

JANUARY TO DECEMBER

YEAR-END REPORT 2018

YEAR-END REPORT 1 JANUARY–31 DECEMBER 2018

- **Net sales** increased to SEK 2,629 million (SEK 2,563 m) of which rental income increased to SEK 2,412 million (SEK 2,389 m). Rental income in like-for-like portfolios increased by 2.9 per cent.
- **The letting rate** was 95 per cent (95%), including project properties.
- **Net letting** amounted to SEK 144 million (SEK 40 m), of which SEK 92 million (SEK 59 m) referred to project properties.
- **The operating surplus** from property management amounted to SEK 1,648 million (SEK 1,647 m). The surplus ratio fell to 68 per cent (69%).
- **Profit** before changes in value increased to SEK 1,214 million (SEK 1,180 m).
- **Unrealised** changes in the value of investment properties amounted to SEK 2,516 million (SEK 1,817 m). Unrealised changes in the value of derivatives amounted to SEK –70 million (121).
- **Profit for the period** amounted to SEK 3,453 million (SEK 2,559 m), corresponding to SEK 26.15/share (19.21).
- **Investments** in Atrium Ljungberg's own properties amounted to SEK 1,758 million (SEK 1,593 m).
- **Property** acquisitions amounted to SEK 1,727 million (SEK 2,265 m).
- **Sales** of properties amounted to SEK 2,662 million (868).
- **The Board** proposes a dividend of SEK 4.85/share (SEK 4.50/share).
- **The forecast** for 2019 amounts to SEK 1,200 million for profit before changes in value. Profit after tax is considered to amount to SEK 940 million, corresponding to SEK 7.21/share.

Key ratios ¹⁾	2018 Jan–Dec	2017 Jan–Dec	2018 Oct–Dec	2017 Oct–Dec
Property value, SEK m	44,201	40,861	44,201	40,861
Net sales, SEK m	2,629	2,563	661	673
Profit/loss before changes in value, SEK m	1,214	1,180	276	271
Net profit/loss for the period, SEK m	3,453	2,559	1,301	396
Investments in investment properties, SEK m	1,758	1,593	583	426
Acquisition of properties, SEK m	1,727	2,265	1,560	421
Cash flow from operating activities, SEK m	1,260	1,166	269	359
Letting rate, %	95	95	95	95
Operating surplus margin, %	68	69	64	67
Equity/assets ratio, %	45.9	42.6	45.9	42.6
Gearing ratio, %	41.9	44.7	41.9	44.7
Interest coverage ratio, multiple	5.0	4.2	4.6	3.9
Average interest rate for interest-bearing liabilities, %	1.6	1.7	1.6	1.7
Earnings per share, SEK	26.15	19.21	9.93	2.98
EPRA ESP, SEK/share	8.99	8.15	2.74	1.90
Cash flow, SEK/share	9.54	8.75	2.06	2.70
Market value, SEK/share	152.00	130.30	152.00	130.30
EPRA NNNV, SEK/share	184.93	162.57	184.93	162.57
Shareholders' equity, SEK/share	158.64	136.79	158.64	136.79

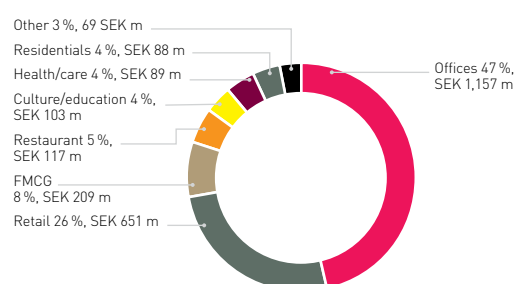
¹⁾ For definitions, see pages 25–26.

This interim 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.

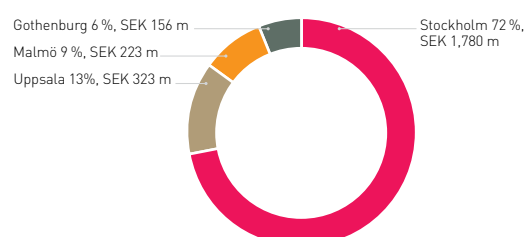
SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- Property exchange with Folksam Fastigheter where we acquired Katarinahuset in Slussen and sold Blästern 6 and Roddaren 7 in Hagastaden.
- Sale of Västberga Handel.
- Nacka District Court moved into Sickla Front II.
- Opening of the southern section of the shopping centre in Gränbystaden with 17 new stores, restaurants and a cinema.
- A broader financing base through the Norwegian capital market and direct financing.
- Launch of Leveriet, a new parcel delivery concept in Sickla and Mobilia. Leveriet integrates e-commerce into physical environments.

Contracted annual rent per premises type



Contracted annual rent per region



CEO'S STATEMENT

PROFIT AND FORECAST

The profit for the year is the best in Atrium Ljungberg's history. We maintained a high pace in our business during the year, both in the transactions we carried out and the number of projects we started. We sold retail properties and were also involved in a major property exchange that will have a significant impact on profit in the long term. Although these deals have a long-term benefit and are strategically correct, they will cause a negative effect on profit in the short term. In 2017 we also received a settlement of SEK 45 million from a dispute. Despite this we have delivered a slightly better profit than the previous year. Profit before changes in value totalled SEK 1,214 million. If we look ahead, 2019 is looking stable. The Riksbank (Sweden's central bank) is signalling further interest rate hikes in the summer, which we have taken into consideration in our forecast. Although our operating net will increase, we also believe that our interest expenses will rise by a corresponding amount, which explains why our forecast is for profit before changes in value to be SEK 1,200 million for 2019.

STRATEGIC DEALS

2018 was an intense year; we have never closed so many major deals before. At the end of April we sold Rådhuset in Uppsala, and a few weeks later we took our first step into Slakthusområdet in Stockholm by acquiring the Kylfacket 3 property in the south-eastern part of the area.

We also obtained several land allocations. We won a land allocation competition in Östra Hagastaden in Stockholm for a unique district that will become the city's northern gateway. I'm so happy that Atrium Ljungberg will get the chance to continue contributing to the development of Hagastaden. This is an area where we are heavily involved through our existing property holdings and our Life City project.

In the middle of June we signed another land allocation agreement for Mälarterrassen in Slussen in Stockholm. Here we will be working with the city to create a vibrant meeting place focusing on food and culture that will strengthen and develop the entire area.

In the autumn we continued to grow in Slussen when we acquired Katarinahuset as part of an exchange deal. We also took over a building right located directly in front of the property. As part of this deal we sold two properties, one in Hagastaden and one in Kungsholmen in Stockholm. Katarinahuset is an incredible property with strong roots in Stockholm and has a lot of potential.

The year ended with us selling Västberga Handel in Stockholm. This means that we have now sold the retail that does not fit into our city development strategy. What we have left are locations that have a strong position and that are in municipalities with healthy growth. This ensures that our retail sites have better conditions than many others.

SLAKTHUSOMRÅDET

In 2018 we closed our biggest deal ever when we signed the agreement with the City of Stockholm for Slakthusområdet, which is just south of Stockholm's city centre. The area is on the brink of enormous development that is expected to continue until 2030. This is one of Stockholm's largest city development projects in modern times and our vision, which we share with the city, is for Slakthusområdet to become the obvious place in Stockholm for offices, residential properties, food, culture and experiences. A new dynamic city district that will become Stockholm's equivalent of Kings Cross in London.

This agreement involves us acquiring existing properties and obtaining land allocations. The total



2018 was an intense year; we have never closed so many major deals before. The profit is the best in Atrium Ljungberg's history.



investment is calculated to be approximately SEK 8 billion. The deal will be finalised in May following decisions in the committees and the city council.

STRONG PROJECT PORTFOLIO

We have a large project portfolio that enables us to continue to grow strongly. At the time of writing we have a project portfolio that enables future investments of SEK 17 billion, mostly concentrated in Uppsala, Sickla and Hagastaden in Stockholm. These are mostly concentrated in Uppsala, Sickla and Hagastaden in Stockholm. Added to this SEK 17 billion is the project development for Slakthusområdet.

At the end of September we signed a lease agreement with Academic Work, which has decided to move a large part of its operations to the new Life City in Hagastaden, Stockholm. The rental value of this lease agreement is the highest in Atrium Ljungberg's history, covering more than 17,000 m² of offices. This is why we decided to take on this project, which covers 32,000 m² habitable GFA, an investment of approximately SEK 1.9 billion, including previous land acquisitions, and a rental value of approximately SEK 107 million plus supplements.

In Sickla there is development towards a dense and mixed city. At the beginning of the autumn the ground was broken for the new Tapetfabriken hotel which will be run by Nordic Choice Hotels through its Clarion Collection chain. Curanten, a healthcare building, is also being constructed next to Tapetfabriken. Slightly further away is Nobelberget, where foundation work is underway for the first residential district there. These residential properties started to be sold in September. In 2026 the underground extension to Sickla will be completed and in June a proposal for a 23-storey station house was presented, which will not only include the underground entrance, but also a hotel and offices.

The southern section of Gränbystaden was opened in Uppsala after several years' construction work. This has given the shopping centre a larger and more varied range with 17 new stores, restaurants and offices, with a strong injection of entertainment through Nordisk Film's first 4DX cinema in Sweden. We have also added 200 rental apartments to the site and a garage with 280 parking spaces.

In December we decided to start the Bas Barkarby project after the environmental judgement

became legally binding. This project covers a total of 50,000 m² with the Municipality of Järfälla as the tenant. It will rent 11,000 m² for upper secondary education, a multi-purpose hall, a library and other cultural activities.

FINANCIAL GOALS

It has been a long time since we updated our financial goals. The focus will continue to be on profitability and growth, as well as financial stability. Now that we have this incredible project portfolio, it is time to increase the investment goal for our project development from SEK 1 billion to SEK 2 billion per year. We are replacing our equity/assets ratio goal with a gearing ratio goal of a maximum of 45 per cent over time, because our impressive external rating will remain in focus in the future.

Finally we are leaving behind our operating net surplus goal and introducing a return on shareholders' equity goal of 10 per cent per annum. These goals are all relevant in the long term.

FUTURE PROSPECTS

The economy in Sweden has been strong for many years. But it looks as though we have passed the peak of this boom. Growth is slowing down in Sweden. Although it is difficult to predict what will happen in the years to come, many people are talking about a soft landing.

The conditions for Atrium Ljungberg will remain good in the future. We operate in growth areas in Sweden's four major cities and we have a large project portfolio that guarantees growth. It is primarily the lack of attractive offices in central locations that will result in the high demand continuing. The challenge is on the retail side, where e-commerce accounts for all the growth. We are working actively to ensure that our locations have attractive and relevant content. In our city development strategy, retail, service and restaurants are essential for creating attractive places where people want to spend time. We will not be happy until "everyone wants to live in our city".

Thank you to all of our customers, our employees and our partners for an incredible 2018!

