



Samhällsbyggnadsbolaget's takeover offer to the shareholders of Hemfosa

A Swedish version of this Offer Document has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the “**SFSA**”) in accordance with Chapter 2 of the Swedish Takeover Act (Sw. *lag (2005:451) om offentliga uppköpserbjudanden på aktiemarknaden*), Chapter 2a of the Swedish Financial Instruments Trading Act (Sw. *lagen (1991:980) om handel med finansiella instrument*) and Chapter 2 Section 5 of the Act on Supplementary Provisions to the EU Prospectus Regulation (Sw. *Lag (2019:414) med kompletterande bestämmelser till EU:s prospektförordning*). The approval and registration by the SFSA does not imply that the SFSA guarantees that the information in the offer document is correct or complete.

In addition to the information required in accordance with above stated regulations and the Takeover Rules issued by Nasdaq Stockholm (the “**Takeover Rules**”), this offer document also contains the information required for the applicability of the exemptions in article 1.4 f and 1.5 first paragraph e of the Regulation of the European Parliament and the council (EU) 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”).

IMPORTANT INFORMATION TO INVESTORS

Samhällsbyggnadsbolaget i Norden AB (publ), reg. no. 556981-7660 (“SBB” or the “Company”) has on 15 November 2019 made a recommended public offer to shareholders in Hemfosa Fastigheter AB (publ), reg. no. 556917-4377, (“Hemfosa”) to acquire all common and preference shares in Hemfosa on the terms and conditions set out in this offer document (the “Takeover Offer”). The “Group” refers to the Company, the group in which the Company is the parent company or a subsidiary of the group, as the context may require. The “Combined Company” refers to the Group with Hemfosa as a fully owned subsidiary or the Company with Hemfosa as a fully owned subsidiary, as the context may require. See section “Definitions” for the definitions of these and other terms in this Offer Document.

This offer document (the “Offer Document”) has been prepared in accordance with applicable provisions in the Prospectus Regulation, the Swedish Financial Instruments Trading Act and the Takeover Rules. A Swedish version of this Offer Document has been approved and registered by the SFSA in accordance with Chapter 2 of the Swedish Takeover Act, Chapter 2a of the Swedish Financial Instruments Trading Act and Chapter 2 Section 5 of the Act on Supplementary Provisions to the EU Prospectus Regulation. The approval and registration by the SFSA does not imply that the SFSA guarantees that the information in the Offer Document is correct or complete. This Offer Document is available both in Swedish and English. In the event of any discrepancy between the English and Swedish language versions, the Swedish language version shall prevail.

The information in this Offer Document purports to be accurate, although not complete, only as of the date of the announcement of this Offer Document. If there are any material changes to the information in the Offer Document, such changes will be announced in accordance with the provisions of the Swedish Financial Instruments Trading Act on supplements. The information in this Offer Document is furnished solely for the purpose of the Takeover Offer and may not be relied upon for any other purposes.

The information regarding Hemfosa on pages 188 – 219 is based on information made public by Hemfosa and has been reviewed by the board of directors of Hemfosa. Accordingly, SBB does not represent that the information included herein with respect to Hemfosa is accurate or complete and does not take any responsibility for such information being accurate or complete.

Certain figures in this Offer Document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances (i) the sum or percentage change of such numbers may not conform exactly with the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly with the total figure given for that column or row.

In this Offer Document, the following currency terms are used: “EUR”, “euro” or “€” means the lawful currency of the EU member states that adopted the single currency; “Norwegian krone” and “NOK” refer to the lawful currency of the Kingdom of Norway; and “Swedish krona” or “SEK” refer to the lawful currency of the Kingdom of Sweden. All financial amounts are in SEK unless indicated otherwise.

Except as expressly stated herein, no financial information in this Offer Document has been audited or reviewed by the Company’s auditor. Financial information relating to the Company in this Offer Document that is not part of the information audited or reviewed by the Company’s auditor as outlined herein originates from the Company’s internal accounting and reporting systems.

APPLICABLE LAW AND DISPUTES

The Takeover Offer, and any agreements entered into in connection with the Takeover Offer, shall be governed by and construed in accordance with the laws of Sweden. The Takeover Rules, and the Swedish Securities Council’s rulings regarding the interpretation and application of the Takeover Rules, apply in relation to the Takeover Offer. In accordance with the Swedish Takeovers Act, SBB has, on 11 November 2019, undertaken towards Nasdaq Stockholm to comply with the Takeover Rules and to submit to any sanctions imposed by Nasdaq Stockholm upon breach of the Takeover Rules. SBB has informed the SFSA about the Takeover Offer and the undertaking towards Nasdaq Stockholm on 15 November 2019. The courts of Sweden shall have exclusive jurisdiction over any dispute arising out of or in connection with the Takeover Offer and the City Court of Stockholm shall be the court of first instance.

FORWARD-LOOKING STATEMENTS

Statements in this Offer Document relating to future status or circumstances, including statements regarding future performance, growth and other trend projections and the other benefits of the Takeover Offer, are forward-looking statements. These statements may generally, but not always, be identified by the use of words such as “anticipates”, “intends”, “expects”, “believes”, or similar expressions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of SBB and Hemfosa. Any such forward-looking statements speak only as of the date on which they are made and SBB has no obligation (and undertakes no such obligation) to update or revise any of them, whether as a result of new information, future events or otherwise, except for in accordance with applicable laws and regulations.

RESTRICTIONS

The distribution of this Offer Document and any related offer documentation in certain jurisdictions may be restricted or affected by the laws of such jurisdictions. Accordingly, copies of this Offer Document are not being, and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any such jurisdiction. Therefore, persons who receive this communication (including, without limitation, nominees, trustees and custodians) and are subject to the laws of any such jurisdiction will need to inform themselves about, and observe, any applicable restrictions or requirements. Any failure to do so may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, SBB disclaims any responsibility or liability for the violations of any such restrictions by any person.

This Offer Document is not an offer for sale of securities in the United States. The shares to be delivered in connection with the Takeover Offer have not been and will not be registered under the U.S. Securities Act of 1933, as amended (“U.S. Securities Act”) or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged, delivered or otherwise transferred in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws.

For the avoidance of doubt, Nordea is not registered as a broker or dealer in the United States and will not be engaging in direct communications relating to the Offer with investors located within the United States (whether on a reverse-inquiry basis or otherwise).

In accordance with Swedish practice and law, SBB or its affiliates or brokers (acting as agents for SBB or its affiliates, as applicable) and affiliates of its financial advisor may from time to time, and other than pursuant to the Takeover Offer, directly or indirectly purchase or arrange to purchase outside the United States, shares in Hemfosa that are the subject of the Takeover Offer or any securities that are convertible into, exchangeable for or exercisable for such shares before or during the period in which the Takeover Offer remains open for acceptance. These purchases may occur in the open market or in private transactions. Information about such purchases or arrangements to purchase will be disclosed to the extent required by Swedish law or rules or regulations.

The Takeover Offer is not being made, and this Offer Document may not be distributed, directly or indirectly, in or into, nor will any tender of shares be accepted from or on behalf of holders in any jurisdiction in which the making of the Takeover Offer, the distribution of this Offer Document or the acceptance of any tender of shares would contravene applicable laws or regulations or require further offer documents, filings or other measures in addition to those required under Swedish law.

BUSINESS AND MARKET DATA

This Offer Document contains statistics, data and other information relating to the market and the industry in which the Company operates. Unless otherwise indicated, such information is based on the Company’s analysis of multiple sources, including a market study that the Company has commissioned from Newsec Advice AB, which was issued by Newsec Advice AB on 8 November 2019. Information from third parties has been accurately reproduced in this Offer Document and, as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

CONTENTS

SUMMARY	1
RISK FACTORS	7
STATEMENT FROM THE CEO	
THE TAKEOVER OFFER	21
BACKGROUND AND REASONS	27
RECOMMENDATION FROM THE BOARD OF DIRECTORS OF HEMFOSA	29
FAIRNESS OPINION	34
TERMS AND CONDITIONS	36
INDUSTRY OVERVIEW	40
BUSINESS OVERVIEW	75
THE COMBINED COMPANY	97
PRO FORMA FINANCIAL STATEMENTS	104
AUDITORS' REPORT ON THE PRO FORMA FINANCIAL STATEMENTS	110
PROPERTY VALUATION REPORTS	112
SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA	132
OPERATING AND FINANCIAL REVIEW	140
CAPITALISATION AND INDEBTEDNESS	159
CORPORATE GOVERNANCE	161
SHARES AND SHARE CAPITAL	173
ARTICLES OF ASSOCIATION	181
LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION	185
INFORMATION REGARDING HEMFOSA	188
HEMFOSA'S INTERIM REPORT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019	200
STATEMENT BY THE BOARD OF DIRECTORS OF HEMFOSA	220
CERTAIN TAX CONSIDERATIONS IN SWEDEN	221
DOCUMENTS INCORPORATED BY REFERENCE	224
DEFINITIONS	225
ADDRESSES	1

SUMMARY OF THE TAKEOVER OFFER

Consideration

Offer for Hemfosa common shares:

- in respect of 55 percent of the number of Hemfosa common shares tendered by such shareholder, 5.5 SBB Class B common shares per Hemfosa common share; and
- in respect of the remaining 45 percent of the number of Hemfosa common shares tendered by such shareholder, SEK 120.00 in cash per Hemfosa common share.

Offer for Hemfosa preference shares:

- in respect of 55 percent of the number of Hemfosa preference shares tendered by such shareholder, 5.6 SBB Class D common shares per Hemfosa preference share; and
- in respect of the remaining 45 percent of the number of Hemfosa preference shares tendered by such shareholder, SEK 195.00 in cash per Hemfosa preference share.

SBB offers Hemfosa shareholders a Mix & Match Facility, whereby each of the Hemfosa common and preference shareholders, subject to the restrictions set out below, may elect to receive as much share consideration or as much cash consideration as possible for tendered Hemfosa shares.

Acceptance period

19 November - 20 December 2019

Settlement

Around 3 January 2020

Miscellaneous:

Class A common shares.

Not admitted to trading.

Class B common shares.

Traded on Nasdaq Stockholm. Ticker: SBB B. ISIN: SE0009554454.

Class D common shares.

Traded on Nasdaq Stockholm. Ticker: SBB D. ISIN: SE0011844091.

Preference shares.

Traded on Nasdaq First North Premier Growth Market. Ticker: SBB PREF. ISIN: SE0009580715.

FINANCIAL CALENDAR

Year-end report for 2019	19 February 2020
Interim report for the period January-March 2020, Q1	27 April 2020
Annual general meeting 2020	27 April 2020
Interim report for the period January-June 2020, Q2	14 July 2020
Interim report for the period January-September 2020, Q3	3 November 2020

CERTAIN DEFINITIONS

Combined Company	The Group with Hemfosa as a fully owned subsidiary or the Company with Hemfosa as a fully owned subsidiary, as the context may require
Euroclear Sweden Hemfosa	Euroclear Sweden AB Hemfosa Fastigheter AB (publ), reg.no 556917-4377
Nasdaq Stockholm	The regulated market operated by Nasdaq Stockholm AB
Rights Issue	An offer to existing shareholders in SBB to subscribe for new B common shares in SBB as described under section "Shares and share capital-Rights issue"
SBB or the Company	Samhällsbyggnadsbolaget i Norden AB (publ), reg.no 556981-7660
SEK	Swedish krona
Takeover Offer	A recommended public offer to shareholders in Hemfosa to acquire all common and preference shares in Hemfosa in accordance with the conditions stated in this Offer Document
The Group	The Company, the group in which the Company is the parent company or a subsidiary of the group, as the context may require

SUMMARY

Introduction and warnings

<i>Introduction and warnings</i>	<p>This summary should be read as an introduction to this Offer Document. Any decision to invest in the securities should be based on an assessment of the Offer Document in its entirety by the investor. Any decision to invest in securities entails risks and an investor may lose all or part of the invested capital.</p> <p>Where statements in respect of information contained in an Offer Document are challenged in a court of law, the plaintiff investor may, in accordance with member states' national legislation, be forced to pay the costs of translating the Offer Document before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Offer Document or if it does not, together with other parts of the Offer Document, provide key information to help investors when considering whether to invest in the securities.</p>
<i>Issuer information</i>	<p>Samhällsbyggnadsbolaget i Norden AB (publ), reg. no. 556981-7660, Strandvägen 1, 114 51 Stockholm, Sweden. LEI-code: 549300HX9MRFY47AH564, with the following share classes:</p> <p>Class A common shares. Not admitted to trading.</p> <p>Class B common shares. Ticker: SBB B, ISIN code: SE0009554454.</p> <p>Class D common shares. Ticker: SBB D, ISIN code: SE0011844091.</p> <p>Preference shares. Ticker: SBB PREF, ISIN code: SE0009580715.</p>
<i>Competent Authority</i>	<p>The Swedish Financial Supervisory Authority (Sw. <i>Finansinspektionen</i>) (the “SFSA”) is the competent authority responsible for approving the Swedish language version of the Offer Document. The SFSA's registered address is Finansinspektionen, Brunnsgatan 3 SE-111 38, Stockholm, Sweden. The Swedish version of this Offer Document was approved by the SFSA on 18 November 2019. Postal address Box 7821, 103 97 Stockholm. Telephone number: +46 (0)8 408 980 00. Webpage: www.fi.se</p>

Key information on the issuer

Who is the issuer of the securities?	
<i>Issuer information</i>	<p>The issuer of the securities is Samhällsbyggnadsbolaget i Norden AB (publ), reg. no. 556981-7660. The Company's registered office is in Stockholm, Sweden. The Company is a Swedish public limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI-code is 549300HX9MRFY47AH564.</p>
<i>The issuer's principal activities</i>	<p>SBB is a major Nordic social infrastructure property company. The Group owns a property portfolio across Sweden, Norway, Finland and Denmark with a gross asset value of SEK 30.8 billion as of 30 September 2019. The Group generates most of its income from the management of its social infrastructure property portfolio, which includes (i) community services properties, such as elderly care homes, schools and group housing for people with disabilities, in Sweden, Norway, Finland and Denmark and (ii) rent-regulated residential properties in Sweden. The Group also has additional income streams from property renovations, property development activities and real estate transactions. As of 30 September 2019, community services properties and Swedish rent-regulated residential properties accounted for 60 percent and 34 percent of the total portfolio by gross asset value, respectively. The remaining part comprises cash flow properties with development potential to develop building rights for social infrastructure.</p>

SUMMARY

Major shareholders and control over the issuer	Insofar as it is known to the Company, the following persons, have direct or indirect holdings amounting to five percent or more of the shares or voting rights in respect of the Company as of the day of this Offer Document.						
					Shares	percent	
		A	B	D	Preference	of capital	of votes
	Shareholder						
	Shareholders with holdings that exceed 5 percent of the shares or the votes						
	Ilija Batljan (directly and indirectly through companies)	109,053,868	1,137,606	–	–	13.0	39.8
	Marjan Dragicevic (directly and indirectly through companies)	23,989,867	70,675,628	–	–	11.1	11.3
	AB Arvid Svensson	26,000,000	34,296,667	–	–	7.1	10.7
	Sven-Olof Johansson (indirectly through companies)	22,315,456	25,405,525	–	–	5.6	9.1
	Erik Paulsson (indirectly through companies)	13,919,159	14,605,317	–	–	3.4	5.6
Michael Cocozza	–	45,326,742	–	–	5.3	1.7	
Stiftelsen för Strategisk Forskning	–	42,651,810	–	–	5.0	1.6	
Key managing directors	The Company’s Board of Directors consists of Lennart Schuss (chairman), Ilija Batljan, Sven-Olof Johansson, Fredrik Svensson, Hans Runesten, Eva Swartz Grimaldi and Anne-Grete Strøm-Erichsen. The Company’s executive management consists of Ilija Batljan, Lars Thagesson, Krister Karlsson, Rosel Ragnarsson, Eva-Lotta Stridh, Oscar Lekander, Fredrik Holm and Adrian Westman.						
Auditor	Ernst & Young Aktiebolag is the Group’s auditor. Ingemar Rindstig is the auditor in charge.						
What is the key financial information regarding the issuer?							
Key financial information in summary	Selected income statement items						
		For the year ended 31 December		For the period from 2 March to 31 December		For the nine months ended 30 September	
		2018	2017	2016		2019	2018
							(unaudited)
							(SEK million)
	Rental income	1,680	1,339	187		1,400	1,227
	Profit before financial items	982	801	72		875	733
	Net profit for the period	1,690	2,429	1,007		1,337	999
	Earnings per Class A and Class B share (SEK)	2.07	3.60	–		1.41	1,24
	Earnings per Class D share (SEK)	0.50	–	–		1.50	–
	Selected balance sheet items						
				As of 31 December		As of 30 September	
		2018	2017	2016		2019	2018
							(unaudited)
							(SEK million)
	Total assets	27,641	23,569	8,348		43,760	27,083
	Total equity	11,197	7,636	1,767		15,940	9,852
	Net debt	14,518	13,742	4,315		16,799	15,075
	Selected cash flow items						
		For the year ended 31 December		For the period from 2 March to 31 December		For the nine months ended 30 September	
	2018	2017	2016		2019	2018	
						(unaudited)	
						(SEK million)	
Net cash from operating activities before changes in working capital	248	361	28		507	255	
Cash flow from operations	(161)	510	536		544	(102)	
Cash flow from investment activities	(2,249)	(12,973)	(6,502)		(5,980)	(1,905)	
Cash flow from financing activities	2,474	12,049	6,473		13,808	2,056	

SUMMARY

Pro forma financial statements statement

Selected income statement items from the pro forma financial statements for the year ended 31 December 2018

	<u>SBB (180101 – 181231)</u>	<u>Hemfosa (180101 – 181231)</u>	<u>Pro forma adjustments</u> <i>(unaudited)</i> <i>(SEK million)</i>	<u>Note</u>	<u>SBB pro forma income statement</u> <i>(unaudited)</i>
Rental income	1,680	2,525			4,205
Profit before financial items	982	1,718			2,700
Net profit for the period	1,690	2,360	(17)		4,033

Selected income statement items from the pro forma financial statements for the nine months period ended 30 September 2019

	<u>SBB (190101 – 190930)</u>	<u>Hemfosa (190101 – 190930)</u> <i>(unaudited)</i>	<u>Pro forma adjustments</u> <i>(unaudited)</i> <i>(SEK million)</i>	<u>Note</u>	<u>SBB pro forma income statement</u> <i>(unaudited)</i>
Rental income	1,400	2,128			3,528
Profit before financial items	875	1,441			2,316
Net profit for the period	1,337	1,497	6		2,840

Selected balance sheet items from the pro forma financial statements as of 30 September 2019

	<u>SBB (190101 – 190930)</u>	<u>Hemfosa (190101 – 190930)</u> <i>(unaudited)</i>	<u>Pro forma adjustments</u> <i>(unaudited)</i> <i>(SEK million)</i>	<u>Note</u>	<u>SBB pro forma balance sheet</u> <i>(unaudited)</i>
Total assets	43,760	41,149	(450)		84,459
Total equity	15,940	14,456	(1,209)	B, C	29,187

What are the key risks that are specific to the issuer?

Main risks related to the issuer and the industry

- The Group's results of operations and profitability are subject to risks related to general economic conditions and demographic trends in its geographical markets.
- The Group's financial position and results of operations are subject to risks related to developments in the global financial markets.
- The Group operates in a competitive market and the Group may fail to compete successfully.
- Decreases in the Group's rental income and Economic Occupancy Rate and increases in tenant turnover may have an adverse effect on the Group's results of operations.
- The Group's rental income may be adversely affected if the Group's largest tenants do not renew or extend their leases.
- The Group's rental income could be adversely affected by tenants' failure to fulfil their obligations.
- The Group finances itself by incurring debt which exposes it to certain risks.
- Fluctuations in interest rates may decrease the value of the Group's properties and increase the cost financing and thereby adversely affect the Group's business.
- Any downgrade of the Group's existing or future credit ratings could increase the Group's borrowing costs and affect its ability to access the capital markets.
- The Group may fail to comply with applicable regulations and risks being involved in legal and administrative proceedings.
- The Group's operations are exposed to environmental risks and must comply with various health and safety and environmental regulations and these may adversely affect the Group's operations and future earnings.

SUMMARY

Key information on the securities

What are the main features of the securities?	
<i>Securities offered and admitted to trading on a regulated market</i>	Securities in Samhällsbyggnadsbolaget i Norden AB (publ), reg.no. 556981-7660. Class B common shares. Traded on Nasdaq Stockholm. Ticker: SBB B. ISIN: SE0009554454. Class D common shares. Traded on Nasdaq Stockholm. Ticker: SBB D. ISIN: SE0011844091.
<i>Total number of shares in the Company</i>	As of the date of this Offer Document, the Company has issued 850,759,793 shares, of which 209,977,491 are Class A common shares, 564,253,359 are Class B common shares, 76,498,230 are Class D common shares and 30,713 are preference shares. The Company's share capital amounts to SEK 85,075,979.30. The shares are denominated in SEK and the quota value of each share is SEK 0.1. All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferrable.
<i>Rights associated with the securities</i>	The Company may issue shares in four classes: Class A common shares, Class B common shares, Class D common shares and preference shares. Each Class A common share entitles the holder to one vote at general meetings, whilst each Class B and Class D common shares and preference shares entitles the holder to one-tenth of a vote at general meetings. Each shareholder has the right to vote for all of the shares that the shareholder holds in the Company. If the Company decides to issue new shares, warrants or convertibles the shareholders are entitled to pre-emption rights as is set out in the articles of association. The rights associated with the shares issued by the Company, including those outlined in the articles of association, may only be changed in accordance to what is set out in the Swedish Companies Act (2005:551). If the Company is dissolved, the preference shares will entail preferential rights over common shares to the Company's assets in an amount corresponding to the amount received if the shares were to have been redeemed as per the articles of association before any distributions are made to owners of common shares. Upon dissolution of the Company, all common shares will have the same right to distribution of the Company's assets. However, Class D common shares will be entitled to no more than SEK 31 per share. If the general meeting resolves on profit distribution, the preference shares have priority over common shares in accordance with the articles of association. All common shares shall have the same rights to dividend without preferential rights in relation to each other. Class D common shares are however entitled to five times the total dividend on Class A and Class B common shares; however, no more than SEK 2 per share and year as set out in the articles of association.
<i>Dividend policy</i>	The Company's dividend policy is to generate a steadily increasing annual dividend.
Where will the securities be traded?	
<i>Admission to trading</i>	The Company's Class B and D common shares are listed at Nasdaq Stockholm. First day of trading in the shares issued as a part of the share consideration in the Takeover Offer is estimated to commence around the 3 January 2020.
What are the key risks that are specific to the securities?	
<i>Main risks related to the securities</i>	<ul style="list-style-type: none"> • The Company's share prices may be volatile or fall and liquidity in the Company's shares may be restricted • Selling of shares by existing shareholders can cause share prices to fall • The Company's largest shareholders have a controlling influence over the Company and may delay or prevent changes in control of the Company • The Company's ability to pay dividends to its shareholders depends on the Group's financial position, capital costs and other factors and the Company may be unable to pay dividends as a result of dividend limitations in the provisions in the Group's issued bonds

Key information on the offer of securities to the public and the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?	
Conditions for the Takeover Offer	<p>SBB offers the shareholders of Hemfosa to acquire all common shares and preference shares in Hemfosa. The Total Takeover Offer Value of approximately SEK 23,521 million, is comprised of the Total Common Offer Value of approximately SEK 21,380 million and the Total Preference Offer Value of approximately SEK 2,141 million.</p> <p>No commission will be charged in connection with the Takeover Offer.</p> <p>Offer for Hemfosa common shares:</p> <ul style="list-style-type: none"> • in respect of 55 percent of the number of Hemfosa common shares tendered by such shareholder, 5.5 SBB Class B common shares per Hemfosa common share; and • in respect of the remaining 45 percent of the number of Hemfosa common shares tendered by such shareholder, SEK 120.00 in cash per Hemfosa common share. <p>Offer for Hemfosa preference shares:</p> <ul style="list-style-type: none"> • in respect of 55 percent of the number of Hemfosa preference shares tendered by such shareholder, 5.6 SBB Class D common shares per Hemfosa preference share; and • in respect of the remaining 45 percent of the number of Hemfosa preference shares tendered by such shareholder, SEK 195.00 in cash per Hemfosa preference share. <p>SBB offers Hemfosa shareholders a Mix & Match Facility, whereby each of the Hemfosa common and preference shareholders, subject to the restrictions set out below, may elect to receive as much share consideration or as much cash consideration as possible for tendered Hemfosa shares.</p> <p>Completion of the Takeover Offer is conditional upon:</p> <ol style="list-style-type: none"> (1) the Takeover Offer being accepted to such an extent that SBB becomes the owner of shares representing more than 90 percent of the outstanding shares in Hemfosa on a fully diluted basis; (2) no other party announcing an offer to acquire shares in Hemfosa on terms that are more favorable to the shareholders of Hemfosa than the Takeover Offer; (3) with respect to the Takeover Offer and the acquisition of Hemfosa, receipt of all necessary regulatory, governmental or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in SBB's opinion, are acceptable; (4) neither the Takeover Offer nor the acquisition of Hemfosa being rendered wholly or partially impossible or significantly impeded as a result of legislation or other regulation, any decision of a court or public authority, or any similar circumstance; (5) no circumstances having occurred which could have a material adverse effect or could reasonably be expected to have a material adverse effect on Hemfosa's financial position or operation, including Hemfosa's sales, results, liquidity, equity ratio, equity or assets; (6) no information made public by Hemfosa or disclosed by Hemfosa to SBB being inaccurate, incomplete or misleading, and Hemfosa having made public all information which should have been made public; and (7) Hemfosa not taking any action that is likely to impair the prerequisites for making or completing the Takeover Offer. <p>SBB reserves the right to withdraw the Takeover Offer in the event that it is clear that any of the above conditions is not satisfied or cannot be satisfied. However, with regard to conditions (2)-(7), the Takeover Offer may only be withdrawn where the non-satisfaction of such condition is of material importance to SBB's acquisition of Hemfosa.</p> <p>SBB reserves the right to waive, in whole or in part, one, several or all of the conditions set out above, including, with respect to condition (1), to complete the Takeover Offer at a lower level of acceptance.</p>

SUMMARY

<i>Timetable for the Takeover Offer</i>	<p>The acceptance period for the Takeover Offer commences on 19 November 2019 and ends 20 December 2019. Assuming that the Takeover Offer is declared unconditional no later than around 23 December 2019, settlement is expected to begin around 3 January 2020.</p> <p>The transaction requires the approval of the Swedish merger control authority. SBB will file the transaction shortly after its announcement and relevant clearances are expected to be obtained prior to the end of the acceptance period.</p> <p>SBB reserves the right to extend the acceptance period for the Takeover Offer and to postpone the settlement date.</p>
<i>Dilution effect</i>	<p>Existing shareholders in SBB who choose not to participate in the Rights Issue will be subject to a dilution effect of 7.1 percent of the share capital and 2.3 percent of the votes in the Company by a share issue of 65,443,061 Class B common shares in the Rights Issue.</p> <p>If the Takeover Offer is fully accepted, the Takeover Offer corresponds to a dilution effect of 39.1 percent of the share capital and 16.6 percent of the votes in the Company by way of an issue of 512,701,953 Class B common shares and 33,879,996 Class D common shares.</p> <p>Existing shareholders in SBB who choose not to participate in the Rights Issue, and provided that the Takeover Offer is fully accepted, will be subject to a dilution effect of 41.8 percent of the share capital and 18.3 percent of the votes in the Company by a share issue of 65,443,061 Class B common shares in the Rights Issue and 512,701,953 Class B common shares and 33,879,996 Class D common shares in the Takeover Offer.</p>
<i>Issue costs</i>	The total costs, charges and expenses payable by the Group in connection with the Takeover Offer and the Rights Issue are estimated to be approximately SEK 300 million.
Who is the offeror and/or the person asking for admission to trading?	
<i>Offeror</i>	Samhällsbyggnadsbolaget i Norden AB (publ), reg. no. 556981-7660. The Company's registered office is in Stockholm, Sweden. The Company is a Swedish public limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI-code is 549300HX9MRFY47AH564.
Why is this Offer Document being produced?	
<i>Background and reasons</i>	<p>SBB has successfully demonstrated long-term value enhancement of its portfolio with low-risk assets: community service properties in the Nordics and Swedish rent-regulated residential properties. SBB has built its business based on strong relationships with municipalities and SBB takes its responsibilities to the community very seriously by also developing building rights for social infrastructure. Responsible ownership and the goal of meeting general societal objectives is an important part of SBB's core philosophy and SBB believes that in this regard SBB is the right partner for Hemfosa and that the companies together would have a very exciting future.</p> <p>SBB believes the Combined Company, with a larger portfolio and greater geographical coverage, would be even better positioned as a partner to the Nordic welfare states and other important stakeholders. The strengthened market position and diversification further enhance the combined business profile with rating agencies; it is thus estimated that the combined business over time will benefit from an improved credit rating, which has the potential to reduce the cost of funding for the combined group. In aggregate, SBB believes that the combination of the businesses will realise synergies of circa SEK 300 million per annum run-rate after tax. Circa SEK 260 million per annum run-rate after tax of synergies are expected to come from financial synergies expected to be realised in the next 12 months. Additionally, operational synergies are expected to be circa SEK 40 million per annum run-rate after tax and realisable in the next 12 months. SBB has also identified unrealised value stemming from the developments of building rights for social infrastructure realisable in Hemfosa's portfolio upon zoning being granted. Furthermore, SBB believes there are additional value creation opportunities from reduction in renovation and refurbishment costs due to economies of scale and profits from property transactions.</p>
<i>Interests and conflict of interests</i>	SBB has retained J.P. Morgan, ABGSC and Nordea as financial advisers and Vinge and Clifford Chance as legal advisers in connection with the Takeover Offer. None of these advisors has a material opposing interest in the Takeover Offer and each of these respective advisors will receive customary payment from the Company for their advice in connection with the Takeover Offer.

RISK FACTORS

This section contains the risk factors and significant circumstances considered to be material to the Group's business and future development. The risk factors relate to the Group's industry, markets and operations, and further includes risks related to the Group's financing arrangements, legal, regulatory and corporate governance issues as well as risks related to shares. The assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. In accordance with the Regulation of the European Parliament and the council (EU) of 14 June 2017, the risk factors mentioned below are limited to risks which are specific to the Company and/or to the shares and which are material for making an informed investment decision.

The description below is based on information available as of the date of this Offer Document. The risk factors that are currently considered to be the most material are presented first in each category and the subsequent risk factors are presented in no particular order.

The risks and uncertainties described below could have a material adverse effect on the Group's operations, financial position and/or earnings. They could also cause the value of the Company's shares to decrease, which could entail that shareholders of the Company lose all or part of their investment.

1. RISKS RELATED TO THE GROUP'S INDUSTRY AND MARKET

The Group's results of operations and profitability are subject to risks related to general economic conditions and demographic trends in its geographical markets

The Group is affected by macroeconomic factors such as general economic trends, regional economic development, employment rates, production rates of new premises, changes of infrastructure, inflation and interest rates in Sweden, Norway, Finland and Denmark. These factors significantly impact supply and demand in the real estate market and accordingly affect occupancy rates, rent levels and gross asset values of the Group's properties. If the general economic situation weakens, the value and rental income of the Group's property portfolio may decline. The majority of the Group's property portfolio is located in Sweden and the Group operates in different geographical markets throughout Sweden. In 2015, Swedish GDP grew by 4.0 percent. This was followed by slower growth in subsequent years, with GDP growth of 3.3 percent, 2.4 percent and 2.3 percent for the years 2016, 2017 and 2018, respectively. The European Commission has projected Swedish GDP growth of 1.3 percent for 2019 and estimated that this will slow to 1.2 percent in 2020. While Sweden maintains a strong labour market and elevated employment and activity rates, there can be no assurances that these positive trends will continue. Sweden's economy may also be impacted by its neighbouring countries which could result in deterioration of the economic conditions in Sweden. Additionally, the Group's community service portfolio is affected by demographic trends such as the growing prevalence of aging populations and increasing rural-to-urban migration in the Nordic region. The demographic trends impact the level of supply and demand for the Group's properties and fluctuations in demography could have a material adverse effect on the Group's results of operations and profitability.

In addition to operating in various regions in Sweden, the Group also operates in different regions within Norway, Finland and Denmark. Differences between these countries, as well as their internal regional variances, may result in significant differences in the economic conditions in their respective regional property and rental markets, the level of supply and demand for properties and the return on property investments. Consequently, economic downturns or fluctuations could have different impacts within the Group's different market areas. A downturn or fluctuation in growth in the local markets in which the Group operates may affect occupancy rates and rent levels, which can negatively impact the Group's rental income, and may negatively impact the Group's business overall, its financial position and its earnings. If demand to rent the Group's properties falls in any or all of the geographical markets where the Group's properties are located, this could have a material adverse effect on the Group's results of operations and profitability.

The Group's financial position and results of operations are subject to risks related to developments in the global financial markets

The Nordic markets are affected by developments in the global financial markets, which continue to experience disruptions, including increased volatility and diminished liquidity and credit availability. Concerns about credit risk (including that of sovereigns) have increased globally, especially with the presence of significant sovereign debts and/or

RISK FACTORS

fiscal deficits in a number of European countries and the United States. This has raised concerns regarding the financial condition of financial institutions and other corporates located in these countries, having direct or indirect exposure to these countries, and/or whose banks, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions globally, could cause severe stress in the financial system generally and could adversely affect the markets in which the Group operates and the businesses and economic condition and prospects of the Group's counterparties or customers, directly or indirectly, in ways that are difficult to predict. The Group largely finances its operations by incurring debt and had, as of 30 September 2019, a Loan-to-Value Ratio of approximately 38 percent.

Adverse developments in the global financial markets could limit the Company's access to the capital it requires to finance its operations and could have a material adverse impact on the Group's financial position and results of operations.

The Group operates in a competitive market and the Group may fail to compete successfully

The Group is active in the property industry which is subject to substantial competition, including from community service property providers such as Vacse AB, Hemsö Fastighets AB, Hembla AB and Hemfosa Fastigheter AB and residential property providers such as Rikshem AB, Heba Fastighets AB, Kojamo Oyj, Wallenstam AB, Hemsö Fastighets AB and Hemfosa Fastigheter AB. The Group's competitiveness is dependent on its ability to acquire desirable properties in attractive locations, attract and retain tenants, to anticipate future changes and trends in the industry, and to adapt swiftly to, for example, current and future market needs. Furthermore, the Group competes for tenants based on, for example, the location of the property, rents, size, accessibility, quality, tenant satisfaction, convenience and the Group's reputation.

The Group's competitors may have greater financial resources than the Group, a better capacity to withstand downturns in the market, greater access to potential acquisition targets, compete more effectively, retain skilled personnel and respond faster to changes in local markets. In addition, competitors may have a higher tolerance for lower yield requirements and more efficient technology platforms. Furthermore, the Group may need to incur additional investment costs to keep its properties competitive in relation to competitors' properties. If the Group cannot compete successfully, this can significantly impact rent levels and vacancy rates and the Group's income could be reduced.

The Group is exposed to the risk that it may be unable to sell any portion of its total portfolio on favourable terms or at all

The Group is exposed to risks arising from the illiquidity of parts of its property portfolio. Community service properties constitute a unique asset class as they have been adapted to fit specific purposes and there is a limited buyer universe and a limited number of investors in this sector. As a result, although municipalities and county councils have access to financing even when financial markets are distressed through entities such as Kommuninvest in Sweden, the market for the types of properties the Group owns or may acquire in the future is characterized by limited liquidity. If the Group is required to liquidate parts of its portfolio on short notice for any reason, including raising funds to support its operations or to repay outstanding indebtedness, the Group may not be able to sell any portion of its portfolio on favourable terms or at all. In the case of an accelerated sale, there may be a significant shortfall between the fair value of the property or property portfolio being sold and the price at which the Group could otherwise sell such property or property portfolio. Any such shortfall could have a material adverse effect on the Group's financial position and results of operations. In addition, the Group may face further difficulty in disposing of its properties due to covenants and pledges limiting asset disposals in the Group's financing agreements. These restrictions could complicate or delay any proposed property development.

Additionally, in the Group's acquisition agreements, fixed-term warranties regarding the property and the acquired company are regularly provided by the seller. These warranties may not cover all risks or may fail to cover such risks sufficiently. Additionally, there is a risk that a warranty made by a seller may be unenforceable due to the seller's insolvency or otherwise as well as the risk that when subsidiaries of the Group sell properties and companies, the buyer may bring warranty claims against the Group in relation to any damage that may have arisen. Moreover the Group's business includes the ongoing disposal of properties for recycling of capital and there are risks associated with this owing to the nature of the Group's portfolio and potential difficulties finding prospective buyers.

Any of the foregoing factors could lead to properties being sold at a price considerably lower than anticipated, which could have a material adverse impact on the Group's financial position and results of operations.

The gross asset value of the Group's properties shown in the valuation reports may prove to be inaccurate and the gross asset value may decrease in the future

The Group's properties are reported at market value in the Group's consolidated balance sheet with changes in value being shown in the income statement.

The Group reports its investment properties at fair value. Under the Group's valuation policy, 100 percent of its properties are valued as of 30 June and 31 December of each year by external valuers Newsec Advice AB, Jones Lang LaSalle Holding AB, Savills Sweden AB and Colliers International Danmark A/S. Values as of 31 March and 30 September of each year are usually determined based on internal valuations, but have been based on external valuations as of 31 March 2019 and 30 September 2019 that have been prepared in connection with preparing prospectuses. As of 30 September 2019, the gross asset value of the Group's properties was SEK 30.8 billion. Property valuations represent the opinion of the independent appraiser who prepares the valuation report and the assumptions underlying the appraisals are tested, as is customary, through random sampling. Additionally, property valuations by their nature are based on a number of assumptions that may not prove to be accurate. Such assumptions include property specific assumptions regarding rent levels, occupancy rates and operating expenses and market specific assumptions regarding macroeconomic developments, general economic trends, regional economic development, employment rates, production rates of new premises, changes of infrastructure and inflation and interest rates in Sweden, Norway Finland and Denmark. It is possible that the valuations received by the Group do not accurately represent the current value of the Group's properties or reflect the amounts for which the properties could be sold. Moreover, appraisal methods that are currently generally accepted and that were used for the purpose of developing valuation reports of the Group's portfolio may in hindsight be determined to be unsuitable. It cannot be ruled out that the assumptions underlying the appraisals of the properties in the past or in the future may later be determined to have been erroneous. Accordingly, investors should not assume that the gross asset value of the Group's property as shown on the balance sheet is accurate or will not change in the future.

The real estate market and property prices are subject to fluctuations. If the gross asset value of the properties decreases, the decrease in value will adversely impact the Group's results of operations. In addition, a reduction in gross asset value could result in a breach of certain covenants in the Group's financing agreements, which in turn could result in such financings being accelerated prior to maturity and consequently affect the liquidity of the Group.

2. RISKS RELATED TO THE GROUP'S OPERATIONS

Decreases in the Group's rental income and Economic Occupancy Rate and increases in tenant turnover may have an adverse effect on the Group's results of operations

The Group's commercial success depends on its ability to maintain and increase its rental income. Therefore, in addition to rental rates, a notable risk to the Group's operations is related to its Economic Occupancy Rate and to a lesser extent tenant turnover and, by extension, the amount of rental income the Group is able to generate. These depend on, among other things, macroeconomic conditions, demographic trends and the level of new residential construction, which could increase the supply of rental properties relative to demand. Furthermore, if the condition, location or other characteristics of the properties in the Group's property portfolio are not responsive to the demand, this may negatively affect the Group's ability to maintain and increase rent levels and total rental income.

The Economic Occupancy Rate of the Group's property portfolio has a significant impact on the Group's rental income and, therefore on the profitability of the Group's operations. The Economic Occupancy Rate of the Group's properties was 95.3 percent as 30 September 2019, 96.2 percent as of 31 December 2018, 96.8 percent as of 31 December 2017 and 98.3 percent as of 31 December 2016. There can be no assurances that the Group will be able to maintain its Economic Occupancy Rate at similar levels in the future. If the Group's Economic Occupancy Rate were to decrease, the Group's total revenue would decrease while its maintenance and financing costs would likely remain relatively constant. Additionally, tenant turnover may result in additional costs for the Group owing to, for example, the expenses associated with arranging and signing new lease agreements and the cost of minor renovations and maintenance typically made following a tenant's departure from a property.

The Group aims to maintain and increase its rental income, secure a high Economic Occupancy Rate and reduce tenant turnover and related costs by (i) enhancing the desirability of its housing through planned maintenance and renovations, (ii) actively developing its property portfolio to meet the demands of existing and prospective tenants, and (iii) maintaining tenant satisfaction. However, there can be no assurances that any measures that the Group takes will achieve the intended goals and provide a service level that meets the needs of existing and prospective tenants.

If the Group, despite the aforementioned measures, fails to maintain and, where possible increase its rental income as it anticipates or fails to maintain a high Economic Occupancy Rate, this could have a material adverse impact on the Group's results of operations.

RISK FACTORS

The Group's rental income may be adversely affected if the Group's largest tenants do not renew or extend their leases

Decreased occupancy and rental rates can negatively affect a property company's earnings and this risk is heightened when a property company has a high concentration of large tenants, including tenants that hold multiple leases across a number of properties. As of 30 September 2019, the Group's top 10 community services properties tenants by Passing Rent accounted for 43 percent of the Group's Passing Rent in this segment. If the Group's largest tenants do not renew or extend a significant number of these leases when they expire, in the long-term this could lead to reduced rental income and increased vacancies. If these tenants experience financial difficulties or are otherwise unable to fulfil their obligations under any lease, this could have significant consequences for the Group, resulting in the Group's rental income being significantly lower than estimated. Vacancies prevent property owners from benefiting from their properties' full earning capacities. Occupancy rates may decrease if tenants move out and the premises cannot be rented out again immediately, or within a reasonable period of time. Additionally, this could lead to the Group having to expend money and resources in order to find replacement tenants, thereby incurring unexpected legal or marketing costs and if the Group is unable to replace outgoing tenants this may result in a decreased Economic Occupancy Rate and additional turnover costs. If the Group fails to retain its largest tenants, or if its largest tenants are unable to fulfil their obligations, it can lead to a loss of rental income and cause the Group to incur additional expenses and/or interest costs until the property is re-let.

The Group's rental income could be adversely affected by tenants' failure to fulfil their obligations

Rental income constitutes the Group's main source of current earnings. This income needs to cover operation and maintenance costs, administration costs, financing expenses and dividend targets. The Group is exposed to the risk that tenants will not pay their rent in a timely fashion. If tenants do not pay their rent on time or at all, or otherwise fail to fulfil their obligations under their lease, this could lead to reduced rental income. A decline in rental income as a result of tenants' failure to pay their rent could result in lower cash flows and earnings for the Group's operating activities, which could adversely impact the Group's results of operation.

The Group's rental income for its community service properties, is predominantly paid, directly or indirectly, by state, municipalities and county councils and is therefore affected by the capacity to pay of such social institutions in Sweden, Norway, Finland and Denmark. Lease lengths are typically between 5-15 years and base rent is commonly adjusted annually through indexation. The Group's rent-regulated residential contracts operate without a fixed maturity. Rent is negotiated between the landlord and the Swedish Union of Tenants on an annual basis and is affected by the standard of the properties. Rental income for both the Group's community service properties and the Group's rent-controlled residential properties is also impacted in the long-term by supply and demand in the markets in which the Group operates. A common cause of lower rental income is a lower occupancy rate.

The Group may be adversely affected by increased maintenance and repair costs and damage and defects at properties and these factors could lead to increased costs and reputational damage for the Group

All of the Group's properties will require some level of repair and maintenance in the future following expiration of current lease agreements or otherwise. Such regular property maintenance is necessary in order to maintain the fair value of and rent levels of the properties in the Group's portfolio. However, the amount of required maintenance and repair work may increase, for example, as a result of changes to energy efficiency or other requirements set to residential properties or as a result of damage caused by tenants or other parties. In addition, the associated maintenance costs may increase as a result of inflation, which is beyond the Group's control and the Group's repair cost and modernization investments may increase more than the Group currently anticipates as a result of its growth strategy and the related party acquisitions and real estate development projects. Furthermore, if some maintenance needs are not recognized in time and as a result the level of maintenance is left insufficient, this may lead to decreases in the value of such properties, and the Group may also need to set lower rent levels in these properties.

Operating in the real estate industry also entails the possibility of technical risks. Technical risks refer to the risks associated with the technical operation of properties, such as the risk of design errors, other hidden defects or deficiencies, damage (caused, for example, by fire or another force of nature, or by tenants) and contaminants. If technical problems arise, they can lead to a significant increase in costs for the Group. In addition, a property company's reputation is particularly important in relation to new and current tenants. If the Group fails to adequately respond to technical or maintenance problems, the Group's reputation may be damaged, which in turn can lead to difficulties in retaining current tenants or attracting new tenants. If the Group's reputation is damaged or it has increased costs due to technical damage, this can lead to a loss of income and/or lost growth opportunities.

The Group may not be able to successfully execute some or all of its strategic initiatives and/or the benefits of these initiatives may not be achieved at the time or to the extent expected, or at all

Successful execution of the Group's strategic initiatives is not assured, and the Group may fail to achieve management's guidance, targets or expectations in respect to its financial and operational targets or may not realise all or part of the benefits that it expects from its current plans or other future initiatives. No assurance can be given that the implementation of the Group's strategy and/or the achievement of its financial targets or investment objectives will be successful under current or future market conditions. The Group's approach may be modified and altered from time to time. It is therefore possible that the approach adopted to implement its strategy and achieve its financial targets and investment objectives in the future may be different from that presently expected to be used and disclosed in this Offer Document. In addition, the Group's ability to carry out acquisitions pursuant to its growth strategy, will depend on a number of factors, including its relationships with municipalities and its ability to identify acceptable targets for acquisition and obtain necessary financing. SBB is often approached as the first potential buyer approached by a seller before the seller begins a more broadly marketed sale process. These off-market transactions provide the Group with a competitive advantage to acquire diverse portfolios of social infrastructure properties. If the Group's relationships with municipalities change such that it is no longer able to take advantage of off-market transactions, it may be unable to successfully execute its strategic objectives relating to real estate transactions.

If the Group is unable to achieve its targets, this could have a material adverse impact on the Group's business and results of operations.

The Group may be exposed to risks associated with its property development activities such as the timely receipt of necessary zoning changes and construction permits

The Group's property development activities involve the identification of opportunities to develop community service properties or rent-regulated residential projects in the Nordic region and the development of such projects up to the commencement of construction. The Group assesses the current status of the chosen site, its long-term prospects and conducts its due diligence. The main critical factors investigated are the property's technical condition, its net operating income and any potential legal risks. In general, the Group seeks to sell its development projects at the pre-construction phase upon zoning being granted or to enter into a joint venture with the developer to eliminate (or reduce in the case of joint ventures) the Group's exposure to construction risks.

Two of the principal risks associated with the Group's property development activities relate to its ability to obtain necessary changes to zoning and to its ability to obtain all necessary construction permits to develop the relevant site in a timely manner. Although SBB is always involved in the zoning plan process, the municipalities involved have the final say on the implementation of these plans and additionally there may be some relatively minor but unforeseen financial costs associated with completing the necessary zoning plans and obtaining the required planning permits. The Group acquires properties for its property development business based on its expectations regarding the possibility of rezoning. The Group's development activities also entail identifying suitable geographical areas for development projects and information from third parties may be disclosed to the Group concerning zoning plan processes and future land utilisation, which the Group then uses as the basis for its investment and project decisions. Such information may turn out to be incorrect and municipalities or decision-makers may deviate from such information, which can ultimately result in the Group carrying out projects at less than favourable geographical sites.

The Group may be required to apply to municipalities or other government agencies for various permits and registrations in order to be able to carry on its property development business and the Group acquires properties for its property development business based on its expectations regarding its receipt of all necessary permits. Good relations with municipalities are therefore important and these relations are subject to change over time thereby potentially affecting the Group's ability to obtain changes in zoning according to its development plans. There is a risk that the Group will not be granted a vital permit, permits may not be issued promptly or are issued subject to unforeseen conditions. As a result, the Group's property development activities may experience substantial delays, and this could negatively impact the Group's business, financial position, results of operations and prospects.

If the Group is unable to have the relevant property rezoned or if necessary permits cannot be obtained in a timely manner and without complications, there is a risk that the value of the relevant projects may be less than the Group expected which could adversely affect the Group's financial position.

The Group is subject to counterparty risk with respect to its outsourcing arrangements with external service providers

The Group's existing operational model includes the use of external service providers for certain finance and accounting functions, human resources services and certain marketing, property management and property development activities. These external service providers are used for, among other things, property management services such as billing and collection of rent, and property maintenance, the provision of certain information technology ("IT") services and

RISK FACTORS

marketing services See “*Legal consideration and supplementary information – Intellectual Technology*”. While these outsourcing relationships are closely monitored, there is a risk that the Group’s external service providers may fail to perform their required duties adequately and therefore the Group may experience delayed or reduced rental income, interruptions or malfunctions in its IT systems, or other negative outcomes that may negatively impact the Group’s operating performance or reputation. Additionally, the Group enters into contractual agreements with these external service providers and is exposed to the risk that these contracts may need to be revised in the future. If any of the Group’s external service providers are unable or unwilling to fulfil their obligations towards the Group, this could have a material adverse impact on the Group’s business.

The Group’s business may be adversely affected if the acquisition and integration of properties and property companies is not successful

The Group’s strategy includes organic growth through direct property acquisitions as well as growth through acquisitions of companies that own properties. Acquisitions expose the Group to a number of risks. For example, when deciding to make an acquisition, the Group makes certain assumptions and determinations based on its due diligence of the properties to be acquired, as well as other information then available, including assumptions regarding future rental income and operating costs. However, these assumptions and determinations involve risks and uncertainties that may cause them to be incorrect, and therefore the Group may not realise the full benefits it expects from an acquisition. Other risks involved in the acquisition of property include risks linked to future losses of tenants, environmental conditions and technical shortcomings. The acquisition of property companies is also associated with the risk of, for example, higher taxes and the risk of legal disputes as well as higher leverage and higher interest costs. Anticipated economies of scale and cost savings may not be realized in whole or in part or may occur later than anticipated. This may result in higher administrative costs than planned. There can also be no assurances that the systems, operations or controls required to support the expansion of the Group’s business are sufficient and they may require continued development.

In addition, acquisitions of property companies can expose the Group to additional risks. These risks are mainly related to the integration of the acquisitions, such as the inability to retain key individuals, merging costs, organisational costs, unexpected costs and difficulties in achieving the anticipated synergies from the acquisitions and the successful implementation of the Group’s strategy in the aftermath of the acquisition. As the Group is engaged in acquisitions on an ongoing basis, these risks may be recurrent and accordingly, acquisitions can entail significantly higher costs than originally estimated. The Group is continually exploring opportunities to acquire properties and property companies, and therefore the Group is exposed to the risk of unexpectedly increased transaction costs or cancelled acquisitions. In addition to the risks associated with the acquired properties themselves, certain acquisitions may be overly complex or difficult to integrate, thus diverting attention and resources from being deployed elsewhere. Additionally, if any of the foregoing risks relating to future acquisitions materialize, the Group’s results of operations could be materially adversely impacted.

The Group’s success, future operations and business plan depend upon its ability to attract, motivate and retain key personnel

Being able to attract, motivate and retain qualified personnel in general and qualified officers of the Group in particular is important for the Group’s success, future operations and business plan. The Group is particularly dependent on the knowledge, experience and commitment of the officers of the Group, including Ilija Batljan, the Group’s Chief Executive Officer, Chairman of the Management Team, Board member and the Company’s largest shareholder. In order to attract, motivate and retain certain key personnel, the Group may be required to increase compensation to such individuals, resulting in additional expenses. If the Group is not able to attract and retain qualified personnel in the future, this could have a material adverse impact on the Group’s prospects.

3. RISKS RELATED TO THE GROUP’S FINANCING ARRANGMENTS

The Group finances itself by incurring debt which exposes it to certain risks

Although the Group maintains an investment grade rating, it has a significant amount of debt. As of 30 September 2019, the Group’s interest-bearing liabilities amounted to SEK 25,331 million. The debt maturity structure for the interest-bearing liabilities amounted to a nominal amount of SEK 25,457 million, of which SEK 1,960 million (including commercial paper) (equivalent to 8 percent) must be renewed or refunded within the coming year, SEK 2,522 million (equivalent to 10 percent) must be renewed or refunded within one to two years and SEK 8,406 million (equivalent to 33 percent) must be renewed or refunded within two to five years. There is a risk that the Group will be unable to secure financing at favourable rates or at all, as in the future loans may need to be obtained at significantly higher costs than at present, lenders may choose not to extend the Group’s loans at maturity or there may

not be alternative credit facilities at the Group's disposal. Additionally, the Group intends to raise debt by accessing the capital markets. Capital markets are affected by general market conditions and therefore the Group is exposed to the potential effects of adverse market conditions such as interest rate fluctuations and inflation which may affect the Group's ability to access capital markets.

The Group's operations have historically been financed by bank borrowings or bonds and it is likely that the capital necessary to finance future acquisitions as well as capital expenditure on existing properties will be obtained from these sources. The Group's ability to obtain financing in the future will depend upon its business, prospects and market conditions. In the event of adverse market conditions, the Group's financial performance may suffer which may reduce the availability of financing to the Group. In addition, certain of the Group's indebtedness contains financial covenants, which particularly in the event of adverse market conditions could have negative consequences for the Group, including the following:

- the Group's financial and operating flexibility in planning for, or responding to, changes in its business and industry could be limited;
- the Group's ability to fund capital expenditures on existing properties could be limited as the Group may be required to dedicate a portion of its cashflow from operations to making payments on its debt;
- the Group's ability to exploit business opportunities or make acquisitions or investments could be restricted;
- the Group's ability to incur additional indebtedness or to secure any future indebtedness could be limited;
- the Group's ability to pay dividends may be limited; and
- the Group may be at a disadvantage compared to those of its competitors that have less debt.

The Group is also exposed to credit risks relating to its financial operations. Such credit risks arise in connection with, among other things, investments of the Group's cash resources, entering into interest rate hedging agreements and entering into long-term and short-term credit agreements. If the Group's financial counterparties, do not fulfil their obligations towards the Group, their defaults could have a material adverse impact on the Group's business, financial position, results of operations and prospects.

Fluctuations in interest rates may decrease the value of the Group's properties and increase the cost financing and thereby adversely affect the Group's business

Interest expense on the Group's indebtedness is one of the Group's main cost items. Although the Group's policy is to incur fixed rate indebtedness or to enter into interest rate hedges to reduce its exposure to floating interest rates, in the long-term, adverse changes in interest rates could have a significant effect on the Group's results and cash flows. The current low interest rate environment in Sweden and the rest of the European Union has had a significant impact on the residential property market leading to high valuations for residential properties. However, it is possible and likely that interest rates will increase in the future and this will be coupled with high Swedish household indebtedness. Any increase in interest rates may have a negative effect on the Group's residential portfolio and may require the Group to record fair value adjustment losses. Such losses would result in a corresponding decrease in the value of the Group's properties as reported on its balance sheet and in the Group's fair values and increases in the Group's loan to value. Further, increases in interest rates generally may cause demand for residential properties to decrease and could have an adverse effect on the ability of potential buyers to finance purchase of properties. Inflation also affects the Group's costs. Any changes in inflation and interest rates may also affect the gross asset value of the Group's properties. Materialisation of any of the above risks could have a material adverse impact on the Group's business, financial position, results of operations and prospects.

Any downgrade of the Group's existing or future credit ratings could increase the Group's borrowing costs and affect its ability to access the capital markets

In order to fund acquisitions of properties, the Group will be dependent on its ability to access the capital markets and its cost of borrowing will be affected by its credit rating. The Group has been assigned a long-term debt issuer rating of BBB- with stable outlook by Fitch Ratings Limited ("Fitch") and BBB- with positive outlook by S&P Global Ratings Europe Limited ("S&P"). Third party rating agencies may also issue unsolicited ratings intended to measure the Group's ability to repay its obligations and are based upon criteria established by such agencies. The Group's credit rating is subject to periodic review and may be revised downward or revoked.

Rating agencies assign credit ratings based on several factors, most of which are company specific. However, some factors relate to general economic conditions and circumstances that are outside the Company's control. The Group cannot predict what actions rating agencies may take, or what actions may be taken in response to the actions of rating agencies. Any downgrade or revocation of a credit rating assigned to the Group could increase the Group's borrowing cost and impact its financial flexibility and competitive position. Changes in methodology and criteria used by rating agencies could result in downgrades that do not reflect changes in general economic conditions or the financial condition of the Group.

RISK FACTORS

The Group is exposed to foreign exchange risk as a result of operating in multiple geographical markets

The Group operates in multiple geographical markets and is exposed to foreign exchange translation risk due to its investments in Norway, Finland and Denmark. The Group's reporting currency is SEK, and all balance sheet items for foreign properties as well as all income and expenses generated by them are converted to SEK. The Group's most significant exchange rate risk relates currently to NOK denominated rental income, maintenance costs and property valuations as 9 percent of the Group's property portfolio is located in Norway, making it the second largest market for the Group's properties. Additionally, the Group is exposed to euro related exchange fluctuations due to its euro-denominated bonds. The Group monitors and assesses trends in foreign currency exchange rates on an ongoing basis and seeks to address its exposure to fluctuations in currency exchange rates naturally by seeking to match the exposure of its non-SEK denominated assets by incurring indebtedness in local currency when possible and, to a more limited extent, utilising currency hedges for individual transactions. For the nine months period that ended 30 September 2019, the Group's translation gains amounted to SEK 15 million. There can be no assurances that the Group's hedging strategy will adequately protect its results of operations from currency exchange fluctuations or that it will be able to adequately manage such risks in the future. Accordingly, adverse movement in foreign currencies, particularly NOK or EUR against SEK, could have a material adverse impact on the Group's results of operations.

4. RISKS RELATED TO LEGAL, REGULATORY AND CORPORATE GOVERNANCE ISSUES

The Group may fail to comply with applicable regulations and risks being involved in legal and administrative proceedings

The Group operates across various geographical markets and its business must comply with the requirements set out in a number of codes, acts and regulations in the jurisdictions in which it operates including zoning regulations, building standards and safety regulations, among others. For example, in Sweden, the Group's business is regulated by, amongst others, the Swedish Environmental Code (Sw. *Miljöbalken* (1998:808)) and the Swedish Planning and Building Act (Sw. *plan-och bygglagen* (2010:900)). Failure to comply with the Swedish Environmental Code could result in environmental sanction charges, that amount to at least SEK 1 thousand and at most SEK 1 million, while a violation of the Swedish Planning and Building Act could prohibit the continuation of building work on the Group's properties, the imposition of fees or the removal of any additions made in the course of a renovation done without the required permit. New acts and regulations, or a change in the application of existing legislation that the Group must take into account in its operations, or changes that affect the operations of the Group's tenants, may negatively impact the Group's business, financial position, results of operations and prospects. In addition, there is a risk that the Group's interpretation of existing codes, acts and regulations is incorrect, or the accepted interpretation of these codes could change in the future which could cause the Group to incur increased costs or face the risk of material fines or penalties.

The Group also risks becoming involved in legal or administrative proceedings, which could result in significant claims for damages or other demands for payment, including claims for damages from customers or competitors for breaches of competition law. It is inherently difficult to predict the outcome of legal, regulatory and other adversarial proceedings or claims and if the outcome of any future legal or administrative proceeding turns out to be negative for the Group, this could have a material adverse impact on the Group's financial position and results of operations.

The Group's operations are exposed to environmental risks and must comply with various health and safety and environmental regulations and these may adversely affect the Group's operations and future earnings

The Group's operations in property management and property development carry environmental risks and the Group is subject to environmental regulations that may impose liability if the Group fails to comply. Although the Group conducts inspections during the acquisition of individual properties, there is a risk that environmental regulations were not complied with. Under current environmental legislation in the jurisdictions in which the Group operates, an operator that has contributed to the contamination of a property is also liable for its remediation. If the operator cannot carry out or pay for remediation of the property, the party who acquired the property and who, at the time of acquisition, knew about or ought to have known about the contamination, is liable for the remediation. This means that under certain circumstances, the Group may be ordered to restore the property to a state that is compliant with environmental legislation. This may involve soil decontamination or remediation in respect of the presence of, or suspicion of the presence of, contaminants in the soil, catchment areas or groundwater. The cost to the Group of investigation, removal, or remediation required to comply with environmental regulations may be substantial and therefore such orders may negatively impact the Group's earnings, cash flow and financial position. Furthermore, any future changes to the laws, regulations and requirements from authorities in the environmental sector could result in

increased costs for the Group with respect to sanitation or remediation regarding currently held or future acquired properties. Such changes could also result in increased costs or delays for the Group in carrying out any of its development projects.

The Group is and may also be subject to further regulation in areas such as occupational health and safety, the handling of asbestos and asbestos removal, as well as acts and regulations limiting emissions of greenhouse gases such as through energy and electricity consumption. Non-compliance with such acts and regulations in any of the jurisdictions in which the Group operates may result in the government issuing orders for enforcement measures, imposing fees or fines, and in some cases even imposing restrictions on the operations of the Group, which can be serious.

Furthermore, contaminants may also be detected on properties and in buildings, in particular during renovation processes or when buildings are upgraded for environmental certification. The discovery of any contaminants or residual pollution in connection with the lease or sale of properties could trigger claims for rent reductions, damages or lease terminations. Measures to remove such contaminants or remediate any pollution can be required as part of the Group's ongoing operations and may, depending on the extent of the contamination, involve considerable costs and have a material adverse impact on the Group's results of operations.

The Group's tax situation may worsen if changes are made in taxation legislation

The Group operates through a number of subsidiaries in Sweden, Norway and Finland and Denmark. For the 2018 fiscal year the Group's taxation costs amounted to SEK 214 million. The handling of tax issues within the Group is based on interpretations of current taxation legislation, tax treaties and other taxation regulations in the countries concerned, and the determinations of the affected tax agencies. Furthermore, the Group regularly obtains advice from independent tax experts on these matters. From time to time, the Group and its subsidiaries are subject to tax audits and reviews. There is a risk that tax audits or reviews will result in additional tax is charged, for example in relation to previously finalized acquisitions, mergers, demergers and restructuring of companies, share transactions with employees, deductions for cost of interest and deductions for costs of improvements on properties not owned by the Company.

On 30 March 2017, the Swedish government introduced a bill (SOU 2017:27) which, if passed, is likely to affect the future taxation of property investments. The bill, which was submitted for consultation in the summer of 2017 and is now being dealt with by the Swedish Government, refers to changes in current income tax as well as stamp duty and capital gains tax. Under the bill a deferred tax liability attributable to the difference between the residual value for tax purposes and the market value of the property will be taxed in the case of some changes in ownership of a company that owns property, and that indirect sales of properties will be subject to stamp duty. If the bill is adopted in its current form, it could result in tax being payable on all of the Company's future divestments of property-owning companies.

If the Group's interpretations of taxation legislation, tax treaties and other taxation regulations or their applicability are incorrect, if one or more government agencies are successful in making adverse adjustments to the tax payable for a business unit within the Group, or if the current legislation, treaties, rules or interpretations thereof change, or administrative practices in respect thereof change, including those with retrospective application, the Group's previous and current management of tax issues may be challenged. If the tax agencies are successful in their claims, this could lead to an increased tax expense (including a tax surcharge and interest) which could have a material negative impact on the Group's results.

The Company may be or become a passive foreign investment company, which could result in materially adverse United States tax consequences to United States investors.

Based on its income, assets and business activities, the current and anticipated valuation of its assets and the composition of its income and assets, SBB does not believe it was a passive foreign investment company (a "PFIC") for its most recent taxable year, and it does not expect to be a PFIC for the current taxable year or in the foreseeable future. However, since the PFIC status of a non-U.S. corporation depends upon the composition of its income and assets as measured from time to time, there can be no assurance that SBB will not be classified as a PFIC for any particular taxable year. If SBB is classified as a PFIC, this may result in materially adverse consequences for U.S. taxpayers that invest in its shares.

The Group's failure to comply with the European Union's General Data Protection Regulation may adversely affect the Group's business activities and financial position

The Group processes a variety of personal data, primarily including the data of its current tenants and employees both in electronic and physical form. The Group also processes the data of relatives of its employees, applicants for apartments or employment, and investors. This personal data is mainly processed for the purpose of entering into and executing lease agreements or in order to execute employment agreements. The European Union's ("EU") general data protection regulation 2016/679/EU ("GDPR"), entered into force on 24 May 2016 and has been applied since 25 May 2018. The main objectives of the GDPR are to harmonize EU laws on personal data and facilitate the flows of data across EU

RISK FACTORS

as well as to ensure that personal data enjoys a high standard of protection everywhere in the EU. The GDPR includes new requirements for the handling of personal data. If the Group's systems that house this personal data are hacked, the Group has shortcomings in its processing of personal data or fails to comply with the GDPR, the Group could be subject to substantial monetary fines which could have a material adverse impact on the Group's business and financial position. The Swedish Data Inspection Authority can impose an administrative sanction fine on a company that violates GDPR rules. The fine can amount to at most EUR 20 million or four percent of the company's total global turnover of the preceding fiscal year, depending on which is higher. For less severe violations the fine can at most be EUR 10 million or two percent of the company's total global turnover for the preceding fiscal year.

5. RISKS RELATED TO SHARES

The Company's share prices may be volatile or fall and liquidity in the Company's shares may be restricted

A potential investor should note that an investment in the Company's shares is associated with risks. Publicly traded securities experience from time to time significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. The market price of the Company's shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control including:

- variations in financial or operating results in the Group's reporting periods, including differences between expected and actual performance;
- changes in market valuation or operating or financial results of similar companies;
- announcements by the Group of significant contracts, acquisitions, joint ventures or capital commitments or speculation, whether or not founded, regarding the same;
- adverse resolution of regulatory proceedings or inquiries, new or pending litigation or other proceedings against any member of the Group;
- speculation, whether or not well-founded, regarding future issues or sales of shares;
- general economic, industry, market, political and regulatory conditions;
- strategic actions by competitors (including acquisitions and restructurings);
- speculation, whether or not founded, regarding the intentions of the Company's major shareholders (being those shareholders interested directly or indirectly in five percent or more of the shares or votes of the Company, as described in "Shares and Share Capital – Ownership Structure" ("Major Shareholders")) or significant sales of shares by any such shareholders or short-selling of the shares; and
- stock market price and volume fluctuations.

Thus, there are no guarantees with respect to future growth in the Company's share prices, and consequently the value of an investment can increase as well as decrease.

Restricted liquidity in the Company's shares can further augment fluctuations in its share prices. During the nine months period that ended 30 September 2019 the Company's Class B and D common shares and preference shares were traded at an average volume of SEK 20.6 million, SEK 13.9 million and SEK 0.3 million, respectively, per day of trading. Restricted liquidity in the Company's shares can also make it difficult for individual shareholders to dispose of their shares. There is a risk that shares in the Company cannot be sold at a price that is acceptable to the shareholder, or at all, at any given point in time.

Selling of shares by existing shareholders can cause share prices to fall

The price of the Company's shares can fall if large volumes of shares in the Company are sold, in particular when shares are sold by the Company's Board members, officers of the Group, or Major Shareholders; or when a large number of shares are sold by other shareholders. The Company's Major Shareholders together have a shareholding, directly or indirectly through companies, amounting to approximately 50.5 percent of the shares and 79.8 percent of the votes as of 30 September 2019. Ilija Batljan is the Company's largest shareholder with 13.0 percent of the shares and 39.8 percent of the votes. Sales conducted by the members of the board, executive management or larger shareholders, or the perception that such sale is pending, and sales of large holdings or the perception that such sales are pending, could have negative impact on the Company's stock price.

The Company's largest shareholders have a controlling influence over the Company and may delay or prevent changes in control of the Company

Current Major Shareholders have a controlling influence over the outcome of matters submitted to the Company's shareholders for decision, including the selection of members of the Board and potential mergers; and consolidation or the sale of all, or almost all, of the Company's assets. The Major Shareholders are composed of board members, some of

whom form part of the Company's executive management. Current Major Shareholders control approximately 79.8 percent of the Company's voting rights and have a controlling influence over the officers of the Company and its business activities.

Their interests can deviate substantially from or compete with the Company's interests or the interests of other shareholders, and they may exercise their influence over the Group in a way that is not in the interests of the other shareholders. For example, there may be a conflict between the current Major Shareholders' interests on the one hand and the Group or the Company's other shareholders' interests on the other hand when it comes to decisions on how to distribute profits. Such conflicts of interests could have a substantial negative impact on the Group's business activities, earnings and financial position.

As far as is known to the Group, there are no agreements in existence between the Major Shareholders. Irrespective of this, the interests of the Major Shareholders can deviate substantially from or compete with the Group's interests or the interests of the Company's other shareholders, and the Major Shareholders may exercise their influence over the Company in a way that is not in the interests of the other shareholders.

Some of the Group's agreements may be affected by changes of control of the Group

In some of the Group's agreements, mainly in respect of issued bonds and the Group's loan agreements with credit institutions, certain provisions may be triggered by a change of control of the Group. Under the Group's bonds, a change in ownership occurs in the event that one or several parties acting jointly become the holders, directly or indirectly, of more than 50 percent of the shares and votes in the Group or have the right to appoint all or a majority of the Board members. Although no change of control is anticipated in connection with the Takeover Offer, if a change of control occurs in the future, some rights of the counterparty or obligations for the Group, could be triggered by such changes of control and come into force, which may impact the Group's future financing. If the Group's financing is impacted, which could indirectly affect the Group's ownership of properties, this could have a material adverse impact on the Group's business, financial position, results of operations and prospects.

In addition, a tax loss carry-forward can be limited or lost as a consequence of future changes in Swedish taxation legislation or, under the present rules, as a result of a change in ownership which means that one or more of the shareholders according to a specific formula jointly hold shares acquired over a specific period of time and represent more than 50 percent of the votes. In the case of such a change in ownership, historic loss carry-forwards are lost to the extent that they exceed 200 percent of the cost of the acquisition of the controlling influence (where contributions and other value transfers may reduce the expense in some way). If the Group's tax loss carry-forward is lost or reduced, it could have a significant impact on the Group's tax burden, potentially entail a tax surcharge, and have a material negative impact on the Group's results of operations.

The Company's ability to pay dividends to its shareholders depends on the Group's financial position, capital costs and other factors and the Company may be unable to pay dividends as a result of dividend limitations in the provisions in the Group's issued bonds

The Company may not be able to, or may choose not to, pay dividends in the future. The size of future dividends from the Company is dependent on a number of factors such as the Group's future earnings, financial position and cash flows, working capital requirements, investments and other factors. There can be no assurance that the Company will pay dividends or, if it does choose to pay dividends, as to the amount of such dividends. Consequently, holders of the shares may not receive any return on their investment unless they sell their shares for a price greater than that which they paid for them, which may not be possible. The Company may not either have sufficient distributable earnings and the Company's shareholders may decide not to pay dividends in the future.

As of 30 September 2019, the Group had MSEK 17,833 in bond loans. Some of the bonds contain covenants which impose limitations on the Company's ability to make dividend payments to the extent a certain equity ratio is not maintained (after payment of the dividends). Therefore, there can be no assurance that the Company will pay dividends, or if it does choose to pay dividends, as to the amount of such dividends.

Exchange rate differences could have a negative impact on the value of shareholdings or of dividends paid

The Company's shares will only be listed in SEK and any potential dividends on the shares will be paid in SEK. Accordingly, the market price of the shares in currencies other than SEK may fluctuate due to changes in exchange rate and exchanging SEK into another currency may incur investors' additional transaction costs. The recent weak development of the SEK has thus had a negative effect on the value of shareholdings denominated in other currencies. This means that shareholders outside Sweden may experience a negative impact on the value of their shareholdings and dividends when these are converted to other currencies if the value of SEK falls relative to the currency in question. As of 30 September 2019, the Company had shareholders in several jurisdictions other than Sweden, amongst others in Belgium, Cyprus, Denmark, Finland, France, Hong Kong, Ireland, Canada, Norway, the UK and the US.

RISK FACTORS

The ability of overseas shareholders to bring actions or enforce judgements against the Group or the Directors may be limited

As stated above, as of 30 September 2019, the Company had shareholders in several jurisdictions other than Sweden. The ability of an overseas shareholder to bring an action against the Group may be limited by the law. The Company is a public limited liability company incorporated in Sweden. The rights of holders of the shares are governed by Swedish Law and by the Company's Articles of Association. These rights differ from the rights of shareholders in typical U.S. corporations and some other non-Swedish corporations.

An overseas shareholder may not be able to enforce a judgement against some or all of the Directors. All but one of the Directors are residents of Sweden. Consequently, it may not be possible for an overseas shareholder to effect service of process upon the Directors and within the overseas shareholder's country of residence or to enforce against the Directors any judgements of courts of the overseas shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an overseas shareholder will be able to enforce any judgements in civil and commercial matters or any judgements under the securities laws of countries other than Sweden against the Directors who are residents of Sweden or countries other than those in which a judgement is made. In addition, Swedish or other courts may not impose civil liability on the Directors in any original action based solely on the foreign securities laws brought against the Group or the Directors in a court of competent jurisdiction in Sweden or other countries.

Shareholders in the United States or other countries outside Sweden may be unable to participate in any future cash issues

If the Company issues new shares in a cash issue, as a general rule existing shareholder have a preferential right to subscribe for new shares in proportion to the number of shares they held prior to the cash issue. However, shareholders in some countries may be subject to restrictions which prevent them from participating in such share issues or in some other way impede or restrict their participation. For example, shareholders in the United States may be unable to subscribe for new shares unless the shares and warrants are registered under the U.S. Securities Act, or if no exemption from the registration requirements of the U.S. Securities Act is applicable. Shareholders in other jurisdictions outside Sweden can be affected in a similar way if the warrants and the new shares offered have not been registered with or approved by the competent authorities in those jurisdictions. As of 30 September 2019, the Company had shareholders in Canada, Hong Kong and the US, all of whom may be subject to such restrictions. The Company is under no obligation to submit a registration document under the U.S. Securities Act or seek similar approvals under the law applicable in any other jurisdiction outside Sweden for warrants and shares, and to do so in the future could be impractical and expensive. To the extent that the Company's shareholders in jurisdictions outside Sweden cannot exercise their preferential rights to subscribe for new shares in the future, their shareholdings in the Company could be diluted.

6. RISKS RELATED TO THE TAKEOVER OFFER

Conditions for the completion of the Takeover Offer may not be obtained within, for the Company, acceptable time or on, for the Company, acceptable terms.

The Company has set certain conditions for the completion of the Takeover Offer, amongst others that the Takeover Offer is accepted to such an extent that the Company will become the owner of 90 percent of the total amount of shares in Hemfosa and that required approvals from authorities are obtained within an, for the Company, acceptable period of time. Due to these conditions being out of the control of the Company there is a risk that the Takeover Offer might not be completed. The uncertainty related to the completion of the Takeover Offer could result in adverse impact on the Company's shares.

After the completion of the Takeover Offer, Hemfosa will be a part of the operations of the Group.

When the Takeover Offer is completed Hemfosa's business will become a part of the Group's business. There is a risk that the merger of the Group and Hemfosa is made more difficult or impossible by factors currently unknown to the Company.

In the section "*The Combined Company*" the expected effects of the transactions are described. Amongst others the cost and growth synergies that the transaction may entail are described. Whether these synergies will realise depend on a number of factors and is based on the Company's assessment of the future circumstances. However, there is a risk that the synergies might not be fully realised.

RISK FACTORS

Demands on integration arises in acquisition of companies to enable synergies in the new business. Since the intent is to coordinate the business in several different operations it is important that the integration process runs efficiently and without material loss of customers or personnel leaving. If the integration process continues during a longer period of time there is a risk that the Combined Company is adversely affected. There is a risk that the synergies and other positive effects that the Company expects do not realise fully, or at all, which could adversely impact the Combined Company's business.

In connection with the completion of the Takeover Offer, goodwill is accrued that over time may turn out to be misleading and lead to write-downs.

In connection with the completion of the Takeover Offer goodwill is accrued. This goodwill will be stated in its entirety in the Combined Company's statement of financial position. If the consideration paid by the Company to acquire Hemfosa over time would prove to be misleading and lead to write-downs it would entail that the Combined Company's equity and thereby solvency, would be diminished.

STATEMENT FROM THE CEO

Dear shareholder in Hemfosa,

I founded SBB in 2016 with the ambition to build the leading Nordic social infrastructure property owner, focused on community service properties in the Nordic region and Swedish rent-regulated residential properties. The business model and strategy have always been to own, manage and develop the properties by being a long-term partner to the public sector in the Nordic region. SBB also actively carries out property development activities where cash flow properties can be converted into building rights for social infrastructure. Since inception, the company has been on a growth journey and currently owns and manages a property portfolio with a market value of more than SEK 30 billion.

A beneficial and flexible offer...

There are many similarities between SBB and Hemfosa and therefore several advantages of a combination of the two companies. The combined entity would have an attractive and stable property portfolio characterised by exposure against the Nordic welfare states with long term leases, high occupancy rates and a diversified tenant base. It is a portfolio with notable low risk thanks to its unique combination of community service properties with the Swedish and Norwegian state as the largest tenants and Swedish rent-regulated residential properties. Our goal is that SBB will have a BBB+ rating within 12 months and we estimate that the combined group over time will benefit from an improved credit rating, which has the potential to significantly reduce the cost of funding.

The fact that the offer has alternatives creates flexibility and represents an opportunity to realise immediate value while retaining exposure to the development of the combined organisation and the synergy realisation.

... that creates a prominent property company well prepared for the future

To be a responsible owner aiming to fulfil general societal purposes is an important part of the core philosophy of both Hemfosa and SBB. In this regard, I believe that we are the right partner for Hemfosa. My vision is that the new combined entity will promote sustainable social progress by being the Nordics' largest company in social infrastructure.

THE TAKEOVER OFFER

SBB HAS ON 15 NOVEMBER 2019 MADE A RECOMMENDED PUBLIC OFFER TO THE SHAREHOLDERS IN HEMFOSA TO ACQUIRE ALL COMMON AND PREFERENCE SHARES IN HEMFOSA. HEMFOSA'S SHARE ADMITTED TO TRADING ON NASDAQ STOCKHOLM, LARGE CAP.

1 THE TAKEOVER OFFER

At announcement of the Takeover Offer, the Takeover Offer valued each Hemfosa common share at SEK 126.15 and each Hemfosa preference share at SEK 194.63 and the total Takeover Offer value for all shares in Hemfosa is approximately SEK 23,521 million (the “**Total Takeover Offer Value**”).¹

The Total Takeover Offer Value of approximately SEK 23,521 million, is comprised of the total Takeover Offer value for the common shares of approximately SEK 21,380 million (the “**Total Common Offer Value**”) and the total Takeover Offer value for the preference shares of approximately SEK 2,141 million (the “**Total Preference Offer Value**”).²

No commission will be charged in connection with the Takeover Offer.

Takeover Offer for common shares in Hemfosa

The total Takeover Offer consideration for Hemfosa common shares consists of a combination of cash and SBB Class B common shares. Subject to the potential adjustment of each individual Hemfosa shareholder's consideration due to elections made under the Common Mix & Match Facility as described below, SBB is offering each Hemfosa shareholder (the “**Common Base Case Consideration**”)³:

- in respect of 55 percent of the number of Hemfosa common shares tendered by such shareholder, 5.5 SBB Class B common shares per Hemfosa common share;⁴ and
- in respect of the remaining 45 percent of the number of Hemfosa common shares tendered by such shareholder, SEK 120.00 in cash per Hemfosa common share.

The cash paid to Hemfosa common shareholders is below referred to as the “**Common Cash Consideration**” and the shares paid to Hemfosa common shareholders is referred to as the “**Common Share Consideration**”.

As an alternative, each Hemfosa common shareholder that is registered as owner of 50 or less Hemfosa common shares, is entitled to elect to receive an all cash consideration of SEK 120.00 per common share for all, but not only for some, of such shareholder's Hemfosa common shares.

The Common Base Case Consideration in the Takeover Offer represents premiums of:

- 22.7 percent compared to the closing price of SEK 102.80 of the Hemfosa common shares on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Takeover Offer;
- 27.2 percent compared to the volume-weighted average share price of the Hemfosa common shares on Nasdaq Stockholm during the last month up to and including 14 November 2019; and
- 50.6 percent compared to Hemfosa's EPRA NAV⁵ per common share of SEK 83.75 as of 30 September 2019.

¹ The Total Takeover Offer Value of approximately SEK 23,521 million is based on (i) a closing price of SBB Class B common shares of SEK 23.85 per share on Nasdaq Stockholm on 14 November 2019 and a closing price of SBB Class D common shares of SEK 34.70 per share on Nasdaq Stockholm on 14 November 2019, and (ii) 169,488,249 number of outstanding Hemfosa common shares and 10,999,999 outstanding Hemfosa preference shares as of 15 November 2019.

² Based on 169,488,249 outstanding common shares and 10,999,999 outstanding preference shares in Hemfosa and a closing price of SBB Class B common shares of SEK 23.85 per share on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Takeover Offer and a closing price of SBB Class D common shares of SEK 34.70 per share on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Takeover Offer.

³ Assuming no election is made under the Common Mix & Match Facility (see below). In the event that Hemfosa should pay any dividend or make any other value transfer prior to the settlement of the Offer, the consideration in the Takeover Offer will be reduced correspondingly.

⁴ Based on the closing price of SBB Class B common shares of SEK 23.85 per share on Nasdaq Stockholm on 14 November 2019, 5.5 SBB Class B common shares equates to a value per Hemfosa common share of SEK 131.18.

⁵ Net Asset Value Per Ordinary Share.

THE TAKEOVER OFFER

Mix & Match Facility for Hemfosa common shareholders

SBB offers Hemfosa common shareholders a Mix & Match Facility (the “**Common Mix & Match Facility**”), through which each Hemfosa common shareholder is, subject to the restrictions set out below, given the possibility to elect, either:

- (i) to receive as much Common Cash Consideration as possible for tendered Hemfosa common shares (in addition to the default cash entitlement of SEK 120.00 per Hemfosa common share in respect of 45 percent of the number of Hemfosa common shares tendered by such shareholder), and thus as little Common Share Consideration as possible,⁶ or
- (ii) to receive as much Common Share Consideration as possible for tendered Hemfosa common shares (in addition to the default share entitlement of 5.5 SBB Class B common shares per Hemfosa common share in respect of 55 percent of the number of Hemfosa common shares tendered by such shareholder), and thus as little Common Cash Consideration as possible.⁷

In aggregate, up to a total of 512,701,953 SBB Class B common shares will be issued, and up to a total of SEK 9,152 million will be paid in cash as consideration for Hemfosa common shares.⁸ This proportion will not be varied as a result of elections made under the Common Mix & Match Facility. In order for individual shareholders in Hemfosa to receive a higher proportion of a certain requested consideration alternative under the Common Mix & Match Facility, other shareholders must have made the reverse elections to a corresponding extent. If no election is made under the Common Mix & Match Facility, the Hemfosa common shares tendered will be tendered for the Common Base Case Consideration.

Hemfosa shareholders should be aware that the value of the Common Share Consideration will change over time in line with the SBB Class B common share price, which entails that elections made under the Common Mix & Match Facility may result in a higher or lower value per Hemfosa common share than the value of the Common Base Case Consideration.

If tenders made by Hemfosa common shareholders under the Common Mix & Match Facility are not fully matched, they will be scaled down on a pro rata basis in relation to the number of shares tendered by the respective shareholder.

Takeover Offer for preference shares in Hemfosa

The total Takeover Offer consideration for Hemfosa preference shares consists of a combination of cash and SBB Class D common shares. Subject to the potential adjustment of each individual Hemfosa shareholder's consideration due to elections made under the Preference Mix & Match Facility as described below, SBB is offering each Hemfosa preference shareholder (the Preference Base Case Consideration)⁹:

- in respect of 55 percent of the number of Hemfosa preference shares tendered by such shareholder, 5.6 SBB Class D common shares per Hemfosa preference share;¹⁰ and
- in respect of the remaining 45 percent of the number of Hemfosa preference shares tendered by such shareholder, SEK 195.00 in cash per Hemfosa preference share.

The cash paid to Hemfosa preference shareholders is below referred to as the “**Preference Cash Consideration**” and the shares paid to Hemfosa preference shareholders is referred to as the “**Preference Share Consideration**”.

As an alternative, each Hemfosa preference shareholder that is registered as owner of 25 or less Hemfosa preference shares, is entitled to elect to receive an all cash consideration of SEK 195.00 per preference share for all, but not only for some, of such shareholder's Hemfosa preference shares.

The Preference Base Case Consideration in the Takeover Offer represents premiums of:

- percent compared to the closing price of SEK 192.50 of the Hemfosa preference shares on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Takeover Offer; and

⁶ A cash consideration of SEK 120.00 per Hemfosa common share would represent a premium of 16.7 percent compared to the closing price of SEK 102.80 of the Hemfosa common shares on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Takeover Offer, and 21.0 percent compared to the volume-weighted average share price of the Hemfosa common shares on Nasdaq Stockholm during the last month up to and including 14 November 2019.

⁷ A share consideration of 5.5 SBB Class B common shares per Hemfosa common share would represent a premium of 27.6 percent compared to the closing price of SEK 102.80 of the Hemfosa common shares on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Takeover Offer, and 32.3 percent compared to the volume-weighted average share price of the Hemfosa common shares on Nasdaq Stockholm during the last month up to and including 14 November 2019, based on the closing price of SEK 23.85 of the SBB Class B common shares on Nasdaq Stockholm on 14 November 2019.

⁸ Based on full acceptance in the Takeover Offer, and assuming all Hemfosa shareholders holding 50 or less Hemfosa common shares elect to receive 100 percent of the consideration in cash. At a lower acceptance level, the number of shares to be issued, and the total amount of cash to be paid, will be reduced proportionately to maintain the aggregate proportions in the Takeover Offer of new SBB shares issued and cash paid.

⁹ Assuming no election is made under the Preference Mix & Match Facility (see below). In the event that Hemfosa should pay any dividend or make any other value transfer prior to the settlement of the Takeover Offer, the consideration in the Takeover Offer will be reduced correspondingly.

¹⁰ Based on the closing price of SBB Class D common shares of SEK 34.70 per share on Nasdaq Stockholm on 14 November 2019, 5.6 SBB Class D common shares equates to a value per Hemfosa common share of SEK 194.32.

- 1.7 percent compared to the volume-weighted average share price of the Hemfosa preference shares on Nasdaq Stockholm during the last month up to and including 14 November 2019.

Mix & Match Facility for Hemfosa preference shareholders

SBB Takeover Offers Hemfosa shareholders a Mix & Match Facility (the “**Preference Mix & Match Facility**”), through which each Hemfosa preference shareholder is, subject to the restrictions set out below, given the possibility to elect, either:

- (i) to receive as much Preference Cash Consideration as possible for tendered Hemfosa preference shares (in addition to the default cash entitlement of SEK 195.00 per Hemfosa preference share in respect of 45 percent of the number of Hemfosa preference shares tendered by such shareholder), and thus as little Preference Share Consideration as possible,¹¹ or
- (ii) to receive as much Preference Share Consideration as possible for tendered Hemfosa preference shares (in addition to the default share entitlement of 5.6 SBB Class D common shares per Hemfosa preference share in respect of 55 percent of the number of Hemfosa preference shares tendered by such shareholder), and thus as little Preference Cash Consideration as possible.¹²

In aggregate, up to a total of 33,879,996 SBB Class D common shares will be issued, and up to a total of SEK 965 million will be paid in cash as consideration for Hemfosa preference shares.¹³ This proportion will not be varied as a result of elections made under the Preference Mix & Match Facility. In order for individual shareholders in Hemfosa to receive a higher proportion of a certain requested consideration alternative under the Preference Mix & Match Facility, other shareholders must have made the reverse elections to a corresponding extent. If no election is made under the Preference Mix & Match Facility, the Hemfosa preference shares tendered will be tendered for the Preference Base Case Consideration.

Hemfosa shareholders should be aware that the value of the Preference Share Consideration will change over time in line with the SBB Class D common share price, which entails that elections made under the Preference Mix & Match Facility may result in a higher or lower value per Hemfosa preference share than the value of the Preference Base Case Consideration.

If tenders made by Hemfosa preference shareholders under the Preference Mix & Match Facility are not fully matched, they will be scaled down on a pro rata basis in relation to the number of shares tendered by the respective shareholder.

Fractions

No fractions of SBB Class B common shares or SBB Class D common shares will be delivered to shareholders in Hemfosa accepting the Takeover Offer. If a shareholder in Hemfosa tenders a number of Hemfosa shares in the Takeover Offer and the share consideration to be delivered for these shares does not amount to an even number of full new SBB Class B common shares and/or SBB Class D common shares, consideration for excess fractions of shares will be paid in cash.

2 RIGHTS UNDER HEMFOSA’S INCENTIVE PROGRAMS

The Takeover Offer does not include warrants, or other rights, issued by Hemfosa to employees under Hemfosa’s incentive programs. SBB will procure for a fair treatment in connection with the Takeover Offer for the participants in such program in accordance with the Takeover Rules.

¹¹ A cash consideration of SEK 195.00 per Hemfosa preference share would represent a premium of 1.3 percent compared to the closing price of SEK 192.50 of the Hemfosa preference shares on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Takeover Offer, and 1.9 percent compared to the volume-weighted average share price of the Hemfosa preference shares on Nasdaq Stockholm during the last month up to and including 14 November 2019.

¹² A share consideration of 5.6 SBB Class D common shares per Hemfosa preference share would represent a premium of 0.9 percent compared to the closing price of SEK 192.50 of the Hemfosa preference shares on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Takeover Offer, and 1.6 percent compared to the volume-weighted average share price of the Hemfosa preference shares on Nasdaq Stockholm during the last month up to and including 14 November 2019, based on the closing price of SEK 34.70 of the SBB Class D common shares on Nasdaq Stockholm on 14 November 2019.

¹³ Based on full acceptance in the Takeover Offer, and assuming all Hemfosa shareholders holding 25 or less Hemfosa preference shares elect to receive 100 percent of the consideration in cash. At a lower acceptance level, the number of shares to be issued, and the total amount of cash to be paid, will be reduced proportionately to maintain the aggregate proportions in the Takeover Offer of new SBB shares issued and cash paid.

