



Samhällsbyggnadsbolaget

**INTERIM REPORT 2017**  
**JANUARY – SEPTEMBER**  
Samhällsbyggnadsbolaget i Norden AB (publ)

**Q3**



## THE PERIOD IN BRIEF

This interim report refers to Samhällsbyggnadsbolaget i Norden AB (publ), org. no. 556981-7660, hereinafter referred to as SBB or Samhällsbyggnadsbolaget alternatively the group or the company. On the 16th of January 2017 the shareholders of SBB decided, on an extraordinary general meeting, to acquire SBB i Norden AB (publ), Kuststaden Holding AB and Sörmlandsporten AB. On the same day SBB i Norden AB (publ) acquired AB Högkullen (publ). In total, the newly created group had a property value of SEKbn 11 including the previously mentioned transactions. On the general meeting, a decision regarding distributions to the shareholders of SBB's former business was made. The company's acquisition of SBB i Norden AB (publ), org. no. 559053-5174, on 2017-01-16 was classified as a so-called reversed acquisition. Since the date of the acquisition, the group is referred to as SBB i Norden AB and the comparative figures in this report refers to SBB i Norden group. The parent company in this report refers to Samhällsbyggnadsbolaget i Norden AB (publ) for all periods.

### THIRD QUARTER

RENTAL INCOME, SEKm	OPERATING PROFIT, SEKm	PROPERTY VALUE, SEKm	RENTAL INCOME, SEKm	OPERATING PROFIT, SEKm	PROPERTY VALUE, SEKm
370	112	22	954	250	22

### INTERIM PERIOD

### INTERIM PERIOD IN BRIEF

- Rental income increased, as a result of the acquisitions that were accessed during the second quarter of 2016 and the first quarter of 2017, as well as investments and new rentals, to SEKm 954 (43).
- The net operating surplus increased to SEKm 620 (23).
- The net operating result increased, as a result of the improved net operating surplus, to SEKm 250 (0.2).
- The profit for the period increased to SEKm 2,047 (406), which correspond to an earnings per share of SEK 3.20 (N/A).
  - Unrealized property value changes excluding building rights amounted to SEKm 1,774 (183).
  - Unrealized value changes as a result of building rights amounted to SEKm 580 (325).
- The value of the property portfolio increased to SEKm 22,052 (2,822).
- The EPRA NAV per share increased to SEK 9.05.

**2,047 SEKm**  
*profit for the period*

**9.05 SEK**  
*in long-term net  
asset value per share  
(EPRA NAV)*

### IMPORTANT EVENTS DURING THE THIRD QUARTER

- The surplus ratio increased from 65 percent in the second quarter to 71 percent in the third quarter, which contributed to an operating profit of SEKm 112 for the third quarter.
- During the third quarter, building rights totaling 23,000 square meters of BTA were sold. The sales relate to 10,000 sqm BTA in Norrköping, sold to PEAB and 13,000 sqm BTA in Falun, sold to Riksbyggen. The value of the sales amounts to approximately SEKm 80.
- During the period, SBB conducted property acquisitions for approximately SEKm 500. The acquisitions concern three residential properties in Dalarna and a development property in Uppsala. The property in Falun is a residential property with 463 apartments and was acquired from Falu municipality's public housing company. The property in Uppsala is a part of SBB's development portfolio. During the period, 5 properties were sold for a value of approximately SEKm 120.
- In April, SBB presented a public offer to the owners of the preference shares and warrants of the affiliate AB Högkullen (publ). The acceptance period ended in August. Following the end of the acceptance period, SBB controls 77.95 percent of the shares, 96.09 percent of the votes and 97.46 percent of the warrants in Högkullen. In addition to the cash consideration, SBB will issue 2,667,812 new class B shares and 195,670 new preference shares, which corresponds to a dilution of 0.39 percent of the share capital and 0.11 percent of the votes in the company.
- The affiliate SBB i Norden AB (publ) issued an additional SEKm 150 on the bond loan with a framework of up to SEKbn 1.5 which was issued earlier during the year. The total framework is thus fully used. The bonds were issued at a price of 101.25 percent, which corresponds to a coupon of Stibor 3 months + 5.95 percent.

- In July, the company issued hybrid bonds of SEKm 300. At the end of September, SEKm 400 was issued within a framework of SEKbn 1.0. In addition, SEKm 300 was issued, which was used for liquidity to the repurchase of the first issued bonds which subsequently were cancelled. The hybrid loan has an unlimited maturity and runs a variable coupon rate on Stibor 3m + 7 percent margin until the first redemption date 5.5 years after the issue date. Simultaneously, SBB issued 35 million warrants to subscribers of the first hybrid bonds entitled to subscribe for class B shares in SBB at a subscription price of SEK 7.40 per share.

## IMPORTANT EVENTS AFTER THE THIRD QUARTER

- In October SBB listed its preference share on Nasdaq First North. The first trading day was the 12<sup>th</sup> of October.
- After the end of the period, an acquisition of nine community service properties in Huddinge was completed with the municipal real estate company Huge Fastigheter. The municipalities consist of schools and preschools and together they have a value of approximately SEKm 220.

## SBB KEY RATIOS

	2017 Jan-Sep	2016 Jan-Sep	2017 Jul-Sep	2016 Jul-Sep	2016 Year end
Rental income, SEKm	954	43	370	32	187
Operating net, SEKm	620	23	263	18	91
Surplus ratio, %	65	54	71	56	49
Interim profit, SEKm	2 048	406	362	53	1 007
Yield, %	4.7	4.7	4.7	4.7	5.6
Cash flow from current operations, SEKm <sup>2)</sup>	220	8	88	6	28
Property value (market value), SEKm	22 052	2 822	22 052	2 822	7 572
Number of properties	720	157	720	157	358
Leasable area, sq.m., thousands	1 359	316	1 359	316	697
Economic letting ratio, %	96.9	98.9	96.9	98.9	98.3
WAULT, community service properties, yrs	7	11	7	11	10
Shareholders' equity, excl. non-controlling equity interests, SEKm	6 040	443	6 040	443	1 767
EPRA NAV (long-term net asset value), SEKm	6 680	544	6 680	544	1 596
EPRA NNAV (actual net asset value), SEKm	5 903	441	5 903	441	1 339
Return on Shareholders' equity, %	45	184	5	13	114
Loan-to-value ratio % <sup>1)</sup>	61	61	61	61	64
Equity ratio, %	32	15	32	15	21
Adjusted Equity ratio, %	36	29	36	29	33
Earnings per ordinary share, SEK	3.20	E/T	0.47	E/T	E/T
Average number of ordinary shares	624 855 080	7 230 434	736 912 138	7 230 434	7 230 434
Average number of preference shares	122 283	-	218 862	-	-
Number of ordinary shares	737 949 031	7 230 434	737 949 031	7 230 434	7 230 434
Number of preference shares	299 170	-	299 170	-	-

1) Excl. shareholder loans and convertible debentures

2) Before changes in working capital



# INFORMATION ABOUT THE GROUP

## SAMHÄLLSBYGGNADSBOLAGET I NORDEN (SBB)

*Ilija Batljan founded SBB in March 2016 with a vision to create the best Nordic property company for residential and community service properties. The company's strategy is to have a long-term view on ownership, management and development of residential properties in Sweden and community service properties in the Nordics. Further the company aims to actively carry out property development where cash flow properties can be converted into building rights for residential. Acquisitions are focused on properties in attractive cities with an underlying growth in Sweden and Norway.*

### REAL ESTATE PORTFOLIO

In order to safeguard stability and strong cash flows, SBB's aim is to make sure that community service properties with long contracts and residentials comprise 80-90 percent of the property portfolio. Samhällsbyggnadsbolaget is active in a market with stable and strong underlying fundamentals. The property portfolio of the company is characterized by a high occupancy rate and long contracts. Beyond growing through acquisitions Samhällsbyggnadsbolaget also carries out value-creating activities such as redevelopment and renovations of existing properties, as well as development of building rights.



Arlöv 11:294, Burlöv

The property portfolio consisted of 720 properties as of 2017-09-30. The properties had a total value of SEKbn 22.1, where housing constituted of SEKbn 5.8, community service properties SEKbn 13.7, and the remaining properties SEKbn 2.6. The total lettable area was approx. 1,359,000 sq.m. with a rental value, on a 12 months rolling basis, of SEKm 1,563.

### ORGANIZATION

SBB has a management team with significant experience from development and management of both residential and community service properties. The organization constitutes of a small team of employees where the focus lies on transactions, property development and cost-efficiency. SBB works actively with cash flow improving actions in the existing property portfolio, which is achieved through efficient property management and an organization, which has a broad and deep knowledge as well as experience from property development. The company achieves scalability in the organization through external property management, which enables continuous growth within the existing organization.

# CEO ILIJA BATLIJAN

Since the start of Samhällsbyggnadsbolaget, I have continuously returned to state that the numbers will speak of themselves. Of course, it has taken some quarters before the numbers show, but now we are getting closer.

## **BORING AND STABLE**

”Samhällsbyggnadsbolaget has delivered on all counts since the start”. This is a quote from one of our banks and is further underlined by this report. Do not get me wrong, we are not chasing any acknowledgement for the sake of it. However, we aim to keep delivering on all counts and create transparency. This is also why I want to repeat myself: We have the capacity to execute transactions, take care of the real estate management, carry on an active real-estate development portfolio and create value to our shareholders. We also contribute to the development of the society as a whole by creating building rights for housing, in these times of extreme lack of housing. We have done it before and we will continue to deliver. My text will always contain me repeating myself with updated numbers to signal the stability of our business and sometimes supplemented with some news. The news this time is that building rights for community service properties and residential properties are needed more than ever today. It also requires that the municipalities prioritize the construction of such building rights instead of hunting the highest bidder of building rights for exclusive condominiums.

