–	–
other non-deductible expenses/non-taxable income	–	–0	146	95
other fiscal adjustments	5	1	–1	1
<b>Reported tax expense/income</b>	<b>–751</b>	<b>–647</b>	<b>–6</b>	<b>–34</b>
of which current tax	–2	–17	3	–12
of which deferred tax	–749	–630	–9	–22

## T.2 DEFERRED TAX RECEIVABLES

## ACCOUNTING PRINCIPLES

The reported value of deferred tax receivables is reviewed in conjunction with the preparation of every set of financial statements and reduced to the extent that it is no longer likely that sufficient taxable surpluses will be available for offsetting, either wholly or in part, against the deferred tax receivable.

Deferred tax is calculated using the tax rates expected to apply for the period during which the asset is recovered or the debt settled, based on the tax rates (and tax legislation) confirmed or announced as of the closing day. Deferred tax receivables and tax liabilities are offset when they are attributable to income tax levied by the same authority and when the Group intends to settle the tax demand using a net amount.

	The Group	
	31/12/2016	31/12/2015
<b>Capitalised loss carry-forward</b>		
<b>Opening balance</b>	<b>30</b>	<b>27</b>
Additional loss carry-forwards	22	12
Loss carry-forwards utilised	-30	-9
<b>Closing balance</b>	<b>22</b>	<b>30</b>

The Group's accumulated fiscal deficit is estimated at SEK 130 million (SEK 211 m) at the turn of the year 2016. The deferred tax receivable has been calculated for a deficit of SEK 101 million (SEK 136 m).

## T.3 DEFERRED TAX LIABILITY

## ACCOUNTING PRINCIPLES

Deferred tax is reported on the difference between the reported value of assets and liabilities in the financial reports and the fiscal value used when calculating the taxable result. Deferred tax is reported using the so-called Balance Sheet method. Deferred tax liabilities are reported for, in principle, all taxable temporary differences, and deferred tax receivables are reported for, in principle, all deductible temporary differences to the extent that it is likely that the amounts can be used to offset future taxable surpluses. Deferred tax liabilities

and tax receivables are not reported if the temporary difference is attributable to goodwill or if they arise as a result of a transaction that constitutes the first reporting of an asset or liability (which is not a corporate acquisition) and which, at the time of the transaction, affects neither the reported nor the taxable profit/loss. No deferred tax has been calculated on asset acquisitions in accordance with applicable accounting recommendations.

	The Group				Parent Company
	Investment properties	Untaxed reserves	Interest derivatives	Total	Investment properties
<b>Deferred tax liability</b>					
<b>Opening balance, as per 01/01/2016</b>	<b>3,274</b>	<b>138</b>	<b>-137</b>	<b>3,275</b>	<b>258</b>
Change reported via the Income Statement	767	31	-67	731	20
Change not reported via the Income Statement	-	-	-	-	-
Change reported via Comprehensive income	-	-	4	4	-
<b>Closing balance, as per 31/12/2016</b>	<b>4,041</b>	<b>169</b>	<b>-200</b>	<b>4,010</b>	<b>277</b>
<b>Opening balance, as per 01/01/2015</b>	<b>2,753</b>	<b>111</b>	<b>-186</b>	<b>2,678</b>	<b>236</b>
Change reported via the Income Statement	557	33	44	634	22
Change not reported via the Income Statement	-36	-6	-	-42	-
Change reported via Comprehensive income	-	-	5	5	-
<b>Closing balance, as per 31/12/2015</b>	<b>3,274</b>	<b>138</b>	<b>-137</b>	<b>3,275</b>	<b>258</b>

## A ASSETS

### A.1 INVESTMENT PROPERTIES

#### ACCOUNTING PRINCIPLES

Investment properties, i.e. properties held in order to generate rental income and/or increased value gains, are reported on an ongoing basis at fair value in the Balance Sheet. The valuation took place in accordance with level 3 in the IFRS valuation hierarchy and reflects estimated market values, which correspond to the value at which ownership of a property could be transferred between knowledgeable parties who are mutually independent and who have an interest in completing the transaction. The fair value reflects the market conditions on the closing day.

At the turn of the year Atrium Ljungberg classified all properties as investment properties. The term investment properties includes buildings and land, land improvement, building and land-related equipment as well as ongoing work. Any properties that are being built or developed for future use as investment properties are also reported as investment properties.

Investments in investment properties are initially reported at acquisition value. The acquisition value includes transaction costs, legal costs and stamp duty directly related to acquisitions and any additional real estate mortgage costs and loan costs. Borrowing costs are capitalised in conjunction with major renovation or new construction projects to the extent that they have arisen during the

construction period. Interest expenses are calculated on the basis of the Group's average interest rate on all loans.

Expenses in connection with renovation and maintenance work that has entailed an economic benefit for the Group and which can be calculated reliably, are capitalised. Other expenses in connection with repairs and ongoing maintenance are reported as repair costs and are included in the operating surplus. Property sales are reported in conjunction with the transfer of the risks and benefits associated with title from the vendor to the purchaser, which normally coincides with the contract date unless the specific contractual terms and conditions mandate that this occurs on some other date.

Changes in fair value for investment properties and financial instruments are reported in the Income Statement as unrealised changes in value.

Profits or losses arising in conjunction with the sale or disposal of investment properties comprise the difference between the sale price and the reported value which is based on the most recently conducted valuation at fair value. Profits or losses from a sale of an investment property are reported as realised changes in value in the Income Statement. A property sale is reported on the date of the agreement, unless there are specific contractual terms and conditions in the purchase agreement.

#### Property portfolio, 31/12/2016

Property type	Lettable area, '000 m <sup>2</sup>	Fair value, SEK m	Fair value, SEK/m <sup>2</sup> <sup>1)</sup>
Office properties	584	17,716	37,247
Retail properties	415	14,400	43,006
Residential properties	71	1,390	23,530
<b>Business area Property</b>	<b>1,070</b>	<b>33,506</b>	<b>38,533</b>
Project properties	54	1,846	E/T <sup>2)</sup>
Land and development rights	–	702	–
<b>Total</b>	<b>1,124</b>	<b>36,054</b>	
Properties sold			
<b>Total Group</b>			

<sup>1)</sup> m<sup>2</sup> excluding garage.

<sup>2)</sup> Letting area for new production is not reported until the project is completed and the figures hence do not accurately represent the actual situation.

#### Property portfolio, 31/12/2015

Property type	Lettable area, '000 m <sup>2</sup>	Fair value, SEK m	Fair value, SEK/m <sup>2</sup> <sup>1)</sup>
Office properties	505	14,323	33,497
Retail properties	431	14,146	40,324
Residential properties	71	1,223	20,688
<b>Business area Property</b>	<b>1,007</b>	<b>29,692</b>	<b>35,450</b>
Project properties	28	843	E/T <sup>2)</sup>
Land and development rights	–	307	–
<b>Total</b>	<b>1,034</b>	<b>30,841</b>	
Properties sold			
<b>Total Group</b>			

<sup>1)</sup> m<sup>2</sup> excluding garage.

<sup>2)</sup> Letting area for new production is not reported until the project is completed and the figures hence do not accurately represent the actual situation.

#### Outcome 2016

Rental income, SEK m	Property costs, SEK m	Operating surplus, SEK m	Operating surplus margin, %
1,021	–293	728	71
963	–334	629	65
84	–30	53	64
<b>2,068</b>	<b>–657</b>	<b>1,410</b>	<b>68</b>
82	–35	48	58
–	–	–	–
<b>2,150</b>	<b>–692</b>	<b>1,458</b>	<b>68</b>
–	0	–	–
<b>2,150</b>	<b>–692</b>	<b>1,458</b>	<b>68</b>

#### Outcome 2015

Rental income, SEK m	Property costs, SEK m	Operating surplus, SEK m	Operating surplus margin, %
939	–258	681	73
971	–330	640	66
76	–31	45	59
<b>1,986</b>	<b>–619</b>	<b>1,367</b>	<b>69</b>
24	–10	14	58
–	–	–	–
<b>2,010</b>	<b>–629</b>	<b>1,381</b>	<b>69</b>
112	–43	69	62
<b>2,122</b>	<b>–671</b>	<b>1,450</b>	<b>68</b>

## NOTES

**GI** GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

**IE** INCOME AND EXPENSES

**T** TAX

**A** ASSETS

**OL** OPERATING LIABILITIES

**F** FINANCING AND CAPITAL STRUCTURE

**E** EPRA

**GS** GROUP STRUCTURE

**PC** PARENT COMPANY NOTES

### A.1 INVESTMENT PROPERTIES, CONTD.

#### Rental value and letting rate

Premises type	31/12/2016			31/12/2015		
	Rental value, SEK m	Rental value, SEK/m <sup>2</sup>	Letting rate, %	Rental value, SEK m	Rental value, SEK/m <sup>2</sup>	Letting rate, %
Offices	979	2,422	90	877	2,410	91
Retail	955	3,201	96	948	3,110	97
Other	214	1,877	96	214	1,874	90
Residentials	71	1,327	98	71	1,313	100
Garage	62	–	98	52	–	91
<b>Business area Property</b>	<b>2,280</b>	<b>2,622</b>	<b>93</b>	<b>2,162</b>	<b>2,582</b>	<b>94</b>
Project properties	94	1,755	88	30	1,074	97
Land and development rights	–	–	–	–	–	–
<b>Total</b>	<b>2,374</b>	<b>2,572</b>	<b>93</b>	<b>2,192</b>	<b>2,534</b>	<b>94</b>

#### CHANGES DURING THE YEAR

The reported fair value of the property portfolio on 31/12/2016 totalled SEK 36,054 million (SEK 30,841 m). Investments in Atrium Ljungberg's own properties during the period totalled SEK 1,002 million (SEK 768 m). The unrealised change in value totalled SEK 2,772 million (SEK 2,328 m) during the year. The change in value is explained by the market's lower yield requirements and higher rents as a result of new lettings and renegotiations, and that a number of residential development rights are assessed to enter into force in the near future. The average dividend yield requirement in the valuation was 4.9 per cent (5.2%).

During the year three properties have been acquired and one property has been sold, see more below the Property portfolio in figures on page 28.

Change in the value of the property portfolio SEK m	The Group	
	31/12/2016	31/12/2015
Fair value at the start of the period	30,841	28,163
Acquisitions (after deduction of deferred tax)	1,461	872
Sales	–23	–1,291
Investments in our own properties	1,002	768
Unrealised changes in value	2,772	2,328
<b>Fair value at the end of the period</b>	<b>36,054</b>	<b>30,841</b>

The closing balance includes development rights and land of SEK 702 million (SEK 307 m).

Unrealised changes in value, properties		
SEK m	2016	2015
Change in yield requirements	1,799	2,139
Change in operating net etc.	639	189
Development rights	334	–
<b>Total</b>	<b>2,772</b>	<b>2,328</b>

#### VALUATION

##### Valuation process

The property portfolio is valued every quarter. As a part of ensuring that the valuation is fair, independent external valuation consultants are used, this year Forum Fastighetsekonomi and Savills. Properties corresponding to 44 per cent of the market value have been valued

externally during the year. The remaining properties were subject to an internal valuation with market rents, operating costs, vacancies and yield requirements quality assured by Forum Fastighetsekonomi.

