

# JANUARY TO MARCH

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INTERIM REPORT 2018

# INTERIM REPORT 1 JANUARY – 31 MARCH 2018

- **Net sales** increased to SEK 656 million (591) of which rental income increased to SEK 601 million (567). Rental income in the like-for-like portfolio increased by 3.9 per cent.
- **The letting rate** was 94 per cent (94), including project properties.
- **The operating surplus** from property management increased to SEK 409 million (384), an increase of 6.4 per cent. The increase are due primarily to new rentals, renegotiations, lower property costs and the effect of acquired properties. The operating surplus margin is unchanged at 68 per cent (68).
- **The profit** before changes in value increased to SEK 309 million (274).
- **Unrealised** changes in the value of investment properties totalled SEK 499 million (444) and are mainly explained by lower yield requirements and higher rental levels. Unrealised changes in the value of derivatives amounted to SEK -2 million (35).
- **The profit for the period** increased to SEK 618 million (622), corresponding to SEK 4.64/share (4.67).
- **Investments** in held properties increased to SEK 364 million (351).
- **Property acquisitions** amounted to SEK 0 million (1,846).
- **The forecast** for 2018 amounts to SEK 1,200 million for profit before changes in value. The profit after tax is considered to amount to SEK 1,315 million, corresponding to SEK 9.87/share.

Key ratios <sup>11</sup>	2018 jan-mar	2017 jan-mar	2017 jan-dec
Net sales, SEK m	656	591	2,563
Profit/loss before changes in value, SEK m	309	274	1,180
Net profit/loss for the period, SEK m	618	622	2,559
Investments in investment properties, SEK m	364	351	1,593
Acquisition of properties, SEK m	-	1,846	2,265
Cash flow from operating activities, SEK m	316	272	1,166
Letting rate, %	94	94	95
Operating surplus margin, %	68	68	69
Equity/assets ratio, %	44.0	42.4	42.6
Gearing ratio, %	41.9	43.7	44.7
Adjusted gearing ratio, %	42.3	43.7	44.1
Interest coverage ratio, multiple	5.0	3.9	4.2
Average interest rate for interest-bearing liabilities, %	1.7	2.2	1.7
Earnings per share, SEK	4.64	4.67	19.21
EPRA ESP, SEK/share	2.10	1.91	8.15
Cash flow, SEK/share	2.37	2.04	8.75
Share price at period end, SEK/share	123.00	136.40	130.30
EPRA NNNNAV, SEK/share	168.22	149.69	162.57
Shareholders' equity, SEK/share	141.45	126.11	136.79

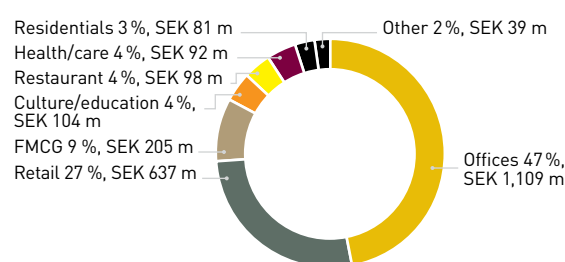
<sup>11</sup> For definitions, see pages 25–26

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.

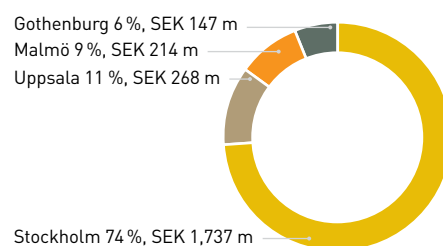
## SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- A lease agreement was signed with the co-working operator Convendum relating to just over 5,100 m<sup>2</sup> in Glashuset on Södermalm. The agreement has a term of ten years with expected occupancy in spring 2019.
- Atrium Ljungberg was ranked as one of Sweden's best workplaces for the fifth year in a row. The company exceeded the target of achieving a confidence index of 85 per cent in the employee survey. All in all, 95 per cent of our employees think that Atrium Ljungberg is a very good workplace.
- A resolution to introduce a stock option programme for the personnel was adopted at the Annual General Meeting in March. The programme includes a maximum of 186,000 call options.
- In January, the Atrium Ljungberg head offices were moved to new premises in the old Luftverkstaden in Sickla. A full activity-based working method was implemented at the same time.

## Contracted annual rent per premises type



## Contracted annual rent per region



# CEO'S STATEMENT

## FIRST QUARTER RESULTS AND FORECAST FOR 2018

The rental revenues increased by six per cent, with the comparable portfolio accounting for four per cent. This is a robust figure which largely reflects the office market, which remains strong. During the first quarter, we increased our operating surplus by six per cent to SEK 409 million. Our profit before changes in value increased by 13 per cent to SEK 309 million, with our lower average interest rates and interest cost making a positive contribution compared to the first quarter of last year. Our forecast is stable for the full year and amounts to SEK 1.2 billion. We have also had our Baa2 rating from Moody's reaffirmed. An excellent rating.

Overall, it has been a very good start to the year and I am extremely satisfied.

## STRATEGIC RENTAL

During the first quarter, we signed an important rental agreement with Convedum relating to just over 5,100 m<sup>2</sup> in Glashuset beside Slussen. The agreement is for ten years and occupancy is expected to take place in April 2019. Convedum is a co-working concept in the premium segment and exists in several locations in Stockholm and also in Gothenburg. I am extremely pleased that Convedum has chosen Glashuset. Their concept is a strong complement to our range of modern office solutions. There is a great deal happening in the area at the moment and we are sure that the growth of the new Slussen will raise up the area even more in future. The establishment of Convedum is confirmation of the attractiveness of the location.

## E-COMMERCE AND DIGITALISATION

It is more important than ever to work on our locations to make them attractive and relevant. Digital development impacts on the way in which people live, work, reside and consume. E-commerce's share of overall commerce is constantly growing. The first few months of the new year show that our four major retail hubs experienced a one per cent decrease in sales overall, whereas rentals in the comparative portfolio increased. The development of e-commerce requires our tenants and us, the property owner, to make changes.

Atrium Ljungberg has worked for many years to create locations where people want to be. Our locations are constantly changing to meet the requirements imposed by people on urban areas and urban developers, both now and in the future. Urban innovation is our development work for new thinking on how to build the attractive meeting places of the future.

Digitalisation and innovation go hand in hand. Digital solutions – and primarily a digital lifestyle – create new needs and solutions. The key to being able to develop our future business is to really understand the end customer. 2018 is our "innovation year", which means



**I am extremely pleased that Convedum has chosen Glashuset. Their concept is a strong complement to our range of modern office solutions. At present, there is a great deal going on in the area and I see the establishment of Convedum as confirmation of the attractiveness of the location.**



that we are working hard on these issues throughout the company.

## INVESTMENTS

We currently have ten ongoing construction projects with a remaining investment of SEK 2.3 billion. During the quarter, we invested SEK 364 million in our own properties, which is in line with our forecast of an investment of SEK 1.5 billion for the full year.

In 2018, we expect to begin construction of both Bas Barkarby in Järfälla and Life City in Hagastaden, Stockholm. It is considered that construction can begin on our Bas Barkarby project in November at the earliest, when the decision by the Land and Environmental Court is expected.

Our Life City project in Hagastaden is expected to start after the summer, but depends on approval by the Swedish Transport Administration of a tunnel construction that is crucial for the building. During the quarter, an intention agreement was signed with the co-working operator United Spaces relating to the rental of just over 3,200 m<sup>2</sup> on the first floor of the property. The business makes interaction possible between larger tenants in the building and young companies and organisations linked to cluster building in the life science area.

## FUTURE INTEREST DEDUCTION LIMIT

In March, the government submitted a referral to the Council on Legislation involving the introduction of a limit on interest deductions whereby the scope for deductions for negative net interest income is limited to 30 per cent of taxable EBITDA. In view of Atrium Ljungberg's current earnings and indebtedness, an average interest rate of 2.4 per cent would be required in order for the Group not to obtain a full

right of deduction of its interest expenses. The average interest rate at present is 1.7 per cent. The proposed legislation also means a reduction in company tax to 21.4 per cent in 2019 and 20.6 per cent in 2021, which would mean a positive effect on profit on deferred tax of approximately SEK 120 million and another SEK 180 million calculated on current recognised liabilities. The new rules are expected to enter into force from 1 January 2019.

## SWEDEN'S BEST WORKPLACES

I am very proud of the fact that Atrium Ljungberg has been ranked by Great Place To Work® as one of Sweden's best workplaces for the fifth year in a row. I am happy that our employees are so contented. I am convinced that it is due to the fact that we have clear expectations of our employees; we give them a great deal of responsibility and a mandate and our values serve as a compass to clearly point the way. Our long-term work is yielding results and employees who are satisfied and comfortable are a prerequisite in order for us to achieve our ambitious goals. 95 per cent of the employees think that Atrium Ljungberg is a very good workplace.

The head office moved to the old Luftverkstaden in Sickla in January. The new office is fully activity-based and has been designed to promote activity, creativity and efficiency. We have drawn great inspiration from hotels, which often offer welcoming, restful environments with high service levels. The offices show that we are on the leading edge in the offices we offer and they serve as both a showroom and an inspiration for our customers.

Annica Ånäs, CEO

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	2018 1/1–31/3	2017 1/1–31/3	2017 1/1–31/12	2017/2018 1/4–31/3
Rental income	601	567	2,389	2,423
Sales, project and construction work	54	24	174	205
<b>Net sales</b>	<b>656</b>	<b>591</b>	<b>2,563</b>	<b>2,628</b>
Property management costs				
Service charge-related costs	-58	-60	-186	-184
Other operating costs	-38	-38	-157	-156
Management costs	-35	-30	-153	-158
Repairs	-15	-12	-58	-61
Property tax	-36	-34	-142	-145
Leasehold fees	-7	-7	-35	-35
Non-deductible VAT	-3	-3	-11	-12
	-192	-183	-742	-751
Project and construction work costs	-55	-18	-206	-243
<b>Gross profit/loss</b>	<b>408</b>	<b>390</b>	<b>1,616</b>	<b>1,634</b>
<i>– of which gross profit/loss property management (operating surplus)</i>	409	384	1,647	1,672
<i>– of which gross profit/loss from project and construction work</i>	-1	6	-31	-38
Central administration, property management	-17	-17	-48	-49
Central administration, project and construction work	-4	-4	-16	-15
	-21	-21	-64	-64
Financial income	0	0	1	1
Financial expenses	-78	-95	-372	-355
	-78	-95	-372	-355
<b>Profit/loss before changes in value</b>	<b>309</b>	<b>274</b>	<b>1,180</b>	<b>1,215</b>
<b>Changes in value</b>				
Properties, unrealised	499	444	1,817	1,872
Properties, realised	5	-0	-4	0
Derivatives, unrealised	-2	35	121	85
Derivatives, realised	-	-	-5	-5
	502	479	1,930	1,953
<b>Profit/loss before tax</b>	<b>811</b>	<b>753</b>	<b>3,110</b>	<b>3,168</b>
Current tax	-30	-	-9	-39
Deferred tax	-163	-131	-542	-574
	-193	-131	-551	-614
<b>Profit/loss for the period</b>	<b>618</b>	<b>622</b>	<b>2,559</b>	<b>2,554</b>
<b>Other comprehensive income</b>				
<i>Items which will be reclassified to profit/loss</i>				
Cash flow hedging	5	5	18	18
Tax attributable to other reported income and expenses	-1	-1	-4	-4
<b>Total other comprehensive income</b>	<b>4</b>	<b>4</b>	<b>14</b>	<b>14</b>
<b>Total comprehensive income for the period</b>	<b>621</b>	<b>626</b>	<b>2,573</b>	<b>2,568</b>
Earnings per share, SEK	4.64	4.67	19.21	19.17

# PROFIT/LOSS JANUARY–MARCH 2018

## NET SALES

The Group's net sales for the period increased to SEK 656 million (591), of which rental income comprised SEK 601 million (567). The rental income increased by 3.9 per cent in the comparable portfolio compared to the same period of the previous year.

