

MAGNOLIA

Admission to trading of
Magnolia Bostad AB's
shares on Nasdaq Stockholm



S|E|B

IMPORTANT INFORMATION

In this prospectus (the "Prospectus"), depending on the context, "Magnolia Bostad", "the Company" or "the Group" means Magnolia Bostad AB, company registration number 556797-7078, the group of which Magnolia Bostad AB is the ultimate parent company, or a subsidiary of the group. The term "Principal Owner" means F. Holmström Fastigheter AB. "Manager" means Skandinaviska Enskilda Banken AB, SEB Corporate Finance ("SEB"). For more defined terms, please see the section entitled "Definitions".

Magnolia Bostad has prepared this Prospectus in connection with the Company's application for admission to trading of its shares on Nasdaq Stockholm (the "Listing").

This Prospectus constitutes neither an offer to transfer nor an invitation relating to an offer to acquire securities in the Company. The Prospectus is not intended for persons resident in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, South Africa, Switzerland or the United States. Nor is the Prospectus intended for persons whose participation requires additional prospectuses, registrations or measures other than those required under Swedish law. Accordingly, this Prospectus, marketing material or other material relating to the Prospectus may not be distributed or published in any jurisdiction unless such takes place in accordance with applicable laws and regulations. Any person who may be in possession of this Prospectus is required to obtain information on and comply with the said restrictions and, in particular, refrain from publishing or distributing this Prospectus in breach of applicable laws and regulations. Each action in breach of said restrictions may constitute a breach of applicable regulations on securities.

Publication of this Prospectus does not mean that the information contained herein is current and updated at any time other than at the date of this Prospectus, that no other change regarding the Company's business has occurred after the date of this Prospectus or that the information contained in this Prospectus is accurate at any date subsequent to the date of this Prospectus. An investment in securities involves risks, please see the section entitled "Risk factors". When investors make an investment decision, they must carry out independent assessments of the legal, tax, commercial, financial and other consequences of the investment and rely on their own studies, analyses and investigations on the Company. Each investor should consult its own advisors before the acquisition of the Company's shares takes place.

A Swedish Prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with the regulations in Sections 25 and 26 Chapter 2 of the Swedish Financial Instruments Trading Act (Sw. *lagen (1991:980) om handel med finansiella instrument*). Approval and registration does not imply that the Swedish Financial Supervisory Authority guarantees that the factual information in the Prospectus is correct or complete. Unless expressly stated, no information in the Prospectus has been reviewed or audited by the Company's auditor.

This Prospectus is governed by Swedish law. Disputes arising from this Prospectus shall be settled exclusively by Swedish courts.

A Swedish language version and an English language version of this Prospectus have been prepared. In the event of discrepancies between the versions, the Swedish language version shall prevail.

This Prospectus is available on the Company's website, www.magnoliabostad.se, and will be available on the Swedish Financial Supervisory Authority's website, www.fi.se. The information on the Company's website has not been incorporated into this Prospectus and does not form part of this Prospectus.

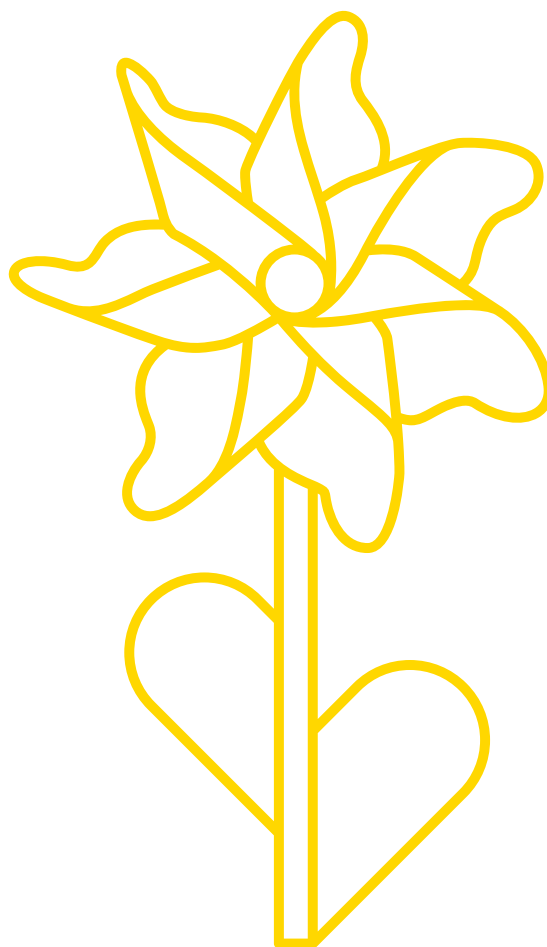
FORWARD-LOOKING STATEMENTS, MARKET INFORMATION, ETC.

This Prospectus contains forward-looking statements that reflect Magnolia Bostad's current view of future events as well as financial, operational and other developments. Forward-looking information may be distinguished by the fact that it does not relate exclusively to historical or current factual situations or by the fact that it may include expressions such as "deem", "assess", "expect", "await", "judge", "assume", "predict", "can", "will", "shall", "should or ought to", "according to estimates", "consider", "may", "plan", "potential", "calculate", "as far as is known" or the negatives of such words and other variations thereof or comparable terminology. These forward-looking statements apply only at the date of the Prospectus. Magnolia Bostad makes no commitment to publish any updates or revisions of forward-looking statements as a result of new information, future events or similar. Even if Magnolia Bostad considers the expectations described in such forward-looking statements to be reasonable, there is no guarantee that these forward-looking statements will be carried into effect or prove to be correct. Accordingly, potential investors should not place undue reliance on these and other forward-looking statements.

The section entitled "Risk factors" contains a description, however not exhaustive, of factors that could cause an actual result or development to differ significantly from historical information or forward-looking statements. This Prospectus contains historical market information and forecasts. Some information has been obtained from external sources and Magnolia Bostad has reproduced such information accurately in this Prospectus. Even though the Company considers these sources to be reliable, no independent verification has been carried out and no guarantee can therefore be given that the information is accurate or complete. Market statistics are, by their very nature, associated with uncertainty and do not necessarily reflect actual market conditions. Comparisons of statistics for different markets are of limited value for several reasons, including the fact that markets are defined differently and the information may have been collected using different methods and may be based on different assumptions. Certain statistics in this Prospectus have been compiled by Magnolia Bostad, in some cases based on different assumptions. Although the Company considers the compilation method and assumptions to be reasonable, they could only be verified against independent sources to a limited extent. In light of this, the reader's attention is drawn in particular to the fact that market statistics presented in the Prospectus are associated with uncertainty and that no guarantee can be given as to their accuracy. Information from third parties has been correctly reproduced and, as far as the Company is aware and has been able to ascertain, no information has been omitted which might result in the information reproduced being inaccurate or misleading. Figures recognized in the Prospectus have in some cases been rounded and therefore the tables in the Prospectus do not necessarily always add up exactly. This is the case, for example, when the figures are presented in thousands, millions or billions, and this occurs in particular in the sections entitled "Selected financial information" and "Capitalization, indebtedness and other financial information" and in the revised historical financial information contained in the section entitled "Historical financial information". All financial figures are presented in Swedish krona (SEK), unless otherwise stated.

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Summary

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be included in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In that case a short description of the Element is included in the summary with the mention of "Not applicable".

Section A – Introduction and warnings

A.1	<i>Introduction and warnings</i>	<p>This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on the investor's consideration of this Prospectus as a whole.</p> <p>Where a claim relating to the information contained in this Prospectus is brought to a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability are only attached to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or does not provide, when read together with the other parts of the Prospectus, key information in order to help investors when considering whether to invest in such securities.</p>
A.2	<i>Financial intermediaries</i>	Not applicable. Financial intermediaries are not entitled to utilize this Prospectus for subsequent trading or final placement of shares.

Section B – Issuer

B.1	<i>Legal and commercial name</i>	Magnolia Bostad AB, company registration number 556797-7078.
B.2	<i>Domicile, legal form, legislation and country of incorporation</i>	Magnolia Bostad is a Swedish public limited liability company founded in Sweden under Swedish law and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company has its registered office in Stockholm.
B.3	<i>Current operations and principal activities</i>	Magnolia Bostad is an urban developer that creates districts and neighborhoods in Sweden, where housing is an important part of a greater context. Magnolia Bostad puts community and society in focus. Magnolia Bostad creates modern homes and living environments while the Group, at the same time, becomes involved in life in the areas where it is present. As an urban developer, Magnolia Bostad is part of a growing Sweden. Magnolia Bostad's business model is to deliver a comprehensive offer – rental apartments, tenant-owned apartments, residential care facilities and hotels – for municipalities that want to develop new districts and residential areas. Together with select partners, Magnolia Bostad creates sustainable homes and residential areas. At the end of Q1 2018, Magnolia Bostad's project portfolio contained approximately 16,001 estimated building rights.

