



SAMHÄLLSBYGGNADSBOLAGET I NORDEN AB (PUBL)



ANNUAL REPORT

2019

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VISION

Samhällsbyggnadsbolaget aims to be the best Nordic property company for social infrastructure properties and residential.

MISSION

Samhällsbyggnadsbolaget shall benefit its shareholders and society in general:

- To be a natural and reliable partner to the public sector in the Nordic region, by long-term ownership, management, renovation and building of social infrastructure properties.
- To acquire, develop, build and manage residential throughout Sweden.
- To work actively as a community builder and long-term partner to municipalities, county councils and government agencies in order to create building rights for housing.

SBB's formal and audited annual report are covered by the pages 50-117.

THIS IS SAMHÄLLSBYGGNADSBOLAGET (SBB)

Ilija Batljan founded SBB (abbreviated SBB or the Group or the company in the report) in March 2016 with a vision to create the best Nordic property company focused on residential and social infrastructure properties. The company's strategy is long-term ownership, management and development of rent controlled residential properties in Sweden and social infrastructure properties in the Nordics. Further, the company aims to actively carry out property development where cash flow properties can be converted into social infrastructure building rights.

Active management

SBB has an internal management organization. SBB's management focuses on active work with value-creating development and continuous maintenance of the existing portfolio. A high surplus ratio is one of the company's sustainability goals, and the company performs management operations with a focus on net operating income. This is partly done through energy- saving investments.

In addition to working with traditional property management, SBB also works with further value-creating activities: property development, investments/renovations and business development.

Property development

SBB works actively with property development, which entails development of building rights and participation in property development projects in joint ventures with a limited implementation risk for SBB. The company's strategy is that around 10 percent of the property portfolio is to be comprised of the property segment Other, which entails cash flow properties with identified development potential. The segment should generate earnings of SEK 250-400m per year on average over a business cycle. The properties that SBB acquires within the segment Other are cash flow properties with development potential that generate cash flow until a detailed development plan and further development. The acquisitions

are most often made off market after SBB has held a dialogue with the respective municipality to ensure that the property with the local area is prioritized for upcoming urban development.

Investments/renovations

Investments and renovations are an important part of SBB's value-creating management. With an assessed target of 600 renovated apartments per year and an assessed renovation cost of around SEK 5,000/sq.m., around SEK 300m of further value is created every year based on operating net improvements due to already negotiated renovation rents. In addition to this, value is generated through renovations of and investments in community service properties and the earnings effect is estimated at SEK 400m annually in total. For example, SBB has several housing units for the support of the disabled under on-going production.

Business development

SBB actively works on business development and value creation through active portfolio management. The business development team led by Business Development Director Oscar Lekander has carried out transactions for nearly SEK 100bn throughout the Nordic region since 2010, of which around half has been with public sector clients. Since 2017, SBB has acquired and sold properties for a total gross value of around SEK 40bn.



THE YEAR IN BRIEF

SEK 79,5 bn

Property value
31 December 2019

SEK 2,0 bn

Rental income
Jan-Dec 2019

SEK 2,6 bn

Net Profit
Jan-Dec 2019

SEK 745,0 bn

Cash flow from current operations
Jan-Dec 2019

20,04 SEK/share

EPRA NAV
Jan-Dec 2019

1,76 %

Average interest
Jan-Dec 2019

THE ACQUISITION OF HEMFOSA

The transaction

In November 2019, SBB made a recommended public takeover bid to the shareholders of Hemfosa Fastigheter AB (publ) ("Hemfosa"). At 20 December 2019 when the acceptance deadline expired, SBB controlled 87.8 percent of the shares and 88.1 percent of the votes. The acceptance deadline for the offer was extended to 29 January 2020 and after that deadline expired, SBB controlled 93.5 percent of the shares and 93.8 percent of the votes in Hemfosa. SBB then called for compulsory redemption of the shares that had not been turned in for the offer and, at 31 January 2020, Hemfosa was delisted from trade on Nasdaq Stockholm. The acquisition was carried out through a mix of compensation in shares and compensation in cash.

About Hemfosa

Hemfosa is a specialist in social infrastructure properties for public sector – offices, schools, healthcare and adapted housing, as well as the judicial system in the Nordic region. Hemfosa is one of the largest private property owners of social infrastructure properties in Sweden. Police officers, teachers and doctors, among others, work in Hemfosa's premises and Hemfosa actively works to adapt its properties to their needs.

Hemfosa divided its social infrastructure properties into four categories – Public Sector Offices, Healthcare and Adapted Housing, Schools and Judicial System. Geographically, the properties are in 109 municipalities in Sweden with an emphasis on the Stockholm, Gothenburg and Malmö region and the Norrland coast. In Norway, since the first acquisitions in 2015, Hemfosa has built up a portfolio located primarily in the Oslo region and Southern Norway, but since 2017 is also in Western Norway through an acquisition in Bergen. Finland is the third market that Hemfos established operations in with an emphasis on the greater regions.

The merged company

The property value in SBB after the implementation of the acquisition of Hemfosa amounts to nearly SEK 80bn. The company is thereby one of the largest listed property companies and the largest in social infrastructure in the Nordic region. The property portfolio has a clear focus on low-risk assets in social infrastructure with municipal and government tenants in the largest Nordic metropolitan regions, with a particularly strong position in Sweden. Through the acquisition, SBB will be able to realize financial and operational synergies.

An important goal for SBB is to achieve a BBB+ rating and the company has completed several activities after the implementation of the acquisition to achieve this in the long term. Declarations of intent regarding the sale of properties for a total value of around SEK 11bn have been made, of which a major component is office properties from Hemfosa's portfolio – which further strengthens SBB's low-risk profile. Binding agreements are expected to be reached in March 2020. In addition, SBB has repaid secured bank loans totalling SEK 10bn, which results in the financial costs on a 12-month rolling basis (with all else equal) decreasing by SEK 170m.

The "new" SBB is characterized by an attractive and stable property portfolio with exposure to Nordis welfare states with long leases, high letting ratios and a diversified base of tenants.

CEO ILIJA BATLIJAN



“ SBB is now the social infrastructure property champion in the Nordics ”

As I am writing this, our share price has almost halved from the highest level at the end of February to SEK 16.5 on Friday, March 13, 2020. The stock market sets share prices and we continue to deliver good results. Our assessment published in the year-end report is firm and we repeat the message that will be tested during those turbulent days: SBB's secure cash flows are only marginally affected by the economy and external factors.

Cash flow increased by 201 percent

After the acquisition of Hemfosa, Samhällsbyggnadsbolaget (SBB) is the Nordic region's largest and one of Europe's largest owners of social infrastructure. We continue to build a cash-flow machine through SBB's scalable platform staffed with some of the Nordic region's most experienced employees in the senior positions. Cash flow from operating activities before changes in working capital increased by 201 percent to SEK 745m (248). Adjusted for non-recurring effects for the buyback of expensive loans, cash flow for the year ends up at SEK 942m (375).

Net asset value increased by 73 percent

In the past 12 months, the net asset value increased by SEK 16,1bn, corresponding to 73 percent per ordinary A and B shares. Net asset value EPRA NAV was SEK 20.04 per ordinary A and B share at the end of the fourth quarter.

Profit before tax was SEK 3,137m and profit after tax was SEK 2,624m. Adjusted for non-recurring costs for repayment of expensive loans and deductions for profit attributable to preference shares, D shares and hybrid bonds, earnings for the year were SEK 3.36 per ordinary A and B share.

Earnings capacity from property management increased by 125 percent

SBB's 12-month rolling earning capacity from the management operations amounted to SEK 2,723m (770) at the end of 2019. Considering a theoretical cost because the company had a liquid position (available

liquidity less deposited payment for the cash component of the Hemfosa deal) of SEK 6,930m, an adjusted earnings capacity would end up at SEK 2,845m, corresponding to an increase of 125 percent per ordinary Class A and B share since the end of 2018 when earnings per share was SEK 1.02 per share.

The management earnings adjusted for non-recurring costs increased, compared with 2018, by 73 percent to SEK 945m (468). In addition to costs for the repayment of loans, the non-recurring costs include SEK 10m in costs for the transition to renewable energy, SEK 10m for central administration and SEK 83m for acquisition and restructuring costs. The strong net operating income combined with ever lower financial expenses are the main factors behind the strong increase in management earnings.

We see continued strong demand for rental apartments and extensive competition for both rental apartments and social infrastructure properties.

SBB's property value amounted to SEK 79.5bn at the end of 2019. The total area of our property portfolio is 4.2m sq.m. with a rental income of SEK 5,217m based on a 12-month rolling earning capacity. Approximately 65 percent of the value of our property portfolio is in the Nordic region's largest cities with Stockholm as the largest market (27 percent of the value), with an average lease length of 7 years. If we adjust for signed but not yet closed leases, the average lease length would be nine years.

In connection with the acquisition of Hemfosa, SBB's portfolio with building rights under development increased by around 700,000 sq.m. GFA to a total of 1.8m sq.m. GFA. Converted to potential for new construction, these correspond to approximately 20,000 - 24,000 homes.

We continue to develop our joint venture collaborations. This is done both with respect to the sale of building rights to the joint ventures, but also focussing on having social infrastructure such as elderly homes and properties for the disabled delivered to us. In one of our joint ventures, a project engineering agreement has been signed with the Swedish Police

Authority for the purpose of building a new police station in Västerås on a jointly owned property with an appraised rental value of SEK 630m during the 15-year term in the lease intended to be signed.

BBB+ rating - focus in the next 12 months

We are focusing on achieving a BBB+ rating in the next 12 months, which is a prerequisite for strong growth. In the long term, the goal is to achieve an A- rating.

We continued to strengthen equity, by SEK 20bn during the year. Calculated on our earning capacity on a 12-month rolling basis, the interest coverage ratio ends up at a multiple of 4.3. At the end of the year our net debt proforma, adjusted for upcoming property divestments, through total capital in accordance with S&P's definition amounted to 54 percent.

Sustainability – a central part of our business model

Sustainability is a natural part of SBB's business model and SBB strives to be the most sustainable property company in the world. In order to achieve this, SBB launched Vision 2030 which sets out clear goals. The overall goals presented in Vision 2030 are:

- Govern the company's operations in line with the UN global sustainable goals; (5), (7), (8), (11), (13), (15)
- 100 percent climate neutral by 2030
- Minimize the risks to the company's assets by continuously reviewing the climate risks in the property portfolio
- The company's Code of Conduct, which is based on the UN Global Compact, must be followed and understood by all employees and partners
- Regularly improve, follow up and report on the company's sustainability efforts

SBB provides social infrastructure by ensuring access to appropriate and affordable premises for the most important welfare state services. As a long-term partner to the municipalities, we invest in CSR and cooperate with the municipalities by, for example, letting apartments to the municipalities for social purposes. One of our important goals is to offer summer jobs in our residential areas so that approximately 100 young persons get the opportunity to enter the job market. We invest in our

residential areas and, together with the municipalities, we are a player in sustainable urban planning and community development.

Outlook

SBB's secure cash flows are only marginally affected by the economy and external factors. We provide a strong earnings capacity of SEK 2.29 per share from property management. In addition to this, we see good conditions to continue delivering further earnings from our three value-creating areas – renovations/investments in the existing portfolio, development of building rights and transactions. We previously communicated that "For 2019-2021, our assessment is that we will be able to deliver the highest annual increase in net worth among all Swedish listed property companies." We now have the outcome for 2019 and it is a high 73 percent per ordinary A and B share.

SBB is now the leading property company in the Nordic region focused on social infrastructure. Our assessment is that we have the best conditions to continue developing our position. SBB's strength is clear from some of the events after the end of the fourth quarter. First off is naturally the major success with the offer to Hemfosa's shareholders, where SBB by the end of the offering period in January 2020 controlled 93.5 percent of the shares and 93.8 percent of the votes in Hemfosa. In addition, SBB issued a perpetual hybrid bond (equity) of EUR 500m with a fixed coupon of 2.624 percent and, last, but not least, SBB's successful unsecured 7.5 year bond of EUR 750m with a fixed coupon of 1 percent – the largest ever for a Nordic real estate company.

We are continuing to deliver shareholder value, good profitability and strong cash flows. SBB's new dividend policy entails a goal to generate a stable increasing annual dividend. The company's Board of Directors proposes an initial dividend in accordance with the new dividend policy of SEK 0.60 per ordinary A and B share for the 2019 financial year, to be paid out with SEK 0.15 quarterly.

Ilja Batljan

CEO and Founder



TO SAMHÄLLSBYGGNADS- BOLAGET'S SHAREHOLDERS



” For 2020, the ambition is to continue the work of creating a stable cash flow machine.”

Acquisition of Hemfosa

SBB acquired Hemfosa in 2019. The property value in SBB after the implementation of the acquisition amounts to nearly SEK 80bn. The property portfolio is comprised of 1,394 properties with an area of 4,233,000 sq.m. SBB also owns development rights for 20,000–24,000 homes. In 2019, SBB became the Nordic region's largest and one of Europe's largest owners of social infrastructure properties.

Strong financial position

At the end of the year, SBB reported a long-term net asset value (EPRA NAV) of SEK 24,855m (8,736), corresponding to SEK 20.04 (11.55) per ordinary share. The loan-to-value ratio was 41 percent (53). As a result of SBB's continuously strengthened balance sheet, SBB received a BBB-rating with a positive outlook in 2019. The goal is a BBB+ rating in 2020. The average interest rate for the company's loans decreased to around 1.76 percent (2.44) during the year. The current rolling 12-month earning capacity from the management business and attributable to ordinary shareholders amounted to SEK 2,616m at the end of 2019. SBB's Class B shares are one of 250 most liquid property securities in the world and are included in the GPR 250 index.

Thanks to SBB's employees and shareholders

A major thanks to SBB's employees and loyal shareholders, who have made SBB's success possible. SBB's success in 2019, and earlier years, could not have been implemented without SBB's professional company management and employees.

Just as important to SBB's success are the company's loyal shareholders, who have supported SBB's ambitions to create the Nordic region's largest property company in social infrastructure. The shareholders' participation in SBB's new share issue of around SEK 1,500m, which was a prerequisite for a successful acquisition of Hemfosa, is evidence of the shareholders' confidence in SBB. Likewise, I would like to express our gratitude to the

shareholders, who guaranteed the entire issue amount in SBB without compensation.

Corporate governance

Until the Annual General Meeting on 27 April 2020, SBB's Board of Directors consists of seven members. Overall, the Board possesses solid expertise in property, financing issues and corporate governance. The Board's work is characterised by high efficiency and forthright cooperation. This provides a good basis for a continuous development of SBB. During 2019, SBB's Board of Directors had 71 meetings, of which one constituting meeting. There are a number of standing issues on the agenda for each ordinary board meeting, including the CEO's review of the business, acquisitions, divestments, investments, organization and financial reporting.

The Audit Committee works according to an annual agenda and is tasked with, among other things, monitoring the company's financial reporting. The Audit Committee consists of the entire Board except the CEO. The Remuneration Committee shall prepare matters concerning remuneration principles for the CEO and other senior executives. The Remuneration Committee consists of the Board members Eva Swartz-Grimaldi (Chairman) and Lennart Schuss. A Sustainability Committee was formed in the first quarter this year and will address sustainability issues in the company.

Outlook

For 2020, the ambition is to continue the work of creating a stable cash flow machine. SBB's strong financial position, combined with the company's size, creates new business opportunities in an increasingly worried surrounding world. I am convinced that the work with and focus on cash flow will enable a continued attractive investment for our shareholders. Lastly, I would like to thank the Board, management and other employees for a fantastic 2019. I also want to welcome new employees. I am convinced that 2020 will continue to be successful.

Lennart Schuss, Chairman of the Board

OPERATIONS



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OPERATIONS

SUSTAINABILITY

MANAGEMENT REPORT

FINANCIAL STATEMENTS

ECONOMY AND PROPERTY MARKET

The global economy

The global economy showed a clear slowdown in 2019, with greater uncertainty concerning the future development of the world economy as a result of political turbulence and considerable global risks. During the year, several events affected the world economy negatively, including an escalated trade conflict between China and the U.S., uncertainty regarding Brexit, domestic unrest in China and Hong Kong, and lastly the spread of the coronavirus. The global uncertainties have resulted in a volatile stock market, and a declining growth rate in the world economy, which was measured at around 3.0 percent in full-year 2019, which is the weakest figure since the 2008 financial crisis.

Property market in Sweden – Record-breaking year

In connection with a somewhat declining economy, a growing amount of capital began to allocate towards the property sector, which is deemed to be a relatively risk-free investment relative to its return. This has resulted in a historically strong transaction market with a total transaction volume for full-year 2019, which accumulated amounted to nearly SEK 218bn, which can be compared with the previous record-breaking year of 2016 when the total transaction volume amounted to around SEK 201bn. The transaction volumes were driven up by structure transactions and large individual transactions. In addition, the year was characterized by several new price records and a record number of billion SEK transactions, where the average transaction volume per deal amounted to around SEK 490m per deal. The international investors were very active in the Swedish property market in 2019 and accounted for 30 percent of the total transaction volume, which is the highest percentage since 2007.

Geographically, Stockholm continues to account for the largest percentage of the transaction volume with 41 percent of the year's total transaction volume in Sweden, which is unchanged since 2018. A geographic segment that increased during the year was Rest of Sweden² which during the year accounted for 24 percent of the total transaction volume, compared with 18 percent in 2018. This means that the segment accounted for the second largest share of the transaction volume in 2019.

Rental housing is still a highly attractive segment for both domestic and international investors. During the year, housing accounted for 32 percent of the total transaction volume in Sweden, which means that housing was the segment that had the largest turnover in the Swedish transaction market for the third consecutive year. community service properties have taken a place as a given investment alternative for long-term investors and amounted to 18 percent of the total transaction volume and were thereby the third most invested segment in 2019 behind residential and office properties.

Property market in Norway – Another strong transaction year

The commercial property market in Norway experienced another strong year in 2019. The total transaction volume for full-year 2019 totalled around NOK 100bn, distributed across around 286 transactions, which is a weak increase since 2018. The rental market is deemed to continue to benefit from a strong economy in 2020 and the vacancy rates are forecast to decrease in Oslo and remain stable in Norway's other cities.

International investors were net sellers during the year, which is a trend that has lasted since 2018. The relatively limited interest from international investors is a result of expensive hedging costs and attractive products that are sold for high levels and for low direct return requirements for foreign buyers.

The office segment continues to be the most invested segment in Norway, with a share of 37 percent of the year's total transaction volume. The logistics segment declined in percentage after a strong increase in 2018,

and returned to earlier years' levels of around 10 percent of the year's total transaction volume.

In Oslo and Bergen, new buildings are close to major roads and rail service had an extensive demand during the year. The high demand has pushed up prices, both in these areas and nearby. The direct return requirements for offices in Oslo's most attractive areas remain at levels of 3.75 percent, which resulted in the investors looking for returns in the rest of the country and cities like Bergen, Trondheim and Stavanger. In total, Oslo accounted for 35 percent of the total transaction volume in Norway in 2019, which can be compared with 49 percent in 2018 and 48 percent the year before that. Cities outside Oslo, Bergen, Trondheim and Eastern Norway had the largest increase, and accounted for 29 percent of the total transaction volume during the year, which is a strong increase from 9 percent in 2018.

The expectations of raised rent levels also meant that a larger share of properties change owners in connection with investors looking for returns in connection with the renegotiation of rental agreements. During the year, a greater payment willingness for housing could also be noted, even if housing prices as a whole have begun to stabilize. The greatest demand is in cities outside Oslo with a strong population growth as these cities now have a more stable market than Oslo.

Property market in Finland – No new record, but a continued stable transaction market

The total transaction volume in the Finnish property market decreased somewhat after the high activity of recent years and for full-year 2019 amounted to EUR 6.3bn, which is a decrease since the 2018 transaction volume of EUR 9.2 bn. Due to a relatively high return and a stable cash flow compared with alternative investments, the property market remains an attractive investment alternative, but the offering does not meet the demand. In connection with the prevailing low-interest situation, investors are encouraged to increase the share of properties in their investment portfolios, which results in a surplus of prospective buyers who want to acquire properties, which in turn pushes down the transaction volume. The international investors continued to show a strong interest in the Finnish property market and in 2019 accounted for 45 percent of the total transaction volume in Finland.

The housing segment increased its share of the transaction volume in 2019 to 25 percent, but in terms of volume remains at levels equivalent to 2018. In 2019, with a 37 percent share of the total transaction volume, housing was the property segment with the second largest turnover after offices. The retail segment decreased as a percentage of the transaction volume from 24 percent to 17 percent, as a result of a greater caution from investors for the segment.

During the year, a greater investment interest occurred in the areas outside central Helsinki with good public transport possibilities, as the direct return requirements are higher than in the central parts of the city. Among other things, there was an increased transaction volume in the office markets of Keilaniemi and Leppävaara. The university cities were also attractive investment areas for both domestic and international investors in 2019.

Property market in Denmark – Slow start on a recovering property market

After a relatively slow start to the Danish transaction market, the transaction volume for full-year 2019 totalled DKK 55bn after a strong end to the year. The transaction volume during the last quarter of the year amounted to DKK 21bn and thereby accounted for nearly 40 percent of the year's total transaction volume. Although the transaction volume in

Denmark declined somewhat in 2019 compared with the 2018 volume of DKK 74bn, the transaction volume is at a historically high level.

International investors accounted for nearly 50 percent of the total transaction volume in 2019, of which Swedish companies accounted for nearly half of the volume, corresponding to around 25 percent of the total transaction volume. The international investors showed particular interest in Greater Copenhagen, which accounted for 92 percent of the international property investments during the year and 61 percent of the total transaction volume in Denmark.

In 2019, housing was the segment that accounted for the largest share of the total transaction volume in Denmark with 42 percent of the total transaction volume during the year, corresponding to DKK 23bn. The retail segment continues to have difficulties with increasing vacancy levels and a declining transaction volume for the segment. In 2019, interest increased in office properties and the segment accounted for around 29 percent of the total transaction volume. The high demand is driving down the return requirements, which has resulted in quoted sales with return requirements down towards 3.5 percent.

Den nordiska marknaden för samhällsfastigheter

In Sweden, Norway and Finland, the municipalities' interest in divesting part of their community service property holdings has increased. Many municipalities are in need of capital to maintain current property portfolios, build new housing, finance care and education and invest in important infrastructure. In addition to this, many municipalities in Sweden and Finland, for example, have a positive attitude to private actors taking care of large parts of the new construction of community service properties. The vast majority of the municipalities are in extensive need of new schools and elderly homes in the next few years and part of this new production will be done by the private market. Many municipalities are also positive to having more companies for the labour market in the municipality.

There is greater interest in investing in community service properties in Sweden and the other Nordic countries. In 2019, community service properties accounted for around 18 percent of the total transaction volume in Sweden; in 2007, they only accounted for 2 percent of the total transaction volume. This generally is about the fact that municipalities, county councils and the state were historically the sole owners of all community service properties. There are many reasons for the change in the ownership structure. Firstly, there is a need for new investments in the sector and many municipalities lack capital to make necessary investments. The market for community service properties has developed most in Sweden and Finland. However, private actors are increasing their share of the market in Norway and Denmark as well.

The growing market has resulted in specialized property companies. Pension funds have also invested in community service properties as they, as an asset class, are well suited to the pension funds' long investment horizon and generate a stable return on the investment.

The increased interest from investors in the segment can partly be explained by the current social development with an ageing population, a growing number of young people and an extensive immigration. This has caused a major strain on society and created an opportunity to invest in schools and elderly homes. In nearly all geographic segments in Sweden, the return levels for elderly homes and schools have gradually declined. A similar trend can also be seen in Sweden's neighbouring countries, mainly concentrated around Oslo and Helsinki. Besides the underlying demography, community service properties are also characterized by long rental periods with stable tenants, which is attractive for a majority of the property investors.

In Norway, the community service property segment accounted for 17 percent of the total transaction volume as of October 2019, compared with 8 percent in 2015. As in the other Nordic countries, interest in community service properties is growing even if there are only a few property companies that focus on this segment. Pension funds have begun focusing more on this segment, driven by its long-term nature and the attraction of stable returns. The state and municipalities are still the principal owners of these kinds of properties, but if their attitude towards divestment were to change, it could open a new window for a greater range of community service properties that come onto the market.

In Finland, the private ownership of community service properties increased in recent years. However, there is considerable uncertainty in the market due to potential regulatory changes, which will transfer the responsibility for healthcare and social services to 18 new regions. In this reform, the "freedom of choice" was included, meaning that the patient must have the possibility of choosing who will provide healthcare or social welfare – government or non-government. The "freedom of choice" is deemed to improve efficiency in healthcare and the social welfare system, which means that the municipalities will need to find new areas of use for many of their properties. The current government does not support the "freedom of choice" and has paused the reform..

Community service properties is not a defined category in the Danish market and moreover, the market is immature in terms of community service properties. SBB's assessment is that transactions within the segment constitute only a few percent of the total market. Government-owned properties are controlled by seven units: FREJA (development company), the Danish Defence Estates and Infrastructure Organisation, Banedanmark (the railway network in Denmark), the Danish Building and Property Agency (Property companies and property developers), the Danish Nature Agency, Danish Prison and Probation Service and the Danish Agency for Culture and Palaces. In recent years, certain properties owned by public institutions were sold due to restructuring and requirements of cost reductions, which were driven by political decisions. Due to the factors stated above, it is likely that the demand for, and investor interest in, community service properties in the Nordic region will continue to be extensive in the future.

- 1) Transactions >= SEK 40m
- 2) Refers to areas outside metropolitan and regional cities
- 3) Transactions >= NOK 50m

Source: Newsec

THE PROPERTIES

In order to safeguard stability, a strength to act and strong cash flows, at least 80-90 percent of the portfolio must consist of social infrastructure properties in the Nordic region with long leases and rental apartments in Sweden. SBB has continuously exceeded its expectations. The 24th of September 2019 SBB presented the goal of the property portfolio amounting to SEK 55bn in 2021 with a BBB+ rating". This goal has already been exceeded with the Hemfosa transaction. SBB aims to present updated growth goals on the Capital Markets Day in May 2020.

SBB is active in a market with stable and strong underlying driving forces. The property portfolio of the company is characterized by high letting ratio and long leases. Rental income is comprised of long, secure flows mainly from national and local government and from rental apartments.

Beyond growing through acquisitions, SBB also carries out value-creating activities, such as redevelopment and renovations of existing properties, as well as development of building rights and transactions.

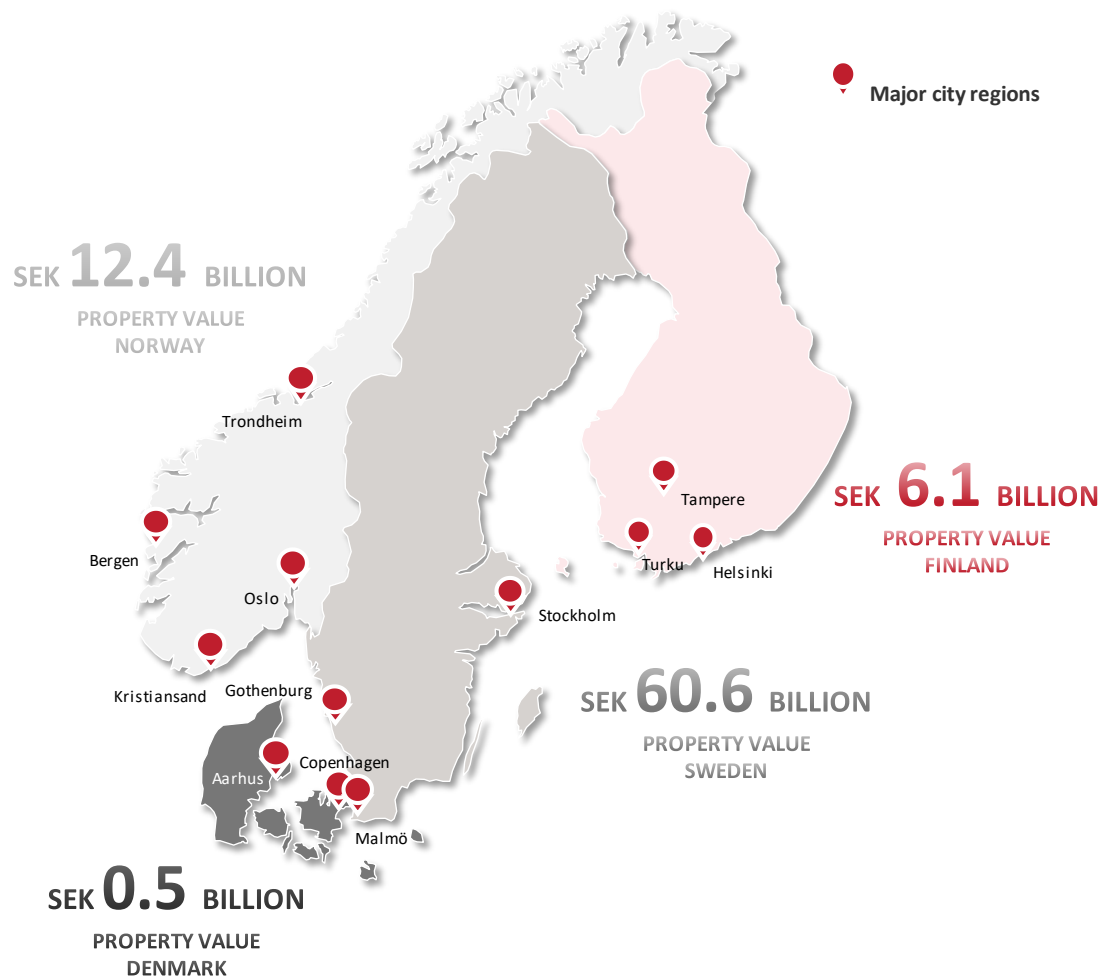
As of 31 December 2019, the property portfolio comprised 1,394 properties. The properties' value totalled SEK 79.5bn, of which housing amounted to SEK 13.2bn, community service properties SEK 61.5bn, and other properties SEK 4.8bn. The total area was approximately 4,233,000 sq.m. with a 12-month rolling rental income according to an earning capacity of SEK 5,217m. The table below shows the breakdown of rental income at contract level.

Classification	Rental income, SEKm	Total, %
Residential	774	15
Group Housing	315	6
Government	2 462	47
Indirect government	1 060	20
Othe	607	12
Total	5 217	100

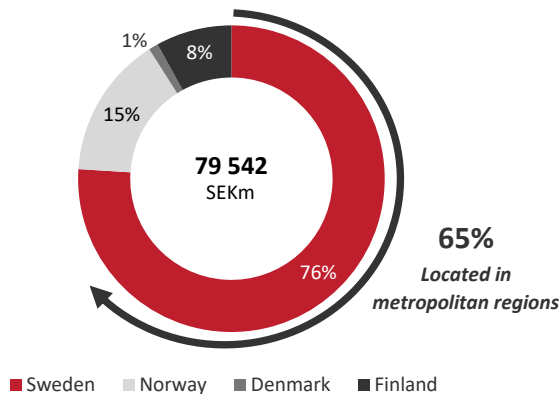


PROPERTY VALUE BY GEOGRAPHY:

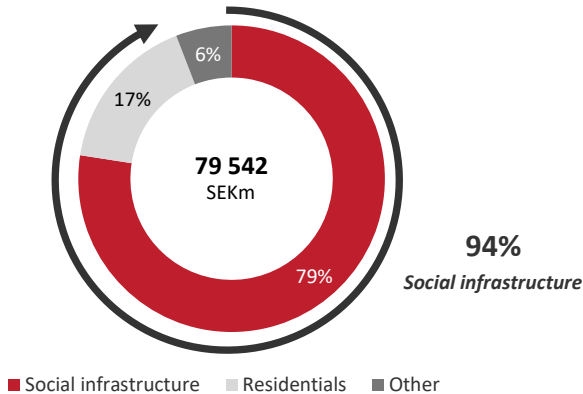
65 percent of the property portfolio is in the metropolitan regions



Property value, by country



Property value, by property type



COMMUNITY SERVICE PROPERTIES

The business concept of Samhällsbyggnadsbolaget (SBB) is to benefit its shareholders and society in general by:

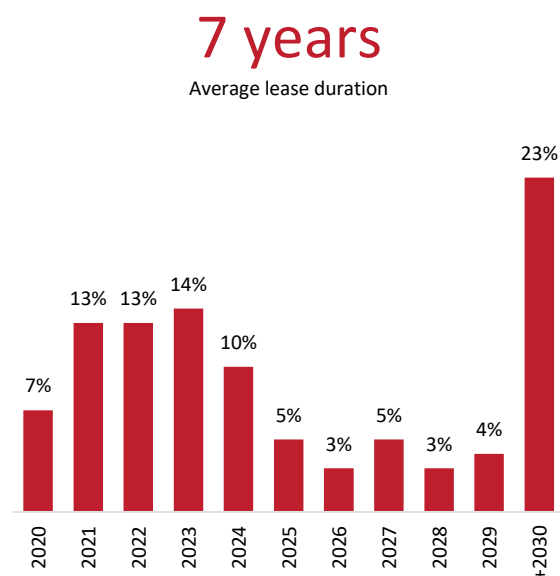
- Being a natural and reliable cooperative partner to the public sector, by owning, managing, renovating and building community service properties in the Nordic region and regulated rental apartments in Sweden (jointly called social infrastructure) in the long term.
- Conducting active work as a society builder and long-term collaborative partner of municipalities, county councils and national authorities in order to create building rights for social infrastructure.

SBB's strategy is the long-term ownership, management and development of social infrastructure. At the end of the period, community service properties in Sweden accounted for 52 percent of the company's property value; 16 percent of the company's property value was comprised of community service properties in Norway, 8 percent of community service properties in Finland and 1 percent of community service properties in Denmark. 17 percent of the property value was comprised of Swedish regulated rental apartments. The remaining 6 percent are properties where the company conducts active property development work where cash flow properties are converted to building rights for social infrastructure – an important part of building social infrastructure. This makes SBB a very important society builder in times of an extensive demand for properties in social infrastructure.

SBB's community service properties include properties that are used by tenants that are tax financed by the Nordic welfare states. The tenants conduct operations in education, elderly care, support for the disabled and other activities for healthcare and municipal and national administration. For example, SBB owns several municipal buildings, ministry buildings, a large number of elderly housing units, preschools and schools and is the Nordic region's largest actor in properties for support of the disabled with around 250 such properties.

SBB manages and refines homes in Swedish growth municipalities. Our properties are located in close vicinity to the town centre and with access to very good public transport. Community service properties, which together with Swedish regulated rental apartments are defined as social infrastructure, constitute SBB's core holdings and over time shall comprise around 90 percent of the company's total property value. The combination of regulated rental apartments and community service properties is unique among listed companies in the Nordic region. They are assets with minimal risk since the supply of rental apartments in Sweden is far below demand due to a regulated market and a growing population, at the same time that the need for community service properties is very extensive for demographic reasons in combination with tenants that are financed by the Nordic welfare states. SBB has among the longest average lease durations in the market for community service properties, around seven years, combined with a very low degree of relocation, which means that the actual duration is clearly longer than seven years.

Lease duration, community service properties



Largest tenants, community service properties

Tenants	Rental income	% of total ¹⁾
Swedish state	827	20,2
Norwegian state	246	6,0
Municipality of Härnösand	129	3,2
Norwegian National Association for Hearth and Lung Diseases	112	2,7
Academediä	87	2,1
Västra Götaland County Council	66	1,6
Municipality of Boden	63	1,5
Municipality of Haninge	61	1,5
Attendo	56	1,4
Internationella Engelska Skolan	54	1,3
Total 10 largest tenants	1 700	41,6
Other	2 392	58,4
Total rental income	4 092	100,0

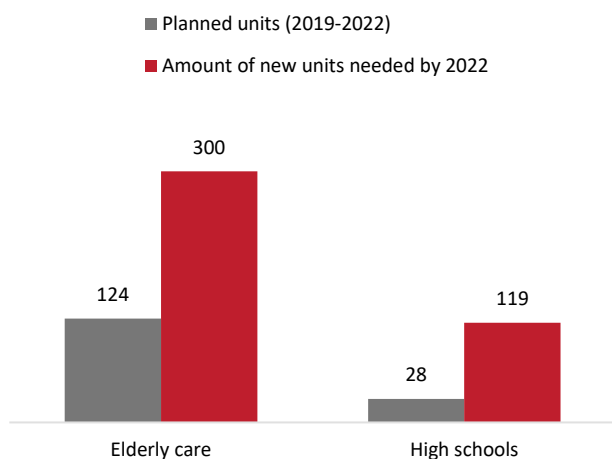
¹⁾ Based on the Social infrastructure property portfolio

Supply and demand for social infrastructure

The need for community service properties is very large. The graph below illustrates the number of planned units of elderly housing and high-schools until 2022 in relation to the actual need. A large supply shortage also characterizes the market for Swedish regulated rental apartments where the average queue time for an apartment in the Stockholm region is around ten years.

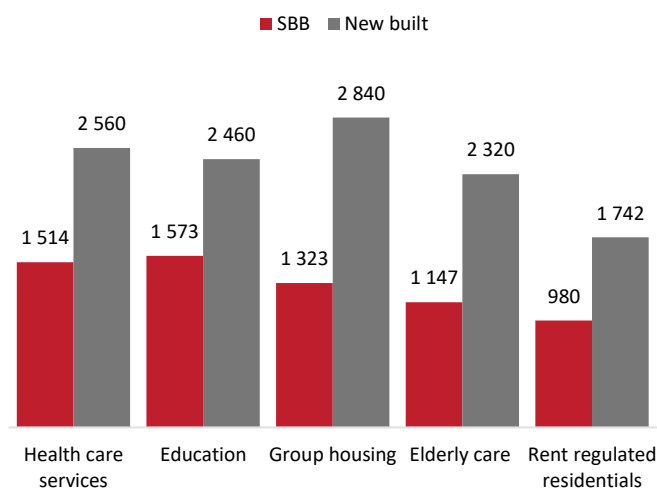
In addition to a large shortage of properties in social infrastructure, there is also a major rental potential in the existing portfolio. The leading property advisor Newsec analyzed rent levels for newly produced community service properties in Sweden in autumn 2019. The graph below shows rents in the new production analysis in relation to average rents for SBB's portfolio.

Need and planned community service properties



Source: SKL

Rent per sq.m. for new built compared with SBB's existing portfolio of community service properties



Source: Newsec

Current projects: Skellefteå Perseus 6

SBB has begun a collaboration with the municipality of Skellefteå around the municipality's new cultural center, which is planned to be completed in 2021, and which will be one of the world's tallest wooden buildings. Skellefteå's cultural center is located in one of the most financially strong municipalities in Sweden and will contain the Västerbotten Theater, Museum Anna Nordlander, Skellefteå Art Hall and the City Library. The municipality has full responsibility for designing the building, for any extra costs and for the property management. A lease was signed with a term of 50 years, with annual rent increases linked to the consumer price index, to protect the Group against inflation, between SBB and the municipality in October 2018.

RENT-REGULATED RESIDENTIAL PROPERTIES

SBB manages and refines rent-controlled homes in Swedish growth municipalities. The company's properties are located in close vicinity to the town centre and with access to very good public transport. Community service properties, which together with Swedish regulated rental apartments are defined as social infrastructure, constitute SBB's core holdings and over time shall comprise around 90 percent of the company's total property value. The combination of Swedish regulated rental apartments and community service properties is unique among listed companies in the Nordic region. They are assets with minimal risk since the supply of rental apartments in Sweden is far below demand due to a regulated market and a growing population, at the same time that the need for community service properties is very extensive for demographic reasons in combination with tenants that are financed by the Nordic welfare states.

SBB's focus within the rent-controlled residential segment is on Sweden. Residential is characterized by high demand and low supply, and thereby a high occupancy rate, as well as low tenant dependence. The Swedish housing market is characterized by strict regulation, lagging housing construction and strong population growth, which has led to a shortage of homes in large parts of Sweden. Sweden is one of the countries with the highest expected population growth in the next few years, both compared with the other Nordic countries and Europe as a whole. On a regional level in Sweden, SBB is well positioned and is found in cities with a positive population growth.

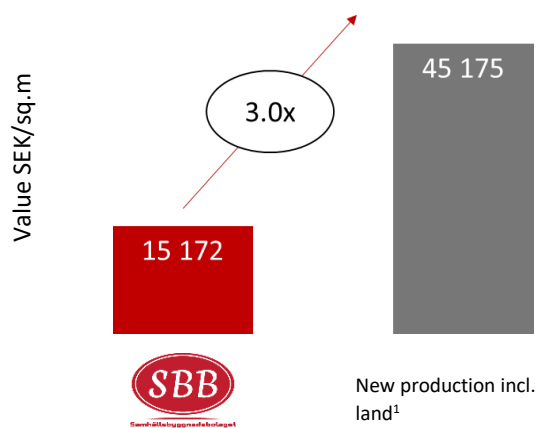
SBB owns rent-controlled residential properties in some thirty Swedish cities with a good geographic spread. SBB's portfolio of around 13,300 rent-controlled apartments was appraised at SEK 13.2bn, or 17 percent of the market value for the Group's total property portfolio at 31 December 2019.