THE TAKEOVER OFFER

3 RECOMMENDATION FROM THE BOARD OF DIRECTORS OF HEMFOSA

The board of directors of Hemfosa unanimously recommend the shareholders of Hemfosa to accept the Takeover Offer. The board of directors of Hemfosa has received a fairness opinion from Handelsbanken Capital Markets concluding that, subject to the qualifications and assumptions set out therein, the Takeover Offer from a financial point of view, is fair to the common and preference shareholders of Hemfosa.

4 SBB'S SHAREHOLDING IN HEMFOSA

Neither SBB nor any of its affiliated parties currently holds or controls any shares or any other financial instruments in Hemfosa.

Neither SBB nor any of its affiliated parties has acquired or agreed to acquire any shares in Hemfosa, or any other financial instruments that give a financial exposure equivalent to a shareholding in Hemfosa, during the six month-period preceding the announcement of the Takeover Offer.

SBB may acquire, or enter into arrangements to acquire, shares in Hemfosa outside the Takeover Offer and any purchases made or arranged will be disclosed in accordance with applicable rules.

5 STATEMENT BY SHAREHOLDERS

Jens Engwall, holding approximately 1.4 percent of the shares and 1.5 percent of the voting rights in Hemfosa, has stated that he is positive to the Takeover Offer, but has not entered into any undertaking, or other arrangement, to accept the Takeover Offer.

6 CONDITIONS FOR THE TAKEOVER OFFER

Completion of the Takeover Offer is conditional upon:

- (1) the Takeover Offer being accepted to such an extent that SBB becomes the owner of shares representing more than 90 percent of the outstanding shares in Hemfosa on a fully diluted basis;
- (2) no other party announcing an Takeover Offer to acquire shares in Hemfosa on terms that are more favorable to the shareholders of Hemfosa than the Takeover Offer;
- (3) with respect to the Takeover Offer and the acquisition of Hemfosa, receipt of all necessary regulatory, governmental or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in SBB's opinion, are acceptable;
- (4) neither the Takeover Offer nor the acquisition of Hemfosa being rendered wholly or partially impossible or significantly impeded as a result of legislation or other regulation, any decision of a court or public authority, or any similar circumstance;
- (5) no circumstances having occurred which could have a material adverse effect or could reasonably be expected to have a material adverse effect on Hemfosa's financial position or operation, including Hemfosa's sales, results, liquidity, equity ratio, equity or assets;
- (6) no information made public by Hemfosa or disclosed by Hemfosa to SBB being inaccurate, incomplete or misleading, and Hemfosa having made public all information which should have been made public; and
- (7) Hemfosa not taking any action that is likely to impair the prerequisites for making or completing the Takeover Offer.

SBB reserves the right to withdraw the Takeover Offer in the event that it is clear that any of the above conditions is not satisfied or cannot be satisfied. However, with regard to conditions (2)-(7), the Takeover Offer may only be withdrawn where the non-satisfaction of such condition is of material importance to SBB's acquisition of Hemfosa.

SBB reserves the right to waive, in whole or in part, one, several or all of the conditions set out above, including, with respect to condition (1), to complete the Takeover Offer at a lower level of acceptance.

7 STATEMENT FROM THE SWEDISH SECURITIES COUNCIL

The Swedish Securities Council has, in its statement AMN 2019:43, (i) granted SBB an exemption from the obligation to make the Takeover Offer to shareholders domiciled in the United States, (ii) approved an extension of the period for

preparing and filing the Takeover Offer document with the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) from four weeks after the announcement of the Takeover Offer to six weeks after such date, (iii) expressed its opinion on the consideration structure in the Takeover Offer, (iv) expressed that any purchases of shares from certain U.S. shareholders outside the Takeover Offer should not be considered as so called side transactions, subject to certain conditions, and (v) expressed its opinion regarding terms of potential side transactions. For a complete statement (only in Swedish), see www.aktiemarknadsnamnden.se.

The Swedish Securities Council reminded in its statement of the fundamental requirement that an Takeover Offer should be characterized by simplicity and clarity. Against this background, focus has been to present the consideration structure in the Takeover Offer in an as simple and clear way as possible.

8 IMPORTANT NOTICE FOR U.S. SHAREHOLDERS

The Takeover Offer is not being made in the United States. However, SBB may, in accordance with the statement from the Swedish Securities Council (see above) seek to enter into bilateral arrangements outside the Takeover Offer with certain “qualified institutional buyers”, or “QIBs”, as defined in Rule 144A under the the U.S. Securities Act in the United States to acquire shares in Hemfosa. Any such arrangements will be made on the same terms as those in the Takeover Offer (including the Mix & Match Facility) and be conditional upon the Takeover Offer being declared unconditional.

Accordingly, except for any tenders of shares in Hemfosa by QIBs, as set forth in the preceding paragraph:

- U.S. shareholders may not tender their shares in the Takeover Offer;
- No communication relating to the Takeover Offer or invitation to participate in the Takeover Offer may be addressed to the United States or directed to persons who reside or are present in the United States;
- Neither this Offer Document nor any other document relating to the Takeover Offer may be distributed or disseminated by an intermediary or any other person into the United States;
- Envelopes containing orders to tender should not be postmarked in the United States or otherwise dispatched from the United States; and
- At the time of a person’s decision to tender its shares in the Takeover Offer, a person receiving this Offer Document will be deemed to represent that (i) he or she did not receive in the United States a copy of this Offer Document or document relating to the Takeover Offer nor any exercise form or information, (ii) at the time of tender, he or she is located outside the United States and is not acting on behalf of a person located in the United States and (iii) he or she is tendering its shares in Hemfosa outside the United States in an “offshore transaction” as this term is defined in Regulation S under the U.S. Securities Act.

9 FINANCING

The Takeover Offer is not subject to any financing condition. The Takeover Offer, in regard to the total cash consideration payable under the Takeover Offer, is fully financed by SBB’s own balance sheet and a new bridge facility arranged by J.P. Morgan Securities plc (“**J.P. Morgan**”) as sole mandated lead arranger. The conditions to drawdown are usual and customary for a facility of this type.

As part of the consideration in the Takeover Offer, SBB may issue up to a total of 512,701,953 new SBB Class B common shares and up to a total of 33,879,996 new SBB Class D common shares to Hemfosa shareholders for the payment of the total share consideration under the Takeover Offer, which would give Hemfosa shareholders a 37.4 percent ownership of capital and 16.3 percent of the votes in the combined business on a post SBB Rights Issue basis.¹⁴ The resolution to issue such shares will be resolved by SBB’s board of directors based on an authorisation granted by the annual general meeting held on 29 April 2019 and is, as such, not subject to any approval by the general meeting.

10 DUE DILIGENCE

SBB has, in connection with the preparations for the Takeover Offer, conducted a limited due diligence review of confirmatory nature of Hemfosa. Hemfosa has advised SBB that SBB has not received any inside information in connection with the due diligence review.

¹⁴ Assuming 100 percent acceptance of the Takeover Offer.

THE TAKEOVER OFFER

11 TIMETABLE

The acceptance period for the Takeover Offer commences on 19 November 2019 and ends on 20 December 2019. Assuming that the Takeover Offer is declared unconditional no later than around 23 December 2019, settlement is expected to begin around 3 January 2020.

The transaction requires the approval of the Swedish merger control authority. SBB will file the transaction shortly after its announcement and relevant clearances are expected to be obtained prior to the end of the acceptance period.

SBB reserves the right to extend the acceptance period for the Takeover Offer and to postpone the settlement date.

12 COMPULSORY ACQUISITION AND DELISTING

In the event that SBB, whether in connection with the Takeover Offer or otherwise, becomes the owner of shares representing more than 90 percent of the outstanding shares in Hemfosa, SBB intends to commence a compulsory acquisition procedure under the Swedish Companies Act to acquire all remaining shares in Hemfosa. In connection therewith, SBB intends to promote a de-listing of the Hemfosa shares from Nasdaq Stockholm.

13 APPLICABLE LAW AND DISPUTES

The Takeover Offer, and any agreements entered into in connection with the Takeover Offer, shall be governed by and construed in accordance with the laws of Sweden. The Takeover Rules, and the Swedish Securities Council's rulings regarding the interpretation and application of the Takeover Rules, apply in relation to the Takeover Offer. In accordance with the Swedish Takeovers Act, SBB has undertaken towards Nasdaq Stockholm to comply with the Takeover Rules and to submit to any sanctions imposed by Nasdaq Stockholm upon breach of the Takeover Rules. The courts of Sweden shall have exclusive jurisdiction over any dispute arising out of or in connection with the Takeover Offer and the City Court of Stockholm shall be the court of first instance.

14 ADVISERS

SBB has retained J.P. Morgan, ABG Sundal Collier AB ("**ABGSC**") and Nordea Bank Abp, filial i Sverige ("**Nordea**") as financial advisers and Vinge and Clifford Chance as legal advisers in connection with the Takeover Offer.

J.P. Morgan (which is authorised by the Prudential Regulation Authority (the "**PRA**") and regulated in the United Kingdom by the PRA and the Financial Conduct Authority), ABGSC and Nordea are acting exclusively for SBB in connection with the Takeover Offer and no one else, and will not be responsible to any person other than SBB for providing the protections afforded to SBB or for providing advice in relation to the Takeover Offer, in relation to the contents of this Offer Document or any transaction, arrangement or other matter referred to in this Offer Document.

BACKGROUND AND REASONS

SBB is a major Nordic social infrastructure property company with focus on community service properties in the Nordics and Swedish rent-regulated residential properties. Similar to Hemfosa, SBB has built a portfolio of social infrastructure properties consisting primarily of community service properties, but in addition SBB also has Swedish rent-regulated residential properties in its portfolio, with a property value of SEK 30.8 billion as of 30 September 2019.

SBB has successfully demonstrated long-term value enhancement of its portfolio with low-risk assets: community service properties in the Nordics and Swedish rent-regulated residential properties. SBB has built its business based on strong relationships with municipalities and SBB takes its responsibilities to the community very seriously by also developing building rights for social infrastructure. Responsible ownership and the goal of meeting general societal objectives is an important part of SBB's core philosophy and SBB believes that in this regard SBB is the right partner for Hemfosa and that the companies together would have a very exciting future.

SBB believes the Combined Company, with a larger portfolio and greater geographical coverage, would be even better positioned as a partner to the Nordic welfare states and other important stakeholders. The strengthened market position and diversification further enhance the combined business profile with rating agencies; it is thus estimated that the combined business over time will benefit from an improved credit rating, which has the potential to reduce the cost of funding for the combined group. In aggregate, SBB believes that the combination of the businesses will realise synergies of circa SEK 300 million per annum run-rate after tax. Circa SEK 260 million per annum run-rate after tax of synergies are expected to come from financial synergies expected to be realised in the next 12 months. Additionally, operational synergies are expected to be circa SEK 40 million per annum run-rate after tax and realisable in the next 12 months. SBB has also identified unrealised value stemming from the developments of building rights for social infrastructure realisable in Hemfosa's portfolio upon zoning being granted. Furthermore, SBB believes there are additional value creation opportunities from reduction in renovation and refurbishment costs due to economies of scale and profits from property transactions.

SBB is a long-term investor in high-quality social infrastructure assets and part of SBB's additive recurring income streams is real estate transactions. A strategic priority for SBB in 2020, post-acquisition, will be debt reduction through a disposal programme. A material amount of disposals have already been identified in the combined portfolio, predominantly from non-core and mature assets where an opportunity to crystalize value is seen.

SBB is highly committed to achieving a BBB+ rating in the next 12 months and material acquisitions will only be considered within the bounds of this strategic goal. It is still a significant demand for community service assets within segments that is not prioritised for SBB, which include most of the identified disposals. SBB is confident of completing transactions under the disposal programme at attractive premiums to book value, which is something that SBB has demonstrated historically through its previous divestments.

To support the combined business in obtaining the above mentioned improved credit rating, SBB will launch a rights issue of approximately SEK 1.5 billion in parallel with the Takeover Offer (the "**Rights Issue**"). The Rights Issue is expected to be completed before the end of the acceptance period in the Takeover Offer and only existing SBB shareholders will have the right to participate in the Rights Issue, i.e. SBB shares to be paid as part of the consideration for tendered Hemfosa shares under the Takeover Offer will not entail a right to participate in the Rights Issue. SBB's Board of Directors and management have great confidence in the merits of the combination of the companies and several members of SBB's Board of Directors and management have thus committed to subscribe for shares in and fully guarantee the Rights Issue offering at a subscription price of SEK 23.00 per Class B common share implying a discount of 3.6 percent to the closing price on Nasdaq Stockholm on 14 November 2019. The Rights Issue will result in the issuance of 65,443,061 new Class B common shares.

SBB recognises that the management team and employees of Hemfosa have built a highly successful company with an attractive portfolio of social infrastructure properties in the Nordics. SBB expects the proposed combination of the businesses to be positive for the Company and provide attractive employment opportunities for the Hemfosa employees. To realise the integration benefits, the integration of Hemfosa and SBB will likely entail some changes to the organisation, operations and employees of the combined group. The specific initiatives to be implemented pursuant to the integration will be determined following completion of a detailed review of the combined business in the period following the completion of the Takeover Offer. Before completion of the Takeover Offer, it is too early to say which initiatives will be taken and the impact these would have. There are currently no decisions on any changes to SBB's or Hemfosa's employees and management or to the existing organisation and operations of Hemfosa, including the terms of employment, employment rate and locations of the business.

BACKGROUND AND REASONS

Comment from SBB

Ilija Batljan, founder and CEO of SBB, comments: *“With this transaction we are creating the largest social infrastructure property owner in the Nordics. The Combined Company would have an attractive and stable property portfolio characterised by exposure against the Nordic welfare states with long term leases, high occupancy rates and a diversified tenant base. It is a portfolio with notable low risk due to its unique combination of community service properties with the Swedish and Norwegian state as the largest tenants and Swedish rent-regulated residential properties. Our goal is that SBB will have a BBB+ rating within 12 months and we estimate that the combined group over time will receive an improved credit rating, which has the potential to significantly reduce the cost of funding. Responsible ownership and sustainability as a central part of our business model are an important part of our core philosophy and we believe that in this regard we are the right partner for Hemfosa and that our companies together would have a very exciting future”.*

Ilija Batljan concludes: *“We believe that the Takeover Offer represents an opportunity for the existing shareholders of Hemfosa to realise immediate value while retaining exposure to the development of the combined organisation and the synergy realisation”.*

Comment from Jens Engwall

Jens Engwall comments: *“I founded Hemfosa over 10 years ago and I am positive about the opportunities that are created by the combination with SBB. Together we are now building the largest player within social infrastructure in the Nordics, and I look forward to continue as a shareholder in the Combined Company.”*

Reference is also made to the account in the present Offer Document, which has been prepared by the Board of Directors of the Company (the “Board of Directors” or the “Board”) on the basis of the Takeover Offer presented to the shareholders of Hemfosa.

The Board accepts responsibility for the completeness and accuracy of the information contained in this Offer Document. To the best of the knowledge and belief of Board the information contained in this Offer Document is in accordance with the facts and this Offer Document makes no omission likely to affect the significance of such information.

The Board of Directors of Hemfosa has contributed to the preparation of and, in accordance with the recommendation on page 220, reviewed the information on pages 188 - 219 of this Offer Document.

Stockholm, 18 November 2019

Samhällsbyggandsbolaget i Norden AB (publ)

The Board of Directors

RECOMMENDATION FROM THE BOARD OF DIRECTORS OF HEMFOSA



Press release

November 15, 2019

Statement from the board of directors of Hemfosa in relation to SBB's public offer

The board of directors of Hemfosa unanimously recommends the shareholders of Hemfosa to accept the public offer made by SBB.

Background

This statement is made by the board of directors of Hemfosa Fastigheter AB (publ) ("Hemfosa" or the "Company") pursuant to section II.19 of Nasdaq Stockholm's Takeover rules (the "Takeover Rules").

Samhällsbyggnadsbolaget i Norden AB (publ) ("SBB") has today, through a press release, announced a public offer to the shareholders of Hemfosa to acquire all the common shares and preference shares in Hemfosa (the "Offer"). The total consideration in the Offer consists of a combination of common shares of series B in SBB and cash for common shares in Hemfosa and common shares of series D in SBB and cash for preference shares in Hemfosa.

SBB offers each shareholder in Hemfosa the following consideration alternatives¹.

Offer for Hemfosa common shares (the "Common Base Case Consideration")²

- In respect of 55 percent of the number of Hemfosa common shares tendered by such shareholder: 5.5 SBB Class B common shares per Hemfosa common share, and
- in respect of the remaining 45 percent of the number of Hemfosa common shares tendered by such shareholder: SEK 120.00 in cash per Hemfosa common share.

Offer for Hemfosa preference shares (the "Preference Base Case Consideration")³

- In respect of 55 percent of the number of Hemfosa preference shares tendered by such shareholder: 5.6 SBB Class D common shares per Hemfosa preference share, and
- in respect of the remaining 45 percent of the number of Hemfosa preference shares tendered by such shareholder: SEK 195.00 in cash per Hemfosa preference share.

The Offer values, as of today, each common share in Hemfosa to SEK 126.15 and each preference share in Hemfosa to SEK 194.63 and the total value of the Offer for all outstanding shares in Hemfosa corresponds to approximately MSEK 23,521⁴.

SBB offers Hemfosa's shareholders a Mix & Match Facility, whereby each of the Hemfosa common and preference shareholders, subject to the restrictions set out below, may elect to

¹ In the event that Hemfosa should pay any dividend or make any other value transfer prior to the settlement of the Offer, the consideration in the Offer will be reduced correspondingly.

² Assuming no election is made under the Mix & Match Facility for common shares (see below).

³ Assuming no election is made under the Mix & Match Facility for preference shares (see below).

⁴ Based on (i) the closing price of SBB Class B common shares of SEK 23.85 per share on Nasdaq Stockholm on 14 November 2019 and the closing price of SBB Class D common shares of SEK 34.70 per share on Nasdaq Stockholm on 14 November 2019, and (ii) 169,488,249 outstanding common shares and 10,999,999 outstanding preference shares in Hemfosa as of 15 November 2019.

Hemfosa Fastigheter AB

Street address Olof Palmes gata 13A, Stockholm, Sweden **Telephone** +46 8 448 04 80

Postal address Box 3283, SE-103 65 Stockholm | **Fax** +46 8 448 04 81

RECOMMENDATION FROM THE BOARD OF DIRECTORS OF HEMFOSA



receive as much share consideration or as much cash consideration as possible for their Hemfosa shares. In aggregate, up to a total of 512,701,953 SBB Class B common shares and 33,879,997 SBB Class D common shares will be issued as consideration under the Offer, and up to a total of SEK 10,118 million will be paid in cash.⁵ This proportion will not be varied as a result of elections made under a Mix & Match Facility. In order for the individual shareholders in Hemfosa to receive a higher proportion of a certain requested consideration alternative under the Mix & Match Facility, other shareholders must have made reverse elections to a corresponding extent.

Hemfosa common shareholders that are registered as owner of 50 or less common shares, and Hemfosa preference shareholders that are registered as owner of 25 or less preference shares, are entitled to elect to receive an all cash consideration for their shares.

The Offer represents a premium of:

- *In regard to the Common Base Case Consideration:*
 - 22.7 percent compared to the closing price of SEK 102.80 of the Hemfosa common shares on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Offer,
 - 27.2 percent compared to the volume-weighted average share price of the Hemfosa common shares on Nasdaq Stockholm during the last month up to and including 14 November 2019, and
 - 50.6 percent compared to Hemfosa's EPRA NAV⁶ per common share of SEK 83.75 as of 30 September 2019.
- *In regard to the Preference Base Case Consideration:*
 - percent compared to the closing price of SEK 192.50 of the Hemfosa preference shares on Nasdaq Stockholm on 14 November 2019, the last trading day before the announcement of the Offer, and
 - 1.7 percent compared to the volume-weighted average share price of the Hemfosa preference shares on Nasdaq Stockholm during the last month up to and including 14 November 2019.

The acceptance period for the Offer is expected to commence around 19 November 2019 and end around 20 December 2019. The Offer is conditional upon, inter alia, being accepted to the extent that SBB becomes the owner of shares corresponding to more than 90 percent of the total number of shares in Hemfosa on a fully diluted basis as well as the receipt of all of the for the Offer and the acquisition of Hemfosa necessary regulatory, governmental or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in SBB's opinion, are acceptable. SBB has reserved the right to waive these conditions, in whole or in part, and other conditions for completion of the Offer.

The board of directors has after a written request from SBB allowed SBB to conduct a limited due diligence review of Hemfosa in connection with the preparations for the Offer. In connection therewith, SBB has met with Hemfosa's management. SBB has not received any information which has not previously been made public and which could constitute insider

⁵ Based on full participation in the Offer. At a lower acceptance level, the number of shares to be issued, and the total amount of cash to be paid, will be reduced proportionately to maintain the aggregate proportions in the Offer of new SBB shares issued and cash paid.

⁶ Net Asset Value per common share.

Hemfosa Fastigheter AB

Street address Olof Palmes gata 13A, Stockholm, Sweden **Telephone** +46 8 448 04 80
Postal address Box 3283, SE103 65 Stockholm | **Fax** +46 8 448 04 81

RECOMMENDATION FROM THE BOARD OF DIRECTORS OF HEMFOSA



information. Hemfosa has also conducted a limited due diligence review of certain operational, financial and legal information regarding SBB.

For further information regarding the Offer, please refer to the press release published by SBB today and the offer document in respect of the Offer which will be published before the acceptance period commences.

The board of directors has retained SEB Corporate Finance and Swedbank Corporate Finance as financial advisors and Cederquist as legal advisor in connection with the Offer.

The board of directors' recommendation

The board of directors' opinion of the Offer is based on a number of factors that the board of directors has considered relevant in relation to the evaluation of the Offer. These factors include, but are not limited to, Hemfosa's present position, the expected future development and potential and thereto related opportunities and risks.

The board of directors has analysed the Offer using methods generally used in evaluating tender offers, including Hemfosa's and SBB's valuation relative to comparable listed companies, offer premiums in previous tender offers on Nasdaq Stockholm, the stock market's expectations of Hemfosa's and SBB's profitability- and share price development and the board of directors' expectation on Hemfosa's long term value development based on expected future cash flows.

The board of directors considers Hemfosa to be a high-quality property company with proven ability to generate growth. The growth targets set in connection with Hemfosa's IPO in March 2014 have been met. The successful growth was an important factor in the decision to distribute Nyfosa AB to the common shareholders in November 2018. As a solid and focused company, Hemfosa is well positioned for the future.

According to the assessment of the board of directors, SBB has successfully demonstrated a long term increase in value of its property portfolio, comprised of community service properties in the Nordics and Swedish regulated rental apartments.

The board of directors' assessment is that a merger of Hemfosa and SBB resulting in a common, larger portfolio and increased geographical scope would give the companies an improved market position. The board of directors has also assessed the disclosed possible synergies of the Offer and shares SBB's view of the potential synergy effects with regards to financing as expressed in the offer announcement. In respect of the operational synergy effects, the board of directors has not been provided with detailed calculations or integration plans and is hence not able to assess the possibility of realizing such synergies. The board of directors notes that SBB intends to carry out a fully guaranteed rights issue of common shares of series B amounting to approximately SEK 1,500 million at a subscription price of SEK 23 per share concurrently with, but not conditional upon, the Offer to support the possibility of an improved credit rating.

Handelsbanken Capital Markets has been assigned by the board of directors to issue a fairness opinion according to which the Offer, as of today's date, from a financial point of view, is fair to Hemfosa's common shareholders and preference shareholders (based on, and under the conditions stated in the fairness opinion). The opinion is attached to this statement.

Based on these considerations, the board of directors considers the Offer to correspond, in all relevant aspects, to Hemfosa's intrinsic value and future growth opportunities, as well as thereto related opportunities and risks. The board of directors further notes that the Common

Hemfosa Fastigheter AB

Street address Olof Palmes gata 13A, Stockholm, Sweden **Telephone** +46 8 448 04 80

Postal address Box 3283, SE103 65 Stockholm | **Fax** +46 8 448 04 81

RECOMMENDATION FROM THE BOARD OF DIRECTORS OF HEMFOSA



Base Case Consideration represents a premium of 22.7 percent compared to the closing price for common shares in Hemfosa on Nasdaq Stockholm on 14 November 2019 and that the Preference Base Case Consideration represents a premium of 1.1 percent compared to the closing price for preference shares in Hemfosa on Nasdaq Stockholm on 14 November 2019. The board of directors also notes that the redemption price for a preference share in accordance with Hemfosa's articles of association is SEK 195 from and including 12 December 2019.

Regarding the respective values of the share based consideration for the common shares and for the preference shares, shareholders are encouraged to follow the respective values of SBB's B shares and D shares during the acceptance period, and to note that the respective values of the share based consideration for the common shares and for the preference shares will change over time in line with changes in the SBB class B common share price and the SBB class D common share price. This entails that elections made under the so called Mix & Match Facility as described above may result in a higher or lower value per common share or preference share in Hemfosa than the respective values of the Common Base Case Consideration and the Preference Base Case Consideration.

On this basis, the board of directors unanimously recommends the common shareholders and the preference shareholders of Hemfosa to accept the Offer.

Impact for Hemfosa employees

Under the Takeover Rules, the board of directors must, based on the statements made by SBB in its announcement of the Offer, present its opinion regarding the impact that the implementation of the Offer may have on Hemfosa, particularly in terms of employment, and its opinion regarding SBB's strategic plans for Hemfosa and the effects it is anticipated that such plans will have on employment and on the places in which Hemfosa conducts its business.

SBB has stated the following in respect of the management and employees of Hemfosa:

"SBB recognises that the management team and employees of Hemfosa have built a highly successful company with an attractive portfolio of social infrastructure properties in the Nordics. SBB expects the proposed combination of the businesses to be positive for the Company and provide attractive employment opportunities for the Hemfosa employees. To realise the integration benefits, the integration of Hemfosa and SBB will likely entail some changes to the organisation, operations and employees of the combined group. The specific initiatives to be implemented pursuant to the integration will be determined following completion of a detailed review of the combined business in the period following the completion of the Offer. Before completion of the Offer, it is too early to say which initiatives will be taken and the impact these would have. There are currently no decisions on any changes to SBB's or Hemfosa's employees and management or to the existing organisation and operations of Hemfosa, including the terms of employment, employment rate and locations of the business."

Although the board of directors, as stated above, has not been provided with detailed calculations or integration plans in respect of the operational synergy effects, the board of directors assumes that the above statements are correct and has no reason to take a different view in any relevant aspect.

This statement shall in all respects be governed by and construed in accordance with Swedish law. Disputes arising from this statement shall be settled exclusively by Swedish courts.

Hemfosa Fastigheter AB

Street address Olof Palmes gata 13A, Stockholm, Sweden **Telephone** +46 8 448 04 80
Postal address Box 3283, SE103 65 Stockholm | **Fax** +46 8 448 04 81

RECOMMENDATION FROM THE BOARD OF DIRECTORS OF HEMFOSA



Stockholm, 15 November 2019
Hemfosa Fastigheter AB (publ)
The board of directors

For further information, please contact:

Bengt Kjell, chairman of the board, mobile +46 70-594 53 98

This information is information that Hemfosa Fastigheter AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the chairman of the board, at 07.15 CET on 15 November 2019.

This statement has been made in a Swedish and English version. In case of any discrepancies between the Swedish and the English version, the Swedish version shall prevail.

Attachment – Fairness Opinion

About Hemfosa Fastigheter

Hemfosa is a Swedish property company focused on community service properties in the Nordic region, with the Swedish state and municipalities as its largest tenants. This provides stable revenue flows and a healthy yield. Hemfosa also aims to create value through active participation in the transaction market. At September 30, 2019, Hemfosa owned properties with a total property value of approximately SEK 40 billion. The company's ordinary share has been listed since March 2014, and the preference share since December 2014, both on Nasdaq Stockholm. Read more at www.hemfosa.se.

Hemfosa Fastigheter AB

Street address Olof Palmes gata 13A, Stockholm, Sweden **Telephone** +46 8 448 04 80
Postal address Box 3283, SE103 65 Stockholm | **Fax** +46 8 448 04 81

FAIRNESS OPINION

Handelsbanken Capital Markets

1(2)

Stockholm 15 November 2019

To

The Board of Directors of Hemfosa Fastigheter AB (publ)

The Board of Directors of Hemfosa Fastigheter AB (publ) ("Hemfosa") has assigned Handelsbanken Capital Markets to render an opinion as to the fairness from a financial point of view of the public offer from Samhällsbyggnadsbolaget i Norden AB (publ) ("SBB") to the share- and preference shareholders of Hemfosa (the "offer"). For information regarding the offer and its terms and conditions please refer to the press release published by SBB today, 15 November 2019.

In connection with the presentation of this opinion, we have, inter alia, reviewed and taken into account the terms and conditions of the offer, certain publicly available information published by Hemfosa and SBB, including annual reports and interim reports, and other publicly available information relating to Hemfosa and SBB, including certain market research reports and reports produced by equity research analysts. We have also discussed the Hemfosa operations, financial position and profit development with members of the board of directors in, senior members of management of, and advisors to, Hemfosa.

We have considered certain financial and stock exchange related information regarding Hemfosa and SBB in comparison with similar information regarding certain other companies with similar operations as well as comparable acquisition transactions. We have also taken into consideration the share price development and trading activity in the Hemfosa shares and preference shares as well as SBBs shares and performed such other analysis and studies which we have considered appropriate as a basis for this opinion.

We have not conducted any so-called "due diligence" in order to verify the accuracy of the information received from Hemfosa or elsewhere and we have not made any independent evaluation or assessment of the assets and liabilities of Hemfosa or SBB. Without independent verification by us, we have relied upon that all of the financial and other information reviewed by us as a basis for this opinion in all material aspects are correct and accurate and that no information of material importance for the evaluation of Hemfosa's future earnings capacity or for our overall assessment has been omitted or not presented to us.

Our opinion is based on the Swedish regulatory system and upon current market, economic, financial and other conditions as well as information made available to us as of the date hereof. Any change in such conditions may require a revaluation of this opinion. Our opinion does not include any assessment as to the price at which the Hemfosa shares and preference shares may trade in the future.

Based upon and subject to the foregoing, we are of the opinion that the offer as of the date hereof, from a financial point of view, is fair to the share- and preference shareholders of Hemfosa.

Handelsbanken Capital Markets is a business area within Svenska Handelsbanken AB with operations within securities trading and brokerage, equity research and corporate finance. Within the framework of its normal operations within securities trading and brokerage, Handelsbanken Capital Markets may, at any point in time, hold long or short positions in, and may for own or clients' accounts trade in, shares and other securities related to Hemfosa and SBB. In addition, Svenska Handelsbanken AB may have granted credits to Hemfosa and SBB and may hold equity related securities in Hemfosa and SBB as security.

We will receive a fixed fee for this opinion irrespective of the outcome of the offer.

It is understood that this letter is for the information of the Board of Directors of Hemfosa only in connection with their evaluation of the offer and should thereof not be interpreted as a recommendation to the shareholders of Hemfosa. The letter may not be used, quoted, reproduced or be used for any other purpose without prior written consent from us, except that a copy of this opinion may be included in its entirety in the prospectus or offer document produced in relation to the offer as well as in any response document or press release that the Board of Directors of Hemfosa is required to make in connection with the offer. This opinion is subject to Swedish substantive law and any dispute in respect of this statement shall be resolved exclusively by Swedish court of law.

This is a translation of the fairness opinion written in Swedish. It is for information purposes only and does not constitute a part of the opinion. For the avoidance of doubt, in the case of any inconsistency or ambiguity between the Swedish language version and the English translation, the Swedish language version shall prevail.

Handelsbanken Capital Markets
Corporate Finance

TERMS AND CONDITIONS

1. THE TAKEOVER OFFER

SBB offers the shareholders of Hemfosa to acquire all common shares and preference shares in Hemfosa. The Total Takeover Offer Value of approximately SEK 23,521 million, is comprised of the Total Common Offer Value of approximately SEK 21,380 million and the Total Preference Offer Value of approximately SEK 2,141 million.

No commission will be charged in connection with the Takeover Offer.

Offer for Hemfosa common shares:

- in respect of 55 percent of the number of Hemfosa common shares tendered by such shareholder, 5.5 SBB Class B common shares per Hemfosa common share; and
- in respect of the remaining 45 percent of the number of Hemfosa common shares tendered by such shareholder, SEK 120.00 in cash per Hemfosa common share.

Offer for Hemfosa preference shares:

- in respect of 55 percent of the number of Hemfosa preference shares tendered by such shareholder, 5.6 SBB Class D common shares per Hemfosa preference share; and
- in respect of the remaining 45 percent of the number of Hemfosa preference shares tendered by such shareholder, SEK 195.00 in cash per Hemfosa preference share.

SBB offers Hemfosa shareholders a Mix & Match Facility, whereby each of the Hemfosa common and preference shareholders, subject to the restrictions set out below, may elect to receive as much share consideration or as much cash consideration as possible for tendered Hemfosa shares.

Please refer to section “*The Takeover Offer – The Takeover Offer*” for further description on the consideration structure in the Takeover Offer and its restrictions.

2. RIGHT TO DIVIDEND

The newly issued Class B and D common shares in the Company entitle to the right to dividends in accordance with the articles of association and as from the record date for dividends from the Company’s Class B and D common shares that fall after the registration of the newly issued shares with the Swedish Companies Registration Office (the “SCRO”).

All common shares shall have the same rights to dividend without preferential rights in relation to each other.

If any dividend is declared, the following shall apply:

- Class D common shares are entitled to five (5) times the total dividend on Class A and Class B common shares; however, no more than SEK two (2) per share and year.
- If the dividend on Class D common shares is less than SEK two (2), the maximum permitted dividend of SEK two (2) shall be increased so that the shortfall of up to SEK two (2) per year may be distributed later if sufficient dividends on common shares are declared subsequently, whereupon the maximum permitted dividend shall once again be SEK two (2).
- Disbursement of any dividends relating to Class D common shares shall be made in four (4) equal instalments. Record dates for payment of dividends shall be the last business day in June, September, December and March, in which case the record dates for payment of dividends shall be the last business day in and March 2019.

3. CONDITIONS FOR THE TAKEOVER OFFER

Completion of the Takeover Offer is conditional upon:

- (1) the Takeover Offer being accepted to such an extent that SBB becomes the owner of shares representing more than 90 percent of the outstanding shares in Hemfosa on a fully diluted basis;
- (2) no other party announcing an offer to acquire shares in Hemfosa on terms that are more favorable to the shareholders of Hemfosa than the Takeover Offer;

- (3) with respect to the Takeover Offer and the acquisition of Hemfosa, receipt of all necessary regulatory, governmental or similar clearances, approvals and decisions, including from competition authorities, in each case on terms which, in SBB's opinion, are acceptable;
- (4) neither the Takeover Offer nor the acquisition of Hemfosa being rendered wholly or partially impossible or significantly impeded as a result of legislation or other regulation, any decision of a court or public authority, or any similar circumstance;
- (5) no circumstances having occurred which could have a material adverse effect or could reasonably be expected to have a material adverse effect on Hemfosa's financial position or operation, including Hemfosa's sales, results, liquidity, equity ratio, equity or assets;
- (6) no information made public by Hemfosa or disclosed by Hemfosa to SBB being inaccurate, incomplete or misleading, and Hemfosa having made public all information which should have been made public; and
- (7) Hemfosa not taking any action that is likely to impair the prerequisites for making or completing the Takeover Offer.

SBB reserves the right to withdraw the Takeover Offer in the event that it is clear that any of the above conditions is not satisfied or cannot be satisfied. However, with regard to conditions (2)-(7), the Takeover Offer may only be withdrawn where the non-satisfaction of such condition is of material importance to SBB's acquisition of Hemfosa.

SBB reserves the right to waive, in whole or in part, one, several or all of the conditions set out above, including, with respect to condition (1), to complete the Takeover Offer at a lower level of acceptance.

4. ACCEPTANCE

Shareholders of Hemfosa whose shares are registered with Euroclear and that wish to accept the Takeover Offer shall during the period 19 November 2019 up until 20 December 2019 at 15.00 Central European Time ("CET") sign and submit the following duly completed acceptance form to:

Nordea Bank Abp, filial i Sverige
 Issuer Services M423
 SE-105 71 Stockholm
 Sweden

The acceptance form must be submitted or sent by post, preferably with a postage-paid return envelope, well before the last acceptance day to reach Nordea Bank Abp, filial i Sverige ("Nordea") no later than 15.00 CET on 20 December 2019.

Information brochure, pre-printed acceptance form and postage-paid return envelope will be sent to shareholders whose ownership in Hemfosa was registered in their own name with Euroclear on 18 November 2019. The securities account and details on the shareholding in question will be found on the pre-printed acceptance form. The person who fills in and submits the acceptance form is responsible for checking that the pre-printed information on the acceptance form are correct. **Please note that an acceptance form where mandatory information is missing or faulty may be left without consideration.**

5. NOMINEE REGISTERED HOLDINGS

For shareholders of Hemfosa whose shares are registered in the name of a nominee, acceptance should be made in accordance with instructions from the nominee.

6. PLEDGED SHARES

If shares in Hemfosa are pledged in the Euroclear system, both the shareholder and the pledgee must duly complete and sign the acceptance form and confirm that the pledge on any such share will be terminated if the Takeover Offer is completed. The pledge must accordingly be deregistered in the Euroclear system regarding the concerned shares in Hemfosa when these are to be delivered to SBB.

TERMS AND CONDITIONS

7. OFFER DOCUMENT AND ACCEPTANCE FORM

The Offer Document and the acceptance form are available at the following webpages: the Company's webpage (www.sbb-hemfosa.se), Nordea's webpage (www.nordea.se/prospekt) and the SFSA's webpage (www.fi.se) (only the Offer Document).

8. RIGHT TO EXTENSION OF THE OFFER

The acceptance period for the Takeover Offer commences 19 November 2019 and ends 20 December 2019. SBB reserves the right to extend the acceptance period for the Takeover Offer and to postpone the settlement date. A notice of any such extension will be announced by SBB through a press release in accordance with applicable laws and regulations.

9. RIGHT TO WITHDRAW ACCEPTANCE

Shareholders of Hemfosa have the right to withdraw their acceptance of the Takeover Offer. To be valid, such withdrawal must have been received in writing by Nordea before SBB announces that the conditions of the Takeover Offer have been satisfied or, if such announcement is not made during the acceptance period, no later than 15.00 CET on the last day of the acceptance period. If the Takeover Offer remains conditioned in any respect during any extension of the Takeover Offer and SBB has not waived such conditions, the right to withdraw an acceptance will apply in the same manner throughout any such extension of the Takeover Offer. Shareholders in Hemfosa holding nominee registered shares wishing to withdraw their acceptance shall do so in accordance with instructions from the nominee.

10. ACKNOWLEDGEMENT AND TRANSFER OF SHARES IN HEMFOSA TO BLOCKED SECURITIES ACCOUNTS

After Nordea has received and registered a duly completed and signed acceptance form, the shares in Hemfosa will be transferred to a new blocked securities account (Sw. *appportkonto*) in each respective shareholder's name. In connection therewith, Euroclear will send a statement (Sw. *VP-avi*) showing the number of common and/or preference shares in Hemfosa that has been withdrawn from the original securities account and a statement showing the number of common and/or preference shares that have been entered in the newly opened blocked securities account.

11. SETTLEMENT

Settlement is expected to commence as soon as SBB has announced that the conditions for the Takeover Offer have been fulfilled or that SBB has decided to complete the Takeover Offer anyhow. Assuming that the Takeover Offer is declared unconditional no later than around 23 December 2019, settlement is expected to commence around 3 January 2020. In connection with the settlement, the common shares and preference shares in Hemfosa will be withdrawn from the blocked securities account which is thereafter terminated. No notice will be sent in connection with the withdrawal.

Settlement of newly issued Class B and D common shares in SBB will be effected by entering Class B and D common shares on the securities account where the common shares and preference shares in Hemfosa, respectively, previously were registered.

Settlement of cash will be effected by distribution of a settlement note. The settlement amount will be paid to the yield account which is connected to the securities account where the common shares or preference shares previously were registered. Shareholders who do not have a yield account connected to their securities account will receive the settlement amount via a postal check.

If the shares are nominee registered, settlement is effected by each nominee respectively.

12. EXCESS SHARES

No fractions of SBB Class B common shares or SBB Class D common shares will be delivered to shareholders in Hemfosa accepting the Takeover Offer. To the extent a shareholder in Hemfosa tenders a number of Hemfosa shares in the Takeover Offer whereby the share consideration to be delivered does not amount to an even number of full new SBB

Class B common shares and/or SBB Class D common shares, consideration for excess shares will be paid in cash. This payment shall take place no later than ten banking days after the sale of excess shares.

If the shares are nominee registered, settlement of consideration for excess shares is effected by each nominee respectively.

13. LISTING AND TRADING IN SBB SHARES

The Company's Class B and D common shares are listed at Nasdaq Stockholm. First day of trading in the shares issued as a part of the share consideration in the Takeover Offer is estimated to commence around 3 January 2020.

14. COMPULSORY ACQUISITION AND DELISTING

In the event that SBB, whether in connection with the Takeover Offer or otherwise, becomes the owner of shares representing more than 90 per cent of the outstanding shares in Hemfosa, SBB intends to commence a compulsory acquisition procedure under the Swedish Companies Act to acquire all remaining shares in Hemfosa. In connection therewith, SBB intends to promote a de-listing of the Hemfosa shares from Nasdaq Stockholm.

15. IMPORTANT INFORMATION REGARDING NID AND LEI

Directive 2014/65/EU of the European parliament and of the council (MiFID II) requires that all investors have a global identity code from 3 January 2018. This means that legal persons must apply for a legal entity identifier (LEI) and natural persons must present their national client identifier (NCI) in order to accept the Takeover Offer. Please note that Nordea may not be able to carry out the transaction if a LEI or NCI is not presented.

16. INFORMATION ABOUT HANDLING OF PERSONAL INFORMATION

Those who participate in the Takeover Offer will provide personal data to Nordea. Personal data provided to Nordea will be processed in data systems to the extent required to provide services and administer matters in Nordea. Personal data obtained from a party other than the customer to whom the processing relates may also be processed. Personal data may also be processed in data systems at companies and organizations with which Nordea cooperate. Information regarding the processing of personal data is provided by Nordea's branch offices, which also accept requests for correction of personal data. Information regarding addresses may be obtained by Nordea through automatic data runs at Euroclear Sweden. For detailed information about Nordea's handling of personal information, please refer to Nordea's privacy policy available on Nordea's webpage (www.nordea.com/en/general-terms-and-policies/privacy-policy.html).

17. OTHER INFORMATION

Nordea is acting as receiving agent in respect of the Takeover Offer, i.e., assisting the Company with certain administrative services concerning the Takeover Offer. The fact that Nordea is acting as receiving agent does not, in itself, mean that Nordea regards the participant (the "Participant") as a customer of Nordea. For the purposes of the Takeover Offer, the Participant is regarded as a customer of Nordea only if Nordea has provided advice to the Participant regarding the Takeover Offer or has otherwise contacted the Participant individually regarding the Takeover Offer, or if the Participant has an existing customer relationship with the bank. As a consequence of Nordea not regarding the Participant as a customer in respect of the Takeover Offer, the investor protection rules set forth in the Securities Market Act (2007:528) will not apply to the Takeover Offer. This means, among other things, that neither customer categorization nor a suitability assessment will take place with respect to the Takeover Offer. Accordingly, the Participant is personally responsible for ensuring that he or she possesses sufficient experience and knowledge to understand the risks associated with the Takeover Offer.

18. QUESTIONS REGARDING THE TAKEOVER OFFER

For questions regarding the Takeover Offer, please contact Nordea on telephone +46 (0)8 21 07 40. Information is also available on the Company's webpage (www.sbb-hemfosa.se) and on Nordea's webpage (www.nordea.se/prospekt).

INDUSTRY OVERVIEW

This Offer Document contains statistics, data and other information relating to the market and the industry in which the Company operates. Unless otherwise indicated, such information is based on the Company's analysis of multiple sources, including a market study that the Company has commissioned from Newsec Advice AB, which was issued by Newsec Advice AB on 8 November 2019. Information from third parties has been accurately reproduced in this Offer Document and, as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

1. MACROECONOMIC OVERVIEW

The global economy

The global economy has weakened since the middle of 2018 and increasing uncertainty persists regarding the global economic outlook.¹⁶ This uncertainty has many possible explanations; Brexit, an ongoing trade war between China and the United States and budget crisis in Italy, to name but a few. Economic indicators for the manufacturing industry in Europe and for the United States weakened in 2018 and have continued on that track so far this year.¹⁷ However, other economic sectors, such as the service sectors, continue to perform well. Forecasts indicate that economic growth will experience a slowdown in 2019. Several central banks, including the Riksbank, will put interest rate rises on hold and in the United States, the Federal Reserve has made its first rate cut since the financial crisis. The dovish signals from the Federal Reserve and the European Central Bank in the beginning of 2019 have increased the risk appetite and resulted in a growing stock market the first half of this year.

Overall, both long- and short-term interest rates are predicted to remain low for a long time, despite stable economic growth development. Growth forecasts now indicate that the Eurozone area is near stagnation.¹⁸ Inflation is stuck below the European Central Bank's target and most of the expansionary tools in the monetary policy toolbox have already been utilised. Lower interest rates are a result of the weakened economic growth forecasts, but may also be a result of structural, long-term factors.

The Nordics

So far, the Nordic countries have displayed steady growth despite the uncertainty in the global economy, with continued stable GDP growth and exports volume. The GDP for all Nordic countries has slowed down. For example, Swedish GDP growth has seen a decline from 2.4 percent in 2017 to 2.3 percent in 2018 and is expected to decline below the 2 percent target with projections pointing to 1.3 percent for 2019. The Nordic countries' competitive and strong position in the global market is the result of many factors, such as the pharmaceutical industry and windmills in Denmark, investments in the energy sector in Norway, a strong ship building industry in Finland and a strong export of services from Sweden. So far, the global trade war has had limited direct effects on the Nordics, but despite this, forecasts indicate a slower economic growth for the counties within the region. If the United States starts to target Europe as part of the trade war, and if Brexit becomes a reality, the Nordic companies will be facing challenges.¹⁹ In terms of direct effects, Nordic exporters would be likely to face tariffs.

The Nordic region has displayed strong growth in recent years but its countries are now diverging.²⁰ Denmark's growth is remaining stable with low government debt, a strong fiscal position and a falling unemployment rate and Norway might experience growth due to rising oil investments. On the other hand, Sweden will face headwinds due to decreased household consumption, a decline in exports and competitiveness and a weaker construction sector. Finland growth is expected to decelerate from its strong levels due to slowing export levels, rising household debts and falling investments in construction.

¹⁶ Danske Bank. *Nordic Outlook*. 18 June 2019.

¹⁷ Swedbank. *Swedbank Economic Outlook*. 10 April 2019.

¹⁸ Newsec. *Nordic Property Outlook Spring 2019*.

¹⁹ Danske Bank. *Nordic Outlook*. 18 June 2019.

²⁰ Newsec. *Nordic Property Outlook Spring 2019*.

Sweden

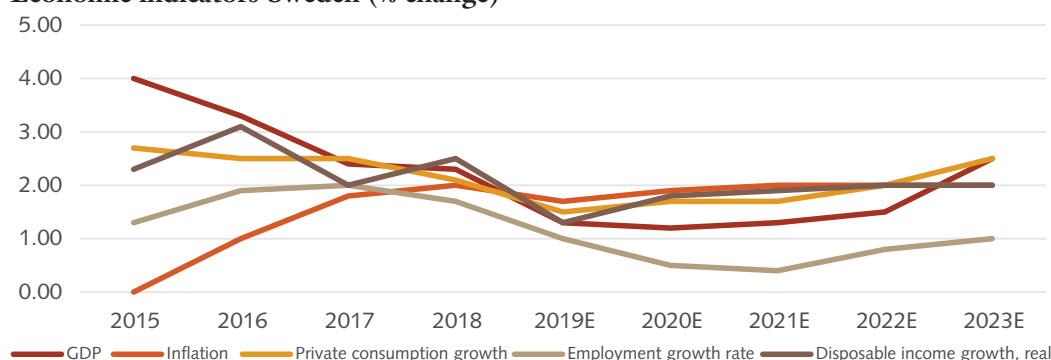
General Macroeconomic Developments

Swedish GDP growth rate has slowed from historically high levels and is expected to be 1.3 percent in 2019.²¹ The employment rate and the disposable income are however expected to grow steadily in the years to come. Since the turn of the century, the Swedish population has grown by 1.4 million, which is an increase of 15 percent.²² The record growth in population in Sweden over the last few years is mainly due to immigration, but also due to birth rate being higher than death rate.

The following table sets forth key information related to the Swedish economy.

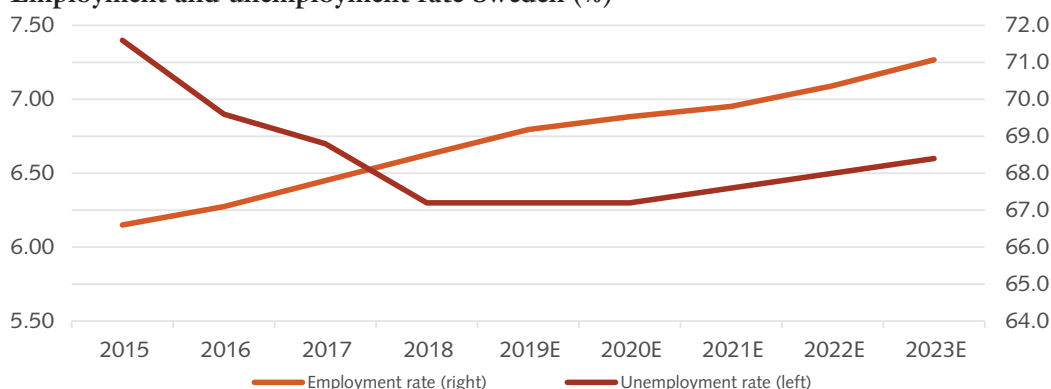
Economic Indicators – Sweden	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Year									
GDP (% change)	4.0	3.3	2.4	2.3	1.3	1.2	1.3	1.5	2.5
Population (millions)	9.9	10.0	10.1	10.2	10.3	10.4	10.5	10.6	10.7
Unemployment rate (%)	7.4	6.9	6.7	6.3	6.3	6.3	6.4	6.5	6.6
Employment rate (%)	66.6	67.1	67.8	68.5	69.2	69.5	69.8	70.4	71.1
Inflation (% change)	0.0	1.0	1.8	2.0	1.7	1.9	2.0	2.0	2.0
Private consumption growth (% change)	2.7	2.5	2.5	2.1	1.5	1.7	1.7	2.0	2.5
Employment growth rate (% change)	1.3	1.9	2.0	1.7	1.0	0.5	0.4	0.8	1.0
Disposable income growth, real (% change)	2.3	3.1	2.0	2.5	1.3	1.8	1.9	2.0	2.0

Economic indicators Sweden (% change)



Sources: SCB, Newsec, Eurostat, Oxford economics

Employment and unemployment rate Sweden (%)



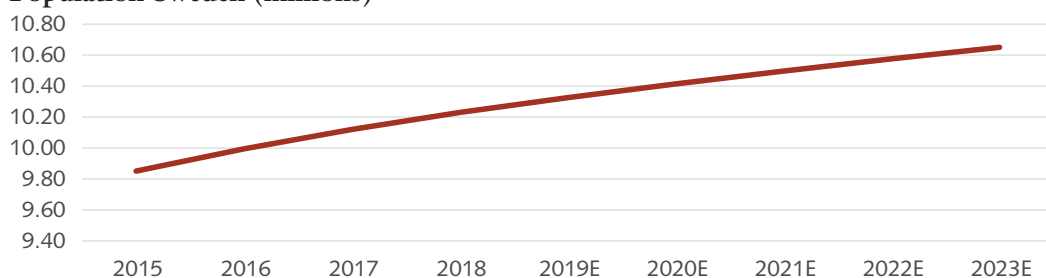
Sources: SCB, IMF

²¹ Newsec, *Nordic Property Outlook Spring 2019*.

²² Statistiska Centralbyrån, *Sveriges befolkning*, 21 February 2019.

INDUSTRY OVERVIEW

Population Sweden (millions)



Sources: SCB

Gross Domestic Product and Economic Growth Developments

For almost a decade now, the Swedish economy has experienced stable growth. However, 2019 is expected to be a relatively weak year for the Swedish economy, with a predicted GDP growth rate of only around 1.3 percent. Although there was negative GDP growth in the second quarter of 2019 of -0.1 percent, a recession is deemed highly unlikely and forecasts indicate the overall outlook for the Swedish economy remains strong. Forecasts indicate that Swedish GDP will be below the target of 2 percent during 2019-2022 and then accelerate to 2.5 percent during 2023. The construction sector is the main drag to GDP growth in 2019. An oversupply in the housing market puts construction starts on hold, which results in several negative effects. For instance, it leads to weaker price development on housing.

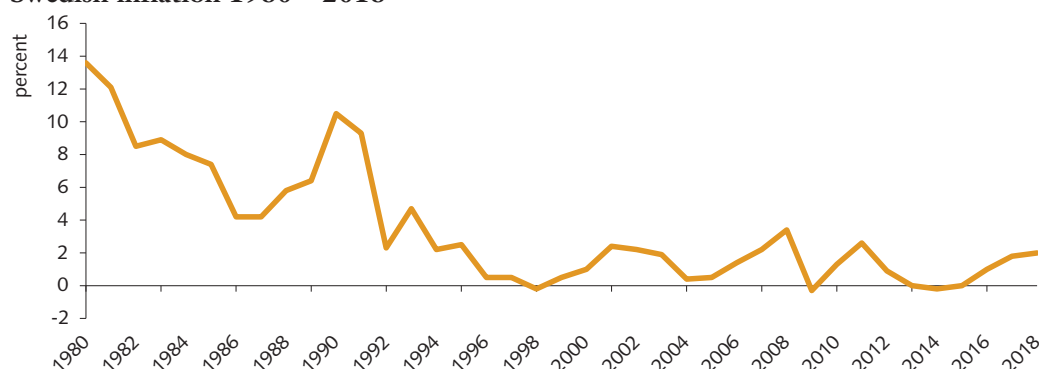
Labour Market and Disposable Income

The unemployment rate was at 7.4 percent in 2015 and decreased to 6.3 percent in 2018. In June 2019, the unemployment rate increased for the first time since the autumn of 2017 and reached 7.6 percent, but it is expected to remain unchanged at 6.3 percent for the full year and then to slowly increase during 2020/2021.²³ This is another sign that the Swedish economy is slowing down and the trend seems to continue this year as well as the next one. In recent months, household consumption has decreased. In June, household consumption growth displayed the weakest development since 2009, with a decrease of 1.0 percent. Despite several negative numbers, the Swedish labour market is still relatively strong. Disposable income grew by 2.5 percent in 2018, an increase in growth rate from 2.0 percent in 2017.²⁴ Disposable income per capita, adjusted for inflation, was SEK 222,580 in 2018.²⁵

Inflation

In total, GDP growth will slow down and inflation will not reach the target level of 2 percent. According to the Swedish Central Bank, inflation rate in August 2019 was 1.3 percent.²⁶ Thus, the Swedish Central Bank will have to put earlier planned interest rate hikes on hold, and interest rates will remain historically low.²⁷

Swedish inflation 1980 – 2018



Source: Statistics Sweden (SCB)

²³ Ekonomifakta. 16 August 2019.

²⁴ Statistiska Centralbyrån. 2019

²⁵ Ekonomifakta, hushållens inkomster.

²⁶ Riksbanken.

²⁷ Newsec Nordic Property Outlook Spring 2019.

Interest Rate and Housing Loans

The following table sets forth certain key information related to rates.

Interest rates – Sweden									
Year	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Central Bank Interest Rate (%)	-0.35	-0.50	-0.50	-0.25	-0.25	-0.25	0.25	0.75	1.00
STIBOR 3M (%)	0.40	-0.50	-0.30	-0.10	-0.10	0.15	1.65	1.20	1.25
STFIX 5Y (%)	0.20	-0.20	0.0	0.20	0.30	0.50	0.75	1.00	1.25
SWAP 10Y (%) 26 August 2019					0.23				

Source: SCB + Newsec forecasts, SEB

The stricter amortisation requirements on mortgage debts from last year impede the demand for new housing. The new requirements create a higher threshold to enter the housing market, where low income households or young families suffer the most. However, Swedish household debt is at record levels despite the amortisation requirements.

Norway

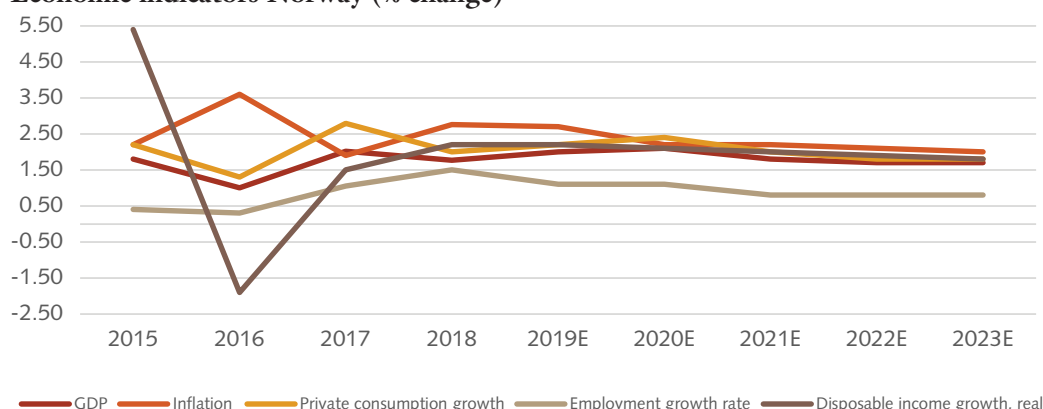
General Macroeconomic Developments

In 2018, the total population in Norway amounted to 5.3 million and a continued steady population growth rate is expected going forward. The counties Akershus and Oslo had the largest population growth in 2018, accounting for 54 percent of total growth.²⁸ Population fell in four counties, and this is the first time so many counties have displayed population decline since 2005.

The following table sets forth key information related to the Norwegian economy.

Economic Indicators – Norway									
Year	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
GDP (% change)	1.8	1.0	2.0	1.77	2.0	2.1	1.8	1.7	1.7
Population (millions)	5.2	5.2	5.3	5.3	5.4	5.4	5.5	5.5	5.6
Unemployment rate (%)	4.8	4.3	4.1	3.7	3.7	3.7	3.7	3.7	3.7
Employment rate (%)	66.1	65.6	66.0	67.0	67.7	68.5	69.0	69.6	70.1
Inflation (% change)	2.2	3.60	1.9	2.76	2.7	2.2	2.2	2.1	2.0
Private consumption growth (% change)	2.2	1.3	2.79	2.0	2.2	2.4	2.0	1.8	1.8
Employment growth rate (% change)	0.4	0.3	1.05	1.5	1.1	1.1	0.8	0.8	0.8
Disposable income growth, real (% change)	5.4	-1.9	1.5	2.2	2.2	2.1	2.0	1.9	1.8

Economic indicators Norway (% change)

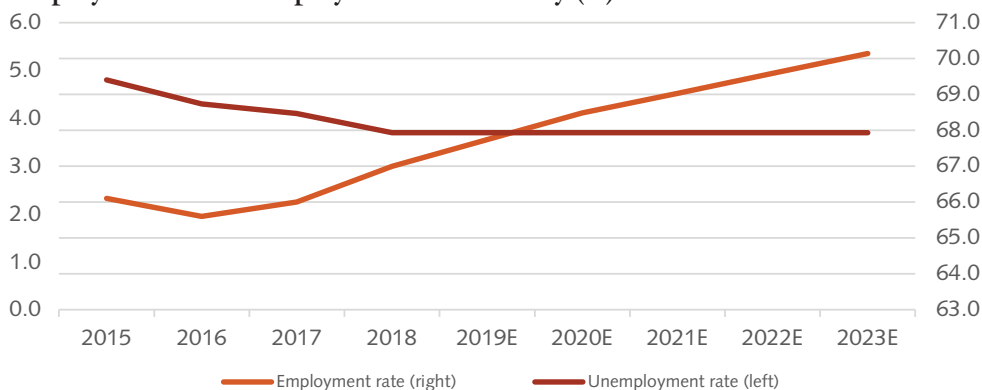


Sources: BNP Paribas, Newsec, ssb.no, Eurostat, Oxford economics

²⁸ Statistics Norway. 2019.

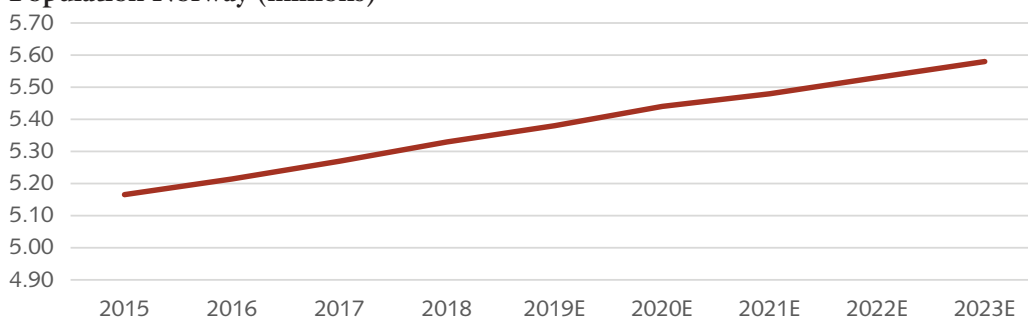
INDUSTRY OVERVIEW

Employment and unemployment rate Norway (%)



Sources: BNP Paribas, ssb.no, eurostat

Population Norway (millions)



Source: statista.com

Gross Domestic Product and Economic Growth Developments

Despite lower oil prices during 2018, Norway's economic growth is primarily driven by investments in the energy sector.²⁹ Norway's GDP grew at a rate of approximately 1.8 percent in 2018, and is predicted to grow by 2 percent in 2019. In 2017-2018, residential investments fell after a few years of a booming construction market. Now, signs indicate that Norway's housing market has begun to turn, with housing construction levels rising again. House prices in different regions in Norway are diverging. Rises in interest rates are pulling house prices down, meanwhile real income growth is pushing prices up. Further, property investments in oil exploration cities on the west coast, due to increasing investments in the oil sector as a whole, are becoming more attractive and are predicted to boom.

Labour Market and Disposable Income

The labour market is tightening and unemployment is continuing to fall, with an unemployment rate of 3.7 percent in 2018.³⁰ The clearest sign of a tighter labour market is the rise in wages. Even though the global outlook has deteriorated further, strong growth, a rising employment rate and rising wages are expected in Norway. In addition, private consumption is expected to rise this year due to a moderate rise in savings rate. In recent years, household disposable income has displayed a stable growth.

Inflation

Inflation rose just over the Central Bank's inflation target of 2 percent in November 2018 and core inflation remains steady. This year, the central bank of Norway (Norges Bank) has continued with interest rate increases, from a 0.75 percent level in 2019, to the current level of 1.25 percent.³¹ Newsec forecasts further rate increases to a 1.50 percent level in 2019.³²

²⁹ Newsec. *Nordic Property Outlook Spring 2019*.

³⁰ Danske Bank. *Nordic Outlook*. 18 June 2019.

³¹ Bank of Norway. *Monetary Policy Report*. 2 June 2019.

³² Newsec. *Nordic Property Outlook Spring 2019*.

Interest Rate Environment and Housing Loans

The following table sets forth certain key information related to rates:

Interest rates – Norway Year	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Central Bank Interest Rate (%)	0.75	0.50	0.50	0.75	1.50	1.63	1.65	1.67	n/a
NIBOR 3M (%)	1.13	1.17	0.81	1.19	1.91	2.04	2.06	1.67	n/a
SWAP 5Y (%)	1.28	1.57	1.60	1.82	1.65				
SWAP 10Y (%) 26 August 2019	1.61								

Source: SEB

Regarding monetary policy, Norway distinguishes itself compared to the rest of the Nordic countries, with key rates hiking to significantly higher levels than the rest of the Nordic countries. In 2018, the interest rate was 0.75 percent, but this year, forecasts indicate that interest rates will rise to 1.5 percent.

The reasons for the predicted rise in key rates (also resulting in a strengthened Norwegian krone) are many; a central bank that is not part of the Euro system, rising domestic wage costs and a high projected level of inflation of 2.7 percent in 2019. Power prices are expected to more or less normalise over the course of this year, resulting in a projected drop in inflation in 2020 and in household real disposable income growth in 2019.³³ This year, mortgage rates are also expected to further increase. On the other hand, projections indicate that the rate hikes in 2019 will have limited effect on housing purchasing power.

Finland

General Macroeconomic Developments

In recent years, Finland has experienced solid growth in population.³⁴ In 2018, Finland had a population of 5.52 million and the number is predicted to increase in the coming years. At the end of 2018, people with foreign backgrounds living in Finland made up 7.3 percent of the entire population. Moreover, the number of children with foreign backgrounds has doubled in ten years. GDP growth rate has gone up from the low levels in 2015 of 0.14 percent to 2.7 percent in 2018.

The following table sets forth key information related to the Finnish economy.

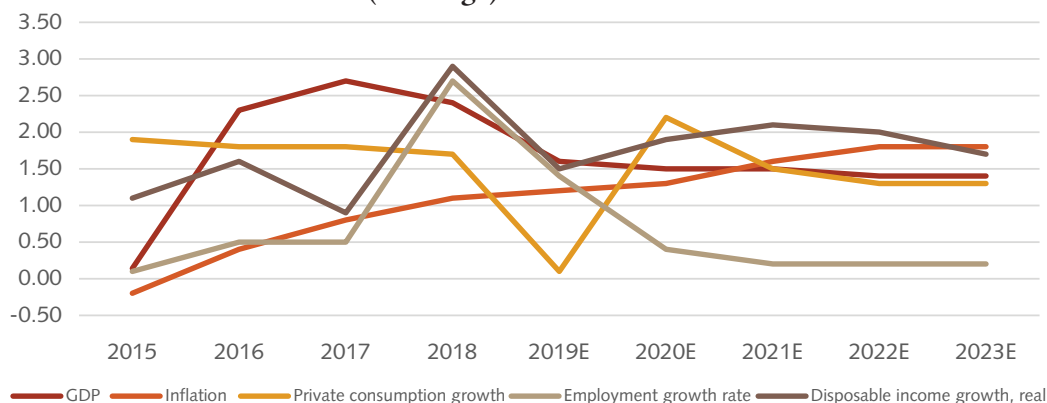
Economic Indicators – Finland Year	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
GDP (% change)	0.14	2.3	2.7	2.4	1.6	1.5	1.5	1.4	1.4
Population (millions)	5.5	5.5	5.5	5.5	5.5	5.5	5.6	5.7	5.6
Unemployment rate (%)	9.4	8.8	8.6	7.4	7.2	7.1	7.1	6.9	6.9
Employment rate (%)	68.1	68.7	69.6	71.7	72.7	73.0	73.1	73.3	73.4
Inflation (% change)	-0.2	0.4	0.8	1.1	1.2	1.3	1.6	1.8	1.8
Private consumption growth (% change)	1.9	1.8	1.8	1.7	0.1	2.2	1.5	1.3	1.3
Employment growth rate (% change)	0.1	0.5	0.5	2.7	1.4	0.4	0.2	0.2	0.2
Disposable income growth, real (% change)	1.1	1.6	0.9	2.9	1.5	1.9	2.1	2.0	1.7

³³ Danske Bank. *Nordic Outlook*. 18 June 2019.

³⁴ Statistics Finland. 2019.

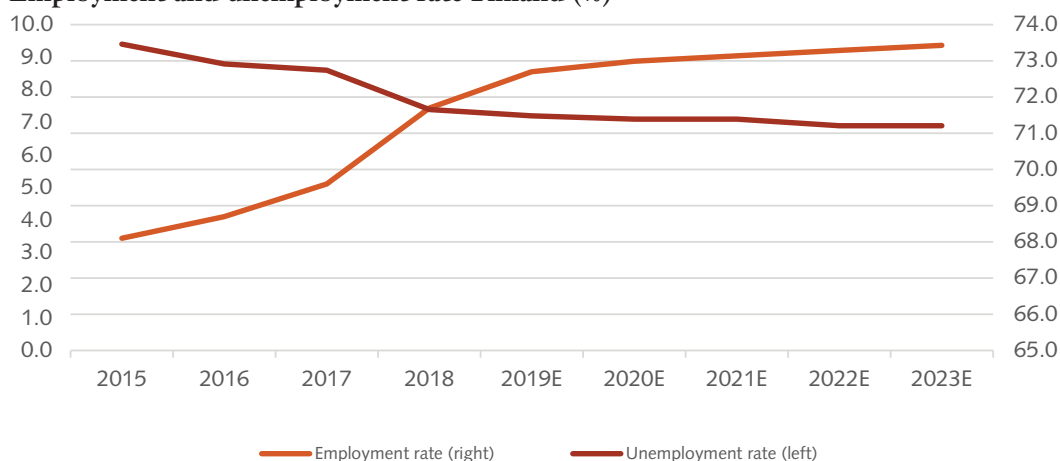
INDUSTRY OVERVIEW

Economic indicators Finland (% change)



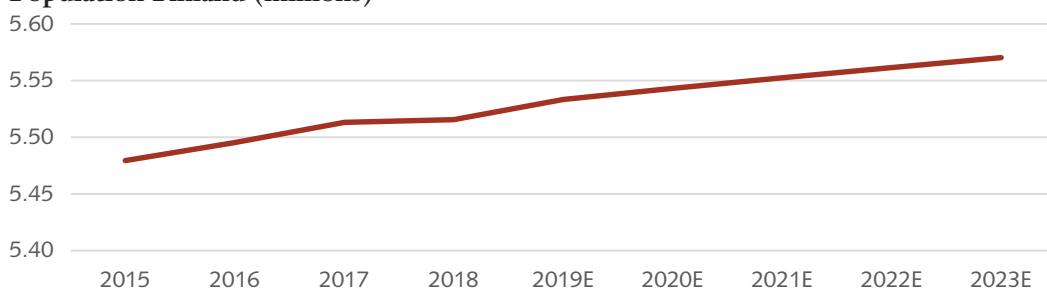
Sources: BNP Paribas, stat.fi, eurostat, Oxford economics, IMF

Employment and unemployment rate Finland (%)



Sources: BNP Paribas, stat.fi, eurostat, IMF

Population Finland (millions)



Source: Stat.fi

Gross Domestic Product and Economic Growth Developments

After a few years of strong economic development in Finland, exports are now slowing down. Exports will benefit significantly from major ship deliveries from Finnish shipyard expected this year, but next year, figures will mostly be determined by the degree of private consumption. Growth projections are adjusted downwards to the 1.6 percent level in 2019, from a GDP growth level of 2.4 percent in 2018. Despite this trend, Finland is approaching the long-term average GDP growth rate.

Labour Market and Disposable Income

In recent years, the Finnish market has been strong with many reforms.³⁵ The employment growth rate is predicted to slow from 2.7 percent in 2018 to an estimated 1.4 percent in 2019 and 0.4 percent in 2020.³⁶ Nevertheless, the labour market is still performing well with an expected unemployment rate of 7.2 percent in 2019. Some further improvements are expected in 2020, with an unemployment rate of 7.1 percent.

Despite weaker consumer confidence, purchasing power remains strong due to a strong labour market and increased disposable income.³⁷ Disposable income growth in 2018 was 2.9 percent, which is an increase from the 0.9 percent level in 2017.³⁸

In 2019 and 2020, private consumption is expected to be the key driver of economic growth. The expected increase in private consumption can partly be explained by a decreasing unemployment rate combined with a real wage growth.

Inflation

In Finland, Newsec forecasts increased inflation in the coming years. Wage growth will gradually push up service prices and thus contribute to boosting inflation in the forecast period.³⁹

Interest Rate Environment and Housing Loans

The following table sets forth certain key information related to rates.

Interest rates – Finland Year	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Central Bank Interest Rate (%)	0.05	0.00	0.00	0.00	0.00				
EURIBOR 3M (%)	-0.13	-0.32	-0.32	-0.32	-0.38				
SWAP 5Y (%)	0.33	0.00	0.49	0.28	-0.39				
SWAP 10Y (%) 26 August 2019					-0.2				

Source: SEB, Euribor-rates.eu

Furthermore, government debt has decreased, which enables a more expansionary fiscal policy, and capital expenditure continues drive strong results.

Overall, households' financial situations are improving and indebtedness rates are not remarkably high in an international comparison. In 2019, savings rate have risen from the unusually low levels experienced from 2016 to 2018 (negative numbers in 2016-2017). However, households' exposure to interest rate rises may be more significant later from 2020 onwards, since most household loans in Finland are linked to variable Euribor rates. In 2020, private consumption is expected to follow the development of earnings.

Forecasts indicate that house prices in Helsinki will continue to rise, while price falls are expected in smaller cities.⁴⁰ Meanwhile, construction activity levels are predicted to decline, resulting in a slowdown in economic growth.

Denmark

General Macroeconomic Developments

In 2018, population in Denmark amounted to 5.78 million and population growth from recent years is predicted to continue.⁴¹ GDP growth rate was 1.4 percent in 2018 and it is predicted to increase in 2019.⁴²

³⁵ Danske Bank. *Nordic Outlook*. 18 June 2019.

³⁶ Newsec. *Nordic Property Outlook Spring 2019*.

³⁷ Danske Bank. *Nordic Outlook*. 18 June 2019.

³⁸ Statistics Finland. 2019.

³⁹ Bank of Finland. *Slowing growth in the shadow of global uncertainties*.

⁴⁰ Danske Bank. *Nordic Outlook*. 18 June 2019.

⁴¹ Statistics Denmark. 2019.

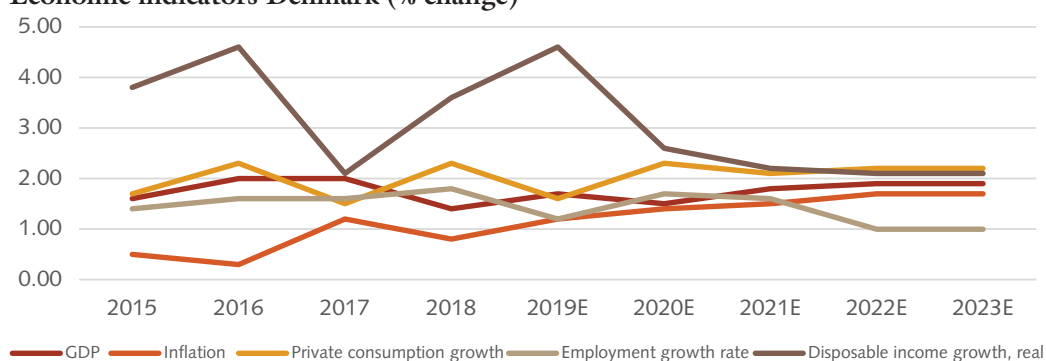
⁴² Newsec. *Nordic Property Outlook Spring 2019*.

INDUSTRY OVERVIEW

The following table sets forth key information related to the Danish economy.

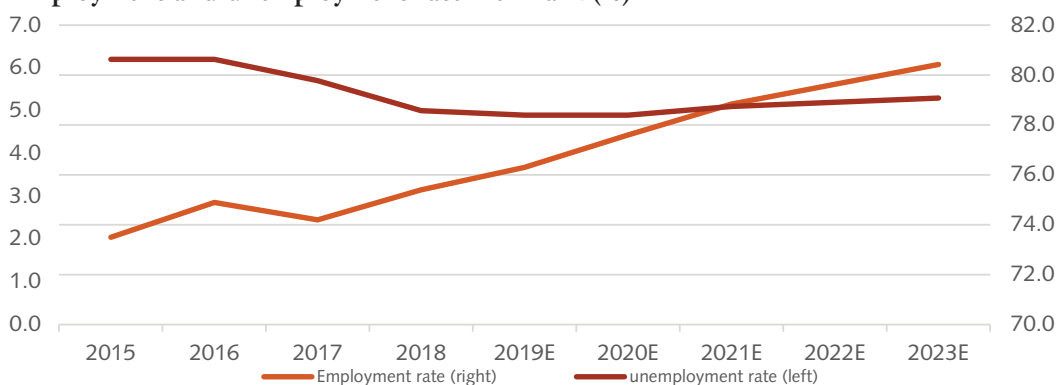
Economic Indicators – Denmark Year	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
GDP (% change)	1.6	2.0	2.0	1.4	1.7	1.5	1.8	1.9	1.9
Population (millions)	5.7	5.7	5.8	5.8	5.8	5.8	5.9	5.9	5.9
Unemployment rate (%)	6.2	6.2	5.7	5.0	4.9	4.9	5.1	5.2	5.3
Employment rate (%)	73.5	74.9	74.2	75.4	76.3	77.6	78.8	79.6	80.4
Inflation (% change)	0.5	0.3	1.2	0.8	1.2	1.4	1.5	1.7	1.7
Private consumption growth (% change)	1.7	2.3	1.5	2.3	1.6	2.3	2.1	2.2	2.2
Employment growth rate (% change)	1.4	1.6	1.6	1.8	1.2	1.7	1.6	1.0	1.0
Disposable income growth, real (% change)	3.8	4.6	2.1	3.6	4.6	2.6	2.2	2.1	2.1

Economic indicators Denmark (% change)



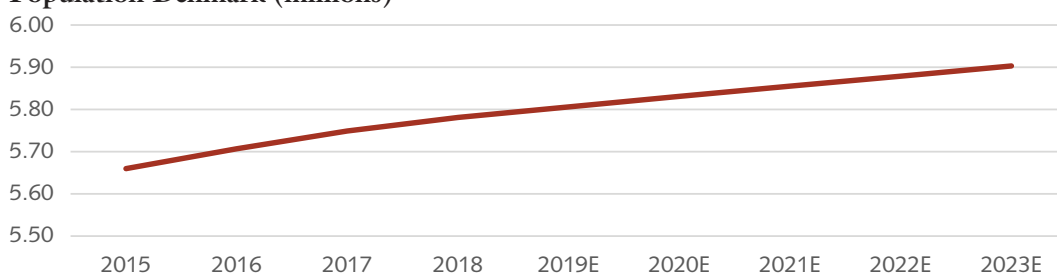
Sources: BNP Paribas, dst.dk, eurostat, Oxford economics, IMF

Employment and unemployment rate Denmark (%)



Sources: BNP Paribas, dst.dk, eurostat, IMF

Population Denmark (millions)



Source: dst.dk

Gross Domestic Product and Economic Growth Developments

Despite the slowdown in the global economy, Denmark is standing steady in the storm, with a solid GDP growth rate, expected at 1.7 percent in 2019. Concerns about a blistering housing market are now simmering down, which from a macro perspective is a good thing, given the previous risks of overheating and excessive price increases. However, construction is booming all over Denmark and investments in real estate market are attractive, especially for institutional investors.

Labour Market and Disposable Income

The labour market is continuing to strengthen more or less at the same pace as witnessed historically whilst unemployment is falling.⁴³ Forecasts indicate the employment rate will continue to grow, albeit at the same pace. The employment rate was 75.4 percent in 2018 and is predicted to rise to 76.3 percent in 2019.⁴⁴ Rising employment and housing prices, combined with disposable income growth, support the expected rise in private consumption.

Inflation

Inflation in Denmark is amongst the lowest in the EU area.⁴⁵ In 2018, the inflation rate for the Euro area was 1.74 percent, while Denmark's was 0.8 percent.^{46,47} However, it is possible that new taxation leading to higher prices on some consumer goods will result in a noticeably increased inflation.

Interest Rate Environment and Housing Loans

The following table sets forth certain key information related to rates.

Interest rates – Denmark Year	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Central Bank Interest Rate (%)	-0.75	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65
CIBOR 3M (%)	0.67	0.33	-0.31	-0.30	-0.42	-0.42	-0.42	-0.42	-0.42
SWAP 5Y (%)	-0.09	-0.23	0.63	0.42	-0.37	-0.37	-0.37	-0.37	-0.37
SWAP 10Y (%) 26 August 2019					-0.1				

Source: SEB

The monetary policy is hot on the European Central Bank's heels with low interest rate levels in order to continue stimulating the economy.⁴⁸ Forecasts indicate that the interest rate will remain at -0.65 percent in 2019 as well as in the following years. An unmodified interest rate may not only mean savings on monthly mortgage payments and increased use of financial services in connection to remortgaging, but it may also contribute to an increase in the Danes' loan-financed consumption. However, there are no signs that the current level of interest rate is markedly below the so-called natural interest rate in either Denmark or the Eurozone.

2. DEMOGRAPHIC OVERVIEW

Nordics

The Nordics includes Sweden, Norway, Finland, Denmark and Iceland. The Nordic population amounted to 27.1 million people in 2017.⁴⁹ Within the next 40 years, the population is predicted to have grown by 3 million inhabitants. In 1990, the Nordic population amounted to 23.3 million people, equivalent to a 16 percent population growth up until today.

By 2040, the population size of the Nordic countries and regions is projected to increase from the current 27.1 million to approximately 30 million people.

⁴³ Danske Bank. *Nordic Outlook*. 18 June 2019.

⁴⁴ Statistics Denmark. 2019.

⁴⁵ Danske Bank. *Nordic Outlook*. 18 June 2019.

⁴⁶ Rate Inflation. 19 augusti 2019.

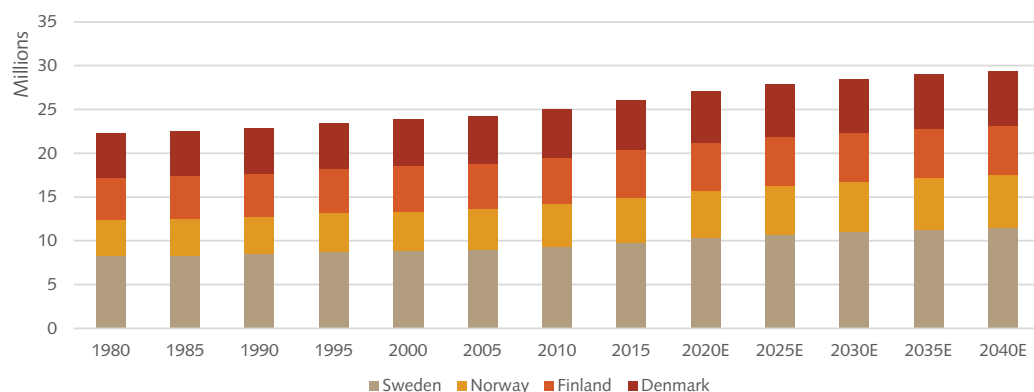
⁴⁷ Newsec. *Nordic Property Outlook Spring 2019*.

⁴⁸ Danske Bank. *Nordic Outlook*. 18 June 2019.

⁴⁹ Nordic co-operation, Nordisk statistik 2018.

INDUSTRY OVERVIEW

Population 1st of January by reporting country and time, the Nordics



Source: Nordics Statistics Database

The largest increases in population numbers are expected to occur in predominantly urban and intermediate regions that are close to a city. The population living in these two types of regions will be around two million people larger in 2040 than it is today, implying a 12 percent increase. The population in the more rural and/or remote regions is also expected to be somewhat larger in 2040 than it is today.

The global trend with urbanisation and an ageing population is also found in the Nordic region.⁵⁰ Urban areas in the Nordic region have a high population growth while some rural parts experience a diminishing population. The trend is the same for all of the Nordic countries, however they differ in their extent. The trend of people moving to cities is not just true for major cities in the Nordics but also for the regional urban centres in many parts. For example, population growth occurred especially in and around regional centres in Sweden, such as Falun in Dalarna and Karlstad in Värmland.

Population by region of residence, the Nordics (rounded numbers)	1990	% change (1990-2017)	2017	% change (2017-2040E)	2040E
Predominantly urban regions	5,266,000	+33%	7,025,000	+17%	8,202,000
Intermediate regions, close to a city	7,917,000	+20%	9,463,000	+9%	10,284,000
Intermediate regions, remote	2,197,000	+7%	2,359,000	+6%	2,507,000
Predominantly rural regions, close to a city	2,765,000	+6%	2,934,000	+4%	3,063,000
Predominantly rural regions, remote	5,140,000	+3%	5,293,000	+3%	5,450,000
Total population, the Nordics	23,285,000	+16%	27,074,000	+9%	29,506,000

Source: Nordregio report 2019:6, *The Nordic Population in 2040*

Nordregio has analysed in a report the development of the ageing population in the Nordic region.⁵¹ They use a measurement called OADR, a so-called old-age dependency ratio that measures the number of people aged 65 years and older (the “old” or retired population) as a share of the number of people aged 15 to 64 (defined as the “working age” population). In the Nordic Region, the OADR has increased from around 24 percent in 1990 to 30 percent in 2017, which means 100 people in the working-age population supported 25 people of retirement ages in 1990. In 2017, the ratio changed to 100 working-age people to 30 retirement-age people. The degree of this development differs among the Nordic countries. Sweden had the highest OADR of all Nordic countries for most of the period but was recently overtaken by Finland. Moreover, the development of the ageing population does not only differ among the Nordic countries but locally there are large deviations (e.g., the OADR in Blekinge in southern Sweden reached 35 percent in 2017, while the equivalent number in Stockholm was 24 percent). In figures, this translates into an increase of 1.7 million people aged over 65 between 2020 and 2040. During the same period, between 2020 and 2040, an increase of approximately 400,000 people aged 20-64 is estimated.

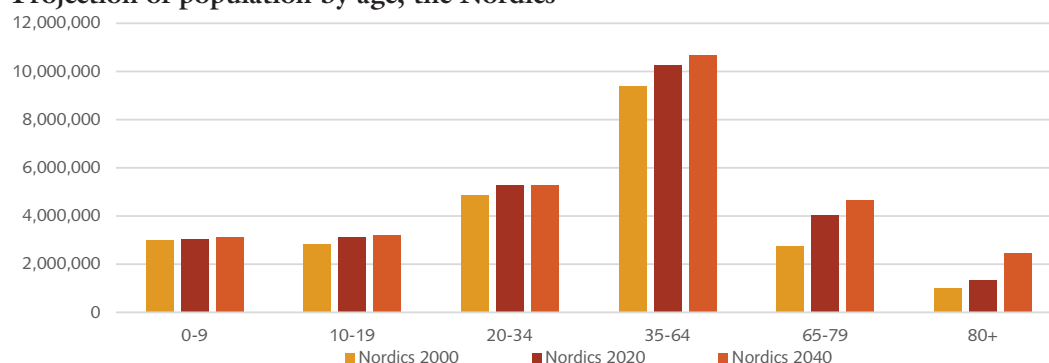
According to the report, the trend of population ageing will continue in the coming years. In 2017, the Nordic OADR was around 30 percent (i.e., for every person of pension age there were around three people between ages 15 and 64 years living in the Nordic Region). In 2040, this ratio is projected to be 40 percent, the equivalent of 2.5 people of working age for each person above age 65. The increase in OADR shows no signs of slowing down, and hence further increases after 2040 appear likely. The differences among the countries will remain. Finland, which already has the

⁵⁰ Nordic co-operation. Nordregio report 2019:6, *The Nordic Population in 2040*.

⁵¹ Nordic co-operation. Nordregio report 2019:6, *The Nordic Population in 2040*.

highest OADR today, will maintain its position as the country with the oldest age structure in the Nordic Region. In Sweden, population ageing will progress slower than elsewhere. In Denmark and Norway, the OADRs in 2040 will be close to the Nordic average. In a rural-urban comparison, the patterns observed in the past also largely persist. The predominantly urban regions such as Stockholm, Oslo and Helsinki will continue to have the youngest age structures in 2040. The graph below illustrates the changes in population in the Nordics from 2000 to today and a projection for 2040.

Projection of population by age, the Nordics



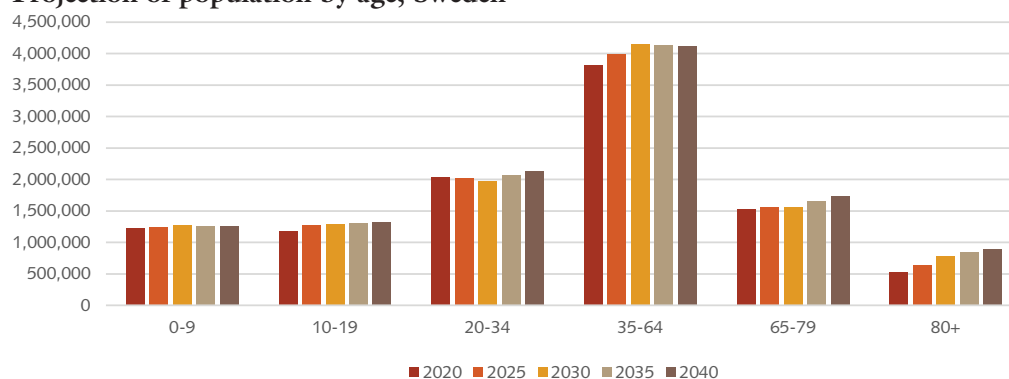
Source: Nordics Statistics database

Sweden

The population in Sweden has grown rapidly in recent years. At the end of 2018, the population in Sweden amounted to approximately 10 million people. The Swedish population has grown by 1.4 million inhabitants since the year 2000, a population growth of approximately 15 percent. The main reason for the population growth has been immigration. In addition, the birth rate exceeds the death rate. In 2018, population growth reached 1.1 percent. Immigration excess (immigration less emigration) amounted to almost 86,000 people while birth excess (births less number of deaths) summed to around 24,000 people.⁵²

At the beginning of 2017, the population in Sweden exceeded 10 million people and according to projections made by Statistics Sweden, it is expected to reach 11 million in 2029. The largest population increase is expected among the elderly, and in 2029 the share of people aged 80 and older is expected to be 255,000 more people than today, resulting in an increase of 50 percent.⁵³ Swedish population is expected to keep getting older. By 2070, the proportion of older people is expected to increase sharply, while the proportion of people of working age is decreasing. The demographical changes place high demands on society. An economy with a significant share of seniors and retirees has different demand drivers than an economy with a higher birth rate and a larger working-age population. For example, rapidly aging populations tend to have greater demands for health care services and elderly care homes.