The fee for the valuation is not dependent on the properties' market value. The variable part is instead based on the properties' area, number of lease contracts and usage.

##### Input data property valuation

The property valuation is based on observable and unobservable input data. Observable data which has greatest impact on the value is primarily current rent, actual operation and maintenance costs, planned investments and current vacancy levels.

Yield requirement and expectations of rental levels and vacancies include the input data which can be seen as unobservable. Yield requirement is derived from actual transactions. The number of comparison items which are sold can sometimes be few, which makes it more difficult to derive changes in the yield requirement during certain periods.

##### Valuation method

The valuations were carried out in accordance with the International Valuation Standards (IVS).

Each property has been valued individually without taking any portfolio effect into consideration. The valuations are based on a cash flow calculation with individually estimated yield requirements for each property and premises type. The yield requirement is used to determine the value through a current value calculation during the so-called calculation period and through a current value calculation of the residual value at the end of the calculation period. The calculation period is normally between 5 and 10 years but may, in certain cases, be longer due to the contractual situation.

The long-term earning capacity of each property is assessed during the valuation. Income during the calculation period comprises agreed rental levels until such time as these lease contracts come to an end or are due for renegotiation. Rental income for the subsequent period is calculated at the market rent currently applicable. Operating and maintenance costs have been assessed based on the company's actual costs and are adjusted in line with the property's age and condition.

## A.1 INVESTMENT PROPERTIES, CONTD.

Analyses and an assessment of the underlying factors that impact the value form the basis of the valuation, for example:

- existing rent levels and market rents for respective premises
- existing tenants and contract structure
- current and future vacancies
- operating and maintenance costs in the short and long-term, based on the property's and company's actual costs
- the technical and commercial condition of the properties
- planned reconstructions, extensions and new builds and other investment requirements
- yield requirements for completed and uncompleted transactions of comparable properties and markets

Project properties are valued on the basis of completed projects, less remaining investments. A risk surcharge is added to the yield requirement on the basis of the current phase of the project.

Development rights have been valued based on an assessed market value per m<sup>2</sup> of GFA for determined development rights in accordance with detailed development plans that have gained final approval or where the detailed development plan is assessed to enter into force within the near future.

## Yield requirement per premises type in the valuation

		31/12/2016	31/12/2015
Premises type, %	Interval	Average	Average
Offices	3.8–6.5	4.8	5.2
Retail	3.8–6.3	5.0	5.2
Residentials	3.0–3.8	3.2	3.7
Other	3.8–6.3	5.2	5.5
<b>Total</b>	<b>3.0–6.5</b>	<b>4.9</b>	<b>5.2</b>

## Yield requirement per region in the valuation

		31/12/2016	31/12/2015
Region, %	Interval	Average	Average
Stockholm	3.0–6.3	4.8	5.1
Uppsala	3.5–5.6	5.3	5.6
Malmö	3.8–6.3	5.5	5.7
Gothenburg	4.8–5.3	4.8	5.3
<b>Total</b>	<b>3.0–6.5</b>	<b>4.9</b>	<b>5.2</b>

## Sensitivity analysis, property valuation

The table below shows how changes in different parameters impact the market value of the properties.

Value parameter	Change in assumption	Value impact, SEK m	Value impact, %
Rental level	+/- 10%	+/- 3,580	+/- 10%
Operating cost	+/- 10%	+/- 687	+/- 2%
Yield requirement	+/- 0.25% units	-1,718/+1,912	-4.8%/+5.3%
Long-term vacancy level	+/- 2%	+/- 1,046	+/- 3%

## Sensitivity analysis, change in value

The following sensitivity analysis shows how a change in the properties' market value impacts the result and relevant key ratios.

	Change in market value of properties	Impact	Percentage impact
Profit/loss	+/- 10%	SEK +/-2,812 million	+/-105%
Shareholders' equity	+/- 10%	SEK +/-2,812 million	+/-17%
Gearing ratio	+/- 10%	-3.8% unit/+4.7% unit	-9%/+11%
Equity/assets ratio	+/- 10%	+3.0% unit/-3.7% unit	+7%/-8%

The table Property value based on a normalised operating net describes schematically how the market valuation is reached, based on a normalised operating net and adjustments for, among other things, initial effects, remaining investments and development rights.

## Property value based on a normalised operating net

SEK m	Management	Project	Total
Rental value	2,386	158	2,545
Long-term vacancy (-3.8%)	-92	-4	-96
Rental income	2,294	154	2,449
Property costs	-615	-36	-652
<b>Normalised operating net</b>	<b>1,679</b>	<b>118</b>	<b>1,797</b>
Yield requirement	4.9%	5.5%	4.9%
Yield requirement before adjustments	34,265	2,148	36,413
<b>Adjustments</b>			
Current value of remaining investments	-882	-631	-1,513
Initial vacancies	-91	-40	-131
Other adjustments	291	371	662
Land and development rights	-	702	702
Registration of title deeds costs	-78	-2	-80
<b>Fair value</b>	<b>33,506</b>	<b>2,548</b>	<b>36,054</b>

## RATEABLE VALUES

The rateable value forms the basis of property tax for commercial properties and is expected to reflect 75 per cent of the market value with a certain lag. Municipal real estate charges are payable for residentials in accordance with special provisions. The rateable values on the closing day are reported below.

	The Group		Parent Company	
Rateable values	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Buildings	9,973	9,516	1,081	960
Land	4,240	3,543	273	258
<b>Total</b>	<b>14,213</b>	<b>13,059</b>	<b>1,354</b>	<b>1,218</b>
Of which business premises in TL Bygg AB	2	2	-	-

## A.2 GOODWILL

## ACCOUNTING PRINCIPLES

Goodwill arising in conjunction with the preparation of the consolidated accounts comprises the difference between the acquisition value and the Group's share of the fair value of an acquired subsidiary company's identifiable net assets on the acquisition date. Goodwill reported within the Group is attributable to the difference between nominal tax and calculated tax applied in conjunction with operational acquisitions. The company's goodwill is, therefore, fully linked to the deferred tax. Goodwill is reported on the acquisition date at the acquisition value and is subsequently valued at the acquisition value after any deductions for write-downs.

The remaining reported value of goodwill is taken into account when calculating the capital gain or loss in conjunction with the sale of a subsidiary company or associated company.

On 17 October 2006, LjungbergGruppen AB acquired all of the shares in Atrium Fastigheter AB through payment in the form of newly issued shares. The closing rate on 16 October 2006 has been used to calculate the acquisition value and shareholders' equity. Goodwill arose in conjunction with the acquisition that was attributable to the difference between nominal tax and the estimated tax for costing purposes applied in conjunction with the acquisition. Goodwill is thereby completely linked to deferred tax amount and therefore changes when a property with goodwill is sold.

	The Group	
	2016	2015
Opening acquisition value	349	362
Sale of property	0	-13
<b>Closing accumulated acquisition value</b>	<b>349</b>	<b>349</b>
Opening write-downs	-86	-88
Sale of property	-	2
<b>Closing accumulated write-downs</b>	<b>-86</b>	<b>-86</b>
<b>Closing balance</b>	<b>263</b>	<b>263</b>

## IMPAIRMENT TESTING

Goodwill impairment testing shall be carried out annually, or more frequently if there is any indication that the reported value may not be recoverable.

When conducting impairment testing, goodwill is allocated to the cash-generating units that are expected to benefit from the synergies arising in conjunction with the acquisition. The cash-generating units comprise the properties which were a part of the acquisition of Atrium Properties which the Group still owns at the end of the accounting period. If the recovery value of a cash-generating unit is determined to be lower than the reported value, the reported value of goodwill attributable to the cash-generating unit is reduced. Any reported write-downs of goodwill may not be reversed in a subsequent period.

In connection with the annual testing for any write-down requirement of goodwill, an estimate of the recoverable amount is made. As the cash-generating units comprise the properties which were a part of the acquisition of Atrium Properties, the recovery value corresponds to the property's fair value.

Each property has been valued individually without taking any portfolio effect into consideration. The long-term earning capacity of each property is assessed during the valuation. Income during the calculation period comprises agreed rental levels until such time as these lease contracts come to an end or are due for renegotiation. Rental income for the subsequent period is calculated at the market rent currently applicable. Operating and maintenance costs have been assessed based on the company's actual costs and are adjusted in line with the property's age and condition.

Discount rates which were used to determine the properties' fair value correspond to the yield requirements of properties which are based on comparable properties and markets. For further information, see note A1.

## A.3 TANGIBLE FIXED ASSETS

## ACCOUNTING PRINCIPLES

Tangible fixed assets are reported at the acquisition value less accumulated depreciation and write-downs. The acquisition value includes expenses directly attributable to the acquisition of the asset. Additional expenses are added to the asset's reported value or reported as a separate asset only if it is likely that future economic benefits associated with the asset will be received by the Group and when the acquisition value of the asset can be reliably calculated.

The useful life of computer equipment and of other machinery and equipment has been calculated at three years and five years, respectively. Depreciation is effected linearly over the useful life and is reported in the Income Statement as expenses in the property management or on the line for central administration. The residual value of the assets and their useful life is reviewed on every closing day and adjusted when necessary.

	The Group		Parent Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Opening acquisition values	65	56	33	31
Purchases	11	9	4	2
Sales/disposals	-15	-0	-12	-
<b>Closing accumulated acquisition values</b>	<b>60</b>	<b>65</b>	<b>25</b>	<b>33</b>
Opening depreciation	-47	-38	-28	-23
Sales/disposals	14	0	11	-
Depreciation for the year	-8	-8	-3	-5
<b>Closing accumulated depreciation</b>	<b>-40</b>	<b>-47</b>	<b>-20</b>	<b>-28</b>
<b>Closing residual value according to plan</b>	<b>20</b>	<b>18</b>	<b>5</b>	<b>5</b>

Tangible fixed assets mainly comprise machinery, equipment and computer equipment.

## A.4 ACCOUNTS RECEIVABLE

## ACCOUNTING PRINCIPLES

This category includes loan receivables, rents receivable, accounts receivable, other receivables and liquid assets. Receivables are valued at amortised cost. Loan receivables and accounts receivable with a short term are valued at nominal acquisition value without discounting less receivables deemed to be doubtful. Write-downs of accounts receivable are reported in expenses for property management activities.

	The Group		Parent Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
<b>Rent receivables</b>				
Rent receivables not due and due up to 30 days	7	6	1	1
Rent receivables due 31–60 days	0	2	0	0
Rent receivables due >60 days	41	37	1	1
Doubtful rent receivables for which a provision has been made	–23	–26	–1	–1
<b>Total rent receivables</b>	<b>25</b>	<b>19</b>	<b>1</b>	<b>1</b>
<b>Accounts receivable</b>				
Accounts receivable not due and due up to 30 days	20	50	1	1
Accounts receivable due 31–60 days	2	9	0	0
Accounts receivable due >60 days	66	32	0	0
Doubtful receivables for which a provision has been made	–2	–1	–1	–0
<b>Closing balance</b>	<b>85</b>	<b>77</b>	<b>1</b>	<b>1</b>

The year's total cost for confirmed bad debt losses amounted to SEK 12 million (SEK 15 m) in total.