The economic occupancy rate for SBB's portfolio of rent-controlled Swedish residential properties was nearly 100 percent at 31 December 2019. Most vacancies were attributable to ongoing renovations, in accordance with the Group's renovation strategy, which has the goal that 600 apartments will be renovated annually.

The table below presents the Group's rental income, property costs, net operating income and changes in property value for the rent-controlled residential properties segment for full-year 2019 and 2018, respectively, as well as the market value of the portfolio of residential properties at the end of the respective period.

SEKm	2019	2018
Rental income	707	565
Property costs	-372	-294
Net operating income	335	271
Changes in the value of properties	1 188	834
Market value of properties	13 230	6 720

Value per sq.m. incl. dev. rights vs new production incl. land



1) Source: SCB

SBB invests in 100-percent renewable electricity

In 2019, SBB initiated collaboration with Skellefteå Kraft to supply 100-percent origin-certified renewable electricity to all of SBB's Swedish properties. Once SBB's total consumption in Sweden of around 60 GWh has switched over to 100-percent renewable electricity, it will mean that SBB's carbon dioxide emissions will be around 15,000 lower per year than if the energy according to the so-called Nordic residual mix were used, corresponding to CO₂ emissions of around 250.76 g/Kwh. The nuclear fuel waste savings amount to nearly 70 kilograms.

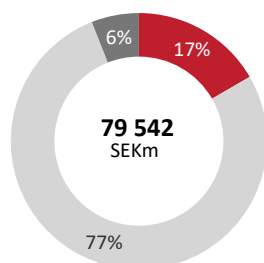
SBB becomes the first private member of Svenska allmännyttan (Public Housing Sweden)

On 9 September 2019, SBB announced that the company is the first associate member of Svenska allmännyttan (Public Housing Sweden). SBB manages more than 10,000 rental apartments in Sweden and is one of the largest actors in elderly homes, properties for the disabled and schools in the scope of social infrastructure in the Nordic region. SBB welcomes the news of the membership, which is in line with SBB's ambition to be the leading, long-term partner to the public sector in the Nordic region.

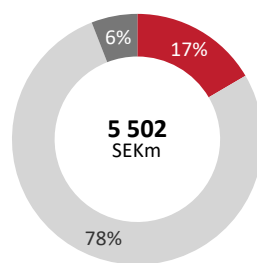
Svenska allmännyttan's decision to open up for private actors puts the actors' public utility housing in focus, instead of an organizational form as before.

PROPERTY PORTFOLIO

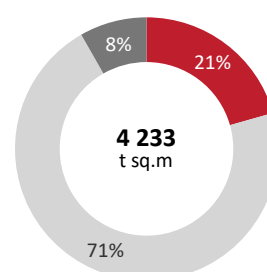
PROPERTY VALUE PER SEGMENT



RENTAL VALUE PER SEGMENT



AREA PER SEGMENT



■ Residential ■ Community Service ■ Other

Känslighetsanalys

The property valuations are made according to accepted principles based on certain assumptions. The table below presents how the value has been impacted in a change of certain parameters assumed for the appraisal.

The table provides a simplified illustration as one single parameter probably does not change in isolation.

	Change	Värdepåverkan
Rental value	+/- 5 %	SEK 3 712 /-3 714m
Estimated interest rate	+/- 0,25 %	SEK -2 020 / 2 173m
Direct return requirements	+/- 0,25 %	SEK -2 370 / 2 525m

Property portfolio change

Opening fair value 2019-01-01	25 243
Acquisitions	57 608
Investments	650
Sales	-6 917
Translation difference	254
Unrealized changes in value	2 704
Fair value at period end	79 542

	Rental income, SEKm	Property costs, SEKm	NOI, SEKm	Surplus ratio, %
Stockholm	1 215	339	876	72
Malmö	555	196	358	65
Gothenburg	397	137	261	66
Other parts of Sweden	1 755	661	1 094	62
Oslo	626	39	587	94
Bergen & Trondheim	61	4	58	94
Kristiansand	60	4	56	93
Other parts of Norway	19	2	17	91
Helsingfors & Tammerfors	340	91	249	73
Turku	21	6	16	73
Other parts of Finland	136	19	117	86
Copenhagen	22	5	17	79
Aarhus	6	3	3	56
Other parts of Denmark	5	1	4	82
<i>Residentials</i>	<i>853</i>	<i>396</i>	<i>456</i>	<i>53</i>
<i>Community service properties</i>	<i>4 092</i>	<i>985</i>	<i>3 107</i>	<i>76</i>
<i>Other</i>	<i>272</i>	<i>123</i>	<i>150</i>	<i>55</i>
TOTAL	5 217	1 504	3 713	71

	Property value, SEKm	Rental value, SEKm	Leasable area, sq.m. thousands	Economic letting ratio, %
Stockholm	21 125	1 275	861	95
Malmö	8 500	595	500	93
Gothenburg	5 891	420	399	95
Other parts of Sweden	25 051	1 774	1 751	93
Oslo	10 171	643	301	97
Bergen & Trondheim	978	66	42	93
Kristiansand	962	67	41	90
Other parts of Norway	245	19	11	100
Helsingfors & Tammerfors	3 808	343	216	99
Turku	323	21	11	100
Other parts of Finland	1 948	136	73	100
Copenhagen	340	22	18	100
Aarhus	90	6	6	100
Other parts of Denmark	109	5	6	100
<i>Residentials</i>	<i>13 230</i>	<i>910</i>	<i>872</i>	<i>94</i>
<i>Community service properties</i>	<i>61 547</i>	<i>4 265</i>	<i>3 011</i>	<i>96</i>
<i>Other</i>	<i>4 765</i>	<i>327</i>	<i>350</i>	<i>83</i>
TOTAL	79 542	5 502	4 233	95



21,125

PROPERTY VALUE,
SEKm

1,275

RENTAL VALUE,
SEKm

861

LEASABLE AREA,
sq.m thousands

95

ECONOMIC
LETTING RATIO, %

STOCKHOLM

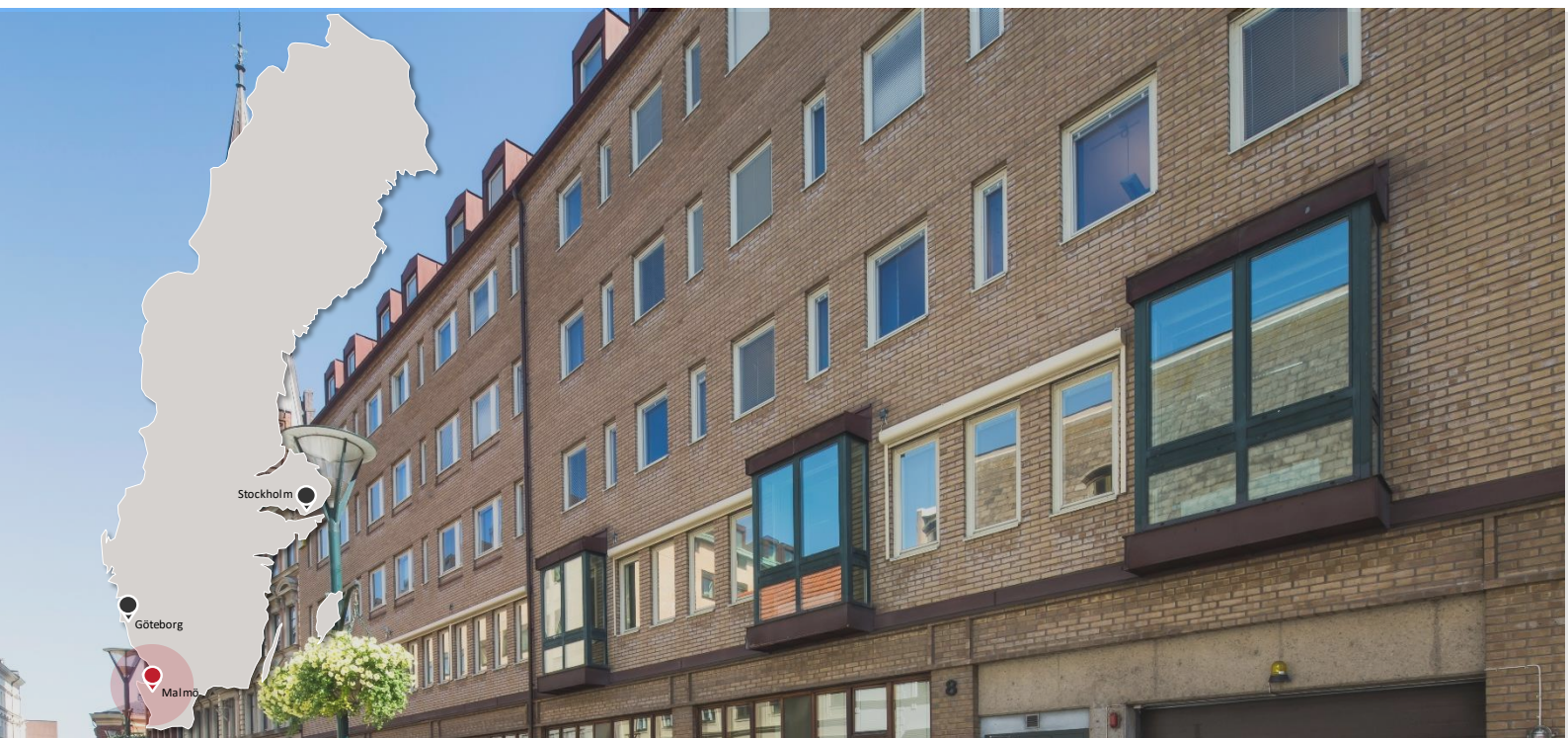
The major city region Stockholm consists of Stockholm County and neighboring municipalities such as Uppsala and Västerås Municipality.

Stockholm County had around 2.3 million inhabitants at the end of 2018 and has had a population increase of 5% during 2015–2018. Stockholm County accounts for about 30 percent of Sweden's total GDP, more than one in three of Sweden's companies are located in the region, which, together with several government institutions, constitutes Sweden's largest labor market. In total, approximately 100,000 people commute daily to the Stockholm region, where there are 21 universities and other schools.

In the major city region Stockholm, which is expanding expansively, SBB conducts a large number of development projects in good communication situations in, among others, Haninge, Nyköping and Nykvarn.

SBB owns a total of 225 properties in the region Stockholm with a total lettable area of 861 sq.m.

SBB owns 1,396 apartments in the region.



8,500

PROPERTY VALUE,
SEKm

595

RENTAL VALUE,
SEKm

500

LEASABLE AREA,
sq.m. thousands

93

ECONOMIC
LETTING RATIO, %

MALMÖ

The major city region Malmö consists mainly of Malmö municipality, Lund municipality and Karlskrona municipality as well as nearby municipalities.

In the southern part, Malmö and Lund municipality are represented, which is also part of the metropolitan area of Malmö-Copenhagen. This is characterized by research and an expansive business environment. More than 14,000 researchers, 190,000 students, 19 innovation hubs and research parks, as well as 17 universities and other schools are located in the region including two of Europe's largest research facilities established in Lund, Max-Lab IV and ESS, which further contributes to strengthen the attractiveness of the region.

Karlskrona is located in the eastern part of the metropolitan area. Karlskrona has a long marine history and has been classified by UNESCO as

a World Heritage Site. The city is a regional city within Blekinge county with an active business community and a growing university. The municipality currently has about 5,000 companies and is actively working to develop the business further. Blekinge Institute of Technology (BTH) is a clearly profiled university where IT and innovation for sustainable growth are focus areas. BTH has about 6,000 registered students. Karlskrona municipality has about 67,000 inhabitants.

SBB owns a total of 183 properties in the metropolitan Malmö region with a total lettable area of 500 thousand sq.m.

SBB owns 2,013 rental apartments in the region.



5,891

PROPERTY VALUE,
SEKm

420

RENTAL VALUE,
SEKm

399

LEASABLE AREA,
sq.m thousands

95

ECONOMIC
LETTING RATIO, %

GOTHENBURG

The major city region Gothenburg consists of the municipality of Gothenburg including neighboring municipalities and Falkenberg municipality.

Gothenburg is Sweden's second largest city and the number of inhabitants in Greater Gothenburg has grown by about 15% in the 2000s and today amounts to about one million inhabitants, of which 572,000 in Gothenburg municipality at the end of 2018. The forecast for the Gothenburg region is an increase about 10,000 inhabitants per year. The region is expected to have an additional 180,000 residents and 110,000 jobs by 2030. All municipalities in Västra Götaland report an acute shortage of housing, especially in rental apartments. The queue times for a rental right through the municipal housing agency Boplatser have an

average queue time of about 2,000 days to get a home in the municipality of Gothenburg.

Gothenburg has a long history of international exchange, and today 30 percent of Swedish foreign trade passes through Gothenburg. Internationalization is also evident in the labor market as several large global companies are established in the city, such as Volvo Cars and Astra Zeneca.

SBB owns a total of 72 properties in the Gothenburg metropolitan area with a total lettable area of 399 thousand sq.m.

SBB owns 607 apartments in the region.



25,051

PROPERTY VALUE,
SEKm

1,884

RENTAL VALUE,
SEKm

1,751

LEASABLE AREA,
sq.m. thousands

93

ECONOMIC
LETTING RATIO, %

OTHER PARTS OF SWEDEN

The stagnation in the global economy has affected the Swedish economy, which after several years of high growth began to slow down in 2019. Trade conflicts and global unrest reduce investment willingness and thus exports of goods both globally and in Sweden. Swedish GDP growth slowed during the year and amounted to 1.2% in 2019, which can be compared with 2.3% in 2018 and 2.4% in 2017. GDP growth is also expected to remain at low levels in the coming years.

In 2019, Sweden's population increased from 10,230,185 to 10,327,589, an increase of almost 1%. The population of Sweden is expected to continue to increase in the future and by 2029, Sweden's population is projected to exceed 11 million inhabitants. At the same time, there are good prospects for the labor market in Sweden to continue to develop positively with increased wage levels but a slightly increased unemployment due to more people entering the labor market, which

leads to higher labor force participation. In coming years, household income is expected to continue to grow, albeit at a slower pace than in previous years. One indication of this is that the demand for labor is high, but that some companies' employment plans have become less expansionary. All in all, however, household real disposable income is estimated to grow by approximately 1.5–2.0% during 2020–2021.

SBB owns a total of 609 properties in the rest of Sweden with a total lettable area of 1,751 thousand sq.m.

SBB owns 7,253 apartments in the country outside the metropolitan regions.



10,171

PROPERTY VALUE,
SEKm

643

RENTAL VALUE,
SEKm

301

LEASABLE AREA,
sq.m. thousands

97

ECONOMIC
LETTING RATIO, %

OSLO

The major city region Oslo consists of the municipality of Oslo and neighboring municipalities.

Norway's capital Oslo is also the country's political and economic center. Including the surrounding Viken region (consisting of the former counties Østfold, Akershus and Buskerud), the area is the most dynamic in terms of population growth and employment. At the end of 2019, the total population of Oslo and Viken amounted to 1.9 million or more than one third of the total population of Norway. In addition, population growth in Oslo and Viken amounted to a stable 1.4 percent in 2019, while the 5-year

average of 1.3 percent was well above the 0.5 percent during the period 2015–2019 for the rest of the country. The stronger growth rate is partly due to continued net migration to the surrounding areas of Oslo from the rest of Norway, a fact that has been the basis for the recovery of housing prices in recent years.

SBB owns a total of 94 properties in the region Oslo with a total lettable area of 301 thousand sq.m.



978

PROPERTY VALUE,
SEKm

66

RENTAL VALUE,
SEKm

42

LEASABLE AREA,
sq.m. thousands

93

ECONOMIC
LETTING RATIO, %

BERGEN & TRONDHEIM

The major city region Bergen / Trondheim consists of the metropolitan cities of Bergen and Trondheim and neighboring municipalities.

This region, which is the largest part of western Norway, is dominated by the two major cities of Bergen (420,000 inhabitants in Greater Bergen) and Trondheim (just under 300,000 inhabitants in Greater Trondheim). Bergen / Trondheim is characterized by good population growth and an economy that relies heavily on coastal related industries and oil recovery.

Several of Norway's largest and highest-ranking universities are located in this part of Norway.

SBB owns a total of 26 properties in the region Bergen / Trondheim with a total lettable area of 42 thousand sq.m.



962

PROPERTY VALUE,
SEKm

67

RENTAL VALUE,
SEKm

41

LEASABLE AREA,
sq.m. thousands

90

ECONOMIC
LETTING RATIO, %

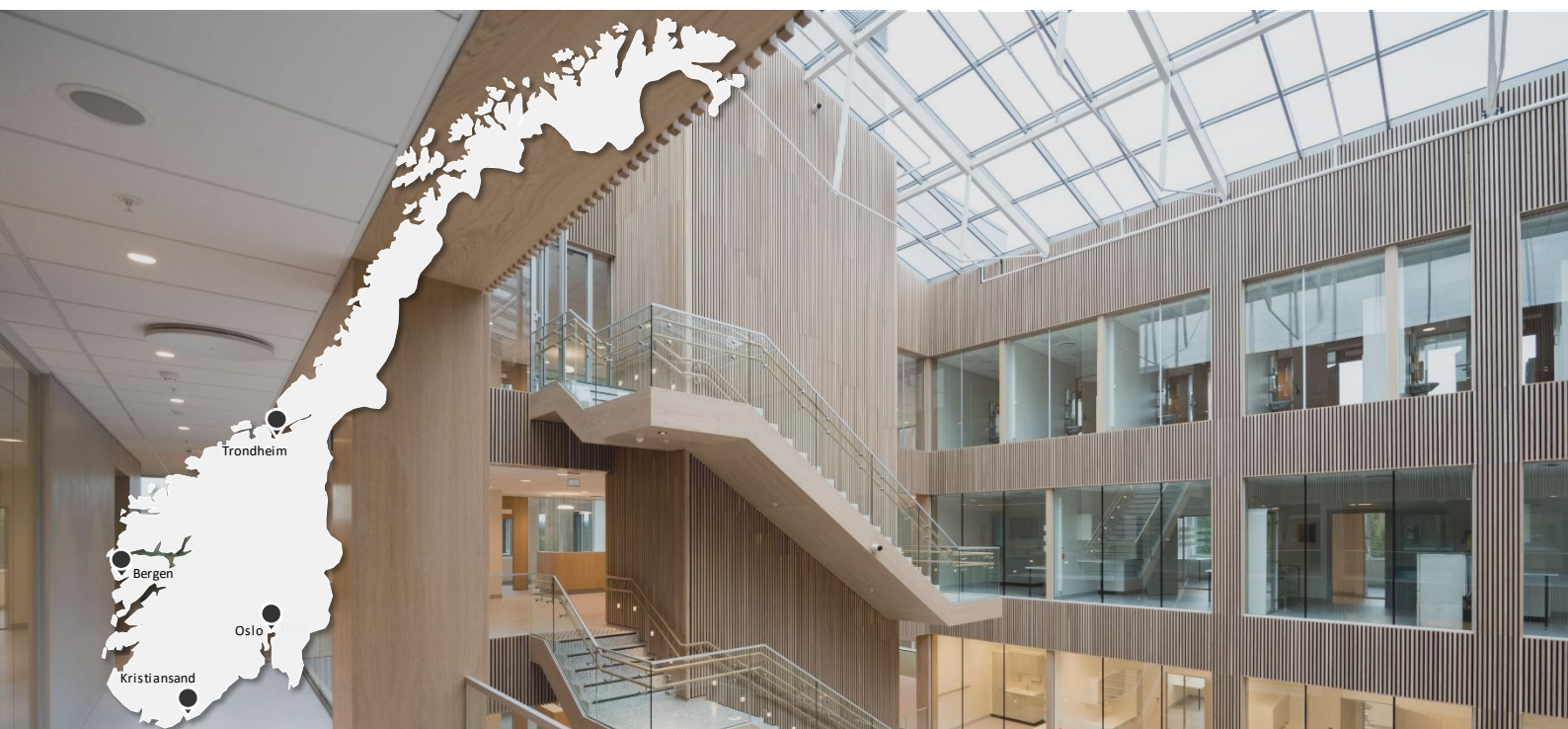
KRISTIANSAND

The major city region Kristiansand consists of Kristiansand municipality and neighboring municipalities.

The largest part of the region consists of Kristiansand, which is the regional center in Vest-Agder county, in southern Norway. Kristiansand is Norway's fifth largest city and sixth largest municipality. Kristiansand is characterized by the number of research and educational institutions in the region. Kristiansand also has an international port that supplies the

Norwegian oil industry and the renewable energy industry with service, personnel and equipment.

SBB owns a total of 19 properties in the region Kristianstad with a total lettable area of 41 thousand sq.m.



245

PROPERTY VALUE,
SEKm

19

RENTAL VALUE,
SEKm

11

LEASABLE AREA,
sq.m. thousands

100

ECONOMIC
LETTING RATIO, %

OTHER PARTS OF NORWAY

The Norwegian economy continues to develop at a steady pace with GDP growth of approximately 2.0 % during the full year 2019. The employment rate and unemployment show good figures and the underlying inflation is keeping a good pace. The key interest rate was raised three times in 2019, in March, June and September and is now expected to remain at today's levels going forward. The strong growth last year was supported by oil investments, which increased by about 15%. In 2020, investments in oil are expected to grow at a much more moderate pace, but despite some signs of volatility in the oil market, which may affect the Norwegian economy, growth is expected to be higher than in the rest of the Nordic region.

The population of Norway increased in 2019, and at the end of the year amounted to 5,367,580, which is an increase of 39,368 since 2018. The

largest population increase occurred in the cities of Åkerhus and Oslo. Demand among households is expected to continue to grow at a good pace thanks to higher real disposable income and employment growth. However, recent consumption growth has been lower than estimated, despite steady wage increases and lower inflation, where households have started saving and amortizing more. The labor market is still considered strong and has improved in recent years in all regions and sectors.

SBB owns a total of 4 properties in the rest of Norway with a total lettable area of 11 thousand sq.m.



3,808

PROPERTY VALUE,
SEKm

343

RENTAL VALUE,
SEKm

216

LEASABLE AREA,
sq.m. thousands

99

ECONOMIC
LETTING RATIO, %

HELSINKIFORS & TAMMERFORS

The major city region Helsinki/Tampere consists of Helsinki, Tampere and neighboring municipalities.

Helsinki is Finland's capital, largest city and the country's cultural and political center. Helsinki contributes about 40% of the total GDP in Finland. 69% of the listed companies in Finland are domiciled in Helsinki. The capital has a population of about 650,000 and the region has about 1.2 million inhabitants. The population of the Helsinki region is expected to increase by 10.4 % by 2030. The Helsinki region includes Vantaa, which is just outside central Helsinki. Vantaa has about 225,000 inhabitants and is Finland's fourth largest city in terms of number of inhabitants.

Tampere is Finland's second largest region in terms of population. With a population of about 230,000 inhabitants in the city and about 334,000 inhabitants in the region. Tampere has a long academic tradition and in early 2019, the city's universities became the same to the University of Tampere where there are now about 30,000 students.

SBB owns a total of 62 properties in the Helsinki/Tampere metropolitan area with a total lettable area of 216 thousand sq.m.



323

PROPERTY VALUE,
SEKm

21

RENTAL VALUE,
SEKm

11

LEASABLE AREA,
sq.m. thousands

100

ECONOMIC
LETTING RATIO, %

TURKU

The major city region Turku consists of Turku and nearby municipalities.

Turku is Finland's oldest city and municipality, founded in the 13th century. The municipality, with its approximately 192,000 inhabitants, is one of Finland's largest. The Turku metropolitan region has about 300,000 inhabitants, including nearby urban areas. Today there are three universities in Turku, the Swedish-speaking Turku Academy and the Finnish-speaking Turku University and the Turku Business School. The Turku city region accounts for about 6% of the Finnish economy.

SBB owns a total of 3 properties in the metropolitan area with a total lettable area of 11 thousand sq.m.



1,948

PROPERTY VALUE,
SEKm

136

RENTAL VALUE,
SEKm

73

LEASABLE AREA,
sq.m. thousands

100

ECONOMIC
LETTING RATIO, %

OTHER PARTS OF FINLAND

In 2019, economic growth in Finland increased by 1.6 %, which is somewhat declining compared with previous years but still at relatively stable levels compared to historical growth. The Finnish economy is expected to continue to fall to levels around 1.0 % in the coming years. The main reason for the slowdown in growth is a weak development in the country's investments as a result of global unrest.

The Finnish population is expected to continue to increase in the future, especially where the older part of the population is expected to increase. This affects both growth and consumption in the country, as the aging population means that a smaller proportion of the population will support

more. Consumption has been an important driving force for economic growth in Finland for several years and as long as consumer confidence is high, the labor market is good and interest rates are low, the situation is expected to continue. Households' savings ratio, which has long been negative, partly because of the structure of the pension system, shows that households' financial buffers are small and that there are no sharp declines to influence consumption. Thus, economic growth in Finland is strongly correlated with households' outlook.

SBB owns a total of 62 properties in the rest of Finland with a total lettable area of 73 thousand sq.m.



Strong growth for SBB in Finland

In 2018, SBB acquired its first community service properties in Finland. After two major portfolio acquisitions in 2019 and the consolidation of Hemfosa, SBB owns around 125 properties in the country with such tenants as Esperri Care, Humana and Attendo. The total value of the property portfolio in Finland amounts to more than SEK 6 bn, corresponding to 8 percent of SBB's total portfolio value.

"We have been very successful with transactions in Finland in 2019 and now have a well-established portfolio in the country," says Mikko Heiska, SBB Regional Manager in Finland, who has worked at the company since his family company – which owned three elderly homes – was purchased by SBB.

The first major transaction in the country was announced on 24 April 2019 when SBB acquired elderly homes, preschools and healthcare properties for a purchase consideration of EUR 142m. A bit less than three months later, the second major acquisition was made, when another 32 community service properties were acquired from the care company Humana, which remains as tenant in the properties. Through the consolidation of Hemfosa, SBB became an owner of another 31 properties in the country and at 31 December 2019, the total value of the property portfolio in Finland amounted to SEK 6.1 bn.

Opportunities in a growing market

Like Sweden, the Finnish municipalities' interest in divesting part of their community service property holdings has increased. Many municipalities are in need of capital to maintain current property portfolios, build new housing, finance care and education and invest in important infrastructure.

"The Finnish municipalities' ownership of community service properties is facing the same challenges as in Sweden and Norway, with an investment need and need for new community service properties. Many municipalities in Finland have a positive attitude to private actors taking care of large parts of the new construction and management of community service properties. We currently have six municipalities in Finland as tenants and expect there to be more in 2020," says Mikko Heiska.

The vast majority of the municipalities are in extensive need of new schools and elderly homes in the next few years. SBB is one of the private actors that have extensive exposure to schools and elderly homes in Finland.

"A large number of elderly homes and assisted living centres need to be expanded to meet the growing need. In these cases SBB can be involved and contribute, either through new construction or by taking over ownership and thereby freeing resources for the municipalities," says Mikko Heiska and concludes:

"I am looking forward to another year of growth and developing together with our tenants – now as the Nordic region's largest company in social infrastructure."



340

PROPERTY VALUE,
SEKm

22

RENTAL VALUE,
SEKm

18

LEASABLE AREA,
sq.m. thousands

100

ECONOMIC
LETTING RATIO, %

COPENHAGEN

The major city region of Copenhagen consists of Copenhagen and neighboring municipalities.

Copenhagen is the locomotive of the Danish economy, and surpasses the rest of the country when it comes to both growth and prosperity. In 2018, the region accounted for more than a third of Denmark's total GDP. The region is Denmark's foremost growth center, and comprises 29 municipalities and more than 1.8 million inhabitants in total. By 2045, the

population is expected to have increased by about 295,000 new inhabitants, corresponding to about 16%.

SBB owns a total of 3 properties in the Copenhagen metropolitan area with a total lettable area of 18 thousand sq.m.



90

PROPERTY VALUE,
SEKm

6

RENTAL VALUE,
SEKm

6

LEASABLE AREA,
sq.m. thousands

100

ECONOMIC
LETTING RATIO, %

AARHUS

The major city region Aarhus consists of Aarhus and neighboring municipalities in central Jutland.

The region has a population of about 1.3 million inhabitants. As Denmark's second largest city, Aarhus has succeeded in attracting new business operations. As a result, the city has seen strong job growth, even in the industrial sector. Aarhus has established itself as the locomotive in the

Central Jutland region. The city is very dependent on the growth of universities and strong urbanization. In Aarhus, a population increase of 8% is expected by 2045.

SBB owns a total of 1 property in the metropolitan area of Aarhus with a total lettable area of 6 thousand sq.m.



109	5	6	100
PROPERTY VALUE, SEKm	RENTAL VALUE, SEKm	LEASABLE AREA, sq.m. thousands	ECONOMIC LETTING RATIO, %

OTHER PARTS OF DENMARK

The Danish economy has experienced high growth in recent years and 2019 was also a relatively strong year, with a GDP growth of about 2.0 %. In September, the Danish Riksbank, the National Bank, lowered the key interest rate by ten interest points to -0.75 % as a result of the European Central Bank's lowering of the key interest rate. Despite a falling key interest rate, Danish foundations have remained strong, despite the fact that the fixed exchange rate against the euro has been difficult to maintain. Household consumption has shifted slightly, but it is mainly investments that have slowed down. At the same time, the Danish economy has been resilient to the decline in world trade, with continued high export growth, particularly in the US and China.

Employment has risen steadily in recent years and the employment rate reached 75% by the end of 2019. At the same time, unemployment has fallen to a low level. In the housing market, construction and prices have risen for a number of years, which was mainly driven by developments in the major cities, especially Copenhagen.

SBB owns a total of 1 property in the rest of Denmark with a total lettable area of 6 thousand sq.m.

ACTIVE MANAGEMENT

In addition to working with traditional property management, SBB works with further value-creating activities: property development, investments/renovations and property transactions.

Property development

SBB works actively with property development, which entails development of building rights and participation in property development projects in joint ventures with a limited implementation risk for SBB. The company's strategy is that around 10 percent of the property portfolio's value is to be comprised of the Other property segment, which means cash flow properties with identified property development potential for social infrastructure or non-strategic properties acquired in larger portfolios and intended to be divested soon. Property development should generate earnings of SEK 250-400m per year on average over a business cycle. The acquisitions in property development are most often made off market after SBB has held a dialogue with the respective municipality to ensure that the property with the local area is prioritized for upcoming urban development.

SBB believes that sustainable urban development is based in the locations near public transport and that previously developed land is improved rather than claiming important green spaces for urban development. SBB is driven by residents of modern central housing being able to live without their own car and that transportation, local services, healthcare, schools and care are to be in the local area. Most of SBB's development properties are within the appointed priority transportation hubs, such as commuter rail stations and important railway stations for regional service.

SBB's property development organisation

SBB has the Nordic region's leading property development team and is led by Vice President Krister Karlsson. The organization develops 1,600,000 sq.m. of GFA in various phases of detailed development planning. SBB has extensive experience of initiating and implementing sales early in the planning process and has sold building rights to both cooperative companies, listed companies and public service housing companies. The organization is also responsible for project development that takes place within SBB's property management portfolio.

Building Rights

At 31 December 2019, SBB had development projects in various zoning plan phases regarding a total of around 1,800,000 sq.m. GFA. SBB divides the development process into four phases: Project concepts (phase 1), Pending planning decision (phase 2), Formal planning process (phase 3) and Zoning plan granted (phase 4). SBB's various projects are presented below in table form.

It should be noted that several projects in phases 1-3 already to some extent have granted zoning plans, but where SBB identified potential in addition to what current zoning plans allow. Sold but not closed means that contracted sales have not yet been deducted as of 2019-12-31, since all conditions (eg granted plan) have not been fulfilled. SBB assess that the value of the building right portfolio of granted zoning plans will exceed the externally assessed value of the building right portfolio at 31 December 2019 by around SEK 1,5bn, which is illustrated by the graph on the next page.

Planning phase	GFA building rights (sq.m.)	Value according to external appraisal (SEKm)	per sq.m.
Phase 1 – Project concepts	603 052	772	1 279
Phase 2 – Pending planning decision	70 000	119	1 705
Phase 3 – Formal planning process	690 029	884	1 280
Phase 4 – Zoning plan granted	392 462	1 118	2 849
Total	1 755 543	2 893	1 648

Sales status	GFA building rights (sq.m.)	Value, (SEK m)	per sq.m.
Sold, but not closed building rights	444 350	1 546	3 479
Unsold building rights	1 311 193	4 411	3 364
Total	1 755 543	5 957	3 393

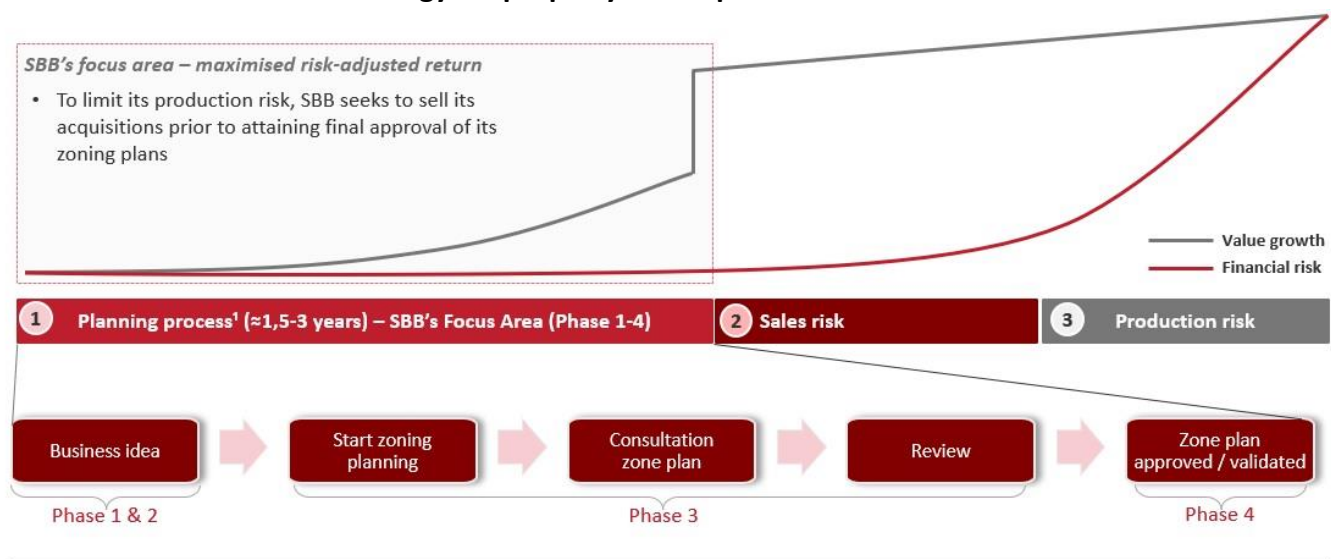
Property development in joint ventures

To contribute to urban development and to secure production resources, SBB has in several cases entered a joint venture with the buyer of the building rights for the development of the building rights and in some cases joint ventures to jointly develop building rights. SBB assesses the profit potential in these cooperative arrangements at around SEK 1.4bn less SBB's own investment in the building rights. This profit potential is in addition to described surplus values with regard to building right development. In the joint ventures, SBB takes a very limited implementation risk in that the other joint venture party takes responsibility for project planning, sales, production and project management. The profit potential of around SEK 1.4bn relates to one development cycle and has not been taken into account in any part of the account closing.

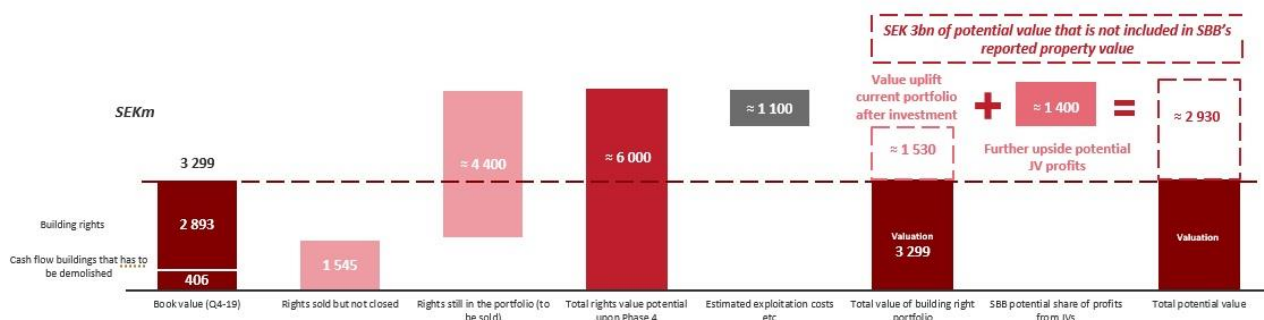
Current projects: Falkenberg Bacchus 1

In 2016, SBB acquired a property in Falkenberg for SEK 358m. SBB succeeded in changing the zoning plan for the development of 700 condominiums comprising 58,000 sq.m. and completed the sale to two different joint ventures, whereby SBB will receive a share of the development profit and the value of sold building rights and SBB estimates that SBB will receive a profit of approximately SEK 300m over time from these joint ventures. 40,000 sq.m. were sold to a 50/50-owned joint venture between SBB and HSB. The purchase price amounted to SEK 156m, corresponding to SEK 3 900 per sq.m. The remaining 18,000 sq.m. were sold to a local consortium where SBB's share is 10 percent. The purchase price was SEK 70m, which also corresponds to SEK 3 900 per sq.m. This joint venture will build four houses, of which the first is ready and the second was expected to be completed by the end of 2019. On 30 September 2019, 107 of the 140 apartments built in the first phase were sold. The apartments are expected to be completed by 2021. SBB expects to earn about SEK 300m for about five years from its share of the profit generated by these two joint ventures.

Illustrative model of SBB's strategy for property development



Illustrative model of SBB's current property development portfolio



Investments/renovations

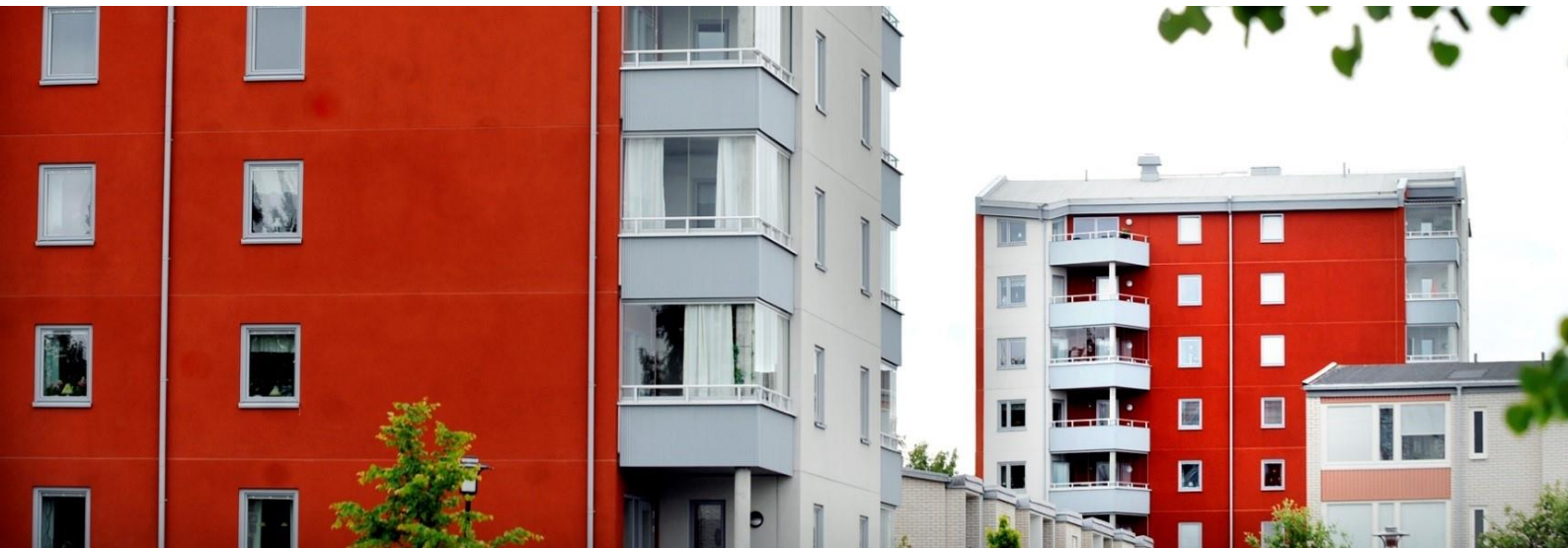
Investments and renovations are an important part of SBB's value-creating management. With an assessed target of 600 renovated apartments per year and an assessed renovation cost of around SEK 5,000/sq.m., around SEK 300m of further value is created every year based on operating net improvements due to already negotiated renovation rents. In addition to this, value is generated through renovations of and investments in community service properties and the earnings effect is estimated at SEK 400m annually in total.