B.3	<i>Current operations and principal activities, cont.</i>	<p>In projects developed as rental apartments, residential care facilities, hotels and student housing, the project is sold before actual production begins. The Company thus seeks to combine satisfactory profitability, low tie-up of capital and low project risk with relatively low internal use of resources. Magnolia Bostad's core product is rental apartment properties. The end-customers in rental apartment projects are long-term institutional investors and other reputable partners. In projects developed as tenant-owned apartments under Magnolia Bostad's management, construction begins once the tenant-owners association has signed binding agreements for a certain number of apartments. After completed construction, the tenant-owned apartments are turned over to the customer.</p> <p>Common for all the housing developed by the Company is its well thought-out, effective interiors and appealing exteriors, influenced by contemporary architecture. All buildings are constructed with the aim of ensuring that they remain standing for many generations, and the Company's work is permeated by a holistic approach in which business is conducted in a manner that promotes long-term sustainable social development.</p>
B.4a	<i>Recent trends in the industry</i>	<p>The housing development market is affected by a number of factors, of which Magnolia Bostad considers the most recent and significant trends affecting the Company and the industry where it is present to be:</p> <p>Macroeconomic factors</p> <p>In the opinion of the Company, macroeconomic factors have a considerable impact on the real estate and housing development market. Examples of such macroeconomic factors include the state of the economy, employment and wage levels, GDP growth and interest rates. A rising GDP, strong economic conditions and low interest rates are factors that increase the level of investment in the industry.</p> <p>The outlook for Sweden's GDP is expected to remain positive, partly as a result of higher population growth, increased exports, continued low interest rates, household consumption and a strong labor market.¹⁾</p> <p>The National Institute of Economic Research's (NIER) Economic Tendency Survey for March 2018 shows that household optimism has fallen slightly in the past few months. The recent turbulence on the housing market is believed to be a contributing factor. GDP growth (calendar-adjusted) in Sweden increased in 2017 by 2.7 percent and is expected to increase by 2.9 percent in 2018, and then increase by only 2.1 percent in 2019.²⁾</p> <p>Population</p> <p>Population growth in Sweden is a strong driving force for the construction of new housing.</p> <p>In February 2018, Sweden's population was 10.1 million, which corresponds to a population increase of 1.2 percent compared to the same period the previous year. Sweden's population is expected to pass 13 million in 2060. The strong population growth may in part be explained by higher migration inflows than outflows and that the number of children born each year is larger than the number of people who pass away. In the next few years, the population is expected to increase by approximately 100,000 people a year.³⁾</p> <p>1) Pangea Property Partners, Real Estate Outlook – Sweden, Pangea's view on 2017. 2) National Institute of Economic Research, Swedish Economy Report, March 2018. 3) Statistics Sweden (Sw. <i>Statistiska centralbyrån</i>), Population Statistics, February 2018, and Sweden's Future Population 2017–2060.</p>

<p>B.4a</p>	<p><i>Recent trends in the industry, cont.</i></p>	<p>Demographics</p> <p>The demographic composition is of significance for housing development on the market since people have different requirements for housing depending on the stage of life they have reached when they are looking for housing. Housing development companies able to adjust the supply of housing according to expected demand from the various age categories can thus take advantage of the demographic composition.</p> <p>The 25–34 age group in both Greater Stockholm and the Municipality of Uppsala is large and at the end of 2017 amounted to 350,595 and 38,208 people, respectively, which represents 15.6 percent and 17.4 percent, respectively, of the total population of the two areas. The 25–34 age group is also large in Greater Gothenburg and Greater Malmö and at the end of 2017 represented 15.5 and 15.3 percent, respectively, of the total population of each region. In Sweden as a whole, the corresponding figure in 2017 was 13.8 percent.¹⁾</p> <p>Housing supply</p> <p>In relation to population growth in Sweden, housing construction has been low since the 1990s.²⁾ In view of the expected future population growth and the fact that housing construction has not changed to match the growing population, there is pent-up demand for new housing. Despite an increase in housing construction in recent years, too few homes are still being built to cover the need, primarily in the metropolitan regions. Estimates indicate a need for 600,000 new homes to be built in Sweden by 2025 to meet the anticipated need for housing.³⁾ In Sweden, the need for new homes is estimated to amount to at least 80,000 annually.⁴⁾</p> <p>Developments in the tenant-owned housing market</p> <p>The market for tenant-owned apartments recovered slightly during the first two months of 2018. In March, prices remained basically the same, with only a very slight decrease, but there were markedly fewer residential units sold. This is most likely an effect of the new amortization requirement that entered into force on March 1, 2018. The fall in prices appears to have stopped. Of the three metropolitan areas, Stockholm and Gothenburg reported falling prices over the past 12-month period. In Greater Stockholm the decline was 9.0 percent, and in Greater Gothenburg the decline was 3.64 percent. In Greater Malmö there was an increase of 1.1 percent. In Q1 2018, prices were stable in Greater Stockholm and Greater Malmö, but fell 3.4 percent in Greater Gothenburg.⁵⁾</p> <p>Developments in the rental market</p> <p>The rental housing market is a regulated market, where rents in both newly-built apartments and the existing rental housing stock are fixed by means of negotiations between the Swedish Union of Tenants and the property owner. As a result of this system of negotiation, rent levels in metropolitan regions have largely remained low in relation to the amount tenants have been willing to pay, for which reason the demand for rental housing has often exceeded supply. This is reflected in the long and, in recent years, increasing waiting lists to obtain a rental property in metropolitan regions.</p> <p>As at December 31, 2017, for example, 596,171 people paid to be on Stockholm's housing waiting list, which is an increase of approximately 40,246 people or 7.6 percent in 2017.⁶⁾</p> <p>1) Statistics Sweden, Population by region and year. 2) Newsec report commissioned by the Company (January 2018). 3) The National Board of Housing, Building and Planning, <i>Reviderad prognos över behovet av nya bostäder till 2025</i> (2017:17) and Newsec report commissioned by the Company (January 2018). 4) The National Board of Housing, Building and Planning (Sw. Boverket), <i>Reviderad prognos över behovet av nya bostäder till 2025</i> (2017:17). 5) Swedish Real Estate Agents Statistics (Sw. <i>Svensk Mäklarstatistik</i>), April 16, 2018. 6) The Stockholm Housing Agency (Sw. <i>Bostadsförmedlingen</i>), <i>Statistik för bostadskön 2017</i>.</p>
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B.4a	<i>Recent trends in the industry, cont.</i>	<p>Valuation of rental properties</p> <p>According to the IPD property index¹⁾ prepared by Morgan Stanley Capital International, the total return on housing in Sweden was 8.0 percent in 2017. The total return for Swedish properties as a whole was 10.8 percent and thus demonstrated better growth than both the stock market and the bond market. The return consisted of 4.4 percent direct yield and 9.1 percent change in value.</p> <p>The yield requirement for centrally located residential properties in the metropolitan areas of Stockholm, Gothenburg and Malmö has fallen steadily since 2008. This development shows that the residential sector is considered to be a stable investment sector facing low risk.</p> <p>Households' ability to pay</p> <p>One important factor affecting price formation in the housing market is the household payment capacity. The ability of the households to make payments on their loans is affected by a number of factors, including the aforementioned macroeconomic factors, possibilities for obtaining bank financing, changes in applicable regulations, such as the implementation of a stricter amortization requirement, and developments on the interest rate market for mortgages. Swedish interest rates are at a historically low level.²⁾</p> <p>The Swedish Financial Supervisory Authority made the assessment in 2018 that, since 2013 and in particular since 2015, Swedish households' repayment capacity has continued to improve. Most households with new mortgages currently have sufficient margins to meet higher interest rates, higher unemployment and a fall in house prices. In the event of a significant economic stress, only a few households experience problems with their repayments.³⁾</p> <p>1) IPD Svenskt Fastighetsindex MSCI measures the return on direct investments in properties that were held during the period between two market valuations but disregards loans. 2) The Swedish Riksbank (Sw. <i>Riksbanken</i>), search interest rates & foreign exchange rates. 3) The Swedish Financial Supervisory Authority (Sw. <i>Finansinspektionen</i>), The Swedish Mortgage Market 2018.</p>
B.5	<i>Group structure</i>	Magnolia Bostad AB is the ultimate parent company of the Group. As at March 31, 2018, the Group consisted of 138 directly and indirectly held companies.
B.6	<i>Notifiable interests, different voting rights and controlling interests</i>	<p>The Principal Owner, F. Holmström Fastigheter AB, owns approximately 56.4 percent of the shares in the Company at the date of this Prospectus. Approximately 8.3 percent and approximately 7.5 percent of the shares in the Company are owned by Danica Pension and Länsförsäkringar Fondförvaltning AB, respectively, at the date of this Prospectus. At the date of this Prospectus, there are no natural or legal persons, besides the Principal Owner, Danica Pension and Länsförsäkringar Fondförvaltning AB, that hold five percent or more of the shares or voting rights.</p> <p>The Company's CEO holds ten percent of the shares in Magnolia Holding 3 AB, 24 percent of the shares in Magnolia Hotellutveckling AB and eight percent of the shares in Magnolia Holding 4 AB and Magnolia Hotellutveckling 2 AB (all of which are subsidiaries of the Company) through a company wholly owned by him, Fredrik Lidjan AB.</p>
B.7	<i>Selected financial information</i>	The selected financial information presented below has been obtained from Magnolia Bostad's revised audited historical financial information for the financial years ending December 31, 2017, 2016 and 2015, which have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS") and audited by Magnolia Bostad's auditors, as specified in their audit report (RevR5) appended to the revised historical financial information. The information has also been obtained from Magnolia Bostad's interim information for the three-month period ending March 31, 2018 (which has not been audited or reviewed), containing comparative figures for the three-month period ending March 31, 2017 (which have not been audited or reviewed), which has been prepared in accordance with IAS 34 and the Annual Accounts Act. The historical financial information has been revised to IFRS 15 in order to have the same reporting standard for income for the purposes of increasing the level of comparability and making it easier for an investor to digest the historical financial information.

B.7

Selected financial information, cont.