## OL OPERATING LIABILITIES

## OL.1 OTHER LONG-TERM LIABILITIES

	The Group		Parent Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Personnel-related liabilities	12	–	12	–
Deposits received from tenants	46	30	44	29
Guarantee reserves	2	2	–	–
<b>Closing balance</b>	<b>60</b>	<b>32</b>	<b>57</b>	<b>29</b>

## OL.2 OTHER LIABILITIES

	The Group		Parent Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Personnel-related liabilities	8	8	8	7
Other liabilities	44	34	6	1
<b>Closing balance</b>	<b>53</b>	<b>41</b>	<b>14</b>	<b>7</b>

## A.5 OTHER RECEIVABLES

	The Group		Parent Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
VAT receivable	44	43	0	1
Other receivables	68	27	8	8
<b>Closing balance</b>	<b>112</b>	<b>70</b>	<b>8</b>	<b>9</b>

## A.6 PREPAID COSTS AND ACCRUED INCOME

	The Group		Parent Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Receivables from clients for ongoing engagements as per construction agreement	13	26	–	–
Other prepaid costs	20	14	9	5
Prepaid property tax	–	–	8	–
Distributed rent discounts	60	49	4	3
Accrued rent	18	29	3	3
Other accrued income	–	–	84	167
<b>Closing balance</b>	<b>111</b>	<b>118</b>	<b>108</b>	<b>178</b>

## OL.3 ACCRUED COSTS AND PREPAID INCOME

	The Group		Parent Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Holiday pay liability and payroll overheads	24	30	24	20
Liabilities to clients for ongoing engagements in accordance with construction agreements	44	8	–	–
Accrued interest expenses	17	24	15	19
Accrued property tax	15	124	10	9
Other accrued costs and prepaid income	45	42	13	7
Prepaid rent	365	363	13	21
Other prepaid income	–	–	–	–
<b>Closing balance</b>	<b>510</b>	<b>591</b>	<b>75</b>	<b>75</b>

## OL.4 COLLATERAL PLEDGED AND CONTINGENT LIABILITIES

Collateral pledged and liabilities to credit institutions	The Group		Parent Company	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Property mortgages	8,706	9,469	1,261	1,233
Property mortgages made available by subsidiary companies	–	–	5,372	4,660
<b>Other collateral pledged</b>				
Floating charges	–	15	–	–
Guarantee undertakings for subsidiary companies	–	–	200	200
Liabilities as limited partner in limited partnerships	–	–	–	212
<b>Total</b>	<b>8,706</b>	<b>9,495</b>	<b>6,835</b>	<b>5,893</b>

## CONTINGENT LIABILITIES

## Liability for damages for contamination or environmental damage

According to the Swedish Environmental Code, the property owner may be liable to defray measures resulting from a contamination incident or a serious case of environmental damage. We conduct surveys and screening work ahead of property acquisitions and new projects in order to identify any potential environmental risks.

On the closing day Atrium Ljungberg is not aware of any such contamination or environmental damage which may materially impact the Group's financial position.

## Disputes

From time to time Atrium Ljungberg is a party in legal processes and administrative proceedings related to letting, management and the development of properties.

On the closing day Atrium Ljungberg is not a party in any ongoing process which may have a material impact on the Group's financial position.

## F FINANCING AND CAPITAL STRUCTURE

## F.1 CAPITAL STRUCTURE

The Group endeavours to ensure a good profit performance, financial sustainability and a strong financial position. The economic and financial goals are set in order to provide a combination of a high return on shareholders' equity, high growth capacity, and financial stability.

The Group's financial goals are as follows:

- The equity/assets shall be a minimum of 30 per cent.
- The minimum interest coverage ratio is to be a multiple of 2.0.
- The dividend shall correspond to a minimum of 50 per cent of the profit before changes in value after nominal tax, unless investments or the company's financial position in general motivates a deviation from this norm.

The terms to which the Group is subject in relation to external lenders apply to the equity/assets ratio, the interest coverage ratio, and the gearing ratio. The terms are subordinate to the Group's financial goals. The Group's capital structure comprises interest-bearing net borrowing and shareholders' equity attributable to the Parent Company's shareholders. This comprises share capital, other capital contributed and profits brought forward, including the net profit/loss for the year. The financing operations are described in greater detail in note **F2**, Financial instruments and risk management.

Atrium Ljungberg's borrowing is primarily secured by means of real estate mortgages in the Group and, in some cases, guarantee undertakings issued by the Parent Company with regard to the subsidiaries' borrowing.

Capital structure	31/12/2016		31/12/2015	
	Reported value	Fair value	Reported value	Fair value
<b>The Group</b>				
Long-term liabilities				
Liabilities to credit institutions	7,596	7,617	7,177	7,198
Bonds	1,600	1,602	1,450	1,453
Certificates <sup>1)</sup>	3,940	3,946	2,349	2,352
Current liabilities				
Liabilities to credit institutions	1,110	1,114	2,285	2,315
Bonds	850	851	–	–
<b>Total loans</b>	<b>15,096</b>	<b>15,130</b>	<b>13,261</b>	<b>13,318</b>
Liquid assets	–276	–276	–389	–389
<b>Net debt</b>	<b>14,819</b>	<b>14,854</b>	<b>12,872</b>	<b>12,929</b>
Shareholders' equity	16,176	16,176	13,953	13,953
<b>Total capital</b>	<b>30,995</b>	<b>31,030</b>	<b>26,825</b>	<b>26,882</b>

<sup>1)</sup> Certificates which are covered by unutilised long-term credit agreements are classified as long-term liabilities.

Interest-bearing liabilities are reported at the accrued acquisition value which is the reported value in the above table. The calculation of the fair value of liabilities to credit institutions is based on discounted estimated future cash flows. The discounting is effected on the basis of current market rates plus current borrowing margins. The valuation is hereby conducted with IFRS valuation hierarchy level 2. The valuation of derivatives is described in note **F2**.

## F.1 CAPITAL STRUCTURE, CONTD.

	31/12/2016		31/12/2015	
	Reported value	Fair value	Reported value	Fair value
<b>Parent Company</b>				
Long-term liabilities				
Liabilities to credit institutions	5,725	5,742	5,106	5,123
Bonds	1,600	1,602	1,450	1,453
Certificates <sup>1)</sup>	3,940	3,946	2,329	2,352
Current liabilities				
Liabilities to credit institutions	910	914	780	788
Bonds	850	851	–	–
Liabilities to Group companies	1,412	1,412	1,262	1,262
<b>Total loans</b>	<b>14,437</b>	<b>14,467</b>	<b>10,948</b>	<b>10,978</b>

<sup>1)</sup> Certificates which are covered by unutilised long-term credit agreements are classified as long-term liabilities.

instrument's contractual terms and conditions. An asset is eliminated from the Balance Sheet when the rights contained in the agreement are realised, fall due, or when the company loses control over it.

A liability is eliminated from the Balance Sheet when the undertaking in the agreement is fulfilled or otherwise ceases to obtain. Trading date accounting is applied for derivative instruments and settlement date accounting for on demand purchases or sales of financial assets. The company conducts impairment testing on every closing day to determine whether there are objective indications that events indicate a requirement to write down a financial asset or group of financial assets.

The financial instruments of the Group are classified in accordance with the following and specified in note **F2**.

- Financial assets are valued at fair value via the Income Statement
- Loan receivables and accounts receivable
- Financial liabilities valued at fair value via the Income Statement
- Other financial liabilities

## F.2 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

## ACCOUNTING PRINCIPLES

A financial instrument is each form of agreement which gives rise to a financial asset or financial liability. Financial assets in the Balance Sheet refer to loans receivable, derivatives, rents receivable, accounts receivable, other receivables and liquid resources. Financial liabilities refer to loans payable, derivatives, other current liabilities and accounts payable. Reporting of financial instruments in the Balance Sheet takes place when the company becomes a party to the

## PRINCIPLES GOVERNING FINANCING AND FINANCIAL RISK MANAGEMENT

Financing and financial risks are managed in accordance with guidelines laid down by Atrium Ljungberg's Board of Directors. The Group's treasury function, which is responsible for financing, liquidity and financial risks, is concentrated within the Parent Company. The various categories of financial instrument held by the Group are shown in the table below.

Categorisation of financial instruments <sup>1)</sup>

	Loan receivables and accounts receivable		Financial assets/liabilities valued at fair value via the Income Statement		Other financial liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
<b>The Group</b>						
Accounts receivable	110	108	–	–	–	–
Other receivables	5	12	–	–	–	–
Liquid assets	276	389	–	–	–	–
<b>Total</b>	<b>392</b>	<b>509</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Interest-bearing liabilities	–	–	–	–	15,095	13,261
Derivatives	–	–	909	621	–	–
Other liabilities	–	–	–	–	10	22
Accounts payable	–	–	–	–	188	155
<b>Total</b>	<b>–</b>	<b>–</b>	<b>909</b>	<b>621</b>	<b>15,293</b>	<b>13,439</b>

<sup>1)</sup> The fair value conforms to the book value of all financial instruments other than interest-bearing liabilities.

## NOTES

**GI** GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

**IE** INCOME AND EXPENSES

**T** TAX

**A** ASSETS

**OL** OPERATING LIABILITIES

**F** FINANCING AND CAPITAL STRUCTURE

**E** EPRA

**GS** GROUP STRUCTURE

**PC** PARENT COMPANY NOTES

## F.2 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, CONTD.

Derivatives (interest swap agreements) are valued at fair value in the Balance Sheet and the fair value of derivatives has, in accordance with the IFRS valuation hierarchy, been valued in accordance with level 2. This level means that the valuation is based on input data other than the listed prices used in level 1, which are observable for the asset or the liability, either directly or indirectly.

The derivative agreements (ISDA-agreements) include an option to net obligations in respect of the same counterparty. Unrealised changes in value for the year amount to SEK -307 million (SEK -201 m), of which SEK -19 million (SEK -25 m) relates to re-entry of hedging reserve. The reported net value for derivatives of SEK -909 million (SEK -621 m) comprises a positive value of SEK 0 million (SEK 44 m) and a negative value of SEK 909 million (SEK 665 m). Other financial instruments are not affected by the fair value hierarchy in that they are reported at the accrued acquisition value in the Balance Sheet.