Annica Ånäs, CEO



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	2018 1/1–31/12	2017 1/1–31/12	2018 1/10–31/12	2017 1/10–31/12
Rental income	2,412	2,389	613	603
Sales, project and construction work	217	174	48	70
Net sales	2,629	2,563	661	673
Property management costs				
Service charge-related costs	–186	–186	–48	–49
Other operating costs	–173	–157	–55	–37
Management costs	–157	–153	–48	–51
Repairs	–58	–58	–17	–22
Property tax	–150	–142	–41	–36
Leasehold fees	–27	–35	–5	–5
Non-deductible VAT	–12	–11	–3	–3
	–764	–742	–218	–202
Project and construction work costs	–246	–206	–60	–82
Gross profit/loss	1,619	1,616	383	389
– of which gross profit/loss property management (operating surplus)	1,648	1,647	395	401
– of which gross profit/loss from project and construction work	–29	–31	–12	–12
Central administration, property management	–73	–48	–21	–21
Central administration, project and construction work	–30	–16	–10	–5
	–103	–64	–31	–26
Financial income	1	1	0	0
Financial expenses	–303	–372	–76	–92
	–302	–372	–76	–92
Profit/loss before changes in value	1,214	1,180	276	271
Changes in value				
Properties, unrealised	2,516	1,817	1,125	129
Properties, realised	121	–4	112	–4
Derivatives, unrealised	–70	121	–97	–15
Derivatives, realised	1	–5	0	–5
	2,568	1,930	1,140	105
Profit/loss before tax	3,781	3,110	1,417	376
Current tax	–35	–9	–4	40
Deferred tax	–294	–542	–111	–20
	–329	–551	–115	20
Profit/loss for the period	3,453	2,559	1,301	396
Other comprehensive income				
<i>Items which will be reclassified to profit/loss</i>				
Cash flow hedging	16	18	4	4
Tax attributable to other reported income and expenses	–3	–4	–1	–1
Total other comprehensive income	13	14	3	3
Total comprehensive income for the period	3,466	2,573	1,305	400
Earnings per share, SEK	26.15	19.21	9.93	2.98

RESULTS JANUARY–DECEMBER 2018

NET SALES

The Group's net sales for the period increased to SEK 2,629 million (SEK 2,563 m), of which rental income comprised SEK 2,412 million (SEK 2,389 m). The rental income increased by 2.9 per cent in the comparable portfolio compared to the same period of the previous year.

During the year, non-recurring payments of SEK 5 million (13) were received for premature vacating of premises. In the previous year, SEK 45 million was received in a settlement in a rent dispute, of which SEK 40 million increased rental income.

RENTAL INCOME TREND

	2018 1/1–31/12	2017 1/1–31/12	Change, %
Like-for-like portfolio	2,025	1,969	2.9
Non-recurring remuneration	5	53	
Project properties	140	90	
Properties acquired	116	67	
Properties sold	126	211	
Rental income	2,412	2,389	1.0

At the end of the period the market value for the like-for-like portfolio was SEK 36,085 million excluding building rights, corresponding to 81 per cent of the property portfolio's total value.

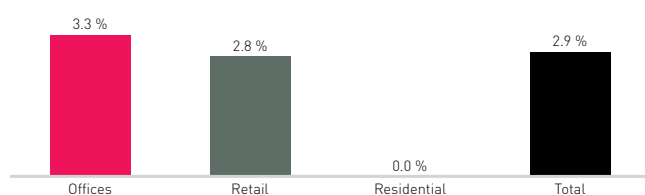
PROPERTY EXPENSES

The property costs totalled SEK –764 million (–742). For the like-for-like portfolio, property costs have increased by 2.8 per cent compared with the corresponding period last year. The increase in property costs is mostly due to higher operating costs caused by an increase in volumes when completing buildings, moving into project properties, cautious cost calculations in acquired properties, and operational cost increases. Lower anticipated customer losses had a positive impact of the fourth quarter of 2017.

PROPERTY COSTS TREND

	2018 1/1–31/12	2017 1/1–31/12	Change, %
Like-for-like portfolio	–631	–613	2.8
Project properties	–56	–42	
Properties acquired	–45	–24	
Properties sold	–33	–62	
Property management costs	–764	–742	2.9

Like-for-like net rental income growth



GROSS PROFIT/LOSS

The gross profit for property management (operating surplus) increased to SEK 1,648 million (SEK 1,647 m). The previous year's operating surplus was positively affected by a settlement of a rent expense of SEK 40 million. During the year the sale of properties was higher than the contribution from acquired properties which had a negative effect on operating surplus. The surplus ratio fell to 68 per cent (69 %), which is also linked to the vacating of properties with a relatively high gross margin.

For the like-for-like portfolio, the gross profit for property management increased by 2.9 per cent compared with the corresponding period last year. This increase is mostly caused by new lettings and renegotiations. However, the vacating of premises during the year affected rental income, particularly in the fourth quarter. Amended principles for the provisions for doubtful trade receivables in accordance with IFRS 9 Financial Instruments have reduced the costs for anticipated customer losses.

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

Sales of properties have affected the operating surplus, in particular the sale of Söderby Huvudgård 2:43, which was vacated on 1 February 2018.

The gross profit for project and construction activities totalled SEK –29 million (SEK –31 m). The better gross profit is primarily due to a higher gross profit in TL Bygg, as well as lower marketing costs in project and construction activities. Internal Group sales for the period in TL Bygg amounted to SEK 386 million (SEK 518 m), which corresponds to 65 per cent (81 %) of total sales. TL Bygg's gross profit, including intra-group transactions amounted to SEK 32 million (SEK 32 m).

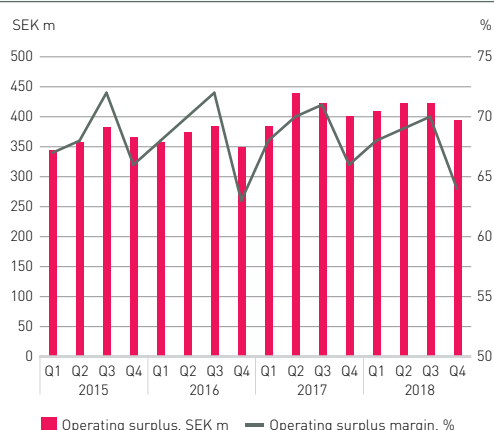
SEASONAL EFFECTS

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 of costs for the company management as well as central support functions. The costs for the year totalled SEK –103 million (SEK –64 m). The increase in central administration costs is mostly due to positive non-recurrent effects last year

Operating surplus and operating surplus margin



CONT. RESULTS JANUARY–DECEMBER 2018

for the retroactive settlement of the occupational pension totalling SEK 13 million and a settlement in a rent dispute totalling SEK 5 million. In 2018 there has been central administration for tenant-owned dwellings.

FINANCIAL INCOME AND EXPENSES

Financial expenses for the period amounted to SEK –302 million (–372) despite higher interest-bearing liabilities. The average interest rate at the end of the period amounted to 1.6 per cent (1.7). For more information, refer to the section on financing on page 13.

CHANGES IN VALUE

Unrealised changes in the value of investment properties amounted to SEK 2,516 million (SEK 1,817 m) and are mainly explained by higher net operating income and the market's lower yield requirements. For more information, refer to the section on the property portfolio on page 8.

Unrealised changes in the value of derivatives totalled SEK –70 million (SEK –121 m) as a result of lower market interest rates.

TAXES

The current tax for the period totalled SEK –35 million (–9). The current tax has been affected by tax deductible depreciation and investments, and by loss carry-forwards from previous years and restructuring of interest rate derivatives. The change in deferred tax amounted to SEK –294 million (SEK –542 m) and has primarily been impacted by unrealised changes in the value of properties, the sale of properties and derivatives, and a change in the tax rate from 22.0 to 20.6 per cent.

The government has decided to lower the tax rate in two steps, first to 21.4 per cent in 2019 and then to 20.6 per cent in 2021. Atrium Ljungberg has chosen to calculate the deferred tax liability on the lower tax rate since tax liabilities are not expected to be realized in any significant extent in 2019 and 2020.

The Group's accumulated tax deficit amounted to SEK 10 million (SEK 29 m) and comprises the base of the Group's deferred tax receivable.

The residual tax value of the property stock amounts to SEK 16,180 million (15,980).

TAX CALCULATION, 31/12/2018

SEK m	Current tax	Deferred tax
Reported profit/loss before tax	3,781	
Tax deductible		
depreciation	–467	467
investments	–307	307
Non-taxable/non-deductible		
changes in the value of properties, unrealised	–2,516	2,516
changes in the value of properties, realised	–121	121
changes in the value of derivatives, unrealised	70	–70
changes in the value of derivatives, realised	–191	191
consolidated capitalisation of borrowing	–16	16
consolidated internal profit	18	–18
Other fiscal adjustments	–62	135
Taxable profit/loss before loss carry-forwards	190	3,664
Change in loss carry-forwards	–29	18
Taxable profit/loss	161	3,682
Of which 22 per cent current/20.6 per cent deferred tax	–35	–759
Reversal of deferred tax for properties sold		147
Effect of change in tax rate		318
Reported tax expense	–35	–294

PROFIT

The profit before changes in value increased to SEK 1,214 million (SEK 1,180 m).

The profit for the period amounted to SEK 3,453 million (SEK 2,559 m), corresponding to SEK 26.15/share (19.21).

NET LETTING

Net letting, i.e. newly agreed contracted annual rents less annual rents terminated due to clients vacating the premises, amounted to SEK 144 million (SEK 40 m) during the year, of which SEK 92 (SEK 59 m) refers to project properties. A high proportion of net letting is from new lease agreements with Convendum in Glashuset in Slussen and Academic Work in Life City in Hagastaden.

The time lag between net letting and its effect on profit is assessed to be 3–30 months.

CONTRACTED ANNUAL RENT AND LETTING RATE

The contracted annual rent amounted to SEK 2,483 million on 01/01/2019 (SEK 2,357 m) and the rental value amounted to SEK 2,637 million (SEK 2,494 m). This gives a letting rate including project properties of 95 per cent (95%), and excluding project properties of 95 per cent (95%). The EPRA vacancy rate is therefore 5 per cent (5%).

The average remaining term for contracted rent excluding residentials and parking, was 4.0 years as of 01/01/2019 (3.6 years).

PROFIT FORECAST

The forecast for profit before changes in value amounts to SEK 1,200 million in comparison to SEK 1,214 million for 2018. The Riksbank (Sweden's central bank) has signalled further interest rate hikes in the summer of 2019, which we have taken into consideration in our outlook. Although operating net for the business will increase, we believe that interest expenses will rise by a corresponding extent. The forecast net profit after tax is SEK 940 million, corresponding to SEK 7.21/share. Changes in value and any other future property acquisitions and sales, except for the initial acquisition in Slakthusområdet, have not been taken into account in the forecast.

1) Calculated on 130,459,736 shares, corresponding to the number of outstanding shares at the end of the year, before dilution. Read more about Buy-back of shares and Number of outstanding shares on page 20.