## **REDUCED FINANCIAL RISK**

We continue to focus on consolidation and to reduce financial risks. Therefore, during the period, we have strengthened our equity by issuing hybrid bonds worth approximately SEKm 700. The maturity of the bonds is unlimited with the first redemption opportunity from the Company after 5.5 years. The documentation for the hybrid bonds is adapted to investment grade documentation. At the end of the interim period, the loan-to-value ratio was 61 percent. We have created conditions for continuing to reduce the loan-to-value ratio over the next 12 months through, among other things, an extensive sale of building rights (note that the signed but not yet closed transactions regarding our building rights correspond to approximately 50 percent of the value of remaining building rights in the balance sheet). SBB has one of the longest duration of interest rates on the market. In combination with long tied up capital, this further contributes to reducing financial risks. The company is also actively working to obtain an official credit rating and one of the financial goals is to meet the conditions for an investment grade rating by one of the leading credit rating agencies by the end of 2018.

## **THE PROFIT**

Our profit from property management for the first nine months of 2017 amounts to SEKm 250 and is in line with our previously communicated 12-month estimates. This is thanks to the fact that we are delivering a surplus ratio of 71 percent. The value creation focuses through investments in our properties, new leases, prolonged municipal contracts and our property development team has proven to deliver a very strong result for the interim period January-September. In all presentations of our earnings capacity since the spring this year we have emphasized that we will have approx. SEKbn 1.5 in rental income, approx. SEKbn 1.0 in NOI and approx. SEKbn 0.5 in profit from property management on 12-month rolling estimates. In addition to this, we continue to repeat what we have said. Boring, stable and without surprises.

Since July 2016, we have finalized the divestment of future building rights for a value of approx. SEKbn 1.0, where the prices have varied between SEK 2,500/sq.m. and SEK 5,000/sq.m. gross area. We continue to develop strategic partnerships with large developers and construction companies when we choose to whom to sell our building rights. In the third quarter, we have sold building rights for SEKm 80 to Riksbyggen (one of Sweden’s largest condo association) and PEAB AB. We have continued to successfully divest the properties which we do not see as a part of our long-term portfolio. The total market value of our properties amounted to SEKbn 22.1 by the end of the quarter. After the end of the quarter we have successfully gained properties valued at SEKbn 0.2. Lastly, we have also signed several long leasing agreements with a handful of municipalities, one university, one County Administrative Board, the Swedish tax authority, Aleris and Ambea during the interim period.

## **OUR JOURNEY HAS JUST STARTED**

Our key figures gives a clear message. Beyond the strong value creation, that we have been able to create for our shareholders, I am very proud of the fact that we this year have been able to offer summer jobs to 73 young adults that live in our residential areas and that we continue to collaborate with Mentor Sweden. It is a way for Samhällsbyggnadsbolaget to show that our community service goes beyond providing homes. Our journey has just started, and we promise that we will continue to work hard. We will always focus on cash-flow, profitability and value-creation for our shareholders. But also, focus on value-creation for the society as a whole. We strongly believe the shares of this company will be passed on through generations as a safe and secure cash-flow with social responsibility

Ilija Batljan  
*CEO and founder*



# SBB INCOME STATEMENT

## THE GROUPS COMPREHENSIVE INCOME STATEMENT

IN THOUSANDS OF SEK	2017-01-01	2016-03-02	2017-07-01	2016-07-01	2016-03-02
	2017-09-30	2016-09-30	2017-09-30	2016-09-30	2016-12-31
Rental income	954 281	42 568	369 736	31 823	186 877
Operations	-228 722	-7 635	-76 287	-5 753	-50 815
Maintenance	-43 574	-4 184	-12 785	-2 739	-18 072
Management administration	-48 909	-7 087	-12 716	-5 229	-23 777
Property tax	-13 025	-646	-4 970	-378	-2 942
<b>Net operating income</b>	<b>620 051</b>	<b>23 016</b>	<b>262 978</b>	<b>17 724</b>	<b>91 271</b>
Central administration	-58 616	-6 379	-16 522	-4 529	-19 414
<b>Profit before financial items</b>	<b>561 435</b>	<b>16 637</b>	<b>246 456</b>	<b>13 195</b>	<b>71 857</b>
<b>Profit from financial items</b>					
Interest income and similar	11 601	11	1 587	5	5 076
Interest expenses and similar	-322 908	-16 431	-135 889	-13 971	-71 299
<b>Profit from property management</b>	<b>250 128</b>	<b>217</b>	<b>112 154</b>	<b>-771</b>	<b>5 634</b>
Changes in the value of properties	2 387 349	507 988	385 396	53 846	1 218 782
<b>Profit before tax</b>	<b>2 637 477</b>	<b>508 205</b>	<b>497 550</b>	<b>53 075</b>	<b>1 224 416</b>
Tax	-589 764	-101 723	-135 788	-344	-217 285
<b>PROFIT FOR THE PERIOD</b>	<b>2 047 713</b>	<b>406 482</b>	<b>361 762</b>	<b>52 731</b>	<b>1 007 131</b>
<b>REPORT OTHER COMPREHENSIVE INCOME</b>					
	2017-01-01	2016-03-02	2017-07-01	2016-07-01	2016-03-02
IN THOUSANDS OF SEK	2017-09-30	2016-09-30	2017-09-30	2016-09-30	2016-12-31
Interim profit	2 047 713	406 482	361 762	52 731	1 007 131
<b>Other comprehensive income</b>					
Translation gains/losses for the period	-47 283	-	-9 594	-	-8 898
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2 000 430</b>	<b>406 482</b>	<b>352 168</b>	<b>52 731</b>	<b>998 233</b>

# INCOME STATEMENT COMMENTS

## NET OPERATING INCOME

Rental income during the interim period amounted to SEKm 594.3 (42.6) and to SEKm 369.7 (31.8) during the quarter. Of the rental income for the interim period, SEKm 340.1 came from residential properties, SEKm 522.6 from community service properties and SEKm 91.6 from the remaining cash flow properties. The occupancy ratio by the end of the period amounted to 96.9 percent (98.9). The average contract duration for community service properties was 7 years (11).

The property costs during the period amounted to SEKm -334.2 (-19.6) and to -106.8 (-14.1) for the third quarter. The costs are mainly attributable to tax related costs, maintenance costs, and other operational and management costs. The property costs have increased due to the amount of new properties and other types of one time costs. If the operating net had been adjusted for these one time costs, the operating net would have increased by SEKm 13. The high surplus for the third quarter is affected by the fact that properties with triple net agreements have been fully impacted in the figures.

## SEGMENT REPORTING

SBB has, for the sake of accounting and monitoring, divided its activities into three segments. The segments are residential, community service properties and other/property development. The division is based on differences in segments in terms of nature, and also on the management's reports regarding company analysis and strategy.

### SEGMENT REPORTING FOR THE PERIOD 2017-01-01--2017-09-30

SEKm	Residential	Community service properties	Other/property development	Total
Rental income	340.1	522.6	91.6	954.3
Property costs	-172.6	-117.3	-44.3	-334.2
<b>Net operating income</b>	<b>167.5</b>	<b>405.3</b>	<b>47.3</b>	<b>620.1</b>
Value changes	583.4	1 230.7	573.2	2 387.3
Investment properties	5 796.4	13 628.4	2 627.1	22 051.9

## PROFIT AFTER TAX

In total, the costs for central administration during the period amounted to SEKm -58.6 (-6.4). For the quarter, these costs amounted to SEKm -16.5 (-4.5). Costs for business development, transactions, real estate development and financial management are included in the costs for central administration. Costs that are of one-time character which related to the handling of the company's transactions are also included in the amount. These costs are estimated to be approximately SEKm 18.

Net financial items for the period amounted to SEKm -311.3 (-16.4), which primarily consist of financial expenses. For the quarter, the costs amounted to SEKm -134.3 (-14.0). Within the financial expenses, interest rate expenses for external financing and interest rate expenses for loans to shareholders and arrangement fees are included. The financial expenses deviate from the current earnings capacity mainly due to arrangement fees for loans amounting to SEKm 21 for the period. The main part of the arrangement fees are related to expenses for the financing in connection with the Effnet-transaction. The financial income mainly consists of currency exchange rate differences.

Value changes of the properties amounted to SEKm 2,387.3 where SEKm 32.9 was realized value change and SEKm 2,354.4 was unrealized value change. A major part of the unrealized value change was value creation regarding building rights of SEKm 580. Value changes regarding acquisitions during the period amounted to SEKm 1,267. The remaining value changes can be explained by an increase in the operating net as a consequence of investments and leasing of the property stock, as well as reduced yield requirements.

The after-tax profit amounted to SEKm 2,047.7 (406.5), which was weighed down by SEKm -589.8 (-101.7) in taxes. SEKm -60.4 (-) relates to current taxes and SEKm -529.4 (-101.7) relates to deferred property taxes. The after-tax profit for the quarter amounted to SEKm 361.8 (52.7), which was weighed down by SEKm -135.8 (-0.3) in taxes. SEKm -33.6 (-) relates to current taxes and SEKm -102.2 (-0.3) relates to deferred property taxes.