### Categorisation of financial instruments

	Loan receivables and accounts receivable		Other financial liabilities	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
<b>Parent Company</b>				
Accounts receivable	1	2	-	-
Receivables from Group companies	20,217	14,146	-	-
Other receivables	-	5	-	-
Liquid assets	211	359	-	-
<b>Total</b>	<b>20,429</b>	<b>14,512</b>	<b>-</b>	<b>-</b>
Interest-bearing liabilities	-	-	13,024	9,685
Liabilities to Group companies	-	-	1,412	1,262
Accounts payable	-	-	21	13
<b>Total</b>	<b>-</b>	<b>-</b>	<b>14,457</b>	<b>10,960</b>

### LIQUIDITY RISK

The term, liquidity risk refers to the company's risk that there will be insufficient liquid assets or credit for the company to be able to fulfil its payment undertakings. In order to ensure that the liquidity risk can be managed, a maximum of 30 per cent of the loan portfolio may fall due within one year and a maximum of 50 per cent of the loan financing may be obtained from a single creditor. The liquidity shall, furthermore, at all times total a minimum of SEK 300 million and a maximum of SEK 700 million, including liquidity reserves totalling a maximum of SEK 500 million and which may comprise current account overdrafts or loan guarantees. The Group's liquidity as of 31/12/2016, including unutilised current overdraft facilities totalling SEK 300 million, totalled SEK 576 million (SEK 689 m). At the turn of the year there were also revolving credit facilities of SEK 4,500 million (SEK 3,000 m). SEK 4,500 million of the credit facility was unutilised at the year-end. The table below shows the capital commitment structure of the loan portfolio. The average loan maturity term, as of 31/12/2016, was 3.5 years (3.1 years).

Capital commitment	The Group		Parent Company	
	Amount	Percentage, %	Amount	Percentage, %
<b>Fixed interest term</b>				
2017	1,960	13	1,760	14
2018	3,197	21	2,985	23
2019	3,520	23	2,980	23
2020	1,779	12	1,469	11
2021	1,019	7	1,019	8
2022 and thereafter	3,621	24	2,812	22
<b>Total</b>	<b>15,095</b>	<b>100</b>	<b>13,024</b>	<b>100</b>

### MARKET AND INTEREST RISK

The term, market risk, refers to the risk of an impact on the profit/loss as a consequence of changes in the outside world. The market risk is primarily attributable to the trend in interest levels for short and long-term borrowing and for market rent levels. In order to limit the interest risk, the interest payable is spread among 13 years. A maximum of 30 per cent of the loans may fall due for renegotiation of the terms within 1 year and a maximum of 55 per cent of the interest payable may take place within 1 year. The fixed interest term table below itemises the due dates for the Group's interest-bearing liabilities. The average fixed interest term as of 31/12/2016 was 3.9 years (4.4 years). Interest-bearing liabilities at the end of the period totalled SEK 15,095 million (SEK 13,261 m) with an average interest rate of 2.3 per cent excluding and 2.4 per cent including unutilised loan guarantees.

The derivatives portfolio comprised SEK 9,125 million (SEK 8,411 m) in interest swaps at the end of the period. In addition, there is SEK 900 million in forward-started swaps. The interest swap agreements are primarily used as a means of changing the fixed interest structure without changing the capital commitment in the loan portfolio. The fair value of these interest swap agreements on the closing day totalled SEK -909 million (SEK -621 m).

Atrium Ljungberg has ceased, as of 1 January 2012, to apply hedge accounting to the interest swaps that hedge the interest flows on external loans. Unrealised changes in the value of derivatives are consequently reported directly to the profit/loss. The hedging reserve, which totalled SEK -164 million on 31 December 2011, is being reversed linearly to Other comprehensive income over the terms of the respective derivatives. The remaining amount to be redeemed as of 31/12/2016 totals SEK -54 million (SEK -69 m) after adjustments for deferred tax calculated at a nominal rate of taxation of 22 per cent.

Interest on the loans falls due for payment quarterly up until 2029. These payments have an ongoing effect on the Income Statement during the terms of the loans in question in that accrued interest is reported.

Atrium Ljungberg has also endeavoured to spread the renegotiation dates for existing lease contracts as part of its efforts to reduce the market risk of temporary cyclical fluctuations. For details of the percentage of income renegotiated during the year ahead, see note [IK2](#). The weighted average remaining term for the lease contracts is 3.7 years (3.4 years).

## F.2 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, CONTD.

Fixed interest term <sup>11</sup>	The Group		
	Loan amount	Percentage, %	Average interest, %
2017	6,600	44	0.9
2018	949	6	3.3
2019	–	–	–
2020	600	4	4.3
2021	760	5	4.3
2022 and thereafter	6,186	41	3.5
<b>Total</b>	<b>15,095</b>	<b>100</b>	<b>2.3</b>

<sup>11</sup> The average credit margin for variable interest rates is spread over the time segment during which the derivative falls due for payment. The average interest is reported excluding the cost of unutilised loan guarantees.

## Maturity structure, derivative instruments

Maturity year	Nominal amount, SEK m	Unrealised changes in value, SEK m	Average interest, %
2017	630	–9	2.2
2018	949	–39	2.0
2019	–	–	–
2020	600	–62	3.0
2021	760	–100	3.0
2022 and thereafter	7,086	–699	2.0
<b>Total</b>	<b>10,025</b>	<b>–909</b>	<b>2.2</b>

## CREDIT RISK

The term, credit risk, refers to the risk of a counterparty being unable to fulfil delivery or payment undertakings. Atrium Ljungberg's credit risks lie in the possibility that the tenants may be unable to fulfil their payment undertakings in accordance with applicable lease contracts. This risk is assessed when contracts are signed and the agreements are supplemented, where appropriate, with collateral pledged by the tenants in the form of deposits or bank guarantees corresponding to between 3 and 12 months' rent. Deposits and bank guarantees received totalled SEK 46 million (SEK 29 m) and SEK 56 million (SEK 46 m), respectively, at the end of the year.

## CURRENCY RISK

A currency risk arises when payment is made in a currency other than that in which the vendor's costs or the purchaser's income arises. Any such currency effect is reported in the Income Statement. Atrium Ljungberg only makes purchases in foreign currencies on an occasional basis and the currency risk is consequently small. During the year there was no currency effect. Atrium Ljungberg has no income or external financing in foreign currencies.

Sensitivity analysis, cash flows <sup>11</sup>

	Change, %	Effect on profit, year 1, SEK m	Effect on profit, full-year, SEK m
Rental income	+/- 5 %	+/- 12	+/- 110
Property management costs	+/- 5 %	-/+ 35	-/+ 35
Letting rate	+/- 1 % unit	+/- 22	+/- 22
Atrium Ljungberg's average borrowing rate	+/- 1 % unit	-/+ 66	-/+ 151

<sup>11</sup> The effect on the profit in year 1 relates to the effect in the immediately subsequent year with reference to fixed terms in lease contracts and loan agreements. Effect on profit is before tax.

## NOTES

**GI** GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

**IE** INCOME AND EXPENSES

**T** TAX

**A** ASSETS

**OL** OPERATING LIABILITIES

**F** FINANCING AND CAPITAL STRUCTURE

**E** EPRA

**GS** GROUP STRUCTURE

**PC** PARENT COMPANY NOTES

## F.2 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, CONTD.

### MATURITY STRUCTURE FOR FINANCIAL INSTRUMENTS

The table below shows future undiscounted cash flows for the

payment undertakings associated with the company's financial receivables and liabilities.

	31/12/2016					31/12/2015				
The Group	2017	2018	2019	2020	2021 and thereafter	2016	2017	2018	2019	2020 and thereafter
<b>Assets</b>										
Rent receivables	2,208	1,917	1,540	1,118	727	2,054	1,526	1,122	789	575
Accounts receivable	110	–	–	–	–	108	–	–	–	–
Other receivables	5	–	–	–	–	12	–	–	–	–
Liquid assets	276	–	–	–	–	389	–	–	–	–
<b>Total</b>	<b>2,600</b>	<b>1,917</b>	<b>1,540</b>	<b>1,118</b>	<b>727</b>	<b>2,563</b>	<b>1,526</b>	<b>1,122</b>	<b>789</b>	<b>575</b>
<b>Liabilities</b>										
Interest-bearing liabilities incl. interest	–2,046	–3,262	–3,569	–1,818	–4,665	–2,396	–3,515	–3,471	–1,148	–3,062
Derivatives	–252	–236	–218	–205	–185	–235	–226	212	–185	–762
Other current liabilities	–13	–	–	–	–	–22	–	–	–	–
Accounts payable	–21	–	–	–	–	–155	–	–	–	–
<b>Total</b>	<b>–2,332</b>	<b>–3,498</b>	<b>–3,787</b>	<b>–2,023</b>	<b>–4,850</b>	<b>–2,808</b>	<b>–3,742</b>	<b>–3,683</b>	<b>–1,333</b>	<b>–3,824</b>
<b>Parent Company</b>										
<b>Assets</b>										
Rent receivables	166	136	128	109	74	163	95	72	65	27
Accounts receivable	1	–	–	–	–	2	–	–	–	–
Receivables from Group companies	20,217	–	–	–	–	14,146	–	–	–	–
Other receivables	2	–	–	–	–	5	–	–	–	–
Liquid assets	211	–	–	–	–	359	–	–	–	–
<b>Total</b>	<b>20,597</b>	<b>136</b>	<b>128</b>	<b>109</b>	<b>74</b>	<b>14,675</b>	<b>95</b>	<b>72</b>	<b>65</b>	<b>27</b>
<b>Liabilities</b>										
Interest-bearing liabilities incl. interest	–1,830	–3,037	–3,018	–1,500	–3,848	–850	–3,297	–3,244	–596	–1,921
Derivatives	–252	–236	–218	–205	–185	–235	–226	–212	–185	–762
Liabilities to Group companies	–1,412	–	–	–	–	–1,262	–	–	–	–
Accounts payable	–21	–	–	–	–	–13	–	–	–	–
<b>Total</b>	<b>–3,516</b>	<b>–3,273</b>	<b>–3,236</b>	<b>–1,705</b>	<b>–4,033</b>	<b>–2,360</b>	<b>–3,523</b>	<b>–3,456</b>	<b>781</b>	<b>2,683</b>

## F.3 FINANCIAL INCOME AND EXPENSES

	The Group		Parent Company			The Group		Parent Company	
	2016	2015	2016	2015		2016	2015	2016	2015
<b>Financial income</b>									
Interest income	0	0	0	0	Of which interest income and expenses of financial assets/liabilities which are valued at accrued acquisition value:				
Other interest income	1	1	0	0					
Interest income, tax-free	–0	0	0	0	Interest income	0	1	484	473
Other financial income	–0	1	0	0	Interest expenses	–384	–404	–417	–425
Group interest income	–	–	484	473					
<b>Total</b>	<b>1</b>	<b>2</b>	<b>484</b>	<b>473</b>					
<b>Financial expenses</b>									
Interest expenses	–384	–402	–345	–327	During the year, SEK 4 million (SEK 5 m) of interest expenses which relate to investments in the Group's own properties has been capitalised. The average interest rate which has been used during the calculation amounts to 2.6 per cent (2.9 per cent). Interest expenses for investments in own properties have been carried as an expense in the Parent Company.				
Other interest expenses	–0	–2	–2	–2					
Non-deductible interest expenses	–0	–0	–	–					
Other financial expenses	–0	–1	–0	–1					
Group interest expenses	–	–	–72	–96					
<b>Total</b>	<b>–385</b>	<b>–405</b>	<b>–418</b>	<b>–426</b>					

## E EPRA KEY RATIOS

### EPRA

Atrium Ljungberg is a member of the European Public Real Estate Association (EPRA). EPRA is an organisation which represents Europe's publicly listed real estate companies. The organisation strives to create a forum for debate and decisions on the issues which are decisive for the sector's future and establish practice within accounting, reporting and corporate governance.