In 2019, SBB renovated 562 apartments and at year-end, 194 apartments had terminated leases to be able to be renovated in the first quarter of 2020. During the year, the renovation team was expanded, meaning that SBB now has the staffing to meet a higher renovation rate in a growing portfolio. Two energy projects in Tidaholm and Skara and one energy project in Motala were commissioned at the end of the year. The results in these properties show that energy consumption decreased according to the estimates made before project start, meaning a reduction of purchased energy by 30 percent in the properties Stensiken 1 in Tidaholm and Yggdrasil 1 & 2 in Skara and a reduction of purchased energy by around 50 percent in the property Tellus 1 in Motala.

In addition to renovations in apartments, renovations of and investments in community service properties are under way, including the construction of a new building for the social services in central Västerås, the construction of a school and elderly home for the Municipality of Haninge and the conversion and extension of the municipal building in Nykvarn. As the Nordic region's large actor in group housing, SBB has multiple group housing units for the support of the disabled under construction.

Transactions

SBB actively works on transactions and value creation through active portfolio management. The transaction team led by Business Development Director Oscar Lekander has carried out transactions for nearly SEK 150bn throughout the Nordic region since 2010, of which around half has been with public sector clients. Since 2017, SBB has acquired and sold properties for a total gross value of around SEK 85bn. In addition to this, it can be noted that Vice President Lars Thagesson's compiled a transaction volume over nearly 50 years in the industry of more than SEK 2,500bn.



Value-creating local management

An important part of SBB's management philosophy is to be active locally, where the tenants are located, in order to be a long-term and responsive partner. The company has therefore established local organizations that are responsible for the different regions where SBB operates. An example is the Öresund region and Denmark, which is governed by a local management organization consisting of asset managers, contract administrators, technical managers and real estate technicians who work together in close dialogue with the municipalities and provide good customer service.

- In the Öresund region, SBB currently has about 80 properties in 23 locations, of which about 107,000 sq.m. comprise community service properties and about 102,000 sq.m. comprise residential properties. SBB has grown strongly in the region, which has opened up new opportunities for different types of cooperation with the municipalities.

Höganäs is an example of a municipality where SBB has a strong local presence and close collaboration with both the municipality and other stakeholders in the community. Through a number of acquisitions, the company has established itself as the largest private property owner in the municipality.

- Our management strategy is based on developing together with our tenants and being an active partner to the municipalities. In Höganäs we have a good dialogue with the municipality and work together with them in the planning and execution of both smaller and larger projects, says Ola Svensson, regional manager for the Öresund region and country manager in Denmark.

In Höganäs, there is often a need for new functional premises for different types of community activities, while changing needs place demands on adaptations of existing properties. Due to the strong local presence, there is continuous development in collaboration with the municipality and

there are many opportunities for new initiatives and projects going forward.

- Like many other municipalities, there is a need for more apartments, schools, senior housing and group housing in Höganäs. We have many interesting projects going on and discuss major tenant adjustments and new constructions by developing our existing portfolio, says Ola Svensson and continues:

- Among other things, we are discussing the development of an existing commercial property with the opportunity to create 150–200 apartments. Furthermore, we have also submitted a tender offer for the elderly house Nyhamnsgården, where the municipality of Höganäs will decide who will build, get the operation in place and then take over after the municipality. We are one of five companies in the process.

In addition to the Öresund region, Ola Svensson is also responsible for the region of Denmark. In 2019, SBB acquired its first community properties in the country and now owns 9 community properties in Copenhagen and nearby locations of 51,000 sq.m.

- The market for community service properties in Denmark is good. As the Nordic region's largest social infrastructure company, we see good opportunities for continued growth in the country.

EARNINGS CAPACITY

The current earning capacity for the Group for 12 months is presented below and is based the Group's property portfolio at 31 December 2019. The current earning capacity is not a forecast, but only to be viewed as a hypothetical snapshot and is presented only to illustrate income and expenses on an annual basis, given the property portfolio, financial costs, capital structure and organization at a set point in time. The Group's earning capacity does not include the earning impact of unrealized and realized value changes.

The following information forms the basis for the calculation of the earning capacity:

- Contracted rental income on an annual basis (including supplements and rental discounts) and other property- related revenues on the basis of current lease contracts as of 31 December 2019.
- Operating and maintenance costs are based on budget.
- The property tax is calculated from the properties current tax assessment value as of 31 December 2019.
- Costs for central administration are based on the current organization.
- No financial profit has been assumed in the net financial items. Financial expenses are based on contracted interest rates and include interest on external loans.

THE GROUP'S EARNINGS CAPACITY

Numbers in SEKm	Community service	Residential	Other	Total	Adjusted ¹⁾
Rental income	4 092	853	272	5 217	5 217
Operating costs	-544	-263	-74	-881	-881
Maintenance	-264	-79	-19	-362	-362
Property administration	-87	-40	-13	-139	-139
Property tax	-90	-15	-16	-121	-121
Net operating income	3 107	456	150	3 713	3 713
Central administration				-150	-150
Result from Joint Ventures				77	77
Financial income				68	68
Financial costs				-985	-863 ¹⁾
Operating profit before dividend				2 723	2 845
<i>per Class A and B shares</i>				2,20	2,29
Result from synergies with Hemfosa				300	300
Dividend hybrid bonds				-197	-197
Dividend Class D shares				-209	-209
Dividend Preference shares				-1	-1
Operating profit attributable to ordinary shareholders				2 616	2 738
<i>per Class A and B shares</i>				2,11	2,21

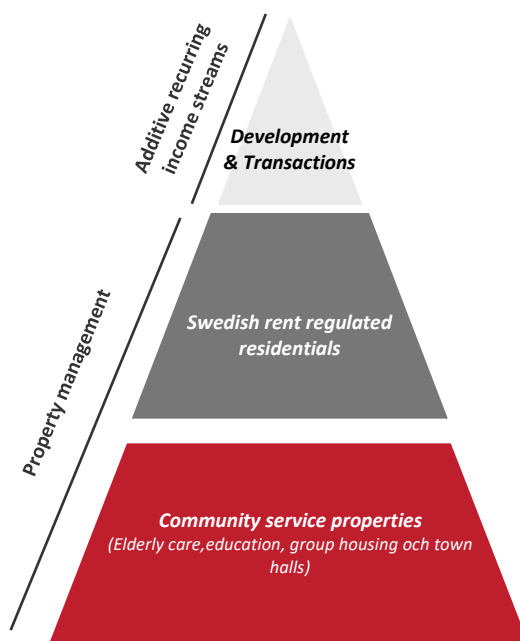
1) Adjusted for non-long-term surplus liquidity held by the Group at the end of the period with an estimated average interest rate of 1.75%, which is the weighted average in the debt portfolio as of 31-12-2019.

THE GROUP'S EARNINGS CAPACITY OF ADDITIVE RECURRING INCOME STREAMS

Numbers in SEKm	Total	Adjusted ¹⁾
Operating profit attributable to ordinary shareholders	2 616	2 738
<i>per Class A and B shares</i>	2,11	2,21
Result from property development	400	400
Result from transaction	400 ²⁾	400 ²⁾
Result from renovations/investments	600	600
Adjusted operating profit to ordinary shareholders with additive income streams	4 016	4 138
<i>per Class A and B shares</i>	3,24	3,34

1) Adjusted for non-long-term surplus liquidity held by the Group at the end of the period with an estimated average interest rate of 1.75%, which is the weighted average in the debt portfolio as of 31-12-2019.

2) Based on historical profit generation from transactions of approximately SEK 700m per year



Current projects: Group housing for people with disabilities (LSS)

During the year, SBB continued to be an important player in decreasing the shortage that exists within group housing for people with disabilities (LSS). Three new construction projects have been started in Säter, Höör and Skara to create modern group housing that meets today's requirements for design, choice of materials and availability. In all three houses, SBB has signed long-term leases of at least 15 years with leading operators. In the projects there have been a close cooperation with both the municipality and the operator, which shows SBB's ability to create constructive solutions in collaboration with both municipalities and private operators of publicly funded operations. During the year, SBB initiated several additional projects where leases will be signed in 2020.

Today's society builder for tomorrow's needs

A high rate of population growth and an increasing number of elderly in the Nordics are leading to extensive needs for modern community service properties.

Schools and elderly homes must begin to be prioritized in new construction, at the same time that many of the existing community service properties built in the 1970s and 1980s need to be modernized.

Here, SBB is an important partner to municipalities in the Nordics.

SBB owns residencies in Sweden and community service properties throughout the Nordic region and has the basic concept of long-term development, ownership and management. As a partner to Sweden's municipalities, we want to contribute to creating suitable premises for the most important welfare activities.



SUSTAINABILITY



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SUSTAINABILITY

MANAGEMENT REPORT

FINANCIAL STATEMENTS

SUSTAINABILITY VISION 2030

SBB owns community service properties in the Nordic region and rental apartments in growing cities in Sweden with the basic concept of long-term ownership and management. Through the company's extensive social involvement, municipalities and other stakeholders will find a long-term partner in the company.

At the UN summit in September 2015, the world's national leaders adopted 17 global sustainable development goals. The countries of the world have committed to lead the world to a sustainable and fair future from 1 January 2016 until 2030. The 2030 Agenda for Sustainable Development covers the three dimensions of sustainability: social, economic and environmental – Eradicating extreme poverty, reducing inequality and injustice, solving the climate crisis. Sustainability is a natural part of our business model and we strive to be the most sustainable property company in the world.

OVERALL OBJECTIVES

- Govern the company's operations in line with the UN global sustainable development goals: (5), (7), (8), (11), (13), (15)
- 100 percent climate neutral by 2030
- Minimizing the risks to the company's assets by continuously reviewing the climate risks in the property portfolio
- The company's Code of Conduct, which is based on the UN Global Compact, must be followed and understood by all employees and cooperative partners
- Regularly improving, following up and reporting the company's sustainability work

Ecological sustainability

The climate issue is one of humanity's greatest challenges and we have a responsibility to future generations to contribute solutions and reduce our own climate impact. We want to act strongly in the climate transformation and SBB has therefore adopted the goal of climate neutrality by 2030 in the entire value chain, as an important part of our promise to build a better society. And we want to do it together with our tenants, customers, suppliers and other stakeholders.

Goals:

- 100 percent renewable electricity in the entire property portfolio and minimizing carbon dioxide emissions by reducing the emissions by at least 5 percent per year
- Continuing to contribute to innovations in environmental technology
- Responsibly and effectively using natural resources and building and managing with a life-cycle mind-set (among other things by promoting construction with wood)
- Promoting renovation instead of demolition of buildings in the management portfolio. All properties held for more than three years must be environmentally inventoried and these inventories are to be done at least every ten years
- At least 50 percent of SBB's new production is to be comprised of buildings built of wood
- Continuing to contribute to reduced water consumption in our properties with the goal of 1 percent water savings per year
- Managing and creating housing in locations close to public transport, which contributes to reducing the transport sector's environmental impact
- Contributing to greater biodiversity and limiting the use and spread of environmentally hazardous products
- Responsible management of waste by acting for the minimization of waste, preventing pollution and viewing waste as a resource for re-use and recycling.

Social sustainability

Social sustainability is an important part of our promise to build a better society. The growing gaps in health and living conditions between different groups of society and residential areas are one of our major challenges in Sweden today. The property industry has a major impact and extensive potential to contribute solutions for greater cohesion, belief in the future, health and trust. We consider it to be crucial that our business and industry understand and can address social challenges today.

Goals:

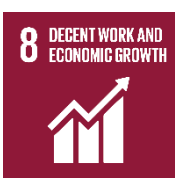
- Continuing to be a member of Public Housing Sweden and participating in the residential social work of the municipalities
- Continuing to contribute to young people's occupation by offering at least 100 summer jobs every year to young people who live in our residential areas
- Offering adapted apartments for people with disabilities in inclusive environments and owning and managing apartments that can also be rented by people with fewer financial resources
- Annually contributing at least 10 Better Shelter refugee homes and 100 tents through the UNHCR to help improve the housing situation for refugees
- Continuing to support organizations, such as Mentor and Lärhjälpen (homework help), that contribute to giving young people a better start in life
- Being an attractive and inclusive employer for the best and most professional employees, regardless of gender or background
- Actively working to create environments where tenants and employees feel safe

Economic sustainability

Our goal is to have good financial growth without it entailing consequences to the climate and the social environment. By being profitable, we create conditions for driving and developing sustainable management and construction. Through low financial and operational risk, SBB shall provide a strong, risk-adjusted growth in value with increasing cash flows and a growing dividend to its shareholders.

Goal:

- SBB has the goal of achieving an investment grade rating of BBB+ in the short term and A- in the long term



SUSTAINABILITY REPORT

SBB creates sustainable environments where people want to live, work and stay for a long time. SBB's work locally contributes to social, environmental and financially sustainable development of the society by being the largest Nordic actor for social infrastructure. SBB's business model is to own and manage rental apartments in Sweden and social infrastructure properties in the Nordic countries in the long term and in cooperation with municipalities around the Nordic region. The long-term dividend target is to generate a stable growing annual dividend. The loan-to-value ratio shall not exceed 50 percent. SBB is to guide the company's operations in line with the UN global sustainable development goals. We have chosen to focus on Goal 5. Gender equality, Goal 7 Affordable and clean energy, Goal 8. Decent work and economic growth, Goal 11 Sustainable cities and communities, Goal 13 Climate action and Goal 15 Life on land. We support the Paris Agreement's climate goals and the Global Compact's ten principles for sustainable business. In dialogue with our stakeholders, we identified energy efficiency, reduced climate impact, development of sustainable cities and communities, financially sustainable development, business ethics and attractive employers as the focus areas for our operations. To be in line with the Paris Agreement and Sweden's national objectives on climate neutrality, we have raised our targets for reduced energy consumption. To achieve the goal, we are making long-term investments in our properties. This way, we reduce our emissions and costs for both us and our tenants.

FOCUS AREAS 2019

- Economic sustainable development, ethics (including preventive work against corruption) and professionalism.
- Development of sustainable cities and communities
- Reduced environmental impact: electricity, water and heat use, waste management, environmentally hazardous substances, energy efficiency improvement, climate impact with CO2 emissions and environmental improvements in property renovations.
- Attractive employer: developing and stimulating working environment for employees

SUSTAINABILITY STRATEGY AND TARGETS 2030

Sustainability is a natural part of our business model and SBB strives to be the world's most sustainable property company. At the UN summit in September 2015, the world's national leaders adopted 17 global sustainable development goals. The countries of the world have committed to lead the world to a sustainable and fair future from 1 January 2016 until 2030. The 2030 Agenda for Sustainable Development covers the three dimensions of sustainability: social, economic and environmental – Eradicating extreme poverty, reducing inequality and injustice, solving the climate crisis. SBB has set up a sustainability vision for 2020-2030 and a sustainability policy for the concrete implementation of the targets and the vision. Concrete goals within the different focus areas have been formulated and are described under each section. SBB's sustainability vision, targets and policy are adopted by the Board of Directors and continuously followed up by the CEO together with the Sustainability Manager.

- Govern the company's operations in line with the UN global sustainable development goals: (5),(7),(8),(11),(13), (15)
- 100 percent climate neutral by 2030
- Minimizing the risks to the company's assets by continuously reviewing the climate risks in the property portfolio
- Regularly improving, following up and reporting the company's sustainability work

- The company's Code of Conduct, which is based on the UN Global Compact, must be followed and understood by all employees and cooperative partners.

SUSTAINABILITY STRATEGY AND GOALS 2020

Ecological sustainability

The climate issue is one of humanity's greatest challenges and we have a responsibility for future generations to contribute solutions and reduce our own climate impact. We want to act strongly in the climate transformation and SBB has therefore adopted the goal of climate neutrality by 2030 in the entire value chain, as an important part of our promise to build a better society. And we want to do it together with our tenants, customers, suppliers and other stakeholders.

- Continued investment in green financing by issuing green bonds and reducing energy consumption in our green portfolio linked to the green framework by 30 percent by 2023.
- 100 percent renewable electricity in the entire property portfolio and minimizing carbon dioxide emissions by reducing the emissions by at least 5 percent per year
- Continuing to contribute to innovations in environmental technology
- Responsibly and effectively using natural resources and building and managing with a life-cycle mindset (among other things by promoting construction with wood)
- Promoting renovation instead of demolition of buildings in the management portfolio. All properties held for more than three years must be environmentally inventoried and these inventories are to be done at least every ten years
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Economic sustainability

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- SBB has the goal of achieving an investment grade rating of BBB+ in the short term and A- in the long term

Governance and responsibility

SBB's Board of Directors has an overall responsibility for the governance of the sustainability issues. SBB's management group is responsible for preparing proposals on policies, targets and strategies within sustainability, which the Board approves. The CEO bears the utmost responsibility for following up the continuous sustainability work, including fulfilment of sustainability goals. The Board of Directors annually establishes policies within the sustainability area and goals for the sustainability work.

Stakeholder dialogue

SBB has many roles where SBB wants to be a trustworthy party, among other things, as a landlord, employer, community player and regional developer. In order to be successful in the long term and attain its goals, SBB needs to understand what these stakeholders expect from the company. SBB therefore assigns extensive importance to listening to the expectations and needs that exist at SBB's stakeholders. Besides the daily contact with tenants, among others, SBB has the goal in 2020 to conduct extensive work on stakeholder dialogues which include employees, tenants, suppliers, financiers and investors. This work will form the basis of a materiality analysis that will be used to decide on focus areas for SBB's sustainability work.

SUSTAINABILITY POLICY

The sustainability policy covers all of SBB's operations and applies to all companies within the Group. Responsibility for the policy lies with the Deputy CEO/Property Development Manager. In its definition of sustainable development, SBB includes responsibility for the long-term economic, environmental and social outcomes and consequences of how SBB applies its business concept and values its operations.

- SBB supports Global Compact's principles on human rights, freedom of association, labour law, working conditions, elimination of forced labour, abolishment of child labour and discrimination, precautionary approaches regarding environmental risks, initiatives to strengthen greater environmental awareness, development of environmentally friendly technology and anti-corruption.
- SBB backs the Paris Agreement, the global sustainable development goals in Agenda 2030, highlights the risks that climate changes entail and views the climate change issue as the great challenge of our time. SBB has the target of reducing climate impact by 750 tonnes of CO₂e per year. This target has been adjusted upwards from 400 tonnes CO₂ per year to take the acquisition of Hemfosa into consideration.

- SBB locates its acquisitions close to railway service. All of SBB's development areas are situated in identified locations close to public transport.
- SBB shall be a financially stable business partner to promote a sustainable relationship with shareholders, tenants and employees.
- An external function for whistle-blowers is in place to ensure ethical business behaviour.
- SBB shall not use materials that are classified as environmentally hazardous and strive to use materials that are approved by an assessment system, such as Sundahus, building materials assessment, Basta.

CODE OF CONDUCT

All managers at SBB are responsible for informing employees about the company's Code of Conduct on introducing new recruits to the company. All employees, including all managers, are responsible for keeping themselves informed on both the Code of Conduct and other applicable policies within the company, as well as regarding applicable legislation. Information regarding the Code of Conduct will be presented in conjunction with conferences, at least once annually, as well as in connection with any updates. The Code builds on the principle that all employees are individuals who are responsible for their own professional conduct. The Code of Conduct also applies to SBB's suppliers.

- No one may be under the influence of alcohol or drugs in connection with work being carried out at SBB.
- SBB does not accept any form of bullying, such as isolation, harassment, or verbal or physical abuse.
- Each employee is to be compensated in accordance with the principles for remuneration applied by SBB, in accordance with which, the individual's performance and contribution to the company's success are fairly assessed. SBB applies collective agreements and follows the appurtenant principles for wages, wage-setting, and other remunerations and terms.
- Gifts, entertainment, remuneration and personal benefits can only be offered to a third party if they are of low value and in accordance with normal business practices.
- SBB applies zero tolerance of bribery.
- The Board of Directors of SBB has adopted an in-house insider policy. The purpose of the insider policy is to reduce the risk of insider trading and other prohibited acts. The insider rules affect different positions to varying degrees, but all employees must be aware of and comply with the provisions included in the insider policy. It is each individual's responsibility to be aware of and comply with, not only the insider policy, but also any legislation and other regulations regarding insider information and the management thereof at any given time.

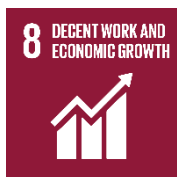
SUSTAINABILITY APPENDIX

In 2020, SBB will be launching a sustainability appendix that will ensure structured work with financial, ecological and social sustainability in all major projects. The sustainability appendix serves both as a work method for the projects and a contractually binding document. The sustainability appendix includes a document that is to be discussed in the early project development phases before project planning and contracts are finished. There are compulsory requirements on SBB's part, such as compliance with the Code of Conduct and sustainability policy, project planning for low energy consumption, requirements on construction materials and waste management during construction. There are also voluntary commitments for projects that want to go further in their sustainability work.

ABOUT THE SUSTAINABILITY REPORT

This is SBB's sustainability report and covers all of the Group's companies. SBB reports sustainability by financial year, which runs from January to December. The report describes SBB's sustainability work and follow-up during 2019. The latest report was published on 26 March 2019 and referred to the 2018 financial year.

ETHICS AND ECONOMICALLY SUSTAINABLE DEVELOPMENT



Respect for human rights

Risks can be found in the supply chain and in other companies with which SBB has business relations. In order to manage these risks, SBB works with the standard business templates produced jointly by the building and real estate industry when ordering goods and services. SBB has also introduced guidelines on how staff within the company can raise the alarm internally about potential improprieties. To minimize the risk of discrimination, sexual harassment and offensive special treatment, among others, the company has policies against this that all employees must read, understand, sign and comply with. Reviews of the policies are also done in courses and large construction and conversion projects.

Ethics and anti-corruption

SBB's Code of Conduct and a number of policy documents with clearly defined guidelines shall guide the employees' responsible and ethical behaviour and combat corruption. The Code of Conduct is based on the UN Global Compact, which contains ten principles, including human rights and anti-corruption. The company has an established business ethics policy. It acts as a guide and includes, among other things, good business practice in the industry, what is considered a bribe, proper and improper benefits, and a policy regarding study trips, exhibition visits or similar invitations by external contacts. To ensure that managers and employees act in accordance with ethical guidelines and to catch any deviations, a whistle-blower service was introduced in December 2017. This service is administered externally. By the end of 2019, the whistle-blowing service had not been used. To ensure compliance with the Code of Conduct, it is included in the sustainability appendix being introduced in 2020. This means that a review of the Code of Conduct will be done during a start-up meeting for major conversion and construction projects.

Sustainable supply chain

In 2020, we are introducing requirements that all of our suppliers sign and comply with our Code of Conduct policy. All suppliers have been notified of this requirement and follow-up will take place during the year. In major construction and conversion projects, we will ensure through our sustainability appendix that our suppliers have signed and understood the

implications of our Code of Conduct and sustainability policy. This includes a commitment to work according to the ten principles in the UN Global Compact, including human rights, freedom of association, labour law, working conditions, elimination of forced labour, elimination of child labour and discrimination, as well as anticorruption. Since we purchase a large amount of materials and services from suppliers, it is important to work together in sustainability issues. We conduct continuous evaluations of our supplier collaboration regarding current agreements, which include reviews of compliance to agreements and the Code of Conduct. As a part of ensuring control over the supply chain, SBB strives to engage a limited number of suppliers that we build long-term relationships with. We assess that this improves the conditions for close cooperation and good insight.

Illegal subletting and routine for mediation

SBB has a policy of always offering vacant apartments via our digital rental platform, where existing tenants have priority for vacant apartments within the property portfolio. Trading in illegal subletting contracts is common in Sweden, especially in the Stockholm area with long queues. SBB has procedures to counteract this. When renting, the applicant is credit checked via Bank ID..

Focus for 2020

There are several planned activities for employees in order to live up to responsible and ethical behaviour in 2020.

- The number of incidents related to corruption and unethical behaviour is documented and assessed.
- We continue to hold courses in the working environment area for our employees.

Outcome 2019:

- Number of managers trained in working environment in 2019: 32 (of 36¹)
- Number of letters trained in tenancy law: 20 (of 20²)
- Number of managers trained in professionalism: 26 (of 36³)
- Number of incidents reported to our whistle-blower function in 2019: 0⁴

SUSTAINABLE CITIES AND COMMUNITIES



SBB acquires properties in areas with long-term development potential. Major investments are made to equip and develop the properties in the form of renovating apartments, premises, common areas and façades. Outdoor environments, such as playgrounds and green areas, are also

being restored and new outdoor lighting is being added to remove dark and unsafe areas and contribute to greater biodiversity. The environment and the dwelling become more pleasant for the individual and the area as a whole becomes safer. In some areas where SBB has its property

¹ Employees in Hemfosa are not included.

² Employees in Hemfosa are not included.

³ Employees in Hemfosa are not included.

⁴ Also includes the whistle-blower function at Hemfosa

portfolio, the security issue is a priority focus area. Therefore, an important part of the business model is to make investments in improving social conditions of the areas and thus contributing to a positive and socially sustainable development. This is done, among other things, by creating meaningful activities for young people living in the areas and through collaborative projects with local organizations that work in various ways to improve the social environment.

Fundamental to the business is to continuously develop the properties and the living environment, which leads to well-being and security as well as a positive location identity.

SBB's membership and commitment for sustainable cities and communities:

- Member of Sweden Green Building Council
- Contributes to Mentor Sweden's (www.mentor.se) work as a partner
- Regular customer satisfaction surveys for continuous improvement of our management
- Summer job offers to young people living in our residential areas
- Sponsors OV Helsingborg's social project "Handball school for all"
- Sponsors Stockholm Basketball in cooperation with Charles Barton, running basketball camps for young people aged 13 to 17, who for various financial reasons would not otherwise be able to afford these camps
- SBB sponsors Läxhjälp (homework help) with 15 places in years 7-9 at Guldhedsskolan in Gothenburg where the property is owned by SBB.

Transition risks and physical risks

SBB's property development business is focused on minimizing the impact on the environment. In addition to this, the climate changes and climate

transition entail risks to communities and properties. As long-term property owners, it is important to plan the property development and portfolio to minimize these risks. The climate transition will entail changed travel patterns and types of traffic. Therefore, it is important to follow up the number of sq.m. of light GFA under development near public transport access. At 30 December 2019, the company has 1,300,000 sq.m. (490,800) sq.m. light GFA in our property development portfolio in locations with a good supply of public transport (max 2 km to train station or metropolitan area), which corresponds to around 75 percent of the total development portfolio.

To address the physical risks that the climate changes entail, SBB has begun a risk analysis of the property portfolio to investigate possibilities of conducting climate adaptation measures.

Focus for 2020

There are several planned activities and many of these have already been implemented.

- Continuing to contribute to Mentor Sweden's work
- Continuing the cooperation with Läxhjälp (www.laxhjalpen.se) (homework help) where we support Läxhjälp in Guldhedsskolan in Gothenburg in connection with our property Guldhedsskolan in Gothenburg
- Carry out well-being days for tenants together with other property companies and municipalities
- Offer children and young people of residents in our residential areas summer jobs. The goal is for us to offer at least 100 summer jobs per year

REDUCING ENVIRONMENTAL IMPACT



The company owns and manages properties taking into consideration sustainable development. SBB will offer a sound and pleasant external and internal environment where we constantly follow up and improve our environmental efforts to reduce the environmental impact. The biggest environmental impact occurs through the use of electricity, water and heat in the company's property portfolio, which mainly leads to emissions of carbon dioxide, nitrogen oxide and sulphur, where carbon dioxide is a greenhouse gas that contributes to global warming. Waste from our tenants also constitutes a major environmental impact since only a part is reused while the largest part is sent to incineration. Material selection used for renovation is also an important part of our environmental impact and contributes to high resource consumption.

Through active choices of renewable energy types and ongoing energy efficiency improvements, reduced greenhouse gas emissions within the property portfolio are ensured. Projects are under way where we install heat pumps and recycle energy from exhaust air and waste water. We are implementing a pilot project with solar cells with integrated battery storage at a property in Motala. Furthermore, we ensure that hazardous chemicals are not built in by choosing environmentally-labelled products

as far as possible and that a large part of the products have a building material declaration. When procuring contractors, the environment is included as part of the evaluation criteria. In most of our areas, we offer our tenants recycling and the opportunity to dispose of large household items.

Environmental impact through property management and renovation. The environmental risk is managed by applying the company's environmental policy, improving energy efficiency, environmental investigations in connection with acquisitions, radon measurements, decontamination and sampling (e.g. asbestos and PCB, see also page 46).

Electricity and heating

Properties account for almost 40 percent of the total demand for energy in Sweden. Reducing energy use in the properties is therefore a highly prioritized environmental issue. SBB's portfolio of rental apartments mainly consists of buildings that were constructed between the 1950s and 1980s. Many of the buildings were built before the great oil crisis in 1973, which means that they are often poorly insulated and heat loss is high. SBB's overall energy objective is to reduce the properties' environmental

impact by continuously increasing the energy efficiency of the business. The goal is that over a five-year period we will reduce energy for heating in our green property portfolio by 30 percent (2018 - 2023). The green property portfolio consists mainly of residential properties built between the 1950s and 1970s. The goal is achieved by recovering as much energy as possible in the ventilation air, utilizing environmentally adapted and renewable energy and making energy consumption more efficient in other ways. To achieve this, we are working systematically and continuously on reviews of the properties' energy consumption. Measures are prioritized for the properties that have deviating high energy use. The technical manager is responsible for following up with the respective manager, who is then responsible for implementing measures in selected properties.

We have an agreement with Skellefteå Kraft to supply 100-percent origin-certified renewable electricity to all of SBB's Swedish properties. Once SBB's total consumption in Sweden of around 60 GWh has switched over to 100-percent renewable electricity, it will mean that SBB's carbon dioxide emissions will be around 15,000 lower per year than if the energy according to the so-called Nordic residual mix were used, corresponding to CO₂ emissions of around 250.76 g/kWh. The nuclear fuel waste savings amount to nearly 70 kilograms.

For the property portfolio that was acquired in connection with the purchase of Hemfosa, there is an agreement with Vattenfall to supply 100-percent renewable electricity from hydro power.

Below are examples of measures implemented during 2019 to increase energy efficiency of our property portfolio:

- Installation of exhaust air heat pumps in three properties in Skara and one in Tidaholm where the ventilation and heating system are simultaneously adjusted.
- Implementation of a project in Motala where we are installing recovery of exhaust air and also supplementing with waste water heat exchangers.
- Project planning of system solution to reduce the energy consumption of three properties in Borlänge by 30 percent. This partly takes place in collaboration with researchers at Dalarna University.
- In connection with the renovation of our apartments, we remove bathtubs and install low-volume water fittings.
- Installation of geothermal heat in three properties in Härnösand with reduced energy consumption and operating costs as a result.
- Continuously improved energy performance with planned maintenance in the entire portfolio, e.g. after replacement or repair of windows.
- Modernization of ventilation facility in garage.

Energy consumption 2019*

Energy consumption MWh	Total	kWh/m ² (A _{temp})
District heating	166267	83.3
District cooling	5398	2.7
Electricity	134086	67.2
Other type of energy	589	0.3

*Refers to the Swedish, Norwegian and Finnish property portfolio that was acquired in connection with the purchase of Hemfosa. Equivalent to around 45 percent of SBB's total portfolio

Direct and indirect greenhouse gas emissions

SBB's largest source of greenhouse gas emissions is carbon dioxide caused by heating and cooling of properties. In addition to this, there are emissions from travel by company car, electricity consumption,

construction processes and building materials. The formulation of outdoor environments and waste management during construction processes and operation impact our and our tenants' direct and indirect emissions. SBB conducts structured work to reduce the carbon dioxide emissions in all of its areas with particular focus on energy consumption, which is our largest source of greenhouse gas emissions where there is also a direct connection to our economic sustainability.

As the energy use reduces in the operation of buildings, the significances increases of emissions that arise in material production and building production. In new construction projects, emissions from the construction phase are often at least as large as emissions from the operating phase, seen over a 50-year period⁵. SBB previously had relatively few new construction projects, but the strategic significance of new construction has increased and thereby also the significance of the indirect emissions from the production phase. SBB plans to carry out life-cycle analyses in selected new construction projects in 2020 to begin amassing knowledge and competence in the issue.

SBB only buys eco-labelled, renewable electricity for the property portfolio. This is an important reason that our emissions from electricity consumption are relatively low. SBB's direct emissions from travel with service vehicles, company cars and carpool cars constitute about 0.7 percent of the emissions from the operation of the properties. At the same time, these emissions can be directly influenced by our behaviour and SBB works to reduce these emissions in part through our car policy. The calculation is based on information on emissions in Hemfosa's Swedish portfolio (9.2 ktonnes CO₂e) and calculated emissions based on number of kilometres driven in Hemfosa's Swedish management in 2019 from our supplier of company cars (61.2 tonnes CO₂e).

A long-term effort on reduced energy use and climate impact requires skills and commitment. Therefore, SBB is holding courses in climate, energy and the global goals for all employees in 2020. In 2020, we are also introducing a sustainability appendix for major projects that among other things ensures a structured effort with reduced energy use, a larger share of renewable energy, building materials, waste and access to public transport in early phases of project development.

SBB has the goal of reducing emissions of CO₂ between 2018 - 2023 by 750 tonnes per year through energy-efficiency enhancement.

Direct and indirect greenhouse gas emissions 2019.*

	Total (tonnes CO ₂)	kg CO ₂ /m ² (A _{temp})
Carbon dioxide emissions		
Scope 1		
Heating, other types of energy	26	0.01
Company cars	76	0.04
Scope 2		
District heating	16545	8.29
District cooling	313	0.16
Electricity	5764	2.89
Total	22724	11.39

* Refers to the Swedish, Norwegian and Finnish property portfolio that was acquired in connection with the purchase of Hemfosa. Equivalent to around 45 percent of SBB's total portfolio

Waste disposal

Waste gives rise to a large environmental impact from our properties and is therefore prioritized in the environmental efforts. SBB is investing in keeping the areas clean and tidy. In some of the properties, there are recycling stations or rooms for recycling, soil containers for household waste and handling of large household items. The recycling stations and rooms are sometimes located so that large garbage trucks do not have to

⁵ <https://www.iva.se/globalassets/rapporter/ett-energieffektivt-samhalle/201406-iva-energieffektivisering-rapport9-i1.pdf>

drive into the residential areas. We also have a goal that there should be enough recycling stations to make recycling easier for our tenants. So far, no follow-up of quantities of waste from each region has been made.

Materials and environmentally hazardous substances

Several of our properties were built between the 1950s and the 1980s, which means that they have built-in materials that today are classified as environmentally hazardous, such as asbestos and PCB. As far as PCB is concerned, our entire portfolio has been inventoried.

Asbestos is a material that becomes harmful when handling and demolishing the material, which means that we, for example, during apartment renovations always carry out a sampling and risk assessment before demolition begins. Demolition and decontamination of asbestos is always done based on applicable legal requirements and with certified decontamination contractors.

In renovations, we strive to use building materials that are approved according to an assessment system, such as Sundahus, building materials assessment, Basta. Materials that are classified as environmentally hazardous shall never be used. In the apartment renovations, for instance, plastic mats, which often can contain dangerous chemicals, are replaced with floors made of natural materials (parquet and clinker). During the procurement process, the choice of materials is based on building material assessments.

Radon in elevated levels occurs in several of our properties. SBB therefore works actively on measures and follow-up measurements to ensure levels below the guideline value of 200 Bq.

Materials and environmentally hazardous substances are issues that are included in the sustainability appendix being introduced for new construction and conversions in 2020. Through the sustainability appendix, structured work and requirements in contracts are ensured.

Environmental Risks

Our properties contain environmental pollutants, where mainly asbestos and PCBs are common. There is also a risk that radon occurs in the properties since part of the portfolio consists of blue concrete. Previous

businesses that have existed in our properties could have contributed to pollution in soil and water, which may become the property owner's responsibility unless the current business remains.

Even today, there are several chemicals in products that in the future may prove to be hazardous to people or the environment. Other environmental-related risks are increased risk of flooding due to an increased share of extreme weather with global warming. There is also a risk of increased taxes and costs for energy.

In order to manage these risks, SBB actively works with radon measurements and measures against radon in our portfolio. PCB decontamination is carried out in all of our properties, with the exception of some dispensers that will be decontaminated in connection with future façade renovations. In connection with our renovations, continuous sampling is carried out on asbestos and any decontamination is carried out by approved contractors before our construction contractors enter and do renovation work. In connection with the acquisition of new properties, a risk assessment is always carried out with respect to environmental issues. Among other things, with regard to the presence of hazardous substances and possible soil contamination. To meet the risk of future increases in energy costs, we are continuously working on energy saving measures in our portfolio.

Focus for 2020

SBB will set up new intermediate targets for 2020 to reduce CO₂ emissions between 2018 - 2023 by 750 tonnes per year. During 2020, SBB will begin investing in renewable electricity by installing solar energy in a number of properties. We will continue to install heat pumps in our properties, as well as improve the buildings' climate envelope. In several of our locations, we have received grants from the National Board of Housing, Building and Planning to improve the outdoor environments. The goal for improved outdoor environments is to stimulate activity and social interaction. We will continue to work on reducing the proportion of waste that is not recycled by our tenants through a number of planned measures, for example through increased information to the tenants and through collaboration with local associations. Furthermore, we will work to improve the environmental requirements set in connection with purchasing.

ATTRACTIVE EMPLOYER



In recent years, SBB has grown through a number of acquisitions. The number of employees increased by 112 people⁶ in 2019 through taking over personnel and new recruits to various positions. With a growing organization, the need for coordination grows and higher demands are placed on communication and leadership. It is important to attract and retain competent employees.

Organization

SBB has an organization that is structured to cope with managing, developing and renovating the company's properties. The company's comprehensive management organization is deemed to be strategically

important in order to guarantee a good residential and working environment. A local base among the employees is also important. Therefore, the company employs young people who work over the school breaks in the residential areas that they live in. A personal commitment that leads to continuous development of the residential environment and at the same time provides good social side-effects.

Management and control

The company's personnel policy has been adopted by management and describes how the company wants to make use of the employees' skills and knowledge in order to achieve the company's vision and goals and to

⁶ Includes the purchase of Hemfosa, which at the time of the acquisition had 83 employees

offer the employees personal development. The policy clarifies that everyone should be given the same opportunities to build their skills. The Board of Directors has adopted ethical guidelines for the company's conduct and they summarize our approach as a business partner, employer and social actor. The Code of Conduct is based on our fundamental values, high ethics, a holistic view and a humanistic basic view. The company's systematic work to develop the working environment and to minimize any risks in the working environment had a strong focus in 2019 and this important work is continuing in 2020. For example, SBB conducted safety inspections in 2019 and plans to continue them in 2020. In 2019, two work environment courses were held where everyone in the management has participated.

Culture and competence

Today, the corporate culture at SBB is characterized by commitment, openness and development. In 2020, we will continue working on the corporate culture. Among other things, by conducting a dialogue with stakeholders where the employees' perspectives play a major role in describing and establishing the company's values that describe our way of being, what is important to us, what we want to stand for, how we are and, not least, how we should relate to our customers, employees, partners and the outside world.

Each employee should be given the opportunity to develop in the best possible way in their work and in their personality for the success of the organization and the individual based on their ability. This is also the starting point when we look at the concepts of equality, diversity and equal treatment, which for us means that all people are of equal value and should be treated with respect and dignity irrespective of gender, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation or age. This is regulated through SBB's sustainability policy and Code of Conduct, which all employees must read, understand, sign and comply with. SBB also contributes to work against discrimination and for equal opportunity by signing to work for the ten principles of the UN Global Compact.

All employees are obliged to participate in an, in all respects, equal and tolerant workplace, but a special responsibility rests with our managers and supervisors.

SBB attracts and retains competent employees through:

- Market-based terms of employment
- Collective agreements in management
- Skills development
- Good working environment
- Warrant programmes and other incentive programs to motivate and reward employees
- Personal development and skills improvement
- Employees are covered by health insurance and occupational pension

Working environment

The systematic work done in relation to the work environment is described in the work environment policy and the guidelines for systematic work environment. The process of constantly developing and improving the working environment is ongoing. In 2019, we will focus on implementing and educating our employees in work environment issues. This work is continuing in 2020. For example, SBB conducted safety inspections in 2019 and plans to continue them in 2020. In 2019, two work environment courses were held where everyone in the management has participated.

Risk of ill health and accidents among staff, surrounding society can be affected by noise and other disturbances in locations where the company is active. The risks are managed through active human resource work, safety inspections and dialogue with the surrounding community.