Projection of population by age, Sweden



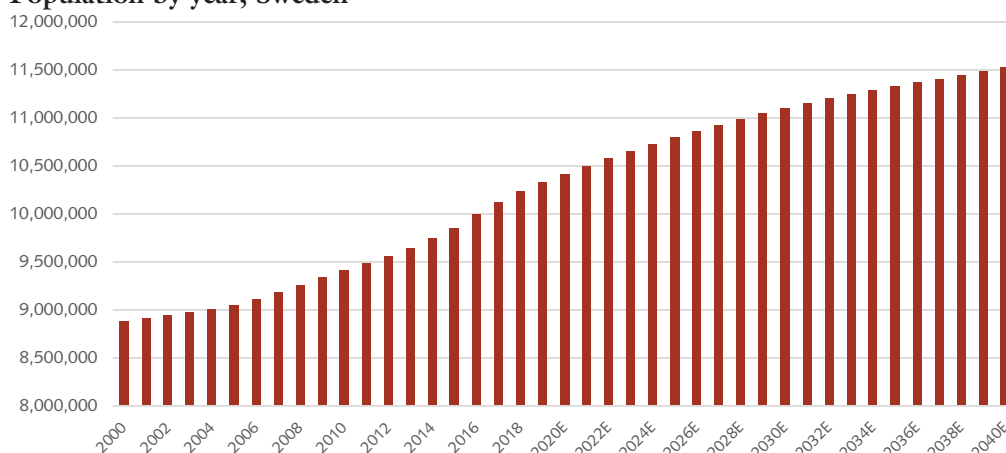
Sources: Statistics Sweden, SCB

⁵² Statistics Sweden, SCB 2019.

⁵³ Statistics Sweden, the future population of Sweden 2018-2070.

INDUSTRY OVERVIEW

Population by year, Sweden



Sources: Statistics Sweden, SCB

3. REAL ESTATE MARKET OVERVIEW

Nordic Property and Transaction Market

The Nordic property market is one of the most liquid in the world and is expected to stay that way. The interest from international investor has grown and can partially be explained as a result of the low central bank key interest rates and a stable political environment. Prognosis for the total Nordic transaction volume for 2019 is EUR 40 billion and for 2029 is EUR 80 billion.⁵⁴

Examples of large transactions in the Nordics are shown in the table below.

Date	Seller	Buyer	Property name	Location	Type	Volume, million SEK	Area, m ²	SEK/m ²	Yield (net)
2016	2:nd and 6:th AP-fund	Castellum	Norrporten AB	Mixed locations	Office, retail	~22,000	1,049,914	20,954	5.30-5.70%
2018	Victoria Park Shareholders	Vonovia	Shares in Victoria Park	Stockholm, Gothenburg, Malmö	Residential	~13,180	733,500	17,969	
2016	Akelius	Willhem	119 properties	Mixed locations	Residential, retail	5,000	317,023	15,772	4.80%
2018	Akelius	Victoria Park	2,340 apartments in Stockholm and Gothenburg	Stockholm (Haninge), Gothenburg (Mölnådal)	Residential	~4,700	188,000	25,000	
2016	D. Carnegie Shareholders	Blackstone	Shares in D. Carnegie	Mixed locations	Residential, retail	4,550	519,500	8,758	
2019	SBB	DNB Liv	DNB HQ	Oslo	Office	~4,900	49,000	100,000	
2019	eQ Care special investment fund	SBB	48 properties	Finland	Community service properties	~1,500	50,280	29,833	

Source: Newsec
~ Approximately

⁵⁴ Newsec. Nordic Property Outlook Spring 2019.

Sweden's Property and Transaction Market

The new coalition government (The Social Democrats and the Green Party) has presented a reform program, including tax and housing market reforms, which will affect the private market.⁵⁵ The program (at this moment under discussion) entails a gradual deregulation of rent control, as well as reduced taxes on capital gains from selling properties. On the other hand, the implementation of these measures will take several years and the housing and construction market in 2019 are unlikely to be effected.

Despite a somewhat slowing economy, the Swedish real estate market continues to perform well. In the first half on 2019, total transaction volume of SEK 85 billion exceeded corresponding results in recent years. In record year 2016, transaction volume amounted to SEK 201 billion, and the corresponding number for the half year (SEK 94 billion) was only a slightly higher than for this year (SEK 85 billion). Therefore, Newsec expects a volume of over SEK 180 billion in 2019, and therefore, the second strongest transaction year to date.⁵⁶ As in previous years, average deal size has continued to rise. The higher level of transaction volume is explained by purchases of major portfolios. Furthermore, the Swedish transaction market especially attracts large international investors. International investors account for 29 percent of transaction volume thus far in 2019. Should they continue to invest at this rate, 2019 will be the year in which foreign investors represent the largest share of transaction volume since before the financial crisis. The interest in the Swedish transaction market for all kinds of investors seems to remain high, due to the country's high-yielding and low risk property market in relation to the rest of Europe. In summary, forecasts for the Swedish economy indicate a slowdown in economic growth with a monetary policy in a challenging situation. The Swedish central bank are unable to raise the key interest rate because of the poor inflation forecast which has impacted the SEK negatively. Financial strains of property developers combined with an oversupply of housing could lead to an even worse spiral downwards for the housing market- affecting the Swedish economy as a whole.

Examples of large transactions and transaction volume for the entire transaction market in Sweden are shown below.

Date	Seller	Buyer	Property name	Location	Type	Volume, million SEK	Area, m ²	SEK/m ²	Yield (net)
2019	Logistik- fastigheter	Prologis	Multiple properties	Helsingborg, Göteborg, Örebro, Eskilstuna, Västerås, Stockholm (Sigtuna)	Industry	3,800	303,702	12,512	4,25%*
2019	Castellum	Lilium	Hercules 8 & 9, Idrottsparken 2 & 3 etc.	Sundsvall	Office	~3,600	169,190	20,426	5.00%*
2019	AFA Fastigheter	Blackstone	Skjutsgossen 12	Stockholm (Södermalm)	Office	~2,000	33,699	59,348	
2018	M2 Gruppen	SBB	50 properties	Enköping, Sigtuna, Södertälje, Tierp, Tranås, Vaggeryd, Söderhamn, Nässjö	Residential	~1,300	n/a	n/a	
2019	Multiple sellers	Offentliga Hus	6 properties	mixed locations / Sweden	Community service properties	~1,100	61,000	18,033	
2019	Hemsö	SBB	Träloket 16, Kullen 18 etc.	Stockholm, Gothenburg etc.	Community service properties	1,200	55,626	21,573	

Source: Newsec

~ Approximately

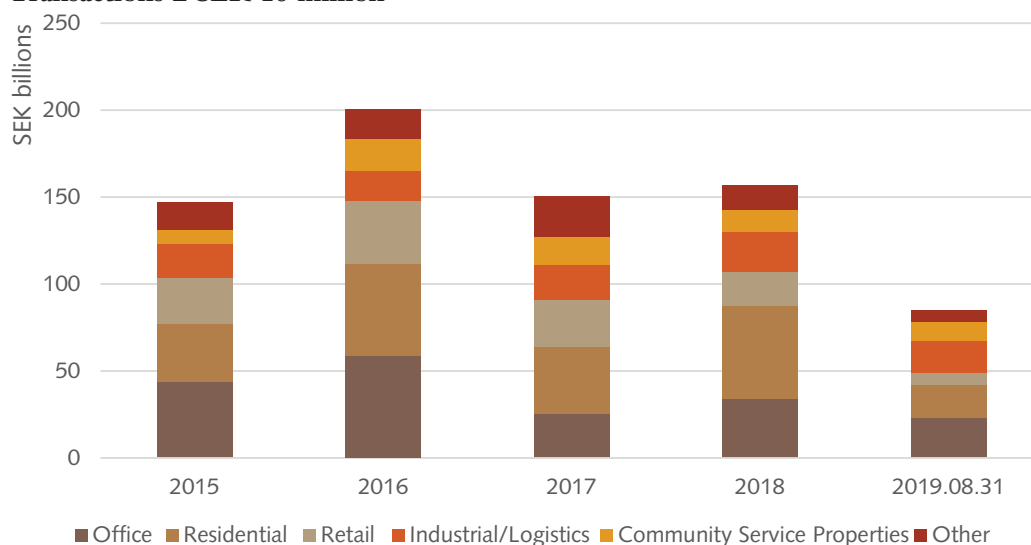
* Estimation

⁵⁵ Newsec. *Nordic Property Outlook Spring 2019*.

⁵⁶ Newsec. *Nordic Property Outlook Spring 2019*.

INDUSTRY OVERVIEW

Transaction volume Sweden by segment Transactions ≥ SEK 40 million



Source: Newsec

4. COMMUNITY SERVICE PROPERTIES

Introduction

In Sweden, Norway and Finland, there has been an increased interest in the municipalities' attitudes to the divestment of parts of their community service properties holdings. Many municipalities are in need of capital in order to maintain the existing property stock, construct new housing, finance care and education and invest in important infrastructure. In addition, many municipalities in Sweden and Finland, for example, are in favour of private actors taking care of a large part of the new construction of community service properties. The vast majority of municipalities are in great need of new schools and retirement homes in the coming years, where parts of this new production will go to the private market. Many municipalities are also positive towards bringing in additional companies to the labour market in the municipality.

There is an increasing interest in investing in community service properties in Sweden and in the other Nordic countries. In 2018, community service properties accounted for approximately 9 percent of the total transaction volume in Sweden; in 2007, they accounted for only 2 percent of the total transaction volume. This largely has to do with the fact that historically municipalities, counties and the state were the sole owners of all community properties. The reasons for the change in ownership structure are several. Firstly, the need for new investment in the sector, and many municipalities' lack of the capital to make such investment. The market for community properties has evolved the most in Sweden and Finland. However, private investors are increasing their interest in Norway and Denmark.

The growing market has resulted in specialised real estate companies. Pension funds have also invested in community service properties, as it is an asset class that is well suited to the long investment horizon and provides a stable return on investment.

The increased interest from investors in the segment can partly be explained by the social development being seen today, with an ageing population, growing amount of young people and a large immigration effect. This has placed great demands on society and has created a favourable position for investing in schools and elderly care assets. In nearly all geographical segments in Sweden, the property yield levels for elderly care and schools have gradually fallen. A similar trend can also be seen in Sweden's neighbouring countries, primarily concentrated around Oslo and Helsinki. Apart from the underlying demographics, community service properties are also characterised by long lease terms with stable tenants, which is attractive for the majority of real estate investors.

In Norway, the public property segment accounts for 17 percent of the total transaction volume to date in 2019, compared to 8 percent in 2015. Much like in the other Nordic countries, interest in public properties is increasing even if there are only a few property companies that focus on this segment. Pension funds have begun to focus more on this segment, driven by its long-term nature and the attractiveness of a stable return. The state and the municipalities are still the main owners of these type of properties, but if their attitude towards divestment changes, it could open a new window for increased supply with public properties coming to market.

In Finland, the private sector has increased its share in the community property market during the last years. However, there is currently a large uncertainty in the market due to the potential for regulatory reform, which will transfer the

responsibility of healthcare and social services to 18 new regional counties. In this reform, the “freedom of choice” was included, meaning that the patient would be able to choose healthcare or social welfare provider – governmental or non-governmental. This “freedom of choice” is projected to streamline the healthcare and social welfare system, meaning that municipalities will have to find new uses for many of their properties. The current government does not support the “freedom of choice” and has paused the reform.

In 2018, Danish community service properties accounted for approximately 3 percent of total transaction volume and the number is projected to increase in 2019. The state owned properties are controlled by seven units: FREJA (developer company), Forsvarets Ejendomsstyrelse (Defense Property Agency), Banedanmark (Rail Net Denmark), Bygningsstyrelsen (Property Agency), Naturstyrelsen (Nature Agency, Kriminalforsorgen (The National Probation Service) and Slot- og Kulturstyrelsen (The Palace and Culture Board). In recent years, some of the properties owned by the public institutions have been sold because of restructuring and cost cutting, driven by political decisions.

In general, due to the above stated facts, it is likely that there will be a continued demand and investor interest in community service properties in the Nordic region in the future.

Governmental backing of Nordic municipalities

In all four countries, legislation prohibits local governments from declaring default, making government intervention in the event of an RLG (regional and local government) facing severe financial difficulties very likely. Nordic RLGs have on occasion experienced financial distress. However, there have been no Nordics RLG defaults for over 100 years thanks to timely central government support (see below).⁵⁷

Nordic central governments have historically provided support to RLGs in financial distress

	Denmark	Finland	Sweden	Norway
Local government in distress	Municipality of Farum (2002)	Municipality of Karkkila (1992)	City of Bjuv (1995)	Municipality of Lebesby (late 1980s)
Background	Excessive spending and breaches of borrowing regulations. Several ambitious projects were carried out via opaque public-private partnerships using sale and leaseback loans.	Financial distress of a major state-owned company (Karkkila Industrial Village Ltd.) with domestic and foreign loans guaranteed by the municipality. A devaluation of the Finnish Markka exacerbated the situation, pushing guaranteed loans up to 250% of the municipality's tax revenue.	Financial distress due to the over indebtedness of its housing company. Bjuv was unable to raise taxes at the time due to national legislation that suspended municipalities' tax raising powers.	The municipality guaranteed the liabilities of a fishing business that went bankrupt and was forced to assume responsibility for NOK 50 million of its short-term debt.
State intervention	The central government assumed control of Farum and granted the municipality a subsidy of DKK 2 billion, a sum equivalent to its annual budget. This marked the first time the Danish central government had bailed out a local government and was highly controversial in Denmark. Farum was forced to raise municipal taxes from 19.6% to 22.8%.	Karkkila took the liabilities on its balance sheet and the central government was given the right to veto the company board. The central government passed emergency legislation that enabled the payment of a state interest subsidy to the municipality, which had to be repaid. Karkkila raised municipal taxes to the highest level in the country.	The central government provided SEK 159 million out of the SEK 200 million requested to resolve the crisis. It also took over the housing company until 31 May 2003 as a condition of allowing Bjuv to keep it thereafter. Bjuv took a larger management role in the housing company.	The central government provided financial support for a number of year, and allowed the debt to be restructured as part of a wider rescue package hat also imposed spending cuts and closer scrutiny on the municipality.

Source: Farum – Policy in multilevel systems: Federalism, decentralisation and performance in OECD countries (2003), Karkkila – Finnish local government institutions and creditworthiness (2012), Bjuv – Fiscal Federalism in Unitary States (2004), Lebesby – Recovery of local and regional authorities in financial difficulties (2002)

⁵⁷ Moody's Investor Service, KommuneKredit, Municipality Finance PLC, Kommunalbanken AS, Kommuninvest, 14 May 2018.

INDUSTRY OVERVIEW

Key regulation and Lease structure

The lease contracts for community service properties in the Nordic countries are similar to each other. In large, these are contracts that do not differ from typical commercial property leases. With states, county councils or municipalities as principals for the services provided, the tenants are very creditworthy and long contracts of five to fifteen years are common. In some cases, leases can be up to 20 years, compared to other commercial real estate segments where a normal lease stretches over three to five years. In Sweden, leases for government agencies of more than six years need consent by the government before signing, and for universities the corresponding lease length is ten years.⁵⁸ Tenants with operations indirectly financed by the state, councils or municipalities are also regarded as highly creditworthy. Despite that governmental approval is often a formality, it might slow down negotiations somewhat or lead to shorter lease contracts in order to avoid the approval process. Newly produced community service properties normally have a 15-year lease or longer, as the properties are often specialised for their purpose. The use of break options by tenants are uncommon in the Nordic market for community service properties. Tenant incentives (rebate discounts etc.) are generally not needed, since the tenant has good ability to pay due to the fact that they are backed by national governments.

Government agencies are generally required to go through a procurement procedure for all large purchases or other financial obligations. The lease of an existing premise is generally exempt from this requirement though. The lease of a premise that is not yet constructed could also be exempt, however, only if the premise is constructed after specific guidelines from the government agency.

Depending on the type of public tenant, the degree of specialisation differs. The tenants' propensity to prolong their leases at lease-end also differs among tenants. The below graph illustrates the relationship between the degree of specialisation and the propensity to prolong leases at lease-end for different types of public tenants. State-financed operations and governmental agencies are more exposed to organisational changes. New standards and directives have changed in recent years how operations in courts and police stations work and therefore the need and layout for certain properties have changed. However, properties hosting courts are specialised to a high degree with, for example, security measures and courtrooms.

Community operations connected to the municipality are more prone to prolong their lease contracts than other tenants, including other public tenants. In conjunction with the extension of the leasing agreement a new rent level is set (for example, if some renovations or upgrades to the facilities have been made). The inclination to prolong lease contracts is partly due to the great need for the existing properties but also since their operations are more stable and not subject to varying political changes to the same degree. Private high schools tend to not specialise their premises as much as municipal high schools do. As an example, in several cities private high schools are located in office buildings. Private high schools also have a greater focus on cost efficiency. As teacher wages increase while school fees paid by the municipality are kept constant, private operators work hard to reduce costs instead through optimising rented premises per student. Digitalisation allows for education to be conducted outside of the classrooms to a higher degree.

Tenant turnover assessment



Source: Newsec

⁵⁸ Ekonomistyrningsverket, Förordning (1993:528) om statliga myndigheters lokalförsörjning 9 §.

In Sweden, community service properties are normally not subject to property tax. Properties that are not classed as special purpose property (e.g., education, healthcare and judicial) are subject to property tax. In those cases, property tax is normally recoverable from tenants through a property tax supplement. This is common for office buildings with public tenants. In a multi-tenant property, the tenant's share of property tax supplement is normally calculated as the tenants area, divided by the total lettable area of the property. If the rental agreement is shorter than three years, the share is fixed during the rental period.⁵⁹

The base rent in the rental agreement is commonly adjusted annually through indexation via an indexation clause. The October index, CPI Fixed Index Numbers (1980=100), is generally used for indexation in Sweden. The base year is decided depending on the date when the rental agreement starts. Similarly to property tax supplement, indexation requires a minimum three-year rental agreement. However, it is possible to negotiate the first index adjustment.⁶⁰

Apart from rent, tenants often pay a surcharge for the use of heating, water, cooling and waste management. Tenants normally pay electricity through a separate subscription. The property owner covers costs such as administration, property caretaking, maintenance and insurance. Moreover, tenants generally cover furnishings. As an example, a Swedish property owner will be able to, due to surcharges, tenants separate subscription or the like, charge a normal office tenant approximately 50–60 percent of the property expense. In case of old community service tenant leases, the tenant pays a smaller portion of the property expenses in comparison to the normal office tenant. These old commercial property leasing agreements are usually still active today due to long lease terms and they often get prolonged. However, under newly set up leasing agreements, the tenant often accounts for up to 90 percent of the property expenses.⁶¹

For municipalities, councils, state or governmental agencies in Sweden that want to erect a community service property, the law for public procurement (Sw. *Lagen om offentlig upphandling*) is followed. The procurement is done either on the construction of the building or on the lease contract. In the case with a private community service operator that provides community services financed by the municipality, the operator follows the law for public procurement with the municipality, which does not, however, apply in connection with leasing the building but merely in connection with the procurement of the offered service (e.g. elderly care).⁶²

The UK community service property market resembles the Nordic market in several ways, as for example in the long lease terms of 20-25 years or longer.⁶³ Unlike the Swedish market, the UK community service market is highly regulated and new laws impact both operators and property owners (e.g., the Care Quality Commission and National Living Wage that have impacted the care home accommodation sector).

Demand and supply

In the next few years, the Swedish population will shift to having an increasing number of children, whilst also an increased number of people in the age group of 80+. The reason for the increase of children in Sweden is that the baby boomers born in the 1990s will reach the age where people usually have their own children.⁶⁴ This, together with a high level of immigration, has not only led to the need for approximately 500,000 new homes by 2025, but also that a total area of about 7.7 million square metres of new area in community service properties is required by 2030, according to Newsec. The Swedish Association of Local Authorities and Regions (an organisation that represents and advocates for local government in Sweden; all of Sweden's municipalities and regions are members of SALAR, Sw. *SKL*) estimates that the Swedish municipalities plan for investments of approximately 120 elderly care homes, over 300 secondary schools and more than 600 preschools between 2017 and 2020.⁶⁵ As demographic changes lead to a decrease in the tax base while this huge investment is needed, measures on both the cost and the revenue side are needed. This is an opportunity for private property investors as they can offer both expertise and construction skills in exchange for a lease contract. Finland and Norway are also experiencing the same types of demographic changes, and in Norway, according to estimations made by Consulting Engineers' Association⁶⁶ and Statistics Norway⁶⁷, a total of 6.2 million square metres of new builds are needed in the public sector to meet the growing demand from a larger population until 2040.

A survey by SALAR (Sw. *SKL*) on municipalities' new investments within community service properties between 2019 and 2022 indicates a great need for preschools, secondary schools and group housing. The figures below are based on the municipalities' CFOs answers in the survey. A report from the Swedish Ministry of Finance also indicates large investments are needed from municipalities in the coming years. The report is based on the demographic changes and how these will affect the need for municipal services. The review clearly states a great investment need, especially for

⁵⁹ Chapter 12 Section 19 Paragraph 3 of the Swedish Land Code.

⁶⁰ Fastighetsägarna, Indexuppräknings.

⁶¹ Newsec Advice Sweden.

⁶² Konkurrensverket, Upphandlingsreglerna – en introduktion på svenska.

⁶³ Marzuki, Western Sydney University, 2018.

⁶⁴ Statistics Sweden.

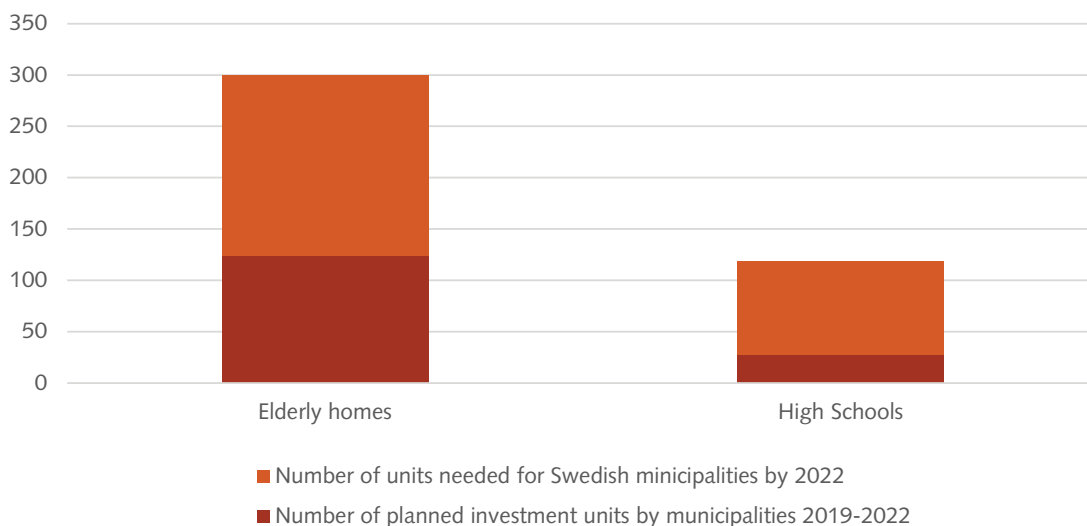
⁶⁵ Swedish Association of Local Authorities and Regions, Framtidens fastighetsbehov – Ekonomi.

⁶⁶ Consulting engineers Association.

⁶⁷ Statistics Norway.

INDUSTRY OVERVIEW

elderly homes and high schools. The graph shows an example of the number of planned investment units by municipalities during the period 2019–2022 and the number of units needed by 2022. The graph below illustrates that the total need for elderly homes is approximately 2.42 times greater than what is currently planned for and the total need for high schools is approximately 4.25 times higher than what is currently planned for up until and including 2022.⁶⁸

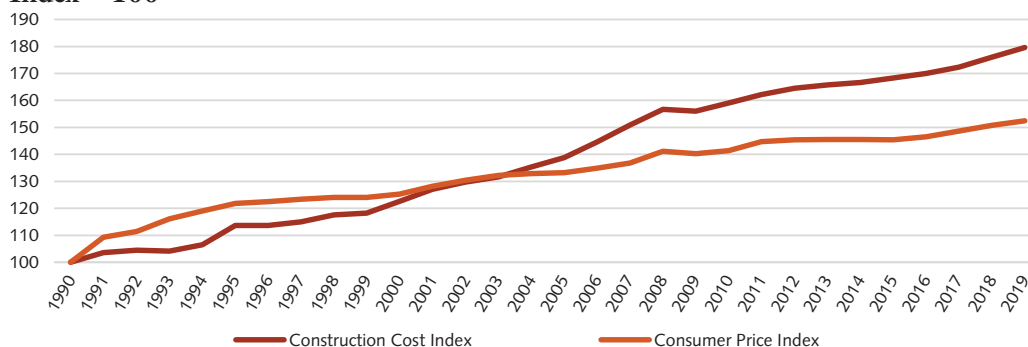


Construction costs

Construction costs in the Nordics have risen sharply in recent years. Data is available regarding cost for construction of multi-dwelling housing properties.⁶⁹ From the data it can be assumed that property construction in all segments follows the same cost trend. However, cost per square metre should vary among housing units (e.g., schools or offices as the common areas are bigger and the number of kitchen and bathroom areas are smaller in relation to total floor plan). This should lead to a lower construction cost all else being equal for community service properties. In short, the more specialised a building is, the more expensive it is to build. For example, municipality buildings are not as expensive to build as hospitals.⁷⁰

Construction cost development compared to inflation, Sweden

Index = 100



Source: SCB

For the most part, construction cost development has surpassed inflation constantly since the late 1990s. The spread between development of construction cost and inflation is relatively large today if compared to a ten-year period (see graph). Between July 2018 and July 2019 construction costs rose by 3.6 percent. The construction cost development is based on several subfactors such as material cost, wages, equipment costs, transportations and contractor fees.⁷¹ Cost of building materials rose by 4.1 percent, largely driven by cost increases to iron and steel. Contractor fees rose by 5.9 percent during the same period. Other subfactor costs increased by 2 to 3 percent.

⁶⁸ Sveriges Kommuner och Landsting, Branschdagarna 2019.

⁶⁹ Statistics Sweden, Faktorprisindex för byggnader, July 2019.

⁷⁰ Newsec Advice Sweden.

⁷¹ Statistics Sweden, Faktorprisindex för byggnader, July 2019.

Taking Finland as an example, construction costs for care buildings are typically EUR 2,300–2,800 per square metre and for educational buildings EUR 2,500–2,800 per square metre. The Norwegian construction costs vary among the segments. For example, construction costs for a pre-school are approximately NOK 35,000 per square metre⁷², while construction cost for a hospital vary from NOK 50,000 per square metre to NOK 65,000 per square metre. Hemfosa and Aspelin Ramm managed to build a hospital 25 percent cheaper than other reference projects, hence the large spread in construction costs for hospitals.⁷³

Drivers of rental growth

A key driver of rental growth is the potential to increase efficiency in the existing properties. Several of the older community service properties have large common areas and are not as efficient as newly produced community service properties. New regulations and standards for community service properties also affect the efficiency level for a property. A solution could therefore be to renovate and in turn host more students or patients in the buildings. As operators (both municipal and private) are paid per student or patient, a more efficient building would lead to higher revenue and hence the operator would allow for a higher rent.⁷⁴

In Finland, the rent for community service properties, which has been stable for the last couple of years, is set depending on the construction costs. In short, the rent for elderly care homes in Finland is set depending on demand and supply and the customers' ability to pay. The Finnish population is ageing and in the major cities Helsinki, Tampere and Turku the population is growing. However, in large parts of the country the population is decreasing. This means that there will be an increased demand in the short term for elderly care homes in the whole country. In the long term the demand for elderly care homes will mainly be focused to the three larger cities and it will even decrease in large parts of the country. There is also a positive population growth in some University cities such as Oulu and Jyväskylä, but not as much as in the three major cities.⁷⁵

Rental levels

The tables below illustrate rent levels for different types of community service properties in Sweden, Finland and Norway. The higher figure in the intervals refers to new production (Sweden). As for most types of properties, rent levels are highest in the capitals and the major cities. Also, the higher figure refers to higher standards or new-builds. The table showing the Norwegian rent levels is based on signed contracts over the past two years and the rent levels shown in the office column are expected to increase due to increasing employment.

SWEDEN SEK/sqm/year	Elderly Care Rental Level	Group housing (LSS) Rental level	Health care Rental level	Education Rental level	University Rental level	Legal Sector Rental level
Stockholm Prime	1,700 – 2,500	1,500 – 3,000	1,500 – 3,000	1,600 – 3,200	2,000 – 4,000	1,700 – 4,600
Gothenburg Prime	1,600 – 2,400	1,400 – 2,900	1,300 – 2,800	1,300 – 2,400	1,100 – 2,800	1,500 – 3,000
Malmö Prime	1,500 – 2,300	1,300 – 2,800	1,200 – 2,600	1,200 – 2,300	1,400 – 2,700	1,300 – 2,700
Other Major cities	1,100 – 2,300	1,200 – 2,800	1,100 – 2,400	1,100 – 2,300	1,300 – 2,500	1,200 – 2,500
Rest of Sweden	950 – 2,100	1,100 – 2,700	1,000 – 2,000	1,000 – 2,100	1,200 – 2,200	1,100 – 2,200

Source: Newsec Advice Sweden

NORWAY NOK/sqm/year	Office Rental level	Group Home Rental level	Health Care Rental level	Education Rental level	Legal Sector Rental level
Oslo Prime	2,000 – 3,000 ¹	1,500 – 3,200	1,500 – 3,800	1,300 – 2,900	1,800 – 2,400
Secondary Cities ²	1,700 – 2,800	1,100 – 2,500	1,400 – 3,600	1,200 – 2,400	1,700 – 2,200
Tertiary Cities ³	1,300 – 2,200	900 – 2,200	1,100 – 3,200	1,200 – 2,200	1,500 – 2,000

Source: Newsec Advice Norway

¹⁾ Prime office rent in Oslo posts around 4,000-6,000. Public tenants tend to rent in the city outskirts. Rent in the above table reflects this

²⁾ Bergen, Stavanger, Trondheim

³⁾ E.g. eastern part of Norway, Drammen, Kristiansand

⁷² Norsk Prisbok.

⁷³ Newsec Advice Norway.

⁷⁴ Newsec Advice Sweden.

⁷⁵ Newsec Advice Finland.

INDUSTRY OVERVIEW

FINLAND EUR/sqm/year	Elderly Care Rental level		Day care Rental level		Education Rental level	
	New	Old	New	Old	New	Old
HMA*	205 – 230	190 – 215	190 – 205	170 – 190	215 – 300	170 – 230
Tampere	190 – 215	170 – 190	180 – 205	145 – 155	190 – 240	130 – 190
Turku	190 – 215	170 – 190	180 – 205	145 – 155	190 – 240	130 – 190
Oulu	190 – 215	170 – 190	180 – 205	145 – 155	190 – 240	130 – 190
Jyväskylä	190 – 215	170 – 190	180 – 205	145 – 155	190 – 240	130 – 190
Other	180 – 205	120 – 180	180 – 205	110 – 145	170 – 205	120 – 180

* Helsinki Metropolitan Area
Source: Newsec Advice Finland

DENMARK DKK/sqm/year	Elderly care Rental level	Senior home Rental level	Health care Rental level	Education Rental level	University Rental level	Legal sector Rental level
Copenhagen	1,375 – 2,000	1,375 – 2,000	1,000 – 1,900	1,400 – 2,000	1,400 – 1,950	1,300 – 1,950
Århus	1,125 – 1,400	1,125 – 1,400	800 – 1,300	1,000 – 1,300	1,000 – 1,300	900 – 1,475
Odense	825 – 1,225	825 – 1,225	600 – 1,100	600 – 1,100	600 – 1,100	600 – 1,100
Other large cities	750 – 1,100	750 – 1,100	500 – 800	500 – 1,100	500 – 1,100	500 – 1,100
Rest of Denmark	575 – 900	575 – 900	500 – 700	500 – 700	500 – 900	500 – 900

Source: Newsec Advice Denmark

Vacancy rates

In Sweden, occupancy rates for community service properties are generally higher than other real estate segments, which is partly a result of the fact that the premises are generally more customised than, for example, office premises. Higher rent levels and longer contract times generally follow a larger tenant adaptation on lease contracts resulting in low vacancy risk. As a result, the propensity to leave premises is lower for community service tenants than it is for the average office or retail tenants. The demographic trends and the already large lack of community service properties are also reasons for the low vacancy rate. New laws and standards for the premises used by community service properties could increase vacancy risk.

In Denmark, vacancy rates are not normally analysed in the community service property market. As an example, however, during the last decade the political environment has focused on economies of scale and many of the smaller day care institutions and schools remain vacant after mergers. The structural change can also be seen in vacancy rates at the regional level, where a lot of smaller hospitals remain vacant after closing. In Finland, the average occupancy rate in community service properties is approximately 80 percent.⁷⁶

There are no exact figures available on vacancy rates for public properties in Norway. On the other hand, one could argue that the very nature of the tenants will ensure that the premises are often 100 percent leased. In the legal sector, such as a police station, the tenant will naturally occupy the whole building, and the same goes for group homes, health care and for most of the education-type properties. The office segment may differ, as smaller part of the building could be leased to other tenants not being public. The nature of tenants, together with length of contracts normally being long, causes the occupancy rate for public properties to be generally high and thus the segment has a low vacancy risk.⁷⁷

Yield data

Yields refer to net yields, and those presented in each graph below for 2019e are estimates of net yield levels at year end 2019. As interest for investing in community properties increases, yields have decreased. The different submarkets for community service properties differ in terms of maturity, specialisation, tenant type and national attributes, and hence yield levels differ between the property types in the Nordic countries. Even though yield levels in the Nordics for community service properties are low, there may still be some room for yields to decrease further. This is primarily driven by the high spread between yields and the STIBOR 3M and EUROBOR 3M (see graphs for Sweden and Finland).

Sweden

There is a liquid market for all subsegments of community service properties in Sweden. Depending on the specialisation of the property and the tenants' tendency to move, yields differ among subsegments. However, the yield spread for each subsegment does not differ substantially depending on the geographical location to the same degree as, for example, office properties where large spreads between micro locations and municipalities exist.

⁷⁶ Newsec Advice Sweden.

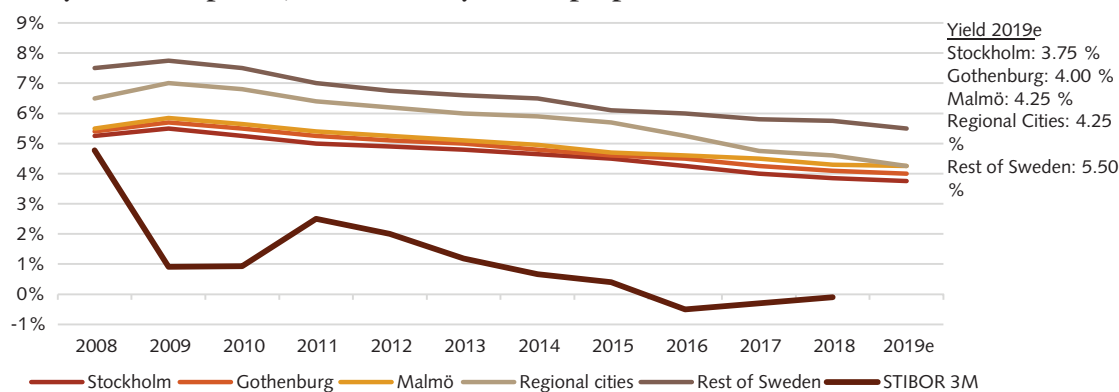
⁷⁷ Newsec Advice Sweden.

The subsegment with the lowest yield is usually elderly care homes and group housing for people with disabilities (LSS: The Act of support and Service for some disabled people) as these properties are not fully specialised and conversion to regular housing is easy. Elderly care homes in good locations in the Stockholm area (excluding the inner city) yield 3.75–4.00 percent whereas group housing for people with disabilities in similar locations yield 4.50–5.00 percent. In these properties, the patients normally spend a longer time than children in preschools or students in high schools and therefore demand does not vary as much over time and depending upon, for example, an aging population or large birth cohorts.

Preschools yield around 5.00–5.50 percent in the Stockholm area (excluding the inner city). Primary schools and high schools are deemed less specialised and more prone to move or relocate if student demand changes. Investors also seem to apply an additional risk for private high schools, at least in part due to the John Bauer group's bankruptcy in 2013 that left 10,500 students to find new accommodations. Therefore, such subsegment yields around 5.50 percent.

Community service properties within the judicial sector such as courts and police buildings are generally not prone to move and hence yield levels are at 4.00–5.00 percent. An aspect for investors to take into account is the risk for tenants from the state being more subject to organisational changes than municipal tenants are. In recent years, the Swedish Police Authority and the Swedish Public Employment Service have undergone large organisational restructures in which premises were vacated. Therefore, properties with these types of tenants are traded at a higher yield spread in certain locations such as in smaller municipalities with poor population development compared to, for example, elderly homes.

Net yield development, all community service properties Sweden



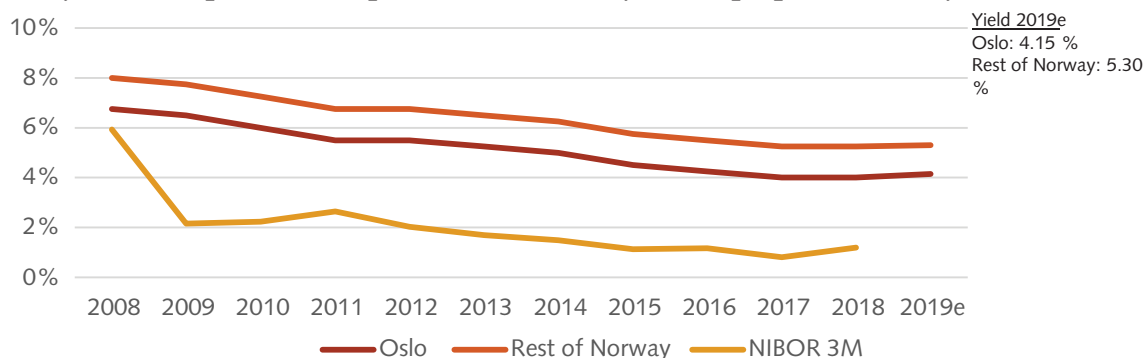
Source: Newsec

Norway

In the Norwegian market, the largest subsegment (offices with public tenants) trades with a large spread depending on locations (as for office properties in general). Public tenants often have a clause enabling them to terminate the contract before expiration if they are subject to organisational changes such as consolidating different regional or local units. For Oslo, yields in the range of 3.90–4.75 percent are observed. On the secondary markets, mainly Bergen, Stavanger and Trondheim, observations of transactions in the range of 4.5–5.75 percent have been made. In the more rural areas, there is a greater re-letting risk if the public tenant decides to move. Here, observations in the range of 5.25–6.50 percent have been made. However, these yields are far lower than office-type properties without a public tenant in tertiary markets, where yields are rarely seen below 6.50 percent. The legal sector, dominated by police buildings, is generally not prone to move, hence the yield is not as sensitive towards location as the office subsegment. Here, observations of yields are in the range of 4.75–5.75 percent. In the educational segment, dominated by universities/colleges, there is a larger risk of vacancy as tenants could decide to relocate if students demand changes. However, as the length of the contract is often long, observations of yields range between 4–5 percent, independent of location. Group homes is the subsegment with the sharpest yield independence from location. With lease contracts stretching all the way up to 30 years, observations of yields in the range of 3.6–4.5 percent have been made, independent from location. The down-side risk is low as conversion to regular residential is often doable. Healthcare properties are often more specialised, and the yield could range from 5.5–7.5 percent even though the lease term is long, and the building centrally located.

INDUSTRY OVERVIEW

Net yield development development, all community service properties Norway

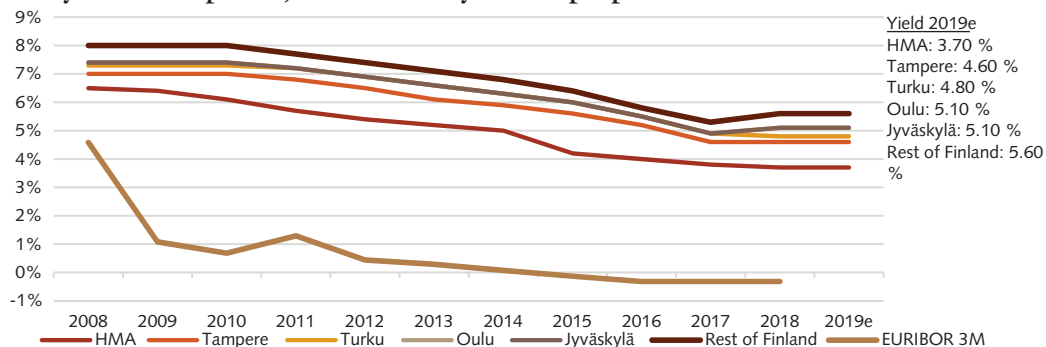


Source: Newsec

Finland

Yields in the Finnish market have developed similarly to the Swedish ones (see table below).

Net yield development, all community service properties Finland

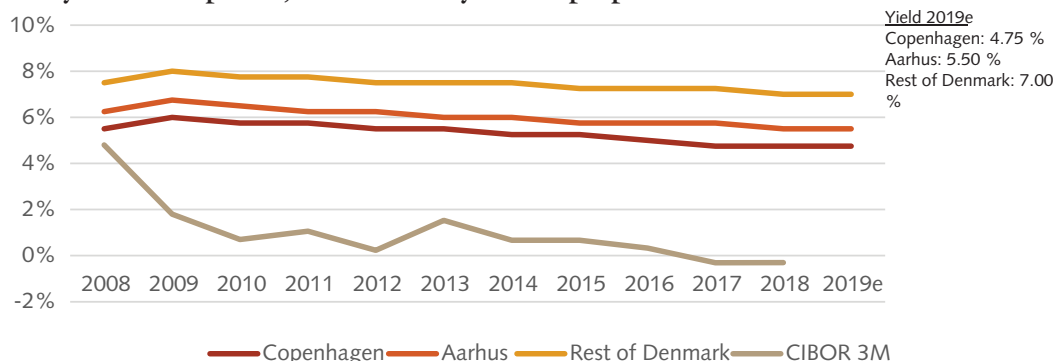


Source: Newsec

Denmark

In Denmark, municipal buildings are commonly compared to office properties since in most cases a community service property can be used as an office. The yield depends on the creditworthiness of the tenant, the length of the lease agreement and location and condition of the property.

Net yield development, all community service properties Denmark



Source: Newsec

Transactions volumes data

Sweden

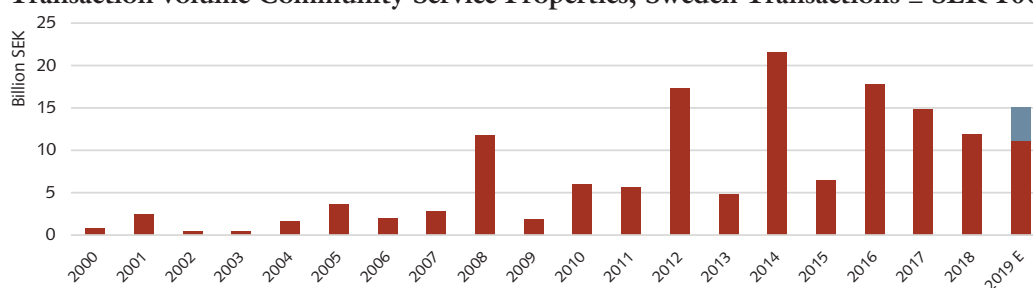
The Swedish transaction market for community service properties reached almost SEK 12 billion in 2018. During the first half of 2019 investment volumes surpassed SEK 10 billion, indicating a strong overall year for the segment in 2019. The transaction volume was even higher in 2017 with an approximate volume of SEK 15 billion. In general, as the interest in the segment is getting bigger, the investment volume is also increasing. For example, in 2000, the Swedish transaction volume of community service properties was approximately SEK 740 million as opposed to the SEK 12 billion volume in 2018.

In April 2019, Intea Fastigheter (owned by Swedish institutional investors, mainly pension capital) acquired a healthcare property in Lund, in southern Sweden. The property is fully let to Region Skåne (Skåne county) for operating psychiatry treatment. The county has a 20-year lease with the property owner. The price is estimated at SEK 1.4 billion, SEK 50,900 per square metre, resulting in a yield at around 4.25 percent. The yield evidences the strong investment demand from investors for community service properties.

As municipalities allow to a larger extent for private investments for new building, several forward funding transactions are observed across Sweden. Developers such as Skanska, NCC and Serneke have divested community service properties through forward funding. In most of these transactions, the property includes a long lease term with either state, county councils, municipalities or private operators (whose operations are financed by the state, county councils or municipalities). Many of the forward funding transactions relate to properties used for elderly or health care, but also cover schools, universities and court buildings. There is an increasing number of public tenants that sign lease contracts in newly produced properties built and owned by private investors. An example is the new public cultural centre in Skellefteå built by SBB and the new judicial centres in Sollentuna and Malmö being built by VACSE and Castellum.

The large deviations in transaction volume below in 2008 and 2012 are due to Kungsleden's divestment of Hemsö, through several transactions to the Third Swedish Pension Fund. During 2014, numerous larger transactions occurred in the Swedish market such as Hemsö's property exchange with Hemfosa, Akademiska Hus' divestment to Stockholm municipality and Rikshem's acquisition from Nacka municipality. From 2016, the market volume of community service properties has shown repeatedly high transaction volumes.

Transaction volume Community Service Properties, Sweden Transactions ≥ SEK 100 million



Source: Newsec

Norway

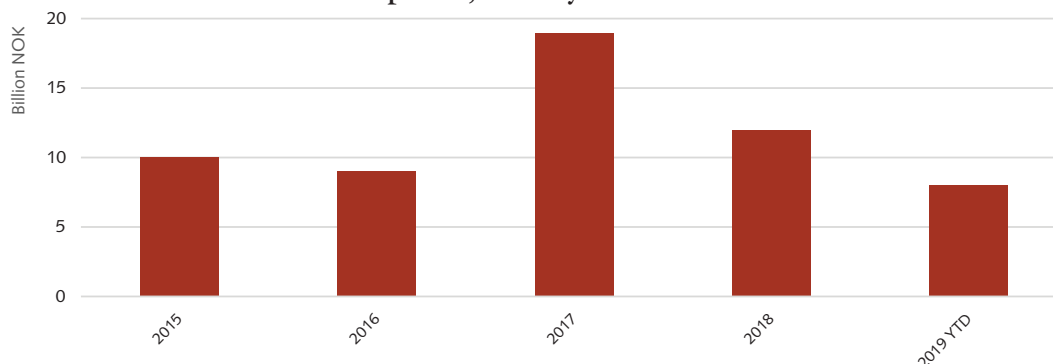
The Norwegian market for public properties is also dominated by municipalities, counties and the state. However, police stations and day cares are often owned by private companies or investors. Private companies that dominate the day care segment are Pioneer, Læringsverkstedet, Altor Equity Partners, Infranode and Trygg Barnehager og SPG, among others. The Norwegian transaction market for public properties reached a record high volume of NOK 19.1 billion in 2017. The large deviation is due to an active year for the segment, with almost 50 percent more transactions being closed compared to the other years. Office and properties related to health care and the legal sector came to market this year. The headquarters for the Norwegian Water Resources and Energy Directorate was sold off by Entra to an NRP syndicate for NOK 1.3 billion. Even though the remaining lease term was only 8 years, the net yield was 4.4 percent, proving lower yields for shorter contracts with public tenants. Forskningsveien 2 with a 14-year lease term with Oslo University Hospital was sold to a Pareto syndicate for NOK 1.1 billion yielding 4.4 percent. 2017 also saw the forward sale of the new building for The National Criminal Investigation Service, with a 15-year lease contract, for NOK 1 billion. A syndicate by Arctic bought the building at 4.2 percent yield.

As of August 2019, public property transaction volume had already surpassed NOK 8 billion during 2019. The largest transaction so far in 2019 has been the developer NCC's divestment of Valle Wood (completed in the first quarter 2019) and Valle View (to be completed year end 2020), including building rights for Valle Vision, at Hølsfyr in the eastern part

INDUSTRY OVERVIEW

of Oslo for NOK 1.8 billion. Even though the project is not completed nor fully leased, it has anchor tenants such as The Norwegian Directorate of Immigration and Stamina Helse (larger provider of health services for corporations). Should the pace continue, 2019 is set to be a strong year for transactions of public properties

Transaction volume Public Properties, Norway Transactions ≥ SEK 100 million



Source: Newsec

Finland

As in Sweden, the Finnish market for community services properties is dominated by municipalities. Some of the private property companies owning community service properties are Trevian, EQ Hoivakiinteistöt Oy, Northern Horizon Capital, Auratum, Evli, Ilmarinen, Etera, Soumen Hoivatilat Oy, Titanium, Hemsö and SBB. The Finnish market for community service properties has been growing since 2013 when it amounted to EUR 0.2 billion and the highest investment volume recorded was for the year of 2018 and amounted to approximately EUR 0.7 billion. Thus far in 2019, the volume amounts to EUR 0.4 billion.

Market players and size

An increasing number of public players are increasingly becoming more open for more divestment to private players in order to raise capital to maintain quality and invest in their existing property stock, as well as produce new housing, finance care and education and invest in important infrastructure. Among new production of community service properties the share of private investors is believed to be higher. For example, in Sweden, for group housing for people with disabilities, the municipalities built 44 percent of new production, while private investors or the municipal public housing companies built the rest.⁷⁸

Ownership structure and market size

The market for community service properties has grown strong in the last few years and with it, the number of companies focusing on these properties has increased accordingly. The market for public properties in the Nordic region is still dominated by the municipalities, counties and the state.

In Sweden, there are a number of specialised companies such as SBB, Rikshem, Hemsö, Hemfosa and Vacse who have emerged and several other large actors are branching out towards community service properties. In addition to the mentioned actors, capital is flowing into the sector from pension funds and insurance companies (e.g., Rikshem, Hemsö and Vacse are owned by Swedish pension funds). SBB and Rikshem have similar strategies with residential properties in the portfolio in addition to the community service properties. The low risk that comes from publicly owned tenants or private welfare providers funded by the public appeals to investors with long holding horizons. The demographical situation in the country with a decreasing part of the population being of working age definitely increases the attractiveness of the segment. Most actors agree that the demand for community service properties will keep on rising both in the near future but also in the long term due to the structural demographic changes. The total market value for public properties is roughly estimated to around SEK 1,000 billion in Sweden, of which some 20 percent is owned by private investors.⁷⁹

In Norway, there are in total 35 million square metres currently used in the public administration, of which 1.9 million square metres are leased from the private sector. The main players in the Norwegian market for public properties are Hemfosa, SBB and other investors. Other investors include, for example, Arctic, Clarkson Platou Real Estate, Njord, NRP (Ness Risan & Partners) and Pareto.

⁷⁸ Boverket, Bostadsmarknadsenkäten, 2019.

⁷⁹ Hemfosa Annual Report 2018.

In Finland, the estimated market value is approximately EUR 35 billion and the private market for community service properties is dominated by a few large operators such as Attendo, Pihlajalinna, Esperi, Touhula and Pilke Päiväkodit. These operators are located all over Finland.

The Danish market is not as focused on the community service properties as in, for example, Sweden and Finland. However, in recent years the interest for community service properties has increased, driven by the fact that there is a demand for approximately 30 percent more community properties by 2030. The main reason for the high demand is an ageing population. The Danish pension funds (e.g. PFA, AP Pension and Pension Danmark) are some of the investors.

Market players

Community service property owners and investors			
Sweden	Norway	Finland	Denmark
SBB	SBB	Attendo	PFA
Rikshem	Hemfosa	Pihlajalinna	AP Pension
Hemsö	Arctic	Esperi	Pension Danmark
Hemfoa	Clarkson Platou Real Estate	Touhula	
Vacse	Njord	Pilke Päiväkodit	
	NRP		
	Pareto		

5. RENT REGULATED RESIDENTIAL

Introduction

As of December 2017, the Swedish housing stock consisted of approximately 4.8 million dwellings. 51 percent of the dwellings were in multi-dwelling buildings and 43 percent were in one- or two-dwelling buildings. The remaining 7 percent consisted of special and other housing assets. There are three types of tenures in Sweden, ownership (mostly one-dwelling buildings), housing cooperative and rental right. Of the 4.8 million dwellings, approximately 40 percent are rental units, 40 percent are ownership rights and the remaining 20 percent are cooperative apartments.⁸⁰ As the owner of a cooperative apartment, you are also a member of a housing association, or a housing cooperative, which is a type of legal entity or economic association. The cooperative apartments are traded on the housing market, but the housing cooperative must approve the buyer. The owner of a tenant-owned apartment does not own the specific apartment, but owns a part of the housing cooperative which in turn owns the building. The owner of a cooperative apartment owns the right to use the apartment until it is sold. Condominiums, as known in the United States or in the United Kingdom, is a new form of tenure in Sweden, which was approved by law in 2009. Therefore, the market for condominium is almost non-existent today with only around 1,500 apartments.⁸¹

In multi-dwelling buildings, rental dwellings are the most common form of tenure. Rental dwellings represent 59 percent of the total dwelling stock in multi-dwelling buildings, while 41 percent consist of cooperative apartments. Of all rental dwellings in Sweden, municipal property companies own approximately 50 percent.

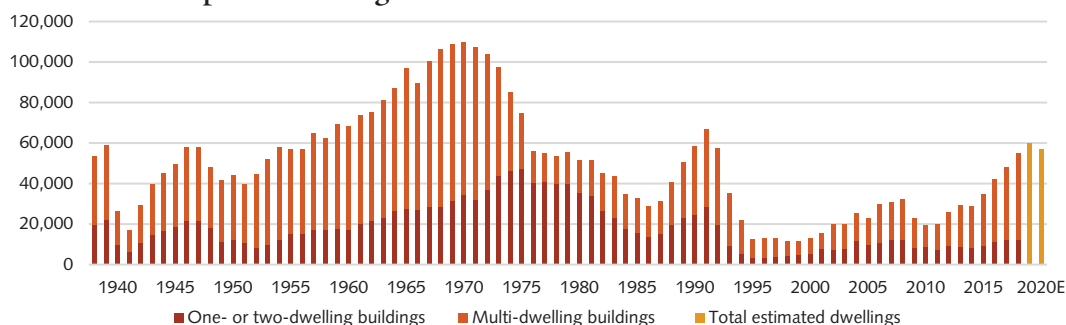
The most common type of dwelling in multi-dwelling buildings are those made of two rooms and a kitchen, with an average area of 60 square metres. The majority of the multi-dwelling buildings were built between 1951 and 1980 with a peak between 1961 and 1970. During the peak period, there was a shortage of housing in Sweden that started to cause political and social consequences. The government promised to build a million dwellings between 1965 and 1975, called the Million Programme (Sw. miljonprogrammet). Such dwellings were built in mainly multi-dwelling buildings, but also in two-dwelling buildings in the suburbs of the three major cities: Stockholm, Gothenburg and Malmö. The graph below shows the historic housing production between 1940-2018. The graph evidences the Million Programme and it is clear that the residential market, due to the high construction rate, became saturated or close to saturated.

⁸⁰ Statistics Sweden.

⁸¹ Newsec Advice Sweden.

INDUSTRY OVERVIEW

Number of completed dwellings



Source: Newsec, Boverket

Key regulation and process of determining rent

Rents for rental apartments in the existing stock built before 2006 are regulated by the utility value system. Following such approach, the yearly rental increase is determined in collective negotiations between the property owners and the Swedish Union of Tenants (Sw. *Hysesgästföreningen*). The rent formula used in the utility value system is based on a normative rent for a hypothetical apartment of 77 square metres and with three rooms. Different sizes of apartments are also awarded different amount of points, which are considered in the rent calculation. The rent formula is used to calculate the annual rent of the apartment. The example below illustrates the calculation of an apartment with two rooms and a kitchen (40 points) of 45 square metres and with the normative rent of SEK 850 per year per square metre.

$\frac{\text{normative rent} * (\text{area} + \text{apartment points}) * 77}{121}$ <p>= annual rent</p>	$\frac{850 * (45 + 40) * 77}{121} = \text{SEK } 45,977$
---	---

The collective negotiations take into account that the rents are set in relation to, and have similar rent levels as apartments with resembling standards, location, equipment and tariff-related costs. Examples of tariff-related costs are heating, water, electricity, and property tax among others. Proximity to the centre, shops, preschools and convenient public transportation as well as the areas' image and reputation are also considered when the property owner and the Swedish Union of Tenants negotiates the rent. In short, rents are set in comparison with similar flats in similar areas. Annually, the Union of Tenants and property owners negotiate for next year's rent growth.⁸²

Rents in the existing stock tend to be below market rent, at least in attractive locations, while rents in new built apartments are closer to market rent due to different ways of determining the rent. One contributing factor to the low rents in the existing stock is the fact that the members of the Union of Tenants are already living in rental apartments which means that the Tenants Association has no incentive to work for a more flexible and dynamic rental market. In some areas of the country, a systematic rent model is applied which is a development of the utility value model and is based on the tenants' general values regarding apartment standards and its utilities. The tenants' values are translated into a scoring system that forms the foundation when deciding the rental level.

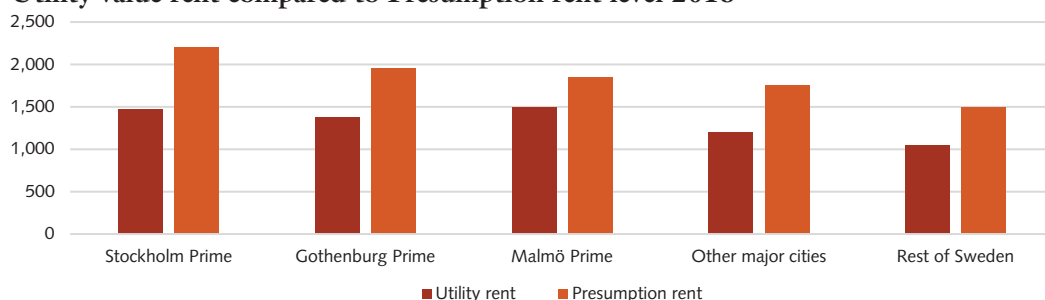
In order to create incentives to build new residential properties with rental dwellings, presumption rent (Sw. *Presumtionshyra*) is used. Rents for newly constructed houses are more market oriented than utility value rents and can be determined in two different ways, either by negotiating a presumption rent or by individual rents. The presumption rent model is used for newly produced rental housings and is based on the production cost of the apartment instead of the utility value. The purpose of the presumption rent is to encourage new construction of rental properties by enabling the property owner to set a higher rent than the utility value system would allow. If the utility value system were to apply to new production as well, housing development would not be profitable. The presumption rent is set at a level that covers the developers' construction cost and also allows for a profit margin in the project. Hence, these rents are seen as more market oriented. Once the rent is decided, it follows the same growth as the rents in the older stock. After the first 15 years with presumption rents, the regulation system used switches to the utility value system. The presumption rent system was implemented in 2006 and therefore no apartments with presumptions rents have yet been through a transition to the utility system. The presumption time of 15 years was decided to give construction companies even more incentives to build new residential buildings since they are guaranteed a fair rent level for a determined period of time.⁸³

⁸² Hyresgästföreningen, Så går en hyresförhandling till.

⁸³ Sveriges Allmännyttas Presumtionshyra vid nyproduktion.

The difference between the utility rent and presumption rent is often large. As an example, in Stockholm, the average utility rent in the end of 2018 ranged between SEK 1,200-1,600 per square metre per year depending on the size of the apartment. The average presumption rent in the Stockholm region for the same apartment sizes was between SEK 1,800-2,300 per square metre per year with top rents noted at SEK 2,500 per square metre per year. The same rents in Gothenburg and Malmö are a bit lower than in Stockholm and in the other major cities, the average utility rent was approximately SEK 1,200 per square metre per year and the presumption rent was SEK 1,750 per square metre per year. The utility value in the rest of Sweden was on average SEK 1,050 per square metre per year and the average presumption rent was approximately SEK 1,550 per square metre per year.⁸⁴

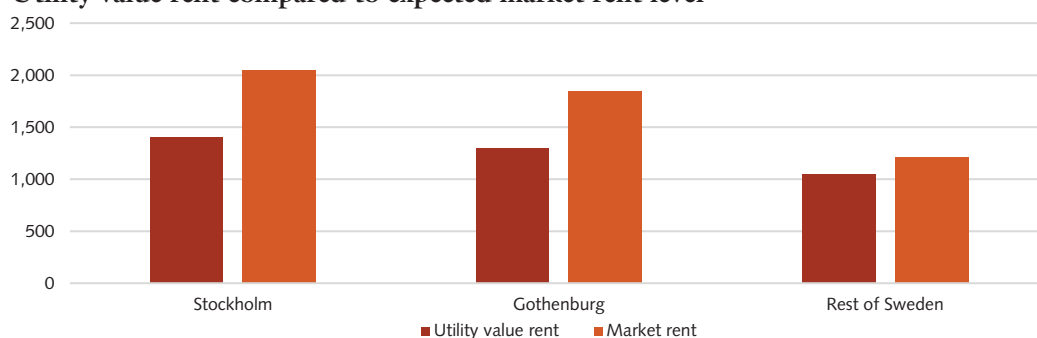
Utility value rent compared to Presumption rent level 2018



Source: Newsec

There is a political discussion whether to introduce market rents in Sweden. Market rents means that the property owner is able to decide the rent level without having to negotiate it with the Union of Tenants (*Hyresgästföreningen*). The market rent model is based on demand and supply, meaning that the tenant that is willing to pay the most will be the one renting the apartment, leading to higher rents. The political parties that want to introduce market rents are mainly the centre-right parties (i.e., the Moderates, the Liberals, the Christian Democrats, the Sweden Democrats and the Centre Party). The Union of Tenants conducted an investigation where they examined how market rent would affect the housing rent levels in Stockholm, Gothenburg and other Swedish cities. The data shows that the average rent in Stockholm would increase by 46 percent if market rent were to be introduced. In Gothenburg rent levels would increase by 42 percent and Newsec estimates that the rent in the rest of Sweden would increase on average by 15 percent. The rent increase is illustrated below using an estimated average rent in each city.⁸⁵

Utility value rent compared to expected market rent level



Source: Newsec, Hyresgästföreningen

Residential renovation business model

Property owners may renovate their properties, enabling them to charge higher rents and at the same time improving the property value and attractiveness. This is possible due to the fact that the utility value system is based on the apartments and buildings' standards. Some companies in Sweden such as, but not limited to, Hembla (former D. Carnegie) and Victoria Park have made this their business model. They are buying properties that were built during the Million Programme (1965-1975) and instead of renovating the complete building at once, they renovate apartment by

⁸⁴ Newsec Advice, Sweden.

⁸⁵ Hyresgästföreningen, Hyresgästföreningens rapport om marknadshyror, 2018 (*Sammanställning av undersökningens resultat, procentuell höjning sorterat efter ort och postnummer*).

INDUSTRY OVERVIEW

apartment when tenants move out. Types of improvements on a property that are rent-enhancing include improvements to the common areas and also the individual apartments. The rent-enhancing improvements in common areas are, for example, renovations of stairwells, corridors and laundries. The rent-enhancing improvements in individual apartments are, for example, instalment of a modern kitchen, of a new bathroom, fresh surface layers and other improvements that improve the dwelling. Hembla states that after a refurbishment that costs about SEK 4,500 per square metre, rents normally can be increased by approximately 40-50 percent, resulting in a generally higher rent level nationwide as old dwellings are being refurbished. Hembla also states that the costs per apartment in multi-dwelling buildings can be cut by approximately 10-15 percent due to lower operating and maintenance costs.⁸⁶ Foreign companies have seen the great potential in this and the Swedish actors Hembla and Victoria Park were recently bought. The American private equity company Blackstone bought Hembla in 2016, and in 2018, Vonovia, the largest residential company in Germany, bought Victoria Park.

Area	Rent levels (SEK/sqm)			Net yield	
	New production	Post refurbishment	Non refurbished	Low	High
Stockholm Prime	2,100 – 2,500	1,425 – 1,675	975 – 1,325	1.25%	3.25%
Gothenburg Prime	1,700 – 2,300	1,200 – 1,600	1,000 – 1,300	1.50%	2.50%
Malmö Prime	1,600 – 2,000	1,400 – 1,700	900 – 1,200	2.50%	3.75%

Source: Newsec

Comparison to other Nordic countries, Germany and the United Kingdom

Rent regulation systems differ from country to country in Europe, but there are also a few similarities among them. The Swedish organisation Fastighetsägarna has charted the different regulations in Denmark, Finland, Germany and the United Kingdom.⁸⁷

The Finnish rental housing market is well functioning and in comparison to Sweden, there is more of a balance between supply and demand. The number of newly produced rental dwellings is higher than ever before and in 2017 homelessness had been falling six years in a row. In Finland, there are two forms of rental housings; the ones built using state or subsidized loans (Arava apartments), and those that are privately funded. The Arava apartments are regulated and the rent is set to cost, while the privately funded rental housings use the market rent system. The Finnish government introduced market rents in 1992 and during 1995 to 2000 rents in the privately funded housing stock increased by 26 percent. In Helsinki rents increased by 42 percent, which corresponds to 5-9 percent per year. Finland has one of the more liberal securities of tenure in Europe meaning that it is relatively easy to terminate a leasing agreement (for the property owner). Approximately one out of five households receive housing subsidies, and all households with low income have the right to subsidies.

The Danish rent regulation system is much more complex than the Swedish. In total there are five different forms of rent regulation that apply to different types of buildings and construction year. As an example, rents in the municipal housing companies are determined based on the construction and operation costs. For private property companies, regulations vary since the different municipalities themselves decide whether the rents should be regulated or free. In the Danish capital, Copenhagen, the rent is regulated, and in the country as a whole, nine out of ten privately owned rental housing properties are subject to rent regulation. Most of these have a rental level that is set to cover the operational and maintenance costs and a fair return to the property owner. Market rent is also applicable in all municipalities for all privately owned housing properties built after 1991. The security of tenure in Denmark is similar to the Swedish one, acting in favour of the tenant. The rental market in Copenhagen reminds of the one in Stockholm with an undersupply of rental dwellings with a long housing queue.

In Germany it is very common to live in a rental home and rental dwellings make up to approximately 60 percent of the German dwelling stock which by European standards is exceptionally high – and the share is even higher in the larger cities. As opposed to Finland but in similarity with Sweden, living in rental dwellings is almost equivalent to owning a dwelling. The German rental housing market differs from the Swedish one. In Germany, the rental housing market is dominated by small private property owners or individuals owning one or more dwellings. Roughly, the private housing companies own one-sixth of the rental buildings. Rents were regulated after the Second World War, but since the 1960s, the market rent system is used on newly signed leasing agreements. However, the agreed rent must not exceed the average rent of all rental housings in the same area by more than 50 percent and is not allowed to be increased by more than 20 percent during a three-year period. Another difference between Sweden and Germany is that in Sweden, the property owner has to negotiate rents with the Union of Tenants. The security of tenure is strong and similar to

⁸⁶ Hembla (former D. Carnegie), Prospectus March 2014.

⁸⁷ Fastighetsägarna, Hyresmarknaden i sex storstäder (2018).

those in Sweden and Denmark. In Germany, social housing is to a large extent provided by private property companies receiving subsidies in order to build them. In return they offer housings to those in need with lower income. Another difference is that the social housing agreements are limited to 15-30 years and then the rent is adjusted to market level, making a social housing into a normal rental dwelling. The social housings and normal rental housings are equal in quality and standard, hence the easy transition.

In Great Britain, rents are determined using market rents on all rental agreements signed after 1989. Before that, rents were regulated in a way quite similar to the system used in Sweden today. Great Britain is similar to Germany in the way that the private rental housing market is dominated by small private landlords. Tenure security is based on two types of tenant agreements: one called “assured tenancies”, and one called “shorthold tenancies”. The assured tenancy is an agreement set until further notice and the shorthold tenancy gives the tenant a security of tenure for six months. After the period of six months, the property owner can terminate the agreement with a two months’ notice without reason.

Leasing agreement structure

In Sweden, leases for housing are in most cases agreed to be effective until further notice but can also be set over a fixed term. The rent is paid one month in advance and a deposit is generally not requested, however there is no law preventing the property owner from securing a deposit. Termination periods are in most cases (but not always) three months for both the property owner and the tenant. Heat, water and in some cases electricity are usually included in the rent. When an individual is applying for a rental agreement, the property owner normally checks for references and if the tenant has any record of non-payment. The property owner often also wants to see that the tenant has a stable income and that he/she should have a certain amount of money left each month after having paid the rent. The latter varies from property owner to property owner (if they have it).

Tenants in Sweden have a strong security of tenure. Hence, it is hard to vacate problematic tenants. The security of tenure means that the lease agreement will usually continue even if the property owner has terminated it. The security of tenure can however be broken if the tenant has not paid rent, disturbs neighbours or if the building is to be demolished or rebuilt.⁸⁸

In Sweden, housing allowances are provided for those with low income or who for some other reason have difficulties to acquire a home on market terms. The subsidy is paid out to people with children, who are retired or are in the age span 18-28 years old and is based on how many people live in the household, the cost of the housing, the size of the house and the households’ income and fortune.

Demand and supply

As urbanisation continues, larger cities and regional cities are expected to experience a continued population growth and hence, to maintain a high demand for housing. It should however be noted that demand for newly produced apartments, which in general are more expensive than the ones in the older stock, is lower than before. This leads to a higher turnover rate among tenants. The National Board of Housing, Building and Planning states that about 83 percent of the Swedish municipalities are experiencing a housing shortage, creating a strained situation for the ones standing outside of the housing market⁸⁹; only three municipalities stated that they had an excess of housing. As a result of urbanisation and housing shortage, housing queues are getting longer and longer. At the end of 2018, there were 635,730 people registered in the Stockholm housing queue, representing an increase of 39,559 people since the year before. The Stockholm housing queue covers not only the municipality of Stockholm, but the whole Stockholm region. It is important to note that there are roughly two million people living in the Stockholm region. During 2018, there were 13,455 dwellings mediated in Stockholm and the average queue time for a normal rental dwelling was 10.3 years.⁹⁰

The National Board of Housing, Building and Planning (*Boverket*) and Statistics Sweden (*SCB*) estimates that the Swedish population will amount to 10,859,000 people by 2025. The number of completed dwelling has steadily increased almost every year since 2010 and during 2018, approximately 55,000 dwellings were completed compared with approximately 20,000 completed dwellings during 2010. In Sweden, there has been a housing shortage since 2010, which reached its peak during 2017 with a shortage of almost 89,000 dwellings. 2017-2018 was the first year since 2010 when the housing shortage declined. The new production of residential buildings is an important component to local, regional and national growth and based on the population growth, the National Board of Housing has estimated that to meet such housing demand, 67,000 dwellings have to be built every year for the 2018-2025 period. However, the prognosis for housing construction is lower than such estimated demand.⁹¹

⁸⁸ Hyresnämnden.

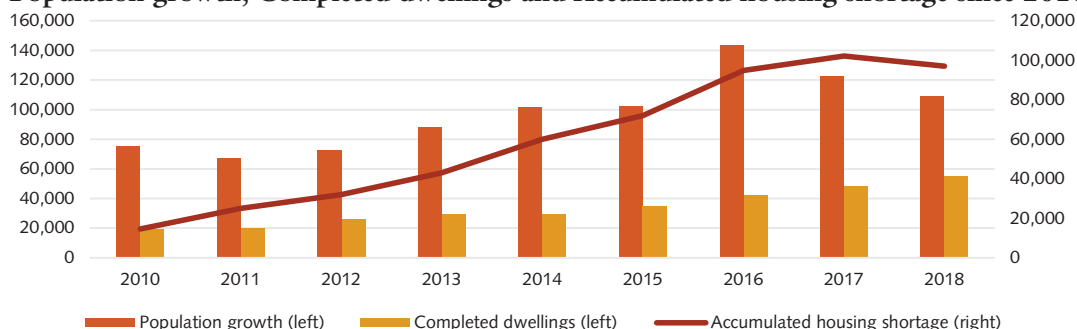
⁸⁹ Boverket, Resultaten från Bostadsmarknadsenkäten, 2019, p.3.

⁹⁰ Bostadsförmedlingen, Stockholm.

⁹¹ Boverket, Boverkets indikatorer, Nummer 1, Juni 2019

INDUSTRY OVERVIEW

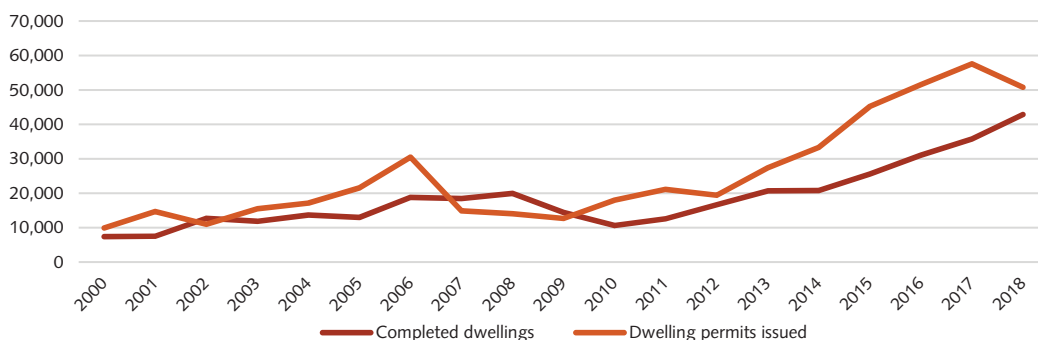
Population growth, Completed dwellings and Accumulated housing shortage since 2010



Building permits issued

The number of building permits issued for apartments in multi-dwelling buildings reached its peak during the second quarter of 2017 amounting to about 19,000, and increased again during the fourth quarter of 2018. During the fourth quarter of 2018, building permits were issued for 17,500 housing units and approximately two-thirds of those were rental housings. During the first quarter of 2019, building permits were issued granting about 7,500 housing units. The number of issued building permits vary from quarter to quarter and the annual pace for issued building permits during the first quarter of 2019 was approximately 60,500. Of these, approximately 49,000 were for apartments in multi-dwelling buildings and adjusted for historic dropouts they should lead to approximately 45,500 started housings in multi-dwelling buildings. The number of completed new dwellings generally follows the number of building permits issued.

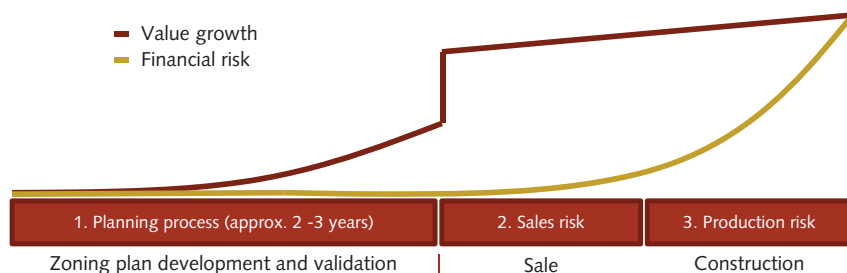
Completed dwellings and Building permits issued since 2000



Building rights

A building right always starts with a zoning plan. The zoning plan process is done by the municipality and its main function is to regulate what can be built on a piece of land/property. Once the municipality has a zoning plan proposal, it sends it out for consultation to the County Administrative board, authorities and other interested parties. The purpose of the consultation is to gather information, wishes and points of view that affect the proposed zoning plan in an early stage. A zoning plan takes approximately 2-3 years depending on complexity and number of parties involved. Once the zoning plan is approved/validated, the land/property receives a big value increase since building in the land is now permissible. Up until this stage, there is also a very low financial risk involved. The financial risk starts to get bigger when construction starts, as the property owner and developer is putting money into the project and then has to either sell the project or find tenants.

Zoning process and financial risk



The market for building rights has cooled off considerably since the peak in 2017. The number of building rights regarding building cooperative apartments has decreased sharply, while the number of building rights regarding rental housings and commercial properties remain at high levels, driven by an increased interest from investors. The market for building rights is driven by supply and demand and since there is an oversupply of expensive newly produced cooperative apartments, prices have dropped. Rental dwellings however have long seen an undersupply, hence the prices for residential building rights have been steady. Historically, development of cooperative apartments has been more lucrative than the development of rental dwellings given that the developer manages to sell all dwellings to a certain price. Today, with the oversupply of the cooperative apartments, some developers are buying building rights for cooperative apartments hoping to sell them, but have a plan B to convert the project in to rental dwellings. This implies that the rental dwelling market is a good investment as long as there is a demand, hence the interest from investors.⁹²

Prices for building rights vary depending on where in the country they are located. Even different locations in the same city can have large differences in price. Newsec estimates the building right prices in Sweden to vary between SEK 0 to SEK 40,000. The price is set by a combination of demand and supply and the ability for the developer to make a profit. Less potential to make profit means less demand resulting in cheaper building rights. The upper half of the interval is found in the three major cities, and the most expensive building rights are found in Stockholm. Important to note is that the price of SEK 40,000 is an estimation of top-listings. Building rights in regional cities are priced up to around SEK 10,000 and in smaller cities and the rest of Sweden, building rights are often priced up to around SEK 5,000.

Evolution of mortgage interest rates

Interest rates in Sweden have steadily declined in recent years, just like in most other Western countries. Swedish mortgage rates have followed. After the financial crisis in 2009, the Swedish Riksbank drastically lowered the repo rate which in turn led to lower mortgage rates. As the repo rate has continued to go down so have the mortgage rates. As of June 2019 the variable mortgage rate (3 months) was around 1.5 percent and the five-year fixed one just shy of 2 percent.⁹³ In Denmark, mortgage rates are even lower than in Sweden and in some cases mortgage lenders actually pay borrowers.⁹⁴

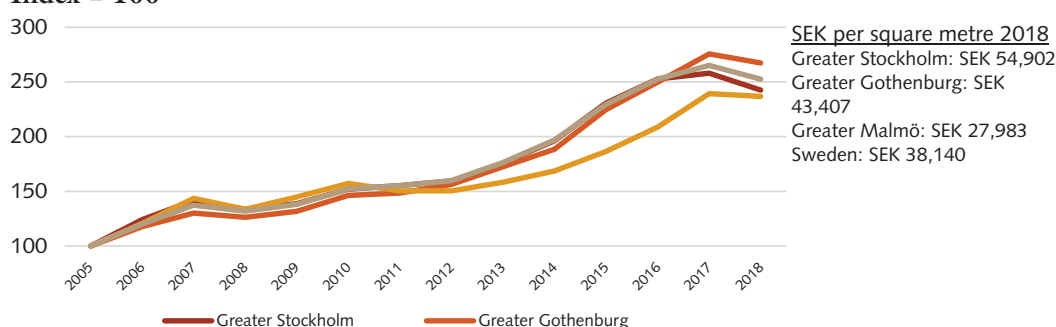
The mortgage interest rate is one of the most important drivers for housing prices. A low mortgage rate makes it cheap to borrow money for a residence, resulting in individuals spending more on their accommodation.

Development of housing prices

Generally, it could be said that Swedish housing prices for ownership rights and cooperative apartments constantly rose between 1993/1994 (end of the real estate crisis) until 2017 when new financial regulations were introduced. The long rise in housing prices mainly depended on the low interest rate, the decrease in unemployment and the increase in income. Financial regulations introduced in 2017 were meant to protect individuals from borrowing too much money in case the interest rate would go up. Such regulations included a mortgage limit, meaning that an individual only could borrow a certain amount of money to buy a dwelling, based on his/her income. Also, there was a requirement that the individual had to be able to make a down payment which corresponded to minimum of 15 percent of the total purchase sum. This limited the purchasing power and led to a price drop. Another reason that caused the housing prices to drop during 2017 was an increased supply of newly constructed apartments. This contributed, in the short term, to a generally high supply of housings. The average housing price for housing cooperative apartments per square metre in Sweden 2018 was SEK 38,140.⁹⁵

Housing cooperative apartments

Index = 100



⁹² Newsec Advice, Sweden.

⁹³ Swedish Central Bank.

⁹⁴ The Guardian, Danish bank launches world's first negative interest rate mortgage, 13 August 2019.

⁹⁵ Mäklarstatistik.

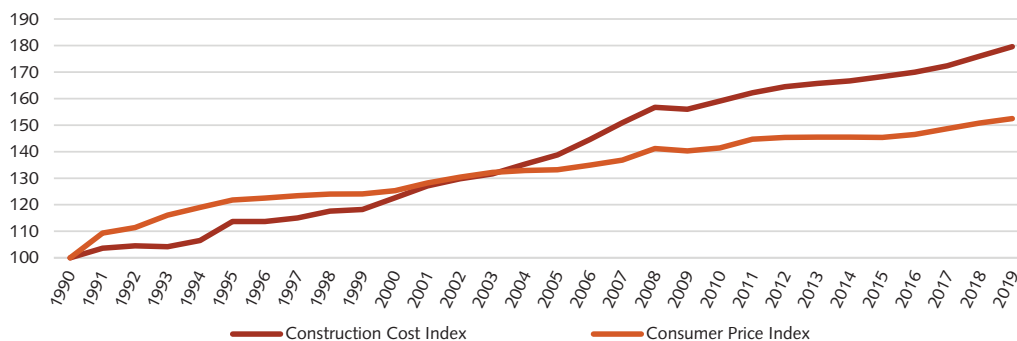
INDUSTRY OVERVIEW

Construction costs

Construction costs excluding land cost in Sweden have developed stronger than inflation in the recent years. This is due to the housing boom when construction rose dramatically and created a shortage of workers and materials. Housing prices experienced a correction in late 2017 when new regulations primarily regarding mortgages were introduced, causing nervousness in the market. This has led to a sharp decline in construction pace, which in turn is expected reduce construction costs.

Construction cost development (excl. land) compared to inflation, Sweden

Index = 100

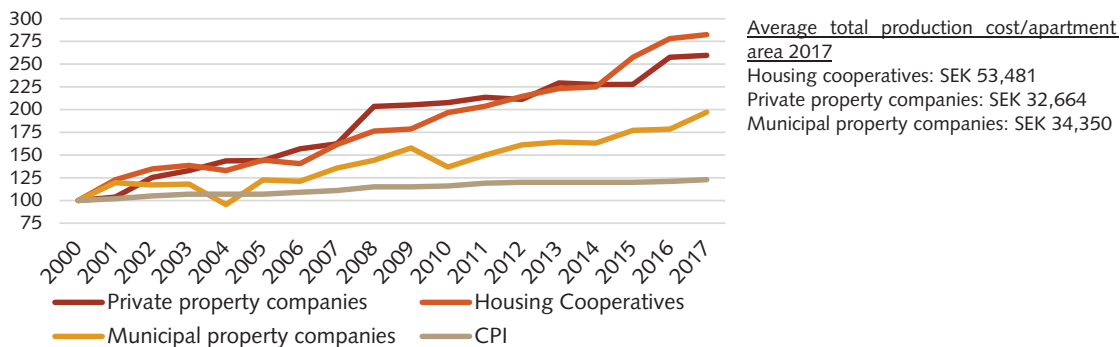


Source: SCB

The average total production cost including land cost of apartments in multi-dwelling buildings per square metre has steadily increased over the recent years and, during 2000-2017, the average total production cost increased by 260 percent. Building costs have increased more than the Consumer Price Index, mainly due to the shortage of workers and materials during the last years' housing boom and due to the fact that customers are willing to pay for a higher standard, which results in higher material costs. Historically, housing cooperatives generally have had the highest production costs due to higher standard requirements and as a result of the construction companies wanting to maximize their profits. Housing cooperative buildings are built by private property companies who package the building in a housing cooperative. Shares of the housing cooperative are sold in the market.

Average total production cost per apartment sqm

Index = 100

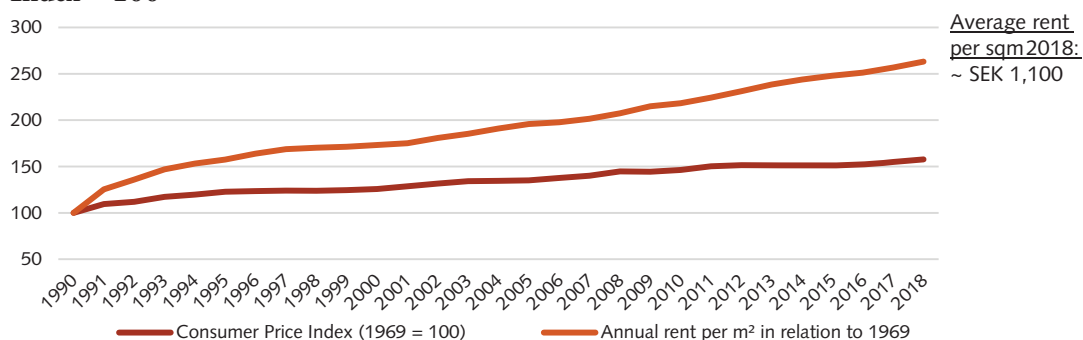


Source: SCB

Drivers of rental growth

Drivers of rental growth are mainly inflation and the negotiations between the property owners and the Union of Tenants. Since 1997, the average rent per square metre has increased by 1-3 percent annually. Rents are generally higher in large cities for both the existing stock and newly produced residential properties. The larger the city, the higher the rents. The main reasons for this are that the construction costs are higher in larger cities due to more expensive land prices and a difference in wages. Another important factor is that the utility value system takes into account where it is considered attractive to live. The low (non-existent) residential vacancy in the metropolitan areas testifies that it is attractive to live in big cities and the rent should therefore be reasonably higher in those areas. Also, increased wages have played a big part in driving up rents.

Average rental growth per square meter relative to Consumer Price Index. Index = 100



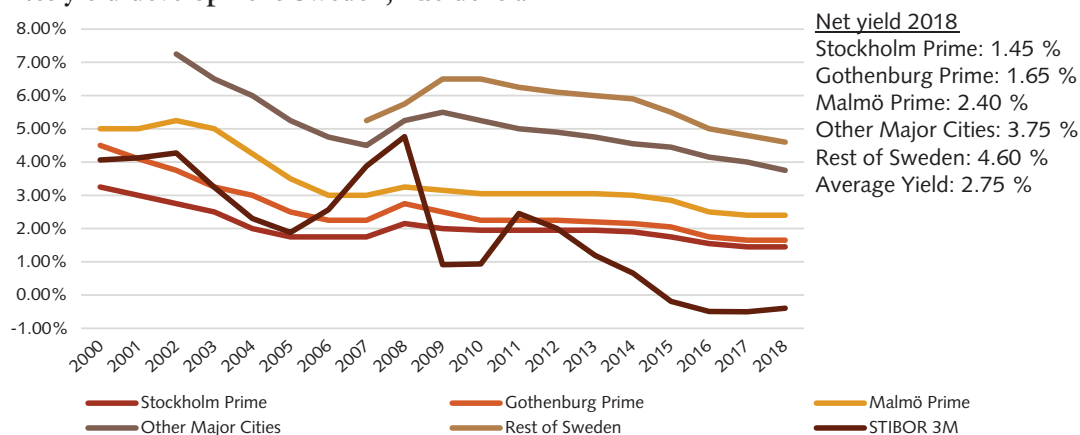
Source: SCB

Yield data

Yields for residential properties have decreased over time. As demand for housing exceeds supply in most Swedish cities, vacancy levels are low and hence the risk for residential properties are deemed as low. This strengthens the case that residential properties in Sweden are a safe and non-volatile investment.

Yield levels for residential properties in Sweden are low, and in particular in the three major cities. This is due to stable rental income, and on sale there is always a possibility to convert rental apartments into cooperative ones. In such conversion, tenants form a housing cooperative, which acquires the property close to market level for other cooperative apartments. As prices for cooperatives are high in these cities, so is the conversion price. Hence, investment in residential properties in the three major cities is considered a good placement.

Net yield development Sweden, Residential



Sources: Newsec, Swedish Central Bank

Vacancy rates

Vacancy rates for rental dwellings are very low, almost non-existent. Especially in the existing stock (i.e. not newly built apartments), vacancy is close to zero percent and the only vacancy is due to turnover vacancy or due to the fact that the apartment was vacated to enable renovation.

In newly produced residential buildings, vacancy rate is also very low, but slightly higher than that in existing stock. The primary reason for vacancy in these buildings is presumably due to the higher rent level. There is an estimated 1.3 percent vacancy rate in the Swedish new production residential stock and in general, vacancy rates are very low or zero, especially in areas with population growth.⁹⁶

Investment volumes data

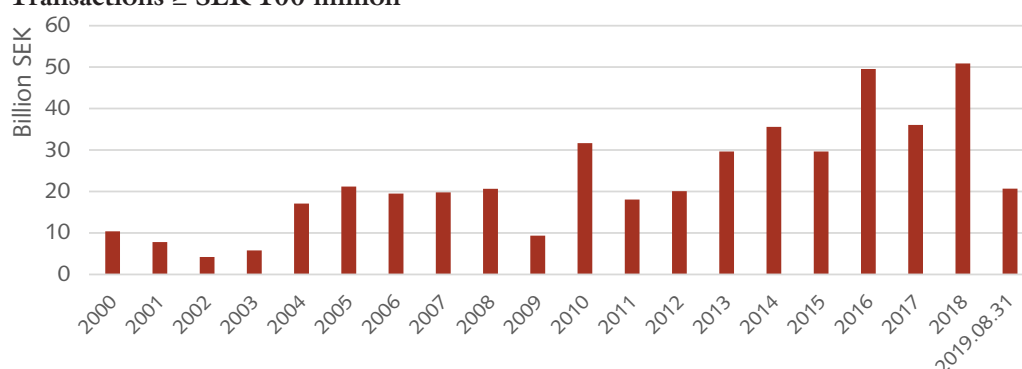
The Swedish transaction market is one of the most fluid in the Nordics/northern Europe and the total transaction volume has been approximately SEK 150 billion for 2015, 2017 and 2018 each. 2016 was an exceptional year, as total transaction volume amounted to just above SEK 200 billion. Newsec estimates total transaction volume for 2019 to amount to just above SEK 180 billion. Up to and including August 2019, total transaction volume amounts to just shy of SEK 100 billion.

⁹⁶ Newsec Advice, Sweden.

INDUSTRY OVERVIEW

The investment market for residential properties is strong. The office segment and the residential segment are two of the most traded segments (measured by transaction volume). During 2018, residential properties accounted for 34 percent of the total transaction volume, amounting to approximately SEK 51 billion, and office, which was the second largest segment that year, accounted for 22 percent of the total transaction volume. Up to and including August 2019, the residential segment amounts to approximately SEK 20.5 billion.

Transaction volume Residential Properties, Sweden Transactions ≥ SEK 100 million



6. MARKET PLAYERS AND SIZE

Ownership structure

There are several players in the Swedish residential market, both small companies and international giants. Moreover, almost every municipality has its own housing company with rental dwellings available for the public. The international companies present in the Swedish residential market include, for example, Blackstone, through Hembla, and Vonovia, through Victoria Park. A large share of the Swedish municipalities have one or several housing companies that offer housing to the public. The largest residential property owners in Sweden, measured by number of apartments, are listed below. In Sweden, 46 percent of all rental apartments are owned by public housing companies and in total, there are about 300 public housing companies.⁹⁷ Public housing companies are different in size, owning from 21 apartments up to 27,000 apartments. The Swedish housing market is distributed over a large number of property owners, both municipal and private, which indicates that there is a great chance the market will undergo consolidation. For example, the 10 largest private rental housing property companies in Sweden, measured by number of owned dwellings, represent approximately 13 percent of the total rental dwelling stock.