EPRA's practice for accounting and reporting is described in EPRA Best Practices Recommendations Guidelines (EPRA BPR). The recommendation contains key ratios which aim to increase transparency and comparability between Europe's publicly listed real estate companies. In the following notes Atrium Ljungberg reports EPRA key ratios and how they deviate from IFRS and other applicable benchmarks for the Group. Further reconciliation of these key ratios is available on the company's website.

#### E.1 EPRA EARNINGS AND EARNINGS PER SHARE (EPRA EPS)

EPRA Earnings corresponds to Profit before changes in value less calculated current tax excluding loss carry-forwards. The deducted tax has been calculated by taking into account tax deductible depreciation and investments.

EPRA Earnings is considered as being important for investors who want to assess to what extent dividends are supported through re-current earnings from property management.

	2016	2015
Profit/loss before changes in value	965	945
– Tax deductible depreciation	–559	–572
– Tax deductible investments	–234	–220
– Tax deductible disposals/depreciation	–	35
– Consolidated capitalisation of borrowing	–14	–8
– Other items	0	2
<b>Taxable profit/loss before loss carry-forwards</b>	<b>158</b>	<b>111</b>
<b>Tax 22% on taxable profit/loss before loss carry-forwards</b>	<b>–35</b>	<b>–24</b>
Profit/loss before changes in value	965	945
– Tax 22% on taxable profit/loss before loss carry-forwards	–35	–24
<b>EPRA Earnings</b>	<b>930</b>	<b>921</b>
EPRA Earnings	930	224
Number of outstanding shares, '000	133,221	133,221
<b>EPRA EPS</b>	<b>6.96</b>	<b>6.91</b>

#### E.2 EPRA NAV

EPRA NAV corresponds to reported shareholders' equity with reversal of goodwill, interest derivatives and deferred tax. EPRA NAV represents the assessed fair value of a real estate company's net assets. The value presumes long-term ownership where the property portfolio's unrealised changes in value and realised changes in value for sale of properties are excluded. Furthermore, unrealised changes in the value of financial hedging instruments are reported at fair value as they will amount to zero as they are held until maturity.

EPRA NAV per share corresponds to EPRA NAV divided by the number of outstanding shares at the end of the period.

	The Group	
	2016	2015
Equity according to the Balance Sheet	16,176	13,953
Replacement:		
+ Fair value financial instruments	909	621
– Deferred tax receivable	–22	–30
+ Deferred tax liability	4,010	3,275
– Goodwill attributed to deferred tax	–263	–263
<b>EPRA NAV</b>	<b>20,810</b>	<b>17,556</b>
EPRA NAV	20,810	17,556
Number of outstanding shares at end of period, '000	133,221	133,221
<b>EPRA NAV per share</b>	<b>156.21</b>	<b>131.78</b>

#### E.3 EPRA NNNAV

EPRA NNNAV corresponds to reported shareholders' equity with reversal of goodwill and adjusted with estimated actual deferred tax. The value is expected to correspond to the estimated value of net assets at a given time, in contrast to EPRA NAV which reports the net asset value for long-term operation.

Assuming a deferred tax rate of 4 per cent (in accordance with EPRA's recommendation) for costing purposes for properties, the deferred tax totals SEK 556 million, rather than the reported value of SEK 3,275 million, which would have a positive effect on shareholders' equity of SEK 2,426 million.

EPRA NNNAV per share corresponds to EPRA NNNAV divided by the number of outstanding shares at the end of the period.

## NOTES

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**E** EPRA

**GS** GROUP STRUCTURE

**PC** PARENT COMPANY NOTES

### E.3 EPRA NNNAV, CONTD.

	The Group	
	2016	2015
EPRA NAV	20,810	17,556
– Fair value financial instruments	–926	–621
– Actual deferred tax liability	–667	–556
<b>EPRA NNNAV</b>	<b>19,234</b>	<b>16,379</b>
EPRA NNNAV	19,234	16,379
Number of outstanding shares at end of period, '000	133,221	133,221
<b>EPRA NNNAV per share</b>	<b>144.38</b>	<b>122.95</b>

### E.4 EPRA VACANCY RATE

EPRA Vacancy rate shows how large share of the rental value is not obtained due to vacancies. EPRA Vacancy rate is calculated by dividing the rental value of vacant areas by the total rental value for the entire property portfolio if everything was let. Project properties are not included.

	The Group	
	01/01/2017	01/01/2016
Rental value vacant premises, excl. project properties	154	138
Rental value total, excl. project properties	2,280	2,162
<b>EPRA Vacancy rate, %</b>	<b>6.8</b>	<b>6.4</b>

### E.5 TOTAL INVESTMENTS (CAPEX)

Total investments (CAPEX) are reported in the tables in accordance with EPRA BPR. Investments contain both revenue-increasing measures and capitalised maintenance.

	2016	2015
Acquisition of properties	1,461	872
Investments in project properties	447	204
Investments in land and development rights	62	16
Investments in sold properties	–	3
Investments in acquired properties	1	–
Investments in comparable portfolios	491	545
<b>Total investments (CAPEX)</b>	<b>2,463</b>	<b>1,640</b>

## GS GROUP STRUCTURE

### GS.1 SUBSIDIARIES

#### ACCOUNTING PRINCIPLES

The parent company's participations in group companies are valued at the acquisition value less accumulated depreciation increased or decreased based on changes to the share of equity. A subsidiary's reported value is tested at least annually for any write-down requirement, or more frequently if there is any indication that the reported value may not be recoverable. During the write-down testing the estimated recoverable value is compared to the book value. The recovery value comprises the higher of the fair value less sales costs and the value in use. The value in use comprises the current value of future cash flows. Potential write-down is reported for cases when the decline in value can be deemed as permanent. Write-down and reversals of previous write-downs are reported in the income statement.

	Parent Company	
	31/12/2016	31/12/2015
Opening acquisition values	2,620	2,429
Acquisitions	0	0
Capital contribution	5	–
Change in share of equity	111	190
Sales	–2,286	–
<b>Closing accumulated acquisition values</b>	<b>450</b>	<b>2,620</b>
Opening write-downs	–7	–7
<b>Closing accumulated write-downs</b>	<b>–7</b>	<b>–7</b>
<b>Closing balance</b>	<b>443</b>	<b>2,613</b>

Parent company, Directly-owned company	Corporate ID no.	Registered office	Number of participations	Share of equity, %	Shareholders' equity, SEK k	Profit/loss	Book value, SEK m	
			31/12/2016	31/12/2016	31/12/2016 <sup>1)</sup>	2016 <sup>1)</sup>	31/12/2016	31/12/2015
Atrium Ljungberg Holding 1 AB	556781–3059	Nacka	1,000	100%	427	–191	0	0
Atrium Ljungberg Holding 2 AB	556720–3111	Nacka	100,000	100%	79	0	0	0
Atrium Ljungberg Holding 3 AB	556781–3117	Nacka	1,000	100%	0	0	0	0
Atrium Ljungberg Holding 4 AB	559056–7730	Nacka	1,000	100%	5	0	5	0
Fastighetsaktiebolaget Blästern	556282–8052	Nacka	10,000	100%	0	0	0	0
Fastighetsaktiebolaget Celtica	556350–9727	Nacka	2,781,000	100%	186	–12	167	167
LjungbergGruppen Holding AB	556669–3221	Nacka	1,000	100%	35	10	190	190
TL Bygg AB	556225–4440	Nacka	10,000	100%	79	20	80	80
<b>Closing balance</b>							<b>443</b>	<b>437</b>
Sickla Industrifastigheter Kommanditbolag <sup>1) 2)</sup>	916616–1720	Nacka	999	100%	79	0	0	2,170
Impluvium Tio AB <sup>3)</sup>								5
<b>Closing balance previous year</b>							<b>443</b>	<b>2,612</b>

<sup>1)</sup> Information is only provided for the companies which are a part of the Group on 31/12/2016.

<sup>2)</sup> During the year the parent company sold participations in Sickla Industrifastigheter Kommanditbolag intra-group.

<sup>3)</sup> During the year Impluvium Tio AB was sold for liquidation purposes.

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**PC** PARENT COMPANY NOTES

### GS.1 SUBSIDIARIES, CONTD.

Parent company, Indirectly owned companies <sup>1)</sup>	Corporate ID no.	Registered office	Number of participations	Share of equity, %	Shareholders' equity, SEK k	Profit/loss
			31/12/2016	31/12/2016	31/12/2016	2016
AB Farsta Centrum	556065-3023	Nacka	1,000	100%	5	5
Atrium Ljungberg Borgarfjord 3 AB	556755-8076	Nacka	1,000	100%	10	-40
Atrium Ljungberg Citadellet AB	556994-4878	Nacka	500	100%	4	
Atrium Ljungberg Dimman AB	556659-3231	Nacka	1,000	100%	1	-24
Atrium Ljungberg Eken AB	556948-7555	Nacka	1,000	100%	44	-24
Atrium Ljungberg Fatburssjön AB	556021-7506	Nacka	1,500	100%	2	-104
Atrium Ljungberg Gränby Entré AB	556781-3091	Nacka	1,000	100%	0	0
Atrium Ljungberg Gränby Köpstad AB	556731-8265	Nacka	1,000	100%	3	2
Atrium Ljungberg Gävlegatan 22 AB	556745-4870	Nacka	1,000	100%	16	-19
Atrium Ljungberg Hälsingegatan AB	556877-5687	Nacka	500	100%	8	-5
Atrium Ljungberg Kista NOD AB	556745-5182	Nacka	1,000	100%	15	9
Atrium Ljungberg Kyrkviken AB	556781-3083	Nacka	1,000	100%	1	1
Atrium Ljungberg M2 AB	556994-4910	Nacka	500	100%	4	
Atrium Ljungberg Malmen AB	556165-6553	Nacka	1,000	100%	4	4
Atrium Ljungberg Planivägen AB	556815-7852	Nacka	50,000	100%	12	1
Atrium Ljungberg Resan AB	556948-4529	Nacka	1,000	100%	3	3
Atrium Ljungberg S:t Eriksgatan AB	556914-0782	Nacka	50,000	100%	6	2
Atrium Ljungberg Sickla Station AB	556781-3075	Nacka	1,000	100%	0	0
Atrium Ljungberg Skotten AB	556948-4537	Nacka	1,000	100%	144	138
Atrium Ljungberg Stora Katrineberg AB	556600-3843	Nacka	1,000	100%	10	-285
Atrium Ljungberg Tomtmark AB	556948-4545	Nacka	1,000	100%	759	758
Atrium Ljungberg Uddvägen AB	556781-3067	Nacka	1,000	100%	4	2
Atrium Ljungberg Vilande 1 AB	559056-7540	Nacka	1,000	100%	0	
Atrium Ljungberg Vilande 2 AB	559065-7713	Nacka	1,000	100%	0	
Atrium Uppsala AB	556691-3603	Nacka	1,000	100%	65	25
Farsta Centrum HB	916404-1361	Nacka	1,000	100%	1,145	863
Fastighets AB Brogatan	556060-5536	Nacka	1,000	100%	7	4
Fastighetsaktiebolaget Stadsgården	556029-0602	Nacka	31,993,074	100%	1,044	-50
Fastighetsaktiebolaget Österbotten	556019-4408	Nacka	1,250	100%	10	-109
Fatburstrappan Väst AB	556622-5966	Nacka	1,000	100%	10	8
Gränby Centrum AB	556409-6708	Nacka	100	100%	6	-23
Impluvium Tretton AB	556781-3109	Nacka	1,000	100%	0	0
Kommanditbolaget Arbetsstolen 3	969651-2350	Nacka	1,000	100%	126	113
Kommanditbolaget T-Bodarne	969646-1392	Nacka	1,000	100%	456	402
Kommanditbolaget Wårbyriggen 1	969651-2251	Nacka	1,000	100%	64	63
LjungbergGruppen Fastighets AB TX31	556688-4283	Nacka	1,000	100%	14	12
LjungbergGruppen Svindersvik AB	556674-6045	Nacka	1,000	100%	3	3
Mobilia Nord AB	556745-4888	Nacka	1,000	100%	9	7
Mobilia Shopping Centre AB	556412-5242	Nacka	100	100%	44	-13
Sickla Industrifastigheter Kommanditbolag <sup>2)</sup>	916616-1720	Nacka	999	100%	2,051	1,674
Walls Fastighets AB	556004-9909	Nacka	6,000	100%	9	4

<sup>1)</sup> Information is only provided for the companies which are a part of the Group on 31/12/2016.