Employee health and safety

SBB encourages all employees to adopt a healthy lifestyle and offers support in several different ways. Private health insurance and fitness grants of SEK 2500 are a few of the benefits SBB offers all of its employees. In 2019, SBB's short-term sickness absence was 0.8 percent and long-term sickness absence was 2.4 percent.

During the year, training in CPR and ergonomics was provided at most offices. Extensive focus is on preventive measures and extended information provision and a higher degree of training for all managers. This work will continue in 2020.

Availability during holidays and weekends

It is important that our customers have the opportunity to get in touch with us and our representatives at all times. It is also important that our employees have a good balance between work and leisure. We therefore have agreements with companies that handle emergencies at weekends and longer holidays. This combined with careful holiday and leave planning for the staff means that we can satisfactorily meet the tenants' needs to be able to get in touch with us and ensure our employees' right to holiday and time-off.

Performance reviews

In 2019, in connection with the incentive programme, we had procedures with regular employee performance reviews. This is also continuing in 2020.

Follow-up regarding accidents at workplaces

All incidents and injuries that occur in the organization are reported to the Swedish Social Insurance Agency and the Swedish Work Environment Authority, as well as AFA Insurance. The company has been spared from difficult accidents. During 2019, we strengthened and clarified procedures for notification of occupational injuries and incidents. In 2019, we implemented a systematic work environment effort. This work includes a follow-up of accidents at the workplace. This is continuing in 2020.

Diversity, gender equality and equal opportunity

Tenants' diversity is an asset and reflecting it in the organization is a matter of course for SBB. We encourage diversity and reject all forms of discrimination. All employees' terms, rights and development possibilities must be the same throughout the company. We do not tolerate any form of discrimination whether based on gender, transgender identity or expression, ethnic identity, religion or other faith, disability, sexual orientation or age. This is regulated in our Code of Conduct, which all employees must sign and comply with. A goal for 2020 is that all supplier must understand, sign and comply with the Code of Conduct policy. To ensure understanding and compliance with the Code of Conduct policy, we work with internal training and interviews; in 2020, we will also introduce the Code of Conduct as a discussion item at start-up meetings in major projects through the sustainability appendix.

Our policy and our guidelines against offensive special treatment are available in our Work Environment Manual. When recruiting, we strive for diversity in all respects. The company's ambition is to have an even gender distribution. At year-end, SBB had 252 employees, of whom 91, or 36 percent, were women. The proportion of female managers amounts to 33 percent (17). The corporate management team, which consists of nine people, had two women members, 22 percent. The company's Board of Directors had two women Board members, 29 percent.

To ensure equal opportunities, we work with:

- Flexible working hours and work environment
- Parental compensation
- A well-developed recruitment process
- Annual salary survey

- Annual performance reviews where issues concerning satisfaction, well-being and equal opportunity are taken up
- Training in systematic work environment by investigating, implementing and following up on operations in such a way so as to prevent ill health and accidents in the work and to achieve a good work environment.

Labour law and remuneration

SBB has signed the Global Compact's ten principles and the ILO's declaration of fundamental principles and rights in working life. This includes the conventions on freedom of association, elimination of forced labour, discrimination, etc. All of SBB's employees and suppliers shall certify that they comply with these principles by signing our sustainability policy and Code of Conduct policy. In major projects, this is also ensured through the sustainability appendix for projects being launched in 2020. Samhällsbyggnadsbolaget Förvaltning i Sverige AB applies collective agreements and follows the appurtenant principles for wages, wage-

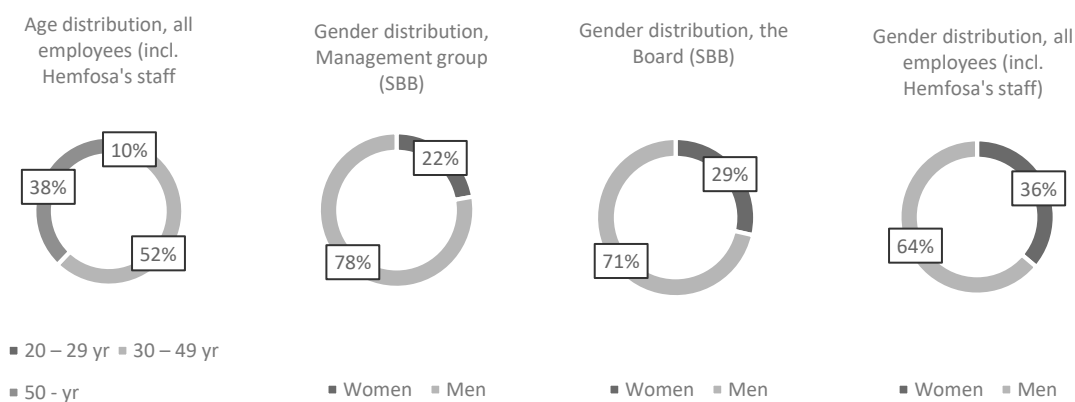
setting, and other remunerations and terms. Other Group companies have competitive terms for salaries, salary determination, pension, leave, etc.

Focus for 2020

- We will develop the working environment by educating our employees in all parts of the work environment
- We will develop our employees' skills through further education in professionalism and tenancy law, among other subjects.
- We strive for a low sickness absence, with the goal that short-term sickness absence shall not exceed 2 percent and long-term sickness absence shall not exceed 3 percent.

Personnel turnover

Personnel turnover in 2019 was 12%. The turnover is calculated as the number of permanent employees who have quit minus average number of employees during the year. This calculation includes both SBB's and Hemfosa's personnel in 2019.



Summary of staff, Management, Board

Combined	Total	Gender distribution (%)	20 – 29 years	30 – 49 years	50 or more years
All employees*	252		26	131	95
Age distribution (%)			10 %	52 %	38 %
Women	91	36 %	15	53	23
Men	161	64 %	11	78	72
Managers*	52			25	27
Age distribution (%)				48 %	52 %
Women	17	33 %		12	5
Men	35	67 %		13	22
Management Group**	9			3	6
Age distribution (%)				33 %	67 %
Women	2	22 %		1	1
Men	7	78 %		2	5
Board of Directors**	7				7
Age distribution (%)					100 %
Women	2	29 %			2
Men	5	71 %			5
* Including Hemfosa's staff **SBB's organization					

Declaration of limitation and basis for calculation of emissions according to the GHG protocol

Scope	Activity	Restriction
1	Oil in properties	The oil the property owner buys. Data from energy follow-up system. Conversion factor 273 g CO ₂ e/kWh.
1	Pellets in properties	The pellets the property owner buys. Data from energy follow-up system. Conversion factor 27 g CO ₂ e/kWh.
1	Business travel with company car	The travel made on business with a company car through contractual partner. Data from reading meters through partner company for company cars. Emissions per kilometre are based on the manufacturer's information for mixed driving for the respective car. Average of emissions for the Swedish management is used as a standard value for the Norwegian management.
2	Use of electricity	The electricity consumption where the property owner is the contracting party. Data from meters, obtained through our energy follow-up system. Conversion factor 8.3 g CO ₂ e/kWh for source-labelled electricity from hydro power and 125.5 g CO ₂ e/kWh for Nordic electricity mix
2	Use of district heating	The district heating where the property owner is the contracting party. Data from energy follow-up contracting party system. Specific emissions data for the respective supplier and standard amounts for Norwegian and Finnish district heating and district cooling with data from Norway's and Finland's statistical central agencies.
2	Use of district cooling	The district cooling where the property owner is the contracting party. Data from energy follow-up system. Specific emissions data for the respective supplier and standard amounts for Norwegian district heating and district cooling with data from Norway's statistical central agency.

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THE YEAR IN BRIEF

The annual reports refer to Samhällsbyggnadsbolaget i Norden AB (publ), org, nr 556981-7660, hereinafter referred to as SBB or Samhällsbyggnadsbolaget alternatively the Group or the Company.

THE YEAR 2019

- Rental income increased to SEK 1,996m (1,680).
 - The operating surplus increased to SEK 1,265m (1,071).
 - Cash flow from operating activities before changes in working capital totalled SEK 745m (248).
 - Profit before tax amounted to SEK 3,137m (1,904), of which:
 - Profit from property management was SEK 645m (321). The profit from property management includes costs for early redemption of loans and other non-recurring costs of SEK -300m (-147).
 - Unrealized changes in value on properties are included at SEK 2,453m (1,575), of which unrealized changes in value as a result of building rights are included at SEK 338m (177).
 - Profit for the period amounted to SEK 2,624m (1,690) after deduction of deferred tax of SEK -479m (-212) and current tax of SEK -34m (-2), corresponding to earnings per ordinary A and B share of SEK 2.97 (2.07) before dilution.
 - The value of the property portfolio amounted to SEK 79.5bn (25.2).
 - Long-term net asset value (EPRA NAV) increased to SEK 24,855m (8,736), corresponding to SEK 20.04 (11.55) per share.
 - SBB's average interest rate in the past 12 months decreased from 2.44 percent to 1.76 percent.
 - The company's board of directors proposes an initial dividend of SEK 0.60 (0.25) per ordinary A and B share, a dividend of SEK 2 (2) per D share and dividend of SEK 35 per preference share to be paid quarterly.
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EVENTS DURING THE YEAR

- On 15 November, SBB made a recommended public takeover bid to the shareholders of Hemfosa Fastigheter AB (publ) to acquire all shares of Hemfosa. At 31 December, 87.8 percent of the shares and 88.1 percent of the votes were controlled by SBB. The consideration for the shares consisted of newly issued shares and a cash consideration.
 - SBB was in December included in the property index FTSE EPRA Nareit Global Real Estate Index, which is one of the most renowned and used indexes for listed property investments
 - In September, SBB's common shares B and D were approved for admission to trading on Nasdaq's main list. The first day of trading was 20 September.
 - During the year, SBB issued ordinary shares of series B and D, which provided the company with SEK 13.4bn after deduction of issue costs. In addition, hybrid bonds were issued which increased equity with SEK 4.6bn after deduction of issue costs.
 - During the year 144,538 preference shares were redeemed with exchange in D-shares as a result of the tender offer to the company's preference shareholders, which was published in May. The number of outstanding preference shares amounted to 30,713 at 2019-12-31.
 - SBB received a BBB- rating with stable outlook from Standard & Poor's and Fitch in April.
 - During the year SBB acquired properties worth SEK 58bn incl. the acquisition of Hemfosa and completed sales of properties worth SEK 7bn. In May, the sale of DNB Bank's head office to DNB Liv was carried out at an agreed net property value of SEK 4,897m, which, as a result of accounting rules, resulted in a realized change in value of SEK -272m. SBB completed its first acquisitions in Denmark. The portfolio in Denmark amounted to SEK 0.5bn on 2019-12-31.
 - In April 2019 SBB established an EMTN Program (Euro Medium Term Note Programme) with an initial limit of EUR 2,5bn and issued unsecured bonds in EUR, NOK och SEK under the program.
-

IMPORTANT EVENTS AFTER THE END OF THE YEAR

- After the offer to Hemfosa's shareholders expired, SBB controlled 93.5 percent of the shares and 93.8 percent of the votes in Hemfosa. SBB has after that called for a compulsory purchase of the shares that have not been submitted in the offer. In February, an additional 8,736,000 ordinary shares were acquired in Hemfosa from Syquant Capital. After that acquisition, SBB controlled 98.3 percent of the shares and 98.9 percent of the votes in Hemfosa.
- SBB issued a perpetual hybrid bond of EUR 500m with a fixed coupon of 2.624 percent and an unsecured bond of EUR 750m with a fixed coupon of 1 percent and a maturity of 7.5 years.
- LOI have been entered into for the sale of properties totaling SEK 11bn. Out of these LOIs, an agreement was entered into with Alecta after the year end for the sale of the property Mimer for SEK 460m.
- SBB entered into an agreement to acquire approximately 30 percent of the shares and votes in SSM Holding AB (publ), corresponding to a purchase price of SEK 116m. Closing is expected to take place on 24 March 2020.
- In March, SBB repurchased most of the unsecured bonds issued by SBB and Hemfosa, which mature up to and including May 2021, and have thereby repurchased SEK 3,362.4m of the total issued amount of SEK 3,724m. SBB have no other unsecured bonds that fall due within the next 12 months.

- SBB has evaluated the effect of the Corona virus / Covid-19 on the company's operations. The assessment is that SBB's safe cash flows are only marginally affected by the business cycle and external factors, as cash flows mainly come from tenants who are tax-financed by the Nordic states or rent regulated residentials. The company has a long average fixed interest rate term and capital tied up and, apart from commercial paper, has only minor maturities within the next 12 months. The commercial paper that falls due is secured with back-up facilities. SBB has adopted a continuity plan with guidelines for operations during the Covid-19 crisis and continues to monitor developments closely.

SBB KEY RATIOS

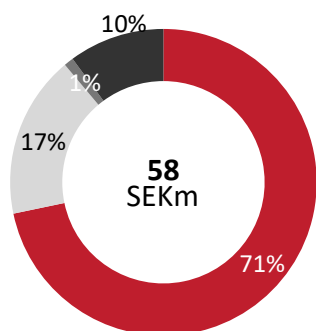
	2019 jan-dec	2018 jan-dec
Property-related key ratios		
Property value (market value), SEKm	79 542	25 243
Number of properties	1 394	570
Leasable area, sq.m., thousands	4 233	1 330
Surplus ratio, %	63	64
Yield, %	4,8	4,7
Economic letting ratio, %	94,8	96,2
WAULT, social infrastructure properties, yrs	7	7
Financial key ratios		
Rental income, SEKm	1 996	1 680
Net operation income, SEKm	1 265	1 071
Interim profit, SEKm	2 624	1 690
Cash flow from current operations, SEKm	745	248
Equity excluding non-controlling interest, SEKm	24 304	9 009
Return on Equity, %	12	18
Loan-to-value ratio, %	41	53
Secured loan-to-value ratio, %	26	38
Equity ratio, %	30	41
Adjusted Equity ratio, %	33	44
Interest coverage ratio, times	2,6	1,8
Equity-related key ratios		
EPRA NNNNAV (actual net asset value), SEKm	22 298	7 838
EPRA NNNNAV (actual net asset value), SEK/share	17,97	10,37
EPRA NAV (long-term net asset value), SEKm	24 855	8 736
EPRA NAV (long-term net asset value), SEK/share	20,04	11,55
EPRA Earnings, SEKm	611	320
EPRA Earnings (EPS), SEK/share	0,80	0,43
EPRA Vacancy Rate	5,2	3,8
Earnings per ordinary class A and class B shares	2,97	2,07
Earnings per ordinary class D shares	2,00	0,50
Average number of ordinary class A and B shares	762 481 721	741 569 031
Average number of ordinary class D shares	65 967 084	918 854
Average number of preference shares	122 886	324 983
Number of ordinary class A and B shares	1 240 526 587	756 049 031
Number of ordinary class D shares	104 425 359	41 626 390
Number of preference shares	30 713	175 251

PROPERTIES

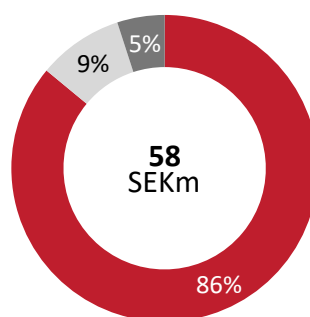
SBB had a total of 1,394 register properties (570) at the end of 2019. The total property value was SEK 79,542m (25,243), the leasable area was 4,233,000 sq.m. (1,330) and the rental value was SEK 5,502m (1,648). The economic letting ratio at the end of the year was 94.8 percent (96.2). At the same time, the yield on the property portfolio, excluding building rights, was 4.8 percent (4.7).

The increase in the value of the properties was due to acquisitions of SEK 57,608m (3,597), sales of SEK 6,917m (3,359), investments of SEK 650m (311) and unrealized changes in value amounting to SEK 2,704m (1,517). The acquisitions concerned 86 percent of community service properties, 9 percent of residential and 5 percent of other properties. The property portfolio has mainly increased in Sweden, but also significantly in Norway and Finland.

Opening fair value 2019-01-01	25 243
Acquisitions	57 608
Investments	650
Sales	-6 917
Translation difference	254
Unrealized changes in value	2 704
Fair value at period end	79 542



■ Sweden ■ Norway ■ Denmark ■ Finland



■ Community service ■ Residential ■ Other

The acquisition of Hemfosa provided SBB with a property portfolio of community service properties for public offices, schools, care and adapted housing and the judiciary. As of 2019-12-31, the portfolio consisted of 418 properties with an area of 2,246 sq.m. Of SBB's property portfolio, 71 percent are located in Sweden, 17 percent in Norway, 10 percent in Finland and 1 percent Denmark.

In 2019, SBB completed its first acquisitions in Denmark. The properties are community service properties and are located in Copenhagen, Aarhus and Svendborg. As of 2019-12-31, the property portfolio in Denmark amounted to SEK 0.5bn.

During the year, SBB made a number of acquisitions of community service properties in addition to the acquisition of Hemfosa. In Finland, among other things, a portfolio of 48 properties amounting to SEK 1.5bn was acquired. The properties are used for elderly homes as well as preschool and care activities. In addition, there were acquisitions of a portfolio of 37 community service properties in Finland, Sweden and Norway and three portfolios in the LSS segment. In Norway, additional acquisitions of LSS

properties were made and in May the sale of DNB Bank's head office to DNB Liv was completed at an agreed net real estate value of SEK 4,897m. Other acquisitions in the community service property segment include acquisitions of 24 properties in Linköping, in which elderly housing, care and education activities are conducted, seven elderly housing in Boden with the municipality as tenant and 14 community properties located in Stockholm and Västra Götaland. An agreement was signed for the acquisition of 407 apartments from the Municipality of Kävlinge and 23 school properties from SISAB (owned by the City of Stockholm).

The residential portfolio was expanded during the year through a number of acquisitions, including: a portfolio of 1,363 apartments spread over 50 properties in Södertälje, Enköping, Sigtuna, Tierp, Tranås, Vaggeryd, Söderhamn and Nässjö with a value of SEK 1.3bn. In addition, two properties were acquired in Höganäs for a total of 122 apartments from Höganäshem and at the end of December SBB acquired 1,560 apartments, most of them in Växjö and Ronneby, from Amasten. In addition to these acquisitions, a number of smaller acquisitions were made in for instance Avesta, Borås, Stockholm, Gothenburg and Staffanstorps.

VALUATION MODEL

SBB reports investment properties at fair value. Each quarter, 100 percent of the properties are valued. Under SBB's valuation policy, 100 percent of the properties are valued by external valuers every half year, while the values in the remaining quarters are based on internal valuations. In 2019, 100 percent of the properties were valued every quarter by external valuers. The value of the property portfolio as of December 31, 2018 is based on external valuations made by Newsec, JLL and Savills. The valuations are based on an analysis of future cash flows for each property, taking into account the current lease contract terms, market conditions, rental levels, operating, maintenance and administration costs and the need for investments. The yield requirements used in the valuations are in

the range 2.30 percent to 15.0 percent with an average value of 5.39 percent. The value of the properties includes approximately SEK 2,893m for building rights, which were valued using the local rate method, which means that the valuation is based on comparisons of prices for similar building rights. Fair value has thus been assessed according to IFRS 13 level 3.

VALUATION DATA

Each assumption for a property is assessed individually based on the knowledge available about the property as well as the external valuers' market information and experience.

Value by segment

Segment	Fair value, SEKm	Number of properties	Rental value, SEKm	Economic letting ratio, %	Leasable are, sq.m. thousands	Long-term yield, %	Long-term yield in average, %
Residential	13 230	350	910	93,7	872	2,30–8,25	4,30
Community service properties	61 547	990	4 265	95,9	3 011	2,90–15,00	5,56
Other	4 765	54	327	83,4	350	3,85–8,50	6,26
Total	79 542	1 394	5 502	94,8	4 233	2,30–15,00	5,39

ASSOCIATED COMPANIES AND JOINT VENTURES

SBB's engagement in associated companies and joint ventures consists partly of shares in the companies and in some cases financing to the companies. As of 2019-12-31, participations in associated companies and joint ventures amounted to SEK 909m (213) and receivables from associated companies and joint ventures amounted to SEK 1,142m (1,574). Some of the companies carry out property development projects, which are described in more detail on page 33, while other companies own investment properties. See the description of the companies below for further details.

Holding	Classification	Main activity	Ownership 31-12-2019	Book value 31-12-2019
BCAC-Hus Förv. AB	Intressebolag	Property development	10 %	4
HusBacc Utv Hold AB	Joint Venture	Property development	50 %	78
HanVäst Utv AB	Joint Venture	Property development	50 %	-
Jordbro Centrum Utv AB	Joint Venture	Property development	50 %	-
Nöthagen Utv AB	Joint Venture	Property development	50 %	-
Tillbringaren 2 H AB	Joint Venture	Own, manage, develop properties	49 %	13
Slaggborn Utv AB	Joint Venture	Property development	50 %	34
Klarsam Fast Utv AB	Intressebolag	Property development	40 %	8
Cronsjö Fast Utv AB	Intressebolag	Property development	30 %	1
Varpslagg Fast Utv AB	Intressebolag	Property development	40 %	2
Gullbern Fast Utv AB	Intressebolag	Property development	40 %	1
Fastighetsutv IB 85 AB	Joint Venture	Property development	50 %	6
Klarabo Förv AB	Intressebolag	Own, manage, develop properties	49 %	316
Valerum Fast AB	Joint Venture	Own, manage, develop properties	50 %	19
Bryggkaffe Fast Utv AB	Joint Venture	Property development	50 %	0
Solhemmet Samhällsfastigheter AB	Joint Venture	Property development	50 %	-1
Samterna Holding 1	Joint Venture	Property development	50 %	-
Samterna Holding 2	Joint Venture	Property development	50 %	-
Fastighetsutveckling IB 95 AB	Joint Venture	Property development	50 %	10
Barcode Kjøling AS	Intressebolag	Community association	26 %	11
Gardermoen Campus Utvikling AS	Joint Venture	Property development	65 %	62
Offentlig Eiendom AS	Intressebolag	Own, manage, develop properties	40 %	345
				909

The largest part of the profit of the year from associated companies and joint ventures of SEK 92m (13) was attributable to the companies Klarabo Förvaltning AB and Valerum Fastighets AB, which own and manage investment properties.

Klarabo Förvaltning AB

The company is jointly owned with KlaraBo Sverige AB and conducts property management and development through acquisitions and constructions. The company's property portfolio consists of 1,691 apartments distributed over the cities Bollnäs, Borlänge, Ludvika, Malmö, Smedjebacken, Sundsvall and Trelleborg. The property portfolio has a

value of SEK 1.6bn and the result for 2019 was SEK 122m of which SBB's share was SEK 60m.

Valerum Fastighets AB

The company is jointly owned with Property AD AB and conducts property management and development through transactions and letting activities. The company's property portfolio of 49 properties consists of both community service properties and offices divided between for instance the cities Oskarshamn, Höganäs and Karlskrona. The property portfolio has a value of SEK 1.6bn and the result for 2019 was SEK 37m of which SBB's share was SEK 19m.

FINANCING

FINANCING

SBB's key ratios improved significantly in 2019. The change relates to a reduced net loan-to-value ratio from 53 percent to 41 percent, and that the average interest rate decreased from 2.44 percent to 1.76 percent. Excluding Hemfosa, SBB had an average interest rate of 1.38 percent. In April 2019, SBB received a BBB- rating with stable outlook from Standard & Poor's Global Ratings ("S&P") and from Fitch Ratings ("Fitch"). In November 2019, after the bid for Hemfosa, S&P revised SBB's rating up from stable outlook to BBB- with positive outlook. The rating agencies' analysis and assessment of the company meant that focus in 2019 intensified on consolidating and restructuring the debt portfolio. The aim is to reduce the financial costs and to diversify borrowing. SBB continued to repay expensive loans and buy back bonds.

FINANCIAL MARKET DEVELOPMENT

At the end of 2019, we can confirm that the economic expansion is the second longest ever, but prospective economic assessments indicate some slowdown. The historically low interest rates have led to a significant inflow of capital in the property market, which has driven up the prices, especially in the metropolitan areas. Historically, upon an increase in interest rates, the conditions for the property market with regard to financing and investments were redistributed from more risky investments to more stable property investments and fixed-interest investments to a greater extent. The driving forces for continued allocation of capital to the property sector seem to still be strong.

THE FINANCE FUNCTION

The finance function shall support the company's core business by minimizing the cost of capital in the long term. Its task is to manage existing debt, raise new loans for investments and acquisitions, streamline cash management and limit the financial risks. The work is governed by the company's finance policy, which is adopted by the Board once a year. The finance policy regulates reporting, monitoring and control. All financial issues of strategic importance are dealt with by the Board.

RAISING CAPITAL

Running a real estate company is capital intensive. The company is financed with equity and liabilities in the form of bank loans, bonds, hybrid bonds and commercial paper. The distribution between the different asset classes depends on factors such as the cost of the various forms of financing, the focus of the property portfolio, and the risk aversion of the shareholders, investors and creditors.

EQUITY

On 31 December 2019, SBB's equity amounted to SEK 30,896m (11,197). The equity/assets ratio was 30 percent (41), while the adjusted equity/assets ratio was 33 percent (44).

During the year, SBB carried out issues of Class B and Class D ordinary shares, which provided SBB with SEK 13.4bn after deduction for issue expenses. The share issue that was done in connection with the Hemfosa acquisition contributed with SEK 11bn in equity.

MATURITY STRUCTURE (INCL. COMMERCIAL PAPERS)

Maturity year	Nominal amount, SEKm	Share
< 1 yr	10 332	18%
< 2 yr	8 445	15%
< 3 yr	8 063	15%
< 4 yr	10 852	19%
< 5 yr	6 265	11%
> 5 yr	12 361	22%
Total	56 318	100%

In addition to this, SBB repaid two of its SEK hybrid bonds. The bonds that were repaid are SE0010414599 and SE0011642776. In October 2019, SBB issued a new hybrid bond of SEK 1.5bn with a fixed coupon of 3.5 percent. In January 2020, SBB also issued a hybrid bond of EUR 500m with a fixed coupon of 2.624 percent.

As the hybrid bond loans are eternal and the redemption can only be invoked by the company, it is classified in accounting terms according to IFRS as an equity instrument. The hybrid bond loans are listed on Nasdaq Stockholm and Euronext Dublin.

The return on equity is the profit for the period as a percentage of average equity for the period. The return showing the company's return on equity was 12 percent (18).

LIABILITIES

At year-end, the interest-bearing liabilities amounted to SEK 56,091m (14,675) of which SEK 25,985 (5,910) related to liabilities to credit institutions, SEK 25,162m (6,925) to bond loans and SEK 4,944m (1,840) related to commercial paper (in SEK and EUR). The loan ratio was 41 percent. The fair value of the liabilities and other financial instruments as of 31/12/2019 is deemed to correspond to the carrying amount.

Of the company's credits, the proportion of loans with variable interest rates was 21 percent (40) and loans with fixed interest rates 79 percent (60). The average fixed interest term was 2.8 years (2.6). The variable interest-bearing liabilities have Stibor interest as a base, which as a rule gives an opportunity to change the capital structure without having to pay interest differential payments. Some variable loans have interest rate floors, which means that the company has not been able to take advantage of the negative interest rate on the market. In 2019, SBB hedged a large part of the interest-bearing liabilities with interest-rate derivatives of a total nominal value of SEK 17,898m with a duration of one to ten years. Through interest-rate derivatives, interest ceilings and loans with fixed interest, SBB has hedged 79 percent of the variable liabilities, which comprises loans with variable interest and commercial paper, as well as liabilities that fall due within one year. SBB has entered EUR/SEK currency derivatives of EUR 300m to hedge currency risk. The interest-rate derivatives and currency derivatives had a fair value of SEK 46m at the end of the period.

At 31 December 2019, cash and cash equivalents amounted to SEK 12,858m and short-term financial investments amounted to around SEK 1,396m. In addition to this, SBB has SEK 7,103m in the form of unutilized credit facilities. No further securities need to be pledged for the use of the credit facilities.

The other liabilities consist of deferred tax liability, accounts payable, current tax liabilities, accrued expenses and prepaid income and other liabilities linked to the acquisition of properties.

MATURITY STRUCTURE (EXCL. COMMERCIAL PAPERS)

Maturity year	Nominal amount, SEKm	Share
< 1 yr	5 388	10%
< 2 yr	8 444	16%
< 3 yr	8 063	17%
< 4 yr	10 852	21%
< 5 yr	6 264	12%
> 5 yr	12 360	24%
Total	51 374	100%

CREDITORS AND COLLATERAL

Liabilities to credit institutions were reported at SEK 25,985m on 31 December 2019. Property mortgages of SEK 87,795m have been pledged as collateral for the majority of the interest-bearing liabilities. In addition, SBB provided collateral in the form of shares in property-owning companies of SEK 13,161m.

Interest-bearing liabilities that do not have collateral in properties consist of commercial paper and unsecured bonds that the company has issued.

ALTERNATIVE FORMS OF FINANCING

The majority of bank loans are around a loan-to-value ratio of around 60 percent. Therefore, in order to optimize the company's capital structure,

there is a need to continuously seek alternative forms of financing, such as commercial paper and bonds. SBB has followed the trend in Sweden and in Europe, instead of refinancing and borrowing new capital in the banking market, it has issued commercial paper and unsecured bonds. After SBB's updated ratings from S&P and Fitch, the credit margin and hence the interest expense continued to decrease significantly for the Company.

BONDS

Bond loans had a carrying amount of SEK 25,162m on 31 December 2019. In 2019, SBB issued unsecured bonds excl. hybrids of SEK 9,660m and EUR 1,050m. In 2019, SBB bought back unsecured bonds totalling SEK 2,109m and EUR3m. Prior to 2019 SBB has bought back unsecured bonds totalling SEK 1,405m.

LISTED BONDS AS AT 31.12.2019

Issuer	Maturity	SEKm	Repurchased by SBB/Hemfosa (SEKm)	Interest	Maturity date	ISIN code	Green/Secured
SBB	2017-2020	1 500	1 434	Stibor 3M + 6,00%	2020-04-06	SE0009805468	
SBB	2018-2022	1 000	904	Stibor 3M + 3,60%	2022-10-03	SE0011725514	
SBB	2018-2021	474	466	Stibor 3M + 3,65%	2021-05-12	SE0010985713	
SBB	2018-2021	750	710	Stibor 3M + 3,90%	2021-01-29	SE0010414581	
SBB	2019-2024	500		Stibor 3M + 3,30%	2024-02-14	SE0012256741	Green
SBB	2019-2024	200		Stibor 3M + 3,25%	2024-02-19	SE0012313245	
SBB	2019-2025	600		Stibor 3M + 1,90%	2025-01-14	XS1997252975	
SBB	2019-2023	200		Stibor 3M + 1,40%	2023-05-22	XS2000538699	
SBB	2016-2021	683		Stibor 3M + 1,85%	2021-12-23	NO963342624	Secured
SBB	2019-2022	500		Stibor 3M + 1,20%	2022-07-22	XS2021634675	Green
SBB	2019-2021	1 960		Stibor 3M + 0,93%	2021-07-05	XS2022418243	
SBB	2019-2023	500		Stibor 3M + 1,150%	2023-09-06	XS2050862262	Green
SBB	2019-2022	600		Stibor 3M + 0,95%	2022-10-03	XS2059787049	
SBB	2019-2023	1 000		Stibor 3M + 1,01%	2023-02-01	XS2066041661	
SBB	2019-2022	300		0,85%	2022-03-11	XS2078676322	
SBB	2019-2021	500		Stibor 3M + 0,7%	2021-11-08	XS2078691123	
SBB	2019-2023	600		1,07%	2023-05-11	XS2078737306	
SBB	2019-2021	800		Stibor 3M + 0,66%	2021-11-08	XS2078371486	
SBB	2019-2020	400		0,80%	2020-04-14	XS2093118953	
SBB	2019-2024	1 000		1,66%	2024-11-28	XS2085870728	
SBB	2019-HYB	1 500		Stibor 3M +3,5%	Hybrid	SE0013359148	
Hemfosa	2017-2020	1 000		Stibor 3M + 2,75%	2020-09-01	SE0009664337	
Hemfosa	2019-2022	1 300		Stibor 3M + 2,40%	2022-05-16	SE0012596203	Green
Hemfosa	2019-2022	800		Stibor 3M + 2,10%	2022-10-03	SE0013109444	Green

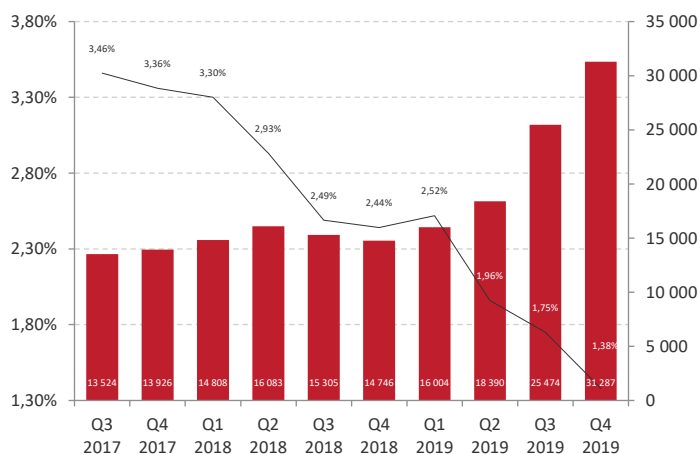
Issuer	Maturity	EURm	Repurchased by SBB (EURm)	Interest	Maturity date	ISIN code	Green/Secured
SBB	2019-HYB	300		4,63%	Hybrid	XS1974894138	
SBB	2019-2025	550	3	1,75%	2025-01-14	XS1993969515	
SBB	2019-2026	500		1,13%	2026-09-04	XS2049823680	

Issuer	Maturity	NOKm	Repurchased by SBB (NOKm)	Interest	Maturity date	ISIN code	Green/Secured
SBB	2016-2023	620		3,00%	2023-11-01	NO0010777683	Secured

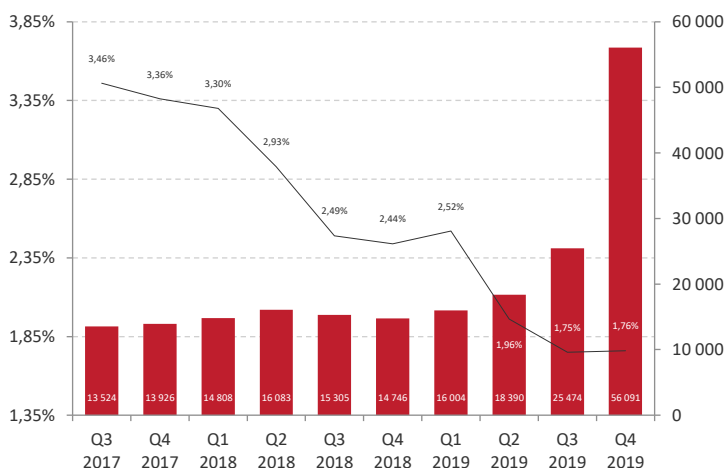
AVERAGE INTEREST AND FIXED-INTEREST TERM

At year-end, SBB's average interest rate was 1.76 percent (2.44). Excluding Hemfosa, SBB had an average interest rate of 1.38 percent. The average fixed interest term at year-end was 2.8 years (2.6) and average capital tied up 3.4 years (4.6). The chart below shows the development of the company's average interest rate.

Development of the group's average interest excl. Hemfosa



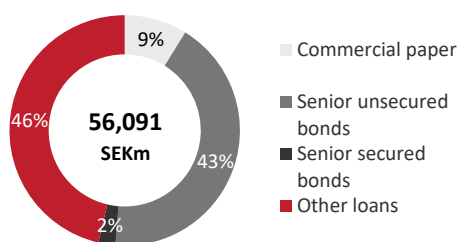
Development of the group's average interest incl. Hemfosa



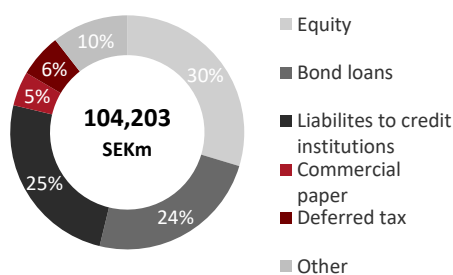
COVENANTS AND RISK-TAKING

SBB's financial risk taking and position can be assessed by, among other things, the key ratios of equity/assets ratio, interest coverage ratio and loan-to-value ratio. In credit agreements with banks and credit institutions, there are sometimes established limits, known as covenants, for the three key ratios. In September 2019, SBB announced new targets: equity/assets ratio minimum 45 percent (35), LTV below 50 percent (50) and ICR 3 times (2.5). At year-end 2019, the company fulfilled the banks' covenant requirements in all credit facilities and the covenant requirements for each bond.

DISTRIBUTION OF INTEREST-BEARING LIABILITIES



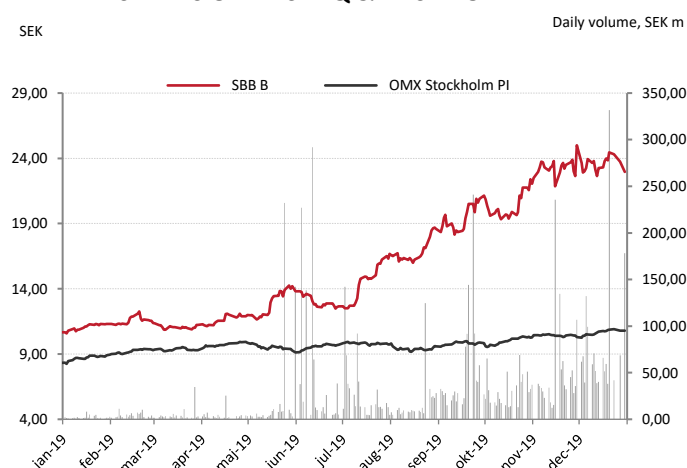
CAPITAL STRUCTURE



THE SHARE

SBB's Class B share (ticker SBB B) and Class D share (ticker SBB D) are traded on Nasdaq Stockholm, Large Cap. The company's preference share (ticker SBB PREF) is traded on Nasdaq First North Premier Growth Market. As of 31 December 2019, the number of ordinary Class B shares stood at 1 030 549 096 and the Class D at 104 425 359. The preference shares totalled 30,713 and in addition, the company had 209,977,491 ordinary Class A shares. The price of the ordinary share of Class B was SEK 22.95, Class D was SEK 34.89 and for the preference share the price was SEK 756.00 at 30 December 2019. The market capitalization of the ordinary Class B share (including the value of unlisted Class A ordinary shares at the same price) was SEK 28 470m, Class D was SEK 3 643m and for the preference share was SEK 23m.

CLASS B SHARE DEVELOPMENT LAST 12 MONTHS, TRADING WITH THE SHARES ON NASDAQ & FIRST NORTH



	Share price, SEK	
	30 Dec 2019	30 Dec 2018
Class B	22.95	10.68
Class D ¹⁾	34.89	29.50
Preference shares	756.00	583.20

	Average trading volume per trading day, SEK m	
	Jan-Dec 2019	Jan-Dec 2018
Class B	28,7	3,4
Class D ¹⁾	19,5	-
Preference shares	0,1	0,4

1) Price data is unavailable for the time before listing, which took place on 14 December 2018.

PREFERENCE SHARE DEVELOPMENT LAST 12 MONTHS



CLASS D SHARE DEVELOPMENT SINCE LISTING



Ägarna

The share capital amounted to SEK 134,498,265.90 on 31 December 2019, with a quotient value of SEK 0.10. Shareholding entitles the holder to one vote per Class A ordinary share and 0.1 votes per Class B ordinary share, Class D ordinary share and preference share at the General Meeting. The preference shares have a preferential right over the ordinary shares to an annual dividend of SEK 35 per preference share divided into quarterly payments. Holders of the ordinary shares of Class D are entitled to five times the total dividend on the ordinary shares of Class A and B, however no more than SEK 2 per share and year

The summary below refers to the ownership structure excluding the shares that were issued in the non-cash issue during the acquisition of Hemfosa.