# BALANCE SHEET

## STATEMENT OF GROUPS FINANCIAL POSITION – IN SUMMARY

IN THOUSANDS OF SEK	2017-09-30	2016-09-30	2016-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Tangible fixed-assets</b>			
Investment properties	22 051 904	2 822 216	7 572 420
Equipment, tools and installations	11 772	983	6 368
<b>Total tangible fixed-assets</b>	<b>22 063 676</b>	<b>2 823 199</b>	<b>7 578 788</b>
<b>Financial assets</b>			
Shares in associated companies /joint ventures	106 479	4 005	83 216
Deferred tax receivables	60 394	-	19 892
Other long-term receivables	101 706	-	15 100
<b>Total financial assets</b>	<b>268 579</b>	<b>4 005</b>	<b>118 208</b>
<b>Total non-current assets</b>	<b>22 332 255</b>	<b>2 827 204</b>	<b>7 696 996</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Account receivables	23 001	1 494	9 544
Other receivables	170 492	38 011	121 691
Prepaid expenses and accrued income	38 198	13 732	33 347
<b>Total short-term payables</b>	<b>231 691</b>	<b>53 237</b>	<b>164 582</b>
<b>Cash and cash equivalents</b>	<b>101 474</b>	<b>21 787</b>	<b>506 397</b>
<b>Total current assets</b>	<b>333 165</b>	<b>75 024</b>	<b>670 979</b>
<b>TOTAL ASSETS</b>	<b>22 665 420</b>	<b>2 902 228</b>	<b>8 367 975</b>



## STATEMENT OF GROUPS FINANCIAL POSITION – IN SUMMARY

IN THOUSANDS OF SEK

	2017-09-30	2016-09-30	2016-12-31
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>7 338 737</b>	<b>442 632</b>	<b>1 766 538</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	5 073 382	1 527 485	3 180 121
Bond loans	6 207 496	-	1 153 479
Long-term loans to shareholders	33 600	257 500	793 954
Deferred tax liabilities	790 185	101 824	226 297
Other long-term liabilities	85 754	-	58 764
<b>Total long-term liabilities</b>	<b>12 190 417</b>	<b>1 886 809</b>	<b>5 412 615</b>
<b>Short-term liabilities</b>			
Liabilities to credit institutions	1 505 036	189 205	487 330
Bond loans	618 433	-	-
Account payables	81 859	23 706	61 817
Short-term liabilities to owners	40 000	34 500	-
Current tax liabilities	81 890	2 847	22 880
Other liabilities	633 148	281 259	501 069
Accrued expenses and prepaid income	175 900	41 270	115 726
<b>Total short-term liabilities</b>	<b>3 136 266</b>	<b>572 787</b>	<b>1 188 822</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22 665 420</b>	<b>2 902 228</b>	<b>8 367 975</b>

## GROUPS STATEMENT OF CHANGES IN EQUITY – IN SUMMARY

	Share capital	Other contributed capital	Retained earnings	Hybridbond	Equity attributable to non-controlling interests	Total equity
Share Issue	723	731 932				732 655
Shareholder contributions received		35 650				35 650
Net profit of the year			1 007 131			1 007 131
Other comprehensive income			-8 898			-8 898
<b>Closing Equity 2016-12-31</b>	<b>723</b>	<b>767 582</b>	<b>998 233</b>	<b>-</b>	<b>-</b>	<b>1 766 538</b>
<b>Opening Equity 2017-01-01</b>	<b>723</b>	<b>767 582</b>	<b>998 233</b>	<b>-</b>	<b>-</b>	<b>1 766 538</b>
Share Issue	73 102	2 258 265			474 117	2 805 484
Issue hybridbond				681 450		681 450
Dividend			-58 683			-58 683
Acquired minority interests					315 000	315 000
Redeemed minority interests					-171 482	-171 482
Net profit for the period			2 047 713			2 047 713
Other comprehensive income			-47 283			-47 283
<b>Closing Equity 2017-09-30</b>	<b>73 825</b>	<b>3 025 847</b>	<b>2 939 980</b>	<b>681 450</b>	<b>617 635</b>	<b>7 338 737</b>

The shareholder contributions are unconditional. Non-controlling interests refer to preference shares in AB Högkullen (publ) and in Nye Barcode 121 Bidco AS.

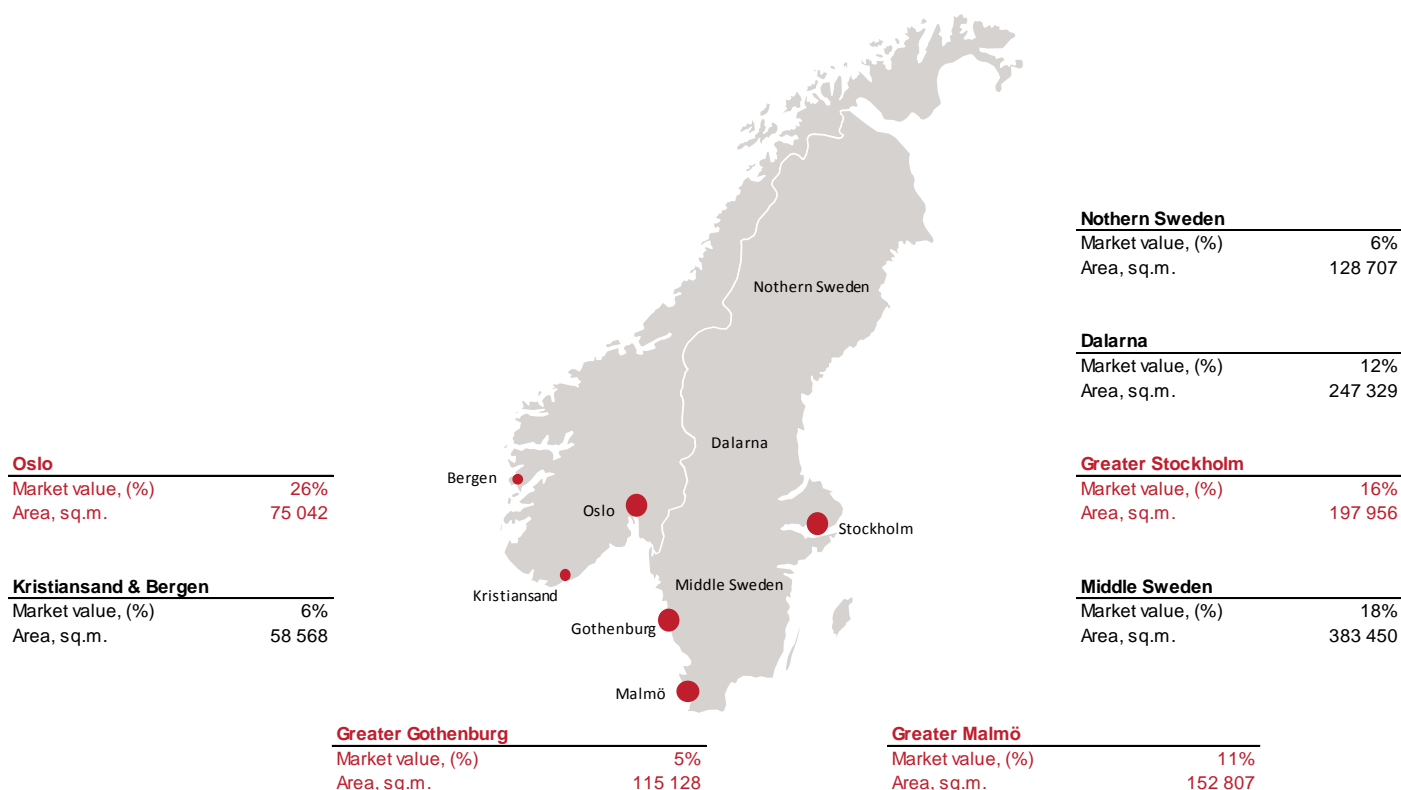
# PROPERTIES

## REAL ESTATE PORTFOLIO

The property value amounted to SEKbn 22.1 as of 2017-09-30. The value of the property stocks have been assessed through external valuations made by Newsec, JLL, Forum and Savills. The valuations are based on an analysis of future cash flow for every property, while considering each lease contract, the situation of the market, the level of rents, operational – maintenance and administration costs

as well as the need for future investments. The yield requirements in the valuation are in the range of 3.18 percent to 9.0 percent. The valuation of the real estate also includes approximately SEKm 1,001 building rights which have been valued through sales comparables. This means that the valuation is based on a comparison of prices for similar building rights, the value has thus been assessed in accordance with IFRS 13 level 3.

## PROPERTY VALUE PER REGION: 58 percent of the property stock in the Nordic big city regions



SBB's business idea is to make sound decisions and generate profit for its shareholders and society as a whole through:

- Being a natural and reliable partner to the public sector in the Nordic countries, with a long-term perspective of owning, managing and developing community service properties.
- Acquiring, developing, constructing and managing residential properties throughout Sweden.
- Acting as a community service builder and long-term partner to municipalities, countries and state authorities, by working actively with the aim to create residential building rights.

SBB's strategy is to own, manage and develop residential properties in Sweden and community service properties in the Nordic region on a long-term basis. At the end of the period, community service properties in Norway accounted for 32 percent of the company's real estate value. About 57 percent of the real estate value consisted of residential and

community service properties in Sweden. The remaining 11 percent are properties in Sweden, where the company actively conducts property development work. Furthermore, Swedish cash flow properties are converted into building rights for housing - an important part of the community building concept; acting as a real community builder in these times of housing shortage.

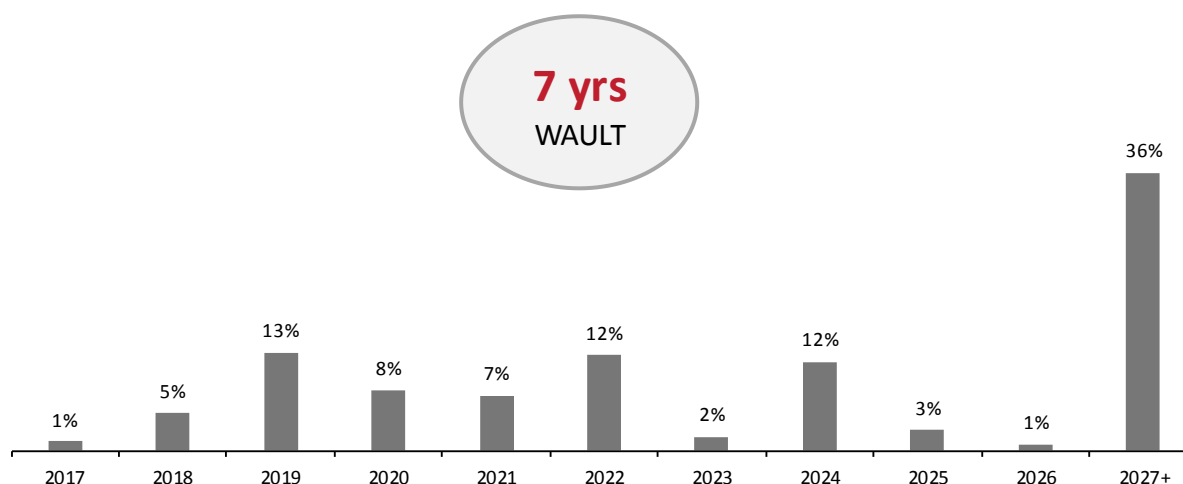
SBB manages and develops residential properties in Swedish growth municipalities. Our properties are generally located close to the city center and with access to very good transportation alternatives, whether it is apartments in Kallhäll center in Järfälla Municipality, or the city centers of for example Oskarshamn, Nyköping and/or Nykvarn in the Stockholm region. SBB owns residential properties in approximately 30 Swedish cities, from Malmö in the south to Sundsvall in the north. However, most of the residentials are located in the Stockholm region, Sundsvall, Oskarshamn, Karlstad, Borlänge and Motala.