Size of market

The Swedish dwelling stock in multi-dwelling buildings consists of approximately 2.46 million apartments. Of the 2.46 million apartments, approximately 59 percent, or 1,445,000 are rental apartments. SBB owns rental apartments representing approximately 0.5 percent. Rikshem, the largest rental housing property company, owns 28,500 apartments, representing 2 percent of the total stock.

Market players

Private housing company	Number of apartments 2018	Public housing company	Antal lägenheter 2018
Rikshem	28,500	Poseidon	27,000
Willhem	26,500	Svenska Bostäder	26,700
HSB	25,500	MKB	23,800
Stena Fastigheter	24,500	Örebro bostäder	22,000
Heimstaden Bostad	24,000	Stångåstaden	18,500
Hembla	20,000	Uppsalahem	16,000
Victoria Park	14,000	Bostaden i Umeå	14,400
Akelius	13,500	Gavlegårdarna	13,700
Balder	11,000	Helsingborgshem	12,000

Source: Boverket, Fastighetsvärden

⁹⁷ Boverket, Allmännyttiga kommunala bostadsaktiebolag, 2017.

BUSINESS OVERVIEW

1. OVERVIEW

SBB is a major Nordic social infrastructure property company. The Group owns a property portfolio across Sweden, Norway, Finland and Denmark with a gross asset value of SEK 30.8 billion as of 30 September 2019. The Group generates most of its income from the management of its social infrastructure property portfolio, which includes (i) community services properties, such as elderly care homes, schools and group housing for people with disabilities, in Sweden, Norway, Finland and Denmark and (ii) rent-regulated residential properties in Sweden. The Group also has additional income streams from property renovations, property development activities and real estate transactions. As of 30 September 2019, community services properties and Swedish rent-regulated residential properties accounted for 60 percent and 34 percent of the total portfolio by gross asset value, respectively. The remaining part comprises cash flow properties with development potential to develop building rights for social infrastructure.

SBB actively manages its own real estate portfolio in order to generate sustainable cash flow and create additional value. The Group's business model is to acquire and manage properties that have low-risk profiles and steady risk-adjusted returns. The Group generates rental income either from publicly financed municipalities and governmental agency tenants (in the case of community services properties) or from residential tenants in Swedish rent-regulated apartments who are highly motivated to pay their rent due to the acute shortage of rental housing in Sweden.

In addition to property management, which is the foundation of SBB's earning capacity, the Group generates additional income from value-enhancing capital expenditures on renovations in its rent-regulated residential property portfolio, from property development for social infrastructure building rights, which includes sales of properties and their associated building rights upon rezoning and selective participation in joint ventures, and from real estate transactions in which SBB's experienced transaction team buys and sells properties in order to continue building the Group's portfolio, realise gains from matured properties and recycle capital for use in acquiring attractive new investment properties.

SBB has built strong long-term relationships with a number of Nordic municipalities, becoming a preferred partner for municipalities due to its track record operating in both community services and residential sectors. SBB's experienced team has local market presence in its investment markets as well as expertise to cover each stage of the property value chain from property management, development and transaction to financing. The Group believes that the experience of its team, including the long-standing local presence of the team members and the relationships that have been established with municipalities, states, regions and private tax-funded welfare providers in the Nordics, makes SBB's position difficult for a competitor to replicate.

As of 30 September 2019, SBB's property portfolio comprised 842 properties in the Nordic countries covering 1.8 million square metres with Passing Rent of SEK 2,003 million, an Economic Occupancy Rate of 95.3 percent and a Net Initial Yield (which excludes building rights) of 4.7 percent. The Weighted Average Unexpired Lease Term ("WAULT") for the Group's community services properties as of 30 September 2019 was seven years.

SBB had a Loan-to-Value Ratio as of 30 September 2019 of 38.4 percent and has a BBB- (stable) credit rating from Fitch and BBB- (positive) credit rating from S&P as of 18 November 2019.

Community services properties – The Group's community services properties portfolio primarily consists of elderly care homes, schools, group housing for people with disabilities, municipal and government agency office buildings and healthcare centres in Sweden, Norway, Finland and Denmark. SBB's diversified tenant base includes a range low-risk municipality and government tenants with strong credit ratings, such as the Swedish and Norwegian states, Boden and Linköping municipalities and Västra Götaland County, amongst others. SBB's portfolio of 517 community services properties was valued at SEK 18.3 billion, or 59.6 percent of the gross asset value of the Group's overall property portfolio, as of 30 September 2019. As of 30 September 2019, Passing Rent for this segment was SEK 1,195 million, Passing NOI was SEK 953 million, the Economic Occupancy Rate was 97.5 percent and Net Initial Yield was 5.3 percent. For the nine months ended 30 September 2019, the Group generated SEK 799 million of Rental Income and SEK 601 million of Net Operating Income in its community services properties segment.

Swedish rent-regulated residential properties – The Group's rent-regulated residential property portfolio consists of rent-regulated residential apartment properties located in Swedish growth municipalities. SBB owns rent-regulated residential properties in approximately 30 Swedish cities with a large geographical spread, whereof most of the rent-regulated residential properties are located in the Stockholm region, Sundsvall, Oskarshamn, Karlstad, Borlänge and Motala. SBB's portfolio of 300 rent-regulated residential properties was valued at SEK 10.3 billion, or 33.6 percent of

BUSINESS OVERVIEW

the gross asset value of the Group's overall property portfolio, as of 30 September 2019. As of 30 September 2019, Passing Rent for this segment was SEK 697 million, Passing NOI was SEK 368 million, the Economic Occupancy Rate was 93.9 percent and Net Initial Yield was 3.7 percent. For the nine months ended 30 September 2019, the Group generated SEK 513 million of Rental Income and SEK 258 million of Net Operating Income in its rent-regulated residential properties segment.

Other – The remaining SEK 2.1 billion, or 6.8 percent, of the gross asset value of the Group's property portfolio as of 30 September 2019 was made up of 25 cash flow generating properties in locations that municipalities have prioritised for urban development. SBB augments income from its core social infrastructure property management business with cash flow properties with a clear development potential to develop building rights for social infrastructure. Before such acquisitions, SBB communicates with the relevant municipality to ensure that the property and area is prioritised for upcoming urban development. After the acquisition, SBB initiates work preparing a new zoning plan with the ambition to divest final building rights to a project developer or a Joint Venture (with SBB as a partner) together with an experienced project developer who takes responsibility for construction upon the final approval of the zoning plan. As of 30 September 2019, Passing Rent for this segment was SEK 112 million, Passing NOI was SEK 53 million, the Economic Occupancy Rate was 83.9 percent and Net Initial Yield was 3.9 percent. For the nine months ended 30 September 2019, the Group generated SEK 88 million of Rental Income and SEK 44 million of Net Operating Income in its income segment.

For the nine months ended 30 September 2019, the Group generated gross rental income of SEK 1,400 million, net operating income of SEK 903 million and profit before financial items of SEK 875 million. As of 30 September 2019, the gross asset value of SBB's property portfolio was SEK 30,776 million, its EPRA NAV was SEK 9,914 million and its Loan-to-Value Ratio was 38 percent. For the year ended 31 December 2018, the Group generated gross rental income of SEK 1,680 million, net operating income of SEK 1,071 million and profit before financial items of SEK 982 million. As of 31 December 2018, the gross asset value of SBB's property portfolio was SEK 25,243 million, its EPRA NAV was SEK 8,736 million and its Loan-to-Value Ratio was 53 percent. The Group has delivered compelling EPRA NAV growth with a compound annual growth rate of 79.9 percent from 31 December 2016 to 30 September 2019 and the gross asset value of its portfolio has grown with a compound annual growth rate of 66.5 percent.

2. HISTORY

The Group was founded by Ilija Batljan in March 2016 with a vision to create a leading Nordic property company focused on the ownership, management and development of social infrastructure properties in the Nordics.

In May 2016, the Group acquired its first large property portfolio consisting of approximately 750 rent-regulated residential units and in September 2016, the Group executed its first transaction with a Swedish municipality through its acquisition of a property in Ulricehamn from the municipal housing company Stubo AB. In October 2016 the Group acquired its first property in Oslo, Norway with the Norwegian government as its tenant. That acquisition marked the Group's expansion into the Nordic market outside of Sweden and was worth SEK 1.2 billion. By the end of 2016 the Group had 358 properties in its property portfolio that valued at SEK 7,572 million.

In March 2017, SBB received approval to be listed on Nasdaq First North. As of 31 December 2017, the Group's property portfolio had grown to 749 properties in 128 municipalities in both Sweden and Norway further illustrating the Group's commitment to be a leading property company in the Nordic region. As of 31 December 2017, the gross asset value of SBB's property portfolio was SEK 23,001 million.

In February 2018, the Group expanded into the Finnish property market and acquired residential care properties in Helsinki and other parts of Finland. In October 2018, the Group signed a definitive agreement for the acquisition of the new cultural centre in Skellefteå, Sweden for SEK 1,050 million, which will be payable when construction is finished and the use of the property commences, which is expected to be in 2021. In connection with the acquisition, SBB entered into a 50-year lease with the municipality of Skellefteå for the entire property, representing what the Directors believe to be the first municipal contract in Europe with a 50-year term. The Group also disposed of 280 properties in late-2018 in order to reduce leverage and optimize and consolidate its portfolio consistently with its strategy of selling matured properties and recycling capital for future use. As of 31 December 2018, the Group's property portfolio comprised 570 properties in 131 municipalities in Sweden, Norway and Finland and had a gross asset value of SEK 25,243 million.

In 2019, the Group acquired 37 additional infrastructure properties in Finland, Sweden and Norway for SEK 468 million, to be used primarily as elderly care homes, preschools and care homes and expanded into Denmark by acquiring six community service properties in Copenhagen and Aarhus and the surrounding regions. In April 2019, the Group entered into an agreement for the sale of DNB Bank's headquarters in Oslo, with an agreed net property value of SEK 4,897 million (NOK 4,487.5 million), which exceeded the net property value at the time of SBB's acquisition by NOK 473 million. Also in April 2019, SBB completed the €142 million acquisition of 48 community service properties

in Finland, established its EUR 2,500 million EMTN Programme and received investment grade ratings of BBB- (stable) from S&P and Fitch. Additionally, the Group signed ISDA Agreements with Nordea, DNB, Skandinaviska Enskilda Banken AB (publ) (“SEB”) and Danske Bank, providing SBB with full access to the derivatives market. In August 2019, the Group successfully issued a EUR 500 million senior unsecured bond into the European debt capital markets set to mature in September 2026 with a fixed coupon of 1.1 percent. In September 2019, SBB became the first private real estate company to become a member of Public Housing Sweden, an industry and interest organisation for the municipality owned public housing companies in Sweden that is made up of approximately 300 member companies that collectively manage approximately 800,000 dwellings. Additionally, in September 2019, Nasdaq Stockholm’s listing committee approved the Group’s shares for admission and SBB changed the listing venue for its Class B shares and Class D shares from Nasdaq First North Premier Growth Market to Nasdaq Stockholm.

3. SIGNIFICANT EVENTS FOLLOWING 30 SEPTEMBER 2019

In October 2019, the Group acquired 1,560 apartments, the majority of which are located in Växjö or Ronneby. The total rental income from these properties amounts to SEK 116.3 million with a net operating income of approximately SEK 66.5 million. Additionally, the Group formed a joint venture with Amasten Fastighets AB (publ) (“Amasten”) to build rent regulated residential properties in Nyköping, selling approximately 50,000 square metres of building rights at a price of SEK 3,000 per square metre. The Group also entered into an agreement with various sellers to acquire class A common shares in Amasten for SEK 711,188,032, corresponding to a holding of 20.2 percent of the shares and 20.5 percent of the votes through an option agreement entered into through a subsidiary, giving the Group the right to purchase additional shares in Amasten. If the call option is exercised, SBB would directly and indirectly hold 130,088,850 class A common shares corresponding to 30.2 percent of the shares and 30.3 percent of the votes in Amasten.

In October 2019, the Group decided on a directed new issue of 18,181,819 of class B common shares, raising proceeds of approximately SEK 400 million. The Group intends to use the proceeds from the directed share issue to further support the strengthening of the balance sheet within the on-going work to achieve a property portfolio of SEK 55 billion by 2021 and achieve and retain a BBB+ credit rating.

In November 2019, the Group successfully issued senior unsecured bonds of SEK 500 million under the EMTN Programme as a tap of its existing bond. The proceeds from this issue will be used for general corporate purposes.

In November 2019, SBB also acquired 23 schools and preschools in Stockholm from the municipal property company, SISAB. The properties have a total lettable area of approximately 17,700 square metres and have rental income of just over SEK 25 million and all premises are fully let.

On 18 November 2019, S&P upgraded SBB’s ratings outlook from stable to positive, which means that SBB’s new rating is BBB- with positive outlook for ratings on the Company and its senior unsecured debt. The positive outlook reflects the possibility of an upgrade within the next 12-24 months.

4. VISION, MISSION AND VALUES

Ilija Batljan founded SBB in March 2016 with a vision to create the best Nordic property company focused on residential and social infrastructure properties. The Company’s strategy is to have a long-term view on ownership, management and development of rent-regulated residential properties in Sweden and social infrastructure properties in the Nordics. Further the company aims to actively carry out property development where cash flow properties can be converted into building rights for social infrastructure.

5. COMPETITIVE STRENGTHS

The Group believes that the following competitive strengths provide SBB with a strong operational platform building on its experience, market knowledge and relationships, and represent the primary drivers for SBB’s business success that will continue to set SBB apart from its competitors in the future.

Differentiated strategy of focusing on low-risk social infrastructure offering attractive yields, underpinned by strong relationships with municipalities

SBB is a major Nordic social infrastructure property company. The Group owns a property portfolio across Sweden, Norway, Finland and Denmark with a gross asset value of SEK 30.8 billion as of 30 September 2019. The Group generates most of its income from the management of its social infrastructure property portfolio, which includes (i) community services properties, such as elderly care homes, schools and group housing for people with disabilities, municipal and government agency office buildings and healthcare centres.

Community service properties in the Nordic region are typically financed and owned by municipalities or governmental agency tenants, and it is estimated that approximately 80 percent of these properties are currently in public ownership. Municipal and governmental organisations as tenants are characterized by lower counterparty risk due to

BUSINESS OVERVIEW

their strong sovereign credit ratings and the relatively low national debt of Nordic countries in comparison to other EU nations. The Group has a history of actively working with many municipalities, states, regions and tax-funded welfare providers in the Nordic countries and only six months after its founding, the Group completed its first transaction with a Swedish municipality. The Group has continued to develop very positive relationships with municipal, county and state authorities and has engaged in transactions with municipalities throughout Sweden such as Stockholm, Skellefteå, Huddinge, Borlänge and Karlskrona collaborating on projects involving the development of new community service properties and building properties specifically adapted for community service purposes. For example, in November 2019, SBB acquired 23 schools and preschools in Stockholm from the municipal property company, SISAB, for SEK 421.5 million. In 2018, the Group acquired the culture centre in Skellefteå, which is set to house the county theatre, a museum, an art gallery and a new city library for over SEK 1 billion with the municipality as the sole tenant on a 50-year lease agreement. In 2017, SBB acquired a portfolio with education properties in Huddinge for SEK 200 million. These relationships together with a long-term perspective and a proven track record provides the Group with favourable opportunities to acquire social infrastructure properties from municipalities thereby increasing its market share and also helping the Group become a long-term reliable partner new for municipalities and governmental agencies. Additionally, as the market for social infrastructure benefits from a number of strong underlying growth trends, such as a high demand for additional social infrastructure properties coupled with stretched public balance sheets, there is a significant opening for private investment in the sector as for example, the needed number of elderly homes and high schools expected to be needed by municipalities in 2022 exceeds the number of planned units for 2019 to 2022 by 2.4 and 4.3 times, respectively. Additionally, the rent per square metre for new build health care, education, group housing for people with disabilities and elderly care properties as of 30 September 2019 was 2.8, 1.8, 2.0 and 1.8 times more, respectively, than the rent per square metre for the Group's corresponding properties. Therefore, should rent levels increase to market levels, the Group is positioned to benefit from improved margins.

Social infrastructure properties are also characterized by long leases. As of 30 September 2019, the Group had average lease lengths of seven years for its community service properties. A clear majority of tenants in the Group's community service properties renew their leases, and as of 30 September 2019, 32 percent of leases expiring between 2019 and 2022 had been in place for more than 20 years, and 68 percent had been in place for more than 10 years. Furthermore, the Group recently signed a 50-year lease for the culture centre in Skellefteå, which is one of the wealthiest Swedish municipalities. In the social infrastructure segment, the majority of the Group's tenants renew their leases, and the Group experiences low tenant turnover in addition to its long lease length ensuring stability, long-term value and security.

Rent-regulated residential portfolio in Sweden ensures low tenant turnover and income stability with significant potential

The Group only invests in Sweden based on the strict and predictable Swedish rent regulations. The Swedish market has a much stricter regulation than other Nordic countries, which, combined with strong population growth, makes Swedish rent-regulated rental apartments one of the world's safest asset classes according to the Company. Market regulation has led to insufficient new production of housing, which has led to a widespread shortage of housing and high housing demand in municipalities. The waiting period for housing in Sweden currently is approximately ten years in Stockholm and three years on average in the rest of Sweden. In 2018, 84 percent of municipalities reported a need for additional housing, which reflected a slight decrease from 2017, but this reported need has generally increased over the previous five years from 43 percent in 2013 to 52 percent in 2014, 63 percent in 2015 and 83 percent in 2016. The Group's rent-regulated residential properties are primarily located in favourable locations across approximately 30 Swedish cities that are currently exhibiting positive population growth and will therefore have an increased need for rental properties. As rent levels are regulated and usually below market levels resulting in high demand for rental properties, the Group's management believes that SBB is well positioned to benefit from these demographic developments and generate stable a net operating income and a solid risk-adjusted yield. The Group's rent-regulated residential portfolio as of 30 September 2019 was valued at SEK 13,941 per square metre, while new construction cost (including land) for new apartments in Sweden is SEK 45,175 per square metre, illustrating the opportunity for additional growth. The Group's rent per square metre for its residential properties as of 30 September 2019 was SEK 973 compared to SEK 1,742 per square metre in new build apartments, which positions the Group to benefit from improved margins if rents increase towards market levels and to conduct rent increasing apartment renovations. Additionally, as rent-regulated residential properties in Sweden are characterized by high demand and unsufficient supply, the Group experiences low levels of tenant turnover and near-zero long-term vacancies. The Group's rent-regulated residential property portfolio maintained an Economic Occupancy Rate of 93.9 percent as at 30 September 2019, with most of the vacancies being assets that are under renovation in accordance with the Group's ongoing renovation programme that is targeting the renovation of 600 units per year.

Recurring additional income streams from renovations, property development and transactions

The Group has three additional income streams besides from ordinary property management; renovations, property development activities and real estate transactions.

The Group renovates and refurbishes apartments within its portfolio and as a result of these efforts is able to generate yearly returns of approximately 7-9 percent on investments. Since its founding the Group has increased the number of apartments it renovates each year and the long-term goal is to renovate 600 apartments per year. During the nine months ended 30 September 2019, SBB began renovations of 476 apartments, of which 311 were complete as of 30 September 2019, and signed agreements for the renovation of an additional 232 apartments, of which half are expected to begin in the fourth quarter of 2019. This is compared to the renovation of 415 and 138 apartments in the years ended 31 December 2018 and 2017, respectively.

SBB additionally derives income from developing and selling building rights for social infrastructure. The Group has a proven track record of acquiring properties and after rezoning these properties to create building rights for social infrastructure properties, achieving increased valuations. Lastly, the Group also derives a portion of its income through property transactions.

The Group's income from property management combined with additional income streams all contribute to a large value creation and possibilities to perform additional investments to expand the Group's property portfolio.

Possibilities to acquire mixed portfolios

Swedish municipalities often own community services and rent-regulated residential properties together and often seek out companies that have the ability, organisation and long-term perspective necessary to invest in and develop both rent-regulated residential and community service properties. Although there is competition to acquire these types of portfolios, few companies have the ability to acquire portfolios made up of properties from both segments. SBB is one of the few companies able to acquire mixed portfolios and is therefore well positioned to seize opportunities in the market.

Investment grade credit rating ensures broad access to capital markets and financial flexibility

The Group maintains a strong capital structure that is diversified across different types of debt instruments. As of 30 September 2019, a majority of its debt portfolio (excluding commercial paper) had maturities longer than five years. Excluding commercial paper, 53 percent of the Group's debt had maturities longer than five years. Including commercial paper, 49 percent of the Group's debt had maturities longer than five years. As a result of its strong balance sheet position and funding mix, the Group has an investment grade rating of BBB- (stable) from Fitch and BBB- (positive) from S&P and aims to achieve a BBB+ rating during the next 12 months. The Group's average interest rate on its debt obligations as of 30 September 2019 was 1.75 percent, reflecting a steady decrease from 2.49 percent as of 30 September 2018 and 3.36 percent as of 31 December 2017. The Group's current rating signals the Group's stability and lowered risk of default. As a result of its rating the Group has broad access to capital markets and financial flexibility in order to fund its acquisitions and pursue its growth strategy.

Highly experienced management team, scalable platform and reputable owners

SBB's active and hands-on management team has vast experience in the development and management of both community services properties and rent-regulated residential properties and is highly qualified to implement the Group's growth strategy. The Chief Executive Officer Ilija Batljan founded SBB in March 2016 and has held multiple corporate and municipal management positions in Sweden and internationally. The Group's seven person management team, which includes the Group's Chief Executive Officer, Chief Operating Officer/Deputy Chief Executive Officer, Head of Property Development/Deputy Chief Executive Officer, Chief Financial Officer, Business Development Manager, Investor Relations Manager and the Finance Manager, have an average of 23 years of experience in the property development, property management and project development industry and are supported by a highly dedicated, reputable and diverse Board of Directors with extensive expertise in the real estate industry. The Head of Asset Management is an adjunct member of the management team. As a result, the Group believes that the expertise and dedication of the Group's senior management team provide it with the skills, knowledge and expertise necessary to pursue and execute its strategy.

6. STRATEGY

SBB aims to generate sustainable and attractive returns and create long-term value with a low-risk profile. Additionally, SBB intends to actively manage its portfolio in major cities across Sweden, Norway, Finland and Denmark and to cover the full real estate value chain with its integrated organisational platform and local market presence. Backed by its strong relationships with Nordic municipalities, SBB's core strategy is to generate income from property management by investing in community services properties in the Nordic and rent-regulated residential properties in Sweden. This is

BUSINESS OVERVIEW

further supplemented by additive income streams, including income from value-enhancing capital expenditures on renovations in its social infrastructure portfolios, from property development activities and from real estate transactions in which SBB's experienced transaction team acquires properties and divests matured properties to continue building the Group's diverse portfolio.

The strategic focal point for SBB is to create sustainable long-term value for all of its stakeholders and includes the following strategies.

Continuing to be the partner of choice for municipalities and further build existing and new relationships while responding to housing demands

The Group aims to be a natural, reliable and long-term partner in the public sector in the Nordic region and delivers its social infrastructure properties in close cooperation with the primary providers of care services, which are often municipalities and county councils. The Group maintains robust relationships with municipal, county and state authorities and has engaged in transactions with municipalities throughout Sweden such as Stockholm, Skellefteå, Huddinge, Borlänge and Karlskrona. The Group has also acquired properties from both the Danish and the Norwegian Governments and is involved in discussions regarding new transactions with municipalities throughout the countries in which it operates. These relationships provide the Group with favourable opportunities to acquire social infrastructure properties from municipalities. Due to the growing prevalence of aging populations in the Nordic region, with Finland and Sweden in particular being amongst the countries with the highest proportions of their populations being made up of people aged 65 years and older worldwide, it is expected that there will be an increased need for quality welfare services and residential care properties with an estimated unit demand for 300 new elderly care homes in Sweden in 2022. As one of the Nordic region's largest players in the field of elderly care homes and group housing for people with disabilities, SBB is well positioned to respond to these demographic changes. The Group's strategy therefore involves maintaining these strong relationships with municipalities and governmental tenants through ongoing discussions for the development of new community service properties. As approximately 80 percent of community service properties are currently publicly owned, the Group aims to increase its 1 percent market share and build upon its strong position as a partner of choice to municipalities in the Nordic region. Additionally, Sweden's residential market is characterised by rent regulation and a shortage of housing. As a result of rent regulations in Sweden, rent charged is strictly controlled, based on the standard of each apartment, compared with equivalent residential units in comparable areas. The demand for residential properties is expected to increase as a result of continuing population growth. Additionally, lengthy zoning plan processes and delays in construction further add to this shortage. There are 290 municipalities in Sweden and, according to a survey carried out by the National Board of Housing, Building and Planning in May 2018, 243 of the 288 participating municipalities assessed that there was a shortage of housing in their respective municipality. The Group's strategy involves SBB responding to this housing demand and remaining municipalities' partner of choice in meeting this need.

Generating income from property management

The Group's community service and residential portfolios provide a sustainable and stable source of income and the Group's strategy is focused on maintaining and developing this income stream. The Group additionally aims to generate stable and low-risk income through developing and selling building rights. Due to an expected increase in the need for community services and residential properties owing to demographic developments and a shortage of housing the Group aims to maintain its strong relationships with municipalities and continue engaging in value creating development as well as management of its existing portfolio.

Generating income from development of social infrastructure building rights

The Group aims to generate low-risk income through the acquisition and sale of attractive properties and their associated building rights. As part of the Group's strategy to generate income, the Group focuses on municipalities with favourable demographics such as underlying population growth and a high demand for housing and identifies properties in these localities with a yield of approximately 4-6 percent. Prior to acquisition, the Group assesses the potential of the target property and engages in discussions with municipalities to ascertain whether the target acquisition and its surrounding location are suitable for development. Once the Group has acquired and conducted development of a new zoning plan, the Group can thereafter choose to sell the property or retain a percentage of ownership through its participation in joint ventures with experienced project developers where the Group's counterpart takes responsibility for production or construction risks associated with the development. Great opportunities to develop building rights also exist within the current portfolio of social infrastructure properties, where many of the Group's properties have large green- and/or parking spaces well suited for building rights development. The Group intends to continue seeking attractive acquisition opportunities with unrealised building rights that are primed for development. The Group's strategy contributes to diversifying the income streams and to strengthen its important relationships with municipalities by producing and developing building rights for social infrastructure to meet the municipalities current and upcoming needs.

Generating income from renovations

The Group derives a significant portion of its income through the renovation of properties in its community services and apartments in its rent-regulated residential properties portfolio. The Group has a history of performing income generating renovations, and in the first nine months of 2019 began the renovation of 476 apartments, of which 311 were completed and signed agreements for the renovation of an additional 232 apartments, of which half are expected to begin in the fourth quarter of 2019. The Group also renovated 415 and 138 apartments in 2018 and 2017, respectively. In the course of its renovations, the Group also explores opportunities to redesign apartments within its existing portfolio in order to upgrade the standard of each of the apartments, increase the apartment's modernity and safety and create extra rooms per apartment so that the property and the apartments can be better utilised in the future. A significant portion of the Group's rent-regulated residential portfolio was built between 1960 and 1975 and therefore may require refurbishment in order to meet current and future tenant requirements for quality and comfort as well as to meet current technical standards. As only approximately 10 percent of the Group's portfolio has been renovated, the Group's strategy centres on capturing additional value from its remaining un-renovated residential portfolio utilising refurbishments and renovations to increase the attractiveness of its properties. The Group has a long-term target of renovating a total of approximately 600 apartments per year. These renovations may increase the number of apartment points awarded to each unit and also allow the Group to reach agreements with various tenant associations to increase rent levels that recognize the value added by the renovation. See " – The Group's Business Model – Property Portfolio – Property Management – Rent-regulated residential properties" for additional details on the utility value system for determining rent levels in Sweden.

Generating income from real estate transactions

SBB's transaction team, which the Group believes is the most experienced social infrastructure property transaction team in the Nordic region, has an unparalleled track record of closing transactions that has often made it the first potential buyer approached by private and public sellers before they begin a more broadly marketed sale process. These off-market transactions provide the Group with a competitive advantage to acquire portfolios of social infrastructure properties. The Group intends to continue to acquire portfolios of social infrastructure properties in these off-market transactions to maintain this competitive advantage. In the nine months ended 30 September 2019, the Group acquired properties for SEK 9,595 million and disposed of properties for SEK 6,339 million for a net change of real estate transactions of SEK 3,256 million. Engaging in real estate transactions and selling developed and matured properties allows the Group to recycle capital for use in new acquisitions.

7. THE GROUP'S BUSINESS MODEL

Overview

SBB's business focus is to make sound decisions that generate profit for its shareholders and benefit society as a whole by:

- being a natural and reliable partner to the public sector in the Nordic welfare states through its focus on the long-term ownership, management and development of community services properties in Sweden, Norway, Finland and Denmark;
- owning, managing and developing rent-regulated residential properties throughout Sweden; and
- acting as a social infrastructure builder and long-term partner to municipalities, countries and state authorities, by working actively to create building rights for social infrastructure.

Operating and financial targets

The operating and financial targets set forth below constitute forward-looking information that is subject to considerable uncertainty. The operating and financial targets are based upon a number of assumptions relating to, among others, the development of the Group's industry, business, results of operations and financial condition. The Group's business, results of operations and financial condition, and the development of the industry and the macroeconomic environment in which it operates, may differ materially from, and be more negative than, those assumed by the Group when preparing the operating and financial targets set out below. As a result, the Group's ability to reach these operating and financial targets is subject to uncertainties and contingencies, some of which are beyond the Group's control, and no assurance can be given that the Group will be able to reach these targets or that its financial condition or results of operations will not be materially different from these operating and financial targets. See also "Forward-Looking Statements".

The Board has adopted the following financial and operating targets. For a description of the Group's dividend policy, see "Shares and Share Capital – Dividend and Dividend Policy".

BUSINESS OVERVIEW

Financial targets

- Generate growth in net asset value per share, excluding dividends on shares, to average at least 12 percent per year over a 5-year period.
- Maintain a Loan-to-Value ratio below 50 percent.
- Maintain an Equity Ratio of at least 45 percent.
- Generate an income from sales of building rights amounting to an average of SEK 250-400 million per year.
- Maintain a Secured Loan-to-Value ratio of less than 30 percent.
- Maintain an Interest Coverage Ratio of at least 3.0 times.

Operational targets

- Achieve a property portfolio of SEK 55 billion by 2021 and achieve and retain a BBB+ credit rating.
- Renovate at least 600 apartments per year.

Property portfolio

As of 30 September 2019, the Group owned 842 properties in 228 municipalities, with 58 percent of the Group's property value located in the Nordic metropolitan city regions.

Key metrics of the SBB property portfolio

The following table shows several key metrics of the properties in SBB's portfolio as of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016. For additional information on these metrics, including certain definitions and reconciliations, see "Selected Consolidated Financial, Operating and Other Data – Non-IFRS financial data and reconciliations – Key performance indicators and other historical financial and operating data".

	As of 30 September		As of 31 December		
	2019	2018	2018	2017	2016
Number of properties	842	782	570	749	358
Leasable area of properties (m ² thousands)	1,795	1,402	1,330	1,366	697
Gross asset value of properties (SEK millions)	30,776	25,122	25,243	23,001	7,572
Gross asset value of properties per square metre (SEK) (excluding value of building rights)	16,401	17,002	17,979	15,976	10,260
Passing Rent (SEK millions)	2,003	1,637	1,585	1,588	687
Passing Net Operating Income (SEK millions)	1,374	1,139	1,112	1,111	429
Net Initial Yield (%)	4.7	4.8	4.7	5.1	6.0
Economic Occupancy Rate (%)	95.3	96.9	96.2	96.8	98.3

The following tables show these key metrics for the Group's community services properties, rent-regulated residential properties and other properties as of 30 September 2019.

	Community Services	Rent-Regulated Residential	Other
Number of properties	517	300	25
Leasable area of properties (m ² thousands)	874	716	205
Gross asset value of properties (SEK millions)	18,337	10,336	2,103
Gross asset value of properties per square metre (SEK) (excluding value of building rights)	20,696	13,941	6,666
Passing Rent (SEK millions)	1,195	697	112
Passing Net Operating Income (SEK millions)	953	368	53
Net Initial Yield (%)	5.3	3.7	3.9
Economic Occupancy Rate (%)	97.5	93.9	83.9
WAULT of community services properties (years) ⁽²⁾	7	n/a	n/a

Geographic locations of the SBB property portfolio

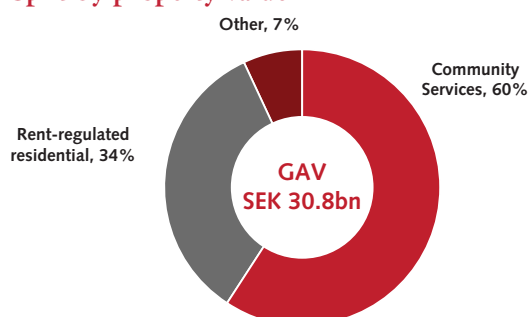
The Group's property portfolio is located entirely in the Nordic region with 94 percent of the Group's property portfolio consisting of social infrastructure properties as of 30 September 2019. Properties in Sweden accounted for 83 percent of the gross asset value of the Group's property portfolio as of 30 September 2019. As of that date, community services properties in Sweden, Norway, Finland and Denmark accounted for 42 percent, 9 percent, 6 percent and 1 percent, respectively, of the gross asset value of the Group's property portfolio. Rent-regulated residential properties in Sweden

made up 34 percent of the gross asset value of the Group's property portfolio and the remaining 7 percent of the gross asset value of the Group's property portfolio as of 30 September 2019 was made up of cash flow generating properties in locations that municipalities in Sweden have prioritised for urban development.

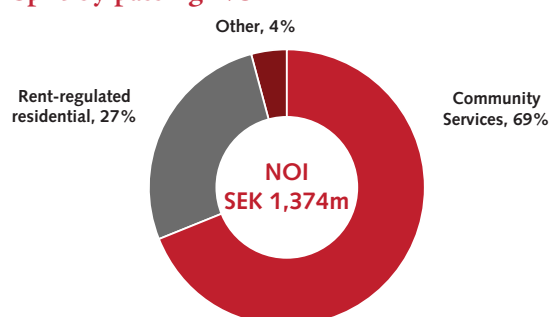


Property management

Split by property value



Split by passing NOI



Through its property management function, which is the foundation of its earning capacity, the Group receives predictable cash flows from rental income from social infrastructure properties. SBB's social infrastructure properties accounted for 94 percent of the Group's gross asset value as of 30 September 2019.

Community services properties

The Group's community services properties include properties rented by tenants that are directly or indirectly tax funded, resulting in limited tenant churn and minimal counterparty risk. Tenants are engaged in activities such as care for the elderly, education, providing group housing for people with special needs, municipal and state administration and healthcare. Examples of tenants in the Group's community service properties include the Swedish and Norwegian states, Boden and Linköping municipalities and Västra Götaland County, amongst others.

SBB is one of the Nordic region's largest players in the field of elderly care homes and owner of group housing for people with disabilities in the Nordics with approximately 250 such properties. The Group's aim is to offer modern care properties in close cooperation with the main providers of care services, which are often municipalities and county councils, but also include private companies that benefit from tax funding.

Passing Rent for the community services properties segment as of 30 September 2019 was SEK 1,195 million, of which elderly care accounted for 26 percent, education accounted for 23 percent, group housing for people with special needs accounted for 21 percent, municipality houses and ministry accounted for 11 percent, healthcare accounted for 9 percent, offices accounted for 8 percent and police and justice accounted for 2 percent.

BUSINESS OVERVIEW

As shown in the table below, as of 30 September 2019, the Group's top 10 community services properties tenants by Passing Rent accounted for 43 percent of the Group's Passing Rent in this segment.

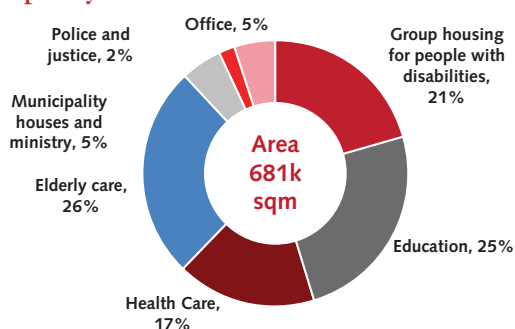
Tenant	Passing Rent (%)	Country	Credit rating
Norwegian State	12	Norway	AAA
Attendo	6	Sweden	–
Bodens Municipality	5	Sweden	AAA
Ambea	4	Sweden/Norway	–
Linköpings Municipality	4	Sweden	AA+/A-1+
Västra Götaland County	3	Sweden	AAA
Karlskrona Municipality	2	Sweden	AAA
Esperi Care	2	Finland	–
Academedia	2	Sweden	–
Lund University	2	Sweden	–
Total	43		

Sweden

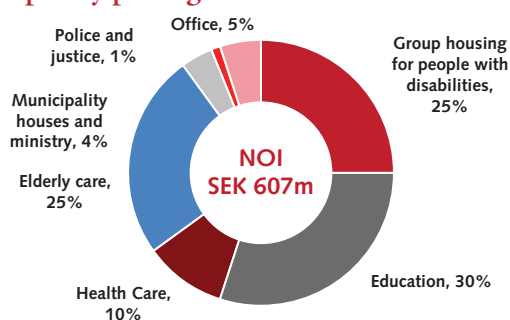
As of 30 September 2019, SBB's community services properties portfolio in Sweden comprised 377 properties valued at SEK 13,001 million or SEK 18,810 per square metre (excluding value of building rights). Passing Rent for the community services properties in Sweden as of 30 September 2019 was SEK 821 million, Economic Occupancy Rate was 96.8 percent, Passing NOI was SEK 607 million and Net Initial Yield was 4.7 percent.

The charts below show the split by asset type for the Group's community services properties in Sweden as of 30 September 2019.

Split by lettable area



Split by passing NOI

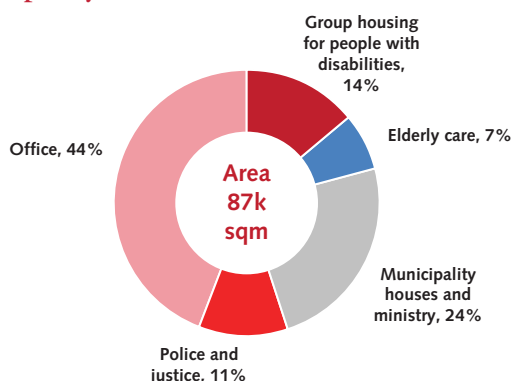


Norway

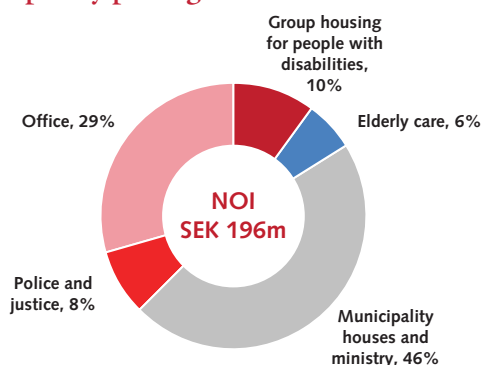
As of 30 September 2019, SBB's community services properties portfolio in Norway comprised 51 properties valued at SEK 2,917 million or SEK 32,666 per square metre (excluding value of building rights). Passing Rent for the community services properties in Norway as of 30 September 2019 was SEK 209 million, Economic Occupancy Rate was 98.3 percent, Passing NOI was SEK 196 million and Net Initial Yield was 6.9 percent.

The charts below show the split by asset type for the Group's community services properties in Norway as of 30 September 2019.

Split by lettable area



Split by passing NOI

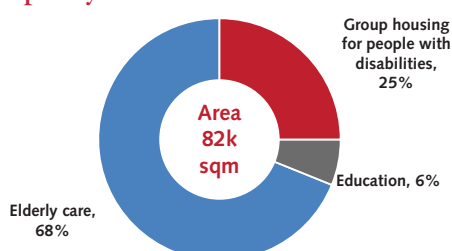


Finland

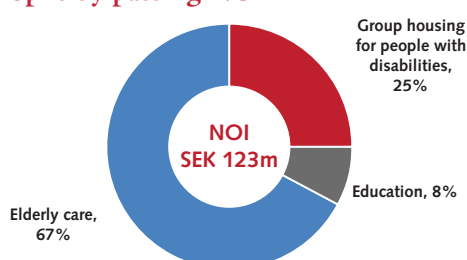
As of 30 September 2019, SBB's community services properties portfolio in Finland comprised 85 properties valued at SEK 1,979 million or SEK 24,236 per square metre. Passing Rent for the community services properties in Finland as of 30 September 2019 was SEK 136 million, Economic Occupancy Rate was 100.0 percent, Passing NOI was SEK 123 million and Net Initial Yield was 6.2 percent.

The charts below show the split by asset type for the Group's community services properties in Finland as of 30 September 2019.

Split by lettable area



Split by passing NOI

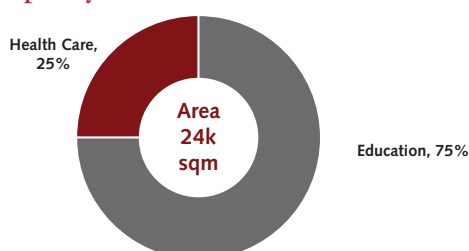


Denmark

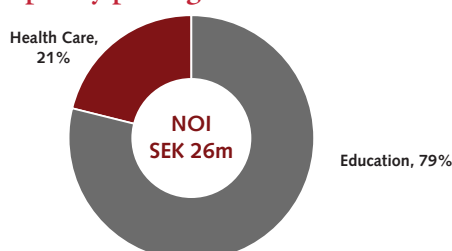
As of 30 September 2019, SBB's community services properties portfolio in Denmark comprised 4 properties valued at SEK 441 million or SEK 18,672 per square metre. Passing Rent for the community services properties in Denmark as of 30 September 2019 was SEK 28 million, Economic Occupancy Rate was 100.0 percent, Passing NOI was SEK 26 million and Net Initial Yield was 6.0 percent.

The charts below show the split by asset type for the Group's community services properties in Denmark as of 30 September 2019.

Split by lettable area



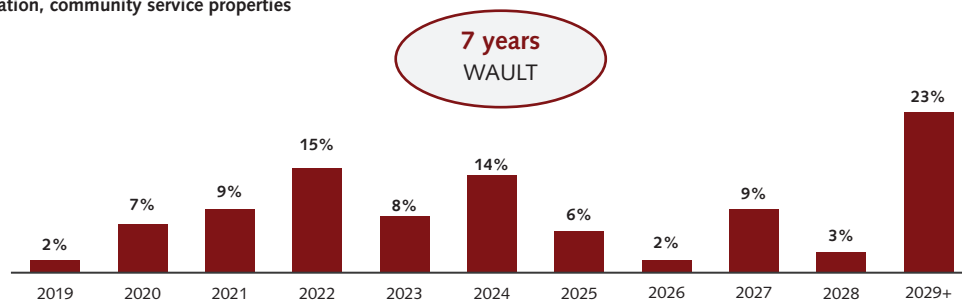
Split by passing NOI



BUSINESS OVERVIEW

The WAULT for the Group's community services properties as of 30 September 2019 was seven years, which does not yet take into account the 50-year lease with Skellefteå municipality for its new cultural centre that was signed in October 2018 but not yet closed. The chart below shows the staggered maturity profile of the Group's community services properties leases as of 30 September 2019. The percentages represent the amount of the Group's Passing Rent expiring in each year.

Lease duration, community service properties



Lease agreements for community services properties are characterized by long maturities. Newly signed leases typically have 10-15 year terms. As of 30 September 2019, of the Group's leases for community services properties that are expiring from 2019 to 2022, 32 percent have been in place for more than 20 years and 68 percent have been in place for more than 10 years. Additionally, the Group's lease agreements require the majority of tenant improvements to be paid for by the tenants, limiting the Group's unexpected capital expenditures.

SBB's community services properties footprint in the greater Oslo area

SBB has a good community services properties footprint in the greater Oslo area, an area that has Norway's highest GDP per capita and accounts for 33 percent of national GDP. Oslo has approximately 637,000 residents, with its population increasing by around 4 percent between 2015 and 2018. Approximately 1,000,000 people live in the greater Oslo area and the region hosts 17 universities and educational establishments.

Skellefteå Perseus 6 case study

SBB has entered into a partnership with the municipality of Skellefteå regarding its new cultural centre, which is expected to be completed in 2021 and will be one of the world's tallest timber buildings. Skellefteå Cultural Centre is located in one of the wealthiest municipalities in Sweden and will be a new home for the Västerbotten Regional Theatre, Anna Nordlander Museum, Skellefteå Art Gallery, as well as the City Library. The municipality has taken full responsibility for designing the building as well as full responsibility for potential cost overruns and for property management. As part of the partnership, a 50-year lease contract, with annual rent increases tied to the consumer price index in order to protect the Group from inflation was signed between SBB and the municipality in October 2018.

Swedish rent-regulated residential properties

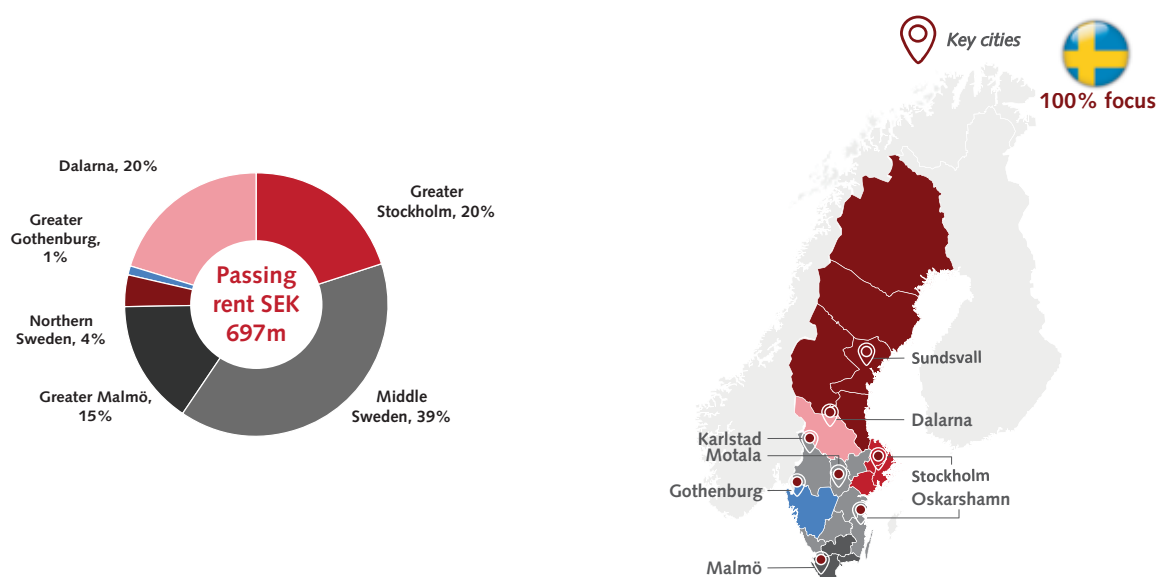
SBB manages and develops rent-regulated residential properties in Swedish municipalities that are experiencing population and income growth. SBB owns rent-regulated residential properties in approximately 30 Swedish municipalities with a large geographical spread. However, most of the rent regulated residential properties are located in the Stockholm region, Sundsvall, Oskarshamn, Karlstad, Borlänge and Motala. The properties are generally located close to the city centre and have access to good transportation links. For example, SBB acquired Tellus 1, a residential property with 476 apartments. Following the acquisition, SBB signed an agreement with the local tenant association on an average rent after renovation of SEK 1,250 per square metre compared to an average pre-renovation rent of SEK 750 per square metre. At 30 September 2019, SBB had renovated 109 apartments in the Tellus property and had also increased the property's net operating income by SEK 0.8 million through the structuring the leasing of parking spaces. The Group has initiated a zoning plan process to create an additional 20,000 square metres of social infrastructure building rights for both residential and community services properties and has already sold 5,000 square metres for residential use.

Demand for housing in Sweden is large due to the regulated market creating queues for housing. According to a 2014 report from The Swedish Union of Tenants, the average time spent in the housing queue for a rental apartment in Sweden was approximately three years and approximately ten years in Stockholm. At the end of 2018, 640,000 people were in the Stockholm housing queue. In a 2018 survey by the National Board of Housing, Building and Planning, 243 out of 288 participating municipalities assessed that there is a shortage of housing in their municipality, with lagging construction contributing to the excess demand.

As of 30 September 2019, SBB's rent-regulated residential properties portfolio in Sweden comprised 300 properties valued at SEK 10,336 million or SEK 13,941 per square metre (excluding value of building rights). Passing Rent for the rent-regulated residential properties in Sweden as of 30 September 2019 was SEK 697 million, Economic Occupancy Rate was 93.9 percent (with most of the vacancies being attributed to ongoing renovation programmes), Passing NOI was SEK 368 million. Lettable Area was 716,144 square metres and Net Initial Yield was 3.7 percent.

Geographic distribution

The following chart shows the geographic distribution of the proportion of Passing Rent as of 30 September 2019 allocated to the different regions of Sweden.



“**Middle Sweden**” includes the municipalities of Åmål, Årvidaberg, Borgholm, Eda, Eksjö, Falköping, Filipstad, Forshaga, Fritsla, Gotland, Grästorp, Gullspång, Habo, Hagfors, Hammarö, Hemse, Hjo, Hultsfred, Jönköping, Kalmar, Karlsborg, Karlstad, Kil, Klinte, Kristinehamn, Laxå, Linköping, Ljungby, Mariestad, Mellerud, Mjölby, Motala, Mullsjö, Nässjö, Nora, Norrköping, Nybro, Oskarshamn, Othem, Säffle, Skara, Skövde, Sollebrunn, Sunne, Tibro, Tidaholm, Tierp, Tingsryd, Tranås, Vaggeryd, Värnamo, Västervik, Växjö, Vimmerby and Visby.

“**Greater Stockholm**” includes the municipalities of Botkyrka, Enköpings, Eskilstuna, Flen, Haninge, Heby, Huddinge, Järfälla, Katrineholm, Knivsta, Nacka, Norrtälje, Nyköping, Nykvarn, Nynäshamn, Ösmo, Österåker, Sigtuna, Södertälje, Sollentuna, Solna, Stockholm, Strängnäs, Sundbyberg, Täby, Upplands Väsby, Upplands-Bro, Uppsala, Vallentuna, Värmdö and Västerås.

“**Dalarna**” includes the municipalities of Avesta, Borlänge, Falun, Gagnef, Ljusnarsberg, Ludvika, Malung-Sälen, Orsa, Sandviken, Säters, Storfors and Torsby.

“**Greater Malmö**” includes the municipalities of Ästorp, Burlöv, Hässleholm, Helsingborg, Höganäs, Höör, Hörby, Karlshamn, Karlskrona, Kävlinge, Laholm, Lund, Malmö, Örkelljunga, Simrishamn, Staffanstorps, Svalöv, Tomelilla and Trelleborg.

“**Northern Sweden**” includes the municipalities of Årjäng, Boden, Härnösand, Ljusdal, Luleå, Lycksele, Östersund, Söderhamn and Sundsvall.

“**Greater Gothenburg**” includes the municipalities of Ale, Borås, Falkenberg, Göteborg, Götene, Kungälv, Lilla Edet, Lysekil, Mölndal, Partille, Stenungsund, Tanum, Uddevalla, Ulricehamn and Vänersborg.

SBB's rent-regulated properties footprint in the greater Stockholm area

The Group's rent-regulated residential properties portfolio is particularly robust in Greater Stockholm, an area that is home to approximately 2.3 million residents, more than one-third of Sweden's companies and 21 universities and educational establishments. SBB's portfolio of 39 rent-regulated residential properties in Greater Stockholm as of 30 September 2019 covered 111,290 square metres and was valued at SEK 2,646 million. Passing Rent for SBB's rent-regulated residential properties in Greater Stockholm as of 30 September 2019 was SEK 140 million and Net Initial Yield was 3.4 percent.

SBB also has several different development projects located in excellent locations close to public transport in Haninge, Nyköping and Nykvarn. These projects cumulatively include building rights with a GFA of approximately 430,000 square metres, which equates to an additional approximately 6,200 apartments in the region (based on an average apartment size of 70 square metres).

BUSINESS OVERVIEW

SBB's rent-regulated properties footprint in Falun and Borlänge

SBB also has a strong rent-regulated residential properties footprint in the Falun-Borlänge region in Dalarna County, which is a region that is highly integrated through modern infrastructure and hosts significant government agencies, such as the Swedish Transport Administration and the Swedish Transport Agency, as well as public university campuses. SBB's portfolio of 15 rent-regulated residential properties in Falun and Borlänge as of 30 September 2019 covered 64,885 square metres and was valued at SEK 1,041 million. Passing Rent for SBB's rent-regulated residential properties in Falun and Borlänge as of 30 September 2019 was SEK 66 million and Net Initial Yield was 3.6 percent.

Utility value system

Rents in Sweden are regulated based on a "utility value system" that comprise the basis for negotiations between the landlord and the tenant and/or a tenancy union. The "utility value system" means that the rental rate for an apartment may not materially exceed the rental rate for an equivalent apartment where the rent is determined by a negotiated agreement under the Rent Negotiation Act. The aim of the utility value system is to protect the tenants' "security of tenure", which follows from Chapter 12 of the Swedish Land Code and provides that tenants under this system have a direct tenancy agreement without a fixed maturity and are entitled to continue to rent the apartment for as long as the rent is paid and neighbours are not disturbed.

Rental amounts are set through a negotiation process with the tenant or the Swedish Union of Tenants where a normative rent is agreed. The Swedish Regional Rent Tribunal conducts a utility value review to establish a reasonable amount of rent. The review must only refer to comparative apartments (i.e., those with approximately the same location, standard and equipment) that have their rents set through collective negotiations between the landlord and the Swedish Union of Tenants on an annual basis. The limit for a reasonable rent is expressed as the highest rental level that other tenants pay for similar apartments, which may be exceeded by approximately 5 percent.

Rents in the Swedish residential market are determined based on the following formula.

$$\text{Annual rent} = \frac{\text{Normative rent} * (\text{Area} + \text{Apartment points}) * 77}{121}$$

Normative rent is the rent per square metre that is agreed between the landlord and the tenant and/or a tenancy union for a hypothetical three-room, 77 square metre apartment.

The area of the apartment is measured in square metres.

Apartment points are determined according to the table below, which takes into account the number of rooms in the apartment.

Apartment type	Apartment points
1 room and kitchen cabinet	24
1 room and kitchenette	27
1 room and kitchen	34
1.5 rooms and kitchen	37
2 rooms and kitchenette	34
2 rooms and kitchen	40
2.5 rooms and kitchen	42
3 rooms and kitchen	44

Additive income streams

Income from SBB's property management function is augmented by recurring additive income streams, including income from investments on renovations in its social infrastructure property portfolios, property development and real estate transactions in which SBB's experienced team buys and sells properties to continue building the Group's portfolio.

Income from renovations

SBB benefits from the unique residential renovation business model in Sweden that allows it to increase rents, which are artificially low in the regulated market, by improving the standard of an apartment. A significant part of the Group's rent-regulated residential properties portfolio was built between the years 1960 and 1975 and requires some refurbishment to meet current and future tenant requirements for quality and comfort, as well as to meet current technical standards. This is achieved by successive renovations coordinated with end of lease vacancy periods of the apartments. The Group targets value-creating renovation to a new modern standard in order to generate increased rental income and lower property costs through energy saving measures and reduced maintenance costs. Historically, the

Group has achieved approximately 6-8 percent yield on renovation costs. Prior to renovation, an assessment is made as to whether additional value-creating changes can be made. For example, large rooms of apartments are reconfigured to create extra rooms so that the property can be better utilised in the future. The Group aims to renovate to an attractive standard that appeals to both new and existing tenants.

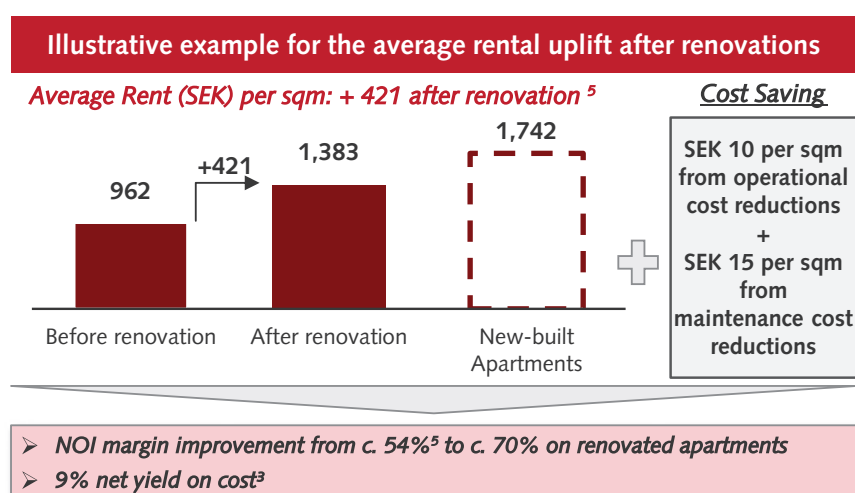
When a tenant moves out of an apartment, SBB renovates one apartment as a prototype to show the Swedish Union of Tenants and to form the basis of the negotiation. Once a normative rent is agreed, SBB proceeds to renovate the rest of the apartments as tenants terminate their leases. This provides a clear visibility on the potential future rental upside. SBB implements property development programs that enable value creation through a wide range of targeted investments and manages all aspects of value creation, including:

- *Apartment renovations*: standardised, pre-planned renovations of individual apartments to high quality standards; and
- *Residential conversion*: the conversion of storage, commercial premises and other non-strategic premises into residential units, as well as the review of apartment layouts in order to explore possibilities of unlocking additional living space.

An apartment renovation timeline commences when the Group receives notice of lease termination from a tenant. During what is typically a three month notice period, SBB conducts its inspection prior to the tenant moving out and makes a decision whether to renovate. If a decision is made to renovate the apartment the project preparation phase continues before the tenant moves out and includes measurements being taken, contractors with whom the Group has long-standing relationships, being engaged and materials being prepared at a regional logistics centre. Once the tenant moves out and the apartment becomes vacant, the shipment of material arrives and contractors immediately begin the renovation, which may take around six weeks.

Although not part of the formal renovation program that the Group has in place, SBB also engages in additional renovations of its properties including property upgrades involving targeted investments in properties, such as renovations of laundry rooms, entrance halls and stairways, preparation of outdoor areas or upgraded storage premises that generate additional rent-uplifts.

The graphic below provides an illustrative example the Group's average rental uplift after renovating one of its apartments.



Notes: ³ Assuming SEK 5,000 renovation cost per year (Source: Newsec report).; ⁵ Margin calculated based on the average cost per sqm on apartments that qualify for renovation, average rental uplift on renovated apartments and SEK 25 in total cost savings, calculated as average uplift for apartments that meet a 6% NOI return threshold. Upgraded annual rent per sqm based on the formula:

$$\text{Annual rent per sqm} = \frac{\text{Normative rent} * (\text{Area} + \text{Apartment points}) * 77}{121 * \text{Area}}$$

During the nine months ended 30 September 2019, the Group commenced the refurbishment of 476 apartments in its rent-regulated residential property portfolio, of which 311 were completed as of 30 September 2019, and signed agreements for the renovation of an additional 232 apartments, of which half are expected to begin in the fourth quarter of 2019. During the years ended 31 December 2018 and 2017, the Group renovated 415 and 138 apartments, respectively. As of 30 September 2019, only approximately 10 percent of the 8,708 apartments in SBB's rent-regulated residential property portfolio had been renovated since the Group took ownership, providing significant additional

BUSINESS OVERVIEW

untapped value creation potential. For its current portfolio, the Group has set a long-term target of 600 renovations per year in order to capture additional value from its remaining unrenovated rent-regulated residential properties.

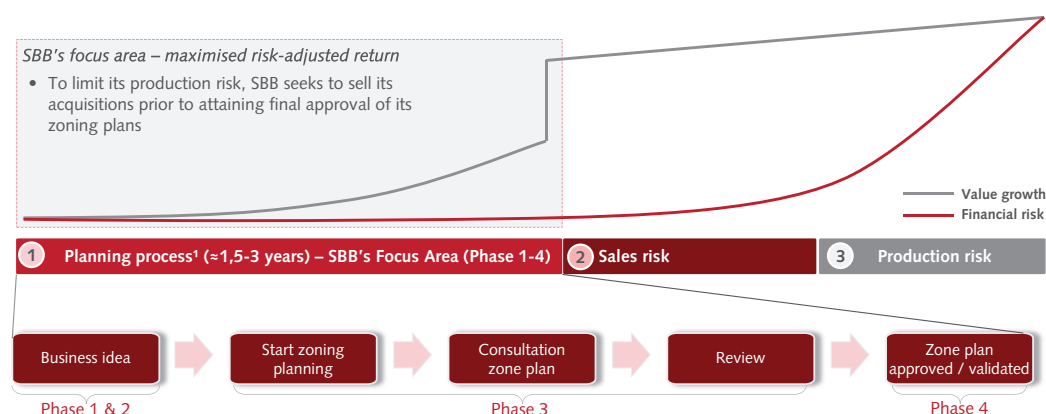
Motala renovation case study

In 2016, SBB acquired a residential building in Motala comprising 476 apartments with an average rent of approximately SEK 750 per square metre. Based on the renovation plan presented, SBB signed an agreement with the tenant association for an uplift in rent to approximately SEK 1,250 per square metre after renovation. The renovation cost is approximately SEK 5,000 per square metre, resulting in an approximately 10 percent yield on renovation costs. As of 30 September 2019, 109 of the 476 apartments had been renovated.

Income from social infrastructure building rights and selectively participating in joint ventures

SBB further augments income from its core social infrastructure property management business by finding both new and already existing social infrastructure properties where it can work with local municipalities to determine, prior to acquiring the property, what is required for a new zoning plan to be approved allowing for the development of community services or rent-regulated residential properties. Zoning is a complicated, time-consuming process and good relations with the municipalities and officials forms a crucial aspect of the process. The Group prepares an initial two-part acquisition analysis that assesses the current status of the chosen site and its long-term prospects. Following this, the Group conducts its due diligence, whereby the main critical factors investigated are the property's technical condition, its net operating income and any potential legal risks. SBB then acquires the properties, commences work on pursuing the new zoning plan and seeks to divest the rezoned property either by selling it to, or forming a joint venture with, an experienced project developer. The project developer or the joint venture then takes responsibility for construction, including the necessary capital expenditures, upon the final approval of the zoning plan.

The graphic below provides an overview of the planning process, emphasizing SBB's area of main focus on the planning process.



The Group's strategy is to have approximately 10 percent of its property portfolio made up of cash flow properties with development potential to develop building rights for social infrastructure and to achieve SEK 250-400 million per year from this development. As of 30 September 2019, SBB had sold 371,950 square metres of building rights to joint ventures where SBB is a partner. As of the day of this Offer Document, the sale of 147,850 square metres of such building rights have closed.

SBB works actively to have zoning plans approved for property development within social infrastructure for various purposes (e.g., rent-regulated residential, community services properties and cooperatively owned housing). SBB also has extensive experience of conducting sales of building rights early in the planning process with closing after the zoning plan is approved. SBB's property development organisation is also responsible for project development that takes place within SBB's property portfolio as well as joint ventures related to property development.

As of 30 September 2019, the Group had ongoing development projects in various phases of the planning process with a total area of 1,020,350 square metres. The planning process consists of various phases and SBB categorizes them as follows: initial project coordination (phase 1); projects pending formal planning decision (phase 2); projects with formal planning processes initiated (phase 3); and projects with new zoning plans granted (phase 4). While the timelines for various projects vary depending on how the projects are prioritised in phases 1 and 2, the Group generally expects between 18 and 36 months to elapse during phases 3 and 4. As of 30 September 2019, the Group's other segment comprised properties in phase 1 with a gross floor area ("GFA") of 96,140 square metres, a book value of SEK 20 million or 9.4 percent of the property development portfolio, properties in phase 2 with a GFA of 91,000 square metres, a book value of SEK 64 million or 8.9 percent of the property development portfolio, properties in phase 3 with

BUSINESS OVERVIEW

a GFA of 665,920 square metres, a book value of SEK 817 million or 65.3 percent of the property development portfolio, and properties in phase 4 with a GFA of 167,290 square metres, a book value of SEK 442 million or 16.4 percent of the property development portfolio.

The Group has closed sales for 158,450 square metres of properties that were previously in the Group's other segment for SEK 409 million on or prior to 30 September 2019 with a value of SEK 2,581 per square metre. In addition, as of 30 September 2019, a GFA of 414,650 square metres of property development properties had sold for SEK 1,447 million, with a value of SEK 3,490 per square metre and with closing after the zoning plan has been approved.

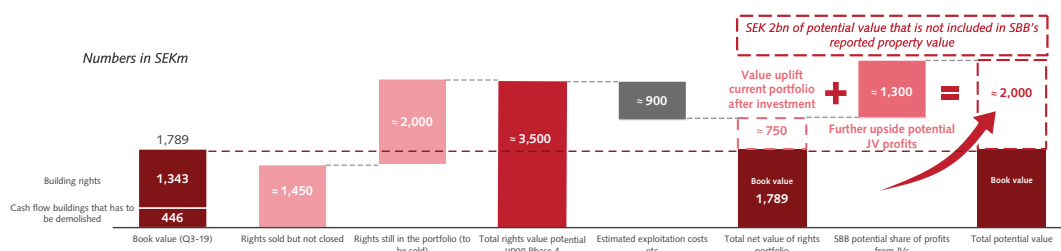
The table below shows the total area and book value of the Group's property development properties by planning phase.

Planning phase	GFA building rights (m ²)	Book value (SEK millions)	Book value per m ² (SEK)
Phase 1	96,140	20	207
Phase 2	91,000	64	703
Phase 3	665,920	817	1,227
Phase 4	167,290	442	2,642
Total	1,020,350	1,343	1,316

The table below shows the split by square metres of the building rights (i) that have been sold, but had not yet closed as of 30 September 2019 and (ii) that had not been sold as of that date.

Sales Status	GFA building rights (m ²)	Value (SEK millions)	Value per m ² (SEK)
Sold, but not closed building rights	414,650	1,447	3,490
Unsold building rights	605,700	2,013	3,323
Total	1,020,350	3,460	3,391

The Group believes that the potential value of the development portfolio is greater than the book value based on its estimates of the value of the unsold building rights in the portfolio when they enter phase 4 and estimates of further upside potential from joint venture development profits. The illustration below shows the Group's view of the potential value of the development portfolio.



Falkenberg Bacchus 1 property development case study

In 2016, SBB acquired property in Falkenberg for SEK 358 million. SBB had the property rezoned for the development of 700 condominiums covering 58,000 square metres and completed sales to two joint venture partners whereby the Group will share in the development profit upside in addition to the value of the building rights sold and the Group estimates that it will earn approximately SEK 300 million over time from these joint ventures. 40,000 square metres were sold to a 50/50 joint venture between SBB and the Swedish property developer HSB. The sale price of SEK 156 million represented SEK 3,900 per square metre. The remaining 18,000 square metres were sold to a local consortium in which SBB has a 10 percent share. The sale price was SEK 70 million, also representing SEK 3,900 per square metre. This joint venture will construct four buildings in total, the first of which is complete and the second of which is expected to be completed by the end of 2019. As of 30 September 2019, 107 out of 140 apartments being constructed in the first phase had been sold. The apartments are expected to be completed by 2021. SBB expects to earn approximately SEK 300 million over approximately five years as its share of results from the two joint ventures.

BUSINESS OVERVIEW

Income from real estate transactions

SBB's transaction team, which the Group believes is the most experienced social infrastructure property transaction team in the Nordic region, has an unparalleled track record of closing transactions that has often made it the first potential buyer approached by private and public sellers before they begin a more broadly marketed sale process. These off-market transactions provide the Group with a competitive advantage to acquire diverse portfolios of social infrastructure properties.

The table below shows the value creation of the Group's property real estate transactions for the nine months ended 30 September 2019 and the years ended 31 December 2018 and 2017.

	Nine months ended 30 September	Year ended 31 December	
	2019	2018	2017
		<i>(SEK millions)</i>	
Gross asset value of properties at beginning of period	25,243	23,001	7,572
Acquisitions	9,595	3,597	13,470
Investments	474	311	209
Disposals	(6,339)	(3,359)	(729)
Translation difference	359	176	(311)
Unrealised changes in value	1,444	1,517	2,790
Gross asset value of properties at end of period	30,776	25,243	23,001

Nyköping, Raspen 1, 2 & 3 transaction case study

In 2016 and 2017, SBB acquired properties in Nyköping, which is within the Greater Stockholm area in a municipality growing by 700 inhabitants per year and enjoys direct access to a new express train that provides a travel time of 40 minutes to the city of Stockholm. The Group acquired the properties in 2016 and 2017 for a total value of SEK 180 million, a net operating income of SEK 12 million and an implied net yield of 6.7 percent. SBB initiated a zoning plan process on the properties that is expected to result in approximately 156,000 square metres of building rights for social infrastructure, of which 65,000 square metres have already been sold to a joint venture with one of Sweden's largest developers, HSB. An additional 23,000 square metres have been sold to another Swedish developer, with possession to take place after the zoning plan is approved, which is expected to occur in 2020.

Karlskronahem transaction case study

In 2018, SBB acquired two community services properties and two residential properties from the municipality of Karlskrona illustrating SBB's strong relationship with municipalities and its ability to acquire mixed property portfolios. The Group was able to engage in these transactions and acquire these properties as a result of long term planning, the possibility to acquire mixed portfolios and its strong balance sheet. The portfolio was acquired for SEK 366 million and had contracted rent of SEK 30 million and net operating income of SEK 20 million for a Net Initial Yield of 5.3 percent. SBB signed a new 10-year lease and a new 25-year lease for elderly care facilities in connection with the transaction.

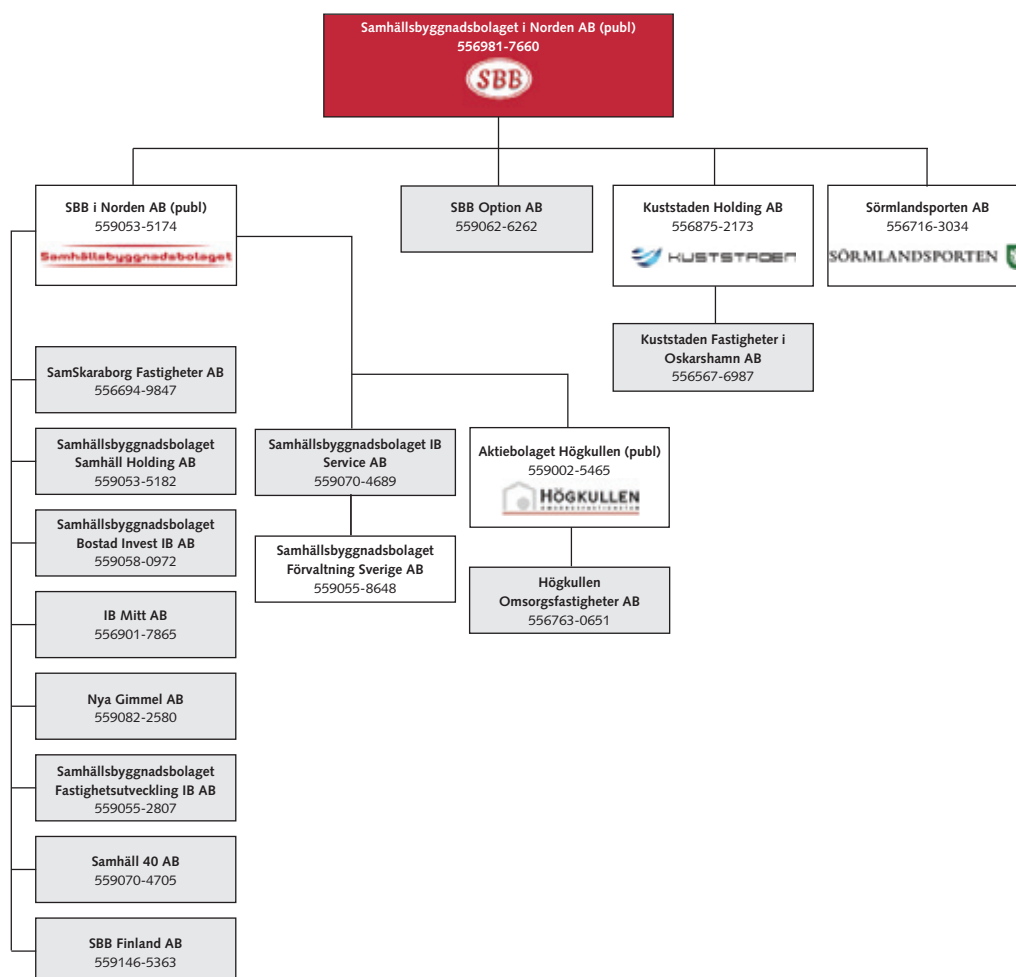
Drammen Grønland 1 transaction case study

In 2017, SBB acquired a property portfolio that included an office building and two other community services properties in an off-market transaction. The two community services properties have long-term leases with Norwegian government agencies as tenants and were therefore incorporated into the Group's community services properties portfolio. With respect to the office building, immediately after closing, SBB commenced a rezoning plan with the municipality, engaged one of Norway's largest architecture firms for the redevelopment and marketed the office building as a single-asset, fully let office building with significant potential for future development. This transaction illustrated the Group's ability to simultaneously engage in property development and the acquisition of social infrastructure properties, a feat not able to be accomplished by many due to the mixed nature of the property portfolio. In December 2018 SBB agreed to sell the office building to a local developer.

8. OVERVIEW OF THE GROUP'S STRUCTURE

The Group's operations are mainly carried out by its direct and indirect subsidiaries and the Group is largely dependent on its subsidiaries in order to generate profit and cash flow. Samhällsbyggnadsbolaget i Norden AB (publ) is the parent company of the Group. As of 30 September 2019, the Group comprised 618 entities (including the parent company) formed in Sweden, Norway, Finland and Denmark.

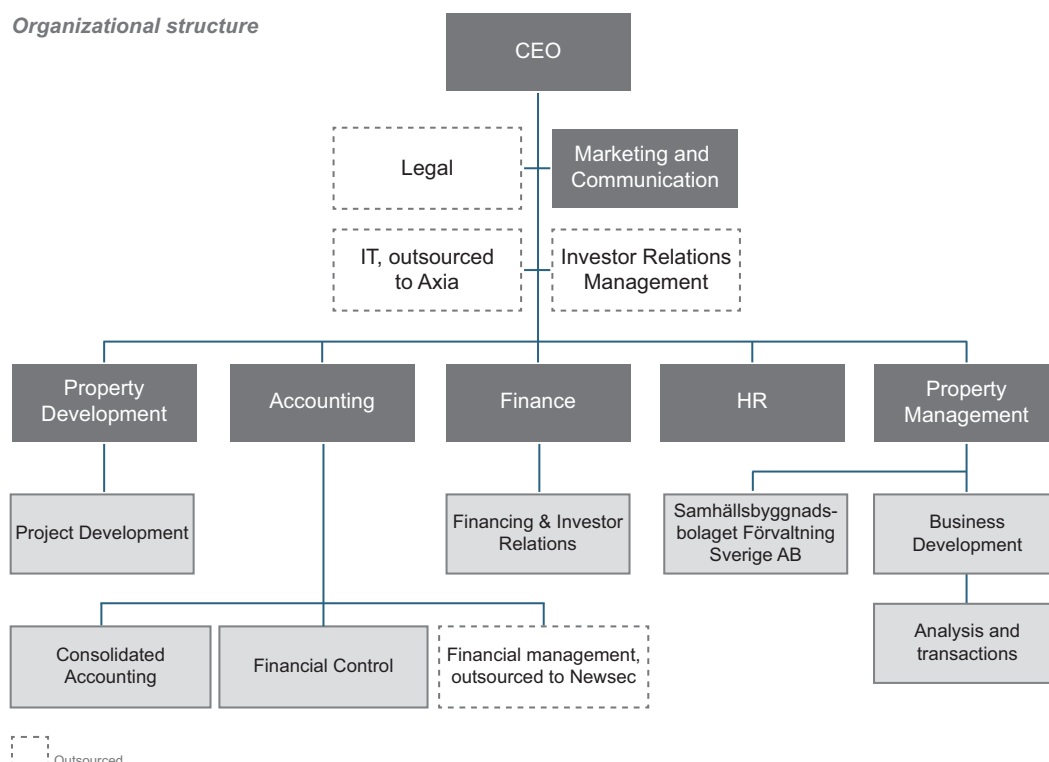
The following chart illustrates the key companies within the Group as of 30 September 2019.



BUSINESS OVERVIEW

The following chart shows the Group's organizational structure.

Organizational structure



Internal functions

The Group has an in-house team of employees focusing on transactions, property management and property development.

Property development

When working on rezoning plans for the development of building rights for social infrastructure, the Group coordinates with municipal urban planning departments in various parts of the Nordics. SBB either sells the building rights outright or forms joint ventures with external financiers and contractors. The Group's Property Development Manager and Deputy Chief Executive Officer are responsible for these processes along with a team of five employees.

Accounting and finance

The Group's CFO is responsible for the accounting department, which includes internal resources for financial control and consolidated accounting. The Group's Head of Finance is responsible for the capital markets department, which includes financing and investor relations.

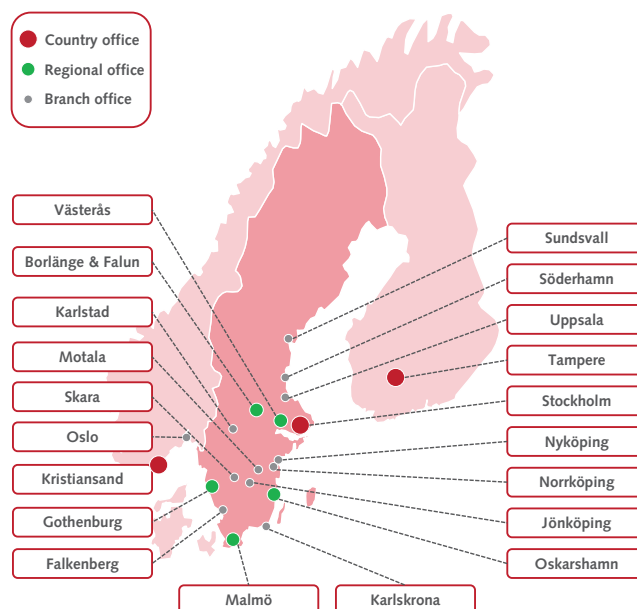
HR

HR is a separate department within the Company headed by the Company's Head of HR.

Property management

The Group has an internal property management organisation, which contracts with external parties to provide services relating to the Group's property portfolio. The Group's property management department is headed by Lars Thagesson, the Group's Deputy Chief Executive Officer and Chief Operating Officer.

SBB has an experienced asset management team with local market knowledge and a presence in all of the Group's major investment markets. The Group's network of country offices, regional offices and branch offices is shown below.



Outsourcing arrangements

The Group outsources its information technology and accounting functions and uses external counsel for legal services.

Legal

The Group does not have an internal legal department, but instead relies on external counsel with expertise in the relevant area as needed.

Information technology

The Company has entered into a Swedish law-governed agreement with Axia IT AB pursuant to which Axia IT AB develops and manages the Group's information technology infrastructure and operations. The agreement runs until 31 January 2020, unless extended no later than three months prior to that date.

Financial management

The Company has entered into a Swedish law-governed administrative services agreement with Newsec Asset Management AB pursuant to which Newsec Asset Management AB shall provide accounting services, including financial management, valuation and communication services, as well as administrative services regarding rents and agreements, property transactions and matters relating to budgets, prognoses and analyses. The agreement runs until 31 March 2023 and thereafter is subject to automatic one-year extensions, unless otherwise terminated in accordance with its terms.

9. EMPLOYEES

The Group believes that the knowledge, experience and commitment of its employees are key to the successful operation of its business and emphasizes a work environment that promotes employee development. In keeping with this, the Group maintains an incentive program for current and future employees that entitles employees to subscription of a certain number of Class B shares, as is further described in "*Shares and Share Capital – Warrants and convertibles, etc. – Incentive program*".

The Group has strong teams in its various divisions including property management, property development, marketing and communications, finance, accounting and human resources and the Group's future development and its employees are focused on property acquisition and disposals, property development activities and cost-effective property management.

BUSINESS OVERVIEW

The Group had 137 full-time employees as of 30 September 2019 as well as 14 part-time employees and three consultants. Approximately 90 percent of the Group's employees are focused on property management and six are focused on property development.

The following table shows the number of full-time employees of the Group in each location in which the Group operates as of 30 September 2019, 31 December 2018, 31 December 2017 and 31 December 2016.

	As of 30 September 2019	As of 31 December		
		2018	2017	2016
Sweden	132	99	37	5
Norway	4	4	4	–
Finland	1	1	–	–
Total	137	104	41	5

10. CSR

The Group employs a sustainability strategy that aims to take responsibility for the long-term economic, environmental and social results of its business practices and operations. An environmentally conscious perspective permeates all of the Group's properties and since its founding, the Group has focused on minimizing the environmental impact and CO₂ emissions released as a result of its operations and within its property portfolio. In 2017, the Group mapped and selected areas as part of its plan to reduce CO₂ emissions. The Group maintains as its core focus the decrease in its CO₂ emissions by at least 400 tonnes per year between 2018 and 2023. In February 2019, SBB announced that it would be initiating investments in a unique project that is expected, through the use of heat pumps and heat recovery from exhaust air and wastewater, to decrease CO₂ emissions by 75 percent in a residential area with 476 apartments in Motala, Sweden. The Group is also actively engaged in cooperating with third party energy product developers Watts2YOU, to develop solar energy modules to be used in the Group's heat pumps and it also hopes to decrease its energy consumption by at least 50 percent. In October 2019, the Group initiated a collaboration with Skellefteå Kraft that will supply 100 percent origin certified renewable electricity to all of SBB's Swedish properties, which will lead to CO₂ emissions 15,000 tonnes lower per year than if the energy was used according to the Nordic residual mix and nuclear fuel waste saving will be just under 70 kilograms.

The Group is committed to upholding its social responsibility and the Group's employees actively participate in community-oriented sustainability work in the places where the Group's properties are located. The Group also collaborates with non-governmental organisations such as the Mentor Sverige program, an initiative designed to encourage healthy and drug-free lifestyles and employees are actively involved in this program.

The Group is a community participant in a large number of locations in Sweden and engages in social sustainability work with young people living in the Group's residential areas. Since its founding the Group has prioritised youth engagement and offered summer jobs to young people living in these residential areas which connects all of the dimensions of the Group's social engagement by contributing to the creation of nicer external environments in SBB's residential areas, reducing the wastage of shared resources, furthering the Group's long-term operating net profit and creating a link to youth employment.

THE COMBINED COMPANY

1. HEMFOSA IN BRIEF

Hemfosa is a community service properties specialist working with health care, education and the judicial system, amongst others, in the Nordic region. On Hemfosa's premises police, teachers and medical doctors work and Hemfosa actively tries to adapt their properties to their needs. As of 30 September 2019, Hemfosa owned 403 properties in Sweden, Norway and Finland with a fair value of SEK 39.8 billion.

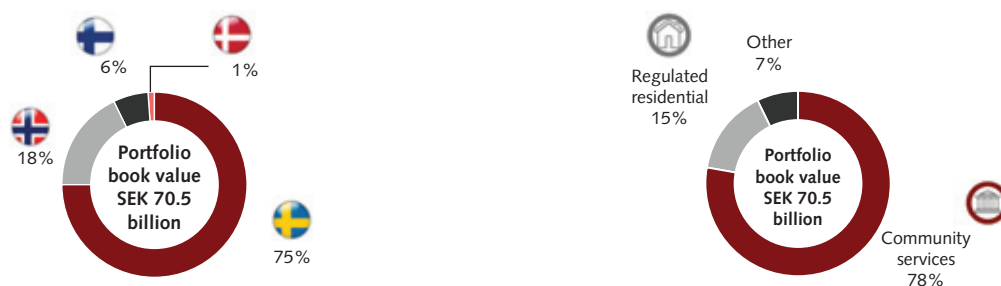
Hemfosa's operational organization consists of a strong, locally anchored proprietary management organization that is supported by group-wide functions. In Sweden, Hemfosa's property portfolio is divided into five regions: North, Stockholm, Mid, West and South. Each region is headed by a regional manager with operational responsibility for the properties in the region. Hemfosa has offices in Falun, Gothenburg, Halmstad, Härnösand, Karlskrona, Karlstad, Kristianstad, Norrköping, Sundsvall, Västerås, Växjö and Umeå. The Norwegian organization has five local administrative offices and is led from the Oslo office. In Finland all the tasks are today managed from a local cooperation partner. At the headquarters in Nacka are Hemfosa's group-wide functions. These consists of Transaction and Analysis, Finance, Legal and Market/Communications. On 31 December 2018, the number of employees amounted to 71 people. Learn more at www.Hemfosa.se.

Hemfosa has a well-diversified tenant structure, with the largest tenant accounting for only 6 percent of total rental income and the ten largest tenants accounting for 30 percent. At the end of the period, the average remaining lease term was 6.5 years. There is a favourable spread in lease maturities, with maximum one-seventh of the rental value is expiring each year over the next few years. More than one-third will expire in 2026 or later. The economic leasing rate was 94.2 percent.

2. THE COMBINED COMPANY

Operations

The transaction would create the 4th largest listed player in the Nordics, with a combined portfolio book value of approximately SEK 70.5 billion, equivalent to SEK 17,419 per square meter (excluding value of building rights). The combined portfolio would consist of 1,245 properties with a total lettable area of 4.0 million square meters across Sweden, Norway, Finland and Denmark, with primary focus on community services and regulated residential. The portfolio of the Combined Company will be divided as per below:

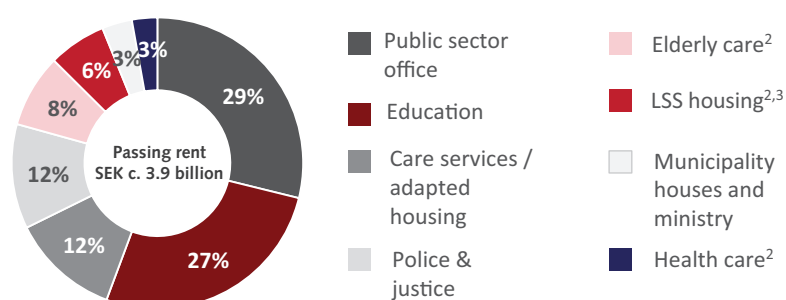


THE COMBINED COMPANY

The combined property portfolio would provide a clear focus in the community services sector across the largest Nordic city regions, with a particularly strong market position in Sweden. The Combined Company's community portfolio, will further be diversified across different use cases, with the majority of the portfolio related to education and municipal houses and ministry. A further breakdown of the segment is provided below:

Community service property split by category¹

(by passing rent)



Source: Company information, reported figures as of 30 September 2019 (Q3 2019)

Notes: ¹Hemfosa's passing rent split based on proportionate split of rental value for each category; ²Applies to SBB's portfolio; ³Refers to care homes for people with disabilities

The economic occupancy of the Combined Company would be 94.7 percent and the lease maturity would amount to 6.7 years. The EPRA NAV for the Combined Company would amount to SEK 24,509 million (adjusted EPRA NAV of SEK 34,163 million)⁹⁸. Furthermore, the Combined Company would have an overall strengthened balance sheet and financials; improving the companies' key ratios and accelerating delivery of financial and operational targets.

Business concept, targets and strategy

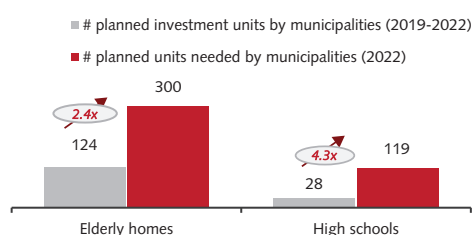
The Combined Company would be focused on low risk assets within social infrastructure with municipality and governmental tenants, including tenants such as the Swedish Government, the Norwegian Government, the Stockholm City Council and the City of Gothenburg. The sovereign credit rating of Sweden, Norway and Denmark is AAA, while Finland's sovereign credit rating is AA+ contributing to the low risk profile of the Combined Company.

Community service leases, compared to other segments, have limited tenant turnover. The lease terms are typically spanning over 10 to 15 years for newly signed leases. The lease terms generally have no break clauses and are indexed to CPI. Moreover, a majority of tenant improvements are paid by the tenants, thus limiting unexpected capital expenditures.

The business model entails stable and predictable cash flows for the Combined Company. As part of its strategy, the Combined Company would have high exposure to the major Nordic cities, with 23 percent of its portfolio in Stockholm, 15 percent in Oslo, 7 percent in Malmö and 6 percent in Gothenburg.

The Combined Company's strategy of focusing on community service properties is further supported by attractive demographics, where the demand of elderly homes and high schools are both expected to increase significantly the upcoming years.

Planned (2019-2022) and needed units (2022) in Sweden



⁹⁸ Based on a sum of the parts analysis. The combined and adjusted EPRA NAV figures will be contingent upon the transaction structure and paid premium, among other factors.

Financial effects for SBB

The Combined Company will have a improved business and credit profile with an enhanced exposure to community services and an attractive equally low risk Swedish rent-regulated residential portfolio.

The Combined Company will become increasingly diversified in its community service offerings, allowing the Combined Company to potentially obtain an improved business profile rating among rating agencies and if so obtain a higher credit rating resulting in lower cost of capital. Lower cost of funding is further discussed in section “*The Combined Company – The Combined Company – Synergy effects*”.

Certain key metrics of the Combined Company’s portfolio are presented below. Please refer to section “Pro forma financial statements” for pro forma figures reviewed by the Company’s auditor.