Consolidated Income Statement

	For the three months ending March 31		For the financial years		
	2018	2017	2017	2016	2015
(SEK million)	(not audited or reviewed)	(not audited or reviewed)	(audited)	(audited)	(audited)
Net sales	532	77	1,781	1,064	813
Production and operating costs	-404	-45	-1,347	-642	-657
Gross profit/loss	128	32	434	422	156
Central administration	-12	-8	-41	-27	-13
Profit/loss from participations in associated companies and joint ventures	-3	-4	-9	14	0
Revaluation during transition from associated company to subsidiary	-	-	-	-	153
Operating profit/loss	113	20	384	409	296
Financial income	2	1	6	3	3
Financial expenses	-35	-24	-115	-93	-52
Change in value, financial instruments	-	0	0	0	0
Profit/loss before tax	80	-3	276	319	245
Income tax	0	0	0	0	-1
NET PROFIT/LOSS FOR THE PERIOD	80	-3	276	319	245
Profit/loss attributable to					
Company shareholders	81	-2	203	271	232
Holdings without a controlling influence	-1	-1	73	48	13
Earnings per share, SEK					
Before dilution effects	2,14	-0,05	5,37	7,16	6,71
After dilution effects	2,14	-0,05	5,37	7,13	6,50

B.7	Selected financial information, cont.	Consolidated Balance Sheet				
		March 31		December 31		
(SEK million)		2018 (not audited or reviewed)	2017 (not audited or reviewed)	2017 (audited)	2016 (audited)	2015 (audited)
ASSETS						
Non-current assets						
Goodwill		6	6	6	6	6
Other intangible assets		1	1	1	0	1
Total intangible assets		7	7	7	6	7
Machinery and equipment		8	7	8	1	0
Total property, plant and equipment		8	7	8	1	0
Participations in associated companies and joint ventures		109	114	111	116	2
Receivables from associated companies		24	23	24	23	24
Other securities held as non-current assets		31	31	31	31	31
Other long-term receivables		1,202	468	1,165	397	216
Total financial assets		1,365	636	1,330	567	272
Total non-current assets		1,380	650	1,345	574	279
Current assets						
Development and project properties		1,101	1,453	1,310	1,160	1,139
Tenant-owned apartments		4	4	4	4	4
Accounts receivable		13	2	31	1	4
Receivables from associated companies		42	19	52	20	0
Other receivables		662	509	595	475	204
Prepaid expenses and accrued income		5	4	5	5	2
Cash and cash equivalents		442	138	208	507	193
Total current assets		2,268	2,129	2,205	2,172	1,546
TOTAL ASSETS		3,648	2,779	3,550	2,746	1,825
EQUITY AND LIABILITIES						
Equity						
Share capital		151	151	151	151	151
Other capital contributions		187	185	185	185	185
Retained profits including net profit/loss for the period		737	516	655	518	285
Equity attributable to the Company's shareholders		1,075	852	991	854	621
Holdings without a controlling influence		178	135	180	135	87
Total equity		1,254	987	1,171	989	708
Non-current liabilities						
Deferred tax liability		2	2	2	2	2
Non-current interest-bearing liabilities		1,399	1,267	1,566	1,268	731
Non-current liabilities to associated companies		24	–	35	–	–
Derivatives		–	–	–	–	0
Other non-current liabilities		30	54	30	91	110
Total non-current liabilities		1,455	1,323	1,633	1,361	843
Current liabilities						
Current interest-bearing liabilities		656	262	507	237	130
Derivatives		–	0	–	0	–
Accounts payable		55	68	16	38	14
Liabilities to associated companies		0	11	1	–	–
Income tax liabilities		2	0	0	0	4
Other current liabilities		108	40	85	68	77
Accrued expenses and deferred income		118	88	136	53	50
Total current liabilities		939	469	745	396	274
TOTAL EQUITY AND LIABILITIES		3,648	2,779	3,550	2,746	1,825

B.7

Selected financial information, cont.

Consolidated Condensed Cash Flow Statement

(SEK million)	For the three months ending March 31		For the financial years		
	2018 (not audited or reviewed)	2017 (not audited or reviewed)	2017 (audited)	2016 (audited)	2015 (audited)
Cash flow from operating activities before changes in working capital	-50	-37	-291	-90	-90
Cash flow from changes in working capital	112	-347	-326	68	-60
Cash flow from operating activities	62	-384	-617	-22	-150
Cash flow from investing activities	-1	-8	-13	-101	0
Cash flow from financing activities	173	24	332	437	306
Cash flow for the period	234	-368	-298	314	156
Cash and cash equivalents at beginning of the period	208	507	507	193	37
Cash and cash equivalents at end of the period	442	138	208	507	193

Significant changes in Magnolia Bostad's financial position and operating profit/loss during the period January 1, 2015 to March 31, 2018

Magnolia Bostad was listed on Nasdaq First North in 2015.

In 2016, Magnolia Bostad issued secured bonds in the amount of SEK 600 million pursuant to a bond frame of SEK 750 million and unsecured bonds in the amount of SEK 400 million pursuant to a bond frame of SEK 1 billion and redeemed all previously outstanding bonds. The bonds were listed on Nasdaq First North Bond Market.

In 2017, Magnolia Bostad was listed on Nasdaq First North Premier.

Magnolia Bostad issued additional bonds in the amount of SEK 200 million within the existing bonds' existing frame, which means that the total volume now amounts to SEK 600 million.

Comparison between the period January 1 – March 31, 2018 and the period January 1 – March 31, 2017

Magnolia Bostad's net sales amounted to SEK 532 million for the three-month period ending March 31, 2018, compared to SEK 77 million for the three-month period ending March 31, 2017, which corresponds to an increase of 591 percent. The increase in net sales is primarily attributable to sales of 333 units, an increase of 203 units compared to 130 units in Q1 2017.

Magnolia Bostad's operating profit amounted to SEK 113 million for the three-month period ending March 31, 2018, compared to SEK 20 million for the three-month period ending March 31, 2017. The increase in operating profit is primarily attributable to sales of 333 units, an increase of 203 units compared to 130 units in Q1 2017.

Magnolia Bostad's development and project properties amounted to SEK 1,101 million as at March 31, 2018, compared to SEK 1,310 million as at December 31, 2017. The -16 percent change is primarily attributable to sales carried out during the quarter and continued investments in the project portfolio.

B.7	<i>Selected financial information, cont.</i>	<p><i>Comparison between the financial years ended 2017 and 2016</i> Magnolia Bostad's net sales amounted to SEK 1,781 million in 2017, compared to SEK 1,064 million in 2016, which corresponds to an increase of approximately 67.4 percent. The increase in net sales is primarily attributable to increased sales of development and project properties.</p> <p>Magnolia Bostad's operating profit amounted to SEK 384 million in 2017, compared to SEK 409 million in 2016. The decrease in operating profit is primarily attributable to a somewhat lower margin in project sales due to a change in the mix of units, increased expenses of SEK 14 million for central administration, and lower earnings of SEK 23 million from participations in associated companies and joint ventures.</p> <p>Magnolia Bostad's development and project properties amounted to SEK 1,310 million as at December 31, 2017, compared to SEK 1,160 million as at December 31, 2016. The 12.9 percent increase is primarily attributable to investments in the project portfolio and the acquisition of Svenska Vårdfastigheter AB and the acquired project portfolio comprising 12 projects distributed among approximately 825 residential care units.</p> <p><i>Comparison between the financial years ended 2016 and 2015</i> Magnolia Bostad's net sales amounted to SEK 1,064 million in 2016, compared to SEK 813 million in 2015, which corresponds to an increase of approximately 30.9 percent. The increase in net sales is primarily attributable to increased sales of development and project properties.</p> <p>Magnolia Bostad's operating profit amounted to SEK 409 million in 2016, compared to SEK 296 million in 2015. The increase in operating profit is primarily attributable to more sold units during the year, namely 2,124 units in 2016 compared to 1,553 units in 2015.</p> <p>Magnolia Bostad's development and project properties amounted to SEK 1,160 million as at December 31, 2016, compared to SEK 1,139 million as at December 31, 2015. The 1.8 percent increase is primarily attributable to investments in the project portfolio.</p> <p>Significant changes in Magnolia Bostad's financial position and operating profit/loss after March 31, 2018 There were no significant changes in the Group's financial position or position on the market since March 31, 2018.</p>
B.8	<i>Selected pro forma financial information</i>	Not applicable. The Prospectus contains no selected pro forma financial information.
B.9	<i>Profit forecasts</i>	Not applicable. The Company has not presented any profit/loss forecast.
B.10	<i>Audit report qualifications</i>	Not applicable. There are no remarks in the audit reports.
B.11	<i>Working capital</i>	Not applicable. It is the Company's board of directors' opinion that the existing working capital is sufficient to meet needs during the twelve-month period following the approval of the Prospectus.

Section C – Securities

C.1	<i>Securities being offered</i>	Shares (ISIN: SE0007074505) in Magnolia Bostad.
C.2	<i>Currency</i>	The shares are denominated in Swedish kronor (SEK).
C.3	<i>Number of issued shares and par value</i>	At the date of the Prospectus, Magnolia Bostad's share structure consists of a total of 37,822,283 shares with a quota value of SEK four (4) per share.
C.4	<i>Rights attached to the securities</i>	All shares carry (1) vote at general meetings. All shares carry equal rights to the Company's assets and profits in the event of liquidation and distribution of dividends. The shares confer a right to a dividend for the first time on the next record date for a dividend after the Listing. Entitlement to dividends accrues to those registered as owners in the share register maintained by Euroclear on the record date determined by the general meeting.
C.5	<i>Transferability restrictions</i>	Not applicable. Shares in Magnolia Bostad are freely transferable.
C.6	<i>Admission to trading on a regulated market</i>	<p>Magnolia Bostad's share is not traded on a regulated market but is available for trading on Nasdaq First North Premier.</p> <p>On June 13, 2018, the Nasdaq Stockholm Listing Committee decided to admit Magnolia Bostad to trading on Nasdaq Stockholm, subject to customary terms. Trading is expected to commence on or around June 20, 2018.</p> <p>Trading symbol for the Company's share on Nasdaq Stockholm is MAG.</p>
C.7	<i>Dividend policy</i>	<p>The dividend policy shall be based on what is considered at any given time to promote the overall goal of optimizing the total return for the shareholders.</p> <p>The board of directors has made the assessment that a dividend will be proposed up to a maximum of 25 percent of the Group's profit after tax for the 2018 financial year.</p>

Section D – Risks

D.1	<i>Key risks specific to the issuer and its industry</i>	<p>The main risks that may affect the Company's business, results and/or financial condition are, in no particular order:</p> <ul style="list-style-type: none"> ● The risk that macroeconomic factors such as a general economic downturn, regional economic development, fluctuations in employment and inflation and interest rates may prove to be unfavorable to the Company, which means, among other things, a substantial deterioration in the willingness and ability to pay for Magnolia Bostad's housing, residential care facilities, hotels and student housing. ● The risk that it may not be possible to develop the Company's projects for housing, residential care facilities, hotels and student housing with the anticipated financial profitability. The development of projects for housing, residential care facilities, hotels and student housing is dependent on a number of factors, such as Magnolia Bostad's ability to obtain necessary permits and decisions by authorities and to carry out procurement relating to construction contracts for the implementation of the projects for the Company on market terms. ● The risk that uncertainties associated with the Company's real estate and tenant-owned housing transactions, such as unforeseen costs for environmental restoration and remediation, unforeseen land conditions, reconstruction and management of technical problems, decisions by authorities and the emergence of disputes relating to the acquisition or condition of the property may lead to delays in projects or higher or unforeseen costs for the properties or transactions. ● The risk that key personnel with extensive knowledge of the Group and the industry may leave the Group or that it may not be possible to recruit key personnel. ● Financing risk is the risk that the Company will not be able to obtain financing for acquisitions or development, any extension or increase of existing financing or refinancing of financing previously obtained or that the Company will only be able to obtain such financing on unfavorable terms. If any of the above events were to materialize, for example due to delayed projects, it could have a material adverse effect on the Group's business, results or financial condition. ● Liquidity risk is the risk that the Company may be unable to meet its payment obligations at the due date without a considerable increase in the cost of obtaining funds for payment. Magnolia Bostad is in a phase of expansion, which means that the Company's liquidity requirements will increase. If the Company's sources of liquidity prove to be insufficient, this could have a material adverse effect on the Group's business, results or financial condition. ● The risk that the Company's interpretation of applicable laws and regulations in the area of taxation may be incorrect or that such rules, or the interpretation of such rules, may change.
D.3	<i>Key risks specific to the securities</i>	<p>The main risks related to the Company's shares are, in no particular order:</p> <ul style="list-style-type: none"> ● It is not certain that an active, liquid market for trading in the Company's shares will exist and the share price can be volatile and subject to price fluctuations. ● The Group's ability to issue dividends in the future may be limited and may depend on several factors. There is a risk that no dividend may be proposed or decided on for some years to come.