Rental value and letting rate

Premises type	01/01/2019		
	Rental value, SEK m	Rental value, SEK/m ²	Letting rate, %
Offices	1,158	2,678	95
Retail	945	3,789	95
Other	226	1,933	94
Residentials	86	1,432	100
Garage/parking	54	–	93
Business area Property	2,470	2,812	95
Project properties	167		85
Land and development rights	–		–
Total	2,637		95

Premises type	01/01/2018		
	Rental value, SEK m	Rental value, SEK/m ²	Letting rate, %
Offices	1,102	2,580	95
Retail	928	3,495	95
Other	215	1,860	95
Residentials	79	1,385	100
Garage/parking	51	–	92
Business area Property	2,375	2,686	95
Project properties	119		81
Land and development rights	–		–
Total	2,494		95

CONSOLIDATED BALANCE SHEETS SUMMARY

Amounts in SEK m	31/12/2018	31/12/2017	30/09/2018	30/09/2017
ASSETS				
Investment properties	43,310	39,991	42,584	40,735
Goodwill	225	240	240	263
Other fixed assets	45	45	47	39
Total fixed assets	43,579	40,276	42,871	41,037
Development properties	891	870	883	–
Current assets	323	1,272	303	578
Liquid assets	335	344	368	109
Total current assets	1,549	2,487	1,554	687
Total assets	45,128	42,763	44,426	41,724
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	20,696	18,223	19,554	17,823
Deferred tax liability	4,598	4,531	4,719	4,513
Long-term interest-bearing liabilities	18,506	16,415	15,745	15,965
Derivatives	349	484	253	759
Other long-term liabilities	202	73	82	65
Total long-term liabilities	23,655	21,503	20,799	21,302
Short-term interest-bearing liabilities	0	1,832	3,291	1,682
Other current liabilities	777	1,205	783	917
Total current liabilities	777	3,037	4,073	2,599
Total shareholders' equity and liabilities	45,128	42,763	44,426	41,724

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

Amounts in SEK m	Attributable to the Parent Company shareholders					Total shareholders' equity
	Share capital	Other capital contributed	Hedging reserves	Profits brought forward	Own shares	
Opening balance as per 1 January 2017	333	3,960	-54	11,937		16,176
Profit/loss for the period				2,559		2,559
Other comprehensive income			14			14
Dividend, SEK 3.95/share				-526		-526
Closing balance, as per 31 December 2017	333	3,960	-39	13,970		18,223
Profit/loss for the period				3,453		3,453
Other comprehensive income			13			13
Acquisition of own shares					-396	-396
Option premiums received				1		1
Dividend, SEK 4.50/share				-599		-599
Closing balance, as per 30 December 2018	333	3,960	-26	16,825	-396	20,696

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. During the period Atrium Ljungberg acquired 2,761,000 (–) class B shares. The number of outstanding shares amounted to 130,459,736 (31/12/2017, 133,220,736) at the end of the period. The average number of outstanding shares for the period from 01/01/2018 to 31/12/2018 amounts to 132,018,709 (133,220,736).

PROPERTY PORTFOLIO

THE PROPERTY MARKET

The transaction volume amounted to SEK 159 billion during the year, which can be compared with volumes of SEK 147 billion in the previous year. In terms of turnover, residential properties represented the largest segment, with a turnover of approximately SEK 51 billion. Office properties was the second largest segment, with a total transaction volume of SEK 32 billion and a market share of 21 per cent. Interest in investing in warehouses and logistics properties has been growing in recent years, with this segment accounting for the third highest turnover with a market share of 11 per cent. Retail properties reported SEK 14 billion with a market share of 9 per cent. Interest in retail properties is high as the price difference between good and less favourable locations has increased.

OUR PROPERTY PORTFOLIO

Atrium Ljungberg's property portfolio consists of 51 properties located in Stockholm, Gothenburg, Malmö and Uppsala. Our portfolio, which mainly consists of office and retail properties, has a total letting area of 1,129,000 m².

In April an agreement was signed for the sale of the property Dragarbrunn 19:1. The sales price was based on an underlying property value of SEK 127 million and the divestment was completed in May.

In April the Kylfacket 3 property in Stockholm was acquired at an underlying property value of SEK 150 million, and it was taken into possession in June. The intention is to develop this property based on a new detailed development plan.

In September Molekylen 1 (Life City), which was acquired at the end of 2017 for a purchase price of SEK 432 million, was taken into possession.

In October Tranbodarne 11 in Stockholm was acquired at an underlying property value of SEK 1,530 million. At the same time the Blästern 6 and Roddaren 7 properties in Stockholm were sold at an underlying property value of SEK 2,175 million. These properties were taken into possession/vacated in November.

In December Arbetesstolen 3 in Stockholm was sold. The purchase price was based on an underlying property value of SEK 437 million.

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 investments made and the estimated net realisable value.

PROPERTY VALUES

Atrium Ljungberg had 62 per cent of its property portfolio externally valued during the year, of which 25 per cent was conducted during the fourth quarter. The remaining properties were subject to an internal valuation with market rents, operating costs, vacancies and yield requirements quality assured by external valuation experts.

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 m² of GFA for determined development rights in accordance with an approved detailed development plan or where the detailed development plan is assessed to enter into force within the near future. Project properties are valued on the basis of completed projects, less remaining investments. A risk surcharge is added to the yield requirement on the basis of the current phase of the project.

The unrealised changes in value during the period amounted to SEK 2,516 million (SEK 1,817 m) and are mainly explained by higher net operating income and to a lesser extent by the market's lower yield requirements.

Changes in the property portfolio

SEK m	2018 1/1-31/12	2017 1/1-31/12
Investment properties		
Fair value at the start of the period	39,991	36,054
Acquisitions (after deduction of deferred tax)	1,727	2,265
Sales	-2,662	-868
Investments in our own properties	1,738	1,593
Unrealised changes in value	2,516	1,817
Reclassification to Development properties	-	-870
Fair value at the end of the period	43,310	39,991
Development properties		
At beginning of period	870	-
Reclassification from Investment properties	-	870
Investments	21	-
Development properties, at period end	891	870
Property portfolio, total	44,201	40,861

Property portfolio

	31/12/2018		
Property type	Letting area, '000 m ²	Fair value, SEK m	Fair value, SEK/m ² ¹⁾
Office properties	654	22,517	43,893
Retail properties	321	14,297	51,672
Residential properties	81	1,768	25,502
Total	1,055	38,582	44,914
Project properties	68	3,851	E/T ²⁾
Land and development rights	-	877	
Total Investment properties	1,123	43,310	
Development properties	6	891	
Total Properties	1,129	44,201	

	31/12/2017		
Property type	Letting area, '000 m ²	Fair value, SEK m	Fair value, SEK/m ² ¹⁾
Office properties	637	20,425	40,281
Retail properties	356	14,400	49,098
Residential properties	76	1,412	23,882
Total	1,069	36,237	42,162
Project properties	77	3,070	E/T ²⁾
Land and development rights	-	684	
Total Investment properties	1,146	39,991	
Development properties	-	870	
Total Properties	1,146	40,861	

¹⁾ m² excluding garage.

²⁾ 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

Unrealised changes in value, properties

SEK m	31/12/2018	31/12/2017
Change in yield requirements	487	947
Change in operating net etc.	2,029	865
Development rights	–	5
Total	2,516	1,817

Dividend yield requirement per premises type

%	Interval	31/12/2018 Average	31/12/2017 Average
Offices	3.6–6.3	4.5	4.7
Retail	3.7–6.2	4.9	5.0
Residentials	2.9–3.8	3.2	3.1
Other	3.7–6.3	5.0	5.1
Total	2.9–6.3	4.6	4.7

Dividend yield requirement per region

%	Interval	31/12/2018 Average	31/12/2017 Average
Stockholm	2.9–6.3	4.5	4.7
Uppsala	4.5–5.8	5.2	5.1
Malmö	3.8–5.9	5.4	5.4
Gothenburg	4.5–4.5	4.5	4.6
Total	2.9–6.3	4.6	4.7

CONFIRMED AND COMPLETED PROJECTS

In 2018, investments in own properties amounted to SEK 1,758 million (SEK 1,593 m), of which SEK 1,216 million (SEK 922 m) was in project properties. Investments in project properties relate primarily to Sickla Front II, Gränbystaden, Mobilia Torghuset and Curanten in Sickla. The other investments relate mostly to tenant adaptations in properties in Sickla, Slussen and Liljeholmen.

The remaining investment volume for confirmed projects amounted to approximately SEK 3,770 million as of 31 December.

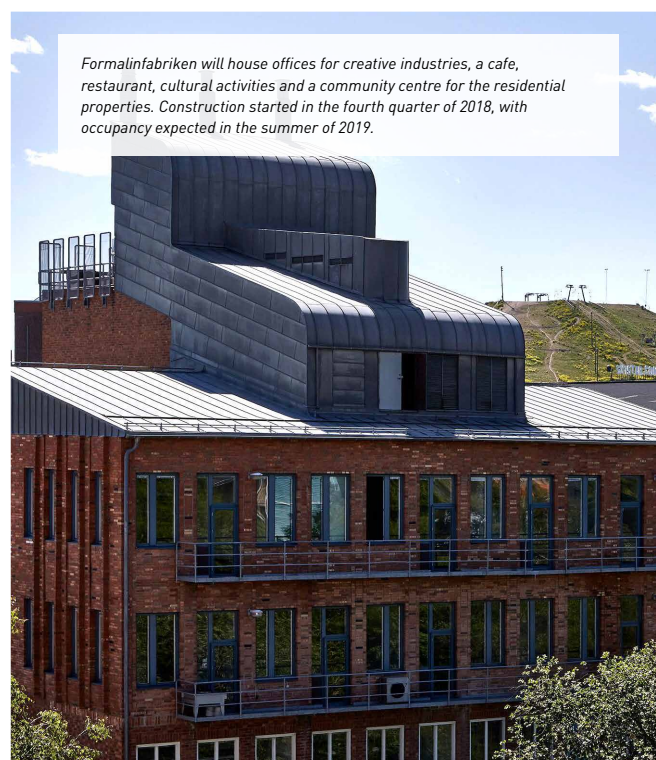
The projects that were completed in 2018 are Sickla Front II, Norra Gränbystaden, Gränby Entré building 2, Gränbystaden southern entrance and Gränbystaden southern garage.

SICKLA – NACKA

Sickla Front II – The Sickla Front II Project, comprising two office buildings of 25,300 m² letting area in total as well as 14,000 m² GFA parking area, has now been completed. Along with the adjacent office property that was constructed in 2015, they form the Sickla Front district, which provides a clear entrance to the Sickla city district, linking Sickla with Hammarby Sjöstad. The Swedish National Courts Administration, which includes Nacka District Court, the Rent and Tenancy Tribunal and the Land and Environmental Court, has moved in. Other tenants include Yamaha Motor Europe, the IT security company SecMaker, and the company Vroom which operates in the Swedish vehicle market.

Curanten – The foundation work is now complete and the building shell is currently being erected. In Curanten we are planning a health-care destination, with stores, cafes and restaurants on the ground floor. The project comprises a total of 11,700 m² letting area, which includes 8,100 m² for health care and 3,600 m² for service, restaurants and retail. Occupancy is expected to start at the end of 2020.

Sickla Tapetfabriken – The reconstruction and extension of a former factory building in Sickla, known as "Tapetfabriken" (Wallpaper Factory) is underway. The blasting work on site is almost complete and work has started on the foundations. The building is planned to comprise 9,700 m², with a hotel, offices and a garage. The largest tenant is Nordic Choice Hotels, which will open a hotel of 7,200 m². The hotel will have 156 hotel rooms and a 2,000 m² lobby area with



CONT. PROPERTY PORTFOLIO

restaurants, events areas and conference premises. The hotel is planned to be completed in the third quarter of 2020.

