D. CARNEGIE & CO.

ANNUAL REPORT 2016

Jerker Andersson

Born in Bollnäs in 1963. Painter, draughtsman and printmaker. Attended the Gerlesborg Art School in Stockholm, but is otherwise self-taught. Jerker Andersson enjoys painting folklore subjects and often seeks inspiration from events and ideas in the traditions of Hälsingland. In recent years, Jerker Andersson has also worked in granite, including large sculptures carved from a single piece of rock. Jerker Andersson's work is represented in collections owned by Bollnäs Municipality, Folkparkernas Riksorganisation, the Swedish Public Employment Service in Bollnäs, Sankt Lars Kapell etc.

D. Carnegie & Co supports contemporary artists, preferably related to the Swedish "Million Programme" public housing project.

CONTENTS

The year in brief

Q1

- Completes disposal of Gothenburg portfolio.
- Entered into agreement regarding repayment of convertible debentures to improve net financial items and reduce dilution.
- Acquires property in Uppsala and divests a property with a potential development right in Solna.

Q2

- Purchases of property portfolios in Eskilstuna and Katrineholm.
- Guldkupol educates D. Carnegie & Co tenants on energy efficiency measures.
- Conducts directed share issue to new and current shareholders.
- Announces investment program equivalent to SEK 900 million over the next five years
- Issues bond amounting SEK 1,000 million

Q3

- Blackstone through Vega Holdco S.à.r.l.* becomes the company's new principal owner.
- New renovation team in place with the long-term capacity to renovate over 1,000 apartments per year.

Q4

- First building permit granted on the company's own land. 40 new housing units at the Finnsta 1:17 property in Upplands-Bro municipality.
- AIK Football team becomes a new collaborative partner. Four major social sustainability projects will be implemented together in the Stockholm suburbs where D. Carnegie & Co owns apartments, starting at the beginning of 2017.

* A company that is wholly owned by real estate funds, advised by an affiliate to Blackstone Group L.P.

KEY FIGURES

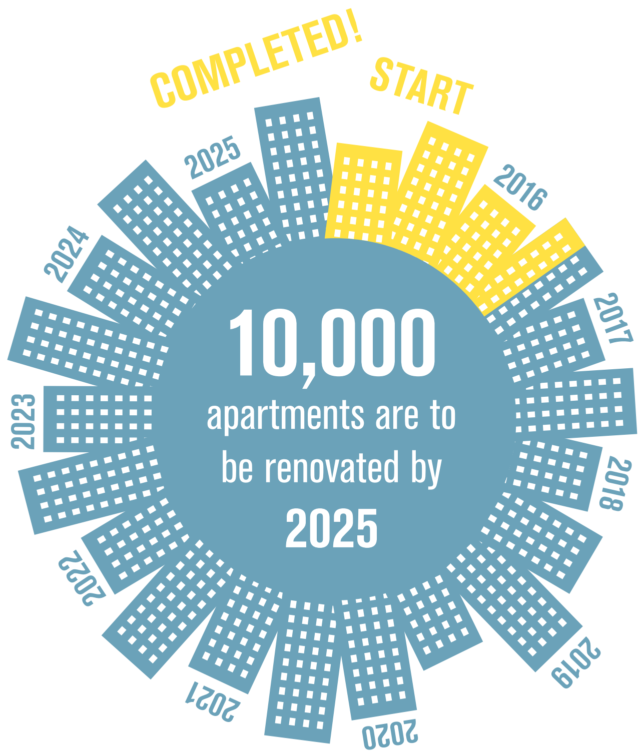
	Jan – Dec 2016	Jan – Dec 2015	Jan – Dec 2014
Rental income, SEK m	1,284.3	1,217.4	608.7
Net operating income, SEK m	630.5	554.1	257.6
Surplus ratio, %	49.1	45.4	42.3
Income from property management, SEK m	269.4	186.2	42.4
After-tax profit, SEK m	1,678.3	1,139.1	233.1
Earnings per share SEK, before dilution	22.20	16.10	4.8
Earnings per share SEK, after dilution	21.93	13.50	4.3
Equity per share SEK	82.60	62.06	45.7
Adjusted equity (European Public Real Estate Association (EPRA) net asset value (NAV)) per share, SEK	101.96	73.50	51.99
Market value of investment properties, SEK m	16,997.9	13,826.4	11,520.80
Equity/assets ratio, %	33.8	28.2	25.4
Equity/assets ratio, adjusted, %	41.7	33.4	29.1

D. Carnegie & Co in brief

D. Carnegie & Co owns and manages residential properties with focus on Stockholm. Property management close to the tenant in order to provide the highest possible level of service, and we cooperate closely with the communities in order to make our properties a long-term good place to live.

D. Carnegie & Co shall focus on:

- Managing and developing properties in-house
- Improving its portfolio and creating increased cash flows and strong value growth through D. Carnegie & Co's well-tested renovation process
- Developing building rights across the existing portfolio



Read more about the Renometer on page 6

NO. OF APARTMENTS
16,358

MARKET VALUE
SEK 16,998 m

RENTAL INCOME, ANNUAL RATE
SEK 1,379 m

NET OPERATING INCOME, ANNUAL RATE
SEK 734 m

BEFORE-TAX PROFIT
SEK 2,072 m

EARNINGS PER SHARE
SEK 22.20

Investment rate remains high

2016 has involved continued strong growth for D. Carnegie & Co. Through significant investments in existing properties and new acquisitions, we have during the past year created a healthy growth in value. At the same time, we have further strengthened our operational capacity and reduced expenses by using more efficient processes. We have also continued major investments to improve all aspects of living in our neighbourhoods.

In 2016, we invested SEK 1 billion and noted an increase in value of our properties by almost SEK 3 billion. Together with a 45 per cent rise in profit from property management, the company has thus further improved its financial results. This offers us favourable conditions to continue to renovate and develop our residential areas. We have continued with large scale apartment renovations, but have also invested in common spaces and in surrounding areas as well as measures to improve safety and well-being. Being a resident in our properties should be an entirely positive and safe experience.

Improving and adding value

During 2016, we renovated 1,253 apartments, which far exceeds our aim to renovate 1,000 apartments each year. We also continued investments in façades, heating installations, laundry facilities etc., which reduces maintenance costs and to some extent contributes to higher rental income. In total, the renovations in 2016 have enabled an increase in rental income by 4.7 per cent for comparable properties, while operating costs were reduced by 3.5 per cent and repairs and maintenance costs were reduced by 23 per cent. This is reflected in an increase of net operating income exceeding 13 per cent for comparable properties, which explains most of the value increase for the year. Our healthy profits enable us to continue investing in apartment renovations and the outdoor environment in our areas. Our assessment is that we will have renovated our entire current portfolio by 2025.

An overall approach for better living conditions

Creating good living environments requires physical investments, but also a sustained commitment. D. Carnegie & Co invests a considerable amount of time and money in creating safe and attractive living environments for our tenants. We have a number of employees who during the evening and night to help create a safe and secure neighbourhood. We have also supported several social projects involving people from our communities and we have supported sports clubs to hold local initiatives for children and young people. I am particularly proud when tenants themselves say that we are creating more attractive neighbourhoods.

Satisfied tenants are our reward and during the past year we have worked systematically to improve our follow-up of how tenants appraise our efforts. This enables us to quickly implement improvement measures. Our strong and sustained commitment towards good housing also promotes a high level of employee satisfaction. Our employees feel that we do more than simply manage the properties, which contributes to our good results.

Outlook

There are strong indications of significant potential in our areas. Maintaining and developing existing residential areas, in attractive locations is profitable and sustainable in both socioeconomic and commercial terms. During the year, D. Carnegie & Co will continue to develop additional properties, invest and renovate in existing areas. We will also intensify work with developments of building rights to increase the attractiveness of our areas. It is likely that we will start our first new build in 2017.

We are continuously looking for new acquisitions, within and close to the areas where we operate, and signed an acquisition agreement in February 2017 for almost 1,700 apartments, which should close in May 2017. We are very hopeful that we can complete additional acquisitions during the current year.

We will continue to reinvest the value we create and with our own method renovate the areas – on the terms

> **D. Carnegie & Co invests a considerable amount of time and money in creating safe and attractive living environments for our tenants.**

of our tenants. This applies to apartments, common spaces and surrounding areas. Our aim is to invest even more in 2017 than in the previous year. We will also continue our commitment to the community aspects of our residential areas.

The living situation in the regions where we operate remains challenging and creates an underlying demand for our properties. It also creates the preconditions to improve the living environment for many years to come.

Stockholm, April 2017

Ulf Nilsson
CEO, D. Carnegie & Co

STRATEGY AND MARKET

Vision

To develop and improve the company's property portfolio into attractive modern housing units through good property management and thorough renovation.

Mission

D. Carnegie & Co acquires, owns and manages properties to provide better housing for everyone.

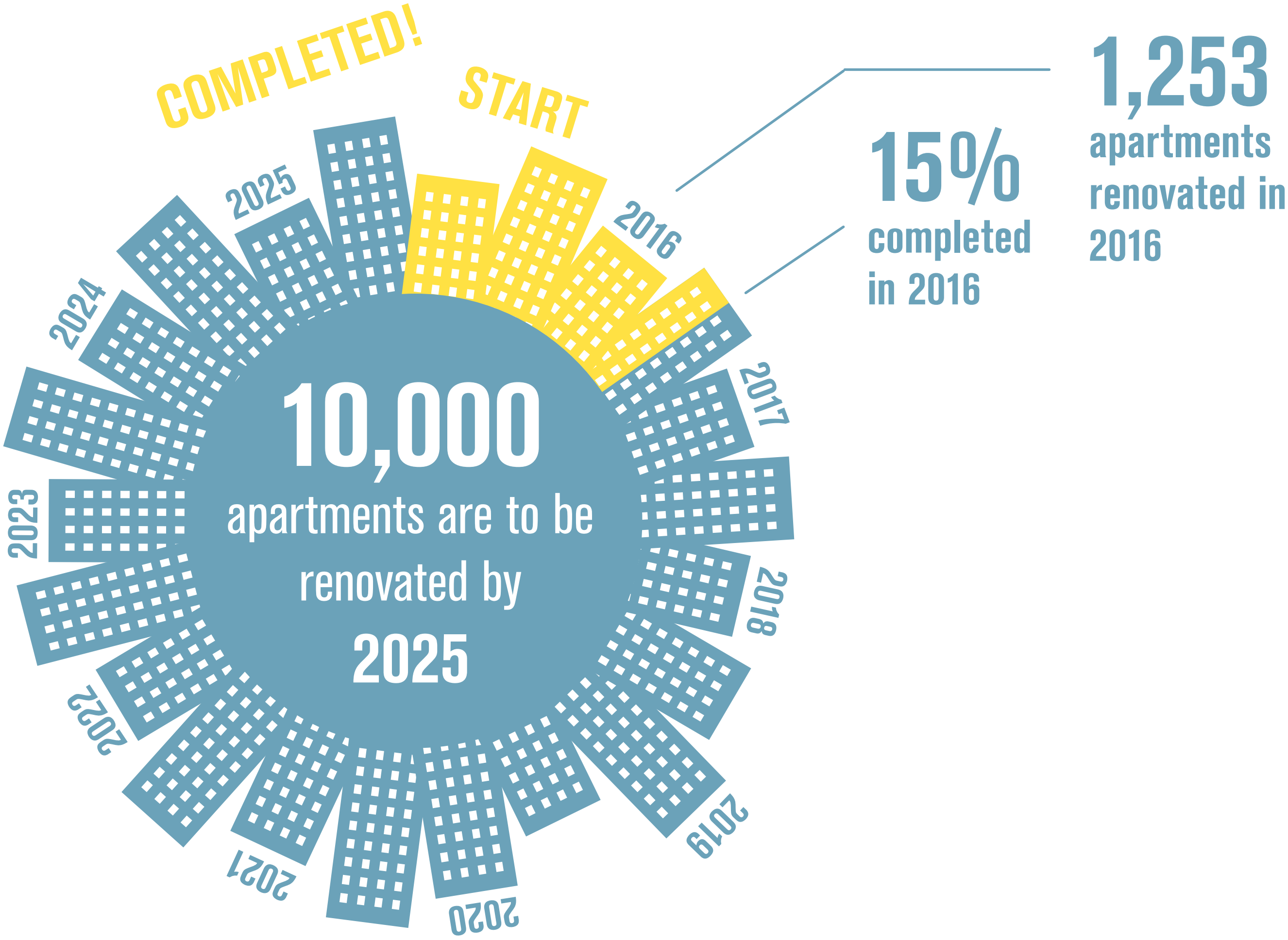
Our story

We are motivated by a strong belief in the opportunity to develop and improve the environment in the so-called "Million Program" areas that were built in the 1960s and 1970s. Economic growth and high demand for apartments in the Stockholm region make investments in older housing profitable. D. Carnegie & Co creates significant values in these areas through extensive investments. Values that benefit residents and the community, and that contribute to continued renewal and development.

We take a long-term approach to ownership, and our objective is for all of our properties to be renovated within a ten-year period. Apartments are modernised and improved only when tenants move voluntarily. Our commitment even extends to the development of the area, and we invest in the outdoor environment, in communal spaces and complementary new building. Through our presence and commitment, we create an environment that invokes pride and satisfaction among residents, which is a positive force for the surrounding community.

Our operation – step by step

D. Carnegie & Co's modernisation and improvement process builds on three steps – Renovation, Improvement and New development.



"The Renometer"

D. Carnegie & Co's objective is for an acquired property to be renovated within ten years. This means that over 10,000 apartments should be renovated by 2025. D. Carnegie & Co had renovated 2,000 apartments in total by year-end, 1,253 of them in 2016, with more satisfied tenants as a result. D. Carnegie & Co's model of renovating apartment by apartment allows the company to avoid costly relocations and interruptions in rent. This benefits both the company and its tenants. D. Carnegie & Co's "Renometer" shows the progress of the renovation work on a continual basis.

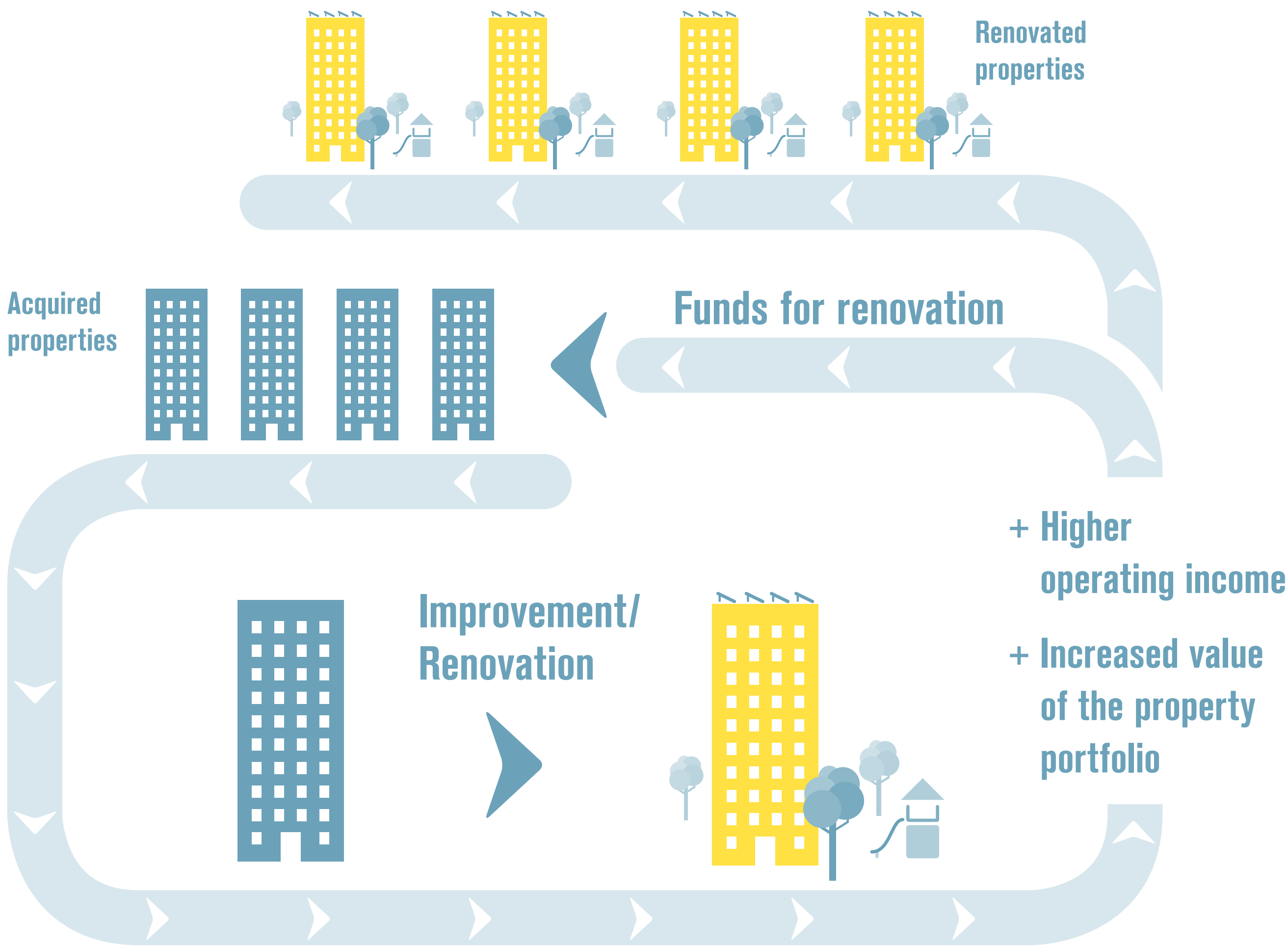
Overall targets

- All apartments are to be renovated within ten years of D. Carnegie & Co acquiring a given property

Results in 2016

1,253 refurbished apart ments in 2016

In total SEK 1,039 million invested in current properties



The flow for better housing

D. Carnegie & Co's renovation strategy produces gradually increased operating income, which in turn increases the company's ability to continue its rapid improvement and investment approach. This becomes possible through both higher cash flow and higher property values which produce greater borrowing opportunities. More renovated apartments produce more satisfied tenants, and at the same time greater scope for investment which generates continued renovations and investments in the outdoor environment. This is a long-term sustainable model where the company's profits continuously benefit tenants and the surrounding community. The company invested over SEK 1 billion last year, which is equivalent to 250 per cent of its income from property management, in renovations.

Financial targets

D. Carnegie & Co has the following long-term financial targets:

Financial targets	Results in 2016
• 10 per cent annual growth in the value of its existing portfolio per cent	Growth in value of 12.9 per cent
• A maximum 65 per cent loan-to-value ratio	LTV of 54 per cent
• Equity ratio of at least 30 per cent	Equity ratio of 33.8 per cent

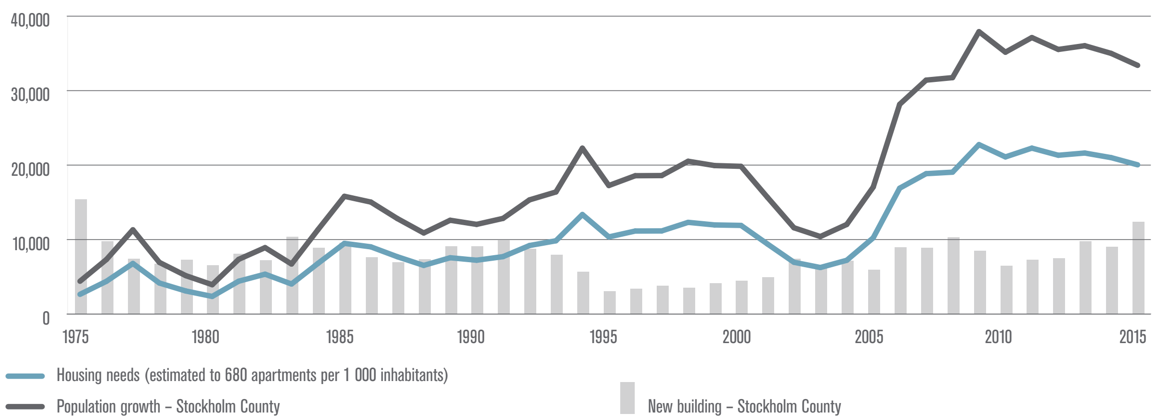
Rental apartments – an important alternative in Stockholm, which is suffering from a housing shortage

A growing population increases demand for housing

At year-end the population of Stockholm County was nearly 2.3 million inhabitants, which corresponds to an increase of about 33,000 new Stockholmers last year. The urbanisation trend is predicted to continue in the next few years, and Stockholm County is expected to grow to 2.6 million inhabitants by 2025, which corresponds to an annual growth rate of 1.6 per cent. The capital region's high population growth is increasing demand for housing in a market that already suffers from a severe housing shortage in its current state.

According to the Swedish National Housing Board, there is a need to build 710,000 new housing units in Sweden by 2025. The annual need for new production in Stockholm County is estimated at 21,000 new apart-

Population growth higher than new construction



ments per year until 2030. This is a significant increase relative to the pace of new production in recent years, which has been around 12,000 new housing units per year. The high demand for housing and historically low levels of new production have had an obvious impact on both the price level of housing and the size of the housing queue.

Two apartments transferred per 100 in the queue

In 2016, the average waiting time for a rental apartment in the Stockholm region was nine years, and at the end of the year 556,000 people were in the housing queue. The housing queue has increased by 420,000 people since 2005. At the same time, the number of apartments transferred annually only increased by 4,000, from approximately 8,000 apartments transferred in 2005 to approximately 12,000 apartments in 2016. In 2016, only two apartments were transferred per 100 people waiting in Stockholm's housing queue.

Rental apartments meet the need for mobility

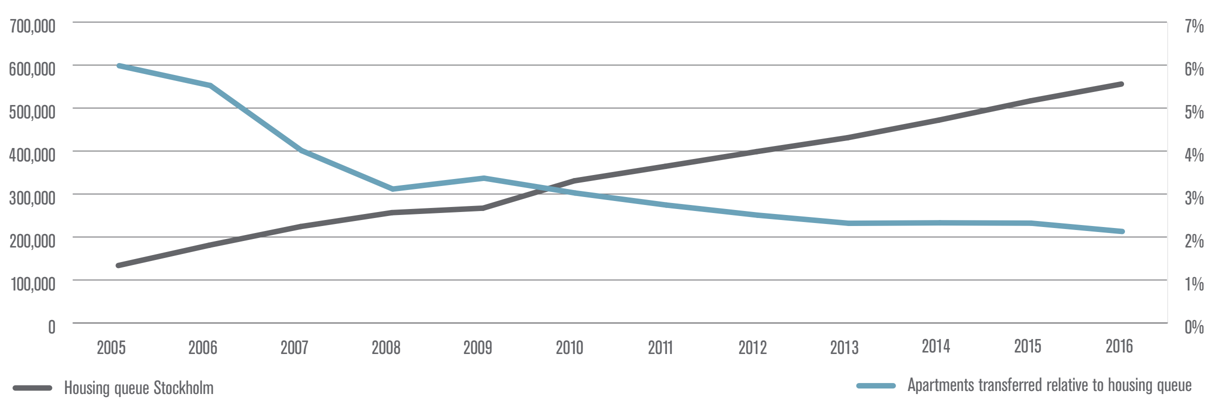
Greater access to rental apartments improves flexibility in the housing market and creates improved prospects for growth through simplified moving processes and lower transaction costs when moving to new housing.

> In 2016 the average waiting time for a rental apartment in the Stockholm region was nine years, and at the end of the year 556,000 people were in the housing queue.

As the cost of tenant-owner apartments rises, rental apartments become an increasingly important requirement as the need for mobility continues to increase. The renovation of existing portfolios and new production are two important methods to increase access to attractive rental apartments.

Renovation of the existing property portfolio is furthermore an important part of Sweden's sustainability strategy: taking advantage of existing buildings is more sustainable in the long term than demolishing them and building new ones. In D. Carnegie & Co's view, this fact will become increasingly important in the future. The Million Programme, which consists of properties constructed between 1965 and 1975, is well-built, generally has good transportation connections and is located close to green areas. Responsible improvement and reinvestments to restore the areas to new condition

Two apartments transferred per 100 in the queue



are an important part of the solution to how Sweden is to continue growing.

High demand also makes renovation possible

The housing shortage, combined with low interest rates, also affects the financial conditions for financing thorough renovations. Due to low interest rates, investors who require low risk such as pension companies and other institutions have found it increasingly difficult to receive reasonable returns on their investments. Since the widespread housing shortage has minimised the risk of vacancies in the housing stock, especially in the Stockholm region, these investors have become increasingly interested in housing. Higher demand combined with extremely low vacancy risk has reduced yield requirements and raised prices for residential properties all over the country.

Of course, higher values are positive for the property owners, but they are also positive for tenants since they make it possible to thoroughly renovate the housing units. When the properties are improved, their value rises further, and as a result, the owners of the properties can invest more in the properties than the surplus from property management actually produces. Increases in value are calculated in the profit/loss in the company's accounts, which produces a positive net effect from thorough renovations.

The current situation is important to D. Carnegie & Co in making such thorough uplift of its portfolio.

Meeri Wasberg – Social Democratic local government commissioner in Haninge

About Meeri Wasberg
Social Democratic local government commissioner in Haninge after the 2014 election, previously a member of parliament. Background as an employment adviser.

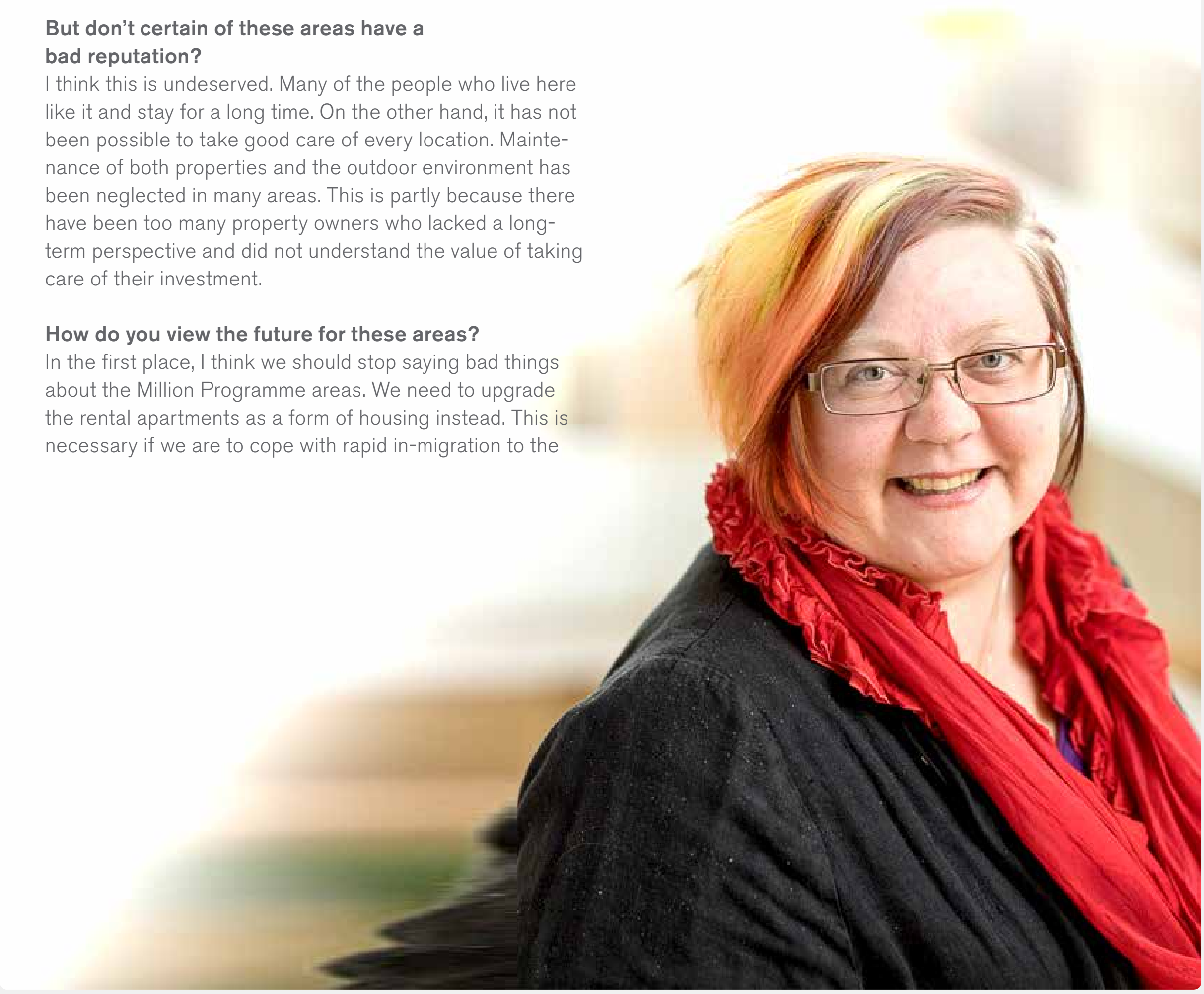
About Haninge
Located south of Stockholm, with a population of about 85,000. Governed by the Social Democratic, Green and Centre Parties since 2014. There are several large residential areas in the municipality built in the 1960s and 1970s, including Brandbergen and Jordbro.

How would you describe the housing in the Million Programme areas?
In many ways, these areas provide exactly what the modern city dweller demands. The housing is relatively dense providing an urban atmosphere, while at the same time it is close to green areas, both within the area and beyond its borders. In addition, there is often good access to public transport. In general, the buildings are well constructed and the apartments are thoughtfully planned for both families with children and smaller households. I lived for a while in Jordbro myself, and I really appreciated the lovely car-free areas between buildings.

But don't certain of these areas have a bad reputation?
I think this is undeserved. Many of the people who live here like it and stay for a long time. On the other hand, it has not been possible to take good care of every location. Maintenance of both properties and the outdoor environment has been neglected in many areas. This is partly because there have been too many property owners who lacked a long-term perspective and did not understand the value of taking care of their investment.

How do you view the future for these areas?
In the first place, I think we should stop saying bad things about the Million Programme areas. We need to upgrade the rental apartments as a form of housing instead. This is necessary if we are to cope with rapid in-migration to the metropolitan areas and increasing mobility. I would like to see additional densification, both vertically and horizontally. A lot of the infrastructure is already in place.

In the second place, I hope there will be more property owners who dare to engage in long-term thinking. Investing and putting effort into active property management, close to the residents, is a win-win for long-term companies, residents and society. Many of the areas that were built in the 60s and 70s have great potential to be attractive housing in our growth areas. But players who are willing to devote attention to both the buildings and the people who live there are needed.



PROPERTY PORTFOLIO

Property portfolio

Population increase raises the demand for properties

D. Carnegie & Co's property portfolio consists mainly of residential properties in Greater Stockholm and growth areas in Mälardalen. The portfolio consists to a large extent of residential properties built in the 1960s and 1970s and which are part of the so-called Million Program. Property located in growing metropolitan areas, strategically located along railways, close to green areas and with well-planned apartments are built with quality and excellence. However, they are more often described in terms of social, environmental and economic problems.

Of the company's total property portfolio, over 60 per cent is located in Greater Stockholm, in areas such as Jordbro, Husby, Rinkeby and Södertälje. D. Carnegie & Co is a long-term owner that in parallel with renovation, environmental improvement and management is also working systematically on measures to raise the prestige of the areas with both the residents and the public at large.

Comparisons in brackets refer to amounts for the equivalent period in the previous year.

D. Carnegie & Co´s property portfolio December 31, 2016

City/Neighborhood	Lettable area	Number of apartments	Percentage renovated	Fair value, 31 December 2016
Greater Stockholm				
Kista/Husby	110,324	1,528	18.3%	1,616,000
Bromsten/Rinkeby	111,616	1,281	20.2%	1,531,350
Sollentuna	33,730	454,000	11.0%	505
Flemingsberg	40,413	573,000	9.2%	534
Vårby/Vårberg	66,858	863,000	7.0%	799
Jordbro	157,840	1,954	13.1%	1,921,000
Södertälje	159,964	2,110	11.7%	2,429,770
Bro	43,752	540,000	9.3%	541
Märsta	57,105	693,000	7.8%	748
Total Greater Stockholm	**781,602**	**9,996**	**13.1%**	**10,625,576**
Uppsala	75,507	968,000	9.7%	1,026,800
Eskilstuna	145,741	1,964	10.9%	1,849,960
Strängnäs	35,477	411,000	11.9%	512
Norrköping	172,735	2,301	14.6%	2,219,300
Katrineholm	61,128	718,000	1.7%	723
Total other locations	**490,588**	**6,362**	**11.1%**	**6,331,247**
Other (land, building rights, etc)	2,632	-	-	41
Total	**1,274,822**	**16,358**	**12.3%**	**16,997,923**

Apartment Renovations and investments

A total of 1,942 (686) apartments in D. Carnegie & Co's current holdings have been renovated since 2014, of which 1,253 apartments were renovated in 2016 (527). Overall, SEK 1,039 million (491) was invested in existing properties during the year, which also includes the renovation of the common areas and the external environment. Investing in local neighbourhoods is an integral part of D. Carnegie & Co's renovation strategy that gives more satisfied tenants and also influences property values positively.

Acquisitions and divestments

SEK 780 million (955) of the total investment of SEK 1,819 million (1,446) was spent on the acquisition of new properties. During the year, four properties were sold during the period (January-December) at a market value of SEK 586 million (447).

Property values

At 31 December 2016, D. Carnegie & Co's property portfolio was valued at a market value of SEK 16,998 million. The property holding has been valued according to the methodology described below where 100 per cent of the stock was valued by a third party. The external property valuations have been carried out by Savills. The numbers within parenthesis regards the same item but previous year.

Model for the valuation

The valuation is based on cash flow analysis, meaning that the value of the property is based on the present value of projected cash flows during the calculation period of five years plus residual value.

The yield on the constituent valuation units varies from 3.76 per cent to 8.00 per cent with an average total of 4.31 per cent compared with 4.84 at the end of the year, 2015. The assumption regarding the future cash flows is based on the analysis of:

- Market / immediate vicinity future development
- The property market's conditions and market position
- Market rental conditions
- Operation and maintenance costs of similar properties in comparison with those in the current property

On the basis of the analysis, the result of the net operating income during the calculation period (2017-2021) and a residual value at the end of the calculation period have been subsequently discounted with the estimated discount rate in the range of 5.84 to 10.16 per cent. The average discount rate used for the period was 6.40 per cent (6.94). The value-influencing parameters used in the valuation correspond to the external valuer's interpretation of how a prospective buyer in the market would reason and the sum of the present value of net operating income and residual value is the market value.

Potential building rights have been valued on the basis of location price studies and location in the planning process. The building rights have been valued at SEK 250-8,000 per square meter gross total area upon completion plan. Deductions from these values are made to reflect the estimated location in the detailed planning process. The total area of potential development rights with value, is estimated at 232,300 m2 gross total area. The potential development rights have per 31 December 2016 been valued at a market value of SEK 311 million – the valuation of the building rights was unchanged during 2016. Only potential building rights that progressed far enough in the planning process were assigned market value. The total change in value of the property portfolio during the period was 12.9 per cent (10.4).

RENOVATION AND IMPROVEMENT

A well-proven renovation process

As a property owner with a portfolio that was primarily built in the 1960s and 1970s, D. Carnegie & Co is facing the same opportunities as many other housing owners, driven by the potential to renovate apartments and areas to a modern standard. D. Carnegie & Co does not do what others do – instead of vacating and renovating entire floors or properties, renovations are performed apartment by apartment as relocations naturally take place. A process that produces higher-quality, lower costs and higher rental income, as well as giving residents freedom of choice.

The rental apartments in D. Carnegie & Co's property portfolio often have good light and are well-planned with good layouts, but they are often in need of renovation. The same applies to communal spaces and the outdoor environment. D. Carnegie & Co's objective is to renovate over 1,000 apartments every year – which means that the company begins four to five new apartment renovations every working day. The natural annual relocation rate in the company's property portfolio is between 7 and 8 per cent. This makes D. Carnegie & Co's renovation process possible – renovations are performed apartment by apartment as tenants move or choose to have their apartment renovated. This means that the company avoids expensive relocation initiatives, which would mean inconvenience and stress for the residents as well. Moreover, the relocation rate is increased by offering existing tenants the opportunity to move within the portfolio to a renovated apartment, an option that is highly appreciated and utilised.

"D. Carnegie & Co's objective is to renovate at least 1,000 apartments every year."

Advantageous to both the tenant and the property owner

The guiding principle of D. Carnegie & Co's renovation model is to consistently choose high-quality materials and equipment with quality sustainable design. The basic idea is that everyone would like to have high quality and an attractive place to live. This is made possible through cost-effective purchases, strict control of the renovation process, lower property management costs and higher rents – as a result of higher utility value and a better standard.

It's important for the company to retain control over the renovation process in order to be able to manage the renovation work according to its own procedures and to accumulate lessons and experience. Procedures are continually updated in order to streamline the process. The systematic approach and procedures also play an important role during the property management phase – once the renovation of the apartment is complete, the equipment in the apartment and their makes and models are all documented. When something needs to be fixed or replaced, it's easy for the repair person to know which materials will be needed in that particular apartment.

D. Carnegie & Co's process and model for renovations are the key to understanding the company's approach and how it addresses the needs across its portfolio.

A holistic view of the renovation process

D. Carnegie & Co is attentive to the whole, and the company's objective is to create residential environments that are at least as secure and attractive as entirely newly-

This is the process in practice:

1

Natural relocation

When a tenant terminates their lease in order to move, the three-month notice period is used to plan the renovation of the apartment in detail. Materials are ordered and contractors are engaged.

2

Apartment renovation

Once the notice period is over and the tenant has left the apartment, the building contractor and construction managers can immediately begin renovating the apartment according to a detailed plan. The renovation period ordinarily lasts for about six weeks and follows clear procedures and processes in order to avoid downtime and delays. The materials are of high quality, and they are chosen in order to achieve low maintenance costs and good sustainability.

3

Letting

While renovation is in progress, the apartment is offered first to D. Carnegie & Co's queue for newly renovated apartments. The higher standard means a higher utility value, which justifies a higher rent level.

Demand for the newly renovated apartments is high, and the majority are let to people who are already tenants of D. Carnegie & Co and who voluntarily choose to pay higher rent for a better standard.

Higher revenues and lower maintenance costs mean higher net operating income, which improves cash flow and raises property values, which in turn enables further renovations.

produced areas. In order to achieve this, the company renovates all communal spaces, exteriors and outdoor environments in addition to apartments. Even unseen features such as heating systems and pipes are replaced, which reduces costs and creates housing that is sustainable in the long term. Over the last year, D. Carnegie & Co has invested half of the billion SEK on renovations outside the apartments. By making large-scale purchases and through efficient procurement, D. Carnegie & Co succeeds in achieving profitability even in these investments. Despite the fact that they often do not entail raising the rent initially they imply cost reductions and raise the long-term value of the area and thus of the properties.

In order to make its properties secure and attractive, the company also invests in soft values such as investments in local sports initiatives for children and adolescents, initiatives to help isolated women enter the labour market, support and participation in Neighbourhood Watch groups, etc.

D. Carnegie & Co also develops its property portfolio by driving the creation of new detailed development plans that makes new housing units possible adjacent to the existing ones. This new production will mean new tenants and attractive environments that contribute to the whole.