Section E – Offer

E.1	<i>Net proceeds and expenses</i>	<p>Not applicable. No new shares or other securities are being issued in conjunction with the preparation of this Prospectus. The Company will therefore not be receiving any issue proceeds.</p> <p>Magnolia Bostad's costs attributable to the admission of its shares for trading on Nasdaq Stockholm, including remuneration to the Company's advisors, are estimated to amount to approximately SEK 14.7 million.</p>
E.2a	<i>Reasons for the Offer and use of proceeds</i>	<p>Not applicable. Since the Company is not offering any new securities, the Company will not receive any proceeds from the issue.</p> <p>The board of directors and the Company's executive management believe that the Listing is an important, logical step in the Company's development. The Listing will further enhance Magnolia Bostad's brand among both internal and external stakeholders in the Company. The Listing, therefore, as a whole is believed to have a positive impact on the Company's continued growth and development.</p>
E.3	<i>Terms and conditions of the Offer</i>	Not applicable. The Company is not offering any new securities.
E.4	<i>Interests and conflicts of interest</i>	<p>Not applicable. The Company is not offering any new securities. There are no family ties between any of the board members or the members of the executive management.</p> <p>The Company and the Principal Owner, F. Holmström Fastigheter AB, have entered into management agreements relating to six properties. In May 2018, the Principal Owner and Magnolia Utveckling AB entered into a sublease.</p> <p>Fredrik Tibell, through his wholly-owned company Caritas Corporate Finance AB, has been engaged as a consultant to the Company to a limited extent to provide ongoing financial advice.</p> <p>Via a company in which he holds indirect ownership but not a controlling influence, Andreas Rutili has acquired two real estate projects from the Company. Via a company in which he owns 50 percent and the other 50 percent is owned by a closely related party to him, Andreas Rutili holds ownership corresponding to 16.7 percent of the group company, Moutarde Holding AB. Andreas Rutili is thus entitled to a share of the profits in the Senapsfabriken phase 1 and Senapsfabriken phase 2 projects.</p> <p>Fredrik Lidjan holds, through a company wholly owned by him, Fredrik Lidjan AB, ten percent of the shares in Magnolia Holding 3 AB, 24 percent of the shares in Magnolia Hotellutveckling AB and eight percent of the shares in Magnolia Holding 4 AB and Magnolia Hotellutveckling 2 AB. The Company and Fredrik Lidjan have entered into profit distribution agreements regarding the mediation of projects with respect to seven properties.</p> <p>Transactions with related parties have been entered into on market terms.</p>
E.5	<i>Seller of the security and lock-up agreements</i>	Not applicable. The Company is not offering any new securities and no existing shares are being offered by current shareholders.
E.6	<i>Dilution</i>	Not applicable. Since the Company is not offering any new securities, no dilution effect arises.
E.7	<i>Expenses charged to the investor</i>	Not applicable. Since the Company is not offering any new securities, no expenses will be charged to an investor.

Risk factors

Risks that may be of significance to Magnolia Bostad's and the Group's business and future development are specified below. The risk factors are not ranked by probability, significance or their potential impact on the shares or the Company, the Group's business, results or financial condition, and no claim is made that this list is exhaustive. Consequently, additional risk factors that are currently unknown or that are not considered to be significant for the moment could also significantly affect the Company's and Group's business, results or financial condition. The value of an investment in Magnolia Bostad may be substantially affected if any of the risk factors set out below materialize. Investors are therefore encouraged to carry out their own assessment of the significance of the risk factors set out below and other potential risk factors for the Company's and the Group's business and future development. The risk factors should be considered in conjunction with other information contained in this Prospectus

Risks relating to the Group's business and industry

Macroeconomic factors

The real estate industry is affected to a considerable extent by macroeconomic factors such as the general economic climate, regional economic development, access to properties, fluctuations in employment, production rate for new housing, hotels, other residential properties and premises, changes in infrastructure, population growth, population structure, inflation, interest rates, etc. If the progress of one or more of these factors were to be detrimental, it could have a material adverse effect on the Group's business, results and financial condition.

Market disruptions, particularly in the Nordic property market, changes in the real interest rate or economic downturns in the global market may affect the financial condition of the Group's customers and thus affect their ability to enter into agreements with the Group. Such events can also mean that the terms of the Company's cooperation with its suppliers, such as construction companies, may become unfavorable for Magnolia Bostad, for example, if suppliers become more price sensitive and more inclined towards procedures. Changes in the market can also affect the supply of contractors. A reduction in the number of available contractors, for example due to increased demand from Magnolia Bostad's competitors, could mean that the Company is unable to engage contractors to the extent required to implement the Company's projects.

The current low level of interest rates has improved the ability of both households and purchasers of the Company's rental projects to obtain loan financing at nominally low interest rates. If the interest rate were to increase, households or purchasers of the Company's

rental projects would be unable to obtain loan financing at the same nominally low interest rates. Since changes in interest rates affect the ability of households and purchasers of the Company's rental projects to pay for housing and properties, such a situation could have a material adverse effect on the Group's business, results and financial condition.

Downturns in the global economy or other market disruptions, a deterioration in liquidity in the Swedish housing, hotel or residential property market or lower demand for the Group's products or services could have a material adverse effect on the Group's business, results and financial condition.

The ability of Magnolia Bostad to find a market for properties

Magnolia Bostad develops new housing, including rental apartments, tenant-owned apartments, residential care facilities, hotels and student housing, in attractive locations in Sweden's growth locations and large cities. The Group is dependent on its ability to sell these properties, either as rental properties, residential care facilities, hotels, student housing or as individual tenant-owned apartments. The customers' willingness and ability to pay for rental properties, hotels and tenant-owned properties is thus of decisive importance for the Group's business, results and financial condition.

The willingness to pay for properties or tenant-owned properties depends partly on how well they conform to market demand, the activity on the property market, fluctuations in housing prices in general and demographic factors such as numbers of people moving into the markets in which the Company operates. Furthermore, willingness to pay is affected by factors such as access to and cost of alternative forms of accommodation.

If there is any reduction in customers' willingness or ability to pay for properties or tenant-owned properties built or developed by the Group, it could have a material adverse effect on the Group's business, results and financial condition.

The ability to implement property development projects profitably in financial terms may also be affected by whether the housing, residential care facilities, hotels or student housing adequately respond to market demand, whether the demand for or price of housing, hotels or residential care facilities and student housing generally changes, deficient planning, analysis and cost control, changes in taxes and fees and other factors that may lead to delays or higher or unforeseen costs in the projects. If the Company does not manage to successfully analyze demand on the market, for example by developing residential units in a price class that is not in demand, it could have a material adverse effect on the Group's business, results and financial condition.

Risks relating to the business model and project

Magnolia Bostad's business largely consists of property development projects – primarily new construction, but also conversion of properties (originally intended for other purposes) to housing, residential care facilities, hotels and student housing. The ability to continue to implement such projects and implement them profitably in financial terms is therefore a prerequisite for the Company's future development.

The ability to implement property development projects profitably in financial terms is dependent on a number of factors, such as Magnolia Bostad's ability to maintain and obtain necessary permits and decisions by authorities and carry out procurements relating to construction contracts for the implementation of the projects on terms acceptable to the Company. At an early stage in each project, Magnolia Bostad often enters into a land allocation agreement under which the Company has a sole right, for a limited time and under certain conditions, to carry on negotiations with a municipal authority concerning the transfer of an area of land. However, if an agreement cannot be reached with the municipal authority within the prescribed period, the municipal authority has no obligation to transfer the area of land in question to Magnolia Bostad and the Company is not then entitled to receive compensation for project planning costs incurred.

Magnolia Bostad has entered into a framework agreement with Slättö under which Slättö has undertaken, given certain conditions, to acquire rental housing projects from the Company. In order to fulfill its obligations under the framework agreement, Magnolia Bostad is dependent on the Company's ability to enter into a binding agreement on the acquisition of the

properties in question, the local planning becoming legally binding and the ability to enter into construction contracts. If, on certain pre-determined dates, Magnolia Bostad is unable to supply projects of a certain value, Slättö is entitled to terminate the framework agreement and is also entitled to receive standardized damages (a pre-determined amount of damages) and to be refunded the SEK 75 million deposit that was paid under the framework agreement, plus 7 percent interest. Under the framework agreement, Slättö is entitled to terminate the framework agreement on certain specified conditions. Slättö and Magnolia Bostad are of different views as to whether a sufficient volume of projects ready for production have been delivered by Magnolia Bostad to date, and the framework agreement between Slättö and Magnolia Bostad is currently being renegotiated based on the common intention of the parties to amend the framework agreement. The aim is to ensure that the framework agreement is better adapted to changes in conditions and to assess the extent to which projects under the framework agreement can be adapted to the changes to investment grant rules. In the event the negotiations do not come to a conclusion and, contrary to Magnolia Bostad's view, Slättö is entitled to terminate the agreement, Slättö will be entitled to standardized damages of SEK 5 million and to be refunded the deposit plus interest.