Nobelgaraget – The detailed development plan for Nobelberget gained legal force in May 2018, so the project for the garage and premises in the first residential district got underway. The ground work is underway and it is expected to be completed in 2020.

Formalinfabriken is an old industrial building in Nobelberget that used to be a laboratory and offices. The building comprises approximately 2,000 m² across four levels.

From its acquisition until today Atrium Ljungberg has been working on creating a cultural hub in Nobelberget. The future Nobelberget and Formalinfabriken will house parts of this, supplemented with offices, cafes and restaurants. A community centre for the residential properties is also being planned in Formalinfabriken as a location for dinners, meetings and corporate events.

Construction started in the fourth quarter of 2018 with occupancy planned for the summer of 2019. Internal demolition work is now complete and the installation work is underway.

HAGASTADEN – STOCKHOLM

Life City – In the heart of the emerging life science cluster, we want to create Life City, a new centre for commercial development and services linked to healthcare and research. We want to bring together activities that support cluster building in life science.

In September 2018 a decision was taken to start the Life City project in Hagastaden, with a lease agreement for 17,000 m² signed with Academic Work. The project, which is next to Nya Karolinska Solna, represents 32,000 m² habitable GFA and an investment of SEK 1.9 billion including the land acquisition. The property registration and possession took place in September 2018, and construction is expected to start in the second quarter of 2019 at the earliest, provided that the building permit is granted in the first quarter of 2019. Occupancy is expected to take place in the spring of 2022.

BAS BARKARBY – JÄRFÄLLA

Bas Barkarby – In Barkarby in Järfälla a land transfer agreement has been signed for a first stage of approximately 30,000 m² GFA. Together

with Järfälla Municipality, we are planning to create Bas Barkarby, a multi-functional district for learning, culture, sports and business in the heart of the growing city district of Barkarbystaden. Järfälla Municipality will lease almost 11,000 m² for upper secondary education, a multi-purpose hall, a library and other cultural activities. The detailed development plan gained legal force in January 2018.

A decision has been taken on the first phase of Bas Barkarby following an environmental permit being granted and becoming legally binding at the Land and Environmental Court at the end of December 2018. Occupancy is expected to take place in the autumn of 2021.

GRÄNBYSTADEN – UPPSALA

Norra Gränbystaden – In northern Gränbystaden the latest building is complete and has been fully let to Julia, Rusta, Jysk and DollarStore. This means that the area as a whole now covers almost 45,000 m² GFA.

Gränby Entré buildings 2 and 3 – Three buildings containing rental apartments, commercial premises and offices are being built next to Gränbystaden shopping centre. Building 1 has been occupied since the autumn of 2017, with 63 rental apartments, a health centre, a bank, food outlets and services. Building 2 with 71 rental apartments has been occupied since the autumn of 2018. Building 3 contains 66 rental apartments, offices and premises, where a number of restaurants and cafes will open in 2019. The apartments are mediated through Uppsala Bostadsförmedling. All of the residential properties and office spaces in the first two buildings have been let, as well as the majority of the premises on street level.

Gränbystaden, southern garage – The parking garage with almost 280 parking spaces is complete and opened at the same time as the southern extension.

Gränbystaden, southern entrance – On 22 November 2018 the doors opened to the southern extension of the shopping centre offering a wider range with almost 20 tenants. The extension contains areas for retail, entertainment, restaurants and offices. The biggest tenants include the restaurant chain O'Learys and the cinema Nordisk Film, which has opened its first unit in Sweden.

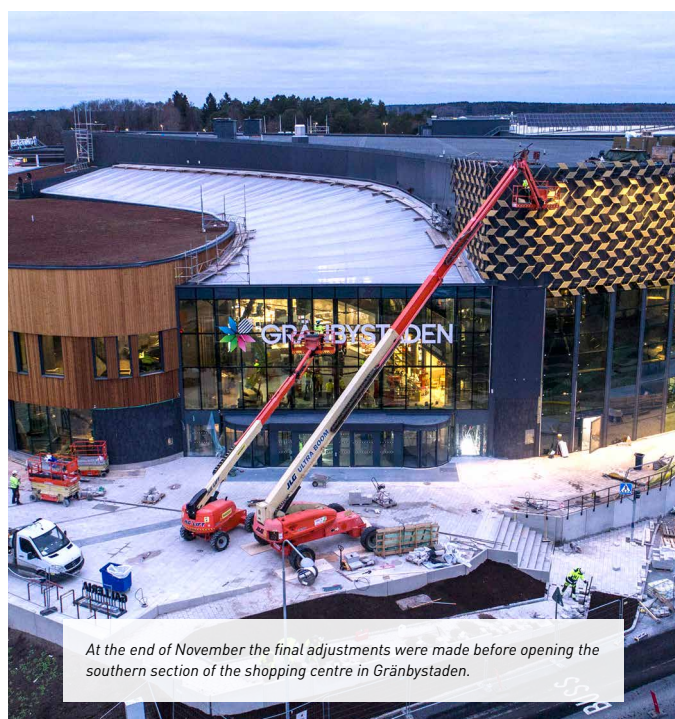
MOBILIA – MALMÖ

Mobilia Torghuset – Work on new construction and an extension of approximately 13,500 m² of letting area is underway. The foundation work is complete. The building shell is being erected in the spring and will be completed after the summer of 2019. The project is expected to be completed in the spring of 2020, with, for example, Nordisk Film opening a cinema and tenants moving into the 74 finished apartments. This building marks the final stage in the central square at Mobilia, which includes plans for a cultural centre for children.

FORUMKVARTERET – UPPSALA

Forumkvarteret – In Forumkvarteret in the centre of Uppsala, we are in the final phase of major reconstruction work for all parts of the property. Forumkvarteret has offices, residential properties and a shopping centre with stores and restaurants. In 2018 work focused mainly on improving and reconstructing the shopping centre section, making space available and creating a clear internal concourse. The retail offering is concentrated on the street level and has been enhanced with several new establishments, including the shoe concept Sneakers Point, Sushi Yama, Espresso House, and the Norwegian restaurant chain Egon. Work is underway in parallel with this to develop new, modern office spaces in the upper levels of the property, which will be ready for occupancy at the beginning of 2020.

In 2018 Uppsala Municipality carried out a major refurbishment of Forumtorget, which has become a vibrant meeting place with, for example, a number of pavement cafes. This new part of the shopping



CONT. PROPERTY PORTFOLIO

centre is planned to be opened at the beginning of 2019. Our ambition is for Forumkvarteret to become an urban city centre district with a strong offering of retail, restaurants and cafes, combined with attractive office environments.

POTENTIAL DEVELOPMENT PROJECTS

Our current project portfolio with new projects and major reconstruction work enables future investments of approximately SEK 17 billion, which includes potential land acquisitions through land allocations. In terms of area, half of the project portfolio consists of offices, and half of residentials, retail, education and hotels. The project portfolio is divided among all our areas where Sickla and Gränbystaden account for approximately 60 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. In addition to the above, we have signed a letter of intent with the City of Stockholm to acquire existing properties and land allocations in Slakthusområdet in Stockholm.

The projects that we expect to begin in 2019–2020 are described below. Some projects are covered by current detailed development plans and others are dependent on new detailed development plans.

POTENTIAL PROJECT STARTS 2019–2020

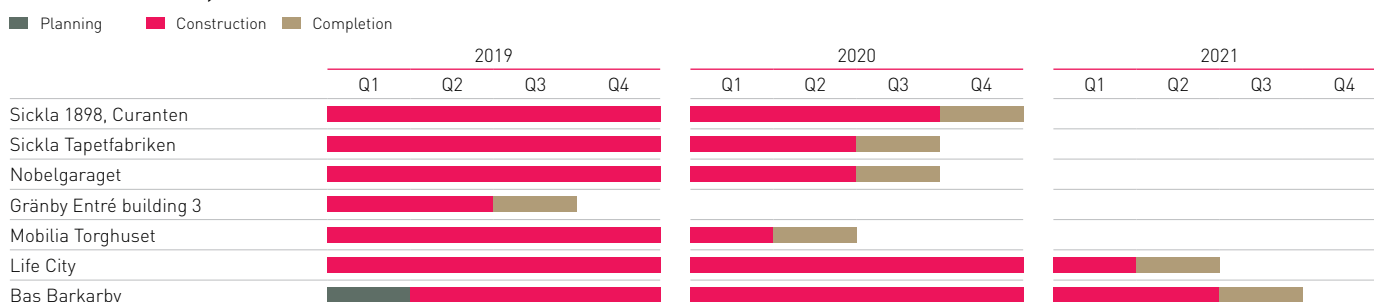
I Sickla we are planning an extension of the Sickla shopping centre of approximately 3,000 m² GFA for retail, plus a two-storey parking garage with approximately 220 parking spaces. There is a complete detailed development plan for this expansion, and construction is expected to start in 2019.

The detailed development plan for 500 residential properties in Nobelberget became legally binding in May 2018. Sales have started and are currently ongoing for the first residential district. Construction is planned to start in the second quarter of 2019, with occupancy in 2020. The development of the remaining residential properties will be carried out gradually. At Nobelberget we want to create an attractive and dense urban environment with residentials as well as office premises and cultural activities.

Detailed planning work for approximately 700 apartments in Kyrkviken and 60 apartments in Gillevägen in Sickla is in progress.

At Sickla station we have a building right of approximately 7,500 m² GFA next to the future underground railway station for retail, services and offices. A parallel architectural assignment has been carried out with Nacka Municipality. Kanozi architects were selected with their concept of a 23-storey building with approximately 21,000 m² GFA. The aim is to create a building that has an underground station, offices

CONFIRMED PROJECTS, NEW BUILDS AND EXTENSIONS



CONFIRMED PROJECTS

CONFIRMED PROJECTS	Letting area, m ²				Total investment, SEK m ¹⁾	Of which remaining, SEK m	Completed	Fair value, SEK m	Rental value, SEK m ²⁾	Letting rate, %	Environmental certification
	Project, property, municipality	Retail	Offices	Residen- tials							
New builds and extensions											
Sickla Front II, Sicklaön 346:1, Nacka		25,300			14,000	810	90	2018	66	58	Breeam
Sickla 1898, Curanten, Sicklaön 83:22, Nacka	3,600	8,100				530	410	2020	39	E/T ³⁾	Breeam
Sickla Tapetfabriken, Sicklaön 83:22, Nacka	7,200	2,600			4,600	390	290	2020	E/T ³⁾	E/T ³⁾	Breeam
Nobelgaraget, Sicklaön 83:33, Nacka	600				3,500	60	60	2020	4		
Norra Gränbystaden, Brillinge 8:1/9:1, Uppsala	31,600					580	10	2014–2018 ⁴⁾	51	97	Breeam
Gränby Entre building 2, Gränby 21:5, Uppsala	900	1,300	3,300			230	20	2018	15	96 ⁵⁾	Miljöbyggnad
Gränby Entre building 3, Gränby 21:5, Uppsala	1,200	1,300	3,400			240	100	2019	15	41 ⁶⁾	Miljöbyggnad
Gränbystaden, southern garage, Gränby 21:4, Uppsala					11,500	200	10	2018			Breeam In-Use
Gränbystaden, southern entrance, Gränby 21:4, Uppsala	9,800					360	60	2018	31	86	Breeam In-Use
Mobilia Torghuset, Bohus 8, Malmö	9,400		3,800			540	410	2020	37	34 ⁷⁾	Breeam/ Miljöbyggnad
Life City, Molekylen 1, Stockholm		27,500			4,400	1,870	1,350	2021	107	E/T ³⁾	Breeam
Bas Barkarby, Barkarby 2:64, Järfälla		24,400				830	780	2021	E/T ³⁾	E/T ³⁾	Breeam
Reconstruction											
Forumkvarteret, Dragarbrunn 27:2, Uppsala	6,200	7,400	1,400	1,300		360	140	2020	49	82	Breeam In-Use
Formalinfabriken, Sicklaön 83:33, Nacka		2,000				50	40	2019	4		Breeam In-Use
Total	70,500	99,900	11,900	39,300		7,050	3,770		3,851 ⁸⁾		

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

²⁾ Excluding premiums and any net sales result.