Key portfolio metrics (as of 30 September 2019)	SBB	Hemfosa	Combined Company
Portfolio book value (SEK billion)	30.8	39.8	70.5
Lettable area (million sqm)	1.8	2.2	4.0
Net initial yield (%) ¹	4.7%	5.4%	5.1%
Economic occupancy rate (%) ²	95.3%	94.2%	94.7%
Lease maturity (years) ²	7.0	6.5	6.7
Portfolio book value / sqm (SEK) ^{1, 4}	16,397	18,261	17,419
Passing rent / sqm (SEK) ^{1, 4}	1,116	1,329	1,233
Net Loan-to-Value Ratio (% of total assets) ^{1, 5}	37.1%	56.1%	< 50%
Interest Coverage Ratio ^{3, 5}	2,4x	3,6x	> 3.0x
Net profit for the period, 190101-190930 (SEK million)	1,337	1,497	2,834

¹ Non-IFRS measure. For reconciliation tables, see section “—Reconciliation tables” below.

² As reported by SBB and Hemfosa as of 30 September 2019. For the Combined Company this is calculated by weighted average on lettable area.

³ Non-IFRS measure. For reconciliation table for SBB, see section “Selected consolidated financial, operating and other data—Non-IFRS financial data and reconciliation tables”. For reconciliation table for Hemfosa, see section “—Reconciliation tables” below.

⁴ For the Combined Company this is calculated by the combined value divided by lettable area.

⁵ For the Combined Company this equals the management’s expectations for the year 2020.

Moreover, the proposed merger would have significant effects on the companies’ financial profiles. Certain of the Combined Company’s key financial figures are presented below. Please refer to section “Pro forma financial statements” for pro forma figures reviewed by the Company’s auditor.

Key financial metrics	SBB	Hemfosa	Combined Company
Market cap (SEK million) ^{1,5}	21,120	17,423	38,543
Enterprise value (SEK million) ^{1,5}	42,609	42,613	85,222
EPRA NAV (SEK million) ¹	10,314	14,195	24,509
Adjusted EPRA NAV (SEK million) ^{1,3}	17,657	15,986	33,643
Passing rent (SEK million) ²	2,003	2,894	4,897
Passing NOI (SEK million) ²	1,374	2,131	3,505
Passing NOI margin (%) ^{1,3}	68.6%	73.6%	71.6%
EBITDA (SEK million) ¹	1,369	2,021	3,390
EBITDA margin (%) ^{1,4}	68.3%	69.8%	69.2%

¹ Non-IFRS measure. For reconciliation tables, see section “—Reconciliation tables” below.

² As reported by SBB and Hemfosa as of 30 September 2019 under earnings capacity.

³ For the Combined Company this is calculated as the combined Passing NOI divided by the combined Passing rent.

⁴ For the Combined Company this is calculated as the combined EBITDA divided by the combined Passing rent.

⁵ Based on share prices as of 14 November 2019.

Synergy effects

SBB believes the combined company, with a larger portfolio and greater geographical coverage, would be even better positioned as a partner to the Nordic welfare states and other important stakeholders. The strengthened market position and diversification further enhance the combined business profile with rating agencies; it is thus estimated that the combined business over time will benefit from an improved credit rating, which has the potential to reduce the cost of funding for the combined group. In aggregate, SBB believes that the combination of the businesses will realise synergies of circa SEK 300 million per annum run-rate after tax. Circa SEK 260 million per annum run-rate after tax of synergies are expected to come from financial synergies expected to be realised in the next 12 months. Additionally, operational synergies are expected to be circa SEK 40 million per annum run-rate after tax and realisable in the next 12 months. SBB has also identified unrealised value stemming from the developments of building rights for social infrastructure realisable

THE COMBINED COMPANY

in Hemfosa's portfolio upon zoning being granted. Furthermore, SBB believes there are additional value creation opportunities from reduction in renovation and refurbishment costs due to economies of scale and profits from property transactions.

Organisation

SBB recognises that the management team and employees of Hemfosa have built a highly successful company with an attractive portfolio of social infrastructure properties in the Nordics. SBB expects the proposed combination of the businesses to be positive for the Company and provide attractive employment opportunities for the Hemfosa employees. To realise the integration benefits, the integration of Hemfosa and SBB will likely entail some changes to the organisation, operations and employees of the combined group. The specific initiatives to be implemented pursuant to the integration will be determined following completion of a detailed review of the combined business in the period following the completion of the Takeover Offer. Before completion of the Takeover Offer, it is too early to say which initiatives will be taken and the impact these would have. There are currently no decisions on any changes to SBB's or Hemfosa's employees and management or to the existing organisation and operations of Hemfosa, including the terms of employment, employment rate and locations of the business.

Share capital and ownership structure

For further information on the Company's ownership structure after the completion of the Takeover Offer see "*Shares and share capital – Ownership structure*".

Reconciliation tables

The section "*The Combined Company*" contains certain financial measures that are not defined or recognized under IFRS. These financial measures has been included because SBB believes they provide useful supplemental information to understand and analyse the Combined Company and the possibilities and synergies that may be achieved. Below follow reconciliation tables for such non-IFRS numbers.

Net initial yield (%)

SBB Q3 2019 net initial yield (%)

Passing net operating income (SEK million)	1,374
Gross asset value of properties (SEK million)	30,776
Adjustment to exclude building rights value (SEK million)	1,343
Adjusted asset value of properties (SEK million)	29,433
Net Initial Yield (%)	4.7%

Hemfosa Q3 2019 net initial yield (%)

Passing net operating income (SEK million)	2,131
Gross asset value of properties (SEK million)	39,773
Adjustment to exclude building rights value (SEK million)	0
Adjusted asset value of properties (SEK million)	39,773
Net Initial Yield (%)	5.4%

Portfolio book value / sqm (SEK)

SBB portfolio book value / sqm (SEK)

Gross asset value of properties (SEK million)	30,776
Adjustment to exclude building rights value (SEK million)	1,343
Adjusted asset value of properties (SEK million)	29,433
Lettable area (million sqm)	1.8
Portfolio book value / sqm (SEK)	16,397

THE COMBINED COMPANY

Hemfosa portfolio book value / sqm (SEK)

Gross asset value of properties (SEK million)	39,773
Adjustment to exclude building rights value (SEK million)	0
Adjusted asset value of properties (SEK million)	39,773
Lettable area (million sqm)	2.2
Portfolio book value / sqm (SEK)	18,261

Passing rent / sqm (SEK)

SBB passing rent / sqm (SEK)

Passing rent (SEK million)	2,003
Lettable area (million sqm)	1.8
Passing rent / sqm (SEK)	1,116

Hemfosa passing rent / sqm (SEK)

Passing rent (SEK million)	2,894
Lettable area (million sqm)	2.2
Passing rent / sqm (SEK)	1,329

Net Loan-to-Value Ratio (% of Total Assets)

SBB Net Loan-to-Value Ratio (% of Total Assets)

Total Assets reported (SEK million)	43,760
Cash raised on October 2019 (SEK million)	400
Total Assets adjusted for cash raised on October 2019 (SEK million)	44,160
Net interest-bearing liabilities (SEK million)	16,399
<i>Of which gross interest-bearing liabilities (SEK million)</i>	<i>25,331</i>
<i>Of which cash and cash equivalents (SEK million)</i>	<i>(8,532)</i>
<i>Of which cash raised on October 2019 (SEK million)</i>	<i>(400)</i>
Net Loan-to-Value Ratio (%)	37.1%

Hemfosa Net Loan-to-Value Ratio (% of Total Assets)

Total Assets reported (SEK million)	41,149
Net interest-bearing liabilities (SEK million)	23,071
<i>Of which gross interest-bearing liabilities (SEK million)</i>	<i>23,687</i>
<i>Of which cash and cash equivalents (SEK million)</i>	<i>(616)</i>
Net Loan-to-Value Ratio (%)	56.1%

Interest Coverage Ratio

Hemfosa Interest Coverage Ratio

Profit from property management (SEK million)	1,039
Share in profit from joint ventures and associated companies (SEK million)	10
Depreciation / amortisation (SEK million)	0
Financial income and expenses (SEK million)	(403)
Interest-coverage ratio, multiple	3.6

THE COMBINED COMPANY

Market cap

SBB market capitalisation

Market capitalisation (SEK million)

Equity value of A and B shares (SEK million)	18,465
Equity value of D shares (SEK million)	2,654
Market Capitalisation (SEK million)	21,120

Hemfosa market capitalisation

Market capitalisation (SEK million)

Equity value of common shares (SEK million)	17,423
Market Capitalisation (SEK million)	17,423

Enterprise value

SBB Enterprise Value

Enterprise Value (SEK million)

Market Capitalisation (SEK million)	21,120
Equity value of preference shares (SEK million)	22
Net interest-bearing liabilities (SEK million)	16,399
<i>Of which gross interest-bearing liabilities (SEK million)</i>	<i>25,331</i>
<i>Of which cash and cash equivalents (SEK million)</i>	<i>(8,532)</i>
<i>Of which cash raised on October 2019 (SEK million)</i>	<i>(400)</i>
Hybrid bonds (SEK million)	5,029
Non-controlling interests (SEK million)	39
Enterprise Value (SEK million)	42,609

Hemfosa Enterprise Value

Enterprise Value (SEK million)

Market Capitalisation (SEK million)	17,423
Equity value of preference shares (SEK million)	2,117
Net interest-bearing liabilities (SEK million)	23,071
<i>Of which interest-bearing liabilities (SEK million)</i>	<i>23,687</i>
<i>Of which cash and cash equivalents (SEK million)</i>	<i>(616)</i>
Non-controlling interests (SEK million)	1
Enterprise Value (SEK million)	42,613

EPRA NAV

SBB EPRA NAV adjusted for October 2019 shares issued

EPRA NAV adjusted for October 2019 shares issued

EPRA NAV Q3-2019 reported (SEK million)	9,914
Equity raised on October 2019 (SEK million)	400
EPRA NAV adjusted for October 2019 shares issued	10,314

Hemfosa EPRA NAV

Equity attributable to Parent Company shareholders (SEK million)	14,455
Preference share capital (SEK million)	(1,791)
Deferred tax (SEK million)	1,428
Derivatives (SEK million)	103
EPRA NAV (SEK million)	14,195

*Adjusted EPRA NAV***SBB Adjusted EPRA NAV adjusted for October 2019 shares issued**
Adjusted EPRA NAV adjusted for October 2019 shares issued

Adjusted EPRA NAV Q3-2019 reported (SEK million)	17,257
Equity raised on October 2019 (SEK million)	400
Adjusted EPRA NAV adjusted for October 2019 shares issued	17,657

Hemfosa Adjusted EPRA NAV
Adjusted EPRA NAV

EPRA NAV Q3-2019 (SEK million)	14,195
Preference shares book value (SEK million)	1,791
Adjusted EPRA NAV	15,986

*EBITDA***SBB EBITDA based on earnings capacity**
EBITDA

Passing NOI (earnings capacity, SEK million)	1,374
Central administration costs (earnings capacity, SEK million)	(85)
Results from associated companies / joint ventures (earnings capacity, SEK million)	80
EBITDA	1,369

Hemfosa EBITDA based on earnings capacity
EBITDA

Passing NOI (earnings capacity, SEK million)	2,131
Central administration costs (earnings capacity, SEK million)	(125)
Results from associated companies / joint ventures (earnings capacity, SEK million)	15
EBITDA	2,021

*Passing NOI margin (%), and EBITDA margin (%)***SBB NOI and EBITDA margins**

Passing rent (earnings capacity, SEK million)	2,003
Passing NOI (earnings capacity, SEK million)	1,374
Passing NOI margin (%)	68.6%
EBITDA (Earnings Before Interests, Tax, Depreciation and Amortisation)	1,369
EBITDA margin (%)	68.3%

Hemfosa NOI and EBITDA margins

Passing rent (earnings capacity, SEK million)	2,894
Passing NOI (earnings capacity, SEK million)	2,131
Passing NOI margin (%)	73.6%
EBITDA (Earnings Before Interests, Tax, Depreciation and Amortisation)	2,021
EBITDA margin (%)	69.8%

PRO FORMA FINANCIAL STATEMENTS

1. PURPOSE OF THE PRO FORMA FINANCIAL STATEMENTS

The Company presents these pro forma financial statements for illustrative purposes only. The pro forma financial statements illustrate a hypothetical situation and do not reflect the Company's actual earnings or financial position. The pro forma financial statements are intended solely to provide information and highlight facts and not to show the Company's earnings or financial position at any specific future point in time.

2. BACKGROUND OF THE PRO FORMA FINANCIAL STATEMENTS

On 15 November 2019, SBB announced a public takeover bid regarding all ordinary and preference shares in Hemfosa (the Takeover Offer). The purchase price comprises newly issued shares in SBB, as well as a cash portion. The newly issued shares, intended to be approved within the framework of a non-cash issue, comprise a total 512,701,953 class B common shares and 33,879,996 class D common shares. The cash portion of the purchase price amounts to SEK 10,118 billion. Based on the shares' closing prices as of 14 November 2019, corresponding to SEK 23.85 per class B common share and SEK 34.70 per class D common share, a total purchase price of SEK 23,521 million has been estimated for these pro forma financial statements.

To present the hypothetical impact of the Takeover Offer on the Company's earnings if completed on 1 January 2018, and the hypothetical impact of the Takeover Offer on the Company's financial position if completed on 30 September 2019, the Company has included pro forma financial statements for the financial year that ended 31 December 2018 and for the nine months period that ended 30 September 2019. The following pro forma financial statements are presented here:

- Pro forma income statement for the financial year ended 31 December 2018
- Pro forma income statement for the nine months period ended 30 September 2019
- Pro forma balance sheet as of 30 September 2019

3. BASIS AND ASSUMPTIONS ON WHICH THE PRO FORMA FINANCIAL STATEMENTS HAVE BEEN PREPARED

Subscription to the Takeover Offer

The Takeover Offer encompasses all ordinary and preference shares in Hemfosa and full subscription to the Takeover Offer has been assumed in the pro forma financial statements.

Presentation format

Because the companies use different presentation formats for their income statements and balance sheets, for the purposes of these pro forma financial statements, the presentation formats in Hemfosa's financial reports have, as far as possible, been adjusted to conform with the Company's presentation format. The Company did not have access to the underlying accounts of Hemfosa's financial reports when preparing the pro forma accounts, meaning that it was not possible to present the distribution between items in Hemfosa's accounts. Accordingly, to achieve comparability between the financial statements of the Company and Hemfosa, Hemfosa's presentation format has, in some instances, been used for pro forma purposes.

Since the pro forma financial statements are presented in SEK million, figures in the pro forma financial statements and disclosures in the notes have, in some cases, been rounded off, which is why tables and totals do not always add up precisely.

Accounting principles

The pro forma financial statements have been prepared in accordance with the Company's accounting principles and the International Financial Reporting Standards ("IFRS") as adopted by the EU, which are detailed in the Company's annual report for the 2018 financial year. Hemfosa also applies the IFRS as adopted by the EU, which are detailed in Hemfosa's annual report for the 2018 financial year.

Business v. asset acquisitions

At the time of preparing the pro forma financial statements, the transaction was classified as a business acquisition in accordance with IFRS 3. The classification of a transaction as a business acquisition or an asset acquisition is done in accordance with evaluation criteria as prescribed in IFRS 3. The criteria in this standard is subject to amendments, which takes effect from 1 January 2020. The amendment to IFRS has not been taken into account for pro forma purposes.

Supporting documentation

For both SBB and Hemfosa, the companies' audited annual reports for the 2018 financial year, as well as a review of interim reports for the period 1 January to 30 September 2019, form the supporting documentation for the pro forma report. The Company's annual report for the 2018 financial year was audited by Ernst & Young AB and Hemfosa's annual report for the 2018 financial year was audited by KPMG AB. The interim reports were reviewed by each company's auditors.

In addition to the aforementioned public information, SBB has not been privy to any documentation relating to Hemfosa's accounts.

4. PRO FORMA ADJUSTMENTS

The overarching nature of the pro forma adjustments is described below. The adjustments are described in greater detail in the notes to the pro forma financial statements. General synergies or integration expenses have not been included in the pro forma financial statements.

Adjustments to accounting principles

Based on public information, The Company has performed an analysis of the significant differences between the accounting principles of the Company and Hemfosa. In the Company's assessment, there are no significant differences between the accounting principles of the Company and Hemfosa that would have any significant effects on the financial data.

Preliminary acquisition analysis

In the pro forma financial statements, the purchase price was calculated at SEK 23,521 million. In the preliminary acquisition analysis, the value of the Company's shares has been calculated based on the Company's share prices on 14 November 2019, amounting to SEK 23.85 per class B common share and SEK 34.70 per class D common share.

Based on the above assumptions, the cash portion of the purchase price amounts to SEK 10,118 million and the portion for which the consideration will take the form of shares amounts to SEK 13,404 million, of which SEK 12,228 million relates to class B common shares and SEK 1,176 million to class D common shares.

When preparing the preliminary acquisition analysis, SBB did not have access to complete allowing it to value Hemfosa's assets and liabilities. This also means that the deferred tax related to the difference between the book values of investment properties and their tax values has not been determined and has not been taken into account. Accordingly, a preliminary acquisition analysis regarding Hemfosa has been prepared based on Hemfosa's consolidated balance sheet as of 30 September 2019.

When preparing the final acquisition analysis, all identifiable assets and liabilities will be recognized at fair value. Acquired properties will then be valued in accordance with the Company's process for determining the market value of each property. This value may deviate from the fair value of Hemfosa's properties recognized as of 30 September 2019. When preparing the acquisition analysis, new intangible assets may also be identified, which may, in the future, entail amortization of these assets being charged against earnings. The final acquisition analysis may differ from the preliminary acquisition analysis. A final acquisition analysis will be prepared and announced, as part of the Company's financial reporting, within one year from the acquisition date.

In the preliminary acquisition analysis, the difference between Hemfosa's net assets and the purchase price has been recognized as goodwill.

Transaction expenses and financing

Although calculated transaction and issue expenses were incurred after 30 September 2019, for pro forma purposes, they are assumed to have been incurred in the period before 1 January 2018 and adjustments have been made for these in the pro forma balance sheet as of 30 September 2019.

In connection with the Takeover Offer, but after 30 September 2019, The Company raised a bridge loan to secure the financing on which the Takeover Offer is based. In the pro forma income statements, the bridge loan is treated as if it had been raised in connection with the hypothetical acquisition date of 1 January 2018. The ultimate financing of the Takeover Offer may, however, look different, resulting in other interest expenses.

Hemfosa has outstanding bonds subject to early redemption terms in the event of changes in ownership. It is assumed that these bond loans will be settled in connection with the implementation of the Takeover Offer, to be replaced by the aforementioned bridge loan.

PRO FORMA FINANCIAL STATEMENTS

Tax effect on adjustments

The tax effect has been taken into account in connection with all adjustments deemed tax deductible or taxable in the pro forma financial statements. The calculated tax effect may differ from the actual tax effect on implementation of the Takeover Offer.

The tax calculations for current tax are based on a tax rate of 22 percent for 2018 and of 21.4 percent for 2019.

5. PRO FORMA INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	SBB (180101-181231) Audited IFRS	Hemfosa (180101-181231) Audited IFRS	Pro forma adjustments Unaudited	Note	SBB Pro forma income statement Unaudited Total
<i>(SEK million)</i>					
Rental income	1,680	2,525			4,205
Operating expenses	(386)	(403)			(789)
Maintenance	(100)	(175)			(275)
Property administration	(92)	(82)			(174)
Property tax	(32)	(74)			(106)
Net operating income	1,071	1,792	–		2,863
Central administration	(102)	(141)			(243)
Other operating income and expenses	–	43			43
Result from associated companies/joint ventures	13	24			37
Profit before financial items	982	1,718	–		2,700
Financial income and expenses	(661)	(514)	(22)	A	(1,197)
Profit from property management	321	1,204	(22)		1,503
Changes in value, properties	1,575	1,305			2,880
Changes in value, derivatives	8	(14)			(6)
Profit before tax	1,904	2,495	(22)		4,377
Tax	(214)	(466)	5	B	(675)
Net profit for the year, continuing operations	1,690	2,030	(17)		3,703
Discontinued operations					
Profit after tax from Nyfosa to be distributed to shareholders	–	1,407			1,407
Result on distribution of Nyfosa	–	(1,077)			(1,077)
Net profit for the year	1,690	2,360	(17)		4,033

Notes to the pro forma accounts

A

The cash consideration totalling SEK 10,118 million, as well as transaction and issue expenses totalling SEK 198 million will be financed through proprietary funds and a bridge loan of SEK 800 million. Since no interest is charged on cash and cash equivalents, no pro forma adjustment is made in the income statement. The bridge loan has an annual interest rate of 1.2 percent. This entails a pro forma adjustment in the income statement for increased interest expenses totalling SEK 10 million.

The bridge loan is also used for refinancing Hemfosa's bond loan of SEK 2,561 million (based on issued volume as per 30 September 2019). This entails a pro forma adjustment in the income statement for decreased interest expenses totalling SEK 24 million. In connection with the refinancing, a non-recurring expense of SEK 25 million for redemption has been assumed.

The arrangement fee for the utilized bridge loan of SEK 20 million has been accrued over the tenor of the loan (assumed to correspond to the pro forma period of 21 months) and is SEK 12 million for the period.

This entails a pro forma adjustment in the income statement for increased interest expenses totalling SEK 22 million.

B

The pro forma adjustments presented regarding financing expenses have an impact on the tax expense for the period. The adjustment relates to a positive effect of SEK 5 million regarding tax related to the increased interest expense, arrangement fees and the expense for the redemption of bond loans in Hemfosa (22 percent of SEK 22 million).

6. PRO FORMA INCOME STATEMENT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

	SBB (190101-190930) Unaudited IFRS	Hemfosa (190101-190930) Unaudited IFRS	Pro forma adjustments Unaudited	Note	SBB Pro forma income statement Unaudited Total
<i>(MSEK)</i>					
Rental income	1,400	2,128			3,528
Operating expenses	(326)	(349)			(675)
Maintenance	(78)	(120)			(198)
Property administration	(68)	(73)			(141)
Property tax	(25)	(59)			(84)
Net operating income	903	1,526			2,429
Central administration	(85)	(98)			(183)
Other operating income and expenses	–	4			4
Result from associated companies/joint ventures	57	9			66
Profit before financial items	875	1,441			2,316
Financial income and expenses	(367)	(403)	8	A	(762)
Profit from property management	508	1,039	8		1,555
Changes in value, properties	1,136	814			1,950
Changes in value, derivatives	(118)	(77)			(195)
Profit before tax	1,526	1,777	8		3,311
Tax	(189)	(280)	(2)	B	(471)
Net profit for the year	1,337	1,497	6		2,840

Notes to the pro forma accounts

A

The cash consideration totalling SEK 10,118 million, as well as transaction and issue expenses totalling SEK 198 million will be financed through proprietary funds and a bridge loan of SEK 800 million. Since no interest is charged on cash and cash equivalents, no pro forma adjustment is made in the income statement. The bridge loan has an annual interest rate of 1.2 percent. This entails a pro forma adjustment in the income statement for increased interest expenses totalling SEK 7 million.

The bridge loan is also used for refinancing Hemfosa's bond loan of SEK 2,561 million (based on issued volume as per 30 September 2019). This entails a pro forma adjustment in the income statement for decreased interest expenses totalling SEK 24 million.

The arrangement fee for the utilized bridge loan of SEK 20 million has been accrued over the tenor of the loan (assumed to correspond to the pro forma period of 21 months) and is SEK 9 million for the period.

This entails a pro forma adjustment in the income statement for decreased interest expenses totalling SEK 8 million.

B

The pro forma adjustments presented regarding financing expenses have an impact on the tax expense for the period. The adjustment relates to a negative effect of SEK 2 million for tax regarding the increased interest expense and for restructuring expenses (21.4 percent of SEK 8 million).

PRO FORMA FINANCIAL STATEMENTS

7. PRO FORMA BALANCE SHEET AS OF 30 SEPTEMBER 2019

	SBB (190930) Unaudited IFRS	Hemfosa (190930) Unaudited IFRS	Pro forma adjustments Unaudited	Note	SBB Pro forma balance sheet Unaudited Total
<i>(SEK million)</i>					
ASSETS					
Fixed assets					
Goodwill	24	–	9,066	A	9,090
Investment properties	30,776	39,773			70,549
Land lease agreements	137	133			270
Equipment, machinery and installations	4	–			4
Shares in associated companies/joint ventures	535	294			829
Receivables from associated companies/joint ventures	1,754	–			1,754
Financial fixed assets at fair value	239	–			239
Other long-term receivables	39	–			39
Other fixed assets	–	35			35
Total fixed assets	33,508	40,235	9,066		82,809
Current assets					
Accounts receivables	626	297			923
Short-term investments	1,094	–	(1,094)	B	–
Cash and cash equivalents	8,532	616	(8,422)	B	474
Total current assets	10,252	913	(9,516)		1,649
TOTAL ASSETS	43,760	41,149	(450)		84,459
EQUITY AND LIABILITIES					
Equity	15,940	14,456	(1,209)	B, C	29,187
Interest-bearing liabilities	25,331	23,687	780	D	49,798
Deferred tax liabilities	1,238	1,428	(21)	E	2,645
Liabilities leasing	137	133			270
Other liabilities	1,114	1,446			2,560
Total liabilities	27,820	26,694	759		55,273
TOTAL EQUITY AND LIABILITIES	43,760	41,149	(450)		84,459

Notes to the pro forma accounts

A

In the pro forma financial statements, the purchase price was calculated at SEK 23,521 million (based on SBB's share prices as of 14 November 2019).

Since SBB has not had access to information enabling valuation of assets and liabilities, the deferred tax relating to the difference between the book values of investment properties and their tax values could not be determined and has not been taken into account. Accordingly, the preliminary acquisition analysis has been based on the values recognized in Hemfosa's balance sheet as of 30 September 2019.

The difference between Hemfosa's net assets and the purchase price has been recognized as goodwill in the amount of SEK 9,066 million.

Preliminary acquisition analysis as of 30 September 2019:

Purchase price	SEK 23,521 million
Acquired net assets, Hemfosa	SEK (14,455) million
Goodwill	SEK 9,066 million

PRO FORMA FINANCIAL STATEMENTS

B

The cash consideration totalling SEK 10,118 million will be financed with proprietary funds of SEK 9,318 million and the bridge loan of SEK 800 million after deduction of arrangement fee for the bridge loan of SEK 20 million (based on utilized bridge loan of SEK 3,361 million). This entails a pro forma adjustment of cash and cash equivalents by SEK 8,224 million, and of total current investments by SEK 1,094 million.

No transaction or issue expenses attributable to the acquisition were incurred before 30 September 2019. On a pro forma basis, such expenses are assumed to have arisen before 1 January 2018, entailing an adjustment being made only in equity and cash and cash equivalents as of 30 September 2019. The expenses are items of a non-recurring nature. Transaction expenses are estimated at SEK 80 million and issue expenses are estimated at SEK 98 million. Only the issue expenses are assumed to be deductible.

C

Equity has been adjusted for the non-cash issue, increasing equity by SEK 13,404 million following the deduction of issue expenses of SEK 77 million after tax, (based on the Company's share prices on 14 November 2019 of SEK 23.85 per class B common share and of SEK 34.70 per class D common share). Transaction expenses have reduced equity by SEK 80 million and acquired equity in Hemfosa (SEK 14,455 million) has been eliminated.

Pro forma equity adjustments:

Non-cash issue	SEK 13,404 million
Issue expenses, after tax	SEK (77) million
Transaction expenses	SEK (80) million
Elimination of acquired equity in Hemfosa	SEK (14,455) million
Pro forma equity adjustment	SEK (1,209) million

D

Interest-bearing liabilities have been adjusted for the bridge loan of SEK 800 million used for the partial financing of the Takeover Offer, following the deduction of the expenses of SEK 20 million for raising the bridge loan of SEK 3,361 million.

The bridge loan is also used for refinancing Hemfosa's bond loan amounting to SEK 2,561 million. No pro forma adjustment of interest-bearing liabilities is made for the refinancing.

E

Deferred tax liabilities have been adjusted for tax attributable to issue expenses of SEK 21 million.

AUDITORS' REPORT ON THE PRO FORMA FINANCIAL STATEMENTS



To the board of directors in Samhällsbyggnadsbolaget i Norden AB (publ), reg. no. 556981-7660

The Auditor's Report on Pro Forma Financial Information

We have audited the pro forma financial information set out on pages 104-109 in Samhällsbyggnadsbolaget i Norden AB's (publ) offering document dated November 18, 2019.

The pro forma financial information has been prepared for illustrative purposes only to provide information about how the acquisition of all outstanding common shares and preference shares in Hemfosa Fastigheter AB (publ) described in the pro forma financial information might have affected the consolidated balance sheet for Samhällsbyggnadsbolaget i Norden AB (publ) as of September 30, 2019 and the consolidated income statement for Samhällsbyggnadsbolaget i Norden AB (publ) for the financial year ended December 31, 2018 and for the nine-month period ended September 30, 2019.

The board of directors' responsibility

It is the board of directors' responsibility to prepare the pro forma financial information in accordance with the requirements of Regulation (EU) 2017/1129 of the European Parliament and of the Council.

The auditor's responsibility

It is our responsibility to provide an opinion required by Commission Delegated Regulation (EU) 2019/980 Annex 20 Item 3. We are not responsible for expressing any other opinion on the pro forma financial information or of any of its constituent elements. In particular, we do not accept any responsibility for any financial information used in the compilation of the pro forma financial information beyond that responsibility we have for auditor's reports regarding historical financial information issued in the past.

Work performed

We have performed our work in accordance with FAR's Recommendation RevR 5 *Examination of financial information in prospectuses*. This recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of Samhällsbyggnadsbolaget i Norden AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the historical information, assessing the evidence supporting the pro forma adjustments and discussing the pro forma financial information with the management of the company.

We have planned and performed our work so as to obtain the information and explanations we considered necessary in order to obtain reasonable assurance that the pro forma financial information has been compiled on the basis stated on pages 104-106, and in accordance with the accounting principles applied by the company.

Opinion

In our opinion the pro forma financial information has been properly compiled on the basis stated on 104-106 and in accordance with the accounting principles applied by the company.



Stockholm, November 18, 2019

Ernst & Young AB

Ingemar Rindstig
Authorized public accountant

PROPERTY VALUATION REPORTS

The property valuation reports concerning the Company's property portfolio, which have been incorporated in this Offer Document (the "**Valuation Reports**"), have been issued, at the request of the Company, by the independent expert valuers Savills Sweden AB, Sergels Torg 12, SE-111 57 Stockholm, Sweden; Newsec Advice AB, Stureplan 3, SE-111 45 Stockholm, Sweden; Jones Lang LaSalle Holding AB, Birger Jarlsgatan 25, SE-111 45 Stockholm, Sweden; and Colliers International Danmark A/S, Palægade 2-4, 1261 Copenhagen, Denmark (jointly the "**Independent Valuers**") during the period 11 October – 6 November 2019. The Valuation Reports from the Independent Valuers have been incorporated in the following pages in this section. The Valuation Reports comprise the Company's complete and full property portfolio as of 30 September 2019 and state that the total market value of the properties is approximately SEK 30.8 billion.

The Independent Valuers do not have any material interests in the Company and have consented to the Valuation Reports being incorporated in this Offer Document. Information from third parties has been accurately reproduced in this Offer Document and, as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. For information on material changes in the property portfolio following 30 September 2019, please see "*Business overview – Significant events following 30 September 2019*". Other than such events, no material changes in the Company's property portfolio have occurred after the issuances of the Valuation Reports as of 30 September 2019.

The information included in this Offer Document that has been based on the Valuation Reports may entail risks and uncertainties and become subject to alterations due to a number of external factors, including those portrayed in the section "*Risk Factors*". The valuation of investments in properties and connected assets includes a certain amount of estimations and the Company and/or the Independent Valuers may have needed to make assumptions, estimations and assessments regarding a number of factors. Valuations of properties are by nature subjective and uncertain and are based on assumptions that may turn out to be misleading or be affected by factors outside of the Company's control, and the Company may not be able to realise the estimated value in the case of disposal.

Valuation summary

On behalf of Samhällsbyggnadsbolaget i Norden AB (SBB), at the request of Linus Eklund, Savills Sweden AB (Savills) has conducted a market valuation of 234 properties/valuation entities in Sweden. The valuations are according to RICS/IVS recommendations and are drafted and reported in accordance with paragraph 128-130 in ESMA's update of CESR's recommendations. Inspections of properties and valuation entities are carried out continuously through the assignment. Valuation date is 2019-09-30.

The valuation is based on a cash flow analysis where value of the properties is based on net present value of forecasted cash flows as well as the residual value during a calculation period of ten years. However, taking into account lease contracts that are extended beyond ten years. The assumptions regarding the future cash flows are based on the analysis of:

- Current and historical rent and costs
- The market/local area's future development
- Property conditions and position in each market segment
- Existing relevant lease conditions
- Market rental terms when leases expire
- Operating and maintenance costs of similar properties in comparison with the costs in the actual properties
- Investment and maintenance plans


Based on the analysis, the resulting net operating income during the cash flow period and the residual value at the end of the cash flow period has been discounted with an estimated discount rate. The value affecting parameters used in the valuations corresponds with Savills interpretation, based on completed and discussed transactions, of how investors and other market participants think and operate. Thus, the sum of resulting net operating income and residual value should be taken as an expression of the market value.

Upon request, we hereby confirm that according to the assessments made by Savills Sweden, the market value of the valued 235 valuation entities amount to a rounded value of SEK **9,848,000,000 (Nine billion eighthundredfortyeight million)** of which freehold properties (230) amount to SEK 9,056 million and leasehold properties (4) amount to SEK 792 million, see valuation summary in Appendix 1.

Stockholm 11th oktober 2019
Savills Sweden



Lars Rickardson
By Samhällsbyggarna authorised valuer



Marcus Kindbom
By Samhällsbyggarna authorised valuer

PROPERTY VALUATION REPORTS

Appendix 1

Property	Municipality	Area m2	Market value Q3 2019		Leasehold /Freehold	Inspection
			MSEK	SEK/m2		
Fabrikanten 10-11	Västervik				F	X
Fabrikanten 21	Västervik				F	X
Hovslagaren 19	Västervik				F	X
Jättegrötan 2	Västervik				F	X
Krämmaren 7	Västervik				F	X
Masten 3	Västervik				F	X
Svanen 7	Västervik				F	X
Tuppen 9	Västervik				F	X
Långholmen 1	Västervik				F	X
Skeppet 5	Västervik				F	X
Skonaren 3	Västervik				F	X
Residenset 12	Västervik				F	X
Prosten 22	Västervik				F	X
Valkyrian 2	Oskarshamn				F	X
Norrton 83	Oskarshamn				F	X
Lejonet 19	Oskarshamn				F	X
Lejonet 12	Oskarshamn				F	X
Saturnus 6	Oskarshamn				F	X
Kajan 3	Oskarshamn				F	X
Skepparen 1	Oskarshamn				F	X
Vesta 1	Oskarshamn				F	X
Vesta 5, 14	Oskarshamn				F	X
Odin 6, 7, 11	Oskarshamn				F	X
Odin 8	Oskarshamn				F	X
Odin 1	Oskarshamn				F	X
Rosen 2	Oskarshamn				F	X
Nestor 6	Oskarshamn				F	X
Hälsan 22	Oskarshamn				F	X
Diana 4 (inkl nya)	Oskarshamn				F	X
Tränsen 13	Oskarshamn				F	X
Filen 5	Oskarshamn				F	X
Nejlikan 4	Oskarshamn				F	X
Palmen 2	Oskarshamn				F	X
Gasellen 28	Oskarshamn				F	X
Älvehult 1:215, 1:217	Oskarshamn				F	X
Älvehult 1:172 fd 2:18	Oskarshamn				F	X
Emmekalv 4:152 och fd 4:55, 4:147, 4:153	Oskarshamn				F	X
Kusken 1 & 2	Oskarshamn				F	X
Mönstringen 1	Oskarshamn				F	X
Mönstringen 2	Oskarshamn				F	X
Döderhult 1:191	Oskarshamn				F	X
Solrosen 3	Oskarshamn				F	X
Draglädret 1	Oskarshamn				F	X
Gripen 3	Oskarshamn				F	X
Midgård 11	Oskarshamn				F	X
Gasellen 12	Oskarshamn				F	X
Haren 3	Oskarshamn				F	X
Torrdockan 1	Oskarshamn				F	X
Apollo 14	Oskarshamn				F	X
Merkurius 4	Oskarshamn				F	X
Mars 13	Oskarshamn				F	X
Lärkan 13 & Bofinken 6	Nybro				F	X
Delfinen 1	Nybro				F	X
Räven 1	Nybro				F	X
Valen 1	Nybro				F	X
Budkavlen 5	Kalmar				F	X
Brasan 2	Kalmar				F	X
Majsmjölet 1	Kalmar				F	X
Ingefäran 3	Oskarshamn				F	X
Backus 19	Oskarshamn				F	X

Appendix 1

Property	Municipality	Area m ²	Market value Q3 2019		Leasehold /Freehold	Inspection
			MSEK	SEK/m ²		
Backus 13	Oskarshamn				F	X
Verkstaden 7	Oskarshamn				F	X
Verkstaden 8	Oskarshamn				F	X
Älvehult 1:216	Oskarshamn				F	X
Vile 1	Oskarshamn				F	X
Bryggaren 19	Oskarshamn				F	X
Njord 5	Oskarshamn				F	X
Ador 10	Oskarshamn				F	X
Ekorren 7	Oskarshamn				F	X
Norrton 82	Oskarshamn				F	X
Fisken 2	Oskarshamn				F	X
Frej 6	Oskarshamn				F	X
Wiola 7	Oskarshamn				F	X
Färbo 8:13	Oskarshamn				F	X
Färbo 12:3	Oskarshamn				F	X
Måsen 2	Oskarshamn				F	X
Ador 11	Oskarshamn				F	X
Ador 9	Oskarshamn				F	X
Färbo 30:2	Oskarshamn				F	X
Tornadon 7 / Orkanen 31	Oskarshamn				F	X
Orion 4	Oskarshamn				F	X
Kråkan 1	Avesta				F	X
Majsen 3	Avesta				F	X
Horndals Bruk 2:23	Avesta				F	X
Horndals Bruk 2:24	Avesta				F	X
Ingeborgbo 1:15	Avesta				F	X
Ingeborgbo 1:31	Avesta				F	X
Ingeborgbo 2:51	Avesta				F	X
Ingeborgbo 3:24	Avesta				F	X
Ingeborgbo 3:37	Avesta				F	X
Ingeborgbo 43:2	Avesta				F	X
Ingeborgbo 5:19	Avesta				F	X
Ingeborgbo 63:13	Avesta				F	X
Västland 26:39	Sundsvall				F	X
Hermes 4	Sundsvall				F	X
Fålnäs 4:4 och 4:8	Söderhamn				F	X
Brunnsbacken 1	Söderhamn				F	X
Siskan 3 och 4	Söderhamn				F	X
Del av Härsta 9:3	Sundsvall				F	X
Kvarnhöjden 1	Karlskrona				F	X
Verkö 3:118	Karlskrona				F	X
Fregatten 16	Karlskrona				F	X
Gullbernahult 26	Karlskrona				F	X
Gullbernahult 31	Karlskrona				F	X
Pimpinellan 1	Karlskrona				F	X
Monsunen 1	Karlskrona				F	X
Länsmansängen 1	Oskarshamn				F	X
Vårholmen 6	Stockholm				L	X
Måsen 1	Oskarshamn				F	X
Sparbanken 28	Skara				F	X
Sigyn 1	Skara				F	X
Hermod 1	Skara				F	X
Hermod 2	Skara				F	X
Hermod 3	Skara				F	X
Balder 12 & 24	Skara				F	X
Yggdrasil 1 & 2	Skara				F	X
Valhall 5	Skara				F	X
Hermod 4	Skara				F	X
Balder 27	Skara				F	X
Stensiken 1	Tidaholm				F	X

PROPERTY VALUATION REPORTS


Appendix 1

Property	Municipality	Area m ²	Market value Q3 2019		Leasehold /Freehold	Inspection
			MSEK	SEK/m ²		
Sparbanken 29	Skara				F	X
Klövervallen 1	Borlänge				F	X
Ärtskidan 1	Borlänge				F	X
Veteaxet 1	Borlänge				F	X
Lisselhaven 4	Borlänge				F	X
Kvarnluckan 1 & 2	Stockholm				L	X
Bromsen 3	Södertälje				F	X
Fjärilen 13	Södertälje				F	X
Fjärilen 17	Södertälje				F	X
Fjärilen 18	Södertälje				F	X
Isbjörnen 5	Södertälje				F	X
Jasminen 5	Södertälje				F	X
Jupiter 4	Södertälje				F	X
Kastanjen 6	Södertälje				F	X
Oxelbäret 2	Södertälje				F	X
Rönnbäret 1-2	Södertälje				F	X
Slånbäret 4	Södertälje				F	X
Trollsländan 1	Södertälje				F	X
Jörsön 1:315-317	Tierp				F	X
Jörsön 1:36	Tierp				F	X
Söderfors Bruk 1:151	Tierp				F	X
Söderfors Bruk 1:66, 1:68, 1:69	Tierp				F	X
Centrum 13:2	Enköping				F	X
Centrum 19:6	Enköping				F	X
Centrum 23:7	Enköping				F	X
Centrum 25:12	Enköping				F	X
Centrum 27:1	Enköping				F	X
Centrum 5:8	Enköping				F	X
Apollo 1-3	Tranås				F	X
Diana 1	Tranås				F	X
Kometen 20	Tranås				F	X
Kräkbäret 1	Tranås				F	X
Lyktan 7	Tranås				F	X
Lyktan 9	Tranås				F	X
Normalm 18	Tranås				F	X
Nötskrikan 12	Tranås				F	X
Oden 11	Tranås				F	X
Oden 6	Tranås				F	X
Rockebro 7:164	Tranås				F	X
Sotaren 7	Tranås				F	X
Västermalm 21	Tranås				F	X
Örnen 16	Tranås				F	X
Ingeborgbo 47:1	Avesta				F	X
Jämtbo 23	Avesta				F	X
Ollarsbo 14	Avesta				F	X
Orren 10	Avesta				F	X
Skogsbo 32:2	Avesta				F	X
Skogsbo 32:3	Avesta				F	X
Skogsbo 32:97	Avesta				F	X
Skogsbo 43:1	Avesta				F	X
Västanfors 6:26	Avesta				F	X
Västanfors 6:41	Avesta				F	X
Västanfors 6:42	Avesta				F	X
Västanfors 6:8	Avesta				F	X
Vallentuna-Rickeby 1:40	Vallentuna				F	X
Järinge 2	Stockholm				L	X
Fakiren 3	Eskilstuna				F	X
Fjärilen 8	Eskilstuna				F	X
Guldhamstern 1	Boden				F	X
Björken 3	Boden				F	X

PROPERTY VALUATION REPORTS

Appendix 1

Property	Municipality	Area m ²	Market value Q3 2019		Leasehold /Freehold	Inspection
			MSEK	SEK/m ²		
Fagnäs 8:20	Boden				F	X
Harads 25:19	Boden				F	X
Poppeln 4	Boden				F	X
Tuppen 1	Boden				F	X
Boden 56:19	Boden				F	X
Vårdaren 2	Strängnäs				F	X
Odéon 18	Höganäs				F	X
Ekorren 2	Höganäs				F	X
Flora 5	Höganäs				F	X
Jupiter 11	Höganäs				F	X
Kaktusen 29, 30, 33	Höganäs				F	X
Möllan 31	Höganäs				F	X
Jaguaren 3	Höganäs				F	X
Stataren 2	Höganäs				F	X
Tjörred 6:10	Höganäs				F	X
Thor 15	Höganäs				F	X
Adjunkten 2	Linköping				F	X
Anders 8	Linköping				F	X
Bankeberg 11:279	Linköping				F	X
Hornet 13	Linköping				F	X
Importavtalet 2	Linköping				F	X
Ingebo 1:69	Linköping				F	X
Isglassen 2	Linköping				F	X
Ishinnan 1	Linköping				F	X
Simmaren 10	Linköping				F	X
Simmaren 15	Linköping				F	X
Ullstorp 8:50	Linköping				F	X
Västerlösa 15:26	Linköping				F	X
Gällstad 1:292	Linköping				F	X
Naturriket 11	Linköping				F	X
Nässelfröet 1	Linköping				F	X
Nässeltråden 1	Linköping				F	X
Rymdattacken 1	Linköping				F	X
Rymdattacken 2	Linköping				F	X
Rymden 1	Linköping				F	X
Rystads-Tuna 1:38	Linköping				F	X
Staby 12:162	Linköping				F	X
Svinstad 3:112	Linköping				F	X
Tandkronan 5	Linköping				F	X
Tandkronan 6	Linköping				F	X
Nevishög 13:89	Staffanstorps				F	X
Hörja 3:26	Hässleholm				F	X
Pelaren 2	Malmö				F	X
Jollen 4	Täby				F	X
Bergsjön 15:3	Göteborg				L	X
Ölänningen 6	Stockholm				F	
Tvättbaljan 4	Stockholm				F	
Angeln 1	Nynäshamn				F	
Ljustret 1	Nynäshamn				F	
Mjården 1	Nynäshamn				F	
Nätet 2	Nynäshamn				F	
Abborren 13	Hässleholm				F	
Kusmark 63:32 & 56:2	Skellefteå				F	
Sätra Gärd 1	Stockholm				F	X
Total		630 650	9 848	15 615		226/234



Marcus Kindbom



Lars Richardson

VALUATION REPORT AS OF SEPTEMBER 30, 2019

Newsec has been instructed by Samhällsbyggnadsbolaget i Norden AB to carry out valuations of 296 properties situated in various locations throughout Sweden, Norway and Finland (see Appendix 1). The valuations have been carried out with Valuation Date 30 September 2019. The aim of the valuations is to estimate the market value of the properties.

Of the properties located in Sweden 201 are freehold and 5 are leasehold. Newsec has carried out inspections of the properties during 2015-2019, corresponding to a value of TSEK 12.538.108. The lettable area amounts to 864.540 sqm, of which 199.887 sqm consists of residential and 664.653 sqm of commercial premises.

The properties in Sweden are mainly located in or in the surrounding of some of the larger Swedish cities in the southern part of the country. The properties consists of residential and commercial premises such as elderly care, education, office, retail and industrial/storage. In addition to that, the portfolio consists of building rights and land for future development.

All 41 properties located in Norway are freehold. Newsec has carried out inspections of the properties during 2016-2019, corresponding to a value of TNOK 2.409.500.

The properties in Norway are located in Oslo, Kristiansand, Kongsvinger and some smaller cities. The main part of the value is attributable to Oslo and Kristiansand. The properties consist mainly of commercial premises such as office and care.

Of the 49 properties in Finland the main part are leasehold, corresponding to an area of 30.423 sqm. The freehold properties sum up to an area of 19.856 sqm. Newsec has carried out inspections of all the properties during 2019. The lettable area amounts to 54.373 sqm, entirely commercial premises.

The valuations have been prepared in accordance with the definitions of market value according to RICS Red Book and comply with the definitions and value concepts stated in International Valuation Standards 2017 (IVS 2017) established by the International Valuation Standard Council (IVCS) as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In addition to that, the valuations have been prepared in accordance with the generally accepted principles regarding valuations, produced by Samhällsbyggarna Property Valuation Section (see Appendix 2).

According to agreed instructions a smaller part of the valuations have been carried out with limited information, which in most cases implies inspection has not taken place. In these cases, the value estimation has been performed under the assumption the properties have a normal standard and are normally maintained.

The valuations have been carried out by valuers qualified for the assignment and acting as external valuers. We considers having good knowledge of the property market and the current market segments, and thus the skills required to carry out the valuations.

The value estimations have mainly been performed with a discounted cash flow cash model, in which a present value is calculated from future cash flows and the residual value.



As of September 30, 2019 the market value of the 206 properties in Sweden has been estimated to:

SEK 13 219 298 000

(SEK Thirteen Billion Two Hundred and Nineteen Million Two Hundred and Ninety Eight Thousand)

As of September 30, 2019 the market value of the 41 properties in Norway has been estimated to:

NOK 2 700 250 000 (SEK 2 916 540 025)

(NOK Two Billion Seven Hundred Million Two Hundred and Fifty Thousand)

As of September 30, 2019 the market value of the 49 properties in Finland has been estimated to:

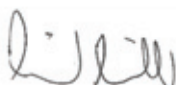
EUR 146 818 000 (SEK 1 575 166 278)

(EUR Hundred and Forty Six Million Eight Hundred and Eighteen Thousand)

FX rate: NOK/SEK: 1,0801; EUR/SEK: 10,7287

Stockholm November 6, 2019

Newsec Advice AB



Ulrika Lindmark, MRICS
Head of Valuation & Advisory
authorised by Samhällsbyggarna

**AUTHORISED
REAL ESTATE VALUER**




Fredrik Karlsson, MRICS
Real Estate Valuer,
authorised by Samhällsbyggarna

**AUTHORISED
REAL ESTATE VALUER**



Appendix 1
Appendix 2

Property list
General terms and conditions for valuation reports for Sweden, Norway and Finland

Property list, Swedish properties

Skepplanda 2:118	Äle	Kobbegården 6:55	Göteborg
Tollered 4:2	Äle	Eldsöda 1:293	Halstahammar
Ersta 1:111	Älvsås	Kalvsvik 11:9	Haninge
Aspen 4	Boden	Äby 1:67	Haninge
Boden 56:43	Boden	Näsbo 1:12	Heby
Bordet 1	Borlänge	Norr 5:10	Hjo
Del Av Kvamsveden 3:196 & 3:197	Borlänge	Assistenten 44	Huddinge
Spännaren 13	Borlänge	Frostjärnen 44	Huddinge
Tyra 13	Borlänge	Frostjärnen 47	Huddinge
Kräkhult 1:61	Borås	Juringegården 1	Huddinge
Arlöv 11:294	Burlöv	Liljekonvaljen 14	Huddinge
Låddö 13:1	Enköping	Myrstuguberget 20	Huddinge
Bacchus 1	Falkenberg	Ormen Länge 9	Huddinge
Bokbindaren 6	Falköping	Penseln 33	Huddinge
Kemisten 11	Falköping	Spelaren 13	Huddinge
Sankt Botvid 15	Falköping	Centralen 4	Höganäs
Trollet 14	Falköping	Ceres 20	Höganäs
Tåstorp 7:9	Falköping	Guldfisken 1	Höganäs
Britsarvsskolan 6	Falun	Hotellet 1	Höganäs
Cuprum 2	Falun	Höganäs 34:69	Höganäs
Falun 9:22	Falun	Lerberget 49:710	Höganäs
Högbo 1:22	Falun	Lyrar 18	Höganäs
Korsnäs 2:13	Falun	Lyrar 20	Höganäs
Korsnäs 2:26	Falun	Noshörningen 14	Höganäs
Korsnäs 7:1	Falun	Olympia 14 & 15	Höganäs
Korsnäs 8:1	Falun	Sjöcrona 1, 5	Höganäs
Lilla Näs 3:41, 3:42, 3:43	Falun	Sjöcrona 2	Höganäs
Låsten 10	Flen	Thor 8	Höganäs
Orresta 2:38	Flen	Triangeln 6	Höganäs
Visby S:ta Gertrud 12	Gotland	Vattumannen 13	Höganäs
Kobbegården 6:136	Göteborg	Röinge 3:4	Hörby

Kallhäll 1:24	Järfälla
Kallhäll 1:29	Järfälla
Björken 10	Karlsborg
Lasarettet 8	Karlskrona
Af Klint 21	Karlskrona
Del Av Gullbernahult 7	Karlskrona
Gullbernahult 1	Karlskrona
Gullbernahult 12	Karlskrona
Gullbernahult 21	Karlskrona
Gullbernahult 23	Karlskrona
Mo 1:2	Karlskrona
Mo 1:95	Karlskrona
Pollux 32	Karlskrona
Skeppsbron 1	Karlskrona
Skeppsbron 2	Karlskrona
Skeppsbron 3	Karlskrona
Stora Vörta 1:62 & 1:63	Karlskrona
Letten 1	Karlstad
Letten 2	Karlstad
Letten 5	Karlstad
Letten 6	Karlstad
Karlsgård 1:6	Knivsta
Rödjan 7	Kävlinge
Kullen 18	Lilla Edet
Elitloppet 1	Linköping
Björnen 16, 17, 18	Ludvika
Brage 1	Ludvika
Brunnsvik 2:15	Ludvika
Bäret 5	Ludvika
Frigga 10	Ludvika
Hästen 3	Ludvika

Hästen 5	Ludvika
Isolatorn 2	Ludvika
Isolatorn 5	Ludvika
Loke 7	Ludvika
Ludvika 3:21	Ludvika
Ludvika 4:27	Ludvika
Motorn 11	Ludvika
Målarbacken 4	Ludvika
Oden 1	Ludvika
Oden 2	Ludvika
Oden 4	Ludvika
Oden 5	Ludvika
Svanen 17	Ludvika
Tor 2	Ludvika
Tor 3	Ludvika
Porsön 1:403	Luleå
Landsdomaren 7	Lund
Tuntorp 4:34	Lysekil
Skrattmåsen 14	Malmö
Stettin 14	Malmö
Pilen 13	Mariestad
Fritsla 14:8	Mark
Tellus 1	Motala
Erstavik 26:31	Nacka
Lännersta 112:14	Nacka
Orminge 60:2	Nacka
Orminge 62:1	Nacka
Sicklaön 126:10	Nacka
Sicklaön 126:12	Nacka
Järven 4	Norrköping
Linet 1	Norrtälje

Grytan 6	Nykvarn	Stenung 2:238	Stenungsund
Kaffebyggaren 1	Nykvarn	Gunnebo 15	Stockholm
Guldsmeden 10	Nyköping	Kadetten 29	Stockholm
Järnhandlaren 6	Nyköping	Kulltorp 3	Stockholm
Minuthandlaren 17	Nyköping	Skrubbhyveln 4	Stockholm
Raspen 1	Nyköping	Storfors 30:1	Storfors
Raspen 2 och 3	Nyköping	Grönskogen 7	Sundbyberg
Boken 1	Orsa	Härsta 9:5	Sundsvall
Greven 4	Orsa	Eken 5	Säter
Hjorten 3	Orsa	Enen 2	Säter
Hästen 8	Orsa	Fasaden 9	Säter
Köpmannen 10	Orsa	Grenen 13	Säter
Köpmannen 8	Orsa	Haken 1	Säter
Sundbäck 13:30	Orsa	Haken 4	Säter
Sundbäck 13:36	Orsa	Handsken 4	Säter
Ugglum 126:4	Partille	Harpan 2	Säter
Märsta 1:242	Sigtuna	Humlan 2	Säter
Märsta 1:40	Sigtuna	Idealet 2	Säter
Sigtuna 2:227	Sigtuna	Idealet 3	Säter
Hjälmaröd 4:94	Simrishamn	Indianen 1	Säter
Häggen 2	Skara	Skönvik 1:15	Säter
Häggen 3	Skara	Tanumshede 1:88	Tanum
Metes 2	Skara	Tändstickan 1	Tidaholm
Skytten 2	Skara	Solliden 1	Torsby
Stenbocken 1	Skara	Sinclair 12	Uddevalla
Sälgen 22	Skara	Krämare 4	Ulricehamn
Klockstapeln 4	Skövde	Svalan 7	Ulricehamn
Skultorp 1:205	Skövde	Edsby 1:3	Upplands Väsby
Estländaren 10	Sollentuna	Läby-Österby 6:6	Uppsala
Träkolet 16	Sollentuna	Staren 5	Vaggeryd
Logfyrkanten 3	Solna	Trasten 3	Vaggeryd

Älen 1, 2, & 4	Vaggeryd	Smidesjärnet 1	Västerås
Klövern 7	Vänersborg	Triangelnätet 2	Västerås
Fågelvik 1:624 & 1:630	Värmdö	Ullvi 3:670	Västerås
Allmogekulturen 5	Västerås	Ullvi 3:674	Västerås
Almen 2	Västerås	Öland 1	Västerås
Alvesta 1:360	Västerås	Östjädra 1:251	Västerås
Brottberga 6:31	Västerås	Eken 6	Åmål
Forstmästaren 2	Västerås	Kvidinge 7:127	Åstorp
Nyckelön 1:517	Västerås	Fagerhult 1:180	Örkelljunga
Orten 1	Västerås	Tre Kronor 2	Örkelljunga

Property list, Norwegian properties

Blødekjær 1-3	Arendal	Storgata 117	Lillehammer
Strandengvegen 41	Birstrand	Thorstadvegen 27	Lillehammer
Kløvstadhøgdsvegen 182	Brøttum	Trystuvegen 2	Lillehammer
Falstadvegen 34	Ekne	Bårdsetvegen 146 (1-3)	Moelv
Bergtun	Frosta	Anton Krogsvoildsvei 13 A-D	Moss
Greåkerveien 155	Greåker	Anton Krogsvoildsvei 13E	Moss
Hafsløtunet	Hafslø	Anton Krogsvoildsvei 18	Moss
New Hafslø Apartment	Hafslø	Gubberogatan 11	Moss
Hernesvegen 662	Hernes	Gubberogatan 12	Moss
Hernesvegen 668	Hernes	Gullhaug Torg 4	Oslo
Knatterudbrua 19	Ise	Vidsynveien 9	Oslo
Otervegen 23	Kongsvinger	Gamle Strømsvei 37 b	Oslo
Kvartal 71	Kristiansand	Storåsvejen 1c	Oslo
Vestre Strandgate 21	Kristiansand	Sigvat Skaldsgate 3-5	Sarpsborg
B. Lundgaards gate 22	Lillehammer	Gamle E6 Skogn	Skogn
Langes gate 18	Lillehammer	Støreshøgda 116	Skogn
Møllevegen 11	Lillehammer	Olaf Paulusvei 9	Stavanger
Møllevegen 13	Lillehammer	Ryllikveien 33	Tønsberg
Møllevegen 5	Lillehammer	Nesalléen 69	Tønsberg
Saksumdalsvegen 1427	Lillehammer	Ryllikkveien 27, 29 & 31 och	
Sorgendalsvegen 11	Lillehammer	Østerveien 6	Tønsberg

Property list, Finnish properties

Männistökatu 8	Haapajärvi
Ruissalontie 4	Hamina
Kauppiankatu 13	Hamina
Lautatarhankatu 8	Hamina
Siltalanranta 2	Harjavalta
Kravilankatu 4	Huittinen
Sahakatu 3	Huittinen
Kekkurinkuja 3	Hämeenlinna
Luhalahti Home Care	Ikaalinen
Jussintie 2	Ilmajoki
Tiaispolku 1	Joensuu
Aurinkokatu 47	Joensuu
Tetriahtontie 10	Juuka
Hammarinkuja 6	Jämsä
Tammitie 2	Jämsä
Kaplastie 8	Kajaani
Samoojantie 2	Kajaani
Jungonkatu 17	Kemi
Suolatie 5	Kempele
Päivänpaiste 5	Kokemäki
Kaunismaenkatu 2	Kotka
Jokipoiku 1 b	Kotka
Koskitie 5 C	Kurikka
Mäntylammintie 6	Kurikka
Noitiniementie 24	Kuusamo

Frosteruksenkatu 8	Kärsämäki
Mylyskyläntie 16	Lapua
Hytösenkuja 3	Laukaa
Ruuhimäentie 1 A and B	Laukaa
Pitäkoskentie 1	Liminka
Seppäläntie 109	Masku
Tuukkalankylätie 3 C	Mikkeli
Ruokosenniementie 15	Mänttä
Kytökankaantie 2	Nivala
Kotitie 5	Pello
Kohokuja 4	Pyhtää
Koppellintie 40	Riihimäki
Kolpeneentie 69	Rovaniemi
Kimalaisentie 2	Rovaniemi
Jouttikankaantie 57	Rovaniemi
Aittokalliontie 23	Saarijärvi
Elmerannantie 39	Salo
Pämäläntie 10	Savonlinna
Tiiterontie 3 B	Sulkava
Väinönkatu 7	Suonenjoki
Villentie 3-5	Tyrvävä
Uuraistentie 112	Uurainen
Käärmeniementie 20	Varkaus
Lakaniementie 85	Vimpeli



Valuation Certificate

Samhällsbyggnadsbolaget i Norden AB has given JLL Sweden the assignment, by Ilija Batljan, to provide a valuation certificate of an underlying property portfolio comprising 202 valuation objects per valuation date September 30, 2019. Representatives from JLL Sweden has inspected 21 of the 202 valuation objects internally and externally during October 2016, February 2017, and June 2017. Another 151 of the valuation objects has been inspected externally during 2016, 2017, and 2018.

In total, 86% of the 202 valuation objects have been inspected both internally and externally, or only externally; which represent 84% of the total portfolio value. Our assessment is that the selection of properties which have been inspected is a good representative of the portfolio. Technical due diligent reports of the properties have been taken into consideration when assessing the market value. Out of the 202 valuation objects, there are 2 properties of which the tenure is leasehold. The properties valued are shown in appendix 1.

Samhällsbyggnadsbolaget in Norden AB has given JLL Finland the assignment, by Joakim Bill, to undertake valuation of 32 properties located in Finland per the valuation date September 30, 2019. Jari Tirkkonen has undertaken the valuation of the Finnish properties. 28 of the properties have been inspected during September 2019, representing approximately 88% of the value. The properties valued by JLL Finland are shown in appendix 2.

ESMA 130

In applying the European Commission Regulation No 809/2004 implementing of the Prospectus Directive, we are responsible for the valuation and have verified that, as far as we know (we have taken great measures to ensure that this is the case), the information in this valuation is in accordance with the actual underlying conditions and that nothing of importance is left omitted. The valuation meets the requirement in 128-130 in ESMA's updated version of CESRs recommendations of a consistent implementation in the European Commission Regulation No 809/2004 regarding the implementation of Prospectus Directive.

Valuation Assumptions

The valuation is based on a cash flow analysis, meaning that the value of the properties is based on the present value of the projected cash flows and an exit value at the end of calculated period (15 years). Assumptions regarding future cash flows has been made from an analysis of the following parameters:

- JLL's internal market information
- Present rental levels and actual costs
- Estimated market rents at the end of lease agreements
- Existing current lease conditions
- Operating and maintenance costs for similar properties in comparison with the actual costs

Based on the analysis with the parameters above, the cash flow and exit value at the end of the cash flow period is discounted with an estimated discount rate. The parameters used in the valuation are in line with JLL's assessment regarding how investors and other market actors would reason and act. The sum of the discounted cash flow and exit value for each individual valuation object is the estimated market value.



Value Assessment

We hereby certify that the assessments done by JLL Sweden constitutes the total value of the combined Swedish portfolio containing 202 valuation objects, and that the value is:

2,372,420,000 SEK

(Two Billion Three Hundred Seventytwo Million Four Hundred and Twenty Thousand Swedish Crowns)

We hereby certify that the assessments done by JLL Finland constitutes the total value of the combined Finnish portfolio of 32 valuation objects, and that the value is 37,640,000 (Thirtyseven Million Six Hundred Fourty Thousand) Euros. In Swedish Crowns, at the FX rate of 10,72870 SEK/EUR, the JLL Finland assets are valued at:

403,828,000 SEK

(Four Hundred Three Million and Eight Hundred Twentyeight Thousand Swedish Crowns)

Stockholm, 5 November 2019

Jones Lang LaSalle Holding AB

Duncan Sunter
Senior Director, Sweden
by Samhällsbyggarna Authorised Real Estate Valuer

Patrik Löfvenberg
Head of Valuation, Sweden

Appendix 1 – Properties in Sweden

Properties

Below the 202 Swedish properties analysed at the valuation date are shown which constitute the portfolio.

No.	Municipality	Property	Tenure	No.	Municipality	Property	Tenure	No.	Municipality	Property	Tenure
1	Enköping	Gröngårn 1:5	Freehold	103	Växjö	Betsvallen 1	Freehold	154	Stockholm	Fjällgäddan 2	Freehold
2	Sunne	Ånberg 6:251	Freehold	104	Mälarens län	Lunden 1	Freehold	155	Stockholm	Serenad 17	Freehold
3	Nagfors	Löparn 2	Freehold	105	Nyköping	Norrgrä 4:82	Freehold	156	Stockholm	Vägnärlan 1	Freehold
4	Heby	Heby 4:49	Freehold	106	Nyköping	Groten 2	Freehold	157	Sollentuna	Reflexen 13	Freehold
5	Hälsjöholm	Pårlöven 1:6 & 2	Freehold	107	Kil	Nyköping	Freehold	158	Sollentuna	Tidryden 9	Freehold
6	Gullspång	Hova 3:95	Freehold	108	Säffle	Jätten 1	Freehold	159	Östergötland	Berga 6:76	Freehold
7	Karlstad	Mörchen 7	Freehold	109	Falun	Sandberg 6:67	Freehold	160	Stockholm	Backslätt 1:10	Freehold
8	Karlstad	Björnska 3:73	Freehold	110	Tibby	Sandberg 1	Freehold	161	Upplands Väsby	Eds Prästgård 1:41	Freehold
9	Karlstad	Skär 1:397	Freehold	111	Torshälla	Torshälla 37:116	Freehold	162	Upplands Väsby	Eds Prästgård 1:92	Freehold
10	Filipstad	Björnen 1	Freehold	112	Mölnådal	Stenert 1:186	Freehold	163	Härninge	Svanbäck 2:8	Freehold
11	Årjäng	Söderås Prästgård 1:173 & 1:174	Freehold	113	Mölnådal	Stenert 1:186	Freehold	164	Härninge	Svanbäck 2:17	Freehold
12	Kil	Smiten 1:316	Freehold	114	Mölnådal	Stenert 1:187	Freehold	165	Bodsjö	Säcklinge Gård 1:1	Freehold
13	Sunne	Ånberg 6:332	Freehold	115	Mölnådal	Stenert 1:187	Freehold	166	Stockholm	Siken 24	Freehold
14	Hammarö	Göteborg 3:180	Freehold	116	Mälarens län	Passaren 9	Freehold	167	Norrålgä	Aggraväpnen 1	Freehold
15	Hälsjöholm	Södergården 1	Freehold	117	Karlstad	Västby 1:137	Freehold	168	Upplands-Bro	Ekhammar 4:405	Freehold
16	Hälsjöholm	Södergården 2	Freehold	118	Falun	Backehagen 54:136	Freehold	169	Upplands-Bro	Ekhammar 4:408	Freehold
17	Hälsjöholm	Länsmansgården 1 & 2	Freehold	119	Simrishamn	Rabban 3	Freehold	170	Nyköping	Årsinget 4	Freehold
18	Hälsjöholm	Västby 1:181	Freehold	120	Simrishamn	Solrosen 11	Freehold	171	Vallentuna	Bällsta 2:827	Freehold
19	Uppsala	Berthå 28:5 & 28:6	Freehold	121	Simrishamn	Söby 150:4	Freehold	172	Stockholm	Adeln 22	Freehold
20	Uppsala	Sonnensta 17:16	Freehold	122	Simrishamn	Söby 150:5	Freehold	173	Stockholm	Sätra Gård 1	Freehold
21	Uppsala	Sonnensta 18:7	Freehold	123	Kristinehamn	Balder 2	Freehold	174	Stockholm	Linnholmen 1	Freehold
22	Uppsala	Säla 5:51	Freehold	124	Mellerud	Vespern 8	Freehold	175	Stockholm	Rhöguldet 20	Freehold
23	Enköping	Gästa 6:1	Freehold	125	Västervik	Syrtjärn 7	Freehold	176	Stockholm	Ålgholmen 1	Freehold
24	Tibro	Tegstjärnen 21	Freehold	126	Västervik	Broberg 6:30	Freehold	177	Bodsjö	Ålgholmen 10	Freehold
25	Östernund	Pålsjö 1:2	Freehold	127	Västervik	Marlövassan 9	Freehold	178	Stockholm	Singalla 45	Freehold
26	Östernund	Pålsjö 1:2	Freehold	128	Flen	Kövan 14	Freehold	179	Lebom	Ålarp 2:501	Freehold
27	Flen	Ålarp 1	Freehold	129	Jönköping	Berg 1:55	Freehold	180	Grästor	Tammstorp 1:17	Freehold
28	Karlstad	Sködinge-Ramsta 1:180	Freehold	130	Jönköping	Berg 1:56	Freehold	181	Uppsala	Sonnensta 15:26	Freehold
29	Karlstad	Sködinge-Ramsta 1:180	Freehold	131	Jönköping	Berg 1:56	Freehold	182	Uppsala	Sonnensta 17:112-15	Freehold
30	Årjäng	Björnen 9	Freehold	132	Jönköping	Berg 1:56	Freehold	183	Uppsala	Backberg 1:55	Freehold
31	Årjäng	Björnen 9	Freehold	133	Jönköping	Berg 1:56	Freehold	184	Sulö	Norrdringe 23:1	Freehold
32	Hälsjöholm	Käjan 4	Freehold	134	Jönköping	Hälan 6:8	Freehold	185	Kungälv	Sörensen 1	Freehold
33	Hälsjöholm	Västby 1:171	Freehold	135	Jönköping	Berg 1:405	Freehold	186	Tingryd	Unshult 1:19	Freehold
34	Borås	Borgstena 5:53	Freehold	136	Jönköping	Berg 1:56	Freehold	187	Tingryd	Unshult 1:56	Freehold
35	Borås	Tummarp 1:189	Freehold	137	Jönköping	Berg 1:56	Freehold	188	Tingryd	Unshult 1:75	Freehold
36	Värnamo	Västboja 12:58	Freehold	138	Flen	Ellen 22	Freehold	189	Kungälv	Vinkeln 12	Freehold
37	Växjö	Tälören 1	Freehold	139	Torshälla	Hälsjö 18:1	Freehold	190	Tibby	Kägan 2	Freehold
38	Långby	Cedern 2	Freehold	140	Torshälla	Sködinge-Ramsta 1:58	Freehold	191	Gagnef	Skogen 3:72	Freehold
39	Långby	Gräven 6	Freehold	141	Kristina	Sködinge-Ramsta 1:58	Freehold	192	Enköping	Villbergby 6:44	Freehold
40	Växjö	Sävelöven 4	Freehold	142	Skara	Köster 2:52	Freehold	193	Upplands Väsby	Östra Runby 2:343	Freehold
41	Växjö	Ålgården 4	Freehold	143	Vallentuna	Solita 1:7	Freehold	194	Jönköping	Fälrum 10:22	Freehold
42	Långby	Gunnarstorp 2	Freehold	144	Hälsjö	Brändstorp 1:15	Freehold	195	Metala	Tälledet 2:3	Freehold
43	Heby	Mjölred 2	Freehold	145	Boden	Svart 2:1	Freehold	196	Metala	Välsberg 3:22	Freehold
44	Kälmar	Fälrum 1	Freehold	146	Långby	Ramsta 1:26	Freehold	197	Nora	Nyhyttan 10:3	Freehold
45	Kälmar	Västby 6:8 & 8:22	Freehold	147	Långby	Ramsta 1:26	Freehold	198	Nora	Bergslags 2:20	Freehold
46	Långby	Mekanismen 21	Freehold	148	Bodsjö	Kallbladet 4	Freehold	199	Härninge-Sälen	Röbäckstjärn 11:119	Freehold
47	Långby	Kyrkan 4	Freehold	149	Härninge-Sälen	Högbo-Qual 2:38	Freehold	200	Ljusnarsberg	Heden 6:108	Freehold
48	Tibby	Löttinge 9:27	Freehold	150	Skara	Häggan 5	Freehold	201	Laxå	Pörla 7:1	Freehold
49	Godland	Öttern 11:11	Freehold	151	Skara	Sködinge-Ramsta 1:58	Freehold	202	Hälsjö	Prästgården 1:16	Freehold
50	Godland	Hemse Störken 11	Freehold	152	Järnå	Sködinge-Ramsta 1:58	Freehold				
51	Godland	Kilste Odvalls 1:36	Freehold	153	Jönköping	Berg 1:17	Freehold				



Below the market value of the 202 valuation objects is split between tenure forms. In the portfolio there are 2 properties which have a tenure of leasehold with a market value of 25.1 million Swedish Crowns.

Tenure	Market Value (SEK)
Freehold	2 347 330 000
Leasehold	25 090 000
Total	2 372 420 000

Appendix 2 – Properties in Finland

Below are the 32 Finnish properties analysed at the valuation date, which constitute the portfolio.

Asset name	City	Address	Sector
Hyrykin Puisto Care Home & Apartment buidlin	Sastamala	Punkalaitumentie 37	Mental health care home
Uekolankoti Care Home	Sastamala	Uekolankatu 13	Mental health care home
Tanhurinne 4	Vantaa	Tanhurinne 4	Senior care home
Roukontie 18	Valkeakoski	Painontie 1	Mental health care home
Kantok Pinalantie 109	Ylivieska	Pindantie 189	Children welfare center
Koskipuhdantie 327	Ylivieska	Koskipuhdantie 327	Children welfare center
Koulumäentie 94	Hankasalmi	Koulumäentie 94	Children welfare center
Vahakkaantie 3	Jyväskylä	Vahakkaantie 3	Office (ex-children welfare center)
Soimarintentie 3	Jyväskylä	Soimarintentie 3	Children welfare center
Backsintie 104	Siuntio	Backsintie 104	Children welfare center
Kumpulantie 29	Vihä	Kumpulantie 29 B	Children welfare center
Mujjalantie 239	Lohja	Mujjalantie 239	Children welfare center
Joutjoentie 16	Lahti	Joutjoentie 16 A	Children welfare center
Kurvolankaari 1	Akaa	Kurvolankaari 1	Children welfare center
Kurvolankaari 3	Akaa	Kurvolankaari 3	Children welfare center
Sydänmaantie 10	Seinäjoki	Sydänmaantie 10	Senior care home
Rautatiekatu 2	Mänttä-Vilppula	Rautatiekatu 2	Senior care home
Varisniemi 1	Keuruu	Rautalahdenrinne 2	Senior care home
Aatuntie 1	Pori	Aatuntie 19	Children welfare center
Kuuliantie 5	Sastamala	Kuuliantie 5	Children welfare center
Laihonkuja 2	Haapavesi	Laihonkuja 2	Children welfare center
Lepolantie 3	Kokkola	Lepolantie 3	Senior care home
Putikontie 1	Pihtipudas	Putikontie 1	Senior care home
Mäntyte 46	Hollola	Mäntyte 46	Children welfare center
Haapavesitie 813	Ylivieska	Haapavesitie 813	Mental health care home
Leipurinkatu 11	Oulainen	Leipurinkatu 11	Children welfare center
Putikontie 11	Savonlinna	Putikontie 11	Senior care home
Leipurinkatu 13	Oulainen	Leipurinkatu 13	Children welfare center
Mäkilvartarintie 38	Vaasa	Mäkilvartarintie 38	Children welfare center
Mäkilvartarintie 40	Vaasa	Mäkilvartarintie 40	Children welfare center
Mäkilvartarintie 36	Vaasa	Mäkilvartarintie 36	Children welfare center
Flinankuja 1	Vaasa	Flinankuja 1	Children welfare center



Valuation report as of 30 September 2019

Colliers International Danmark A/S ('Colliers International') has been instructed by Samhøllsbyggnadsbolaget, Strandvægen 3, SE-114 51 Stockholm, to carry out valuations of four properties located in various locations throughout Denmark (see Enclosure 1, Property list). The valuation date of the valuations is 30 September 2019. The aim of the valuations is to estimate the market values of the properties.

The properties are held freehold. Colliers International carried out inspections in 2019, corresponding to a value of SEK 434,303,677. The lettable area amounts to 23,615 sq m, of which 17,178 sq m are educational space, 4,115 sq m are office units, 1,826 sq m are other commercial premises and 496 sq m are retail area.

Some of the properties are located in the Capital Region, not far from the Copenhagen, whereas other properties are located in Region Zealand and the Region of Central Denmark.

The valuations have been prepared in accordance with the definitions of market value according to RICS Red Book and comply with the definitions and value concepts stated in International Valuation Standards 2017 (IVS 2017) established by the International Valuation Standard Council (IVCS) as follows:

'Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The valuations have been carried out by valuers qualified for the assignment and acting as external valuers. We have proper knowledge of the property market and the current market segments and thus the skills required to carry out the valuations.

The value estimations have mainly been performed with a discounted cash flow model, in which a present value is calculated from future cash flows and the residual value.

As of 30 September 2019, the market value of the four properties in Denmark has been estimated at:

DKK 307 million


in letters **Danish kroner three hundred seven million 00/100 on a cash basis**

SEK 434 million

in letters **Swedish kroner four hundred thirty-four million 00/100 on a cash basis**

Copenhagen, 1 November 2019
Colliers International


Peter Winther
CEO, Partner, Chartered Surveyor


Søren Skovbjerg
Associate, M.Sc. Accounting, Strategy and Control

Enclosure 1: Property list

**Enclosure 1: Property list**

Title no.	Address
1ac and 1td Glostrup By, Glostrup	Skolevej 6, DK-2600 Glostrup
476d Slagelse Markjorder	Sdr. Stationsvej 28K, DK-4200 Slagelse
19gæ et al. Ballerup By, Ballerup	Malmparken 10, DK-2750 Ballerup
174q Randers Bygrunde	Toldbodgade 3, DK-8900 Randers C

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

The selected consolidated financial information set forth below has been derived from (i) the audited consolidated financial statements of the Group as of and for the years ended 31 December 2018 and 2017, including the related notes thereto, which have been prepared in accordance with IFRS as adopted by the EU (respectively, the “2018 Audited Financial Statements” and the “2017 Audited Financial Statements”); (ii) the audited consolidated financial statements of SBB i Norden AB (publ), reg. no. 559053-5174 (“SBB i Norden”) as of and for the period from the formation of SBB i Norden on 2 March 2016 through 31 December 2016, including the related notes thereto, which have been prepared in accordance with IFRS (the “2016 Audited Financial Statements” and, together with the 2018 Audited Financial Statements and the 2017 Audited Financial Statements, the “Audited Financial Statements”); and (iii) the unaudited interim consolidated financial statements of the Group for the nine months ended 30 September 2019 and 2018, including the related notes thereto, which have been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act (the “Unaudited Interim Financial Statements”, and together with the Audited Financial Statements, the “Historical Financial Information”), all of which were reviewed by Ernst & Young AB as set forth in their review reports included in the Historical Financial Information.

The 2016 Audited Financial Statements included in this Offer Document is derived from the annual report of SBB i Norden and represent the period from the formation of SBB i Norden on 2 March 2016 through 31 December 2016. Because the financial information for the year ended 31 December 2016 covers a period shorter than a full calendar year, the financial information presented for the period may not be comparable to the other financial years presented in this Offer Document. The Group acquired SBB i Norden in January 2017. No financial information relating to SBB’s previous business, which was conducted under the company name Effnetplattformen AB (publ), is presented in this Offer Document.

Apart from the Historical Financial Information, no information in this Offer Document has been audited or reviewed by the Group’s auditor.

1. CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 AND 2018, THE YEARS ENDED 31 DECEMBER 2018 AND 2017 AND THE PERIOD FROM 2 MARCH 2016 THROUGH 31 DECEMBER 2016

	For the nine months ended 30 September		For the year ended 31 December		For the period from 2 March to 31 December
	2019	2018	2018	2017	2016
	(unaudited)		(SEK million)		
Rental income	1,400	1,227	1,680	1,339	187
Operating costs	(326)	(275)	(387)	(303)	(51)
Maintenance	(78)	(65)	(100)	(63)	(18)
Management administration	(68)	(65)	(92)	(74)	(24)
Property tax	(25)	(25)	(32)	(23)	(3)
Net property costs	(497)	(430)	(610)	(462)	(96)
Net operating income	903	797	1,071	877	91
Central administration costs	(85)	(67)	(102)	(76)	(19)
Results from associated companies/joint ventures	57	3	13	–	–
Profit before financial items	875	733	982	801	72
Interest income and similar items	75	2	4	12	5
Interest expenses and similar items	(325)	(361)	(538)	(476)	(71)
Expenses for redeemed loans in advance	(130)	(80)	(127)	–	–
Translation gains/losses	15	–	–	–	–
Land lease expenses	(2)	–	–	–	–
Net financial items	(497)	(440)	(661)	(464)	(66)
Profit from property management	508	294	321	338	6
Changes in property value	1,136	904	1,575	2,797	1,219
Changes in derivatives value	(118)	6	8	(4)	–
Profit before tax	1,526	1,204	1,904	3,131	1,224
Tax	(189)	(205)	(214)	(702)	(217)
Net profit for the period	1,337	999	1,690	2,429	1,007

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2019 AND 2018 AND 31 DECEMBER 2018, 2017 AND 2016

	As of 30 September		As of 31 December		
	2019	2018	2018	2017	2016
	(unaudited)		(SEK million)		
ASSETS					
Fixed assets					
<i>Intangible assets</i>					
Goodwill	24	25	24	–	–
Total intangible assets	24	25	24	–	–
<i>Tangible assets</i>					
Investment properties	30,776	25,122	24,243	23,001	7,572
Land lease agreements	137	–	–	–	–
Equipment, machinery and installations	4	4	5	10	6
Total tangible fixed assets	30,917	25,126	25,247	23,011	7,579
<i>Financial fixed assets</i>					
Shares in associated companies/joint ventures	535	99	213	111	83
Receivables from associated companies/joint ventures	1,754	1,282	583	–	–
Financial fixed assets at fair value	239	–	–	–	–
Other long-term receivables	39	37	74	11	15
Total financial fixed assets	2,567	1,418	870	121	98
Total fixed assets	33,508	26,569	26,140	23,132	7,677
Current assets					
<i>Current receivables</i>					
Accounts receivable	27	18	30	26	10
Receivables from associated companies/joint ventures	–	–	991	–	–
Current assets at cost	165	–	–	–	–
Other receivables	333	228	290	278	122
Prepaid expenses and accrued income	101	125	32	40	33
Total current receivables	626	371	1,344	344	165
Short-term investments	1,094	–	–	–	–
Cash and cash equivalents	8,532	143	157	93	506
Total current assets	10,252	513	1,501	436	671
TOTAL ASSETS	43,760	27,083	27,641	23,569	8,348
	As of 30 September		As of 31 December		
	2019	2018	2018	2017	2016
	(unaudited)		(SEK million)		
EQUITY AND LIABILITIES					
Share capital	83	74	80	74	1
Other contributed capital	5,302	3,050	4,345	3,040	768
Reserves	15	71	(100)	(84)	(9)
Retained earnings including comprehensive income	5,472	4,196	4,685	3,359	1,007
Equity attributable to the parent company's shareholders	10,872	7,391	9,010	6,389	1,767
Hybrid bonds	4,988	1,972	1,873	668	–
Reserves	49	29	(8)	(18)	–
Non-controlling interests	31	460	322	597	–
Total equity	15,940	9,852	11,197	7,636	1,767

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

	As of 30 September		As of 31 December		
	2019	2018	2018	2017	2016
	<i>(unaudited)</i>		<i>(SEK million)</i>		
Long-term liabilities					
Liabilities to credit institutions	5,635	6,582	5,898	6,596	3,180
Bond loans	17,763	6,387	6,599	5,941	1,154
Derivatives	118	29	12	35	–
Long-term liabilities to owners	–	–	–	34	794
Liabilities leasing	137	–	–	–	–
Deferred tax liabilities	1,238	1,040	1,047	863	206
Other long-term liabilities	33	130	25	14	59
Total long-term liabilities	24,924	14,168	13,580	13,482	5,393
Current liabilities					
Liabilities to credit institutions	135	396	12	637	487
Commercial papers	1,728	1,823	1,840	–	–
Bond loans	70	30	327	660	–
Accounts payable	78	68	88	135	62
Short-term liabilities to owners	–	–	–	40	–
Short-term liabilities to joint ventures	–	9	–	–	–
Current tax liabilities	47	37	19	53	23
Other liabilities	404	374	279	654	501
Accrued expenses and prepaid income	434	335	299	270	116
Total current liabilities	2,896	3,063	2,864	2,450	1,189
TOTAL EQUITY AND LIABILITIES	43,760	27,083	27,641	23,569	8,348

3. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 AND 2018, THE YEARS ENDED 31 DECEMBER 2018 AND 2017 AND THE PERIOD FROM 2 MARCH 2016 THROUGH 31 DECEMBER 2016

	For the nine months ended 30 September		For the year ended 31 December		For the period from 2 March to 31 December
	2019	2018	2018	2017	2016
	<i>(unaudited)</i>		<i>(SEK million)</i>		
Operations					
Profit from property management	508	294	321	338	6
<i>Adjustments for non-cash flow items</i>					
Depreciations	1	1	1	2	1
Net financial items	367	439	661	464	66
Interest paid	(390)	(464)	(739)	(416)	(49)
Interest received	73	2	4	12	5
Income tax paid	(52)	(17)	(1)	(40)	–
Net cash from operating activities before changes in working capital	507	255	248	361	28
Cash flow from changes in working capital					
Changes in current receivables	(106)	(23)	(6)	(181)	(165)
Changes in current liabilities	143	(333)	(402)	330	672
Cash flow from operations	544	(102)	(161)	510	536

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

	For the nine months ended 30 September		For the year ended 31 December		For the period from 2 March to 31 December
	2019	2018	2018	2017	2016
	<i>(unaudited)</i>		<i>(SEK million)</i>		
Investment activities					
Investments in properties	(10,069)	(2,584)	(3,908)	(13,674)	(6,833)
Divestment of properties	6,024	1,995	3,418	737	436
Investments/sales equipment, machinery, installations	0	6	5	(6)	(7)
Investments in associated companies/joint ventures	(321)	12	(102)	(28)	(83)
Investments in intangible fixed assets	–	(25)	(24)	–	–
Changes in receivables from associated companies/joint ventures	(178)	(1,282)	(1,574)	–	–
Changes in financial assets	(1,408)	–	–	–	–
Changes in other long-term receivables	(28)	(27)	(63)	3	(15)
Cash flow from investment activities	(5,980)	(1,905)	(2,249)	(12,973)	(6,502)
Financing activities					
New issues	–	–	–	–	733
Share issue	1,053	–	1,380	2,832	–
Issue hybrid bonds	3,115	1,303	1,505	668	–
Redeemed preference shares	(93)	–	(98)	–	–
Repurchase hybrid bonds	–	–	(317)	–	–
Redeemed warrants	–	–	(93)	–	–
Issue warrants	–	9	9	2	–
Dividends paid	(390)	(133)	(186)	(71)	–
Shareholder contributions received	–	–	–	–	36
Acquired minority shares	–	–	13	315	–
Redeemed minority shares	(345)	(127)	(298)	(188)	–
New loans	21,389	5,820	7,516	11,102	5,103
Amortization of loans	(10,929)	(4,868)	(6,895)	(1,846)	(251)
Occupied debt to owners	–	–	–	74	830
Amortization of loans from shareholders	–	(74)	(74)	(794)	(36)
Occupied debt to associated companies/joint ventures	–	9	–	–	–
Change in other long-term liabilities	8	117	12	(45)	59
Cash flow from financing activities	13,808	2,056	2,474	12,049	6,473
Cash flow for the period	8,732	49	64	(414)	506
Cash and cash equivalents at the beginning of the period	157	93	93	506	–
Translation difference of cash and cash equivalents	3	1	(0)	(0)	–
Cash and cash equivalents at the end of the period	8,532	143	157	93	506

4. NON-IFRS FINANCIAL DATA AND RECONCILIATION TABLES

This Offer Document contains certain financial measures that are not defined or recognized under IFRS. Such non-IFRS financial measures and ratios include Passing Rent, Passing NOI, EPRA NAV, EPRA NAV per share, Adjusted EPRA NAV, Adjusted EPRA NAV per share, EPRA NNNAV, EPRA NNNAV per share, Net Operating Margin, Net Initial Yield, Loan-to-Value Ratio, Secured Loan-to-Value Ratio, Interest Coverage Ratio and Return on Shareholders' Equity.

Passing Rent, Passing NOI, EPRA NAV, EPRA NAV per share, Adjusted EPRA NAV, Adjusted EPRA NAV per share, EPRA NNNAV, EPRA NNNAV per share, Net Operating Margin, Net Initial Yield, Loan-to-Value Ratio, Secured Loan-to-Value Ratio, Interest Coverage Ratio and Return on Shareholders' Equity are presented because the Group believes they are important supplemental measures of the Group's performance and a basis upon which the Group's management assesses performance. SBB also believes Passing Rent, Passing NOI, EPRA NAV, EPRA NAV per share, Adjusted EPRA NAV, Adjusted EPRA NAV per share, EPRA NNNAV, EPRA NNNAV per share, Net Operating Margin, Net Initial Yield, Loan-to-Value Ratio, Secured Loan-to-Value Ratio, Interest Coverage Ratio and Return on Shareholders' Equity are useful to investors because they and similar measures, are frequently used by securities analysts, investors, ratings agencies and other interested parties to evaluate other companies in the Group's industry and as

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

supplemental measures of performance and liquidity. The Group further believe that these and similar measures are widely used in the markets in which the Group operates as a means of evaluating a company's operating performance and financing structure.

The following tables show certain key non-IFRS financial data that the Directors believe provide useful supplemental information to understand and analyse the Group's underlying results.

Key performance indicators and other historical financial and operating data

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
Operational data					
Gross asset value of properties (SEK million)	30,776	25,122	25,243	23,001	7,572
Number of properties	842	782	570	749	358
Lettable area of properties (m ² thousands)	1,795	1,402	1,330	1,366	697
Passing Rent (SEK million) ⁽¹⁾	2,003	1,637	1,585	1,588	687
Passing NOI (SEK million) ⁽²⁾	1,374	1,139	1,112	1,111	429
EPRA NAV					
EPRA NAV (long-term net asset value) (SEK millions) ⁽³⁾	9,914	8,294	8,736	7,120	1,973
EPRA NAV (long-term net asset value) per share (SEK) ⁽⁴⁾	13.11	11.24	11.55	9.65	—
Adjusted EPRA NAV (SEK millions) ⁽⁵⁾	17,257	10,432	11,941	7,955	1,973
Adjusted EPRA NAV per share (SEK) ⁽⁶⁾	22.83	14.14	15.79	10.78	—
EPRA NNNNAV (actual net asset value) (SEK millions) ⁽⁷⁾	8,692	7,375	7,838	6,282	1,609
EPRA NNNNAV (actual net asset value) per share (SEK) ⁽⁸⁾	11.50	9.99	10.37	8.51	—
Key ratios					
Net Operating Margin (%) ⁽⁹⁾	65.0	65.0	63.7	65.5	48.8
Net Initial Yield (%) ⁽¹⁰⁾	4.7	4.8	4.7	5.1	6.0
Equity Ratio (%) ⁽¹¹⁾	36.4	36.4	40.5	32.4	21.2
Loan-to-Value Ratio (%) ⁽¹²⁾	38.4	55.7	52.5	60.0	64.0
Secured Loan-to-Value Ratio (%) ⁽¹³⁾	16.3	44.1	37.8	—	—
Interest Coverage Ratio (%) ⁽¹⁴⁾	2.4x	1.9x	1.8x	—	—
Shares data					
Average number of Class A and Class B shares	756,049,031	737,949,031	741,569,031	653,360,953	7,230,434
Average number of Class D shares	62,248,416	—	918,854	—	—
Average number of preference shares	153,947	333,205	324,983	168,360	—
Basic number of Class A and Class B shares at period end	756,049,031	737,949,031	756,049,031	737,949,031	7,230,434
Number of Class D shares at period end	76,498,230	—	41,626,390	—	—
Number of preference shares at period end	30,713	333,205	175,251	333,205	—
Earnings per Class A and Class B share (SEK)	1.41	1.24	2.07	3.60	—
Earnings per Class D share (SEK)	1.50	—	0.50	—	—
Shareholders' equity (SEK millions)	10,872	7,391	9,009	6,389	1,767
Return on Shareholders' Equity (%) ⁽¹⁵⁾	9.9	11.4	17.9	52.0	—

(1) "Passing Rent" represents contracted rental income (including additions and rent discounts) and other real estate-related income on a rolling 12-months basis, based on current lease contracts as of the period end.