In several projects, Magnolia Bostad has entered into development agreements or land allocation agreements and has thus undertaken vis-à-vis the municipal authority, under penalty of a fine, to ensure that the housing is let as rental housing for a specified period from when the agreement is entered into. However, no corresponding obligation has been included in the transfer agreements whereby the projects have been transferred to a purchaser. Therefore, Magnolia Bostad has no control over the letting of the homes after the transfer and there is a risk that the Company may incur an obligation to pay a fine if the purchaser of the project lets the homes as tenant-owned housing.

In transfer agreements entered into with purchasers of rental projects, Magnolia Bostad usually undertakes to compensate the purchaser for any vacancies up to a certain level within a period of up to 24 months from the date on which the housing becomes available for rental. The Company also undertakes to pay compensation to the purchaser if, after negotiations with the Swedish Union of Tenants, the rent level for the housing is set lower than the expected rent level.

Another factor affecting the ability to implement property development projects profitably in financial terms is whether all parties to the agreement fulfill their commitments to Magnolia Bostad. If, for example, a contractor in a rental project is unable to meet its

commitments, for example due to bankruptcy or breach of contract on the part of the contractor, and the project cannot therefore be completed by a certain agreed date, the purchaser of the property may request annulment of the acquisition under the share purchase agreement entered into between Magnolia Bostad and the purchaser. Annulment of the acquisition means that the Company must refund the purchase price and the property transferred must revert to Magnolia Bostad. In such a situation, the purchaser is also entitled to receive a penalty. If the purchaser instead requests that the project be completed, there is a risk that Magnolia Bostad may need to carry out a procurement relating to a new contract on terms that are less acceptable to the Company. If a purchaser of a property is similarly unable to meet its commitments vis-à-vis the Company, Magnolia Bostad is still bound by the construction agreement entered into with the contractor for the relevant project. There is thus a risk that the Company may incur higher costs to enter into a new share purchase agreement with a new purchaser for the project.

In the case of a property development project for tenant-owned apartments, the tenant-owners association, unlike the purchaser in a rental project, is normally not entitled to receive a penalty in the event of delay in the completion of the project. However, under certain circumstances, the tenant-owners association may nevertheless be entitled to damages as a result of the delay. Magnolia Bostad is usually entitled to receive a certain late payment penalty under the turnkey contract entered into with an external contractor. However, there is a risk that the damages to which the tenant-owners association may be entitled may exceed any such penalty. Furthermore, if the delay is caused by the contractor's bankruptcy, Magnolia Bostad will find it difficult to obtain any penalty payment from the contractor. The Company normally has a right to terminate the construction contracts entered into with an external contractor up until a certain number of binding preliminary agreements have been entered into regarding the transfer of tenant-owned apartments. Nevertheless, there is a risk that the Company may incur higher costs if, once that number of preliminary agreements has been entered into and the Company is bound by the construction contract, most of the purchasers who have entered into preliminary agreements on the transfer of a share in the tenant-owners association subsequently fail to fulfill their obligations under those agreements. In such circumstances, the purchasers are generally required to compensate the Company for any damage caused to the Company in that respect. However, the Company's ability to obtain full compensation for any damage that may arise if the tenant-owned apartments cannot be let to other purchasers may be limited in view of the fact that the purchasers are individuals.

Technical risks exist in the case of both new production and conversion to housing, residential care facilities, hotels and student housing. These include the risk of construction faults, the risk that it may not be possible to convert the building for housing, hotel or residential property purposes in a satisfactory manner in terms of building or construction technology, other hidden faults or defects, damage and contaminants. If such technical problems arise, they may lead to delays in planned property development projects or higher costs for new construction or conversion to housing, residential care facilities, hotels and student housing.

Historically speaking, the Group has primarily developed housing in the form of rental and tenant-owned properties. In connection with the development of untried projects such as residential care facilities, hotels and student housing, there is a risk that these projects may not be implemented in a way that is expected by or satisfactory to the Company.

If one or more of the above factors were to be detrimental or if any of the above risks were to materialize, it could have a material adverse effect on the Group's business, results and financial condition.

Risks relating to rent revenues, increases or reductions in rental levels, termination of rentals and operating and maintenance costs

The Company owns a number of properties that are managed by a third party. These owned properties contain a significant number of premises that are rented to the Company's tenants. The Company intends to develop these premises into housing and then sell the relevant properties.

If the occupancy ratio or rental levels for these properties falls, for whatever reason, it will have an adverse effect on the Company's results. The risk of major fluctuations in vacancy rates and reductions in rental income is greater the more single large tenants a company has. There is no guarantee that Magnolia Bostad's larger tenants will renew or extend their leases when they expire, which could lead to a reduction in rental income and higher vacancy rates in the long term.

Magnolia Bostad is dependent on tenants' paying the agreed rents on time and there is therefore a risk that tenants may suspend payments or otherwise fail to fulfill their obligations. If it occurs, the Company's results could be adversely affected.

The possession of properties that are rented out is also associated with certain operating expenses. Operating expenses consist mainly of tariff-bound costs such as costs for electricity, refuse collection, water and heating. If any cost increases are not compensated for by adjustments in lease agreements or rental increases through renegotiation of lease agreements, this could

have an adverse effect on Magnolia Bostad's financial condition and results. Maintenance expenses are related to measures aimed at maintaining the standard of the property in the long term. These expenses are expensed if they consist of repairs and replacement of smaller parts. Other additional maintenance expenses that increase the value for the Company are capitalized when the expense is incurred. Unforeseen and extensive need for renovation as well as higher prices for such renovations could lead to significantly higher maintenance expenses, which could have an adverse effect on the Company's business, results and financial condition.

In advance of the housing development, Magnolia Bostad will need to terminate existing lease agreements for premises to remove the tenants, whereupon the tenants will be entitled to receive damages under certain conditions. Those claims for damages may amount to significant sums and if the tenants claim and are entitled to damages due to the terminations, the Company's results and financial condition may be adversely affected.

Acquisition, sales and other transaction-related risks

Property transactions are carried out within the framework of Magnolia Bostad's activities. All such transactions are associated with uncertainty and risks. In the case of acquisitions of properties, for example, uncertainty exists with regard to the management of tenants, unforeseen costs for environmental restoration and remediation, unforeseen land conditions, reconstruction and management of technical problems, decisions by authorities and the emergence of disputes relating to the acquisition or state of the property. Such uncertainties may lead to delays in projects or higher or unexpected costs for the properties or transactions. In some acquisition agreements, Magnolia Bostad has paid a deposit that flows to the seller in the event the agreement becomes invalid due to certain terms and conditions that are outside of Magnolia Bostad's control, primarily attributable to local planning work, such as the local planning not being approved and not entering into force within a certain period of time.

In the case of sales of properties, either as rental properties, residential care facilities, hotels, student housing or as individual tenant-owned apartments, there is uncertainty with regard to such aspects as the price and the ability to find a market for all rental properties, hotels, residential care facilities, student housing or tenant-owned apartments. For example, under the share purchase agreement entered into between Magnolia Bostad and the purchaser of a rental property, the purchaser may be entitled to compensation equivalent to the difference between a predetermined rent level and the lower average price for which the purchaser can actually rent out the property. If delays occur in the completion of the property or the housing, for example due to technical problems, the purchaser

may be entitled to request cancellation of the acquisition. Different claims may thus be directed at Magnolia Bostad, for example regarding fees for delays when building rental apartment properties, hotels and residential care facilities and with regard to the condition of the properties.

In the majority of the share purchase agreements relating to sales of the projects, Magnolia Bostad gives a warranty that the purchaser must be compensated in full for any claims for damages brought by contractors, consultants and other third parties (such as tenants) and for any costs that arise in connection with the project and the construction contract. In some share purchase agreements, Magnolia Bostad has also provided an undertaking (subject to certain conditions) to pay damages to the purchaser if the projects are delayed. Equivalent undertakings are usually contained in the construction contracts. However, the contractor is often entitled to an extension of the agreed construction period and to postpone the agreed completion date if delays are caused by certain factors beyond the contractor's control, whilst Magnolia Bostad is still obliged to pay damages to the purchaser under most of the share purchase agreements. Furthermore, the commencement date of the warranty period generally differs to some extent between the construction contracts and the share purchase agreements as far as concerns the contract work.

If Magnolia Bostad's protection against delays or claims due to agreements with contractors and others proves to be insufficient, it may be the case that Magnolia Bostad will not receive payment for such claims from purchasers of properties or housing.

In conjunction with the sale of a tenant-owned apartment, the tenant-owners association enters into preliminary agreements with individuals. Magnolia Bostad's standard template for preliminary agreements states an estimated transfer date and a period during which the estimated date of possession is expected to occur, and the tenant-owners association is entitled to delay the dates if the construction of the apartments is taking longer than expected, although no longer than six months without the purchaser being entitled to pull out of the deal.

According to the Swedish Tenant-Owned Apartment Act (1991:614), an estimated transfer date must be stated in a preliminary agreement. There is uncertainty in case law and among legal commentators as to how specific the estimated date should be. If the transfer date is not sufficiently specified, the preliminary agreement may be invalid. The requirements in the Tenant-Owned Apartment Act refer to the transfer date, but may also be considered to apply to the date of possession. This means that the period of time between the transfer date and the date of possession must not be unreasonably long for the preliminary agreement to be considered valid.

In addition, according to the Tenant-Owned Apartment Act, a potential purchaser is entitled under a signed preliminary agreement to pull out of the deal if the transfer does not occur within a reasonable amount of time after the estimated transfer date due to the negligence of the association.

If the preliminary agreements Magnolia Bostad has entered into with potential purchasers of tenant-owned apartments were to be considered invalid, a cost exposure could arise for the Group since it would not be possible to pull out of the construction agreements entered into after signing a certain number of preliminary agreements.

If any of the risks described above were to materialize, it could have a material adverse effect on the Group's business, results and financial condition.

Magnolia Bostad is dependent on satisfactory collaboration with the other partners in associated companies and joint ventures

Since some aspects of the Group's property development activities take place in associated companies and joint ventures, Magnolia Bostad is dependent on satisfactory collaboration with the other partners in associated companies and joint ventures with regard to the implementation and results of both current and future projects. Within the framework of the collaboration in these associated companies and joint ventures, the Company normally pursues issues related to project management and project administration, although without a controlling interest.