<sup>2)</sup> During the year the parent company sold participations in Sickla Industrifastigheter Kommanditbolag intra-group. Therefore, the company comprises an indirectly owned company at the end of the year.

### GS.2 JOINT VENTURES AND ASSOCIATES

#### ACCOUNTING PRINCIPLES

Associated companies are companies in which the Group has a controlling influence, normally through a shareholding of minimum 20 per cent and maximum 50 per cent and is reported using the equity method. Under the equity method, participations in associated companies are reported at the acquisition value on the acquisition date and subsequently adjusted by the Group's share of the change in the associated company's net assets. The Group's book value of the shares in the associated companies corresponds to the Group's share in the associated companies' shareholders' equity and any residual value of consolidated surplus and deficit values.

	Number	Share of equity	Book value, SEK k	
	31/12/2016	31/12/2016	31/12/2016	31/12/2015
AB FB-sjön general partner 556605-5181				
Registered office in Stockholm	500	50 %	50	50
KB Fatburssjön 5 969670-3439				
Registered office in Stockholm	4,999	50 %	-	-
<b>Closing balance</b>			<b>50</b>	<b>50</b>

AB FB-sjön general partner and KB Fatburssjön 5 have not conducted any operations during the year.

## PC PARENT COMPANY NOTES

### PC.1 PARENT COMPANY ACCOUNTING PRINCIPLES

#### GENERAL

The Parent Company applies the same accounting principles as the Group with the exceptions and additions regulated in the RFR 2, Reporting for legal entities recommendation issued by the Swedish Financial Reporting Board. This means that in its annual accounts for the legal entity the Parent company shall apply all of the IFRS standards and pronouncements approved by the EU wherever this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and with reference to the link between accounting and taxation.

#### PROVISIONS AND FINANCIAL GUARANTEE AGREEMENTS

Provisions are reported under a separate heading in the Parent Company's Balance Sheet. The Parent Company applies the relaxation rule in RFR 2 with regard to the reporting of financial guarantee agreements to the benefit of subsidiary companies and associated companies, which means that IAS 39 is not applied to such guarantee agreements. Rather, the Parent Company reports a provision in respect of financial guarantee agreements when the company has an undertaking for which an outflow of resources will probably be required in order to settle the obligation.

### PC.2 PARENT COMPANY'S RESULT OF PARTICIPATIONS IN GROUP COMPANIES

#### ACCOUNTING PRINCIPLES

Received dividend is reported when the shareholders' right to receive payment has been confirmed. If it is deemed to be certain that a later decision on dividends will be decided at the upcoming Annual General Meeting in the paying subsidiary company, the parent company enters the income earlier, referred to as anticipatory dividend.

	Parent Company	
Result of participations in Group companies	2016	2015
Dividends from subsidiaries	554	430
Sickla Industrifastigheter KB, 916616-1720 <sup>11</sup>	111	190
<b>Total</b>	<b>665</b>	<b>620</b>

<sup>11</sup> During the year the parent company sold participations in Sickla Industrifastigheter KB to another group company. The share in profits refers to the date until the sale.

### PC.3 PARENT COMPANY INVESTMENT PROPERTIES

#### ACCOUNTING PRINCIPLES

Properties are valued at the acquisition value less accumulated depreciation and write-downs and come under the heading of Investment properties in the Parent Company's Balance Sheet. The term investment properties includes buildings and land, land improvement, building and land-related equipment as well as ongoing work.

Expenses which entail future financial benefits and where the expense can be calculated in a reliable manner have been added to the acquisition value. Ongoing maintenance which is not covered by the afore-mentioned description has been carried as an expense.

Depreciation according to plan is charged to the operating profit/loss of the Parent Company. Depreciation according to plan is effected in the amount of 1 per cent of the acquisition value for buildings, land improvements and building equipment. The buildings are fiscally depreciated in the amount of between 2 and 4 per cent of the acquisition value, while land improvements are depreciated in the amount of 5 per cent. Building equipment is fiscally depreciated in the amount of 20–30 per cent of the acquisition value. The difference between depreciation according to plan and fiscal depreciation is reported under appropriations. Deferred tax on the difference between booked and fiscal depreciation of buildings and land improvements is reported as deferred tax in the Income Statement and as a deferred tax liability in the Balance Sheet.

	31/12/2016	31/12/2015
<b>Investment properties</b>		
Opening acquisition values	1,741	1,658
Investments	80	82
<b>Closing accumulated acquisition values</b>	<b>1,820</b>	<b>1,741</b>
Opening depreciation	–234	–219
Depreciation for the year	–16	–15
<b>Closing accumulated depreciation</b>	<b>–250</b>	<b>–234</b>
Opening write-downs	–73	–73
<b>Closing accumulated write-downs</b>	<b>–73</b>	<b>–73</b>
<b>Closing residual value according to plan</b>	<b>1,497</b>	<b>1,434</b>
Fair value, investment properties	2,982	2,500

Valuation method is described in note A1.

## NOTES

**GI** GENERAL INFORMATION AND ACCOUNTING PRINCIPLES

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**T** TAX

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**F** FINANCING AND CAPITAL STRUCTURE

**E** EPRA

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**PC** PARENT COMPANY NOTES

### PC.4 UNTAXED RESERVES/APPROPRIATIONS

#### ACCOUNTING PRINCIPLES

The amount allocated to untaxed reserves in the Parent Company comprises taxable temporary differences. The deferred tax liability attributable to the untaxed reserves in the Parent Company is not reported separately due to the link between accounting and taxation. Untaxed reserves are, however, broken down within the Group, with 78 per cent reported as shareholders' equity and 22 per cent as deferred tax liabilities.

Untaxed reserves	31/12/2016	31/12/2015
Accumulated excess depreciation	50	42
<b>Closing balance</b>	<b>50</b>	<b>36</b>
<b>Appropriations</b>		
Excess depreciation equipment	-9	-5
Group contributions received/made	-41	-134
<b>Total</b>	<b>-50</b>	<b>-139</b>

### PC.5 PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

The Board proposes the following treatment of unappropriated earnings to the Annual General Meeting. Read more about the Board's statement on proposed treatment of unappropriated earnings on page 139.

The following sum in the Parent Company is available for disposal by the Annual General Meeting:

Profit brought forward	SEK 6,329,947,333
Net profit for the year	SEK 673,510,344
<b>Total</b>	<b>SEK 7,003,457,677</b>

The Board of Directors proposes that the unappropriated earnings be allocated as follows:

That a dividend of SEK 3.95/share be paid to the shareholders	SEK 526,221,907
Carried forward	SEK 6,477,235,770
<b>Total</b>	<b>SEK 7,003,457,677</b>

# PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

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Profit brought forward	SEK 6,329,947,333
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<b>Total</b>	<b>SEK 7,003,457,677</b>

The Board of Directors proposes that the unappropriated earnings be allocated as follows:

That a dividend of SEK 3.95/share be paid to the shareholders	SEK 526,221,907
Carried forward	SEK 6,477,235,770
<b>Total</b>	<b>SEK 7,003,457,677</b>

## BOARD STATEMENT CONCERNING THE PROPOSED DIVIDEND

The Board of Directors hereby issues the following statement in accordance with chapter 18, §4 of the Swedish Companies Act (2005:551). The Board's declaration that the proposed dividend is compatible with the provisions of chapter 17, § 3, sections 2 and 3 of the Swedish Companies Act is the following.

## THE NATURE AND SCOPE OF THE OPERATIONS AND THE RISKS ASSOCIATED THEREWITH

The nature and scope of the operations are specified in the Articles of Association and the published annual accounts. The operations conducted by the company do not entail risks over and above either those that arise or which may be expected to arise within the sector or those generally associated with commercial operations and the conduct thereof.

## THE FINANCIAL POSITION OF THE COMPANY AND THE GROUP

The financial position of the company and the Group on 31 December 2016 is shown in the 2016 annual accounts. The principles applied to the valuation of assets, provisions and liabilities are shown in the notes on pages 110–138 of the Annual Report.

It is apparent from the treatment of unappropriated earnings proposal that the Board proposes payment of a dividend of SEK 3.95 per share, corresponding to a total sum of approximately SEK 526 million. The proposed dividend comprises 6.9 per cent of the Parent Company's shareholders' equity and 3.3 per cent of the Group's shareholders' equity. Funds available for payment as dividends with-

in the Parent Company at the end of the 2016 financial year totalled SEK 7,003 million. The record date for distribution of profits proposed by the Board of Directors is Friday 07 April 2017.

It is apparent, inter alia, from the annual accounts that the Group's equity/assets ratio is 43.7 per cent. The proposed dividend does not jeopardise fulfilment of the investments deemed necessary. The company's financial position does not give occasion to assume anything other than that the company will be able to continue its operations and that the company can be expected to fulfil its undertakings in both the short and the long-term.

## THE DEFENSIBILITY OF THE DIVIDEND PROPOSAL

The Board of Directors is of the opinion, with reference to the above and to other information obtained by the Board, that the financial position of the company and the Group are such that the dividend proposal is defensible with reference to chapter 17, §3, sections 2 and 3 of the Swedish Companies Act, i.e. with reference to the requirements that the nature and scope of the operations and the risks it entails impose on the size of the company's and the Group's shareholders' equity and the consolidation requirements, liquidity and position in general of the company and the Group.

Nacka, 9 March 2017

Atrium Ljungberg AB (publ)  
Board of Directors

# ANNUAL ACCOUNTS SIGNATORIES

The Board of Directors and the Managing Director hereby attest that the consolidated accounts and the annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and with generally accepted auditing principles, and that they provide a true and fair view of the Group's and the company's respective positions and results and that

the Directors' Report for the Group and the Directors' Report for the company are faithful representations of the development of the performance by the Group's and the company's operations, and of their respective positions and results, and that they describe significant risks and uncertainty factors faced by the companies that make up the Group.