During the year, non-recurring payments of SEK 2 million (4) were received for premature vacating of premises.

## RENTAL INCOME TREND

	2018 1/1–31/3	2017 1/1–31/3	Change, %
Like-for-like portfolio	541	521	3.9
Non-recurring remuneration	2	4	
Project properties	29	25	
Properties acquired	23	0	
Properties sold	6	17	
<b>Rental income</b>	<b>601</b>	<b>567</b>	<b>6.0</b>

At the end of the period the market value for the like-for-like portfolio was SEK 34,944 million excluding building rights, corresponding to 84 per cent of the property portfolio's total value.

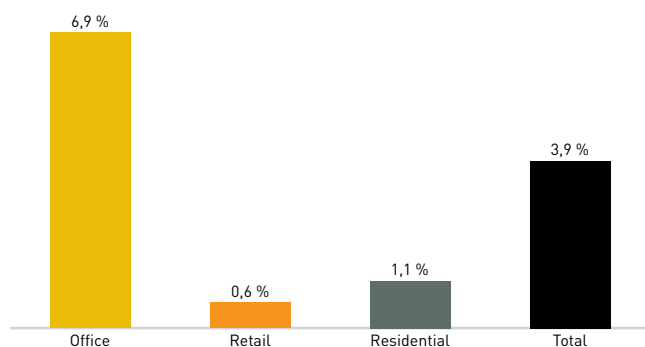
## PROPERTY EXPENSES

The property costs totalled SEK –192 million (–183). For the like-for-like portfolio, property costs have increased by 0.8 per cent compared with the corresponding period last year. The low increase in property costs is primarily explained by the introduction of IFRS 9 Financial Instruments, which has affected the principles for reserves for doubtful trade receivables and lower service charge-related costs compared to the same period of the previous year.

## PROPERTY COSTS TREND

	2018 1/1–31/3	2017 1/1–31/3	Change, %
Like-for-like portfolio	–167	–165	0.8
Project properties	–14	–10	
Properties acquired	–8	–1	
Properties sold	–4	–7	
<b>Property management costs</b>	<b>–192</b>	<b>–183</b>	<b>5.1</b>

## Like-for-like net rental income growth



## GROSS PROFIT/LOSS

The gross profit for the property management activities (the operating surplus) increased to SEK 409 million (384), corresponding to 6.4 per cent. The increase is due primarily to new rentals, renegotiations, lower property costs and the effect of acquired properties. The surplus ratio is unchanged at 68 per cent (68) compared to the same period of the previous year.

Contributions from acquired properties primarily relate to the property Lindholmen 30:1 in Gothenburg, which was taken over on 29 March 2017.

The gross profit for project and construction activities totalled SEK –1 million (6). The lower gross profit is primarily explained by a change in principles in the elimination of internal profit in TL Bygg within the Group. Internal Group sales for the period in TL Bygg amounted to SEK 99 million (132), which corresponds to 67 per cent (88) of total sales. TL Bygg's gross profit amounted to SEK 9 million (SEK 10 m).

## SEASONAL EFFECTS

The operating surplus is impacted by seasonal variations in operating costs. Generally costs are higher during the first and last quarter of the year, primarily caused by higher costs of heating and property maintenance.

## CENTRAL ADMINISTRATION

Central administration comprises costs for the company management as well as central support functions. The cost for the period amounted to SEK –17 million (–17).

## FINANCIAL INCOME AND EXPENSES

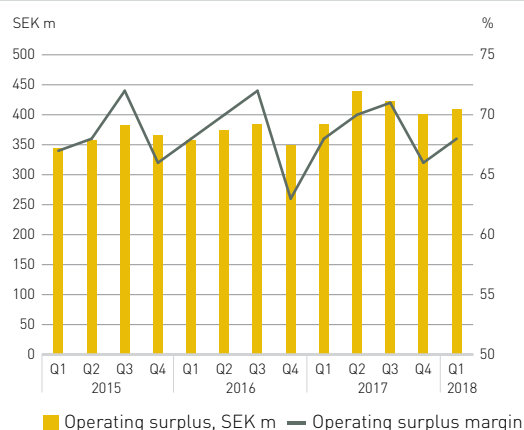
Financial expenses for the period amounted to SEK –78 million (–95) despite higher interest-bearing liabilities. The average interest rate at the end of the period amounted to 1.7 per cent (2.2). For more information, refer to the section on financing on page 13.

## CHANGES IN VALUE

Unrealised changes in the value of investment properties totalled SEK 499 million (444) and are mainly explained by the market's lower yield requirements and higher operating net. For more information, refer to the section on the property portfolio on page 8.

Unrealised changes in the value of derivatives totalled SEK –2 million (35).

## Operating surplus and operating surplus margin



## CONT. PROFIT/LOSS JANUARY–MARCH 2018

### TAXES

The current tax for the period totalled SEK –30 million (0). The current tax has been affected by tax deductible depreciation and investments, and by loss carry-forwards from previous years and restructuring of interest derivatives.

The change in deferred tax amounts to SEK –163 million (–131) and has primarily been impacted by deferred tax on unrealised changes in the value of properties and derivatives and the use of tax loss carry-forwards.

The Group's accumulated tax deficit amounted to SEK 22 million (29), of which SEK 22 million (29) comprises the base of the Group's deferred tax receivable.

The residual tax value of the property stock amounts to SEK 15,890 million (15,680).

### TAX CALCULATION, 31/03/2018

SEK m	Current tax	Deferred tax
Reported profit/loss before tax	811	
Tax deductible		
depreciation	–103	103
investments	–54	54
Non-taxable/non-deductible		
changes in the value of properties, unrealised	–499	499
changes in the value of properties, realised	5	0
changes in the value of derivatives, unrealised	2	–2
consolidated capitalisation of borrowing	–4	4
consolidated internal profit	4	–4
Other fiscal adjustments	–13	75
<b>Taxable profit/loss before loss carry-forwards</b>	<b>149</b>	<b>729</b>
Change in loss carry-forwards	–7	7
<b>Taxable profit/loss</b>	<b>142</b>	<b>736</b>
<b>Of which 22% current/deferred tax</b>	<b>–30</b>	<b>–163</b>
<b>Reported tax expense</b>	<b>–30</b>	<b>–163</b>

### PROFIT

The profit before changes in value increased to SEK 309 million (274).

The profit for the period amounted to SEK 618 million (622), which corresponds to SEK 4.64/share (4.67) and was primarily affected by unrealised changes in the value of properties, a higher operating surplus and higher tax costs.

### NET LETTING

Net letting, i.e. newly agreed contracted annual rents less annual rents terminated due to clients vacating the premises, amounted to SEK 10 million (–34) during the first quarter, of which SEK 3 (28) refers to project properties.

The time lag between net letting and its effect on profit is assessed to be 3–12 months.

### CONTRACTED ANNUAL RENT AND LETTING RATE

The contracted annual rent amounted to SEK 2,365 million on 01/04/2018 (2,354 on 01/04/2017) and the rental value amounted to SEK 2,512 million (2,507 on 01/04/2017). This gives a letting rate of 94 per cent (94 on 01/04/2017) including project properties and of 95 per cent (95 on 01/04/2017) excluding project properties. The EPRA vacancy rate is thus 5 per cent (7 per cent as of 01/04/2017).

The average remaining term for contracted rent excluding residentials and parking, was 3.5 years as of 01/04/2018 (5 years as of 01/04/2017).

### PROFIT FORECAST

The forecast for the profit before changes in value for the full year of 2018 amounts to SEK 1,200 million. The profit after tax is considered to amount to SEK 1,315 million, which corresponds to SEK 9.87/share. Future changes in value and any future property acquisitions and sales of properties have not been taken into account in the forecast.

### Rental value and letting rate

Premises type	01/04/2018			01/04/2017		
	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,%
Office	1,138	2,586	95	1,061	2,446	95
Retail	924	3,504	95	977	3,265	95
Other	219	1,856	95	215	1,880	96
Residentials	78	1,381	100	71	1,331	100
Garage/parking	52	–	93	61	–	94
<b>Business area Property</b>	<b>2,411</b>	<b>2,686</b>	<b>95</b>	<b>2,386</b>	<b>2,166</b>	<b>95</b>
Project properties	101		79	121		68
<b>Total</b>	<b>2,512</b>		<b>94</b>	<b>2,507</b>		<b>94</b>

# CONSOLIDATED BALANCE SHEETS SUMMARY

Amounts in SEK m	31/03/2018	31/03/2017	31/12/2017
<b>ASSETS</b>			
Investment properties	40,858	38,694	39,991
Goodwill	240	263	240
Other fixed assets	47	40	45
<b>Total fixed assets</b>	<b>41,145</b>	<b>38,997</b>	<b>40,276</b>
Development properties	876	–	870
Current assets	397	469	1,272 <sup>11</sup>
Liquid assets	415	152	344
<b>Total current assets</b>	<b>1,689</b>	<b>622</b>	<b>2,487</b>
<b>Total assets</b>	<b>42,834</b>	<b>39,618</b>	<b>42,763</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	18,844	16,802	18,223
Deferred tax liability	4,693	4,130	4,531
Long-term interest-bearing liabilities	15,433	15,721	16,415
Derivatives	481	865	484
Other long-term liabilities	73	63	73
<b>Total long-term liabilities</b>	<b>20,680</b>	<b>20,779</b>	<b>21,503</b>
Short-term interest-bearing liabilities	2,040	1,175	1,832
Derivatives	–	4	0
Other current liabilities	1,270	858	1,205 <sup>21</sup>
<b>Total current liabilities</b>	<b>3,310</b>	<b>2,038</b>	<b>3,037</b>
<b>Total shareholders' equity and liabilities</b>	<b>42,834</b>	<b>39,618</b>	<b>42,763</b>

<sup>11</sup> Including a purchase price receivable relating to the sale of Port 73.

<sup>21</sup> Including a purchase price not paid relating to the acquisition of Molekylen.

## 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 2017</b>	333	3,960	–54	11,937	16,176
Profit/loss for the period				622	
Other comprehensive income			4		4
<b>Closing balance, as per 31 March 2017</b>	<b>333</b>	<b>3,960</b>	<b>–50</b>	<b>12,559</b>	<b>16,802</b>
Profit/loss for the period				1,937	1,937
Other comprehensive income			10		10
Dividend, SEK 3.95/share				–526	–526
<b>Closing balance, as per 31 December 2017</b>	<b>333</b>	<b>3,960</b>	<b>–39</b>	<b>13,970</b>	<b>18,223</b>
Profit/loss for the period				618	618
Other comprehensive income			4		4
<b>Closing balance as per 31 March 2018</b>	<b>333</b>	<b>3,960</b>	<b>–36</b>	<b>13,969</b>	<b>18,844</b>

There are a total of 133,220,736 (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 period, the number of outstanding shares amounted to 133,220,736 (133,220,736 as of 31/12/2017). The average number of outstanding shares for the period from 01/01/2018 to 31/03/2018 amounts to 133,220,736 (133,220,736).