If one or more collaborations no longer progress in a positive direction, it could lead to disputes and the dissolution of associated companies and joint ventures as well as their assets being sold off on unfavorable terms.

Magnolia Bostad's capacity to initiate new partnerships and develop existing partnerships in associated companies and joint ventures can affect its ability to successfully implement projects in progress, planned projects and new projects. If such collaborations cannot be initiated or if they take place on unfavorable terms for Magnolia Bostad, it could lead to delays in the Company's projects, an inability to finance them or situations whereby they are not implemented as planned or can only be implemented less profitably or at a loss.

Furthermore, Magnolia Bostad is dependent on how current and future partners in associated companies and joint ventures act, which can lead to reduced flexibility in managing the business, including with regard to investments in or sales of properties at associated companies and joint ventures. There is also a risk, if the progress of associated companies and joint ventures is not beneficial to the Company, that Magnolia Bostad will be unable to adopt the measures the Company considers most advantageous. If any of the risks described above were to materialize, it could have a material adverse effect on the Group's business, results and financial condition.

Dependence on laws, permits and decisions

Magnolia Bostad's business is regulated and affected not only by a large number of laws and regulations, but also by a range of processes and decisions relating to these regulations, both at the political level and at the level of administrative officials. Among other things, the Planning and Construction Act (2010:900), building standards, safety regulations, rules on permissible construction materials, antiquarian building classifications and various forms of cultural listings have a tremendous effect on the Company's operations and costs and its ability to develop the properties in a desirable manner. Other political decisions could also have an adverse effect on the Group's business. Magnolia Bostad's activities are carried out in accordance with the Company's interpretation of existing laws and rules and Magnolia Bostad carries out its property development in accordance therewith. There is a risk that the Company's interpretation of laws and rules is incorrect and that laws and regulations may be amended in the future. Laws and regulations may in the future mean that the Company is unable to use or convert the Group's properties in the intended manner or that it can only be done more expensively or with delays.

Furthermore, various permits and decisions are required, including such items as local planning and various types of property registrations, which are granted and issued by bodies such as municipalities and authorities and that are decided on at both political and administrator level, to enable the Group's properties to be used and developed in the intended manner. There is a risk that Magnolia Bostad may in the future not be granted permits for new construction, renovation or change of use of properties acquired or that it may not obtain the decisions by authorities required to run and develop the business in a desirable manner. Furthermore, decisions may be appealed and therefore substantially delayed and standard decision-making procedures and the political will and direction may change in the future in a way that is detrimental to Magnolia Bostad. In addition, changes in permits and plans may mean that property development projects are delayed, become more expensive or cannot be implemented at all. Furthermore, changes in current laws, regulations and rules could result in unexpected costs and could restrict the progress of the Group's business. Magnolia Bostad is dependent on good relations with the municipal authorities in the markets in which the Company operates for obtaining opportunities for land allocations, among other things. If relations with these municipal authorities deteriorated, for example because in a previous project the Company had failed to live up to the municipal authority's expectations with regard to sustainability requirements and the city's vision, there is a risk that the Company would not obtain opportunities for new land allocations. That would mean restrictions on the progress of the Group's business.

If any of the risks described above were to materialize, it could have a material adverse effect on the Group's business, results and financial condition.

Environmental risk

In accordance with current environmental legislation, the starting point for responsibility regarding pollutants and other environmental damage is that the operator who has contributed to the pollutants and environmental damage bears the responsibility. However, if it is not possible to locate the polluter or if the polluter is unable to carry out or pay for environmental restoration and remediation, the person who has acquired the property and who, at the time of the acquisition, was aware of or should have detected the pollutants is responsible for the environmental restoration and remediation. This means that under certain conditions Magnolia Bostad may be required to clean up land and carry out subsequent treatment of pollution or suspected pollution in land, water areas or groundwater in order to render the property in the state required under the Swedish Environmental Code.

The Group has previously issued an environmental guarantee in connection with property sales and may also need to issue an environmental guarantee in the future due to the current state of negotiations. This means that the Group may need to pay damages for environmental restoration and remediation even when the Group is not required to do so in accordance with applicable environmental legislation.

Furthermore, previous operators may have carried out subsequent treatment of a property in an acceptable manner based on the use of the property at that time. Nevertheless, due to the change of use to housing, residential care facilities, hotels or student housing, the requirements for Magnolia Bostad may be higher, which means that in these cases the Group may incur costs for subsequent treatment and clean-up to enable the property to be used in the intended manner.

Finally, changes to environmental laws, rules and requirements could mean that Magnolia Bostad may incur higher costs for clean-up or subsequent treatment of properties acquired now or in the future. Furthermore, such changes could lead to higher costs or delays and may mean that Magnolia Bostad is unable to develop properties in a manner that is desirable for the Group.

All such requirements could have a material adverse effect on the Group's business, results and financial condition.

Furthermore, unforeseen geological discoveries or unforeseen discoveries of endangered animal species in or adjacent to the place where a property development project is to be implemented could mean that the project is delayed, becomes more expensive or cannot be implemented at all, which could have a material adverse effect on the Group's business, results and financial condition.

Competition

Magnolia Bostad operates in a competitive industry. In the future, the Group's competitors may increase in number and become stronger due to mergers, for example. If the Group fails to successfully compete against current and future competitors, it could have a material adverse effect on the Group's business, results and financial condition.

The property industry has historically been involved in a number of bribery and cartel scandals and is considered to be a risk industry as far as various types of anti-competitive behavior are concerned. The industry has previously been the subject of several investigations by the European Commission and a number of national competition authorities within the European Union ("EU"), including in Sweden. The anti-competitive environment is due in particular to the generally weak competition on the market, which is often dominated by a small number of strong operators. These anti-competitive factors also make it difficult for smaller operators to enter and operate in the market.

There is a risk that cases of non-compliance with competition legislation may have occurred and that non-compliance may occur in the future. The Group may also be subject to investigations by and procedures involving competition authorities, which may result in costs for the Group.

If any of the above risk factors were to materialize, it could have a material adverse effect on the Group's business, results and financial condition.

Key personnel

The Group is dependent on the knowledge, skills and experience of key personnel. Key personnel possess extensive knowledge of the Group and the industry. It is therefore important for the Group and its future business to successfully retain and also recruit key personnel, as required. If key personnel leave the Group or if the Group fails to successfully recruit future key personnel, it could have a material adverse effect on the Group's business, results and financial condition.

Deterioration of reputation

Magnolia Bostad's reputation is important for its business. If the Group's reputation deteriorates, this could result in the Group losing the confidence of its customers and other interested parties. If, for example, the Group or any of its members of executive management take any action that conflicts with the values that the Group represents or if any of the Group's real estate projects fail to live up to market expectations, there is a risk that the Company's reputation will be damaged. Unwarranted negative publicity may also damage the Company's reputation. A deterioration in the Group's reputation could result in a material adverse effect on the Group's business, results and financial condition.

Interest rate fluctuations

The Group's business, in particular with regard to the acquisition of properties, is financed largely by loans from external lenders and interest expenses are a significant expense item for the Group. The applicable interest rates may change, and it is not impossible that future interest expenses may be higher than the profits generated by the Group's investments. At the same time, interest rates are an important factor for households' ability to pay and for the ability of the purchasers of the Company's rental projects to obtain financing on favorable terms. Higher rents could result in a material adverse effect on the Group's business, results and financial condition.

Financing risk

Much of the Group's business consists of property development projects, which may be delayed or affected by unforeseen or higher costs due to factors within or beyond Magnolia Bostad's control. If such circumstances occur, it could mean that projects may not be completed before loans fall due or that increased costs cannot be covered by the credit facilities granted. If Magnolia Bostad were unable to obtain financing for acquisitions or development, any extension or increase of existing financing or refinancing of financing previously obtained, or is only able to obtain such financing on unfavorable terms, for example due to delayed projects, unforeseen or increased costs due to factors within or beyond Magnolia Bostad's control, or a low equity ratio, this could have a material adverse effect on the Group's business, results and financial condition.

The Group's ability to meet conditions for bonds and facility agreements

The Company issued bonds in April 2016 and bonds in October 2016. The terms and conditions for the bonds include certain financial obligations, restrictions on the Company issuing dividends, restrictions relating to the conditions under which the Group can raise debt, provide collateral and sell assets, commitments regarding the provision of certain information and provisions regarding change of control. If the Group violates any of the terms and conditions for the bonds, the Company may be compelled to repay the bonds prematurely. The bonds also contain a condition known as "cross-acceleration" which means that the Company may be compelled to repay the bonds prematurely if any of the Company's or its material subsidiaries' debts fall due prematurely in accordance with the grounds for termination under such an agreement. The "cross-acceleration" condition is subject to a threshold, which means that it is only triggered if other debt falling due prematurely amounts to at least SEK 15 million.

Several subsidiaries within the Group have entered into facility agreements with different banks. The terms and conditions of the facility agreements contain provisions on change of control. If any of the subsidiaries is in breach of the terms and conditions of a facility agreement, the bank in question may have a right to terminate the agreement, which means that outstanding loans must be paid immediately. Some of the agreements also contain dividend restriction clauses. The clauses include an obligation not to distribute dividends or not to propose that the subsidiaries should distribute dividends. In addition, some of the facility agreements contain conditions entitling the bank to terminate the agreement if the borrower's or certain group companies' debts (i) become subject to grounds for termination under such an agreement ("cross-default"), or (ii) fall due in accordance with grounds for termination under such an agreement ("cross-acceleration"). Some of these facility agreements have no threshold, which means that the "cross-acceleration" condition is applicable regardless of the size of the amount due for premature payment.

If the Group is in breach of any of the above conditions, it could have a material adverse effect on the Group's business, results and financial condition.

Credit risk

Magnolia Bostad is dependent on receiving payment for the housing, residential care facilities, hotels or student housing that the Group has entered into agreements to sell. There is a risk that the Group's customers may be unable to meet their financial commitments with the Group. Furthermore, the Group is exposed to credit risks in relation to other counterparties, such as tenant-owners associations. Such counterparties can end up in a financial situation in which they are unable to pay agreed fees or other debts to the Group when those fees or debts fall due. If the Group's counterparties are unable to meet their financial commitments with the Group, it could have a material adverse effect on the Group's business, results and financial condition.