Our community service properties include properties used by tenants who are directly or indirectly tax financed. Tenants are engaged in activities such as education, elderly care, LSS and other care activities, municipal and state administration. Examples of tenants include Fågelvik school and a preschool in Värmdö municipality, Borlänge city hall, the Norwegian Ministry of Justice and Emergency Affairs, accommodations for elderly people in Malmö and Norrtälje and about 200 properties that accommodates for people with special needs (LSS). SBB is one of the Nordic region's largest actors in the field of housing and long-term care facilities for the elderly and people with disabilities. Our idea is to offer modern care properties in close cooperation with the main providers of care services - often municipalities and county councils, but also private care companies. We offer properties and accommodation that

meet our customers' needs and requirements, and provide everything that is essential to make the home suitable.

Our community service and residential properties comprise SBB's core business and account for 80 to 90 percent of the company's total property value. The combination of residential and community service properties is unique for the Nordic countries. They are low risk assets due to low tenant dependency, high occupancy and high demand for housing. Our tenants in community service properties are safe and secure tenants with long leases. The lease agreements for community service properties are characterized by long maturities and low relocations. SBB has one of the longest weighted average lease expires in the market, about 7 years.

## LEASE MATURITY STRUCTURE COMMUNITY SERVICE



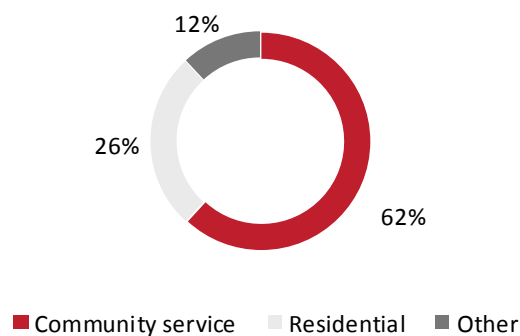
Community service properties have a long weighted average lease expiry.

## SENSIVITY ANALYSIS

The valuations are made in accordance with accepted principles based on certain assumptions. The table below shows how the value is affected by a change of a certain parameter assumed for the valuation. The table provides a simplified picture, as a single parameter does most likely not change in isolation.

	Change	Value change
Rental value	+/- 5 %	SEKm 916/-926r
Discount rate	+/- 0,25 %	SEKm -622/685
Yield	+/- 0,25 %	SEKm -803/883

## PROPERTY VALUE PER SEGMENT





Landsdomaren 7, Lund

## ACQUISITIONS

During the quarter SBB, conducted acquisitions for approximately SEKbn 0.5 divided on several portfolios.

- In July, an acquisition of one residential property was completed from Falu municipality's public housing company. The property has 463 apartments and a total leasable area of 32,600 sq.m. and a total rental income of approximately SEKm 32.
- In July, one commercial property in Uppsala was also acquired. The property has a total leasable area of 2,037 sq.m. and a total rental income of approximately SEKm 3. The property forms part of SBB's development portfolio.

- During the quarter, two properties in Borlänge were acquired with an underlying property value of SEKm 70. The properties are residential properties with 156 apartments. The total leasable area is 9,061 sq.m. with a total rental income of SEKm 8.

## DIVESTMENTS

- During the period, five properties in Nyköping and Oxelösund were sold. In total, the properties have a value of approximately SEKm 120. The sales are part of SBB's strategy to focus on residential and community service properties.

## CHANGES IN THE PROPERTY STOCK

	<b>MKR</b>
Initial fair value 2016-12-31	7 572
Acquisitions	12 579
Investments	118
Divestments	-394
Translation gains/losses	-177
Unrealised value changes	2 354
<b>Fair value at the end of the period</b>	<b>22 052</b>



## REAL ESTATE DEVELOPMENT

SBB works actively with real-estate development. The company's operational goal is to have 10-20 percent of the property portfolio consisting of the property segment others, which means cash-flow properties with identified development potential. The segment will generate a profit of SEKm 250-400 per year on average over a business cycle. The properties acquired by SBB in the other segment are cash-flow properties with development potential that generates a positive cash flow until the zoning plan is in place and further development is possible. The acquisitions are usually made off-market and SBB first has a dialogue with each municipality to ensure that the property is situated in an area prioritized for urban development.

### SBB's organization of property development

SBB has a property development and project team with very long and extensive experience in property development and transactions. The team is led by deputy CEO Krister Karlsson. In recent years, the team members have been responsible for a building rights portfolio of a total of about one million sq.m. of light BTA. The team is working actively to create flexible and rational building rights (tenant-owned, rental properties and community-service properties) and has developed building rights that fit a wide range of investors such as Ikano, Wallenstam, Svenska Stadsbyggen, Botrygg, K2A, Veidekke, JM, HSB and Riksbyggen. The organization also has extensive experience in creating volume and value-maximized retail plans and has experience in initiating and implementing sales early on in the planning process.

### How does SBB work with sustainable social development?

SBB believes that sustainable community- and urban development is based on the location and, above all, the communication-oriented location. SBB believes that in the modern urban environment you should be able to live without a car. Transportation, hospitals, schools etc. should be in the immediate local area. With this as a starting point, SBB has made the majority of its property development acquisitions in connection with railway-based stations. This applies to the acquisitions in the Stockholm area as well as in the regional cities in the rest of Sweden.

### Building rights

SBB had per 2017-09-30 15 ongoing development projects with a total of 440,000 s.qm. GLA (taking into account signed but not closed transactions). The table below contains information regarding SBB's current planning projects along with estimated volumes.

Municipality	Property	BTA residential
Nyköping	Raspen 1,2,3	122 500
Nykvarn	Kaffebryggaren 1	27 000
Falun	Falun 9:22	100 000
Ulricehamn	Krämarens 4	7 000
Norrköping	Järven 4	21 800
Haninge	Kalvsvik 11:9, 1:4	35 000
Haninge	Åby 1:67 m.fl.	28 000
Nykvarn	Tillbringaren 2 m.fl.	5 000
Oskarshamn	Hälsan 22	10 000
Pre start note for zoning plan		83 700
<b>Total</b>		<b>440 000</b>

A total of 23,000 s.qm. building rights were sold during the third quarter. The sales include 10,000 s.qm. GLA in Norrköping, sold to PEAB, and 13,000 s.qm. GLA in Falun, sold to Riksbyggen. The value of the sales amounts to approximately SEKm 80.



**Nöthagen, Nyköping**

An urban development project of an existing industrial area in a very central location in Nyköping, right next to the new station for the high-speed railway Ostlänken. The project will enable the development of 155,000 s.qm. GLA residential property mixed and community service properties.



**Västerhaninge centrum, Haninge:** An urban development project of an existing community centre, owned by SBB, as well as the surrounding land owned by the municipality Haninge, all of which has been allocated to SBB to develop. The area is located right by Västerhaninge station, a station for the Stockholm commuter train. The entire community centre is to be demolished to enable a new residential area of 110,000 s.qm. GLA with a mixture of shops and other services at street level.



**Jordbro centrum, Haninge**

An urban development project of an existing community centre which, very much like the project in Västerhaninge, is owned by SBB. The surrounding land, owned by the municipality, has been allocated to SBB for the development. The community centre is to be demolished and a new residential area of 85,000 s.qm. GLA will be built with services at street level.



**Born, Falun**

Development of a large and centrally located property in the city of Falun. The property is contaminated and has other limitations (such as being part of a UNESCO world heritage site) which explains why the area hasn't undergone development until now. The project enables a whole new residential area of 100,000 s.qm. GLA to be developed in central Falun, in close proximity to the railway station and the city centre.



# FINANCING

Interest-bearing liabilities in the Group amounted to SEKm 13,478 at the end of the period, of which SEKm 6,578 related to liabilities to credit institutions, SEKm 6,826 to bond loans and SEKm 74 related to subordinated debt loans and convertibles. Excluding the owner loan, the loan ratio was 61 percent. The fair value of the liabilities at 2017-09-30 is deemed to be in accordance with the carrying amount. The average interest rate for external financing amounted to 3.46 percent and for the owner loans and convertibles to 7 percent. The average interest rate was 2.98 years. The maturity structure of the external financing is shown in the table to the right.

In July, the company issued hybrid bonds of SEKm 300. At the end of September, SEKm 400 was issued within a framework of SEKbn 1.0. In addition, SEKm 300 was issued, which was used for liquidity to the repurchase of the first issued bonds which subsequently were cancelled. The hybrid loan has an unlimited maturity and runs with a variable coupon rate on Stibor 3m + 7 percent margin until the first redemption date 5.5 years after the issue date.

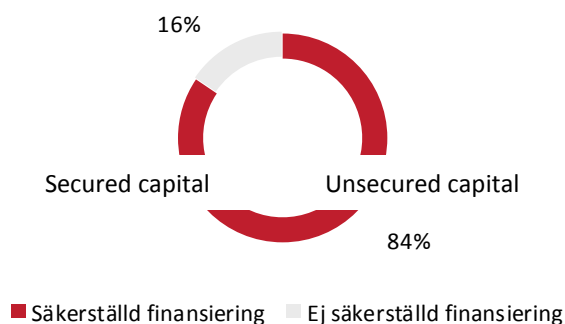
The subsidiary SBB in Norden AB (publ) issued an additional TAP of SEKm 150 bond in July within a framework of up to SEKbn 1.5 which was issued earlier during the year. The framework amount is thus fully utilized. The bond was issued at a price of 101.25 percent, which corresponds to a coupon rate of Stibor 3 months + 5.95 percent.