# PROPERTY PORTFOLIO

## THE PROPERTY MARKET

Rent levels for offices continue to rise, particularly in Gothenburg and Malmö. The Stockholm area has the highest rents, but they have not risen at the same rate, which may be partly explained by the offer of newly-produced office spaces.

Market yields continue to be stable at low levels despite some threatening storm clouds, which primarily consist of the possibility of future interest rate rises, lower housing prices and future legislative proposals that will mean higher costs in property sales and lower deductions for interest expenses.

The transaction volume on the Swedish property market amounted to SEK 23 billion in the first quarter, which is lower than the level for the previous year by SEK 38 billion. The demand for office properties is high and this accounted for a third of the transaction volume. Foreign investors have been an active presence and accounted for 38 per cent of the transaction volume.

## OUR PROPERTY PORTFOLIO

Atrium Ljungberg's property portfolio consists of 53 properties located in Stockholm, Gothenburg, Malmö and Uppsala. Our portfolio, which mainly consists of office and retail properties, has a total letting area of 1,145,000 m<sup>2</sup>.

In December 2017, an agreement was signed on sale of the property Söderby Huvudgård 2:43 in Haninge, which was completed at the beginning of February 2018.

## DEVELOPMENT PROPERTIES

Development properties are properties that are intended to be developed into tenant-owned dwellings before being sold. The development properties are recognised at the lowest of the costs expended and the estimated net realisable value.

### Changes in the property portfolio

SEK m	2018 1/1-31/3	2017 1/1-31/3	2017 1/1-31/12
<b>Investment properties</b>			
Fair value at the start of the period	39,991	36,054	36,054
Acquisitions (after deduction of deferred tax)	10	1,846	2,265
Sales	-	-	-868
Investments in our own properties	357	351	1,593
Unrealised changes in value	499	444	1,817
Reclassification to Development properties	-	-	-870
<b>Fair value at the end of the period</b>	<b>40,858</b>	<b>38,694</b>	<b>39,991</b>
<b>Development properties</b>			
At beginning of period	870	-	-
Reclassification from Investment properties	-	-	870
Investments	6	-	-
<b>Development properties, at period end</b>	<b>876</b>	<b>-</b>	<b>870</b>
<b>Property portfolio, total</b>	<b>41,733</b>	<b>38,694</b>	<b>40,861</b>

## PROPERTY VALUES

During the first quarter, Atrium Ljungberg internally valued the entire property portfolio and assumed yield requirements have been subject to quality assurance 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 develop-

## Property portfolio

Property type	31/03/2018			31/03/2017		
	Letting area, '000 m <sup>2</sup>	Fair value, SEK m	Fair value, SEK/m <sup>2</sup> <sup>1)</sup>	Letting area, '000 m <sup>2</sup>	Fair value, SEK m	Fair value, SEK/m <sup>2</sup> <sup>1)</sup>
Office properties	669	21,455	41,157	618	19,605	38,476
Retail properties	336	14,419	49,356	412	14,494	43,617
Residential properties	76	1,694	26,091	71	1,433	24,258
<b>Total</b>	<b>1,082</b>	<b>37,568</b>	<b>42,770</b>	<b>1,101</b>	<b>35,533</b>	<b>39,440</b>
Project properties	40	2,589	-	75	2,447	E/T <sup>2)</sup>
Land and development rights	-	701	-	-	714	-
<b>Total Investment properties</b>	<b>1,122</b>	<b>40,858</b>		<b>1,176</b>	<b>38,694</b>	
Development properties	23	876	-	-	-	-
<b>Total Properties</b>	<b>1,145</b>	<b>41,733</b>		<b>1,176</b>	<b>38,694</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.



## CONT. PROPERTY PORTFOLIO

ment 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 unrealised changes in value during the period amounted to SEK 499 million (444) and are mainly explained by the market's lower yield requirements and higher operating net.

### Unrealised changes in value, properties

SEK m	31/03/2018	31/03/2017
Change in yield requirements	289	363
Change in operating net etc.	210	81
<b>Total</b>	<b>499</b>	<b>444</b>

### Dividend yield requirement per premises type

%	Interval	31/03/2018	31/12/2017
		Average	Average
Office	3.7–6.5	4.6	4.7
Retail	3.7–6.2	5.0	5.0
Residentials	2.9–3.8	3.1	3.1
Other	3.7–6.3	5.1	5.1
<b>Total</b>	<b>2.9–6.5</b>	<b>4.7</b>	<b>4.7</b>

### Dividend yield requirement per region

%	Interval	31/03/2018	31/12/2017
		Average	Average
Stockholm	2.9–6.5	4.7	4.7
Uppsala	5.0–5.2	5.1	5.1
Malmö	3.8–6.3	5.4	5.4
Gothenburg	4.6–5.1	4.6	4.6
<b>Total</b>	<b>2.9–6.5</b>	<b>4.7</b>	<b>4.7</b>

### CONFIRMED PROJECTS

During the first quarter of 2018, investments in own properties amounted to SEK 364 million (351), of which SEK 253 million (174) was in project properties. Investments in project properties relate primarily to Sickla Front II and Gränbystaden. The other investments relate primarily to tenant adaptations in properties in Sickla, Liljeholmen and Gränbystaden.

The remaining investment volume for projects decided on amounted to approximately SEK 2.3 billion on 31 March.

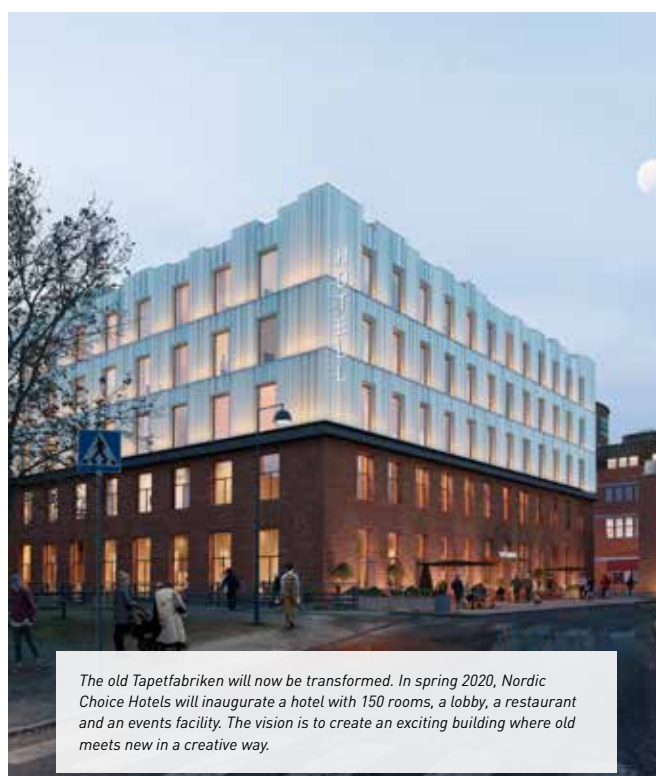
#### SICKLA – NACKA

**Sickla Front II** – The completion of Sickla Front II in Sickla is in its final phase. Sickla Front II comprises two office buildings of approximately 25,300 m<sup>2</sup> letting area in total as well as 14,000 m<sup>2</sup> GFA parking area. Along with the adjacent office property that was constructed in 2015, they form the Sickla Front district, which now provides a clear entrance to the Sickla city district, linking Sickla with Hammarby Sjöstad. The move will take place in the summer and autumn of 2018. Along with Yamaha Motor Europe, the tenants include the Swedish National Courts Administration with the Nacka District Court, the Rent and Tenancy Tribunal and the Land and Environmental Court. The ground floor is being designed to accommodate activities for the public.

**Sickla 1898** – In the autumn of 2017, work started on the reconstruction and extension project Sickla 1898. The location is historically Sickla's soul, where AB Diesels Motorer's first factory was constructed in 1898. We are creating a health care destination here, along with shops, a cafe and a restaurant. The project comprises a total of 11,700 m<sup>2</sup> letting area, which includes 8,100 m<sup>2</sup> for health care and 3,600 m<sup>2</sup> for retail. Occupancy will start at the end of 2020.



Beside Järnvägsgatan we are creating a health and social care destination with physiotherapy, a health care centre and a dentist. The ground floor accommodates shops, cafés and restaurants. The location is, historically speaking, the heart of Sickla and is where AB Diesel Motorer's first factory was built in 1898.



The old Tapetfabriken will now be transformed. In spring 2020, Nordic Choice Hotels will inaugurate a hotel with 150 rooms, a lobby, a restaurant and an events facility. The vision is to create an exciting building where old meets new in a creative way.

## CONT. PROPERTY PORTFOLIO

**Sickla Tapetfabriken** – The reconstruction and extension of a former office building in Sickla, known as “Tapetfabriken” (Wallpaper Factory) got under way. Tapetfabriken is planned to comprise 9,700 m<sup>2</sup>, with a hotel and offices, as well as a garage. At the beginning of 2018, we concluded an agreement with Nordic Choice Hotels, which will open a 7,200 m<sup>2</sup> hotel with more than 150 hotel rooms and a 2,000 m<sup>2</sup> lobby with a restaurant, events areas and conference premises. The hotel will open in the spring of 2020.

By transforming the former office building into a hotel, with an open ground floor that has meeting places and a restaurant for the public, we are continuing to develop Sickla into an even more vibrant urban environment.

### **GRÄNBYSTADEN – UPPSALA**

During the year we worked in Gränbystaden on new builds and extensions at both the area’s northern part and by Gränbystaden shopping centre.

**Norra Gränbystaden** – At the big-box hub in Northern Gränbystaden a building of 1,000 m<sup>2</sup> letting area was completed in the fourth quarter of 2017, with Elon opening a new store in October. Work is currently underway on constructing another building, where companies like Jula, Jysk and Rusta will be opening stores in the autumn of 2018. The big-box hub in Gränbystaden will then have a leasable area of just over 31,000 m<sup>2</sup>.

**Gränby Entré buildings 2 and 3** – The work to build three residential buildings next to Gränbystaden shopping centre continued during the previous year and occupation of building 1 took place in October 2017. Buildings 2 and 3 contain a total of just under 140 rental apartments and commercial premises, where a number of restaurants and cafes will be established. The apartments will start

to be released via Uppsala Bostadsförmedling in the spring of 2018, with occupancy at the end of 2018 and the beginning of 2019.

**Gränbystaden, south garage** – Next to Gränbystaden shopping centre, construction is ongoing of a parking garage with approximately 275 underground parking spaces. The garage will open in the autumn of 2018.

**Gränbystaden, south entrance** – An extension project is under way at Gränby staden Galleria, which comprises an additional 11,800 m<sup>2</sup> letting area for retail, restaurants, culture and entertainment. Nordisk Film will open a cinema and O’Learys will open a restaurant here at the end of November 2018.