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its payment obligations on the due date without a considerable increase in the cost of obtaining funds for payment. Magnolia Bostad is in a phase of expansion, which means that the Company's liquidity requirements will increase. As at March 31, 2018, Magnolia Bostad's cash and cash equivalents amounted to SEK 442 million and, in addition to cash and cash equivalents, there were undrawn facilities in the amount of SEK 257 million. If the Company's sources of liquidity prove to be insufficient, it could have a material adverse effect on the Group's business, results and financial condition.

Dependence on subsidiaries

The Company is a holding company and holds no significant assets other than ownership of subsidiaries and receivables at subsidiaries. The Company is thus dependent on receiving sufficient revenues from the subsidiaries. The subsidiaries' ability to make various kinds of payments to the Company, such as group contributions, dividends and other financial flows, may be jeopardized by changes in the subsidiaries' activities or regulatory restrictions. Such payments could also be limited due to various commitments such as facility agreements entered into by a subsidiary or due to tax restrictions that make financial transfers more difficult or more expensive. Lack of opportunities for the subsidiaries to transfer funds to the Company could have a material adverse effect on the Group's business, results and financial condition.

Insurance

The Group's insurance includes, among others, liability insurance, contract insurance and property insurance. There is a risk that the Group in future may be unable to maintain its insurance cover on acceptable terms for the Group or that future insurance claims may exceed or fall outside the Group's insurance cover, which could have a material adverse effect on the Group's business, results and financial condition.

Tax

Magnolia Bostad's operations are affected by the tax rules in effect in Sweden at any given time. Magnolia Bostad's tax situation is also affected by whether transactions between companies within the Group, as well as between the Group and tenant-owners associations or other counterparties, in connection with projects, are considered to be priced at market levels. The Group's or its tax advisers' interpretation and the Group's application of laws, rules, regulations and case law in the area of taxation may have been, or may continue to be, incorrect. Applicable laws, regulations and case law can also change, which could affect the conditions for the Group's business.

On March 30, 2017, the study on certain issues with regard to property tax and stamp duty presented a report¹⁾ proposing a number of changes to the law which may affect aspects such as the ability to sell property-owning companies without immediate taxation. The new proposal entails, as a starting point, that a sale of a property-owning company triggers taxation on the difference between the property's value for tax purposes and its market value. The proposal also entails that a standard tax corresponding to stamp duty of 2 percent of the market value of the property will be levied on the divested company. It is proposed that the new rules should enter into force on July 1, 2018 and would mean an increased tax expense for the Group. In accordance with the proposal, the current

rules will apply to transactions taking place prior to that date. Since the Government has not yet published a proposal of the new tax rules based on the report, the proposed rules will probably not enter into force on July 1, 2018.

Since the Inquiry into certain matters within the area of property tax and stamp duty published its proposal, the Government has submitted for consultation to the Council on Legislation a proposal for the new tax rules for the corporate sector.²⁾ The purpose of the proposed rules is to limit the differences in how equity and borrowed capital are treated and make it possible to broaden the company tax base in order to prevent tax base erosion and transfer of profit.

The main features of the Government's proposal can be summarized as follows:

- The right to deduct negative net interest rate income or expenses is limited to a maximum of 30 percent of the company's taxable EBITDA. This concerns interest rates on both internal and external loans. Negative net interest income or expenses as a rule may be carried forward for a period of six years and under certain conditions utilized by other group companies.
- If the negative net interest income or expense is less than SEK 5 million, a full deduction may be granted. This simplification rule is applied, simply put, where there is an alignment of interests.
- The current rules preventing cross-border interest rate arbitrage are kept in a slightly altered and narrower formulation. Furthermore, some rules to prevent interest rate deductions in certain hybrid situations are introduced.
- A primary deduction is introduced for newly constructed rental apartment buildings, under which an extra depreciation deduction is allowed during the first six years after the building is completed. The primary deduction will also apply to expenses for additions or renovations.
- Corporate tax is lowered in two steps to 20.6 percent starting in 2021.

In addition to the above, it can be noted that previous proposals to limit the right to loss carry-forwards were removed from the proposal referred to the Council on Legislation for consideration. The new provisions are proposed to enter into force on January 1, 2019, but the actual wording of future legislation is currently not finalized since a final proposal has not been announced. The Group has treated its interest expenses as fully deductible in accordance with current legislation. The new proposal could lead to a limited right to deduct interest expenses for the Group and thus a higher tax expense.

1) Certain matters within the area of property tax and stamp duty (Swedish Government Official Reports 2017:27).

2) New tax rules for the corporate sector (Government draft ratification bill, March 21, 2018). The consultation is in several respects a revised version of Government Memorandum, New tax rules for the corporate sector (Fi2017/02752/S1), published June 20, 2017.

Under a framework agreement with Alecta, Magnolia Bostad has committed under certain conditions to indemnify Alecta for any tax levy that may arise for Alecta as an investor with regard to the transactions conducted in accordance with the framework agreement due to any changes to the tax legislation that has been described above.

If any of the risks described above were to materialize, it could, in summary, have a material adverse effect on the Group's business, results and financial condition.

Risks relating to accounting

Magnolia Bostad's financial statements are affected by the accounting rules applied in the jurisdictions in which the Group operates. This also applies to the consolidated financial statements where IFRS is applied. This means that the Group's accounting, financial statements and internal controls in the future may be affected by and need to be adapted to changes in accounting rules and the application and interpretation of such accounting standards.

IFRS 16 *Leases*, which enters into force on January 1, 2019, replaces, for example, the current standard IAS 17 and will place new demands on the calculation, presentation, and reporting of leases where Magnolia Bostad is the lessee. According to the new standard, most leased assets will be reported in the balance sheet, which will lead to a higher balance sheet total and a lower equity/assets ratio. In accordance with IFRS 16, an asset (the right to use the leased asset) and a financial liability for future lease payments are reported. The only exceptions to this are short-term leases and leases with a low value. Instead of reporting rental costs, results will be affected by depreciation of the asset and an interest expense attributable to the liability. Magnolia Bostad has begun an analysis of the effects of IFRS 16. The initial assessment is that the standard will have a limited effect on the consolidated financial statements since Magnolia Bostad has limited leasing, but there will be an increase in the disclosure requirements. If this assessment were proved to be incorrect, this could have a material adverse effect on the Group's business, results and financial condition.

Legal disputes

Magnolia Bostad may become involved in disputes or claims. Disputes can be time-consuming and may entail costs, the size of which cannot always be foreseen. Disputes could therefore have a material adverse effect on the Group's business, results and financial condition.

Risks relating to the Company's shares

Unforeseeable future share prices, liquidity risk and volatility

Magnolia Bostad's shares are expected to be traded on Nasdaq Stockholm. It is uncertain whether active trading in the shares will develop. The trading price of the Company's shares may be volatile and may be subject to price fluctuations in response to various factors, including:

- market conditions in the wider stock market in general or in the Group's industry in particular;
- actual or anticipated fluctuations in the Group's quarterly financial results and operating results;
- the launch of new housing, residential care facilities, hotels and student housing by the Group or its competitors;
- the issue of new or amended reports or recommendations by equity analysts;
- sales of large blocks of shares;
- new or departing key personnel;
- development of regulations;
- legal disputes and investigations by authorities; and
- economic and political circumstances or events.

These and other factors can cause significant fluctuations in the market price and demand for the Company's shares, which may restrict or prevent investors from quickly selling their shares and may otherwise have an adverse effect on the liquidity of the Company's shares.

The market for the trading of the Company's shares may also be affected by subsequent research and reports on the Group or its business published by industry and equity analysts. If one or more of these analysts stop following the Group or fail to publish regular reports on it, the Group may become less visible on the financial markets, which in turn can lead to a fall in the share price or trading volumes. The share price may also fall if one or more of the analysts that follow the Group downgrade the shares or if the Group's activities fail to meet their expectations.

Shareholders with significant influence

The Principal Owner, Fredrik Holmström via companies, owns and controls approximately 56.4 percent of the Company's shares. The Principal Owner therefore has a controlling influence over the Company. The Principal Owner's interests may differ from or conflict with the Company's or the other shareholders' interests. Such conflicts may have a negative impact on the Company's business, results and financial condition.

Risks relating to the minority shareholder structure and its financing

The Company's CEO holds ten percent of the shares in Magnolia Holding 3 AB through his wholly-owned company, Fredrik Lidjan AB ("FLAB"). The remaining 90 percent of the shares in Magnolia Holding 3 AB are held by Magnolia Utveckling AB. FLAB also holds 24 percent of the shares in Magnolia Hotellutveckling AB. The remaining shares are held by Clas Hjorth, who is responsible for the Group's hotel development business, through the company Clas Hjorth AB (16 percent), of which he is the sole owner, and the Company (60 percent). This minority ownership structure was established before Fredrik Lidjan was named CEO of the Company. In addition, FLAB holds eight percent of the shares in Magnolia Holding 4 AB. The remaining 92 percent of the shares in Magnolia Holding 4 AB are held by Magnolia Utveckling AB. Finally, FLAB holds eight percent of the shares in Magnolia Hotellutveckling 2 AB. The remaining shares are held by Clas Hjorth AB (16 percent) and the Company (76 percent). The joint ownership of Magnolia Holding 3 AB, Magnolia Hotellutveckling AB, Magnolia Holding 4 AB and Magnolia Hotellutveckling 2 AB is governed by shareholders' agreements that contain provisions on matters such as financing, election of the board of directors, valuation of shares and breach of contract, and each company's articles of association contain a post-transfer acquisition right that enables Magnolia to prevent a party from selling its shares to a third party.

The intent is that the parties will finance these companies on a pro-rata basis determined by their ownership. If financing is not provided on a pro-rata basis, the parties' total return profile for provided capital (shareholders' contributions and loans on market terms) will not be the same. In the event Magnolia Bostad is the sole provider of financing on market terms, and a profit ultimately arises after the loan has been repaid (including interest), FLAB's return on invested capital will be relatively higher than that of Magnolia Bostad. Correspondingly, FLAB's return on invested capital will be relatively lower than that of Magnolia Bostad in cases where no profit arises after the loan has been repaid (including interest).