Taken together, these comprehensive measures will create considerably better housing while at the same time the areas' value potential is realised and the company's investments become sustainably profitable.

Local in-house property management

D. Carnegie & Co is devoted to providing local property management and offering its tenants a high standard and service-level, both in the apartments and in the area where they are located. With over 16,000 apartments, D. Carnegie & Co is one of the largest private players in the residential property field. Tenants must feel that they get full value for their rent with D. Carnegie & Co. This means satisfaction and security, which in turn means attractive areas.

The company's in-house management has been built up as the property portfolio has expanded. D. Carnegie & Co prioritises daily contact with tenants through its own presence in the residential area. This produces better quality, knowledge, trust and security.

Today, over 150 employees in the property management organisation work on site in the residential areas

Therese Afram – Letting coordinator in Södertälje

What is a typical day like for you?
There are no typical days here – every day is different! But that's what's fun about this job. There are always new challenges and you learn new things every day. If problems arise you need to dare to think outside the box. It's important to have a positive attitude and work together with your co-workers. That's how it is at D. Carnegie & Co!

What's important to tenants' satisfaction?
Personal contact. We've been having what we call "floor meetings". We invite the tenants from several floors, serve coffee and cake and listen to what they have to say. It's good that we can exchange thoughts and ideas and hear the tenants' views on the area and what we can develop together.

What are you most proud of in your work?
Being able to work at a property company that renovates apartments, fixes up outdoor environments and provides security for residents. This year, 15 young people worked here during their Christmas holiday. It's great to be able to give them the opportunity to have their first job. And it has positive effects – the improvements to the outdoor environment are noticeable, and other tenants have noticed this as well. The initiative was much appreciated!

What's your best memory from 2016?
We worked hard on pressing down our vacancy costs for renovated apartments, and it has produced results. I hope to continue these efforts in 2017.

– property caretakers, operating personnel, administrative assistants and workmen – who all have personal responsibility, know their area and know the residents. The organisation is divided into seven geographic regions that each constitute a separate profit centre and are led by a regional director. Through a daily presence in the areas, everyday relationships are established with the tenants and the company rapidly receives current information about events that affect property management and can often deal with problems before they become large ones, which in turn is cost-effective as well as improving quality for the tenants.

Safety hosts build security

Like many other property companies, D. Carnegie & Co has occasionally encountered social unrest, damage and other issues that have meant a sense of insecurity and dissatisfaction for tenants. It is important to turn around such situations in order to fulfil the company's ambition of raising the standard in the areas. One example is Järva, where the company has replaced the security car that circulated in the area with two locally employed safety hosts who have lived in similar areas for a long time themselves. They move among the residents both day and night, know "everyone", know what's happening and can speak with young people and others moving about the neighbourhood in a way that inspires confidence. Security grows while damage and thereby repair costs are reduced through the activity of the field workers. The positive experiences from Järva are now being applied to other areas.

Cooperation with tenants

D. Carnegie & Co's strategy is built on close cooperation with the residents. In negotiations with the local tenants' association, discussion concerns not only rent trends, but also renovations, improvement of outdoor environments, communal premises and service. The company's view is that a knowledgeable and responsible local tenants' association is an important representative of the company's tenants. Therefore the tenants' association functions as a partner that enables the company to meet tenants' needs and wishes.

D. Carnegie & Co also cooperates with players such as the property owner associations and municipalities in order to create a better residential environment. Together with these players and with the tenants, the company supports and cooperates in Neighbourhood Watch groups to increase security and satisfaction in the areas.

How to create an attractive housing environment

D. Carnegie & Co's ambition is to create residential areas where residents are highly satisfied. Efforts to achieve this are focused on activities that have a direct impact on tenants' residential environment, whether it comes to culture, sport or hiring committed people with local connections. Examples of projects implemented during the year are "Ice hockey for everyone", "Let's shake hands against vandalism" and "Role models in the suburbs".

Carina and Abdellatif – Tenants in Ronna

Why did you decide to move to Ronna?
"We were interested in living somewhere that was newly renovated. When we came here for a viewing, I immediately thought this is where I want to live. The apartment is so bright! It was a new beginning for us", Carina replied.

Did you have any connection to the area before moving here?
"I attended the Blombacka school nearby as a child, and I was born in Södertälje so the area is near to my heart. Since this district grew while Scania was expanding, you could say that we're living in the midst of Swedish industrial and cultural history. I like to joke that my parents helped build Södertälje although no one in my family has worked at Scania", Carina explained. "I also think of Björn Borg of course! This is where his tennis career took off. But I was born in Casablanca, and I lived in New York before I came to Sweden. After I arrived in Sweden I lived first in Luleå, which is extremely different from New York. Sometimes there was no one to be seen in the city. To me, Södertälje is a perfect balance between the two worlds", Abdellatif said.

What's the best thing about your apartment?
"The kitchen and bathroom are lovely, and all of the rooms have nice wooden floors. But what I appreciate most is the light and the view of Södertälje," Abdellatif replied.

Is there anything that could be improved?
"We've only lived here a couple of months and I can't think of anything yet. Maybe that it's a bit far from my job, but I'll be retiring soon and then it won't matter," Carina said with a laugh.

Will you stay here after you retire?
"Definitely! We like being close to the forests and the lake, which has a beach. And we can walk by the canal every evening", said Carina.
"And the sunsets here are marvelous, just like in Casablanca", Abdellatif added with a smile.

Football school with Akropolis IF

Many children of D. Carnegie & Co's tenants began their summer holidays with a free football school. Children from Husby, Rinkeby and Tensta had the opportunity to attend football training with professional coaches from Akropolis IF. The children also received football uniforms, and lunch was served every day. The site was the pitch at Akalla Farm.

An invitation was sent to all of the tenants in the 3,000 apartments managed by D. Carnegie & Co in Husby, Rinkeby and Tensta. 45 young people participated in 2016. The initiative was successful and well received.

D. Carnegie & Co's partnership with Akropolis IF began in 2016, and this was the first time the football school was offered. Akropolis IF plays its home matches with its first team at the Spånga playing field, but it runs youth activities in both northern and southern Stockholm, including Vårby. D. Carnegie & Co has several properties in the area, and expanded cooperation with football schools in Järva and Vårby is planned for 2017.

Skating day in cooperation with Hammarby Bandy

On a beautiful sunny winter day with temperatures a bit below freezing, over 100 young people and their parents met to go skating. Some of the participants had tried skating before, but for others it was the first time.

D. Carnegie & Co organised a skating day for its tenants in the Stockholm region for the second year in a row. A partnership with Hammarby Bandy makes this activity possible. Several people from Hammarby Bandy's youth and first teams participated as teachers for the more inexperienced skaters.

The entire event was free of charge and there were skates available to borrow. A light lunch was offered during the day. D. Carnegie & Co also arranged for buses so that it was easy for the participants to get to the Zinkendamm playing field.

Neighbourhood Watch

Neighbourhood Watch is familiar to people who live in areas with single-family homes, and D. Carnegie & Co in co-operation with the municipality, tenant's association and the police wishes to help improve security by using the same principles in its residential area in Sollentuna. A neighborhood watch network was started in autumn 2016 at D. Carnegie & Co's initiative.

The network consists of 22 floor coordinators who handle various issues such as rubbish pickup, graffiti and minor damage. The network also cooperates with the police, with whom they discuss what's happening in the area, and they also receive guidance in order to help them further increase security. The floor coordinators in the network also have a rolling schedule for night patrols.

In addition to increasing security through their presence, the neighbourhood watch network is also a meeting place for neighbours. The tenants have the chance to get better acquainted. The philosophy is that close relationships with neighbours increase security and cooperation.

Response to the initiative has been positive, and several tenants are interested in its progress and its work in the future. The company aims to have similar networks in all of its residential areas, and the next step is to initiate a similar project in Carnegie & Co's property area in Visättra.

SUSTAINABLE DEVELOPMENT

Social aspects are key

D. Carnegie & Co's sustainability efforts focus on tenants, as well as its own staff. They also encompass efforts to continuously reduce the company's environmental impact. The company's local efforts contribute to the socially, environmentally and economically sustainable development of society as a whole.

The company performs its work based on a holistic, long-term perspective on sustainable development, as well as with the support of clearly defined guidelines for the responsible and ethical behaviour of its staff. These guidelines are based on the UN Global Compact. The guidelines, together with several policy documents and documented procedures, serve as a framework for the entire business. The most recent versions of the various documents are available at www.dcarnegie.se/hallbarhet (in Swedish). More indicators will be defined and applied in 2017.

Social conditions and human rights

Housing and residential environments

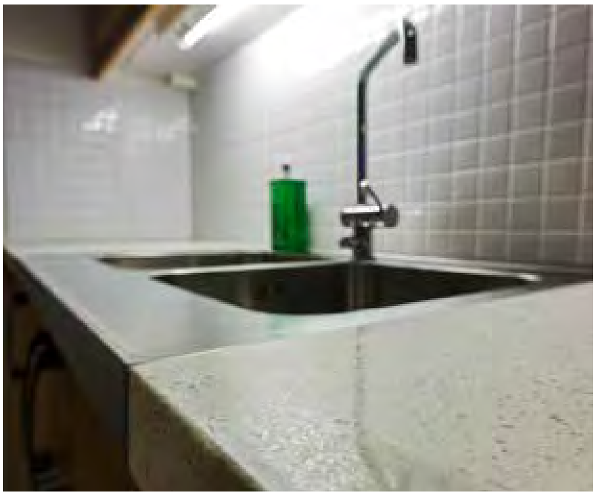
It is fundamental to D. Carnegie & Co's business to continuously develop its properties and the residential environment, leading to satisfaction and security as well as place identification.

A survey is conducted on a quarterly basis in order to measure tenants' satisfaction with D. Carnegie & Co as a property owner. The survey covers issues such as problem reports, contact with area staff and the quality of maintenance and caretaking. The results are passed on to local property managers. By comparing assessments from different areas with one another, the company can identify successful approaches as well as areas where there is a potential to improve and develop things. The objective is to achieve higher scores with every survey.

Verification of suppliers' compliance with laws and healthy working conditions

D. Carnegie & Co purchases both goods and services to renovate, manage and develop its property portfolio. All suppliers are obliged to follow the company's Code of Conduct in order to ensure compliance with laws and regulations as well as ethical guidelines. A check is performed which consists of a checklist with 21 points divided into three areas: pre-procurement check, information from contractor, and requirements in the subcontractor's agreement. The information from the contractor category includes a list of personnel, information on applicable collective agreements, copies of employment contracts (where wage conditions should be equivalent to the level prescribed by relevant collective agreements), proof of insurance, work environment policy and work environment programme. Subcontractors' agreements are checked to ensure that the site is proper and that all legal requirements are being met.

> ”It is fundamental to D. Carnegie & Co's business to continually develop its properties and the residential environment, leading to satisfaction and security as well as site identification.”



Environment

The company's greatest environmental impact is through consumption of electricity, water and heating in its property portfolio. Waste management is also important. Additional environmental impact is created by the choices of materials used for renovations and improvements.

Consumption of electricity, water and heating

D. Carnegie & Co's overall energy goal is to reduce its properties' environmental impact by making its energy consumption more efficient. The company achieves this by doing its utmost to recover energy from ventilation air, use environmentally friendly and renewable energy and otherwise make its energy consumption more efficient.

In recent years the company has introduced predictive management in nearly its entire property portfolio. This technology is used for about 95 per cent of the company's over 16,000 rental apartments today. The result is not only more pleasant and consistent temperatures in the housing units, but reduced climate impact in the form of lower emissions of carbon dioxide, sulphur, nitrous oxide and dust as well. Insulation is inspected and windows are sealed or replaced as needed when facades are renovated.

D. Carnegie & Co's objective is to transition entirely to renewable electricity and wind power by 2020. The company also offers its tenants the opportunity to sign "green" contracts for their household electricity accounts at a favourable price. D. Carnegie & Co is also reviewing possibilities for replacing district heating with geothermal heating.

D. Carnegie & Co reduced its heat consumption by 5.5 per cent and its electricity consumption by 2 per cent during the year. These figures are now 148.46 kWh for heat and 28.17 kWh for electricity per square metre, statistically corrected for an average year. Water consumption has increased by 1 per cent, and amounts to 2.19 cubic metres per square metre for the full year. The increase in water usage is primarily due to higher consumption by tenants. D. Carnegie & Co has installed water meters on a test basis in certain properties in order to reduce water usage. The individual measurements are intended to provide tenants with an incentive to reduce their water usage and thereby lower their housing costs. Preliminary results show that water usage has declined by 15-20 per cent since the meters were installed. D. Carnegie & Co will review the possibilities for introducing water meters in more properties in the next few years.

D. Carnegie & Co also encourages its tenants to take responsibility for their energy consumption through individual metering and invoicing for household electricity.

Environmental goal for electricity consumption

100%

Renewable electricity and wind power by 2020

Lower consumption of heat, 2016

5.5%

Lower consumption of electricity, 2016

2%

Waste management

The majority of properties contain so-called environmental buildings or environmental rooms for sorting waste, outdoor containers for household rubbish and management of bulky waste. The environmental buildings and rooms are located so that large refuse lorries do not need to drive inside the areas. A waste vacuum system has been installed in one of the company's property areas. The waste vacuum system consists of a nearly 3 km long piping system that is connected to several properties, which pumps waste to a central location outside the area where it is subsequently sorted.

Environmentally hazardous substances

Radon is present in part of the portfolio. Measurements have been performed in the majority of the portfolio, and in cases where established thresholds are exceeded this is addressed. This mostly comes from soil radon, but radon is also present in building materials in certain properties. PCBs have appeared in joints in some of the early areas. Remediation is performed in accordance with regulatory requirements. Asbestos occurs in some pipe insulation and in joints, as well as in some floor mats. D. Carnegie & Co identifies locations where it occurs and seals what cannot be removed.

Anti-corruption

D. Carnegie & Co has had an established business ethics policy for several years. It serves as a guide for issues including generally accepted business practices in the industry, what can be considered to be a bribe, appropriate and inappropriate benefits and policies for study tours, visits to trade fairs or similar invitations from external contacts.

Off-the-books contracts and brokering procedures

D. Carnegie & Co's policy in the Stockholm area is to always turn over available rental apartments to the Stockholm housing agency. Apartments are brokered via D. Carnegie & Co's own rental queues or relevant third parties in smaller portfolios outside Stockholm.

Trading in off-the-books contracts is common in Sweden, especially in the Stockholm area. D. Carnegie & Co has procedures to combat these types of contracts. This means that two people from the company must sign when a head lease is signed for the first time in order to prevent it from being sold to a tenant.

> **”D. Carnegie & Co reduced its heat consumption by 5.5 per cent and its electricity consumption by 2 per cent during the year.”**

Staff and organisation

D. Carnegie & Co's organisation is structured to successfully cope with developing and renovating the company's over 16,000 apartments. The company's comprehensive property management organisation is considered to be strategically important to guaranteeing a good residential environment. It is also important for employees to have local connections, and therefore the

company hires young people who work during their holidays in the residential areas where they live. A personal commitment that results in continual development of residential environments while producing positive social side effects at the same time.

An attentive and diverse local organisation

Property management is divided into seven regions with regional directors who drive daily work and take care of D. Carnegie & Co's tenants, along with administrative assistants, operating technicians and property caretakers. All of D. Carnegie & Co's staff are covered by collective agreements except for employees of the parent company whose contracts are similar to collective agreements. The company is able to act locally and create good relationships by offering about 50 young people holiday work in their own residential areas.

The diversity of the tenants is an asset, and reflecting this diversity is a given for D. Carnegie & Co. Therefore the company is proud that over 25 per cent of its staff are foreign-born, and that over 15 different languages are spoken within the organisation. The company aims to have equal gender distribution. Today 37 per cent of the company's managers are women.

> "All of D. Carnegie & Co's staff are covered by collective agreements."

The organisation is additionally reinforced by departments including one that primarily manages and performs renovations. In addition a department that works solely with new construction has been created. This department gathers necessary knowledge and skills and makes decision paths more efficient. A new purchasing manager who will be responsible for defining and establishing goals for making purchasing socially and environmentally sustainable was also hired during the year.

Felix Hagström – Property caretaker in Visättra

What's the atmosphere like at work?
We eat breakfast together every morning. We try not to talk about work then, even if it's hard to avoid. We're a tight-knit group that has a great time together, and everyone likes working with people.

What does D. Carnegie & Co symbolise to you?
We're a property company that develops all of our areas. It's exciting to be part of all of the improvements being made. The company invests in its people, and we get to attend several courses that are relevant to us in our daily jobs.

Do the tenants show appreciation?
Definitely. They usually wave to us when we drive by in our car with the company logo , and sometimes they bring coffee and biscuits to the office. When we're in the tenants' apartments in order to take care of something, they often offer us coffee. Unfortunately we don't have time to sit down and have coffee with them, but it's very nice that they offer.

Can you think of a fun memory to share?
We met our budget last year, and we'll do so this year as well. But a memory that's probably a bit more fun is that just before Christmas, we helped a man change the tyre on his car, even if that's not our job. Later we each received a box of chocolates with a note that said "I couldn't have done it without you!".

Personal development and enhancing skills

An organisation that is well staffed with managers lays the groundwork for productive dialogue between managers and employees, and is intended to benefit the personal development of every employee. D. Carnegie & Co's goal is for no manager to have more than ten employees reporting to him or her. This enables managers to provide feedback at regular status meetings, as well as to follow up on performance and goal fulfilment through annual performance reviews.

Customised courses in rental law and customer service were offered in 2016 in order to meet the need for certain skills within the company. This was also a chance for staff from all over the country to meet. This is an example of initiatives to enhance skills that simultaneously strengthen the shared values of the organisation and improve the dialogue between employees which streamlines and simplifies daily work.

The annual employee survey is important to D. Carnegie & Co, which is – and wants to be – an organisation with satisfied and committed employees. The survey is used as the basis for developing work environment and relationship issues, while at the same time making it possible to form a consensus view of D. Carnegie & Co. The average Swedish result from the Satisfied Employee Index is 71. D. Carnegie & Co has ranked far above the average for a long time and in 2016 the company rose even further, from 77 in the 2015 survey to 80 in 2016.

Number of employees

192

Average age

43

Per centage

35%

65%

Managerial positions

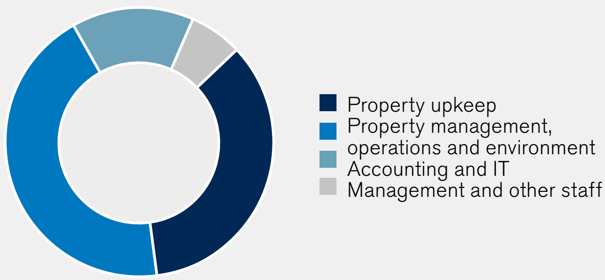
37%

63%

Satisfied employees

Opinion on the company as an employer

Distribution of assignments



SHARE, SHAREHOLDERS AND RISKS

The share

D. Carnegie & Co's class B shares had a strong performance in 2016. The share price increased by 67 per cent during the year. At the end of 2016, the share price had thus increased by 179 per cent since the company's shares were listed on Nasdaq First North on 14 April, 2014. Vega Holdco S.à.r.l., an entity wholly owned by real estate funds advised by affiliates of The Blackstone Group L.P., became the major shareholder in D. Carnegie & Co during the year.

The total fair value of the Company's shares as of December 31, 2016 was approximately SEK 7.8 billion (4.4). D. Carnegie & Co strives to ensure that the company's shares achieve a competitive total return in relation to risk. All actions must be based on a long-term perspective and D. Carnegie & Co shall provide regular reporting and other communications to shareholders, the capital and credit markets, and the media. In the long term, the company aims to be one of the larger listed dedicated residential real estate companies in Sweden.

The Company's class B shares have been traded on Nasdaq Stockholm MidCap since May 12, 2015. At the end of 2015 there were a total 5,369,866 ordinary shares of class A, each of which carries five (5) votes per share in the company and 71,938,910 ordinary shares of class B, each of which carries one (1) vote per share in the company, for a total of 77,308,776 shares and 98,778,240 votes. The market price as of December 31, 2016 was SEK 109 per class B share (67). At the end of 2016, the share capital amounted to SEK to 985,095,432.

Proposed dividend

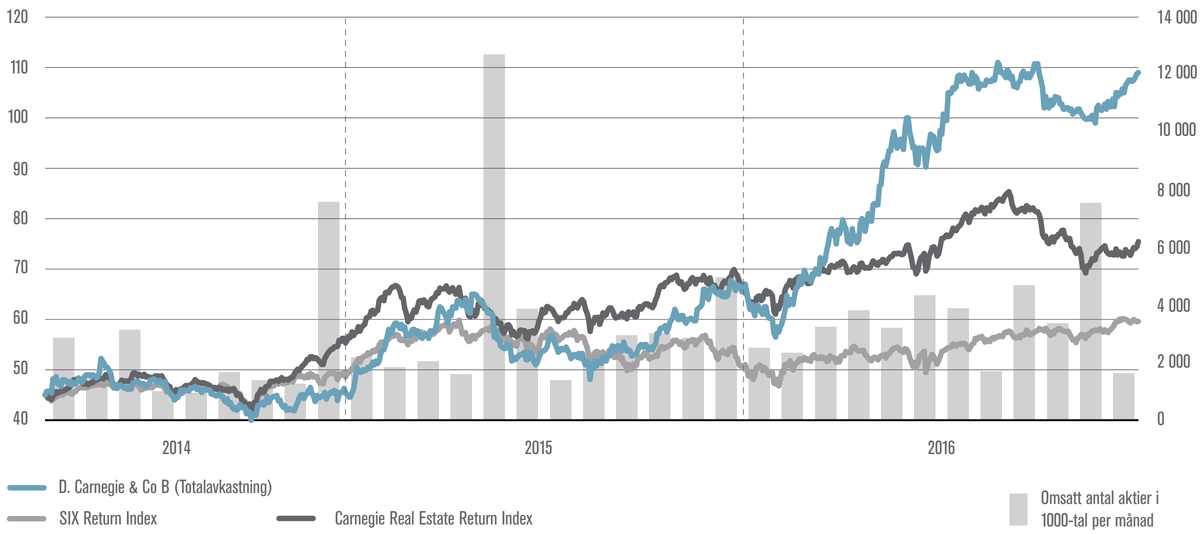
The Board of Directors proposes that the shareholders' meeting not declare any dividend for the shareholders for the 2016 operating year. The company is in an expansive phase during which it is intended to invest any surplus in the property portfolio, primarily in the form of renovations.

The long-term net asset value (EPRA NAV) can be calculated at SEK 101.96 per share.

Shareholders

At the end of the year the company had 7,538 (8,297) shareholders. The company had two shareholders, Vega Holdco S.à r.l. and Kvalitena AB (publ), with shareholdings exceeding 10 per cent of the votes. The ten largest shareholders together represented 71.9 per cent of total share capital at the end of the year. Shareholders registered abroad cannot be distinguished in terms of directly

The share



held and nominee-registered shares, except in cases where the shareholder is required to report such holding.

Stock market contacts

Stock market contacts are based primarily on quarterly financial reporting, press releases in conjunction with major business events, and presentations of the company and shareholder meetings. In addition, supplemental market and financial information is provided on the group's website at www.dcarnegie.se.

Reduction of the share capital

It was resolved at an extraordinary general meeting of the shareholders held on March 17, 2014 to reduce the share capital by retiring class PI preference shares.

Warrants program

D. Carnegie & Co has three warrants programs carrying an entitlement to subscribe for class B shares.

Warrants program no. one

Warrants program no. one, which was issued in 2014, covers 1,473,000 warrants, corresponding to 1.9 per cent of the number of outstanding ordinary shares. Each warrant entitles the holder to subscribe for one new class B ordinary share in D. Carnegie & Co. The warrants may be exercised to subscribe for shares commencing January 1, 2017 up to and including June 30, 2017. The subscription price for class B ordinary shares pursuant to the warrants is SEK 48.50 kronor. The warrants program is directed at the CEO and CFO of D. Carnegie & Co AB, the CEO of Bosystem Nordic AB, and all staff who were employed at Slottsfabriken Egendomsförvaltning AB at the time D. Carnegie & Co was listed on Nasdaq First North (April 9, 2014). Market-based pricing was applied in conjunction with the warrants offering.

Warrants program no. two

Warrants program no. two, which was issued in 2015 and covers 998,200 warrants, corresponding to 1.3 per

D. CARNEGIE & CO'S LARGEST SHAREHOLDERS December 31, 2016

	Holdings, A-shares	Holdings, B-shares	Capital, %	Votes, %
Vega Holdco S.à.r.l.*	3,775,533	31,753,253	45,96	51,25**
Länsförsäkringar Fastighetsfond	0	5,338,521	5,10	5,40
Kvalitena AB	1,594,333	2,347,801	6,91	10,45**
Didner & Gerge Småbolag	0	3,184,575	4,12	3,22
Frasdale Int. BV	0	2,845,107	3,68	2,88**
Svenskt Näringsliv	0	1,600,000	2,07	1,62
Livförsäkringsaktiebolaget Skandia	0	896,386	1,16	0,91
Fjärde AP-fonden	0	893,984	1,16	0,91
Per Josefsson via bolag	0	750,000	0,97	0,76
State Street BK-West Client	0	592,843	0,77	0,60
KBC Select Immo (UCITS)	0	582,143	0,75	0,59
Länsförsäkringar Småbolag Sverige	0	532,596	0,69	0,54
Skagen M2 Verdipapirfond	0	516,251	0,67	0,52
SSB CLIENT OMNIBUS AC OM07 (15 PCT)	0	470,182	0,61	0,48
JP Morgan Chase	0	453,567	0,59	0,46
Humle Småbolagsfond	0	450,000	0,58	0,46
SKANDIA SVERIGE	0	444,503	0,57	0,45
Cancerfonden	0	438,500	0,57	0,44
LANCELOT AVALON	0	421,905	0,55	0,43
ADVISOR VÄRLDEN	0	396,000	0,51	0,40
BNYMSANV RE GCLB RE BNY GCM CLIENT	0	377,985	0,49	0,38
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	0	370,583	0,48	0,38
Others	0	16,282,225	21,06	16,48
Total	**5,369,866**	**71,938,910**	**100,00**	**100**

*Vega Holdco S.à.r.l., an entity wholly owned by real estate funds advised by affiliates of The Blackstone Group L.P.
** Vega Holdco S.à.r.l. controls the marked voting rights, totaling 64.58 per cent of the votes in D. Carnegie & Co AB.

cent of the number of outstanding shares. The warrants carry an entitlement to subscribe for new class B ordinary shares in D. Carnegie & Co. The warrants may be exercised to subscribe for shares commencing May 21, 2018 up to and including August 31, 2018. The subscription price for class B ordinary shares pursuant to the warrants is SEK 72.84 kronor. The warrants program is directed at all staff who were permanently employed by the D. Carnegie & Co Group on May 12, 2015. Market-based pricing was applied in conjunction with the warrants offering.

Warrants program no. three

Warrants program no. three was issued in 2016 and covers 807,000 warrants, corresponding to 1.0 per cent of the number of outstanding shares. The warrants carry an entitlement to subscribe for new class B ordinary shares in D. Carnegie & Co. The warrants may be exercised to subscribe for shares commencing May 21, 2019 up to and including August 30, 2019. The subscription price for class B ordinary shares pursuant to the warrants is SEK 113.50 kronor. The warrants program is directed at all staff who were permanently employed by the D. Carnegie & Co Group on May 12, 2016. Marketbased pricing was applied in conjunction with the warrants offering.

If all of the warrants are exercised properties in all three of the warrants programs (2014, 2015 and 2016), the number of ordinary class B shares would increase by 3,287,200, which corresponds to 4.2 per cent of the number of outstanding ordinary shares.

After completion of its mandatory tender offer, Vega Holdco S.à.r.l. owns 1,460,000 warrants from warrants program no. one, 756,200 warrants from warrants program no. two and 600,000 warrants from warrants program no. three.

Share issue

During the period, D. Carnegie & Co AB have repaid the convertible subordinated loans (see description below) and, carried out a private placement of new class B shares of totalling 6,539,900 shares at a subscription price of 72.50 per share, subscribed by approximately 60 Swedish and international institutional investors.

Repayment of Convertible subordinated loans

The three convertible subordinated loans, each amounting to SEK 340 million with a yearly interest rate of 5.0 per cent held by Svensk Bolig Holding AB, issued in connection with the acquisition of Hyresbostäder i Sverige II AB, were repaid June 30, 2016 at the total cost of SEK 1,157 million, whereas SEK 137 million represent payment for option value for the convert option. In the event of full conversion, 16,266,230 shares in D. Carnegie & Co would have been issued. The repayment have partly been paid by the private placement of new class B shares of totalling 6,539,900 shares, and partly by the new bond of SEK 1,000 million issued during the period. Due to the repayment of the convertible subordinated loans the conversion is avoided, and the earnings increase by SEK 11 million, due to decreased interest costs.

The share capital development

Date	Event	Change in number of class A shares	Change in number of class B shares	Totalt number A + B shares	Change in share capital	Total
Apr-16	New issue	-	6,539,900	77,308,776	83,333,688	985,095,432
Jul-14	New issue/at acquisition	-	26,000,000	70,768,876	331,301,084	901,761,744
Maj-14	New issue	-	2,307,692	44,768,876	29,405,418	570,460,660
Apr-14	New issue	-	15,384,615	42,461,184	196,036,139	541,055,242
Mar-14	Set-off issue	5,369,866	21,479,459	27,076,569	342,123,480	345,019,103
Mar-14	Redemption of preferece shares	-	-	227,244	-98,893	2,895,623
Dec-13	Reverse share split 2 000 / 1	-	227,244	227,244	-	2,994,516
Sept-13	New issue	-	376,010,360	454,488,000	2,395,613	2,994,516
Sept-09	New issue preferential shares	-	-	78,477,640	98,903	598,903
Juni-09	Reduction	-	-	78,477,640	-156,457,912	500,000
Juni-07	New issue	-	146,754	78,477,640	1,870,000	156,957,912

Risks and risk management

All business activities are associated with risks that may affect the company negatively, but also create opportunities. D. Carnegie & Co works actively and systematically to identify risk areas and limit the company's risk exposure.

Changes in macroeconomic factors

The real estate industry is impacted by macroeconomic factors such as general economic trends, growth, employment, construction rate for new residential and commercial buildings, changes in infrastructure, population growth and structure, inflation and interest rates. Growth in the economy affects the employment rate, which is a key component of supply and demand in the rental market and thus affects vacancy rates and rent levels. Expectations regarding inflation policy govern interest rates and thus affect D. Carnegie & Co's net financial items. Interest expenses on liabilities at credit institutions is D. Carnegie & Co's single largest expense item. In the longterm, changes in interest rates will have a substantial effect on D. Carnegie & Co's financial performance and cash flow. Inflation also affects D. Carnegie & Co's costs. In addition, changes in interest rates and inflation also impact return requirements and thus the fair values of the properties.

Property development

To develop new and existing through investments is a way to increase returns. The project risks are in the assessments concerning the rental market development, but also in the design of the product and the actual implementation of the project. Risks are limited to investments made only in markets where D. Carnegie & Co has good market knowledge, and where there is strong demand for housing and commercial premises. Quality Assured internal processes and excellence in project organisation ensures that both the implementation and product has high quality and meet sustainability requirements. In the construction of new buildings it is always a requirement that the majority of the property to be leased out before the investment commences. Most of the current projects have a high occupancy rate.

The value of D. Carnegie & Co's properties may change

D. Carnegie & Co's investment properties are reported in the balance sheet at fair value and changes in value are reported in the income statement. The value of the properties is affected by a number of factors, both property-specific, such as vacancy rates, rents and operating expenses, and market-specific, such as yield requirements and cost of capital derived from comparable transactions in the property market. Both property-specific impairments, such as higher vacancy rates and lower rents, and market-specific impairments, such as higher yield requirements and cost of capital, can lead to negative realized and unrealized changes in value that could have a negative impact on D. Carnegie & Co's financial position and earnings.

The value of derivative financial instruments may change

D. Carnegie & Co has some loans with short fixed-interest terms and, as part of its strategy to manage interest rate risk, D. Carnegie & Co uses interest-rate derivatives, mainly swaps. Interest-rate derivatives are reported at fair value in the balance sheet with changes in value reported in the income statement. As market rates change, the interest-rate derivatives develop a theoretical surplus or deficit that does not affect cash flow. D. Carnegie & Co has used interest-rate derivatives to hedge against higher interest rates. If market rates fall, the fair value of D. Carnegie & Co's interest-rate derivatives will decline, which could have a negative effect on D. Carnegie & Co's earnings.

Refinancing may prove impossible or be associated with significantly higher costs

D. Carnegie & Co's interest-bearing liabilities on December 31, 2016 amounted to SEK 10,060 million, of which SEK -69 million was reported as a prepaid structuring cost. SEK 1,240 million, corresponding to 12 per cent, falls due for renegotiation or repayment within one year and SEK 8,820 million, corresponding to 88 per cent, falls due within one to five years. During the financial crisis, volatility and disruptions in the financial and credit markets were extremely large, with an unprecedented reduction in liquidity and increased credit risk premiums for many credit institutions. There is still some uncertainty on the financial markets and if D. Carnegie & Co is unable to refinance its loans, or can only do so on worse terms, interest expenses may be higher.

Operational risks

D. Carnegie & Co is exposed to operational risks in the shape of inadequate procedures or other irregularities. Since the company's strategy is to renovate and increase the standard of the company's property portfolio it is crucial to establish good internal controls, effective administrative systems and ongoing professional development which helps to reduce operational risks and their potential negative impact on the company's ongoing operations and the planned renovation rate.

Environmental risks

D. Carnegie & Co has adopted and is actively working to identify and limit the environmental risks arising from the company operating the property management and real estate development. According to the Swedish Environmental Code, those who engaged in an activity that has contributed to environmental pollution also responsible for the after treatment. If the operator can carry out or pay for remediation of a contaminated property, the purchaser of the property, and the acquisition knew or should have detected pollution, is responsible. As D. Carnegie & Co's property portfolio consists primarily of residential property the environmental risks to be limited.

Earning capacity

Current earning capacity for comparable portfolio

The table below reflects D. Carnegie & Co's earning capacity on a 12-month basis as of January 1, 2017. It is important to note that the current earning capacity is not to be equated with a forecast for the coming twelve months. For example, the earning capacity does not include any assessment of rent trends, vacancies, or changes in interest rates. The figures for the comparable portfolio are adjusted, which means that the divested properties during the period January 1, 2016 January 1, 2017, are eliminated as well as the acquired properties during the year. Furthermore, D. Carnegie & Co's income statement is affected by changes in the value of investment properties as well as future property acquisitions and/or property divestments. Additional items affecting earnings include changes in the value of derivative instruments. None of the foregoing factors have been taken into account in the current earning capacity. The current earning capacity also does not take into consideration the effects of future rent changes for renovated apartments. The rental value is based on the property portfolio's invoicing list on January 1, 2017, assessed budgeted property expenses for the coming 12 months, and central administration costs. Net financial items were calculated based on interest-bearing liabilities and assets as of December 31, 2016, and with consideration given to the interest rate terms applicable on that date.

Current earning capacity

	Current portfolio	Comparable portfolio*				
Amounts in SEK thousand	**1 Jan 2017**	**1 Jan 2017**	**30 Sep 2016**	**30 June 2016**	**31 Mar 2016**	**1 Jan 2016**
Rental income	1,379,337	1,291,287	1,282,647	1,256,873	1,244,575	1 244 575
Other income	0	0	0	0	0	0
Operating expenses	-529,060	-503,230	-504,520	-504,520	-504,520	-504,520
Maintenance expenses	-74,924	-71,169	-93,979	-93,979	-93,979	-93,979
Property tax	-26,245	-24,648	-23,745	-23,745	-23,745	-23,745
Ground rent	-15,318	-15,318	-14,717	-14,717	-14,717	-14,717
Net operating income	**733,790**	**688,317**	**654,326**	**645,686**	**619,912**	**607,614**
Central administration	-82,972	-77,723	-61,486	-61,486	-61,486	-61,486
Net financial items	-177,518	-166,987	-163,900	-161,460	-161,820	-162,158
Financial cost bonds	-77,500	-77,500	-77,500	-77,500	-88,500	-88,500
Income from property managment	**395,800**	**366,107**	**351,440**	**345,240**	**308,106**	**295,470**

* Reported values in the table relating to "Comparable portfolio", is throughout 2016 eliminated for what relates to the Gothenburg portfolio and the Solna Nord portfolio, divested in Q1 2016. Of the acquisitions made in 2016 the Katrineholm portfolio and Valsätra portfolio, Uppsala, are eliminated from Q2, 2016 and a portfolio in Eskilstuna from Q3 2016.

Financing

D. Carnegie & Co strives to achieve a balance between debt financing and equity. During 2016, D. Carnegie & Co refinanced a large part of its loan portfolio in order to take advantage of the low interest rates during the year, issued a bond and repayed the convertible subordinated loans which were issued in 2014. The average term to maturity on loans owed to credit institutions is 3.64 years after the refinancing. D. Carnegie & Co's average interest rate on loans from credit institutions at the end of the year was 2.20 per cent.

CREDIT MARKET

The Riksbank has during 2016 kept its policy rate, the repo rate, unchanged at -0.5 per cent. Access to liquidity in the banking market continued to be good during the year. 2016 was characterized by low, both short-term and long-term, interest rates.

FINANCE FUNCTION

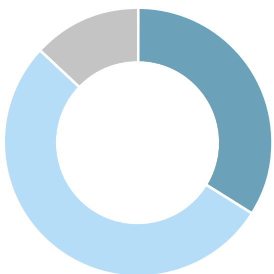
The finance function is charged with supporting the company's core business by minimizing the cost of debt capital over the long term. This function is responsible for managing existing debt, providing new borrowing for investments and acquisitions, streamlining cash management and limiting financial risks. The work is regulated and governed by the financial policy established by the Board of Directors once a year. The finance policy clarifies the responsibilities in financial matters and the rules for reporting, monitoring and control. Financial issues of strategic importance are addressed by D. Carnegie & Co's Board of Directors.

RAISING CAPITAL

Running a real estate company is capital intensive. The total asset base, which is essentially the same as the value of the properties, is financed by equity, debt and other capital. The distribution between these three components depends on various factors such as the cost of the various forms of financing, the focus of the property portfolio and the risk aversion of shareholders and creditors.

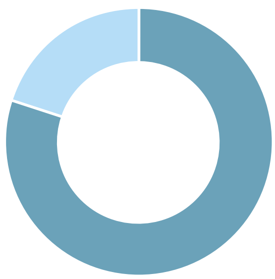
D. Carnegie & Co's assets onDecember 31, 2016 amounted to SEK 18,904 million (15,563). These assets include equity of SEK 6,385 million (4,392), debt capital SEK 9,991 million (9,238) and other capital SEK million 2,528 (1,934).

CAPITAL ALLOCATION 31/12 2016



34% Equity
53% Interest bearing liabilities
13% Other liabilities

FINANCING 31/12 2016



80% Bank financing
20% Bond financing

Equity

Equity is the difference between assets and liabilities. Shareholders have a per centage of equity based on their shareholdings. D. Carnegie & Co has one class of shares; ordinary shares are divided into class A shares and class B shares with different voting rights.