### **MOBILIA – MALMÖ**

**Mobilia Torghuset** – New construction and extension of approximately 13,500 m<sup>2</sup> of letting area begins in May 2018. We will create additional areas for retail, residentials, restaurants and cultural activities in the heart of the district. The extension will be complete in spring 2020, when Nordisk Film will open a cinema and 74 rental apartments will be ready for occupation.

### **FORUMKVARTERET – UPPSALA**

**In Forumkvarteret** in the centre of Uppsala, major reconstruction work has been carried out in all parts of the property for some time. Forumkvarteret has offices, residential properties and a shopping centre with stores and restaurants. In 2017 and spring 2018, work focused mainly on improving and reconstructing the shopping centre section, making space available and creating a clear internal concourse. The offer has been strengthened by the establishment of Espresso House on two floors and the restaurant chain Egon, which is expected to open in the third quarter of 2018.



*An extension project is being carried on in the Gränbystaden shopping centre which involves just over 11,000 m<sup>2</sup> of retail, culture, restaurants and entertainment. The new part is being inaugurated at the end of November and Nordisk Film is opening a new cinema with five screens.*

## CONT. PROPERTY PORTFOLIO

Our ambition with Forumkvarteret is to create a city centre district with a strong offering of retail, restaurants and cafes, combined with attractive office environments.

The new shopping centre is planned to be opened for Christmas shopping in 2018.

### POTENTIAL DEVELOPMENT PROJECTS

Our existing project portfolio with own land and land allocations enables future investments corresponding to approximately SEK 14 billion. In terms of area, half of the project portfolio consists of residentials 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. A project market area is not usually started until we have secured a minimum return in the form of signed lease contracts.

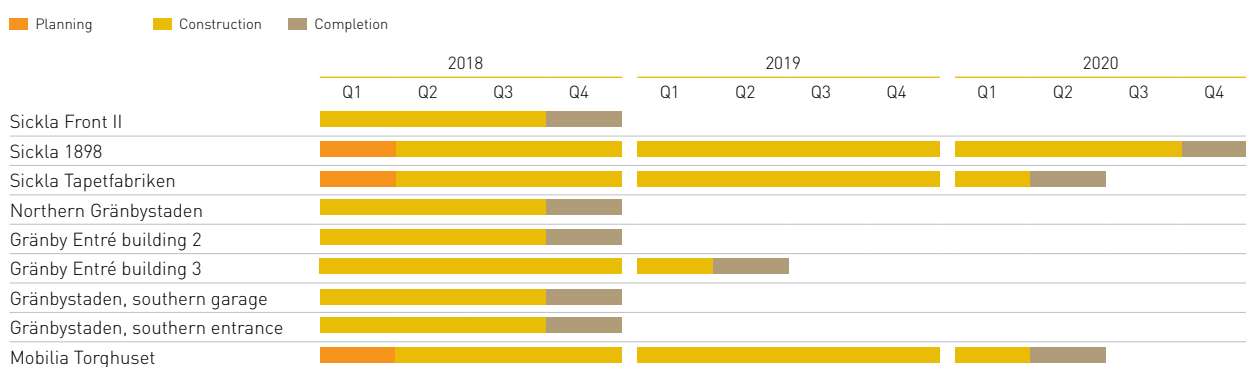
The projects that we expect to begin in 2018–2019 are described below. Some projects are covered by current detailed development plans and others are depended on new detailed development plans.

### POTENTIAL PROJECT STARTS 2018–2019

**In Sickla** we are planning an extension of the Sickla shopping centre of approximately 3,000 m<sup>2</sup> GFA for retail, plus two floors for a parking garage with approximately 220 parking spaces. There is a complete detailed development plan for the expansion and the construction is expected to start at the beginning of 2019.

Detailed planning work for approximately 500 residentials in Nobelberget, 700 in Kyrkviken and 60 in Gillevägen in Sickla is in progress. We expect a completed local development plan for Nobelberget to be completed in the spring of 2018 and are planning to start selling the first 70 tenant-owned dwellings in the second half of 2018, with construction beginning in the first quarter of 2019. At Nobelberget we want to create an attractive and dense urban environment with residentials as well as office premises and cultural activities.

### CONFIRMED PROJECTS, NEW BUILDS AND EXTENSIONS



### CONFIRMED PROJECTS

Project, property	Municipality	Retail, letting area, m <sup>2</sup>	Letting area, Office, m <sup>2</sup>	Residentials, letting area, m <sup>2</sup>	Parking, GFA	Total investment, SEK m <sup>1)</sup>	Of which remaining, SEK m	Completed	Fair value, SEK m	Assessed rental value, SEK m <sup>2)</sup>	Letting rate, %	Environmental certification
<b>New builds and extensions</b>												
Sickla Front II, Sicklaön 346:1	Nacka		25,300	14,000	830	240	2018	65	E/T <sup>3)</sup>	BREEAM		
Sickla 1898, Sicklaön 83:22	Nacka	3,600	8,100		510	470	2020	33	-	Breeam		
Sickla Tapetfabriken, Sicklaön 83:22	Nacka	7,200	2,600	4,600	380	360	2020	E/T <sup>3)</sup>	E/T <sup>3)</sup>	BREEAM		
Northern Gränbystaden, Brillinge 8:1/9:1	Uppsala	31,300			570	50	2014–2018	50	85	BREEAM		
Gränby Entré building 2, Gränby 21:4	Uppsala	900	1,300	3,300	230	120	2018	14	23 <sup>5)</sup>	Green Building		
Gränby Entre building 3, Gränby 21:4	Uppsala	1,100	1,300	3,400	240	200	2019	15	9 <sup>6)</sup>	Green Building		
Gränbystaden, southern garage, Gränby 21:4	Uppsala			11,500	190	10	2018	-	-	Breeam In-Use		
Gränbystaden, south entrance, Gränby 21:4	Uppsala	12,100			340	230	2018	37	57	Breeam In-Use		
Mobilía Torghuset, Bohus 8	Malmö	9,400	3,800		530	470	2020	35	30 <sup>7)</sup>	Breeam/ Environmental building		
<b>Reconstruction</b>												
Forumkvarteret, Dragarbrunn 27:2	Uppsala	8,100	3,200	1,400	290	120	2018	39	72	Breeam In-Use		
<b>Total</b>		<b>73,700</b>	<b>41,800</b>	<b>11,900</b>	<b>30,100</b>	<b>4,110</b>	<b>2,270</b>		<b>2,589<sup>8)</sup></b>			
Other project properties									701			
<b>Total project properties</b>									<b>3,290</b>			

<sup>1)</sup> Including any land acquisition in connection with the project implementation, but excluding any initial values such as demolition of buildings.

<sup>2)</sup> Excluding any net sales result.

<sup>3)</sup> Rental value/letting rate is not reported as a subtotal with regard to individual business transactions.

<sup>4)</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>5)</sup> The letting rate for commercial premises amounts to 46%. Residentials are let closer to completion.

<sup>6)</sup> The letting rate for commercial premises amounts to 17%. Residentials are let closer to completion.

<sup>7)</sup> The letting rate for commercial premises amounts to 37%. Residentials are let closer to completion.

<sup>8)</sup> Divided into SEK 1,199 million for new building and extensions and SEK 590 million for reconstructions.

## CONT. PROPERTY PORTFOLIO

Beside Sickla station we have a building right of approximately 7,500 GFA m<sup>2</sup> beside the future underground railway station for retail, services and offices. Along with the Municipality of Nacka, we are investigating the possibility of a larger building that could house more offices. Detailed development planning is under way, and construction is expected to start in 2019.

Detailed development plans are also ongoing for the 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** in Uppsala we want to continue to create urban qualities and develop the area with a mix of retail, offices and residential, as well as service and cultural activities. In addition to the rental apartments which are being constructed (see page 10), we are planning for approximately 250 more tenant-owned dwellings in the area. Construction of the first phase is expected to take place in 2019, with possession during 2020.

In Northern Gränbystaden there are opportunities to develop a further 5,000 m<sup>2</sup> GFA more retail.

At the beginning of 2017, we received a land allocation beside the Gränbystaden shopping centre with a building right of approximately 50,000 m<sup>2</sup> GFA. This gives us the ability to continue to develop Gränbystaden towards the vision of creating a second urban core for Uppsala.

**In Hagastaden** in Stockholm, we have the possibility of constructing 32,000 m<sup>2</sup> GFA beside Nya Karolinska Solna (NKS). In October 2017, Stockholm City Council adopted a resolution on a

development agreement with transfer of land. After property adjustment, we expect to be able to take possession of the land in summer 2018. Here, in the heart of the emerging life science cluster, we are creating Life City, a new centre for activities supporting cluster building in life science.

Construction of Life City is expected to start in mid-2018, with occupancy during the spring of 2021. The start of construction depends on approval by the Swedish Transport Administration of a tunnel construction which is crucial for the building.

**In Barkarby** in Järfälla we have a land allocation with the option of acquiring land with 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 district in the heart of the growing Barkarbystaden. It will promote learning focused on science and technology as well as culture, sports and business. Järfälla Municipality will 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 leases are conditional on the land transfer agreement being concluded. The local development plan gained legal force in January 2018 and a decision on environmental permits by the Land and Environmental Court is expected in November 2018 at the earliest.

Construction of the first phase of Bas Barkarby is expected to take place in November 2018 at the earliest, with occupancy in the summer of 2021.

# FINANCING

## THE FINANCIAL MARKET

The Swedish economy continues to be strong and the upturn in the rest of the world is positive for exports and industrial production.

Inflation is almost on target at two per cent, though the inflation forecasts have been revised downwards and the Riksbank has brought forward the time for when an increase in the repo rate can take place. There are storm clouds in the rest of the world due to an increasing protectionism, which can lead to greater trade barriers that would be detrimental to the Swedish export industry. In March, the National Institute of Economic Research assessed growth in GDP at 2.8 per cent for 2018 and 2.1 per cent for 2019.

The variable rate, 3M Stibor, amounted to -0.36 per cent at the end of the quarter, compared to -0.46 per cent at the beginning of the year. At the end of the quarter, the 10-year swap rate amounted to 1.21 per cent compared to 1.20 per cent at the beginning of the year.

## INTEREST-BEARING LIABILITIES

Atrium Ljungberg meets its financing requirements through five Nordic banks and the capital market. Bank loans accounted for 48 per cent (49) of the total loan volume at the end of the period. Interest-bearing liabilities at the end of the period amounted to SEK 17,473 million (16,896). During the first quarter, interest-bearing liabilities decreased by SEK 774 million due primarily to the fact that loans were repaid after a property sale.

The average interest rate at period end amounted to 1.7 per cent (2.2). Including unutilised loan guarantees the average interest rate amounted to 1.8 per cent (2.2). The average fixed interest term was 4.4 years (3.8 years) and the average capital commitment term was 3.5 years (3.7 years).

Unutilised loan guarantees in addition to loan guarantees which cover outstanding commercial paper amounted to SEK 2,150 million (860). The unutilised overdraft facility amounted to SEK 300 million (SEK 300 m).

## COLLATERAL

Atrium Ljungberg's borrowing is partly secured by real estate mortgages. Of the interest-bearing liabilities, SEK 8,448 million (8,325) is secured by mortgage deeds which corresponds to 20 per cent (21) in relation to the total assets.

## DERIVATIVES

At the end of the period, the derivative portfolio comprised of SEK 9,296 million (9,525) in interest swaps, with maturity between 2018 and 2029.