## CREDIT MATURITY STRUCTURE

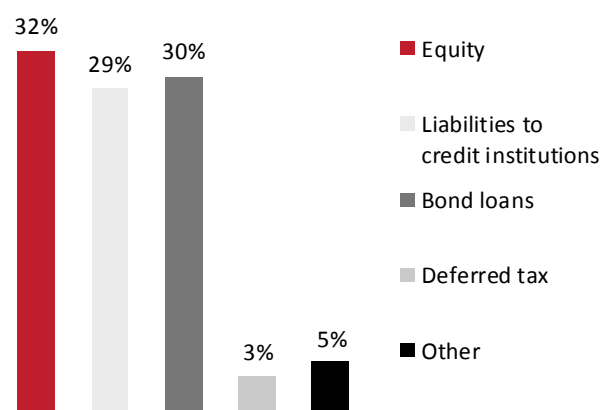
Maturity year	Utilized credit, SEKm	Proportion
< 1 year	2 134	16%
< 2 year	863	6%
< 3 year	3 352	25%
< 4 year	1 568	12%
< 5 year	1 683	12%
> 5 year	3 924	29%
<b>Total</b>	<b>13 524</b>	<b>100%</b>

Of the short-term loans, the unsecured SEKm 600 bond was issued at the end of 2016 with final maturity per 2018-06-23. Work on the refinancing has begun and during the period, parts of the bond have been repurchased. A number of other short-term loans constitute of common bank loans that will be extended. At the end of the period, SEKm 1 392 was in loan commitments and unutilized credit lines that will be used for refinancing.

## FINANCING STRUCTURE



## CAPITAL STRUCTURE



## SUMMER JOBS – SOCIETAL RESPONSABILITY FROM ANOTHER PERSPECTIVE



*We are proud that we, this year, has offered summer jobs to 73 young people living in our residential areas. We aim to continue employing young people within our residential areas and aim towards offering at least 100 summer jobs during next year. This is also a way for SBB in the small perspective, show on an important community involvement.*



# THE SHARE

SBB's Class B share is listed on Nasdaq First North. As of 2017-09-30 the number of class B shares amounted to 520,352,056. In addition, the company has class A shares that amount to 217,596,975 and 299,170 preference shares.

In connection with the completion of the acquisition offer of preference shares and warrants in Högkullen, 2,667,812 shares of class B and 195,670 preference shares were issued, increasing the share capital by SEK 286,348.

The price of the class B share was per 2017-09-30, SEK 7.00. The market capitalization of the share capital (including non listed A-shares at the same value) was SEKm 5,166.



## EPRA KEY FIGURES

	2017-09-30	2016-09-30	2016-12-31
EPRA Earnings, SEKm	190	0	6
EPRA Earnings (EPS), SEK/share	0.26	0.03	0.78
EPRA NAV, SEKm	6 680	544	1 596
EPRA NAV, SEK/share	9.05	E/T	E/T
EPRA NNNNAV, SEKm	5 903	441	1 339
EPRA NNNNAV, SEK/share	8.00	E/T	E/T
EPRA Vacancy Rate	3.1	1.1	1.7

## SHAREHOLDERS

The share capital amounted to SEK 73,825,820 per 2017-09-30 with a quota value of SEK 0.1. Being a shareholder entitles the right to vote at the Annual General Meeting with one vote per class A share and 0.1 votes per class B share and 0.1 votes per preference share. The preference shares have a preferential right over the ordinary shares to an annual dividend of SEK 35, paid quarterly, per preference share. The biggest shareholder is Ilija Batljan who directly and indirectly holds 14.9 percent of the capital and 40.5 percent of the votes.

Shareholders	Amount Class A	Amount Class B	Amount Pref. share	Share of capital, %	Voting share, %
Ilija Batljan Invest AB	63 495 701			8.6	23.5
Kvalitena AB	44 322 229	17 438 030		8.4	17.1
Ilija Batljan (private and through companies)	45 558 167	1 137 606		6.3	16.9
Compactor Fastigheter AB	15 997 977	25 405 525		5.6	6.9
Backahill AB	10 919 159	14 605 317		3.5	4.6
Michael Cocozza	7 619 484	11 841 288		2.6	3.3
Meteva AS		84 929 772		11.5	3.1
Investmentaktiebolaget Cyclops	6 349 570	2 666 666		1.2	2.5
Assindia AB	4 762 186	3 924 318		1.2	1.9
AktFast Förvaltnings AB	4 762 186	3 924 309		1.2	1.9
Postens pensionsstiftelse		42 651 810		5.8	1.6
Stiftelsen för Strategisk Forskning		42 651 810		5.8	1.6
HighHill Intressenter AB		40 701 897		5.5	1.5
Oscar Lekander	3 174 785	167 700		0.5	1.2
Krister Karlsson	3 174 785			0.4	1.2
Other	7 460 746	228 306 008	299 170	32.0	11.2
<b>Total</b>	<b>217 596 975</b>	<b>520 352 056</b>	<b>299 170</b>	<b>100.0</b>	<b>100.0</b>

In accordance with the decision at the annual general meeting in 2017, the shareholders have appointed Fredrik Råsberg (chairman), Sven-Olof Johansson, Mia Batljan and Lennart Schuss to constitute the nomination committee until a new committee has been appointed as mandated by the annual general meeting in 2018.

# CASH-FLOW ANALYSIS

## STATEMENT OF GROUP'S CASHFLOW

IN THOUSANDS OF SEK	2017-01-01 2017-09-30	2016-03-02 2016-09-30	2017-07-01 2017-09-30	2016-07-01 2016-09-30	2016-03-02 2016-12-31
<b>Cash flow from operations</b>					
Net profit - property management	250 128	217	112 154	-771	5 634
<i>Adjustments for non-cash items</i>					
Depreciation	1 312	111	628	68	511
Net interest	311 307	16 420	134 302	13 966	66 223
Interest paid	-293 641	-8 551	-126 806	-7 705	-49 383
Interest received	11 601	11	1 587	5	5 076
Income tax paid	-60 350	-	-33 641	-	-
<b>Cash flow from operations before changes in working capital</b>	<b>220 357</b>	<b>8 208</b>	<b>88 224</b>	<b>5 563</b>	<b>28 061</b>
<b>Cash flow from changes in working capital</b>					
Increase (-)/decrease (+) of receivables	-67 109	-53 237	-93 453	-34 073	-164 935
Increase (-)/decrease (+) of liabilities	166 855	341 303	-395 955	-364 345	672 390
<b>Cash flow from operations</b>	<b>320 103</b>	<b>296 274</b>	<b>-401 184</b>	<b>-392 855</b>	<b>535 516</b>
<b>Cash flow from investing activities</b>					
Investments in properties <sup>1)</sup>	-12 520 352	-2 314 228	-635 669	-442 224	-6 832 993
Disposals of properties	428 217	-	111 884	-	436 253
Investments in equipment	-6 716	-1 094	202	109	-6 879
Investments in associated companies/joint ventures	-23 263	-4 005	-10 734	-4 005	-83 216
Change in other long-term receivables	-86 606	-	-35 680	-	-15 100
<b>Cash flow from investing activities</b>	<b>-12 208 720</b>	<b>-2 319 327</b>	<b>-569 997</b>	<b>-446 120</b>	<b>-6 501 935</b>
<b>Cash flow from financing activities</b>					
New issues	-	500	-	450	732 655
Share Issue <sup>1)</sup>	2 805 484	-	129 946	-	-
Issue hybridbond	681 450	-	681 450	-	-
Paid dividend	-36 811	-	-16 880	-	-
Shareholder contributions received	-	35 650	-	1 600	35 650
Acquired minority interests	315 000	-	-	-	-
Redeemed minority interests <sup>1)</sup>	-171 482	-	-171 482	-	-

New loans	10 377 905	1 716 690	1 024 360	712 149	5 102 555
Amortization of loans	-1 794 488	-	-851 450	-	-250 762
Occupied debts to owners	73 600	292 000	-	87 050	829 454
Amortization of debts to owners	-793 954	-	-	-	-35 500
Change in other long-term liabilities	26 990	-	61 993	-100	58 764
<b>Cash flow from financing activities</b>	<b>11 483 694</b>	<b>2 044 840</b>	<b>857 937</b>	<b>801 149</b>	<b>6 472 816</b>
<b>Cash flow for the period</b>	<b>-404 923</b>	<b>21 787</b>	<b>-113 244</b>	<b>-37 826</b>	<b>506 397</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>506 397</b>	<b>-</b>	<b>214 718</b>	<b>59 613</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>101 474</b>	<b>21 787</b>	<b>101 474</b>	<b>21 787</b>	<b>506 397</b>

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



Järven 4, Norrköping

# INCOME STATEMENT OF PARENT COMPANY

## INCOME STATEMENT OF PARENT COMPANY IN BRIEF

Amounts in thousand SEK	2017-01-01 2017-09-30	2016-01-01 2016-09-30	2017-07-01 2017-09-30	2016-07-01 2016-09-30	2016-01-01 2016-12-31
Revenue	-	-	-	-	338
Personnel costs	-7 673	-173	-2 902	-63	-236
Other operating expenses	-21 035	-268	-11 778	-41	-849
<b>Operating profit/loss</b>	<b>-28 708</b>	<b>-441</b>	<b>-14 680</b>	<b>-104</b>	<b>-747</b>
<b>Profit/loss from financial items</b>					
Interest earnings and similar items	36 508	10	19 676	3	14
Interest payments and similar items	-3 986	-	-75	-	-
<b>Profit/loss after financial items</b>	<b>3 814</b>	<b>-431</b>	<b>4 921</b>	<b>-101</b>	<b>-733</b>
Group contributions	-	-	-	-	743
<b>Profit/loss before tax</b>	<b>3 814</b>	<b>-431</b>	<b>4 921</b>	<b>-101</b>	<b>10</b>
<b>PROFIT FOR THE PERIOD</b>	<b>3 814</b>	<b>-431</b>	<b>4 921</b>	<b>-101</b>	<b>10</b>

## STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts in thousand SEK	2017-01-01 2017-09-30	2016-01-01 2016-09-30	2017-07-01 2017-09-30	2016-07-01 2016-09-30	2016-01-01 2016-12-31
Profit or loss for the period	3 814	-431	4 921	-101	10
Other comprehensive income	-	-	-	-	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3 814</b>	<b>-431</b>	<b>4 921</b>	<b>-101</b>	<b>10</b>

# BALANCE SHEET OF PARENT COMPANY

## BALANCE SHEET OF PARENT COMPANY IN BRIEF

Amounts in thousand SEK	2017-09-30	2016-09-30	2016-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Financial assets</b>			
Shares in group companies	3 417 070	-	1 733
Receivables from group companies	1 607 932	23 864	19 348
<b>Total financial assets</b>	<b>5 025 002</b>	<b>23 864</b>	<b>21 081</b>
<b>Total fixed assets</b>	<b>5 025 002</b>	<b>23 864</b>	<b>21 081</b>
<b>Current assets</b>			
<b>Short-term receivables</b>			
Other receivables	7 976	9	3 401
Accruals and prepaid expenses	9 281	14	14
<b>Total short-term receivables</b>	<b>17 257</b>	<b>23</b>	<b>3 415</b>
<b>Cash and cash equivalents</b>	<b>4 214</b>	<b>2 235</b>	<b>1 957</b>
<b>Total current assets</b>	<b>21 471</b>	<b>2 258</b>	<b>5 372</b>
<b>TOTAL ASSETS</b>	<b>5 046 473</b>	<b>26 122</b>	<b>26 453</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>5 027 121</b>	<b>25 999</b>	<b>26 114</b>
<b>Short-term liabilities</b>			
Accounts Payable	11 081	-	137
Other liabilities	5 885	-	-
Accruals and Deferred Income	2 386	123	202
<b>Total short-term liabilities</b>	<b>19 352</b>	<b>123</b>	<b>339</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 046 473</b>	<b>26 122</b>	<b>26 453</b>

# CHANGES IN EQUITY

## PARENT COMPANY'S REPORT OVER CHANGES IN EQUITY

Amounts in thousand SEK

	Aktiekapital	Överkursfond	Balanserat resultat	Totalt eget kapital
<b>Opening Equity 2016-01-01</b>	<b>723</b>	<b>21 877</b>	<b>3 830</b>	<b>26 430</b>
Dividens			-326	<b>-326</b>
Net result for the year			10	<b>10</b>
<b>Closing Equity 2016-12-31</b>	<b>723</b>	<b>21 877</b>	<b>3 514</b>	<b>26 114</b>
<b>Opening Equity 2017-01-01</b>	<b>723</b>	<b>21 877</b>	<b>3 514</b>	<b>26 114</b>
Share Issue	73 102	4 253 133		<b>4 326 235</b>
Issue hybridbond		681 450		<b>681 450</b>
Dividend		-10 492		<b>-10 492</b>
Net result for the period			3 814	<b>3 814</b>
<b>Closing Equity 2017-09-30</b>	<b>73 825</b>	<b>4 945 968</b>	<b>7 328</b>	<b>5 027 121</b>



Fregatten 16, Karlskrona

# CASH FLOW STATEMENT OF PARENT COMPANY

## CASH FLOW STATEMENT OF PARENT COMPANY

	2017-01-01	2016-01-01	2017-07-01	2016-07-01	2016-01-01
Amounts in thousand SEK	2017-09-30	2016-09-30	2017-09-30	2016-09-30	2016-12-31
<b>Operating activities</b>					
Profit after net financials	3 814	-431	4 921	-101	-733
Net interest	-32 522	-10	-19 601	-3	-14
Interest paid	-3 986	-	-75	-	-
Interest received	36 508	10	19 676	3	14
<b>Cash flow from operating activities before changes in working capital</b>	<b>3 814</b>	<b>-431</b>	<b>4 921</b>	<b>-101</b>	<b>-733</b>
<b>Cash flow from changes in working capital</b>					
Increase (-)/decrease (+) of receivables	-13 842	164	2 782	23	1 788
Increase (-)/decrease (+) of liabilities	11 160	-211	-5 888	-40	5
<b>Cash flow from operating activities</b>	<b>1 132</b>	<b>-478</b>	<b>1 815</b>	<b>-118</b>	<b>1 060</b>
<b>Investment activities</b>					
Investment in subsidiaries <sup>1)</sup>	-3 415 337	-	-318 740	-	-1 733
Loans to affiliated undertakings	-1 588 584	500	-470 178	-	-
<b>Cash flow from investment activities</b>	<b>-5 003 921</b>	<b>500</b>	<b>-788 918</b>	<b>-</b>	<b>-1 733</b>
<b>Financing Activities</b>					
Share Issue <sup>1)</sup>	4 326 235	-	108 107	-	-
Issue hybridbond	681 450	-	681 450	-	-
Paid dividend	-2 639	-	-906	-	-326
Group contributions	-	-	-	-	743
<b>Cash flow from financing activities</b>	<b>5 005 046</b>	<b>-</b>	<b>788 651</b>	<b>-</b>	<b>417</b>
<b>Cash flow for the period</b>	<b>2 257</b>	<b>22</b>	<b>1 548</b>	<b>-118</b>	<b>-256</b>
<b>Liquidity at beginning of period</b>	<b>1 957</b>	<b>2 213</b>	<b>2 666</b>	<b>2 353</b>	<b>2 213</b>
<b>Liquidity at end of period</b>	<b>4 214</b>	<b>2 235</b>	<b>4 214</b>	<b>2 235</b>	<b>1 957</b>

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

# ADDITIONAL INFORMATION

## General Information

Samhällsbyggnadsbolaget i Norden AB and its subsidiaries has operations in property management and real estate development. The parent company is a limited liability company registered in Sweden and is headquartered in Stockholm.

## ACCOUNTING PRINCIPLES

### Basis of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee (IFRIC). Furthermore, the Annual Accounts Act (AAA) and "RFR1 Supplementary Accounting Regulations for Corporate Groups" have been applied. The parent company applies the same accounting principles as the group with the exceptions and additions set out in the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities. This means that IFRS is applied with the exceptions listed below in the section Parent Company Accounting Principles. This report has been prepared in accordance with IAS 34 Interim Financial Reporting.

Assets and liabilities are stated at acquisition cost, except investments properties which are measured and stated at fair value. The working currency of the parent company is Swedish kronor, which is the reporting currency of the parent company as well as the group. All amounts are in thousands unless otherwise indicated.

### Consolidated Accounting

Subsidiaries are all those entities to which the group is exposed, or have rights to variable returns from its involvement and may affect yields by using their influence over the company. Subsidiaries are initially consolidated using the acquisition method. Subsidiaries are fully consolidated from the date on which

control is transferred to the group and are not included in the consolidated financial statements from the date that control ceases. Inter company transactions, balances and unrealised gains/losses on transactions between group companies are then eliminated in consolidated financial statements.

### Acquisition

In an acquisition, an assessment is made if the acquisition constitutes an operational or asset acquisition. An asset acquisition is only acquisitions where the property does not include the organisation and processes required to operate and run the property. Other acquisitions are operative acquisitions.

Since acquisitions of Group companies do not concern acquisition of business, but acquisition of assets in the form of investment properties, the acquisition cost is allocated on the acquired net assets.

### Reverse acquisition

A reversed acquisition occurs when the issuer of securities (the legal acquirer) is identified as the acquired company for accounting purposes. The company which equity interests are acquired (the legally acquired company) must be the acquirer for accounting purposes for the transaction to be regarded as a reversed acquisition. Consolidated financial statements drawn up after a reversed acquisition are issued in the name of the legal parent company (accounting acquiree) but are described in the notes as a continuation of the legal subsidiary's financial statements (accounting acquirer) with an adjustment, namely a retroactive adjustment of the accounting acquirer's equity so that it reflects the equity of the acquired acquiree. This adjustment is required to reflect the legal parent company's capital (the acquired acquiree). Comparative information presented in the consolidated financial statements is also retroactively adjusted to reflect the legal parent company's equity

(accounting acquired companies).

### Revenue

Revenue is reported when it is likely that the economic advantages will be accrued by the group and the revenue can be measured in a reliable way. Revenue is calculated exclusive of VAT and less any rebates. The group's revenue consists essentially of rental income.

Leases are classified in their entirety as operating leases. Rental income including supplements is announced in advance and the accruals of rent is linear so that only the portion of rent that accrues within the period is reported as revenue. Reported rental income, where applicable, is reduced by the value of the remaining rental rebate. In cases where the rental contract provides for a reduction in rent for a certain period, it is accrued linearly during the actual term of the contract. Compensation paid by tenants in relation to premature cancellation of the rental agreement is reported as income in relation to the ceasing of the rental agreement with the tenant and no obligations remain, which normally occurs upon moving out.

The sale of properties is reported in relation to when risks and rewards transfers to the purchaser from the seller. Assessment of the risks and rewards have been carried out at each point of sale. Results of the sale of the property is reported as a realised change in value.



### **Lease Agreements**

Lease agreements where substantially all of the risks and rewards associated with ownership fall on the lessor are classified as operating lease agreements. All of the group's lease agreements are based on this so is to be regarded as operational lease agreements. Properties that are leased under operational lease agreements are included in the record as investment properties. On the closing date there were no operating lease agreements where Samhällsbyggnadsbolaget is the lessee.