D. Carnegie & Co's equity ratio (the proportion of equity in relation to total capital) is 34 per cent (28).

Debt capital

Debt capital comprises interest-bearing liabilities. At yearend, interest-bearing liabilities accounted for 53 per cent (61) of total financing. Loan to value (LTV), interest-bearing liabilities with properties as collateral in relation to the fair value of the properties at the end of the period, amounted to 47 per cent (52). Interest-bearing liabilities not secured by properties comprises two bonds totaling SEK 2,000 In order to limit interest rate risk, D. Carnegie & Co has chosen to enter into swap-agreements for 34 per cent (32) of the interest-bearing liabilities, SEK 3,401 million (3,401), against a fixed rate with a long maturity. During the year D. Carnegie & Co entered into interest rate cap agreements amounting to SEK 1,500 million, with approximately 6 years duration and with an agreed rate cap of Stibor 3 per cent. During the year, the company borrowed SEK 615 million (568) in new loans. All financing is denominated in SEK. At yearend cash and cash equivalents totalled SEK 679 million (479).

Other capital

Other capital primarily comprises deferred tax liabilities, accounts payable, deferred income, derivatives and accrued expenses. Total financing from other capital amounted to SEK 2,516 million (1,933) and accounted for 13 per cent (12) of D. Carnegie & Co's total funding as of December 31 2016.

AVERAGE INTEREST RATE AND FIXED-INTEREST TERM

D. Carnegie & Co's average borrowing rate for interest-bearing liabilities at year-end amounted to 2.5 per cent (2.7). The average fixed interest term at year-end taking interest rate derivatives into account was 2.2 years (4.3).

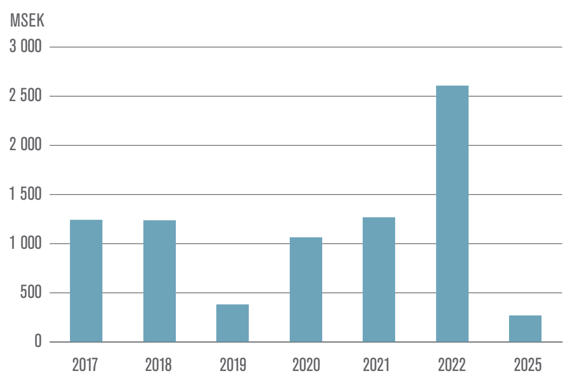
MATURITY

At year-end the average maturity was 3.3 years (5.7). In 2017, credit facilities will mature for a total of SEK 1,240 million (1,155).

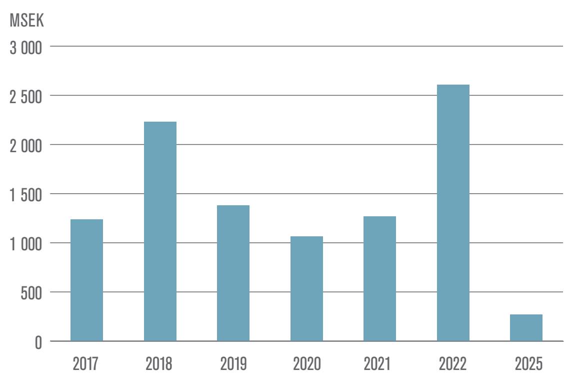
DERIVATIVES

D. Carnegie & Co uses derivatives to reduce interest rate risk and to achieve the desired fixed interest term. D. Carnegie & Co has two types of derivatives: interest rate swaps and interest rate caps. The interest rate swaps included a total of SEK 3,401 million (3,401) at year-end, representing 34 per cent (32) of the interest-bearing liabilities. An interest rate swap is an agreement between two parties to exchange interest payments with each other. D. Carnegie & Co has chosen to swap variable interest rates for fixed rates in all of its swap agreements. Floating Stibor rates are obtained for the swaps, preferably with a three-month maturity and a fixed interest rate, which varied at year-end between 0.5 and 1.4 per cent. No premium is paid for the interest rate swaps. The

LOAN MATURITY DECEMBER 31, 2016 INTEREST-BEARING LIABILITIES TO CREDIT INSTITUTIONS



INTEREST RATE TERM AND LOAN MATURITY DECEMBER 31, 2016 TOTAL INTEREST-BEARING LIABILITIES



counterparties for the swaps are Deutsche Pfandbriefbank and Swedbank. During the year D. Carnegie & Co entered into interest rate cap agreements amounting to SEK 1,500 million, with approximately 6 years duration and with an agreed rate cap of Stibor 3 per cent.

Valuation of derivatives

The value of swaps and interest rate caps changes with the market interest rates and when maturity is reduced. At maturity, the value is always zero. In 2016, the change in value change of the interest rate swaps was SEK -85 million (5) and the value change for the interest rate caps SEK -3 million (-). Consequently, the actual value at year-end amounted to SEK -145 million (-60) for the interest rate swaps and to SEK 7 million (-) for the interest rate caps. Hedge accounting has not been applied.

LENDERS AND COLLATERAL

The loan portfolio is divided among five credit institutions: Deutsche Pfandbriefbank, Landesbank Hessen-Thüringen, Nykredit, SBAB and Swedbank. Real estate mortgages in the amount of SEK 8,503 million (7,694) were provided as collateral for the majority of interest-bearing liabilities to credit institutions. In addition, D. Carnegie & Co has pledged collateral in the form of shares in property-owning subsidiaries as well as a parent company guarantee from D. Carnegie & Co AB (publ).

COVENANTS AND RISK-TAKING

D. Carnegie & Co's financial risk-taking and financial position can be inferred from key figures such as the equity ratio, the interest coverage ratio and the LTV ratio. Credit agreements with banks and credit institutions sometimes set limits, known as covenants, for these three key ratios. Those banks that have a covenant for the equity ratio have set a minimum limit of 15-30 per cent. D. Carnegie & Co's target is that the interest coverage ratio should be at least 1.5 times, which is in line with the banks' requirements. The banks' requirements vary between 60 and 80 per cent depending on factors such as the collateral. D. Carnegie & Co meets all of the banks' targets and requirements as of the balance sheet date and expects to continue to do so in 2017. The equity ratio was 34 per cent (28), adjusted equity ratio was 42 per cent (33), the interest coverage ratio was 2.0 times (1.8), the loan-to-value ratio was 54 per cent (61) and the loan-to-value ratio for properties was 47 per cent (52).

INTEREST RATE TERM AND LOAN MATURITY DECEMBER 31, 2016 INTEREST-BEARING LIABILITIES TO CREDIT

	Interest maturity			Capital maturity	
Maturity	**SEKm**	**Interest**	**Per centage**	**SEKm**	**Per centage**
2017	3,474	1,2%	43%	1,240	15%
2018	-	-	-	1,233	15%
2019	381	1,6%	5%	381	5%
2020	1,062	2,1%	13%	1,062	13%
2021	537	2,0%	7%	1,267	16%
2022	2,606	3,7%	32%	2,606	32%
2025	-	-	-	270	3%
Total/Average	**8,060**	**2,20%**	**100%**	**8,060**	**100%**
Prepaid arrangement fee	-69			-69	
Total	**7,991**			**7,991**	

INTEREST RATE TERM AND LOAN MATURITY DECEMBER 31, 2016, TOTAL INTEREST-BEARING LIABILITIES

	Interest maturity			Capital maturity	
Maturity	**SEKm**	**Interest**	**Per centage**	**SEKm**	**Per centage**
2017	5,474	2,2%	54%	1,240	12%
2018	-	-	-	2,233	22%
2019	381	1,6%	4%	1,381	14%
2020	1,062	2,1%	11%	1,062	11%
2021	537	2,0%	5%	1,267	13%
2022	2,606	3,7%	26%	2,606	26%
2025	-	-	-	270	3%
Total/Average	**10,060**	**2,54%**	**100%**	**10,060**	**100%**
Prepaid arrangement fee	-69			-69	
Included equity	0			0	
Total	**9,991**			**9,991**	

DERIVATIVES DECEMBER 31, 2016

Counterparty	Amount, SEK million	Remaining term, years	Interest rate, %	Fair value, SEK m
Nominal interest rate swaps	3,401	4.7	-	-145
Interest rate caps	1,500	5.4	3%	7

CORPORATE GOVERNANCE

Board of Directors, management and Auditors
Read more about D. Carnegie & Co's Board of Directors, Management and Auditors.
p. 48

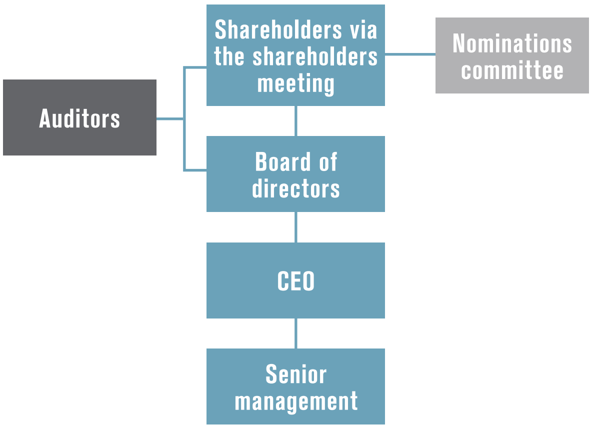
Corporate Governance Report

Corporate governance is an important instrument in the work carried out to create long-term value for the shareholders. With a clear and transparent framework for the allocation of responsibilities, reporting, and follow-up, D. Carnegie & Co AB focuses on the most important matters and thus limits the risks in the operations. The corporate governance report reports how the Company was managed in 2016.

Corporate governance at D. Carnegie & Co

Corporate governance at the Company is long-term and describes the decision-making system with which the owners, directly or indirectly, manage the Company and handle its risks. The Company has corporate governance routines which fulfil the requirements imposed by, among other provisions, the Swedish Companies Act, the Annual Accounts Act, the Swedish Corporate Governance Code (the Code) and Nasdaq Stockholm's rules for issuers. The Company applies the corporate governance principles adopted by the annual general meeting and which are set forth in the Articles of Association and in the instructions for the nominations committee. These documents are available on the Company's website. In addition to these, a series of instructions adopted by the Board of Directors for corporate governance are applied, including the rules of procedure for the board, the instructions for the CEO, instructions for financial reporting to the Board of Directors, financial and communications policies, etc. The Company's values regarding accessibility and commitment characterize the work approach of the employees as well as the governance, management and supervision of the Company.

Overall structure for corporate governance at D. Carnegie & Co AB



Application of the Code

Corporate governance has been developed through legislation, recommendations, the Code, and through self-regulation. The Code is applicable to all Swedish companies whose shares are listed for trading on a regulated market. In accordance with the Code's principle of ”comply or explain”, the Company reports any deviations from the Code and explains such deviations in the annual corporate governance report. The Swedish Corporate Governance Code is administered by the Swedish Corporate Governance Board and is available at www.bolagsstyrning.se where a description is also provided of the Swedish model for corporate governance. The Company complies with the Code, the purpose of which is to create sound conditions for exercising an active and responsible ownership role. The Company did not deviate from any provision of the Code in the 2016 operating year.

Shareholders and shares

OnDecember 31, 2016, the share capital amounted to SEK 985,095,432 allocated over 5,369,866 class A shares each of which entitles the holder to five (5) votes in the Company and 71,938,910 class B shares each of which entitles the holder to one (1) vote. Since May 12, 2015, D. Carnegie & Co has been listed on the Stockholm (Nasdaq Stockholm) MidCap List. Prior to this, the shares had been traded since April 9, 2014 on Nasdaq First North. There were 7,538 shareholders at year-end. The Company has two shareholders, Vega Holdco S.à r.l.[1] and Kvalitena AB, each of which has shareholdings in excess of 10 per cent of the share capital. The 10 largest shareholders together represented

1 An entity wholly owned by real estate funds advised by affiliates of The Blackstone Group L.P.

71.9 per cent of the total share capital at the end of the year. More information regarding shares in the Company and a list of the largest shareholders is provided on the Company's website.

Annual general meeting

The influence of the shareholders in the Company is exercised through the annual general meeting which is the Company's highest decision-making body and which must be held within six months of the close of the financial year. The annual general meeting addresses issues set forth in the Company's Articles of Association and the Swedish Companies Act. Notice to attend general meetings of the shareholders are given pursuant to the Company's Articles of Association. The shareholders' meeting takes decisions in accordance with the majority requirements set forth in the Swedish Companies Act.

The most recent annual general meeting was held on May 12, 2016.

77 shareholders were represented at the shareholders' meeting and they represented 57.2 per cent of the votes. The annual general meeting approved the annual accounts for 2015 and granted the Board of Directors and CEO a release from liability for their management of the Company in 2015. Among other things, the following resolutions were adopted at the annual general meeting held on May 12, 2016:

- Resolution regarding disposition of the Company's earnings according to the adopted balance sheet – that the Company's earnings would be carried forward and that no dividend would be paid.
- Determination of the fees for the directors and auditors.
- Re-election of directors Knut Pousette, Ranny Davidoff, Mats Höglund and Eva Redhe. Knut Pousette was re-elected as chairman of the Board of Directors.
- Re-election of authorized public accountants Ingemar Rindstig and Mikael Ikonen, both at EY.
- Resolution regarding the nominations committee.
- Approval of guidelines for compensation to senior management.
- Resolution regarding long-term incentive program.
- Resolution regarding authorization for the board of directors to resolve to issue new shares.
- Resolution regarding authorization for the board of directors to resolve to repurchase and transfer own shares.

Minutes and other documents from the annual general meeting held on May 12, 2016 are available on the Company's website.

Extraordinary general meeting on October 14, 2016

The Board of Directors summoned to an extraordinary general meeting further to the shareholder Vega HoldCo S.à.r.l., an entity wholly owned by real estate funds advised by affiliates of The Blackstone Group L.P., at the time representing 28.61 per cent of the total number of outstanding shares in the Company, having requested an extraordinary general meeting in order to resolve on election of board members, election of chairman and remuneration to the board of directors in the Company.

The general meeting of the Company resolved that the number of board members of the Company shall continue to be five ordinary board members, without any deputies. Furthermore, the general meeting resolved, in accordance with the proposal from Vega HoldCo S.à.r.l., that the remuneration to the board of directors of the Company shall remain unchanged, with the exception that the chairman of the board shall not receive remuneration for his assignment. The remuneration to the newly appointed and resigned board members shall be divided on a pro rata basis based on the period each board member has served as board member. The general meeting further resolved that James Seppala and Svein Erik Lilleland shall replace Ranny Davidoff and Terje Nesbakken as board members, for the period until the end of the next annual general meeting. In addition, the general meeting resolved that James Seppala shall replace Knut Pousette as chairman of the board of directors, for the period until the end of the next annual general meeting.

Nominations committee

The nominations committee submits proposals for the election of a chairperson of the annual general meeting, the Board of Directors and its chairperson, and fees and other compensation for the directors. The nominations committee also submits proposals for the election of auditors and fees for the auditors. In its work, the nominations committee is charged with protecting the interests of all of the shareholders.

It was resolved at the annual general meeting held on May 12, 2016 that the nominations committee serving until the 2017 annual general meeting shall consist of representatives of the Company's three largest shareholders in terms of votes on September 30, 2016. The following persons were elected to the nominations committee: James Seppala, chairman of the Board of Directors and representing Vega HoldCo S.à.r.l., Johannes Wingborg, representing Länsförsäkringar Fondförvaltning and Seth Lieberman, chairman of the nominations committee and representing Kvalitena AB. Shareholders who wish to submit proposals to the nominations committee may do so on the Company's website. The proposals of the nominations committee, as well as a statement explaining the reasons for the proposals, are published on the Company's website not later than the time of the issuance of notice to attend the annual general meeting

The nominations committee thoroughly considers any requirements for expertise, experience and background which may be imposed on the Board of Directors as well as the requirements and criteria set forth in the new rules and guidelines. The nominations committee considers the composition of the Board of Directors and its size based upon the expectations which may be imposed on the Board of Directors of D. Carnegie & Co regarding, for example, industry experience, expertise, knowledge, and time available. In addition, the nominations committee considers gender equality and diversity perspectives based upon the belief that these are important to the composition of the Board of Directors. The nominations committee has commenced long-term work for the purpose of highlighting gender equality and diversification issues in the Board of Directors.

The Board of Directors

The choice of the directors serving on the Board of Directors is made in order to actively and efficiently be able to support management in its development of the Company. In addition, the Board of Directors is charged with monitoring and supervising the business operations. Expertise and experience from, among other things, the property industry, financing, business development and capital market issues is therefore of particular importance to the Board of Directors.

According to the Articles of Association, the Board of Directors shall consist of not less than three and not more than six directors. The members of the Board of Directors are appointed at the annual general meeting to serve until the close of the next annual general meeting. The composition of the Board of Directors fulfils the requirements of the Code and the table below sets forth the directors, when they were first elected to the Board of Directors, and whether they are independent of the Company and/or the major shareholders.

The work of the Board of Directors

The Board of Directors is the Company's highest decision-making body after the general meeting of the shareholders. According to the Swedish Companies Act, the Board of Directors is responsible for the management and organisation of the Company, entailing that the Board of Directors is responsible, among other things, for establishing targets and strategies, ensuring routines and systems for the evaluation of established targets, regularly evaluating the Company's earnings and financial position, and evaluating the operative management. The financial reporting is regularly evalu-

THE BOARD OF DIRECTOR'S COMPOSITION BETWEEN MAY 12, 2016 UNTIL THE EXTRAORDINARY GENERAL MEETING ON OCTOBER 14, 2016

			Independent in relation to	
Name	**Position**	**Director since**	**The Company and management**	**Principal shareholder**
Knut Pousette	Chairman	2013	Yes	No
Mats Höglund	Director	2009	Yes	Yes
Ranny Davidoff	Director	2014	Yes	Yes
Terje Nesbakken	Director	2015	Yes	No
Eva Redhe	Director	2015	Yes	Yes

THE BOARD OF DIRECTOR'S COMPOSITION FROM OCTOBER 14, 2016

			Independent in relation to	
Name	**Position**	**Director since**	**The Company and management**	**Principal shareholder**
James Seppala	Chairman	2016	Yes	No
Knut Pousette	Director	2013	Yes	No
Mats Höglund	Director	2009	Yes	Yes
Svein Erik Lilleland	Director	2016	Yes	No
Eva Redhe	Director	2015	Yes	Yes

ated at the board meeting during the operating year. The Board of Directors is also responsible for ensuring that the annual report and interim reports are prepared in a timely fashion. In addition, the Board of Directors appoints the Company's CEO.

According to the Code, the chairman of the Board of Directors is elected by the annual general meeting and has particular responsibility for leading the Board of Directors' work and for ensuring that the Board of Directors' work is well-organized and performed efficiently.

The Board of Directors follows written rules of procedure which are revised on an annual basis and adopted at the first meeting of the Board of Directors each year. The rules of procedure govern, among other things, the Board of Directors' practices, functions and allocation of work between the directors and the CEO. At the initial meeting of the Board of Directors, the board also adopts instructions for the CEO including financial reporting

The board evaluates the the work of the Board of Directors through a systematic and structured procedure for the purpose of developing the board's work methods and efficiency. The results of the evaluation are reported to the nominations committee. In addition, the Board of Directors regularly evaluated the work carried out by the CEO.

The Board of Directors convenes according to a schedule adopted annually. In addition to these board meetings, additional board meetings may be convened in order to address issues which cannot be referred to an ordinary meeting of the board. In addition to the meetings of the directors, the chairman of the Board of Directors and the CEO engage in a regular dialogue regarding the management of the Company. The Company has resolved not to have an audit committee or a remuneration committee. Instead, auditing, accounting, and compensation questions will be addressed by the Board of Directors.

The responsibility of the Board of Directors

The Board of Directors is responsible for ensuring that the Company complies with the Swedish Companies Act, the rules applicable to stock market companies, including the Code and other regulations and legislation, the Articles of Association and the internal governance instruments. The Board of Directors decides issues regarding strategies and targets, internal governance instruments, major purchases and sales of properties, other major investments, and financing. The Board of Directors is responsible for regularly following up the business operations and ensuring that guidelines and organisation and management are appropriate and that the internal controls are sound. The Board of Directors is also responsible for evaluating the operative management and plans for replenishment of management.

The Board of Directors endeavours to ensure a high and even level of quality in the financial reporting. This takes place, among other things, through instructions for the financial reporting given to the Board of Directors, that the question is regularely evaluated at the board meeting during the operating year, through the communications policy, and through consideration of any observations, recommendations or proposals by the management group and the organisation. The annual report and all interim reports are before publishing addressed and approved by the Board of Directors. The Board of Directors has delegated to Company management the task of ensuring the quality of the financial presentations and press releases.

The responsibility of the chairman of the Board of Directors

The chairman of the Board of Directors leads the work conducted by the board and is responsible for ensuring that resolutions adopted by the Board of Directors are implemented. The chairman also represents the Company in owner-related issues. The chairman engages in

Compensation to the board

Name	Position	Board meetings	Board fee (SEK)
James Seppala	Chairman	5 out of 5	0
Knut Pousette	Director (former chairman)	24 out of 25	283,333
Mats Höglund	Director	24 out of 25	200,000
Svein Erik Lilleland	Director	5 out of 5	116,667
Eva Redhe	Director	23 out of 25	200,000
Terje Nesbakken	Director (until October 2016)	19 out of 20	83,333
Ranny Davidoff	Director (until October 2016)	20 out of 20	83,333
Total			**966,666**

a regular dialogue with the CEO and is responsible for ensuring that the other directors receive any information and documentation necessary in order to be able to take well-founded decisions.

The work of the board in 2016

The Board of Directors met 25 times in 2016. The matters addressed by the Board of Directors included the Company's strategy, targets, business plan, market, purchase and sale of properties, investments in existing properties, taking of loans and other financing issues, and adopting sales mandates, incoming bid for the shares in the Company and principles for variable compensation. The Company's CEO, CFO, Chief Legal Officer, who is also the secretary of the Board of Directors, were also present at the meetings of the Board of Directors.

Compensation to the board

Fees are payable to the Board of Directors according to a resolution adopted at the annual general meeting and the extraordinary general meeting in October 2016. The table set forth below shows the fees which the directors elected at 2016 annual general meeting and the extraordinary general meeting in October 2016 will receive for the period of time until the 2017 annual general meeting. During the financial year, a total of SEK 667 thousand was earned in board fees which will be paid out during the 2017 financial year.

Group management/Business management

Currently, the group's senior executives are as follows:

- Ulf Nilsson, CEO - Responsible according to the instructions to the CEO.
- Per-Axel Sundström, CFO (Chief Financial Officer) - Responsible for the group's accounting, financing and reporting.
- Jenny Wärmé, Legal Counsel - Responsible for legal matters, secretary of the Board of Directors and legal support to others in the group.
- Tommy Jansson, Head of Property Management - Responsible for managing the group's properties.
- Jonas Andersson, Chief Investment Officer & Head of Financing. Responsible for financing, transactions, analysis and valuation.
- Fredrik Brunnberg, Chief Business Development Officer - Responsible for new development in the Group.
- Christian Tapper, Head of Property Development & Refurbishment process. Responsible for development and implementation of the Renovation & Refurbishment process of the group's properties.
- Marie Persson, HR Manager – Responsible for personnel issues.
- Björn Sundberg, Head of Investor Relations and Head of Communications – Responsible for communications and Investor relations.

These people make up the Company's management group. The management group meets regularly (currently monthly). The members of the management group are responsible for their respective areas within the Company and work with the CEO to prepare reports for the board. The CEO takes decisions on operating activities that fall within the scope of the instructions for the CEO, after consultation with the business management team.

Chief Executive Officer

The CEO reports to the Board of Directors and is responsible for the Company's day-to-day management and operations. The allocation of work between the Board of Directors and the CEO is stated in the rules of procedure for the Board of Directors and the instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from management prior to meetings of the board and presents the materials at the board meetings.

According to the instructions for financial reporting, the CEO is responsible for financial reporting at the Company and must therefore ensure that the Board of Directors receives sufficient information in order to be able to regularly evaluate the Company's financial position.

The CEO is charged with continuously keeping the board informed of developments in the Company, the sales, the Company's earnings and financial position, liquidity and credit situation, important events and other events, circumstances, or conditions which can be assumed to be of material significance to the Company's shareholders.

Ulf Nilsson has been the CEO of the Company since 2013.

Remuneration to senior management

Guidelines were adopted at the 2016 annual general meeting for compensation to senior management. The Company will offer the levels of compensation and employment terms and conditions as are required in order to be able to recruit and maintain management with a high level of expertise and the capacity to achieve the established targets. The forms of compensation must provide an incentive for management to do its utmost in order to protect the interests of the shareholders.

Consequently, the forms of compensation must be on market terms and simple, long-term and measurable. In addition to a fixed annual salary, it must also be possible to offer senior management variable salaries which, for the CEO, shall be based on the group's earnings per share and, for other senior management, on improvements within each person's area of responsibility with respect to earnings-per-share, sales, net operating earnings, and the rate of capital turnover, as well as the results of individual action plans. A pension right shall apply not earlier than 62 years of age. The CEO is also covered by a premium-based plan according to which the agreed allocation for premiums may not exceed 35 per cent of the basic salary. Other senior management personnel are covered by the ITP plan, in addition to which a certain premium-based supplement may be payable. The Board of Directors shall consider each year whether or not to propose a share price-related incentive program to the shareholders meeting. During 2016 five members of management have been given compensation in return for ot being able to participate in the 2016 warrant program. The compensation has been granted on the grounds that these people due to special circumstances and insider rules could not deal with the financial instruments of the Company at the time of the incentive program.

The table set forth below shows the fees to the CEO and other senior management for the 2016 financial year.

Audit

The auditor shall audit the Company's annual report and accounts as well as the management by the Board of Directors and CEO. Following the close of each financial year, the auditor shall submit an auditors' report as well as an auditors' report for the group to the annual general meeting.

According to the Company's Articles of Association, the Company shall have not less than one and not more than two authorized public accountants. The Company's auditor is Ernst & Young AB, with Ingemar Rindstig and Mikael Ikonen as the responsible auditors.

In 2016, the total compensation paid to the Company's auditors amounted to approximately SEK 3.8 million.

Internal controls and risk management

Internal controls are important in order to ensure that the adopted targets and strategies provide the desired results, that laws and rules are complied with, and that the risk for undesirable events and errors in reporting are minimized. The Company encounters risks on a daily basis which may affect its business operations and its ability to achieve established targets. In order to minimize the impact of the risks, sound internal management and controls are required.

Set forth below is a description of how the internal controls regarding the financial reporting are organized.

Control environment

According to the Swedish Companies Act and the Swedish Corporate Governance Code, it is ultimately the Board of Directors that is responsible for ensuring that the Company possesses good internal management and controls, with routines that ensure that the financial reporting corresponds to the established requirements. Annual and all quartely reports are evaluate and approved by the Board of Directors prior to being published.

The controls environment and controls measures ensure efficiency in the Company and constitute the basis for the internal controls. The controls environment must provide an understanding of the Company's values at the same time as it secures compliance with policies and the achievement of targets. The formal decision-making procedure is based upon the allocation of responsibility between the Board of Directors and the CEO and covers the rules of procedure and the CEO instructions. Overall policy is updated on a regular basis and adopted by the Board of Directors once a year. On an annual basis, the Board of Directors adopts a Finance Policy, IT Policy, Information Security Policy, Insider Policy, and Risk Management Policy. Significant processes, beyond the financial reporting, which include among other things the accounting instructions and project and

Remuneration to senior management

SEK thousands	Base salary	Variable salary	Other benefits	Pension costs	Total
Ulf Nilsson, CEO	2,023	1,270	76	714	4,083
Other senior management	6,464	5,080	179	1,532	13,255
Total	**8,487**	**6,350**	**255**	**2,246**	**17,388**

rent administration are prepared in separate documents within the scope of the Financial Handbook and are evaluated and developed on a regular basis following changes in the law, recommendations, IFRS changes, risks and routines. The documents act as support and guidance in the decision-making processes for each individual employee and cover both decision-making channels as well as the allocation of responsibility, the approach, and authority.

Risk assessment and control activities

The Company continuously and actively works with the identification, assessment and management of the risks to which the Company is exposed in its financial reporting. An assessment of the risk of error in the financial reporting is carried out on an annual basis for each line in the income statement, report of financial position, and cash flow analysis. For those items which are significant and/or entail an increased risk of error, there are processes designed to minimize this risk. The processes apply not only to the actual financial processes but also include, among other things, business management and business planning processes as well as IT systems.

The scope and assessment of the Company's risk management overall, and the financial reporting in particular, is carried out regularly by the Company's management, the Board of Directors, and the auditors. The accounts department and the property management department work sideby-side regularly carrying out follow-ups, analyses on a group, subsidiary, and property level and on an income, balance sheet, and verification level in order to ensure that guidelines are complied with. A limited number of people are authorized to sign on behalf of the Company and there is an attestation procedure.

The group's operations, finances, and management are audited by the Company's auditors who report observations and any comments directly to the Board of Directors. The Company's IT environment maintains a high standard with respect to security, accessibility, and efficiency. Principles for accounting, reporting, and audit comments are reviewed in conjunction with the regular audit of the annual accounts.

The Company has designed its internal controls so as to ensure that control activities are regularly carried out on an overall level, or in the alternative are of a more process-oriented nature. An example of overarching controls are regular earnings analyses based upon the operative and legal group structure and an analysis of key ratios. Formal reconciliations, attestations, and similar controls are examples of routine-oriented or process-oriented controls intended to prevent, discover and correct errors and deviations. The control activities have been designed in order to handle the material risks of the financial reporting.

Information and communication

External information is handled based upon the communications policy which is adapted based upon Nasdaq Stockholm's Rules and Regulations and the Swedish Code of Corporate Governance and are communicated via press releases and the Company's website. The Company ensures that information which may have an impact on the share price is provided to the market via press releases. Press releases are provided to the market at a time when no trading is taking place. All information is provided to the market simultaneously in Swedish and English. The CEO and CFO are the designated spokespersons for financial issues.

The Company management's internal communications consist primarily of the meetings of the management group at which minutes are taken. Communications within the Company take place, among other things, through regular conferences and meetings with the persons responsible for each business unit and other managers. Relevant information, both external as well as internal, is provided on a regular basis to the relevant employees. The internal information is largely provided via the Company's intranet. The primary purpose of the intranet is to provide the employees with a structured overall impression of the business and acts as an easily accessible platform for obtaining current information and documentation.

Follow-up

The Company's Board of Directors has the overall responsibility for following up the internal controls and the financial reporting. Financial follow-up of all regions and companies as well as the Group takes place on a regular basis on the basis of the budget and forecasts according to a well-established model. The results are analysed by property managers, the property and accounts department, and the regional manager responsible for results. The reporting is provided to Company management, the Board of Directors and auditors. The internal controls are believed to be sound and appropriate for an organisation the size of the Company and therefore the Board of Directors and management do not see any need for an internal audit function.

Board of Directors

James Seppala

Chairman of the board

Born: 1979. Chairman of the board since 2016.

Education: Bachelor of Arts, Harvard College.

Other current assignments: Senior Managing Director in Blackstone's Real Estate Group and the Head of Acquisitions Europe. Member of the Blackstone Real Estate Investment Committee. Supervisory Board Member of Multi Corporation (since 2013), and certain subsidiaries. Supervisory Board member of OfficeFirst AG.

Previous assignments: Board Member of Obligo Holding AS.

Shareholding in the company: The Director is considered independent of the Company and its management, but not independent in relation to major shareholders in the Company. James Seppala owns no shares in the Company.

Svein Erik Lilleland

Board member

Born: 1971. Board Member since 2016.

Education: Master in Business Administration, London Business School.

Other current assignments: Head of Corporate Finance for Obligo Investment Management. Board member of Global Skipholding 2 AS, Global Skipholding 2 AB, Global Skipholding Norden 2 AS and Subsea Chokes International AS.

Previous assignments: Managing Director at Wunderlich Securities, Vice President at Roxar ASA and CorrOcean ASA.

Shareholding in the company: The Director is considered independent of the Company and its management, but not independent in relation to major shareholders in the Company. Svein Erik Lilleland owns no shares in the Company.

Mats Höglund

Board member

Born: 1948. Board Member since 2009.

Education: Master of politics, Uppsala University.

Other current assignments: Chair of the Board of Paydrive AB and Bliwa Livförsäkring, mutual; board member of KM Höglund Konsult & Förvaltning AB as well as deputy for Bar- och restaurantkonsult Norr AB and Akium AB.

Previous assignments: Senior management positions for 25 years in various companies in the insurance/finance. Chairman of the Board for Bliwa Skadeförsäkring AB and Solid Försäkringsaktiebolag as well as board member for Resurs Holding AB, Försäkringsaktiebolaget Assuransinvest MF and other companies.

Shareholding in the company: Independence: The Director is considered independent of the Company and its management as well as major shareholders in the Company. Mats Höglund does not own any Class B shares in the Company.

Knut Pousette

Board member

Born: 1972. Board member since 2013.

Education: Business Administration degree, Lund University.

Other current assignments: CEO of Kvalitena AB (publ.), director for Stendörren Fastigheter AB. Chairman of the Board Agora.

Previous assignments: CEO and director of Storholmen Förvaltning Aktiebolag and Klaraberg Business Advisors AB.

Shareholding in the company: Independence: The Director is considered independent of the Company and its management, but not independent in relation to major shareholders in the Company. Knut Pousette owns 360,000 Class B shares in the Company.

Eva Redhe

Board member

Born: 1962. Board member since 2015.

Education: Bsc Business Administration.

Other current assignments: Chairman of the board Ftrack AB and Spago Nanomedical AB. Board member PledPharma AB, Probi AB, Starbreeze AB, Axel Christiernsson International AB, Temaplan Asset Management Holding AB and Första AP-fonden.

Previous assignments: CEO and chairman of the board Erik Penser Fondkommission AB. Corporate finance and Head of investor relations at Investor AB.

Shareholding in the company: Independence: The Director is considered independent of the Company and its management as well as major shareholders in the Company. Eva Redhe does not own any Class B shares in the Company.

Auditors

Mikael Ikonen – *authorized public accountants*

Born: 1963 Auditor since: 2013

Other current auditor assignments: NCC, Bonava, Corem, Hemsö, Slättö Förvaltning, Amasten Holding och Specialfastigheter.

Ingemar Rindstig – *authorized public accountants*

Born: 1949 Auditor since: 2013

Other current auditor assignments: Atrium Ljungberg, Corem, Familjebostäder, JM, Kungsleden, Oscar Properties, Heimstaden, Magnolia och Stendörren Fastigheter.


James Seppala


Svein Erik Lilleland


Mats Höglund


Knut Pousette


Eva Redhe


Mikael Ikonen


Ingemar Rindstig

Management

Ulf Nilsson

CEO. Responsible according to the instructions to the CEO.

Born: 1958. Employed since 2013.

Education: Master of Laws, Uppsala University

Other current assignments: Board member Amasten Holding, Board member for Överstyrelsen Stockholms Brandkontor, board member, Hyresbostäder i Sverige II AB, Holmiensis Bostäder AB.

Previous assignments: Chairman of the board of Loudden Bygg och Fastighetsservice AB and board member, CEO Savills Sweden AB and Partner Ernst & Young.

Shareholding in the company: Owns 235,000 Class B shares and 100,000 warrants in in the company.

Jonas Andersson

Chief Investment Officer (CIO) & Head of Financing. Responsible for financing, transactions, analysis and valuation.

Born: 1980. Employed since 2015.

Education: M.Sc in Engineering, industrial finance, Linköping Institute of Technology.

Previous assignments: Director Mengus – Corporate Finance Macquarie Capital and ABN AMRO – management consultant Capacent.

Shareholding in the company: Owns 0 shares in in the company.

Fredrik Brunnberg

Chief Business Development Officer (CBDO) Responsible for new development residential in the Group.

Born: 1969. Employed since 2015.

Education: Business degree in real estate, Royal Institute of Technology.

Other current assignments: Board member of Trosse Invest AB and Falkberget Fastighet AB. Lecturer real estate finance and project finance - BFAB, STF Engineering program.

Previous assignments: Aberdeen Property Investors – Head Of Transactions, PwC - Corporate Finance, Newsec - Transactions, project development, WASA Fastighet – real estate manager, Royal Institute of Technology – lecturer real estate finance. Board member of Hyresfastigheter Holding 2 AB and Boligutleie Holding 2 AS.

Shareholding in the company: Owns 0 shares in in the company.

Tommy Jansson

Head of Property Management. Responsible for managing the Group´s properties.

Born: 1968. Employed since 2015.

Education: Kvalificerad Fastighetsförvaltning, BFAB.

Other current assignments: Board member Hyresnämnden i Stockholm.

Previous assignments: Head of negotiations Wallenstam AB, Rental manager Wallenstam AB, Area manager Wallenstam AB.

Shareholding in the company: Owns 3,000 B series shares, and 100,000 warrants in in the company.

Marie Persson

Responsible for HR related matters for the Group.

Born: 1958. Employed since 2014.

Education: Business Administration degree, University of Stockholm

Other current assignments: Board member Rotary Stockholm-Kungsholmen, District Secretary of Rotary district 2350.

Previous assignments: HR Manager Graflunds, Administrative manager Markarydsbostäder Holding AB, owner and CFO Vision International A.S. (Turkey), Export Service manager, Alfa-Laval Agri AB, president Rotary Stockholm-Kungsholmen.

Shareholding in the company: Owns 0 shares in in the company.

Björn Sundberg

Head of Investor Relations and Head of Communications. Internal and external communication. Brand development. Social sustainability and Public affairs. PR and Media contacts.

Born: 1956

Education: Media and communications science, Brunnsvik FHSK.

Other current assignments: -

Previous assignments: Public affairs- and communications adviser on PR-agencies Stairway PR and Springtime PR. Communications director at various companies and organisations.

Shareholding in the company: Owns 0 shares in in the company.

Per-Axel Sundström

CFO. Responsible for accounting, financing and reporting.

Born: 1956. Employed since 2014.

Education: Business Administration degree, Uppsala University.

Other current assignments: Board member of PAX Consulting AB, KEPRI AB.

Previous assignments: CFO European Drug Testing Service, CFO International Marine Group, CFO Investment AB Karlsvik, CFO Permascand Laser (Akzo Nobel).

Shareholding in the company: Owns 150,000 Class B shares in in the company.

Christian Tapper

Head of Property Development & Refurbishment process. Responsible for development and implementation of the Renovation & Refurbishment process of the Group's properties.

Born: 1964. Employed since 2016.

Education: Gymn. educ. Peab's internal educ program Business development.

Other current assignments: Director of Tapper and Tapper AB Sports Management, Consulting.

Previous assignments: PEAB - Head of Property Estate issues, Mall of Scandinavia. ÄTA Financial Economy process , Mall of Scandinavia. Chief Coordinator Property, Mall of Scandinavia.

Shareholding in the company: Owns 0 shares in in the company.

Jenny Wärmé

Legal Counsel. Responsible for legal matters and secretary for the Board of Directors.

Born: 1978. Employed since 2014.

Education: Master of Laws, Stockholm University.

Other current assignments: Non Executive Board Member Stendörren Fastigheter.

Previous assignments: Court clerk at Norrtälje district court, lawyer at Mannheimer Swartling Advokatbyrå.

Shareholding in the company: Owns 0 shares inin the company.


Ulf Nilsson


Jonas Andersson


Fredrik Brunnberg


Tommy Jansson


Marie Persson


Björn Sundberg


Per-Axel Sundström


Christian Tapper


Jenny Wärmé

FINANCIAL REPORTING

Directors' Report

The Board of Directors and Chief Executive Officer of D. Carnegie & Co AB (publ), company reg. no. 556498-9449, hereby submit the following annual report and consolidated accounts for 2016. Information in brackets refers to the previous year.