The derivatives portfolio is valued at market rate in conjunction with every closing of the accounts and the change in value is reported via the income statement. The unrealised change in value of derivatives amounted to SEK -2 million (35) during the period. The deficit book value of the derivatives portfolio totalled SEK -481 million (-869) at the end of the period.

## PUBLIC RATING AND INCREASED BOND VOLUME

In February 2017, we received an investment grade rating from the credit rating agency Moody's and was awarded a Baa2 grade with stable outlook. An updated report was received at the beginning of 2018 that confirmed previous levels.

Two issues of bonds were carried out in the first quarter. The volume of outstanding bonds under the MTN programme increased from SEK 5,700 million to SEK 6,300 million.



*Atrium Ljungberg endeavours to create offices of the future that reflect modern companies' needs and expectations. As part of this, Atrium Ljungberg has developed its new head offices, which are designed to promote cooperation, creativity and efficiency.*

### Fixed interest

Fixed interest term	Amount, SEK m	Percentage, %	Average interest, % <sup>11</sup>
2018	5,877	34	0.7
2019	800	5	0.2
2020	1,300	7	0.6
2021	760	4	4.1
2022	1,000	6	2.6
2023 and thereafter	7,736	44	2.6
<b>Total</b>	<b>17,473</b>	<b>100</b>	<b>1.7</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.

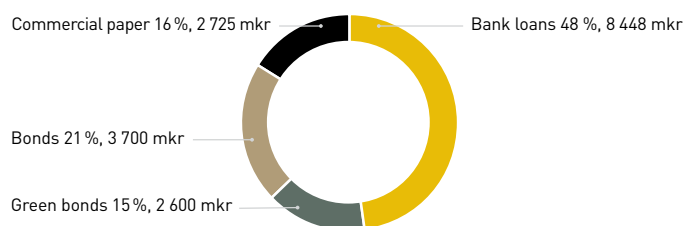
### Capital commitment

Maturity date	Amount, SEK m	Percentage, %
2018	510	3
2019	4,377	25
2020	5,035	29
2021	1,394	8
2022	3,517	20
2023 and thereafter	2,640	15
<b>Total</b>	<b>17,473</b>	<b>100</b>

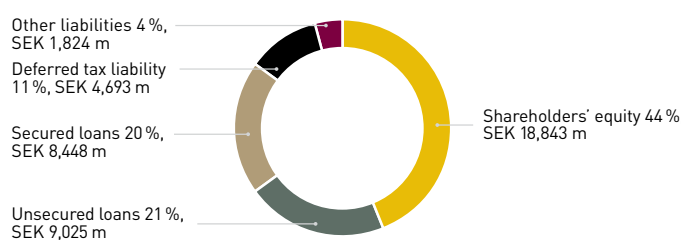
### Key ratios financing

	31/03/2018	31/12/2017
Interest-bearing liabilities, SEK m	17,473	18,247
Shareholders' equity, SEK m	18,843	18,223
Adjusted gearing ratio, %	42.3	44.1
Average fixed interest term, years	4.4	4.4
Average capital commitment term, years	3.5	3.5
Average interest rate for interest-bearing liabilities, %	1.7	1.7

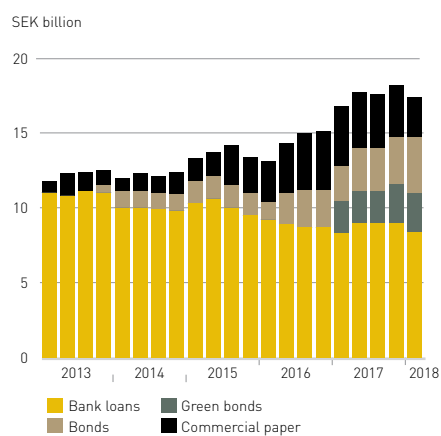
### Interest-bearing liabilities



### Capital structure



### Development in financing sources 2013–2018



# CONSOLIDATED STATEMENTS OF CASH FLOW

Amounts in SEK m	2018 1/1–31/3	2017 1/1–31/3	2017 1/1–31/2	2017/2018 1/4–31/3
<b>OPERATING ACTIVITIES</b>				
<b>Profit/loss before changes in value</b>	<b>309</b>	<b>274</b>	<b>1,180</b>	<b>1,215</b>
Reversal of depreciation and write-downs	3	2	8	9
Other items not included in the cash flow	-2	2	12	9
Tax paid	-16	-9	-4	-11
<b>Cash flow from operating activities before changes in working capital</b>	<b>293</b>	<b>268</b>	<b>1,197</b>	<b>1,222</b>
Net change in working capital	22	4	-31	-13
<b>Cash flow from operating activities</b>	<b>316</b>	<b>272</b>	<b>1,166</b>	<b>1,209</b>
<b>INVESTMENT ACTIVITIES</b>				
Acquisition of investment properties	-	-1,846	-1,833	12
Reconstruction and new construction of investment properties	-364	-351	-1,593	-1,606
Sale of investment properties	902	-	-	902
Purchase/sale of equipment	-9	-2	-17	-24
<b>Cash flow from investment activities</b>	<b>529</b>	<b>-2,199</b>	<b>-3,443</b>	<b>-716</b>
<b>FINANCING ACTIVITIES</b>				
Change in other long-term liabilities	0	3	12	9
Loans raised	718	2,175	5,178	3,721
Amortisation of debts	-1,492	-375	-2,028	-3,145
Exercise of derivatives	-	-	-290	-290
Dividends paid	-	-	-526	-526
<b>Cash flow from financing activities</b>	<b>-774</b>	<b>1,803</b>	<b>2,346</b>	<b>-231</b>
<b>Cash flow for the period</b>	<b>70</b>	<b>-124</b>	<b>68</b>	<b>262</b>
<b>Liquid assets at the beginning of the period</b>	<b>344</b>	<b>276</b>	<b>276</b>	<b>152</b>
<b>Liquid assets at the end of the period</b>	<b>415</b>	<b>152</b>	<b>344</b>	<b>415</b>

## COMMENTS ON THE CASH FLOW STATEMENT

The cash flow from operating activities totalled SEK 316 million (272), corresponding to SEK 2.37/share (2.04). The higher cash flow during the period compared to the same period last year is mainly explained by net operating results.

Investment activities have contributed to a positive cash flow by SEK 529 million (-2,199) relating to sales of one property.

The cash flow in financing activities amounted to SEK -774 million (1,803) as a consequence of repayments in connection with sales of properties.

Available liquidity amounted to SEK 2,865 million (2,009) and comprised bank deposits of SEK 415 million (344), unutilised overdraft facilities of SEK 300 million (300) and unutilised lines of credit of SEK 2,150 million (1,365) in addition to credit facilities covering outstanding commercial paper.

# SUSTAINABILITY REPORTING

## SUSTAINABLE ENTERPRISE

One of Atrium Ljungberg's overall operational goals is Corporate Social Responsibility. In this context we have defined four sustainability goals which are monitored quarterly:

- 100 per cent of our properties will be certified by 2021.
- Energy consumption per square metre will decrease by 30 per cent between 2014 and 2021.
- The proportion of green lease contracts will be 50 per cent of the contracted annual rent by 2021.
- We will be one of Sweden's best workplaces, which forms part of our aim to have sustainable employees and to be an attractive employer.

## ENVIRONMENTAL CERTIFICATION

We have chosen to certify our commercial premises in accordance with BREEAM and our residentials in accordance with Miljöbyggnad. On 31/03/2018, 18 per cent (15 on 31/03/2017) of leasable area was certified.

## 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. 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. 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.

The total energy intensity increased by three per cent compared to the previous year. The tenant carries on energy intensive activities in a newly-acquired property. This affects the key ratios for cooling and tenant electricity. The key ratio of property energy decreased by ten per cent compared to the previous year.

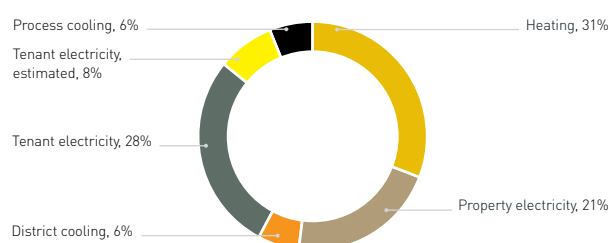
Compared to the reference year of 2014, the property's energy consumption has decreased by 25 per cent and the total energy intensity has decreased by 14 per cent.

## ENERGY INTENSITY 31/03/2018

kWh/m <sup>2</sup>	2017/2018 1/4-31/3	2016/2017 1/4-31/3	Change	Change compared to 2014 <sup>1)</sup>
Heating	71	78	-9%	-23 %
Property electricity	49	54	-8 %	-27 %
District cooling	14	17	-17 %	-26 %
<b>Sub-total property energy</b>	<b>134</b>	<b>149</b>	<b>-10 %</b>	<b>-25 %</b>
Tenant electricity	65	55	17 %	15 %
Tenant electricity, estimated	18	22	-14 %	-15%
Process cooling	14	- <sup>2)</sup>	-	-
<b>Total energy intensity</b>	<b>231</b>	<b>225</b>	<b>3%</b>	<b>- 14 %</b>

<sup>1)</sup> Reference year

<sup>2)</sup> At 31/03/2018 there were no properties with this type of energy



## 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. The goal is to achieve at least 50 per cent of contracted annual rent by 2021.

	2018 31/3	2017 31/3
Green lease contracts, share of contracted annual rent	20 %	13 %

## SUSTAINABLE EMPLOYEES

We have taken part in the Great Place to Work® evaluation of "Sweden's best workplaces" since 2011. Our goal is to achieve an average index of 85 per cent. In 2017 we exceeded our goals and achieved an index of 88 per cent (89).

## ECONOMIC VALUE DISTRIBUTED

Atrium Ljungberg creates value by management, development and acquisition of properties. The generated economic value mainly comprises rental income, investments and unrealised changes in the value of properties. There is a description below of how the created economic values are distributed between suppliers, employees, lenders, society and the owners.

SEK m	2018 1/1-31/3	2017 1/1-31/3	2017 1/1-31/12	2017/2018 1/4-31/3
Suppliers	504	463	2,120	2,161
Employees	45	42	166	159
Lenders	82	98	387	377
Society	115	62	303	356
Owners	-	-	526	526
<b>Economic value distributed<sup>1)</sup></b>	<b>746</b>	<b>665</b>	<b>3,501</b>	<b>3,579</b>

<sup>1)</sup> Economic value distributed corresponds to economic value generated. See reconciliation on Atrium Ljungberg's website.

## TAX

Atrium Ljungberg's directly distributed economic value to society comprises taxes and leasehold fees. These taxes mainly comprise current tax, property tax, non-deductible VAT, stamp duty, social security payments and special payroll tax. The rules on these taxes are monitored carefully as this is an essential part of the commercial offer with requirements for high predictability and minimisation of administrative expenses. Within the framework of this, in its tax policy Atrium Ljungberg undertakes not to conduct aggressive tax planning. Aggressive tax planning refers to arrangements which only aim to minimise the tax without links to own business activities.