Nacka, 9 March 2017

**Johan Ljungberg**  
Chairman of the Board

**Sune Dahlqvist**  
Member of the Board

**Simon de Château**  
Member of the Board

**Hanna Graflund Sleyman**  
Member of the Board

**Anna Hallberg**  
Member of the Board

**Erik Langby**  
Member of the Board

**Annica Ånäs**  
CEO

Our Audit Report was submitted on 9 March 2017.

Ernst & Young AB

**Ingemar Rindstig**  
Authorised Public Accountant

# AUDITOR'S REPORT

To the General Meeting of Atrium Ljungberg AB (publ), corporate identity number 556175-7047

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### OPINIONS

We have audited the annual accounts and consolidated accounts of Atrium Ljungberg AB (publ) for the year 2016, except for the corporate governance statement on pages 92–97. The annual accounts and consolidated accounts of the company are included on pages 77–89 and 92–140 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2016 and of their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 92–97. The directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

### BASIS FOR OPINIONS

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

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

### KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Valuation of investment properties

The fair value of investment properties in the Group amounted to SEK 36,054 million on 31 December 2016. On the closing day which

is 31 December 2016, some parts of the property portfolio have been valued by external valuation experts and some have been valued internally. The valuations are yield-based in accordance with the cash flow model, which entails that future cash flows are forecast. The yield requirement of properties is assessed based on each property's unique risk and conducted transactions in the market for objects of a similar nature. Based on the high degree of assumptions and assessments which are made in connection with the property valuation, we believe that this area is a particularly important area in our audit. A description of the valuation of the property holding is stated in the section on significant assessments in note **G12** and note on investment properties **A1**.

In our audit we have evaluated the company's process for property valuation by, among other things, evaluating the valuation method and input data in the prepared valuations. We have evaluated the skills and objectivity of the external valuation experts. We have made comparisons to known market information. Based on our valuation expertise, we have reviewed the model used for property valuation. We have also reviewed the reasonability of the assumptions made such as yield requirements, vacancy rate, rental income and operating costs based on our valuation expertise. We have reviewed the appropriateness of the disclosures provided in the annual accounts.

### Income tax

The tax expense in accordance with the consolidated statement of comprehensive income amounts to SEK 755 million. The Group reports SEK 22 million as deferred tax receivables and SEK 4,010 as deferred tax liabilities. The description of current tax and deferred tax is stated in the annual accounts in notes **T1-3**.

The calculation and reporting of current tax and deferred tax is complex and contains a high degree of assessments and assumptions. These include loss deduction, basis of tax depreciation, directly deductible reconstruction costs, sale of properties separately or in legal form as well as changes in the value of properties and derivatives. Based on the assessments and assumptions made in connection with calculation of taxes, we consider this area as being particularly important in our audit.

In our audit we have evaluated and reviewed the company's process for calculation of current and deferred tax and reviewed estimates against data. By making use of our tax specialists, we have assessed the application against applicable tax legislation. We have reviewed the appropriateness of the disclosures provided in the Group.

## OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–76 and 90–91. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts

## AUDITOR'S REPORT

does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

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

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

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

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

### AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

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

report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Atrium Ljungberg AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the 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.

## BASIS FOR OPINIONS

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

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

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

## AUDITOR'S RESPONSIBILITY

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

## AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for that the corporate governance statement on pages 92-97 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 9 March 2017

Ernst & Young AB

Ingemar Rindstig  
Authorised Public Accountant

## MULTI-YEAR OVERVIEW

Amounts in SEK m	2016	2015	2014	2013	2012
<b>INCOME STATEMENTS</b>					
Rental income	2,150	2,122	1,980	1,956	1,825
Sales, project and construction work	149	346	331	405	253
<b>Net sales</b>	<b>2,299</b>	<b>2,468</b>	<b>2,311</b>	<b>2,361</b>	<b>2,078</b>
Property management costs	-692	-671	-636	-659	-601
Project and construction work costs	-162	-372	-342	-394	-242
<b>Gross profit/loss</b>	<b>1,445</b>	<b>1,425</b>	<b>1,334</b>	<b>1,308</b>	<b>1,235</b>
– of which gross profit/loss from property management	1,458	1,450	1,345	1,297	1,224
– of which gross profit/loss from project and construction work	-12	-26	-11	11	11
Central administration, property management	-82	-60	-53	-47	-42
Central administration, project and construction work	-15	-15	-14	-14	-17
	<b>-97</b>	<b>-76</b>	<b>-67</b>	<b>-62</b>	<b>-58</b>
Financial income	1	2	2	3	14
Financial expenses	-385	-405	-425	-421	-451
	<b>-384</b>	<b>-403</b>	<b>-423</b>	<b>-418</b>	<b>-437</b>
<b>Profit/loss before changes in value</b>	<b>965</b>	<b>945</b>	<b>844</b>	<b>829</b>	<b>739</b>
Properties, unrealised changes in value	2,772	2,328	861	143	368
Properties, realised changes in value	6	-44	8	-35	-49
Financial instruments, unrealised changes in value	-307	201	-894	343	-183
	<b>2,471</b>	<b>2,485</b>	<b>-25</b>	<b>450</b>	<b>136</b>
<b>Profit/loss before tax</b>	<b>3,436</b>	<b>3,431</b>	<b>818</b>	<b>1,279</b>	<b>875</b>
Current tax	-4	-17	-16	6	-90
Deferred tax	-751	-630	-157	-177	246
<b>Net profit/loss for the year</b>	<b>2,681</b>	<b>2,784</b>	<b>645</b>	<b>1,108</b>	<b>1,031</b>
<b>BALANCE SHEETS</b>					
Investment properties	36,054	30,841	28,163	25,009	24,576
Goodwill	263	263	274	274	308
Other fixed assets	52	48	45	38	24
Current assets	357	405	379	1,323	371
Liquid assets	276	389	415	187	189
<b>Total assets</b>	<b>37,001</b>	<b>31,947</b>	<b>29,276</b>	<b>26,830</b>	<b>25,467</b>
Shareholders' equity	16,176	13,953	11,590	11,021	10,255
Deferred tax liability	4,010	3,275	2,678	2,516	2,365
Long-term interest-bearing liabilities	13,125	10,976	9,807	10,660	8,811
Long-term derivatives	900	621	846	–	362
Other long-term liabilities	60	32	27	25	23
Short-term provisions	–	–	–	–	106
Short-term interest-bearing liabilities	1,970	2,285	2,510	1,754	2,802
Short-term derivatives	9	0	–	–	2
Other current liabilities	751	804	1,818	855	742
<b>Total shareholders' equity and liabilities</b>	<b>37,001</b>	<b>31,947</b>	<b>29,276</b>	<b>26,830</b>	<b>25,467</b>

Amounts in SEK m

**CASH FLOW STATEMENTS**

	2016	2015	2014	2013	2012
Cash flow from operating activities	949	1,006	734	854	832
Cash flow from investment activities	-2,435	-1,535	-302	-1,273	-2,472
Cash flow from financing activities	1,373	504	-204	417	1,554
<b>Cash flow for the year</b>	<b>-113</b>	<b>-25</b>	<b>228</b>	<b>-2</b>	<b>-86</b>

**KEY RATIOS***Property-related key ratios*

Letting rate, %	93	94	93	95	95
Operating surplus margin, %	68	68	68	66	67
Letting area, '000 m <sup>2</sup>	1,124	1,034	1,062	941	903
Investments in properties, SEK m	1,002	768	707	1,302	1,512
Number of properties	50	48	49	47	57

*Financial key ratios*

Equity/assets ratio, %	43.7	43.7	39.6	41.1	40.3
Gearing ratio, %	41.9	43.0	45.5	47.8	47.3
Interest coverage ratio, multiple	3.5	3.3	3.0	3.0	2.6
Average interest on interest-bearing liabilities (at period end), %	2.3	2.9	3.2	3.6	3.9
Return on shareholders' equity, %	17.8	21.8	5.7	10.4	10.4
Return on shareholders' equity, excluding changes in value, %	5.8	6.3	5.8	6.0	5.6
Return on total assets, %	11.1	12.5	4.4	6.5	5.5
Return on total assets excluding changes in value, %	4.2	4.6	4.5	4.7	4.9

*Data per share*

Earnings per share, SEK	20.13	20.89	4.89	8.52	7.92
EPRA EPS, SEK	5.65	5.54	4.98	4.97	4.19
Dividend (2016 proposed), SEK	3.95	3.55	3.30	3.05	2.85
Dividend pay-out ratio, %	69.9	64.1	66.8	61.4	68.0
Share dividend yield, %	2.8	2.7	2.9	3.5	3.3
Cash flow, SEK	7.12	7.55	5.56	6.56	6.39
Shareholders' equity, SEK	121.42	104.73	87.00	84.67	78.79
EPRA NAV, SEK	156.21	131.78	111.19	101.74	97.36
EPRA NNNNAV, SEK	144.38	122.95	101.87	98.17	92.08
Share price on 31 December, SEK	142.30	133.00	114.70	88.00	87.00
Average number of outstanding shares, '000	133,221	133,221	132,072	130,157	130,157
Number of outstanding shares at end of period, thousand	133,221	133,221	133,221	130,157	130,157

*Employees*

Average number of employees	281	282	282	285	265
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# DEFINITIONS

## FINANCIAL DEFINITIONS

### SHARE DIVIDEND YIELD, %

The proposed share dividend as a percentage of the share price at the end of the previous year.

The share's dividend yield is used to illustrate which current yield shareholders are expected to receive.

### SHARE'S TOTAL YIELD, %

The year's change in the share price plus the distributed dividend during the year as a percentage of the share price at the end of the previous year.

The share's total yield is used to illustrate the shareholders' total yield on their ownership in Atrium Ljungberg.

### EPRA NNNAV PER SHARE, SEK

Reported shareholders' equity with reversal of goodwill adjusted with estimated actual deferred tax, divided by the number of outstanding shares at the end of the period.

EPRA NNNAV per share is used to provide stakeholders information on Atrium Ljungberg's long-term net worth per share calculated in a uniform manner for publicly listed real estate companies.

### NUMBER OF OUTSTANDING SHARES

Number of registered shares at the end of the period less bought-back shares, which do not provide entitlement to dividend or voting rights.

### RETURN ON SHAREHOLDERS' EQUITY, %

Net profit/loss for the year as a percentage of average shareholders' equity.

Return on shareholders' equity is used to illustrate Atrium Ljungberg's capacity to generate profit on the owners' capital in the Group.

### RETURN ON SHAREHOLDERS' EQUITY, EXCLUDING CHANGES IN VALUE, %

Net profit/loss for the year as a percentage of average shareholders' equity excluding changes in value.

Return on shareholders' equity excluding changes in value is used to illustrate Atrium Ljungberg's capacity to generate current cash flow on the owners' capital in the Group.

### RETURN ON TOTAL ASSETS, %

Profit/loss before tax plus interest expenses as a percentage of the average balance sheet total.

Return on total assets is used to illustrate Atrium Ljungberg's capacity to generate profit on the Group's assets uninfluenced by the Group's financing.