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

⁴⁾ Covers approximately 45,000 m² GFA in total. Investment decisions and completion take place in stages, among other things connected to letting.

⁵⁾ The letting rate for commercial premises amounts to 93 per cent. The letting rate for residentials is 100 per cent.

⁶⁾ The letting rate for commercial premises amounts to 30 per cent. Residentials are let closer to completion.

⁷⁾ The letting rate for commercial premises amounts to 41 per cent. Residentials are let closer to completion.

⁸⁾ Divided into SEK 3,144 million for new building and extensions and SEK 707 million for reconstructions.

CONT. PROPERTY PORTFOLIO

and a hotel. Work on the extension of the underground will start in 2019, along with work on a new detailed development plan.

Detailed planning work is also underway for the reconstruction and extension of Svindersviksskolan from the current 3,000 m² to approximately 9,000 m² GFA.

In Gränbystaden we are continuing to develop Uppsala's second city centre, with a mix of retail, offices and residential as well as service and cultural activities. In addition to the rental apartments which are currently being constructed (see page 10), we are planning for approximately 250 more tenant-owned dwellings in the area. Construction of 50 apartments in the first phase is expected to take place in 2019, with possession during 2020. In addition we are looking into the possibility of starting detailed development planning for the extension of the northern and western sections of the shopping centre area, providing space for retail, parking and residential properties. In Northern Gränbystaden there are opportunities to develop approximately 5,000 m² GFA for retail and offices.

At the beginning of 2017, we received a land allocation beside the Gränbystaden shopping centre with a potential building right of 40,000 m² GFA. Detailed development planning is underway and is expected to be complete in 2020.

In terms of the Bas Barkarby district in Järfälla, which comprises a total of approximately 50,000 m² GFA, we have decided to start the first stage of approximately 30,000 m² GFA. This should be completed in the autumn of 2021.

The second stage of this district comprises approximately 20,000 m² GFA, for which we have signed a new land allocation agreement to build both commercial operations and residential properties.

LETTER OF INTENT SLAKTHUSOMRÅDET

In August 2018 Atrium Ljungberg signed a letter of intent with the City of Stockholm to acquire the existing properties and land allocations in Slakthusområdet, just to the south of Stockholm city centre.

The existing properties will be acquired in two phases, where access to 51,000 m² of letting area is expected in June 2019 with an option for 32,000 m² of letting area once a new detail development plan has come into force, but no later than 31 December 2021. This deal also includes options that enable Atrium Ljungberg to order land allocations of approximately 100,000 m² GFA. The acquisitions and land allocations that have been developed comprise a total of approximately 200,000 m² GFA for offices and residential units, alongside culture, retail/restaurants, hotels, education, etc. The total investment amounts to approximately SEK 8 billion between 2019 and 2030.

The initial acquisition comprises 51,000 m² of letting area and a rental value of SEK 73 million. The current letting rate is 95 per cent. The properties that form part of this acquisition include culturally significant buildings in the northern part of Slakthusområdet. The purchase price is based on an underlying property value of SEK 1,120 million. The deal is being struck through a company acquisition.

The agreement requires decisions from the Development and Property Committees in the City of Stockholm and the Board of Directors of St Erik Markutveckling. All of these decisions are planned for February 2019. The acquisition is also conditional on the approval of Stockholm City Council, which is planned in May 2019. Possession of the properties is scheduled for June 2019.

POTENTIAL DEVELOPMENT PROJECTS			Project area, m ² , GFA		Investment, SEK m ² ^{2) 4)}
Area	Municipality	Premises type ¹⁾	Detailed development plan exists	Change to detailed development plan required	
Barkarby	Järfälla	Residential	9,000		
Barkarby	Järfälla	Offices	10,000		
City	Stockholm	Hotels	8,000		
Lindholmen	Gothenburg	Offices		6,000	
Hagastaden	Stockholm	Offices		16,000	
Hagastaden	Stockholm	Retail	1,000		
Mobilis	Malmö	Retail	16,000		
Malmö	Malmö	Offices	6,000		
Sickla	Nacka	Training		9,000	
Sickla	Nacka	Residential	28,000	99,000	
Sickla	Nacka	Offices	1,000	22,000	
Sickla	Nacka	Retail	5,000		
Sundbyberg	Sundbyberg	Offices		39,000	
Södermalm	Stockholm	Offices	69,000		
Södermalm	Stockholm	Retail	1,000		
Uppsala	Uppsala	Residential	22,000	35,000	
Uppsala	Uppsala	Offices	2,000	43,000	
Uppsala	Uppsala	Retail	5,000	18,000	
Total ³⁾			184,000 ⁴⁾	288,000 ⁴⁾	17,000
AGREEMENTS WITH THE CITY OF STOCKHOLM ⁵⁾					
Slakthusområdet	Stockholm	Offices		77,000	
	Stockholm	Residential		44,000	
	Stockholm	Retail		28,000	
	Stockholm	Culture		11,000	
	Stockholm	Training		7,000	
Total				167,000	7,000 ⁴⁾

¹⁾ Anticipated premises use may change and may include other elements.
²⁾ The investment volume includes possible future land acquisitions.
³⁾ Of which construction is 110,000 m².
⁴⁾ The total relates to 111,000 m² GFA of land allocations.
⁵⁾ Conditional on committee decisions and decisions in the city council.
⁶⁾ Relates to investments in existing properties and future building rights.

FINANCING

THE FINANCIAL MARKET

Although the global economy remains strong, the year was characterised by higher uncertainty and volatility. It looks as though the boom reached its peak during the year and growth in GDP can be expected to be lower from now on. The Swedish economy continued to show high growth, but this slowed down in the second half of the year. Domestic growth fell as a result of a slowdown in the residential market with fewer homes being built. As the rate of inflation is approaching the inflation target, the Riksbank (Sweden's central bank) raised the repo rate to -0.25 per cent in December. In December, the National Institute of Economic Research assessed growth in GDP of 2.2 per cent in 2018, but assesses that it will fall to 1.3 per cent in 2019.

The variable rate, 3M Stibor, stood at -0.13 per cent at the end of the year compared with -0.46 per cent at the beginning of the year. At the end of the year, the 10-year swap rate amounted to 1.13 per cent compared with 1.20 per cent at the beginning of the year.

INTEREST-BEARING LIABILITIES

Atrium Ljungberg meets its financing requirements through the capital market, Nordic banks and direct financing. Bank loans accounted for 44 per cent (50 %) of the total loan volume at the end of the period. Interest-bearing liabilities at the end of the period amounted to SEK 18,506 million (SEK 18,247 m). During the fourth quarter, interest-bearing liabilities fell by SEK 530 million, primarily due to property sales. The reduction in debt has mostly been achieved through fewer outstanding commercial papers.

During the year seven Swedish bond issues were carried out with a total volume of SEK 2,200 million, and a bond issue in Norwegian krone worth NOK 500 million. The volume of outstanding bonds under the MTN programme increased during the year from SEK 5,700 million to SEK 7,614 million.

The average interest rate at period end amounted to 1.6 per cent (1.7). Including unutilised loan guarantees the average interest rate amounted to 1.6 per cent (1.7). This reduction was mostly due to restructuring derivatives and lower credit margins. The average fixed interest term was 4.1 years (4.4 years) and the average capital commitment term was 4.6 years (3.5 years). The interest coverage ratio for the period amounted to 5.0 (4.2).

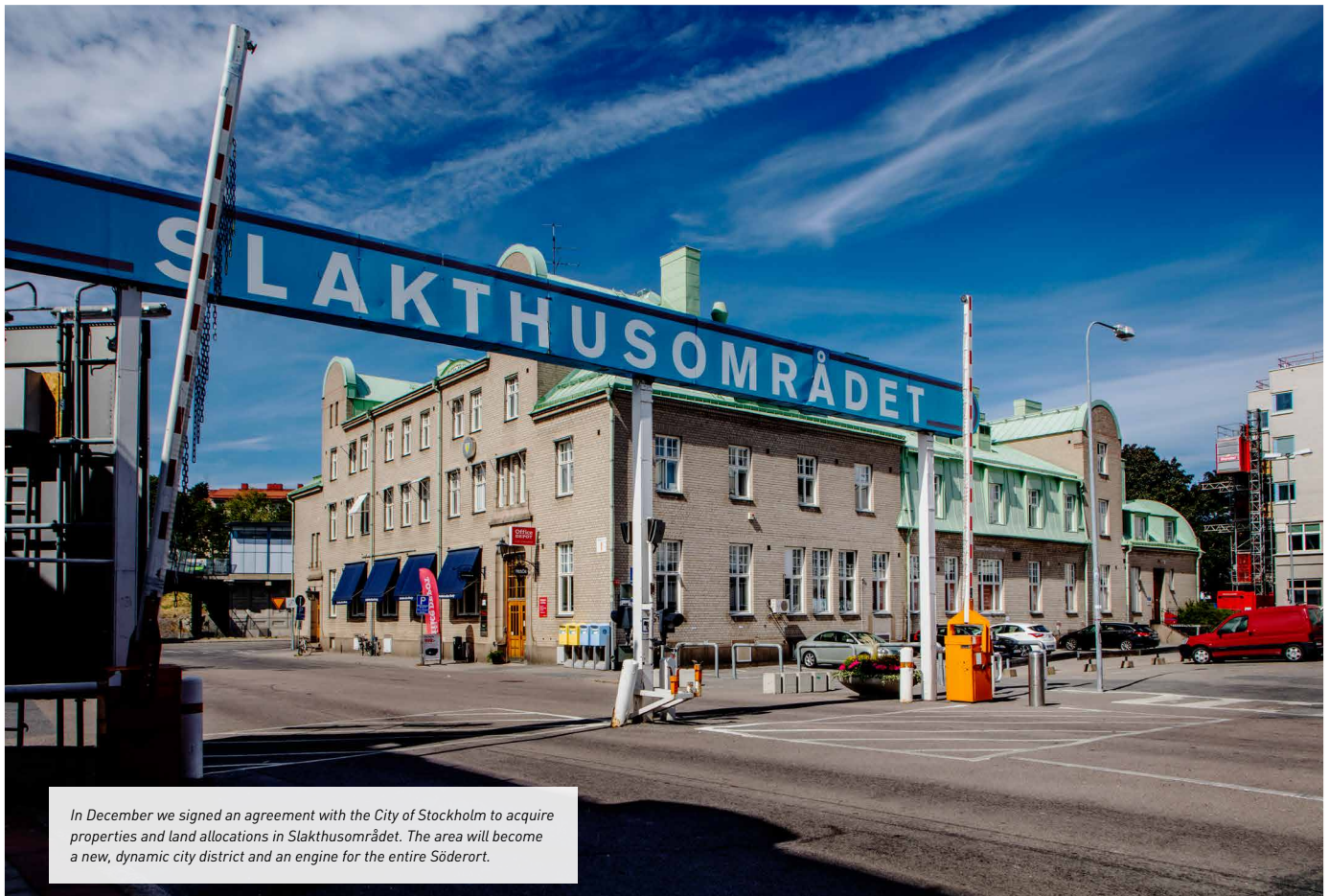
Unutilised loan guarantees in addition to loan guarantees which cover outstanding commercial paper amounted to SEK 2,860 million (SEK 1,365 m). The unutilised overdraft facility amounted to SEK 300 million (SEK 300 m).