SEK m	2018 1/1-31/3	2017 1/1-31/3	2017 1/1-31/12	2017/2018 1/4-31/3
Current tax	30	-	9	39
Property tax	36	34	142	144
Non-deductible VAT	13	8	54	59
Stamp duty	15	-	4	19
Social security payments	12	12	53	53
Special payroll tax	2	1	6	7
<b>Taxes</b>	<b>108</b>	<b>55</b>	<b>268</b>	<b>321</b>
Leasehold fees	7	7	35	35
<b>Society</b>	<b>115</b>	<b>62</b>	<b>303</b>	<b>356</b>

## GREEN BONDS

A green framework linked to the MTN programme was published in 2017. This enables green financing with a clear link to our sustainable projects. There was SEK 2,600 million in green bonds outstanding at the end of the period.



# SEGMENT REPORTING

Atrium Ljungberg's segmentation is based on two business areas: Properties and Project and construction activities.

31/03/2018	Properties	Project development <sup>1)</sup>	TL Bygg	Project and construction activities	Non-allocated items and eliminations	The Group
Amounts in SEK m						
Rental income	604				-3	601
Sales, project and construction work		5	148	153	-99	54
<b>Net sales</b>	<b>604</b>	<b>5</b>	<b>148</b>	<b>153</b>	<b>-102</b>	<b>656</b>
Property management costs	-194				2	-192
Project and construction work costs		-12	-139	-151	96	-55
<b>Gross profit/loss</b>	<b>410</b>	<b>-7</b>	<b>9</b>	<b>412</b>	<b>-4</b>	<b>408</b>
Central administration	-17		-4	-21	0	-21
Financial income and expenses					-78	-78
<b>Profit/loss before changes in value</b>	<b>393</b>	<b>-7</b>	<b>5</b>	<b>391</b>	<b>-82</b>	<b>309</b>
Changes in value	504 <sup>2)</sup>				-2 <sup>3)</sup>	502
Tax					-193	-193
<b>Profit/loss for the period</b>	<b>504</b>	<b>-7</b>	<b>5</b>	<b>391</b>	<b>-277</b>	<b>618</b>
Investments and acquisitions	382		1	1		383
Assets, period end	40,857 <sup>4)</sup>	876 <sup>5)</sup>	120	996	981	42,834

31/03/2017	Properties	Project development <sup>1)</sup>	TL Bygg	Project and construction activities	Non-allocated items and eliminations	The Group
Amounts in SEK m						
Rental income	570				-3	567
Sales, project and construction work		6	150	156	-132	24
<b>Net sales</b>	<b>570</b>	<b>6</b>	<b>150</b>	<b>156</b>	<b>-135</b>	<b>591</b>
Property management costs	-185				2	-183
Project and construction work costs		-9	-140	-149	132	-18
<b>Gross profit/loss</b>	<b>385</b>	<b>-3</b>	<b>10</b>	<b>6</b>	<b>0</b>	<b>390</b>
Central administration	-17		-4	-4	1	-21
Financial income and expenses					-95	-95
<b>Profit/loss before changes in value</b>	<b>368</b>	<b>-3</b>	<b>6</b>	<b>2</b>	<b>-95</b>	<b>274</b>
Changes in value	444 <sup>4)</sup>				35 <sup>7)</sup>	479
Tax					-131	-131
<b>Profit/loss for the period</b>	<b>812</b>	<b>-3</b>	<b>6</b>	<b>2</b>	<b>-191</b>	<b>622</b>
Investments and acquisitions	2,197		1	1	1	2,199
Assets, period end	38,694 <sup>4)</sup>		111	111	813	39,618

<sup>1)</sup> The profit within project development mainly refers to costs of investigations at early project stages and ongoing development projects.

<sup>2)</sup> Properties, unrealised SEK 499 (444) million. Properties, realised SEK 5 (-0) million.

<sup>3)</sup> Unrealised value changes derivatives SEK -2 (35) million. Realised changes in value of derivatives - (-).

<sup>4)</sup> Refers only to Investment Properties. Other assets attributable to the segment are reported under Non-allocated items and eliminations.

<sup>5)</sup> Refers only to Development Properties. Other assets attributable to the segment are reported under Non-allocated items and eliminations.

Revenue type per segment, 31/03/2018	Properties	Project development	TL Bygg	Project and construction activities	Non-allocated items and eliminations	The Group
<b>Rental income</b>	<b>604</b>				<b>-3</b>	<b>601</b>
<b>Sales, project and construction work</b>						
of which Turnkey contracts, fixed price			25	25		25
of which Turnkey contracts, open account			47	47	-35	12
of which Performance contracts, fixed price			12	12		12
of which Performance contracts, open account			65	65	-63	1
of which Other		5	0	5		5
<b>Total Project and construction sales</b>		<b>5</b>	<b>148</b>	<b>153</b>	<b>-99</b>	<b>54</b>
<b>Total Net sales</b>	<b>604</b>	<b>5</b>	<b>148</b>	<b>757</b>	<b>-102</b>	<b>656</b>

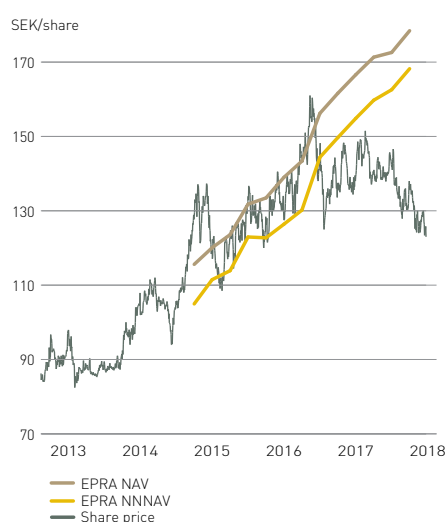
# KEY RATIOS <sup>1) 2)</sup>

	2018	2017	2017	2017/2018
	1/1-31/3	1/1-31/3	1/1-31/12	1/4-31/3
<b>PROPERTY-RELATED KEY RATIOS</b>				
Letting rate, %	94	94	95	94
Operating surplus margin, %	68	68	69	68
Letting area, '000 m <sup>2</sup>	1,145	1,176	1,146	68
Investments in investment properties, SEK m	357	351	1,593	1,599
Number of properties (period end)	53	53	53	53
<b>FINANCIAL KEY RATIOS</b>				
Equity/assets ratio, %	44.0	42.4	42.6	44.0
Gearing ratio %	41.9	43.7	44.7	41.9
Adjusted gearing ratio, %	42.3	43.7	44.1	42.3
Interest coverage ratio, multiple	5.0	3.9	4.2	4.4
Average interest rate for interest-bearing liabilities, %	1.7	2.2	1.7	1.7
Return on shareholders' equity, %	13.3	15.1	15.0	14.3
Return on shareholders' equity, excluding changes in value, %	5.3	5.5	5.5	5.5
Return on total assets, %	8.3	8.9	8.7	8.5
Return on total assets excluding changes in value, %	2.8	3.9	3.1	3.0
<b>DATA PER SHARE</b>				
Earnings per share, SEK	4.64	4.67	19.21	19.18
Profit/loss before changes in value less applicable nominal tax, SEK	1.81	1.60	6.91	7.11
EPRA EPS, SEK	2.10	1.91	8.15	8.37
Cash flow, SEK	2.37	2.04	8.75	9.08
Shareholders' equity, SEK	141.45	126.11	136.79	14.45
Share price at period end, SEK	123.00	136.40	130.30	123.00
EPRA NNAV, SEK	168.22	149.69	162.57	168.22
Average number of outstanding shares, '000	133,221	133,221	133,221	133,221
Number of outstanding shares at end of period, thousand	133,221	133,221	133,221	133,221
<b>EMPLOYEES</b>				
Average number of employees	295	283	295	294

# EPRA KEY RATIOS <sup>1) 2)</sup>

	31/03/2018	31/03/2017	31/12/2017
EPRA Earnings, SEK m	279	254	1,086
EPRA ESP, SEK/share	2.10	1.91	8.15
EPRA NAV, SEK m	23,772	21,529	22,992
EPRA NAV, SEK/share	178.44	161.61	172.59
EPRA NNAV, SEK m	22,410	19,941	21,658
EPRA NNAV, SEK/share	168.22	149.69	162.57
EPRA Vacancy rate	5%	5%	5%

EPRA NAV, EPRA NNAV and share price



<sup>1)</sup> See definitions pages 25-26.

<sup>2)</sup> See reconciliation for key ratios on Atrium Ljungberg's website.

# QUARTERLY SUMMARY

## INCOME STATEMENTS

	2018	2017	2017	2017	2017	2016	2016	2016
Amounts in SEK m	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Rental income	601	603	595	624	567	553	535	538
Sales, project and construction work	54	70	33	48	24	35	37	37
<b>Net sales</b>	<b>656</b>	<b>673</b>	<b>628</b>	<b>671</b>	<b>591</b>	<b>588</b>	<b>572</b>	<b>575</b>
Property management costs	-192	-202	-172	-185	-183	-211	-151	-164
Project and construction work costs	-55	-82	-40	-66	-18	-35	-44	-41
<b>Gross profit/loss</b>	<b>408</b>	<b>389</b>	<b>416</b>	<b>421</b>	<b>390</b>	<b>342</b>	<b>377</b>	<b>371</b>
– of which gross profit/loss property management (operating surplus)	409	401	423	439	384	342	384	375
– of which gross profit/loss from project and construction work	-1	-12	-7	-18	6	-1	-7	-4
Central administration, property management	-17	-21	-1	-9	-17	-17	-16	-20
Central administration, project and construction work	-4	-5	-3	-3	-4	-5	-3	-4
	-21	-26	-5	-12	-21	-22	-19	-24
Financial income and expenses	-78	-92	-91	-93	-95	-92	-93	-98
<b>Profit/loss before changes in value</b>	<b>309</b>	<b>271</b>	<b>320</b>	<b>315</b>	<b>274</b>	<b>228</b>	<b>265</b>	<b>249</b>
Properties, unrealised changes in value	499	129	332	912	444	1,483	316	959
Properties, realised changes in value	5	-4	-	-	-0	-	13	-1
Derivatives, unrealised changes in value	-2	-15	24	77	35	307	-54	-248
Derivatives, realised changes in value	-	-5	-	-	-	-	-	-
	502	105	357	989	479	1,790	275	710
<b>Profit/loss before tax</b>	<b>811</b>	<b>376</b>	<b>676</b>	<b>1,304</b>	<b>753</b>	<b>2,018</b>	<b>539</b>	<b>959</b>
Tax	-193	20	-152	-252	-131	-457	-121	-199
<b>Profit/loss for the period</b>	<b>618</b>	<b>396</b>	<b>524</b>	<b>1,052</b>	<b>622</b>	<b>1,561</b>	<b>418</b>	<b>760</b>
<b>KEY RATIOS <sup>1)2)</sup></b>	<b>2018</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
<b>Property-related key ratios</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
Letting rate, %	94	95	94	94	94	93	94	94
Operating surplus margin, %	68	67	71	70	68	62	72	70
Letting area, 1,000 m <sup>2</sup> (period end)	1,145	1,146	1,178	1,179	1,176	1,124	1,105	1,077
Investments in properties, SEK m	364	426	422	398	351	382	213	206
Number of properties (period end)	53	53	54	54	53	50	50	50
<b>Financial key ratios</b>								
Equity/assets ratio, %	44.0	42.6	42.7	41.9	42.4	43.7	41.3	41.8
Gearing ratio, %	41.9	44.7	43.3	44.4	43.7	41.9	43.7	43.6
Adjusted gearing ratio, %	42.3	44.1	43.3	44.4	43.7	41.9	43.7	43.6
Interest coverage ratio, multiple	5.0	3.9	4.2	4.4	3.9	3.5	3.8	3.5
Average interest rate for interest-bearing liabilities, %	1.7	1.7	2.0	2.0	2.2	2.3	2.3	2.5
Return on shareholders' equity, %	13.3	8.9	11.9	23.8	15.1	40.6	11.6	21.6
Return on shareholders' equity, excluding changes in value, %	5.3	4.6	5.6	5.7	5.5	4.9	5.7	5.4
Return on total assets, %	8.3	4.4	7.4	13.8	8.9	23.3	7.3	12.8
Return on total assets excluding changes in value, %	2.8	2.7	3.1	3.2	3.0	2.8	3.2	3.3
<b>Data per share</b>								
Earnings per share, SEK	4.64	2.98	3.93	7.63	4.67	11.72	3.14	5.70
Profit/loss before changes in value less applicable nominal tax, SEK	1.81	1.59	1.87	1.84	1.60	1.34	1.55	1.46
EPRA EPS, SEK	2.10	1.90	2.20	1.89	1.91	1.73	1.85	1.79
Cash flow, SEK	2.37	2.72	2.01	2.00	2.04	1.85	2.46	1.17
Shareholders' equity, SEK	141.45	136.79	133.79	129.82	126.11	121.42	109.68	106.51
Long-term net worth (EPRA NAV), SEK	178.44	172.59	171.32	166.61	161.61	156.21	143.36	139.01
Current net worth (EPRA NNNNAV), SEK <sup>3)</sup>	168.22	162.57	159.74	154.86	149.69	144.38	130.19	126.40
Share price at period end, SEK	123.00	130.30	142.00	140.50	136.40	142.30	149.60	136.50
Average number of outstanding shares, '000	133,221	133,221	133,221	133,221	133,221	133,221	133,221	133,221
Number of outstanding shares at end of period, thousand	133,221	133,221	133,221	133,221	133,221	133,221	133,221	133,221