### RETURN ON TOTAL ASSETS EXCLUDING CHANGES IN VALUE, %

Profit/loss before changes in value plus interest expenses as a percentage of the average balance sheet total.

Return on total assets excluding changes in value is used to illustrate Atrium Ljungberg's capacity to generate current cash flow on the Group's assets uninfluenced by the Group's financing.

### GEARING RATIO, %

Interest-bearing liabilities as a percentage of the sum of the properties' fair value at the end of the period.

The gearing ratio is used to illustrate Atrium Ljungberg's financial risk.

### GROSS PROFIT/LOSS PROPERTY MANAGEMENT

Rental income less property management costs.

### GROSS PROFIT/LOSS PROJECT AND CONSTRUCTION WORK

Project and construction sales minus project and construction costs.

### EQUITY PER SHARE, SEK

Reported equity divided by the number of outstanding shares at the end of the period.

Equity per share is used to illustrate the owners' share of the company's total assets per share.

### EPRA

The European Public Real Estate Association is a trade organisation for publicly listed real estate companies and investors in Europe which sets standards for the financial reporting.

### PROPERTY COSTS

Total property management costs, which exclude central administration.

### EPRA EPS PER SHARE, SEK

Profit/loss before changes in value, less calculated current tax excluding loss carry-forwards, divided by the average number of outstanding shares. The deducted tax has been calculated by taking into account tax deductible depreciation and investments.

EPRA EPS is used to provide stakeholders information on Atrium Ljungberg's earnings per share calculated in a uniform manner for publicly listed real estate companies.

### AVERAGE CAPITAL COMMITMENT, YEARS

Average remaining term until final maturity of all credits in the liabilities portfolio.

The average capital commitment is used to illustrate Atrium Ljungberg's financial risk.

### AVERAGE INTEREST RATE FOR INTEREST-BEARING LIABILITIES, %

Weighted average contracted interest for all credits in the liabilities portfolio at the end of the period excluding unutilised credit facilities.

The average interest is used to illustrate Atrium Ljungberg's financial risk.

### AVERAGE FIXED INTEREST, YEARS

Average remaining term until interest settlement date of all credits in the liabilities portfolio.

The average fixed interest is used to illustrate Atrium Ljungberg's financial risk.

**ADJUSTED GEARING RATIO, %**

Interest-bearing liabilities as a percentage of the sum of the properties' fair values at the end of the period, less properties acquired but not possessed and plus properties sold but not vacated.

The adjusted gearing ratio is used to illustrate Atrium Ljungberg's financial risk.

**CASH FLOW PER SHARE, SEK**

Cash flow from operating activities divided by the average number of outstanding shares.

Cash flow per share, SEK is used to illustrate Atrium Ljungberg's cash flow, and particularly its dividend capacity.

**EPRA NAV PER SHARE, SEK**

Reported shareholders' equity with reversal of goodwill, interest derivatives and deferred tax, divided by the number of outstanding shares at the end of the period.

EPRA NAV per share is used to provide stakeholders information on Atrium Ljungberg's current net worth per share calculated in a uniform manner for publicly listed real estate companies.

**AVERAGE NUMBER OF OUTSTANDING SHARES**

Weighted average number of outstanding shares calculated in accordance with IAS 33.

**EARNINGS PER SHARE, SEK**

Net profit/loss for the period divided by the average number of outstanding shares after dilution.

**PROFIT/LOSS BEFORE CHANGES IN VALUE PER SHARE, SEK**

Profit/loss before changes in value, less current tax, divided by the average number of outstanding shares.

Profit/loss before changes in value per share is used to illustrate the ongoing management operations.

**INTEREST COVERAGE RATIO, MULTIPLE**

Profit/loss before changes in value, plus interest expenses divided by interest expenses.

The interest coverage ratio is used to illustrate how sensitive the company's results are to interest rate changes.

**EQUITY/ASSETS RATIO, %**

Reported shareholders' equity as a percentage of the balance sheet total at the end of the period.

The equity/assets ratio is used to illustrate Atrium Ljungberg's interest rate sensitivity and financial stability.

**DIVIDEND PAY-OUT RATIO, %**

Dividend per share as a percentage of the profit/loss per share before changes in value, less applicable nominal tax.

Dividend pay-out ratio is used to illustrate how large share of the results is shifted out to the Group's owners and reinvested in the operations respectively.

*See property-related definitions  
on the next page* →

# PROPERTY-RELATED DEFINITIONS

## BREEAM

Is an environmental certification system developed in Europe for built environments. BREEAM takes a big picture approach to environmental performance. The areas addressed by BREEAM are energy and water consumption, health, transport, materials, waste, land usage, emissions, ecology and management.

## GFA, M<sup>2</sup>

GFA (Gross Floor Area) refers to the building's total area, including outer walls.

## OPERATING SURPLUS

Refers to Gross profit/loss in property management.

## EPRA VACANCY RATE, %

The rental value of unlet premises divided by the rental value of the entire property portfolio. Project properties are excluded.

The EPRA Vacancy rate is reported in accordance with the EPRA's definition of vacancy rate, which enables comparison between different companies.

## PROPERTY TYPE

The premises type which comprise the predominant share of the rental value of a register property determine the property type.

The market value is reported per property type.

## RENTAL VALUE

Contracted annual rents including rent surcharges (e.g. for property tax and electricity) and estimated market rents for vacant space in existing condition.

Rental value is used to illustrate the Group's income potential.

## LIKE-FOR-LIKE PORTFOLIO

Like-for-like portfolio refers to the properties which were not classified as project properties and were owned throughout the period and entire comparison period.

Like-for-like portfolio is used to illustrate the trend of rental income excluding non-recurrent effects for premature vacating of premises and property costs uninfluenced by project properties as well as acquired and sold properties.

## LEED

LEED is a sustainability certification for new production and existing buildings. The version of LEED which is often used to certify commercial properties assesses the building's environmental performance based on the areas: Local environment, water consumption, energy consumption, materials and indoor climate. In addition, bonus points can be attained for innovation in the project and regional considerations.

Atrium Ljungberg does not certify in accordance with LEED, but has acquired a property which is already certified in accordance with LEED.

## PREMISES TYPE

The operations managed in the individual premises determine the premises type: retail, offices, residential or other. Other includes, among other things, education, culture and service enterprises.

The letting rate and yield requirement are reported per premises type.

## ENVIRONMENTAL BUILDING

Environmental building is a certification system for buildings which are based on Swedish construction practice and covers energy, the indoor environment and material.

## NET LETTING

Total contracted annual rent for new lets less annual rents terminated due to clients vacating the premises for the period.

Net letting is used to illustrate the letting situation.

## PROJECT PROPERTY

An individual property or a clearly delimited part of a property that has been vacated in order to permit the renovation and upgrading of the property. The term, project property, also refers to buildings under construction and to undeveloped land and development rights. Reclassification from project property to completed property occurs on 1 January of the year after completion.

## PROJECT RETURN, %

Market value after completed project minus total investment as a percentage of total investment.

Project return is used to illustrate value creation in the project operations.

## LETTING AREA, M<sup>2</sup>

Total area available for letting.

## LETTING RATE, %

Contracted annual rents as a percentage of the rental value in conjunction with full letting. Reported figures are based on the immediately subsequent quarter.

The letting rate is used to illustrate the Group's efficiency in the use of its investment properties.

## OPERATING SURPLUS MARGIN, %

Gross profit/loss from property management as a percentage of the reported rental income.

Operating surplus margin is used to illustrate how large share of the Group's rental income remains after property costs. The operating surplus margin also forms the basis of valuation of the Group's investment properties.

# GRI INDEX

Atrium Ljungberg's sustainability report is prepared in accordance with the Global Reporting Initiatives (GRI) guidelines, version G4 Core. We have taken into account the sector supplement for the Construction & Real Estate Sector Supplement (CRESS) for preparing the report. The Annual Report and related GRI information on the company's website comprises Atrium Ljungberg's sustainability report as well as the Communication on Progress for the UN's Global Compact. Atrium Ljungberg publishes the sustainability report annually. The information has not been audited by a third party.

During the year Atrium Ljungberg's property portfolio changed due to sales, acquisitions and completion of new properties/projects. The changes do not affect the sustainability reporting appreciably, but should be considered for comparisons of energy consumption and emissions over time. No significant changes in scope or boundaries of the GRI report have been made. We

have changed the method of calculating carbon dioxide emissions from car-borne visitors, all data between the years 2014 and 2016 has been recalculated, this has entailed significantly lower emissions. All significant aspects have an impact both within and outside the organisation, in the reporting of each aspect we describe where it has an impact.

## Abbreviations:

- AR: Atrium Ljungberg's annual report 2016  
 Web: GRI information below the heading sustainability on [www.al.se](http://www.al.se)  
 CRE: Industry specific disclosures, from the Construction & Real Estate Sector Supplement  
 DMA: Disclosure on management approach

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Contact person: Emma Henriksson, Sustainability Manager

E-mail: emma.henriksson@al.se

Tel: +46 (0)70 300 29 96

# INFORMATION

**THE INFORMATION** we release to the market concerning Atrium Ljungberg's operations shall be transparent, clear and correct in order to build market confidence in our company and our brand.

**AS A LISTED COMPANY** Atrium Ljungberg is subject to the rules of the listing agreement with the Nasdaq Stockholm exchange. Significant events, interim reports and preliminary financial statements are published immediately via press releases and the information is also available on the company's website: [www.al.se](http://www.al.se).

**REGULAR MEETINGS WITH** analysts, investors, shareholders and financiers, and with our customers and partners, enable us to provide ongoing information on our company, current events and operational changes.

**THE ANNUAL REPORT** and interim reports are available on our website and the annual report is also distributed in printed format by post to shareholders who have actively requested them. Interim reports and preliminary financial statements are translated into English and all language versions are published simultaneously on our website. The annual reports are translated into English shortly after the publication of the Swedish language version.


**INTERESTED PARTIES** can subscribe to both financial reports and press releases via our website: [www.al.se](http://www.al.se). The site also provides updated information on our operations, our properties and projects, financial key ratios, the share, and much more besides. The information on the website is also available in English.

## PUBLICATION OF FINANCIAL INFORMATION

Interim report Jan–Mar 2017	20/04/2017
Interim report Jan–June 2017	12/07/2017
Interim report Jan–Sep 2017	18/10/2017
2017 Preliminary Financial Statements	Feb. 2018
2017 Annual Report	Mar. 2018

## ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will take place on Wednesday 05 April 2017 at 17.00 (CET), Filmstaden, Marcusplatsen 19 in Sickla, Nacka. Notices convening the AGM will be sent by letters in the post to shareholders and the AGM will also be advertised in Post- och Inrikes Tidningar (the Official Swedish Gazette). A statement that the AGM has been convened will be published in the Dagens Nyheter daily newspaper.

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A PART OF ATRIUM LJUNGBERG



ATRIUM LJUNGBERG

Box 4200, SE-131 04 Nacka. Street address: Sickla Industriväg 19

Tel: +46 (0)8 615 89 00, info@al.se

Registered office: Nacka, Corporate ID no.: 556175-7047

[www.al.se](http://www.al.se)