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

- (2) “Passing NOI” is calculated as Passing Rent less budgeted annual operating costs, budgeted annual maintenance costs, annualised management administration costs and budgeted property tax expense, as shown in the following table.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016 ^(A)
Passing Rent	2,003	1,673	1,585	1,588	687
Budgeted annual operating costs	(402)	(313)	(307)	(292)	(215)
Budgeted annual maintenance costs	(137)	(102)	(88)	(100)	(43)
Current management administration costs annualized	(65)	(56)	(52)	(58)	–
Budgeted property tax expense	(26)	(27)	(26)	(27)	–
Passing NOI	1,374	1,139	1,112	1,111	429

- (A) For the period from 2 March 2016 to 31 December 2016, management administration costs and property tax expenses were included in operating costs
- (3) “EPRA NAV (Long-term net asset value)” represents total equity, excluding equity associated with preference shares, Class D shares, non-controlling interests and hybrid bonds, adding back deferred tax liability and derivatives, as shown in the following table.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
Equity	15,940	9,852	11,197	7,636	1,767
Preference share capital	(15)	(167)	(88)	(167)	–
Class D share capital	(2,299)	–	(1,244)	–	–
Non-controlling holdings	(39)	(489)	(315)	(579)	–
Hybrid bonds	(5,029)	(1,971)	(1,873)	(668)	–
Reversal of deferred tax	1,238	1,040	1,047	863	206
Reversal of derivatives	118	29	12	35	–
EPRA NAV (Long-term net asset value)	9,914	8,294	8,736	7,120	1,973

- (4) “EPRA NAV (Long-term net asset value) per share” represents EPRA NAV (Long-term net asset value) divided by the basic number of Class A shares and Class B shares as of the end of the period.
- (5) “Adjusted EPRA NAV” represents EPRA NAV (Long-term net asset value) plus equity attributable to investors in the hybrid bonds, Class D shares and preference shares, as shown in the following table.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
EPRA NAV (long-term net asset value)	9,914	8,294	8,736	7,120	1,973
Equity attributable to hybrids investors	5,029	1,971	1,873	668	–
Equity attributable to Class D shares investors	2,299	–	1,244	–	–
Equity attributable to preference shares investors	15	167	88	167	–
Adjusted EPRA NAV	17,257	10,432	11,941	7,955	1,973

- (6) “Adjusted EPRA NAV per share” represents Adjusted EPRA NAV divided by the basic number of Class A shares and Class B shares as of the end of the period.
- (7) “EPRA NNNAV (Actual net asset value)” represents EPRA NAV (long-term net asset value) less the fair value of derivative financial instruments, adjusted for estimated actual deferred tax at 5.5 percent, as shown in the following table.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
EPRA NAV (Long-term net asset value)	9,914	8,294	8,736	7,120	1,973
Fair value of derivative financial instruments	(118)	(29)	(12)	(35)	–
Estimated actual deferred tax at 5.5%	(1,104)	(890)	(886)	(803)	(364)
EPRA NNNAV (Actual net asset value)	8,692	7,375	7,838	6,282	1,609

- (8) “EPRA NNNAV (Actual net asset value) per share” represents EPRA NNNAV (Actual net asset value) divided by the basic number of Class A shares and Class B shares as of the end of the period.
- (9) “Net Operating Margin” represents net operating income as a percentage of rental income for the period.

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

(10) “Net Initial Yield” is calculated as Passing NOI as a percentage of the gross asset value of properties adjusted to exclude the value of building rights as shown in the following table.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
Passing NOI	1,374	1,139	1,112	1,111	429
Gross asset value of properties	30,776	25,122	25,243	23,001	7,572
Adjustment to exclude building rights value	1,343	1,285	1,331	1,178	421
Adjusted asset value of properties	29,433	23,837	23,912	21,823	7,151
Net Initial Yield (%)	4.7	4.8	4.7	5.1	6.0

(11) “Equity Ratio” is calculated as reported equity as a percentage of total assets.

(12) “Loan-to-Value Ratio” represents net interest-bearing liabilities as a percentage of total assets at the end of the period, as shown in the following table. For purposes of these calculations hybrids are treated as 100 percent equity.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
<i>Long-term liabilities</i>					
Liabilities to credit institutions	5,635	6,582	5,898	6,596	3,180
Bonds	17,763	6,387	6,598	5,941	1,154
<i>Short-term liabilities</i>					
Liabilities to credit institutions	135	29	12	637	487
Commercial paper	1,728	1,823	1,840	–	–
Bonds	70	30	327	660	–
Cash and bank	(8,532)	(143)	(157)	(93)	(507)
Net debt	16,799	15,075	14,518	13,742	4,315
Total assets	43,760	27,083	27,641	23,569	8,348
Loan-to-Value Ratio (%)	38.4	55.7	52.5	58.3	51.7

(13) “Secured Loan-to-Value Ratio” represents secured interest-bearing liabilities as a percentage of total assets at the end of the period, as shown in the following table.

	Nine months ended 30 September		Year ended 31 December
	2019	2018	2018
Liabilities to credit institutions	5,770	6,978	5,910
Secured bonds	1,356	4,964	4,552
Total secured loans	7,126	11,942	10,462
Total assets	43,760	27,083	27,641
Secured Loan-to-Value Ratio (%)	16.3	44.1	37.8

(14) “Interest Coverage Ratio” represents profit from property management for the preceding 12 months after reversal of financial expenses in relation to financial expenses excluding costs for early redemption of loans and land lease fees, as shown in the following table.

	As at 30 September		As at 31 December
	2019	2018	2018
Profit from property management (rolling 12 months)	535	382	321
Interest expense and similar items (rolling 12 months)	502	514	538
Expenses for loans redeemed in advance (rolling 12 months)	177	80	127
Translation gains/(losses) (rolling 12 months)	(15)	–	–
Land lease expenses (rolling 12 months)	2	–	–
Total	1,201	976	986
Interest expense and similar items (rolling 12 months)	502	514	538
Interest Coverage Ratio	2.4x	1.9x	1.8x

SELECTED CONSOLIDATED FINANCIAL, OPERATING AND OTHER DATA

(15) “Return on Shareholders’ Equity” is calculated as net profit for the period as a percentage of average equity during the period, which is the arithmetic mean of opening equity and total equity, as shown in the following table.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
Net profit for the period	1,337	999	1,690	2,429	1,007
Opening equity	11,197	7,636	7,636	1,767	n/a
Total equity	15,940	9,852	11,197	7,636	1,767
Average equity	13,569	8,744	9,417	4,701	883
Return on Shareholders’ Equity (%)	9.9	11.4	17.9	51.7	114.0

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the Group's financial condition and results of operations for the nine months ended 30 September 2019 and 2018, the years ended 31 December 2018 and 2017 and the period from the formation of SBB i Norden on 2 March 2016 through 31 December 2016 should be read in conjunction with the Unaudited Interim Financial Statements, the Audited Financial Statements, and the applicable notes thereto included elsewhere in this Offer Document, as well as the information presented under "Presentation of Financial and Other Information" and "Selected Consolidated Financial, Operating and Other Data".

Certain non-IFRS metrics or operating metrics are used in the discussion below. For definitions and reconciliations of these metrics, see "Selected Consolidated Financial, Operating and Other Data —Non-IFRS financial data and reconciliations".

This operating and financial review contains forward-looking statements that reflect the Group's current expectations, estimates, assumption and projections about the Group's industry, business, strategy and future financial results. These forward-looking statements are not guarantees of future performance, and the Group's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offer Document, particularly in "Risk Factors" and "Forward-Looking Statements".

1. OVERVIEW

SBB is a major Nordic social infrastructure property company. The Group owns a property portfolio across Sweden, Norway, Finland and Denmark with a gross asset value of SEK 30.8 billion as of 30 September 2019. The Group generates most of its income from the management of its social infrastructure property portfolio, which includes (i) community services properties, such as elderly care homes, schools and group housing for people with disabilities, in Sweden, Norway, Finland and Denmark and (ii) rent-regulated residential properties in Sweden. The Group also has additional income streams from property renovations, property development activities and real estate transactions. As of 30 September 2019, community services properties and Swedish rent-regulated residential properties accounted for 60 percent and 34 percent of the total portfolio by gross asset value, respectively. The remaining part comprises cash flow properties with development potential to develop building rights for social infrastructure.

SBB actively manages its own real estate portfolio in order to generate sustainable cash flow and create additional value. The Group's business model is to acquire and manage properties that have low-risk profiles and steady risk-adjusted returns. Through its property management function, the Group generates rental income either from publicly financed municipalities and governmental agency tenants (in the case of community services properties) or from residential tenants in rent-regulated apartments who are highly motivated to pay their rent due to the acute shortage of rental housing in Sweden.

In addition to property management, which is the foundation of SBB's earning capacity, the Group generates additional income from value-enhancing capital expenditures on renovations in its rent-regulated residential property portfolio, from property development for social infrastructure building rights, which includes sales of properties and their associated building rights upon rezoning and selective participation in joint ventures, and from real estate transactions in which SBB's experienced team buys and sells properties in order to continue building the Group's portfolio, realise gains from matured properties and recycle capital for use in acquiring attractive new investment properties.

SBB has built strong long-term relationships with a number of Nordic municipalities, becoming a preferred partner for municipalities due to its track record operating in multiple sectors, namely community services and residential sectors, its fully integrated organisational platform and the expertise of its management team across the Nordic region. SBB's experienced team has local market presence in its investment markets as well as expertise to cover each stage of the property value chain from asset management, property management and leasing to investment and divestment, development and structuring, as well as financing. SBB believes that its strong team and in-depth market knowledge enable it to extract full value from its properties and flexibly adapt to, and make use of, dynamic market conditions. The Group believes that the experience of its team, including the long-standing local presence of the team members and the relationships that have been established with private tax-funded welfare providers, municipalities, states and regions in the Nordics, makes SBB unique and would be difficult for a competitor to replicate.

2. KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

General economic conditions and demographic developments

SBB's business activities and its results of operations are influenced by a number of general economic and demographic factors that are beyond its control. Given the Group's focus on community services properties in the Nordic region and rent-regulated residential properties in Sweden, SBB is particularly affected by developments in and related to the property market in Sweden and the rest of the Nordic countries, macroeconomic indicators such as gross domestic product ("GDP") and economic growth development, employment conditions and disposable income, inflation, the interest rate environment and housing loans. The factors affect SBB's rental income, the value of its properties and the amounts of its costs. See "Market Overview" for more information on the general economic conditions and demographic developments affecting the countries of the Group's operations.

GDP is considered an indicator of a country's general economic condition and the standard of living. During the periods under review, Swedish GDP, driven by robust consumption, investment and exports has grown positively at an average rate of close to 3 percent over the past five years and grew by 3.3 percent in 2016, 2.4 percent in 2017 and 2.3 percent in 2018. Employment rates, consumer confidence and actual individual consumption, indexes commonly used to assess a country's economic condition and consumers' level of optimism regarding the economy, have remained relatively positive in Sweden. Furthermore, although there are variances across the region, for example Norway has seen a decline in its economic performance, while the Finnish GDP has developed positively and experienced growth in recent years, the combined economy of the Nordic countries is the 12th largest in the world and Nordic countries are generally performing well above the EU average in regards to economic development.

A functioning labour market with a high participation rate is a key priority for any country, and the production of goods and services is a vital component of the economy. Employment in Sweden has grown steadily, approaching 80 percent in 2018 while unemployment has decreased, falling from 8 percent in 2013 to 6.3 percent in 2018. These rising employment levels have contributed to enhanced levels of wellbeing, reduced poverty, and income inequality that is below the OECD average. The Nordic region as a whole, has sustained high employment rates as compared to the European average as well as a productivity rate per person employed which is also above the EU average. High employment rates for women in particular stand out and remain an essential feature of Nordic labour markets and unemployment remains low in spite of challenges facing the labour market such as utilising the labour potential of migrants as well as country-specific difficulties.

Consumer confidence is an indicator measuring the degree of optimism on the state of the economy that consumers are expressing through their activities of saving and spending. Therefore consumer confidence is also a measure of general activity in the rental market. Consumer confidence in Sweden was 94.9 percent as of August 2019, and although this is lower than in previous years, it remains higher than that of EU countries (as a whole) and Nordic countries (as a whole). Additionally, actual individual consumption refers to the consumption of goods and services by an individual, irrespective of whether these goods are paid for by households, by the government or by non-profit organisations and is seen as the preferred indicator for a household's actual standard of living. In 2018, Sweden recorded an actual individual consumption per capita that was higher than the EU average indicating a high measure of economic wellbeing.

Demographic developments also have a particular bearing on the demand on the real estate market in the markets in which the Group operates, and thus on the amount of rental apartments which the Group is able to rent as well as the demand for its community service properties. In terms of Swedish demographic developments, the most important trends in recent years for the Group have been population growth in Sweden caused by a positive net birth rate and net migration, a growth in the country's aging population owing to increased life expectancy, as well as continuing rural-to-urban migration. Although there are nuances between and within countries, the Nordic region as a whole mirrors these trends, as on average, the Nordic region has a population that is growing faster than the EU average and its current demographic situation is characterised by population growth, population concentration in urban areas and an increase in the average age of the population while the proportion of young people and those in the working age population has either remained constant or declined. These trends form the basis of the Group's strategy to focus on attractive cities that are currently exhibiting positive population growth and to offer property solutions that respond to the increasing demand for rental properties as well as properties created or adapted to fit specific purposes such as elderly care facilities. Since the formation of the Group, the demographic trends have had a positive effect on the Group's results of operations by increasing the demand for the its properties.

Rental income

Rental income constitutes SBB's primary source of current earnings and is impacted by the number of properties and leasable area of the Group's property portfolio as well as the occupancy rate. The following table shows the Group's rental income for the nine months ended 30 September 2019 and 2018, the years ended 31 December 2018 and 2017

OPERATING AND FINANCIAL REVIEW

and the period from 2 March 2016 through 31 December 2016, along with the number of properties and leasable area of the Group's property portfolio as well as the occupancy rate as of the end of each period.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
	<i>(unaudited)</i>				
Rental income (SEK million)	1,400	1,227	1,680	1,339	187
Number of properties	842	782	570	749	358
Leasable area of properties (m ² thousands)	1,795	1,402	1,330	1,366	697
Economic Occupancy Rate (%)	95.3	96.8	96.2	96.8	98.3

As shown in the table above, maintaining a high occupancy rate has allowed SBB to continue to grow rental income period-over-period, while adjusting the size of its property portfolio. The Group's strategy is to maintain high occupancy rates by agreeing long leases without break clauses with municipal and government tenants in community services properties in Sweden, Norway, Finland and Denmark. In the rent-regulated residential properties segment, due to the significant shortage of rent-regulated rental housing supply in Sweden, the Group is able to maintain high occupancy rates in its rent-regulated residential properties, all of which are rent-regulated, and has experienced steady and robust growth despite uncertainty in the global economy. The terms of the Group's leases generally include automatic annual rent increases at a pre-determined rate based on increases in the consumer price index.

Rental income is also dependent on the standard of the Group's properties and therefore SBB continually seeks to implement improvements in its portfolio in order to increase rent levels, including by renovating and refurbishing properties during end of lease vacancy periods. During the nine months ended 30 September 2019, the Group commenced the refurbishment of 476 apartments in its rent-regulated residential property portfolio, of which 311 were completed as of 30 September 2019. The Group also signed agreements for the renovation of an additional 232 apartments, of which half are expected to begin in the fourth quarter of 2019. During the years ended 31 December 2018 and 2017, the Group renovated 415 and 138 apartments, respectively. As of 30 September 2019, approximately 10 percent of the 8,708 apartments in SBB's rent-regulated residential property portfolio had been renovated since the Group took ownership. The Group has set a long-term target of 600 renovations per year in order to capture additional value from its remaining unrenovated rent-regulated residential properties.

In addition, the Group is focused on selective acquisitions of additional community services and rent-regulated residential properties to continue growing the size of its property portfolio and thereby increase rental income. The Group's management has many years of experience of acquiring and managing community services properties with stable, publicly funded tenants as counterparties across the Nordic region and residential properties located in municipalities in Sweden with a growing population and low unemployment.

The Group expects its rental income to continue to increase in future periods reflecting contracted increases in rental rates on existing properties, improved rent associated with renovation projects and an increase in the size of the Group's property portfolio.

Property costs and central administration costs

The Group's property costs, which comprise operating costs, maintenance costs, management administration costs and property tax costs, have increased during the period under review as the size of the property portfolio has grown. Operating costs, which are mainly tariff-based costs, such as electricity, waste removal, water and heating costs, are the largest component of the Group's overall property costs. Weather is a key variable in the amount of operating costs as snow removal and heating costs have historically resulted in operating costs being highest during the first quarter of each year. Maintenance costs include costs that are necessary to keep up the Group's properties for the long term, including both planned and unplanned repairs. Management administration costs include the Group's administrative expenses that are attributable directly to property management, such as for example, rent collection, administration and property maintenance costs, some of which are outsourced to third-party providers and are therefore dependent on the rates that can be obtained in the market. Property tax costs have historically been the smallest component of the Group's property costs because a large proportion of the Group's property portfolio, including most of its community services properties in Sweden, is exempt from property tax. Property tax is applicable on some of the Group's other properties, including rent-regulated residential properties in Sweden and community services properties in Norway, Finland and Denmark.

Central administration costs represents corporate costs that are not directly related to property management, including corporate management costs and costs relating to business development, property development and financing.

OPERATING AND FINANCIAL REVIEW

The following table shows the Group's costs by type for the nine months ended 30 September 2019 and 2018, the years ended 31 December 2018 and 2017 and the period from 2 March 2016 through 31 December 2016.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
	(SEK millions)				
Operating costs	326	275	386	303	51
Maintenance costs	78	65	100	62	18
Management administration costs	68	65	92	74	24
Property tax costs	25	25	31	23	3
Total property costs	497	430	610	461	96
Total central administration costs	85	67	102	76	19
Total costs	582	497	701	537	115

Changes in value of property portfolio

In accordance with IFRS, SBB reports investment properties at fair value as of each balance sheet date. Under the Group's valuation policy, 100 percent of its properties are valued as of 30 June and 31 December of each year by external valuers Newsec Advice AB, Jones Lang LaSalle Holding AB, Savills Sweden AB or Colliers International Danmark A/S. Values as of 31 March and 30 September of each year are usually determined based on internal valuations, but have been based on external valuations as of 31 March 2019 and 30 September 2019 that have been prepared in connection with the Offer Document. Valuations are based on an analysis of future cash flows for each property, considering the current lease terms, market situation, rental levels, operating, maintenance and administration costs as well as need for investments. As of 30 September 2019, the value of the properties also included approximately SEK 1,343 million of building rights that were valued using the local rate method, which means that the valuation is based on comparisons of prices for similar building rights. Reported changes in property value include both unrealised and realised changes in value. The unrealised change in value is calculated based on the valuation at the end of the period compared with the valuation at the beginning of the period. The Group's business of actively working to have zoning plans approved for property development has led to realised and unrealised increases in gross asset values over time as properties in the Group's property development portfolio move through the planning process.

The following table shows changes in fair value for SBB's property portfolio with changes in fair value reflected in the Group's income statement for the nine months ended 30 September 2019 and 2018, the years ended 31 December 2018 and 2017 and the period from 2 March 2016 through 31 December 2016.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
	(SEK millions)				
Fair value at beginning of the period	25,243	23,001	23,001	7,572	–
Acquisitions	9,595	2,370	3,597	13,470	6,806
Investments	474	214	311	209	27
Divestments	(6,339)	(1,970)	(3,359)	(729)	(414)
Reclassification	–	(5)	–	–	–
Translation gains/(losses)	359	622	176	(311)	(44)
Unrealised value changes	1,444	890	1,517	2,790	1,197
Fair value at the end of the period	30,776	25,122	25,243	23,001	7,572

Interest expense

Future changes in interest rates and the Group's ability to obtain financing at attractive rates will impact SBB's overall performance. Over the period under review, the Group's borrowings have increased substantially, reflecting its investments in additional properties. The Group expects to continue to acquire properties pursuant to its growth strategy and will fund a significant portion of these with additional borrowing. As a result, the Group's total indebtedness and its interest expense are expected to increase in the future. However, the Group has been successful in reducing the interest rate on its borrowings during the period under review. This decrease primarily reflected the Group's strong financial performance as well as the Group's efforts to diversify its sources of funding. The Group's average interest rate as of

OPERATING AND FINANCIAL REVIEW

30 September 2019 was 1.75 percent, as compared to 2.44 percent as of 31 December 2018, 3.36 percent as of 31 December 2017 and 3.1 percent as of 31 December 2016. This reduction in the Group's borrowing costs has corresponded to the receipt of a BBB- (stable) investment grade rating from both S&P and Fitch in April 2019.

SBB is continually in discussions with its finance providers to assess the prospects of refinancing high cost indebtedness at lower rates in order to reduce its overall interest expense, however future rises in market or central bank interest rates will have the impact of increasing the Group's interest expenses. The Group has also entered into derivatives contracts, including floating to fixed interest rate swaps, consistent with its general policy of swapping its floating rate debt to fixed rates.

3. FACTORS AFFECTING THE COMPARABILITY OF RESULTS OF OPERATIONS

The Group's financial statements for the financial year ended 31 December 2016 included in this Offer Document are derived from the annual report of SBB i Norden and represent the period from the formation of SBB i Norden on 2 March 2016 through 31 December 2016. Because the financial information for the year ended 31 December 2016 covers a period shorter than a full calendar year, the financial information presented for the period may not be comparable to the other financial years presented in this Offer Document. The Group acquired SBB i Norden in January 2017. No financial information relating to SBB's previous business, which was conducted under the company name Effnetplattformen AB (publ), is presented in this Offer Document.

4. DESCRIPTION OF KEY LINE ITEMS IN THE GROUP'S CONSOLIDATED INCOME STATEMENT

Set forth below is a brief description of the composition of the line items of the Group's statement of comprehensive income.

Rental income

Rental income represents the main source of earnings for the Group. Rental income, including supplements, is announced in advance and accrual of rent is made linearly so that only that part of the rent that applies to the period is reported as rental income. Rental income, where applicable, is reduced by the value of rent discounts provided. In those cases where the lease provides a reduced rent amount for a certain period, this is allocated over the period of the discount. Remuneration paid by tenants in connection with early relocation is reported as rental income in connection with the termination of the Group's contractual relationship with the tenant.

Net property costs

Net property costs represents the sum of operating costs, maintenance costs, management administration costs and property tax costs. Operating costs are mainly tariff-based costs, such as electricity, waste removal, water and heating costs and also include snow removal, which results in seasonal variations. Maintenance costs include costs that are necessary to maintain the Group's properties for the long term. The Group's administrative expenses directly related to property management, are allocated to management administration costs. Although a large proportion of the Group's property portfolio is exempt from property tax in Sweden because it is community services property, property tax is applicable on certain of the Group's other properties, including rent-regulated residential properties in Sweden and community services properties in Norway, Finland and Denmark.

Net operating income

Net operating income represents rental income less net property costs.

Central administration costs

Central administration costs represents corporate costs that are not directly related to property management, including corporate management costs and costs relating to business development, property development and financing.

Results from associated companies/joint ventures

Results from associated companies/joint ventures represents the Group's share of the assets of associated companies and joint ventures in which it has an ownership interest and, in some cases, provides financing of the associated or joint venture company. An associated company is one in which the Group exercises a significant but not controlling influence, which is presumed to be the case when the Group's holding amounts to 20-50 percent of the voting interest.

Collaborative arrangements in which the Group, together with other parties, has a joint controlling influence over the business are classified as joint ventures. The Group's associated companies and joint venture partners manage property development projects or own, manage and develop investment properties. Additional information on the Group's associated companies and joint ventures as of 31 December 2018, including holdings in the co-investment joint ventures Valerum Fastighets AB (the "**Valerum JV**") and KlaraBo Förvaltning AB (the "**KlaraBo JV**") that are considered significant holdings for the Group, is included in note 15 to the Group's financial statements for the year ended 31 December 2018.

Profit before financial items

Profit before financial items represents net operating income plus results from associated companies/joint ventures less central administration costs.

Net financial items

Net financial items represents interest income and similar items plus foreign exchange gains, less interest expenses and similar items, expenses for loans redeemed early, foreign exchange losses and land lease expenses.

Changes in property value

In accordance with IFRS, SBB reports investment properties at fair value as of each balance sheet date. Under the Group's valuation policy, 100 percent of its properties are valued as of 30 June and 31 December of each year by external valuers Newsec Advice AB, Jones Lang LaSalle Holding AB, Savills Sweden AB or Colliers International Danmark A/S. Values as of 31 March and 30 September of each year are usually determined based on internal valuations, but have been based on external valuations as of 31 March 2019 and 30 September 2019 that have been prepared in connection with this Offer Document. Valuations are based on an analysis of future cash flows for each property, considering the current lease terms, market situation, rental levels, operating, maintenance and administration costs as well as need for investments. As of 30 September 2019, the value of the properties also included approximately SEK 1,343 million of building rights that were valued using the local rate method, which means that the valuation is based on comparisons of prices for similar building rights. Reported changes in property value include both unrealised and realised changes in value. The unrealised change in value is calculated based on the valuation at the end of the period compared with the valuation at the beginning of the period.

Changes in derivatives value

The Group has entered into derivatives contracts, including floating to fixed interest rate swaps and currency forwards in order to hedge its interest rate risk and currency risk, respectively. The Group's derivatives contracts are generally not eligible for hedge accounting under IFRS and accordingly changes are accounted for at fair value in the Group's income statement. Changes in derivatives value represents the difference in the fair value of interest rate swaps based on a discount of estimated future cash flows according to the contracts and maturities and based on market interest rate at the end of the period compared to the fair value at the beginning of the period.

Profit before tax

Profit before tax represents the sum of profit before financial items, net changes in property value and net changes in derivatives value.

Tax

Tax represents current taxes and deferred taxes relating to properties and loss carry-forwards. As a result of new Swedish corporate income tax rules that became applicable as of 1 January 2019, deferred tax was revalued to 20.6 percent for 2018. The new law reduces the corporate income tax rate in two steps, from 22.0 percent to 21.4 percent from 1 January 2019 and to 20.6 percent from 1 January 2021. Deferred tax assets and deferred tax liabilities must be measured based on the tax rate that will apply when the underlying temporary difference reverses or when unused tax losses or credits are utilised. Accordingly, SBB has calculated deferred tax liabilities at 20.6 percent as they are not expected to be reversed to any significant extent in 2019 and 2020.

Net profit for the period

Net profit for the period represents the sum of profit before tax and tax.

OPERATING AND FINANCIAL REVIEW

5. RESULTS OF OPERATIONS

The following table summarizes the Group's results of operations for the nine months ended 30 September 2019 and 2018, the years ended 31 December 2018 and 2017 and the period from the formation of SBB i Norden on 2 March 2016 through 31 December 2016.

	For the nine months ended 30 September		For the year ended 31 December		For the period from 2 March to 31 December
	2019	2018	2018	2017	2016
	<i>(unaudited)</i>		<i>(SEK million)</i>		
Rental income	1,400	1,227	1,680	1,339	187
Operating costs	(326)	(275)	(386)	(303)	(51)
Maintenance	(78)	(65)	(100)	(62)	(18)
Management administration	(68)	(65)	(92)	(74)	(24)
Property tax	(25)	(25)	(31)	(23)	(3)
Net property costs	(497)	(430)	(610)	(462)	(96)
Net operating income	903	797	1,071	877	91
Central administration costs	(85)	(67)	(102)	(76)	(19)
Results from associated companies/joint ventures	57	3	13	–	–
Profit before financial items	875	733	982	801	72
Interest income and similar items	75	2	4	12	5
Interest expenses and similar items	(325)	(361)	(538)	(476)	(71)
Expenses for redeemed loans in advance	(130)	(80)	(127)	–	–
Translation gains/losses	15	–	–	–	–
Land lease expenses	(2)	–	–	–	–
Net financial items	(367)	(440)	(661)	(464)	(66)
Profit from property management	508	294	321	338	6
Changes in property value	1,136	904	1,575	2,797	1,219
Changes in derivatives value	(118)	6	8	(4)	–
Profit before tax	1,526	1,204	1,904	3,131	1,224
Tax	(189)	(205)	(214)	(702)	(217)
Net profit for the period	1,337	999	1,690	2,429	1,007

Results of operations for the nine months ended 30 September 2019 compared to the nine months ended 30 September 2018

The following table shows the Group's consolidated income statement for the nine months ended 30 September 2019 and 30 September 2018 and shows the amount of the change and the percentage change in each of the components of the Group's consolidated income statement between these two periods.

	For the nine months ended 30 September		Change	
	2019	2018	(amount)	(%)
	<i>(unaudited)</i> <i>(SEK million)</i>			
Rental income	1,400	1,227	173	14.1
Operating costs	(326)	(275)	(51)	18.5
Maintenance	(78)	(65)	(13)	20.0
Management administration	(68)	(65)	(3)	4.6
Property tax	(25)	(25)	0	0.0
Net property costs	(497)	(430)	(67)	15.6
Net operating income	903	797	106	13.3
Central administration costs	(85)	(67)	(18)	26.9
Results from associated companies/joint ventures	57	3	54	1,800.0
Profit before financial items	875	733	142	19.4
Interest income and similar items	75	2	73	3,650.0
Interest expenses and similar items	(325)	(361)	36	(10.0)
Expenses for redeemed loans in advance	(130)	(80)	(50)	(62.5)
Translation gains/losses	15	–	15	–
Land lease expenses	(2)	–	(2)	–
Net financial items	367	(440)	72	(16.4)
Profit from property management	508	294	214	72.8
Changes in property value	1,136	904	232	25.7
Changes in derivatives value	(118)	6	(124)	(2,066.7)
Profit before tax	1,526	1,204	322	26.7
Tax	(189)	(205)	16	(7.8)
Net profit for the period	1,337	999	338	33.8

Rental income

Rental income for the nine months ended 30 September 2019 was SEK 1,400 million, an increase of SEK 173 million, or 17.4 percent, compared to SEK 1,227 million for the nine months ended 30 September 2018. This was principally as a result of the Group's larger property portfolio. Leasable area was 1,794,545 square metres covering 842 properties as of 30 September 2019, compared to 1,402,000 square metres covering 782 properties as of 30 September 2018. The Economic Occupancy Rate as of 30 September 2019 was 95.3 percent, compared to 96.9 percent as of 30 September 2018. Passing Rent was SEK 2,003 million as of 30 September 2019, compared to SEK 1,637 million as of 30 September 2018.

Rental income in the community services properties segment accounted for 57.1 percent of the Group's total rental income for the nine months ended 30 September 2019. Rental income in this segment for the nine months ended 30 September 2019 was SEK 799 million, an increase of SEK 81 million, or 11.3 percent, compared to SEK 718 million for the nine months ended 30 September 2018. This was principally as a result of the Group's larger property portfolio during the year.

Rental income in the rent-regulated residential properties segment accounted for 36.6 percent of the Group's total rental income for the nine months ended 30 September 2019. Rental income in this segment for the nine months ended 30 September 2019 was SEK 513 million, an increase of SEK 109 million, or 27.0 percent, compared to SEK 404 million for the nine months ended 30 September 2018. This was principally as a result of the Group's larger property portfolio.

Rental income in the Group's other segment accounted for 6.3 percent of the Group's total rental income for the nine months ended 30 September 2019. Rental income in this segment for the nine months ended 30 September 2019 was

OPERATING AND FINANCIAL REVIEW

SEK 88 million, a decrease of SEK 17 million, or 16.2 percent, compared to SEK 105 million for the nine months ended 30 September 2018. This was principally as a result of development in the Group's properties requiring certain tenants to vacate their properties.

Net property costs

Net property costs for the nine months ended 30 September 2019 were SEK 497 million, an increase of SEK 67 million, or 15.6 percent, compared to SEK 430 million for the nine months ended 30 September 2018. This was principally as a result of the Group's larger property portfolio.

Net operating income

As a result of the factors described above, net operating income for the nine months ended 30 September 2019 increased by SEK 106 million, or 13.3 percent, from SEK 797 million for the nine months ended 30 September 2018 to SEK 903 million for the nine months ended 30 September 2019. Net Operating Margin for the nine months ended 30 September 2019 was 64.5 percent, compared to 65.0 percent for the nine months ended 30 September 2018.

Central administration

Central administration costs for the nine months ended 30 September 2019 were SEK 85 million, an increase of SEK 18 million, or 26.9 percent, compared to SEK 67 million for the nine months ended 30 September 2018. This was principally as a result of the Group's larger property portfolio.

Results from associated companies/joint ventures

The Group's share of profit from associated companies/joint ventures for the nine months ended 30 September 2019 was SEK 57 million, compared to SEK 3 million for the nine months ended 30 September 2018. This was principally as a result of income from the Valeran JV and the KlaraBo JV, which were formed in the third quarter and the fourth quarter of 2018, respectively.

Net financial items

Net financial items for the nine months ended 30 September 2019 was an expense of SEK 367 million, a decrease of SEK 72 million, or 16.4 percent, compared to an expense of SEK 439 million for the nine months ended 30 September 2018. This was principally as a result of lower interest rate levels compared to the interest rate levels for the nine months ended 30 September 2018.

Changes in property value

The change in value of the Group's property for the nine months ended 30 September 2019 was a net increase of SEK 1,136 million, compared to a net increase of SEK 904 million for the nine months ended 30 September 2018. The net increase for the nine months ended 30 September 2019 primarily reflected the Group's higher net operating income.

Changes in derivatives value

The change in value of derivatives for the nine months ended 30 September 2019 was a net decrease of SEK 118 million, compared to a net increase of SEK 6 million for the nine months ended 30 September 2018. The net decrease for the nine months ended 30 September 2019 primarily reflected changes in interest rates and movements in foreign exchange rates.

Profit before tax

As a result of the factors described above, profit before tax for the nine months ended 30 September 2019 increased by SEK 322 million, or 26.7 percent, from SEK 1,204 million for the nine months ended 30 September 2018 to SEK 1,526 million for the nine months ended 30 September 2019.

Tax

Tax for the nine months ended 30 September 2019 was SEK 189 million, a decrease of SEK 16 million, or 7.8 percent, compared to SEK 205 million for the nine months ended 30 September 2018. Tax loss carry-forwards amounted to approximately SEK 308 million as of 30 September 2019. The Group's effective tax rate for the period was 12.4 percent, which differed from the corporate tax rate of 21.4 percent principally as a result of deferred tax related to disposals and the effect from the results of the Group's joint ventures.

Net profit for the period

As a result of the factors described above, net profit for the period increased by SEK 338 million, or 33.8 percent, to SEK 1,337 million for the nine months ended 30 September 2019 compared to SEK 999 million for the nine months ended 30 September 2018.

Results of operations for the year ended 31 December 2018 compared to the year ended 31 December 2017

The following table shows the Group's consolidated income statement for the years ended 31 December 2018 and 31 December 2017 and shows the amount of the change and the percentage change in each of the components of the Group's consolidated income statement between these two periods.

	For the year ended 31 December		Change	
	2018	2017	(amount)	(%)
	(SEK million)			
Rental income	1,680	1,339	341	25.5
Operating costs	(387)	(303)	(84)	27.7
Maintenance	(100)	(63)	(37)	58.7
Management administration	(92)	(74)	(18)	24.3
Property tax	(32)	(23)	(9)	39.1
Net property costs	(610)	(462)	(148)	32.0
Net operating income	1,071	877	194	22.1
Central administration costs	(102)	(76)	(26)	34.2
Results from associated companies/joint ventures	13.0	–	13	–
Profit before financial items	982	801	181	22.6
Interest income and similar items	4	12	(8)	(66.7)
Interest expenses and similar items	(538)	(476)	(62)	13.0
Expenses for redeemed loans in advance	(127)	–	(127)	–
Net financial items	(661)	(464)	(197)	42.5
Profit from property management	321	338	(17)	(5)
Changes in property value	1,575	2,797	(1,222)	(43.7)
Changes in derivatives value	8	(4)	12	–
Profit before tax	1,904	3,131	(1,227)	(39.2)
Tax	(214)	(702)	488	(69.5)
Net profit for the period	1,690	2,429	(739)	(30.4)

Rental income

Rental income for the year ended 31 December 2018 was SEK 1,680 million, an increase of SEK 341 million, or 25.5 percent, compared to SEK 1,339 million for the year ended 31 December 2017. This was principally as a result of changes to the Group's property portfolio as a result of acquisitions, investments and newly signed leases that resulted in increases to the average rent per square metre. Leasable area decreased slightly to 1,330,000 square metres as of 31 December 2018 from 1,366,000 square metres as of 31 December 2017 and the Group's number of properties decreased from 749 to 570 during the year, in each case a result of sales that took place late in 2018. The Economic Occupancy Rate as of 31 December 2018 was 96.2 percent, compared to 96.8 percent as of 31 December 2017. Passing Rent decreased slightly to SEK 1,585 million as of 31 December 2018 from SEK 1,588 million as of 31 December 2017.

Rental income in the community services properties segment accounted for 58.5 percent of the Group's total rental income for the year ended 31 December 2018. Rental income in this segment for the year ended 31 December 2018 was SEK 983 million, an increase of SEK 242 million, or 32.7 percent, compared to SEK 741 million for the year ended 31 December 2017. This was principally as a result of acquisitions, investments and newly signed leases in the community services properties segment and the fact that a number of properties were acquired during 2017.

Rental income in the rent-regulated residential properties segment accounted for 33.6 percent of the Group's total rental income for the year ended 31 December 2018. Rental income in this segment for the year ended 31 December 2018 was SEK 565 million, an increase of SEK 91 million, or 19.2 percent, compared to SEK 474 million for the year ended 31 December 2017. This was principally as a result of acquisitions, investments and renovations in the rent-regulated residential properties segment and the fact that a number of properties were acquired during 2017.

Rental income in the Group's other segment accounted for 7.9 percent of the Group's total rental income for the year ended 31 December 2018. Rental income in this segment for the year ended 31 December 2018 was SEK 133 million, an increase of SEK 9 million, or 7.3 percent, compared to SEK 124 million for the year ended 31 December 2017. This was principally as a result of the Group's acquisitions.

OPERATING AND FINANCIAL REVIEW

Net property costs

Net property costs for the year ended 31 December 2018 were SEK 610 million, an increase of SEK 148 million, or 32.0 percent, compared to SEK 462 million for the year ended 31 December 2017. This was principally as a result of the Group's larger property portfolio and to a lesser extent higher operating costs for heating, electricity and snow removal due to a particularly cold and long winter, including additional expenses resulting the large volume of snow for four months of the year.

Net operating income

As a result of the factors described above, net operating income for the year ended 31 December 2018 increased 22.1 percent, or SEK 194 million, from SEK 877 million for the year ended 31 December 2017 to SEK 1,071 million for the year ended 31 December 2018. Net Operating Margin for the year ended 31 December 2018 was 63.7 percent, compared to 65.5 percent for the year ended 31 December 2017.

Central administration

Central administration costs for the year ended 31 December 2018 were SEK 102 million, an increase of SEK 26 million, or 34.2 percent, compared to SEK 76 million for the year ended 31 December 2017. This was principally as a result of the increased organisational size of the Group and non-recurring costs in December 2018 of SEK 20 million.

Results from associated companies/joint ventures

The Group's share of profit from associated companies/joint ventures for the year ended 31 December 2018 was SEK 13 million, compared to nil for the year ended 31 December 2017. This was principally as a result of income received from arrangements with new joint ventures that began during the year ended 31 December 2018, including the Valerum JV and the KlaraBo JV.

Net financial items

Net finance expense for the year ended 31 December 2018 was SEK 661 million, an increase of SEK 197 million, or 42.5 percent, compared to SEK 464 million for the year ended 31 December 2017. This was principally as a result of increased indebtedness as well as an increase in non-recurring fees and expenses related to debt refinancing, including early repayment of indebtedness and other financing expenses such as arrangement fees. These increases were partially offset by a reduction in the Group's average interest rate from 3.36 percent as of 31 December 2017 to 2.44 percent as of 31 December 2018.

Changes in property value

The change in value of the Group's property for the year ended 31 December 2018 was a net increase of SEK 1,575 million, compared to a net increase of SEK 2,797 million for the year ended 31 December 2017. The value changes included realised value changes of SEK 58 million. The unrealised changes in value of SEK 1,517 million consist in part of value generated from the Group's property development activities of SEK 177 million. Changes in value relating to acquisitions during the year amounted to SEK 519 million. The remaining portion of the value changes is explained by increased net operating income as a result of investments and leases in the property portfolio, as well as a reduced yield requirement. As of 31 December 2018, the average yield was 4.8 percent excluding SEK 1,331 million of building rights.

Changes in derivatives value

The change in value of derivatives for the year ended 31 December 2018 was a net increase of SEK 8 million, compared to a net decrease of SEK 4 million for the year ended 31 December 2017. The net increase in the value of derivatives for the year ended 31 December 2018 primarily reflected changes in interest rates and movements in foreign exchange rates.

Profit before tax

As a result of the factors described above, profit before tax for the year ended 31 December 2018 decreased 39.2 percent, or SEK 1,227 million, from SEK 2,429 million for the year ended 31 December 2017 to SEK 1,690 million for the year ended 31 December 2018.

Tax

Tax for the year ended 31 December 2018 was SEK 214 million, a decrease of SEK 488 million, or 69.5 percent, compared to SEK 702 million for the year ended 31 December 2017. The decrease reflects decreases in current tax reflecting the lower profit before tax for the year as well as lower deferred taxes. The lower deferred taxes principally resulted from the application of the lower 20.6 percent corporate tax rate resulting from tax law changes in the year

OPERATING AND FINANCIAL REVIEW

ended 31 December 2018. The Group's effective tax rate for the period was 11.2 percent, which differed from the corporate tax rate of 22.0 percent primarily as a result of deferred tax related to disposals.

Net profit for the period

As a result of the factors described above, net profit for the period decreased 30.4 percent, or SEK 739 million, to SEK 1,690 million for the year ended 31 December 2018 compared to SEK 2,429 million for the year ended 31 December 2017.

Results of operations for the year ended 31 December 2017 compared to the period from 2 March 2016 to 31 December 2016

The following table shows the Group's consolidated income statement for the year ended 31 December 2017 and the period from the formation of SBB i Norden on 2 March 2016 to 31 December 2016 and shows the amount of the change and the percentage change in each of the components of the consolidated income statement between these two periods.

	For the year ended 31 December	For the period from 2 March to 31 December	Change	
	2017	2016	(amount)	(%)
	(SEK million)			
Rental income	1,339	187	1,152	616.0
Operating costs	(303)	(51)	(252)	494.1
Maintenance	(63)	(18)	(45)	250.0
Management administration	(74)	(24)	(50)	208.3
Property tax	(23)	(3)	(20)	666.7
Net property costs	(462)	(96)	(366)	381.3
Net operating income	877	91	786	863.7
Central administration	(76)	(19)	(57)	300.0
Profit before financial items	801	72	729	1,021.5
Interest income and similar items	12	5	7	140.0
Interest expenses and similar items	(476)	(71)	(405)	570.4
Net financial items	(464)	(66)	(398)	603.0
Profit from property management	338	6	332	5,533.3
Changes in property value	2,797	1,219	1,578	129.5
Changes in derivatives value	(4)	—	(4)	—
Profit before tax	3,131	1,224	1,907	155.8
Tax	(702)	(217)	(485)	223.5
Net profit for the period	2,429	1,007	1,422	141.2

Rental income

Rental income for the year ended 31 December 2017 was SEK 1,339 million, an increase of SEK 1,152 million, or 616.0 percent, compared to SEK 187 million in the period from 2 March 2016 to 31 December 2016. The increase in rental income principally reflects the significant increase in the number of properties owned by the Group at the end of 2017.

Rental income in the community services properties segment accounted for 55.3 percent of the Group's total rental income for the year ended 31 December 2017. Rental income in this segment for the year ended 31 December 2017 was SEK 741 million, an increase of SEK 707 million, or 2,079.4 percent, compared to SEK 34 million for the period from 2 March 2016 to 31 December 2016.

Rental income in the rent-regulated residential properties segment accounted for 35.4 percent of the Group's total rental income for the year ended 31 December 2017. Rental income in this segment for the year ended 31 December 2017 was SEK 474 million, an increase of SEK 345 million, or 267.4 percent, compared to SEK 129 million for the period from 2 March 2016 to 31 December 2016.

OPERATING AND FINANCIAL REVIEW

Rental income in Group's other segment accounted for 9.3 percent of the Group's total rental income for the year ended 31 December 2017. Rental income in this segment for the year ended 31 December 2017 was SEK 124 million, an increase of SEK 100 million, or 416.7 percent, compared to SEK 24 million for the period from 2 March 2016 to 31 December 2016.

Net property costs

Net property costs for the year ended 31 December 2017 were SEK 462 million, an increase of SEK 366 million, or 381.3 percent, compared to SEK 96 million in the period from 2 March 2016 to 31 December 2016. This was principally as a result of higher costs due to the large number of new properties added, including non-recurring costs associated with acquisitions of properties in 2017.

Net operating income

As a result of the factors described above, net operating income for the year ended 31 December 2017 increased 863.7 percent, or SEK 786 million, from SEK 91 million for the period from 2 March 2016 to 31 December 2016 to SEK 877 million for the year ended 31 December 2017. Net Operating Margin for the year ended 31 December 2017 was 65.5 percent, compared to 48.7 percent for the period from 2 March 2016 to 31 December 2016.

Central administration

Central administration costs for the year ended 31 December 2017 were SEK 76 million, an increase of SEK 57 million, or 300.0 percent, compared to SEK 19 million in the period from 2 March 2016 to 31 December 2016. The increase principally reflected increased headcount to cover the increases to the size of the Group's property portfolio.

Net financial items

Net finance expense for the year ended 31 December 2017 was SEK 464 million, an increase of SEK 398 million, or 603.0 percent, compared to SEK 66 million in the period from 2 March 2016 to 31 December 2016. The increase principally reflected the significant increase in indebtedness used to finance property acquisitions.

Changes in property value

The change in value of the Group's property for the year ended 31 December 2017 was a net increase of SEK 2,797 million, compared to a net increase of SEK 1,219 million in the period from 2 March 2016 to 31 December 2016. The unrealised changes in value consist in part of value created by the Group's property development activities of SEK 749 million. Changes in value relating to acquisitions during the year amounted to SEK 1,223 million. The remaining portion of the value changes is explained by increased net operating income as a result of investments and leases in the property portfolio, as well as a reduced yield requirement. As of 31 December 2017, the average yield was 4.8 percent including properties in the Group's other segment that had a market value, but did not generate net operating income, and 5.1 percent excluding those properties.

Changes in derivatives value

The change in value of derivatives for the year ended 31 December 2017 was a net decrease of SEK 3.7 million. The Group had no derivatives outstanding during in the period from 2 March 2016 to 31 December 2016. The net decrease in the value of derivatives for the year ended 31 December 2017 primarily reflected changes in interest rates.

Profit before tax

As a result of the factors described above, profit before tax for the year ended 31 December 2017 increased 155.8 percent, or SEK 1,907 million, from SEK 1,224 million for the period from 2 March 2016 to 31 December 2016 to SEK 3,131 million for the year ended 31 December 2017.

Tax

Tax for the year ended 31 December 2017 was SEK 702 million, an increase of SEK 485 million, or 223.5 percent, compared to SEK 217 million in the period from 2 March 2016 to 31 December 2016. The increase principally reflected increases in current tax reflecting the increase in profit before tax as well as increased deferred taxes relating to properties. The Group's effective tax rate for the period was 22.4 percent, which differed from the corporate tax rate of 22.0 percent primarily as a result of deferred tax related to disposals.

Net profit for the period

As a result of the factors described above, net profit for the period increased 141.2 percent, or SEK 1,422 million, to SEK 2,429 million for the year ended 31 December 2017 compared to SEK 1,007 million for the period from 2 March 2016 to 31 December 2016.

6. OPERATING SEGMENTS

SBB's rental income, net property costs and changes in property value are allocated to the Group's three operating segments and the gross asset value of the property portfolio corresponding to each operating segment is also separately determined.

Community services properties

The following table shows the Group's rental income, property costs, net operating income and changes in property value in the community services properties segment for the nine months ended 30 September 2019 and 2018, the years ended 31 December 2018 and 2017 and the period from the formation of SBB i Norden on 2 March 2016 through 31 December 2016, as well as the gross asset value of the community services properties portfolio as of the end of each period.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
	(unaudited)		(SEK million)		
Rental income	799	718	983	741	34
Net property costs	(198)	(164)	(239)	(158)	(5)
Net operating income	601	554	744	583	29
Changes in property value	526	240	681	1,541	187
Gross asset value of properties	18,337	15,437	16,435	14,583	2,885

Rent-regulated residential properties

The following table shows the Group's rental income, property costs, net operating income and changes in property value in the rent-regulated residential properties segment for the nine months ended 30 September 2019 and 2018, the years ended 31 December 2018 and 2017 and the period from the formation of SBB i Norden on 2 March 2016 through 31 December 2016, as well as the gross asset value of the rent-regulated residential property portfolio as of the end of each period.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
	(unaudited)		(SEK million)		
Rental income	513	404	565	474	129
Net property costs	(255)	(204)	(294)	(241)	(82)
Net operating income	258	200	271	233	47
Changes in property value	588	597	834	699	567
Gross asset value of properties	10,336	7,505	6,720	5,859	3,420

Other

The following table shows the Group's rental income, property costs, net operating income and changes in property value in the Group's other segment for the nine months ended 30 September 2019 and 2018, the years ended 31 December 2018 and 2017 and the period from the Group's formation on 2 March 2016 through 31 December 2016, as well as the gross asset value of the property development portfolio as of the end of each period.

	Nine months ended 30 September		Year ended 31 December		Period from 2 March to 31 December
	2019	2018	2018	2017	2016
	(unaudited)		(SEK million)		
Rental income	88	105	133	124	24
Net property costs	(44)	(62)	(77)	(62)	(8)
Net operating income	44	43	56	62	16
Changes in property value	22	67	60	558	465
Gross asset value of properties	2,103	2,180	2,088	2,559	1,268

OPERATING AND FINANCIAL REVIEW

7. LIQUIDITY AND CAPITAL RESOURCES

The Group's liquidity requirements arise primarily from the need to fund its acquisitions of properties and property companies, to fund its capital expenditures relating to its existing property portfolio and to fund its working capital requirements, as well as to make interest and principal payments on its indebtedness. The Group's principal sources of liquidity have historically been its cash flow from operating activities, borrowings under its banking facilities and bonds, including perpetual bonds, and equity contributions from its shareholders.

The Group's ability to generate cash flow from operating activities will depend on its future operating performance, which in turn will be dependent on various factors, including, but not limited to, those described under "*—Key factors affecting the Group's results of operations*", some of which are beyond the Group's control. The Group's actual financing requirements will depend on numerous factors, including general economic conditions, the availability of financing from banks, other financial institutions and capital markets, restrictions in its financing documents and its financial performance.

Historical cash flows

The following table summarizes the Group's cash flow for the nine months ended 30 September 2019 and 2018, the years ended 31 December 2018 and 2017 and the period from the formation of SBB i Norden on 2 March 2016 through 31 December 2016.

	For the nine months ended 30 September		For the year ended 31 December		For the period from 2 March to 31 December
	2019	2018	2018	2017	2016
	(unaudited)				
	(SEK million)				
Cash and cash equivalents at the beginning of the period	157	93	93	506	–
Net cash from operating activities before changes in working capital	507	255	248	360	28
Net cash from/(used in) from changes in working capital	37	(356)	(408)	150	507
Net cash from/(used in) operating activities	544	(102)	(161)	510	536
Net cash used in investing activities	(5,980)	(1,905)	(2,249)	(12,973)	(6,502)
Net cash from financing activities	13,808	2,056	2,473	12,049	6,473
Net cash flows for the period	8,372	49	64	(414)	506
Net foreign exchange difference	3	1	(0)	(0)	–
Net increase/(decrease) in cash and cash equivalents	8,375	50	64	(414)	506
Cash and cash equivalents at the end of the period	8,532	143	157	93	506

Cash flows from/(used in) operating activities

SBB's net cash flows from/(used in) operating activities comprise the Group's cash flow from its property management activities adjusted for depreciation, net financial items, net interest and income tax paid, and net of the movements in working capital.

Net cash inflows from operating activities for the nine months ended 30 September 2019 were SEK 544 million, compared to net cash outflows used in operating activities of SEK 102 million for the nine months ended 30 September 2018. The net increase in cash from operating activities before changes in working capital for the nine months ended 30 September 2019 was compounded by an increase in working capital for the period.

Net cash outflows used in operating activities for the year ended 31 December 2018 were SEK 161 million, compared to net cash inflows from operating activities of SEK 510 million for the year ended 31 December 2017. The net decrease in cash from operating activities before changes in working capital for the year ended 31 December 2018 was compounded by a reduction in working capital for the period.

Net cash inflows from operating activities for the year ended 31 December 2017 were SEK 510 million, compared to net cash inflows from operating activities of SEK 536 million for the period from 2 March 2016 to 31 December 2016. The net increase in cash from operating activities before changes in working capital for the year ended 31 December 2017 was compounded by an increase in working capital for the period.

Cash flows used in investing activities

Net cash outflows used in investing activities for the nine months ended 30 September 2019 were SEK 5,980 million and principally reflected investments in property.

OPERATING AND FINANCIAL REVIEW

Net cash outflows used in investing activities for the year ended 31 December 2018 were SEK 2,249 million and principally reflected investments in property and changes in receivables from associated companies/joint ventures.

Net cash outflows used in investing activities for the year ended 31 December 2017 were SEK 12,973 million and principally reflected investments in property.

Net cash outflows used in investing activities for the period from 2 March 2016 to 31 December 2016 were SEK 6,502 million and principally reflected investments in property.

Cash flows from financing activities

Net cash inflows from financing activities for the nine months ended 30 September 2019 were SEK 13,808 million and principally reflected the issuance of shares, the issuance of hybrid bonds and the incurrence of new loans, which were partially offset by dividend payments, the redemption of minority shares and amortization of loans.

Net cash inflows from financing activities for the year ended 31 December 2018 were SEK 2,473 million and principally reflected the issuance of shares, the issuance of hybrid bonds and the incurrence of new loans, which were partially offset by dividend payments, the redemption of certain securities and the amortization of loans.

Net cash inflows from financing activities for the year ended 31 December 2017 were SEK 12,049 million and principally reflected the issuance of shares, the issuance of hybrid bonds, the acquisition of minority shares and the incurrence of new loans, which were partially offset by dividend payments and the amortization of loans.

Net cash inflows from financing activities for the period from 2 March 2016 to 31 December 2016 were SEK 6,473 million and principally reflected new issues of equity, the incurrence of new loans and contributions and loans from shareholders, which were partially offset by the amortization of loans.

Capital Expenditures

The Group's capital expenditures mainly consist of investments in properties, including acquiring properties and property companies, as well as capital expenditures to renovate property and for ongoing long-term maintenance of properties in the Group's property portfolio. The following table shows the Group's historical capital expenditures.

	For the nine months ended 30 September		For the year ended 31 December		For the period from 2 March to 31 December
	2019	2018	2018	2017	2016
	<i>(unaudited)</i>		<i>(SEK million)</i>		
Acquisitions	9,595	2,370	3,597	13,470	6,806
Renovations	474	214	311	209	27
Maintenance	78	65	100	62	18
Total capital expenditures	10,147	2,649	4,008	13,741	6,851

SBB is continually making investments in existing properties, mainly for the renovation of units and tenant adaptations in other properties.

Acquisitions

Acquisition expenditures for the nine months ended 30 September 2019 were SEK 9,595 million, an increase of SEK 7,225 million, or 304.9 percent, compared to SEK 2,370 million for the nine months ended 30 September 2018. This was principally as a result of an increase in the number of the Group's transactions and the acquisition of more properties.

Acquisition expenditures for the year ended 31 December 2018 were SEK 3,597 million, a decrease of SEK 9,873 million, or 73.3 percent, compared to SEK 13,470 million for the year ended 31 December 2017. This was principally as a result of fewer properties being purchased by the Group in 2018.

Acquisition expenditures for the year ended 31 December 2017 were SEK 13,470 million, an increase of SEK 6,664 million, or 97.9 percent, compared to SEK 6,806 million for the period from 2 March 2016 through 31 December 2016. This was principally as a result of an increase in the number of the Group's transactions and the acquisition of more properties.

Renovation costs

Renovation costs for the nine months ended 30 September 2019 were SEK 474 million, an increase of SEK 260 million, or 121.5 percent, compared to SEK 214 million for the nine months ended 30 September 2018. This was principally as a result of an increase in the number of renovations carried out by the Group.

OPERATING AND FINANCIAL REVIEW

Renovation costs for the year ended 31 December 2018 were SEK 311 million, an increase of SEK 102 million, or 48.8 percent, compared to SEK 209 million for the year ended 31 December 2017. This was principally as a result of an increase in the number of apartments renovated from 138 apartments in 2017 to 415 apartments in 2018.

Renovation costs for the year ended 31 December 2017 were SEK 209 million, an increase of SEK 182 million, or 674.1 percent, compared to SEK 27 million for the period from 2 March 2016 through 31 December 2016. This was principally as a result of an increase in the number of renovations carried out by the Group.

Maintenance

Maintenance costs for the nine months ended 30 September 2019 were SEK 78 million, an increase of SEK 13 million, or 20.0 percent, compared to SEK 65 million for the nine months ended 30 September 2018. This was principally as a result of an increase in the size of the Group's portfolio.

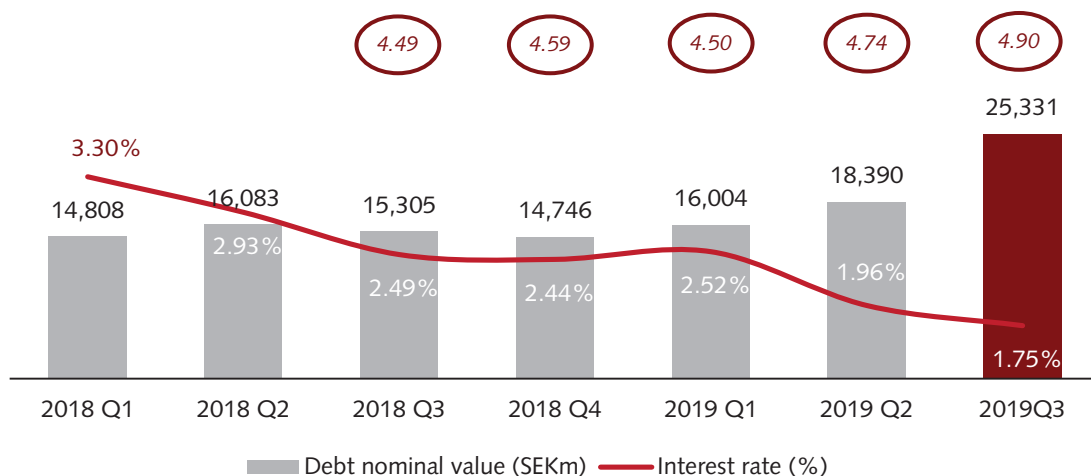
Maintenance costs for the year ended 31 December 2018 were SEK 100 million, an increase of SEK 38 million, or 61.3 percent, compared to SEK 62 million for the nine months ended 30 September 2018. This was principally as a result of the increased size of the Group's portfolio over much of the year.

Maintenance costs for the year ended 31 December 2017 were SEK 62 million, an increase of SEK 44 million, or 244.4 percent, compared to SEK 18 million for the period from 2 March 2016 through 31 December 2016. This was principally as a result of an increase in the size of the Group's portfolio.

Indebtedness

The Group has substantial indebtedness comprising bank loans in SEK and NOK, unsecured bonds in SEK and EUR, secured bonds in SEK and NOK and commercial paper in SEK and EUR. As of 30 September 2019, the Group's interest-bearing liabilities were SEK 25,331 million and the Group had 4.9 years weighted average maturity (including commercial paper) and a 1.75 percent weighted average cost of debt.

The graphic below shows the evolution of the nominal value of the Group's debt along with the weighted average maturity and weighted average cost of debt at the end of each quarter since the first quarter of 2018.



Bank loans

As of 30 September 2019, the Group had SEK 5,770 million of outstanding bank loans. The Group's loan portfolio is divided among 10 credit institutions, primarily Nordic commercial banks. As of 30 September 2019, the Group had SEK 4,248 million of borrowing capacity under its various back-up-facilities.

Bonds

As of 30 September 2019, the Group had SEK 17,883 million of outstanding bonds. The following tables show the Group's listed bonds as of 30 September 2019, including information about whether the bonds are secured, classified as green bonds or issued under the Group established a EUR 2,500 million multi-currency Euro Medium Term Note Programme (the "EMTN Programme").

OPERATING AND FINANCIAL REVIEW

Term	Amount Issued (SEK millions)	Amount Repurchased by SBB (SEK millions)	Interest Rate	Base Interest Rate Floor	Maturity Date	ISIN	Comment
2018-2021	750	167	Stibor 3M + 3.90%	Yes	29/01/2021	SE0010414581	
2018-2019	300	277	2.90%	No	20/12/2019	SE0010869123	
2018-2021	474	120	Stibor 3M + 3.65%	Yes	17/05/2021	SE0010985713	
2017-2020	1,500	1,430	Stibor 3M + 6.00%	Yes	06/04/2020	SE0009805468	
2018-2022	1,000	580	Stibor 3M + 3.60%	No	03/10/2022	SE0011725514	
2019-2024	500	–	Stibor 3M + 3.30%	No	14/02/2024	SE0012256741	Green
2019-2024	200	–	Stibor 3M + 3.25%	No	19/02/2024	SE0012313245	
2018-HYB	1,200	–	Stibor 3M + 6.35%	No	Hybrid	SE0011642776	
2017-HYB	1,000	300	Stibor 3M + 7.00%	Yes	Hybrid	SE0010414599	
2019-2025	600	–	Stibor 3M + 1.90%	No	14/01/2025	XS1997252975	EMTN Programme
2019-2023	200	–	Stibor 3M + 1.40%	No	22/05/2023	XS2000538699	EMTN Programme
2016-2021	683	–	Stibor 3M + 1.85%	Yes	23/12/2021	NO963342664	Secured
2019-2022	500	–	Stibor 3M + 1.20%	No	22/07/2022	XS2021634675	Green, EMTN Programme
2019-2021	1,400	–	Stibor 3M + 0.93%	No	05/07/2021	XS2022418243	EMTN Programme
2019-2023	500	–	Stibor 3M + 1.15%	No	06/09/2023	XS2050862262	Green

Term	Amount Issued (EUR millions)	Amount Repurchased by SBB (EUR millions)	Interest Rate	Base Interest Rate Floor	Maturity Date	ISIN	Comment
2019-HYB	300	–	4.63%	No	Hybrid	XS1974894138	
2019-2025	550	3	1.75%	No	14/01/2025	XS1993969515	EMTN Programme
2019-2026	500	–	1.13%	No	04/09/2026	XS2049823680	EMTN Programme

Term	Amount Issued (NOK millions)	Amount Repurchased by SBB (NOK millions)	Interest Rate	Base Interest Rate Floor	Maturity Date	ISIN	Comment
2016-2023	620	–	3,00%	No	01/11/2023	NO0010777683	Secured

Commercial paper

In May 2018, the Group established a SEK 2,000 million commercial paper program (the “SEK CP Program”) arranged by Swedbank and in June 2019, the SEK CP Program limit was increased to SEK 4,000 million. In July 2018, the Group established a EUR 200 million commercial paper program (the “EUR CP Program”) arranged by Swedbank AB (publ) filial i Finland. As of 30 September 2019, the Group had SEK 1,728 million of outstanding commercial paper, comprising SEK 1,030 million outstanding under the SEK CP Program and the EUR 66.5 million (SEK 698 million) outstanding under the EUR CP Program.

Debt Maturity Structure

The following table shows the maturity profile of the Group’s financial obligations, excluding commercial paper, as of 30 September 2019.

Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
(SEK millions)						
232	2,522	4,201	2,097	2,108	12,566	23,726

The following table shows the maturity profile of the Group’s financial obligations, including commercial paper, as of 30 September 2019.

Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years	Total
(SEK millions)						
1,960	2,522	4,201	2,097	2,108	12,566	25,457

OPERATING AND FINANCIAL REVIEW

Off-balance sheet arrangements

As of 30 September 2019, the Group did not have any off-balance sheet arrangements.

8. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET EXPOSURE

The Group's management of market risk (including liquidity risk, financing risk, credit risk and interest rate risk) is described in note 22 (*Financial risks*) of the Group's consolidated financial statements included in Historical Financial Information.

9. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

The Group's critical accounting policies are set out in note 1 (*Significant accounting principles*) and the Group's significant accounting judgements, estimates and assumptions are set out in note 3 (*Significant estimates and assessments*) of the Group's consolidated financial statements included in Historical Financial Information.

CAPITALISATION AND INDEBTEDNESS

For further information on the Group's capital structure and indebtedness see "*Operating and Financial Review – Liquidity and Capital Resources*". See the section "*Shares and Share Capital*" for further information about the Company's share capital and shares.

1. CAPITALISATION

The tables in this section show the Company's capitalisation at the Group level as of 30 September 2019.

The Company is financed by equity, interest-bearing liabilities and other liabilities. The interest-bearing liabilities consist of liabilities to credit institutions, bonds and commercial papers. As of 30 September 2019, the total interest-bearing liabilities amounted to SEK 25,331 million, of which SEK 5,770 million was liabilities to credit institutions, SEK 17,833 million was in bonds and SEK 1,728 million in commercial papers. As of 30 September 2019, the Company's loan-to-value ratio was 38.4 percent. The Company's equity, excluding retained earnings and indebtedness, as of 30 September 2019 is presented in the tables below. Interim liabilities and deferred tax are not shown in the tables below. The liabilities in the tables below consist of both interest-bearing and non-interest-bearing liabilities.

SEK MILLION	As of 30 September 2019
Current financial liabilities	2,415
Guaranteed or secured	–
Secured ¹	135
Not guaranteed or secured	2,280
Non-current financial liabilities	23,686
Guaranteed or secured	–
Secured ²	6,991
Not guaranteed or secured	16,695
Total financial liabilities	26,101
Equity	
Share capital	83
Other capital contributions	5,302
Other equity incl. net profit for the year	10,555
Total equity	15,940

1 Security for property mortgages and shares in group companies.

2 Security for property mortgages and shares in group companies.

CAPITALISATION AND INDEBTEDNESS

2. INDEBTEDNESS

The table below sets out the Company's unaudited indebtedness as of 30 September 2019 and has been extracted without material adjustment from the Company's accounting records. This table should be read together with the Historical Financial Information.

SEK MILLION	As of 30 September 2019
(A) Cash	–
(B) Cash and cash equivalents	8,532
(C) Readily realizable securities	1,094
(D) Liquidity (A)+(B)+(C)	9,626
(E) Current receivables	525
(F) Short-term bank loans	117
(G) Current portion of non-current liabilities	18
(H) Other current liabilities	2,280
(I) Current liabilities (F)+(G)+(H)	2,415
(J) Net current liabilities (I)-(E)-(D)	(7,736)
(K) Long-term bank loans	5,636
(L) Bonds issued	17,763
(M) Other long-term loans	288
(N) Non-current liabilities (K)+(L)+(M)	23,686
(O) Net indebtedness (J)+(N)	15,950

CORPORATE GOVERNANCE

1. BOARD

The Company's Board consists of seven ordinary members, including the chairman of the Board, with no deputy members of the Board, all of whom are elected for the period up until the end of the annual general meeting in 2020. The table below shows the members of the Board, when they were first elected and whether or not they are considered to be independent of the Company and/or the Company's major shareholders. In this context, major shareholders are defined as controlling, directly or indirectly, at least ten percent of the shares or votes in the Company. If a company owns more than 50 percent of the shares, ownership interest or votes in another company, the former is regarded as having indirect control of the latter company's ownership in other companies.

Name	Position	Member since	Independent of	
			The Company and executive management	The major shareholders
Lennart Schuss	Chairman	2017	Yes	Yes
Ilija Batljan	Board member and CEO	2017	No	No
Sven-Olof Johansson	Board member	2017	Yes	Yes
Fredrik Svensson	Board member	2018	Yes	No
Hans Runesten	Board member	2014*	Yes	Yes
Eva Swartz Grimaldi	Board member	2017	Yes	Yes
Anne-Grete Strøm-Erichsen	Board member	2017	Yes	Yes

* Hans Runesten was also a member of the Board of Directors in relation to the previous business, which was conducted under the company name Effnetplattformen AB (publ) and related to advanced digital communication and investment.

LENNART SCHUSS

Born 1954. Chairman of the Board since 2017, chairman of the audit committee and member of the remuneration committee.	
<i>Education:</i>	B.A. in Economics from Stockholm School of Economics.
<i>Other current assignments:</i>	Member of the board of directors of Brasil Development AB, Briot AB and Skoga Invest AS. Deputy member of the board of Stranden Fastigheter AB and a number of subsidiaries in the Group. Advisor to Genesta Fastighetsfonder and chairman of the Swedish Society of Friends of the Weizmann Institute of Science.
<i>Previous assignments (last five years):</i>	Chairman of the board in Judiska Församlingen i Stockholm Service Aktiebolag and a number of subsidiaries in the Group. Member of the board of directors of Widia Aktiebolag, IB Gångsta Holding AB, IB Härsta 1 AB, IB Härsta 2 AB and a number of subsidiaries in the Group. Deputy member of the board of ST Bostäder AB, TTF Invest AB, Westerlingska Gården AB, SP Skölden 1 AB, Fastighets AB Idbäcken, Eskilstunafastigheter III AB, Kajsarporten Fastighets AB, NF Järnhandlaren AB, Vinterklasen Kastanjen AB, Valerum Brovakten AB, Gimmel Hästen AB, Lingonet i Västervik Fastighetsaktiebolag, Härsta Västland Förvaltning AB, Korsaröds Fastighets AB, Fastighetsbolaget Broberg i Söderhamn AB, Bergrick Rickomberga AB, Bergrick Bostäder AB, Vinterklasen Ek9 AB, Vinterklasen Liljan AB, Vinterklasen Sippan AB, Kvarnfastighet 33:2 i Uppsala AB, Klövern Skärgårdsgatan AB, Bergrick Bostadsrätter AB, SHSVBIO 13 AB, Högkullen Akvarell AB, Fastighets AB Båstad Lyckebacken 2, MI Andersson Sanden AB, ADR Fastighet Nyköping 1 AB, Visby Nunnan 1 AB, Wegaf klippan Apollo 15 AB and a number of subsidiaries in the Group.
<i>Shareholding in the Company (incl. any shares held by related parties):</i>	Yes. For more details refer to "Shares and Share Capital – Ownership Structure".

CORPORATE GOVERNANCE

ILIJA BATLIJAN

Born 1967. Member of the Board and CEO since 2017.	
Education:	Ph.D. in demography and planning for elderly care, Stockholm University. Bachelor of Economics, Stockholm University.
Other current assignments:	Chairman of the board of Cryptzone Research & Development Aktiebolag, Cryptzone Group AB, Cryptzone Digital AB and a number of subsidiaries in the Group. Member of the board of Used A Porter International AB, Health Runner AB, Ilija Batljan Invest Kristianstad Fastigheter AB, Ilija Batljan Invest AB, Ilija Batljan Invest Kristianstad AB and a number of subsidiaries in the Group.
Previous assignments (last five years):	Chairman of the board of Alkärrsplan Aktiebolag, Cryptzone International Aktiebolag, Appload AB, Nynäshamn Offshore AB, Sidöparken AB, Rikshem Fastighetsutveckling AB, Vinterklasen Kastanjen AB, Folkhem Trä AB, Dalafast Mariabacken2 AB and a number of subsidiaries in the Group. Board member of Rikshem Pålshö AB, Rikshem Bostäder Kalmar AB, Rikshem Polarhus AB, Rikshem Fjärilshuset AB, Rikshem Enheten AB, Rikshem Nordan AB, Folkhem Produktion Aktiebolag, Doro Care AB, Rikshem Östkalmar AB, Värmdöbostäder Aktiebolag, Rikshem Kalmarcentrum AB, TargetEveryOne AB (publ), Rikshem Fågeln AB, BoViva Aktiebolag, FD Jorden AB, Rikshem Planteringen AB, Broskeppet Försommaren AB, Broskeppet Sannegård AB, Rikshem Helsingborg AB, Jorden Solskensparken AB, Rikshem Brandstoden AB, Phoniro AB, Rikshem Bikupan AB, Rikshem Högaborg AB, Rikshem Västerås Samhold AB, Rikshem Västerås Servicehus AB, Rikshem Umeå Samhold AB, Rikshem Norrköping Samhold AB, Rikshem Sundsvall Samhold AB, Gimmel Bostäder i Sundsvall AB, Rikshem Fålhagen AB, Rikshem Öresund Holding AB, Rikshem Borgskölden AB, Rikshem Borgs AB, Rikshem Norrköping AB, Rikshem Malm AB, Flowshape Technology AB (Publ), Rikshem Hackspett AB, Westerlingskagården AB, Rikshem Segelbåten AB, Rikshem Pokalen AB, Rikshem Sävja AB, Rikshem Cityfastigheter AB, Rikshem Daldockan AB, Steninge Backe i Sigtuna AB, Rikshem Rådgivaren AB, Rikshem Söderfuran AB, Rikshem Skorpionen AB, Rikshem Hasseln AB, SP Skölden 1 AB, Rikshem Västerås Delägare AB, Rikshem Blombacka AB, Rikshem Delägare AB, Rikshem Attika AB, Rikshem Bostäder Holding AB, Rikshem Samhold AB, Rikshem Bostäder Uppsala AB, Rikshem Samfast Västerås AB, Fastighets AB Idbäcken, Rikshem Sigtuna Vårdfast AB, Eskilstunafastigheter III AB, Rikshem Samfast Knivsta AB, Rikshem Samfast Halmstad AB, Rikshem Sigtuna Samhold AB, Rikshem Bostäder Blå AB, Mejeriparken Knivsta AB, Rikshem Valsta AB, Rikshem Skolfastigheter AB, Rikshem Ljuset AB, Rikshem Läringsplatsen AB, Rikshem Östergötland 1 AB, Rikshem Vit AB, Rikshem Långsjöbo AB, Victoria Park Nyköping Bostäder AB, Rikshem Östergötland 2 AB, Rikshem Skåne Holding AB, Kajsarporten Fastighets AB, Rikshem Skåne Delägare AB, Wallenstam Gränby 9:6 AB, Rikshem Stopet AB, Rikshem Idrottsplatsen AB, Rikshem Kantorn AB, Rikshem Stattena AB, Rikshem Elineberg AB, Rikshem Bålgetingen AB, Rikshem Gärdeskvärnen Utveckling AB, Rikshem Omsorgsfastigheter 2 AB, Rikshem Omsorgsfastigheter 1 AB, Viken Stubben AB, Rikshem Ale AB, Rikshem Balgripen AB, SP Tillbringaren 2 AB, Rikshem Makaren AB, Valsta Bostad 2 AB, Valsta Bostad 1 AB, Kistaklippans Fastighets AB, BroGripen Sonetten Förvaltning AB, Rikshem Lila AB, Rikshem Gul AB, Rikshem BRF-ägare 2 AB, Rikshem BRF-ägare 3 AB, Rikshem Lägenheter AB, Rikshem BRF-ägare 1 AB, Rikshem BRF-utveckling AB, Lingonet i Västervik Fastighetsaktiebolag, Valsta Bostad 5 AB, Valsta Bostad 3 AB, Korsaröds Fastighets AB, Farsta Intressenter AB, Vinterklasen Ek9 AB, Vinterklasen Liljan AB, Vinterklasen Sippan AB, Kvarnfastighet 33:2 i Uppsala AB, Klöver Skärgårdsgatan AB, SHSVBIO 13 AB, Högkullen Akvarell AB, Fastighets AB Båstad Lyckebacken 2, MI Andersson Sanden AB, ADR Fastighet Nyköping 1 AB, Visby Nunnan 1 AB, Wegaf klippan Apollo 15 AB, Rikshem Kapellet 18 Ekonomisk förening, Rikshem Helsingborg Ekonomisk förening and a number of subsidiaries in the Group. Deputy member of the board of Nya Valsta Centrum AB, Valsta Bostad 6 AB and Valsta Bostad 4 AB. External CEO of Rikshem AB (publ).
Shareholding in the Company (incl. any shares held by related parties):	Yes. For more details refer to “Shares and Share Capital – Ownership Structure”.

SVEN-OLOF JOHANSSON

Born 1945. Member of the Board since 2017 and member of the audit committee.	
Education:	Master's degree in political science from Stockholm University and Stockholm School of Economics
Other current assignments:	<p>Chairman of the board of Gaudemus AB, Deamatrix Förvaltning Aktiebolag, FastProp Gävle AB, FastProp Holding AB, Xenella Holding AB, Centralparken Täby III AB, Centralparken Täby IV AB and Slättö Fastpartner Spånga AB.</p> <p>Member of the board of Kebarco AB, Autoropa Aktiebolag, Storheden Invest AB, STC Interfinans Aktiebolag, Batteriet Hus AB, Landeriet Förvaltning AB, Fastpartner Årsta 76:2 AB, Standard Fastighet i Märsta AB, Landeriet 14 AB, Fredriksten Fastighet AB, Märsta Centrum AB, Robarco AB, Anbarco Bilinvest AB, Partnerfastigheter NF AB, Batteriet Fastighetsförvaltning AB, Profundo AB, Landeriet Fastighet AB, Fastighetspartner Täby AB, Fastighetspartner Amplus AB, Fastighetspartner Hallstahammar AB, Fastighetspartner Norrköping AB, Hjulsbro Byggtjänst AB, Cabinjo Holding AB, Colonia Fastighet AB, FastPartner Expansion AB, Ranchen.com Tobo Gärd AB, H.J. Catering AB, Landeriet-Gruppens Hyresredovisning AB, Compactor Fastigheter AB, FastPartner Mälarporten AB, Batteriet Centrumhus AB, Västsvenska Hotellfastigheter AB, Svenska Stadshotell AB, Fastpartner Bagaren 7 AB, Nordpartner Aktiebolag, Fastpartner Humlet AB, VATELUS AB, FastPartner Frihamnen AB, FastPartner Tech Center AB, Fastighetspartner Globen AB, FastPartner Sätessdalen 2 AB, Fastpartner Hammarby-Smedby 1:454 AB, Fastpartner Hammarby-Smedby 1:461 AB, Fastighetspartner Avaström Holding AB, FastPartner Syllen 4 AB, Fastighetspartner AB Drillsnäppan, Fastighetspartner Skolfastigheter AB, FastPartner Västerbotten 19 AB, Fastpartner Märsta 24:4 AB, FastPartner Ekplantan 2 AB, FastPartner Centrum 13 AB, FastPartner Ritmallen 1 AB, Fastighetspartner Lunda AB, Fastighetspartner Knivsta-AR AB, Adam Care AB, Hotell Larmvall AB, Fastighets AB Bomullsspinneriet, Vexillum Duo AB, Fastighetspartner Bromma AB, Vallentuna Centrum AB, FastPartner Solna One AB, VATELLUS Holding AB, Vallentuna 1:7 AB, Vallentuna Prästgård 1:130 AB, Vallentuna 1:474 AB, Sättra Hälsofastigheter AB, FastPartner Högsbo 27:6 AB, FastPartner Mälardalen AB, FastPartner Sporen 4 AB, SRU Intressenter AB, Gävle Näringen 22:2 AB, FastPartner Haninge AB, Vinsta Stenskräve AB, FastPartner Hässelby AB, FastPartner Rinkeby AB, FastPartner Älvsjö AB, FastPartner Tensta AB, FastPartner Bredäng AB, FastPartner Brynäs 124:3 AB, FastPartner Hemsta 9:4 AB, FastPartner Fastigheter Märsta AB, FastPartner Hammarby-Smedby AB, Vallentuna 1:472 AB, Fastighetsbolaget Oljan 2 i Täby AB, Fastighets AB Krejfast, FastPartner Brista AB, FastPartner Märsta Kontor AB, Fastighets AB Repslagaregatan, Fast Real AB, Märsta 1:198 AB, FastPartner Bredden AB, FastPartner Luntmakargatan 22-34 AB, Fastpartner Valbo-Backa 6:13 AB, FastPartner Alingsås-Ulricehamn AB, Autoropa Holding AB, FastPartner Västra Hindbyvägen 12 AB, FastPartner Mälaren 14 AB, FastPartner Kärra 78:3 AB, FastPartner Aga 2 AB, FastPartner Fagerstagatan 21 AB, One Network Of Holding AB, One Network Of Concept AB, Fastpartner Uppfinnaren 1 AB, FastPartner Biskopsgården 46:4 AB, FastPartner Slakthuset 21 AB, FastPartner Slakthuset 20 AB, FastPartner Importen 3 AB, FastPartner Slakthuset 18 AB, FastPartner Slakthuset 19 AB, FastPartner Slakthuset 22 AB, Tartt Förvaltning AB, Fastpartner Kostern 11 AB, FastPartner Sjöstugan 1 AB, FastPartner Pooc AB, Fastpartner Karis 4 AB, Fastpartner Karis 3 AB, FastPartner Ekenäs 4 AB, FastPartner Ekenäs 3 AB, FastPartner Ekenäs 2 AB, FastPartner Ekenäs 1 AB, FastPartner Bolmensvägen AB, FastPartner Gustav 1F AB, FastPartner Gustav 1B AB, FastPartner Gustav 1 AB, FastPartner Gustav 1C AB, FastPartner Gustav 1D AB, FastPartner Gustav 1E AB, FastPartner Bromsten Holding II AB, FastPartner Bromsten Holding I AB, FastPartner Bosgården 1:32 AB, FastPartner Sättra Skolfastigheter AB, Fastpartner Kungsängen 40:1 AB, Fastpartner Flyggodset AB and Fastpartner Reläet 8 AB.</p> <p>Deputy member of the board of Colinasverdes AB, Henrik and Sven-Olof Fastigheter AB and Centralparken Holding AB.</p>
Previous assignments (last five years):	<p>Chairman of the board of Heimstaden Geflefastigheter AB, Centralparken Täby II AB and Centralparken Täby I AB.</p> <p>Member of the board of NCC Aktiebolag, Batteriet Fastigheter AB, Fastighets AB Solrenen, Fastighetspartner Bromsten AB, CareDx International AB, Mio Fastigheter i Tibro AB, Rinkebyvägen 11 Fastighets AB, Fastighets AB R 7:176, Gunhild 5 A ekonomisk förening, Gunhild 5 B ekonomisk förening, Gunhild 5 C ekonomisk förening and Gunhild 5 D ekonomisk förening.</p> <p>Limited partner of Hallsta Förvaltnings Kommanditbolag.</p>
Shareholding in the Company (incl. any shares held by related parties):	Yes. For more details refer to "Shares and Share Capital – Ownership Structure".

CORPORATE GOVERNANCE

FREDRIK SVENSSON

Born 1961. Member of the Board since 2018 and member of the audit committee.	
<i>Education:</i>	M.B.A. from Linköping University.
<i>Other current assignments:</i>	<p>Chairman of the board of Rocklunda Fastigheter Aktiebolag, Industritekniska Gymnasiet Bergslagen AB, Arvid Svensson Invest AB, Fastighetsaktiebolaget Femur AB, Arosmotets Bostadsfastigheter AB, KFAS Fastigheter i Västerås AB, Fastighetsaktiebolaget Femur 2, EMIRIT i Västerås AB, Anund Fastighets AB, Fridnäs 2:1 AB and SVKA Holding i Västerås AB.</p> <p>Member of the board of Aktiebolaget Arvid Svensson, Fastighets AB Balder, Aktiebolaget Axel Sundströms Järnhandel, Fagerblads Frank Aktiebolag, ASCA Förvaltnings AB, Vretvägens Fastighets AB, Aston Carlsson AB, Arvid Svensson Fastigheter Aktiebolag, Arvid Svensson Förvaltnings AB, Allmogekulturen i Västerås AB, Arvid Svensson Cityfastigheter AB, Svanå Bruk & Säteri AB, ASE Media AB, Savana Stockholm AB, AB Venarv, Lås & Larmteknik Europe AB, Mirino AB, AB Tenzing, Youth Entrepreneurship Togetherness Innovation Holding AB, Svensk Markförvaltning AB, Ektorp Holding AB, Högantorp Holding AB, Albyäng Holding AB and Fastighets AB Vintertullstorget.</p> <p>Deputy member of the board of Celeritas Fastigheter AB.</p>
<i>Previous assignments (last five years):</i>	<p>Chairman of the board of Klöver AB, Linnégatan 18 Investment AB, Primelog Holding AB, Lahti Fastighetsutveckling AB, Fastighetsbolaget JF1 AB and a number of subsidiaries in the Group.</p> <p>Member of the board of Alba Take Care Nr 831 AB and Fastighets AB Fatbursholmen.</p>
<i>Shareholding in the Company (incl. any shares held by related parties):</i>	Yes. For more details refer to “ <i>Shares and Share Capital – Ownership Structure</i> ”.

HANS RUNESTEN

Born 1956. Member of the Board since 2014 and member of the audit committee.	
<i>Education:</i>	M.B.A. from Stockholm University.
<i>Other current assignments:</i>	<p>Chairman of the board of Effnet AB, Effnetplattformen AB (publ), Twicebasic AB and Scan Baltic Ltd.</p> <p>Member of the board of Ironbridge AB.</p>
<i>Previous assignments (last five years):</i>	<p>Chairman of the board of Winzent Technologies AB, Goldblue AB (publ), Axxonen Holding AB (publ) and Earners Alliance Holding AB (publ).</p> <p>Member of the board of Stendörren Fastigheter AB.</p>
<i>Shareholding in the Company (incl. any shares held by related parties):</i>	Yes. For more details refer to “ <i>Shares and Share Capital – Ownership Structure</i> ”.

EWA SWARTZ GRIMALDI

Born 1956. Member of the Board since 2017, chairman of the remuneration committee and member of the audit committee.	
<i>Education:</i>	Bachelor’s degree in Languages (Italian, Spanish and French) as well as from Kulturvetarlinjen.
<i>Other current assignments:</i>	<p>Chairman of the board of Norstedts Förlagsgrupp AB, Michael Berglund AB, Doberman AB, Eva Swartz Grimaldi Consulting AB, Doberman Group AB and Efevevmimanisa AB.</p> <p>Member of the board of Richard Swartz AB och Storytel AB (publ).</p> <p>Member of the board of Stockholm University, Stockholm Concert Hall, Forget Foundation and Royal Patriotic Society.</p>
<i>Previous assignments (last five years):</i>	<p>Member of the board of Bianchi Café & Cycles Västerås AB.</p> <p>External CEO of Bianchi Café & Cycles Sverige AB.</p>
<i>Shareholding in the Company (incl. any shares held by related parties):</i>	Yes. For more details refer to “ <i>Shares and Share Capital – Ownership Structure</i> ”.

ANNE-GRETE STRØM-ERICHSEN

Born 1949. Member of the Board since 2017 and member of the audit committee.	
<i>Education:</i>	B.A. i Computer Science från Bergen Technical School (University of Bergen), South Dakota School of Mines & Technology 1980-1981.
<i>Other current assignments:</i>	Chairman of the board of the [Norwegian Atlantic Committee, Bergen og Omland Havn and DIP AS. Member of the board of Kongsberg Gruppen ASA, Carte Blanche AS, and Tankesmien Agenda AS.
<i>Previous assignments (last five years):</i>	Partner at Rud Pedersen Public Affairs Norge AS Chairman of the Board of Arbeidssamvirkenes Landsforening, Board member of Nord Hordlang Helsehus and deputy chairman of the board of the Norwegian Brain Council. A number of political assignments, including minister of defense and minister of health in the Norwegian government.
<i>Shareholding in the Company (incl. any shares held by related parties):</i>	No holdings in the Company.

2. EXECUTIVE MANAGEMENT TEAM**ILIJA BATLIJAN**

Born 1967. Member of the Board and CEO since 2017.

For further details, see “– Board” above.

LARS THAGESSON

Born 1959. Deputy CEO and COO since 2018.	
<i>Education:</i>	9 years of elementary school.
<i>Other current assignments:</i>	Chairman of the board of Seglora Fastighets AB, Arctic Forest Development AB, Nordic Forest Development AB, Hammars Markentreprenad i Jönköping AB, Solhemmet Samhällsfastigheter AB, BRN Fastigheter 1 AB, BRN Fastigheter 2 AB and BRN Fastigheter 3 AB. Member of the board of Trenäs Förvaltning AB, Smart Parkering Sverige AB, Djurgårdsblicken AB, Tagesson & söner Fastighets AB, Hagabacken Förvaltnings AB, Skomakargatan 13 Invest AB and Valerum Fastighets AB. Deputy member of the board of Seglora Invest AB, Tyghuset i Taberg Aktiebolag, Örnén Vänern AB and Tabergsdalens Invest AB. CEO of Karlbergsvägen 77 Fastighets AB
<i>Previous assignments (last five years):</i>	Chairman of the board of Villa Culmen Strängnäs AB, Culmen Strängnäs II AB and Söderport Göta AB. Member of the board of Nyda Aktiebolag, Nilam & Co AB, Slussmäklarna AB, Termino C 1498 AB, Seminariet 8 AB and Projekt Gnistan 1 AB. Deputy member of the board of Nyfosa Armaturen 1 Fastighets AB, Ribby Ängar Bostads AB, Ribby Ängar Dotter 1 AB, Ribby Ängar Förvaltning AB, Ribby Ängar Dotter 2 AB and Ribby Ängar Dotter 3 AB.
<i>Shareholding in the Company (incl. any shares held by related parties):</i>	Yes. For more details refer to “Shares and Share Capital – Ownership Structure”.