Shareholders	Class A shares	Class B shares	Class D shares	Preference shares	Share capital, %	Votes, %
Ilija Batljan (privately/companies)	109 053 868	10 192 373			13	39,2
Dragfast & Marjan Dragicevic	27 164 652	77 285 000			11,4	12,4
AB Arvid Svensson	26 000 000	39 513 367			7,2	10,7
Sven-Olof Johansson (companies)	22 315 456	29 481 315			5,6	9
Erik Paulsson (companies)	13 919 159	16 799 507			4,9	5,6
Michael Coccozza		44 237 537			4,8	1,6
Lennart Schuss (privately/companies)	2 634 957	17 036 419			2,2	1,6
Stiftelsen för Strategisk Forskning		42 651 810			4,7	1,5
Oscar Lekander	3 174 785	1 931 348	275 500		0,6	1,2
Krister Karlsson	3 174 785	53 172			0,4	1,1
Joakim Bill	1 904 871				0,4	0,7
Postens pensionsstiftelse		19 004 310			2,1	0,7
Highhill Intressenter AB		18 701 897			2	0,7
Gösta Welandson (companies)		18 181 819			2,1	0,7
Avanza Pension		9 257 438	4 393 899	1613	1,5	0,5
Other	634 958	285 369 108	71 828 831	29 100	34,1	12,8
Total	209 977 491	629 696 420	76 498 230	30 713	100	100

In accordance with the decision of the Annual General Meeting 2019, the shareholders have appointed the following persons: Mia Batljan (chairman), Rikard Svensson, Sven-Olof Johansson and Lennart Schuss to constitute nomination committee for the time until a new nomination committee has been appointed according to the mandate from the Annual General Meeting 2020.



RISK AND SENSITIVITY

A property company is exposed to various risks and opportunities in its operations. To limit the exposure to various risks, SBB has set out and adheres to internal regulations and policies.

PROPERTY VALUES

Risk

The Group's properties are reported at market value in the Group's consolidated balance sheet and changes in value are reported in the income statement. Changes in value are affected partly by property-specific factors such as rental levels, occupancy rates and operating costs, and partly by macroeconomic factors such as the general economic situation, growth, unemployment levels, the rate of growth of new builds, population growth, inflation and interest rates. If value of properties decreases, there can be a number of consequences including breach of loan covenants, which can lead to loan repayments being accelerated. A significant reduction in the market value of the properties could also have a negative impact on the ability to divest these properties without incurring losses, which in turn could have a material adverse effect on the Group's financial position and results.

Management

SBB's property portfolio has a good geographical spread with rent regulated residentials in Sweden and social infrastructure properties in the Nordics. 65 percent of the property portfolio is in the metropolitan regions. In Sweden, SBB owns, manages and develops residential in high growth municipalities where there is high demand for residential near city centers and there is access to good transport links. The social infrastructure properties tenants include properties that house tenants who are directly or indirectly financed tax revenue on long leases. In summary, SBB's property portfolio with the combination of municipal properties and residential constitutes assets with low risk of impairments.

FINANCING

Risk

Apart from equity, the Group's operations are mainly financed through bond loans and through loans from credit institutions. As a result, SBB is exposed to financing and interest rate risks. Financing risk is the risk that SBB may not have access to financing or only have access to financing at an increased cost for refinancing, investments and other payments. Furthermore, certain loan agreements and bond terms contain terms that may limit the Group's ability to enter into new debt securities. If the Group is unable to secure funds for refinancing or new borrowing or only at less favorable terms, it may have a material adverse effect on the Group's financial position.

Interest rate risk is described as the risk that arises from changes in the interest rates which may adversely impact the Group's interest expense, which is one of the Group's main expense item. Interest expenses are mainly affected by, apart from the level of interest-bearing liabilities, the level of the current market interest rate, credit institutions' margins and the strategy for fixed interest periods. The Swedish market interest rate is mainly affected by the expected rate of inflation and the Riksbank's repo rate. The interest rate risk can lead to changes in market value and cash flows as well as fluctuations in the Group's earnings.

Management

The financing risk is managed through targets in the finance policy for tied-up capital, loan maturity structure in particular years and loan volume in relation to forms of borrowing and lenders as well as exercising prudence when refinancing and maintaining a well-balanced liquidity reserve. As of December 31, 2019, the average remainder of the loan

portfolio amounted to 3,4 years. In addition, the Company held liquid assets, including cash, financial securities & equivalents, loan commitments and unutilized credit lines of SEK 21,357m, of which part of the liquidity are intended to be used for the acquisition of Hemfosa. The objective of SBB's interest rate risk strategy is to achieve stable cash flows to allow property investments and meet the requirements and expectations of external parties whilst achieving the best possible financial cash flow. The interest rate risk strategy's aim is to maintain a balanced combination of variable and fixed interest rate, taking into account the sensitivity of SBB's total cash flows to changes in the fixed income market over a long-term horizon. The average fixed interest term at the end of the year was 2.8 years and the share of the loan portfolio with fixed interest terms through interest rate derivatives or fixed interest loans was 79 percent.

ENVIRONMENT

Risk

Property management and property development have environmental impact. The Environmental Code (1998: 808) states that anyone who engages in activities that contributed to pollution are also responsible subsequent treatment. If the operator cannot carry out or pay for this remediation treatment of a property, a party that has acquired the property, and who, at the time of acquisition, knew of or should have detected the pollution is responsible. This means that SBB can be subject to claims, under certain conditions, for land remediation or for remediation regarding actual or suspected pollution of land, water areas or groundwater in order to restore the property to the condition required under the Environmental Code. Such claims can have a material adverse effect on the Group's operations, financial position and income. There is also a risk that future environmental risks may adversely affect the Group's operations or financial position. Furthermore, amended laws, ordinances and requirements from authorities in the environmental area can result in increased costs for the Group regarding sanitation or remediation for existing properties or properties acquired in the future. Such changes may also result in increased costs or delays for the Group to be able to carry out its property development.

Management

As part of the acquisition process, a thorough analysis of possible environmental risks is carried out prior to each acquisition. SBB does not undertake any activity that requires special environmental licenses, but property management and property exploitation can have an impact on environmental. At present there is no knowledge of any significant environmental requirements to which SBB could be subject.

RENTAL INCOME AND OCCUPANCY RATE

Risk

In the long term, a property's rental income is affected by, among other things, supply and demand in the market. The Group's rental income is affected by the occupancy rate of the properties, contracted rental levels and the ability of tenants to pay rent. Reduced rental rates or rental levels will, regardless of reason, affect the Group's revenue negatively. The risk of large fluctuations in the occupancy rate and loss of rental income increases with the number of large tenants for a property company. The risk that large tenants will not renew or extend their rental agreements at the end of the lease, which in the long run may lead to a reduction in rental income and a reduction in occupancy rate. SBB is also dependent on the tenants paying their rents on time. Revenue and cash flow can be adversely affected if the tenants stop paying, or in any other way do not fulfill their obligations.

Management

SBB's strategy is to own, manage and develop residential in Sweden and social infrastructure properties in the Nordic region in the long term, ie. a market with stable and strong underlying driving forces. The property portfolio is characterised by high occupancy rates and regarding community service properties long contracts. Homes are located in Swedish growth municipalities with proximity to town centers and access to good transportation links and where demand for residential is high. Furthermore, the social infrastructure properties include properties that are used by tenants who are directly or indirectly financed by tax-revenues and on long-term leases. The average contract length for the community service properties was 7 years as of December 31, 2019. The occupancy rate was 94,8 percent. SBB's rental policy contains requirements for managing rental risk. On the assessed credit risk, certain leases are supplemented by a guarantee, deposit or bank guarantee. All rents are payable in advance. In the case of residential, a credit report is required to check any payment remarks and the income level of the potential tenant. In addition, a affordability test is carried out to ensure that the potential tenant's financial situation allows for the payment of the rent while meeting the demands of the Consumer Agency on a reasonable standard of living.

TAX

Risk

SBB's upmost intention is to comply with laws and regulations, not least within the area of taxation. However, lack of clarity and if SBB's interpretation of tax law, treaty and regulations or their application is incorrect, or if one or more governmental agencies successfully make negative tax adjustments or if the applicable laws, treaty, regulations or state interpretation of them or administrative practice regarding them changes, even with retroactive effect, the Group's previous or current taxation can be questioned. If tax authorities were to succeed with such claims, this could lead to an increased tax expense, as well as tax supplements and interest, which could have a material adverse effect on the Group's operations, financial position and income.

On March 30, 2017, the Swedish government presented a bill (SOU 2017: 27) which, if adopted, would probably affect future taxation of property investments. The proposal concerns change to the prevailing income tax, as well as the stamp tax rules and capital gains taxation. During the summer of 2017, the bill was sent for referral for opinions. These opinions, and the proposal in general, are currently being analyzed and prepared by the Swedish Government before the legislative procedure can continue. The proposal includes, among other things, the deferred tax liability that is attributable to the difference between the taxable and the market value of properties will be taxed when the controlling influence of a property-owned company changes. It is proposed that indirect property sales will be imposed with stamp duty. If the bill is implemented in its current formulation, this could mean that tax is to be paid on the Group's all future divestments of property-owned companies.

Since laws, treaties and other tax regulations, as well as other tax fees, tax surcharges and interest on unpaid taxes, have historically been subject to frequent changes, further changes are expected in the future within the jurisdictions in which the Group operates, possibly with retroactive effect. Such a change may have a significant impact on the Group's tax burden.

Management

SBB aims to continuously monitor changes in laws, practices and court decisions in the tax area and employ tax experts from several reputable companies.

PROPERTY COSTS

Risk

Tenants renting social infrastructure properties usually have comprehensive responsibilities for operation and maintenance. Operating

expenses are mainly costs that are tariff-based, such as electricity, cleaning, water and heating costs. Several goods and services are often purchased from a limited number of suppliers, which can also affect the price. When a cost increase is not compensated by rent adjustment, or an increase in the rent through renegotiation of the lease agreement, this can have a material adverse effect on SBB's financial position and results. In the event of vacant rental properties, effect is mainly loss of revenue. Maintenance costs include costs that are necessary to maintain the properties' standard in the long term. Unforeseen and extensive renovation needs of the properties can have a material adverse effect on SBB's income and cash flow.

Management

SBB organisation has extensive knowledge and experience of property management; SBB has very good control of its properties. The management organisation is constantly working on cost optimization. The property portfolio is characterised by properties with long contracts and a high occupancy rate and thus vacant rental properties are low. The standard of the properties is high and there are no major extensive renovation needs in the portfolio.

PROPERTY DEVELOPMENT

Property development projects (including new construction and renovation of existing buildings or change of use) are subject to permits and decisions by authorities in so far as they do not already exist. Such permits and decisions cannot always be guaranteed and can cause delays, increased costs and potentially hinder the realization of a project. Furthermore, changes in municipal planning can lead to detailed plans not being approved, which causes delays and increased costs attributable to necessary restructuring of the project. If the necessary permits or approvals are not received, delays can be caused, costs increase or even jeopardize the realization of the project, which can have a material adverse effect on the Group's financial position and results.

Management

SBB's organisation has extensive knowledge and extensive experience of conducting property development projects. SBB's business model is to acquire properties that generate a positive cash flow up to the detailed plan and further development. The acquisitions are often made off-market and after SBB has had a dialogue with the respective municipality in order to ensure that the property with close proximity is prioritized for urban development. In cases where SBB has entered into a joint venture with another party for the development of the property, SBB takes a very limited implementation risk in that the other party takes responsibility for project planning, sales, production and project management.

OTHER RISKS

Operating risk

Operating risk is the risk of incurring losses due to inadequate procedures and / or irregularities. Adequate internal control, administrative systems adapted for this purpose, skills development and access to reliable valuation and risk assessment models provide a good basis for ensuring operational safety. Shortcomings, defective procedures and / or irregularities in operational security may have a material adverse effect on SBB's operations. SBB works continuously to ensure the company's safety and internal control.

Employees

The knowledge, experience and commitment of SBB's employees are important for the Group's future development. If SBB fails to retain the members of the management and other key personnel, or manages not to recruit new members to the management or other key personnel to replace those who leave, it can have a material adverse effect on the Group's operations, financial position and results. SBB works actively to be an attractive employer, among other things. an incentive program has been established.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Corporate governance at Samhällsbyggnadsbolaget i Norden AB (publ) (hereinafter referred to as "SBB" or "the company") aims to ensure that rights and obligations are distributed among the company's bodies in accordance with applicable laws, rules and processes. An effective and transparent corporate governance gives the owners the opportunity to assert their interests vis-à-vis the company's management, at the same time as the division of responsibility between the management and the Board, but also otherwise within the company, is clear. An effective and transparent corporate governance results in decisions being made effectively, which enables SBB to act quickly when new business opportunities arises.

SBB is a Swedish public limited company whose ordinary shares of Class B and D are listed on Nasdaq Stockholm Large Cap and whose preference shares are listed on Nasdaq Stockholm First North Premier. SBB has also issued bond loans that are listed on Nasdaq Stockholm. SBB's corporate governance is based on law, articles of association, Nasdaq Stockholm's rules for issuers, Nasdaq Stockholm's rules for First North (Nasdaq First North Growth Market - Rulebook), Nasdaq Stockholm's regulations for issuers of interest-bearing financial instruments, and the rules and recommendations issued by relevant organisations. The Swedish Code of Corporate Governance (the "Code") shall be applied by all companies whose shares are trading on a regulated market. Nasdaq First North does not hold the legal status of a regulated market. The code is available at www.bolagsstyrning.se, where the Swedish corporate governance model is also described. This corporate governance report is presented in accordance with the Annual Accounts Act and the Code and describes SBB's corporate governance during the fiscal year 2019. This year's Corporate Governance Report strives to avoid repetition of information on what follows from applicable regulations and focuses on reporting on company-specific circumstances for SBB.

ANNUAL GENERAL MEETING

SBB's Annual General Meeting 2020 will take place on 27 April 2020 in Stockholm. Shareholders have the right to raise issues for discussion at the Annual General Meeting, subject to written requests has been received by the Board by 9 March, 2020 at the latest. Contact information is available on the company's website, www.sbbnorden.se. SBB always strives for the Board, the management team, the nomination committee and the auditor to be present at the annual general meeting. The Annual General Meeting is, according to the Swedish Companies Act, the company's highest decision-making body and it is at a general meeting that shareholders have the right to make decisions regarding the company. Rules governing the Annual General Meeting are included in the Swedish Companies Act, the Code and Articles 7 - 9 of the Articles of Association. Apart from what is stipulated by law regarding a shareholders' right to participate in the Annual General Meeting, SBB's Articles of Association state that pre-notification to the Annual General Meeting shall take place no later than the date stated in the notice to the meeting. Notice of the Annual General Meeting is made by keeping the notice available on the company's website and being advertised in domestic newspapers. At the same time as the notice is given, an announcement is made in Dagens Nyheter. The General Meeting shall be held at the place where the Board has its registered office, i.e. Stockholm and the Annual General Meeting shall be held within six months from the end of the financial year. The company's financial year runs from 1 January to 31 December.

At SBB's Annual General Meeting 2019, among other things, a decision was made to authorize the Board of Directors, on one or more occasions for the period until the end of the next Annual General Meeting, with or without deviation from the shareholders' preferential rights, to make a

decision on a new share issue of all share classes existing in the Articles of Association and warrants and / or convertibles with the right to subscribe / convert to all share classes in the Articles of Association. The number of stock and / or preference shares, warrants or convertibles that may be issued on the basis of the authorization shall not be limited in any other way than that which follows from the limits of the articles of association in force at any time concerning share capital and number of shares. This authorization was exercised by the Board three times in 2019 through the issue of totally 505,468,284 new ordinary Class B shares and 30,021,721 new ordinary Class D shares. The Board's utilization of the authorization mainly comprises, in part, a rights issue to the Company's shareholders and, in part, payment of shares in connection with a public takeover offer to the shareholders of Hemfosa Fastigheter AB (publ).

At the Extraordinary General Meeting on 24 June 2019, it was resolved to implement a redemption procedure aimed at the Company's preference shareholders, in which they were offered to redeem preference shares for repayment in the form of a redemption receipt which could only be used as a set-off payment against new ordinary Class D shares. The ordinary Class D shares could be issued with the support of an authorization decided at the AGM, which only concerned shares in the redemption procedure. At the AGM, a number of minor adjustments were also approved in the articles of association. A total of 144,538 preference shares were redeemed and 2,890,760 new ordinary Class D shares were issued against payment through the redemption receipt.

THE SHARE AND SHAREHOLDERS

The number of registered shares in the company on December 31, 2019 amounted to 1,344,982,659 divided into four classes of shares, 209,977,491 Class A shares, 1,030,549,096 Class B shares, 104,425,359 Class D shares and 30,713 preference shares. Class A shares can be converted into Ordinary Class B shares at the request of the holder. The Class D shares are entitled to five (5) times the total dividend on the Class A and the Class B shares, however, no more than SEK 2 (2) per share and year. The preference shares have the right and preference for dividend of SEK 35 per share and year with quarterly payment and are subject to redemption provisions. The Class A shares entitle the holder to one vote per share and the class B shares, the D shares and the preference shares entitle the holder to 1/10 vote per share. At year-end, the share capital was SEK 134,498,265.90 and the quota value per share was SEK 0.1. The largest shareholder is Ilija Batljan.

ARTICLES OF ASSOCIATION

SBB's Articles of Association, which were adopted at the Extraordinary General Meeting on 24 June 2019, can be found at www.sbbnorden.se. The Articles of Association stipulate that the company shall, directly or indirectly, own and manage properties and / or shares and carry out related activities. The Board has its registered office in Stockholm and shall consist of 3 - 10 members with no deputies. The Articles of Association do not contain any special provisions on the appointment and dismissal of Board members, or on the amendment of the Articles of Association.

NOMINATION COMMITTEE

At the Annual General Meeting of SBB on 29 April, 2019, instructions for the Nomination Committee's work were adopted. The Nomination Committee, which shall consist of the Chairman of the Board and up to three representatives appointed by the three largest shareholders in the Company as of 30 September 2019, has, according to the instructions, the task of preparing and submitting proposals to the Annual General Meeting for the Chairman of the Annual General Meeting, the election of the Chairman of the Board and other members of Board of Directors, board remuneration divided between the chairman and other members and the principles for any remuneration for committee work, election and

remuneration of the auditor and deputy auditor (if applicable) and decisions on principles for the appointment of a new nomination committee.

SBB's Nomination Committee for the Annual General Meeting 2020 consists of Mia Batljan (Ilija Batljan and Ilija Batljan Invest AB), Sven-Olof Johansson (Compactor Fastigheter AB), Rikard Svensson (AB Arvid Svensson) and Lennart Schuss (Chairman of the Board). Mia Batljan is Chairman of the Nomination Committee. Prior to the Annual General Meeting 2020, the Nomination Committee has held one minuted meeting.

In its work, the Nomination Committee has to apply the diversity policy established by the Board. Point 4.1 of the Code forms the basis for this diversity policy. As a whole, the Board of SBB shall have a combined competence and experience for the work carried out for the work of the Board, and to be able to identify and understand the risks that the business entails and the regulations that regulate the activities carried out. When new board members are elected, the suitability of the individual member must be examined in order to achieve a board with a combined competence that is sufficient for an appropriate management of the company. The Board's composition shall be characterised by versatility and breadth of the chosen members' competence, experience, gender, age, education and professional background.

THE BOARD OF DIRECTORS

According to the Articles of Association, SBB's Board of Directors must consist of at least three and a maximum of ten members with no deputies. At the Annual General Meeting on 29 April 2019, Lennart Schuss (Chairman of the Board), Ilija Batljan, Sven-Olof Johansson, Hans Runesten, Anne-Grete Strøm-Erichsen, Ewa Swartz Grimaldi and Fredrik Svensson were reelected to the Board of Directors of the company. For information on the Board members and their assignments outside the Group and the holding of shares in SBB, see the section "Information about the Board members" below.

The Board of Directors shall meet the shareholders long term interest and bear the utmost responsibility for the company's organisation and the management of the company's affairs. The Board of Directors has established rules of procedure for the Board and an instruction for the CEO. In addition, the Board has also decided on a number of comprehensive policies, guidelines and instructions for the company's

operations. This includes, among other things, the finance policy, information policy, insider policy, IT policy, policy for related party transactions, instructions for financial reporting, whistleblower policy and ethical guidelines for the company's conduct (code of conduct). All these internal control documents are processed at least once a year and are updated on an ongoing basis to comply with laws and when otherwise needed.

According to the Code, a majority of the board members elected by the AGM must be independent in relation to the company and the company's management. At least two of these must also be independent in relation to the company's major shareholders. The company's Board of directors has been deemed to meet the requirements for independence, since six of the seven members elected by the AGM are independent in relation to the company and the management. The company's CEO, Ilija Batljan, has not been deemed to be independent in relation to the company and the company management. Five out of seven members have been deemed to meet the requirement for independence in relation to major shareholders.

CHAIRMAN OF THE BOARD

The Chairman of the Board is elected at the Annual General Meeting. The chairman of the Board must ensure that the work of the Board is carried out efficiently, that the Board fulfills its duties and that the Board's decision is executed by the company and the management. The chairman shall ensure that the Board receives the information and the documentation required to make well-founded decisions. At the Annual General Meeting on 29 April 2019, Lennart Schuss was re-elected as Chairman of the Board.

BOARD OF DIRECTORS WORK DURING 2019

The Company's Board of Directors held 71 meetings during 2019, of which one was a statutory meeting. There are a number of standing issues on the agenda for each ordinary board meeting: the CEO's review of the business, acquisitions, divestments and investments, organisation and organisational development, and financial reporting. During 2019, the Board decided on several major acquisitions, divestments, investments, financing and refinancing. In addition, the Board has decided on the issuance of ordinary Class B and Class D shares in accordance with authorization from the Annual General Meeting.

Name	Elected year	Birth year	Independence on company/management	Independence on major shareholders	Board meeting attendance
Lennart Schuss	2017	1952	Ja	Ja	71/71
Ilija Batljan	2017	1967	Nej	Nej	71/71
Sven-Olof Johansson	2017	1945	Ja	Ja	69/71
Hans Runesten	2014	1956	Ja	Ja	71/71
Fredrik Svensson	2018	1961	Ja	Nej	70/71
Eva Swartz Grimaldi	2017	1956	Ja	Ja	69/71
Anne-Grete Strøm-Erichsen	2017	1949	Ja	Ja	69/71

EVALUATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE DIRECTOR

Once a year, the Chairman of the Board initiates an evaluation of the work of the Board in accordance with the Board's rules of procedure. The 2019 evaluation has been carried out so that each Board member answered a questionnaire. In addition, the Chairman of the Board has had certain individual contacts with the members. The purpose of the evaluation is to get an idea of the Board members' views on how the work of the Board is conducted and what measures can be implemented to streamline the work of the Board. The intention is also to get an idea of what kind of issues the Board considers should be prioritized and in which areas it may require further experience and competence on the Board. The result of the evaluation has been reported within the Board and has been presented to the Nomination Committee.

COMMITTEES

At the year end, The Board had two committees; an audit committee and a remuneration committee. The members of the committees are appointed for one year at a time at the statutory board meeting and the work and the authority of the committees are governed by the annual committee instructions.

The committees have a preparatory and acting role. The issues that have been discussed at committee meetings are recorded and reported at the next board meeting.

AUDIT COMMITTEE

The Audit Committee works according to an annual agenda and its task is to monitor the company's financial reporting and the effectiveness of the company's internal control and risk management. The Audit Committee

also keeps itself informed of the audit of the annual accounts and consolidated accounts. The committee shall also review and monitor the auditor's independence and impartiality and in particular follow up if the auditor provides the company with services other than auditing services. The committee also supports proposals for the AGM's decision on the election of auditors.

According to the Code, the audit committee must consist of at least three members, of which the majority must be independent in relation to the company and the management and at least one independent in relation to the company's major owners. The Audit Committee consists of the entire Board of Directors except Ilija Batljan, at which committee meetings were an integral part of the Board's work.

REMUNERATION COMMITTEE

The Remuneration Committee shall prepare matters regarding remuneration principles for the CEO and other senior executives as well as individual remuneration to the CEO in accordance with the remuneration principles. The principles include, among other things, the relationship between fixed and possible variable remuneration and the correlation between performance and remuneration, main conditions for any bonus and incentive program, as well as the main conditions for non-monetary benefits, pension, termination and severance pay. The CEO also applies to the Board to determine remuneration and other terms of employment. However, share-related incentive programs for management are decided by the Annual General Meeting. The committee shall further assist the Board in monitoring the system by which the company complies with the law, stock exchange rules and the Code governing the disclosure of information relating to remuneration to the CEO and other senior executives, and to monitor and evaluate any ongoing and completed programs for the year, variable remuneration for the CEO and other senior executives, the application of the guidelines for remuneration to the CEO and other senior executives that the Annual General Meeting resolves by law, as well as applicable remuneration structures and remuneration

levels. The Remuneration Committee consists of the Board members Eva Swartz Grimaldi (Chairman) and Lennart Schuss who are deemed to be independent in relation to the Company and Management. In 2019, the Remuneration Committee held four meetings. The members of the committee were present at all meetings. At the meetings, among other things, the company's guidelines for remuneration to senior executives and remuneration levels for the CEO and other senior executives have been addressed.

During the year, the focus has been on adapting the company's processes and reporting to the regulations of the EU directive. These guidelines for remuneration to senior executives include members of the Board of Directors, the Managing Director and the Deputy Managing Director as well as other persons in the Management Group. The guidelines shall apply to remuneration that is contracted, and to changes made in already agreed remuneration, after the guidelines have been adopted by the 2020 Annual General Meeting. The guidelines do not cover remuneration decided by the Annual General Meeting. The Board believes that it is critical for the successful implementation of the company's business strategy and the safeguarding of the company's long-term interests, including its sustainability, that the company can recruit and retain senior executives with the skills and capacity to achieve set goals. For this, the company must be able to offer competitive total remuneration, which motivates senior executives to do their utmost. Variable remuneration covered by these guidelines shall be based on criteria aimed at promoting the company's business strategy and long-term interests, including its sustainability. Remuneration and other terms of employment for senior executives shall be market-based. Remuneration consists of basic salary, variable remuneration, pension and certain other benefits. In addition, the Annual General Meeting can - and regardless of these guidelines - decide on share- or share-price-related remuneration. The amount of remuneration paid for 2019 and information on the current incentive program are presented in Note 8.

INFORMATION ABOUT THE BOARD OF DIRECTORS

<p>Lennart Schuss, born 1952</p> <p>Chairman of the board</p> <p>Chairman of the Board since 2017 and member of the Remuneration Committee. Chairman of the Board of the Group since 2016</p> <p>Education: B.A. in Economics, Stockholm School of Economics</p> <p>Other positions: Advisor to Genesta Property Funds and Chairman of the Swedish Society of Friends of the Weizmann Institute of Science. Lennart is co-founder of Gimmel Fastigheter, Catella Corporate Finance, ESWÖ & Partner Fund Commission and Stockholm Fund Commission.</p> <p>Shareholding in the company (including any related-party holdings): 20,253,334 ordinary B shares and 380,000 ordinary Class D shares. Independent in relation to the company, management and the company's major owners.</p>
<p>Ilija Batljan, born 1967</p> <p>Member of the Board and CEO</p> <p>Board member and CEO of the Company since 2017. Founder of the company, CEO and Board assignments within the Group since 2016.</p> <p>Education: Ph.D. in demography and planning for elderly care, Stockholm University. Bachelor of Economics, Stockholm University.</p> <p>Other positions: Chairman of Ilija Batljan Invest AB, Health Runner AB and Cryptzone Group AB (previously listed on First North).</p> <p>Shareholding in the company (including any related-party holdings): 109,053,868 Class A ordinary shares and 13,238,234 Class B ordinary shares, 125,280 Class D ordinary shares and 5,000,000 warrants. Not independent in relation to the company and management. Is the company's largest owner.</p>
<p>Sven-Olof Johansson, born 1945</p> <p>Member of the Board</p> <p>Board member of the company since 2017.</p>

Education: Master in political science from Stockholm University and Stockholm School of Economics.
Other positions: Founder and Managing Director of FastPartner AB (publ), Chairman of the Board and Managing Director of Compactor Fastigheter AB and Board member of Autoropa Aktiebolag and STC Interfinans AB.
Shareholding in the company (including any related-party holdings):
 22,315,456 ordinary B shares and 29,481,315 ordinary Class B shares. Independent in relation to the company and management. Independent in relation to the company's major owners.

Hans Runesten, born 1956

Member of the Board

Board member of the company since 2017.

Education: Master of business administration, Stockholm University.

Other positions: Chairman of Effnetplattformen AB (publ)

Shareholding in the company (including any related-party holdings):

5,200,258 ordinary Class B shares. Independent in relation to the company, management and the company's major owners.

Eva Swartz Grimaldi, born 1956

Member of the Board

Board member of the company since 2017. Chairman of the Remuneration Committee.

Education: Bachelor's Degree in Languages (Italian, Spanish and French) as well as from Kulturveterlinjen.

Other positions: Chairman of Doberman AB, Apotea AB and Norstedt publishing team and board member of Stockholm University, Stockholm Concert Hall, Forget Foundation and Royal Patriotic Society.

Shareholding in the company (including any related-party holdings):

932,138 ordinary Class B shares. Independent in relation to the company, management and the company's major owners.

Anne-Grete Strøm-Erichsen, born 1949

Member of the Board

Board member of the company since 2017.

Education: B.A. in Computer Science from Bergen Technical School (University of Bergen), South Dakota School of Mines & Technology 1980-1981, studies in Statistics.

Other positions: Senior advisor at Rud Pedersen Public Affairs Norway AS. Board member Kongsberg Gruppen ASA and Dips AS

Shareholding in the company (including any related-party holdings):

None. Independent in relation to the company, management and the company's major owners.

Fredrik Svensson, born 1961

Member of the Board

Board member of the company since 2018.

Education: MBA from Linköping University.

Other positions: Board member of Balder AB. Chairman of Arvid Svensson Invest AB. CEO of Aktiebolaget Arvid Svensson.

Shareholding in the company (including any related-party holdings):

31,809,742 A shares and 33,043,281 B shares. Independent in relation to the company and management. Dependent in relation to the company's major owners.

Information on the company's major owners can be found on page 61.

REMUNERATION TO THE BOARD OF DIRECTORS

At the Annual General Meeting on 29 April 2019, the AGM resolved that up to the next Annual General Meeting, an annual fee of SEK 450,000 should be paid to the Chairman of the Board and SEK 300,000 to each of the other Board members who are not employed by the company. Furthermore, it was decided that fees for committee work shall be paid at SEK 30,000 per member of the remuneration committee. For committee work in the Audit Committee, the fees are included in ordinary Board fees.

CEO AND OTHER SENIOR EXECUTIVES

The CEO is appointed by the Board and is responsible for the day-to-day management of the company and the Group's operations in accordance with the Board's instructions and regulations. The division of

responsibilities between the CEO and the Board of Directors is stated in the Board's rules of procedure and the CEO's instructions drawn up by the Board. The CEO acts as the chair of the management group and makes decisions in consultation with the other management team. This consists, in addition to Ilija Batljan (CEO), of six people: Krister Karlsson (Deputy CEO, Property Development), Lars Thagesson (Deputy CEO and COO), Eva-Lotta Stridh (CFO), Rosel Ragnarsson (Finance Director), Oscar Lekander (Business Development) and Adrian Westman (IR).

AUDITOR

The company's financial accounting records and bookkeeping, as well as the administration of the Board and management, are reviewed and audited by the company's auditor. At the Annual General Meeting on 29

April 2019, the registered auditing firm Ernst & Young AB was elected as auditor for the period until the Annual General Meeting 2020. The authorized auditor, Ingemar Rindstig, has been appointed as the chief auditor. The auditor's task is to examine the company's and the Group's annual accounts and accounts, as well as the Board's and the CEO's management of the company and the Group.

The auditor must report to the Audit Committee on significant errors in the accounting area and in the event of suspicions of irregularities. The auditor must report to the company's Board of directors at least one to two times a year, normally in conjunction with the annual report, about their observations during the audit of the company and its assessment of the company's internal control. The auditor also participates at the Annual General Meeting to present the audit report that describes the audit work and observations made. In addition to the audit assignment, Ernst & Young was hired for additional services in 2019, primarily accounting matters, but also matters related to the issue of shares and listing on Nasdaq Stockholm Large Cap. Such services have always and only been provided to the extent that is consistent with the rules of the Auditing Act and FAR's professional ethics rules regarding the auditor's impartiality and independence.

INTERNAL CONTROL OF FINANCIAL REPORTING AND RISK MANAGEMENT

SBB's internal control of financial reporting is designed to manage risks and ensure high reliability in the processes regarding the preparation of the financial reports and to ensure that applicable accounting requirements and other requirements for SBB as a listed company are complied with. The Board is responsible for the internal control of the company regarding financial reporting. SBB follows the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to evaluate a company's internal control over financial reporting, the Internal Control - Integrated Framework, which consists of the following five components: control environment, risk assessment, control activities, information and communication and follow-up.

CONTROL ENVIRONMENT

Distribution and delegation of responsibility have been documented and communicated in internal documents governing the Board and the company such as;

- The Board's Rules of Procedure
- Instruction to the CEO
- Delegation scheme
- Authorization scheme
- Other internal control documents (for example, financial manual)

All internal control documents are regularly updated when changes are made to, for example, legislation, accounting standards or listing requirements and when otherwise needed.

RISK ASSESSMENT

In accordance with the rules of procedure, the Board of Directors, as well as the Audit Committee, review the company's internal control once a year. Identification is made of the risks that are assessed and measures are set to reduce these risks. The auditor is invited to report on his/her internal control report at a board meeting and to the audit committee.

The significant risks identified by SBB are errors in accounting and valuation of properties, credit risks, refinancing risks, interest rate risks, tax and VAT, and the risk of fraud, loss or misappropriation of assets.

CONTROL ACTIVITIES

Since the company's financial system is structured so that the conclusion of agreements and payment of invoices, etc. must comply with the decision paths, company signatures and authorizations stated in the internal control documents, there is basically a control structure to counteract and prevent the risks that the company has identified. In addition to these control structures, a number of control activities are carried out to further detect and correct errors and deviations. Such control activities consist of follow-up at various levels in the organisation, such as follow-up and reconciliation in the Board of Directors made decisions, review and comparison of profit items, account reconciliations, approval and reporting of business transactions with the finance department.

COMMUNICATION

SBB has built up an organisation to ensure that financial reporting is correct and effective. The internal control documents clarify who is responsible for what and the daily interaction between the concerned people means that relevant information and communication reaches all parties concerned. The management regularly receives financial information about the company and its subsidiaries regarding the development of letting and other management, review and follow-up of ongoing and future investments and liquidity planning. The board is informed by the management team regarding risk management, internal control and financial reporting. The company's information policy ensures that all information provided externally and internally becomes correct and is given at any suitable time. All employees at SBB have, at various reviews, been involved in influencing the design of relevant internal policies and guidelines and have thus been directly involved in the preparation of these internal control documents.

INTERNAL CONTROL

As has been explained above, a continuous process takes place on an ongoing basis at all levels of the organisation. The Board regularly evaluates the information provided by the company management and the auditors. In addition, the company's auditor reports directly to the Board of directors their observations from the audit and its assessment of the internal control. Of particular importance is the Board's monitoring of the development of the internal control and to ensure that measures are taken regarding any deficiencies and proposals that emerge.

EVALUATION OF THE NEED FOR A SEPARATE INTERNAL AUDIT FUNCTION

No internal audit function is currently established within SBB. The Board has examined the issue and assessed that existing structures for follow-up and evaluation provide a satisfactory basis. All in all, this means that it is not considered justified to have a special unit for internal audit. The decision is reviewed annually.

DEVIATIONS RELATING TO THE CODE

As mentioned, the code is based on the principle "follow or explain". This means that a company that applies the Code may deviate from individual rules, but must then give an explanation where reasons for the deviation are reported. SBB followed the Code in 2018 without deviations.

ALLOCATION OF EARNINGS

The Board proposes the following distribution of profits to the Annual General Meeting:

At the Annual General Meeting the following earnings are available for distribution:

Share premium reserve	22 629 221 145
Retained earnings	-222 071 145
Net profit for the year	<u>375 681 929</u>
	22 782 831 929

The following allocation is proposed:

Dividend ordinary class A and B shareholders (SEK 0.60/share)	760 855 558
Dividend class D shareholders (SEK 2.00/share)	213 039 902
Dividend preference shareholders (SEK35/share)	1 074 955
To be carried forward	<u>21 807 861 514</u>
	22 782 831 929

THE BOARD'S OPINION ON THE PROPOSED DIVIDEND

The Board of Directors is hereby given the following opinion in accordance with Chapter 18, Section 4 of the Swedish Companies Act (2005: 551). Below is the Board's justification for the proposed profit distribution being in accordance with the provisions of Chapter 17, §§ 2 and 3 of the Swedish Companies Act.

The nature and scope of the operations are stated in the Articles of Association and the annual report. The business that is conducted in the company does not entail risks beyond what is or may be assumed to occur in the industry or the risks that are generally associated with conducting business activities. The financial position of the company and the Group as of 31 December 2019 is stated in the annual report. The principles applied for the valuation of assets, provisions and liabilities can be found in the notes on p. 77-112 in the annual report.

It is clear from the proposed distribution of profits that the Board of Directors propose that a dividend of SEK 0.60 per ordinary share A and B be paid, corresponding to SEK 760,855,558, SEK 2 per ordinary share D, corresponding to SEK 213,039,902 and SEK 35 per preference share, corresponding to SEK 1,074,955. In total, the proposed dividend amounts to SEK 974,970,415, which represents 4 percent of the Parent Company's equity and 3 percent of the Group's equity. The Group's equity / assets ratio was 30 percent on 31 December 2019. Distributable funds in the Parent Company as of 31 December 2019 amounted to SEK 22,782,831,929.

The proposed dividend does not jeopardize the investments planned or the fulfillment of other obligations. The company's financial assessment does not give rise to any other assessment than that the company can continue its operations and that the company can be expected to fulfill its obligations in the short and long term. With reference to the above and what has otherwise come to the Board's knowledge, the Board's assessment is that a comprehensive assessment of the company's and the Group's financial position means that the dividend proposal is justifiable according to Chapter 17, § 3, § 2 and 3 of the Swedish Companies Act, with reference to the requirements of the business. nature, scope and risks impose the size of the company's equity and the company's and the Group's consolidation needs, liquidity and position in general.

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Amount in SEKm	Note	2019	2018
Rental income	4,5	1 996	1 680
Operating costs	4,6	-471	-386
Maintenance	4,6	-115	-100
Property administration	4,6	-104	-92
Property tax	4,6	-41	-31
Net operating income	4	1 265	1 071
Central administration	6,7,8	-136	-102
Acquisition and restructuring costs		-83	-
Results from associated companies/joint ventures	16	92	13
Resultat före finansiella poster		1 138	982
Financial items			
Interest income and similar items	9	102	4
Interest expenses and similar items	10	-482	-538
Expenses for redeemed loans in advance	10	-197	-127
Translation gains/losses	10	91	-
Leasing costs	11	-7	-
Profit from property management		645	321
Changes in value, properties	14	2 453	1 575
Changes in value, derivatives	17	39	8
Profit before tax		3 137	1 904
Tax	12	-513	-214
NET PROFIT FOR THE PERIOD		2 624	1 690

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amount in SEKm	Note	2019	2018
Net profit for the period		2 624	1 690
Other comprehensive income			
<i>Items subject to reclassification to result</i>			
Translation gains/losses		163	-4
COMPREHENSIVE INCOME FOR THE YEAR		2 787	1 686
Comprehensive income attributable to:			
Result attributable to parent company's shareholders		2 621	1 551
Hybrid bonds		151	87
Non-controlling interest		15	48
		2 787	1 686
Earnings per ordinary share A and B before dilution	22	2,97	2,07
Earnings per ordinary share A and B after dilution	22	2,92	2,03
Earnings per ordinary share D ⁷	22	2,00	0,50

⁷ Ordinary share D has no dilution.

COMMENTS TO THE INCOME STATEMENT

OPERATING SURPLUS

Rental income during the period amounted to SEK 1,996m (1,680). Of the rental income, SEK 707m pertained to residential properties, SEK 1,168m community service properties and SEK 121m other properties. The increase in revenues is primarily driven by acquisitions, investments and newly signed lease agreements. At the end of the period, SBB had rental income of SEK 5,217m (1,585) per rolling 12-month earning capacity. Of these, community properties accounted for SEK 4,092m, corresponding to 78 percent of the total rental income, residential amounted to SEK 853m, corresponding to 16 percent of total rental income. The rest is attributable to other properties. The average rent for residential properties was SEK 978 / sq.m. and SEK 1,359/ sq.m for social infrastructure properties based on current earning capacity.

The economic letting ratio at the end of the period was 94.8 percent (96.2). The average contract length for the community service properties was seven years (seven).

Property costs amounted to SEK -731m (-609) during the year. The costs mainly consisted of tax-related costs, maintenance costs and management costs. The transition made to renewable electricity in the property portfolio led to non-recurring costs of around SEK 10m.

Operating surplus amounted to SEK 1,265m (1,071). The increase is mainly due to the increase in portfolio, but also to investments and operational optimization. The SBB's surplus ratio was 63 percent (64).