THIS IS D. CARNEGIE & CO

D. Carnegie & Co is a real estate company that owns, refurbishes and develops properties and projects, specializing in homes in the Greater Stockholm region and other growth areas.

The property portfolio, which consists of over 16,300 apartments, is valued at approximately SEK 17 billion and consists of about 1.27 million square meters of lettable area. The Company manages the portfolio since February 2016 under the singe trademark D. Carnegie & Co, former Graflunds. D. Carnegie & Co has a proven refurbishment model to gradually and efficiently refurbish the individual apartments and the remaining parts of the buildings.

BUSINESS MODEL

The business model is to own and manage properties while gradually updating apartments as and when tenants naturally move out. This can be done quickly and cost-effectively thanks to the tried and true renovation method. Both tenants and the Tenants' Association appreciate this renovation model since the apartments are attractively renovated and no one is forced to move out against their will.

BUSINESS AND ORGANISATION

D. Carnegie & Co has its registered office in Stockholm. The Group had 192 employees as of 31 December 2016, of which 68 were women and 124 men.

D. Carnegie & Co's properties are managed by the Group's management organisation, which has a history that dates back to the 1950s. D. Carnegie & Co's property management organisation has approximately 160 employees and is primarily located out in the individual property holdings. The property holdings are broken down into seven regions with local offices in the individual property holdings. Through its in-house property management organisation, D. Carnegie & Co handles all property management, including property services, problem reporting, accounting and reporting.

D. Carnegie & Co's property portfolio consists of residential properties with development potential, especially in the growth areas in Stockholm and the Mälaren region, as well as in Norrköping. The fair value as of 31 December 2016 was SEK 16,998 million and the total rental value is deemed to be SEK 1,379 million. The financial occupancy rate is high, with almost non-existent vacancies in the housing. After the end of the period D. Carnegie & Co has entered into an agreement to acquire residential property portfolios in Arboga, Köping and Tranås.

The aim is to double the value of the existing portfolio within ten years by refurbishing the properties and the surrounding environment to mint condition, which benefits shareholders, tenants and employees. The company intends to continue to acquire residential property that meets demands for both location and quality.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

D. Carnegie & Co has completed the sale of Hammarkullen in Gothenburg. The completed transaction entails that D. Carnegie & Co has strengthened its cash on account by SEK 281 million. The sale is fully in line with the company's business focus on the Greater Stockholm and Mälardalen regions.

D. Carnegie & Co has entered into an agreement with Svensk Bolig Holding regarding the repayment of convertible debentures which reduces the dilution effect and improves net financial items. In order to finance the repurchase, D. Carnegie & Co is carrying out a new issue of class B shares and issuing a bond.

D. Carnegie & Co has completed the acquisition of properties in Uppsala with an underlying property value of SEK 78 million, and at the same time completed the sale of potential building rights in Solna with an underlying value of SEK 49 million.

Through an extraordinary general meeting of the shareholders, D. Carnegie & Co has authorized the board of directors to carry out a private placement of class B shares for the purpose of financing the repurchase of convertible debentures.

D. Carnegie & Co has carried ot a private placement of 6,539,900 class B shares, contributing SEK 474 million to the shareholder's equity, prior to issue expenses.

D. Carnegie & Co has acquired a property portfolio in Katrineholm with an agreed property value of SEK 618 million. D. Carnegie & Co thereby assumes Lundbergs entire property portfolio in Katrineholm.

D. Carnegie & Co has acquired a property portfolio in Eskilstuna with an agreed property value of SEK 116 million.

D. Carnegie & Co has issued an unsecured bond amounting to SEK 1,000 million in order to secure part of the financing for the repayment of the convertible subordinated loans held by Svensk Bolig Holding AB.

D. Carnegie & Co's share has been included in three new indices: the Morgan Stanley MSCI Global Small Cap Index, the Nasdaq Nordic VINX Benchmark Index (based on market value and share liquidity) and the EPRA European Index (based on share liquidity and size of the free-float).

D. Carnegie & Co has recruited Pär Westin as commercial lessor of the commercial premises of 90,000 square meters, Pär Westin joins D. Carnegie & Co from the property consultant Colliers International.

D. Carnegie & Co has completed the acquisition of the property portfolio in Eskilstuna, amounting to SEK 116 million.

Vega Holdco S.à.r.l., an entity wholly owned by real estate funds advised by affiliates of The Blackstone Group L.P., has entered into agreements with Kvalitena AB, Svensk Bolig Holding AB and Frasdale Int. BV regarding an acquisition of shares at a price of SEK 100 per share and a transfer of Kvalitena AB's and Frasdale Int. BV's remaining voting rights.

An extraordinary general meeting on 14 October 2016 has resolved to replace the board members Ranny Davidoff and Terje Nesbakken with James Seppala and Svein Erik Lilleland and to replace Knut Pousette with James Seppala as chairman of the board.

Christian Tapper has been appointed to Head of Property Refurbishments with responsibility for D. Carnegie & Co's refurbishment process.

Vega Holdco S.à.r.l., an entity wholly owned by real estate funds advised by affiliates of The Blackstone Group L.P., has on 7 December completed the mandatory tender offer in cash amounting to SEK 100 per share to the shareholders and warrant holders in D. Carnegie & Co which was announced on 17 October 2016. After completing the tender offer Vega Holdco S.à.r.l. owns 46 per cent of the shares and controls 65 per cent of the votes in D. Carnegie & Co.

CONSOLIDATED RESULTS

The earnings figures set forth below relate to the period January – December 2016. Comparison items set forth in parentheses relate to amounts for the corresponding period in the preceding year. The current operations carried out in D. Carnegie & Co began in 2014. The amounts for the corresponding period in the preceding year are thus not directly comparable. Profit after tax in 2016 amounted to SEK 1,678 (1,139), which corresponds to a profit per ordinary share of SEK 22.20 (16.10) prior to dilution, SEK 21.93 (13.50) after full dilution.

Rental income

Rental income during the period increased to SEK 1,284 million (1,217). Other operating income amounted to SEK 0 million (3). During the period, 1,253 (527) apartments were refurbished, with the rent on these renovated properties going from an initial average of SEK 1,028 /m^2 to SEK 1,465 /m^2.

Operating costs and net operating income

Property expenses amounted to SEK -654 million (-667), yielding a net operating income, i.e. total income minus bad debt losses, operating and maintenance costs, propertyadministration, rents on leasehold interest in government owned land, and property taxes, of SEK 630 million (554). The gross margin was 49.1% (45.4). The industry specific key figure, net operating income, is reported as it shows the results from property management.

Management and administrative expenses

Management and administrative expenses amounted to SEK -102 million (-97). The cost of central administration consists primarily of personnel costs and other costs for group-wide functions, marketing and sales costs. Non-recurring costs primarily consists of legal assistance in due dilligence processes, and a compensation uring the period to five members of management in return for not being able to participate in the 2016 warrant program. The company has also paid fees to banks for advice in connection to the bid by Vega Holdco S.à.r.l.. These activities resulted in non-recurring expenses of a total of SEK -36 million during the period. These non-recurring expenses are not expected to appear on a regular basis. The previous year non-recurring expenses amounted to SEK -31 million, primarily relating to the stock market listing process and temporarily increasing the size of the organisation.

Financial income and expenses

Financial income amounted to SEK 16 million (17) and financial expenses to SEK -275million (-288), including interest expenses of SEK -198 million (-213).

Income from property management

Income from property management (i.e. profit before changes in value and taxes) for the period amounted to SEK 269 million (186). The industry specific key figure, income from property management, is reported as it shows the company's results excluding changes in value.

Growth in value

Changes in value in the property holdings during the period affected earnings in the amount of SEK 1,938 million

(1,307). The changes in value primarily were reflected positively by the rental increase during the period which resulted in a higher net operating income and a lower average return requirement of 4.31% (4.84). The total increase in the rental value during the period amounts to just over SEK 72 million on an annual basis. During the period, value-increasing investments were made in a total value of SEK 1,039 million (491). The changes in value of derivatives and shares/interests amounted to SEK -87 million (-11). The changes in value in the group's shareholdings during the period amounted to SEK -78 million (-).

Profit before tax

Profit before taxes amounted to SEK 2,072 (1,422).

Tax

The tax cost for the period amounted to SEK -394 million (-282), of which SEK -564 million (-375) consists of deferred tax related to temporary differences on investment properties; SEK 19 million (1) consists of changes in value for derivatives; SEK 16 million (-) consists of deferred tax temporary differences on shares; and SEK 135 million (90) consists of loss carry-forwards. The effective tax rate for the period is 19.0 (19.9) percent. The low effective tax rate can be explained by taxfree sales of companies.

Profit

The profit for the period after tax amounted to SEK 1,678 million (1,139), which corresponds to SEK 22.20 (16.10) per ordinary share before dilution, and SEK 21.93 (13.50) per share after full dilution.

OPERATING SEGMENTS

D. Carnegie & Co focuses on residential properties and no other segments. D. Carnegie & Co focuses its investments on the Greater Stockholm region and Mälardalen to ensure that there is a high demand for their homes. The company looks for growth areas within a reasonable distance of Stockholm to take advantage of the population growth in the capital. With this focus on Stockholm and Mälardalen, the company's business is not divided into regions relevant for monitoring purposes.

The only operating segment is residential properties.

PROPERTY VALUATION

As of 31 December 2016, D. Carnegie & Co's property portfolio was valued at an estimated fair value of SEK 16,998 million. The valuation is based on the methodology described below, where 100 percent of the portfolio was valued independently. The independent property valuations were carried out by Savills. Comparative figures in parentheses relate to amounts for the corresponding period of last year.

The valuation is based on a cash flow analysis whereby the property's value is based on the present value of forecast cash flows and the residual value during the calculation period of five years.

The return requirements on units included in the valuation varies from 3.76 percent to 8.0 percent, with an average of 4.31 (4.84) percent.

The assumption regarding the future cash flows is based on the analysis of:

- Future development of the market and the local vicinity
- The market conditions and market position of the property
- Rent terms and conditions in line with the market
- Operating and maintenance costs of similar properties in comparison with those in the property in question

Based on the analysis, the resulting net operating income during the calculation period (2017-2021) and the residual value at the end of the calculation period were subsequently discounted applying an estimated cost of capital in the range of 5.84 - 10.16 %. The average cost of capital for the period was 6.40% (6.94). The parameters that influence value and are used in the valuation correspond to the external appraiser's interpretation of how a prospective buyer in the market would reason, and the sum of the present value of net operating income and the residual value can thus be taken as an expression of the fair value.

Potential building rights have been valued based on market comparison studies and the status in the planning process. The building rights have been valued at SEK 250 – 8,000 per square meter GFA at the time of a final detailed zoning plan. Deductions from these values are made to reflect the estimated status in the detailed zoning plan process. The total area for potential building rights with value is estimated at 232,300 m² GFA (gross area). The potential building rights were valued on December 31, 2016 at a market value of SEK 311 million - the valuations of the building rights were unchanged during 2016. Only potential building rights that have progressed far enough in the planning process have been assessed a fair value.

The total change in value in the property portfolio during the period January to December was 12.9 per cent (10.4). This change in value takes into consideration acquisition of properties carried out during the year, investments in existing properties, and elimination of properties sold.

MARKET VALUATION INVESTMENT PROPERTIES

CHANGE IN REPORTED VALUE OF PROPERTIES

Amount in SEK

Property holdings at beginning of period	**2016 01 jan**	**2015 01 jan**
Existing properties	13,826,439	11,520,820
Acquisitions	780,147	955,000
Investments in existing properties, apartments and other real estate investments	1,039,204	490,702
Reclassifications	-	-
Divestments	-586,157	- 446,875
Change in value of investment properties, unrealized	1,938,290	1,306,792
Property portfolio at end of period	**16,997,923**	**13,826,439**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Non-current assets

The Group's non-current assets, primarily relating to management properties, amounted to a total of SEK 16,998 million (13,826) on 31 December 2016. At the end of the period, goodwill amounted to SEK 630 million (686), a value which arose in conjunction with the acquisition of Hyresbostäder i Sverige II AB in 2014, which is reported as a business combination.

Investment properties are reported at their fair value based on a valuation of the entire property portfolio as of 31 December 2016.

There were no long-term receivables at the end of the period (7).

Current assets

Current assets at the end of the period amounted to SEK 262 million (412) and consist mainly of a claim under a promissory note, investments in equities, accounts receivable and prepaid expenses.

The group's cash and cash equivalents on the balance sheet date amounted to SEK 679 million (479). Cash on account was strengthened by sales of companies during the period amounting to SEK 384 million (243), and issue of shares amount to SEK 461 million (1). The cash and cash equivalents will be used for continued acquisitions and the continued high rate of apartment refurbishments.

Changes in equity

On 31 December 2016, consolidated shareholders' equity was SEK 6,358 million (4,392). The equity ratio was 33.8% (28.2). Shareholders' equity per ordinary share was SEK 82.60 (62.06) and adjusted equity (EPRA NAV) per ordinary share was SEK 101.96 (73.50).

Changes in shareholders' equity are largely attributable to the profit for the period of SEK 1,678 million (1,139) and the issue of 6,539,900 class B shares, which added SEK 474 million to the shareholders' equity, before costs of issuing

Deferred tax

Deferred tax receivable amounted to SEK 303 million (148) and primarily relate to loss carryforwards. The deferred tax liability amounts to SEK 1,983 million (1,435) and is the difference between the fair value and the tax residual value of properties

Liabilities to credit institutions

D. Carnegie & Co.'s total interest-bearing liabilities at the end of the accounting period amounted to SEK 9,991 million (9,238). SEK 9,991 million is adjusted for prepaid arrangement fees of SEK 69 million (65). In 31 December 2016, interest-bearing liabilities to credit institutions amounted to SEK 8,060 (7,160) million, corresponding to an LTV of approximately 47 percent (52). LTV (Loan-to-Value) refers to the key ratio that describes interest-bearing liabilities to credit institutions in relation to the fair value of investment properties. In addition to liabilities to credit institutions, there are senior unsecured bonds amounting to SEK 2 billion (1). The Group's total short term interest-bearing liabilitiesto credit institutions amounted to SEK 1,258 million (1,244). These consist primarily of so-called revolving loans which are expected to be extended on a continuous basis.

The average interest rate on liabilities to credit institutions is 2.2% (2.3). The credit facilities are subject to customary covenants which in certain cases limits the subsidiaries' possibility of paying a dividend. The yearly interest rate on the bond issued in April 2015 was in the period 3.75 per cent. The yearly interest rate on the bond issued in April 2016 was in the period 4.00 per cent

D. Carnegie & Co uses derivatives in order to secure the loan maturity structure. Interest-rate derivatives are a flexible and cost-efficient way of achieving the desired fixed-interest term. In accordance with the IAS 39 reporting rules, the interest-rate derivatives are valued at fair market value. In the event the agreed interest rate deviates from the market rate, irrespective of the credit margin, a theoretical surplus or deficit value arises for the interest-rate derivatives where the change in value not affecting cash flow is reported in the income statement. On 31 December 2016, the fair market value of the interest-rate derivatives portfolio, consisting of interest rate swaps and interest rate caps, was SEK -138 million (-60).

Other current liabilities

Other current liabilities amounted to SEK 400 million (435) and consist primarily of accounts payable and accrued expenses and accrued income.

RISKS RELATED TO THE COMPANY

Changes in macroeconomic factors

The real estate industry is heavily impacted by macroeconomic factors such as general economic trends, growth, employment, construction rate for new residential and commercial buildings, changes in infrastructure, population growth and structure, inflation and interest rates. Growth in the economy affects the employment rate, which is a key component of supply and demand in the rental market and thus affects vacancy rates and rent levels.
Expectations regarding inflation policy govern interest rates and thus affect D. Carnegie & Co's net financial items. Interest expenses on liabilities at credit institutions is D. Carnegie & Co's single largest expense item. In the long-term, changes in interest rates will have a substantial effect on D. Carnegie & Co's financial performance and cash flow. Inflation also affects D. Carnegie & Co's costs. In addition, changes in interest rates and inflation also impact return requirements and thus the fair values of the properties.

The value of D. Carnegie & Co's properties may change

D. Carnegie & Co's investment properties are reported in the balance sheet at fair value and changes in value are reported in the income statement.

The value of the properties is affected by a number of factors, both property-specific, such as vacancy rates, rents and operating expenses, and market-specific, such as yield requirements and cost of capital derived from comparable transactions in the property market.

Both property-specific impairments, such as higher vacancy rates and lower rents, and market-specific impairments, such as higher yield requirements and cost of capital, can lead to negative realized and unrealized changes in value that could have a negative impact on D. Carnegie & Co's financial position and earnings.

The value of derivative financial instruments may change

D. Carnegie & Co has some loans with short fixed-interest terms and, as part of its strategy to manage interest rate risk, D. Carnegie & Co uses interest-rate derivatives, mainly swaps. Interest-rate derivatives are reported at fair value in the balance sheet with changes in value reported in the income statement. As market rates change, the interest-rate derivatives develop a theoretical surplus or deficit that does not affect cash flow. D. Carnegie & Co has used interest-rate derivatives to hedge against higher interest rates. If market rates fall, the fair value of D. Carnegie & Co's interest-rate derivatives will decline, which could have a negative effect on D. Carnegie & Co's earnings. During the year D. Carnegie & Co has entered into interest rate cap agreements amounting to SEK 1,500 million, with a maturity of approximately 6 years and with an agreed cap rate (Stibor) of 3 percent.

Refinancing may prove impossible or be associated with significantly higher costs

D. Carnegie & Co's interest-bearing liabilities on 31 December 2016 amounted to SEK 10,060 million (9,313), of which SEK -69 million (-65) was reported as a prepaid structuring cost . SEK 1,240 million, corresponding to 12 percent, falls due for renegotiation or repayment within one year and SEK 8,549 million, corresponding to 85 percent, falls due within one to five years. During the financial crisis, volatility and disruptions in the financial and credit markets were extremely large, with an unprecedented reduction in liquidity and increased credit risk premiums for many credit institutions. There is still some uncertainty on the financial markets and if D. Carnegie & Co is unable to refinance its loans, or can only do so on worse terms, interest expenses may be higher.

Other risks

Carnegie conducts extensive renovation activities and bulk purchasing of building materials and there are risks related to the environmental risks of building materials and regulatory changes.

WORK OF THE BOARD OF DIRECTORS DURING THE YEAR

D. Carnegie & Co's Board of Directors consists of 5 directors. The board held 25 meetings during the year at which minutes were taken, in addition to regular contacts. The most important duty of the Board of Directors is to decide on strategic issues. In general, the board addresses matters of material significance to the Group. The main issues during the year involved the refinancing of the convertible debenture of SEK 1,020 million, the directed issue of class B-shares and the bond issue conducted in order to refinance the convertible debenture repayment, the public bid from Vega Holdco S.à.r.l. and property and company transactions. For more information about the work of the Board of Directors, please see the section on Corporate Governance, pp 39-47.

THE BOARD OF DIRECTORS' PROPOSAL FOR GUIDELINES FOR COMPENSATION TO SENIOR MANAGEMENT

The company shall offer compensation levels and employment terms and conditions as are required in order to be able to recruit and retain management with a high level of expertise and the capacity to achieve the goals established. The forms of compensation shall motivate management to do its utmost in order to secure the interests of the shareholders. Consequently, the forms of compensation must be on market terms and simple, long-term and measurable. In addition to a fixed annual salary, senior management may also receive variable salary, which for the CEO shall be based on the group's earnings per share and for other senior management personnel on improvements within the area of responsibility of each individual with respect to earnings-per-share, sales, operating net earnings and the rate of capital turnover, as well as the results of individual action plans. A right to a pension shall apply from the age of 62 at the earliest. The CEO is covered by a premium-based plan according to which the contractual premium provision may not be more than 35% of the base salary. Other senior management are covered by the ITP plan, on top of which a certain premium-based supplement may be payable. The Board of Directors shall consider each year whether a share price-related incentive program shall be proposed to the shareholders' meeting. No share price-related incentive programs may be applied without the approval of the shareholders meeting.

CURRENT EMPLOYMENT CONTRACTS FOR CHIEF EXECUTIVE OFFICER AND SENIOR EXECUTIVES

Decisions on current remuneration levels and other terms of employment for the company's Chief Executive Officer and other senior executives were taken by the board in accordance with the existing remuneration policy adopted by the board. All of the decisions on individual remuneration for senior executives fall within the approved remuneration policy. Where possible, pension agreements should be based on fixed premiums and formulated in accordance with the levels, practices and collective agreements applicable in the country where the senior executive is employed. For executives resident in Sweden, a notice period of six months applies for both the employee and the employer.

RELATED-PARTY TRANSACTIONS

Kvalitena AB; In connection with the acquisition of Hyresbostäder i Sverige II AB, a related-party transaction took place between Kvalitena AB and Markarydsbostäder Holding AB, a subsidiary of Hyresbostäder i Sverige II AB. The transaction consisted of a claim under a promissory note whereby Markarydsbostäder Holding AB had a claim against Kvalitena AB in the amount of SEK 150 million. SEK 100 million under this promissory note became due and payable on 31 October 2015 which had pursuant to a resolution adopted by the board of directors extended to 31 August 2016. The remaining SEK 50 million would have fallen due on 31 October 2016, but had pursuant to a resolution adopted by the board of directors been brought forward to 31 August 2016. The average rate of interest during the period was 6.75 per cent, and SEK 6 million was paid in interest during the period. Sörmlandsporten AB, a company which is 50 per cent owned by Kvalitena AB, has through a transfer assumed a SEK 15 million loan to D. Carnegie & Co. An additional loan, amounting to SEK 40 million, was issued to Kvalitena AB, which has pursuant to a resolution adopted by the board of directors be solved at 31 August 2016. This loan has been issued on market terms. All loans to the Kvalitena-group were repaid in full during the fourth quarter.

Svensk Bolig Holding; SEK 200 million of the purchase price in connection with the acquisition of Hyresbostäder II i Sverige AB comprised a vendor note. This note was held by the seller of Hyresbostäder i Sverige II AB, Svensk Bolig Holding AB. On 4 July 2015, SEK 67 million was repaid on the note, and on 30 June 2016 the rest SEK 133 was repaid, meaning that none of this vendor note remains outstanding at the end of the second quarter. The note carried interest at an annual rate of rate of 3 per cent. In addition to the repayment of the vendor note, interest was paid affecting the financial costs during the period amounting to SEK 4 million.

Bosystem Nordic AB; During the period, the D. Carnegie & Co Group made purchases worth SEK 49.3 million from Bosystem Nordic AB, a company which is 50 percent owned by Kvalitena AB.

PARENT COMPANY

The operations conducted in D. Carnegie & Co consist of group functions. No properties are directly owned by the parent company. The parent company's revenue in 2016 amounted to SEK 23 million (10) and the profit after tax was SEK -114 million (-116). The revenue mainly relates to payment for services rendered. Non-recurring costs of SEK -36 million (31) for sponsoring, social activities and legal assistance in due dilligence processes, non-recurring compensation to five members of management in return for not being able to participate in the 2016 warrant program and fees to banks for advice in connection to the bid by Vega Holdco S.à.r.l.. These non-recurring expenses are not expected to appear on a regular basis. Financial income of SEK 34 million (18) consists of short-term lending, while financial expenses of SEK -137 million (-117) consists mainly of interest-bearing costs for convertible debentures and bonds. Cash and cash equivalents at the end of the period amounted to SEK 169 million (238).

EVENTS AFTER THE END OF THE REPORTING PERIOD

D. Carnegie & Co has entered into an agreement with Fastighets AB Balder (publ) to acquire residential property portfolios in Arboga, Köping and Tranås. The property portfolios comprises 42 properties and 1,681 apartments. The property value is SEK 1,420 million and the agreed share purchase price amounts to SEK 1,040 million. The transaction is a share deal with closing scheduled for May 2017.

THE FUTURE

D. Carnegie & Co controls its activities through business plans. At the end of the period, there was a business plan in place which the board had adopted on 18 December 2014, and which was adjusted with respect to LTV on 11 April 2015. The business plan describes the business concept, which is to take a long-term approach to acquire, manage and refurbish the property portfolio.

D. Carnegie & Co focuses on the Greater Stockholm region and Mälardalen to ensure a high demand for its homes.

D. Carnegie & Co intends to continue renovating all properties to achieve a strong, even growth in value. In ten years, D. Carnegie & Co expects the entire existing portfolio will be modernized.

D. Carnegie & Co expects to achieve annual growth of about 10 percent through growth in value and another 10 percent through acquisitions. However, the latter depends on market conditions and may be either higher or lower.

D. Carnegie & Co has the following financial targets:

- Equity ratio of at least 30%
- Gross margin exceeding 50%
- Annual growth in value of the existing portfolio of 10%
- Loan-to-value ratio (LTV) on properties of a maximum of 65%

The equity ratio at year-end was 33.8% (28.2), which is above the financial target.
The gross margin was 49.1% (45.4) during 2016, which is below the long-term financial target. The long-term target gross margin is expected bo be reached during 2017.
Over the first two–three years, D. Carnegie & Co will have to finance part of the investments in the existing portfolio through external debt, but the loans will account for a declining percentage of assets because of the faster increase in the value of the holdings. D. Carnegie & Co will subsequently generate a cash flow surplus.
The loan-to-value ratio (LTV) amounted to 47.3% (51.8) at the year end, which is in-line with the financial target.

The investments in the existing properties provide a good return, so there is no intention to pay any dividend to the shareholders over the next few years. The company will pay dividends when it is not possible to invest the entire surplus in this way.

THE SHARES

At the end of the year, D. Carnegie & Co had 7,5328 (8,297) shareholders. The market capitalization was SEK 7,841 (4,618) million. D. Carnegie & Co has two classes of shares, class A and class B ordinary shares. In 2015, the shares were relisted and have been listed on Nasdaq Stockholm MidCap since May 12, 2015. In total, there are 5,369,866 class A shares and 71,938,910 class B shares outstanding, or a total of 77,308,776 ordinary shares. The share price rose by 62.1% in 2016 (42.7) and has risen by 179.4% since listing on Nasdaq First North on April 9, 2014.

DIVIDEND AND DIVIDEND POLICY

The company is in an expansive phase during which any surplus will be invested in the property portfolio, primarily in the form of refurbishments. Since investments in the existing properties provide a good return, it is not planned to pay any dividend to the shareholders over the next few years. The company will pay dividends when there is no possibility to invest the entire surplus in this way. In the long run, the company intends to pay a dividend of between 30 – 50% of the group's net earnings.

PROPOSED ALLOCATION OF UNAPPROPRIATED EARNINGS

The following funds are at the disposal of the Annual General Meeting:

Retained earnings	-174,498,491
Share premium reserve	2,448,858,519
Repayment convertible debenture	-145,199,985
Profit/loss for the year	-113,623,657
SEK	2,015,536,386

To the shareholders	0
Carried forward	2,015,536,386
SEK	2 015 536 386

The board proposes that no dividend be paid for financial year 2016.

Consolidated equity has been calculated in accordance with the EU-adopted IFRS standards and interpretations (IFRIC), as well as in accordance with Swedish law, including application of Swedish Financial Reporting Board recommendation RFR1. The parent company's equity has been calculated in accordance with Swedish law and application of RFR2. The proposal to not pay a dividend is in line with the board's established dividend policy.

Consolidated Income Statement

Amounts in SEK thousand	NOTE	2016	2015
Rental income etc.	2.4	1,284,282	1,217,356
Other operating income	2	187	3,459
Operating costs	3,4,6,23,25	-522,563	-496,163
Maintenance costs		-89,942	-131,149
Property tax		-25,972	-23,935
Site leasehold rent		-15,526	-15,445
Net operating income		**630,466**	**554,123**
Central administration	3,5,6,23,25	-101,673	-96,779
Costs related to acquisition of business			
Financial income	7	16,068	16,970
Financial expenses	7	-275,477	-288,072
Income from property management		**269,384**	**186,242**
Dividend		99,214	
Realised changes in value, investment properties	10	1,938,290	1,306,792
Change in value, investment properties		-14,236	-45,507
Change in value, financial instruments	7, 20	-165,189	-10,999
Write-down of goodwill	9	-54,979	-15,004
Profit/loss before tax		**2,072,484**	**1,421,524**
Current tax	8,25	-880	1,563
Deferred tax	8,25	-393,340	-283,952
Profit/loss for the year		**1,678,264**	**1,139,135**
Other comprehensive income		-	-
Total other comprehensive income		**0**	**0**
PROFIT/LOSS FOR THE YEAR		**1,678,264**	**1,139,135**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the year		1,678,264	1,139,135
Other comprehensive income		0	0
TOTAL PROFIT/LOSS FOR THE YEAR		**1,678,264**	**1,139,135**
Profit attribute to:			
Parent company shareholders	18	1,678,264	1,138,559
Non-controlling interests		0	576
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,678,264**	**1,139,135**
Profit after tax per share (SEK), basic	18	22.20	16.10
Profit after tax per share (SEK), diluted		21.93	13.50

Consolidated Balance Sheet

Amounts in SEK thousand	NOTE	31 DEC 2016	31 DEC. 2015
ASSETS			
Non-current assets			
Goodwill	9	630,165	685,728
Investment properties	10	16,997,923	13,826,439
Equipment	11	5,972	4,661
Stocks and shares	13	19,950	558
Non-current receivables		-	6,662
Interest rate derivatives	8	6,517	-
Deferred tax assets		302,579	148,135
Total non-current assets		**17,963,106**	**14,672,183**
Current assets			
Accounts receivable	12	5,792	6,410
Current investments	13,20	182,459	178,245
Other receivables	14,25	39,376	197,642
Tax receivables		9,980	-
Prepaid expense and accrued income	15	24,153	29,837
Cash and cash equivalents	16	679,370	478,524
Total current assets		**941,130**	**890,658**
TOTAL ASSETS		**18,904,236**	**15,562,841**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	985,095	901,762
Additional paid-in capital		2,506,023	2,128,631
Retained earnings		1,215,995	222,060
Profit for the year		1,678,264	1,139,135
Shareholders' equity		**6,385,377**	**4,391,588**
Non-current liabilities			
Non-current interest-bearing liabilities	19,20,25	8,733,018	7,587,332
Other non-current liabilities		1,103	3,143
Deferred tax liability	8	1,982,826	1,435,043
Interest-rate derivatives	20	144,694	60,487
Total non-current liabilities		**10,861,641**	**9,086,005**
Current liabilities			
Current interest-bearing liabilities	19,20,25	1,257,659	1,650,286
Accounts payable		81,934	108,509
Current tax liabilities		-	4,181
Other current liabilities	21	35,764	18,660
Accrued expenses and prepaid income	22	281,861	303,612
Total current liabilities		**1,657,218**	**2,085,248**
TOTAL EQUITY AND LIABILITIES		**18,904,236**	**15,562,841**

For information about the Group's pledged assets and contingent liabilities, see note 24.

Changes in Consolidated Equity

Amounts in SEK thousand	Share capital	Other additional paid-in capital	Retained earnings, including profit/loss for the year	Equity attributable to Parent Company shareholders	Noncontrolling interests	Total equity attributable to shareholders
Equity, 31 Dec. 2014	**901,762**	**2,084,892**	**222,060**	**3,210,308**	**41,147**	**3,251,455**
Profit/loss for the year	-	42,741	1,139,135	1,180,282	-41,147	1,139,135
Other comprehensive income	-	-	-	0	-	0
Net changes, excluding transactions with shareholders	**0**	**42,741**	**1,139,135**	**1,180,282**	**-41,147**	**1,139,135**
		-				
Other contributed capital, warrants	-	998	-	998	-	998
Dividend paid on ordinary shares	-	-	-	0	-	0
Dividend on preferred shares	-	-	-	0	-	0
Total transactions with shareholders	**0**	**998**	**0**	**998**	**0**	**998**
Equity, 31 Dec. 2015	**901,762**	**2,128,631**	**1,361,195**	**4,391,588**	**0**	**4,391,588**
Profit/loss for the year	-	-	1,678,264	1,678,264	-	1,678,264
Other comprehensive income	-	-	-	0	-	0
Net changes, excluding transactions with shareholders	**0**	**0**	**1,678,264**	**1,678,264**	**0**	**1,678,264**
Directed share issue	83,333	376,585	-	459,918	-	459,918
Other contributed capital, warrants	-	807	-	807	-	807
Equity component convertible subordinated loan	-	-	-145,200	-145,200	-	-145,200
Dividend paid on ordinary shares	-	-	-	0	-	0
Dividend on prefered shares	-	-	-	0	-	0
Total transactions with shareholders	**83,333**	**377,392**	**-145,200**	**315,525**	**0**	**315,525**
Equity, 31 Dec. 2016	**985,095**	**2,506,023**	**2,894,259**	**6,385,377**	**0**	**6,385,377**

Reporting of shareholders' equity according to IFRS And the Swedish Companies Act

Shareholders equity is allocated to assets related to the parent company's shareholders and holdings without a controlling influence. Transfers of value in the form of, among other things, dividends paid by the parent company and the group must be based on a statement prepared by the Board of Directors regarding the proposed dividend. This report must take into consideration the prudence rule which is set forth in the law in order to avoid the payment of a dividend for which there is not coverage.

Changes in shareholders' equity

Changes in shareholders' equity consist primarily of the comprehensive income for the year, the issuance of warrants programs to the employees and effect on adjusted equity for the repayment of the convertible debenture ..

Share capital

On 31 December 2016 the registered share capital covered 5,369,855 class A shares and 71,938,910 class B shares. The shares have a quotient value of 12.742349. Each class A shares entitles the holder to 5 votes and each class B share entitles the holder to 1 vote.

Other contributed capital

Means shareholders' equity contributed by the shareholders. This item includes set-off issues, new issues, settlement of issue costs in conjunction with the IPO, and acquired shareholders' equity in conjunction with the acquisition of affiliated companies.

Retained profits including profit for the year

This item includes profits earned in the parent company and its subsidiaries and affiliated companies.

Consolidated Statement of Cash Flows

Amounts in SEK thousand	NOTE	2016	2015
Operating activities			
Income from property management		269,384	186,242
Adjustment for items not included in cash flow	27	-862	18,074
Tax paid		-11,072	-1,891
Cash flow from operating activities before change in working capital		**257,450**	**202,425**
Changes in operating receivables/liabilities		-136,215	76,032
Total change in working capital		**-136,215**	**76,032**
Cash flow from operating activities		**121,235**	**278,457**
Investment activities			
Investments in existing properties	10	-1,039,205	-490,702
Acquisition of Group companies/properties, business combination	10	-	-
Acquisition of Group companies/properties, asset acquisition	10	-652,325	-372,785
Acquisition of tangible non-current assets	11	-3,333	-2,103
Sales of Group companies/properties		384,493	243,154
Change in financial assets		215,750	-107
Share and participations, net		-	-
Cash flow from investment activities		**-1,094,620**	**-622,543**
Financing activities			
New share issue		460,725	998
Change in interest-bearing liabilities, new loans		2,396,606	5,316,247
Change in interest-bearing liabilities, amortized loans		-1,782,314	-4,747,803
Realized changes in value, derivatives		-	-
Dividend		99,214	-
Cash flow from financing activities		**1,174,231**	**569,442**
TOTAL CASH FLOW		**200,846**	**225,356**
Opening cash and cash equivalents		478,524	253,168
CLOSING CASH AND CASH EQUIVALENTS	16	**679,370**	**478,524**

Parent Company – Income Statement

Amounts in SEK thousand	NOTE	2016	2015
Net sales	2,25	22,836	10,284
Cost of goods sold	3,6,23,25	-20,487	-6,327
Gross profit		**2,349**	**3,957**
Central administration	3,5,6,23,25	-65,929	-53,815
Operating profit/loss		**-63,580**	**-49,858**
Financial income	7	33,742	17,967
Financial expenses	7	-136,930	-117,289
Profit/loss from property management		**-166,768**	**-149,180**
Received dividends		99,214	-
Write-downs		-37	-
Value changes of financial instruments		-77,776	-
Profit/loss before tax		**-145,367**	**-149,180**
Current taxes		-	-
Deferred taxes	8	31,743	32,741
Profit/loss for the year		**-113,624**	**-116,439**
Other comprehensive income	8	-	-
Total other comprehensive income		**0**	**0**
TOTAL PROFIT/LOSS FOR THE YEAR		**-113,624**	**-116,439**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
Profit/loss for the year	**-113,624**	**-116,439**
Other comprehensive income	**-**	**-**
TOTAL PROFIT/LOSS FOR THE YEAR	**-113,624**	**-116,439**

Parent Company – Balance Sheet

Amounts in SEK thousand	NOTE	DEC. 31 2016	DEC. 31, 2015
ASSETS			
Non-current assets			
Equipment	11	1,431	1,838
Shares and participations in subsidiaries	26	4,827,870	4,827,870
Shares and participations		250	252
Non-current receivables from Group companies	25	58,711	57,611
Interest rate derivatives		6,517	-
Deferred tax assets	8	86,695	54,952
Total non-current assets		**4,981,474**	**4,942,523**
Current assets			
Accounts receivable	12	44	-
Current receivables from Group companies	25	1,641,780	922,464
Short term investments	13	98,270	104,405
Other receivables	14, 25	9,587	19,047
Tax receivables		211	-
Prepaid expense and accrued income	15	473	734
Cash and cash equivalents	16	169,281	237,842
Total current assets		**1,919,646**	**1,284,492**
TOTAL ASSETS		**6,901,120**	**6,227,015**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	17	985,095	901,762
Non-restricted equity		-	-
Share premium reserve		2,448,678	2,071,286
Retained earnings		-319,698	-58,059
Loss for the year		-113,624	-116,439
Shareholders' equity		**3,000,451**	**2,798,550**
Non-current liabilities			
Interest-bearing liabilities	19	1,980,951	1,722,787
Total non-current liabilities		**1,980,951**	**1,722,787**
Current liabilities			
Current interest-bearing liabilities	19,25	0	406,750
Accounts payable		1,460	1,619
Current liabilities Group companies	25	1,883,288	1,268,186
Other current liabilities	21	4,328	927
Accrued expenses and prepaid income	22	30,642	28,196
Total current liabilities		**1,919,718**	**1,705,678**
TOTAL EQUITY AND LIABILITIES		**6,901,120**	**6,227,015**

For information about the parent company's pledged assets and contingent liabilities, see note 24.