### **Central administration**

The group's administration expenses are divided into management administration costs contained in the group's net operating income and central administration. Costs classified as central administration are those group-level costs that are not directly attributable to property management, such as costs for the group's executive board, business development, property development and financing.

### **Employee benefits**

Employee benefits consist of salaries, paid vacation, paid sick leave and other benefits and pensions.

The group only has defined pension plans. For those defined pension plans, the company pays a fixed sum to a separate legal entity and has thereafter fulfilled its obligation towards the employee. Defined pension plans are reported as a cost in the period in which the paid premiums are attributable.

### **Financial revenue and expenses**

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. The effective interest rate is the rate at which the present value of all future payments received and made during the fixed interest rate period becomes equal to the carrying amount of the claim or liability. Financial income and expenses are reported in the period to which they are attributable.

### **Taxes**

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

Current tax is the tax calculated on taxable earnings for the period. The taxable earnings differ from the reported earnings in that it has been adjusted for non-taxable and non-deductible items. Current tax is tax payable or refundable for the current year with a possible adjustment for current tax attributable to prior periods.

Deferred tax is reported as the difference between the reported and fiscal value of assets and liabilities. Change in the recognised deferred tax asset or liability is reported as an expense or income in the statement of profit or loss except when the tax is related to items reported in other comprehensive income or directly in equity.

### **Segment reporting**

Operating segments are reported in a manner that complies with the internal reporting submitted to the Chief Executive Decision maker (CED). The Chief Executive Decision maker is the function responsible for allocating resources and assessing the operating segment results. In the Group, this function has been identified as the management. An operating segment is a part of the Group that operates from which it can generate revenues and incur costs and for which there is independent financial information available. The Group's segments are based on the differences in the segment's nature and on the reporting that management obtains to monitor and analyze the operations along with information gathered to make strategic decisions. As a result, the business has been divided into three segments, residential, community service and other properties. Segment performance is assessed

and analyzed based on operating profit. The same accounting principles are used for the segments as for the Group.

### **BALANCE SHEET**

#### **Investment properties**

Investment properties, that is to say properties held to generate rental income and appreciate in value, is reported initially at acquisition cost, including directly attributable transaction costs. Subsequently, investment properties are reported at fair value. Fair value is primarily based on prices in an active market and is the amount for which an asset could be exchanged between knowledgeable and willing parties who are independent from one another and who have an interest in the transaction undertaken. A market valuation to determine the fair value of the properties is carried out at each reporting date.

Both unrealised and realised changes in value are recognised in the Statement of Comprehensive Income in the line "change in value of investment properties". The unrealised change in value is calculated based on the value at the end of the period compared with the valuation at the beginning of the period or alternatively the acquisition value of the property acquired during the period with respect to capital expenditures.

Subsequent expenditure occurs when it is probable that future economic benefits associated with the expenditure will be received by the group and hence provide for an increase in value, and that the cost can be measured reliably. Other maintenance costs and repairs are expensed as being incurred in the period that they arose. Major new constructions, extensions and renovations are calculated to include interest payable during the production period.

#### **Inventory**

The inventories consist mainly of office equipment and vehicles, which have been taken up at acquisition cost less accumulated depreciation and any impairment

costs. The inventories are amortised linearly during their life cycle. The inventories are estimated to have a life cycle that is assumed to be equal to the asset's economic longevity and thus the residual value is assumed to be negligible and therefore not taken into consideration. Depreciation is calculated from the time the asset is available for use.

#### **Financial instruments**

Financial instruments are any kind of contract that gives rise to a financial benefit for one company and a financial liability for another. The reporting is different depending on how the financial instruments are classified below.

#### **Financial assets**

Purchases and sales of financial assets are reported on their date of trade, or the date that the group commits itself to buy or sell the asset. Financial assets are removed from the balance sheet when the right to receive cash flow from the instrument has expired or been transferred and the group has thereby transferred substantially all of the risks and rewards associated with ownership.

The group currently has only financial assets in the form of accounts receivable in the category of "Loans and Receivables". Accounts receivable are reported initially at fair value and thereafter at amortised cost, less provision for depreciation. An impairment of accounts receivable occurs when there is evidence that the group will not receive payment. Provisions are measured as the difference between the asset's carrying amount and the present value of the estimated future payment. Any impairment is reported in the income statement as an expense.

#### **Financial Liabilities**

Financial liabilities are reported at acquisition cost, and as a net value after transaction costs. Any difference between the received amount and the repayment amount, for example in the form of issue premium or discount, is reported in the income statement distributed

over the term of the loan.

Borrowings are classified as short-term liabilities unless the group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet date. Accounts payable have a short expected duration and are placed at nominal value.

#### **Deferred Tax**

Deferred tax is reported as the difference between the carrying value of assets and liabilities in the financial statements and the tax value that is used in the calculation of taxable income. Deferred tax is reported according to the balance sheet method. Deferred tax liabilities are reported for taxable temporary differences and deferred tax assets are reported for deductible temporary differences to the extent that it is probable that the amount can be used against future taxable income. If the temporary difference arising from the initial reporting of assets and liabilities is such that constitutes an asset acquisition then it is not reported as deferred tax. Deferred tax is calculated according to statutory tax rates that have been enacted or announced as at the date of the balance sheet and are expected to apply when the related tax asset is realised or the deferred tax liability is adjusted.

#### **Cash flow**

Cash flow analysis is made using the indirect method in accordance with IAS 7. This means that earnings are adjusted by transactions that do not entail payments or disbursements as well as income and expenses associated with investment or financing activities.

#### **Parent company accounting principles**

Deviations from the accounting principles applied between the parent company and the group stem from the limitations of applying IFRS in full for the parent company due to the provisions of the Annual Accounts Act. The deviations are presented below.

#### **Subsidiaries**

Investments in subsidiaries are reported in the parent company in accordance with the acquisition method. This means that the transaction costs are included in the book value of the interest in the subsidiary. The book value is tested quarterly against the subsidiary's equity. In cases where the book value is less than the subsidiary's consolidated value an impairment is charged to the income statement. In cases where a previous impairment is no longer justified it is removed.

#### **Group contributions and shareholder contributions**

The parent company reports received group contributions as appropriations. Shareholder contributions of the parent company are booked directly against equity of the recipient and are reported as stocks and shares of the parent company. Received shareholder contributions are reported as an increase in non-restricted equity.

#### **Revenue**

Dividends are reported when the right to receive payment is deemed secure. Revenue from the sale of subsidiaries is reported when the risks and benefits associated with interest held in the subsidiary are transferred to the buyer.

## INFORMATION ON FUTURE STANDARDS

A number of new standards and interpretations are mandatory to apply during the coming financial year and have not been applied in preparing these financial statements. The standards, amendments and interpretations are expected to affect or may have an effect on the consolidated financial statements as described below:

### IFRS 9, Financial Instruments

This standards comes into force on 1 January 2018 and will replace IAS 39 Financial Instruments: Recognition and Measurement. The new standards set out rules for the classification and measurement of

financial assets and liabilities, impairment of financial instruments and hedge accounting. The EU has not yet approved the standard. The group has not yet evaluated the standard and how it will affect consolidated financial reporting.

### IFRS 15, Revenue

This standard comes into force on 1 January 2018 and replaces all previously standards and interpretations which manage revenue from client contracts. IFRS thus contains a single model for revenue reporting. The EU has not yet approved the standard. The group has not yet evaluated the standard and how it will affect consolidated financial reporting.

### IFRS 16 , Leases

This standard comes into force on 1 January 2019 and will replace IAS 17 Lease Agreements and related interpretations. It requires the lessee to report assets and liabilities relating to all lease agreements except those less than 12 months in duration and/or relate to small amounts. The reporting for lessors will essentially be unchanged. The EU has not yet approved the standard. The group has not yet evaluated the standard and how it will affect consolidated financial reporting.



Härsta 9:3, Sundsvall

## IMPORTANT ASSESSMENTS

The preparation of the financial statements requires the management and the Board of Directors to make certain estimates and assumptions that affect the reported value of assets and liabilities in respect of revenue and cost items as well as other information disclosed. The assessments are based on experience and assumptions that the management and the Board deem reasonable under the circumstances. The actual outcome may differ from these estimates if different conditions arise. Below are the assessments that are most essential when preparing the company's financial statements.

The report is particularly sensitive to the estimates and assumptions underlying the valuation of investment properties. Investment properties are reported at fair value, which is determined by management based on the market value of the properties. Significant judgements have been made regarding, among other things, capital cost and direct yield based on the valuer's empirical assessments of the market's yield requirements for comparable properties. Estimates of cash flow for operation, maintenance and administration costs are based on actual costs, but also the experience of comparable properties. Future estimates are assessed based on actual needs that exist.

When acquiring a company, an assessment of the acquisition will classify either a financial or an operative acquisition. A financial acquisition takes place if the acquisition regards to properties but does not include the organisation and the processes required to conduct management activities. Other acquisitions are operative acquisitions. In real estate transactions, there is also an assessment of when the transfer of risks and benefits is performed. This assessment is indicative of when the transaction should be reported. Management assesses each acquisition or sale on a case-by-case basis as to whether it shall be reported as a financial or operative acquisition as well as when it should be reported.

Another matter of concern in the estimates made in reporting are in regards to the valuation of deferred tax. With regard to accounting regulations, deferred tax is reported nominally without discounting. Both current and deferred tax have been calculated on the basis of a nominal tax rate of 22 percent. The actual tax rate is estimated to be lower partly because of the possibility of selling real estate in a tax-efficient manner, and partly because of time concerns. The valuation of losses carried forward is made on an assessment of the possibility of offsetting deficits against future profits.

### Risks

The real estate industry is affected by macroeconomic factors such as economic development, growth, employment, the rate of new construction, infrastructure, population growth, inflation and interest rates. In a worsening macroeconomic situation, the value of the company's properties may decline.

The company's revenue consist of rent payments from housing and commercial premises. In the event that the rental of residential and commercial premises decline so too shall the company's revenue decline. Revenue can also decline if the tenants of the properties become insolvent and therefore are unable to pay rent. The company's costs to manage all properties owned are dependant on the overall development of costs in Sweden.