PROFIT AFTER TAX

In total, the costs for central administration amounted to SEK -136m (-102) for the year. Central administration costs include costs for business development, transactions, property development and financial management. As a result of activities in the company, such as a change to Nasdaq's main market and the acquisition of Hemfosa, the company had some non-recurring costs during the period. As the acquisition of Hemfosa is classified as a so-called business combination, the transaction costs are to be recognized in profit or loss. In total, the non-recurring costs amount to around SEK -83m. In addition, the activities have also resulted in higher costs for central administration, amounting to around SEK -10m. Profit from associated companies and joint ventures was SEK 92m (13) for the

period and SEK 35m (10) for the quarter. The largest part of the profit was attributable to the companies Klarabo Förvaltning AB and Valerum Fastighets AB, which own and manage investment properties.

Net financial items for the year amounted to an expense of SEK -493m (-661). The financial costs are interest for external financing and other financial costs, such as arrangement fees. The financial costs include large non-recurring charges in the form of costs for early repayment of expensive loans of SEK -197m (-127) for the year and SEK -67m (-113) for the quarter.

The value changes for the properties amounted to SEK 2,453m (1,575) of which SEK -251m (58) comprised realized value changes and an SEK 2,704m (1,517) comprised unrealized value changes. The unrealized value changes were part of the value creation of building rights of SEK 338m (177). The remaining part of the value changes is attributable to increased net operating income as a result of investments and leases in the property portfolio and reduced yield requirements. The realized value change included a decrease of SEK -272m for the sale of DNB's head office in Oslo. The sale was comprised of a value corresponding to the latest appraisal with a deduction for deferred tax, which in accounting terms leads to a negative value change as the reversal of booked deferred tax of around SEK 184m is recognized on the tax line. The property had at the same time been financed with a long bond loan of NOK 2,795m, which would have been expensive to repay early given SBB's financial development. In connection with the sale, a solution was negotiated to lower the agreed property value in the deal by around SEK 67m. This solution also affects the realized value change.

The profit after tax for the year was SEK 2,624m (1,690) and was charged SEK -513m (-214) in tax, of which SEK -34m (-2) refers to current tax and SEK -479m (-212) refers to deferred tax related to properties and loss carry-forwards. Around SEK 184m was recognized as a tax income as a result of the sale of DNB's head office. The Swedish government has decided to reduce the tax rate in two steps: first to 21.4 percent in 2019 and then to 20.6 percent in 2021. SBB has decided to calculate the deferred tax liabilities at 20.6 percent since they are not expected to be reversed to any significant extent in 2019 and 2020.

CONSOLIDATED BALANCE SHEET

Amount in SEKm	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	13	6 687	24
Total intangible fixed assets		6 687	24
Tangible fixed assets			
Investment properties	14	79 542	25 243
Land lease agreements	11	445	-
Equipment, machinery and installations	15	21	5
Total tangible fixed assets		80 008	25 248
Financial fixed assets			
Shares in associated companies/joint ventures	16	909	213
Receivables from associated companies/joint ventures	17,30	1 142	583
Derivatives	10,17	73	-
Financial fixed assets at fair value	17	459	62
Other long-term receivables	17	24	11
Total financial fixed assets		2 607	869
Total fixed assets		89 302	26 141
Current assets			
Current receivables			
Accounts receivable	17,23	53	30
Receivables from associated companies/joint ventures	17,30	-	991
Other receivables	17,18	791	290
Prepaid expenses and accrues income	19	158	32
Total current receivables		1 002	1 343
Short-term investments	17	1 041	-
Cash and cash equivalents	17,20	12 858	157
Total current assets		14 901	1 500
TOTAL ASSETS		104 203	27 641

Amount in SEKm	Note	2019	2018
EQUITY AND LIABILITIES	21		
Share capital		134	80
Other contributed capital		17 658	4 345
Reserves		100	-100
Retained earnings including comprehensive income		6 412	4 685
Equity attributable to the parent company's shareholders		24 304	9 010
Hybrid bonds		4 676	1 873
Reserves		-45	-8
Non-controlling interests		1 961	322
Total equity		30 896	11 197
Long-term liabilities			
Liabilities to credit institutions	17,23	22 073	5 898
Bond loans	17,23	23 720	6 598
Derivatives	10,17	25	12
Deferred tax liabilities	12	6 237	1 047
Liabilities leasing	11	445	-
Other long-term liabilities	17,23	22	25
Total long-term liabilities		52 522	13 580
Current liabilities			
Liabilities to credit institutions	17,23	3 912	12
Commercial papers	23	4 944	1 840
Bond loans	17,23	1 442	327
Accounts payable	17,23	131	88
Current tax liabilities	12	126	19
Other liabilities	17,23,24	8 822	279
Accrued expenses and prepaid income	17,25	1 408	299
Total current liabilities		20 785	2 864
TOTAL EQUITY AND LIABILITIES		104 203	27 641

COMMENTS ON THE BALANCE SHEET

INVESTMENT PROPERTIES

The value of the properties amounted to SEK 79.5bn at 31 December 2019. The value of the property portfolio has been based on external valuations made by Newsec, JLL, Savills and Colliers Denmark. The valuations have been based on an analysis of future cash flows for each property, taking into account the current lease terms, market situation, rental levels, operating, maintenance and management costs, as well as need for investments. The return requirements used in the valuation are in the range of 2.30 percent to 15 percent. The value of the properties includes SEK 2,893m for building rights that have been valued by applying the local price method, which means that the assessment of the value is based on comparisons of prices for similar building rights. Fair value has thus been assessed in accordance with IFRS 13 level 3. Also refer to investment properties on p. 53.

ASSOCIATED COMPANIES AND JOINT VENTURES

SBB's involvement in associated companies and joint ventures consists of an ownership interest and, in some cases, financing for the companies. As at 31 December 2019, participations in associated companies and joint ventures amounted to SEK 909m (213) and receivables from associated companies and joint ventures amounted to SEK 1,142m (1,574). Some of the companies carry out property development projects, which are described in more detail on p. 33, while other companies own investment properties. The largest part of the profit was attributable to the companies Klarabo Förvaltning AB and Valerum Fastighets AB, which own and manage investment properties. These companies are described more in dept on p. 55.

GOODWILL

Most of the goodwill item of SEK 6,687m is attributable to the acquisition of Hemfosa and is mostly comprised of synergies in the form of lower financing and administration costs. In addition to this, there is a recognized goodwill attributable to the difference between nominal tax and the calculated estimated tax that is applied in so-called business combinations, such as the acquisition of Hemfosa. For this accounted goodwill of SEK 2,368m there is a corresponding amount in the item deferred tax. The smaller part of the goodwill arose through the acquisition of the company SBB Förvaltning Sverige AB (formerly Hestia Sambygg AB) with 70 employees that was implemented in 2018. The goodwill item that arose during the acquisition is linked to the employees.

EQUITY

Equity amounted to SEK 30,896m (11,197) at 31 December 2019. Equity includes issued hybrid bonds at a book value of SEK 4,629m (incl. a reserve of SEK -47m) and preference shares in the Norwegian subsidiary Nye Barcode 121 Bidco AS and Karlbergsvägen 77 Fastighets AB (publ) of SEK 29m (incl. a reserve of SEK 10m). As SBB does not own all shares in Hemfosa, there is a minority interest of SEK 1,935m.

During the period, SBB carried out a rights issue of Class B and class D shares, which provided SBB with SEK 13,4 after issue expenses. The non-cash issue carried out in connection with the acquisition of Hemfosa contributed around SEK 11bn in equity. During the year 144 538 preference shares were redeemed for consideration of class D shares as a result of the offer which was made to preference share holders in May. The amount of outstanding preference shares as at 2019-12-31 was 30 713.

The equity/assets ratio was 30 percent (41), the adjusted equity/assets ratio was 33 percent (44) and the loan-to-value ratio was 41 percent (53).

DEFERRED TAX

Deferred tax is calculated with a nominal tax of 20.6 percent in Sweden on differences between reported and taxable value of assets and liabilities. The tax rates for Norway and Denmark is 22 percent and for Finland 20 percent. At 31 December 2019, the deferred tax liability amounted to SEK 6,237m (1,047) and is mainly attributable to investment properties and loss carry-forwards. Loss carry-forwards amount to SEK 3,9bn at 31 December 2019. The new interest deduction limitation rules that was applied from 1 January 2019 resulted in non-deductible interest costs of SEK 200m in the tax calculation. As SBB estimates that the carry forwards of interest costs can be deducted in the future a reserve for deferred tax has been accounted.

DEBT AND CASH & CASH EQUIVALENTS

Interest-bearing liabilities in the Group amounted to SEK 56,091m (14,675) at the end of the period, of which SEK 25,985m (5,910) pertained to liabilities to credit institutions, SEK 25,162m (6,925) pertained to bond loans and SEK 4,944m (1,840) pertained to commercial paper. Also refer to the section Financing on p. 56. Cash and cash equivalents amounted to SEK 12,858m (157). A large amount of the cash and cash equivalents consists of a reserve for the cash compensation in the Hemfosa acquisition.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount in SEKm	Equity attributable to parentcompany's shareholder							
	Share-capital	Other contributed capital	Reserve	Retained earnings	Hybrid bonds	Reserve	Non-controlling interest	Total equity
Total equity 01-01-2018	74	3 041	-85	3 359	668	-18	597	7 636
Share issue	6	1 420						1 426
Issue costs		-46			-12			-58
Issue hybrid bonds					1 516			1 516
Issue warrants		9						9
Dividends				-100	-86		-38	-224
Redeemed preference shares	-	-79		-19				-98
Repurchased hybrid bonds				-16	-300			-316
Repurchased warrants				-93				-93
Acquired minority interests							13	13
Redeemed minority interests				-11			-288	-299
Net profit for the period				1 565	86		38	1 690
Other comprehensive income			-15			11		-5
Total equity 31-12-2018	80	4 345	-100	4 685	1 872	-8	322	11 197
Total equity 01-01-2019	80	4 345	-100	4 685	1 872	-8	322	11 197
Share issue	54	13 542						13 596
Issue hybrid bonds					4 677			4 677
Issue costs		-190			-77			-267
Tax issue costs		51			21			72
Issue warrants		3						3
Dividends				-357	-198		-1	-556
Tax dividends					55			55
Redeemed preference shares		-93		-54			-295	-442
Repurchased hybrid bonds				-283	-1 873			-2 156
Acquired minority interests							1 930	1 930
Net profit for the period				2 421	198		5	2 624
Other comprehensive income			200			-37 *)		163
Total equity 31-12-2019	134	17 658	100	6 412	4 676	-45	1 961	30 896

*) The amount relates to translation differences for hybrid bonds of SEK -47m (-) and non-controlling interest of SEK 10m (11).

CONSOLIDATED CASH FLOW STATEMENT

Amount in SEKm	Note	2019	2018
Operations			
Profit from property management		645	321
<i>Adjustments for non-cash flow items</i>			
Depreciations	26	3	2
Net financial items		493	661
Interest paid		-459	-739
Interest received		97	4
Income tax paid		-34	-1
Cash flow from operations before changes in working capital		745	248
Cash flow from changes in working capital			
Changes in current receivables		-644	-6
Changes in current liabilities		9 443	-402
Cash flow from operations		9 544	-160
Investment activities			
Investments in properties ¹⁾	14	-58 258	-3 908
Divestments in properties	14	6 672	3 417
Investments/divestments in equipment, machinery and installations	15	-19	5
Investments in associated companies/joint ventures	16	-698	-102
Investments in intangible fixed assets	13	-4 295	-24
Changes in receivables from associated companies/joint ventures	17	432	-1 574
Changes in financial assets	17	-1 459	-
Changes in other long-term receivables	17	-13	-63
Cash flow from investment activities		-57 638	-2 249
Financing activities			
Share issue ¹⁾		13 406	1 380
Issue hybrid bonds		4 600	1 504
Redeemed preference shares		-83	-98
Repurchased hybrid bonds		-2 156	-316
Redeemed warrants		-	-93
Issue warrants		3	9
Dividends paid		-426	-186
Acquired minority shares		1 930	13
Redeemed minority shares ¹⁾		-349	-299
New loans		53 766	7 516
Amortization of loans		-12 362	-6 895
Amortization of loans from shareholders		-	-74
Changes in other long-term liabilities		2 467	12
Cash flow from financing activities	27	60 796	2 473
Cash flow for the period		12 702	64
Cash and cash equivalents at the beginning of the period		157	93
Translation difference of cash and cash equivalents		-1	-
Cash and cash equivalents at the end of the period	20	12 858	157

¹⁾ The amount above also include share issues without contribution of cash. Investments in subsidiaries also includes investments made by direct share issues.

NOTES - GROUP

Note 1 Significant accounting principles

General information

This annual report and consolidated accounts comprise the Swedish parent company Samhällsbyggnadsbolaget i Norden AB (publ), corporate identity number 556981-7660 and its subsidiaries. The Group conducts operations within property management and property development. The parent company is a limited liability company registered in Sweden and based in Stockholm.

On March 24, 2020, the Board of Directors approved this annual report and consolidated accounts, which will be presented for adoption at the Annual General Meeting on April 27, 2020.

Principles for the consolidated accounts

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC IC). In addition, the Swedish Annual Accounts Act (ÅRL) and "RFR1 Supplementary Accounting Rules for Groups" have been applied. The parent company applies the same accounting principles as the Group with the exceptions and additions stated in the recommendation RFR 2 Accounting for Legal Entities issued by the Financial Reporting Board. The accounting principles set out below, unless otherwise stated, have been applied consistently to all periods presented in the Group's financial reports. The Group's accounting policies have been applied consistently by the Group's companies.

Assets and liabilities are reported at acquisition value in addition to investment properties and some financial assets that are valued and reported at fair value. The functional currency of the parent company is Swedish kronor, which is the reporting currency for the parent company and the Group. All amounts are stated in thousands of SEK unless otherwise stated.

Consolidated accounts

Subsidiaries

Subsidiaries are all companies in which the Group is exposed to or is entitled to variable returns from its involvement and can affect the return by means of its influence over the company. Subsidiaries are initially recognized in the consolidated accounts according to the acquisition method. Group companies are included in the consolidated financial statements from the date on which the controlling influence is transferred to the Group and they are not included in the consolidated financial statements from the date on which the controlling influence ceases. Intra-group transactions and balance sheet items as well as unrealized gains / losses on transactions between group companies are eliminated in the consolidated accounts.

Associated companies and joint ventures

As an associated company, companies in which the Group exercises a significant but not controlling influence are reported, which is presumed to be the case when the holding amounts to at least 20 and a maximum of 50 percent of the votes. It is also assumed that ownership constitutes a part of a lasting connection and that the holding shall not be reported as a collaborative arrangement.

Collaborative arrangements mean companies in which the Group, together with other parties through agreements, has a joint controlling influence over the business. A holding in a collaborative arrangement is classified either as a joint venture or as a joint venture, depending on the rights and obligations that the investor has under the contract. In the

Group, the holdings have been classified as joint ventures mainly because the Group is entitled to the net assets instead of direct rights to assets and liabilities in liabilities.

Associated companies and joint ventures are reported according to the equity method. When applying the equity method, the investment is initially valued at the acquisition value in the Group's statement of financial position and the carrying amount is subsequently increased or reduced to take into account the Group's share of profit and other comprehensive income from its holdings after the acquisition date. If the Group's share of losses in an associated company or joint venture exceeds the holding in this associated company or joint venture, the Group does not report any additional losses unless the Group has undertaken obligations on behalf of the company. The Group's share of earnings and other comprehensive income in an associated company and joint venture is included in the Group's profit and other comprehensive income.

An assessment is made at the end of each reporting period if there is a need for impairment of the investment in an associated company or joint venture. If this is the case, a calculation is made of the impairment amount which corresponds to the difference between the recoverable amount and the reported value. The write-down is reported on the line "Profit from participations reported according to the equity method" in the income statement.

Assets reported at fair value

In the item "Financial fixed assets at fair value" is shares in companies, in which the group does not have any controlling influence. It is presumed to be the case when the holdings is below 20 percent of the votes in a company. Revaluations of the holdings is reported in the income statement.

Acquisition

In the case of an acquisition, an assessment is made whether the acquisition constitutes a business or an asset acquisition. An asset acquisition exists if the acquisition relates to properties but does not include the organization and the processes required to conduct the management activities. Other acquisitions are business combinations.

Since the acquisition of group companies does not relate to the acquisition of operations, without the acquisition of assets in the form of investment properties, the acquisition cost is allocated to the acquired net assets.

Reversed acquisition

A reverse acquisition occurs when the company issuing securities (the legal acquirer) is identified as the acquired company for accounting purposes. The company whose equity interests are acquired (the legally acquired company) must be the acquirer for the purpose of accounting for the transaction to be regarded as a reverse acquisition. Consolidated financial statements prepared after a reverse acquisition are issued in the legal parent company's name (accounting for acquired company) but are described in the notes as a continuation of the legal subsidiary's financial reports (accounting acquirer) with an adjustment, namely a retroactive adjustment of the accounting acquirer's share capital so it reflects the reported acquired company's share capital.

Comparative information presented in the consolidated financial statements is also adjusted retroactively to reflect the legal parent company's share capital (reported acquired company). The company's acquisition of SBB i Norden AB (publ), org. no 559053-5174, as of 2017-01-16 has been classified as a so-called reverse acquisition. This means

that the Group is reported as a continuation of SBB i Norden AB Group and the comparative figures before the acquisition, i.e. 2016, consists of SBB i Norden AB Group.

INCOME STATEMENT

Income

Revenue is recognized as it is probable that the financial benefits will be met by the Group and the revenues can be determined reliably. Revenues are recognized less any discounts. The Group's revenues consist essentially of rental income.

The lease agreements are classified in their entirety as operational leases. Rental income including supplements is announced in advance and accrual of rents is made linearly so that only that part of the rents that amount to the period is reported as income. Reported rental revenues have, where applicable, been reduced by the value of rent discounts provided. In those cases where the lease gives a reduced rent for a certain period, this is periodically allocated over the current contract period. Remuneration paid by tenants in connection with early relocation is reported as revenue in connection with the termination of the contractual relationship with the tenant and no commitments remain, which normally occurs when moving away.

Based on the leases that the Group has and its composition, SBB has found that the service provided by the Group is subordinate to the lease contract and that all remuneration shall be deemed to be rent.

Sale of properties is reported in connection with the risks and benefits being transferred to the buyer from the seller. Assessment of whether risks and benefits have been transferred takes place at each individual disposal opportunity. The result of the sale of real estate is reported as a realized change in value.

Leases

Leases where essentially all risks and benefits associated with ownership fall on the lessor, are classified as operating leases. All of the Group's lease agreements are therefore regarded as operating leases. Properties leased under operating leases are included in the item investment properties.

Central administration

The Group's administrative expenses are allocated to the management administration, which is part of the Group's net operating income, and central administration. To central administration, costs are grouped at the group-wide level that are not directly attributable to property management, such as costs for management, business development, property development and financing.

Remuneration to employees

Remuneration to employees consists of salaries, paid holidays, paid sick leave and other benefits and pensions.

The Group only has defined contribution pension plans. For the defined-contribution pension plans, the company pays fixed fees to a separate legal entity and has subsequently fulfilled its commitment to the employee. Defined contribution pension plans are reported as a cost in the period to which the premiums paid are attributable.

Financial income and expenses

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. The effective interest rate is the interest rate that means that the present value of all future deposits and payments during the fixed interest period will be equal to the carrying amount of the receivable or liability. Financial income and expenses are recognized in the period to which they relate.

Tax

Tax for the period consists of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is reported in other comprehensive income or directly against equity, since the associated tax effect is also reported in this place.

Current tax is the tax that is calculated on the taxable profit for the period. The taxable result differs from the reported result in that it has been adjusted for non-taxable and non-deductible items. Current tax is tax that must be paid or received for the current year, possibly adjusted by current tax attributable to previous periods.

Deferred tax is reported on the difference between the reported and taxable values of assets and liabilities. Changes in the reported deferred tax asset or liability are reported as a cost or income in the income statement, except when the tax is attributable to items recognized in other comprehensive income or directly against equity.

Reporting of segments

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Supreme Executive Decision Officer (HVB). The Supreme Executive Decision Officer is the function that is responsible for allocating resources and assessing the operating segments' results. In the Group, this function has been identified as the management. An operating segment is part of the Group that conducts operations from which it can generate revenue and incur costs and for which there is independent financial information available. The Group's division into segments is based on the differences in the nature of the segments and on the reporting that the management obtains in order to follow up and analyze the business and the information obtained to make strategic decisions. As a result, the business has been divided into three segments; residential, social infra structure and other properties. The segment's results are assessed and analyzed based on net operating income. The same accounting principles are used for the segments as for the Group.

Earnings per share

Earnings per ordinary share of class A and B before dilution are calculated by dividing the net profit attributable to the parent company's shareholders with a deduction for dividend to preference shareholders and holders of ordinary shares of class D and interest on hybrid bonds divided by the weighted average number of ordinary shares of class A and B outstanding during the year.

Profit per ordinary share of class A and B after dilution is calculated by dividing the net result attributable to the parent company's shareholders with a deduction for dividend to preference shareholders and holders of ordinary shares of class D and interest on hybrid bonds, adjusted, if applicable, by the sum of the weighted average number of ordinary shares of class A and B and potential shares that can give rise to dilution effects. Dilution effect of potential shares is only recognized if a translation into shares would result in a reduction in earnings per share after dilution.

BALANCE SHEET

Goodwill

Goodwill arising from the preparation of the consolidated accounts constitutes the difference between the acquisition value and the Group's share of the fair value of the acquired subsidiaries' identifiable net assets on the acquisition date. At the time of acquisition, goodwill is reported at cost. Subsequently, it is reported at cost less any impairment losses. Goodwill is tested for impairment annually or more often if there is an indication that the carrying amount may not be recoverable.

Investment properties

Investment properties, that is, properties that are held for the purpose of generating rental income and value increases, are initially recognized at cost, including directly attributable transaction costs. After the initial

accounting, investment properties are reported at fair value. Fair value is primarily based on prices in an active market and is the amount to which an asset could be transferred between knowledgeable parties who are independent of each other and who have an interest in the transaction being carried out. In order to determine the real value of the properties at each individual closing date, the market value of all properties is made.

Both unrealized and realized changes in value are reported in the income statement on the value change line of investment properties. The unrealized change in value is calculated on the basis of the valuation at the end of the period compared with the valuation at the beginning of the period or the acquisition value if the property was acquired during the period with regard to the period's investments.

Additional expenses are capitalized when it is probable that future economic benefits associated with the expense will be received by the Group and thus increase the valuation, and that the expenditure can be determined with reliability. Other maintenance costs and repairs are recognized as income in the period in which they arise. In the case of major new, additional and rebuilding, interest expense is also capitalized during the production period.

Equipment

The equipment mainly consists of office equipment and cars, which have been taken up at cost less deductions for accumulated depreciation and any write-downs made. The equipment is depreciated linearly during the asset's estimated useful life. The equipment is estimated to have a useful life which is assumed to be equal to the asset's economic life, and therefore the residual value is assumed to be negligible and not taken into account. Depreciation is calculated from the time when the asset is ready for use.

Financial instruments

Financial instruments are any form of agreement that gives rise to a financial asset in a company and a financial liability or an equity instrument in another company. Financial instruments reported in the balance sheet include on the asset side shares in companies where the group do not have a controlling interest, long-term receivables, accounts receivable, cash and cash equivalents, other receivables and derivatives. Liabilities include accounts payable, liabilities to credit institutions, bond loans, owner loans, other current liabilities and loan liabilities and derivatives. The report depends on how the financial instruments have been classified.

Accounting and removal

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party according to the instrument's contractual terms. Accounts receivable are recognized in the balance sheet when an invoice has been sent and the company's right to compensation is unconditional. Debt is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognized when the invoice is received.

A financial asset or financial liability is offset in the balance sheet when there is a legal right to offset the amounts and that there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the debt. A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial debt. At each reporting date, the company evaluates whether there are objective indications that a financial asset or group of financial assets is in need of impairment.

Gains and losses from removal from the balance sheet and modification are reported in the result.

Classification and valuation

Financial assets

Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the nature of the asset's contractual cash flows:

The instruments are classified into:

- amortized cost
- fair value through other comprehensive income, or
- fair value through profit

The Group's debt instruments are classified at amortized cost or fair value through profit.

Financial assets classified at amortized cost are initially measured at fair value with the addition of transaction costs. Accounts receivable and rental receivables are initially reported at the invoiced value. After the first accounting opportunity, the assets are valued according to the effective interest method. Assets classified at amortized cost are held according to the business model to collect contractual cash flows that are only payments of principal amounts and interest on the outstanding capital amount. The assets are covered by a loss reserve for expected credit losses.

Equity instruments: are classified at fair value through profit or loss with the exception if they are not held for trading, as an irrevocable choice can be made to classify them at fair value through other comprehensive income without subsequent reclassification to the result. The Group currently does hold such equity instruments.

Derivatives: are classified at fair value through profit or loss except if they are classified as hedging instruments and the effective part of the hedge is reported in "Other comprehensive income".

Fair value is determined as described in note 16 Financial instruments.

Classification and valuation of financial liabilities

Financial liabilities are classified at amortized cost with the exception of derivatives. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After the first accounting date, they are valued at the accrued acquisition value according to the effective interest method.

Derivatives: are classified at fair value through profit or loss except if they are classified as hedging instruments and the effective part of the hedge is reported in "Other comprehensive income".

Fair value is determined as described in note 17 Financial instruments.

Impairment of financial assets

The Group's financial assets, other than those that are classified at fair value through profit or loss or equity instruments that are measured at fair value through other comprehensive income, are subject to impairment losses for expected loan losses. Write-downs for loan losses according to IFRS 9 are forward-looking and a loss reserve is made when there is an exposure to credit risk, usually at the first accounting opportunity. Expected credit losses reflect the present value of all cash flow deficits attributable to default either for the next 12 months or for the expected remaining maturity of the financial instrument, depending on the asset class and on the credit deterioration since the first reporting date. Expected credit losses reflect an objective, probability-weighted outcome that takes into account most scenarios based on reasonable and verifiable forecasts.

The simplified model is applied to accounts receivable, contract assets and rental receivables. A loss reserve is reported, in the simplified model, for the expected residual maturity of the asset or asset.

For other items covered by expected loan losses, an impairment model with three stages is applied. Initially, as well as on each balance sheet date, a loss reserve for the next 12 months is reported, or for a shorter period of time depending on the remaining maturity (stage 1). If there has been a significant increase in credit risk since the first accounting date, a loss reserve for the asset's remaining maturity (stage 2) is reported. For assets that are deemed to be credit impaired, provisions for continued loan losses for the remaining maturity (stage 3) are still reserved. For credit-impaired assets and receivables, the calculation of interest income is based on the asset's reported value, net of loss reserves, as opposed to the gross amount as in the previous stages.

The valuation of expected loan losses is based on various methods. The method for accounts receivable, contract assets and rental receivables is based on historical customer losses combined with forward-looking factors. Other receivables and assets are written down according to a rating-based method through external credit rating. Expected credit losses are valued at the product of probability of default, loss given default and the exposure in the event of default. For credit-impaired assets and receivables, an individual assessment is made, taking into account historical, current and forward-looking information. The valuation of expected loan losses takes into account any collateral and other credit enhancements in the form of guarantees.

The financial assets are recognized in the balance sheet at amortized cost, i.e. net of gross value and loss reserve. Changes in the loss reserve are reported in the income statement.

Hedge accounting

The Group applies IFRS 9 hedge accounting for financial instruments aimed at hedging financial risks related to net investments in foreign operations.

The Group assesses, evaluates and documents efficiency both at the beginning of the hedge and on an ongoing basis. The effectiveness of the hedge is judged on the basis of an analysis of the economic relationship between hedged item and hedging instrument, and the effect of credit risk must not dominate changes in value in underlying items and instruments. In addition, the hedging ratio in the economic relationship should be that used in the hedging relationship.

Hedges of net investments in foreign operations: The Group uses commercial paper in foreign currency and other loans as hedging instruments. Changes in the fair value of the hedging instrument are reported in "Other comprehensive income" to the extent that the hedging is effective and the accumulated changes in fair value are reported as a separate component of equity. Profit or loss arising from the part of the hedge that is not effective is recognized immediately in profit for the year. Upon divestment of foreign operations, the gain or loss accumulated in equity is converted to profit for the year, which in turn increases or decreases the result for the sale.

Accounting for termination of hedging: Hedge accounting cannot be terminated according to decision. Hedge accounting ceases when:

- when the hedging instrument matures or is sold, liquidated or redeemed,
- when there is no longer an economic connection between hedged item and hedging instrument, or credit risk, value changes that result from the economic relationship dominate, and

- when hedge accounting no longer meets the goals of risk management.

Upon divestment of foreign operations, the gains or losses from equity are reclassified to the result.

Cash and cash equivalents

Cash and cash equivalents consist of cash and cash equivalents and immediately available balances with banks and corresponding institutions. Cash and cash equivalents are subject to the requirement for loss reserves for expected credit losses.

Hybrid bond

Bonds are classified as debt or equity based on whether there is any contractual obligation to settle the agreement by paying cash or another financial asset. This assessment applies to both nominal amount and interest payments. At the first reporting stage, the assessment has been made that the hybrid bond should be classified as an equity instrument and not as a liability. Interest on the hybrid bond is reported directly against equity.

Deferred tax

Deferred tax is reported on the difference between the carrying amount of assets and liabilities in the financial statements and the tax value used in calculating taxable profit. Deferred tax is reported in accordance with the so-called balance sheet method. Deferred tax liabilities are reported for taxable temporary differences and deferred tax assets are reported for deductible temporary differences to the extent that it is probable that the amounts can be utilized against future taxable surpluses. On the other hand, if the temporary difference arose in the first accounting of assets and liabilities that constitute an asset acquisition, deferred tax is not reported. Deferred tax is calculated according to statutory tax rates that have been decided or announced on the balance sheet date and which are expected to apply when the deferred tax asset in question is realized or the deferred tax liability.

Cash flow

The cash flow statement is prepared in accordance with the indirect method in accordance with IAS 7. This means that the result is adjusted with transactions that did not involve incoming or outgoing payments and for income and expenses attributable to the investment and/or financing activities.

Note 2 Information on new and future standards

New standards

IFRS 16 Leases

This standard came into effect on 1 January 2019 and replaced IAS 17 Leases and associated interpretations. It requires that a lessee reports all assets and liabilities attributable to all lease agreements, with an exception for all lease agreements that are shorter than 12 months and/or concerns small amounts. Accounting for the lease lessor will essentially remain unchanged. Leaseholds are according to IFRS 16 considered as an eternal lease and shall be reported at fair value and will therefore not be depreciated, rather the fair value will remain until leasehold fees are renegotiated.

This is the first annual report in which SBB is applying IFRS 16 Leases. SBB has chosen to apply the simplified transition method and has not applied the standard retroactively. The lease liability at the transition constitutes the discounted remaining lease fees as at 1 January 2019. Right-of-use assets for all agreements amount to an amount corresponding to the lease liability adjusted for the prepaid lease fees reported in the financial statements on the first day of enforcement. Therefore, the transition to

IFRS 16 did not have any effect on equity. SBB has, on the introduction of IFRS 16 as of 1 January 2019, reported a leasing asset and a leasing liability amounting to SEK 52m on the balance sheet attributable to leaseholds. The asset is reported in the item "Land Lease Agreements". The income statement has been affected by the fact that leasing costs are recognized in the net interest income/expenses instead of as an operating cost. The following table shows a reconciliation between previous accounting principles and IFRS 16:

Reconciliation of operational lease commitments	
Commitments for operating leases 31-12-18	2
Discounting effect and consideration of eternal maturity on land lease agreements	50
Liabilities for financial leases per 01-01-2019	52

For the present value calculations of the lease holds, a discount rate of 3 percent has been used. The application of IFRS 16 has not changed the Group's reporting of leases where the Group is a lessor. For the reporting of the new lease standard, see Note 11.

New standards and interpretations that have not yet come into force

Amendments to IFRS 3

On 22 October 2018, IASB issued amendments regarding the definition of a business combination in IFRS 3. Among other things, the changes mean that a company may choose to carry out a so-called. concentration test that if it indicates that the acquisition is an asset acquisition it means that no further assessment is required. However, the test never answers the question of whether an acquisition is a business acquisition and can only show if it is an asset acquisition. This voluntary test means that if substantially all of the fair value of the gross assets acquired can be attributed to an asset or group of similar assets, the acquisition constitutes an asset acquisition. The changes, if introduced in IFRS 3, are expected to result in more acquisitions being reported as asset acquisitions compared to current guidance. SBB estimates that the change will not affect the share of asset acquisitions in relation to business acquisitions to any great extent, since the majority of the acquisitions made relate to asset acquisitions. The amendment shall apply for fiscal years beginning on 1 January 2020.

Note 3 Significant estimates and assessments

When preparing the financial reports, the executive management and the Board must make certain assessments and assumptions that affect the reported value of asset and liability items and income and expense items as well as information provided in other respects. The assessments are based on experiences and assumptions that the management and the Board consider to be reasonable under the prevailing circumstances. Actual outcomes can then differ from these assessments if other conditions arise. The assessments that are most important in the preparation of the company's financial reports are described below.

The accounting is particularly sensitive to the assessments and assumptions that lie in the valuation of investment properties. Investment

properties are reported at fair value, which is determined by the executive management based on market assessment. Significant assessments have thus been made regarding, among other things, cost of capital and direct yield requirements as based on the valuers' experience-based assessments of the market's return requirements for comparable properties. Cash flow estimates for operating, maintenance and administration costs are based on actual costs, but also experiences with comparable properties. Future investments have been assessed on the basis of the actual need that exists. When acquiring companies, an assessment is made of whether the acquisition is to be classified as an asset acquisition or business combination. An asset acquisition exists if the acquisition relates to properties, but does not include organization, personnel and the processes required to conduct the business. Other acquisitions are business combinations. In real estate transactions, an assessment is also made of when the transition of risks and benefits takes place. This assessment is indicative of when the transaction is to be reported.

Another assessment issue in the report concerns the valuation of deferred tax. With consideration of the accounting rules, deferred tax is reported nominally without discounting. Current tax has been calculated based on a nominal tax rate of 21,4 percent in Sweden, 22 percent in Norway and Denmark and 20 percent in Finland. Calculations of deferred tax in Norway, Denmark and Finland have been made based on the same nominal tax rate as for current tax. For Sweden, deferred tax is estimated with a nominal tax of 20.6 percent on differences between reported and taxable value of assets and liabilities. The actual tax is deemed to be lower partly because of the possibility of selling properties in a tax-efficient manner and partly because of the time factor. When assessing loss carryforwards, an assessment is made of the possibility of utilizing the deficits against future profits.

SBB has issued hybrid bonds of SEK 4.6bn. The hybrid bond has an eternal maturity with a variable coupon rate. SBB has the opportunity to redeem outstanding hybrid bonds as of first possible redemption day, which is 5.5 years after the issue date. At initial recognition, the assessment has been made that the hybrid bond should be classified as an equity instrument and not as a financial liability. The assessment that underlies the classification is that there is no explicit contractual obligation to regulate the agreement by paying cash or another financial asset. Nor are there any other circumstances that indicate that the agreement will be settled in cash or other financial asset. SBB has the right to postpone payments on interest for an indefinite period, in so far as hybrid bond holders are notified within the agreed time and the hybrid bond is subordinated to all other creditors.

Estimates and assessments are also made regarding goodwill in the form of an impairment test that is performed on an ongoing basis. When impairment testing goodwill, a number of significant assumptions and assessments must be taken into account in order to calculate the cash-generating unit's value in use. These assumptions and estimates relate to expected future discounted cash flows. Forecasts for future cash flows are based on the best possible estimates of future revenues and costs, as well as general market conditions and developments for the industry. Significant assumptions are set out in Note 13 Goodwill.

Note 4 Operating segments

For accounting and evaluation, the Group has divided its operations into three segments. The segments are Residential, Community service properties and Other properties. The segments reflect the different nature of the businesses and the reporting that the management requires in order to follow up and analyze the operations and make strategic decisions.

Below is a description of each segment:

- Residential properties consist primarily of apartments in apartment buildings but also includes townhouses.
- Community service properties consist of schools, retirement homes, LSS housing and properties where municipal and governmental agencies/authorities conduct their business.
- Övriga fastigheter utgörs primärt av kommersiella fastigheter för vilka avsikten finns att bedriva detaljplaneprocess för att utveckla fastigheterna.

Financial year Jan, 1 2018 to Dec, 31 2019	Residential properties	Community service properties	Other properties	Total segments	Group items and adjustments	Group total
Rental income	707	1 168	121	1 996		1 996
Property costs	-372	-298	-61	-731		-731
Net operating income	335	870	60	1 265		1 265
Central administration					-136	-136
Acquisition and restructuring costs					-83	-83
Profit from associated companies / JVs					92	92
Profit before financial items						1 138
Interest income and related items					102	102
Interest expenses and related items					-595	-595
Profit from property management						645
Changes in value of property	1 188	1 143	122	2 453		2 453
Changes in value of derivatives					39	39
Profit before tax						3 137
Tax					-513	-513
NET PROFIT FOR THE YEAR						2 624
Investment properties	13 230	61 547	4 765	79 542		79 542
Investments	369	260	21	650		650

Financial year Jan, 1 2018 to Dec, 31 2018	Bostäder	Samhälls-fastigheter	Övriga fastigheter	Summa segment	Koncerngemensamma poster och elimineringar	Koncernen totalt
Rental income	565	982	133	1 680		1 680
Property costs	-294	-238	-77	-609		-609
Net operating income	271	744	56	1 071		1 071
Central administration					-102	-102
Profit from associated companies / JVs					13	13
Profit before financial items						982
Interest income and related items					4	4
Interest expenses and related items					-665	-665
Profit from property management						321
Changes in value of property	834	681	60	1 575		1 575
Changes in value of derivatives					8	8
Profit before tax						1 904
Tax					-214	-214
NET PROFIT FOR THE YEAR						1 690
Investment properties	6 720	16 435	2 088	25 243		25 243
Investments	159	112	40	311		311

Sweden accounts for 80 percent (77) of the Group's total revenue. The remainder of the revenue relates to Norway, Finland and Denmark. Of non-current assets (which are not financial instruments or deferred tax assets), 84 percent (70) are allocated to Sweden and remainder relates to fixed assets in Norway, Finland and Denmark. There is no tenant that makes up more than 10% of the revenue.

Note 5 Contracted future rental income

Total rental income for the Group amounted to SEK 1,996m. All leases are classified as operating leases. The maturity structure for the lease contracts relating to non-cancellable operating leases is shown in the table below. Residential and car rental contracts, which usually run on a three-months notice, are not included in the table.

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Contracted future rental income		
Contracted rental income within 1 year	4 277	1 101
Contracted rental income between 1 and 2 years	3 828	1 000
Contracted rental income between 2 and 3 years	3 218	869
Contracted rental income between 3 and 4 years	2 599	734
Contracted rental income between 4 and 5 years	2 064	610
Contracted rental income later than 5 years	11 898	2 461
Total	27 884	6 774

Note 6 Costs by type

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Property costs	731	609
Other external expenses	16	32
Depreciation	2	1
Personnel costs	118	68
Total	867	711

Note 7 Fees to the auditor

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Ernst & Young AB, Ernst & Young AS, Ernst & Young Oy		
Audit fees	11	7
Other audit costs	1	1
Tax advice	-	-
Other services	5	3
Total	17	11

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
KPMG AB		
Audit fees	0	-
Other audit costs	-	-
Tax advice	-	-
Other services	-	-
Total	-	-

Note 8 Employees and staff costs

	01-01-2019 – 31-12-2019		01-01-2018 – 31-12-2018	
The average number of employees	Average number employees	Of which men, percent %	Average number employees	Of which men, percent %
Subsidiaries in Sweden	118	74 %	88	74 %
Subsidiaries in Norway	4	75 %	4	75 %
Subsidiaries in Finland	1	100 %	1	100 %
Total subsidiaries	123	74 %	93	74 %
Parent company	14	50 %	11	73 %
Total in the Group	137	72 %	104	74 %

Gender distribution, board and management	2019-12-31		2018-12-31	
	Balance sheet date	Of which men, percent %	Balance sheet date	Of which men, percent %
Board members	6	67 %	6	67 %
CEO and other senior executives	7	71 %	7	71 %
Total in the Group	13	69 %	13	69 %

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Personnel costs		
<i>Parent company</i>		
<i>Board of Directors and other senior executives</i>		
Salaries and other remuneration	14	12
Social costs	4	4
Pension costs	3	3
Total	21	19
<i>Other employees</i>		
Salaries and other remuneration	6	4
Social costs	2	1
Pension costs	1	1
Total	9	6
<i>Subsidiary</i>		
<i>Board of Directors and other senior executives</i>		
Salaries and other remuneration	-	-
Social costs	-	-
Pension costs	-	-
Total	-	-
<i>Other staff costs</i>		
Salaries and other remuneration	61	36
Social costs	23	12
Pension costs	3	3
Total	87	50
Total staff costs	117	74

In the report, certain personnel costs have been reclassified to operating expenses and capitalized in projects when the rules have been applied. For this reason, the personnel costs in this note will not correspond to the cost category in Note 6.