BROADER FINANCING BASE

The financing base was broadened in the fourth quarter through the first bond issue in the Norwegian capital market, and direct financing with Allianz Real Estate and Brunswick Real Estate of more than SEK 2 billion with a maturity of approximately ten years.

COLLATERAL

Atrium Ljungberg's borrowing is partly secured by real estate mortgages. Of the interest-bearing liabilities, SEK 9,106 million (9,037) 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 SEK 9,296 million (9,396) in interest rate swaps and currency swaps, with maturity between 2021 and 2029. Currency swaps are being used in their entirety to hedge against foreign exchange risk for the bond loan in Norwegian krone.

A restructuring was carried out in July, with interest derivatives being redeemed at a nominal value of SEK 1,485 million in order to improve future net interest income. At the same time, new interest derivatives were taken out with a lower interest rate and longer average fixed terms.

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 –70 million (121) during the period. The deficit book value of the derivatives portfolio totalled SEK –349 million (–484) at the end of the period.

PUBIC RATING

The company has an investment grade rating from the credit rating agency Moody's and was awarded Baa2 grade with a stable outlook. An updated report was received at the beginning of 2018 that confirmed these levels.

GREEN BONDS

Atrium Ljungberg has a green framework linked to the MTN programme. This enables green financing with a clear link to our sustainable projects. There was SEK 4,500 million in green bonds outstanding at the end of the period.

Fixed interest

Fixed interest term	Amount, SEK m	Percentage, %	Average interest, % ¹⁾
2019	6,910	37	0.9
2020	1,300	7	0.6
2021	1,175	6	1.8
2022	400	2	1.6
2023	736	4	1.6
2024 and thereafter	7,985	43	2.5
Total	18,506	100	1.6

¹⁾ 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.

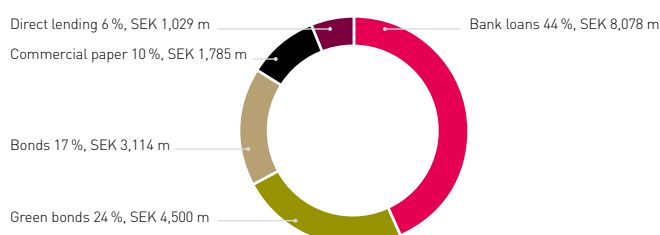
Capital commitment

Maturity date	Amount, SEK m	Percentage, %
2019	–	–
2020	2,985	16
2021	4,851	26
2022	3,617	20
2023	1,408	8
2024 and thereafter	5,645	31
Total	18,506	100

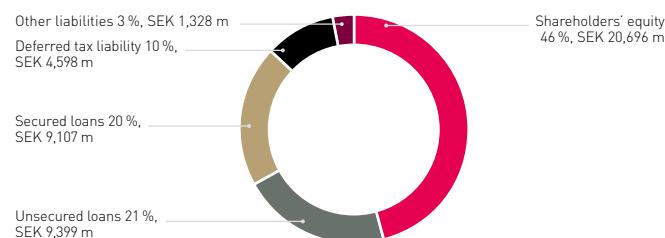
Key ratios financing

	31/12/2018	31/12/2017
Interest-bearing liabilities, SEK m	18,506	18,247
Shareholders' equity, SEK m	20,696	18,223
Average fixed interest term, years	4.1	4.4
Average capital commitment term, years	4.6	3.5
Average interest rate for interest-bearing liabilities, %	1.6	1.7

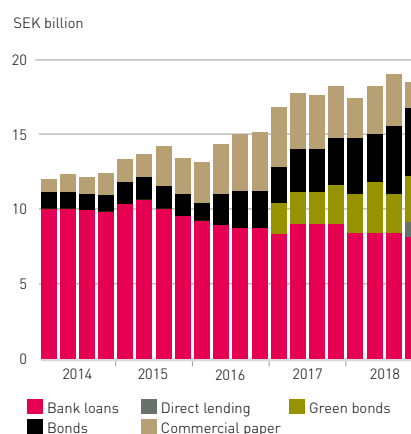
Interest-bearing liabilities



Capital structure



Development in financing sources 2013–2018



CONSOLIDATED STATEMENTS OF CASH FLOW

Amounts in SEK m	2018 1/1–31/12	2017 1/1–31/12	2018 1/10–31/12	2017 1/10–31/12
OPERATING ACTIVITIES				
Profit/loss before changes in value	1,214	1,180	276	271
Reversal of depreciation and write-downs	11	8	3	2
Other items not included in the cash flow	17	12	17	9
Tax paid	–14	–4	21	27
Cash flow from operating activities before changes in working capital	1,228	1,197	317	310
Net change in working capital	32	–31	–48	50
Cash flow from operating activities	1,260	1,166	269	359
INVESTMENT ACTIVITIES				
Acquisition of investment properties	–2,159	–1,833	–1,560	–11
Reconstruction and new construction of investment properties	–1,758	–1,593	–583	–426
Sale of investment properties	3,582	–	2,535	–
Purchase/sale of equipment	–13	–17	–	–10
Cash flow from investment activities	–348	–3,443	393	–443
FINANCING ACTIVITIES				
Change in other long-term liabilities	10	12	0	6
Loans raised	5,867	5,178	1,777	1,203
Amortisation of debts	–5,612	–2,028	–2,309	–600
Exercise of derivatives	–191	–290	–	–290
Dividends paid	–599	–526	–	–
Buy-back of own shares	–396	–	–163	–
Cash flow from financing activities	–920	2,346	–695	–319
Cash flow for the period	–9	68	–33	236
Liquid assets at the beginning of the period	344	276	368	109
Liquid assets at the end of the period	335	344	335	344

COMMENTS ON THE CASH FLOW STATEMENT

The cash flow from operating activities totalled SEK 1,260 million (1,166), corresponding to SEK 9.54/share (8.75). The higher cash flow during the period compared to the same period last year is mainly explained by net operating results.

Investment operations have contributed a negative cash flow of SEK –348 million (SEK –3,443 m), which relates to acquisitions of properties and investments in Atrium Ljungberg's own properties.

The cash flow in financing activities amounted to SEK –920 million (2,346) as a consequence of repayments in connection with sales of properties, dividends and a buy-back of the company's own shares.

Available liquidity amounted to SEK 3,495 million (2,009) and comprised bank deposits of SEK 335 million (344), unutilised overdraft facilities of SEK 300 million (300) and unutilised lines of credit of SEK 2,860 million (1,365) in addition to credit facilities covering outstanding commercial paper.

SUSTAINABILITY

SUSTAINABLE ENTREPRENEURSHIP

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 investment 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 residential in accordance with Miljöbyggnad. At the end of the year, 34 per cent (13 %) of lettable area was certified.

ENERGY CONSUMPTION

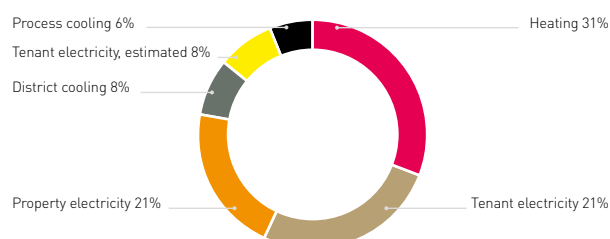
Electricity is responsible for the greatest share of our energy consumption. Usually, we provide the tenants with electricity and charge them on the basis of actual consumption, which creates incentives for resource efficiency. A majority of our properties use district heating as their heat source. Cooling has been installed in the majority of the properties. This type of cooling is provided by purchased district cooling and by self-generated cooling. The use of process cooling has increased by 31 per cent compared to the previous period. This increase is mostly due to one property that was acquired in April 2017, where the tenant runs energy-intensive operations. It is only now that their energy consumption has been fully reflected in the statistics. We have also seen the use of cooling in our properties increase as a result of the hot summer. According to SMHI, the Swedish Meteorological and Hydrological Institute, the average temperature in July was 4.5 degrees higher than the normal average temperature and in August it was 2.5 degrees higher. The 5 per cent reduction in heating consumption was mostly due to the mild autumn.

Compared with the reference year, 2014, the total energy intensity has fallen by 13 per cent, and the key figure for property energy has fallen by 21 per cent compared with the same reference year.

ENERGY INTENSITY 31/12/2018

kWh/m ²	2018 1/1-31/12	2017 1/1-31/12	Change	Change compared to 2014 ¹⁾
Heating	72	76	-5 %	-21 %
Property electricity	49	50	-2 %	-27 %
District cooling	19	15	26 %	0 %
Sub-total property energy	141	140	0 %	-21 %
Tenant electricity	60	63	-5 %	-3 %
Tenant electricity, estimated	18	19	-3 %	-34 %
Process cooling	14	11	31 %	-
Total energy intensity	234	234	0 %	-13 %

¹⁾ Reference year



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 for green contracts to account for at least 50 per cent of contracted annual rent by 2021.

	2018 31/12	2017 31/12
Green lease contracts, share of contracted annual rent	27 %	18 %

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 2018 we exceeded our goal and achieved an index of 88 per cent (88).

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 1/1-31/12	2017 1/1-31/12
Suppliers	2,289	2,120
Employees	199	166
Lenders	314	387
Society	335	303
Owners ¹⁾	599	526
Economic value distributed²⁾	3,736	3,501

¹⁾ Refers to the dividend and buy-back of shares.

²⁾ 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 1/1-31/12	2017 1/1-31/12
Current tax	35	9
Property tax	150	142
Non-deductible VAT	61	54
Stamp duty	-	4
Social security payments	54	53
Special payroll tax	7	6
Taxes	308	268
Leasehold fees	27	35
Society	335	303

GREEN BONDS

Atrium Ljungberg has a green framework linked to the MTN programme. This enables green financing with a clear link to our sustainable projects. There was SEK 4,500 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.