Change in Consolidated Equity, Parent Company

Amounts in SEK thousand	Share capital	Statutory reserve	Share premium reserve	Retained earnings, including profit/loss for the year	Total shareholders' equity
Equity, 31 Dec. 2014	**901,762**	**0**	**2,070,288**	**-58,059**	**2,913,991**
Profit/loss for the year	-	-	-	-116,439	-116,439
Other comprehensive income	-	-	-	-	0
Net changes, excluding transactions with shareholders	**0**	**0**	**0**	**-116,439**	**-116,439**
Other contributed capital, warrants	-	-	998	-	998
Dividend on ordinary shares	-	-	-	-	0
Dividend on preference shares	-	-	-	-	0
Total transactions with shareholders	**0**	**0**	**998**	**0**	**998**
Equity, 31 Dec. 2014	**901,762**	**0**	**2,071,286**	**-174,498**	**2,798,550**
Profit/loss for the year	-	-	-	-113,624	-113,624
Other comprehensive income	-	-	-	-	0
Net changes, excluding transactions with shareholders	**0**	**0**	**0**	**-113,624**	**-113,624**
Directed share issue	83,333	-	376,585	-	459,918
Other contributed capital, warrants	-	-	807	-	807
Other contributed capital, optioner	-	-	-	-145,200	-145,200
Dividend on ordinary shares	-	-	-	-	0
Dividend on preference shares	-	-	-	-	0
Total transactions with shareholders	**83,333**	**0**	**377,392**	**-145,200**	**315,525**
Equity, 31 Dec. 2015	**985,095**	**0**	**2,448,678**	**-433,322**	**3,000,451**

Statement of Cash Flows, Parent Company

Amounts in SEK thousand	NOTE	2016	2015
Operating activities			
Profit/loss before tax		-145,367	-149,180
Adjustment for items not included in cash flow	27	4,013	11,282
Tax paid		-	-
Cash flow from operating activities before change in working capital		**-141,354**	**-137,898**
Changes in operating receivables/liabilities		-82,207	221,358
Total change in working capital		**-82,207**	**221,358**
Cash flow from operating activities		**-223,561**	**83,460**
Investment activities			
Acquisition of subsidiaries		-	-
Acquisition of tangible non-current assets	11	-379	-314
Acquisition financial assets		-11,008	-1,900
Sale of non-current assets		-4,250	-
Cash flow from investing activities		**-15,637**	**-2,214**
Financing activities			
New share issue		460,725	998
Change in interest-bearing liabilities, new loans		1,000,000	1,000,000
Change in interest-bearing liabilities, amortized loans		-1,290,088	-867,000
Dividend		-	-
Cash flow from investment activities		**170,637**	**133,998**
TOTAL CASH FLOW		**-68,561**	**215,244**
Opening cash and cash equivalents		237,842	22,598
CLOSING CASH AND CASH EQUIVALENTS	16	**169,281**	**237,842**

NOTES

Amounts stated in SEK thousand unless specified otherwise.

NOTE 1 Accounting principles

GENERAL INFORMATION

D. Carnegie & Co AB (publ), company reg. no. 556498-9449, is a Swedish registered limited liability Company with its registered office in Stockholm, Sweden. The parent company's shares are registered on the Nasdaq Stockholm MidCap list. These consolidated financial statements for 2015 are for the parent and all of its subsidiaries, jointly referred to as the Group. The Board of Directors approved for publication the annual report and consolidated accounts on 10 April 2017. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for adoption on 10 May 2017.

COMPLIANCE WITH STANDARDS AND LEGISLATION

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standard Board (IASB) as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted within the EU, and the Annual Accounts Act. In addition, the consolidated financial statements have been prepared in accordance with Swedish law by applying the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups. The parent company applies the same accounting policies as the Group except in the cases described under "Parent Company accounting policies". The differences arising between the parent company and the Group's accounting principles are attributable to limitations on the ability to apply IFRS in the parent company as a result of the Swedish Annual Accounts Act, and in certain cases due to current tax rules.

BASIS OF PREPARATION OF THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

The parent company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the parent company and for the Group. All amounts are rounded to the nearest thousand, unless stated otherwise. Assets and liabilities are reported at historical cost, apart from certain financial assets, liabilities, and investment properties, which are reported at fair value in the consolidated balance sheet. Financial assets and liabilities reported at fair value consist of derivatives and securities reported at fair value in the consolidated income statement. Investment properties are reported at fair value in accordance with IAS 40. The Group's accounting policies have been applied consistently in reporting and consolidation of the parent company and subsidiaries.

CHANGE IN ACCOUNTING PRINCIPLES

The changes in standards and interpretation statements which were applied commencing 1 January 2016 are of very limited scope and have not had any material impact on D. Carnegies & Co's financial reports.

NEW AND CHANGED STANDARDS AND INTERPRETATIONS WHICH HAVE NOT YET ENTERED INTO FORCE

The International Accounting Standards Board (IASB) has issued some changes in standards which enter into force in 2017. None of these are expected to have any material impact on D. Carnegies & Co's financial reports.

• IFRS 9 Financial Instruments. This standard will replace IAS 39 Financial instruments: Recognition and Measurement. This contains rules for classification and valuation of financial assets and liabilities, write-downs of financial instruments and reporting of hedging. The standard will be applied commencing in 2018 and has been approved by the EU. D. Carnegies & Co does not believe that the new standard will have a material impact on the financial reports.

• IFRS 15 Revenue from Contracts with Customers. This standard addresses the reporting of revenues from contracts and sales of non-financial assets. It will replace IAS 11 Construction Contracts and IAS 18 Revenue, and related interpretations. The standard will be applied commencing in 2018 and is approved by the EU. The standard does not cover reporting of leasing agreements but may have some impact on the reporting of supplemental services that are provided to D. Carnegies & Co's tenants.

• IFRS 16 Leases. This standard requires that lessees report assets and liabilities related to all leasing agreements, with the exception of agreements with a term of less than 12 months and/or which involve small amounts. The reporting obligations for the lessor will, in all material respects, remain unchanged. The standard replaces IAS 17 Leases, and related interpretations. The standard will be applied commencing in 2019 but has not yet been approved by the EU.

CLASSIFICATION

Non-current assets and non-current liabilities of the parent company and the Group consist only of amounts expected to be recovered or settled later than twelve months after the balance sheet date, while current assets and current liabilities of the parent company and Group consist only of amounts expected to be recovered or settled within twelve months from the balance sheet date.

Input data for fair value measurement

Level 1 – Listed, unadjusted prices on active markets for identical assets and liabilities that D. Carnegie & Co has access to on the valuation date.
Level 2 – inputs other than listed prices included in Level 1 that are directly or indirectly observable for assets and liabilities.
Level 3 – Inputs at Level 3 are unobservable inputs for assets and liabilities.

PRINCIPLES OF CONSOLIDATION

Subsidiaries

Subsidiaries are companies over which the parent company D. Carnegie & Co has a controlling influence. Subsidiaries are all entities (including special purpose entities) over which the Group has the right to decide financial and operating strategies in a way which is usually a result of a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that can currently be exercised or converted are taken into account when assessing whether the Group exercises a controlling influence over another company. Subsidiaries are consolidated as of the date when the controlling influence is achieved and consolidation ends on the date when the controlling influence terminates. Upon acquisition of a company, the Group assesses whether the acquisition concerns business combinations or assets (property). Business combinations entail acquisitions relating to the purchase of one or several companies with properties including takeover of staff and internal processes. The Group applies the purchase method when reporting business combinations where appropriate. The surplus that comprises the difference between the transferred consideration and the fair value of the Group's share of identifiable acquired net assets is reported as goodwill. When acquisitions of subsidiaries involve the acquisition of assets, the cost of the acquired assets and liabilities is based on their fair values at the acquisition date. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Classification of acquisitions and goodwill

On acquisition of businesses, an analysis is made of how the acquisition is to be reported based on the following criteria: The existence of employees and the complexity of internal processes. Furthermore, the number of activities and the existence of agreements with various degrees of complexity are taken into consideration. If these criteria are present to a great extent, the acquisition is classified as a business combination and if they are present to a small extent as an asset acquisition .

In the case of business combinations, full deferred tax is payable on the temporary differences between the fair value of properties and their tax residual value. Goodwill mainly arises because deferred tax is calculated according to standard accounting rules and not based on the value ascribed to deferred tax between parties in transactions. For accounting purposes, deferred tax is calculated on the difference between the fair value and the tax value. In conjunction with transactions, deferred tax is commonly measured based on the probability that it will become due and payable and a time factor of when any payment will take place. Impairment testing of goodwill is performed annually.

When acquisitions of subsidiaries involve the acquisition of assets that are not a business combination, the cost of the individual assets and liabilities is based on their fair values at the acquisition date. Properties and financial instruments are valued at their fair value. Other items have not been revalued. Deferred tax is not recognized on the initial temporary differences. Full deferred tax is reported on temporary differences arising after the acquisition.

In 2016, all acquisitions were reported as acquisitions of assets.

Transactions eliminated on consolidation

Intra-group receivables and liabilities, income and expense, and unrealized gains or losses arising from intragroup transactions are eliminated in full when preparing the consolidated financial statements.

REVENUE

Rental income

Rental income from investment properties is reported in the income statement based on the terms of the leases.

Other income

Other income consists of income from external property management assignments, which is recognized in the period in which the assignment is conducted, as well as insurance compensation.

Income from property sales

Income from property sales is usually recognized on the date of possession, unless the risks and rewards have been transferred to the buyer at an earlier time. Control of the asset may have been transferred at an earlier time than the closing date and if so, the property sale is recognized as income on that earlier date. When establishing the date of revenue recognition, consideration is given to what has been agreed by the parties concerning risks and benefits, and commitment in the management of the asset. In addition, circumstances are taken into account that may affect the result of the transaction, which are outside the control of the seller and/or purchaser. The realized change in value of properties sold is based on the difference between the fair value of the properties in the most recent financial statements and the price for which the properties have been sold. Worked-up unrealized changes in value from previous years are included in the properties' fair value and are therefore not visible in the realized change in value.

REPORTING OF SEGMENTS

The results are for the operating activities which includes properties acquired and investments made during the year. An operating segment is a component of the Group that engages in business activities from which it may generate revenues and incur expenses, and for which discrete financial information is available.

D. Carnegie & Co only conducts business within one segment, management of residential property, where the business model is to own and manage apartments in the "Million Homes Programmes." Accounting is therefore done within the same segment. D. Carnegie & Co focuses its investments on the Greater Stockholm region and Mälardalen to ensure that there is a high demand for their homes. The company looks for growth areas within reasonable distance of Stockholm to take advantage of the growth in the capital. With this focus on Stockholm and Mälardalen, the company's business is not divided into regions relevant for monitoring purposes. The only operating segment is residential properties.

D. Carnegie & Co acquires new residential properties based solely on the quality of the property, the opening value per m2, and the potential to renovate the apartments in order to increase rental income.

From a monitoring perspective, the region in which the residential property is located is not of interest, but that the material factors fall within the business concept. Moreover, there are no appointed managers with responsibility for the financial performance in different regions, nor is following the financial performance in different regions of interest. Properties considered for investment must be built between 1965 and 1975 within the framework of the Million Homes Programme. In addition, it must be possible to renovate one apartment at a time, including replacement of plumbing apartment by apartment. Monitoring the financial performance of properties located in different areas is not of interest, because the performance does not depend on their location.

For the above-stated reasons, D. Carnegie & Co only has one operating segment which is interesting to follow up, and from a follow-up perspective there is no breakdown which is meaningful.

OPERATING EXPENSES AND FINANCIAL INCOME AND COSTS

Property expenses

Consists of expenses relating to operation, caretaking, letting, management and maintenance of the property holdings.

Central administration

Consists of costs for Group functions and ownership of the Group's subsidiaries.

Financial income and expenses

Financial income and expenses comprise interest income from bank deposits and receivables, as well as interest on loans. Interest expenses and interest income are recognized using the effective interest method. The effective interest rate equals the present value of expected future cash flows over the expected life of the financial instrument and thus includes accrued amounts of issuance costs and similar direct transaction costs to raise loans. Dividend income is recognized when the right to receive payment has been established. Realized and unrealized gains and losses on financial investments and derivatives used in financial operations are reported as changes in value under a separate heading in the income statement.

INCOME FROM PROPERTY MANAGEMENT

Operating income minus operating expenses for investment properties, central administration and financial expenses, before changes in value and taxes.

TAXES

Tax expenses for the period comprise both current tax due and deferred income tax. Tax is recognized in the income statement, except where it refers to items that are recognized in other comprehensive income or directly in equity. In such cases the tax is also recognized in other comprehensive income or equity respectively.

Current income tax

Current tax assets and tax liabilities for current and previous periods are defined as the amount that is expected to be received back from or paid to the Swedish Tax Agency. The tax rates and tax laws applied in calculating the amount are those which have been adopted or announced at the balance sheet date.

Deferred income tax

Deferred tax is recognized on the balance sheet date using the balance sheet method based on temporary differences between reported and taxable values of assets and liabilities. The tax rates and tax laws applied in calculating the amount are those which have been adopted or announced at the balance sheet date. For acquisition of a business combination including property, deferred tax is reported at the nominal amount under temporary differences. In those cases where the acquisition of assets (property) is carried out, no deferred tax is reported at the time of acquisition. Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax is attributable to the same entity in the Group and the same taxation authority. Current tax and deferred tax were calculated using the applicable tax rate of 22 percent.

FINANCIAL INSTRUMENTS

Financial instruments reported under assets in the balance sheet include cash and cash equivalents, accounts receivable and other receivables, as well as derivatives and securities. Liabilities include accounts payable, loans and other liabilities, as well as derivatives. The company does not apply hedge accounting. Financial instruments are initially recognized at cost, corresponding to the instrument's fair value at the time of acquisition plus transaction costs, apart from financial assets, which are reported at fair value in the income statement. Subsequent reporting depends on the category in which they are classified, as stated below.

A financial asset or liability is reported in the balance sheet when the company becomes a party to the instrument's contractual terms. Accounts receivable are reported in the balance sheet when the invoice has been sent. A liability is reported when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognized when invoices are received. A financial asset and a financial liability may be offset and the net amount presented in the balance sheet when, and only when, the company has a legally enforceable right to set off the recognized amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A financial asset is derecognized when the rights in the agreement are realized, fall due or the company loses control over them. This also applies to parts of financial assets. A financial liability is derecognized when the duty in the contract is performed or otherwise extinguished. The same applies to a part of a financial liability. At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Derivatives are measured at fair value in the consolidated financial statements with changes in value recognized in the income statement. The following derivatives occur: interest rate swaps and interest rate caps. The company does not apply hedge accounting .

The financial assets or liabilities that the Company has classified in the category of financial assets or financial liabilities at fair value through profit or loss are assets and liabilities which initially are classified as such or financial assets and liabilities held for trading, including derivatives for which hedge accounting is not applied.

Financial assets classified as investments held to maturity are financial assets that are not derivatives with fixed or determinable payments and fixed maturities that the Company has the intention and ability to hold to maturity. Such investments are reported at amortized cost.

Financial assets classified in the category Loans and receivables are financial assets that do not constitute derivatives with fixed or determinable payments. Loans and receivables are measured at amortized cost.

Financial assets classified in the category Financial assets available for sale are reported at fair value in other comprehensive income, except for impairment losses, foreign exchange gains and losses. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured are recognized at cost.

STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the indirect method.

CASH & CASH EQUIVALENTS AND BLOCKED ACCOUNT

Cash and cash equivalents consist of cash as well as demand deposits with banks and similar institutions. Amounts in blocked accounts are funds that serve as collateral for repayment of loans or financing of investments in real estate and reported as other receivables .

NON-CURRENT RECEIVABLES AND OTHER RECEIVABLES

Non-current receivables and other receivables are receivables held with no intention of conducting trade in the receivable. If the expected holding period is longer than one year, they are non-current receivables, and if it is shorter, they are current receivables.

LOAN RECEIVABLES AND ACCOUNTS RECEIVABLE

Loan receivables and accounts receivable are recognized at the amounts expected to be received after deductions for doubtful receivables, which are assessed on a case-by-case basis. Accounts receivable are assessed for impairment when there is a risk that all or part of the claim will not be received. The estimated term of the accounts receivable is short and consequently the value is reported at the nominal amount without discounting. Impairment of accounts receivable is recognized in operating expenses .

LIABILITIES

Liabilities relate to loans and operating liabilities. Loans are recognized at cost. Operating liabilities are recognized when the counterparty has delivered the goods or services, regardless of whether or not an invoice has been received. Accounts payable have a short expected term and are valued at the nominal value without discounting.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in addition to investment properties are physical assets used in the Group's business that have an expected useful life exceeding one year. All property, plant and equipment is carried at cost, less accumulated depreciation and impairment, if any. Depreciation and amortization are linear over the estimated useful life and begin when the asset is ready for use. When property, plant and equipment are reported, the residual values of the asset is taken into account when the depreciable amount is set. Property, plant and equipment consist of more than two essential elements and their components have different useful lives, they are recognized separately, known as component depreciation. Subsequent costs are added to the carrying amount only when it is probable that future economic benefits associated with the asset will benefit the Company. All other subsequent expenditure is expensed in the period in which they arise. The critical factor in determining when subsequent expenditure is to be added to the carrying amount is whether the subsequent expenditure refers to the replacement of identified components or parts thereof; if so, the subsequent expenditure is capitalized. In cases in which a new component is created, it is recognized separately.

Property, plant and equipment is derecognized upon disposal, or if it cannot be expected to bring any economic benefits in the future, either through their use or sale. Gains and losses are calculated as the difference between the sale price and the carrying amount of the asset. Gains or losses are recognized in the statement of comprehensive income in the accounting period when the asset is disposed of, as other expenses or other income. The residual value of the assets, as well as their useful life and depreciation method, are examined at the end of each financial year and adjusted if required with future effect. Standard costs for maintenance and repair are expenses as they occur, but costs for significant renovation and improvements are recognized in the balance sheet and depreciated over the remaining useful life of the original asset.

Leases

Finance leases, where the Group essentially assumes all risks and benefits associated with ownership of the leased object, are recognized in the Statement of financial position at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are recognized as financing costs and repayment of the debt. Assets held under a finance lease are written off over their expected useful lives. The Group does not have any assets held under finance lease at this time. Leases in which the lessor substantially retains all risks and rewards incident to ownership are classified as operating leases. Lease payments are expensed in profit and loss over the lease term on a straight-line basis. Consideration is given initially to any incentives received when signing the lease.

Depreciation principles, machinery and equipment

Depreciation takes place on a linear basis over the estimated useful life of the asset. Estimated useful lives:

- Machinery and equipment three to ten years. The residual value of the asset and its useful life are assessed annually.

Investment properties

Investment properties are properties held with a view to obtaining rental income or an increase in value or a combination of these purposes. Investment properties are initially recognized at cost, including expenses directly attributable to the acquisition. Investment properties are recognized in the consolidated balance sheet at fair value; see note 10. Each quarter, D. Carnegie & Co assesses the value of 100 percent of the property portfolio; 20–30 percent of the properties are externally assessed and the rest in-house.

Consequently, every property in the portfolio is valued externally over a rolling twelve-month period. Both the external appraisers and D. Carnegie & Co use a yield-based valuation model according to the cash flow model. The fair value of the property before deduction for selling expenses is calculated from the outcome in the cash flow method. Both realized and unrealized changes in value are recognized in the income statement. Rental income and income from property sales are recognized in accordance with the principles described in the section on revenue recognition. Subsequent expenditure that enhances value is capitalized. All other subsequent expenditure is expensed in the period in which they arise. Repairs and maintenance are expensed as incurred. In larger projects, interest expense is capitalized during the construction period.

Reporting of borrowing costs

The Group does not activate interest in the acquisition value of the assets with the exception of larger projects where the interest is activated. In other cases, the borrowing costs are reported in the period in which they arise.

REPURCHASE OF OWN SHARES

Acquisition of own shares is recognized as a deduction from equity. Payments for divestments of these equity instruments are reported as an increase in equity. Transaction expenses, if any, are reported directly against equity.

DIVIDENDS

Dividends are reported as a liability after the Annual General Meeting/ Extraordinary General Meeting of shareholders has approved the dividend. Anticipated dividends are reported by the recipient as financial income.

EMPLOYEE COMPENSATION

Pensions are classified as defined contribution or defined benefit plans. D. Carnegie & Co's pensions are considered to be defined contribution plans. Obligations regarding payments to defined contribution pension plans are recognized as an expense in the income statement when incurred.

PROVISIONS

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligations and the amount can be estimated reliably. Where the effect of when in time payment is made is significant, provisions are calculated through discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks associated with the debt.

FOREIGN CURRENCY

Transactions in foreign currency are translated into Swedish kronor at the exchange rate at the time of the transaction. Monetary assets and liabilities are translated at the closing day rate.

PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company has prepared its annual accounts according to the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board recommendation RFR 2 Reporting for Legal Entities. The Swedish Financial Reporting Board's statements for listed companies are also applied. RFR 2 requires the parent company, as a legal entity, to prepare its annual financial statements in compliance with all IFRS and IFRIC interpretations adopted by the EU, to the extent possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation states which exceptions from and additions to IFRS shall be observed. The following accounting policies for the parent company were applied consistently in all periods shown in the parent company's financial reports.

Property, plant and equipment

Machinery and equipment in the parent company are recognized at cost less accumulated depreciation and any impairment in the same manner as the Group but increased by any revaluations.

Group contributions, dividends and shareholder contributions for legal entities

Group contributions from subsidiaries are recognized according to the same policies as dividends in the parent company. Consequently, Group contributions

Property, plant and equipment

Machinery and equipment in the parent company are recognized at cost less accumulated depreciation and any impairment in the same manner as the Group but increased by any revaluations.

Group contributions, dividends and shareholder contributions for legal entities

Group contributions from subsidiaries are recognized according to the same policies as dividends in the parent company. Consequently, Group contributions are recognized as financial income. Dividends are reported as a liability after the Annual General Meeting approves the dividend. Anticipated dividends are reported by the recipient as financial income. Shareholder contributions are recognized directly in equity by the recipient and capitalized as shares and participations by the issuer, to the extent no impairment loss is identified.

Contingent liabilities

A contingent liability is recognized when a possible obligation arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when there is an obligation which is not recognized as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation

.

NOTE 2 Distribution of income

	2016	2015
Group		
Rental income	1,271,380	1,201,591
Insurance compensation	1,038	1,006
Other operating income	12,051	18,218
Total	**1,284,469**	**1,220,815**
Parent company		
Management fee subsidiaries	22,836	10,284
Other income	-	-
Total	**22,836**	**10,284**

Rental income Group refers to operating leases that have no end date, but continue indefinitely.

NOTE 3 Personnel and board of directors

Average number of employees	**2016**	**Percentage women, %**	**2016**	**Percentage women, %**
Parent company	15	13	10	20
Subsidiaries	175	37	147	39
Group total	**190**	**35**	**157**	**38**

All are employed in Sweden

Gender distribution in executive management

Average number	**2016**	**Percentage women, %**	**2016**	**Percentage women, %**
Parent company	8	13	7	14
Board of Directors	6	17	6	17
Group total	9	22	7	14
Board of Directors	6	17	6	17

NOTE 3 *Cont.* Personnel and board of directors

Salaries, wages and benefits	Group 2016	Group 2015	Parent 2016	Parent 2015
Chairman of the Board, James Seppala (Nov - Dec)	0	-	0	-
Chairman of the Board, Knut Pousette (Jan - Oct)	317	266	317	266
Other Directors (5 people)				
Ronald Bengtsson Jan - April	67	226	67	226
Mats Höglund	200	203	200	203
Bjarne Eggesbo	-	64	-	64
Knut Pousette Nov - Dec	42	-	42	
Ranny Davidoff Jan - Oct	125	196	125	196
Eva Redhe	200	132	200	132
Terje Nesbakken Jan - Oct	158	132	158	132
Svein Erik Lilleland Nov - Dec	42	-	42	-
Chief Executive Officer				
Base salary	2,023	2,035	2,023	2,035
Variable remuneration	1,270	600	1,270	600
Benefits	76	-	76	-
Other senior management, 9 individuals				
Base salary	6,464	9,461	5,674	4,950
Variable remuneration	5,080	1,750	5,080	1,750
Benefits	179	188	112	80
Other employees				
Base salary	64,784	53,592	5,194	1,192
Variable remuneration	0	1,182	0	50
Benefits	679	548	226	8
Total	**81,706**	**70,575**	**20,806**	**11,884**
Contractual pension costs				
Chief Executive Officer	714	590	714	590
Other senior executives	1,532	2,169	1,532	1,153
Other employees	4,778	4,644	513	152
Total	**7,024**	**7,403**	**2,759**	**1,895**
Statutory social security contributions, incl. payroll tax				
Chief Executive Officer	971	971	971	971
Other senior executives	3,761	3,761	2,335	2,335
Total	**4,732**	**4,732**	**3,306**	**3,306**

The Parent Company has 8 (7) senior executives (incl. the CEO), of whom one is a woman (1). Ulf Nilsson is CEO. Per-Axel Sundström is CFO and Jenny Wärmé is Legal Counsel. Tommy Jansson is Head of Property Management (Aug-Dec), Jonas Andersson is Chief Investment Officer & Head of Financing, Fredrik Brunnberg is Chief Business Development Officer, Christian Tapper is Head of Property Development (Nov-Dec) and Björn Sundberg is Head of Investor Relations and Head of Communications. Other senior executives in the group include the HR manager, Marie Persson.
At the end of 2016, the Board of Directors of the parent company had five members (6) of whom one is a woman (-). James Seppala is Chairman of the Board (Oct-Nov). The directors include Knut Pousette, Svein Erik Lilleland (Oct-Dec), Eva Redhe and Mats Höglund. An extraordinary general meeting on 14 October 2016 has resolved to replace the board members Ranny Davidoff and Terje Nesbakken with James Seppala and Svein Erik Lilleland and to replace Knut Pousette with James Seppala as chairman of the board.

Remuneration

Principles for remuneration to and benefits for the CEO and executive management are decided upon by the Annual General Meeting in accordance with the company's guidelines for remuneration to senior executives. The Board of Directors proposes and decides on remuneration and benefits for other senior executives. A fee is paid to the Chairman of the Board and directors according to a decision reached at the Annual General Meeting. Senior executives shall receive competitive wages in line with market rates, as well as other terms of employment that are commensurate with their responsibility, authority, expertise and experience. In addition to fixed salary, the management may also receive variable remuneration, which for the CEO shall be based on the Group's earnings per share and for other senior executives on improvements in each person's area of responsibility in terms of earnings per share, sales, operating earnings and capital turnover rate, as well as the outcome of individual activity plans.

Variable salary shall be equal to 50 percent of the fixed annual salary for the CEO and a maximum of between 30 and 70 percent of the fixed annual salary for other senior executives. The notice of termination period under employment contracts between the company and senior management is six months and severance compensation equals 18 times the monthly salary (base salary) for the CEO and 12 times the monthly salary (base salary) for other senior management. The earliest time for receiving pension benefits is 62 years of age. The CEO is covered by a defined-contribution plan under which the contractual premium provision may not exceed 35 percent of base salary. Other senior executives resident in Sweden are covered by the ITP plan, beyond which some premium-based supplement may be paid. Each year the Board shall consider whether or not a share-based incentive program should be proposed to the AGM. Share-related incentive programs that are not resolved by the AGM are not permitted. If a director is employed by the Company, remuneration to such directors is paid according to these guidelines, for which reason separate remuneration for the duties as director shall not be paid. If a director carries out duties for the Company that are not board duties, compensation will be paid that is market-based and with consideration taken to the nature and performance of the assignment. The guidelines apply to agreements entered into after a resolution by the 2015 Annual General Meeting, and in the event that changes are made to existing agreements after this point in time. The Board will be entitled to diverge from the guidelines if there are particular reasons to do so in an individual case, provided that this is reported and subsequently justified.

Warrants program

Warrants program D. Carnegie & Co has three warrants programs carrying an entitlement to subscribe for class B shares.

Warrants program no. one, which was issued in 2014, covers 1,473,000 warrants, corresponding to 1.9 per cent of the number of outstanding ordinary shares. Each warrant entitles the holder to subscribe for one new class B ordinary share in D. Carnegie & Co. The warrants may be exercised to subscribe for shares commencing 1 January 2017 up to and including 30 June 2017. The subscription price for class B ordinary shares pursuant to the warrants is SEK 48.50 kronor. The warrants program is directed at the CEO and CFO of D. Carnegie & Co AB, the CEO of Bosystem Nordic AB, and all staff who were employed at Slottsfabriken Egendomsförvaltning AB at the time D. Carnegie & Co was listed on NASDAQ OMX First North (9 April 2014). Market-based pricing was applied in conjunction with the warrants offering.

Warrants program no. two, which was issued in 2015 and covers 998,200 warrants, corresponding to 1.3 per cent of the number of outstanding shares. The warrants carry an entitlement to subscribe for new class B ordinary shares in D. Carnegie & Co. The warrants may be exercised to subscribe for shares commencing 21 May 2018 up to and including 31 August 2018. The subscription price for class B ordinary shares pursuant to the warrants is SEK 72.84 kronor. The warrants program is directed at all staff who were permanently employed by the D. Carnegie & Co Group on 12 May 2015. Market-based pricing was applied in conjunction with the warrants offering.

Warrants program no. three was issued in 2016 and covers 807,000 warrants, corresponding to 1.0 per cent of the number of outstanding shares. The warrants carry an entitlement to subscribe for new class B ordinary shares in D. Carnegie & Co. The warrants may be exercised to subscribe for shares commencing 21 May 2019 up to and including 30 August 2019. The subscription price for class B ordinary shares pursuant to the warrants is SEK 113.50 kronor. The warrants program is directed at all staff who were permanently employed by the D. Carnegie & Co Group on 12 May 2016. Marketbased pricing was applied in conjunction with the warrants offering.

If all of the warrants are exercised in all three of the warrants programs (2014, 2015 and 2016), the number of ordinary class B shares would increase by 3,287,200, which corresponds to 4.2 per cent of the number of outstanding ordinary shares.

After completion of its mandatory tender offer, Vega Holdco S.à.r.l. owns 1,460,000 warrants from warrants program no. one, 756,200 warrants from warrants program no. two and 600,000 warrants from warrants program no. three.

The market price of the stock option programs have been carried out by an independent party on the basis of the Black-Scholes method, the essential parameters taken into account in the valuations are D. Carnegie & Co's quoted share price, volatility, the warrants' exercise price and the risk free rate.

Defined contribution plans

The Group's employees are covered by defined contribution pension plans that are paid for in full by the company. Payment is made on current account according to established rules.

NOTE 4 Profit/loss by property segment and region

The result shows current operations, including properties acquired and investments made during the year. D. Carnegie & Co reports only one operating segment, management of residential properties.

NOTE 5 Fees and disbursements to auditors

	Group		Parent	
	2016	2015	2016	2015
Ernst & Young AB				
Audit services	3,810	3,336	3,810	5,806
Tax consulting	16	-	16	-
Other services	-	356	-	356
Total	**3,826**	**3,692**	**3,826**	**6,162**
KPMG				
Audit services	125	-	-	-
Tax consulting	-	-	-	-
Other services	-	-	-	-
Total	**125**	**0**	**0**	**0**
Other services, other accounting firm	0	-19	-	-
Total	**3,951**	**3,673**	**3,826**	**6,162**

NOTE 6 Operating expenses by type

	Group		Parent	
	2016	2015	2016	2015
Operating costs				
Electricity, heating	-210,559	-198,699	-	-
Management and caretaking	-81,791	-85,329	-67	-
Personnel costs	-84,332	-67,304	-13,525	-3,863
Other property expenses	-145,881	-144,831	-6,895	-2,464
Total	**-522,563**	**-496,163**	**-20,487**	**-6,327**
Central administration				
Personnel costs	-42,404	-37,274	-21,896	-13,272
Advisory services	-6,492	-4,797	-6,192	-4,444
Management and caretaking	-7,555	-	-	-
Audit expenses	-3,810	-3,673	-3,810	-6,162
Other expenses	-41,412	-51,035	-34,031	-29,937
Total	**-101,673**	**-96,779**	**-65,929**	**-53,815**

NOTE 7 Net financial items

Financial income*	**2016**	**2015**
Group		
Income from other investments	-	-
Other interest income	16,068	16,970
Total	**16,068**	**16,970**
Parent company		
Income from other investments	-	-
Interest income, Group companies	26,743	13,656
Other interest income	6,999	4,311
Total	**33,742**	**17,967**
Financial expenses		
Group		
Other interest expenses**	-198,134	-213,010
Interest paid, derivatives	-58,666	-47,619
Other financial expenses**	-18,677	-27,443
Total	**-275,477**	**-288,072**
Parent company		
Other interest expenses	-94,263	-86,501
Other financial expenses	-11,913	-21,251
Interest expenses, Group companies	-30,754	-9,537
Total	**-136,930**	**-117,289**

*Financial income relate to fincial posts valued at amortized cost.
**Relate primarily to interest expenses on loans and bonds.

All expenses, except related to derivatives related to financial assets measured at amortized cost.
Derivatives are classified as financial assets at fair value through profit or loss, in the category held for trading.
Stocks and and share are reported at cost in the category Financial assets available for sale.

Changes in value financial instruments	**2016**	**2015**
Group		
Changes in value, stocks and shares	-	-481
Changes in value, derivatives - swaps	-84,207	-939
Changes in value, derivatives - caps	-3,391	-
Changes in value short-term investments	-77,591	-9,579
Total	**-165,189**	**-10,999**
Parent company		
Changes in value, stocks and shares	-	-
Changes in value, derivatives - swaps	-	-
Changes in value, derivatives - caps	-3,391	-
Changes in value short-term investments	-74,385	-
Total	**-77,776**	**0**

NOTE 8 Taxes

CONSOLIDATED INCOME STATEMENT

	2016		2015	
Tax calculation, Group	**Current tax Basis**	**Deferred tax Basis**	**Current tax Basis**	**Deferred tax Basis**
Profit/loss before tax	2,072,484	-	1,421,524	-
Deductions for tax purposes	-	-	-	-
depreciation	-96,719	-96,302	-93,477	-93,477
investments	-870,517	-870,517	-447,543	-447,543
Non-taxable changes in value, properties	-1,938,289	-1,938,289	-1,306,792	-1,306,792
Non-taxable changes in value, derivatives	87,598	87,598	4,912	4,912
Non-taxable changes in value, securities	71,890	71,890	-	-
Acquired temporary differences	-	-	-359,054	-
Tax effect, property and company sales	13,101	338,304	287,091	120,220
Non-deductible expenses	5,240	-	62,612	-
Non-taxable revenues	-113	-	-6,953	-
Other adjustments for tax purposes	41,767	4,893	20,328	14,637
Total operating profit/loss	**-613,558**	**-2,402,423**	**-417,352**	**-1,708,043**
Loss carryforward, applied	-591,925	-	-182,329	-
New deficits	1,214,124	614,514	599,681	417,352
Adjustment for loss carryforwards, company divestments	-	-	-	-
Adjustments for acquired loss carryforwards	-	-	-	-
Adjustments for effects from divested properties	-	-	-	-
Adjustment for acquired temporary differences	-4,750	-	-	-
Total taxable profit/loss	**3,891**	**-1,787,909**	**0**	**-1,290,691**
Effective tax rate is 15% (24)				
Tax on profit/loss, 22%	-856	-393,340	-	-283,952
Adjustment relating to prior years	-24		1,563	-
Current tax/Deferred tax	**-880**	**-393,340**	**1,563**	**-283,952**

CONSOLIDATED BALANCE SHEET

Deferred tax asset				
Opening amount	-	148,135	-	55,094
Acquired deductions for losses carried forward	-	-21	-	2,930
Change in value, derivatives	-	19,272	-	-1,027
Change during the year	-	135,193	-	91,138
Deferred tax assets at year-end	**0**	**302,579**	**0**	**148,135**
Deferred tax liability, temporary differences, properties				
Opening amount	-	-851,001	-	-513,099
Change during the year	-	-496,969	-	-337,902
Temporary differences at year-end	**0**	**-1,347,970**	**0**	**-851,001**
Acquired temporary differences, properties				
Opening amount	-	-585,325	-	-542,727
Change for the year through acquisitions and sales	-	-66,797	-	-42,598
Amount at year-end	**0**	**-652,123**	**0**	**-585,325**
Temporary differences, derivatives and financial assets				
Opening amount	-	1,283	-	-5,121
Change during the year	-	15,983	-	6,404
Temporary differences at year-end	**0**	**17,266**	**0**	**1,283**
Total deferred tax liability				
Opening amount	-	-1,435,043	-	-1,060,947
Change during the year	-	-547,783	-	-374,096
Total deferred tax assets at year-end	**0**	**-1,982,826**	**0**	**-1,435,043**

PARENT COMPANY – INCOME STATEMENT

	2016		2015	
Tax calculation for parent company	**Basis Current tax**	**Basis Deferred tax**	**Basis Current tax**	**Basis Deferred tax**
Profit/loss before tax	-145,366	-	-149,180	-
Deductible expenses	-	-	-	-
depreciation	-	-	-	-
investments	-	-	-	-
Non-taxable changes in value, properties	-	-	-	-
Non-taxable changes in value, derivatives	3,391	-3,391	-	-
Non-taxable changes in value, shares	68,685	-68,685	-	-
Non-deductible expenses	1,086	-	358	-
Other adjustments for tax purposes	-4	-	-2	-
Total operating profit/loss	**-72,208**	**-72,076**	**-148,824**	**-**
Loss carryforward, applied	249,783	-	100,957	-
New deficits	-177,575	-72,208	47,867	-148,824
Adjustment for acquired temporary differences	-	-	-	-
Total taxable profit/loss	**0**	**-144,284**	**0**	**-148,824**
Including 22% deferred taxes	-	31,743	-	32,741
Deferred tax recognized in equity	-		-	-
Current tax/Deferred tax	**0**	**31,743**	**0**	**32,741**
Effective tax rate is 22% (35)				

PARENT COMPANY - BALANCE SHEET

Deferred tax asset				
Opening amount	-	54,952	-	22,211
Change during the year	-	31,743	-	32,741
Deferred tax asset at year-end	**0**	**86,695**	**0**	**54,952**

NOTE 9 Goodwill in business

On July 4, 2014, D. Carnegie acquired Hyresbostäder i Sverige II AB. D. Carnegie & Co owns 100% of the share capital and the voting capital in Hyresbostäder i Sverige II AB. in conjunction with the acquisition, and as a part of the purchase price, a directed issue of 26 million shares was made to the seller. The issue price of the shares was set at SEK 46.20 per share and based on the average price for the three trading days immediately preceding the acquisition on July 4, 2014. The company was included in the group as of July 4, 2014.

the acquisition has been reported as a business combination. The properties in financial instruments are valued at the fair value. The difference between the actual and the book values for other assets and liabilities is not considered to be material.

Goodwill mainly arises because deferred tax is calculated according to standard accounting rules and not based on the value ascribed to deferred tax between parties in transactions. For accounting purposes, deferred tax is calculated at a nominal tax rate of 22% on the difference between the fair value and the tax value. In conjunction with transactions, deferred tax is normally negotiated based on the probability that it will become due and payable and a time factor for when any payment will be made. Acquisition-related fees in the amount of SEK -15.3 million were incurred in conjunction with the acquisition.

Acquired net assets, SEK thousand	**2014**
Investment properties	6,601,732
Deferred tax claim	11,207
Other assets	456,506
Interest-bearing liabilities	-2,866,694
Derivatives liabilities	-50,939
Other liabilities	-148,023
Reported deferred tax liability at closing	-296,611
Additional deferred tax liability according to preliminary Acquisition analysis	-666,954
Acquired net assets	**3,040,224**
Purchase price paid in cash	-1,317,421
Cash and cash equivalents in acquired subsidiaries	135,902
Changes in the group's cash and cash equivalents upon acquisition	**-1,181,519**

Calculation of goodwill, SEK thousand	
Purchase price:	
Cash payment	1,317,421
Shareissue in conjunction with the acquisition	1,201,200
Vendor note	200,000
Convertible debentures in the acquisition	1,020,000
Purchase price for HBS II shares, 100% of the shares	**3,738,621**
Acquired net assets	**-3,040,224**
Goodwill	**698,397**

In conjunction with the preparation of the acquisition calculations and the classification of the acquisition as a business combination, an adjustment of the deferred tax liability in the balance sheet has been carried out. Goodwill mainly arises because deferred tax is calculated according to standard accounting rules and not based on the value ascribed to deferred tax between parties in transactions. For accounting purposes, deferred tax is calculated on the difference between the fair value and the tax value.