The company's interest-bearing liabilities give rise to risks regarding liquidity, refinancing and interest rates. Liquidity and refinancing risks involve the risk that financing cannot be obtained at maturity, or only at a much higher cost, and that payment obligations can not be met due to insufficient liquidity. Interest rate risk refers to changes in market conditions that may lead to higher cost of financing.

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## PLEGDED ASSETS AND CONTINGENT LIABILITIES

Group	2017-09-30	2016-09-30	2016-12-31
<b>Pledged assets</b>			
Mortgages	10 752 515	1 564 211	3 728 456
Floating charges	1 749 987	311 119	1 053 106
<b>Total</b>	<b>12 502 502</b>	<b>1 875 330</b>	<b>4 781 562</b>
<b>Contingent liabilities</b>			
Guarantees	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Parent company</b>			
<b>Pledged assets</b>			
Floating charges	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Contingent liabilities</b>			
Guarantees	3 758 425	-	-
<b>Total</b>	<b>3 758 425</b>	<b>-</b>	<b>-</b>

## TRANSACTIONS WITH RELATED PARTIES

The company's transactions with related parties involve loans from the company's shareholders and loans accruing interest. Shareholder loans are subordinated and accrue on 7 percent interest paid quarterly.

In addition, the group purchases services from Hestia Sambygg AB, which is 50 percent owned by the principle shareholder, Ilija Batljan Invest AB. The purchases include consultancy services within financial and technical management. The pricing is the actual cost of production plus a margin of 7 percent.

The Board of Directors and the Managing Director certify that this interim report gives a true and fair view of the operations, financial position and income of the parent company and corporate group, and describes the significant risks and uncertainties affecting the parent company and the companies included in the group.

Stockholm, 31 October 2017

**Lennart Schuss**  
Chairman of the Board

**Ilija Batljan**  
Chief Executive Officer

**Sven-Olof Johansson**  
Member of the Board

**Hans Runesten**  
Member of the Board

**Seth Lieberman**  
Member of the Board

**Eva Swartz Grimaldi**  
Member of the Board

This information is information that Samhällsbyggnadsbolaget i Norden AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication (Swedish version), through the agency of the contact persons set out below, on 31 October 2017, 8 am CET.

Ilija Batljan, CEO, [ilija@sbbnorden.se](mailto:ilija@sbbnorden.se)  
Rosel Ragnarsson, IR, 070-674 44 42, [lotta@sbbnorden.se](mailto:lotta@sbbnorden.se)  
Certified Advisor is Remium Nordic AB ([www.remium.com](http://www.remium.com)).

This report has not been reviewed by the company's auditor.

## Calendar

Year-end report 2017	2018-02-27
Interim Report Jan-Mars 2018	2018-04-27
Annual General Meeting 2017	2018-04-27
Interim Report Jan-Juni 2018	2018-07-16
Interim Report Jan-Sept 2018	2018-10-31

# DEFINITIONS

## FINANCIAL DEFINITIONS

### **Adjusted equity ratio, %**

Reported equity incl. shareholder loans and convertibles, with reversal of reported deferred tax liability as a percentage of total assets.

### **Average interest rate, year**

Average remaining maturity at interest rate adjustment date for interest-bearing liabilities.

### **Average interest rate, %**

Weighted average contracted interest rate on interest-bearing liabilities at the end of the period, excluding unutilized credit facilities.

### **Average number of preference shares**

The weighted average number of outstanding preference shares during a given period.

### **Average number of shares**

The weighted average number of outstanding shares during a given period.

### **Cash flow from operating activities, SEK**

Cash flow from operating activities after changes in working capital according to the cash flow statement.

### **Debt maturity, years**

Remaining maturity until the expiration for interest-bearing liabilities.

### **EPRA**

European Public Real Estate Association is an association for listed real estate companies and investors in Europe which, among other things, sets standards regarding financial reporting.

### **EPRA Earnings, SEK**

Income from property management adjusted for nominal tax attributable to income from property management. With taxable income from property management means income from property management with a deduction for tax purposes of depreciation and reconstruction.

### **EPRA NAV (Long term net asset value)**

Reported equity according to the balance sheet, adjusted for interest rate derivatives, goodwill and deferred tax.

### **EPRA NNNAV (Actual net asset value), SEK**

Reported equity according to the balance sheet, adjusted for actual deferred tax instead of nominal deferred tax.

### **EPS (Earnings Per Share)**

Earnings after tax for the period in relation to the weighted average number of outstanding shares for the period after deduction of dividend to preference shareholders.

### **Equity ratio, %**

Reported equity as a percentage of total assets.

### **Outstanding number of preference shares**

The number of preference shares outstanding at a given point in time.

### **Loan to value ratio, %**

Interest-bearing liabilities after deduction for liquid assets as a percentage of the properties' fair value at the end of the period.

### **Outstanding number of shares**

The number of shares registered with a deduction for the company's own repurchased shares at a given point in time.

### **Return on equity, %**

Income after tax as a percentage of average equity for the period.

## PROPERTY-RELATED DEFINITIONS

### **Economic occupancy rate, %**

Rental income in relation to rental value.

### **EPRA Earnings, SEK**

Management profit with deduction for estimated current tax attributable to the management result. Taxable management result refers to management result with deduction for tax deductible depreciation and redevelopment.

### **EPRA Vacancy rate, %**

The rental value of vacant contracts divided by the rental value of the entire property portfolio.

### **Market value of investment properties, SEK**

Fair value of investment properties at the end of the period.

### **Net operating income, SEK**

Refers to rental income minus property costs.

### **Number of properties**

Number of properties at the end of the period.

### **Number of square meter (sq.m.)**

Total area of property portfolio at the end of the period.

### **Rental income, SEK**

Debited rent for the period with deduction for rental losses and rental discounts.

### **Rental value, SEK**

Refers to contracted rental income with the addition of estimated rental income for vacant contracts if they were to be rented out.

### **Surplus ratio, %**

Net operating income as a percentage of rental income for the period.

### **Weighted average unexpired lease term for community service properties, years**

Remaining contract value in relation to annual rental income for community service properties.

### **Yield, %**

Net operating income in relation to the properties real value at the end of the period.



# APPENDIX 1 – CURRENT EARNINGS CAPACITY

Below is the current earnings capability for the Group for 12 months, taking into account the Group's property portfolio as of 2017-09-30. The current earnings capacity is not a forecast but only to be regarded as a hypothetical snapshot and presented solely to illustrate revenue and

expenses on a yearly basis, given the real estate portfolio, financial costs, capital structure and organization at a certain time. The Group's earnings capacity does not include the result effect of unrealized and realized value changes.

## THE GROUP'S EARNINGS CAPACITY

	SEKm
Rental Income	1 513
Operating costs	-320
Maintenance	-89
Property administration	-52
Property tax	-27
<b>Net operating income</b>	<b>1 025</b>
Central administration	-48
Net financials	-483
<b>Operating profit</b>	<b>494</b>

### The following information forms the basis for calculating the earnings capacity:

- Contracted rental income on a yearly basis (including additions and rent discounts) and other real estate-related income based on current lease contracts per 2017-09-30.
- Operating and maintenance costs consist of an assessment of a normal year's operating costs and maintenance measures. Property tax has been calculated based on the property's current tax value per 2017-09-30.
- Property administration costs have been calculated based on existing organization.
- No financial income has been included in the net financials. Financial expenses have been calculated based on contracted interest rates and include interest on external loans.

## Net asset yield including long-term change in value

In companies managing real assets, such as real estate, the income from property management only reflects part – albeit a large part – of the overall result. The definition of a real asset is that its value is protected. This means that over time – and with proper maintenance – the real asset increases in value to compensate for inflation. The net asset value – i.e., the denominator of the yield ratio income/capital – is adjusted annually in accordance with IFRS regulations for changes in value. In order to provide an accurate figure of the yield, the numerator – i.e., income – must be similarly adjusted. Therefore, the recorded net income has to be supplemented with a component of value changes as well as with effective tax to provide an accurate view of income and yield. One problem is that changes in value can vary greatly between years and quarters, thus leading to volatile results. It is why we use average inflation rates for the previous 10 years as an indicator for value changes and present sensitivity analyses. We also include sensitivity analyses concerning assumption of annual profit from building rights. At the same time, by being a long-term player with stable cash flow and a low risk real estate portfolio, SBB is able to make use of long-term value changes.

## SENSITIVITY ANALYSIS

	Building rights profit = SEKm 250			Building rights profit = SEKm 400		
	Change in value			Change in value		
		-1%-point	+1%-point		-1%-point	+1%-point
Operating profit, rolling 12 months	494	494	494	494	494	494
Profit from creation of building rights	250	250	250	400	400	400
Change in property value (10-years average CPI)	262	42	483	262	42	483
D:o %	1.2%	0.2%	2.2%	1.2%	0.2%	2.2%
Current tax, 10%	-49	-49	-49	-49	-49	-49
Profit after tax	957	736	1 178	1 107	886	1 328
Profit SEK/share	1.30	1.00	1.60	1.50	1.20	1.80
Return on actual long-term net asset value	14.3%	11.0%	17.6%	16.6%	13.3%	19.9%
Profit / share price per 2017-09-30	18.5%	14.3%	22.8%	21.4%	17.2%	25.7%
P/E	5	7	4	5	6	4



## CONTACT

Ilija Batljan  
CEO  
ilija@sbbnorden.se

Rosel Ragnarsson  
Head of Finance  
lotta@sbbnorden.se  
070-674 44 42

**HEAD OFFICE**  
Strandvägen 3  
SE-114 51 Stockholm

**WWW.SBBNORDEN.SE**

Read more about us at our web page.

You can also follow us on:



SAMHÄLLSBYGGNADSBOLAGET I NORDEN (PUBL)  
ORG NO 556981-7660  
REGISTERED OFFICE STOCKHOLM