KRISTER KARLSSON

Born 1970. Deputy CEO and property development director since 2016.	
<i>Education:</i>	Real estate economics from the Royal Institute of Technology, Stockholm University and Uppsala University and law studies at Uppsala University.
<i>Other current assignments:</i>	Chairman of the board, board member and deputy board member of a number of subsidiaries in the Group.

CORPORATE GOVERNANCE

<i>Previous assignments (last five years):</i>	Board member of Nya Valsta Centrum AB, Farsta intressenter AB, Farsta Fastighetsintressenter AB, Farsta Stadsutveckling AB, Larsboda Fastighetsutveckling AB, BCAC Lägenheter AB, BCAC Brf-ägare 1 AB, BCAC Brf-ägare 2 AB, BCAC Brf-ägare 3 AB, BCAC Brf Holding 1 AB, BCAC Brf Holding 2 AB, BCAC Brf Holding 3 AB, BCAC Brf Holding 4 AB, BCAC Brf Fastighet 1 AB, BCAC Brf Fastighet 2 AB, BCAC Brf Fastighet 3 AB, BCAC Brf Fastighet 4 AB, Uppsala Fastighetsprojekt Operatörsbolag AB and a number of subsidiaries in the Group.
<i>Shareholding in the Company (incl. any shares held by related parties):</i>	Yes. For more details refer to “ <i>Shares and Share Capital – Ownership Structure</i> ”.

ROSEL RAGNARSSON

Born 1955. Finance director since 2017.	
<i>Education:</i>	Bachelor of Science in Business and Economics from Uppsala University.
<i>Other current assignments:</i>	Deputy member of the board of Ragnarsson Ekonomikonsult Aktiebolag.
<i>Previous assignments (last five years):</i>	Deputy CEO of Stockholms läns landsting SLL Internfinans AB.
<i>Shareholding in the Company (incl. any shares held by related parties):</i>	Yes. For more details refer to “ <i>Shares and Share Capital – Ownership Structure</i> ”.

EVA-LOTTA STRIDH

Born 1975. CFO since 2016.	
<i>Education:</i>	Bachelor of Science in Business and Economics from Stockholm University.
<i>Other current assignments:</i>	Member of the board of Eva-Lotta Stridh Ekonomikonsult AB and a number of subsidiaries in the Group.
<i>Previous assignments (last five years):</i>	Member of the board of Rikshem Päljö AB, Rikshem Bostäder Kalmar AB, Rikshem Polarhus AB, Rikshem Fjärilshuset AB, Rikshem Enheten AB, Rikshem Nordan AB, Rikshem Östkalmar AB, Rikshem Kalmarcentrum AB, Rikshem Planteringen AB, Broskeppet Försommaren AB Styrelseledamot, Broskeppet Sannegård AB, Broskeppet Försommarparken AB, Jorden Solskensparken AB, Rikshem Brandstoden AB, Rikshem Bikupan AB, JF Helsingborg AB, Rikshem Amerika AB Styrelseledamot, Rikshem Fjärilsvingen AB, Rikshem Munken AB, Rikshem Tunnan AB, Rikshem Helsingborgsmalen AB, Rikshem Imse AB, Rikshem Pigan AB, Rikshem Bockstenen AB, Rikshem Bjärebörren AB, Rikshem Helsingborgsfjärilen AB, Rikshem Stenkronan AB Styrelseledamot, Rikshem Holländaren AB, Rikshem Eneborgen AB, Rikshem Norge AB, Rikshem Furutorp AB, Rikshem Visitören AB Styrelseledamot, Rikshem Goblet AB, Rikshem Västerås Samhold AB, Rikshem Västerås Servicehus AB, Rikshem Umeå Servicehus AB, Rikshem Umeå Samhold AB, Rikshem Norrköping Samhold AB, Rikshem Bärnstenen AB, Rikshem Sundsvall Samhold AB, Gimmel Bostäder i Sundsvall AB, Rikshem Fålhagen AB, Rikshem Öresund Holding AB, Rikshem Borgskölden AB, Rikshem Borgs AB, Rikshem Norrköping AB, Rikshem Malm AB, Rikshem Hackspett AB, Rikshem Segelbåten AB, Rikshem Pokalen AB, Rikshem Sävja AB, Rikshem Cityfastigheter AB, Rikshem Daldockan AB, Steninge Backe i Sigtuna AB, Rikshem Rådgivaren AB, Rikshem Söderfuran AB, Rikshem Fastigheter AB, Rikshem Skorpionen AB, Rikshem Hasseln AB, Rikshem Västerås Delägare AB, Rikshem Blombacka AB, Rikshem Delägare AB, Rikshem Attika AB, Rikshem Bostäder Holding AB, Rikshem Samhold AB, Rikshem Bostäder Uppsala AB, Rikshem Samfast Västerås AB, Rikshem Sigtuna Vårdfast AB, Rikshem Samfast Knivsta AB, Rikshem Samfast Halmstad AB, Rikshem Sigtuna Samhold AB, Rikshem Bostäder Blå A, Mejeriparken Knivsta AB, Rikshem Valsta AB, Rikshem Skolfastigheter AB, Rikshem Ljuset AB, Rikshem Läringsplatsen AB, Rikshem Östergötland 1 AB, Rikshem Vit AB, Rikshem Långsjöbo AB, Victoria Park Nyköping Bostäder AB, Rikshem Östergötland 2 AB, Rikshem
	Skåne Holding AB, Rikshem Skåne Delägare AB, Wallenstam Gränby 9:6 AB, Rikshem Fastighetsutveckling AB, Rikshem Stopet AB, Rikshem Idrottsplatsen AB, Rikshem Kantorn AB, Rikshem Stattena AB, Rikshem Elineberg AB, Rikshem Bålgetingen AB, Rikshem Gärdeskvärnen Utveckling AB, Rikshem Omsorgsfastigheter 2 AB, Rikshem Omsorgsfastigheter 1 AB, Viken Stubben AB, Rikshem Ale AB, Rikshem Balgripen AB, Rikshem Makaren AB, BroGripen Sonetten Förvaltning AB, Rikshem Lila AB, Rikshem Gul AB, Rikshem Brf-ägare 2 AB, Rikshem Brf-ägare 3 AB, Rikshem Lägenheter AB, Rikshem Brf-ägare 1 AB, Rikshem Brf-utveckling AB, Rikshem Kapellet 18 Ekonomisk förening and Rikshem Helsingborg 18 Ekonomisk förening.

CORPORATE GOVERNANCE

Shareholding in the Company (incl. any shares held by related parties):	Yes. For more details refer to “ <i>Shares and Share Capital – Ownership Structure</i> ”.
---	---

OSCAR LEKANDER

Born 1985. Business development director since 2016.	
Education:	Master of Science in Real Estate and Finance from The University of Hong Kong. B.A. in Real Estate and Finance from the Royal Institute of Technology.
Other current assignments:	Member of the board of SBB i Norden AB (publ), Holp Förvaltning AB and a number of subsidiaries in the Group. Deputy board member of a number of subsidiaries in the Group.
Previous assignments (last five years):	Member of the board of Dalafast Mariabacken2 AB, Vinterklasen Kastanjen AB and a number of subsidiaries in the Group. Deputy board member of a number of subsidiaries in the Group.
Shareholding in the Company (incl. any shares held by related parties):	Yes. For more details refer to “ <i>Shares and Share Capital – Ownership Structure</i> ”.

FREDRIK HOLM

Born 1962. Head of Asset Management since 2019.	
Education:	Degree in Engineering from Mälardalens Högskola, Bsc in Economics and Business administration from University of Örebro, Business strategy and real estate development, course, Kth Royal Institute of Technology
Other current assignments:	Member of the board and managing director of AB Hållbar Rörelse Fastighetsutveckling
Previous assignments (last five years):	Member of the board of Rissne 6 AB, Rissne 7 AB, Lokalfastigheter Fastighetsutveckling Rissne nr 2 AB, Lokalfastigheter fastighetsutveckling Centrala Sundbyberg AB, Lokalfastigheter Rissne 1 AB, Balder Muraren AB, Lokalfastigheter Fastighetsutveckling Rissne AB, Lokalfastigheter Rissne 2 AB, Balder Basaren AB, Rissne 3 AB, Rissne 5 AB, Ör 1 AB, Rissne 4 AB, Lokalfastigheter Fastighetsutveckling Ör AB, Lokalfastigheter Fastighetsutveckling Hallonbergen AB, Ör 2 AB, Rissne 8 AB, Rissne 9 AB, Hallonbergen 1 AB, Hallonbergen 2 AB, Hallonbergen 3 AB, Lokalfastigheter Fastighetsutveckling BRF i Sundbyberg AB, Lokalfastigheter Centrala Sundbyberg 4 AB, Förvaltaren Brf i Sundbyberg 3 AB, Förvaltaren Brf i Sundbyberg 2 AB, Förvaltaren Brf i Sundbyberg 1 AB, Bostadsrättsföreningen UH nr 1 and Bostadsrättsföreningen UH nr 2. Owner of F. Holms Ekonomi & Affärskonsult och Handelsbolag Rörelsen i Sverige Managing director of Lokalfastigheter i Sundbyberg AB Deputy managing director of Uppsalahem Aktiebolag, Studentstaden i Uppsala Aktiebolag,
Shareholding in the Company (incl. any shares held by related parties):	Yes. For more details refer to “ <i>Shares and Share Capital – Ownership Structure</i> ”.

ADRIAN WESTMAN

Born 1985. IR-director (consultant) since 2018.	
Education:	Degree in strategic communication and PR from Bergs School of Communication. Studies in business administration and economic history at Stockholm University.
Other current assignments:	Member of the board of SSW Holding AB and Hypoteket Fondförvaltning Sverige AB. Partner of Fogel & Partners i Stockholm AB.
Previous assignments (last five years):	Member of the board of Cheapr Stockholm AB and Insiderfonder AB. IR-director and part of the management team of Instalco Intressenter AB (publ). IR-director of Evolution Gaming Group AB (publ).
Shareholding in the Company (incl. any shares held by related parties):	Yes. For more details refer to “ <i>Shares and Share Capital – Ownership Structure</i> ”.

CORPORATE GOVERNANCE

3. OTHER INFORMATION ON THE BOARD AND THE EXECUTIVE MANAGEMENT TEAM

There are no family ties between any of the members of the Board or executive management.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the Board and executive management of the Company and their private interests and/or other undertakings.

Hans Runesten was a member of the board of Axxonen Holding AB (publ) and Axxonen Properties AB and withdrew from his position less than a year before the companies were declared bankrupt in 2018. Krister Karlsson was a member of the board of Uppsala Fastighetsprojekt FAS 2 AB and Uppsala Fastighetsprojekt Holding AB and withdrew from his position less than a year before the companies were declared bankrupt in 2019.

With the exception of the aforementioned, none of the members of the Board nor any of the members of the executive management has, during the last five years, (i) been sentenced for fraud-related offenses, (ii) represented a company which has been declared bankrupt or filed for liquidation, or been subject to administration under bankruptcy, (iii) been the subject of accusations and/or sanctions by any agency authorised by law or regulation (including approved professional organisations) or (iv) been prohibited by a court of law from being a member of any company's administrative, management or supervisory body or from holding a senior or overarching position in any company.

All members of the Board and the members of the executive management are available at the Company's main office at Strandvägen 1, SE-114 51 Stockholm.

4. EXTERNAL AUDITOR

At the Company's extraordinary general meeting held on 16 January 2017 Ernst & Young Aktiebolag was elected as the Company's auditor for the period up to the end of the annual general meeting in 2017. At Company's the annual general meetings on 27 April 2017, 27 April 2018 and 29 April 2019 Ernst & Young Aktiebolag was elected as the auditor for the period up to the end of the annual general meetings in 2018, 2019 and 2020 respectively. Ingemar Rindstig (born 1949) is the auditor in charge. Ingemar Rindstig is an authorised public accountant and a member of FAR (professional institute for authorised public accountants). Ernst & Young Aktiebolag's office address is Jakobsbergsgatan 24, SE-111 44 Stockholm.

Ernst & Young Aktiebolag, with Ingemar Rindstig as auditor in charge, has been the auditor of SBB i Norden since the period before 16 January 2017 and is covered by the financial information in this Offer Document.

5. GOVERNANCE FRAMEWORK

The Company is a Swedish public limited liability company. Prior to its listing on Nasdaq Stockholm, the Company's corporate governance was based on Swedish law, the Company's own internal rules and instructions, the regulations, rules and recommendations for companies whose shares are listed on Nasdaq First North Premier Growth Market and good practice in the stock market. Since listing on Nasdaq Stockholm the Company complies with Nasdaq Stockholm's Rule Book for Issuers and is subject to the requirement of applying the Swedish Corporate Governance Code (the "**Code**"). Prior to the listing on Nasdaq Stockholm, the Company applied the Code on a voluntary basis. The Company is not obliged to comply with every rule in the Code as the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and the chosen alternative solutions are described and the reasons therefor are explained in the corporate governance report (according to the so-called "comply or explain principle").

Any deviation from the Code will be reported in the Company's corporate governance report. There were no deviations reported in the Company's corporate governance report for the financial year of 2018.

General meeting

According to the Swedish Companies Act (2005:551) (Sw. *aktiebolagslagen*) (the "**Swedish Companies Act**"), the general meeting is the Company's ultimate decision-making body. At the general meeting, the shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the Board and the CEO, election of members of the Board and auditors and remuneration to the Board and the auditors.

The annual general meeting must be held within six months of financial year-end. In addition to the annual general meeting, extraordinary general meetings may be convened. According to the Company's articles of association, general meetings are convened by publishing the convening notice in the Swedish National Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in the Swedish daily newspaper Dagens Nyheter.

Right to participate in general meetings

Shareholders who wish to participate in a general meeting must be included in the general register maintained by Euroclear Sweden on the day falling five workdays prior to the meeting and notify the Company of their participation no later than the date stipulated in the notice convening the meeting. Shareholders may attend the general meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the general meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all Company shares owned or represented by the shareholder.

Shareholder initiatives

Shareholders who wish to have a matter brought before the general meeting must submit a written request to the Board. Such request must normally be received by the Board no later than seven weeks prior to the general meeting.

Nomination committee

Companies applying the Code shall have a nomination committee. According to the Code, the general meeting shall appoint the members of the nomination committee or resolve on procedures for appointing the members. The nomination committee shall, pursuant to the Code, consist of at least three members of which a majority shall be independent in relation to the Company and the Group management. In addition, at least one member of the nomination committee shall be independent from the largest shareholder or group of shareholders acting in concert (in terms of voting rights).

At the Company's annual general meeting held on 29 April 2019 it was resolved that the nomination committee for the annual general meeting in 2020 shall be composed of representatives of the three largest shareholders and the chairman of the Board.

The nomination committee consists of Mia Batljan (chairman), Rikard Svensson, Sven-Olof Johansson and Lennart Schuss.

The nomination committee's term of office ends when a new nomination committee has been appointed. If the shareholder structure changes in a material way after the nomination committee has been appointed, the representatives shall be replaced accordingly. The nomination committee proposes and nominates to the annual general meeting, the chairman and the other members of the Board. The committee also proposes the remuneration to be divided between the chairman of the board directors and the other board members, as well as other remuneration for committee work, proposes the auditor and their remuneration (and auditor alternate if applicable) and proposes instructions for appointing a new nomination committee. The nomination committee may charge the Company for hiring headhunters and other ancillary costs that are deemed appropriate in order for the nomination committee to be able to fulfill its duties. There shall be no remuneration for work carried out by the nomination committee.

Board

The Board is the second-highest decision-making body of the Company after the general meeting. According to the Swedish Companies Act, the Board is responsible for the organisation of the Company and the management of the Company's affairs, which means it is responsible for, among other things, setting targets and strategies, devising processes to evaluate targets, continuously assessing the financial condition and profits of the Company and evaluate the operating management. The Board is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. It also appoints the CEO. The board members are generally appointed by the annual general meeting for the period up to the end of the next annual general meeting. In accordance with the Company's articles of association, the Board shall, to the extent it is elected by the general meeting, consist of at least three but not more than 10 members and no deputies.

According to the Code, the chairman of the Board is to be elected by the general meeting. The chairman's main role is to lead the work of the Board and to ensure that the board carries out its work efficiently.

The Board applies written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice and functions of the Board as well as the division of work between the members of the Board and the CEO. At the inaugural board meeting, the Board also adopts instructions for the CEO, including instructions for financial reporting.

The Board meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues that cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the chairman of the Board and the CEO continuously discuss the management of the Company.

Currently, the Board consists of seven ordinary members elected by the general meeting. See "*Board*" and "*Executive Management Team*" for further details.

CORPORATE GOVERNANCE

Audit committee

In a Swedish limited liability company, the transferable securities of which are admitted to trading on a regulated marketplace, the board of directors shall have an audit committee. The members of the committee may not be employees of the company, at least one member must be independent and have accounting or auditing proficiency and the committee shall appoint one of its members as chairperson.

The audit committee of a company shall monitor the company's financial reporting, monitor the efficiency of the company's internal controls, internal auditing and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the company, and assist in the preparation of proposals for the general meeting's decision on election of auditors. The Company has an audit committee consisting of six members: Lennart Schuss (chairman), Sven-Olof Johansson, Hans Runesten, Eva Swartz Grimaldi, Anne-Grete Strøm-Erichsen and Fredrik Svensson.

Remuneration committee

The Company has a remuneration committee consisting of two members: Eva Swartz Grimaldi (chairman) and Lennart Schuss. The remuneration committee considers matters concerning remuneration principles, remuneration and other employment terms for the CEO and the executive management.

The CEO and other executive management

The CEO is subordinated to the Board and is responsible for the everyday management and operations of the Company. The division of work between the Board and the CEO is set out in the rules of procedure for the Board and the CEO's instructions. The CEO is responsible for preparing reports and compiling information for board meetings and for presenting such materials at board meetings.

According to the instructions for financial reporting, the CEO is responsible for the Company's financial reporting and consequently must ensure that the Board receives adequate information to be able to evaluate the Company's financial condition.

The CEO must continuously keep the Board informed of: developments in the Company's operations; the Company's sales development, results and financial condition, liquidity and credit status; any important business events; and all other events, circumstances or conditions that may be of significance to the Company's shareholders.

For details on the CEO and executive management, see “– Board”, “– Executive Management Team” and “– Other Information on the Board and the Executive Management Team”.

6. REMUNERATION OF THE MEMBERS OF THE BOARD, CEO AND EXECUTIVE MANAGEMENT

Remuneration payable to the members of the Board

Fees and other remuneration payable to the members of the Board, including the chairman, are determined by the general meeting. At the annual general meeting held on 29 April 2019, it was resolved that the fee payable to the chairman of the Board should be SEK 450,000 and that the fee payable to the other members should be SEK 300,000 each. Further, the fee payable to each of the members of the remuneration committee should be SEK 30,000. The members of the Board are not entitled to any benefits following termination of their assignments as directors.

Remuneration to the Board during the 2018 financial year

The table below presents an overview of remuneration payable to the previous and present members of the Board elected by the general meeting for the 2018 financial year.

Name	Remuneration	Variable compensation	Pension cost	Other remuneration	Total
(SEK thousand)					
Chairman of the board					
Lennart Schuss	480	–	–	–	480
Board member					
Ilija Batljan	–	–	–	–	–
Sven-Olof Johansson	300	–	–	–	300
Fredrik Svensson	300	–	–	–	300
Hans Runesten	300	–	–	–	300
Eva Swartz Grimaldi	330	–	–	–	330
Anne-Grete Strøm-Erichsen	441	–	–	–	441
Total	2,151	–	–	–	2,151

Guidelines for remuneration payable to the Board, the CEO and the deputy CEOs

The annual general meeting to be held in 2020 will resolve upon guidelines for remuneration to the Board of Directors, the CEO and the deputy CEOs. The guidelines will not cover, for example, remuneration fees and other compensation for board assignments. Other remuneration to the members of the Board of Directors, such as salary, will however be covered by the guidelines.

Current employment agreements for the CEO and other executive management

Decisions as to the current remuneration levels and other conditions of employment for the CEO and the other members of executive management have been determined by the Board.

The table below presents an overview of remuneration to the CEO and other members of executive management for the 2018 financial year.

Name	Remuneration	Variable compensation	Pension cost	Other remuneration	Total
<i>(SEK thousand)</i>					
Ilija Batljan, Chief Executive Officer	3,211	–	928	–	4,139
Other members of executive management ⁽⁶⁾	6,862	–	1,607	–	8,468
Total	10,073	–	2,535	–	12,607

The CEO, Ilija Batljan, is entitled to pension provisions corresponding to 30 percent of his salary. Other members of executive management are entitled to pension provisions corresponding to 4.5 percent on wage shares, up to 7.5 base income amounts (SEK 40,250 per month during 2019) and 30 percent on wage share exceeding 7.5 base income amounts.

In circumstances where the CEO gives notice to the Company, the CEO is subject to a six month notice period and in circumstances where the Company gives notice to the CEO, the CEO is subject to a twelve month notice period. A notice period of three months applies to members of executive management. Neither the CEO nor the other members of the executive management is entitled to a severance payment.

Incentive scheme

For a description of the Company's incentive scheme, see the section "*Shares and Share Capital – Warrants and Options*".

7. INTERNAL CONTROL

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

(i) Control environment

Distribution and delegation of responsibility have been documented and communicated in several internal documents governing the board and the Company, for example: (i) the board's rules of procedure, (ii) the instructions to the CEO, (iii) the delegation scheme, (iii) the certification scheme and (iv) other internal control documents (e.g., financial manual). All internal control documents are regularly updated when changes are made to, for example, legislation, accounting standards or listing requirements and when otherwise needed.

(ii) Risk assessment

In accordance with the rules of procedure, the Board, as well as the audit committee, reviews the Company's internal control once a year. Risks are identified and assessed and measures are implemented to reduce identified risks. The auditor is invited to report on his/her internal control report at a board meeting and to the audit committee. The significant risks identified by the Company are errors in accounting and valuation of properties, credit risks, refinancing risks, interest rate risks, tax and value added tax ("VAT"), and the risk of fraud, loss or misappropriation of assets.

CORPORATE GOVERNANCE

(iii) Control activities

The Company's financial system is structured such that the conclusion of agreements, payment of invoices and other similar actions must comply with certain decision paths, signatory powers and authorisations set out in the internal control documents. There is therefore a basic control structure to counteract and prevent the risks that the Company has identified. In addition to these control structures, a number of control activities are carried out to detect and correct errors in and deviations from, such control structures. These control activities consist of follow-up at various levels in the organisation, such as follow-up and reconciliation of the resolutions made by the Board, review and comparison of profit items, account reconciliations, approval and reporting of business transactions with the finance department.

(iv) Information and communication

The Company has built up an organisation to ensure that its financial reporting is correct and effective. The internal control documents specify who is responsible for what and daily interaction between relevant people ensures that the relevant information reaches all parties concerned. The Company's management regularly receives financial information concerning the Company and its subsidiaries and the development of letting and other management and reviews and follows up on ongoing and future investments and liquidity planning. The Board is informed by the Company's management team in relation to risk management, internal control and financial reporting. The Company's information policy ensures that all information provided externally and internally reaches the appropriate person at the appropriate time. All employees at the Company have been involved in influencing the design of relevant internal policies and guidelines by means of a review process and have thus been directly involved in the preparation of these internal control documents.

(v) Evaluation follow-up

As explained above, a continuous internal control process takes place on an ongoing basis at all levels of the organisation. The board regularly evaluates the information provided by the Company's management and its auditors. In addition, the Company's auditor reports its observations from the audit and its assessment of the Company's internal control directly to the Board. In particular, the board monitors the development of internal controls to ensure that action is taken in relation to any deficiencies that may emerge.

Auditing

The auditor shall review the Company's annual reports and accounting, as well as the management of the Board and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the annual general meeting.

Pursuant to the Company's articles of association, the Company shall have no fewer than one and not more than two auditors and not more than two deputy auditors or one registered audit firm. The Company's auditor is Ernst & Young Aktiebolag, with Ingemar Rindstig as auditor in charge. See "*External auditor*" for further details on the Company auditor.

In 2018, the total remuneration payable to the Company's auditor amounted to SEK 11.4 million.

SHARES AND SHARE CAPITAL

1. SHARE INFORMATION

Pursuant to the Company's articles of association, the Company's share capital may not be less than SEK 70 million or more than SEK 280 million, and the number of shares may not be fewer than 700,000,000 or more than 2,800,000,000. As of the date of this Offer Document, the Company has issued 850,759,793 shares, of which 209,977,491 are Class A common shares, 564,253,359 are Class B common shares, 76,498,230 are Class D common shares and 30,713 are preference shares. The Company's share capital amounts to SEK 85,075,979.30.

The shares are denominated in SEK and the quota value of each share is SEK 0.1. All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferrable.

The Class B and D common shares, which are listed on Nasdaq Stockholm, and the preference shares, which are listed on Nasdaq First North Premier Growth Market, are not subject to a mandatory offer, or an offer due to redemption rights or sell-out obligation. No public takeover offer has been made for the offered shares during the current or preceding financial year.

The Company's shares are registered in a CSD register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). This register is managed by Euroclear Sweden, Box 191, SE-101 23 Stockholm. No share certificates have been issued for the Company's shares. The account operator is Mangold Fondkommission. The ISIN code for the Class B common shares is SE0009554454, the ISIN code for the Class D common shares is SE0011844091 and the ISIN code for the Company's preference shares is SE0009580715.

2. CERTAIN RIGHTS ATTACHED TO THE SHARES

The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act.

Voting rights

The Company can issue shares in four classes: Class A common shares, Class B common shares, Class D common shares and preference shares.

Each Class A common share entitles the holder to one vote at general meetings, whilst each Class B and Class D common shares and preference shares entitles the holder to one-tenth of a vote at general meetings. Each shareholder has the right to vote for all of the shares that the shareholder holds in the Company.

Preferential rights attached to new shares

Where the company resolves to issue new shares by way of a cash issue or a set-off issue, holders of common shares and preference shares shall be entitled to pre-emption rights to one new share of the same class pro rata to the number of shares previously owned by the holder ("**primary pre-emption rights**"). Shares that are not subscribed for pursuant to primary pre-emption rights shall be offered to all shareholders for subscription ("**subsidiary pre-emption rights**"). Unless shares offered in such manner are sufficient for the subscription that takes place pursuant to subsidiary pre-emption rights, the shares shall be allotted among the subscribers pro rata to the total number of shares previously owned irrespective of their shares being common shares or preference shares. Where this is not possible with respect to a particular share(s), shares shall be allotted through the drawing of lots.

Where the Company resolves to issue only Class A, Class B, Class D common shares or preference shares by way of a cash issue or set-off issue, all of the shareholders, irrespective of their shares being common shares or preference shares, shall hold pre-emption rights to subscribe for new shares pro rata to the number of shares previously owned.

Where the Company resolves to issue warrants or convertible debentures by way of a cash issue or set-off issue, all of the shareholders shall hold pre-emption rights to subscribe for warrants, as if the issue referred to the shares that may be subscribed for following the exercise of the warrants, and pre-emption rights to subscribe for convertible debentures, as if the issue referred to the shares that the convertible debentures may be converted to, respectively.

The provisions above shall not entail any restrictions on the possibility for the Company to adopt a resolution regarding a cash issue or set-off issue without regard to shareholders' pre-emption rights.

Upon an increase in the share capital by way of a bonus issue, only Class A common shares and Class B common shares may be issued. In relation thereto, only holders of Class A common shares and Class B common shares shall have pre-emption rights to new common shares at which old shares of Class A common shares and Class B common shares respectively shall entitle to new shares of the same class. The aforementioned shall not entail any restrictions on the possibility for the Company to issue shares of a new class through a bonus issue, following any necessary amendments to the articles of association.

SHARES AND SHARE CAPITAL

Right to dividends and balances in case of liquidation

If the Company is dissolved, the preference shares will entail preferential rights over common shares to the Company's assets in an amount corresponding to the amount received if the shares were to have been redeemed as per the articles of association before any distributions are made to owners of common shares. Upon dissolution of the Company, all common shares will have the same right to distribution of the Company's assets. However, Class D common shares will be entitled to no more than SEK 31 per share.

Resolutions regarding dividends are passed by general meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the general meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash ("**in-kind dividend**"). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation period of 10 years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see "*Taxation – Certain Tax Considerations in Sweden*".

If the general meeting resolves on profit distribution, the preference shares have priority over common shares in accordance with the below stated.

Common share profit distribution

All common shares shall have the same rights to dividend without preferential rights in relation to each other.

If any dividend is declared, the following shall apply:

- Class D common shares are entitled to five times the total dividend on Class A and Class B common shares; however, no more than SEK 2 per share and year.
- If the dividend on Class D common shares is less than SEK 2, the maximum permitted dividend of SEK 2 shall be increased so that the shortfall of up to SEK 2 per year may be distributed later if sufficient dividends on common shares are declared subsequently, whereupon the maximum permitted dividend shall once again be SEK 2.
- Disbursement of any dividends relating to Class A and Class B common shares shall be made in a single instalment or in four equal instalments, in which case the record dates for payment of dividends shall be the last business day in June, September, December and March.
- Disbursement of any dividends relating to Class D common shares shall be made in four equal instalments. Record dates for payment of dividends shall be the last business day in June, September, December and March, with the first record date for payment of dividends relating to Class D common shares the last business day in March.

Preference share profit distribution

Preference shares shall give preferential rights over common shares to an annual distribution of dividends per preferential share of SEK 35 (the "**Preference Share Distribution**"), with quarterly payments of SEK 8.75 per preference share, with payment dates as per below.

The payment of profit dividend for preference shares shall be made quarterly in arrears in SEK, with a quarter of the Preference Share Distribution being paid at each payment date. The payment dates for the payment of dividends shall be on 10 January, 10 April, 10 July and 10 October. In the event that such date is not a banking day, the payment date shall be the previous banking day. "**Banking day**" refers to a day which is not a Sunday, other public holiday or a day which, when paying for debentures, is equivalent to a public holiday (such equivalent days are, at the time the Company's articles of association were adopted, Saturday, Midsummer Eve, Christmas Eve and New Year's Eve).

If no dividend has been paid to preference shares, or if only dividends less than the Preference Share Distribution has been paid, the holders of preference shares shall be entitled to, in addition to a future Preference Share Distribution, receive an amount, evenly distributed on each preference share, corresponding to the difference between what should have been paid as above and the actually paid amount (the "**Outstanding Sum**"), before dividends to holders of common shares may occur. The Outstanding Sum will be indexed with an annual interest rate of 10 percent accrued. Indexation shall start with the quarter when the part of the dividend was paid (or should have been paid, if no dividend at all was paid). The distribution of the Outstanding Sum also requires a decision on distribution of profits from the general meeting of shareholders.

If the number of preference shares is changed by way of reverse share split, share split or other similar corporate actions, the amounts to which the preference share is entitled shall be recalculated to reflect this change.

The holders of preference shares shall otherwise not be entitled to any distribution of dividends or liquidation proceeds.

Share conversion and redemption

A reduction of the share capital, provided it is not below the minimum amount, may be made by way of the redemption of a certain number or all preference shares subsequent to an ordinary resolution by the general meeting of shareholders,

in accordance with the Company's articles of association. Class A common shares shall, upon request by the owner of such shares, be converted to Class B common shares. Preference shares shall, upon request by the owner of such shares, in accordance with the articles of association, be converted to Class D common shares.

Information regarding mandatory bids and redemption of minority shares

Pursuant to the Swedish Takeovers Act (2006:451) and any person who does not hold any shares, or hold shares representing less than three tenths of the voting rights in a Swedish limited liability company whose shares are admitted to trading on a regulated market (the "Target Company"), and who through the acquisition of shares in the Target Company, alone or together with a closely related party, holds shares representing three tenths or more of the voting rights for all of the shares in the Target Company is obliged to immediately disclose the size of his holding in the Target Company and, within four weeks thereafter, make an offer to acquire the remaining shares in the Target Company (mandatory offer requirement).

A shareholder who personally, or through a subsidiary, holds more than 90 percent of the shares in a Swedish limited liability company has the right to redeem the rest of the shares in the company. The owners of the rest of the shares have a corresponding right to have their shares redeemed by the majority shareholder. The formal procedure for the redemption of minority shares is regulated in the Swedish Companies Act.

3. WARRANTS AND CONVERTIBLES, ETC.

As of the date of this Offer Document, there are 20,000,000 outstanding warrants. At full subscription the share capital of the Company will increase by SEK 2,000,000 through the issuance of 20,000,000 Class B common shares. This corresponds to a dilution effect for the current shareholders of the Company of approximately 2.3 percent of the share capital and 0.7 percent of the total number of votes in the Company. As of the date of this Offer Document there are, except as stated above, no convertibles or other share-related financial instruments in the Company.

Incentive program

The Company has an incentive program for the Company's current and future employees, which comprises 20,000,000 warrants that entitle the holder to subscribe for the corresponding number of Class B common shares in the Company. The warrants were issued free of charge to a wholly owned subsidiary of the Company (SBB Option AB), that thereafter has sold the warrants at market price. The subscription has been executed in two phases, one at a price of SEK 0.25 per warrant, and one at a price of SEK 1.61 per warrant. As of the date of this Offer Document, 16,832,000 warrants have been subscribed for by employees. The subscription price for a new subscription of B common shares corresponds to 130 percent of the average of the Company's B shares' volume-weighted closing price during the 10 trading days from 24 October 2017 through 6 November 2017. The subscription for Class B common shares on the basis of warrants may take place in the period from 1 October 2020 through 31 October 2020.

4. SHARE CAPITAL HISTORY

The table below shows historical changes in the Company's share capital since the formation of the legal entity on 1 September 2014 to and including the date of this Offer Document. Since 2016, the Company has operated under the company name Samhällsbyggnadsbolaget i Norden AB (publ).

Time	Event	Change in number of A shares	Change in number of B shares	Change in number of D shares	Change in number of preference shares	Change in total number of shares	Total number of A shares	Total number of B shares	Total number of D shares	Total number of preference shares	Total number of shares	Change in share capital (SEK)	Share capital (SEK)
2014-09-04	Formation of the Company ¹	–	50,000	–	–	50,000	–	50,000	–	–	50,000	50,000.00	50,000.00
16-10-2014	New issue ²	–	4,664,596	–	–	4,664,596	–	5,164,596	–	–	5,164,596	466,459.60	516,459.60
23-3-2015	New issue ³	–	2,065,838	–	–	2,065,838	–	7,230,434	–	–	7,230,434	206,583.80	723,043.40
03-04-2017	Set-off issue ⁴	123,136,919	139,659,612	–	–	262,796,531	123,136,919	146,890,046	–	–	270,026,965	26,279,653.10	27,002,696.50
03-04-2017	New issue	31,281,831	39,880,742	–	–	71,162,573	154,418,750	186,770,788	–	–	341,189,538	7,116,257.30	34,118,953.80
03-04-2017	Issue in kind ⁵	–	66,267,458	–	22,400	66,289,858	154,418,750	253,038,246	–	22,400	407,479,396	6,628,985.80	40,747,939.60
03-04-2017	Issue in kind ⁶	–	74,626,339	–	3,200	74,629,539	154,418,750	327,664,585	–	25,600	482,108,935	7,462,953.90	48,210,893.50
03-04-2017	Issue in kind ⁷	–	69,619,037	–	71,500	69,690,537	154,418,750	397,283,622	–	97,100	551,799,472	6,969,053.70	55,179,947.20
03-04-2017	Issue in kind ⁸	62,860,746	8,559,931	–	–	71,420,677	217,279,496	405,843,553	–	97,100	623,220,149	7,142,067.70	62,322,014.90
03-04-2017	Set-off issue ⁹	–	84,929,772	–	–	84,929,772	217,279,496	490,773,325	–	97,100	708,149,921	8,492,977.20	70,814,992.10
24-04-2017	Set-off issue ¹⁰	317,479	183,185	–	–	500,664	217,596,975	490,956,510	–	97,100	708,650,585	50,066.40	70,865,058.50
25-04-2017	Issue in kind ¹¹	–	–	–	6,400	6,400	217,596,975	490,956,510	–	103,500	708,656,985	640	70,865,698.50
25-04-2017	Issue in kind ¹²	–	61,067	–	–	61,067	217,596,975	491,017,577	–	103,500	708,718,052	6,106.70	70,871,805.20
05-05-2017	Set-off issue ¹³	–	26,666,667	–	–	26,666,667	217,596,975	517,684,244	–	103,500	735,384,719	2,666,666.70	73,538,471.90
08-08-2017	Issue in kind ¹⁴	–	2,523,472	–	157,108	2,680,580	217,596,975	520,207,716	–	260,608	738,065,299	268,058	73,806,529.90
23-08-2017	Issue in kind ¹⁵	–	144,340	–	38,562	182,902	217,596,975	520,352,056	–	299,170	738,248,201	18,290.20	73,824,820.10
20-12-2017	Issue in kind ¹⁶	–	–	–	34,035	34,035	217,596,975	520,352,056	–	333,205	738,282,236	3,403.50	73,828,223.60
21-08-2018	Conversion	–7,619,484	7,619,484	–	–	0	209,977,491	527,971,540	–	333,205	738,282,236	0.00	73,828,223.60

SHARES AND SHARE CAPITAL

Time	Event	Change in number of A shares	Change in number of B shares	Change in number of D shares	Change in number of preference shares	Change in total number of shares	Total number of A shares	Total number of B shares	Total number of D shares	Total number of preference shares	Total number of shares	Change in share capital (SEK)	Share capital (SEK)
19-10-2018	Set-off issue ¹⁷	–	600,000	–	–	600,000	209,977,491	528,571,540	–	333,205	738,882,236	60,000.00	73,888,223.60
19-10-2018	New issue ¹⁸	–	17,500,000	–	–	17,500,000	209,977,491	546,071,540	–	333,205	756,382,236	1,750,000.00	75,638,223.60
12-12-2018	Reduction and set-off issue ¹⁹	–	–	3,159,080	–157,954	3,001,126	209,977,491	546,071,540	3,159,080	175,251	759,383,362	300,112.60	75,938,336.20
14-12-2018	Issue in kind ²⁰	–	–	6,376,342	–	6,376,342	209,977,491	546,071,540	9,535,422	175,251	765,759,704	637,634.20	76,575,970.40
21-12-2018	Issue in kind ²¹	–	–	1,682,903	–	1,682,903	209,977,491	546,071,540	11,218,325	175,251	767,442,607	168,290.30	76,744,260.70
21-12-2018	New issue	–	–	6,451,612	–	6,451,612	209,977,491	546,071,540	17,669,937	175,251	773,894,219	645,161.20	77,389,421.90
27-12-2018	New issue	–	–	7,258,065	–	7,258,065	209,977,491	546,071,540	24,928,002	175,251	781,152,284	725,806.50	78,115,228.40
27-12-2018	New issue	–	–	1,650,000	–	1,650,000	209,977,491	546,071,540	26,578,002	175,251	782,802,284	165,000.00	78,280,228.40
27-12-2018	New issue	–	–	4,838,710	–	4,838,710	209,977,491	546,071,540	31,416,712	175,251	787,640,994	483,871.00	78,764,099.40
28-12-2018	New issue	–	–	10,209,678	–	10,209,678	209,977,491	546,071,540	41,626,390	175,251	797,850,672	1,020,967.80	79,785,067.20
14-01-2019	New issue	–	–	4,064,516	–	4,064,516	209,977,491	546,071,540	45,690,906	175,251	801,915,188	406,451.60	80,191,518.80
04-04-2019	New issue	–	–	2,741,936	–	2,741,936	209,977,491	546,071,540	48,432,842	175,251	804,657,124	274,193.60	80,465,712.40
04-04-2019	New issue	–	–	1,612,903	–	1,612,903	209,977,491	546,071,540	50,045,745	175,251	806,270,027	161,290.30	80,627,002.70
05-04-2019	New issue	–	–	13,042,574	–	13,042,574	209,977,491	546,071,540	63,088,319	175,251	819,312,601	1,304,257.40	81,931,260.10
30-04-2019	New issue	–	–	4,838,710	–	13,042,574	209,977,491	546,071,540	67,927,029	175,251	824,151,311	483,871.00	82,415,131.10
06-05-2019							209,977,491	546,071,540					
	Set-off issue ²²	–	–	697,113	–	697,113	209,977,491	546,071,540	68,624,142	175,251	824,848,424	69,711.30	82,484,842.40
11-06-2019	Set-off issue ²³	–	–	4,774,194	–	4,774,194	209,977,491	546,071,540	73,398,336	175,251	829,622,618	477,419.40	82,962,261.80
04-07-2019	Set-off issue ²⁴	–	–	209,134	–	209,134	209,977,491	546,071,540	73,607,470	175,251	829,831,752	20,913.40	82,983,175.20
20-08-2019	Reduction and set-off issue ²⁵	–	–	2,780,600	–139,030	2,641,570	209,977,491	546,071,540	76,388,070	36,221	832,473,322	264,157.00	83,247,332.20
09-09-2019	Reduction and set-off issue ²⁶	–	–	110,160	5,508	104,652	209,977,491	546,071,540	76,498,230	30,713	832,577,974	10,465.20	83,257,797.40
05-11-2019	New Issue	–	18,181,819	–	–	18,181,819	209,977,491	564,253,359	76,498,230	30,713	832,577,974	1,818,181.90	85,075,979.30
12-12-2019 ²⁷	New Issue	–	65,443,061	–	–	65,443,061	209,977,491	629,696,420	76,498,230	30,713	916,202,854	6,544,306.10	91,620,285.40
03-01-2020 ²⁷	Issue in kind ²⁸	–	512,701,953	33,879,996	–	546,581,949	209,977,491	1,142,398,373	110,378,226	30,713	1,462,784,803	54,658,194.90	146,278,480.30

- 1 Issue completed during the previous business conducted under the company name Effnetplattformen AB (publ).
- 2 Issue completed during the previous business conducted under the company name Effnetplattformen AB (publ).
- 3 Issue completed during the previous business conducted under the company name Effnetplattformen AB (publ).
- 4 The set-off issue amounted to a total value of SEK 1,534,731,741.04, corresponding to approx. SEK 5.84 per share in the Company.
- 5 Assets contributed in kind was shares of a total value of SEK 359,104,209, corresponding to approx. SEK 5.41 per share in the Company.
- 6 Assets contributed in kind was shares of a total value of SEK 437,595,624, corresponding to approx. SEK 5.86 per share in the Company.
- 7 Assets contributed in kind was shares of a total value of SEK 401,249,999, corresponding to approx. SEK 5.76 per share in the Company.
- 8 Assets contributed in kind was shares of a total value of SEK 417,096,763, corresponding to approx. SEK 5.84 per share in the Company.
- 9 The set-off issue amounted to a total value of SEK 488,730,000, corresponding to approx. SEK 5.75 per share in the Company.
- 10 The set-off issue amounted to a total value of SEK 2,823,877.76, corresponding to approx. SEK 5.64 per share in the Company.
- 11 Assets contributed in kind was shares of a total value of SEK 3,555,520, corresponding to approx. SEK 555.55 per share in the Company.
- 12 Assets contributed in kind was shares of a total value of SEK 356 631, corresponding to approx. SEK 5.84 per share in the Company.
- 13 The set-off issue amounted to a total value of SEK 160,000,000, corresponding to approx. SEK 6 per share in the Company.
- 14 Assets contributed in kind was shares of a total value of SEK 93,370,793, corresponding to approx. SEK 34.83 per share in the Company.
- 15 Assets contributed in kind was shares of a total value of SEK 20,141,643, corresponding to approx. SEK 110.12 per share in the Company.
- 16 Assets contributed in kind was shares of a total value of SEK 17,068,552.50, corresponding to approx. SEK 501.50 per share in the Company.
- 17 The set-off issue amounted to a total value of SEK 7.32 million, corresponding to approx. SEK 12.2 per B share in the Company.
- 18 Issue of 17,500,000 B shares by usage of 17,500,000 warrants at a subscription price of SEK 7.30.
- 19 Payment for reduced preference shares amounted to a total value of SEK 97,931,480, corresponding to approx. SEK 620 per preference share in the Company. The set-off payment amounted to a total value of SEK 97,931,480, corresponding to approx. SEK 31 per D share in the Company.
- 20 Assets contributed in kind was shares of a total value of SEK 197,666,602 SEK, corresponding to approx. SEK 31 SEK per D share in the Company.
- 21 Assets contributed in kind was shares of a total value of SEK 53,100,000 SEK, corresponding to approx. SEK 31.55 SEK per D share in the Company.
- 22 The set-off payment amounted to a total value of SEK 21,610,505, corresponding to approx. SEK 31 per D share in the Company.
- 23 The set-off payment amounted to a total value of SEK 148,000,014, corresponding to approx. SEK 31 per D share in the Company.
- 24 The set-off payment amounted to a total value of SEK 6,483,154, corresponding to approx. SEK 31 per D share in the Company.
- 25 Payment for reduced preference shares amounted to a total value of SEK 89,535,320, corresponding to SEK 644 per preference share in the Company. The set-off payment amounted to a total value of SEK 89,535,320, corresponding to SEK 32.2 per D share in the Company.
- 26 Payment for reduced preference shares amounted to a total value of SEK 3,547,152, corresponding to SEK 644 per preference share in the Company. The set-off payment amounted to a total value of SEK 3,547,152, corresponding to SEK 32.2 per D share in the Company.
- 27 Estimated date.
- 28 The issue in kind that is expected to be completed in connection with the Takeover Offer, provided that all shareholders in Hemfosa choose to tender their shares in the Takeover Offer. The assets contributed in kind will be common and preference shares in Hemfosa. For a closer description on the value of the Company's consideration shares, please refer to section "Takeover Offer".

5. TAKEOVER OFFER AND RIGHTS ISSUE

At announcement of the Takeover Offer, the Takeover Offer valued each Hemfosa common share at SEK 126.15 and each Hemfosa preference share at SEK 194.63 and the Total Takeover Offer Value was approximately SEK 23,521 million.

In aggregate, up to a total of 512,701,953 Class B common shares will be issued, and up to a total of SEK 9,152 million will be paid in cash as consideration for Hemfosa common shares. In aggregate, up to a total of 33,879,996 Class D common shares will be issued, and up to a total of SEK 965 million will be paid in cash as consideration for Hemfosa preference shares. This proportion will not be varied as a result of elections made under the Common and/or Preference Mix & Match Facility.

Rights Issue

To support the combined business in obtaining the above mentioned improved credit rating, SBB will launch a Rights Issue of approximately SEK 1.5 billion in parallel with the Takeover Offer. The Rights Issue is expected to be completed before the end of the acceptance period in the Takeover Offer and only existing SBB shareholders will have the right to participate in the Rights Issue, i.e. SBB shares to be paid as part of the consideration for tendered Hemfosa shares under the Takeover Offer will not entail a right to participate in the Rights Issue.

The Board of Directors and management have great confidence in the merits of the combination of the companies and several members of the Board of Directors and management have thus committed to subscribe for shares in and fully guarantee the Rights Issue offering at a subscription price of SEK 23 per SBB Class B common share implying a discount of 3,6 percent to the closing price on Nasdaq Stockholm on 14 November 2019. The Rights Issue will result in the issuance of 65,443,061 new SBB Class B common shares.

Dilution etc.

Existing shareholders in SBB who choose not to participate in the Rights Issue will be subject to a dilution effect of 7.1 percent of the share capital and 2.3 percent of the votes in the Company by a share issue of 65,443,061 Class B common shares in the Rights Issue.

If the Takeover Offer is fully accepted, the Takeover Offer corresponds to a dilution effect of 39.1 percent of the share capital and 16.6 percent of the votes in the Company by way of an issue of 512,701,953 Class B common shares and 33,879,996 Class D common shares.

Existing shareholders in SBB who choose not to participate in the Rights Issue, and provided that the Takeover Offer is fully accepted, will be subject to a dilution effect of 41.8 percent of the share capital and 18.3 percent of the votes in the Company by a share issue of 65,443,061 Class B common shares in the Rights Issue and 512,701,953 Class B common shares and 33,879,996 Class D common shares in the Takeover Offer.

For further information on the Company's ownership structure after the completion of the Takeover Offer and the Rights Issue, please refer to section " – *Ownership structure*".

6. OWNERSHIP STRUCTURE

Insofar as it is known to the Company, the following persons, have (i) direct or indirect holdings amounting to five percent or more of the shares or voting rights in respect of the Company as of the day of this Offer Document, or (ii) are expected to have, after completion of the Takeover Offer and the Rights Issue, direct or indirect holdings amounting to five percent or more of the shares or voting rights in respect of the Company, provided that all shareholders of Hemfosa choose to accept the Takeover Offer and provided that the Rights Issue is fully subscribed with preferential rights.

Further, insofar as it is known to the Company, the following board members and members of executive management, have (i) direct or indirect holdings (including holdings by any related parties) of the shares or voting rights in respect of the Company as of the day of this Offer Document, or (ii) are expected to have, after completion of the Takeover Offer and the Rights Issue, direct or indirect holdings (including holdings by any related parties) of the shares or voting rights in respect of the Company, provided that all shareholders of Hemfosa choose to accept the Takeover Offer and provided that the Rights Issue is fully subscribed with preferential rights.

SHARES AND SHARE CAPITAL

(i) As of the day of this Offer Document.

Shareholder	Shares				percent	
	A	B	D	Preference	of capital	of votes
Shareholders with holdings that exceed 5 percent of the shares or the votes						
Ilija Batljan (directly and indirectly through companies)	109,053,868	1,137,606	–	–	13.0	39.8
Marjan Dragicevic (directly and indirectly through companies)	23,989,867	70,675,628	–	–	11.1	11.3
AB Arvid Svensson	26,000,000	34,296,667	–	–	7.1	10.7
Sven-Olof Johansson (indirectly through companies)	22,315,456	25,405,525	–	–	5.6	9.1
Erik Paulsson (indirectly through companies)	13,919,159	14,605,317	–	–	3.4	5.6
Michael Cocozza	–	45,326,742	–	–	5.3	1.7
Stiftelsen för Strategisk Forskning	–	42,651,810	–	–	5.0	1.6
Board members and members of executive management holdings (including holdings by any related parties)						
Ilija Batljan	See above					
Sven-Olof Johansson	See above					
Fredrik Svensson	See above under AB Arvid Svensson					
Lennart Schuss (directly and indirectly through companies)	2,634,957	15,624,060	–	–	2.1	1.5
Hans Runesten	–	4,376,946	30,309	–	0.5	0.2
Eva Swartz Grimaldi	–	182,724	–	–	0.0	0.0
Lars Thagesson	–	7,756,695	–	–	0.9	0.3
Krister Karlsson	3,174,785	53,172	–	–	0.4	1.2
Rosel Ragnarsson	–	137,683	–	–	0.0	0.0
Eva-Lotta Stridh	317,479	–	–	–	0.0	0.1
Oscar Lekander	3,174,785	1,536,200	275,500	–	0.6	1.2
Fredrik Holm	–	20,000	2,500	–	0.0	0.0
Adrian Westman	–	10,000	–	–	0.0	0.0
Other shareholders	5,397,135	300,456,584	76,189,921	30,713	44.9	15.7
Total	209,977,491	564,253,359	76,498,230	30,713	100.0	100.0

(ii) After the completion of the Takeover Offer and the Rights Issue, provided that all shareholders of Hemfosa choose to accept the Takeover Offer and provided that the Rights Issue is fully subscribed with preferential rights.

Shareholder	Shares				percent	
	A	B	D	Preference	of capital	of votes
Shareholders with holdings that exceed 5 percent of the shares or the votes						
Ilija Batljan (directly and indirectly through companies)	109,053,868	9,613,873	–	–	8.1%	32.8%
Marjan Dragicevic (directly and indirectly through companies)	23,989,867	7,957,589	–	–	7.0%	9.5%
AB Arvid Svensson	26,000,000	38,934,872	–	–	4.4%	8.9%
Sven-Olof Johansson (indirectly through companies)	22,315,456	29,076,369	–	–	3.5%	7.5%
Erik Paulsson (indirectly through companies)	13,919,159	16,799,507	–	–	2.1%	4.7%
Michael Cocozza	–	48,813,414	–	–	3.3%	1.5%
Stiftelsen för Strategisk Forskning	–	45,932,718	–	–	3.1%	1.4%
Board members and members of executive management holdings (including holdings by any related parties)						
Ilija Batljan	See above					
Sven-Olof Johansson	See above					
Fredrik Svensson	See above under AB Arvid Svensson					
Lennart Schuss (directly and indirectly through companies)	2,634,957	17,028,599	–	–	1.3%	1.3%
Hans Runesten	–	4,715,965	30,309	–	0.3%	0.1%
Eva Swartz Grimaldi	–	196,779	–	–	0.0%	0.0%
Lars Thagesson	–	8,353,363	–	–	0.6%	0.2%
Krister Karlsson	3,174,785	301,476	–	–	0.2%	1.0%
Rosel Ragnarsson	–	148,274	–	–	0.0%	0.0%
Eva-Lotta Stridh	317,479	24,421	–	–	0.0%	0.1%
Oscar Lekander	3,174,785	1,919,775	275,500	–	0.4%	1.0%
Fredrik Holm	–	21,730	2,500	–	0.0%	0.0%
Adrian Westman	–	10,769	–	–	0.0%	0.0%
Shareholders in Hemfosa	–	512,701,953	33,879,996	–	37.4%	16.3%
Other shareholders	5,397,135	329,846,927	76,189,921	30,713	28.1%	13.7%
Total	209,977,491	1,142,398,373	110,378,226	30,713	100.0%	100.0%

7. ISSUE AUTHORISATION

The annual general meeting held on 29 April 2019 resolved to authorise the Board to issue, up to the next annual general meeting, in one or more issuances, with or without pre-emptive rights for existing shareholders, new shares of all different classes of shares listed in the Company's articles of association, as well as warrants and/or convertibles with a right to subscribe for/convert to all classes of shares in the Company's articles of association. Such issue resolution may be made with a provision entailing that payment shall be made in cash and/or in kind and/or through offsetting and/or via other terms and conditions. The total number of common shares and/or preference shares, warrants or convertibles that may be issued on the basis of the authorisation shall not be limited other than by the current articles of association's limits regarding share capital and number of shares.

The purpose of the authorisation and the reason for the deviation from the shareholders' pre-emptive rights (if applicable) is to enable the acquisition of capital for expansion, acquisitions and for the Company's business.

The issue price shall be determined in accordance with current market conditions.

8. AUTHORISATION FOR THE BOARD OF DIRECTORS TO RESOLVE UPON ACQUISITION AND TRANSFER OF OWN SHARES

The annual general meeting held on 29 April 2019 resolved to authorise the Board of Directors to, during the period until the next annual general meeting, resolve upon acquisition and transfer of the Company's preference shares as well as Class B and D common shares, at the Board of Directors' discretion, provided that the Company's preference shares and Class B and D common shares have been admitted to trading on Nasdaq Stockholm at the time of the transaction, whereby the following terms shall apply.

1. An acquisition of shares in the Company may only be made on Nasdaq Stockholm or through a cash offer to all shareholders in the Company.
2. An acquisition may only be made of a number of shares which entails that the number of shares held by the Company at each point in time does not exceed ten (10) percent of all outstanding shares in the Company.
3. An acquisition of shares on Nasdaq Stockholm may only be made at a price which falls within the prevailing price interval registered at each point in time, meaning the interval between the highest purchase price and the lowest selling price.
4. An acquisition of shares pursuant to a cash offer to all shareholders in the Company may only be made at a price which at the time of the cash offer is not less than the market value of the shares and which does not exceed the market value by more than 30 percent.
5. A transfer of shares pursuant to the authorisation may be made in relation to all shares held by the Company at the time of the Board of Directors' resolution.
6. A transfer of shares on Nasdaq Stockholm may only be made at a price which falls within the prevailing price interval registered at each point in time, meaning the interval between the highest purchase price and the lowest selling price.
7. A transfer of shares may also be made outside Nasdaq Stockholm in connection with acquisitions of companies, with or without deviation from the pre-emptive rights of the shareholders and with or without terms regarding payment in kind or by way of set-off. Such transfer may be made at a price in cash or at a value of the received property corresponding to the share price, at the time of the transfer, of the shares transferred with such deviation as deemed appropriate by the Board of Directors.
8. The authorisation may be used on one or several occasions during the period until the annual general meeting for the year 2020.

The purpose of the authorisation for the Board of Directors to resolve upon acquisition of own shares is to allow the Board of Directors a greater flexibility and to enable the Board of Directors to continuously adapt the capital structure of the Company and thereby contribute to an increased shareholder value, as well as to enable the exploitation of attractive acquisition opportunities by financing acquisitions, in whole or in part, with own shares.

The rationale for the possibility to deviate from the shareholders' pre-emptive rights in connection with a transfer of own shares is that such a transfer may be made with greater speed and flexibility, and is more cost-efficient, than a transfer to all shareholders. If the Company's own shares are transferred in exchange for payment in another form than cash in connection with an agreement regarding an acquisition of assets, the Company is not able to give the shareholders the opportunity to exercise any pre-emptive rights.

SHARES AND SHARE CAPITAL

9. DIVIDEND AND DIVIDEND POLICY

The Company's dividend policy is to generate a steadily increasing annual dividend. However, the ability of the Company to pay dividends is dependent on a number of factors and dividends will only be paid if the Group's financial targets are maintained. The Board of Directors is expected to propose a first dividend, in accordance with the new dividend policy adopted on 24 September 2019, of SEK 0.6 per Class A and B common share in respect of the fiscal year 2019, payable in 2020/2021. It is expected that the dividend will be paid quarterly. The Company's preference shares have a preferential right over the common shares to an annual dividend of SEK 35, paid quarterly, per preference share. Holders of the Class D common shares are entitled to five times the total dividend on the Class A and B shares, up to SEK 2 per share per year. See "*Risk Factors – Risks related to shares – The Company's ability to pay dividends to its shareholders depends on the Group's financial position, capital costs and other factors and the Company may be unable to pay dividends as a result of dividend limitations in the provisions in the Group's issued bonds*".

ARTICLES OF ASSOCIATION

Below is an extract, translated into English, from the articles of association of Samhällsbyggnadsbolaget i Norden AB (publ), registration number 556981-7660, adopted at the extraordinary general meeting on 24 June 2019.

1. BUSINESS NAME

The business name of the company is Samhällsbyggnadsbolaget i Norden AB (publ).

2. REGISTERED OFFICE OF THE BOARD

The registered office of the board of directors is in the municipality of Stockholm, Stockholm county.

3. OBJECTS OF THE COMPANY

The company shall, directly or indirectly, own and manage real property and/or shares, along with activities related to such operations.

4. SHARE CAPITAL

The share capital shall be not less than SEK 70,000,000 and not more than SEK 280,000,000.

5. SHARES

The number of shares shall be not less than 700,000,000 and not more than 2,800,000,000.

Shares may be issued in four classes, Class A, Class B, Class D and Preference Shares. Shares of Class A, Class B and Class D will hereafter jointly be referred to as Common Shares. Each Class A share entitles the holder to one (1) vote. Each Class B, Class D and Preference Share entitles the holder to one-tenth (1/10) of a vote. Each class of shares may be issued at an amount corresponding to a maximum of 100 percent of the share capital.

Common share profit distribution

All Common Shares shall have the same rights to dividend without preferential rights in relation to each other. If any dividend is declared, the following shall apply:

- Class A and Class B common shares are entitled to the same dividend per share.
- Class D common shares are entitled to five (5) times the total dividend on Class A and Class B common shares, however, no more than SEK two (2) per share and year.

If the dividend on Class D common share is less than SEK two (2), the maximum permitted dividend of SEK two (2) shall be increased so that the shortfall of up to SEK two (2) per year may be distributed later if sufficient dividends on common shares are declared subsequently, whereupon the maximum permitted dividend shall once again be SEK two (2).

Disbursement of dividends relating to Class A and Class B common shares shall be made in a single instalment or in four (4) equal instalments in which case the record dates for payment of dividends shall be the last business day in June, September, December and March.

Disbursement of any dividend relating to Class D common shares shall be made in four (4) equal instalments. Record dates for payment of dividends shall be the last business day in June, September, December and March with the first record date for payment of dividends relating to Class D common shares to be the last business day in March 2019.

Preference share profit distribution

The Preference Shares shall have preferential rights to dividend

If the shareholders meeting resolves on dividend distribution, the Preference Shares shall have preferential rights over the common shares to dividend, as per the below.

Calculation of Preference Share Distribution

Preference Shares shall give preferential rights over common shares to an annual distribution of dividends per preferential share of SEK thirty-five (35) (the “**Preference Share Distribution**”), with quarterly payments of SEK eight point seventy-five (8.75) per Preference Share, with payment dates as per the below.

ARTICLES OF ASSOCIATION

Payment of profit dividend

The payment of profit dividend for Preference Shares shall be made quarterly in arrears in SEK, with a quarter of the Preference Share Distribution being paid at each payment date. The payment dates for payment of dividends shall be on 10 January, 10 April, 10 July, and 10 October. If such date is not a banking day, the payment date shall be the previous banking day. “**Banking day**” refers to a day which is not a Sunday, other public holiday or a day which, when paying for debentures, is equivalent to a public holiday (such equivalent days are at the time for adopting these articles of association Saturday, Midsummer Eve, Christmas Eve and New Year’s Eve).

Calculation of Outstanding Sum

If no dividend has been paid to Preference Shares, or if only dividends less than the Preference Share Distribution has been paid, the Preference Shares shall entitle to, in addition to future Preference Share Distribution, also receive an amount, evenly distributed on each Preference Share, corresponding to the difference between what should have been paid as above and the actually paid amount (“Outstanding Sum”), before dividends to holders of common shares may occur. The Outstanding Sum will be indexed with an annual interest rate of ten (10) percent accrued. Indexation shall start with the quarter when the part of the dividend was paid (or should have been paid, if no dividend at all was been paid). The distribution of the Outstanding Sum also requires a decision on distribution of profits from the general meeting of shareholders.

Conversion at certain corporate actions

If the number of Preference Shares is changed by way of reverse share split, share split or other similar corporate actions, the amounts to which the Preference Share is entitled shall be recalculated to reflect this change.

Dissolution of the company

If the company is dissolved, the Preference Shares will entail preferential rights over common shares to the company’s assets in an amount corresponding to the amount received if the shares would have been redeemed as per below before any distributions are made to owners of common shares.

Upon dissolution of the company, all common shares will have the same right to distribution of the company’s assets. However, Class D common shares will be entitled to no more than SEK thirty-one (31) per share.

Other

The Preference Shares shall otherwise not entitle to any distribution of dividends or liquidation proceeds.

Share conversion

Class A common shares shall, upon request by the owner of such shares, be converted to Class B common shares. The conversion request must be submitted in writing to the board of directors and it must state the number of Class A common shares that are to be converted and, if the request does not apply to the holder’s entire stock of Class A common shares, which shares the conversion pertains to. The board of directors shall immediately notify the Swedish Companies Registration Office so that the conversion can be registered in the Company Register. The conversion is completed once registration has occurred and is recorded in the CSD register.

Preference shares shall, upon request by an owner of such shares, be converted to Class D common shares. The conversion shall only be possible under the provision that no increase of the permitted dividend related to Class D common shares is effective. The conversion request must be submitted in writing to the board of directors and it must state the number of preference shares that are to be converted to Class D common shares and, if the request does not apply to the entire holding, which preference shares the conversion pertains to. The conversion is completed once registration has occurred and is recorded in the CSD register.

Redemption of Preference Shares

A reduction of the share capital, provided it is not below the minimum amount, may be made by way of redemption of a certain number or all Preference Shares subsequent to a resolution with ordinary majority by the general meeting of shareholders. The distribution of Preference Shares to be redeemed shall be proportional to the number of Preference Shares held by each preference share holder at the time of the resolution of the general meeting on redemption. If the above distribution is not even, the board shall decide on the allocation of excess Preference Shares to be redeemed. However, if the decision is approved by all holders of Preference Shares, the general meeting may decide which Preference Shares will be redeemed. The amount of redemption for each redeemed Preference Share shall be an amount calculated as follows:

- (i) Until 2020-10-05, an amount of SEK 750, together with any Outstanding Sum, plus an amount corresponding to the annual interest rate for the Outstanding Sum due above.

- (ii) From 2020-10-05 through 2024-10-05, an amount of SEK 650, together with any Outstanding Sum, plus an amount corresponding to the annual interest rate for the Outstanding Sum due above.
- (iii) From 2024-10-05 and for the time thereafter, an amount of SEK 600 together with any Outstanding Sum, plus an amount corresponding to the annual interest rate for the Outstanding Sum above.

From the day when payment of the redemption amount falls due, all calculations of interest shall cease thereafter. However, the amount of redemption for each redeemed preference share shall never be less than the share's quota value.

Shareholder pre-emption rights

Where the company resolves to issue new shares by way of a cash issue or a set-off issue, holders of Common Shares and Preference Shares shall be entitled to pre-emption rights to one new share of the same class pro rata to the number of shares previously owned by the holder (primary pre-emption rights). Shares that are not subscribed for pursuant to primary pre-emption rights shall be offered to all shareholders for subscription (subsidiary pre-emption rights). Unless shares offered in such manner are sufficient for the subscription that takes place pursuant to subsidiary pre-emption rights, the shares shall be allotted among the subscribers pro rata to the total number of shares previously owned irrespective of their shares being Common Shares or Preference Shares. Where this is not possible with respect to a particular share(s), shares shall be allotted through drawing of lots.

Where the company resolves to issue only Class A, Class B, Class D Common Shares or Preference Shares by way of a cash issue or set-off issue, all of the shareholders, irrespective of their shares being Common Shares or Preference Shares, shall hold pre-emption rights to subscribe for new shares pro rata to the number of shares previously owned.

Where the company resolves to issue warrants or convertible debentures by way of a cash issue or setoff issue, all of the shareholders shall hold pre-emption rights to subscribe for warrants as if the issue referred to the shares that may be subscribed for following exercise of the warrants and pre-emption rights to subscribe for convertible debentures as if the issue referred to the shares the convertible debentures may be converted to respectively.

The provisions above shall not entail any restrictions on the possibility for the company to adopt a resolution regarding a cash issue or set-off issue without regard to shareholders' pre-emption rights.

Upon an increase in the share capital by way of a bonus issue, only Class A common shares and Class B common shares may be issued.

In relation thereto, only holders of Class A common shares and Class B common shares shall have pre-emption rights to new common shares at which old shares of Class A common shares and Class B common shares respectively shall entitle to new shares of the same class. The aforementioned shall not entail any restrictions on the possibility for the company to issue shares of a new class through a bonus issue, following any necessary amendments to the articles of association.

6. BOARD OF DIRECTORS AND AUDITORS

The board of directors shall comprise 3-10 members and no deputy members.

The company shall have 1-2 auditors with a maximum of 2 deputy auditor(s) or one registered audit firm.

7. NOTICE OF GENERAL MEETING OF SHAREHOLDERS

Notice of a general meeting of shareholders shall be published in Post- och Inrikes Tidningar (the Official Swedish Gazette) as well as on the company's website. The fact that notice has been published shall be advertised in Dagens Nyheter newspaper.

Notice to annual general meetings and notice to extraordinary general meetings, where amendment of the articles of association shall be resolved upon, shall be published not earlier than six weeks and not later than four weeks prior to the general meeting. Notice to other extraordinary general meetings shall be published not earlier than six weeks and not later than three weeks prior to the general meeting.

Shareholders who wish to participate in a general meeting must be recorded in a transcription or other presentation of the register of shareholders in effect five weekdays prior to the meeting and must notify the company of their intention to attend no later than the day stipulated in the notice of the meeting. The latter mentioned day may not fall on a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve and New Year's Eve, nor may it fall earlier than the fifth weekday prior to the meeting.

8. OPENING OF THE GENERAL MEETING

The chairperson of the board of directors or a person appointed by the board of directors for this purpose opens the general meeting and presides over the proceedings until a chairperson of the meeting is elected.

ARTICLES OF ASSOCIATION

9. ANNUAL GENERAL MEETING

The annual general meeting is held each year within 6 months of the end of the fiscal year.

The following matters shall be dealt with at the annual general meeting of shareholders.

- 1) Election of Chairperson of the Meeting
- 2) Preparation and approval of voting list
- 3) Approval of the agenda
- 4) Election of one or two persons to verify the minutes
- 5) Determination of whether the Meeting has been duly convened
- 6) Presentation of the annual accounts and the auditors' report and, where applicable, the consolidated financial statements and the auditors' report for the group
- 7) Decisions
 - a) on adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and consolidated balance sheet
 - b) on allocation of the company's profit or loss according to the adopted balance sheet
 - c) on the discharge from liability for Board members and the Managing Director
- 8) Determination of remuneration for Board members and auditors
- 9) Election of board of directors and auditing firm or auditors, as well as any deputy auditor(s)
- 10) Other matters to be addressed at the Meeting in accordance with the Swedish Companies Act or the articles of association.

10. FISCAL YEAR

The company's fiscal year shall be 1 January-31 December.

11. RECORD DATE PROVISION

The company's shares shall be registered in a CSD register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

1. GENERAL CORPORATE INFORMATION

The Company's business is conducted in accordance with the Swedish Companies Act. The parent company Samhällsbyggnadsbolaget i Norden AB (publ) (registration number 556981-7660) is a Swedish public limited liability company which was founded on 1 September 2014 and registered with the Swedish Companies Registration Office on 4 September 2014. The Company's registered office is situated in Stockholm and its telephone number is +46 (0) 200 22 72 00. The Company's LEI is 549300HX9MRFY47AH564.

For a description of the Company's legal structure, see "*Business Overview – Organisational Structure*".

2. WORKING CAPITAL

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is, for at least 12 months from the date of this Offer Document. This is true for the Group as well as for the Combined Company.

3. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 30 September 2019, the date to which the Historical Financial Information relating to the Group was prepared.

4. MATERIAL AGREEMENTS

The following agreements (not being agreements entered into in the ordinary course of business) have been entered into by a member of the Group within the two years immediately preceding the date of this Offer Document and are, or may be, material or have been entered into at any time by any member of the Group and contain provisions under which any member of the Group has an obligation or entitlement which is, or may be, material to the Group as of the date of this Offer Document.

Bridge facilities agreement

In November 2019, the Company entered into a bridge facility agreement in a principal amount of SEK 5,3 billion, with an interest rate based on Stibor and an initial margin of 1.20 per cent. (the margin is connected to the Company's credit rating) with a maturity of six months with an option to extend for two consecutive six months periods and making the total maximum maturity 18 months (the "**Bridge Loan**"). The funds from the Bridge Loan shall be applied to (i) the payment of the cash purchase price for the Hemfosa shares in connection with the Takeover Offer, (ii) potential market purchases of Hemfosa's shares, (ii) the capitalisation of Hemfosa in connection with a compulsory acquisition and (iii) the payment of acquisition costs. The Bridge Loan agreement contains customary conditions precedent which relate to the status of the Company (financial reports, authorisation documentation and registry information), all of which have been fulfilled, or the Takeover Offer (evidence that the Takeover Offer has been declared unconditional, copies of published documents and confirmations regarding their content). None of the conditions precedent are outside of the Company's control or relate to Hemfosa. Moreover, the Bridge Loan agreement contains customary provisions regarding fees, undertakings, representations and financial covenants, along with provisions on mandatory prepayments in case of (i) certain large disposals of assets and (ii) certain large capital markets issuances. The Bridge Loan may be cancelled and repaid at any time during the term of the loan, subject to a three-day notice period.

Acquisition and transfer agreements

Since the Group's establishment in March 2016, a significant number of acquisitions and transfers, mainly of property owning companies and properties, have been made by the Group. Amongst others, the Company has acquired Samhällsbyggnadsbolaget i Norden AB (publ) (the current SBB i Norden) (after its acquisition of AB Högkullen (publ) and Gimmel Fastigheter AB), Kuststaden Holding AB, Sörmlandsporten AB, Kopparleden AB, as well as an acquisition and subsequent sale of a company owning property in central Oslo that included DNB Bank ASA's headquarters.

In acquisition agreements, fixed-term warranties regarding the property and the acquired company are regularly provided by the seller. When subsidiaries of the Group sell properties and companies, warranty claims may be brought by the buyer in relation to any damage that has arisen. Historically, no material warranty claims have been brought against the Group and the Group currently does not expect any warranty claims or other material obligations to be brought against the Group. See "*Risk Factors – Risks related to the Group's operations – The Group's business may be adversely affected if the acquisition and integration of properties and property companies is not successful*".

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

Commercial leases

As of 30 September 2019, the Group had commercial lease agreements primarily for its community services properties and residual commercial premises in lower floors and development properties used as offices, warehouses or industrial spaces. Most of the Group's commercial leases are based on the Swedish Property Federation's (Sw. *Fastighetsägarna*) standard agreements or similar standards in the other Nordic countries and are subject to annual rent adjustments tied to changes to the consumer price index. The agreements usually contain appendices with specific provisions for the relevant lease and the term of the leases are usually three to five years with a termination notice period of nine months.

Distributor agreements

Other than financing costs, the Group's most significant expenses are related to its ordinary property costs, including, *inter alia*, costs of heating, waste disposal and continuous maintenance. The Group does not consider any individual distributor agreement relating to property costs to be material.

For administrative services, the Company has entered into a significant agreement with Newsec Asset Management AB. See "*Business overview – Overview of the Group's structure – Outsourcing arrangements*".

5. INFORMATION TECHNOLOGY

The Group's information technology infrastructure and operations are largely outsourced to Axia IT AB. The Company has entered into a comprehensive IT services agreement with Axia IT AB, under which Axia IT AB provides IT development, support, maintenance and administration with the overall aim of optimising the Company's IT infrastructure and consolidating different IT environments within the Group, in order to create a central platform and structure. Further, the Head of IT Operations for the Company is appointed under the IT services agreement.

Together with the external Head of IT Operations, the Company has implemented several internal policies and guidelines with the purpose of supporting the overall continuity of the operations of the Company by ensuring that the Company's IT infrastructure is secure and that there are procedures in place for upholding and recovering necessary IT services in time. Among other things, the policies include procedures for the storage and backup of data, as well as a detailed IT disaster plan. The Company's IT environment has an integrated mechanism for authorisation control, which includes limiting authority based on different roles within the Company.

6. INTELLECTUAL PROPERTY

The Group has not registered and does not own or license intellectual property rights that would be material to its operations except for the sbbnorden.se internet domain and the trademarks "Samhällsbyggnadsbolaget i Norden", "SBB i Norden" and "Samhällsbyggnadsbolaget" and four logos containing "SBB Samhällsbyggnadsbolaget" or "SBB", which are protected as registered EU trademarks. Intellectual property rights do not have a material effect on the Group's business or profitability.

7. INSURANCE

The Group maintains insurance for risks connected to its properties and other aspects of its operations, including machines, management and service, environmental responsibilities for builders, rental loss, legal costs, liability for its CEO and board members and investments. The Group believes that its insurance coverage, including the maximum coverage amounts, exclusions and limitations of liability and terms and conditions of its policies, are both consistent with that of other companies operating in the same industry and appropriate for the operations of the Group. There is, however, no guarantee that the Group will not incur any losses or become the subject of claims that exceed the scope of the relevant insurance coverage.

8. LEGAL PROCEEDINGS

The Group is, from time to time, involved in disputes, claims and negative decisions from authorities in the ordinary course of business. During the last twelve months, the Group has not been involved in any governmental, legal or conciliation proceedings (including any proceedings that are pending or threatened of which the Group is aware), that have had or could have material effects on the financial position or profitability of the Group. The Group is not aware of any facts or circumstances that could reasonably be expected to lead to any material claims being made against the Group in the foreseeable future. See "*Risk Factors – Risks related to legal, regulatory and governance issues – Risks related to legal, regulatory and corporate governance issues – The Group may fail to comply with applicable regulations and risk being involved in legal and administrative proceedings*".

9. RELATED PARTY TRANSACTIONS

Save as described in note 29 to the Historical Financial Information, there were no related party transactions entered into by the Company or any member of the Group during the nine months ended 30 September 2019 and the financial years ended 31 December 2018, 2017 and 2016 up to the date of this Offer Document.

10. VALUATION REPORTS

Valuation reports relating to the real estate properties of the Company have been provided by the Independent Valuers. The Independent Valuers have consented to the publication of the valuation reports in this Offer Document and none of the Independent Valuers has, as far as the Company knows, any material interests in the Company.

11. ADVISORS' INTERESTS

SBB has retained J.P. Morgan, ABGSC and Nordea as financial advisers and Vinge and Clifford Chance as legal advisers in connection with the Takeover Offer. None of these advisors has a material opposing interest in the Takeover Offer and each of these respective advisors will receive customary payment from the Company for their advice in connection with the Takeover Offer.

12. COSTS RELATED TO THE TAKEOVER OFFER AND THE RIGHTS ISSUE

The total costs, charges and expenses payable by the Group in connection with the Takeover Offer and the Rights Issue are estimated to be approximately SEK 300 million.

13. APPROVAL FROM THE SFSA

A Swedish version of this Offer Document has been approved and registered by the SFSA in accordance with Chapter 2 of the Swedish Takeover Act, Chapter 2a of the Swedish Financial Instruments Trading Act and Chapter 2 Section 5 of the Act on Supplementary Provisions to the EU Prospectus Regulation. The approval and registration by the SFSA does not imply that the SFSA guarantees that the information in the Offer Document is correct or complete. This Offer Document is available both in Swedish and English.

14. DOCUMENTS ON DISPLAY

Copies of (i) the Company's articles of association and certificate of registration, (ii) annual reports of the Company and its subsidiaries, as applicable, for the financial years 2018, 2017 and 2016, including auditors' reports, (iii) Unaudited Financial Statements of the Group for the nine months ended 30 September 2019, (iv) the Valuation Reports and (v) this Offer Document, are held available for inspection during office hours at the Company's head office at Strandvägen 1, SE-114 51 Stockholm. These documents, excluding the certificate of registration, the annual reports for the Company's subsidiaries and the valuation reports, are also available in electronic form on the Company's website, www.sbbnorden.se.

INFORMATION REGARDING HEMFOSA

Below is a summarized description of Hemfosa. The information given in this description is, unless otherwise indicated, retrieved from publicly available information, mainly from Hemfosa's annual reports for the financial years ended 31 December 2017 and 2018, the interim reports for the ninth months ended 30 September 2019 and 2018 and Hemfosa's webpage.

1. OPERATIONS

Operations in brief

Hemfosa is a community service properties specialist working with public-sector offices, schools, care services and adapted housing as well as the judicial system in the Nordic region. On Hemfosa's premises police, teachers and medical doctors work and Hemfosa actively tries to adapt their properties to their needs. As of 30 September 2019, Hemfosa owned 403 properties in Sweden, Norway and Finland with a fair value of SEK 39.8 billion.

Hemfosa's operational organization consists of a strong, locally anchored proprietary management organization that is supported by Group-wide functions. In Sweden, Hemfosa's property portfolio is divided into five regions: North, Stockholm, Mid, West and South. Each region is headed by a regional manager with operational responsibility for the properties in the region. Hemfosa has offices in Falun, Gothenburg, Halmstad, Härnösand, Karlskrona, Karlstad, Kristianstad, Norrköping, Oslo, Sundsvall, Västerås, Växjö and Umeå. The Norwegian organization has five local administrative offices and is led from the Oslo office. In Finland, a country manager has recently been appointed and today she performs all the tasks together with a local cooperation partner. At the headquarters in Stockholm are Hemfosa's group-wide functions. These consists of Transaction and Analysis, Finance, Legal, Market/Communications. On 31 December 2018 the number of employees amounted to 71 people.

Property portfolio summarily

Hemfosa divides its community service properties into four categories – Public-sector offices, Care services and Adapted Housing, Schools and Judicial system. Geographically, the properties in Sweden are located in 109 municipalities throughout Sweden with the emphasis on the Stockholm, Gothenburg and Malmö regions and the coast of Norrland. In Norway, since the first acquisitions in 2015, Hemfosa has assembled a portfolio, primarily in the Oslo region and southern Norway, and since 2017 also in western Norway, through an acquisition in Bergen. At year-end of 2018, the Norwegian portfolio accounted for 25 percent of Hemfosa's total property value. Finland is the third market in which Hemfosa has established operations. At year-end of 2018, the property portfolio in Finland accounted for 5 percent of Hemfosa's total property value.

Hemfosa has a well-diversified tenant structure, with the largest tenant accounting for only 6 percent of total rental income and the ten largest tenants accounting for less than one-third. As of 30 September 2019, the average remaining lease term was 6.5 years. There is a favourable spread in lease maturities, with maximum one-seventh of the rental value expiring each year over the next few years. More than one-third will expire in 2026 or later. As of 30 September 2019, the economic leasing rate was 94.2 percent.

Vision

We will be there to serve the community and provide the best properties for the most important people.

Business Concept

With its local presence, Hemfosa will acquire, own over the long term, develop and actively manage community service properties in the Nordic region.

Targets

Hemfosa has a growth target to grow to SEK 50 billion in property value until year 2023 and that distributable earnings per share will increase on average by a minimum of 10 percent per year.

Strategy

The core of Hemfosa's strategy is to grow and make a good business even better. The objective is that Hemfosa's property portfolio will grow to SEK 50 billion within five years – growth that will be combined with healthy profitability while retaining a low risk. Hemfosa will achieve this by strengthening Hemfosa's position in Sweden and Norway and expanding our activities and presence in the Finnish market. The ambition is to capitalize on growth opportunities when the need for community service properties increases in all three markets as the population grows and the share of children and senior citizens becomes larger.

2. FINANCIAL OVERVIEW SUMMARY

The information below regarding Hemfosa is collected from the annual reports for the years ended 31 December 2018 and 2017 and from the interim reports for the nine months period ended 30 September 2019 and 2018. The financial reports for the financial years ended 31 December 2018 and 2017 has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) as adopted by EU. Furthermore, the Counsel for Financial Reporting's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. The information in the interim reports for the nine months period ended 30 September 2019 and 2018 have been prepared in accordance with IAS 34 and the Swedish Annual Reports Act (Sw. *årsredovisningslagen*). The Company's accountant has performed a review in accordance with International Standard on Review Engagements ISRE 2410 Review of interim financial information performed by the independent auditor of the entity.

Consolidated statement of profit/loss and comprehensive income

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
	(unaudited)		(SEK million)		
Rental income	2,128	1,842	2,525	2,103	2,642
Property expenses					
Operating expenses	(349)	(312)	(403)	(342)	(433)
Maintenance costs	(120)	(130)	(175)	(154)	(212)
Property tax	(59)	(54)	(74)	(66)	(98)
Property administration	(73)	(63)	(82)	(56)	(82)
Net operating income	1,526	1,282	1,792	1,484	1,817
Central administration	(98)	(102)	(141)	(128)	(128)
Other operating income and expenses	4	6	43	11	21
Share in profit of joint ventures	(1)	2	2	168	542
Share in profit of associated companies	10	20	22	19	–
Financial income and expenses	(403)	(368)	(514)	(381)	(440)
Profit from property management	1,039	840	1,204	1,173	1,812
Changes in value of properties, realized	–	(2)	(2)	(6)	46
Changes in the value of properties, unrealised	814	1,101	1,307	1,281	1,548
Change in value of financial instruments	(77)	–	(14)	–	–
Change in value of financial instruments, realised	–	12	–	–	–
Change in value of financial instruments, unrealised	–	1	–	44	18
Profit before tax	1,777	1,952	2,495	2,493	3,424
Current tax	–	(118)	–	–	(18)
Deferred tax	–	(259)	–	–	177
Tax	(280)	–	(466)	(544)	–
Profit after tax	1,497	1,575	2,030	1,949	3,583
Discontinued operations					
Profit after tax from Nyfosa to be distributed to shareholders	–	1,307	1,407	1,215	–
Loss on distribution to Nyfosa	–	–	(1,077)	–	–
Profit for the period	1,497	2,882	2,360	3,163	3,583
Other comprehensive income					
Translation differences in translation of foreign operations	235	264	50	(104)	156
Comprehensive income for the period	1,732	3,146	2,409	3,059	3,739
Profit for the year attributable to:					
Parent Company shareholders	1,497	2,858	2,327	3,142	3,556
Non-controlling interests	–	24	31	21	27
Profit for the period	1,497	2,882	2,360	3,163	3,583

INFORMATION REGARDING HEMFOSA

The income statements for the financial years ended 31 December 2018 and 2017 have been recalculated to take into account the distribution of Nyfosa and pertains to continuing operations. The income statement for the financial year ended 31 December 2016 has not been recalculated to take into account the distribution of Nyfosa.

Consolidated statement of financial position in summary

	As of 30 September		As of 31 December		
	2019	2018	2018	2017	2016
	(unaudited)		(SEK million)		
Investment properties	39,773	35,570	36,049	41,119	34,668
Site leasehold, right-of-use asset	133	–	–	–	–
Shares in joint ventures	63	63	60	2,096	1,676
Shares in associated companies	231	172	164	123	56
Derivatives and other fixed assets	–	–	13	17	13
Other fixed assets	35	13	–	–	–
Current receivables	297	199	200	190	140
Cash and cash equivalents	616	1,511	974	541	1,221
Assets attributable to Nyfosa, which shall be distributed to shareholders	–	17,270	–	–	–
TOTAL ASSETS	41,149	54,798	37,459	44,086	37,774
EQUITY AND LIABILITIES					
Shareholders' equity attributable to Parent Company shareholders	14,455	12,927	13,134	17,723	15,506
Non-controlling interests	1	116	143	85	64
Total shareholders' equity	14,456	13,043	13,276	17,807	15,570
Dividend of Nyfosa	–	8,077	–	–	–
Interest-bearing liabilities	23,687	–	21,944	24,033	20,605
Non-current interest-bearing liabilities	–	19,286	–	–	–
Other non-current liabilities	–	14	–	–	–
Current interest-bearing liabilities	–	3,106	–	–	–
Other current liabilities	–	1,359	–	–	–
Liabilities attributable to Nyfosa, which shall be distributed to shareholders	–	8,798	–	–	–
Lease liability	133	–	–	–	–
Derivatives	–	–	29	43	87
Deferred tax liabilities	1,428	1,115	1,229	1,184	506
Other liabilities	1,446	–	981	1,019	1,006
Total liabilities	26,694	41,755	–	–	–
TOTAL EQUITY AND LIABILITIES	41,149	54,798	37,459	44,086	37,774

INFORMATION REGARDING HEMFOSA

Key performance data

Key financial data

	As of September 30		As of 31 December		
	2019	2018	2018	2017	2016
Return on equity, %	14.2	22.5	15.1	19.0	27.1
Return on equity, continuing operations, %	–	13.6	–	–	–
Equity/assets ratio, %	35.1	23.8	35.4	40.4	41.2
Equity/assets ratio, continuing operations, %	–	34.8	–	–	–
Net loan-to-value ratio, properties, % ¹	58.0	58.7	58.2	57.1	55.9
Debt/equity ratio, multiple	1.6	1.7	1.7	1.3	1.3
Interest coverage ratio, multiple ¹	3.6	3.2	3.3	3.6 ²	3.9
Net debt/EBITDA, multiple	11.5	–	11.4	–	–

1 Refers to an alternative performance measure according to European Securities and Markets Authority (ESMA).

2 Excluding Nyfosa.

Share-related key figures, ordinary shares

	As of 30 September		As of 31 December		
	2019	2018	2018	2017	2016
Profit from property management per ordinary share, SEK ²	5.87	4.97	6.52	6.74 ⁴	11.49
Profit after tax per ordinary share before dilution, SEK	8.59	8.90	11.78	11.66 ⁴	23.25
Profit after tax per ordinary share after dilution, SEK	8.58	8.89	11.77	11.65 ⁴	23.25
Equity per ordinary share, SEK ¹	75.51	67.76 ³	67.62	101.01	86.95
Net asset value (EPRA NAV), per ordinary share, SEK ^{1,2}	83.75	75.11 ³	75.11	112.20	93.87
Cash flow from operating activities per ordinary share, SEK	6.75	8.67	5.07	6.05	6.73
Dividend per ordinary share, SEK	2.38	3.50	2.40	4.80	4.40
Number of shares outstanding, 000s ¹	169,488	167,728	167,728	157,728	157,728

1 At the end of the period.

2 Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA).

3 Year-end 2018.

4 Excluding Nyfosa.

Property-related key figures

	As of 30 September		As of 31 December		
	2019	2018	2018	2017	2016
No. of properties.	403	373	381	472	432
Rental value, SEK million ¹	3,096	2,759	2,826	3,397	2,999
Leasable area, 000s of sqm	2,178	2,040	2,059	2,918	2,627
Fair value of properties, SEK million	39,773	35,570	36,049	41,119	34,668
Property value, SEK per sqm of leasable area	18,261	17,436	17,508	14,092	13,195
Economic leasing rate, %	94.2	94.4	94.4	92.5	91.1
Surplus ratio, % ¹	71.7	69.6	71.0	70.6 ²	68.8
Yield, % ¹	5.3	5.2	5.4	5.4	5.5

1 Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA).

2 Excluding Nyfosa.

Share-related key figures, preference shares

	As of 30 September		As of 31 December		
	2019	2018	2018	2017	2016
Dividend per preference share, SEK	10.00	7.50	10.00	10.00	10.00
Equity per preference share, SEK	162.85	162.85	162.85	162.85	162.85
Number of preference shares outstanding, 000s ¹	11,000	11,000	11,000	11,000	11,000

¹ At the end of the period.

INFORMATION REGARDING HEMFOSA

3. SHARES, SHARE CAPITAL AND OWNERSHIP

The share

Hemfosa has two classes of shares, common shares and preference shares. Every common share entitle the holder to one vote and every preference share entitle the holder to one-tenth of a vote. The shares are associated with different rights to dividends and to the Company's assets. The Company's common shares are listed at Nasdaq Stockholm Large Cap under the Ticker "HEMF". The Company's preference shares are listed at Nasdaq Stockholm Large Cap under the Ticker "HEMF PREF". The common shares have the ISIN code SE0007126115 and the preference shares SE0007126123.

As of the day of this Offer Document the number of shares in Hemfosa is 180,488,248, of which 169,488,249 are common shares and 10,999,999 are preference shares, with a quota value of SEK 0,5 per share. The Company holds no own shares.

Warrant program for employees

A warrants program for employees of the Hemfosa Group was established during 2017. A total of 52 employees acquired a combined total of 1,294,000 warrants, corresponding to 89 percent of the maximum number of warrants. The warrants entitle rights to subscribe for common shares during the periods 1-31 May 2022 and 1-31 August 2022 at an initial stated subscription price of SEK 98,40. The 156,000 warrants that were not subscribed have been cancelled. In total, 395,000 of the acquired warrants have been repurchased, most in connection with the distribution of Nyfosa in 2018, when a number of employees transferred to Nyfosa. The repurchased warrants have been cancelled. In connection with the distribution of Nyfosa a recalculation of the subscription price for the shares as well as the number of shares each warrant entitles subscription to was also conducted. As of the day of this Offer Document, 899,000 warrants are outstanding, which entitle rights to subscribe 1,431,639 common shares in total, corresponding to a dilution of approximately 0.8 percent of the total number of common shares.