Incentive schemes

During the year, the company introduced a bonus system that covers the years 2019-2021 and all employees. The bonus system consists of three parts, each of which will entitle one third of the maximum bonus amount. Two of the parts are determined by certain company-level goals being achieved according to the company's established annual report, while the last part is linked to individual goals. In order for the bonus to be paid at all, it is required that the part linked to individual goals is achieved and that one of the two of the goals that are linked to goals at the company level is achieved. Payment of bonus is made in connection with the salary payment that falls closest to the Annual General Meeting after which the company's annual report has been adopted.

In addition to the bonus system, the company has an incentive program for the company's current and future employees, which includes 20,000,000 warrants that entitle subscription for the corresponding number of class B shares in the company. The subscription price for new subscription of B shares corresponds to 130 percent of the average of the company's class B- shares weighted average price during the 10 trading days October 24, 2017 through November 6, 2017. Subscription of B shares with the support of warrants may take place during the period from. if on October 1, 2020 through October 31, 2020.

01-01-2019 – 31-12-2019 (amounts in SEK thousands)	Remuneration and fees	Variable compensation	Pension cost	Other remuneration	Total
Chairman of the Board					
Lennart Schuss	480	-	-	-	480
Board members					
Sven-Olof Johansson	300	-	-	-	300
Hans Runesten	300	-	-	-	300
Fredrik Svensson	300	-	-	-	300
Eva Swartz Grimaldi	330	-	-	-	330
Anne-Grete Strøm-Erichsen	300	-	-	-	300
CEO					
Ilija Batljan	3 912	-	978	-	4 890
Other senior executives (6)	7 840	-	1 639	-	9 479
Total	13 762	-	2 617	-	16 379

01-01-2018 – 31-12-2018 (amounts in SEK thousands)	Remuneration and fees	Variable compensation	Pension cost	Other remuneration	Total
Chairman of the Board					
Lennart Schuss	480	-	-	-	480
Board members					
Sven-Olof Johansson	300	-	-	-	300
Hans Runesten	300	-	-	-	300
Fredrik Svensson	300	-	-	-	300
Eva Swartz Grimaldi	330	-	-	-	330
Anne-Grete Strøm-Erichsen	441	-	-	-	441
CEO					
Ilija Batljan	3 211	-	928	-	4 139
Other senior executives (4)	6 862	-	1 607	-	8 468
Total	12 223	-	2 535	-	14 758

Remuneration and terms for senior executives

Remuneration to the CEO and other senior executives consists of basic salary and pension benefits. Other senior executives mean those persons who together with the CEO constitute the management.

The CEO has a termination period of 6 months if the termination is from the company and if the CEO chooses to terminate his employment, the notice period is also 6 months. In the event of termination by the employer, a severance pay of 12 months' salary is payable. The pension benefit for the CEO is 30 percent of the pensionable salary.

Note 9 Financial income

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Assets valued at amortized cost		
Interest income from other financial assets	92	4
Other	9	0
Total interest income based on the effective interest method	102	4

Note 10 Financial expenses

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Liabilities at fair value		
Interest expense, interest rate derivatives	-13	4
Exchange rate differences, derivatives	-9	-
Total reported in profit (financial items)	-22	4

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Liabilities valued at amortized cost		
Interest expense, shareholders' loans	-	3
Depreciation of arrangement fees	129	70
Premium, repurchased bonds	128	98
Interest expenses, other financial liabilities	444	491
Exchange rate differences, financial items (*)	-91	-
Total interest expenses based on effective interest method	610	661
Total interest expenses and similar items	588	665

(*) Not calculated according to the effective interest method

During the year, SEK 13,907m (19,242) of interest payments were capitalized for investments in the property portfolio, where an interest rate of 4-5% (5) was used.

Note 11 Leases

The lease agreements in the group mainly consist of land lease agreements. In the table below the carrying amount of the group at the beginning of the year and end of the year for land lease agreements and lease liabilities including changes during the year is reported. AS SBB has chosen to apply the simplified transition method and has not applied the standard retroactively there are no values reported for 2018.

31-12-2019	Land lease agreements	Lease liabilities
Carrying amount (adoption of IFRS 16)	52	52
Additional agreements	393	393
Carrying amount at the end of the year	445	445

In addition to the land lease agreements there are some leasing agreements of less value such as cars, office equipment etc. For these agreements the exception rule in IFRS 16 applicable for lease agreements of low value has been applied where the leasing fee is accounted as a linear cost over the leasing period in the income statement and no asset/liability is reported in the balance sheet.

. The following table shows the amounts related to the leasing activity reported in the income statement during the year.

	01-01-2019 - 31-12-2019
Interest cost leases	3
Cost for lease agreements of less value	4
Redovisad skatt	7

The annual land lease fee is SEK 4m. Accounting for the lease lessor will essentially remain unchanged. Leaseholds are according to IFRS 16 considered as an eternal lease and shall be reported at fair value and will therefore not be depreciated, rather the fair value will remain until leasehold fees are renegotiated.

Note 12 Tax

SBB reports tax expenses in the form of current tax and deferred tax, calculated on the basis of current tax rate of 21,4 percent (22) in Sweden with the exception of deferred tax which is calculated on the basis of the new tax rate of 20.6 percent, 22 percent in Norway and Denmark and 20 percent in Finland.

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Current tax	-34	-1
Deferred tax properties	-429	-276
Deferred tax tax losses	-37	61
Deferred tax financial instruments	0	2
Deferred tax other	-13	-
Reported tax	-513	-214

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Reconciliation of effective tax rate		
Profit before tax	3 137	1 904
Tax according to the applicable tax rate for the parent company (21,4/22%)	-671	-419
<u>Tax effect of:</u>		
Other tax rates within the Group	22	4
Tax attributable to previous years	-34	12
Change of tax rate	-	42
Non-taxable income from the sale of shares in subsidiaries	50	21
Other non-taxable income	25	10
Unrecognized income to be recorded	-36	-
Non-deductible costs	-38	-1
Unrecognized income to be deducted	8	-
Utilization of previously unused loss carryforwards	17	7
Tax depreciation	-2	-
Temporary differences regarding properties	146	110
Reported tax	-513	-214
Effective tax rate	-16 %	-11 %

The Group has tax items that are reported in other comprehensive income as a result of the hedge accounting. All loss carryforwards have been taken into account in the calculation of deferred tax. Loss carry-forwards amount to SEK 3,9bn at 31 December 2019. The new interest deduction limitation rules that was applied from 1 January 2019 resulted in non-deductible interest costs of SEK 200m in the tax calculation. As SBB estimates that the carry forwards of interest costs can be deducted in the future a reserve for deferred tax has been accounted.

Information on deferred tax assets and tax liabilities

The following table details the tax effect of the temporary differences:

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Deferred tax		
Deferred tax property	-7 030	-1 129
Deferred tax untaxed reserves	-22	-13
Deferred tax loss carryforwards	829	101
Deferred tax derivatives	-21	-1
Deferred tax other	7	-5
Reported value	-6 237	-1 047

Note 13 Goodwill

	31-12-2019	31-12-2018
Goodwill		
Carrying amount at beginning of year	24	-
Acquisitions	6 663	24
Carrying amount at end of year	6 687	24

The acquisition of Hemfosa is classified, from an accounting point of view, as a business combination in accordance with IFRS 3. This means that assets acquired, liabilities assumed and contingent liabilities are assumed to be measured at their fair value at the acquisition date. The difference between the cost for the acquired assets and the real value of the acquired assets is allocated to goodwill.

As at 31 December 2019, SBB controlled 87.8 percent of the shares and 88.1 percent of the votes. The purchase price consisted of a consideration of SBB common shares of series B and D amounting to SEK 10.6bn and a cash consideration of SEK 7.9bn. In addition, SBB purchased shares amounting to SEK 2bn in the open market. The value of the share consideration was based on the average share price as at 20 December 2019 which was SEK 24.0533 for the common share of series B and SEK 34.7785 for the common share of series D. The cash consideration was paid on 3 January 2020 and is reported as other current liabilities in the year end accounts.

Acquired net assets at closing

Tangible fixed assets	45 238
Leasing assets	301
Financial fixed assets	502
Account receivables and other receivables	192
Cash and cash equivalents	749
Non-controlling interests	-1 930
Interest bearing liabilities	-24 931
Deferred tax	-4 809
Account payables and other liabilities	-1 416
Identified net assets	13 896
Goodwill	6 663
Total purchase price	20 559

In connection with the acquisition, goodwill arose amounting to SEK 6,663m in terms of the difference between the acquired shares and the net assets. Goodwill comprises of two parts. It mostly comprises of the synergy effects resulting from lowered financial- and administration costs. This part amounts to SEK 4 295m. In addition, there is a reported goodwill attributable to the difference between nominal tax that must be reported in business combinations and the deferred tax that is calculated when acquiring properties through acquiring the shares. For this accounting goodwill amounting to SEK 2,368m there is an equivalent amount in deferred tax.

Transaction costs related to the acquisition amounted to SEK 70m and are accounted for under the line item Acquisition- and restructuring costs in the profit and loss accounts. The transaction costs amounting to SEK 85m and which are directly attributable to the issue of own shares have been reported against equity.

The impact of the acquisition on the cash flow

Cash consideration	9 946
Minus:	
Cash and cash consideration (acquired)	-749
Net cash flow	9 197

From the acquisition date as at 23 December 2019 to 31 December 2019, Hemfosa contributed with SEK 74m to the Group's income and SEK 31m to the Group's profit after tax. If the acquisition had taken place at the beginning of the financial year, SBB estimates that Hemfosa had contributed SEK 2 884m to the Group's revenues and SEK 2 390 to the Group's profit after tax.

SBB acquired the company Samhällsbyggnadsbolaget Förvaltning i Sverige AB (formerly Hestia Sambygg AB) and its subsidiary SBB Förvaltning AS (formerly Hestia Sambygg AS) with 70 employees. The company has only performed services for SBB. The goodwill item that arose during the acquisition is linked to a functioning business in the form of employees and their competence.

Impairment test

Goodwill is tested for impairment at the lowest levels where there are separate identifiable cash flows (cash-generating units), which for the Group comprise the segments Community service properties and Other.

The impairment test for the Group's goodwill consists of assessing whether the unit's recoverable value is higher than its carrying amount for each cash-generating unit to which the goodwill belongs. The recoverable amount has been calculated on the basis of the unit's value in use, which is the present value of the unit's expected future cash flows without regard to any future business expansion and restructuring. The calculation of the value in use has been based on:

- A discount rate of 4.4 percent before tax.
- A forecast of cash flows over the next 5 years.

The discounted cash flow model includes forecasting of future cash flows from operations, including estimates of rental income and operating profit (EBIT). The important assumptions that drive expected cash flows over the next five years, in addition to cash flows, comprise the cost of financing and tax. The values have been estimated on these variables mainly based on and in accordance with historical experience. The calculations show no need for impairment and they do not indicate that any reasonably possible changes in important assumptions would lead to an impairment requirement. Goodwill has been allocated to the following cash-generating units:

	31-12-2019	31-12-2018
Community service properties	6 293	24
Other	394	-
	6 687	24

Note 14 Investment properties

The Group divides its property portfolio into three different categories; residential, community service properties and other properties.

Fair value	31-12-2019	31-12-2018
Carrying amount at beginning of year	25 243	23 001
Acquisition	57 608	3 597
investments	650	311
Divestments	-6 917	-3 359
Unrealized changes in value	2 704	1 517
Currency translation difference	254	177
Carrying amount at end of year	79 542	25 243

	01-01-2019	01-01-2018
Changes in value	- 31-12-2019	- 31-12-2018
Unrealized value changes	2 704	1 517
Realized value changes	-251	58
Total	2 453	1 575

The value of the property portfolio has been based on external valuations made by Newsec, JLL and Savills. The valuations have been based on an analysis of future cash flows for each property, taking into account the current lease terms, market situation, rental levels, operating, maintenance and administration costs as well as need for investments. The yield requirements used in the valuation are in the range of 2.30 percent to 15.0 percent with an average value of 5.39 percent. The value of the properties includes approximately SEK 2,893m for building rights that have been valued by applying the local price method, which means that the assessment of the value is based on comparisons of prices for similar building rights. Fair value has thus been assessed in accordance with IFRS 13 level 3. For a description of levels in the real value hierarchy, see Note 17 Financial instruments.

The unrealized changes in the value of investment properties held as of the balance sheet date are reported in the income statement under "Changes in value, properties". They were part of the value creation of building rights of SEK 338m (177). The remainder is explained by the increase in net operating income as a result of investments and leases in the property portfolio and reduced yield requirements.

Value per segment

Segment	Fair value, SEKm	No of properties	Rental value, SEKm	Economic letting ratio, %	Leasable area, t.sqm	Long-term yield, %	Long-term yield in average, %
Residential	13 230	350	910	93,7	872	2,30–8,25	4,30
Community serv. pr.	61 547	990	4 265	95,9	3 011	2,90–15,00	5,56
Other	4 765	54	327	83,4	350	3,85–8,50	6,26
Total	79 542	1 394	5 502	94,8	4 233	2,30–15,00	5,39

Sensitivity analysis

The property valuations are made according to accepted principles based on certain assumptions. The table below shows how the value is affected by a change in certain parameters assumed for the valuation. The table gives a simplified picture, as an individual parameter is unlikely to be changed in isolation.

	31-12-2019		31-12-2018	
	Change	Value effect SEKm	Change	Value effect SEKm
Rental value	+/- 5 %	3 712/-3 714	+/- 5 %	1 181/-1 181
Discount rate	+/- 0,25 %	-2 020/2 173	+/- 0,25 %	-314/323
Yield	+/- 0,25 %	-2 370/2 525	+/- 0,25 %	-756/786

	01-01-2019	01-01-2018
	- 31-12-2019	- 31-12-2018
Rental income from investment properties	1 996	1 680
Direct costs for investment properties that generated rental income during the period	-731	-609
Profit from investment properties valued at fair value	1 265	1 071

Note 15 Equipment, machinery and installations

	31-12-2019	31-12-2018
Accumulated acquisition costs: opening balance	11	28
Acquisitions for the year	39	2
Sales and disposals	-1	-11
Reclassifications	1	-8
Closing balance	50	11
Accumulated depreciations: opening balance	-6	-17
Sales and disposals	-21	5
Accumulated depreciation on acquisitions	1	-
This year's depreciations	-2	-1
Reclassifications	-1	7
Closing balance	-29	-6
Carrying amount at end of year	21	45

Note 16 Shares in associates/joint ventures/other companies

	31-12-2019	31-12-2018
Opening balance	213	111
Share of profit	92	13
Acquisitions for the year	416	-
Shareholder contributions	268	104
Sales / disposals for the year	-11	-15
Translation difference	-69	-
Carrying amount at end of year, share of capital	909	213

Holdings	Classification	Main activity	Ownership 31-12-2019	Ownership 31-12-2018	Book value 31-12-2019	Book value 31-12-2018
BCAC-Hus Förv. AB	Associated	Property development	10 %	10 %	4	4
Fjällbergsvind Ek För	Other	Wind power	n/a	n/a	-	1
HusBacc Utv Hold AB	Joint Venture	Property development	50 %	50 %	78	79
HanVäst Utv AB	Joint Venture	Property development	50 %	50 %	-	-
Jordbro Centrum Utv AB	Joint Venture	Property development	50 %	50 %	-	-
Nöthagen Utv AB	Joint Venture	Property development	50 %	50 %	-	-
Tillbringaren 2 H AB	Joint Venture	Own, manage, develop properties	49 %	49 %	13	10
Slaggborn Utv AB	Joint Venture	Property development	50 %	50 %	34	28
Fastighetsutv IB 68 AB	Joint Venture	Own, manage, develop properties	-	50 %	-	-
Klarsam Fast Utv AB	Associated	Property development	40 %	40 %	8	8
Cronsjö Fast Utv AB	Associated	Property development	30 %	30 %	1	1
Varpslagg Fast Utv AB	Associated	Property development	40 %	40 %	2	2
Gullbern Fast Utv AB	Associated	Property development	40 %	40 %	1	1
Fastighetsutv IB 85 AB	Joint Venture	Property development	50 %	50 %	6	-
Studentbostäder i Sv AB	Associated	Own, manage, develop properties	-	23 %	-	64
Klarabo Förv AB	Associated	Own, manage, develop properties	49 %	49 %	316	4
Valerum Fast AB	Joint Venture	Own, manage, develop properties	50 %	50 %	19	-
Bryggkaffe Fast Utv AB	Joint Venture	Property development	50 %	50 %	0	-
Solhemmet	Joint Venture	Property development	50 %	0 %	-1	-
Samhällsfastigheter AB						
Samterna Holding 1	Joint Venture	Property development	50 %	0 %	-	-
Samterna Holding 2	Joint Venture	Property development	50 %	0 %	-	-
Fastighetsutveckling IB 95 AB	Joint Venture	Property development	50 %	0 %	10	-
Barcode Kjøling AS	Associated	Community association	26 %	26 %	11	12
Gardermoen Campus Utvikling AS	Joint Venture	Property development	65 %	0 %	62	-
Offentlig Eiendom AS	Associated	Own, manage, develop properties	40 %	0 %	345	-
Landsbygdsfib. i Sk AB	Other	Broadband	3 %	3 %	-	-
Svenneby Fiberf. EK	Other	Broadband	n/a	n/a	-	0
					909	213

Information on significant holdings

Holdings in joint ventures and associated companies that are considered significant for the group are detailed below.

Valerum Fastighets AB	31-12-2019	31-12-2018
Fixed assets	1 579	1 542
Cash and cash equivalents	56	7
Other current assets	27	100
Long-term financial liabilities	-631	-329
Deferred tax	-16	-
Other long-term liabilities	-841	-1 278
Short-term financial liabilities	-51	-12
Other current liabilities	-87	-31
Net Assets	36	50
Net sales	102	-
Property costs	-49	-
Central administration	-5	-
Interest income	32	-
Interest expense	-72	-
Other financial items	2	-
Change in value, properties	46	-
Tax	-19	-
Net profit for the year	37	-
Other comprehensive income	-	-
Total income for the year	37	-
Reconciliation of reported values		
Initial net assets	-	-
Acquisition of the year	-	0
Total income for the year	37	-
Carrying forward net asset	37	-
The Group's share in %	50 %	50 %
The Group's share in SEK	19	-
Reported value	19	-
KlaraBo Förvaltning AB	31-12-2019	31-12-2018
Fixed assets	1 611	1 978
Cash and cash equivalents	20	-
Other current assets	12	3
Long-term financial liabilities	-935	-636
Other long-term liabilities	-27	-1 289
Short-term financial liabilities	-12	-23
Other current liabilities	-44	-24
Net Assets	624	8
Net sales	94	-
Property costs	-47	-
Central administration	-2	-
Interest expense	-13	-
Change in value, properties	121	11
Tax	-31	-2
Net profit for the year	122	8
Other comprehensive income	-	-
Total income for the year	122	8
Reconciliation of reported values		
Initial net assets	8	-
Shareholder contribution	514	-
Total income for the year	122	8
Carrying forward net asset	644	8
The Group's share in %	49 %	49 %
The Group's share in SEK	316	4
Reported value	316	4

Information for individual non-significant holdings	31-12-2019	31-12-2018
Total reported value for individual non-significant associates / joint ventures	574	209
Total amount for the group's share of:		
Results from continuing operations	33	9
Total comprehensive income	33	9

Not 17 Financial instruments

Financial assets and liabilities per valuation category

The table below presents the Group's financial assets and liabilities, as at carrying amount and fair value, classified in the categories according to IFRS 9.

Valuation of financial assets and liabilities as of December 31, 2019

Financial assets, SEKm	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/ liabilities valued at amortized cost	Total reported value	Fair value
Receivables from associated companies/jv		1 142	1 142	1 142
Derivatives	73		73	73
Financial fixed assets at fair value	459		459	459
Other long-term receivables		24	24	24
Accounts receivable		53	53	53
Other receivables		791	791	791
Short-term investments	1 041		1 041	1 041
Cash and cash equivalents		12 858	12 858	12 858
Total	1 573	14 868	16 441	16 441
Financial liabilities				
Liabilities to credit institutions		25 985	25 985	25 985
Bond loans		25 162	25 162	25 162
Commercial papers		4 944	4 944	4 944
Other long-term liabilities		22	22	22
Derivatives	25		25	25
Accounts payable		131	131	131
Other liabilities		8 822	8 822	8 822
Total	25	65 066	65 091	65 091

Valuation of financial assets and liabilities as of December 31, 2018

Financial assets, SEKm	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/ liabilities valued at amortized cost	Total reported value	Fair value
Receivables from associated companies/jv		1 574	1 574	1 574
Financial fixed assets at fair value	62		62	62
Other long-term receivables		11	11	11
Accounts receivable		30	30	30
Other receivables		290	290	290
Cash and cash equivalents		157	157	157
Total	62	2 062	2 125	2 125
Financial liabilities				
Liabilities to credit institutions		5 910	5 910	5 910
Bond loans		6 925	6 925	6 925
Commercial papers		1 840	1 840	1 840
Other long-term liabilities		25	25	25
Derivatives	12		12	12
Accounts payable		88	88	88
Other liabilities		279	279	279
Total	12	15 067	15 079	15 079

The assets and liabilities, with the exception of financial assets / liabilities, are measured at fair value through profit or loss recognized at amortized cost, which is deemed to correspond to its fair value.

Credit risk exposure

The maximum credit risk of the assets consists of the net amounts of the reported values in the table above. The Group has not received any pledged assets for the financial net assets.

Valuation at fair value

Fair value is the price that would be obtained from the sale of an asset at valuation date or paid on the transfer of a debt through an orderly transaction between independent market participants. The table below shows financial instruments valued at fair value based on the classification of the fair value hierarchy. The different levels are defined as follows:

Level 1 - Listed prices (unjustified) in active markets for identical assets or liabilities

Level 2 - Other available input data for the asset or liability other than listed prices included in level 1 either directly (i.e. as price quotes) or indirectly (i.e. derived from price quotes)

Level 3 - Input for the asset or liability that is not based on available market data

Change for the derivatives in level 2 is presented below.

	31-12-2019	31-12-2018
Carrying amount at beginning of year	-12	-35
New acquisitions	16	-
Disposals	2	17
Value changes in earnings	39	8
Translation difference	2	-
Carrying amount at end of year	48	-12

Calculation of fair value

Interest-bearing receivables and liabilities

For the purpose of disclosure, a fair value of interest-bearing receivables and liabilities is calculated by discounting future cash flows capital and interest discounted at current market interest rates. These items refer to level 2 of the valuation hierarchy. The company has estimated that the fair value corresponds to the carrying amount when the interest rate corresponds to current market interest rate and that the credit margin is estimated to be the same as when the loans were entered.

Interest rate derivatives

The fair value of interest rate swaps are based on a discount of estimated future cash flows according to the contracts and maturities and based on market interest rate on the balance sheet date. The interest rate swaps relate to level 2 in the valuation hierarchy.

Financial assets at fair value

The item refers to holdings in both listed and unlisted shares and other securities valued at fair value with a change in value in the result. The holdings have thus been valued in accordance with both Level 1 and Level 3. The listed shares have been valued at a quoted price on the market. For unlisted shares and other securities, input data such as recent issues and other unobservable data have been used to determine the value.

Short-term investments

The item refers to the placing of liquid funds in a so-called EFT, ie a listed fund. Short-term investments refer to Level 2 of the valuation hierarchy.

Current receivables and liabilities

For current receivables and liabilities, such as accounts receivable and accounts payable, with a life expectancy of less than six months, the carrying amount is considered to reflect fair value. Any classification in levels according to the valuation hierarchy is not made for these items.

Note 18 Other receivables

	31-12-2019	31-12-2018
Advance property transactions	356	235
Other	435	55
Reported value	791	290

Note 19 Prepaid expenses and accrued income

	31-12-2019	31-12-2018
Accrued income	9	4
Other	149	28
Reported value	158	32

Note 20 Cash and cash equivalents

	31-12-2019	31-12-2018
Cash and bank balances	12 858	157
Reported value	12 858	157

Note 21 Equity

Change in share capital

	Number of ordinary shares Class A	Number of ordinary shares Class B	Number of ordinary shares Class B	Number of preference shares	Share capital
Share capital 01-01-2018	217 596 975	7 230 434	-	-	723 043
Conversion 21-08-2018	-7 619 484	7 619 484			-
Non cash/set off issue 19-10-2018		600 000			60 000
New issue 19-10-2018		17 500 000			1 750 000
Redemption pref. sh. 12-12-2018				-157 954	-15 795
Non cash/set off issue 12-12-2018			3 159 080		315 908
Non cash/set off issue 14-12-2018			6 376 342		637 634
Non cash/set off issue 21-12-2018			8 134 515		813 452
Non cash/set off issue 27-12-2018			13 746 775		1 374 678
Non cash/set off issue 28-12-2018			10 209 678		1 020 968
Share capital 31-12-2018	209 977 491	546 071 540	41 626 390	175 251	79 785 067

	Number of ordinary shares Class A	Number of ordinary shares Class B	Number of ordinary shares Class B	Number of preference shares	Share capital
Share capital 01-01-2019	209 977 491	546 071 540	41 626 390	175 251	79 785 067
New issue 14-01-2019			4 064 516		406 452
New issue 04-04-2019			2 741 936		274 194
New issue 04-04-2019			1 612 903		161 290
New issue 05-04-2019			13 042 574		1 304 257
New issue 30-04-2019			4 838 710		483 871
Non cash/set off issue 06-05-2019			697 113		69 711
Non cash/set off issue 11-06-2019			4 774 194		477 419
Non cash/set off issue 04-07-2019			209 134		20 913
Redeemed preference shares 20-08-2019				-139 030	-13 903
Non cash/set off issue 20-08-2019			2 780 600		278 060
Redeemed preference shares 09-09-2019				-5 508	-551
Non cash/set off issue 09-09-2019			110 160		11 016
New issue 05-11-2019		18 181 819			1 818 182
New issue 16-12-2019		57 907 534			5 790 753
New issue 23-12-2019		7 535 527			753 553
Non cash/set off issue 30-12-2019		400 852 676	27 927 129		42 877 981
Share capital 31-12-2019	209 977 491	1 030 549 096	104 425 359	30 713	134 498 266

Share capital

On December 31, 2019, the share capital amounted to SEK 134,498,265.90 and the quota value was SEK 0.1, divided into 209,977,491 ordinary shares of class A, 1,030,549,096 ordinary shares of class B, 104,425,359 ordinary shares of class D and 30,713 preference shares. Holders of ordinary shares of class A and B are eligible for dividends as determined and the shareholding entitles the right to vote at the annual general meeting with one vote per share for ordinary share class A and 0.1 per share for ordinary share class. Holders of the ordinary shares of class D are entitled to five times the total dividend on the ordinary shares of class A and B, however no more than SEK 2 per share and year. The shareholding entitles 0.1 votes per share for ordinary shares of series D. All ordinary shares have the same right to the Samhällsbyggnadsbolaget in the Nordic region's remaining net assets. All shares are fully paid and no shares are reserved for transfer. No shares are held by the company itself or its subsidiaries.

Other contributed capital

Other contributed capital consists of capital contribution by the Samhällsbyggnadsbolaget to the owners of Norden AB (publ) in the form of shareholder contributions and share premium at issues of common shares as well as preference shares.

Hybrid bond

SBB has issued two hybrid bonds totaling SEK 4.6bn after deduction of issue costs. The one hybrid bond with a nominal amount of SEK 1.5bn has a perpetual maturity with a variable interest rate plus a 3.5 percent margin. The second hybrid bond with a nominal amount of EUR 500m has a perpetual maturity with a fixed interest rate of 4.625 percent. SBB has the opportunity to redeem outstanding hybrid bonds from the first possible redemption day that falls 6 years and 5 years after the issue date. At the first reporting date, the assessment was made that the hybrid bond should be classified as an equity instrument and not as a financial liability. The assessment underlying the classification is that there is no explicit contractual obligation to settle the agreement by paying cash or another financial asset. Nor are there any other circumstances indicating that the agreement will be settled in cash or other financial asset. The SBB is entitled to postpone interest payments for an indefinite period in so far as hybrid bond holders are notified within the agreed period and the hybrid bond is subordinated to all other creditors.

Non-controlling interest

Holdings without controlling influence largely consist of the minority of ordinary shares and preference shares in Hemfosa that SBB did not control as of 31-12-2019, ie. 12.2 percent of the shares and 11.9 percent of the votes in Hemfosa. In addition, there is a minority interest regarding a subsidiary in the Hemfosa Group. Minority interests amounted to SEK 1,934m.

In addition to the preference shares in Hemfosa, there are preference shares at three levels in the SBB Group; in the Parent Company, in the subsidiary Karlbergsvägen 77 Fastighets AB (publ) and in the subsidiary Nye Barcode 121 Bidco AS. The parent company's preference share is entitled to one tenth (1/10) vote. If the AGM decides on a dividend, SBB's preference share has preferential rights over the ordinary shares to an annual dividend of SEK 35 per preference share. For further information, see page 59.

Currency translation reserve

The translation reserve includes all exchange rate differences arising from translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the currency in which the Group's financial reports are presented. The parent company and the Group present their financial reports in Swedish kronor. Accumulated translation differences are recognized in profit or loss on the sale of the foreign operations.

Translation reserve	31-12-2019	31-12-2018
Carrying amount at beginning of year	-108	-103
Change for the year	163	-5
Carrying amount at end of year	55	-108

Warrants

The warrant program is aimed at the company's current and future employees. The program comprises of 20,000,000 warrants entitling the holder to subscribe for the corresponding number of B shares in the company. As of December 31, 2019, 16,832,000 warrants were subscribed by the company's employees. The warrants were acquired at market value. The subscription price for new subscription of B shares corresponds to 130 percent of the average of the company's B-shares' volume-weighted latest price during the 10 trading days October 24, 2017 through November 6, 2017. Subscription of B shares on the basis of warrants may take place in the period from on 1 October 2020 until 31 October 2020.

Note 22 Earnings per share

Below is a calculation of the earnings for ordinary shares of class A and B. According to the articles of association, the preference shares have preferential rights to SEK 35/share and the ordinary shares of class D carry a maximum dividend of SEK 2/share. In addition, interest is paid on hybrid loans. The calculation of earnings per ordinary share class A and B is based on the profit for the year less deductions for preference shares and ordinary shares of class D and interest on hybrid loans. The net is divided between the average number of ordinary shares of class A and B totalling to 762 481 721 (741 569 031).

Earnings per share before dilution	2019	2018
Net profit for the year	2 624	1 690
Dividend attributable to preference shareholders	-11	-47
Dividend attributable to holders of ordinary shares of class D	-150	-21
Dividend attributable to hybrid loans	-198	-86
Result attributable to non-controlling interests	-4	-
Profit for the year attributable to ordinary shares A and B	2 261	1 536
Average number of outstanding ordinary shares of class A + B	762 481 721	741 569 031
Earnings per share before dilution	2,97	2,07
Average number of outstanding ordinary shares of class D	65 967 084	918 854
Earnings per share (ordinary share D has no dilution)	2,00	0,50
Earnings per share before dilution	2019	2018
Net profit for the year	2 624	1 690
Dividend attributable to preference shareholders	-11	-47
Dividend attributable to holders of ordinary shares of class D	-150	-21
Dividend attributable to hybrid loans	-198	-86
Result attributable to non-controlling interests	-4	-
Profit for the year attributable to ordinary shares A and B	2 261	1 536
Average number of outstanding ordinary shares of class A + B	762 481 721	741 569 031

Effect of potential ordinary shares on options	10 916 617	2 352 117
Earnings per share after dilution	2,92	2,06

When calculating earnings per share after dilution, the weighted average number of ordinary shares outstanding is adjusted for the dilution effect of all potential ordinary shares. These potential ordinary shares are attributable to the warrants subscribed by the company's employees. The potential ordinary shares refer to Series B ordinary shares. For Series D ordinary shares, there is no dilution as there are no potential ordinary shares.

Of the dividend, SEK 1m (14) refers to dividends relating to preference shares and SEK 90m (21) to dividends relating to Series D ordinary shares and SEK 72m (4) to the interest on the hybrid bond that has not yet been paid.

Note 23 Financial risks

Through its operations, the Group is exposed to various types of financial risks. Financial risks refer to fluctuations in the group's earnings and cash flow as a result of changes in, for example, interest rates. SBB is primarily exposed to liquidity risk, financing risk, credit risk and interest rate risk.

Financial transactions and risks in the Group are managed centrally by the parent company's finance function. The Group's finance policy for managing financial risks has been designed and decided by the Board. The finance policy forms a framework of guidelines and rules and defines the objectives for the financing activities.

The overall objective of the financing activities is to:

- Achieve the best possible financial net within the framework of the decided risk level and given risk limits.
- Identify and ensure good management of the financial risks arising in SBB.
- Ensure good payment preparedness for meeting SBB's payment obligations at any time.
- Ensure access to the required funding at the lowest possible cost within the agreed risk level.
- Ensure that the finance operations are carried out with good internal control

Further information on financing and capital structure can be found on p. 56.

Liquidity and financing risk

Liquidity risk refers to the risk that there is insufficient liquidity to meet future payment commitments. Ongoing liquidity forecasts are made to identify need for capital. A liquidity reserve for the business shall at all times be available to ensure SBB's short-term payment ability.

SBB defines financing risk as the risk at any time of not having access to capital, or for refinancing, investment and other payments at an increased cost. This is minimized through having a well-diversified loan maturity structure, different types of borrowings and lenders as well a sufficient liquidity reserves. SBB strives for an even maturity structure and to prepare well ahead for refinancing.

As of December 31, 2019, the average remaining maturity of the loan portfolio was 3.4 years. At the same time, cash and cash equivalents totaled SEK 12 858m (157). In addition, the Company held SEK 19,961m in cash, loan commitments and unutilized credit lines.

The Group's contractual repayments of financial liabilities are shown in the table below. Liabilities are included at earliest repayment period

Maturity structure	31-12-2019				Total
	<1 yr	1-3 yr	3-5 yr	>5 yr	
Liabilities to credit institutions *)	3 923	8 921	12 403	837	26 084
Bonds *)	1 466	7 587	4 714	11 524	25 291
Commercial papers	4 944	-	-	-	4 944
Other long-term liabilities	-	20	2	-	22
Derivative liabilities	3	1	43	-23	25
Accounts payable	131	-	-	-	131
Other current liabilities	8 822	-	-	-	8 822
Total	19 289	16 629	17 162	12 338	65 418

*) Excl. arrangement fees

31-12-2018					
Maturity structure	<1 yr	1-3 yr	3-5 yr	>5 yr	Total
Liabilities to credit institutions	119	2 221	1 849	2 057	6 247
Bonds	563	2 446	1 973	2 980	7 961
Commercial papers	1 844	-	-	-	1 844
Other long-term liabilities	-	23	-	2	25
Derivative liabilities	2	5	16	8	31
Accounts payable	88	-	-	-	88
Other current liabilities	279	-	-	-	279
Total	2 895	4 695	3 839	5 046	16 475

Credit risk

Credit risk is defined as the risk that counterparties, both financial and commercial, are not able to fulfill their obligations to SBB or offer security for completion. In the financial operations, the objective is to actively spread the risk of capital being lost when a counterparty is unable to fulfill its obligations to SBB. Another credit risk is that SBB's tenants not being able to fulfill their obligations. The group has established guidelines to ensure that the tenants have a suitable credit background and the credit losses in are small in relation to the group's sales.

The assessment has been made that there has been no significant increase in credit risk for any of the group's financial assets. The counterparties are without a credit risk rating, except for cash and cash equivalents where the counterparties have the credit rating of AA- and A.

The maturity structure for accounts receivable on the balance sheet date is given below.

	31-12-2019	31-12-2018
Accounts receivable not due	35	3
Overdue accounts receivable 1-30 days	18	20
Overdue accounts receivable 31-90 days	9	2
Overdue accounts receivable > 90 days	11	14
Carrying amount at the end of year	74	40

Provisions account receivables	31-12-2019	31-12-2018
Carrying amount at the beginning of year	-9	-9
Provisions	-10	-4
Amounts written off (credit losses recorded)	-1	-
Recovered, previously provisioned	-	3
Carrying amount at the end of year	-20	-9

Receivables mainly consist of rental receivables for which the group has chosen to apply the simplified method for reporting expected credit losses according to IFRS 9. This means that expected loan losses are reserved for the remaining maturity, which is expected to be less than one year for all receivables above. Rental income is invoiced in advance, which means that all reported rental receivables have fallen due. The Group reserves for expected credit losses based on historical information on established customer losses in combination with taking into account known information about the counterparty and forward-looking information. SBB writes off a claim when there is no longer any expectation of receiving payment and active measures for receiving payment have been terminated.

The above shows the financial assets for which the Group has reserved expected loan losses. In addition, the Group also monitors reservation requirements for other financial instruments, such as cash and cash equivalents, and for the parent company also internal receivables. SBB applies a rating-based method in combination with other known information and forward-looking factors for assessing expected credit losses. In cases where the amounts are not deemed to be insignificant, a provision is made for expected credit losses for these financial instruments.

Reporting in the parent company regarding credit risk

The parent company applies a rating-based method for calculating expected credit losses on intra-group receivables based on the probability of default, expected loss and exposure in the event of default. The parent company has defined default as when payment of the claim is 90 days delayed or more, or if other factors indicate that the payment default is present. The parent company believes that the subsidiaries currently have similar risk profiles and the assessment is done on a collective basis. Significant increase in credit risk has not been considered to exist for any intra-group receivable on the balance sheet date. The parent company's receivables from its subsidiaries are subordinated external lenders' claims for which the subsidiary's properties are pledged as collateral. The parent company applies the general method to the intra-group receivables. The parent company's expected loss in the event of default takes into account the subsidiaries' average loan-to-value ratio (Loan to Value) and the expected market value in the event of a forced sale. Based on the parent company's assessments according to the above method, taking into account other known information and forward-looking factors, expected loan losses are not deemed to be significant and no provision has therefore been reported.

Interest rate risk

Interest rate risk is defined as the risk that the development in the fixed income market will have negative effects on SBB. Interest rate risk affects SBB partly as current interest expenses for loans and derivatives and partly as market value changes on derivatives. Interest rate risk refers primarily to the risk in SBB's current interest expenses. The objective of interest rate risk management is to achieve the desired stability in SBB's total cash flows. Stable cash flows are important partly to promote property investments, partly to meet the requirements and expectations of creditors and other external parties on SBB. Within the framework of the chosen strategy and permitted deviations, the goal is to achieve the best possible financial cash flow in the long term. The interest rate risk shall be measured on SBB's net debt in combination with derivative instruments.

The interest rate risk strategy shall consist of a balanced combination of variable interest rate and fixed interest rate fixing. When choosing an interest rate risk strategy, account must be taken of how sensitive SBB's total cash flows are to developments in the fixed income market over a multi-year time horizon. The average fixed interest term was 2.6 years at year-end. Below is the interest maturity structure.

Interest maturity structure (nominal amount)

Maturity year	Interest due SEK	Share %
Variable	22 354	40 %
2019	4 271	8 %
2020	720	1 %
2021	1 940	3 %
2022	5 275	9 %
2023	4 256	8 %
2024	17 503	31 %
Total	56 318	100 %

Capital Management and Financial Commitments

SBB must have a stable financial position so that it can give the company conditions for its operations and hence the goal to generate increase in NAV per share, excluding dividends on its ordinary shares, of at least 12 percent a year on average over a five-year period. SBB's dividend policy also entails a goal to generate a stable and increasing yearly dividend. Another goal is to achieve a BBB+ rating. In order to attain these goals, SBB has a number of financial goals:

- Loan to value shall be below 50 percent. As of 31 December 2019, LTV was 41 percent.
- Equity ratio shall be at least 45 percent. As of 31 December 2019, the Equity Ratio was 30 percent. The reason for the equity ratio falling below for 2019 is explained by the raising of capital which was made due to the acquisition of Hemfosa.
- Generate earnings from building rights of, on average, SEK 250- 400m a year. Change in value for building rights amounted to SEK 338m for 2019.
- Secured loan to value shall be below 30 percent. As of 31 December 2019, the secured loan to value was 26 percent.
- The interest coverage ratio shall be at least 3.0 times. In 2019 the interest coverage ratio was 2.6 ggr The goal was not achieved in 2019 due to high cost of interest rates at the beginning of the year. SBB's average interest rate in the past 12 months decreased from 2.44 percent to 1.76 percent.

In loan agreements with credit institutions and bond investors there are set limit values, ie covenants. In a majority of our agreements the covenants are equity ratio, loan to value and interest coverage ratio. The loan agreements, in general have a limit regarding equity ratio of 25 percent. The interest coverage ratio shall in the credit agreements be 1.5-1.7 times and the loan to value shall not exceed 70-80 percent.