Goodwill is reviewed for impairment regularly by comparing recognized goodwill with the remaining temporary differences from the acquisition. Impairment of goodwill occurs when these temporary differences no longer exist, mainly because the properties were sold or the carrying amount is less than the acquisition value .

	2016	2015
Opening balance	685,728	698,397
Business combinations	-	2,919
Write-down of goodwill for the year	-584	-584
Write-down related to changes in values and properties	-	-2,385
Write-down related to sold properties	-54,979	-12,619
Closing balance	**630,165**	**685,728**

NOTE 10 Investment properties valuation of property holdings

Investment properties are accounted for using the fair value method; all such properties were valued using valuation hierarchy 3. No properties were transferred between different valuation hierarchies. D. Carnegie & Co carries out an external appraisal each quarter of the entire property portfolio. D. Carnegie & Co's entire property portfolio has been appraised as of 31 December 2016. The valuations used a yield-based cash-flow model (forecasts based on future cash flows). The yield level was determined based on the unique risk of the properties, as well as transactions carried out in each city using comparative market analysis. Changes during the period in the unobservable inputs applied in the valuations are analyzed at each year-end by management in relation to information available in-house, completed or planned transactions and information from the external appraisers. All external valuations were carried out according to international valuation standards. The external valuations were carried out by Savills.

Summary	
Valuation date	31 December 2016
Fair value	SEK 16,998 million
Calculation period	five years
Yield, assessment of residual value	Between 3.8 and 8.0 percent
Cost of capital/discount rate	Between 5.8 and 10.2 percent
Long-term vacancy	On average 1.0 percent, (economic vacancy)
Inflation	2.0 percent (Riksbank inflation target)

PROPERTY HOLDINGS AND VALUATION, FAIR VALUE, AS OF DECEMBER 31, 2015

Group	2016	2015
Opening fair value Jan. 1	13,826,439	11,520,820
Cost during the year, acquired properties	780,147	955,000
Investments in properties	1,039,204	490,703
Reclassifications	-	-
Sales revenues, sold properties	-586,157	-446,876
Changes in value	1,938,290	1,306,792
Closing fair value Dec. 31	**16,997,923**	**13,826,439**

Tax assessment

Group	2016	2015
Tax assessment, buildings	7,534,576	6,756,196
Tax assessment, land	2,910,992	2,404,404
Total tax assessment	**10,445,568**	**9,160,600**

VALUATION METHOD

D. Carnegie & Co uses yield valuation according to the cash flow model for external valuations. The same valuation method has been used for all of D. Carnegie & Co's properties except for building rights; see Building rights below for the valuation methods used for them. The fair value of the property before deductions for sales expenses is calculated from the outcome in the cash flow method.

VALUATION MODEL

+ Rent payments
– Operating payments
= Net operating income
– Deduction for investments
= Property's cash flow

Sensitivity analysis

A property valuation is an estimate of the value that an investor is willing to pay for the property at a given time. The valuation is made on the basis of generally accepted models and certain assumptions regarding various parameters. The fair value of a property can only be reliably established in a transaction between two independent parties. An uncertainty range is stated in the property valuation and is between +/– 5 –10 percent in a normal market. A changed property valuation of +/– 5 percent affects D. Carnegie & Co's property value by +/– SEK 850 million.

Fair value calculation

- The cash flow of the property is discounted to present-day value each year using the cost of capital/discount rate.
- The property's residual value is assessed by perpetual capitalization whereupon the direct yield is used. The residual value is then discounted to current-day value with the cost of capital.

- The value of any building rights and undeveloped land is added to the present-day value.
- The normal calculation period is five years.
- Inflation has been assessed at two percent (Riksbank inflation target).

BASIS FOR VALUATION

Each assumption about a property is individually assessed based on the material available about the property, as well as the market information and experience-based assessments of the external appraisers. The valuations considered the highest and best use of the properties. The external valuations are carried out according to RICS's and IVSC's recommendations in order to result in the fair value according to the internationally accepted definition published by these organisations.

Rent payments

The relevant leases, as well as known lettings and tenants vacating premises, form the basis for assessment of the property's rent payments. The external appraisers, in collaboration with D. Carnegie & Co's managers, have carried out an individual assessment of the market rent for vacant premises, as well as leased units at the end of the lease term. The external appraisers also assess the long-term vacancy rate of each property. Operating payments Operating payments consist of payments for the normal operation of the property.

Operating payments

Operating payments consist of payments for the normal operation of the property, including property taxes, repairs and maintenance, ground rent and property administration. The assessment of operating payments is based on the budgets and outcomes of the properties over the years that D. Carnegie & Co has owned them, as well as the external appraisers' knowledge of comparable properties. The maintenance level of the properties is assessed based on their current state, ongoing and budgeted maintenance measures and assessment by the external appraisers of future maintenance requirements.

Investment needs

The external appraisers assess the investment needs of the property based on the condition of the property. Properties with high vacancy rates often have a higher investment needs.

Yield requirement and cost of capital

The direct yield requirement of the properties has been assessed on the basis of the unique risk of each property and can be divided into two components: a general market risk and a specific property risk. Market risk is associated with the general economic trends and is affected by factors such as the priority given by investors to different asset classes and financing opportunities. Specific property risk is affected by the location of the properties, type of property, efficient use of space, standard, quality of installations, site leasehold, type of tenant and nature of the lease. From a theoretical standpoint, the cost of capital is assigned by adding inflation expectations to a risk-free real interest rate and a risk factor. The cost of capital is assessed for each property. The return requirement on units included in the valuation varies from 3.76 per cent to 8.00 per cent, with an average of 4.31 per cent, to be compared with 4.84 per cent at the end of 2015. The average cost of capital for the period was 6.40 per cent (6.94).

Residual value

Residual value consists of net operating income during the remaining economic lifetime, based on the year after the last calculation year. Residual value is calculated for each property by perpetual capitalization of the estimated market-based net operating income and the estimated market yield requirement for the respective property. The yield requirement consists of the risk-free interest rate and each property's unique risk. The unique risk of the properties is assessed based on the external appraiser's market databases, experience and transactions carried out using comparative market analysis in the respective market. The cost of capital/discount rate is used to discount the residual value of the properties to present value.

Calculation periods

Calculation periods are primarily five years. Exceptions are properties with major leases where the remaining term exceeds five years. In these cases, a calculation period corresponding to the remaining term of the lease plus at least one year has been chosen.

Building rights and building sites

Properties with available building rights and building sites are valued based on a comparative market analysis, or present value based on the estimated fair value upon development of the building rights and building sites. All values of building rights and lots have been assessed by the external appraisers. The total potential building rights of value are estimated at 232,300 m² GFA (gross area). On 31 December 2016, the potential building rights were valued at a fair value of SEK 311 million. The valuations of the building rights were unchanged during 2016. Only potential building rights that have progressed far enough in the planning process have been assessed a fair value.

Property inspections

All properties are inspected by external appraisers within a three-year period. The external appraisers make new inspections where major renovations have been carried out, tenants have moved in, or other circumstances have occurred that may affect the value.

INTERNAL PROPERTY VALUATIONS

All properties are valued externally each quarter, hence no internal valuations are carried out.

CHANGES IN VALUE

The fair value for D. Carnegie & Co's properties on 31 December 2016 was SEK 16,998 million (13,826). Changes in value for 2016 totalled SEK 1,938 million (1,307). As of 31 December 2016, D. Carnegie & Co's property portfolio was valued at an average return requirement of 4.31 percent (4.84).

TAX RESIDUAL VALUE

The tax residual value of the properties totaled SEK 4,645 (4,637) million on 31 December 2016.

NOTE 11 Machinery and equipment

	2016		2015	
	Group	Parent	Group	Parent
Accumulated cost				
Opening balance	17,303	1,838	25,076	1,524
Acquisitions	3,333	380	2,103	314
Acquisition of subsidiaries	50	-	-	-
Reclassifications	-	-	-	-
Disposals	-953	-750	-9,876	-
Total	**19,733**	**1,468**	**17,303**	**1,838**
Accumulated depreciation/amortization				
Opening balance	-12,642	-	-20,900	-
Impairment losses for the year	-1,222	-37	-1,159	-
Acquisition of subsidiaries	-50	-	-	-
Reclassifications	-	-	-	-
Disposals	153	-	9,417	-
Total	**-13,761**	**-37**	**-12,642**	**0**
Carrying amount at year-end	**5,972**	**1,431**	**4,661**	**1,838**

NOTE 12 Accounts

D. Carnegie & Co evaluates its accounts receivable each quarter and makes individual assessments of all accounts receivable exceeding 30 days. Provisions are made for doubtful receivables and claims are recognized as bad debts in the event of bankruptcy or other bad debts. All new tenants undergo a credit check. Accounts receivable in the Group are recognized after taking into account bad debts during the year, which totalled SEK -9 million (-11) including a deduction for recovered bad debts of SEK 6 million (6), corresponding to 0.5 percent (0.5) of sales. Actual bad debts amounted to SEK 6 million (6). The parent company has no bad debts.

ACCOUNTS RECEIVABLE GROUP

Days	**2016**	**2015**
0-29	2,535	2,619
30-89	1,113	1,568
90-	11,051	12,991
Doubtful receivables	-8,907	-10,768
Total	**5,792**	**6,410**

Doubtful receivables	**2016**	**2015**
Doubtful receivables, opening balance	-10,768	-9,555
Subsidiaries acquired	-	-1,261
Divested subsidiaries	316	
Provision for anticipated bad debts	2	-11
Recovery of bad debts	5,925	5,974
Established bad debts	-4,382	-5,915
Doubtful receivables, closing balance	**-8,907**	**-10,768**

ACCOUNTS RECEIVABLE PARENT COMPANY	**2016**	**2015**
0-29	21	-
30-59	23	-
Total	**44**	**0**

NOTE 13 Short-term investments

	2016	**2015**
Group		
Investments in listed shares	143,359	101,048
Investments in unlisted shares	39,100	77,197
Total	**182,459**	**178,245**

	2016	**2015**
Parent company		
Investments in listed shares	59,170	26,670
Investments in unlisted shares	39,100	77,735
Total	**98,270**	**104,405**

NOTE 14 Other receivables

	2016	**2015**
Group		
Settlement taxes and fees	3,703	3,198
Short-term note	-	165,000
Pre-paid expenses to suppliers	11,249	-
Insurance claims	8,132	-
Claims acquired companies	5,502	-
Claims divested companies	2,800	-
Claims, value-added tax	2,604	-
Other current receivables	5,386	29,444
Total	**39,376**	**197,642**

	2016	**2015**
Parent company		
Settlement taxes and fees	1,064	264
Short-term note		15,000
Other current receivables	3,860	3,783
Total	**4,663**	**19,047**

NOTE 15 Prepaid expenses and accrued income

	2016	2015
Group		
Accrued property expenses	6,153	2,792
Prepaid insurance	11,667	7,789
Prepaid site leasehold rent	1,932	4,048
Accrued financial income	-	12,826
Other accrued income	1,159	1,358
Other prepaid expenses	3,242	1,024
Total	**24,153**	**29,837**

	2016	2015
Parent company		
Accrued property expenses	351	196
Accrued financial income	-	371
Other prepaid expenses	122	167
Total	**473**	**734**

NOTE 16 Cash and cash equivalents

	2016	2015
Group		
Cash and bank balances	679,370	478,524
Total	**679,370**	**478,524**

Parent company		
Cash and bank balances	169,281	237,842
Total	**169,281**	**237,842**

NOTE 17 Equity

D. Carnegie & Co manages capital, representing consolidated equity. The purpose is to give D. Carnegie & Co's shareholders a high total return. Return on equity was 31.1 percent (29.8) in 2016. D. Carnegie & Co's ambition is to maintain a balanced asset and capital structure over time tailored to the Company's property management business. The target for 2016 was to achieve an equity ratio of at least 30 percent. The actual outcome was 33.8 percent (28.2). The target for 2017 is an equity ratio of at least 30%. The equity ratio target is a simplified consequence of a more in-depth analysis, where equity has been allocated in relation to the various risk profiles that the investment properties have in the balance sheet. Share capital consists of one class of share, ordinary shares, divided into class A shares which carry 5 votes per share and class B shares, which carry 1 vote, each with a par value of SEK 12.742349 per share.

Dividend

The Board of Directors of D. Carnegie & Co proposes to the Annual General Meeting that no dividend be paid for the 2016 financial year.

NOTE 18 Earnings per share

Earnings per ordinary share have been calculated for 2016 based on net profit for the year attributable to shareholders of the parent company and amount to SEK 1,678 million (1,139). All earnings are divided into 77.3 million ordinary shares. The company redeemed all outstanding preference shares in 2014.

PROFIT/LOSS FOR THE YEAR ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS

	2016	2015
Profit/loss for the year attributable to parent company shareholders	1,678,264	1,139,135
Number of outstanding class A shares	5,370	5,370
Number of outstanding class B shares	71,939	65,399
Number of outstanding ordinary shares	77,309	70,769
Number of outstanding preference shares	-	-
Earnings per share (SEK), basic	22.20	16.10
Earnings per share (SEK), basic	21.93	13.50

The number of shares after dilution is calculated as 76,524,425, where warrant 1 contributes 662,328 shares, warrant 2 contributes 366,487 shares and warrat 3 contributes 0 shares.

NOTE 19 Interest-bearing liabilities

DUE DATE STRUCTURE

Group	**2016**	**2015**
Non-current interest-bearing liabilities	8,802,028	7,652,360
Prepaid loan fees	-69,010	-65,028
Total	**8,733,018**	**7,587,332**
Current liabilities		
Current interest-bearing liabilities	1,257,659	1,650,286
Total	**1,257,659**	**1,650,286**

Parent company	**2016**	**2015**
Non-current interest-bearing liabilities	2,000,000	1,722,787
Prepaid loan fees	-19,049	-
Total	**1,980,951**	**1,722,787**
Current liabilities		
Current interest-bearing liabilities	-	406,750
Total	**0**	**406,750**

NOTE 20 Financial instruments and financial risks

The Group is exposed to various kinds of financial risk in its business operations. Financial risks refer to fluctuations in the company's profits and cash flow as a result of changes in interest rates, for example. D. Carnegie & Co is mainly exposed to liquidity risk, funding risk, interest rate risk and credit risk. Reporting of the Group's financial risks and financial position is made to the Board and CEO on regular basis.

NOTE 20 *Cont.* Financial instruments and financial risks

For acquisitions special financing decisions are taken by the Board. The finance department's operations are conducted within the framework established in the finance policy established by the Board. The finance policy regulates the handling of financial risks and provides a framework of guidelines and rules that serve as risk mandates and limits on financial activities. The Group's financial transactions and financial risks is handled centrally by the parent company's finance function. The overarching objective of the finance function is to provide cost-effective financing and to minimize negative effects on the Group's earnings due to market fluctuations. Financial issues of strategic importance are addressed by the Board of ctors. Additional information is available in the section on Financing on pages 37-39.

FINANCIAL ASSETS AND LIABILITIES AS OF 31 DECEMBER 2016

Group, FInancial assets	Financial assets/ debts valued at fair value in profit or loss *	Receivables and current assets	Divestable financial assets	Other financial debt	Total
Shares and stocks	-	-	19,950	-	19,950
Derivatives	6,517	-	-	-	6,517
Customer recievables	-	5,792	-	-	5,792
Short-term investments	182,459	-	-	-	182,459
Other receivables	-	-	-	-	0
Accrued income	-	-	-	-	0
Cash and cash equivalents	-	679,370	-	-	679,370
	188,976	**685,162**	**19,950**	**0**	**894,088**
Financial liabilities					
Non-current interest bearing liabilities, liabilities to credit institutions	-	-	-	6,733,018	6,733,018
Non-current interest bearing debt, bonds	-	-	-	2,000,000	-
Other non-current liabilities	-	-	-	1,103	1,103
Interest rate derivatives	144,694	-	-	-	144,694
Current interest-bearing liabilities	-	-	-	1,257,659	1 257,659
Accounts payable	-	-	-	81,934	81,934
Other short-term liabilities	-	-	-	-	0
Accrued costs	-	-	-	43,687	43,687
	144,694	**0**	**0**	**10,117,392**	**8,262,086**

*Sub-category is held for trading purposes

The fair value is consistent in all material respects with the carrying amount. For fixed rate loans amounting to SEK 1,595 m the fair value is calculated to SEK 1,588 m.

FINANCIAL ASSETS AND LIABILITIES AS OF 31 DECEMBER 2015

Group, Financial assets	Financial assets/ debts valued at fair value in profit or loss *	Receivables and current assets	Divestable financial assets	Other financial debt	Total
Shares and stocks	-	-	558	-	558
Derivatives	-	-	-	-	0
Customer recievables	-	6,410	-	-	6,410
Short-term investments	178,245	-	-	-	178,245
Other receivables	-	-	-	-	0
Accrued income	-	12,826	-	-	12,826
Cash and cash equivalents	-	478,524	-	-	478,524
	178,245	**497,760**	**558**	**0**	**676,563**
Financial liabilities					
Non-current interest bearing liabilities, liabilities to credit institutions	-	-	-	6,587,332	6,587,332
Non-current interest bearing debt, bonds	-	-	-	1,000,000	-
Other non-current liabilities	-	-	-	3,143	3,143
Interest rate derivatives	60,487	-	-	-	60,487
Current interest-bearing liabilities	-	-	-	1,650,286	1,650,286
Accounts payable	-	-	-	108,509	108,509
Other short-term liabilities	-	-	-	-	0
Accrued costs	-	-	-	60,713	60,713
	60,487	**0**	**0**	**9,409,983**	**8,470,470**

*Sub-category is held for trading purposes

The fair value is consistent in all material respects with the carrying amount. For fixed rate loans per 31 December 2015 no fair value has been calculated .

Fair value

The table below shows financial instruments measured at fair value, based on the classification in the fair value hierarchy. The different levels defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Observable inputs for the asset or liability than quoted prices included in Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

31 December 2016	Level 1	Level 2	Level 3	Sum
Financial assets				
Derivatives	-	6,517	-	6,517
Short-term investments	143,359	39,100	-	182,459
	143,359	**45,617**	**0**	**188,976**
Financial liabilities				
Derivatives	-	144,694	-	144,694
	0	**144,694**	**0**	**144,694**

31 December 2015	Level 1	Level 2	Level 3	Sum
Financial assets				
Derivatives				
Short-term investments	101,048	77,197	-	178,245
	101,048	**77,197**	**0**	**178,245**
Financial liabilities				
Derivatives	-	60,487	-	60,487
	0	**60,487**	**0**	**60,487**

Fair value calculation

The carrying values on the balance sheet does not differ materially from fair value. For the Company's long term debt at fixed interest rates is however, a fair value is determined, see below.

Stocks and shares

Shares and holdings consist of investments that are not quoted in an active market and whose fair value can not be reliably measured, which means that holdings have been valued at cost.

It is estimated that the fair value of these stocks and shares equal the carrying value.

Interest rate derivatives

Derivatives are, in the consolidated financial statements, carried at fair value with changes reported over the income statement. To determine the fair value of interest rate derivatives market rates are used for each term listed on the closing date and generally accepted calculation methods, which means that the fair value is determined according to level 2 of IFRS 13. D. Carnegie & Co values all derivatives by reconciliation with the counterparty. The interest swaps have been valued by Deutsche Pfandbriefbank, Landesbank Hessen-Thüringen and Swedbank by discounting future cash flow to present value. The interest rate caps have been valued by Swedbank, Handelsbanken, SEB and Danske Bank.

Short term investments

Short-term investments consist of shares listed on an active market and a smaller percentage that are not quoted in an active market. An assessment has been made that the fair value can be measured reliably; which means that all holdings have been valued at fair value. Shares that not quoted are valued in accordance with level 2, IFRS 13.

Long-term interest-bearing liabilities

For disclosure purposes an estimated a fair value of long term debt with fixed interest rates is determined by discounting the future cash flows of the principal and interest discounted at the current market rate. In the calculation an assessment has been made regarding the credit spread and the conditions that the Group would receive per reporting date.

Short-term receivables and liabilities

For current receivables and liabilities, such as accounts receivable and accounts payable and short-term interest-bearing debt, with a maturity of less than one year, the carrying amount reflects the fair value. Changes in value as well as income and expenses from financial instruments are disclosed in Note 7, Net financial items and fair value of financial instruments and Note 12, Accounts receivables.

NOTE 20 *Cont.* Financial instruments and financial risks

The Group's contractual and undiscounted interest payments and repayments of financial liabilities are disclosed in the table below. Financial instruments with variable interest rates have been calculated using the rate that existed at the balance sheet date. Liabilities are included in the period when the earliest repayment may be required.

31 December 2016

Term analysis financial liabilities, SEKm	**2017**	**2018-2019**	**2020-2021**	**2022-**
Non-current interest bearing liabilities, credit institutitions	99	1,792	2,442	2,890
Non-current interest bearing liabilities, bonds	78	2,071	-	-
Other non-current liabilities	-	1	-	-
Interest rate derivatives	62	123	105	7
Current interest bearing liabilities	1,264	-	-	-
Accounts payable	82	-	-	-
Accrued liabilities	44	-	-	-
	1,628	**3,987**	**2,547**	**2,897**

31 December 2016

Term analysis financial liabilities, SEKm	**2016**	**2017-2018**	**2019-2020**	**2021-**
Non-current interest bearing liabilities, credit institutitions	99	2,847	1,205	3,902
Non-current interest bearing liabilities, bonds	38	1,049	-	-
Other non-current liabilities	-	3	-	-
Interest rate derivatives	62	123	910	65
Current interest bearing liabilities	774	-	-	-
Current interest bearing liabilities, convertible debentures	1,046	-	-	-
Accounts payable	109	-	-	-
Accrued liabilities	61	-	-	-
	2,187	**4,022**	**2,115**	**3,967**

Liquidity and funding risk

Liquidity risk refers to the risk of insufficient liquidity to meet future payment obligations. Internal liquidity forecasts are drawn up in connection with the quarterly reports for the coming twelve months, where all items affecting cash flows are analyzed in aggregate form. The purpose of the liquidity forecast is to verify the need for capital. D. Carnegie & Co has a number of funding sources, and believes that short-term loans can be extended with current lenders. Further see pages 37-39.

Funding risk is the risk that financing cannot be obtained at all, or is only available at greatly increased costs. To manage this risk, the finance policy contains rules on spreading of maturities for the loan stock and the size of investments. According to the finance policy, the average remaining maturity, the fixed-rate term, on the loan stock should be 3-5 years, and at most 35 percent of the loan stock should mature during any single year. As of 31 December 2016, the average remaining term of the loan portfolio was 3.6 years (5.7). Cash and cash equivalents at this time totalled SEK 679 million (479).

MATURITY, CREDIT INSTITUTIONS

Maturity	**Credit agreements, SEK million**	**Utilized, SEK million**
2017	1,240	1,240
2018	1,233	1,233
2019	381	381
2020-	5,205	5,205
Total	**8,060**	**8,060**

This table relates to credit institutions and not total interest-bearing liabilities. The amounts do not include loan fees capitalized for accounting purposes.

MATURITY, ALL INTEREST-BEARING LIABILITES

Maturity	**Credit agreements, SEK million**	**Utilized, SEK million**
2017	1,240	1,240
2018	2,233	2,233
2019	1,381	1,381
2020-	5,205	5,205
Total	**10,060**	**10,060**

This table relates to credit institutions and not total interest-bearing liabilities. The amounts do not include loan fees capitalized for accounting purposes.

Interest rate risk

The interest rate risk can consist of changes in fair value resulting from changes in interest rates, known as price risk, as well as changes in cash flow, cash flow risk. The fixed-interest term is an important factor affecting the interest rate risk. Long periods of fixed interest entail a higher price risk, while shorter periods of fixed interest entail a higher cash flow risk. Of the total interest-bearing liabilities of SEK 10,060 million (9,313), 54 percent (33) had variable interest and the average fixed-interest term was 2.7 years (5.0) at year-end.

INTEREST RATE TERM, CREDIT INSTITUTIONS

Maturity	**Average interest rate, %**	**Volume, SEKm**	**Percentage, %**
2017	1,2%	3 474	43%
2018	-	-	-
2019	1,6%	381	5%
2020-	3,5%	4 205	52%
Total	**2,2%**	**8 060**	**100%**

This table relates to credit institutions and not total interest-bearing liabilities.

INTEREST RATE TERM, TOTAL INTEREST BEARING DEBTS

Maturity	Average interest rate, %	Volume, SEKm	Percentage, %
2017	2,2%	5 474	54%
2018	-	-	-
2019	1,6%	381	4%
2020-	3,5%	4205	42%
Total	**2,5%**	**10 060**	**100%**

This table relates to credit institutions and not total interest-bearing liabilities.

According to the finance policy, cash flow risk is limited as follows: at least 30% of the total loan volume should be with fixed interest or be covered by an interest rate cap. Swapped volumes are classified as corresponding to fixed loans.

According to the finance policy, the average remaining term for interest rate caps and swaps should be 3 – 5 years and at year-end it was 4.9 years (4.3). At year-end D. Carnegie & Co had fixed-rate loans from credit institutions (primarily through swaps) for a total of SEK 4,901 million (3,401). Further see Note 7.

INTEREST RATE DERIVATIVES

Type	Amount SEK million	Remaining term, years	Interest rate %	Fair value SEK m
Nominal interest rate swaps	3,401	3.3-5.2	-	-60
Interest rate caps	1,500	5.4	3.0	7

Credit risks

Credit risk refers to the risk that a counterparty or issuer cannot fulfil its obligations to D. Carnegie & Co. D. Carnegie & Co is exposed to credit risk to the extent that surplus liquidity is to be invested and through its holdings of derivatives in the form of interest rate caps and interest rate swaps.
D. Carnegie is also exposed to credit risks in receivables, further see Note 12. In order to limit credit risk in investments, the financial policy contains special counterparty rules where the maximum credit exposure to various counterparties is as follows:

Counterparty, Short term placings	Max term	Limit
Swedish state and government agencies with 100% government guarantee	3 months	Unlimited
Swedish banks with wholly-owned subsidiaries	3 months	Maximum of SEK 500 million per group
Other Swedish mortgage institutions	3 months	Maximum of SEK 100 million per company
Foreign banks with a rating of at least A- from Standard & Poor's or A3 from Moody's	3 months	Maximum of SEK 50 million per group

Quantification of credit risk exposure as of December 31, 2016

The Group has, in order to reduce counterparty risk in derivative instruments, signed standardized netting agreements (ISDA) agreements.
The Group receives or makes no guarantees regarding derivatives.

Derivatives may only be acquired hedge the interest rate risk. Permitted derivatives: interest rate swaps, interest rate caps. The term for caps and swaps may not exceed ten years.

Counterparties regarding derivative transactions.

Credit risk exposure is measured as, at the time, the fair value of financial assets.
The Group's maximum exposure to credit risk from financial instruments is the carrying values of financial assets according to the table Financial assets and liabilities as of 31 December 2016.

Credit quality is assumed to be good for financial assets that are not yet due nor impaired. The Group had at the end of the period not received any collateral for credit risk exposure

Netting

The Group performs gross accounting for all financial instruments.

	31 December 2016		31 December 2015	
Informaton regarding netting- Financial instruments	**Financial assets**	**Financial liabilities**	**Financial assets**	**Financial liabilities**
Gross amount of financial instruments that may be netted	13,746	16,946	12,031	2,911
Amounts which have been netted	-	-	-	-
Reported in balance sheet	**13,746**	**16,946**	**12,031**	**2,911**
Amounts covered by netting agreements, derivatives	-13,746	-13,746	-2,911	-2911
Net amount after netting agreements	**0**	**3,200**	**9,120**	**0**

Counterparty, Derivatives	Max duration	Nominal limit per counterparty
Swedish banks with wholly owned subsidiaries	10 years	SEK 4,000 million
Foreign banks with a rating of at least A- from Standard & Poor's or A3 from Moody's	10 years	SEK 4,000 million

NOTE 20 *Cont.* Financial instruments and financial risks

Covenants and risk-taking

D. Carnegie & Co's financial risk-taking and financial position can be inferred from key figures such as the equity ratio, the interest coverage ratio and the LTV ratio. Credit agreements with banks and credit institutions sometimes contain limits, known as covenants, for these three key ratios. D. Carnegie & Co's own targets are well in line with the banks' requirements. D. Carnegie & Co's target for 2016 was to achieve an equity ratio of at least 30 percent. The equity ratio target remains unchanged for 2016. Banks generally have a lower limit of 25 percent. D. Carnegie & Co's target is that the interest coverage ratio should be at least 1.5 times, which is in line with the banks' requirements. D. Carnegie & Co's upper limit for the loan-to-value ratio is a target of 65 percent. D. Carnegie & Co met all targets and fulfilled all requirements with a good margin in 2016. The equity ratio was 33.8 percent, the interest coverage ratio was 2.0 times, the loan-to-value ratio was 54 percent and the loan-to-value ratio for properties was 47 percent.

Price risk for stocks and shares

The Group's holdings in listed and unlisted shares are exposed to market price risk. The Group's holdings are specifically related to the real estate industry.

A change in the market valuation of +/- 10 percentages would affect the Group's reported profit after tax and the Group's equity of +20.2/-18.5 million.

Exchange rate risk

The Group has operations only in Sweden, and has no loans or holdings which exposes the Group to currency risk.

Sensitivity analysis

In connection with the quarterly reports, an interest rate sensitivity analysis is also prepared, measuring the effects of changes in short-term market interest rates on the borrowing rate and interest coverage ratio. A change in short-term market interest rates of +/-1 percentage point at year-end would have meant that D. Carnegie & Co's average borrowing rate would have changed by +/-1 percentage point, which would have been equivalent to a change in interest expenses of SEK+21/2 million. The interest coverage ratio, excluding changes in value, would have changed from the current 2.0 to 1.9/2.0 times. The changes in interest expenses are affected by the interest rate floor (Stibor) in the loan agreements. A change in market value of derivatives due to changes in short-term interest rates is not expected to have material impact on the Group's reported net profits and financial position. The calculations of the sensitivity analysis are based on the Group's earnings capacity and balance sheet as of 31 December 2016. The sensitivity analysis shows the effect on the Group's profit/loss for the year after full impact of each of the parameters above.

NOTE 21 Other liabilities

Other current liabilities	**2016**	**2015**
Group		
Employee withholding taxes and social security contributions	5,708	3,110
VAT	-	2,841
Liability to Boverket	19,914	-
Deferred liabilities registered title deeds	7,256	7,256
Other items	2,886	5,453
Total	**35,764**	**18,660**
Parent company		
Employee withholding taxes and social security contributions	4,328	1,254
VAT	-	-350
Other items	-	23
Total	**4,328**	**927**

NOTE 22 Accrued expenses and deferred income

	2016	**2015**
Group		
Prepaid rent for first quarter	100,705	93,735
Accrued expenses properties	124,645	139,126
Accrued interest expenses	43,678	60,713
Accrued personnel costs	12,833	10,038
Other items	-	-
Total	**281,861**	**303,612**
Parent company		
Accrued interest expenses	15,083	22,135
Accrued personnel costs	5,220	2,514
Accrued consultancy costs	6,198	-
Accrued audit costs	1,713	-
Other items	2,428	3,547
Total	**30,642**	**28,196**

NOTE 23 Operating leases

	2016	**2015**
Group		
Vehicle leases	6,422	4,460
Total	**6,422**	**4,460**
Parent company		
Vehicle leases	2,064	433
Total	**2,064**	**433**

NOTE 24 Pledged assets

	Group 2016	Group 2015	Parent 2016	Parent 2015
Pledged assets				
Shares and participations	605,755,780	336,452,438	836,926,136	898,537,781
Floating charges	7,561,000	7,561,000	-	-
Property mortgages	8,502,777,418	7,693,377,900	-	-
Total	**9,116,094,198**	**8,037,391,338**	**836,926,136**	**898,537,781**
Contingent liabilities				
Guarantees on behalf of subsidiaries	2,626,227,332	2,872,578,338	906,732,500	1,007,970,000
Total	**2,626,227,332**	**2,872,578,338**	**906,732,500**	**1,007,970,000**

Pledged assets relate to loans to credit institutions and not total interest-bearing liabilities. The parent company's financial guarantee contracts consist primarily of guarantees on behalf of subsidiaries.
D. Carnegie & Co is not a party to any disputes.

NOTE 25 Related parties

	Year	Services sold	Services purchased	Interest received	Interest paid	Receivable	Liability
Group							
Related parties	2016	-	-50,409	10,677	-2,056	-	-
Related parties	2015	-	-23,185	14,338	-5,052	162,311	-133,000
Parent company							
Subsidiaries	2016	4,770	-	26,743	-30,754	1,700,491	-1,883,288
Subsidiaries	2015	3,509	-	13,656	-21,251	980,075	-1,268,186
Related parties	2016	-	-1,085	2,485	-2,056	-	-
Related parties	2015	-	-2,782	3,334	-5,052	-	-133,000

The parent company is a related party to its subsidiaries, see Note 26th. Transactions with related parties are priced at market conditions.

In connection with the acquisition of Hyresbostäder i Sverige II AB, a related-party transaction took place between Kvalitena AB and Markarydsbostäder Holding AB, a subsidiary of Hyresbostäder i Sverige II AB. The transaction consisted of a claim under a promissory note whereby Markarydsbostäder Holding AB had a claim against Kvalitena AB in the amount of SEK 150 million. SEK 100 million under this promissory note became due and payable on 31 October 2015 which had pursuant to a resolution adopted by the board of directors extended to 31 August 2016. The remaining SEK 50 million would have fallen due on 31 October 2016, but had pursuant to a resolution adopted by the board of directors been brought forward to 31 August 2016. The average rate of interest during the period was 6.75 per cent, and SEK 6 million was paid in interest during the period. Sörmlandsporten AB, a company which is 50 per cent owned by Kvalitena AB, has through a transfer assumed a SEK 15 million loan to D. Carnegie & Co. An additional loan, amounting to SEK 40 million, was issued to Kvalitena AB, which has pursuant to a resolution adopted by the board of directors be solved at 31 August 2016. This loan has been issued on market terms. All loans to the Kvalitena-group were repaid in full during the fourth quarter.

SEK 200 million of the purchase price in connection with the acquisition of Hyresbostäder II i Sverige AB comprised a vendor note. This note was held by the seller of Hyresbostäder i Sverige II AB, Svensk Bolig Holding AB. On 4 July 2015, SEK 67 million was repaid on the note, and on 30 June 2016 the rest SEK 133 was repaid, meaning that none of this vendor note remains outstanding at the end of the second quarter. The note carried interest at an annual rate of rate of 3 per cent. In addition to the repayment of the vendor note, interest was paid affecting the financial costs during the period amounting to SEK 4 million.

During the period, the D. Carnegie & Co Group made purchases worth SEK 49.3 million from Bosystem Nordic AB, a company which is 50 percent owned by Kvalitena AB.

The remuneration payable to the CEO, senior management, and the Board of Directors is set forth in note 3.

NOTE 26 Shares in group companies

	31 Dec. 2016	31Dec. 2015
Accumulated cost		
Opening balance	4,827,870	4,827,870
Acquisitions	-	-
Sales	-	-
Carrying amount at year-end	4,827,870	4,827,870
Accumulated shareholder contribution		
Opening balance	-	-
Shareholder contribution for the year	-	-
Carrying amount at year-end	-	-
Total	**4,827,870**	**4,827,870**

A specification of the parent company's directly-owned subsidiaries, and other group companies is set forth below.

Subsidiary / Corp.ID.no / Registered office	Number of shares	Percentage	Carrying amount
HYRESBOSTÄDER I SVERIGE II AB 556622-5990, STOCKHOLM	**1 030 507**	**100%**	**3 753 897**
Graflunds Fastighets AB, 556035-8524, Eskilstuna	1 074	100%	
Graflunds Byggnads AB 556065-7438, Eskilstuna	4 000	100%	
Graflunds Kommersiella Fastigheter AB 556678-4673, Eskilstuna	1 000	100%	
Fastighetsbolaget Vaksam 8 AB 556726-1507, Eskilstuna	1 000	100%	
Bronseri AB 556498-4937, Eskilstuna	1 000	100%	
Kattgun AB 556498-4895, Eskilstuna	1 000	100%	
Fastighetsförvaltningsaktiebolaget Friheten 11 556525-4645, Eskilstuna	1 000	100%	
Veningen B AB 556764-6897, Stockholm	1 000	100%	
Fastighetsbolaget Kullerstensvägen AB 55662-9027, Stockholm	1 000	100%	
Fastighetsbolaget Kullerstensvägen KB 969673-3618, Stockholm	-	100%	
Fastighetsbolaget Sågenvägen AB 556662-9001, Stockholm	1 000	100%	
Fastighetsbolaget Klena KB 969673-3717, Stockholm	-	100%	
Fastighets AB Linrepan 556706-3085, Stockholm	1 000	100%	
Fastighetsbolaget Anelk AB 556662-5637, Stockholm	1 000	100%	
Kungskatten Holding AB 556706-3739, Stockholm	1 000	100%	
Fastighets AB Linrepan 556706-3085, Stockholm	1 000	100%	
Fastighetsbolaget Anelk AB 556662-5637, Stockholm	1 000	100%	
Kungskatten Holding AB 556706-3739, Stockholm	1 000	100%	
Markarydsbostäder Holding AB 556602-1753, Stockholm	1 000	100%	
Markarydsbostäder i Stockholm AB 556637-3676, Upplands-Bro	80 100	100%	
Markarydsbostäder i Södertälje AB 556540-1659, Södertälje	20 100	100%	
Fastighetsbolaget Lärdom AB 556726-1580, Eskilstuna	1 000	100%	
Fatighetsbolaget Erganten AB 556725-8214, Eskilstuna	1 000	100%	
Märtuna I AB 556790-2795, Stockholm	1 000	100%	
Märtuna II AB 556791-4030, Stockholm	1 000	100%	
Graflunds Holding AB 556706-4919, Stockholm	1 000	100%	
Hyresfastigheter i Strängnäs AB 559064-1345, Stockholm	1 000	100%	
Fastighets AB Bonden 559064-1352, Stockholm	50	100%	
Fastighets AB Brunteglet 559064-1360, Stockholm	50	100%	
Fastighets AB Läraren i Strängnäs 559064-1378, Stockholm	50	100%	
Fastighets AB Träbalkongen 559064-1568, Stockholm	50	100%	
Hyresbostäder i Katrineholm AB 559056-3762, Stockholm	50	100%	
Fastighetsbolaget Nyfors AB 556555-8672, Stockholm	1 000	100%	

Subsidiary / Corp.ID.no / Registered office	Number of shares	Percentage	Carrying amount
HOLMIENSIS BOSTÄDER AB 556943-4888, STOCKHOLM	**50 000**	**100%**	**1 073 973**
Flemingsberg Fastighetsförvaltning AB 556898-1582, Stockholm	833 333	100%	
Provinsfastigheter i Visättrahem AB 556673-4298, Stockholm	1 000	100%	
Provinsfastigheter i Vedboden 1 AB 556673-4645, Stockholm	1 000	100%	
Provinsfastigheter i Magasinet 4 AB 556673-4579, Stockholm	1 000	100%	
Provinsfastigheter i Stallet 3 AB 556673-4405, Stockholm	1 000	100%	
Östgötaporten AB 556941-0151, Stockholm	50 000	100%	
Östgötafastigheter i Norrköping AB 556916-0343, Stockholm	500	100%	
Östgötafastigheter Hambon 1 AB 556945-1932, Stockholm	500	100%	
Östgötafastigheter Hambon 2 AB 556945-1940, Stockholm	500	100%	
Östgötafastigheter Tangon 1 AB 556945-1957, Stockholm	500	100%	
Östgötafastigheter Gavotten 1 AB 556945-1890, Stockholm	500	100%	
Östgötafastigheter Kadriljen 1 AB 556945-1908, Stockholm	500	100%	
Östgötafastigheter Mazurkan 1 AB 556945-1916, Stockholm	500	100%	
Östgötafastigheter Menuetten 1 AB 556945-1924, Stockholm	500	100%	
Östgötatornen AB 556679-1736, Norrköping	100 000	100%	
Kista Fastighetsförvaltning AB 556850-4772, Stockholm	505 899	100%	
Kista Kommanditdelägare AB 556850-4780, Stockholm	50 000	100%	
KB Bergen 1 969605-7620, Stockholm	-	100%	
KB Nidrosgatan 969605-7638, Stockholm	-	100%	
KB Telemark 969605-7554, Stockholm	-	100%	
KB Nordkapsgatan 4-19 969624-6546, Stockholm	-	100%	
KB Törnbergsgatan 1-15 969624-6694, Stockholm	-	100%	
Bromsten Fastighetsförvaltning AB 556923-9493, Stockholm	4 209	100%	
Bredbykvarn Fastighets AB 556963-8082, Stockholm	500	100%	
Bredbykvarn Garage AB 556963-8116, Stockholm	500	100%	
Spånga Förvaltning AB 556675-3470, Stockholm	1 000	100%	
Trojeborgs Fastigheter i Sverige AB 556558-0486, Stockholm	15 000	100%	
Fastighets AB Turemalm 556974-0219, Stockholm	50 000	100%	
Akalla Centrumfastigheter AB 556900-0010	500	100%	
Stendörren Byggrätt Huddinge Fyra AB 556974-0235, Stockholm	50 000	100%	
Jordbroförvaltnings AB 556764-2896, Stockholm	1 000	100%	
Holmiensis Duvholmen 1 AB 559035-5979, Stockholm	50 000	100%	
			4 827 870

NOTE 27 Statement of cash flows

Adjustment for items not included in cash flow	Group	Group	Parent	Parent
	2016	2015	2016	2015
Items not affecting cash flow at acquisition	-	-	-	-
Accrued unpaid interest	-2,628	10,676	-5,118	5,657
Equity share convertible bond	-	5,625	700	5,625
Amortization for the year on equipment	1,801	1,743	37	-
Capital gain/loss on equipment	-35	30	-	-
Changes in value on financial instruments	-	-	8,394	-
Total	**-862**	**18,074**	**4,013**	**11,282**

NOTE 28 Events after the balance sheet date

D. Carnegie & Co has entered into an agreement with Fastighets AB Balder (publ) to acquire residential property portfolios in Arboga, Köping and Tranås. The property portfolios comprises 42 properties and 1,681 apartments. The property value is SEK 1,420 million and the agreed share purchase price amounts to SEK 1,040 million. The transaction is a share deal with closing scheduled for May 2017.