At the 2019 annual general meeting it was resolved to introduce a warrants program for employees of the Hemfosa Group. The purpose of the incentive program is to help Hemfosa to recruit and retain personnel and create joint objectives for shareholders, management and employees. The programme has been designed to reward overachievement and is targeted to all employees. In brief, the resolution entails a private placement of a maximum of 1,400,000 warrants. During the second quarter, personnel in Sweden subscribed for 941,400 warrants. These warrants entitle subscription of shares under three different two-week periods after (i) the announcement of the quarterly report Q3 2022 (however not earlier than 25 October 2022), (ii) year-end report for the financial year 2022 (however not earlier than 25 January 2023) and (iii) the quarterly report Q1 2023 (however not earlier than 25 April 2023 and with an end date not later than 10 June 2023), respectively. The subscription price per share is the common shares average price at the time of the issue of the warrants with recalculations upwards or downwards depending on all listed property companies' average development, calculated in accordance with Carnegie's property index (CREX) based on an average index value for the period from and including 8 May 2019 up to and including 21 May 2019, in comparison to an average index value for the period from and including 1 September 2022 up to and including 14 September 2022. Upon full subscription on the basis of all warrants issued under the 2019 program a dilution of approximately 0.8 percent of the total number of common shares in the company will occur.

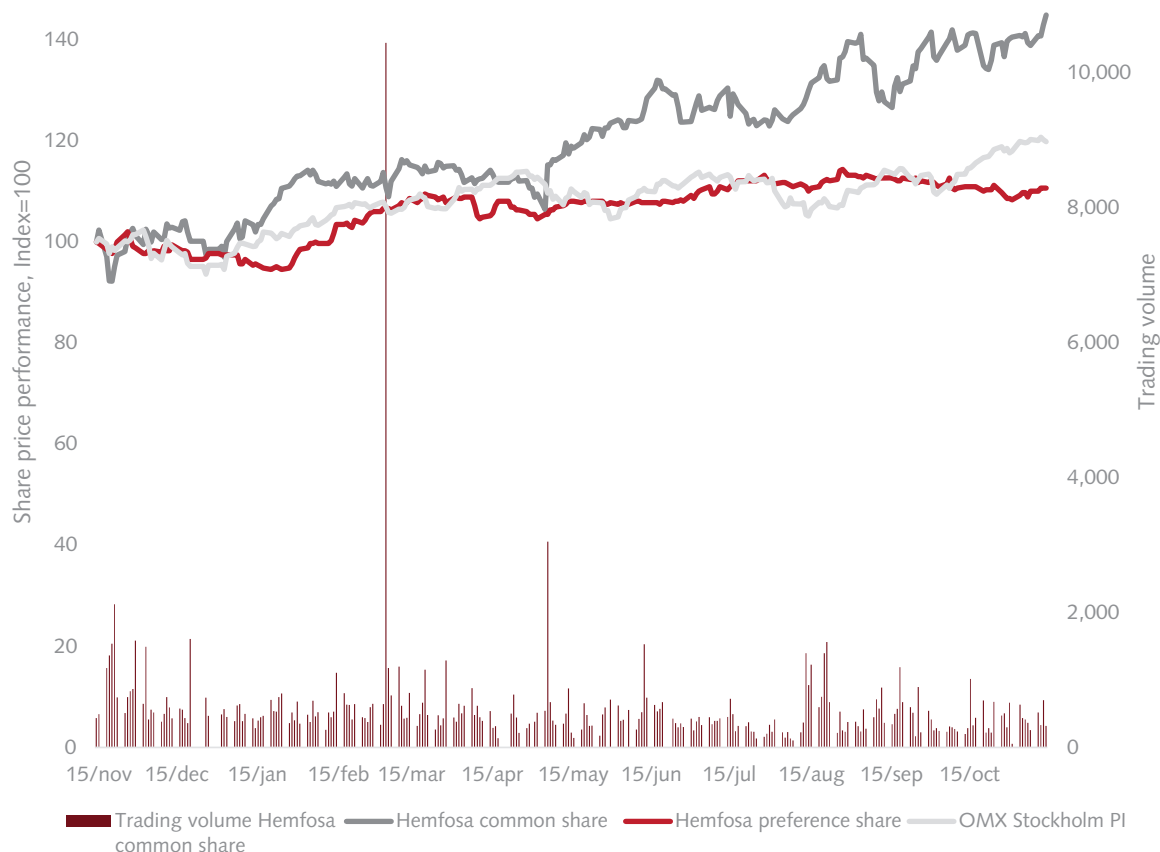
Shareholders

As of 30 September 2019, Hemfosa had 26,979 shareholders. The ten largest shareholders in terms of votes, as of 30 September 2019, are set out below.

	Number of shares		Percent of	
	Ordinary shares	Preference shares	Share capital	Votes
Swedbank Robur Funds	11,453,959	–	6.3	6.7
Länsförsäkringar Funds	11,293,013	–	6.3	6.6
SEB Funds	7,851,667	–	4.4	4.6
Norges Bank	6,194,358	–	3.4	3.6
Vanguard	5,139,044	508,938	3.1	3.0
Columbia Threadneedle	4,897,703	–	2.7	2.9
BlackRock	4,567,675	–	2.5	2.7
XACT Funds	3,333,855	–	1.8	2.0
ICA-Handlarnas Förbund	2,900,000	–	1.6	1.7
Jens Engwall	2,500,000	–	1.4	1.5
Other	109,356,975	10,491,061	66.5	64.7
Total	169,488,249	10,999,999	100.0	100.0

Share price performance

The chart set out below illustrates the share price performance and trading volume of the Hemfosa common and preference shares, respectively, over the twelve past months prior to the announcement of the Takeover Offer (181115 – 191114), compared with the OMX Stockholm PI for the same period.



Dividends policy

The dividend is to amount to about 40 percent of distributable earnings, which are defined as profit from property management excluding the share in profit in joint ventures and after paid tax.

Authorization for the board of directors to resolve upon issue of common shares

At Hemfosa's 2019 annual general meeting a resolution was passed to authorize the Board on one or more occasions during the period up to the following annual general meeting, either applying or disapplying the existing shareholders' preferential rights, to decide on the issuance of common shares. The total number of ordinary shares that may be issued pursuant to the authorisation may correspond to no more 10 percent of the total number of common shares in Hemfosa at the time of exercising the authorization. Such new ordinary shares shall be issued at a subscription price corresponding to market terms and payment can be made, except for payment in cash, by assets contributed in kind or by set-off. The board of directors has, on the basis of the authorisation, resolved on an issue in kind of 1,760,000 common shares, i.e. approximately 1 percent of the total number of common shares in Hemfosa, to ICA-handlarnas Förbund Finans AB. The issue in kind was registered on 4 July 2019.

The purpose of the authorisation, and the reason for any deviation from the shareholders' pre-emption right, is that the board of directors shall be able to resolve on issues of shares in order to finance acquisitions of real property or real property companies, or part of real property or real property companies, or in order to finance investments in new or existing real property.

Shareholder agreements

Hemfosa's annual report for the financial year 2018 does not mention any agreements between larger shareholders or between larger shareholders and the Company or Hemfosa.

Material agreements

Hemfosa's credit agreements contain customary provisions regarding change of control and thereby might be terminated in case of a material change of control in Hemfosa.

INFORMATION REGARDING HEMFOSA

4. BOARD OF DIRECTORS, MANAGEMENT AND AUDITOR

Board of directors

BENGT KJELL, B. 1954

Chairman of the company's board of directors since 2013 and chairman of the remuneration committee. Chairman within the group since 2009.

Education:

Graduate Business Administrator, Stockholm School of Economics.

Other assignments:

Chairman of the boards of SSAB and Expassum AB, and vice chairman of the board of Indutrade AB and Pandox AB. Member of the boards of AB Industrivärden and Amasten et al.

Shareholding in the Company (incl. any shares held by related parties):

2,305,000 common shares.

CAROLINE SUNDEWALL, B. 1958

Member of the company's board of directors since 2013 and member of the audit committee. No previous board assignments within the group.

Education:

Graduate Business Administrator, Stockholm School of Economics.

Other assignments:

Chairman of the board of Stiftelsen Streber Cup. CEO and member of the board of Caroline Sundewall AB. Member of the boards of Elanders AB, SinterCast, Stiftelsen Tillväxt Helsingborg and Mertzig Asset Management.

Shareholding in the Company (incl. any shares held by related parties):

3,000 common shares and 2,000 preference shares.

GUNILLA HÖGBOM, B. 1958

Member of the company's board of directors since 2017 and member of the audit committee. No previous board assignments within the group.

Education:

Master of Engineering, Royal Institute of Technology, Stockholm.

Other assignments:

CEO in Fastighets AB Virtuosen. Member of the board of Sydholmarna Kapitalförvaltning AB.

Shareholding in the Company (incl. any shares held by related parties):

1,000 common shares.

ANNELI LINDBLOM, B. 1967

Member of the company's board of directors since 2013 and chairman of the audit committee. No previous board assignments within the group.

Education:

Bachelor of Science in Economics, Frans Schartau Business Institute, Stockholm.

Other assignments:

Chairman of the board of NoClds AB.

Shareholding in the Company (incl. any shares held by related parties):

2,400 common shares.

PER-INGEMAR PERSSON, B. 1956

Member of the company's board of directors since 2016 and member of the remuneration committee. No previous board assignments within the group.

Education:

Master of Engineering, Faculty of Engineering, Lund University.

Other assignments:

Chairman of the board of NEWS and ELU Konsult AB member of the boards of Fabege, Finja Prefab AB, Wihlborgs Fastigheter AB and PEKE Konsult AB and a number of wholly owned or associate companies in the Veidekke Group.

Shareholding in the Company (incl. any shares held by related parties):

4,400 common shares.

ANNELI JANSSON, B. 1974

Board member since 2019. No previous engagements within the group.

Education:

Master of Engineering, Royal Institute of Technology, Stockholm.

Other assignments:

CEO in Humlegården Fastigheter AB and member of the board of several companies in the Humlegården group. Member of the board of Brinova Fastigheter AB and RICS Sverige AB.

Shareholding in the Company (incl. any shares held by related parties):

1,200 common shares and 500 preference shares.

ANDERS KUPSU, B. 1962

Board member since 2019.

Education:

Master of Engineering, Royal Institute of Technology, Stockholm.

Other assignments:

CEO and member of the board of Kupran AB, Member of the board of Jernhusen AB.

Shareholding in the Company (incl. any shares held by related parties):

2,440 common shares.

CARL MÖRK, B. 1969

Board member since 2019.

Education:

Master of Engineering, Royal Institute of Technology, Stockholm and Masters of Science in Real Estate Finance, London School of Economics, London.

Other assignments:

Chairman of the board and active in Altira AB. Member of the board of Stendörren Fastigheter AB and Vrenen Fastigheter AB. Chairman of the board of Ankarhagen AB.

Shareholding in the Company (incl. any shares held by related parties):

–

Management

CAROLINE AREHULT, B. 1973

CEO

Education:

Master of Science, Royal Institute of Technology, Stockholm and Hamburg.

Background:

19 years in various leading roles at Skanska, most recently as Managing Director of Skanska Fastigheter Stockholm.

Shareholding in the Company (incl. any shares held by related parties):

20,000 common shares and 120,000 share warrants.

PETER ANDERSON, B. 1970

CFO

Education:

Graduate Business Administrator, Stockholm School of Economics.

Background:

Positions within the property and financial sectors, most recently as Finance Director at Kungsleden. Previously CFO of ICA Fastigheter and CFO at Steen & Ström Sweden and as an auditor at KPMG's Real Estate Group.

Shareholding in the Company (incl. any shares held by related parties):

90,000 share warrants.

ANNIKA EKSTRÖM, B. 1965

Head of Property Management

Education:

Master of Science, Royal Institute of Technology, Stockholm.

Background:

Several positions within Aberdeen Asset Management Sweden, most recently as business area manager, and member of the board of Fastighetsgrunden i Mölndal Förvaltning AB.

Shareholding in the Company (incl. any shares held by related parties):

24,666 common shares and 100,000 share warrants.

LINDA ERIKSSON, B. 1975

Head of Finance

Education:

Master of Science, Royal Institute of Technology, Stockholm.

Other assignments:

Member of the board of Frälsningsarméns Förlagsaktiebolag.

Background:

Experience from the financial and property sectors in roles such as Head of Finance at Kungsleden, analyst at AGL and Förvaltaren, and project controller at KF fastigheter.

Shareholding in the Company (incl. any shares held by related parties):

3,000 common shares and 75,000 share warrants.

INFORMATION REGARDING HEMFOSA

ANNA ALSBORGER, B. 1977

Head of transactions

Education:

Master of Science, KTH Royal Institute of Technology in Stockholm.

Background:

Several positions within transaction and analysis, most recently as Head of transactions at Hemsö.

Shareholding in the Company (incl. any shares held by related parties):

6,000 common shares and 60,000 share warrants.

Auditor

The registered firm of accountants KPMG AB was re-elected auditor at the annual general meeting held 7 May 2019. Peter Dahllöf is the auditor in charge up until the end of the next annual general meeting.

5. ARTICLES OF ASSOCIATION

Section 1 Business name

The company's business name shall be Hemfosa Fastigheter AB. The company shall be public (publ).

Section 2 Purpose

The company's purpose shall consist in, directly or indirectly, owning and managing properties and property-related assets and in carrying on compatible activities.

Section 3 Registered office

The company's registered office shall be in Nacka municipality, Sweden.

Section 4 Share capital

The company's share capital shall comprise a minimum of SEK 50,000,000 and a maximum of SEK 200,000,000.

Section 5 Number of shares etc.

The minimum number of shares in the company shall be 100,000,000 and the maximum number shall be 400,000,000.

Shares shall be able to be issued in two classes: ordinary and preference shares. Each ordinary share carries an entitlement to one (1) vote. Each preference share carries an entitlement to one-tenth (1/10) of a vote. Ordinary shares and preference shares may be issued to an amount equivalent to a maximum of 100% of the share capital.

Section 6 Dividends

The preference shares carry a preferential right to dividends.

If the general meeting approves payment of a dividend, the preference shares carry a preferential right over the ordinary shares to dividends, as set out below.

Calculation of Preference Dividend

The preference shares shall carry a preferential right over the ordinary shares to an annual dividend of ten (10) Swedish kronor per preference share with quarterly disbursement of two kronor fifty (2.50) per preference share ("Preference Dividend"), subject to record days as set out below.

Payment of dividends

Payment of dividends on preference shares shall be made quarterly in Swedish kronor on the next disbursement date after the preference shares have been registered with the Swedish Companies Registration Office. Record days for dividends on preference shares shall be 10 January, 10 April, 10 July and 10 October. If such a date is not a banking day, the record day shall be the nearest preceding banking day. Payment of dividends on preference shares shall be made on the third banking day after the record day. "Banking day" refers to days that are not Sundays, general public holidays or

days that are considered equivalent to general public holidays for payment of promissory notes (such equivalent days at the time of adoption of the present Articles of Association are Saturdays, Midsummer's Eve, Christmas Eve and New Year's Eve).

Calculation of Available Amount

If no dividend has been granted on preference shares, or only a dividend of less than the Preference Dividend, the preference shares shall carry an entitlement, in addition to future Preference Dividends, to receive an amount, distributed equally to each preference share, equivalent to the difference between what would have been paid out in accordance with the above and the actual amount paid ("Available Amount") before any dividend may be paid to holders of ordinary shares. The "Available Amount" shall be increased by a factor equivalent to an annual rate of interest of ten (10) per cent, calculated starting from the quarterly date on which payment of part of the dividend was made (or would have been made, if no dividend has been paid at all). Payment of a dividend comprising the Available Amount is also subject to the approval of the general meeting.

Recalculation in connection with certain corporate actions

If the number of preference shares is changed as a result of merger, demerger or other similar corporate action, the amounts to which the preference share carries an entitlement pursuant to sections 6-8 of the present Articles of Association shall be recalculated to reflect this change.

Miscellaneous

The preference shares shall otherwise not carry any right to a dividend.

Section 7 Redemption of preference shares

The share capital may be reduced, but not to less than the minimum capital, by redemption of a certain number or all of the preference shares following a resolution by the general meeting.

The distribution of which preference shares shall be redeemed shall be made pro rata based on the number of preference shares that each preference shareholder owns at the time of the general meeting's resolution on redemption. If this does not result in an even distribution, the board of directors shall decide on the distribution of excess preference shares to be redeemed. If the decision is approved by all holders of preference shares, the general meeting may, however, decide which preference shares are to be redeemed.

The redemption price for each redeemed preference share shall be an amount calculated as follows:

- i. Until the fifth anniversary of the first issue of preference shares (the "Initial Issue"), an amount of SEK 211.25 plus any Available Amount increased by an amount equivalent to the annual rate of interest pursuant to Section 6 above. The redemption price for each redeemed preference share shall, however, never be less than the share's quotient value.
- ii. From the fifth until the tenth anniversary of the Initial Issue, an amount of SEK 195.00 plus any Available Amount increased by an amount equivalent to the annual rate of interest pursuant to Section 6 above. The redemption price for each redeemed preference share shall, however, never be less than the share's quotient value.
- iii. From the tenth anniversary of the Initial Issue and thereafter, an amount of SEK 178.75 plus any Available Amount increased by an amount equivalent to the annual rate of interest pursuant to Section 6 above. The redemption price for each redeemed preference share shall, however, never be less than the share's quotient value.

With effect from the date when the redemption price as above fell due for payment, all calculation of interest thereon ceases.

Section 8 Dissolution of the company

If the company is dissolved, preference shares shall carry a preferential right over ordinary shares to receive, from the company's assets, an amount per preference share of SEK 211.25 plus any Available Amount increased by annual interest pursuant to Section 6 above, before any distribution is made to holders of ordinary shares. Preference shares shall otherwise not carry any right to a share of any distribution.

Section 9 The shareholder's preferential right

If the company decides to issue new shares of different classes, via a cash issue or offset issue, holders of ordinary shares and preference shares shall have a preferential right to subscribe for new shares of the same share class in proportion to the number of shares of the same class that they own beforehand (primary preferential right). Shares that are not taken up by virtue of primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential

INFORMATION REGARDING HEMFOSA

right). If the number of shares offered thus is not sufficient for subscription by virtue of subsidiary preferential right, the shares shall be allocated among the subscribers in proportion to the total number of shares they own in the company beforehand, irrespective of whether their shares are ordinary or preference shares. Where this is not possible with regard to a certain share/certain shares, the allocation shall be made by drawing lots.

If the company decides to issue shares of only one class, via a cash issue or offset issue, holders of shares of the class being issued have a preferential right to subscribe for new shares in proportion to the number of shares of the same class that they own beforehand (primary preferential right). Shares that are not taken up by virtue of primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). If the number of shares offered thus is not sufficient for subscription by virtue of subsidiary preferential right, the shares shall be allocated among the subscribers in proportion to the total number of shares they own in the company beforehand, irrespective of whether their shares are ordinary or preference shares. Where this is not possible with regard to a certain share/certain shares, the allocation shall be made by drawing lots.

If the company decides to issue share warrants or convertibles via a cash issue or offset issue, the shareholders shall have a preferential right to subscribe for share warrants as if the issue related to the new shares that may be subscribed for based on the share warrants or a preferential right to subscribe for convertibles as if the issue related to the shares for which the convertibles may be exchanged.

The above shall not restrict the possibility to approve a cash issue or offset issue with deviation from preferential rights for shareholders.

A capital increase by means of a bonus issue involving issue of shares may only comprise ordinary shares. This means that only holders of ordinary shares have a preferential right to the new ordinary shares, allocated according to the number of ordinary shares they own beforehand. This shall not restrict the possibility to issue shares of a new class by means of a bonus issue, subject to the required change to the Articles of Association.

Section 10 Board of Directors

The board of directors shall comprise a minimum of four and a maximum of ten members. The board members shall be elected each year at the company's annual general meeting for the period until its next annual general meeting has taken place.

Section 11 Auditor

The company shall have one or two auditors with or without deputy auditors. The auditors shall audit the company's financial statements and book-keeping, and the Board's and CEO's administration. If the company is a parent company, the auditors shall also audit the consolidated financial statements and the group companies' inter-relationships.

Section 12 Notice of meeting

Notice of general meetings shall be published in the Swedish Official Gazette and on the company's website. An announcement to this effect shall appear in the Swedish daily paper Svenska Dagbladet. If Svenska Dagbladet should cease to be a national paper, such announcement shall instead be placed in the paper Dagens Nyheter. Notice of company meetings shall be given within the timeframe set out in the Swedish Companies Act (2005:551).

Shareholders who wish to attend the general meeting shall be included in a printout or other summary of the full shareholders' register, depending on the circumstances, five working days before the meeting, and register with the company no later than the day specified in the meeting notice. The latter date may not be a Sunday, other general public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not fall earlier than the fifth working day before the meeting.

Section 13 General meeting

General meetings may be held in the place where the company has its registered office or in Stockholm.

An annual general meeting shall be held each year within six months of the end of the preceding financial year. The following items shall be discussed at the annual general meeting:

1. Election of meeting chairperson
2. Drawing up and approval of voting list
3. Election of one or two persons to verify the minutes
4. Consideration of whether the meeting has been called correctly

5. Approval of agenda
6. Submission of the financial statements and auditor's report and, where appropriate, the consolidated financial statements and group auditor's report.
7. Resolutions on
 - a. adoption of the income statement and balance sheet and, where appropriate, the consolidated statement of profit/loss and other comprehensive income and consolidated statement of financial position,
 - b. allocations relating to the company's profit in accordance with the adopted balance sheet, and
 - c. discharge from liability for members of the board of directors and the CEO, if relevant.
8. Adoption of fees for the board of directors and auditor
9. Election of board of directors and, where appropriate, auditor and any deputy auditors
10. Any other business appropriate to the meeting pursuant to the Swedish Companies Act or the Articles of Association.

Section 14 Financial year

The company's financial year shall be 1 January – 31 December.

Section 15 Record day provision

The company's shares shall be registered in a central securities depository register pursuant to the Swedish Financial Instruments Act (1998:1479).

The shareholder or nominee entered in the shareholder's register on the record day and included in a central securities depository register pursuant to chapter 4 of the Financial Instruments Act (1998:1479), or in a control account pursuant to chapter 4, section 18.1.6-8 of the specified act, shall be assumed to be authorised to exercise the rights ensuing from chapter 4, section 39 of the Swedish Companies Act (2005:551).

Articles of Association adopted at the Annual General Meeting on 7 May 2015.



HEMFOSA'S INTERIM REPORT FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019



Q3

Interim report
January - September 2019

THE MOST IMPORTANT PEOPLE
DESERVE THE BEST PROPERTY

Hemfosa
FASTIGHETER

KEY FIGURES

	Jan-Sep		Jul-Sep	
	2019	2018	2019	2018
Rental income, MSEK	2,128	1,842	735	642
Net operating income, MSEK	1,526	1,282	556	468
Surplus ratio, %	71.7	69.6	75.6	73.0
Profit from property management, MSEK	1,039	840	395	330
Unrealized changes in value, properties, MSEK	814	1,101	89	364
Profit after tax, MSEK	1,497	1,576	439	638
- per ordinary share before dilution, SEK	8.59	8.90	2.59	3.31
- per ordinary share after dilution, SEK	8.58	8.89	2.59	3.31
Cash flow from operating activities, MSEK	1,133	1,368		
Property value, SEK billion	39.8	36.0 ¹		
Net asset value (EPRA NAV) per ordinary share, SEK	83.75	75.11 ¹		
Equity/assets ratio, %	35.1	35.4 ¹		

¹ Year-end 2018

January-September 2019¹

- Rental income increased 16 percent mainly on the basis of a growing property portfolio. The increase for the comparable portfolio was just under 4 percent.
- Net operating income increased 19 percent, of which just under 5 percent in the comparable portfolio.
- The surplus ratio was strengthened by just over two percentage points. This was largely attributable to effects from acquired properties, but also to a higher surplus ratio in the comparable portfolio.
- Profit from property management increased 24 percent, primarily driven by higher rents from property acquisitions.
- Unrealised changes in value amounted to MSEK 814, which corresponds to an increase of 2.3 percent, of which 0.3 percent arose in the third quarter. Valuation yields for the quarter remained principally unchanged.
- Profit after tax decreased 5 percent due to unrealized changes in value being greater last year.
- The property value increased 10 percent.
- Net asset value (EPRA NAV) increased to just under SEK 84 per share.
- On the balance-sheet date, earnings capacity amounted to MSEK 1,465, compared with MSEK 1,360 at year-end.

¹ Comparative figures for income items refer to values for the period January-September 2018 and for balance sheet items as of December 31, 2018.

SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- Acquisitions were completed in Sweden and Finland:
 - In Espoo and Helsinki, Finland, possession was taken of a portfolio with public-sector offices in July with an underlying property value of MSEK 465.
 - In Nacka, Sweden, possession was taken in July of a retirement home with an underlying property value of MSEK 156. This acquisition was paid in its entirety through a non-cash issue of 1,760,000 ordinary shares.
- A three-year green bond loan in an amount of MSEK 800 was issued at a margin of 210 bps.
- The fixed-rate period was extended by nearly six months without impacting the average interest rate, through raising interest-rate swaps.

FASTER THAN PLANNED

Hemfosa is growing and developing in a very positive manner. After several acquisitions in the spring and summer, our property portfolio to date has increased by nearly SEK 4 billion. This was faster than we expected when we set the new growth targets at the beginning of the year. And we are achieving this with healthy profitability as well. Of course our aim is to maintain a fast tempo going forward as well, and I think we have every opportunity of doing so with a strong pipeline in terms of acquisitions and projects. Moreover, we have a solid amount of cash in hand from an additional green bond.

When in January we set a target of achieving a property portfolio of SEK 50 billion within five years, we were counting on a certain start-up phase in order to get both our organization and our business up to speed. Instead, our start has been surprisingly robust, which of course is gratifying. In the first nine months of the year, we grew rapidly and have now attained a property value of approximately SEK 40 billion. This was primarily driven by the acquisitions we carried out in all three markets. During the quarter, we completed two additional first-rate transactions: a healthcare property in Nacka and a public-sector office portfolio in the Helsinki area. With the acquisition of the healthcare property in Nacka, we also had the possibility of paying with newly issued shares, which indicates our strength in doing business using various types of financing.

The growth in our property portfolio must always be matched by healthy profitability. Our goal is an increase in distributable earnings of more than 10 percent on average per year. Here as well, we are doing better than planned; for the first nine months of the year we exceeded this goal by far.

Investments for tenant needs

As part of our project business, we have several exciting projects in the planning phase, and negotiations are in progress that we hope to successfully conclude in the near future. In addition, we work continually on important investments, both large and small, in our existing property portfolio in order to meet our tenants' changing needs. This facilitates lease extensions, increases in value – and, most importantly, satisfied tenants. One relevant example is the conversion and expansion of the Kunskapsskolan premises in Landskrona, which resulted in a new 15-year lease. After completion, Kunskapsskolan will be able to increase the number of students thanks to larger premises and a bigger schoolyard. We are also taking the opportunity to update the technical installations, with better indoor climates and lower energy use as a result.

Moving toward increased sustainability

Hemfosa's ownership ambitions have an explicit long-term perspective, which goes hand in hand with a sustainable approach in our operations. To accelerate this work, we strengthened our organization this autumn with the addition of a new Sustainability Manager. With that, we are increasing our compe-



tence and bringing in a resource that will help drive and inspire our efforts as we develop our sustainability agenda. One important guidepost for us is that our properties must stand over time, which is something we keep in mind when choosing solutions for our properties.

Community service properties remain stable

This autumn is characterized by a business cycle that is difficult to assess, as well as an uncertain market situation. However, our community service properties are only impacted to a limited extent by the business cycle, the more important is the demographic trends in our markets. Regardless of the business cycle, municipalities and operators around the country need schools for larger age groups of children and healthcare facilities for increasing numbers of the elderly. Similarly, the needs of public authorities and judicial institutions remain, and here we are even seeing an increased demand for premises for the police and the courts. Hemfosa has a role to play in supporting community service operations where the needs exist, and these needs are – and will remain – great in our segments and markets. We are proud of playing this role and of being specialists in properties for vital community service operations.

Caroline Arehult,
CEO

COMMENTS ON EARNINGS

Consolidated statement of profit/loss and comprehensive income

	Jan-Sep		Jul-Sep	
MSEK	2019	2018	2019	2018
Rental income	2,128	1,842	735	642
Property expenses				
Operating expenses	-349	-312	-90	-82
Maintenance costs	-120	-130	-43	-52
Property tax	-59	-54	-21	-18
Property administration	-73	-63	-24	-21
Net operating income	1,526	1,282	556	468
Central administration	-98	-102	-27	-35
Other operating income and expenses	4	6	1	2
Share in profit of joint ventures	-1	2	-0	-2
Share in profit of associated companies	10	20	4	16
Financial income and expenses	-403	-368	-138	-120
Profit from property management	1,039	840	395	330
Change in value of properties, realized	-	-2	-	-
Change in value of properties, unrealized	814	1,101	89	364
Changes in value, financial instruments	-77	13	-9	21
Profit before tax	1,777	1,952	475	715
Tax	-280	-377	-36	-77
Profit after tax	1,497	1,575	439	638
Discontinued operations				
Profit after tax from Nyfosa distributed to shareholders	-	1,307	-	652
Profit for the period	1,497	2,882	439	1,290
Other comprehensive income				
Translation differences in translation of foreign operations	235	264	-19	-72
Comprehensive income for the period	1,732	3,146	420	1,217
<i>Profit for the period attributable to:</i>				
Parent Company shareholders	1,497	2,858	439	1,287
Non-controlling interests	0	24	0	3
Profit for the period	1,497	2,882	439	1,290
<i>Comprehensive income for the period attributable to:</i>				
Parent Company shareholders	1,720	3,115	420	1,217
Non-controlling interests	12	31	0	1
Comprehensive income for the period	1,732	3,146	420	1,218

Profit after tax	Earnings after tax per ordinary share
MSEK 1,497 (1,575)	SEK 8.59 (8.90)

Rental income

Rental income increased during the interim period by MSEK 286 year-on-year, corresponding to 16 percent. The increase was primarily attributable to a larger property portfolio as a result of implemented acquisitions.

Rental income in the comparable portfolio increased MSEK 62, or 3.6 percent. Indexing, leasing of vacant floor space and renegotiations contributed to this increase.

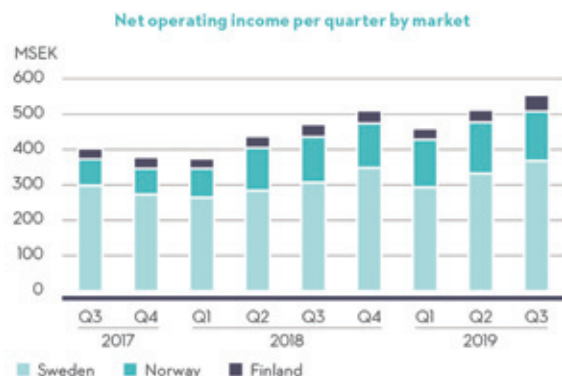
Rental income per quarter by market



Net operating income

Net operating income for the interim period was strengthened by MSEK 245, or 19 percent, year-on-year. This was primarily attributable to increased rental income, but it can also be noted that property expenses did not increase at the same pace as rental income.

Net operating income in the comparable portfolio increased MSEK 56, or 4.8 percent. In other words, the level of operating efficiency in the comparable portfolio remained high.



Surplus ratio

The surplus ratio for the interim period increased to 71.7 percent (69.6). The surplus ratio for the quarter was 75.6 percent (73.0). The increase was largely attributable to the effects of acquired properties, but also to a higher surplus ratio in the comparable portfolio.



Net financial items

Net financial items for the interim period were somewhat higher year-on-year. This is attributable primarily to a larger loan volume, although non-recurring costs for repurchase of bonds also had an impact. The average interest rate in the loan portfolio at September 30 was 2.16 percent, and is thus principally unchanged from the preceding quarter despite an increased fixed-rate period and a higher underlying interest rate in Norway (NIBOR).

As of this year, ground rent is classified among financial expenses due to the application of IFRS 16. Ground rent for the interim period was MSEK -3.

Profit from property management

Profit from property management was MSEK 199 higher year-on-year, which corresponds to 24 percent. This was mainly due to a larger volume and higher margin/surplus ratio.

Central administration costs were in line with the preceding year. Expenses for the demerger of the company were included at that time. This year includes costs for incomplete acquisitions as well as recruitment and consulting costs associated with fully staffing the organization.

Shares in profit from joint ventures were lower year-on-year, primarily due to the hospital at Gardermoen being a joint venture during the first quarter of the preceding year, but subsequently being recognized as a subsidiary. Shares in profit from associated companies were lower year-on-year despite growth in the part-owned company in Norway, Offentlig Eiendom, in parallel with Hemfosa increasing its shareholding. This is attributable to a revaluation in the preceding year of the part-owned company's properties in the third quarter, which resulted in an unrealized increase in value of MSEK 13 for Hemfosa's shareholding.



Change in value

Unrealized changes in value in the property portfolio were MSEK 814 (1,101) during the period. For the third quarter, the change in value was MSEK 89 (364), corresponding to 0.2 percent of the quarter's opening property value. Compared with the preceding quarter, yields remained principally unchanged, as did the assumption for the cash flow. The weighted yield requirement was 5.8 percent, which is slightly higher than the valuation for the second quarter. The increase is due primarily to a high yield on acquired properties.

The unrealized change in value for derivatives during the period was MSEK -77 (13), with MSEK -9 (21) occurring during the third quarter. The change in value was attributable to a continued decrease in long-term market interest rates in the third quarter.

Tax

Tax expenses for the interim period were substantially lower year-on-year, which was mainly due to non-recurring effects on tax expenses in the year-earlier period for the first quarter. The effective tax rate was 16 percent (19).

EARNINGS CAPACITY

Current earnings capacity

Below is the company's current earnings capacity presented on a 12-month basis on the balance-sheet date. Earnings capacity is a hypothetical instantaneous impression of the profit from property management that leases and loan agreements concluded on the balance-sheet date, together with normal-year values for costs, would generate on a full-year basis. It is presented solely for illustration purposes and does not include any effects of forthcoming property transactions, leases, refinancing, etc.

Group's earnings capacity

MSEK	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Rental income	2,894	2,832	2,696
Property expenses	-691	-667	-637
Property administration	-72	-73	-70
Net operating income	2,131	2,092	1,989
Central administration	-125	-123	-120
Share in profit from joint ventures and associated companies	15	15	15
Financial expenses	-556	-546	-502
Profit from property management	1,465	1,438	1,382

Comments on earnings capacity

Net operating income was MSEK 39 higher than the preceding quarter's earnings capacity, which was mainly attributable to the acquired properties taken into possession during the quarter. At the same time, the surplus ratio increased somewhat for the comparable portfolio. The yield according to earnings capacity remained principally unchanged compared with the preceding quarter, at just over 5.3 percent.

Financing costs increased as a result of a higher loan volume and increased underlying interest rates in Norway.

Net operating income according to earnings capacity per quarter



Sensitivity analysis, September 30, 2019

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 29
Economic leasing rate according to earnings capacity	+/- 1	+/- 29
Property expenses according to earnings capacity	+/- 1	+/- 7
Net operating income according to earnings capacity	+/- 5	+/- 107
Changed exchange rate NOK/SEK	+/- 5	+/- 17
Changed exchange rate EUR/SEK	+/- 5	+/- 6

Calculation basis

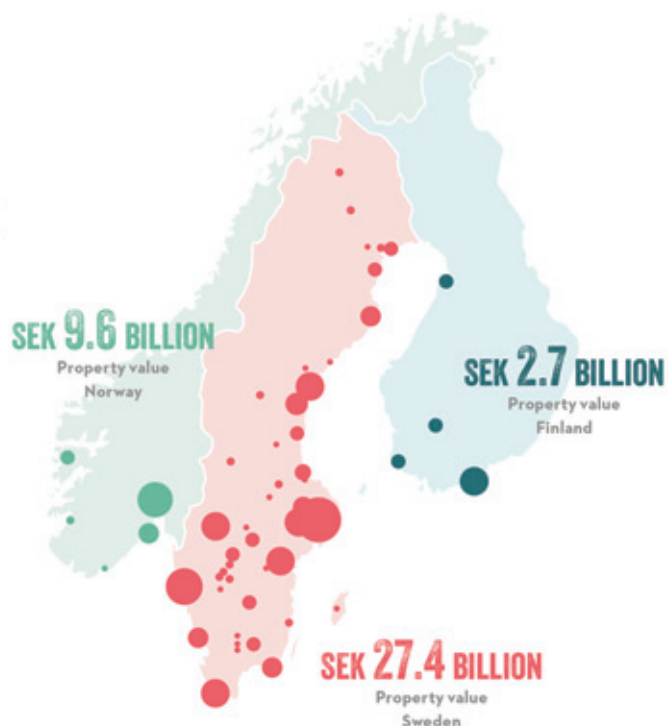
The following information is used as the basis for assessing current earnings capacity.

- Annual contractual rental income (including supplements and taking rent discounts into account), plus other property-related income based on current leases. For leases that expire in the next 12 months, the probability of an extension is assessed. If the probability is low, no rental income is included in earnings capacity after the lease period.
- Operating and maintenance costs consist of an assessment of operating costs and maintenance measures during a standard year.
- Property tax has been calculated on the basis of the current tax assessment value of the properties.

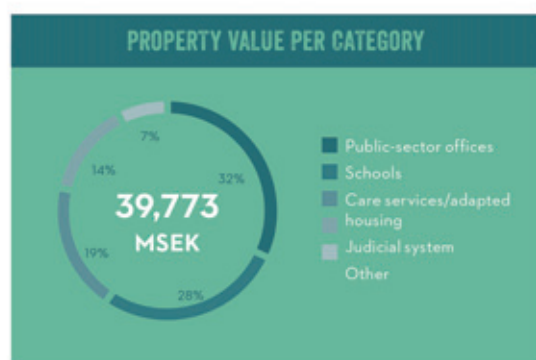
- Central administration and marketing costs have been calculated on the basis of the existing organization and the size of the property portfolio.
- Hemfosa's shares in profit from joint ventures are calculated according to the same methodology as for Hemfosa, taking into account the size of the share in profit.
- The assessment of earnings capacity does not assume any financial income.
- Financial expenses have been calculated on the basis of the company's average interest rate and existing accrued arrangement fees.
- The earnings capacity for the international operations has been restated at the exchange rate prevailing on the balance-sheet date.

THIS IS HEMFOSA

Hemfosa combines long-term management and development of a growing property portfolio with the acquisition and development of community service properties. The aim is to strengthen the company's position as the leading Nordic private player in community service properties and create the right premises for Hemfosa's tenants. A property portfolio with a high proportion of publicly financed tenants represents stable revenue flows and a healthy yield. The company's ordinary share has been listed since March 2014 and the preference share since December 2014, both on Nasdaq Stockholm.



HEMFOSA WILL BE THERE TO SERVE THE COMMUNITY



COMMUNITY SERVICE PROPERTIES

Community service properties is the generic term for properties in which the tenants are public-sector agents or conduct publicly financed operations in such areas as schools, health and personal care and judicial institutions.

A few decades ago, these properties were almost exclusively owned by central and local government authorities, while today their ownership has been spread among a number of private property owners, of which Hemfosa is one of the largest in the Nordic region.

GROWTH OBJECTIVE

- Grow to SEK 50 billion in property value by 2023 at the latest
- Distributable earnings per share will increase on average by a minimum of 10 percent per year

DIVIDEND POLICY

- The dividend will amount to about 40 percent of distributable earnings

FINANCIAL RISK LIMITATIONS

- The loan-to-value ratio is to amount to approximately 60 percent
- The equity/assets ratio is to amount to at least 30 percent
- The interest-coverage ratio is to be at least a multiple of 2 times the interest costs

PROPERTY PORTFOLIO

Property portfolio, September 30

	Schools		Care services/ adapted housing		Judicial system		Public-sector offices		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Rental value, MSEK	818	640	497	470	450	415	1,086	832	246	401	3,096	2,759
Leasable area ¹ , 000s sqm	579	475	332	315	293	278	781	605	193	367	2,178	2,040
Fair value of properties, MSEK	10,950	8,516	7,501	7,302	5,563	5,132	12,786	10,323	2,973	4,298	39,773	35,570
No. of properties	119	88	117	124	43	41	90	75	34	45	403	373
Economic leasing rate, %	94.5	93.9	97.9	98.0	96.1	95.4	94.2	95.2	82.3	88.4	94.2	94.4
Remaining lease term, years	8.8	8.5	11.3	12.8	3.7	4.1	3.8	4.3	6.4	4.2	6.5	6.7

¹ Excluding garage

Leases

Hemfosa has a well-diversified tenant structure, with the largest tenant accounting for only 6 percent of total rental income and the ten largest tenants accounting for 30 percent.

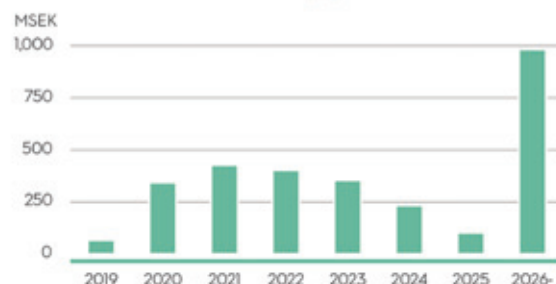
At the end of the period, the average remaining lease term was 6.5 years. There is a favorable spread in lease maturities, with maximum one-seventh of the rental value expiring each year over the next few years. More than one-third will expire in 2026 or later.

The economic leasing rate was 94.2 percent (94.4), on a level with the preceding quarter.

Hemfosa's ten largest tenants, September 30, 2019

Tenant	Rental income MSEK	Percentage of total rental income, %
The Police Authority in Sweden	167	6
Municipality of Härnösand	129	4
LHL Eiendom AS	115	4
The Courts of Sweden	112	4
NAV - Norwegian Labor and Welfare Administration	68	2
Swedish Migration Agency	66	2
Pyslingen Preschools and Schools	61	2
Municipality of Haninge	59	2
Oslo and Akershus University College	57	2
Internationella Engelska Skolan	53	2
Total	886	30

Lease expiry

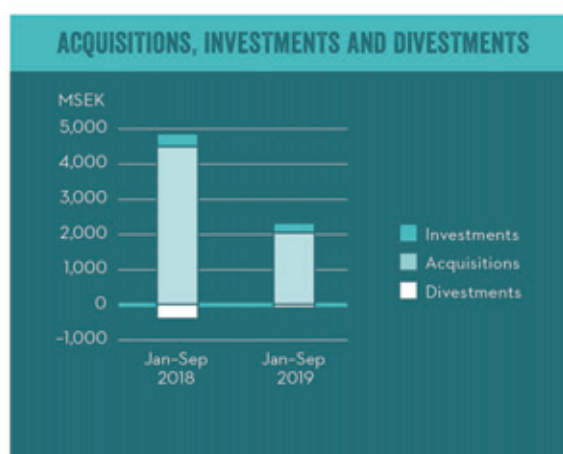
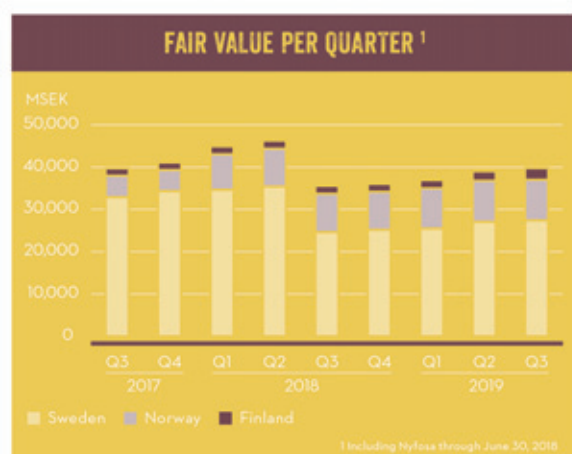


Leasing rate per quarter



Change in fair value of property portfolio per market, September 30

MSEK	Sweden		Norway		Finland		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Opening value for the year	25,194	22,337	8,999	4,988	1,856	1,772	36,049	29,097
Acquired properties	1,209	1,466	69	3,039	781	0	2,059	4,505
Investments in existing properties	226	317	57	49	1	5	284	371
Divested properties	-11	-67	-	0	-	-	-11	-67
Realized changes in value in profit or loss for the period	0	-2	-	0	-	-	0	-2
Unrealized changes in value in profit or loss for the period	809	588	7	508	-2	5	814	1,101
Translation differences	-	-	487	485	91	80	578	565
Closing fair value	27,427	24,639	9,619	9,069	2,727	1,862	39,773	35,570



Changes in property portfolio

During the period, possession was taken of properties, primarily in Sweden and Finland, with a total cost of SEK 2.1 billion (4.5). MSEK 284 (371) was invested in the portfolio during the period, primarily in Sweden but also in Norway.

A divestment of a minor property in Sweden was completed during the first quarter of the year.

Unrealized changes in value amounted to MSEK 814 (1,101), with the Swedish properties accounting for the proportionately largest increase. Since the SEK weakened against both NOK and EUR, positive currency effects totaling MSEK 578 (565) arose.

Acquisitions and divestments

During the period, possession was taken of 23 acquired properties in Sweden, Finland and Norway (see specification on next page). These represented acquisitions in all of Hemfosa's property categories. The specialist hospital at Gardermoen was acquired for just over SEK 2 billion in the preceding year, which largely explains the high volume of acquisitions in the comparison period in the graph above.

A property in Sweden (Gävle) was divested during the first quarter when it became vacant and the future area of use was not considered to be within community service properties.

Acquisitions, January-September 2019

Country, Municipality	Property	Area, 000s of sqm	Rental value, MSEK
Quarter 3			
Finland, Helsinki	Itäkatu 11	8	19
Finland, Espoo	Kalaonnentie 8, Kivenlahdenkatu 1, Komentajankatu 5, Pyyntitie 3	13	29
Sweden, Nacka	Erstavik 26:21	5	8
Sweden, Skara	Sporren 9	1	1
Quarter 2			
Norway, Sarpsborg	St. Mariæ gt 88	4	4
Finland, Espoo	Itätuulentie 1	7	14
Sweden, Eskilstuna	Vapensmeden 15, Verktyget 4 and Väpnaren 4	41	53
Sweden, Mariestad	Lillängen 2:1	27	26
Sweden, Motala	Eken 12, Kassetten 1, Läraran 6 and Telegrafan 2	13	11
Sweden, Uppsala	Denmark 1:15	0	1
Quarter 1			
Sweden, Helsingborg	Rosenlund 1:58	1	1
Finland, Oulu with surroundings	Koivulehto 1B, Lihoviuksenlaita 2, Neronlantie 3, Satulaite 1	2	4

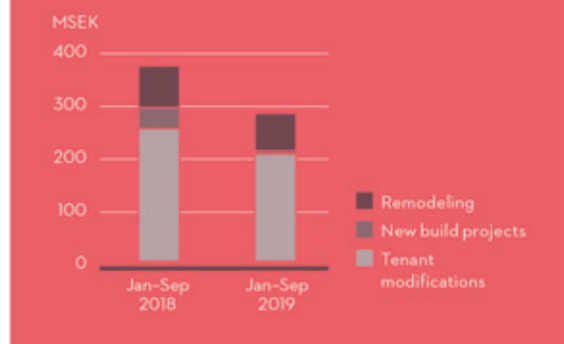
Divestments, January-September 2019

Country, Municipality	Property	Area, 000s of sqm	Rental value, MSEK
Quarter 3			
		0	0
Quarter 2			
		0	0
Quarter 1			
Sweden, Gävle	Sättra 108:23	1	0

Major ongoing projects, September 30, 2019

Municipality	Property	Category	Leasing rate	Area, 000s of sqm	Total estimated investment, MSEK	Remaining investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Adapted housing	100%	4	92	78	Q3, 2020
Gothenburg	Gamlestaden 2:10	Public-sector offices	100%	3	114	91	Q3, 2020
Västerås	Sigurd 6	Public-sector offices	100%	8	270	260	Q1, 2021

INVESTMENTS IN EXISTING PROPERTIES¹



Investments in existing properties

MSEK 284 was invested in existing properties, with the majority of the investments pertaining to refurbishment on behalf of tenants, with consequential higher rents and/or longer leases. Many projects are in the start-up phase and will entail higher levels of investment moving forward.

FINANCING

KEY PERFORMANCE DATA – LOAN PORTFOLIO

	Sep 30	
	2019	2018
Net loan-to-value ratio, %	58.0	58.7
Average interest rate, %	2.16	2.05
Average remaining fixed-rate period, years	2.3	1.6
Average remaining loan maturity period, years	2.5	3.0
Interest-rate hedged portion of liabilities, %	76.2	62.1
Fair value of derivatives, MSEK	-103	-7

BREAKDOWN OF SOURCES OF FINANCING



Interest-bearing liabilities

Hemfosa's interest-bearing liabilities comprise bank loans, bonds and commercial papers. In the third quarter of 2019, Hemfosa raised new bank loans of MSEK 430 and increased its certificate volumes by MSEK 485. At the end of the period, Hemfosa had outstanding commercial paper of MSEK 1,685 and non-covered bonds of MSEK 2,536. The company has backup facilities for the outstanding commercial papers, most of which is covered.

interest-rate floor provision, meaning that STIBOR 3 months cannot be negative.

At September 30, 2019, Hemfosa's outstanding interest-rate swaps had a nominal volume of MSEK 9,284 (4,948) and interest-rate caps had a nominal volume of MSEK 8,777 (8,935).

In the third quarter, Hemfosa extended the fixed-rate period by nearly six months by raising new interest-rate swaps with no effect on the average interest rate.

Change in loan portfolio

	Jan-Sep	
MSEK	2019	2018 ²
Interest-bearing liabilities at the beginning of the period	22,027	24,110
New bank loans	977	12,942
Repayment of bank loans	-626	-8,518
Redemption of commercial paper	-95	-445
Issue of commercial paper	630	-
Issue of bond loans	1,300	-
Redemption of bond loans	-764	-473
Exchange-rate difference	325	328
Interest-bearing liabilities at the end of the period¹	23,774	27,944

¹ All amounts recognized as liabilities in this section represent undiscounted amounts. The interest-bearing liabilities in the Statement of financial position include arrangement fees.

² Including Nyfosa

Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps. By limiting the interest-rate risk, the predictability of Hemfosa's profit from property management increases, and changes in interest rates have less impact on the Group's interest expenses. In some cases, the Group has entered into loan agreements with an

Fixed-rate period and loan maturity, September 30, 2019

	Fixed-rate period			Loan maturity	
	Volume, MSEK	Proportion, %	Interest rate, %	Volume, MSEK	Proportion, %
2019	6,956	29	4.4	1,157 ¹	5
2020	3,168	13	2.2	5,090	21
2021	1,731	7	2.0	3,341	14
2022	2,480	10	0.7	3,932	17
2023	4,875	21	1.2	7,895	33
>2024	4,565	19	0.5	2,360	10
Total	23,774	100	2.16	23,774	100

¹ Taking into account backup facilities of SEK 2 billion that secure the commercial paper loans

Sensitivity analysis, September 30, 2019

	Change, %	Impact on earnings, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/-1	+125/-5
Interest expenses assuming change in average interest rate ²	+/-1	+/-238
Remeasurement of fixed-income derivatives attributable to shift in interest rate curves	+/-1	+/-368

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

OTHER

Non-cash issue

The Board of Directors utilized a small portion of the authorization provided by the company's Annual General Meeting when, in July, it conducted a non-cash issue of 1,760,000 ordinary shares to ICA-handlarnas Förbund in exchange for a retirement home in Nacka. The issue entailed a dilution of just over 1 percent.

Shareholders

At September 30, 2019, Hemfosa had 26,979 shareholders.

Ownership structure, September 30, 2019

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Swedbank Robur Funds	11,453,959	-	6.3	6.7
Länsförsäkringar Funds	11,293,013	-	6.3	6.6
SEB Funds	7,851,667	-	4.4	4.6
Norges Bank	6,194,358	-	3.4	3.6
Vanguard	5,139,044	508,938	3.1	3.0
Columbia Threadneedle	4,897,703	-	2.7	2.9
BlackRock	4,567,675	-	2.5	2.7
XACT Funds	3,333,855	-	1.8	2.0
ICA-handlarnas Förbund	2,900,000	-	1.6	1.7
Jens Engwall	2,500,000	-	1.4	1.5
Other	109,356,975	10,491,061	66.5	64.7
Total	169,488,249	10,999,999	100.0	100.0

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen). The verification date may vary for foreign shareholders. Updated on September 30, 2019.

Preference shares

There are 11 million preference shares outstanding at a quotient value of SEK 162.85 per share. From December 12, 2019, i.e. five years from the time of issuance, the redemption price is SEK 195 per share. From December 12, 2024, the redemption price is SEK 178.50 per share.

Accounting policies

This interim report has been prepared in accordance with IAS 34 as well as applicable regulations of the Swedish Annual Accounts Act. Information in accordance with IAS 34.16A appears in addition to the financial statements and its accompanying notes in other parts of the interim report. The same accounting policies have been applied as in the most recent Annual Report, with the exception of the amended accounting policies described below.

Operations distributed to the shareholders (Nyfosa)

The shares in Nyfosa were distributed to Hemfosa's shareholders on November 23, 2018. In this interim report, all data pertains to the continuing operations, unless otherwise indicated specifically below or in a footnote. The comparative period in the income statement has been restated and only refers to continuing operations. The comparative figures in the balance sheet are dated December 31, 2018 when Nyfosa was no longer part of the Group.

IFRS 16

For Hemfosa, IFRS 16, which came into effect on January 1, 2019, means that site leasehold and tenancy agreements are to be recognized as an asset in the item "Site leasehold, right-of-use asset" and as a liability in the item "Lease liability." The lease liability is not repaid; instead the value remains unchanged until the site leasehold and tenancy agreements are renegotiated since these agreements are regarded as perpetual. The lease liability is not included in interest-bearing liabilities when calculating key performance data.

In the income statement, ground rent is recognized in its entirety in net financial items as other financial expense. The fees were previously recognized as a property cost and included in net operating income. Hemfosa's ground rent amounted to MSEK 3 (3) for the period.

Retrospective application will not occur. Accordingly, comparative figures for 2018 have not been restated.

Estimates and assumptions

The preparation of interim reports requires that company management make assessments and estimates, and make assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, income and expenses recognized. The actual outcome may deviate from these estimates and assumptions. The critical assessments and sources of uncertainty in estimates are the same as those described in the most recent Annual Report; Note 24.

Significant risks and uncertainties for the Group and Parent Company

Hemfosa is continuously exposed to various risks, which could be significant to the company's future operations, earnings and financial position. Financing, organizational structure and work processes are key risk areas for Hemfosa, which continuously works in a structured manner on managing these and other risks and uncertainties. More information about Hemfosa's risks and management of these is available in the 2018 Annual Report on pages 47-50 and 97-99.

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer gives her assurance that this interim report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and earnings, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Nacka, October 25, 2019
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Caroline Arehult
Chief Executive Officer

This interim report was audited.

The information is such that Hemfosa Fastigheter AB (publ) is obligated to disclose in accordance with the EU Market Abuse Regulation. The information was issued for publication by the agency of the CEO on October 25, 2019 at 7:30 a.m. CET.

FINANCIAL CALENDAR

Year-end report 2019	February 14, 2020
Interim report January–March 2020	May 5, 2020
Annual General Meeting 2020	May 5, 2020
Interim report January–June 2020	July 10, 2020

CONTACT INFORMATION

Hemfosa Fastigheter AB (publ)

Telephone +46 8 448 04 80
Street address: Olof Palmes gata 13A
Postal address: Box 3283, SE-103 65 Stockholm
www.hemfosa.se

Caroline Arehult, CEO
Tel: +46 70 553 80 26 E-mail: caroline.arehult@hemfosa.se

Peter Anderson, CFO
Tel: +46 70 690 65 75 E-mail: peter.anderson@hemfosa.se

REVIEW REPORT

To the Board of Directors of Hemfosa Fastigheter AB
Corp. id. 556917-4377

Introduction

We have reviewed the condensed interim financial information (interim report) of Hemfosa Fastigheter AB as of 30 September 2019 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards

on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 25 October 2019

KPMG AB

Peter Dahllöf
Authorized Public Accountant

FINANCIAL POSITION AND CASH FLOW

Consolidated statement of financial position in summary

MSEK	Sep 30 2019	Dec 31 2018
ASSETS		
Investment properties	39,773	36,049
Site leasehold, right-of-use asset	133	-
Shares in joint ventures	63	60
Shares in associated companies	231	164
Other fixed assets	35	13
Current receivables	297	200
Cash and cash equivalents	616	974
TOTAL ASSETS	41,149	37,459
EQUITY AND LIABILITIES		
Equity attributable to Parent Company shareholders	14,455	13,134
Non-controlling interests	1	143
Equity	14,456	13,276
Interest-bearing liabilities	23,687	22,027
Lease liability	133	-
Deferred tax liability	1,428	1,229
Other liabilities	1,446	927
Total liabilities	26,694	24,183
TOTAL EQUITY AND LIABILITIES	41,149	37,459

Consolidated statement of changes in equity

MSEK	Equity attribut- able to Parent Company shareholders	Non- controlling interests	Total equity
Opening equity Jan 1, 2018	17,723	85	17,807
New issue, ordinary shares	1,069	-	1,069
Dividend to shareholders	-903	-	-903
Distribution of Nyfosa	-7,100	-	-7,100
Other	-8	-	-8
Change in non-controlling interests	-24	28	4
Comprehensive income, Jan-Dec 2018	2,378	31	2,409
Closing equity Dec 31, 2018	13,134	143	13,276
Opening equity Jan 1, 2019	13,134	143	13,276
Non-cash issue, ordinary shares	157	-	157
Dividend to shareholders	-515	-	-515
Issue of warrants	2	-	2
Acquisition of non-con- trolling interests	-44	-154	-198
Comprehensive income, Jan-Sep 2019	1,720	12	1,732
Closing equity 2019-09-30	14,455	1	14,456

Consolidated statement of cash flows

MSEK	Jan-Sep 2019	2018
Operating activities		
Profit from property management	1,039	840
Adjustments for non-cash items	-12	-26
Income tax paid	-34	-10
Subtotal	993	804
Change in operating receivables	-95	85
Change in operating liabilities	234	-602
Cash flow from operating activities for Nyfosa that has been distributed to shareholders	-	1,081
Cash flow from operating activities	1,133	1,368
Investing activities		
Direct and indirect acquisition of investment properties	-2,054	-4,487
Direct and indirect divestment of investment properties	11	66
Investments in existing properties	-284	-369
Acquisition of joint ventures and associated companies	-48	-18
Other	-18	802
Cash flow from investing activities for Nyfosa that has been distributed to shareholders	-	-2,389
Cash flow from investing activities	-2,394	-6,395
Financing activities		
New issue	157	1,069
Loans raised	2,907	12,626
Repayment of loans	-1,485	-9,436
Dividend paid to Parent Company shareholders	-486	-647
Other	-198	-18
Cash flow from financing activities for Nyfosa that has been distributed to shareholders	-	2,713
Cash flow from financing activities	896	6,307
Cash flow for the period	-365	1,280
Cash and cash equivalents at the beginning of the period	974	541
Exchange-rate difference in cash and cash equivalents	7	6
Cash and cash equivalents at the end of the period	616	1,827

KEY PERFORMANCE DATA

Key financial data

	Sep 30 2019	Dec 31 2018
Return on equity, %	14.2	15.1
Equity/assets ratio, %	35.1	35.4
Net loan-to-value ratio, properties, %	58.0	58.4
Debt/equity ratio, multiple	1.6	1.7
Interest-coverage ratio, multiple	3.6	3.3
Net debt/EBITDA, multiple	11.5	11.4

Share-related key figures, ordinary shares

	Sep 30 2019	Dec 31 2018
Profit from property management per ordinary share, SEK ²	5.87	4.97
Profit after tax per ordinary share before dilution, SEK	8.59	8.90
Profit after tax per ordinary share after dilution, SEK	8.58	8.89
Equity per ordinary share, SEK ¹	75.51	67.76 ³
Net asset value (EPRA NAV), per ordinary share, SEK ^{1,2}	83.75	75.11 ³
Cash flow from operating activities per ordinary share, SEK	6.75	8.67
Dividend per ordinary share, SEK	2.38	3.50
Number of ordinary shares outstanding, 000s ¹	169,488	167,728

Property-related key figures

	Sep 30 2019	Dec 31 2018
No. of properties	403	381
Rental value, MSEK ²	3,096	2,826
Leasable area, 000s of sqm	2,178	2,059
Fair value of properties, MSEK	39,773	36,049
Property value, SEK per sqm of leasable area	18,261	17,508
Economic leasing rate, %	94.2	94.4
Surplus ratio, %	71.7	71.0
Yield, %	5.3	5.4

Share-related key figures, preference shares

	Sep 30 2019	Dec 31 2018
Dividend per preference share, SEK	10.00	10.00
Equity per preference share, SEK ¹	162.85	162.85
Number of preference shares outstanding, 000s ¹	11,000	11,000

¹ At the end of the period

² Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA) which, in common with other performance measures, are described in the glossary on page 18.

³ Year-end 2018

Components of key performance data

The components included in a selection of Hemfosa's key financial data are presented below.

Return on equity

	Sep 30 2019	Dec 31 2018
MSEK		
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	1,959	2,328
Average equity attributable to Parent Company shareholders	13,749	15,428
Return on equity, %	14.2	15.1

Net debt/EBITDA

	Sep 30 2019	Dec 31 2018
MSEK		
Cash and cash equivalents	616	974
Interest-bearing liabilities	23,687	22,027
Net operating income, earnings capacity	2,131	1,963
Central administration costs, earnings capacity	125	120
Net debt/EBITDA, multiple	11.5	11.4

Net loan-to-value ratio

	Sep 30 2019	Dec 31 2018
MSEK		
Cash and cash equivalents	616	974
Interest-bearing liabilities	23,687	22,027
Investment properties	39,773	36,049
Net loan-to-value ratio, %	58.0	58.4

Interest-coverage ratio

	Sep 30 2019	Dec 31 2018
MSEK		
Profit from property management	1,039	1,204
Share in profit from joint ventures and associated companies	10	24
Depreciation/amortization	0	0
Financial income and expenses	-403	-514
Interest-coverage ratio, multiple	3.6	3.3

EPRA NAV

	Sep 30 2019	Dec 31 2018
MSEK		
Equity attributable to Parent Company shareholders	14,455	13,134
Preference share capital	1,791	1,791
Deferred tax	1,428	1,229
Derivatives	103	27
Adjustments of joint ventures	-	-
Number of ordinary shares, millions	169	168
EPRA NAV, SEK	83.75	75.11

QUARTERLY REVIEW AND OPERATING SEGMENTS

Quarterly review

	Quarter 3 2019	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017
Rental income, MSEK	735	705	688	683	642	632	568	545	528
Property expenses									
Operating expenses, MSEK	-90	-115	-144	-90	-82	-110	-120	-86	-55
Maintenance costs, MSEK	-43	-35	-42	-45	-52	-36	-42	-50	-37
Property tax, MSEK	-21	-19	-18	-19	-18	-18	-18	-18	-18
Property administration, MSEK	-24	-25	-25	-19	-21	-22	-20	-13	-15
Net operating income, MSEK	556	512	459	509	468	446	368	378	403
Surplus ratio, %	75.6	72.6	66.7	74.6	73.0	70.6	64.8	69.4	76.3
Equity/assets ratio, % ¹	35.1	34.4	36.2	35.4	23.8	39.5	39.5	40.4	40.6
Net loan-to-value ratio, properties, % ¹	58.0	58.1	57.7	58.2	58.7	53.9	56.9	57.1	56.8
Interest-coverage ratio, multiple	3.6	3.4	3.5	3.3	3.6	2.8	3.3	3.5	3.9

¹ Including Nyfosa up to and including second quarter 2018

Operating segments

As part of internal reporting to Group management, net operating income is monitored by market, corresponding to the three countries in which Hemfosa has investments. These three countries constitute the Group's accounting by operating segment. Other income statement items within Profit from property management are monitored at the consolidated level.

	Jan-Sep	
Net operating income, Sweden (MSEK)	2019	2018
Rental income	1,542	1,369
Property expenses	-476	-453
Property administration	-72	-62
Net operating income	995	854

	Jan-Sep	
Net operating income, Norway (MSEK)	2019	2018
Rental income	438	348
Property expenses	-18	-15
Property administration	-1	-0
Net operating income	419	332

	Jan-Sep	
Net operating income, Finland (MSEK)	2019	2018
Rental income	147	125
Property expenses	-34	-28
Property administration	-0	-0
Net operating income	112	96

	Sweden		Norway		Finland		Total	
Key performance data, September 30	2019	2018	2019	2018	2019	2018	2019	2018
Rental value, MSEK	2,246	2,041	591	541	260	177	3,096	2,759
Leasable area ¹ , 000s of sqm	1,745	1,645	292	283	141	112	2,178	2,040
Fair value of properties, MSEK	27,427	24,639	9,619	9,069	2,727	1,862	39,773	35,570
No. of properties	334	317	51	48	18	8	403	373
Yield ² , %	5.1	5.2	5.7	5.5	6.5	6.8	5.3	5.4
Economic leasing rate, %	93.1	93.5	98.9	97.6	93.1	95.7	94.2	94.4
Remaining lease term, years	5.6	5.6	10.3	11.3	5.6	5.5	6.5	6.7
Surplus ratio for the period, %	64.5	62.4	95.7	95.4	76.4	76.8	71.7	69.6

¹ Excluding garage space

² According to current earnings capacity on the balance-sheet date

PARENT COMPANY

Income statement for the Parent Company

MSEK	Jan-Sep	
	2019	2018
Net sales	21	26
Other external costs	-28	-41
Personnel costs	-22	-26
Depreciation/amortization	-0	-0
Operating loss	-29	-41
Profit from shares in Group companies	-	-
Interest income and similar income items	3	19
Interest expenses and similar expense items	-61	-46
Loss after financial items	-87	-68
Appropriations		
Group contributions received and paid	-	-
Profit after appropriations	-87	-68
Tax	0	16
Loss for the year	-87	-52

Balance sheet for the Parent Company

MSEK	Sep 30	Dec 31
	2019	2018
ASSETS		
Tangible assets	1	1
Participations in Group companies	5,860	5,510
Non-current receivables from Group companies	205	227
Total fixed assets	6,066	5,737
Current receivables from Group companies	6,053	5,972
Other current receivables	88	30
Cash and bank balances	0	355
Total current assets	6,141	6,357
TOTAL ASSETS	12,207	12,095
EQUITY AND LIABILITIES		
Restricted equity	90	89
Unrestricted equity	7,539	7,990
Equity	7,629	8,079
Non-current interest-bearing liabilities	1,300	1,000
Non-current liabilities to Group companies	38	8
Other non-current liabilities	2	1
Total non-current liabilities	1,340	1,009
Commercial paper, short-term	2,921	1,150
Current interest-bearing liabilities	-	1,000
Current liabilities to Group companies	-	583
Other current liabilities	317	274
Total current liabilities	3,238	3,007
Total liabilities	4,578	4,016
TOTAL EQUITY AND LIABILITIES	12,207	12,095

GLOSSARY

Cash flow from operating activities per ordinary share

Cash flow from operating activities, less the pre-emptive rights of preference shares to a dividend for the period, as a percentage of the weighted average number of ordinary shares.

Community service properties

Properties with directly or indirectly publicly financed tenants who account for at least 70 per cent of rental income.

Comparable portfolio

Comparable portfolio is properties owned for the entire period and for the entire comparison period.

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Distributable earnings

Distributable earnings comprise profit from property management, excluding the share in profit from joint ventures and associated companies and after tax. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares.

Economic leasing rate

Rental income as a percentage of the rental value at the end of the period.

Equity/assets ratio

Equity as a percentage of total assets.

Equity per ordinary share

Equity as a percentage of the number of ordinary shares at the end of the period after taking into account the preference share capital.

Equity per preference share

Equity per preference share corresponds to the average issue price for the preference shares.

Ground rent

Annual compensation paid to the owner of the property held under a site leasehold.

IAS

International Accounting Standards. The international accounting standards issued by the independent body, the International Accounting Standards Board (IASB) and then processed and adopted by the EU. The rules must be complied with by listed companies in the EU.

IFRS

International Financial Reporting Standards. International accounting standards to be applied for the consolidated financial statements of listed companies in the EU from 2005.

Interest-coverage ratio*

Profit from property management, including reversal of financial income and expenses, as well as depreciation/amortization and share in profit in joint ventures as a percentage of financial

income and expenses. The interest-coverage ratio is a financial target that shows how many times the company can pay its interest charges with its profit from operational activities.

Interest-rate cap

An interest hedging instrument whereby the lender pays a variable interest up to a predetermined interest-rate level. The aim of interest-rate caps is to reduce the interest-rate risk.

Interest-rate swaps

An agreement between two parties to swap interest-rate conditions on loans in the same currency. The swap entails that one party exchanges its floating interest rate for a fixed rate, while the other party receives a fixed rate in exchange for a floating rate. The aim of an interest-rate swap is to reduce interest-rate risk.

Net asset value per ordinary share (EPRA NAV)

Recognized equity, after taking into account the preferential capital, with the reversal of derivatives and deferred tax liabilities according to the statement of financial position, as a percentage of the number of ordinary shares at the end of the interim period. The purpose of this performance measure is to show the fair value of net assets from a long-term perspective. Accordingly, assets and liabilities in the Statement of financial position that are to be realized, such as the fair value of derivatives and deferred taxes, are excluded. The corresponding items in Hemfosa's shares in joint ventures are also excluded from the key figure.

Net debt/EBITDA

The net of interest-bearing liabilities and bank balances at the end of the period in relation to net operating income minus central administration costs according to earnings capacity.

Net loan-to-value ratio*

The net of interest-bearing liabilities and bank balances at the end of the period in relation to the fair value of the properties in the statement of financial position. The net loan-to-value ratio is a measure of risk that indicates the degree to which the operation is encumbered with interest-bearing liabilities, but taking into account bank balances. The key figure provides comparability with other property companies.

Net operating income*

Net operating income comprises the income and expense items directly connected to the property, meaning rental income and the expenses required to keep the property in operation, such as operating expenses, maintenance costs and personnel costs for those who take care of the property and tenant contacts. The indicator is used to provide comparability with other property companies, but also to illustrate operational performance.

Preference share capital

The preferential share's issue price multiplied by the number of preference shares.

Profit from property management*

Profit from property management comprises net operating income plus property management and administration expenses as well as financial income and expenses. This earnings ratio does not include effects of changes in the value of investment properties and derivatives. These are reported separately in the Statement of profit/loss and are not included in distributable profit.

Profit from property management per ordinary share

Profit from property management for the period, less the pre-emptive rights of preference shares to a dividend, in relation to the weighted average number of ordinary shares.

Profit per ordinary share after dilution

Profit for the period, less the pre-emptive rights of preference shares to a dividend for the period, as a percentage of the weighted average number of ordinary shares, including potential ordinary shares.

Profit per ordinary share before dilution

Profit for the period, less the pre-emptive rights of preference shares to a dividend for the period, as a percentage of the weighted average number of ordinary shares.

Property

Properties held under title or site leasehold.

Rental income

Rents charged including supplements for heating and property tax, as well as other property income.

Rental value*

Rental income for the total leasable area.

Return on equity

Profit/loss for a rolling 12-month period in relation to average equity during the interim period.

Site leasehold

The right to use and transfer, without any limitations, a property without owning the property. The divestment of a site leasehold is subject to the same regulations as the sale of a freehold property.

Surplus ratio*

Net operating income for the period as a percentage of the rental income. The surplus ratio shows the percentage of each Swedish krona earned that the company can keep. The key figure serves as a measure of efficiency that is comparable over time and among property companies.

Yield*

Net operating income for a rolling 12-month period as a percentage of the carrying amounts of the properties, adjusted for the holding period of the properties during the period. The key figure indicates the yield from operational activities in relation to the properties' value.

* Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA)

Hemfosa
FASTIGHETER

Hemfosa Fastigheter AB Telephone: +46 8 448 04 80 Street address: Olof Palmes gata 13A Postal adress: Box 3283, SE-103 65 Stockholm www.hemfosa.se

STATEMENT BY THE BOARD OF DIRECTORS OF HEMFOSA

The information on the pages 188 - 219 in this Offer Document has been reviewed by the Board of Directors of Hemfosa. It is the opinion of the Board of Directors that this brief description of Hemfosa provides an accurate and fair, although not complete, picture of Hemfosa.

Stockholm, 18 November 2019

Hemfosa Fastigheter AB (publ)

The Board of Directors

CERTAIN TAX CONSIDERATIONS IN SWEDEN

Below is a summary of certain Swedish tax issues related to the Takeover Offer for private individuals and limited liability companies that are residents of Sweden for tax purposes (unless otherwise stated) and that hold preference shares and common shares in Hemfosa. The summary is based on current legislation and is only intended to provide general information regarding shares.

The summary does not cover:

- *situations where securities are held as current assets in business operations (for tax purposes);*
- *situations where securities are held by a limited partnership or a partnership;*
- *situations where securities are held in an investment savings account (Sw. *investeringssparkonto*);*
- *the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds shares or subscription rights that are deemed to be held for business purposes (for tax purposes);*
- *the special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies (Sw. *fämansföretag*) or to shares acquired by means of such shares;*
- *the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. *investeraravdrag*);*
- *foreign companies conducting business through a permanent establishment in Sweden;*
- *other classes of shares than common shares and preference shares in Hemfosa;*
- *other classes of shares than common shares of series B and D in SBB;*
- *other transactions for the purposes of the Takeover Offer than a divestment of preference shares and common shares in Hemfosa for cash or common shares of series B or D in SBB; or*
- *foreign companies that have been Swedish companies.*

Further, special tax rules apply to certain categories of companies, for example, investment companies and insurance companies. The tax consequences for each individual security holder depend on the holder's particular circumstances. Each holder of securities is advised to consult an independent tax advisor as to the tax consequences relating to the holder's particular circumstances that could arise from the Rights Issue, including the applicability and effect of foreign tax legislation (including regulations) and provisions in tax treaties.

1. DISPOSAL OF HEMFOSA SHARES AGAINST CASH

For shareholders in Hemfosa that accept the Takeover Offer and thereby dispose some of their shares in Hemfosa against cash, a liability for capital gains taxation will occur.

2. GENERAL RULES ON CAPITAL GAINS TAXATION

The capital gain or the capital loss is computed as the difference between the consideration, less selling expenses, and the acquisition value, and shall be reported in the income tax return. Special provisions apply to a share-for-share exchange with “roll-over relief”, see section below “Divestment of preference shares and common shares in Hemfosa for common shares of series B and D in SBB”. The acquisition value for all shares of the same series and type shall be added together and computed collectively in accordance with the so-called average method (Sw. *genomsnittsmetoden*). As an alternative, the so-called standard method (Sw. *schablonmetoden*) may be used at the disposal of listed shares. This method means that the acquisition value may be determined as 20 percent of the consideration less selling expenses.

Private individuals

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30 percent. Capital losses on listed shares and other listed securities taxed as shares may be fully offset against taxable capital gains the same year on shares, as well as on listed securities taxed as shares (however not mutual funds, Sw. *värdepappersfonder*, or hedge funds, Sw. *specialfonder*, containing Swedish receivables only, Sw. *räntefonder*). Capital losses not absorbed by these set-off rules are deductible at 70 percent in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30 percent of the net loss

CERTAIN TAX CONSIDERATIONS IN SWEDEN

that does not exceed SEK 100,000 and 21 percent of any remaining net loss. A net loss cannot be carried forward to future tax years.

Limited liability companies

For limited liability companies (Sw. *aktiebolag*) all income, including taxable capital gains and dividends, is taxed as income from business operations at a rate of 21.4 percent for financial years commencing on 1 January 2019 at the earliest. Capital gains and capital losses are calculated in the same way as described for private individuals above.

Deductible capital losses on shares and other securities taxed as shares may only be offset against taxable capital gains on such securities. A net capital loss on shares and other securities taxed as shares that cannot be utilized during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year having the same filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same filing date). Special tax rules may apply to certain categories of companies or certain legal persons, e.g. investment companies and life-insurance companies.

3. DIVESTMENT OF PREFERENCE SHARES AND COMMON SHARES IN HEMFOSA FOR COMMON SHARES OF SERIES B AND D IN SBB

Private individuals and limited liability companies accepting the Takeover Offer and thus acquire new common shares of series B and D in SBB against preference shares and common shares in Hemfosa should be considered to have divested the latter shares. Provided that the divestment of preference shares and common shares in Hemfosa to SBB will be undertaken at fair market value, with respect to limited liability companies that the capital gain arising will exceed any potential cash payout, and that SBB at the end of the calendar year of the divestment of preference shares and common shares in Hemfosa is undertaken will hold shares corresponding more than 50 per cent of the total votes of Hemfosa, the rules regarding roll-over relief for a share-for-share exchange, should be applicable for private individuals and limited liability companies. Provided that the Takeover Offer is carried out, SBB intends to hold shares in Hemfosa entailing that the aforementioned prerequisites are fulfilled.

Private individuals

Private individuals resident in Sweden for tax purposes, should be considered to have acquired common shares of series B and D in SBB for an acquisition price corresponding to the acquisition value of the preference shares and common shares in Hemfosa if the provisions regarding roll-over relief in relation to a share-for-share exchange are applicable. It should be noted that the share-for-share exchange is not required to be reported in the tax return.

If a private individual cease to be habitual abode or continuously stay within the EEA, and the provisions regarding roll-over relief have been applied, a "fictitious" capital gain attributable to the share-for-share exchange will be triggered and taxable. A capital gains or a capital loss is computed as the difference between the fair market value of the common shares in SBB that are acquired at the time of the divestment, and the acquisition value of the divested preference shares and common shares in Hemfosa. SBB intends to file a request for the Swedish Tax Agency to determine the fair market value of the common shares of series B and D in SBB at the time of divestment. Information regarding the fair market value will be published on SBB's and the Swedish Tax Agency's websites respectively, www.sbbnorden.se and www.skatteverket.se.

Limited liability companies

Limited liability companies that opts for a roll-over relief of a capital gains must declare such gain in the tax return and request for a roll-over relief. Potential cash payments shall be taxed as a capital gain without any deduction for the corresponding acquisition value the year of the share-for-share exchange. SBB intends to file a request for the Swedish Tax Agency to determine the fair market value of the common shares of series B and D in SBB at the time of divestment. Information regarding the fair market value will be published on SBB's and the Swedish Tax Agency's websites respectively, www.sbbnorden.se and www.skatteverket.se.

If a limited liability company has opted for roll-over relief of a capital gain attributable to divested preference shares or common shares in Hemfosa, the postponed capital gain shall be taxed at the latest when acquired common shares of series B or D in SBB are divested or otherwise cease to exist. If such limited liability company already held shares in SBB

of the same class and series before the Takeover Offer or acquire such shares in SBB after acceptance of the Takeover Offer, a special sequence is applied. Common shares in SBB will be considered to be divested in the following sequence.

1. Shares acquired before the Takeover Offer.
2. Shares acquired via the Takeover Offer.
3. Shares acquired after the Takeover Offer.

4. TAXATION OF SHAREHOLDERS IN SBB POST TAKEOVER OFFER

Private individuals

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30 percent. Capital gains and capital losses on listed shares are computed in the manner described section “General rules on capital gains taxation” above. For private individuals tax resident in Sweden preliminary taxes are usually withheld on dividend payments at a tax rate of 30 per cent. The preliminary tax is usually withheld by Euroclear Sweden, or by the custodian in relation to shares held via a custodian.

Limited liability companies

For limited liability companies (Sw. *aktiebolag*) all income, including taxable capital gains and dividends, is taxed as income from business operations at a rate of 21.4 percent for financial years commencing on 1 January 2019 at the earliest. Capital gains and capital losses are computed in the manner described section “General rules on capital gains taxation” above.

Shareholders not resident in Sweden for tax purposes

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company, Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company for example payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain series and liquidation of the company. The tax rate is 30 percent. The tax rate is, however, generally reduced through tax treaties. In Sweden, withholding tax deductions are normally carried out by Euroclear or, in respect of nominee-registered shares, by the nominee. Sweden’s tax treaties generally admit to reduction of the withholding tax in accordance with the treaty’s tax rate directly at the time of distribution provided that Euroclear or the nominee have received the required information about the person entitled to the distribution. Investors who are entitled to a reduced tax rate according to a tax treaty can claim a refund from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution if the tax at source has been withheld with a higher tax rate. The receipt of subscription rights does not give rise to any obligation to pay withholding tax.

Shareholders not resident in Sweden for tax purposes are normally not liable for capital gains taxation in Sweden upon disposals of shares or subscription rights. Shareholders and holders of subscription rights, respectively, may however be subject to taxation in their state of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares and subscription rights in the Company, if they have been residents of Sweden due to a habitual abode or continuous stay in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty.

DOCUMENTS INCORPORATED BY REFERENCE

The documents set out below are incorporated by reference and constitute part of this Offer Document. The parts of the documents below that are not incorporated by reference are deemed to not be relevant for investors. The Audited Annual Statements has been audited by Ernst & Young Aktiebolag with the authorised public accountant Ingemar Rindstig as the auditor in charge. The Auditor's reports contains no remarks. The Company's interim report for the period the nine months period ended 30 September 2019 has been reviewed by the Company's auditor. The review report on the interim financial statements contains no remarks. Documents incorporated by reference are available during the validity period of this Offer Document on the Company's website, www.sbbnorden.se.

- i. The Company's reviewed interim report for the nine months period ended 30 September 2019, as regards the Group's consolidated income statement (page 8), the Group's consolidated balance sheet (pages 12), the Group's consolidated statement of changes in equity (page 14), the Group's consolidated cash flow statement (page 15), the Group's additional information, including accounting principles (pages 32 – 33) and the auditor's review report on the interim financial statement (page 35).
- ii. The Company's consolidated annual report for the financial year ended 31 December 2018, as regards the Group's consolidated income statement (page 90), the Group's consolidated balance sheet (pages 91 – 92), the Group's consolidated statement of changes in equity (page 93), the Group's consolidated cash flow statement (page 94), the Group's notes, including accounting principles (pages 95 – 124) and the auditors' report (page 142 – 145).
- iii. The Company's consolidated annual report for the financial year ended 31 December 2017, as regards the Group's consolidated income statement (page 87), the Group's consolidated balance sheet (pages 88 – 89), the Group's consolidated statement of changes in equity (page 90), the Group's cash flow analysis (pages 91 – 92), the Group's notes, including accounting principles (pages 93 – 117) and the audit report (page 138 – 140).
- iv. SBB i Norden's consolidated annual report for the financial year ended 31 December 2016, as regards the Group's consolidated income statement (page 6), the Group's consolidated balance sheet (page 7), the Group's consolidated statement of changes in equity (page 8), the Group's cash flow analysis (page 9), the Group's notes, including accounting principles (pages 10 – 24) and the audit report (page 38 – 39).

DEFINITIONS

The following definitions apply throughout this Offer Document unless the context requires otherwise:

“2016 Audited Financial Statements”	The audited consolidated financial statements of SBB i Norden as of and for the period from the formation of SBB i Norden on 2 March 2016 through 31 December 2016, including the related notes thereto, which have been prepared in accordance IFRS
“2017 Audited Financial Statements”	The audited consolidated financial statements of the Group as of and for the years ended 31 December 2017, including the related notes thereto, which have been prepared in accordance with IFRS
“2018 Audited Financial Statements”	The audited consolidated financial statements of the Group as of and for the years ended 31 December 2018, including the related notes thereto, which have been prepared in accordance with IFRS
“ABGSC”	ABG Sundal Collier AB
“Adjusted EPRA NAV”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“Amasten”	Amasten Fastighets AB (publ)
“Audited Financial Statements”	The 2016 Audited Financial Statements, the 2017 Audited Financial Statements and the 2018 Audited Financial Statements
“Banking day”	A day which is not a Sunday, other public holiday or a day which, when paying for debentures, is equivalent to a public holiday
“Board of Directors” or “Board”	The board of directors of the Company
“CET”	Central European Time
“Code”	The Swedish Corporate Governance Code
“Combined Company”	The Group with Hemfosa as a fully owned subsidiary or the Company with Hemfosa as a fully owned subsidiary, as the context may require
“Company” or “SBB”	Samhällsbyggnadsbolaget i Norden AB (publ), reg. no. 556981-7660
“Economic Occupancy Rate”	Rental income as a percentage of Rental Value
“EMTN Programme”	A EUR 2,500 million multi-currency euro medium term note programme established by the Group in May 2018
“EPRA NAV (Long-term net asset value)”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“EPRA NNNAV (Actual net asset value)”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“Equity Ratio”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“EU”	European Union
“EUR”	Euro
“EUR CP Program”	A EUR 200 million commercial paper program established by the Group in July 2018 and arranged by Swedbank AB’s Finnish branch

DEFINITIONS

“Euroclear Sweden”	Euroclear Sweden AB
“GDP”	Gross domestic product
“GDPR”	The EU general data protection regulation 2016/679/EU
“Group”	The Company, the group in which the Company is the parent company or a subsidiary of the group, as the context may require
“Hemfosa”	Hemfosa Fastigheter AB (publ), reg.no 556917-4377
“Historical Financial Information”	The Audited Financial Statements and the Unaudited Interim Financial Statements
“IFRS”	International Financial Reporting Standards
“in-kind dividend”	Dividends paid out in a manner other than cash
“Independent Valuers”	Newsec Advice AB, Jones Lang LaSalle Holding AB, Savills Sweden AB and Colliers International Danmark A/S
“Interest Coverage Ratio”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“IT”	Information technology
“J.P. Morgan”	J.P. Morgan Securities plc
“KlaraBo JV”	The Group’s holdings in KlaraBo Förvaltning AB
“Loan-to-Value Ratio”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“Major Shareholders”	Shareholders interested directly or indirectly in five percent or more of the shares or voting rights of the Company, as described in “ <i>Shares and Share Capital – Ownership Structure</i> ”
“Net Initial Yield”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“Net Operating Margin”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“NOK”	Norwegian krone
“Nordea”	Nordea Bank Abp, filial Sverige
“Offer Document”	This offer document
“Outstanding Sum”	An amount to which the holders of preference shares shall be entitled, evenly distributed on each preference share, if no dividend has been paid in relation to preference shares, or if a dividend less than the Preference Share Distribution has been paid, corresponding to the difference between what should have been paid as above and the actually paid amount
“QIBs”	Qualified institutional buyers
“Passing NOI”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“Passing Rent”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“PFIC”	Passive foreign investment company
“Preference Share Distribution”	An annual distribution of dividends per preferential share of SEK 35
“Primary pre-emption rights”	In the case of an issue new shares by way of a cash issue or a set-off issue, holders of common shares and preference shares shall be entitled to pre-emption rights to one new share of the same class pro rata to the number of shares previously owned by the holder
“Prospectus Regulation”	European Union Regulation (EU) 2017/1129, as amended
“Rental Value”	The sum of contracted rents and the value of vacant areas
“Return on Shareholders’ Equity”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“Rights Issue”	An offer to the public in Sweden to subscribe for new Class B common shares in SBB as described under section “ <i>Shares and share capital – Rights issue</i> ”
“SBB i Norden”	SBB i Norden AB (publ), reg. no. 559053-5174
“SCRO”	The Swedish Companies Registration Office

DEFINITIONS

“SEB”	Skandinaviska Enskilda Banken AB (publ)
“Secured Loan-to-Value Ratio”	As defined in “ <i>Selected Consolidated Financial, Operating and other Data – Non-IFRS Financial Data and Reconciliations</i> ”
“Securities Account”	Securities Account used in connection with the acceptance of the Takeover Offer according to the “ <i>Terms and conditions</i> ”
“SEK”	Swedish krona
“SEK CP Program”	A SEK 2,000 million commercial paper program established by the Group in May 2018 and arranged by Swedbank.
“SFSA”	The Swedish Financial Supervisory Authority (Sw. <i>Finansinspektionen</i>)
“subsidiary pre-emption rights”	Shares not subscribed by primary pre-emption rights in the event of a cash issue or a set-off issue shall be offered to all shareholders for subscription
“Swedish Companies Act”	The Swedish Companies Act (2005:551) (Sw. <i>aktiebolagslagen</i>)
“Takeover Rules”	The Nasdaq Stockholm Takeover Rules issued by Nasdaq Stockholm
“Takeover Offer”	A public offer to shareholders in Hemfosa to tender all their shares in Hemfosa in accordance with the conditions stated in this Offer Document
“Unaudited Interim Financial Statements”	The unaudited interim consolidated financial statements of the Group for the nine months ended 30 September 2019 and 2018, including the related notes thereto, which have been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act
“U.S. Securities Act”	U.S. Securities Act of 1933, as amended
“Valerum JV”	The Group’s holdings in Valerum Fastighets AB
“Valuation Reports”	The property valuation reports concerning the Company’s property portfolio, which have been incorporated in this Offer Document
“VAT”	Value added tax
“WAULT” or “Weighted Average Unexpired Lease Term”	The remaining contract term for the Group’s community services properties

ADDRESSES

THE COMPANY

Samhällsbyggnadsbolaget i Norden AB (publ)

Strandvägen 1
SE-114 51 Stockholm
Sweden

Telephone: +46 200 22 72 00
www.sbbnorden.se

FINANCIAL ADVISERS

ABG Sundal Collier AB

Regeringsgatan 65
SE-111 56 Stockholm
Sweden

Nordea Bank Abp, filial Sverige

Smålandsgatan 17
SE-105 71 Stockholm
Sweden

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

LEGAL ADVISERS TO THE COMPANY

As to Swedish law

Advokatfirman Vinge KB

Stureplan 8
Box 1703
SE-111 87 Stockholm
Sweden

As to English and U.S. law

Clifford Chance LLP

10 Upper Bank Street
Canary Wharf
London E14 5JJ
United Kingdom

LEGAL ADVISERS TO THE FINANCIAL ADVISERS

As to Swedish law

Advokatfirman Hammarskiöld & Co

AB
Skeppsbron 42
Box 2278
SE-103 17 Stockholm
Sweden

As to English and U.S. law

Shearman & Sterling (London) LLP

9 Appold Street
London EC2A 2AP
United Kingdom

AUDITOR

Ernst & Young AB

Jakobsbergsgatan 24
Box 7850
SE-103 99 Stockholm
Sweden