31/12/2018						
Amounts in SEK m	Properties	Project development ¹⁾	TL Bygg	Project and construction activities	Non-allocated items and eliminations	The Group
Rental income	2,424				-12	2,412
Sales, project and construction work		9	593	602	-385	217
Net sales	2,424	9	593	602	-397	2,629
Property management costs	-770				7	-764
Project and construction work costs		-52	-561	-613	367	-246
Gross profit/loss	1,653	-43	32	-11	-23	1,619
Central administration	-73	-11	-24	-35	5	-103
Financial income and expenses					-302	-302
Profit/loss before changes in value	1,580	-54	8	-47	-320	1,214
Changes in value	2,637 ²⁾				-69 ³⁾	2,568
Tax					-329	-329
Profit/loss for the period	4,217	-54	8	-47	-718	3,453
Investments and acquisitions	3,464	21		21		3,485
Assets, period end	43,310 ⁴⁾	891 ⁵⁾	188	1,079	740	45,128

31/12/2017						
Amounts in SEK m	Properties	Project development ¹⁾	TL Bygg	Project and construction activities	Non-allocated items and eliminations	The Group
Rental income	2,401				-12	2,389
Sales, project and construction work		54	638	692	-518	174
Net sales	2,401	54	638	692	-530	2,563
Property management costs	-748				7	-742
Project and construction work costs		-96	-606	-702	496	-206
Gross profit/loss	1,653	-42	32	-10	-27	1,616
Central administration	-50		-17	-17	2	-64
Financial income and expenses					-372	-372
Profit/loss before changes in value	1,602	-42	15	-27	-397	1,180
Changes in value	1,813 ²⁾				116 ³⁾	1,930
Tax					-551	-551
Profit/loss for the period	3,415	-42	15	-27	-832	2,559
Investments and acquisitions	3,874		5	5		3,879
Assets, period end	39,899 ⁴⁾	870 ⁵⁾	194	1,064	1,800	42,763

¹⁾ The profit within project development mainly refers to costs of investigations in early project stages and ongoing development projects.

²⁾ Properties, unrealised SEK 2,516 million (SEK 1,817 m). Properties, realised SEK 121 million (SEK -4 m).

³⁾ Unrealised change in value, derivatives SEK -70 million (SEK -121 m). ³⁾ Realised change in value, derivatives SEK 1 million (SEK -307 m).

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

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

Revenue type per segment, 31/12/2018						
	Properties	Project development	TL Bygg	Project and construction activities	Non-allocated items and eliminations	The Group
Rental income	2,424				-12	2,412
Sales, project and construction work						
of which Turnkey contracts, fixed price			227	227	-114	113
of which Turnkey contracts, open account			72	72	-44	28
of which Performance contracts, fixed price			282	282	-223	59
of which Performance contracts, open account			12	12	-7	5
of which Other		12		12		12
Total Project and construction sales	2,424	12	593	605	-388	217
Total Net sales	2,424	12	593	605	-400	2,629

KEY RATIOS ¹⁾

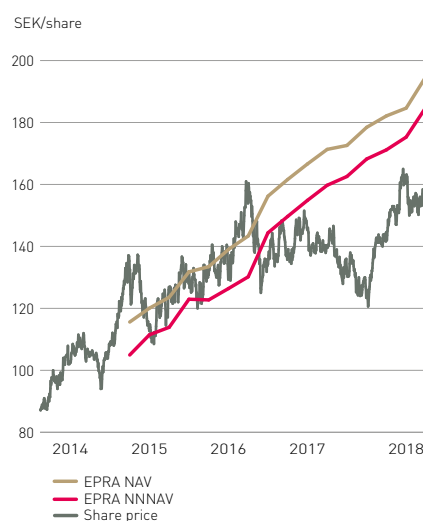
	2018 1/1–31/12	2017 1/1–31/12	2018 1/10–31/12	2017 1/10–31/12
PROPERTY-RELATED KEY RATIOS				
Letting rate, %	95	95	95	95
Operating surplus margin, %	68	69	64	67
Letting area, '000 m ²	1,129	1,146	1,129	1,146
Investments in investment properties, SEK m	1,758	1,593	583	426
Number of properties (period end)	51	53	51	53
FINANCIAL KEY RATIOS				
Equity/assets ratio, %	45.9	42.6	45.9	42.6
Gearing ratio, %	41.9	44.7	41.9	44.7
Adjusted gearing ratio, %	41.9	44.1	41.9	44.1
Interest coverage ratio, multiple	5.0	4.2	4.6	3.9
Average interest rate for interest-bearing liabilities, %	1.6	1.7	1.6	1.7
Return on shareholders' equity, %	17.7	15.0	25.8	8.9
Return on shareholders' equity, excluding changes in value, %	5.1	5.5	4.3	4.6
Return on total assets, %	9.3	8.7	13.3	4.4
Return on total assets excluding changes in value, %	2.7	3.1	2.5	2.7
DATA PER SHARE				
Earnings per share, SEK	26.15	19.21	9.93	2.98
Profit/loss before changes in value less applicable nominal tax, SEK	7.26	6.91	1.65	1.59
EPRA EPS, SEK	8.99	8.15	2.06	1.90
Cash flow, SEK	9.54	8.75	2.05	2.70
Shareholders' equity, SEK	158.64	136.79	158.64	136.79
Share price, SEK	152.00	130.30	152.00	130.30
EPRA NNNAV, SEK	184.93	162.57	184.93	162.57
Average number of outstanding shares, '000	132,019	133,221	131,107	133,221
Number of outstanding shares at end of period, thousand	130,460	133,221	130,460	133,221
EMPLOYEES				
Average number of employees	302	295	305	301

EPRA KEY RATIOS ¹⁾

	31/12/2018	31/12/2017
EPRA Earnings, SEK m	1,172	1,086
EPRA ESP, SEK/share	8.99	8.15
EPRA NAV, SEK m	25,416	22,992
EPRA NAV, SEK/share	194.82	172.59
EPRA NNNAV, SEK m	24,126	21,658
EPRA NNNAV, SEK/share	184.93	162.57
EPRA Vacancy rate	5%	5%

¹⁾ See definitions pages 25–26; see reconciliation for key ratios at www.al.se.

EPRA NAV, EPRA NNNAV and share price



QUARTERLY SUMMARY

INCOME STATEMENTS

	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Amounts in SEK m								
Rental income	613	601	597	601	603	595	624	567
Sales, project and construction work	48	55	59	54	70	33	48	24
Net sales	661	656	656	656	673	628	671	591
Property management costs	-218	-178	-175	-192	-202	-172	-185	-183
Project and construction work costs	-60	-66	-65	-55	-82	-40	-66	-18
Gross profit/loss	383	412	416	408	389	416	421	390
– of which gross profit/loss property management (operating surplus)	395	423	422	409	401	423	439	384
– of which gross profit/loss from project and construction work	-12	-11	-6	-1	-12	-7	-18	6
Central administration, property management	-21	-17	-17	-17	-21	-1	-9	-17
Central administration, project and construction work	-10	-6	-11	-4	-5	-3	-3	-4
	-31	-23	-28	-21	-26	-5	-12	-21
Financial income and expenses	-76	-72	-76	-78	-92	-91	-93	-95
Profit/loss before changes in value	276	317	312	309	271	320	315	274
Properties, unrealised changes in value	1,125	174	717	499	129	332	912	444
Properties, realised changes in value	112	-1	6	5	-4	-	-	-
Derivatives, unrealised changes in value	-97	99	-70	-2	-15	24	77	35
Derivatives, realised changes in value	-	1	-	-	-5	-	-	-
	1,140	272	653	502	105	357	989	479
Profit/loss before tax	1,417	589	965	811	376	676	1,304	753
Tax	-115	-171	151	-193	20	-152	-288	-131
Profit/loss for the period	1,301	418	1,116	618	396	524	1,016	622
KEY RATIOS ^{1) 2)}								
	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Property-related key ratios								
Letting rate, %	95	94	94	94	95	94	94	94
Operating surplus margin, %	64	70	71	68	67	71	70	68
Letting area, 1,000 m ² (period end)	1,129	1,167	1,139	1,145	1,146	1,178	1,179	1,176
Investments in properties, SEK m	583	401	411	364	426	422	398	351
Number of properties (period end)	51	53	53	53	53	54	54	53
Financial key ratios								
Equity/assets ratio, %	45.9	44.0	43.9	44.0	42.6	42.7	41.9	42.4
Gearing ratio, %	41.9	43.8	42.4	41.9	44.7	43.3	44.4	43.7
Adjusted gearing ratio, %	41.9	43.8	42.8	42.3	44.1	43.3	44.4	43.7
Interest coverage ratio, multiple	4.6	5.4	5.1	5.0	3.9	4.2	4.4	3.9
Average interest rate for interest-bearing liabilities, %	1.6	1.4	1.6	1.7	1.7	2.0	2.0	2.2
Return on shareholders' equity, %	25.8	8.6	23.5	13.3	8.9	11.9	23.8	15.1
Return on shareholders' equity, excluding changes in value, %	4.3	5.1	5.0	5.3	4.6	5.6	5.7	5.1
Return on total assets, %	13.3	6.0	9.6	8.3	4.4	7.4	13.8	8.9
Return on total assets excluding changes in value, %	2.5	2.8	2.8	2.8	2.7	3.1	3.2	3.0
Data per share								
Earnings per share, SEK	9.93	3.18	8.44	4.64	2.98	3.93	7.63	4.67
Profit/loss before changes in value less applicable nominal tax, SEK	1.65	1.88	1.85	1.81	1.59	1.87	1.84	1.60
EPRA EPS, SEK	2.06	2.61	2.13	2.10	1.90	2.20	1.89	1.91
Cash flow, SEK	2.05	3.36	1.75	2.37	2.70	2.01	2.00	2.04
Shareholders' equity, SEK	158.64	148.67	145.46	141.45	136.79	133.79	129.82	126.11
Long-term net worth (EPRA NAV), SEK	194.82	184.62	182.13	178.44	172.59	171.32	166.61	161.61
Current net worth (EPRA NNNAV), SEK ³⁾	184.93	175.28	171.17	168.22	162.57	159.74	154.86	149.69
Share price, SEK	152.00	161.20	144.60	123.00	130.30	142.00	140.50	136.40
Average number of outstanding shares, '000	131,107	131,536	132,240	133,221	133,221	133,221	133,221	133,221
Number of outstanding shares at end of period, thousand	130,460	131,529	131,576	133,221	133,221	133,221	133,221	133,221

¹⁾ See definitions pages 25–26.

²⁾ See reconciliation for key ratios on Atrium Ljungberg's website.

³⁾ For calculation of current net worth (EPRA NNNAV), 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 476 million (439). The operating profit/loss totalled SEK -42 million (90). The profit/loss after financial items totalled SEK 449 million (354).

INCOME STATEMENTS PARENT COMPANY

Amounts in SEK m	2018 1/1-31/12	2017 1/1-31/12
Rental income	176	214
Management income	300	225
Net sales	476	439
Property costs	-61	-61
Management and administration expenses	-364	-269
Capital gain/loss from sale of properties	-72	-
Depreciation	-21	-20
Operating profit/loss	-42	90
Result of participations in Group companies	500	450
Interest income and similar profit/loss items	565	557
Interest expenses and similar profit/loss items	-574	-743
	491	264
Profit/loss after financial items	449	354
Appropriations	185	162
Profit/loss before tax	634	516
Current tax	-35	-3
Deferred tax	12	176
	-23	172
Profit/loss for the period	611	688

Interest-bearing liabilities amount to SEK 14,483 million (15,182). 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	31/12/2018	31/12/2017
ASSETS		
Tangible fixed assets	1,498	1,525
Financial fixed assets	956	1,459
Current assets	19,734	22,157
Total assets	22,188	25,141
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	7,381	7,764
Untaxed reserves	61	61
Provisions	99	98
Long-term liabilities	14,483	13,571
Current liabilities	164	3,646
Total shareholders' equity and liabilities	22,188	25,141

OTHER INFORMATION

MARKET DEVELOPMENT, RISKS AND UNCERTAINTY FACTORS

Atrium Ljungberg's property portfolio, with office, retail 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.