<sup>1)</sup> See definitions pages 25–26.

<sup>2)</sup> See reconciliation for key ratios on Atrium Ljungberg's website.

<sup>3)</sup> For calculation of current net worth (EPRA NNNNAV), an estimated deferred tax of 4.0 per cent has been used.

# PARENT COMPANY

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 99 million (84). The operating profit/loss totalled SEK 14 million (10). The profit/loss after financial items totalled SEK 55 million (26).

## INCOME STATEMENTS PARENT COMPANY

Amounts in SEK m	2018 1/1–31/3	2017 1/1–31/3	2017 1/1–31/12
Rental income	45	43	214
Management income	54	41	225
<b>Net sales</b>	<b>99</b>	<b>84</b>	<b>439</b>
Property costs	-15	-16	-61
Management and administration expenses	-64	-53	-269
Depreciation	-5	-5	-20
<b>Operating profit/loss</b>	<b>14</b>	<b>10</b>	<b>90</b>
Result of participations in Group companies	-	-	450
Interest income and similar profit/loss items	141	129	557
Interest expenses and similar profit/loss items	-99	-113	-743
	<b>41</b>	<b>16</b>	<b>264</b>
<b>Profit/loss after financial items</b>	<b>55</b>	<b>26</b>	<b>353</b>
Appropriations	0	-2	162
<b>Profit/loss before tax</b>		<b>23</b>	<b>516</b>
Current tax	-30	-	-3
Deferred tax	-2	-10	176
	<b>-32</b>	<b>-10</b>	<b>172</b>
<b>Profit/loss for the period</b>	<b>23</b>	<b>13</b>	<b>688</b>

Interest-bearing liabilities amount to SEK 14,618 million (14,827). These funds finance the parent company's property portfolio and are lent on to other Group companies.

## SUMMARY BALANCE SHEETS PARENT COMPANY

Amounts in SEK m	31/03/2018	31/03/2017	31/12/2017
<b>ASSETS</b>			
Tangible fixed assets	1,610	1,524	1,525
Financial fixed assets	1,033	452	1,459
Current assets	20,139	22,378	22,157
<b>Total assets</b>	<b>22,782</b>	<b>24,356</b>	<b>25,141</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	7,787	7,614	7,764
Untaxed reserves	61	53	61
Provisions	113	296	98
Long-term liabilities	12,786	13,909	13,571
Current liabilities	2,035	2,483	3,646
<b>Total shareholders' equity and liabilities</b>	<b>22,782</b>	<b>24,356</b>	<b>25,141</b>

# OTHER INFORMATION

## MARKET DEVELOPMENT, RISKS AND UNCERTAINTY FACTORS

Atrium Ljungberg's property portfolio, with retail, offices and full-service environments, is primarily located in strong subsidiary markets in the expanding regions Stockholm, Gothenburg, Malmö and Uppsala. The primary prioritised risk management areas, in light of both their complexity and size of the amounts involved, are letting, property valuation, project activities and financing. The company has good procedures for managing these risks and also has a strong financial position with strong key ratios, such as a low gearing ratio and high interest coverage ratio.

For further information on risks and uncertainty factors in general, please see Atrium Ljungberg's 2017 Annual Report and the section entitled "Risks and risk management" on pages 88–92.

## NOTIFIED CHANGES OF RULES IN THE AREA OF TAX

On 21 March, the government issued a revised proposal relating to rules on interest limits for companies. According to the referral, which is proposed to enter into force on 1 January 2019, the right to deduct interest for negative net interest income is limited to 30% of taxable EBITDA. The company tax rate will be reduced in two phases from the current 22%: first to 21.4 % (2019) and finally to 20.6 % (2021). The introduction of a general deduction, referred to as a pri-

mary deduction, is proposed at 2% per year for the first six years. This applies to newly-constructed buildings that are classified as apartment blocks according to the cadastral survey. According to the Treasury Department, the parcelling study continues to be subject to administration.

## RETAIL SECTOR'S SALES TREND

In the first two months of the year, total sales at our four largest regional retail hubs – Sickla, Farsta Centrum, Gränbystaden and Mobilia – fell by an overall 0.9 per cent compared to the same period of the previous year.

## ACCOUNTING PRINCIPLES

Atrium Ljungberg's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies Swedish Financial Reporting Board's recommendation, RFR2 Accounting for Legal Entities, and the Swedish Annual Accounts Act. The accounting principles applied conform to those described in the 2017 Annual Report.

New and revised standards from IFRS and interpretations from IFRIC to be applied by the Group as of 1 January 2017 have had no effect on the Group's results or financial position.

#### **Valuation method for investment properties**

Investment properties are valued at fair value in the Balance Sheet. The valuation took place in accordance with level 3 in the IFRS valuation hierarchy.

#### **Valuation method for derivatives**

Derivatives (interest swap agreements) are valued at fair value in the Balance Sheet. Pursuant to the IFRS valuation hierarchy, the fair value of derivatives has been valued in accordance with level 2. This level means that the valuation is based on input data other than the listed prices, and 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.

#### **Fair value interest-bearing liabilities**

According to the Balance Sheet, the Group's reported interest-bearing liabilities total SEK 17,437 million (16,896) and their fair value totals SEK 17,551 million (16,968). The fair value calculation is based on discounted estimated future cash flows. The discounting is effected on the basis of current market rates plus the relevant borrowing margin. The valuation is hereby conducted with IFRS valuation hierarchy level 2. Atrium Ljungberg is of the opinion, with regard to other financial assets and liabilities reported at accrued acquisition value, that the differences between book values and fair values are insignificant.

### **NEW STANDARDS AND INTERPRETATIONS**

#### **IFRS 9 Financial instruments**

The Group has applied IFRS 9 Financial Instruments since 1 January 2018. The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement as of 1 January 2018. IFRS 9 mainly entails changes to how financial assets and liabilities are classified and measured. The new standard also contains changes to principles for hedge accounting and introduces an impairment model which is based on expected credit losses instead of incurred losses.

The new standard has not entailed any significant change in the recognition of Atrium Ljungberg's financial assets other than trade receivables. The new impairment model for trade receivables means fundamental differences in how and when an impairment of a trade receivable is recognised. Nevertheless, the new principles have not had any substantial effect on the Group's financial position.

Recognition of the Group's financial liabilities, which consist mainly of interest-bearing liabilities, interest derivatives recognised at fair value via the income statement and other current liabilities, is not substantially affected by the new standard.

Since the Group has ceased to carry out hedge accounting, the Group's financial statements are not affected by the new standards for hedge accounting.

The introduction of IFRS 9 has not had any effect on equity.

#### **IFRS 15 Revenue from Contracts with Customers**

The Group has applied IFRS 15 Revenue from contracts with customers since 1 January 2018. The new standard replaces IAS 18 Revenues and IAS 11 Construction agreements with associated statements on interpretation. Recognition of revenue starts in IFRS 15 when control of goods or services is transferred to the customer, which differs from the approach in IAS 18 and IAS 11 where control 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.

The new standard has an extremely limited effect on the moment when the revenue from the construction activity is recognised.

In advance of the introduction of the new standard, there was a discussion within the industry as to which parts of a rental contract must be considered to constitute rent, and should therefore be recognised in accordance with IFRS 16 Leasing, and which parts constitute service, and should be recognised in accordance with IFRS 15. Since the service that Atrium Ljungberg provides to tenants is considered to take place under the rental contract, all payments are recognised as rent, as previously.

Revenue in Project development mainly refers to compensation for tenant-specific adaptations in conjunction with new lease agreements. Regardless 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 all or parts of the lease period, the revenue comprises rent and must be reported in accordance with IFRS 16.

The recognition of construction income within the framework of TL Byggs' activities will not be affected by the new standard.

Property sales must be recognised at the date when control is transferred to the purchaser. Since a property sales contract normally severely limits the seller's ability to adopt any management measures with regarding to existing or new tenants as well as re-constructions from the contract date, Atrium Ljungberg, as previously, recognises property sales on the contract date unless there is any specific reason for it to do otherwise.

Atrium Ljungberg has decided to apply a cumulative, i.e. future-oriented, method when changing to IFRS 15. This means that the Group does not present any supplementary disclosures for previous periods regarding any remaining performance obligations at the time of the transition. Furthermore, the transition has not had any effect on equity.

### **NEW STANDARDS AND AMENDED STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET ENTERED INTO FORCE**

#### **IFRS 16 Leases**

IFRS 16 Leases will replace IAS 17 Leases with related interpretations as of 1 January 2019. The new standard requires lessees to report assets and liabilities attributable to all lease agreements, with the exception of agreements which are shorter than twelve months and/or refer to small amounts. The reporting of these leases may change as a result of the new standard.

For lessees, the standard does not entail any immediate changes to reporting compared to current standards.

During 2017, Atrium Ljungberg analysed what effects the standard is expected to have on accounting of the Group's lease agreements. One aspect of the analysis involved identifying all of the Group's lease agreements. In the analysis, Atrium Ljungberg has identified the lease agreements below as significant:

- Leasehold agreements, for which lease payments amounted to SEK 35 million in 2017
- Cars, for which lease payments amounted to SEK 4 million in 2017

In addition to the above, the Group has identified lease agreements that are not deemed as significant for the Group. These lease agreements pertain to software licences, office machinery, etc.