Sensitivity analysis

The sensitivity analysis calculations are based on the Group's earning capacity and balance sheet as of December 31, 2019. The sensitivity analysis shows the effect on the Group's annual profit after full impact of each of the parameters. Interest-bearing liabilities and lease contracts run for several years, which means that level changes do not get a full impact during an individual year, but first in a longer perspective.

	Change +/-	Annual effect SEKm
Economic occupancy rate	1 percentage point	+/- 55
Rental income	1 percent	+/- 52
Property expenses	1 percent	+/- 15
SBB's average interest	1 percentage point	+/- 563

Hedging instruments and accounting

As of December 31, 2019, the Group's holdings of foreign currency debt are distributed on the following underlying amounts and maturities.

Hedging instruments identified 31 december 2019

Hedging instrument – accounts adjusted (Amounts SEKm)	Within 3 m	3 m- 1 y	1 - 3 y	> 3 y	Total
Debt Euro – currency hedge of net investment	-	-	-	2 215	2 215
Debt NOK – currency hedge of net investment	-	-	-	1 057	1 057
Hedged debt, nominal amount (balance sheet value)	-	-	-	3 272	3 272

Hedging instruments identified 31 december 2018

Hedging instrument – accounts adjusted (Amounts SEKm)	Within 3 m	3 m- 1 y	1 - 3 y	> 3 y	Total
Debt Euro – currency hedge of net investment	122	-	-	-	122
Hedged debt, nominal amount (balance sheet value)	122	-	-	-	122

Hedge accounting began in 2018. The Group applies hedge accounting in accordance with IFRS 9 regarding loan liabilities and aims to hedge currency risk in net investments in foreign operations. The loans are valued at the exchange rate at the balance sheet date. To the extent that an effective hedging relationship exists, the exchange rate change on the loans is reported in other comprehensive income, and thereby matches exchange rate changes on net investments in the foreign operations. Exchange rate fluctuations for an ineffective portion of a hedging relationship are reported immediately in the income statement

When the transaction is concluded, the relationship between the hedging instrument and the hedged item is documented, as well as the objective of risk management and the strategy.

Hedges are designed so that they can be effective, that is, it is expected that there will be a financial connection because the hedging instrument counteracts changes in fair value regarding exchange rates in hedged items. The economic relationship is preferably determined by qualitative analysis of critical conditions in the hedging relationship. If changed circumstances affect the hedging relationship so that critical conditions no longer match, the Group uses quantitative methods (the hypothetical derivative method) to evaluate the effectiveness. Sources of hedging inefficiency include the risk that hedged volume in hedging instruments would exceed the net investment. The Group regularly monitors the currency exposure in the net investments, and hedge accounting is applied only to a proportion of total exposure, which is why the risk of inefficiency is deemed to be low.

The Group determines the hedging ratio between hedging instruments and hedged items based on the hedging quotas that exist in the actual hedges. the ratio is 1:1.

Effects of hedge accounting on financial position and earnings - Current hedging relationships	Hedging instruments identified in hedging relationships on December 31, 2019			Period - change in fair value, for measurement of inefficiency	
	Face value	Book value	Classification in balance sheet	Hedging instrument	Hedged amount
SEK, millions					
<i>Currency hedge of net investment</i>					
In EUR	-2 215	-2 215	Bond loans	-28	-28
In NOK	-1 057	-1 057	Bond loans	-8	-8

Effects of hedge accounting on financial position and earnings - Current hedging relationships	Hedging instruments identified in hedging relationships on December 31, 2018			Period - change in fair value, for measurement of inefficiency	
	Face value	Book value	Classification in balance sheet	Hedging instrument	Hedged amount
SEK, millions					
<i>Currency hedge of net investment</i>					
In EUR	-122	-122	Commercial paper	0	0

Some inefficiency has been reported during the period when the hedging ratio was not 1: 1. Inefficiency is reported as exchange rate differences of SEK 91m (-) in the income statement.

Effects of hedge accounting on financial position and earnings	2019	2018
Reconciliation of currency translation reserve	Currency translation reserve	Currency translation reserve
SEK, millions		
Carrying amount at the beginning of year	-108	-103
<i>Additional items during the period</i>		
Currency translation effects from net investments in foreign operations	135	31
Exchange rate revaluation of debt in foreign currency identified as hedging instrument	28	-36
Total additional items, reported in other comprehensive income	163	-108
Carrying amount at the end of year	55	-108
of which continuous hedges	55	-108

Note 24 Other liabilities

	31-12-2019	31-12-2018
Debt acquired properties	8 169	232
Other items	653	47
Reported value	8 822	279

Note 25 Accrued expenses and prepaid income

	31-12-2019	31-12-2018
Accrued personnel costs	20	8
Accrued operating costs	62	92
Accrued interest costs	287	60
Prepaid rents	610	136
Other items	430	3
Reported value	1 408	299

Note 26 Cash flow statement

	01-01-2019	01-01-2018
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Adjustments for items not included in cash flow	- 31-12-2019	- 31-12-2018
Depreciations	3	2
Reported value	3	2

Note 27 Liabilities relating to financing activities

Non-cash flow transactions

	01-01-2019	Cash flow affecting transactions	Debt acquired on acquisitions	Change in foreign currency	31-12-2019
Bonds	6 925	15 161	3 085	-9	25 162
Liabilities to credit institutions	5 909	-328	20 391	13	25 985
Commercial paper	1 840	1 639	1 455	10	4 944
Deferred tax			3 095		3 095
Other long-term liabilities	25	-3	-	-	22
Total liabilities attributable to financing activities	14 700	16 469	28 026	14	59 208

Non-cash flow transactions

	01-01-2018	Cash flow affecting transactions	Debt acquired on acquisitions	Change in foreign currency	31-12-2018
Bonds	6 601	204	-	120	6 925
Liabilities to credit institutions	7 233	-1 423	-	100	5 909
Commercial paper	-	1 840		-	1 840
Liabilities to shareholders	74	-74		-	-
Other long-term liabilities	14	11		-	25
Total liabilities attributable to financing activities	13 921	559	-	220	14 700

Note 28 Pledged assets

	31-12-2019	31-12-2018
Mortgages	87 795	26 763
Shares in group companies	13 161	1 790
Total	100 956	28 553

Note 29 Contingent liabilities

	31-12-2019	31-12-2018
Guarantee liability for commitments in joint ventures/associated companies	273	-
Guarantees for commitments in joint ventures/associated companies	6	-
Total	279	-

Note 30 Related party transactions

SBB acquired the company Hestia Sambygg AB on March 26, 2018, which was 49 percent previously owned by the principal owner Ilija Batljan Invest AB. The purchase price paid to Ilija Batljan Invest AB was nominal (SEK 1). The company supplied consulting services relating to financial and technical property management. The pricing for the services was based on a market-based square meter price. After the acquisition, these services are conducted in-house.

SBB has an incentive program for the company's current and future employees, which comprises 20,000,000 warrants that entitle the holder to subscribe for the corresponding number of Class B shares in the company. The subscription price for new subscription of B shares corresponds to 130 percent of the average of the company's B-shares' volume-weighted last price during the 10 trading days from October 24, 2017 through November 6, 2017. Subscription for class B shares on the basis of warrants may take place in the period from October 1, 2020 through October 31, 2020.

For information on remuneration to senior executives, see Note 8 Employees and personnel costs.

Note 31 Events after the balance sheet date

- After the offer to Hemfosa's shareholders expired, SBB controlled 93.5 percent of the shares and 93.8 percent of the votes in Hemfosa. SBB has after that called for a compulsory purchase of the shares that have not been submitted in the offer. In February, an additional 8,736,000 ordinary shares were acquired in Hemfosa from Syquant Capital. After that acquisition, SBB controlled 98.3 percent of the shares and 98.9 percent of the votes in Hemfosa.
- SBB issued a perpetual hybrid bond of EUR 500m with a fixed coupon of 2.624 percent and an unsecured bond of EUR 750m with a fixed coupon of 1 percent and a maturity of 7.5 years.
- Letters of intent have been entered into to sell properties for a total value of SEK 11bn. Out of these letters of intent, an agreement was entered into with Alecta after the balance sheet date for the sale of the property Mimer for SEK 460m.
- SBB entered into an agreement to acquire approximately 30 percent of the shares and votes in SSM Holding AB (publ), corresponding to a purchase price of SEK 116m. Closing is expected to take place on 24 March 2020.
- In March, SBB repurchased most of the unsecured bonds issued by SBB and Hemfosa, which mature up to and including May 2021, and have thereby repurchased SEK 3,362.4m of the total issued amount of SEK 3,724m. SBB have no other unsecured bonds that fall due within the next 12 months.
- SBB has evaluated the effect of the Corona virus / Covid-19 on the company's operations. The assessment is that SBB's safe cash flows are only marginally affected by the business cycle and external factors, as cash flows mainly come from tenants who are tax-financed by the Nordic states or rent regulated residentials. The company has a long average fixed interest rate term and capital tied up and, apart from commercial paper, has only minor maturities within the next 12 months. The commercial paper that falls due is secured with back-up facilities. SBB has adopted a continuity plan with guidelines for operations during the Covid-19 crisis and continues to monitor developments closely.

INCOME STATEMENT OF PARENT COMPANY

Amount in SEKm	Note	2019	2018
Net sales		-	-
Personnel costs	4	-31	-24
Other operation expenses	3	-147	-43
Operating profit		-178	-67
Financial items			
Profit from shares in group companies	5	-44	7
Interest income and similar items	6	831	240
Interest expenses and similar items	7	-626	-249
Changes in value, derivatives	7	21	-
Profit after financial items		4	69
Appropriations	8	453	73
Profit before tax		457	4
Tax	9	-81	1
NET PROFIT FOR THE PERIOD		376	5

STATEMENT OF COMPREHENSIVE INCOME OF PARENT COMPANY

Amount in SEKm	Note	2019	2018
Net profit for the period		376	5
Other comprehensive income		-	-
COMPREHENSIVE INCOME FOR THE PERIOD		376	5

BALANCE SHEET OF PARENT COMPANY

Amount in SEKm	Note	2019	2018
ASSETS			
Fixed assets			
Financial fixed assets			
Shares in group companies	10	24 232	3 700
Receivables from group companies	11,12	18 822	7 948
Receivables from associated companies/joint ventures	12	-	156
Deferred tax assets	9	45	1
Financial fixed assets at fair value	12	239	62
Derivatives	12	21	-
Other long-term receivables	12	1	1
Total financial fixed assets		43 360	11 868
Total fixed assets		43 360	11 868
Current assets			
Current receivables			
Accounts receivable	12	-	1
Other receivables	12	18	10
Prepaid expenses and accrues income	13	5	2
Total current receivables		23	13
Short-term investments	12	1 041	-
Cash and cash equivalents	12,14	11 664	6
Total current assets		12 728	19
TOTAL ASSETS		56 088	11 887
EQUITY AND LIABILITIES			
	15		
Share capital		134	80
Share premium		22 628	7 211
Retained earnings		-221	-70
Net profit for the year		376	5
Total equity		22 917	7 226
Untaxed reserves	16	-	2
Long-term liabilities			
Liabilities to credit institutions	12	-	150
Bond loans	12	20 387	2 461
Liabilities to associated companies/joint ventures	12	287	-
Other long-term liabilities	12	-	88
Total long-term liabilities		20 674	2 699
Current liabilities			
Bond loans		444	-
Commercial papers	12	3 486	1 840
Accounts payable	12	12	16
Current tax liabilities	9	-	1
Other liabilities	12	8 103	46
Accrued expenses and prepaid income	17	452	57
Total current liabilities		12 497	1 960
TOTAL EQUITY AND LIABILITIES		56 088	11 887

STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

Amount in SEKm				
	Share capital	Share premium	Retained earnings	Total equity
Total equity 01-01-2018	74	4 937	23	5 034
Share issue	9	1 419		1 425
Issue costs		-58		-58
Issue hybrid bonds		1 517		1 517
Dividends		-190		-190
Redeemed preference shares		-98		-98
Repurchased hybrid bonds		-317		-317
Repurchased warrants			-93	-93
Net profit for the period			5	5
Other comprehensive income			-	-
Total equity 31-12-2018	80	7 211	-65	7 226
Total equity 01-01-2019	80	7 211	-65	7 226
Share issue	54	13 542		13 596
Issue hybrid bonds		4 677		4 677
Issue costs		-267		-267
Dividends		-569		-569
Redeemed preference shares		-93		-93
Tax effects equity			127	127
Repurchased hybrid bonds		-1 873	-283	- 2 156
Net profit for the period			376	376
Other comprehensive income				-
Total equity 31-12-2019	134	22 629	154	22 917

COMMENTS ON THE PARENT COMPANY'S INCOME STATEMENT AND BALANCE SHEET

The Parent Company's operations consist of Group-wide functions, such as business development, transactions, property development and financial management. The company has 10 employees. The costs including personnel costs during the period amounted to SEK 178m (67). As a result of the extraordinary activities in the company, such as a switch to Nasdaq's main market and the acquisition of Hemfosa, the company had some non-recurring costs of around SEK 83m during the period.

During the period, SBB carried out a rights issue of Class B ordinary shares, which provided SBB with SEK 1.5bn before issue expenses. In addition to this, a targeted issue of Class B ordinary shares was made to a volume of SEK 400m to Gösta Welandson. The non-cash issue carried out in connection with the acquisition of Hemfosa contributed around SEK 11bn in equity.

CASH FLOW STATEMENT OF PARENT COMPANY

Amount in SEKm	Note	2019	2018
Operations			
Profit after financial items		4	-69
Net financial items		-205	9
Interest paid		-449	-249
Interest received		831	240
Tax		-	-
Cash flow from operations before changes in working capital		181	-69
Cash flow from changes in working capital			
Changes in current receivables		-10	2
Changes in current liabilities		8 120	95
Cash flow from operations		8 291	28
Investment activities			
Investments in subsidiaries		-20 532	-258
Claims incurred by group companies		-10 874	-6 347
Changes in receivables from associated companies/joint ventures		156	-156
Changes in asset at fair value		-1 239	-62
Changes in other long-term receivables		-	-1
Cash flow from investment activities		-32 489	-6 824
Financing activities			
Share issue		13 406	1 380
Issue hybrid bonds		4 600	1 505
Redeemed warrants		-2 156	-317
Redeemed preference shares		-	-93
Group contributions		-93	-98
Dividend paid		453	73
Changes in loans		-419	-190
		20 065	4 539
Cash flow from financing activities		35 856	6 799
Cash flow for the period		11 658	3
Cash and cash equivalents at the beginning of the period		6	3
Cash and cash equivalents at the end of the period	14	11 664	6

¹⁾ The amount above also include share issues without contribution of cash. Investments in subsidiaries also includes investments made by direct share issues.

NOTES – PARENT COMPANY

Note 1 Significant accounting principles

The parent company has prepared its annual report in accordance with the Annual Accounts Act (1995: 1554) and the recommendation RFR 2 "Accounting for legal entity" issued by the Swedish Financial Reporting Board. The parent company applies the same accounting principles as the Group with the exceptions and additions stated in RFR 2. This means that IFRS is applied with the deviations specified below.

Subsidiaries

Shares in subsidiaries are reported in the parent company in accordance with the acquisition value method. This means that transaction costs are included in the book value of holdings in the subsidiary. The book value is tested quarterly against the subsidiaries' equity. In cases where the book value is less than the subsidiaries' consolidated value, write-downs are charged to the income statement. In cases where a previous write-down is no longer justified, this is reversed.

Group contributions and shareholder contributions

The parent company reports both received and paid group contributions as appropriations. Shareholder contributions of the parent company are transferred directly to shareholders' equity of the recipient and reported as shares and participations with the parent company. Received shareholder contributions are reported as an increase in non-restricted equity.

Income

Dividends are reported when the right to receive payment is certain. Revenue from the sale of subsidiaries is reported when risks and benefits associated with the holding in the subsidiary have been transferred to the buyer.

Financial instruments

Due to the connection between accounting and taxation, the rules on financial instruments in accordance with IFRS 9 in the parent company are not applied as a legal entity, but the parent company applies the acquisition value method in accordance with the Swedish Annual Accounts Act (ÅRL). In the parent company, therefore, financial fixed assets are valued at acquisition value and financial current assets according to the lowest value principle, with the application of impairment losses for expected loan losses according to IFRS 9 for assets that are debt instruments, see further in Note 22 for the Group. For other financial assets, write-downs are based on market values.

The parent company applies the exception not to value financial guarantee agreements for the benefit of subsidiaries and associated companies and joint ventures in accordance with the rules in IFRS 9, but instead applies the principles for valuation according to IAS 37 Provisions, contingent liabilities and contingent assets.

Untaxed reserves

In the parent company, tax allocation reserves including deferred tax liabilities are reported. In the consolidated accounts, on the other hand, untaxed reserves are divided into deferred tax liabilities and equity.

Note 2 Significant estimates and assessments

For significant estimates and assessments, see Note 3 for the Group.

Note 3 Fees to the auditor

Ernst & Young AB	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Audit fees	1	1
Other auditing costs	1	1
Tax advice	-	-
Other services	4	3
Total	6	5

Note 4 Employees and personnel costs

For salaries and remuneration to employees and senior executives as well as information on the number of employees, see Note 8 for the Group.

Note 5 Result from shares in group companies

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Dividends received	-	7
Result from group companies	-44	-
Total	-44	7

Note 6 Interest income and similar items

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Assets valued at amortized cost		
Interest income from group companies	611	229
Other interest income	37	1
Exchange rate differences *)	182	10
Summa	831	240

*) Not calculated according to the effective interest method

Note 7 Interest expenses and similar items

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Liabilities valued at amortized cost		
Interest expenses to group companies	136	51
Other interest expense	242	188
Exchange rate differences, financial items *)	56	9
Other financial expenses	192	1
Total	626	249

*) Not calculated according to the effective interest method

Note 8 Appropriations

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Group contribution received	451	73
Provision for accrual fund	2	-
Total	453	73

Note 9 Tax

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Current tax	1	-
Changes in deferred tax for temporary differences	-82	1
Reported tax	-81	1

	01-01-2019 - 31-12-2019	01-01-2018 - 31-12-2018
Reconciliation of effective tax rate		
Profit before tax	457	4
Tax according to the applicable tax rate for the parent company (22%)	-98	-1
Tax effect of:		
Other tax rates in the company	-2	-
Tax attributable to previous years	2	-
Non-taxable income	-	1
Non-deductible costs	-25	-
Unrecognized costs to deduct	11	-
Activation of deficit	31	1
Reported tax	-81	1
Effective tax rate	-18 %	21 %

Reconciliation of deferred tax assets	2019-12-31	2018-12-31
Carrying amount at the beginning of year	1	-
Tax losses	44	1
Carrying amount at the end of year	45	1

Reconciliation of deferred tax assets	2019-12-31	2018-12-31
Carrying amount at the beginning of year	1	-
Tax reported in the income statement	-82	1
Tax recognized against equity	127	-
Carrying amount at the end of year	45	1

Note 10 Shares in group companies

	31-12-2019	31-12-2018
Carrying amount at the beginning of year	3 700	3 442
Acquisition/shareholder contributions	20 559	258
Sales	-26	-
Carrying amount at the end of year	24 232	3 700

The list below includes shares and participations directly owned by the parent company. Other companies included in the Group are shown in the respective subsidiaries' annual report.

Company	Corporation no.	Location	Shares	Capital share, %	Redovisat värde	
					31-12-2019	31-12-2018
SBB i Norden AB (publ)	559053-5174	Stockholm	20 516 611	100%	2 281	2 281
Aktiebolaget Högkullen	559002-5465	Stockholm	10 000 000	100%	334	334
SBB Option AB	559062-6262	Stockholm	50 000	100%	7	7
Kuststaden Holding AB	556875-2173	Oskarshamn	26 735 251	100%	623	623
Sörmlandsporten AB	556716-3034	Stockholm	1 000	100%	203	203
Karlbergsvägen 77 Fastighets AB (publ)	559084-4352	Stockholm	15 102 878	99%	226	252
Hemfosa Fastighets AB	556917-4377	Stockholm	148 810 683	88%	20 559	-
Redovisat värde i moderföretaget					24 232	3 700

Note 11 Receivables from group companies

	31-12-2019	31-12-2018
Carrying amount at the beginning of year	7 948	1 600
Additional receivables	65 004	13 348
Reclassifications	-44	-57
Outgoing receivables	-54 086	-6 944
Carrying amount at the end of year	18 822	7 948

Note 12 Financial instruments

Valuation of financial assets and liabilities as of December 31, 2019

	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/ liabilities valued at amortized cost	Fair value
Financial assets			
Receivables from group companies		18 822	18 822
Derivatives	21	-	21
Other long-term receivables		1	1
Other current receivables		18	18
Short-term investments		1 041	1 041
Cash and cash equivalents		11 664	11 664
Total	21	31 546	31 567
Financial liabilities			
Bonds		20 387	20 387
Liabilities to associated companies/joint ventures		287	287
Commercial papers		3 486	3 486
Accounts payable		12	12
Other current liabilities		8 103	8 103
Total		32 275	32 275

Valuation of financial assets and liabilities as of December 31, 2018

	Financial assets/ liabilities valued at amortized cost	Fair value
Financial assets		
Receivables from group companies	7 948	7 948
Receivables from associated companies/jv	156	156
Other long-term receivables	63	63
Accounts receivable	1	1
Other current receivables	10	10
Cash and cash equivalents	6	6
Total	8 184	8 184
Financial liabilities		
Liabilities to credit institutions	150	150
Bonds	2 461	2 461
Other long-term liabilities	88	88
Shareholder loans	1 840	1 840
Accounts payable	16	16
Other current liabilities	46	46
Total	4 601	4 601

The assets and liabilities are reported at amortized cost, which is deemed to correspond to its fair value.

Valuation at fair value

Fair value is the price that at the valuation date would be obtained by selling an asset or paid to the transfer of a liability by an orderly transaction between market participants. The table below shows financial instruments valued at fair value based on the classification in the fair value hierarchy. The different levels are defined as follows:

- Level 1 - Listed prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Other observable inputs for the asset or liability other than listed prices included in level 1 either directly (i.e. as price quotes) or indirectly (i.e. derived from price quotes).
- Level 3 - Input data for the asset or the liability that is not based on available market.

Liquidity and financing risk

Liquidity risk refers to the risk that there is insufficient liquidity to meet future payment commitments. Ongoing liquidity forecasts are made to identify need for capital. A liquidity reserve for the business shall at all times be available to ensure SBB's short-term payment ability.

SBB defines financing risk as the risk at any time of not having access to capital, or for refinancing, investment and other payments at an increased cost. This is minimized through having a well-diversified loan maturity structure, different types of borrowings and lenders as well as sufficient liquidity reserves. SBB strives for an even maturity structure and to prepare well ahead for refinancing.

As of December 31, 2019, the average remaining maturity of the loan portfolio was 4.6 years. At the same time, cash and cash equivalents totaled SEK 11 664m (6). In addition, the Company held SEK 18,767m in cash, loan commitments and unutilized credit lines.

The Parent company's contractual repayments of financial liabilities are shown in the table below. Liabilities are included at earliest repayment period

31-12-2019					
Maturity structure	<1 yr	1-3 yr	3-5 yr	>5 yr	Total
Bonds	444	7 128	13 259	-	20 831
Commercial papers	3 486	-	-	-	3 486
Accounts payable	12	-	-	-	12
Other current liabilities	8 103	-	-	-	8 103
Total	12 045	7 128	13 259	0	32 432

31-12-2018					
Maturity structure	<1 yr	1-3 yr	3-5 yr	>5 yr	Total
Liabilities to credit institutions	150	-	-	-	150
Bonds	300	2 161	-	-	2 461
Commercial papers	1 840	-	-	-	1 840
Other long-term liabilities	-	88	-	-	88
Accounts payable	16	-	-	-	16
Other current liabilities	46	-	-	-	46
Total	2 352	2 249	-	-	4 601

Note 13 Prepaid expenses and accrued income

	31-12-2019	31-12-2018
Other	5	2
Reported value	5	2

Note 14 Cash and cash equivalents

	31-12-2019	31-12-2018
Cash and bank balances	11 664	6
Reported value	11 664	6

Note 15 Shareholders' equity

As of December 31 2018, the share capital consisted of 209,977,491 ordinary shares class A, 1,030,549,096 ordinary shares class B, 104,425,359 ordinary shares class B and 30,713 preference shares with a quota value of SEK 0.1. See also information in the Group's Note 21 Equity.

Note 16 Untaxed reserves

	31-12-2019	31-12-2018
Tax allocation reserves	-	2
Reported value	-	2

Note 17 Accrued expenses and prepaid income

	31-12-2019	31-12-2018
Accrued personnel costs	4	3
Accrued interest costs	197	20
Other items	251	34
Reported value	452	57

Note 18 Pledged assets

The parent company has no collaterals.

Note 19 Contingent liabilities

	31-12-2019	31-12-2018
Guarantees in favor of group companies	6 014	4 713
Reported value	6 014	4 713

Guarantees in favor of group companies refer to the parent company, as borrowing takes place directly in a subsidiary.

Note 20 Transactions with related parties

Related party transactions 2019

Financial assets	Purchase of goods / services	Interest rates	Receivables on balance sheet date	Debt on balance sheet date
Group companies	-	475	18 822	-
Total	-	475	18 822	-

Related party transactions 2018

Financial assets	Purchase of goods / services	Interest rates	Receivables on balance sheet date	Debt on balance sheet date
Group companies	-	178	7 948	-
Total	-	178	7 948	-

The company's transactions with related parties include loans by the company's shareholders and lending to subsidiaries as well as interest on the loans. The shareholder loans, convertibles and loans within the Group are subordinated and with a 3-5 percent interest payable quarterly.

For information on remuneration to management, see employee note in the Group's note 8.

Note 21 Events after the balance sheet date

For events after the balance sheet date, see Note 31 for the Group.

Note 22 Proposed profit allocation

31-12-2019

The following profits are available for distribution at the AGM:	
Share premium reserve	22 629 221 145
Retained earnings	-222 071 145
Net profit for the year	375 681 929
	22 782 831 929
Allocation:	
Dividend ordinary class A and B shareholders (SEK 0.60/share)	760 855 558
Dividend class D shareholders (SEK 2.00/share)	213 039 902
Dividend preference shareholders (SEK 35/share)	1 074 955
<u>To be carried forward</u>	21 807 861 514
	22 782 831 929

The Board's opinion on the dividend is available on page 68.

The Board of Directors and the CEO assure that the consolidated and annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, respectively, good accounting practice and give a true and fair view of the Group's and the company's financial position and results and that the Board of Directors' report provides a true and fair overview of the development of the Group's and the company's operations, financial position and results and describes significant risks and uncertainties that the companies that are part of the Group face.

Stockholm, 24 March 2020

Lennart Schuss
Styrelsens ordförande

Ilija Batljan
Verkställande direktör

Sven-Olof Johansson
Styrelseledamot

Hans Runesten
Styrelseledamot

Fredrik Svensson
Styrelseledamot

Eva Swartz Grimaldi
Styrelseledamot

Anne-Grete Strøm-Erichsen
Styrelseledamot

Our audit report was submitted on 24 March 2020.

Ernst & Young AB

Ingemar Rindstig
Auktoriserad Revisor

Auditor's report

To the general meeting of the shareholders of Samhällsbyggnadsbolaget i Norden AB, corporate identity number 556981-7660

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Samhällsbyggnadsbolaget i Norden AB (publ) except for the corporate governance statement on pages 63-67 for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 50-117 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 63-67. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investment properties

Description

The fair value of investment properties in the Group as at 31 December 2019 was SEK 79 542 million and changes in the value of properties of SEK 2 453 million. Investment Properties are the most significant item in the consolidated balance sheet. Valuation at fair value is inherently subject to subjective assessments, where a small change in assumptions underlying the valuations can have a significant impact on reported values. Valuations are return based on the cash flow model, which means that future cash flows are forecasted. The property's yield is assessed based on the unique risk of each property and actual market transactions. Due to the various assumptions and assessments that are made in connection with the valuation of investment properties, we considered this area as a key audit matter in the audit. A description of the valuation principles of the property holdings can be found in the section Property values on page 53-54 and Note 14, regarding significant estimates and assessments and in Note 3.

How our audit addressed this key audit matter

In our audit, we evaluated and reviewed management's process for real estate valuation, including evaluating the applied valuation method and input data in the valuations. We have also made comparisons with available market information. With the help of our valuation specialists, we have also examined the reasonableness of assumptions for a selection of properties such as yield, vacancy rate, rental income and operating costs. We have assessed whether the information provided in the annual report is appropriate.

Goodwill

Description	How our audit addressed this key audit matter
<p>In 2019, the group acquired Hemfosa Fastighets AB and the acquisition has been accounted for as business combinations in accordance with IFRS 3. As of December 31, 2019, goodwill amounts to SEK 6 663 million in the consolidated balance sheet and is related to the difference between the acquisition value of the acquired shares and the fair value of the acquired net assets. The Group performs impairment test annually or when there is an indication that the carrying value exceeds the estimated recoverable amount.</p> <p>Assessment of the recoverable amount, defined as the highest value of fair value minus sales costs and value in use, involves assumptions from management to identify and calculate the value for cash generating units (CGUs). A description of the valuation principles of goodwill can be found in the section goodwill on page 74, Note 13 and in Note 3 regarding significant estimates and assessments.</p> <p>Due to the various assumptions and assessments that are made in connection with the valuation of goodwill we considered this area as a key audit matter in the audit.</p>	<p>Our audit procedures to address this area, included, amongst others;</p> <ul style="list-style-type: none"> - We have evaluated the Company's process to establish and perform impairment tests. - We have examined how cash generating units (CGUs), are identified and compared to how the Company internally monitors its business. - We have examined the Company's cash generating units' s (CGU's) discount rate and assumptions on long-term growth through comparison against the Company's forecasts. - We have involved valuation specialist to assists us in the evaluation of the used valuation and calculation methods, assessment of reasonableness in used assumptions and assessment of the sensitivity analysis, - We have also assessed whether the information disclosed in the annual report is appropriate.

Acquisition of investment properties

Description	How our audit addressed this key audit matter
<p>During the year 2019, the Group acquired investment properties for an amount of SEK 57 608 million. Specific terms in the individual transaction agreements, the underlying property pricing and valuation, the assessment of whether acquisitions are to be classified as asset alternative acquisition as well as the assessment of the date of recognition of the acquisition all contributes to the complexity of the property transactions. Due to the complexity of assumptions and assessments made in property transactions, we consider this area to be a key audit matter in the audit. A description of accounting principles for acquisition of investment properties can be found in the Acquisition section on page 53-54 and Note 3 regarding significant estimates and assessments.</p>	<p>In our audit, we have evaluated and reviewed the company process for assessing the classification and recognition of acquired investment properties. We have reviewed the accounting of completed acquisitions with respect to the date of recognition, purchase price and any special conditions against underlying agreements. We have reviewed the information disclosed in the annual report.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-49 and 118-125. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning

internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate,

the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such

they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- ▶ Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual

accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Samhällsbyggnadsbolaget i Norden AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- ▶ has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- ▶ in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 63-67 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR 's auditing standard RevU 16 *The auditor 's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850 103 99 Stockholm, was appointed auditor of Samhällsbyggnadsbolaget i Norden AB by the general meeting of the shareholders on the 29 April 2019 and has been the company's auditor since 28 March 2017.

Stockholm 24 March, 2020

Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

DEFINITIONS

Financial definitions

Actual net asset value (EPRA NNAV), SEK

Equity attributable to the ordinary share, excluding equity associated with preference and D shares, non-controlling interests and hybrid bonds, adjusted for estimated actual deferred tax at 5.5 percent and reversal of goodwill attributable to deferred tax. *The key figure provides an adjusted and complementary measure of the size of equity calculated in a manner consistent with listed property companies.*

Number of preference shares outstanding

The number of preference shares outstanding at the end of the period.

Number of ordinary shares outstanding

The number of ordinary shares outstanding at the end of the period.

Return on equity, %

Net profit for the period in relation to average equity for the period.

The key figure shows SBB's return on equity during the period.

Loan-to-value ratio, %

Net debt in relation to total assets. *The key figure is used to illustrate SBB's financial risk.*

EPRA

European Public Real Estate Association is an organization for listed property companies and investors in Europe. EPRA sets standards regarding financial reporting.

EPRA Earnings, SEK Profit from property management less estimated current tax attributable to the profit from property management. Taxable profit from property management refers to profit from property management less tax deductible depreciation and renovations. *The key figure provides information on profit from property management calculated in a uniform manner for listed property companies.*

Profit from property management

Profit before changes in value and tax.

The key figure provides a measurement of the operations' profit generation regardless of value changes.

Average number of preference shares

The number of preference shares outstanding weighted over the period.

Average number of ordinary shares

The number of ordinary shares outstanding weighted over the period.

Average interest, %

Weighted average contracted interest for interest-bearing liabilities at the end of the period excluding unutilized credit facilities.

The key figure is used to illustrate SBB's financial risk.

Average fixed interest term, years

Average remaining duration until an interest-adjustment point for interest-bearing liabilities.

The key figure is used to illustrate SBB's financial risk.

Adjusted equity/assets ratio, %

Reported equity including owner loans and convertibles, with reversal of reported deferred tax liability as a percentage of total assets. *The key figure is used to illustrate SBB's financial stability.*

Tied-up capital, year

Remaining maturity of interest-bearing liabilities.

The key figure is used to illustrate SBB's financial risk.

Cash flow from operating activities, SEK

Cash flow from operating activities before changes in working capital according to the cash flow statement.

Long-term net asset value (EPRA NAV), SEK

Recognized equity attributable to the ordinary share, excluding equity associated with preference and D shares, non-controlling interests and the hybrid bond, adding back deferred tax liability, goodwill attributable to deferred tax and interest rate derivatives. *The key figure provides an adjusted and complementary measure of the size of equity calculated in a manner consistent with listed property companies.*

Net debt, SEK

Interest-bearing liabilities less cash and cash equivalents.

Earnings per ordinary share A and B, SEK

Net profit for the period after dividend to preference shareholders and holders of D shares and interest on hybrid bonds in relation to the average number of ordinary shares A and B for the period.

Interest-coverage ratio, multiple Profit from property management (past 12 months) after return of financial costs in relation to financial costs excluding costs for early repayment of loans and leasing costs. *The key figure is used to illustrate financial risk.*

Equity/assets ratio, %

Reported equity as a percentage of total assets. The key figure is used to illustrate SBB's financial stability.

Secured loan-to-value ratio, % Secured liabilities as a percentage of the total assets. The key figure is used to illustrate SBB's financial stability.

Property-related definitions

Number of properties

Number of properties at the end of the period

Number of sq.m.

Total area in the property portfolio at the end of the period

GFA

Gross floor area

Net operating income, SEK

Rental income less property costs.

Economic occupancy ratio, %

Rental income in relation to rental value.

The key figure is used to illustrate the level of return on the operating net in relation to the value of the properties

EPRA Vacancy rate, %

The rental value of available leases divided by the rental value of the entire portfolio.

The key figure is calculated in accordance with the EPRA definition, which enables comparison with other companies.

EPRA Earnings, SEK

Profit from property management less estimated current tax attributable to the profit from property management. Taxable profit from property management refers to profit from property management less tax deductible depreciation and renovations.

The key figure provides information on profit from property management calculated in a uniform manner for listed property companies.

Average contract length of social infrastructure properties, years

Remaining contract value in relation to annual rent for social infrastructure properties.

The key figure aims to illustrate SBB's rental risk.

Rental income, SEK

Charges for the period with deductions for rental losses.

Rental value, SEK

Contracted rents plus market value for vacant areas.

Market value of properties, SEK

Fair value of the properties at the end of the period.

Surplus ratio, %

Net operating income as a percentage of rental income for the period. The key figure shows how much of the rental income remains after direct property costs.

Yield, %

Net operating income (rolling 12 months) in relation to the sum of the properties fair value at the end of the period excl. the value for building rights.

The key figure is used to illustrate the level of return on the net operating income in relation to the value of the properties.

CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES

Return on equity

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Net profit for the period	2 624	1 690
IB Equity	11 197	7 636
OB Equity	30 896	11 197
Average equity	21 047	9 417
Return on Equity	12%	18%

Loan-to-value ratio

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Liabilities to credit institutions	25 985	5 910
Bond loans	25 162	6 925
Commercial papers	4 944	1 840
Cash and cash equivalents	-12 858	-157
Net debt	43 233	14 518
Total assets	104 203	27 641
Loan-to-value ratio	41%	53%

Yield

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Net operating income according to earnings capacity	3 713	1 112
Investment properties	79 542	25 243
Building rights	-2 893	-1 331
Property value excl. building rights	76 649	23 912
Yield	4,8%	4,7%

Economic letting ratio

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Rental income in current earnings capacity	5 217	1 585
Rental value in current earnings capacity	5 502	1 648
Economic letting ratio	94,8%	96,2%

EPRA Earnings

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Profit from property management	645	321
Income tax paid	-34	-1
EPRA earnings	611	320
Average number of ordinary shares Class A and B	762 481 721	741 569 031
EPRA Earnings per ordinary share class A and B (EPS)	0,80	0,43

Adjusted equity ratio

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Equity	30 896	11 197
Deferred tax excl. deferred tax related to goodwill	3 869	1 047
Sum	34 765	12 244
Total assets	104 203	27 641
Adjusted Equity ratio	33%	44%

Earnings per ordinary Class A and Class B shares

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Net profit for the period	2 624	1 690
Net profit attributable to preference shares	-11	-47
Net profit attributable to ordinary class D shares	-150	-21
Net profit attributable to hybrid bonds	-198	-86
Net profit attributable to non-controlling interest	-4	-
Net profit attributable to ordinary class A and B shares	2 261	1 536
Average number of ordinary class A and B shares	762 481 721	741 569 031
Earnings per ordinary class A and class B shares	2,97	2,07

Interest coverage ratio, times

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Profit from property management (rolling 12 months)	645	321
Interest expenses and similar items (rolling 12 months)	482	538
Expenses for redeemed loans in advance (rolling 12 months)	197	127
Translation gains/losses (rolling 12 months)	-91	-
Land lease expenses (rolling 12 months)	7	-
Sum	1 240	986
Interest expenses and similar items (rolling 12 months)	482	538
Interest coverage ratio, times	2,6	1,8

Equity ratio

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Equity	30 896	11 197
Total assets	104 203	27 641
Equity ratio	30%	41%

Net asset value

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
<i>Equity excluding non-controlling interest</i>		
Eget kapital	30 896	11 197
Equity	-4 629	-1 873
Hybrid bonds	-1 963	-315
Equity excluding non-controlling interest	24 304	9 009
Equity attributable to Preference share investors	-15	-88
Equity attributable to D-share investors	-3 255	-1 244
Goodwill attributable to deferred tax	-2 368	-
Reversal of deferred taxes	6 237	1 047
Deferred tax deduction (5.5%)	-2 604	-886
Current net assets value (EPRA NNNNAV)	22 298	7 838
<i>Current net assets value (EPRA NNNNAV), SEK/share</i>	<i>17,97</i>	<i>10,37</i>
Derivation of derivatives	-48	12
Reversal of deferred tax deduction (5.5%)	2 604	886
Långsiktigt substansvärde (EPRA NAV)	24 855	8 736
<i>Long-term net asset value (EPRA NAV), SEK/share</i>	<i>20,04</i>	<i>11,55</i>
Number of ordinary class A and B shares	1 240 526 587	756 049 031

Secured Loan-to-value

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Liabilities to credit institutions	25 985	5 910
Secured bond loans	1 334	4 552
Total secured loans	27 319	10 462
Total assets	104 203	27 641
Secured loan-to-value ratio	26%	38%

Surplus ratio

Amount in SEKm	01-01-2019 31-12-2019	01-01-2018 31-12-2018
Net operating income	1 265	1 071
Rental income	1 996	1 680
Surplus ratio	63%	64%

INVESTOR RELATIONS

Samhällsbyggnadsbolagets IR's activities should, through clear information disclosure, responsiveness and clear availability, promote good relations with the capital market's players, create trust in the company and thereby contribute to cost-effective financing in terms of a fair market valuation. IR activities and associated information disclosure shall be in accordance with applicable legislation, the Nasdaq regulations, the Swedish Financial Supervisory Authority's guidelines for stock exchange and MTF companies, the Swedish Code of Corporate Governance and SBB's guidelines for communication.

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Press releases, interim reports and annual reports are published and can be downloaded, in both Swedish and English (most), at the SBB's website (www.sbbnorden.se). There is also continuous information about the company, the share and financial statistics and the opportunity to subscribe to press releases and reports.

CALENDAR

Interim report Jan-Mar 2020 27.04.2020

Annual General Meeting 27.04.2020

Interim report Jan-Jun 2020 14.07.2020

Interim report Jan-Sep 2020 03.11.2020

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