NOTE 29 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Board of Directors and management to make assessments, estimates and assumptions that affect the application of accounting principles and recognized amounts of assets and liabilities, income and expenses. Such estimates and assumptions are based on historical experience and a number of other factors which, under the prevailing circumstances, are deemed reasonable. The results of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities, which are otherwise not clearly apparent from other sources. The actual outcome can deviate from these estimates and assumptions. Estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by the Board and management in the application of IFRS that have a significant impact on the financial statements, and estimates with a significant risk of material adjustment in the next year's financial statements relate to valuation of investment properties, which are described in greater detail in note 10.

NOTE 30 Information about the Parent company

D. Carnegie & Co AB (publ), company reg. no. 556498-9449, is a Swedish registered limited liability company with its registered office in Stockholm, Sweden. The parent company's shares are registered on Nasdaq Stockholm Midcap. The head office is located at Engelbrektsplan 1, 114 34 Stockholm, Sweden. These consolidated financial statements for 2016 are for the Group consisting of the parent company and all subsidiaries.

NOTE 31 Proposed allocation of unappropriated earnings

The following funds are at the disposal of the Annual General Meeting:

Retained earnings	-174,498,491
Share premium reserve	2,448,858,519
Repayment convertible debenture	-145,199,985
Profit/loss for the year	-113,623,657
SEK	2,015,536,386

To the shareholders	0
Carried forward	2,015,536,386
SEK	2,015,536,386

The board proposes that no dividend be paid for financial year 2016.

The undersigned certify that the consolidated accounts and the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the parent company, and that the Report of the Directors for the Group and the parent company respectively gives a true and fair review of the development of the operations, financial position and results of the Group and the parent company and describes substantial risks and uncertainties faced by the companies in the Group..

Stockholm April 10, 2017
The Board of Directors of D. Carnegie & Co

James Seppala *Chairman*	Mats Höglund *Director*	Knut Pousette *Director*
Eva Redhe *Director*	Svein Erik Lilleland *Director*	Ulf Nilsson *Chief Executive Officer*

Our Audit Report was submitted on April 10, 2017
Ernst & Young AB

Mikael Ikonen *Authorized Public Accountant*	Ingemar Rindstig *Authorized Public Accountant*

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Appendix 1 Auditor's report for a public limited liability parent company preparing its consolidated accounts in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act, Corporate Governance Statement review according to law

Audit report

To the general meeting of the shareholders of in D. Carnegie & Co AB , corporate identity number 556498-9449.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of D. Carnegie & Co AB (publ) except for the corporate governance statement on pages 41-51 for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 53-92 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and 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 2016 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 41-51. 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.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Valuation of investment properties

Investment properties amounts to 16 998 MSEK in the consolidated statement of financial position for the group as of 31 December 2016. The investment properties are accounted for using the fair value method at the reporting date and all properties are valued at the year end at fair value by an external valuation company. The fair value is an assessment of the market value for each property individually and is affected by a number of different assumptions and assessments such as rent payments, operating costs, investments, discount rate and yield. The yield is specific for each property and is determined by analysis of the performed transactions and the property's market position.

Since the valuation involves a number of different assumptions and we have deemed accounting and process for valuation of investment properties as key audit matters.

The accounting principles for valuation of investment properties are disclosed in note 10 on page 78.

In our audit we have assessed the external valuation company´s objectivity, independence and competence. In our audit we have also evaluated the company's process for performing the valuation of investment properties. We have assessed the reasonableness of the assumption and assessments used in the valuation which includes assessments made by the external valuation company regarding rental development, vacancy, inflation and, operating costs. This has been done with assistance from our own internal valuation specialists and by making comparisons to known market data. We have, for a selection of investment properties, reviewed rental income and operating costs used in the external valuation and compared this against the company's accounting records. We have also reviewed that the disclosures made are appropriate.

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 pages1-52 and 96-134. 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 the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director 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, 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of D. Carnegie & Co AB (publ) for the year 2016 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 organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to 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 41-51 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.

Stockholm April 10 2017
Ernst & Young AB

Mikael Ikonen	**Ingemar Rindstig**
Authorized Public Accountant	Authorized Public Accountant

PROPERTY PORTFOLIO

Focus on the Stockholm Region

D. Carnegie & Co's property portfolio consists primarily of refurbishable residential properties in the Stockholm region's growth areas. The fair value of the portfolio on 31 December 2016 was SEK 16,998 million.

Summary of property portfolio

City/Neighborhood	Lettable area	Number of apartements	Percentage renovated	Fair value December 31, 2016
Greater Stockholm				
Kista/Husby	112,947	1,528	18.3%	1,616,000
Bromsten/Rinkeby	111,616	1,281	20.2%	1,531,350
Sollentuna	33,730	454	11.0%	505,400
Flemingsberg	40,413	573	9.2%	534,000
Vårby/Vårberg	66,858	863	7.0%	799,000
Jordbro	157,840	1,954	13.1%	1,921,000
Södertälje	159,964	2,110	11.7%	2,429,770
Bro	43,752	540	9.3%	541,056
Märsta	57,105	693	7.8%	748,000
Total Greater Stockholm	**781,602**	**9,996**	**13.1%**	**10,625,576**
Uppsala	75,507	968	9.7%	1,026,800
Eskilstuna	145,741	1,964	10.9%	1,849,960
Strängnäs	35,477	411	11.9%	512,175
Norrköping	172,735	2,301	14.6%	2,219,300
Katrineholm	61,128	718	1.7%	723,012
Total other locations	**490,588**	**6,362**	**11.1%**	**6,331,247**
Other (land, building rights, etc)	2,632	-	-	41,100
Total	**1,274,822**	**16,358**	**12.3%**	**16,997,923**

Kista/Husby, Akalla

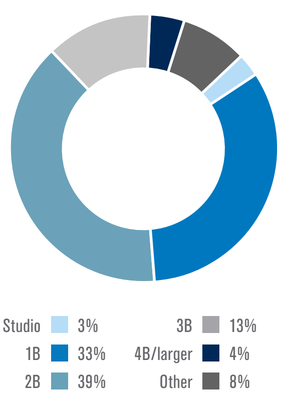
Kista and Husby are located about 10 kilometers north of downtown Stockholm. A broad initiative has been underway here for several years to promote positive social and economic development in the area - known as the “Järva lift” (Järvalyftet). Many people and business want to move here because of the good communications and the proximity to the Järvafältet nature reserve. The area also has one of Europe’s largest IT clusters with world-leading companies and a wide range of culture, sports, shops and services. Many of the residential buildings in Kista and Husby were built as part of the Million Homes Programme in the 1960s and 1970s.

Summary of property portfolio

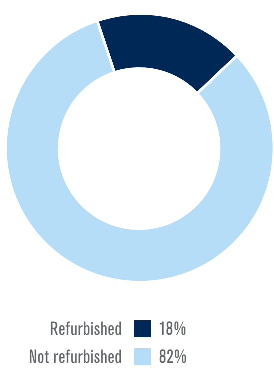
						Area (m²)				
Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Residential	Miscella-neous	Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Bergen 1**	Leasehold	1976	427	23,0%	20,668	2,127	14,616	197,320	8,000
2	**Halden 3**	Leasehold	1976	291	17,2%	21,852	716	21,158	280,602	7,200
3	**Holmenkollen 1**	Leasehold	1976	130	16,2%	10,010	611	8,767	123,406	0
4	**Telemark 1**	Leasehold	1974	403	18,6%	30,410	2,235	30,559	389,067	13,600
5	**Tönsberg 2**	Leasehold	1977	277	12,3%	20,865	821	20,183	263,983	1,200
6	**Mariehamn 1**	Leasehold	1975	0	0%	0	2,632	3,717	12,546	0
	TOTAL			**1 528**	**18,3%**	**103,805**	**9,142**	**99,000**	**1,266,942**	**30,000**

* Currently being produced

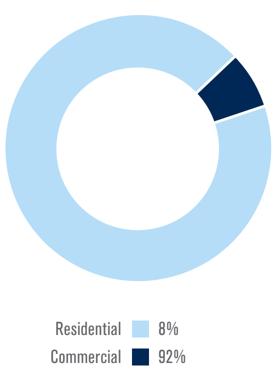
Breakdown of space



Refurbished / Not refurbished



Residential / Commercial




Victoria
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Kista
Galleria
Kista
Hanstavägen
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Husby
Husby


Märsta
Upplands
Väsby
E18
Bro
E18
E4
Sollentuna
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Lidingö
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Huddinge
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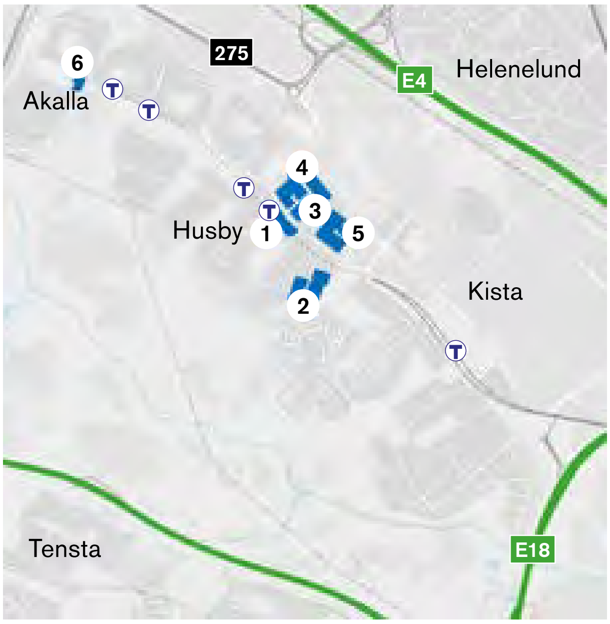
Haninge


6
Akalla
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Helenelund
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Husby
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5
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Kista
Tensta
E18

Bromsten/Rinkeby, Spånga

Bromsten, Rinkeby and Spånga are located just 10 kilometers northwest of downtown Stockholm. The area is a mix of apartment buildings, townhouses/terrace houses and single-family homes, with several forests and recreation areas. The range of leisure activities and sports is large and there are many centers with libraries, grocery stores, shops and other amenities. It takes 10 to 18 minutes to get to central Stockholm by subway and commuter train. Many of the residential buildings in Bromsten, Rinkeby and Spånga were built as part of the Million Homes Programme in the 1960s

Summary of property portfolio

						Area (m²)				
Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Residential	Miscella-neous	Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Tensta 4:10**	Leasehold	-	-	-	-	-	5 147	-	
2	**Lättinge 1**	Leasehold	1970	213	22,1%	16,919	1,060	13,737	132,172	
3	**Kvarnskvaltan 1**	Leasehold	-	-	-	-	-	2,085	0	
4	**Kvarnhjulet 1**	Leasehold	1970	111	12,6%	8,784	796	5,515	71,806	
5	**Kvarnaxeln 1**	Leasehold	1970	142	14,8%	11,232	424	8,836	89,949	
6	**Kvarnrännan 1**	Leasehold	1970	83	26,5%	6,546	286	8,834	53,390	
7	**Kvarnkammaren 1**	Leasehold	1970	166	22,9%	12,801	2,184	10,659	106,820	
8	**Skvaltkvarnen 1**	Leasehold	1970	101	23,8%	8,496	338	8,514	-	
9	**Skvaltkvarnen 2**	Leasehold	1970	60	20,0%	4,557	-	4,907	-	
10	**Skvaltkvarnen 3**	Leasehold	-	-	-	-	-	2,266	-	
11	**Rinkeby 2:14**	Leasehold	-	-	-	-	-	839	-	
12	**Fotkvarnen 1**	Leasehold	1970	76	17,1%	8,986	300	9,788	246,129	
13	**Fotkvarnen 2**	Leasehold	-	-	-	-	-	1,922	-	
14	**Rinkeby 2:13**	Leasehold	-	-	-	-	-	670	-	
15	**Hjulkvarnen 1**	Leasehold	1970	63	20,6%	5,216	564	6,332	-	
16	**Hjulkvarnen 2**	Leasehold	1970	64	62,5%	5,474	526	6,580	-	
17	**Hjulkvarnen 3**	Leasehold	-	-	-	-	-	1,918	-	
18	**Rinkeby 2:1**	Leasehold	-	-	-	-	-	780	-	
19	**Handkvarnen 3**	Leasehold	1970	117	-	9,429	634	12,590	95,501	
20	**Kvarnen 1**	Leasehold	1969	85	9,4%	6,183	867	4,900	44,908	
21	**Vattenkvarnen 1**	Leasehold	1969	-	-	-	-	-	1,643	
	TOTAL			**1 281**	**20,2%**	**104,623**	**7,979**	**111,672**	**842,318**	

* Fotkvarnen 1-2, Hjulkvarnen 1-3, Skvaltkvarnen 1-3, Rinkeby 2:1, 2:13 and 2:14 are jointly-taxed at a total tax value of SEK 192.7 million.

** Currently being produced


Akalla
Husby
Kista
Tensta
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E18
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21
Rinkeby
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17
18
Rinkebysvängen
279


Märsta
Upplands Väsby
E18
Bro
E18
E4
Sollentuna
Täby
Rinkeby
Kista
Lidingö
Solna
STOCKHOLM
E4
Huddinge
Tumba
Södertälje
Haninge


Kista
Tensta
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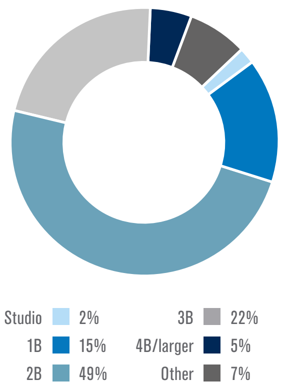
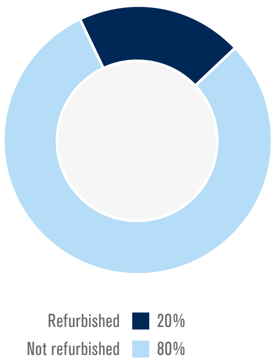
2
E18
3
4
5
6
7
8
10
9
11
Rinkeby
20
13
12
17
16
15
18
19
Spånga
Bromsten
279

Bromsten/Rinkeby, Spånga

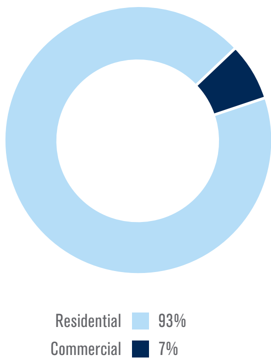
Breakdown of space



Refurbished / Not refurbished



Residential / Commercial



Sollentuna

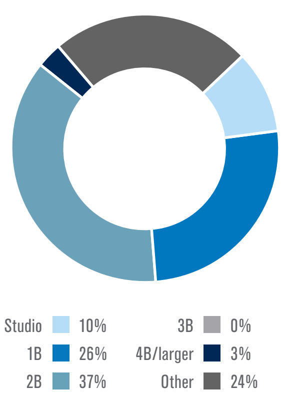
Sollentuna Municipality, with approximately 68,000 inhabitants, is just north of Stockholm. Business and commercial centers are interspersed with natural green areas and a variety of cultural activities. Sollentuna is steadily growing thanks to its attractive location for both residents and businesses, as well as its proximity to the center of Stockholm and Arlanda Airport. The municipality has several major shopping centers, efficient services and proximity to beautiful nature. Several residential areas in the municipality were built as part of the Million Homes Programme in the late 1960s.

Summary of property portfolio

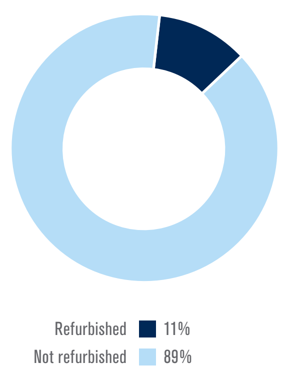
						Area (m²)				
Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Residential	Miscella-neous	Undeveloped land	Tax value (SEK 000)	Building rights*
1	Traktören 5	Freehold	1971	454	11,0%	25,670	8,060	19,994	385,000	
	TOTAL			**454**	**11,0%**	**25,670**	**8,060**	**19,994**	**385,000**	

* Currently being produced

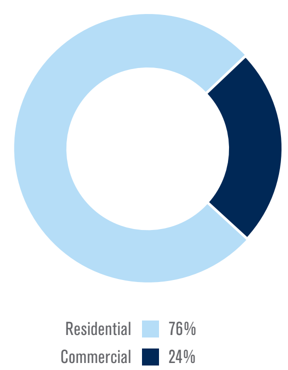
Breakdown of space



Refurbished / Not refurbished



Residential / Commercial




Edsviken
Sollentuna C
Scandic Star
Turebergs Torg
Sollentuna J
Attunda Rättscentrum
1


Märsta
Upplands Väsby
E18
Bro
E18
E4
Sollentuna
Täby
Kista
Lidingö
Solna
STOCKHOLM
E4
Huddinge
Tumba
Södertälje
Haninge


E4
J
1
Sollentuna
Kista

Flemingsberg

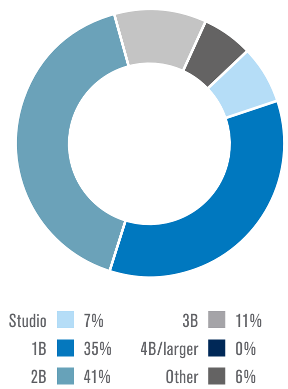
Flemingsberg is located in southwest Stockholm. Stockholm County Council, Huddinge Municipality and Botkyrka Municipality have formulated a development plan – Vision Flemingsberg 2030 – for the area. The aim is for Flemingsberg to become one of the most important centers for education, knowledge-intensive industry, science and business creation in the Greater Stockholm region. The plan is that by 2030 Flemingsberg will have become a city and center for 70,000 people. The central location and excellent living environment will make Flemingsberg attractive to many people in the

Summary of property portfolio

Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Area (m²) Residential	Area (m²) Miscella-neous	Area (m²) Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Vedboden 1**	Freehold	1971	172	9,3%	11,678	145	15,220	86,390	8000
2	**Magasinet 4**	Freehold	1970	231	7,8%	16,043	1,941	29,443	135,546	24000
3	**Stallet 3**	Freehold	1970	170	10,6%	10,420	186	27,116	76,509	16000
	TOTAL			**573**	**9,2%**	**38,141**	**2,272**	**71,779**	**298,445**	**48000**

* Currently being produced

Breakdown of space



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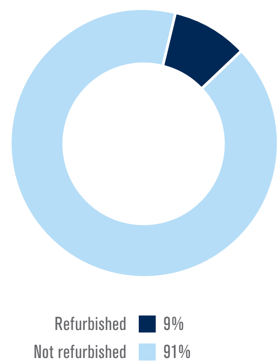
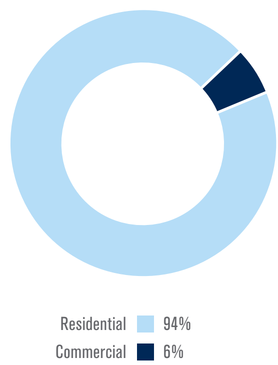


Residential / Commercial




1
2
3
226
Karolinska
Huddinge
Flemingsberg
Station
Rättscentrum
Södertörn


Märsta
Upplands
Väsby
E18
Bro
E18
E4
Sollentuna
Täby
Kista
Lidingö
Solna
STOCKHOLM
E4
Flemingsberg
Tumba
Södertälje
Haninge


Flemingsberg
1
2
Visättra
3
226

Vårby/Vårberg

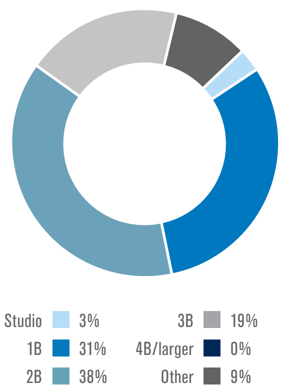
Vårby is a part of Huddinge Municipality and is part of the Stockholm metropolitan area. Vårberg lies immediately north of Vårby in the southwestern part of the municipality of Stockholm. Apartment buildings dominate both areas which are close to Lake Mälaren with recreational areas and beaches easily accessible. Public transport in the areas is excellent with a subway station on the line in to the city of Stockholm and the E4 highway close by. Skärholmen Center is also close by as well as the Kungens Kurva shopping area.

Summary of property portfolio

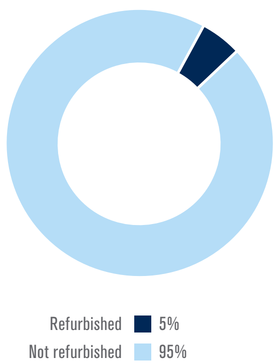
Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Area (m²) Residential	Area (m²) Miscella-neous	Area (m²) Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Bäckgården 1-7**	Leasehold	1972/73	695	6,6%	47,215	4,366	73,757	381,076	
2	**Duvholmen 1**	Leasehold	1968	168	0,6%	13,304	1,974	23,441	123,271	
	TOTAL			**863**	**7,0%**	**60,519**	**6,340**	**97,198**	**504,347**	

* Currently being produced

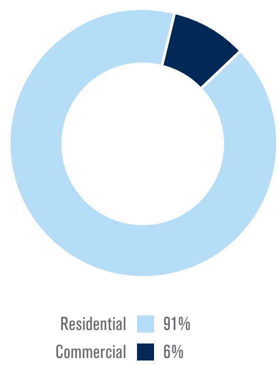
Breakdown of space



Refurbished / Not refurbished

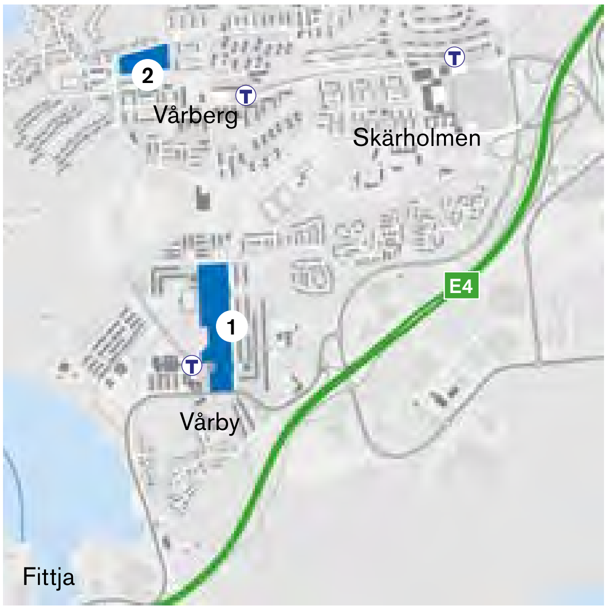


Residential / Commercial




2
Vårberg C
Skärholmen C
1
Vårby Gård C
N
E4


Märsta
Upplands
Väsby
E18
Bro
E18
E4
Sollentuna
Täby
Kista
Lidingö
Solna
STOCKHOLM
E4
Vårby
Huddinge
Tumba
Södertälje
Haninge


2
Vårberg
Skärholmen
E4
1
Vårby
Fittja

Jordbro

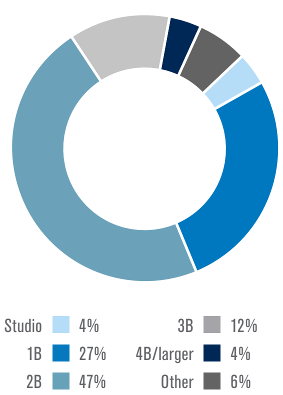
Jordbro is a municipal district in Haninge Municipality, Stockholm County, with about 9,500 inhabitants. The community offers efficient public and commercial services, a well-developed child care system and elementary schools, as well as a vibrant business community. Efficient communications include the commuter train to Stockholm and a modern highway network. Jordbro also offers scenic surroundings, nature reserves and sports facilities. Apartment buildings built in the 1950s, 1960s and 1970s dominate the south end of Jordbro, while the northern part consists mainly of single-family homes.

Summary of property portfolio

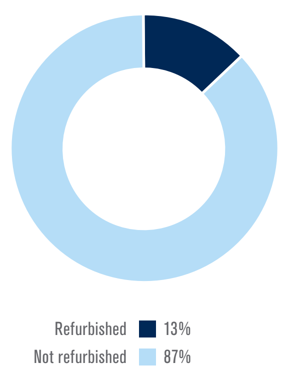
Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Area (m²) Residential	Area (m²) Miscella-neous	Area (m²) Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Kalvsvik 1:6**	Freehold	1967	417	13,4%	34,778	5,011	68,184	306,229	
2	**Kalvsvik 11:4**	Freehold	1970/71	425	12,0%	36,937	1,591	83,989	302,518	
3	**Kalvsvik 11:18**	Freehold	1970	162	10,5%	11,277	246	25,885	95,094	
4	**Kalvsvik 11:23**	Freehold	1970/71	228	10,5%	16,827	1,543	39,282	145,389	
5	**Kalvsvik 11:35**	Freehold	1972	349	14,3%	23,616	889	46,787	207,052	
6	**Kalvsvik 11:1083**	Freehold		211	19,0%	13,813	212	26,822	118,990	
7	**Kalvsvik 11:1084**	Freehold		162	10,5%	10,582	514	24,696	91,039	
	TOTAL			**1 954**	**13,1%**	**147,830**	**10,006**	**315,645**	**1,266,311**	

* Currently being produced

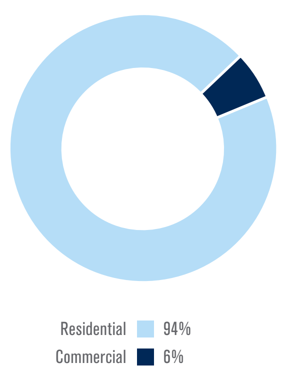
Breakdown of space



Refurbished / Not refurbished



Residential / Commercial




73
259
1
6
7
5
Jordbro Kyrka
Jordbro Station
4
2
3
N


Märsta
Upplands Väsby
E18
Bro
E18
E4
Sollentuna
Täby
Kista
Lidingö
Solna
STOCKHOLM
E4
Huddinge
Tumba
Södertälje
Haninge
Jordbro


1
Jordbro
73
6
2
5
7
3
4

Södertälje

Södertälje Municipality, with approximately 92,000 inhabitants, is strategically located in the Mälardalen and Greater Stockholm regions. There are many sports and cultural clubs, a vibrant commercial center, a strong business community and an efficient infrastructure, all within commuting distance to Stockholm. The Sörmland countryside also offers many green recreational areas. Two major enterprises in Sweden – Scania and Astra Zeneca – are located in Södertälje.

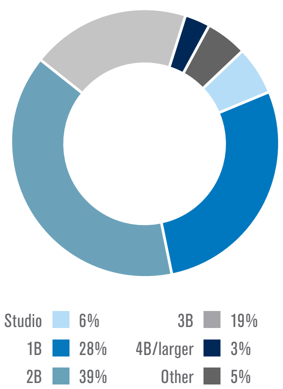
Summary of property portfolio

						Area (m²)				
Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Residential	Miscella-neous	Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Åkervenen 3 Strandrågen 4 Rödvenen 4 Svingeln 2**	Freehold	1968	596	11,2%	41,880	900	115,490	355,647	
2	**Vårbrodden 2**	Freehold	-	-	-	-	-	1,945	-	
3	**Grindstugan 1**	Freehold	1968	131	12,2%	8,804	242	15,387	80,336	
4	**Topasen 6**	Freehold	1972	237	13,9%	16,231	702	20,621	127,950	
5	**Sjöboden 1 Fäboden 3 Hemmanet 4**	Freehold	1969	752	11,7%	55,637	3,878	85,462	512,444	
6	**Gården 2**	Freehold	1970	394	10,9%	29,349	2,340	38,725	258,440	
7	**Risevid 1:8****	Freehold	-	-	-	-	-	66,507	1,237	
	TOTAL			**2,110**	**11,7%**	**151,901**	**8,062**	**277,630**	**1,334,817**	

* Currently being produced

** The property is located in Trosa (outside of the area pictured)

Breakdown of space



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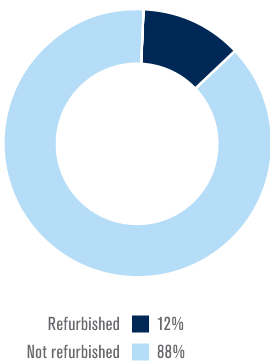
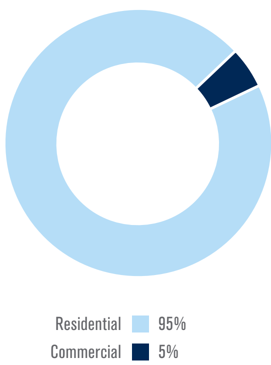
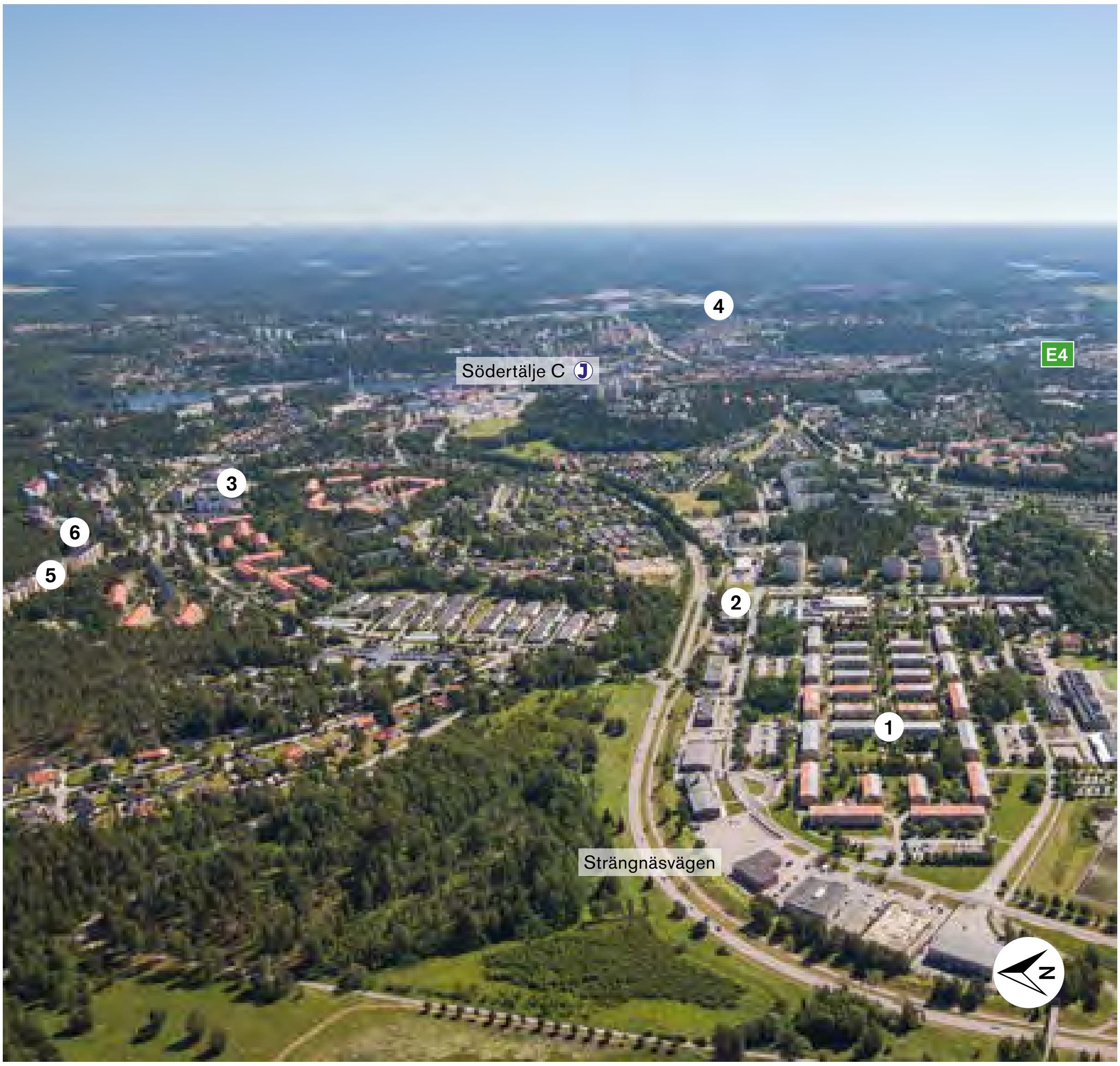


Residential / Commercial




4
Södertälje C
E4
3
6
5
2
1
Strängnäsvägen
N


Märsta
Upplands Väsby
E18
Bro
E18
E4
Sollentuna
Täby
Kista
Lidingö
Solna
STOCKHOLM
E4
Flemingsberg
Tumba
Södertälje
Haninge


Ronna
6
5
3
E4
Fornhöjden
1
2
Geneta
SÖDERTÄLJE
4
E20
E4

Bro

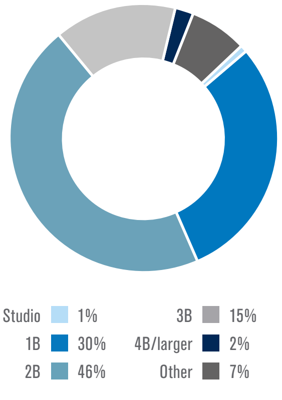
Upplands-Bro is located in the heart of Mälardalen and is sometimes described as one of Stockholm's most scenic municipalities. There are 130 kilometers of shoreline along Lake Mälaren and an archipelago with about 50 islands, creating opportunities for high-quality living. This location is popular among families with children, seniors and students. Thanks to a growing industry and business community, fewer and fewer of the municipality's approximately 25,000 residents have to commute from the municipality for work. Upplands-Bro is investing in improving the business environment and continually attracting new people and businesses to the community.

Summary of property portfolio

Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Area (m²) Residential	Area (m²) Miscella-neous	Area (m²) Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Finnsta 1:11-1:12**	Freehold	1973	187	11,8%	13,348	738	32,333	119,714	
2	**Finnsta 1:13**	Freehold	1974	353	7,9%	27,164	1,221	83,381	241,681	
3	**Finnsta 1:14-1:17**	Freehold	1975	-	-	-	1,281	5,458	5,161	
	TOTAL			**540**	**9,3%**	**40,512**	**3,240**	**121,172**	**366,556**	

* Currently being produced

Breakdown of space



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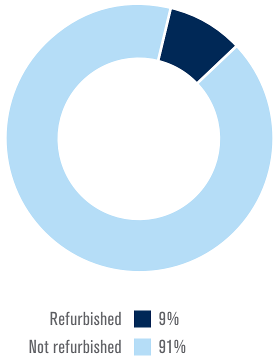
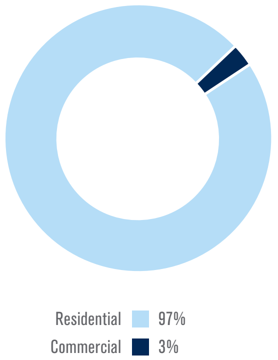


Residential / Commercial




Bro Station
Bro Centrum
1
2
3


Märsta
Upplands Väsby
Bro
E18
E4
E18
Sollentuna
Täby
Kista
Lidingö
Solna
STOCKHOLM
E4
Flemingsberg
Tumba
Södertälje
Haninge


E18
Bro
1
2
3

Märsta

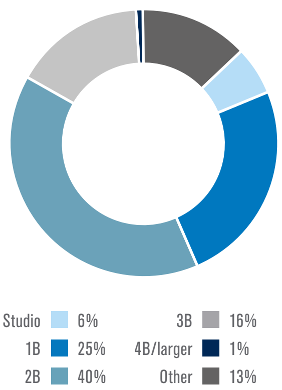
Märsta is the main community of Sigtuna Municipality, Stockholm County, located halfway between Uppsala and Stockholm. People have lived and worked here for over 1,000 years, and today Sigtuna is a central location for business and cultural initiatives. About 24,000 people live here. Good communications include proximity to Arlanda Airport, the E4 highway and the railway station. Proximity to both Uppsala and Stockholm have contributed to the town's expansion and make the municipality ideal for start-up companies. Sigtuna Municipality is in fourth place in terms of number of nights spent in hotels in Sweden.