How to report leasehold agreements is currently being discussed. The discussion primarily concerns calculation of lease liability in light of future index and interest rate adjustments and rec-

ognition of right-of-use assets as real value after the initial recognition of the asset. Since it has not yet been determined how these aspects are to be taken into account, Atrium Ljungberg cannot yet assess how the standard will impact Atrium Ljungberg's reporting. During the year Atrium Ljungberg will continue to monitor development in the area and update its assessment continuously.

#### **EPRA**

Atrium Ljungberg reports EPRA EPS, EPRA Vacancy rate, EPRA NAV as well as EPRA NNNAV in accordance with the European Public Real Estate Association's definitions.

For calculation of EPRA NNNAV (the triple net asset value), an estimated deferred tax of 4.0 per cent has been used for properties. The calculation of the tax rate is based on a discount rate of three per cent (real) and the fact that the property portfolio is realised over 50 years, where ten per cent of the properties are sold through transfer of property with a nominal tax rate of 22 per cent, and that 90 per cent are sold indirectly through transfer of shares with a tax deduction for the buyer of six per cent.

#### **ALTERNATIVE PERFORMANCE MEASURES**

Atrium Ljungberg applies the guidelines of the European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APMs). According to these guidelines, an APM is a financial measure of historical or future profit performance, financial position, financial results or cash flows which are not defined or stated in applicable rules for financial reporting; IFRS and the Swedish Annual Accounts Act.

Reconciliation of APMs is available on Atrium Ljungberg's website, [www.al.se](http://www.al.se).

#### **ANNUAL GENERAL MEETING AND NOMINATION COMMITTEE**

The Annual General Meeting (AGM) of the company, held on 28 March 2018, resolved that the Board of Directors will consist of six ordinary members. Johan Ljungberg, Simon de Château, Sune Dahlqvist, Anna Hallberg and Erik Langby were re-elected for the period until the next AGM. Sara Laurell was elected as a new Board member. Johan Ljungberg was elected as the Chairman of the Board. Hanna Sleyman Graflund declined re-election.

It was further resolved that a new Nomination Committee would, ahead of the 2019 Annual General Meeting, comprise representa-

tives of the company's five biggest shareholders on the last banking day of February 2018. The Nomination Committee therefore consists of Per-Erik Hasselberg representing the Holmström family, Lars Ericson representing the Stockholm Consumer Cooperative Society, Hans Hedström representing Carnegie Fonder, Johan Ljungberg representing the Ljungberg family and Ilkka Tomperi representing the mutual occupational pension insurance company Varma.

A dividend payment of SEK 4.50 per share (SEK 3.95/share) was approved. The AGM also resolved to authorise the Board of Directors to both decide on an issue in kind of maximum 13.3 million shares of class B and to decide on buy back of the company's own shares of class B provided that certain specified preconditions are met, during the period until the next AGM. At the constituent meeting of the Board of Directors after the Annual General Meeting, the Board of Directors of Atrium Ljungberg decided to make use of the authorisation for repurchase of shares granted at the Annual General Meeting. The aim of the repurchase is to secure the supply of shares in accordance with the Group's stock option programme described below and to provide the Board of Directors with more flexibility in its work on the company's capital structure.

The Annual General Meeting resolved, in accordance with the proposal by the Board of Directors, to introduce a stock option programme for all employees in the Group involving acquisition of a maximum of 1,000 shares per employee and to introduce a interest cost subsidy programme for purchase of shares for senior executives.

Full minutes are available on Atrium Ljungberg's website at [www.al.se](http://www.al.se).

#### **OTHER INFORMATION**

The date previously notified for publication of the interim report for January – June 2018 has been changed. The new date is 10 July 2018 and the report is issued at 8.30.

#### **The Interim Report has not been subject to review by the company's auditors.**

Nacka, 20 April 2018

Annica Ånäs  
CEO

# ABOUT US

Atrium Ljungberg is one of Sweden's biggest listed property companies. We own, develop and manage properties in growth markets in Stockholm, Gothenburg, Malmö and Uppsala. Our focus is to develop attractive urban environments for offices and retail, supplemented with residential, culture, service and education.

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 customers and for society.

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

# BUSINESS CONCEPT

Our long-term approach to ownership, development and management enables us to offer our customers attractive urban environments for offices, retail 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.

## 53

NUMBER OF PROPERTIES

## 42

PROPERTY VALUE, SEK BILLION

## 2.4

CONTRACTED ANNUAL RENT, SEK BILLION

## 1,145

TOTAL LETTING AREA, 1,000 M2

## 94

LETTING RATE, %

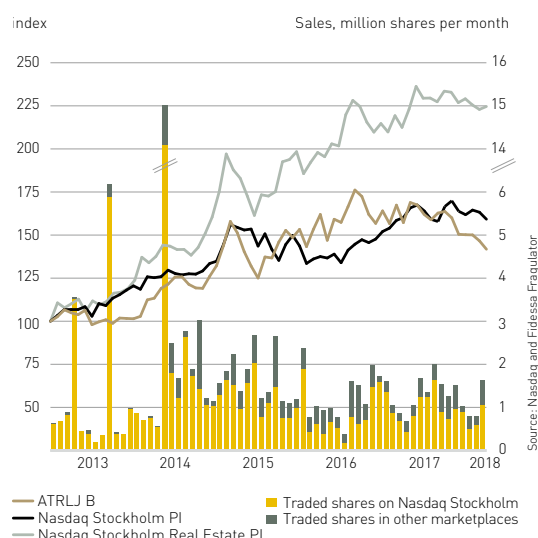
## 295

AVERAGE NUMBER OF EMPLOYEES

# FOUR REASONS TO OWN SHARES IN ATRIUM LJUNGBERG

- 1 A stable dividend yield** – The dividend yield for the share over the past five years amounted to 3.0 per cent. The dividends paid by the company since its flotation in 1994 have never fallen in SEK per share.
- 2 Low financial risk** – We are in a strong financial position, with solid key ratios such as a low gearing ratio and high interest coverage ratio, and an investment grade rating from Moody's of Baa2 with stable outlook.
- 3 Potential for good value growth** – With a planned investment rate of SEK 1 billion per year and a goal of 20 per cent returns on new build and extension projects, the company - and hence the share - has excellent potential for good value growth over time.
- 4 Sustainable urban development** – The 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 on human beings and the environment.

The Atrium Ljungberg share





## BUSINESS MODEL

Atrium Ljungberg's business model creates profitability and value growth, mostly through long-term property ownership, management and improvement, as well as through project development of properties. Our construction business also contributes to profitability, as do our property acquisitions and sales.

## GOALS

Atrium Ljungberg's operations focus on growth in the operating surplus. This, together with a stable capital structure, generates excellent conditions for good growth in value. Our goals are divided into three areas:

### PROFITABILITY AND GROWTH

The operating net will increase by 10% per annum, we will invest SEK 1 billion each year in in-house projects, and the return on new build and extension projects will be 20%. The dividend will correspond to a minimum of 50% of the profit before changes in value, after nominal tax.

### LONG-TERM STABILITY

The minimum equity/assets ratio must be a minimum of 30% and the interest cover-age ratio must be a minimum 2.0 times.

### CORPORATE SOCIAL RESPONSIBILITY

100% of our properties will to be environmentally certified by 2021. Energy consumption per m<sup>2</sup> is to decrease by 30 per cent between 2014 and 2021. By 2021, the proportion of green lease contracts is to be 50% of the contracted annual rent. We will be one of Sweden's best workplaces.

## STRATEGIES

- › We will focus on developing **attractive urban environments** for offices and retail, supplemented with residentials, culture, service and education.
- › Develop and improve **properties** and **development rights**.
- › Operate in **strong subsidiary markets** in large urban regions.
- › Be a **significant player** with large, unified units in each subsidiary market.
- › Focus **on our customers** in everything we do. **Collaboration** with customers, suppliers, municipalities and other stakeholders should be close, long-term, stable and committed.
- › Conduct and manage the entire business process **in-house** using our in-house expertise.
- › **The sustainability work** is integrated into the business strategy and constitutes an important component of our offering. We improve our own and our customers' resource efficiency.
- › To have **committed employees** who are passionate about what we do and who have well-established basic values.



# GRI INDEX

## 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 NNAV 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 NNAV 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.

### Management result less nominal tax (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.

Management result less nominal tax (EPRA EPS) is used to provide stakeholders information on Atrium Ljungberg's management result 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.

### **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.

#### **Development properties**

Development properties are properties that are built or unbuilt that the Group owns in order to develop and sell them as tenant-owned dwellings. These properties are recognised as current assets, even though some of the properties are managed and generate rental income while they are waiting to be developed.

They are recognised at the lowest of their accumulated acquisition value and their net realisable value.

#### **Property type**

The premises type which comprises the predominant share of the rental value of a register property determines 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**

Comparable portfolio refers to the properties which were not classified as project properties and were owned throughout the period and entire comparison period.

Comparable 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.

#### **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 with rebuilding or extension work in progress or planned that significantly affects the operating surplus 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.

### **SUSTAINABILITY-RELATED DEFINITIONS**

#### **Economic value distributed, Suppliers**

Economic value distributed, Suppliers comprises the period's total expenses and investments besides those reported below Economic value distributed, Lenders, Employees, Society and Owners.

Economic value distributed, Suppliers is used to describe Atrium Ljungberg's total compensation to other companies during the period.

#### **Economic value distributed, Lenders**

Economic value distributed, Lenders comprises the period's reported interest expenses plus consolidated capitalised interest expenses.

Economic value distributed, Lenders is used to describe Atrium Ljungberg's total compensation to lenders during the period.

#### **Economic value distributed, Employees**

Economic value distributed, Employees comprise the period's total payroll expenses and pension costs including benefits. Employees do not include consultants or other temporary staff.

Economic value distributed, Employees is used to describe Atrium Ljungberg's total compensation to its employees during the period.

#### **Economic value distributed, Society**

Economic value distributed, Society comprises the sum of the period's leasehold fees and total taxes and charges to the State. Deferred tax has not been considered.

Economic value distributed, Society is used to describe Atrium Ljungberg's total compensation to the State during the period.

#### **Economic value distributed, Owners**

Economic value distributed, Owners comprises the period's paid dividend.

#### **Energy intensity**

Total energy consumption from Heating, Cooling, Tenant electricity and Property electricity divided by the average estimated total heated letting area, excluding garage.

#### **Green lease contracts, %**

Contracted annual rent for commercial premises excluding the garage and storage for lease contracts with green rent supplement in per cent of contracted annual rent for commercial premises excluding the garage and storage. Green rent supplement is a supplement to the agreement from the Swedish Property Federation in which the tenant and landlord jointly undertake to reduce the environmental impact and covers, for example, energy, waste and transport. Reported figures are based on the immediately subsequent quarter.

# INFORMATION FROM ATRIUM LJUNGBERG

**THE INFORMATION** we release to the market concerning Atrium Ljungberg's operations must 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. The annual report is also distributed in printed format by post to shareholders who have actively requested it. 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.

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## PUBLICATION OF FINANCIAL INFORMATION

Interim report Jan–June 2018	10/07/2018 at 8.30
Interim report Jan–Sep 2018	19/10/2018 at 8.30
2018 Preliminary Financial Statements	Feb. 2019
2018 Annual Report	Mar. 2019



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