CHANGES OF RULES IN THE AREA OF TAX

On 14 June 2018 the Swedish Parliament decided on amendments to the Swedish Income Tax Act with regard to the tax rules for companies. This change in the law came into force on 1 January 2019 and will limit the right to deduct interest for negative net interest income to 30 per cent of taxable EBITDA. In the current financial circumstances, Atrium Ljungberg will not be affected by this change, but a low level of capital lock-in could occur in individual subsidiaries. The company

tax rate will be reduced in two phases from the current 22.0 per cent; first to 21.4 per cent (2019) and finally to 20.6 per cent (2021). A general deduction, referred to as a primary deduction, has been introduced, with a deduction for impairment of 2 per cent 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.

BUY-BACK OF SHARES

On 28 March 2018, the Board of Atrium Ljungberg decided to initiate a buy-back of its own shares. The buy-back programme started on 20 April 2018. The aim of the programme is to secure the supply of shares in accordance with the Group's stock option programme, and to give the Board more flexibility in its work on the company's capital structure, which will therefore help to increase shareholder value. As of 31 December the company owns 2,761,000 class B shares. The buy-back has been in the range of SEK 132.20-157.03 per share.

NUMBER OF OUTSTANDING SHARES

At the end of the period the parent company had issued a total of 94,500 call options, which entitle Atrium Ljungberg's staff to acquire

the equivalent number of class B shares. The underlying share price reached a rate on the closing day and during parts of this period that would justify a redemption of these options. However, no dilution from the utilisation of these options has been taken into account when calculating earnings per share, as the effect is immaterial.

RETAIL SECTOR'S SALES TREND

In the first eight months of the year, total sales at our four regional retail hubs – Sickla, Farsta Centrum, Gränbystaden and Mobilia – increased by an overall 1.1 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 with addition of the new principles described below.

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 18,506 million (SEK 18,247 m) and their fair value totals SEK 18,745 million (SEK 18,321 m). 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. 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 change to IFRS 9 has not had any effect on the opening balance of equity 2018..

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 Bygg's 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 reconstructions 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.

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

During 2018, 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 27 million in 2018

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 vehicles, software licences, office machinery, etc.

In terms of leasehold agreements, Atrium Ljungberg will recognise a lease asset and a lease liability in the balance sheet when changing to IFRS 16 as at 01 January 2019. The lease asset and lease liability for the site leasehold agreements amounted to SEK 1,113 million as at 30 December 2018. The income statement will be affected by leasehold fees being reclassified from "Property management costs" to net financial expenses, as the leasehold fees are recognised as an interest expense in accordance with IFRS 16. This reclassification would amount to SEK 27 million for the period January to December 2018. Atrium Ljungberg has chosen to apply the simplified method and will not apply the standard retrospectively.

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.

When calculating the 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.

EVENTS AFTER THE CLOSING DAY

In January 2019 an agreement was entered into with the City of Stockholm to acquire a number of existing properties in Slakthusområdet in Stockholm as explained in a separate press release.

In February 2019 the Board of Atrium Ljungberg decided to

change the company's financial goals. The goal for net operating growth is being replaced with a goal for the return on shareholder's equity of 10 per cent per annum over time; while the goal for the equity/assets ratio is being replaced with a goal for a maximum gearing ratio of 45 per cent. The investment goal is being increased to SEK 2 billion per year. The goals for return on projects, interest coverage ratio, dividend and corporate social responsibility remain unchanged. See page 24 for further details.

In February 2019 the Board of Atrium Ljungberg decided to start the first district of tenant-owned dwellings in Nobelberget in Sickla. At the end of the year 13 out of the 68 apartments (19 per cent) had been booked.

OUTLOOK FOR 2019

Atrium Ljungberg's conditions remain good. Despite signs of the economy slowing down, we believe that our strong locations combined with our project development will contribute to continued value growth for our company. Interest rates are expected to rise slightly this year and we think that it is probable that there will be another hike during the year in addition to the one in January.

The investment volume in own properties for 2019 is assessed to amount to approximately SEK 2 billion. The forecast for profit before changes in value amounts to SEK 1,200 million in comparison to SEK 1,214 million for 2018. The forecast net profit after tax is SEK 940 million, corresponding to SEK 7.21/share. Changes in value and any other future property acquisitions and sales, in addition to Slakthusområdet which is described above, have not been taken into account in the forecast.

DIVIDEND

Dividend payments shall correspond to at least 50 per cent of the profit before changes in value, after estimated tax, unless investments or the company's financial position otherwise justify a deviation from this policy. A dividend of SEK 4.85 per share (SEK 4.50/share) is proposed for the financial year, which corresponds to a dividend of 67.6 per cent of the distributable profit (SEK 65.1/share) and a dividend yield of 3.2 per cent (3.5%).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 27th March 2019 at 17.00 (CET) in the SF bio building, at Marcusplatsen 19 in Sickla, Nacka. Notices convening the meeting will be advertised in Dagens Nyheter and in Post- och Inrikes Tidningar. The Annual Report will be available on Atrium Ljungberg's website no later than three weeks before the AGM and will also be distributed by post to shareholders who have requested a printed version. Please see the company's website (www.al.se) for full details of the Nomination Committee's proposals and of the items on the agenda for the AGM.

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

Nacka, 15 February 2019

BOARD OF DIRECTORS

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 on developing 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.

51

NUMBER OF PROPERTIES

44

PROPERTY VALUE, SEK BILLION

2.5

CONTRACTED ANNUAL RENT, SEK BILLION

1,129

TOTAL LETTING AREA, 1,000 M²

95

LETTING RATE, %

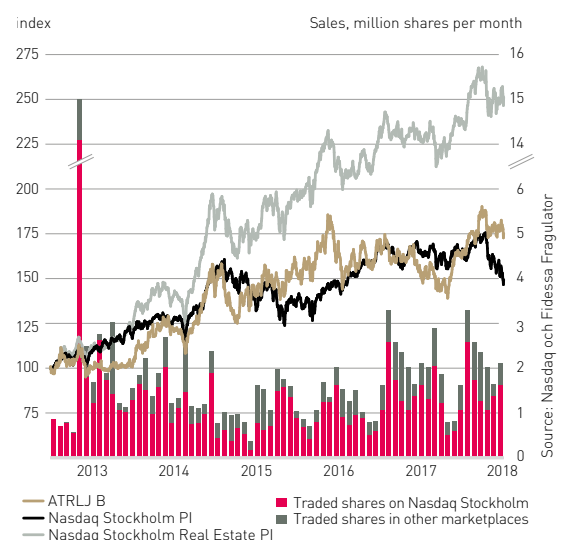
302

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 3.1 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 our 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 value growth with a stable capital structure. Our goals are divided into three areas:

PROFITABILITY AND GROWTH

Return on shareholders' equity will be 10 per cent over time; we will invest SEK 2 billion per year in in-house projects with a return of 20 per cent on new build and extension projects. The dividend will correspond to a minimum of 50 per cent of the profit before changes in value, after nominal tax.

LONG-TERM STABILITY

The gearing ratio will be a maximum of 45 per cent and the interest coverage ratio will be a minimum of 2.0.

CORPORATE SOCIAL RESPONSIBILITY

By 2021, 100 per cent of our properties are to be environmentally-certified. Energy consumption per m² is to decrease by 30 % between 2014 and 2021. By 2021, the proportion of green lease contracts is to be 50 per cent 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.

DEFINITIONS

FINANCIAL DEFINITIONS

Share dividend yield, %

The proposed share dividend as a percentage of the share price at the end of the previous year.

The share's dividend yield is used to illustrate which current yield shareholders are expected to receive.

Share's total yield, %

The year's change in the share price plus the distributed dividend during the year as a percentage of the share price at the end of the previous year.

The share's total yield is used to illustrate the shareholders' total yield on their ownership in Atrium Ljungberg.

EPRA NNNAV per share, SEK

Reported shareholders' equity with reversal of goodwill adjusted with estimated actual deferred tax, divided by the number of outstanding shares at the end of the period.

EPRA NNNAV per share is used to provide stakeholders information on Atrium Ljungberg's long-term net worth per share calculated in a uniform manner for publicly listed real estate companies.

Number of outstanding shares

Number of registered shares at the end of the period less bought-back shares, which do not provide entitlement to dividend or voting rights.

Return on shareholders' equity, %

Net profit/loss for the year as a percentage of average shareholders' equity.

Return on shareholders' equity is used to illustrate Atrium Ljungberg's capacity to generate profit on the owners' capital in the Group.

Return on shareholders' equity, excluding changes in value, %

Net profit/loss for the year as a percentage of average shareholders' equity excluding changes in value.

Return on shareholders' equity excluding changes in value is used to illustrate Atrium Ljungberg's capacity to generate current cash flow on the owners' capital in the Group.

Return on total assets, %

Profit/loss before tax plus interest expenses as a percentage of the average balance sheet total.

Return on total assets is used to illustrate Atrium Ljungberg's capacity to generate profit on the Group's assets uninfluenced by the Group's financing.

Return on total assets excluding changes in value %

Profit/loss before changes in value plus interest expenses as a percentage of the average balance sheet total.

Return on total assets excluding changes in value is used to illustrate Atrium Ljungberg's capacity to generate current cash flow on the Group's assets uninfluenced by the Group's financing.

Gearing ratio, %

Interest-bearing liabilities as a percentage of the sum of the properties' fair value at the end of the period.

The gearing ratio is used to illustrate Atrium Ljungberg's financial risk.

Gross profit/loss property management

Rental income less property management costs.

Gross profit/loss project and construction work

Project and construction sales minus project and construction costs.

Equity per share, SEK

Reported equity divided by the number of outstanding shares at the end of the period.

Equity per share is used to illustrate the owners' share of the company's total assets per share.

EPRA

The European Public Real Estate Association is a trade organisation for publicly listed real estate companies and investors in Europe which sets standards for the financial reporting.

Property costs

Total property management costs, which exclude central administration.

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.

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, m²

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, m²

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 lease contracts are 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.

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. The site also provides updated information on our operations, our properties and projects, financial key ratios, the share, and much more besides. The information on the website is also available in English.

PUBLICATION OF FINANCIAL INFORMATION

Annual General Meeting	27/03/2019
Interim report Jan–Mar 2019	12/04/2019
Interim report Jan–Jun 2019	09/07/2019
Interim report Jan–Sep 2019	18/10/2019
2019 Preliminary Financial Statements	Feb. 2020
2019 Annual Report	March 2020



Box 4200, SE-131 04 Nacka. Street address: Smedjegatan 2 C
Tel: 08-615 89 00, info@al.se
Registered office: Nacka, Corporate ID no.: 556175-7047

www.al.se