Summary of property portfolio

Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Area (m²) Residential	Area (m²) Miscellaneous	Area (m²) Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Märsta 1:167**	Freehold	1962	362	7.5%	23,776	3,143	50,108	214,006	
2	**Valsta 3:8**	Freehold	1967	331	8.2%	25,999	4,344	49,415	233,643	
	TOTAL			**693**	**7.8%**	**49,775**	**7,487**	**99,523**	**447,649**	

* Currently being produced

Breakdown of space



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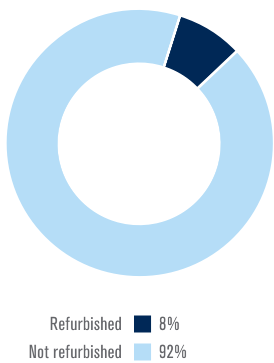
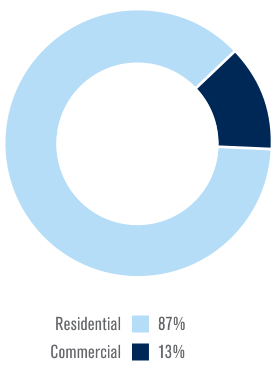
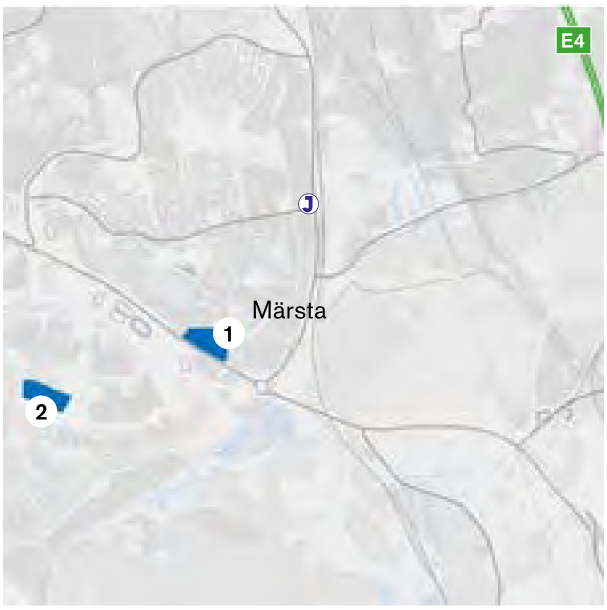


Residential / Commercial




Arlanda
E4
Märsta Station
1
263
Midgårdsvallen
2


Märsta
Upplands Väsby
E18
Bro
E18
E4
Sollentuna
Täby
Kista
Lidingö
Solna
STOCKHOLM
E4
Flemingsberg
Tumba
Södertälje
Haninge


E4
Märsta
1
2

Uppsala

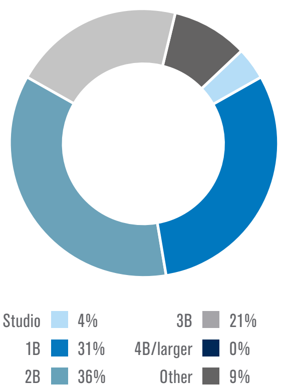
Uppsala is Sweden's fourth largest municipality with over 200,000 inhabitants. The population is continuously growing – in recent years at a rate of 3,000 to 4,000 people per year. With its proximity to Stockholm (67 kilometers) and Arlanda (35 kilometers), Uppsala occupies a strategic geographical position. The city offers a wide range of cultural, sports, services and commercial amenities. Uppsala is one of the world's foremost science hubs, with two highly ranked universities and University Hospital, which is the regional hospital. These facilities have created opportunities for advanced research, resulting in a number of successful companies in fields such as biomedicine and IT.

Summary of property portfolio

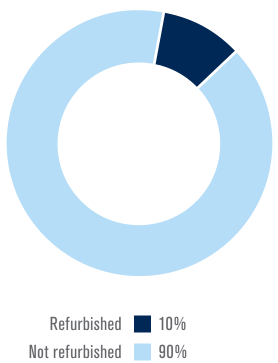
						Area (m²)				
Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Residential	Miscella-neous	Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Valsätra 33:1**	Freehold	1970	297	8,1%	21,458	2,393	49,322	153,586	
2	**Valsätra 19:1, 34:1**	Freehold	1969	162	9,3%	12,479	347	30,054	81,724	
3	**Valsätra 36:3**	Freehold	1971	32	0,0%	2,154	1,805	4,039	0	
4	**Valsätra 34:3, 40:1**	Freehold	1970	174	10,9%	11,808	702	29,182	79,871	
5	**Valsätra 36:1, 36:2, 36:4**	Freehold	1971	303	11,9%	19,450	2,913	43,132	139,498	
	TOTAL			**968**	**9,7%**	**67,349**	**8,160**	**155,729**	**454,679**	

* Currently being produced

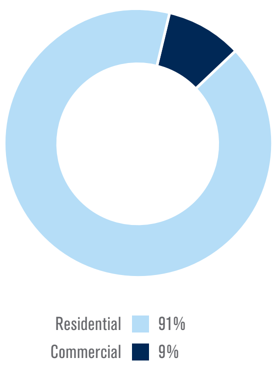
Breakdown of space



Refurbished / Not refurbished



Residential / Commercial




Uppsala C
Valsätraskolan
2
4
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Gottsunda C →
N


E4
J
UPPSALA
Valsätra
2
3
4
1
5

Strängnäs

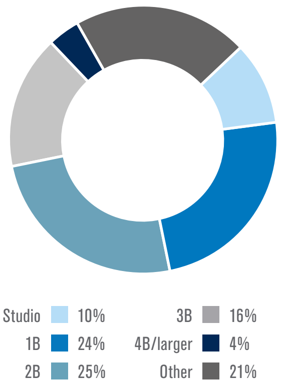
Strängnäs is centrally located in the expanding Mälardalen region. Residents enjoy both small-town charm and proximity to the collective range of opportunities of the Greater Stockholm region. Many people and businesses are attracted to Strängnäs because of its central location. Its rich and diverse economy includes an array of small businesses and pharmaceutical companies, as well as the electronics industry and more traditional industries. Strängnäs is also ranked as one of Sweden's best logistics hubs with shipping to Mälardalen and the Greater Stockholm region.

Summary of property portfolio

Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Area (m²) Residential	Area (m²) Miscella-neous	Area (m²) Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Bonden 12-14**	Freehold	1976/77	101	8,9%	6,514	4,708	10,573	92,118	
2	**Läraren 11**	Freehold	1986	42	0,0%	2,910	512	4,104	29,213	
3	**Åkern 1-5**	Freehold	1980	76	18,4%	5,438	433	7,212	59,694	
4	**Åkern 16**	Freehold	1977	30	6,7%	2,297	332	2,629	24,330	
5	**Järpen 1, 3, 4**	Freehold	1966/70	162	12,3%	10,717	1,630	24,743	94,556	
	TOTAL			**411**	**11,9%**	**27,876**	**7,615**	**49,261**	**299,911**	

* Currently being produced

Breakdown of space



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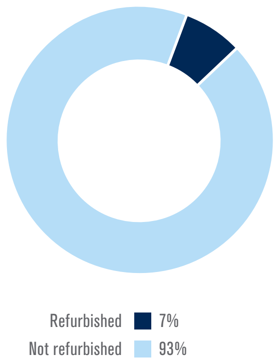
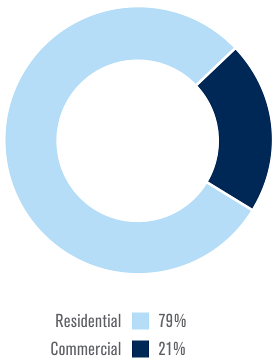


Residential / Commercial




E20
Strängnäs
Station
Strängnäs
Domkyrka
5
4
3
2
1
Visholmen
N


1
2
STRÄNGNÄS
3
4
5

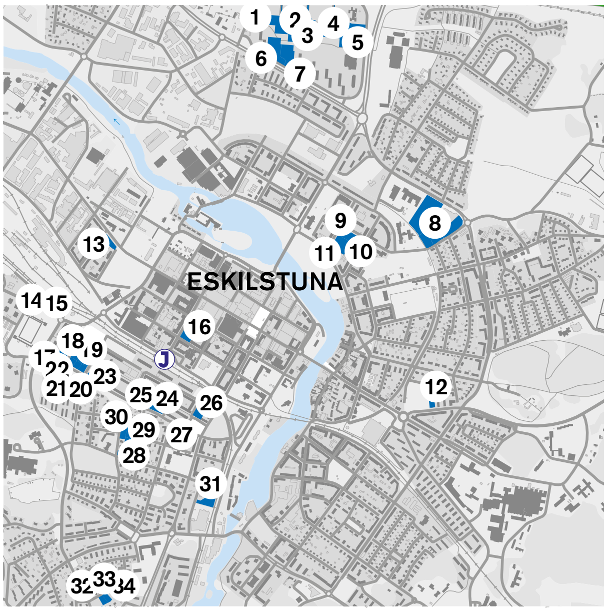
Eskilstuna

Eskilstuna is located about 110 kilometers of Stockholm in the heart of Södermanland. With approximately 100,000 inhabitants and a strong industrial tradition, Eskilstuna is one of Mälardalen's fastest growing cities. This growth places high demands on new and attractive housing for both current and new residents. The area includes a college, efficient infrastructure, a well-developed business community and a good cooperative climate. Eskilstuna also offers a wide range of services, culture, sports, and commercial amenities as well as scenic areas.

Summary of property portfolio

						Area (m²)				
Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Residential	Miscella-neous	Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Notarien 7**	Leasehold	1965	160	12,5%	12,340	184	10,732	89,329	
2	**Notarien 8**	Leasehold	1966	56	8,9%	4,924	157	3,459	35,748	
3	**Notarien 9**	Leasehold	1966	104	14,4%	7,418	90	8,491	52,820	
4	**Notarien 11**	Leasehold	1966	104	15,4%	7,417	397	11,595	54,664	
5	**Notarien 12**	Leasehold	1966	103	9,7%	8,242	501	8,642	61,001	
6	**Navigatören 2**	Leasehold	1964	80	11,3%	5,484	172	6,479	39,634	
7	**Navigatören 3**	Leasehold	1964	80	13,8%	5,503	141	6,503	38,648	
8	**Nålsögat 3**	Freehold	0	0	0	0	0	22,432	5,000	30 000
9	**Nybyggaren 9**	Freehold	1981	60	3,3%	4,292	265	3,236	37,108	
10	**Nybyggaren 10**	Freehold	1978	62	11,3%	4,838	531	3,415	42,628	
11	**Nybyggaren 11**	Freehold	1979	86	3,5%	6,423	481	5,666	56,697	
12	**Serganten 8**	Freehold	1937/87	18	11,1%	1,088	90	1,319	10,132	
13	**Venus 8-9**	Freehold	1929/82	28	0,0%	1,611	268	1,859	14,412	
14	**Granaten 2**	Freehold	1937	15	0	1,069	8	1,254	6,521	
15	**Granaten 3**	Freehold	1937	13	0	1,112	0	1,309	6,708	
16	**Vaksamheten 8**	Freehold	1987	29	0,0%	2,101	3,338	2,516	48,561	
17	**Flintan 14**	Freehold	1978	40	15,0%	2,420	80	2,140	20,342	
18	**Fäktaren 1**	Freehold	1979	25	16,0%	2,074	92	1,223	15,756	
19	**Fäktaren 3**	Freehold	1961/93	21	19,0%	1,580	1,267	1,077	15,023	
20	**Fäktaren 4**	Freehold	1955/93	22	0,0%	1,526	103	966	13,931	
21	**Fäktaren 5**	Freehold	1955/80	15	6,7%	1,064	0	940	9,194	
22	**Fäktaren 6**	Freehold	1958	30	16,7%	1,633	73	1,106	12,873	
23	**Fakiren 7**	Freehold	1970	176	11,9%	10,316	296	4,038	82,622	
24	**Friheten 5**	Freehold	1945/86	25	20,0%	1,686	150	890	14,264	
25	**Friheten 11**	Freehold	1974	305	13,4%	16,078	1,953	9,020	133,538	
26	**Favören 1**	Freehold	1975	82	17,1%	4,663	264	2,904	38,199	
27	**Fuxen 11**	Freehold	1940	80	0	4,162	2,099	7,931	43,721	
28	**Forsbomsvreten 16&20**	Freehold	1963	36	16,7%	2,677	111	3,533	22,052	
29	**Forsbomsvreten 21**	Freehold	1964	12	8,3%	876	107	1,456	7,244	
30	**Forsbomsvreten 22**	Freehold	1968	48	12,5%	3,963	467	5,458	33,070	
31	**Frimuraren 8**	Freehold	1991	21	0,0%	1,630	226	3,230	15,253	
32	**Taggsvampen 15**	Freehold	1944	12	0	516	71	645	3,742	
33	**Taggsvampen 19**	Freehold	1950	8	0	449	25	561	3,380	
34	**Taggsvampen 20**	Freehold	1950	8	0	519	35	649	3,870	
	TOTAL			**1,964**	**10,9%**	**131,694**	**14,041**	**146,674**	**1,087,685**	**30 000**

* Currently being produced



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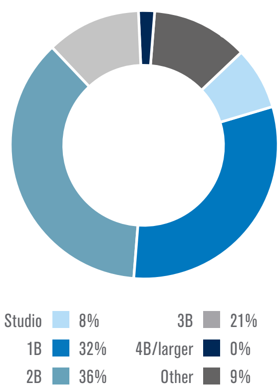

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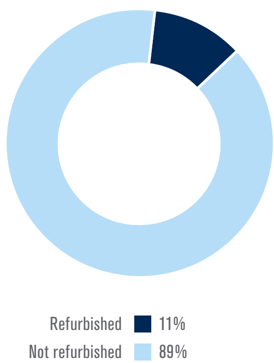
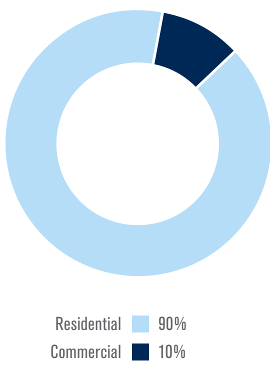


Residential / Commercial



Katrineholm

Katrineholm is an attractive municipaltiy situated in Södermanland with less than an hour commute by train to central Stockholm and two hours to Gothenburg. The communications are very good as the west and south main train lines connect here.

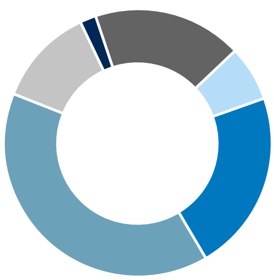
In combination with the connection to the highway network makes Katrineholm perfect from a transport and commuting view. Positively affecting the municipality's attractivenes. Katrineholm had a total of 33,000 inhabitants in 2016.

Summary of property portfolio

Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Area (m²) Residential	Area (m²) Miscella-neous	Area (m²) Undeveloped land	Tax value (SEK 000)	Building rights*
1.	Syrenen 8	Freehold	1961	93	1,1%	5,731	599	6,628	31,167	
2.	Vinrankan 4	Freehold	1952	21	0%	1,641	186	3,611	8,559	
3.	Vinrankan 8	Freehold	1955	30	3,3%	1,917	414	3,843	10,754	
4.	Linden 22	Freehold	1962	70	1,4%	4,067	1,216	4,290	27,682	
5.	Oliven 3	Freehold	1976	15	0%	1,148	0	1,074	6,122	
6.	Hagtornen 11	Freehold	1964	49	2,0%	3,342	0	2,721	18,252	
7.	Apeln 5	Freehold	1970	54	0%	3,501	43	4,207	18,957	
8.	Pionen 4	Freehold	1992	36	0%	3,158	1,764	2,182	32,930	
9.	Humlen 1	Freehold	1927	7	0%	1,059	876	1,101	7,443	
10.	Katrineholm 5:8&5:9	Freehold		18	0%	1,352	2,639	2,243	22,082	
11.	Nejlikan 4	Freehold		0	0%	0	651	912	1,765	
12.	Nejlikan 16&17	Freehold		57	0%	3,855	2,551	4,019	38,600	
13.	Prästkragen 28	Freehold	1968	102	1,0%	7,578	721	12,107	41,345	
14.	Hämplingen 3	Freehold	1940	4	0%	224	0	754	1,232	
15.	Hämplingen 18	Freehold	1970	77	2,0%	5,806	137	9,122	29,665	
16	Sädesärlan 11	Freehold	1987	0	0%	0	133	1,055	214	
17.	Nålen 5	Freehold	1966	84	3,6%	5,857	133	11,850	26,143	
	TOTAL			**718**	**1,7%**	**50,318**	**10,809**	**71,719**	**335,659**	

* Currently being produced

Breakdown of space



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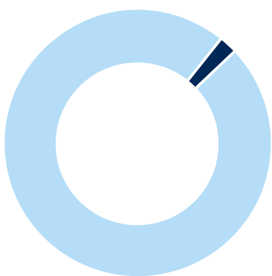
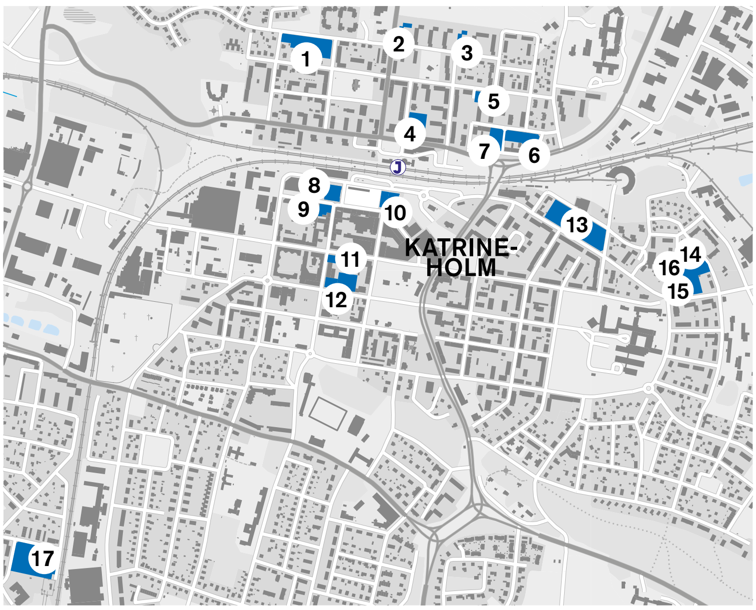


Residential / Commercial



17 Ligger i sydvästra Katrineholm (utanför bild).

Norrköping

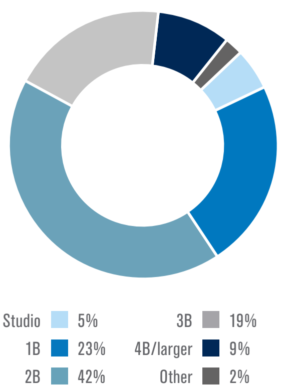
D. Carnegie & Co has strong confidence in the real estate market in Östergötland. The property portfolio consists of approximately 1,900 apartments and a limited number of premises in the Hageby, Inner City and Marielund neighborhoods, which makes the Company one of the largest private property companies in Norrköping. Östergötland is a growing region where the city of Norrköping has much to offer. It is home to large industrial and commercial enterprises, as well as a growing university, and its strategic location includes Stockholm within commuting distance.

Summary of property portfolio

Nr	Property designation	Title	Year built	Number of apartments	Percentage of refurbished apartments	Area (m²) Residential	Miscella-neous	Undeveloped land	Tax value (SEK 000)	Building rights*
1	**Plysaren 13**	Freehold	1968	223	17,5%	18,298	242	2,046	159,108	
2	**Röken 22**	Freehold	1967	119	30,3%	9,250	1,700	3,262	92,121	
3	**Porten 10**	Freehold		115	19,1%	8,158	236	0	76,443	
4	**Porten 16**	Freehold		470	17,4%	36,313	619	80,853	339,015	
5	**Valvet 1**	Freehold	1960	367	12,5%	20,641	0	15,066	188,355	
6	**Dörren 12 & 14**	Freehold		721	11,8%	46,873	600	98,021	428,249	
7	**Hambon 1**	Freehold	1971	92	10,9%	9,388	20	29,716	85,074	
8	**Hambon 2**	Freehold	1971	59	15,3%	6,051	0	42,000	54,800	
9	**Gavotten 1**	Freehold	1972	18	0,0%	1,944	0	5,135	16,331	
10	**Kadriljen 1**	Freehold	1972	27	25,9%	2,946	0	7,336	25,649	
12	**Mazurkan 1**	Freehold	1972	27	18,5%	2,940	0	7,336	25,075	
13	**Menuetten 1**	Freehold	1972	18	5,6%	1,950	0	7,419	16,944	
11	**Tangon 1**	Freehold	1971	44	15,9%	4,468	76	15,632	41,770	
	TOTAL			**2,300**	**14,6%**	**169,220**	**3,493**	**313,822**	**1,548,934**	

* Currently being produced

Breakdown of space



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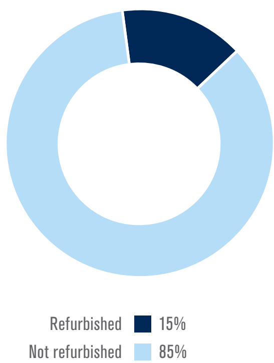
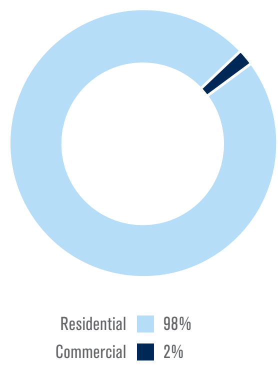
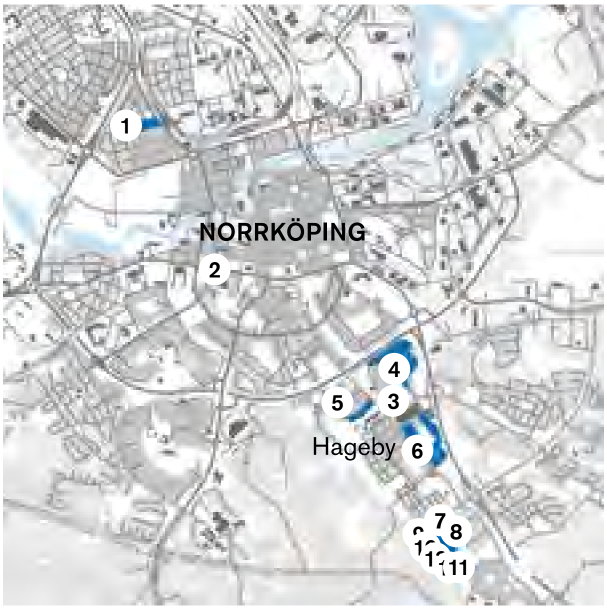


Residential / Commercial





1 Located in central Norrköping (North of the area pictured).

2 Located in central Norrköping (North of the area pictured).

PROPERTY SPECIFICATION

PROPERTY SPECIFICATION	MUNICIPALITY	BUILDING YEAR/ RENNOVATION	LETTABLE AREA, M² RESIDENTIAL	MISC.	TOTAL	LEASEHOLD BUILDING SITE
Vaksamheten 8	Eskilstuna	1987	2,101	3,345	5,446	
Nybyggaren 10	Eskilstuna	1978	4,838	531	5,369	
Sergeanten 8	Eskilstuna	1937/87	1,088	90	1,178	
Nålsticket 2	Eskilstuna	1994	-	-	-	
Nybyggaren 11	Eskilstuna	1979	6,423	481	6,904	
Nybyggaren 9	Eskilstuna	1981	4,292	265	4,557	
Fäktaren 1	Eskilstuna	1979	2,074	92	2,166	
Friheten 5	Eskilstuna	1945/86	1,686	150	1,836	
Flintan 14	Eskilstuna	1978	2,420	80	2,500	
Fäktaren 3	Eskilstuna	1961/93	1,580	1,267	2,847	
Fäktaren 4	Eskilstuna	1955/93	1,526	103	1,629	
Fäktaren 5	Eskilstuna	1955/80	1,064	0	1,064	
Fäktaren 6	Eskilstuna	1958	1,633	73	1,706	
Friheten 11	Eskilstuna	1974	16,078	1,953	18,031	
Fakiren 7	Eskilstuna	1970	10,316	295	10,611	
Favören 1	Eskilstuna	1975	4,663	264	4,927	
Venus 8	Eskilstuna	1929/82	1,074	40	1,114	
Venus 9	Eskilstuna	1929/82	537	228	765	
Navigatören 2	Eskilstuna	1964	5,484	172	5,656	T
Navigatören 3	Eskilstuna	1964	5,503	141	5,644	T
Notarien 7	Eskilstuna	1965	12,340	184	12,524	T
Notarien 8	Eskilstuna	1966	4,924	157	5,081	T
Notarien 9	Eskilstuna	1966	7,418	90	7,508	T
Notarien 11	Eskilstuna	1966	7,417	397	7,814	T
Notarien 12	Eskilstuna	1966	8,242	501	8,743	T
Forsbomsvreten 16	Eskilstuna	1963	1,789	111	1,900	
Forsbomsvreten 20	Eskilstuna	1963	888	0	888	
Forsbomsvreten 21	Eskilstuna	1964	876	107	983	
Forsbomsvreten 22	Eskilstuna	1968	3,963	467	4,430	
Frimuraren 8	Eskilstuna	1991	1,630	226	1,856	
Fuxen 11	Eskilstuna	1940	4,162	2,099	6,261	
Granaten 2	Eskilstuna	1937	1,069	8	1,077	
Granaten 3	Eskilstuna	1937	1,112	0	1,112	
Taggsvampen 15	Eskilstuna	1944	516	71	587	
Taggsvampen 19	Eskilstuna	1950	449	25	474	
Taggsvampen 20	Eskilstuna	1950	519	35	554	
Syrenen 8	Katrineholm	1961	5,731		5,731	
Linden 22	Katrineholm	1962	4,067	1,216	5,283	
Hagtornen 11	Katrineholm	1964	3,341		3,341	
Nålen 5	Katrineholm	1966	5,857	133	5,990	
Prästkragen 28	Katrineholm	1968	7,578		7,578	
Apeln 5	Katrineholm	1970	3,501	43	3,544	
Oliven 3	Katrineholm	1976	1,148		1,148	
Hämplingen 3	Katrineholm	1940	224		224	
Hämplingen 18	Katrineholm	1970	5,806	137	5,943	
Pionen 4	Katrineholm	1992	3,158	1,764	4,922	
Nejlikan 16	Katrineholm	1956/1959	1,956	951	2,907	
Nejlikan 17	Katrineholm	1956/1959	1,899	1,699	3,598	

PROPERTY SPECIFICATION	MUNICIPALITY	BUILDING YEAR/ RENNOVATION	LETTABLE AREA, M² RESIDENTIAL	MISC.	TOTAL	LEASEHOLD BUILDING SITE
Nejlikan 4	Katrineholm	1938/1945		651	651	
Sädesärlan 11	Katrineholm				0	
Humlen 1	Katrineholm	1927	1,059	875	1,934	
Katrineholm 5:8	Katrineholm	1920/1975/1977	1,352	1,442	2,794	
Katrineholm 5:9	Katrineholm	1920/1975/1977	84	1,298	1,382	
Vinrankan 4	Katrineholm	1952	1,641	186	1,827	
Vinrankan 8	Katrineholm	1955	1,917	414	2,331	
Bonden 12	Strängnäs	1976	3,854	564	4,418	
Bonden 13	Strängnäs	1977	911	1,413	2,324	
Bonden 14	Strängnäs	1977	1,749	2,731	4,480	
Åkern 16	Strängnäs	1977	2,297	332	2,629	
Läraren 11	Strängnäs	1986	2,910	512	3,422	
Åkern 1	Strängnäs	1980	1,015	155	1,170	
Åkern 3	Strängnäs	1979	3,116	109	3,225	
Åkern 5	Strängnäs	1979	1,308	169	1,477	
Järpen 1	Strängnäs	1966	3,638	1,401	5,039	
Järpen 3	Strängnäs	1966	3,437	177	3,614	
Järpen 4	Strängnäs	1970	3,642	52	3,694	
Nålsticket 1	Eskilstuna	-	-	-	-	
Nålsögat 3	Eskilstuna	-	-	-	-	
Hällby-Ökna 1:46	Eskilstuna	-	-	-	-	
Sättra Krog 1:3	Strängnäs	-	-	-	-	
Risevid 1:8	Trosa	-	-	-	-	
Flensby 6:98	Flen	-	-	-	-	
Valsätra 33:1	Uppsala	1970	21,458	2,393	23,850	
Valsätra 19:1	Uppsala	1969	-	-	-	Garage and Parking
Valsätra 34:1	Uppsala	1969	12479	347	12,826	
Valsätra 34:3	Uppsala	1970	11808	702	12,510	
Valsätra 40:1	Uppsala	1970	-	-	-	Garage and Parking
Valsätra 36:1	Uppsala	1971	18,613	2,913	21,526	
Valsätra 36:2	Uppsala	Leased	-	-	-	
Valsätra 36:4	Uppsala	1971	837	0	837	
Valvet 1	Norrköping	1960	20,641	0	20,641	
Dörren 12	Norrköping	1963/1968	42,361	600	42,961	
Dörren 14	Norrköping	1963/1968	4,512	0	4,512	
Röken 22	Norrköping	1967	9,250	1,700	10,950	
Plysaren 13	Norrköping	1968	18,298	242	18,540	
Porten 16	Norrköping	1967/1994	36,313	619	36,932	
Hambon 1	Norrköping	1971	9,388	20	9,408	
Hambon 2	Norrköping	1971	6,051	0	6,051	
Tangon 1	Norrköping	1971	4,468	76	4,544	
Gavotten 1	Norrköping	1972	1,944	0	1,944	
Kadriljen 1	Norrköping	1972	2,946	0	2,946	
Mazurkan 1	Norrköping	1972	2,940	0	2,940	
Menuetten 1	Norrköping	1972	1,950	0	1,950	
Porten 10	Norrköping	1968/1996	8,180	236	8,416	
Märsta 1:167	Sigtuna	1962/1963	23,776	2,986	26,762	
Valsta 3:8	Sigtuna	1977	25,995	4,344	30,343	

PROPERTY SPECIFICATION	MUNICIPALITY	BUILDING YEAR/ RENNOVATION	LETTABLE AREA, M² RESIDENTIAL	MISC.	TOTAL	LEASEHOLD BUILDING SITE
Finnsta 1:11	Upplands-Bro	1973	6532	576	7 108	
Finnsta 1:12	Upplands-Bro	1973	6816	162	6 978	
Finnsta 1:14	Upplands-Bro	1974/1975	7038	193	7 231	
Finnsta 1:15	Upplands-Bro	1974/1975	7890	266	8 156	
Finnsta 1:16	Upplands-Bro	1974/1975	5198	551	5 749	
Finnsta 1:17	Upplands-Bro	1974/1975	7038	211	7 249	
Finnsta 1:13	Upplands-Bro	1975	0	1 281	1 281	
Åkervenen 3	Södertälje	1968/92	12 823	122	12 945	
Strandrågen 4	Södertälje	1968/92	8 754	508	9 262	
Rödvenen 4	Södertälje	1968/92	12 803	144	12 947	
Svingeln 2	Södertälje	1968/92	7 500	126	7 626	
Vårbrodden 2	Södertälje	-	-	-	-	
Grindstugan 1	Södertälje	1968/92,	8 804	242	9 046	
Topasen 6	Södertälje	1972	16 231	702	16 933	
Bäckgården 1	Huddinge	1973	9 061	1 862	10 923	T
Bäckgården 2	Huddinge	1973	6 940	534	7 474	T
Bäckgården 3	Huddinge	1973	7 990	738	8 728	T
Bäckgården 4	Huddinge	1972	7 851	331	8 182	T
Bäckgården 5	Huddinge	1972	8 488	439	8 927	T
Bäckgården 7	Huddinge	1972	6 885	461	7 346	T
Sjöboden 1	Södertälje	1969,94,96	26 802	494	27 296	
Fäboden 3	Södertälje	1969,94,96	17 135	279	17 414	
Hemmanet 4	Södertälje	1969,94,96	11 700	3 106	14 806	
Gården 2	Södertälje	1970	29 349	2 340	31 689	
Kalvsvik 11:18	Haninge	1970	11 277	246	11 523	
Kalvsvik 11:23	Haninge	1970, 71	16 827	1 547	18 374	
Kalvsvik 11:35	Haninge	1972	23 616	889	24 505	
Kalvsvik 11:1083	Haninge	1973, 88	13 813	212	14 025	
Kalvsvik 11:1084	Haninge	1974, 88	10 582	514	11 096	
Vedboden 1	Huddinge	-	11 678	145	11 823	
Magasinet 4	Huddinge	-	16 043	1 941	17 984	
Stallet 3	Huddinge	-	10 420	186	10 606	
Traktören 5	Sollentuna	-	25 670	8 060	33 730	
Mariehamn 1	Stockholm	1975	0	2 632	2 632	T
Bergen 1	Stockholm	1976	20 668	2 127	22 795	T
Halden 3	Stockholm	1976	21 852	716	22 568	T
Holmenkollen 1	Stockholm	1976	10 010	611	10 621	T
Telemark 1	Stockholm	1974	30 410	2 245	32 655	T
Tönsberg 2	Stockholm	1977	20 865	820	21 685	T
Lättinge 1	Stockholm	-	16 919	1 001	17 920	T
Tensta 4:10	Stockholm	1969	Included in joint taxation/merged with Lättinge 1			T
Kvarnkammaren 1	Stockholm	-	12 801	2 184	14 985	T
Kvarnrännan 1	Stockholm	1970	6 546	286	6 832	T
Kvarnaxeln 1	Stockholm	-	11 231	424	11 655	T
Kvarnhjulet 1	Stockholm	-	8 784	796	9 580	T
Kvarnskvaltan 1	Stockholm	-	-	-	-	T
Handkvarnen 3	Stockholm	1970	9 428	1 571	10 999	T
Fotkvarnen 1	Stockholm	1970	6 434	196	6 630	T

FASTIGHETSBETECKNING	KOMMUN	BUILDING YEAR/ RENNOVATION	LETTABLE AREA, M²		TOTALT	TOMTRÄTT
			RESIDENTIAL	MISC.		
Fotkvarnen 2	Stockholm	-	Included in joint taxation/merged with Fotkvarnen 1, Hjulkvarnen 1-3, Rinkeby 1:2, 2:13, 2:14, Skvaltkvarnen			
		1-3 –				
Hjulkvarnen 1	Stockholm	1970	5 215	763	5 978	T
Hjulkvarnen 2	Stockholm	1970	5 474	971	6 445	T
Hjulkvarnen 3	Stockholm	-	Included in joint taxation/merged with Fotkvarnen 1, Hjulkvarnen 1-3, Rinkeby 1:2, 2:13, 2:14, Skvaltkvarnen			
		1-3 T				
Rinkeby 2:1	Stockholm	-	Included in joint taxation/merged with Fotkvarnen 1, Hjulkvarnen 1-3, Rinkeby 1:2, 2:13, 2:14, Skvaltkvarnen			
		1-4 T				
Rinkeby 2:13	Stockholm	-	Included in joint taxation/merged with Fotkvarnen 1, Hjulkvarnen 1-3, Rinkeby 1:2, 2:13, 2:14, Skvaltkvarnen			
		1-5 T				
Rinkeby 2:14	Stockholm	-	Included in joint taxation/merged with Fotkvarnen 1, Hjulkvarnen 1-3, Rinkeby 1:2, 2:13, 2:14, Skvaltkvarnen			
		1-6 T				
Skvaltkvarnen 1	Stockholm	1970	8 496	453	8 949	T
Skvaltkvarnen 2	Stockholm	1970	4 557	36	4 593	T
Skvaltkvarnen 3	Stockholm	-	Included in joint taxation/merged with Fotkvarnen 1, Hjulkvarnen 1-3, Rinkeby 1:2, 2:13, 2:14, Skvaltkvarnen			
		1-6 T				
Kvarnen 1	Stockholm	1969	6 183	867	7 050	T
Vattenkvarnen 1	Stockholm	1969	-	-	-	T

Definitions

Finance

RETURN ON EQUITY, per cent

Profit for the year in relation to average shareholders' equity.

LOAN-TO-VALUE RATIO (LTV), per cent

Interest-bearing liabilities including net reported vendor notes after deductions for market value on listed shareholdings and cash and cash equivalents in relation to the fair value of the properties at the close of the period.

LOAN-TO-VALUE RATIO PROPERTIES (LTV), per cent

Interest-bearing liabilities with security in properties in relation to the fair value of the properties at the close of the period.

INTEREST COVERAGE RATIO, times

Income from property management plus financial costs (EBIT) in relation to financial costs.

EQUITY RATIO, per cent

Reported shareholders' equity in relation to reported total assets at the close of the period.

EQUITY RATIO, ADJUSTED, per cent

Reported shareholders' equity adjusted for the value of derivatives, goodwill and deferred tax liabilities.

Property

DIRECT RETURN, per cent

Net operating income recalculated on an annual basis in relation to the average market value of the management properties during the period.

NET OPERATING INCOME, SEK '000

Total income minus bad debt losses, operating and maintenance costs, property administration, rents on leasehold interest in government owned land, and property taxes. The industry specific key figure, net operating income, is reported as it shows the results from property management.

INCOME FROM PROPERTY MANAGEMENT, SEK '000

Profit before changes in value and taxes. The industry specific key figure, income from property management, is reported as it shows the company's results excluding changes in value.

CHANGES IN VALUE IN MANAGEMENT PROPERTIES, SEK '000

Change in the fair value after deductions for investments made.

TOTAL RETURN, percent

Profit before tax in relation to market value of the property portfolio.

REALISED CHANGES IN VALUE IN MANAGEMENT PROPERTIES, SEK '000

Property sales carried out after deductions for the most recent reported fair value of the properties and costs in conjunction with sale.

GROSS MARGIN, per cent

Net operating income as a percentage of total income.

Shares

SHAREHOLDERS' EQUITY PER SHARE, SEK

Shareholders' equity in relation to the number of outstanding ordinary shares on the balance sheet date.

ADJUSTED SHAREHOLDERS' EQUITY (EPRA NAV) PER SHARE, SEK

Reported shareholders' equity adjusted for the value of derivatives, goodwill and deferred tax liabilities, in relation to the number of outstanding ordinary shares on the balance sheet date.

PROFIT PER SHARE, SEK

Profit for the period after taxes in relation to the average number of outstanding ordinary shares prior to dilution.

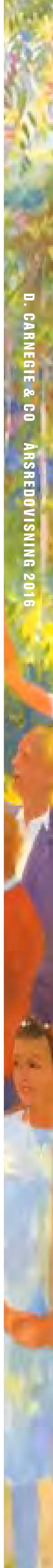
PROFIT PER SHARE AFTER DILUTION, SEK

Profit for the period after tax in relation to the average number of outstanding ordinary shares, including full coverage and conversion of outstanding option programmes and convertible subordinated loans. The convertible subordinated loans have been repaid 30June 2016. The calculation is performed in accordance with IAS 33.

From market practice regarding key figures, D. Carnegie & Co has selected the above key figures.

Calender 2017–2018

Q1 Report	April 28, 2017
Annual general meeting	May 10, 2017
Q2 Report	July 14, 2017
Q3 Report	October 27, 2017
Year-end report 2017	February 23, 2018



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