If Magnolia Bostad's co-ownership with FLAB should progress negatively, for example due to a dispute between the shareholders, this could have a material adverse effect on the Group's business, results and financial condition. If the parties do not provide financing on a pro-rata basis, there is a risk that Magnolia Bostad will receive a lower total return than FLAB on total invested capital.

Disposals of shares by major shareholders and future share issues

The market price for the Company's shares may fall if a significant sale of shares in the Company takes place, particularly if the shares are sold by its board members, senior executives or the Principal Owner, or if a large number of shares are sold by other means. In addition, the Company may issue new shares. New issues or expectations of new issues could adversely affect the market price for the Company's shares.

The Company's board members and senior executives and the Principal Owner have not provided any commitment not to sell their shares or enter into transactions with a similar effect. The Company's board members and senior executives and the Principal Owner are thus free to sell their shares in the Company. Each sale of significant numbers of Magnolia Bostad shares by the Company's board members or members of executive management or the Principal Owner, or the impression that such sales may occur, could cause the market price of the Group's shares to fall, which could adversely affect the Company's business, results and financial condition.

Shareholders are subject to foreign exchange risk

The shares will be quoted in SEK and the market price of the shares when accepted to trading on Nasdaq Stockholm and the trading currency of the shares will be SEK. As a result, investors whose main currency is not SEK will be exposed to foreign exchange risk with regard to the sale of shares in the secondary market. Any dividends from the Company will also take place in SEK. An investment in the shares of an investor whose main currency is not SEK exposes the investor to foreign exchange risk with regard to distribution of the shares. Any weakening of the Swedish krona in relation to any other foreign currencies will reduce the value of an investment in the shares or of dividends.

Future dividends

The size of future dividends from the Company is dependent on a number of factors such as the Company's performance, results, financial condition, cash flow and need for working capital. Furthermore, in connection with the issue of bonds and other loans, the Company has made certain commitments, for example that the Group must hold at least SEK 25 million in cash and cash equivalents for the Company to be allowed to distribute dividends, which may limit the ability to distribute dividends. Any future dividends will also be governed by law. According to Swedish law, dividends may only be distributed if distributable funds exist in the Company and provided that any decision by the Company's shareholders at the annual general meeting to distribute a dividend appears to be justifiable. Furthermore, as a general rule, the shareholders cannot decide to distribute a higher dividend than was proposed or approved by the board of directors.

Several of the Company's subsidiaries have also entered into facility agreements with various lenders containing clauses that limit dividends in certain subsidiaries, such as Moutarde Holding AB, Ormingeplan 2-4 KB, Ormen Långe AB, Ormen Korte AB and Sambo Fastigheter 4 AB. The clauses contain a commitment not to issue dividends under certain conditions.

Dividends on the Company's shares may be fully or partially withheld in view of the factors and restrictions described above. If no dividend is paid out, the return on the investment in the Company will be generated solely by the potential performance of the share price.

Background and reasons

Magnolia Bostad is an urban developer that creates districts and neighborhoods where housing is an important part of a greater context. Magnolia Bostad's business model is to deliver a comprehensive offering, which consists primarily of rental apartments but also tenant-owned apartments, residential care facilities, hotels and student housing, in attractive locations in Sweden's growth locations and large cities. The Company's vision is to create modern homes and residential environments through smart features, attractive architecture and good design. Magnolia Bostad focuses on housing with thoughtful and effective interiors, that people will feel comfortable in and can afford to live in, and appealing exteriors with contemporary architecture and well-executed projects that make up an attractive offer for the country's municipal authorities. Magnolia Bostad's buildings will stand for many generations. The Company's work is imbued with a holistic approach in which business is conducted in a way that aims to promote sustainable community development in the long term.

The Company was founded in 2009 by Fredrik Holmström and Andreas Rutili. The Company acquired its first project that same year. Since then, the Company has sold more than 30 projects, of which approximately 20 are in production, comprising a total of 5,150 residential units, mainly in Greater Stockholm, Uppsala, the Öresund region and Gothenburg. The Company currently also has a building rights portfolio consisting of 16,001 estimated building rights divided into 56 projects in upcoming unsold projects.

Magnolia Bostad was listed on Nasdaq First North in 2015, and the Company has been listed on Nasdaq First North Premier since March 31, 2017. Since the listing on First North, the Company's market capitalization has increased by more than 40 percent, from approximately SEK 1.4 billion to approximately SEK 2.0 billion at May 1, 2018.

In 2016 and 2017, Magnolia Bostad established a platform that the Company considers to be necessary to achieve the Company's objective of having the capacity to start production on 3,000 residential units a year starting in 2018, with a goal of converting approximately 25 percent of the sold rental apartments into tenant-owned apartments (so-called conversions), and starting production on two to four residential care facilities or student housing units and one to two hotels. This platform is based on the three components of building rights, organization and financing. As at March 31, 2018, Magnolia Bostad had 16,001 assessed building rights in the project portfolio. The Company aims to have 15,000 assessed building rights in the portfolio, which is equivalent to five years' production start-up of 3,000 residential units a year. Over the past three years, the Company strengthened its organization and management team with a number of qualified employees who bring extensive experience from the property and development markets and other markets, which means that Magnolia Bostad now has all key skills in place. The same applies to effective, suitable processes and procedures. Magnolia Bostad considers that it will have financing in place to enable it to have the capacity to start production on 3,000 residential units a year. In addition to the Company's forward funding model, which helps ensure that low amounts of capital are tied up in rental projects, Magnolia Bostad has financial resources in the form of, inter alia, a satisfactory cash position and unused credit facilities. In 2016 and 2017, the Company also established new financial collaborations, such as a joint venture with Alecta, a framework agreement on future sales with Slättö, and the acquisition of Svenska Vårdfastigheter AB.

The board of directors and the Company's executive management believe that the Listing is an important, logical step in the Company's development. The Listing is expected to improve the liquidity of Magnolia Bostad's share due to greater transparency in the Company for shareholders, greater knowledge about the Company and the right conditions for attracting more, and larger, investors. The Listing is thus expected to improve the conditions for Magnolia Bostad's shareholders. The board of directors and the Company's executive management also believe that the Listing will further enhance Magnolia Bostad's brand among both internal and external stakeholders in the Company. Finally, the Company's board of directors and executive management believe that the Company's financing is subject to conditions that can be facilitated and occur at better terms. Therefore, the Listing as a whole is believed to have a positive impact on the Company's continued growth and development.

F. Holmström Fastigheter AB sees its position as a main shareholder of the Company as a long-term commitment and will not carry out any diversification of ownership in connection with the change of list. However, it takes a favorable view of selling parts of its holding to broaden the ownership structure at Magnolia Bostad or the liquidity of the share if the conditions are right.

For the reasons stated above, the board of directors has applied for a listing on Nasdaq Stockholm. On June 13, 2018, the Nasdaq Stockholm Listing Committee decided to admit Magnolia Bostad to trading on Nasdaq Stockholm on customary terms. Trading is expected to commence on or around June 20, 2018.

This Prospectus has been drawn up by the board of directors of Magnolia Bostad due to the contemplated listing on Nasdaq Stockholm. The board of directors of Magnolia Bostad is responsible for the contents of the Prospectus. Assurances are hereby given that the board of directors has taken every reasonable precaution to ensure that the information contained in the Prospectus coincides with the actual conditions, as far as the board of directors is aware, and that nothing has been omitted that could affect its contents.

Stockholm, June 18 2018

Magnolia Bostad AB
(Board of Directors)



Kanikenäsholmen, Karlstad

Market overview

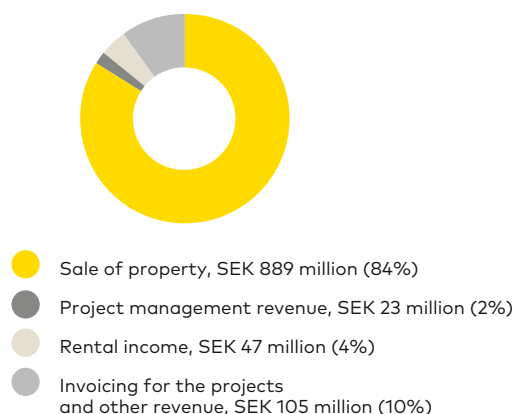
Information provided in the Prospectus concerning the market, market development, market growth, market trends and the competitive situation in the markets and regions in which the Company operates is based on data, statistics and reports from third parties and/or the Company based on their own information and information attributable to third parties, and other public sources. Magnolia Bostad has compiled market and competition data based on both historical data and assumptions and methods that the Company considers to be reasonable. Information from third parties has been correctly reproduced and, as far as the Company is aware and has been able to ascertain through comparison with other information made public by third parties, no information has been omitted that could result in the reproduced information being incorrect or misleading. In view of the lack of publicly-available information on a significant number of operators in the industry, the information on market size, market shares and other competition data should be interpreted with caution. Other factors that should be considered when assessing the usefulness of the market and competition data are described elsewhere in the Prospectus, including those specified in "Risk factors".

Magnolia Bostad's primary market

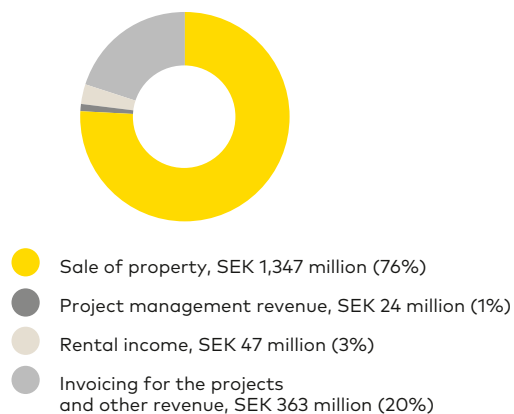
Magnolia Bostad develops new housing, such as rental apartments, tenant-owned apartments, residential care facilities, hotels and student housing, in attractive locations in Sweden's large cities and growth locations, focusing on Greater Stockholm, Uppsala, the Öresund region and Gothenburg. Housing development involves the construction and development of new residential units. It is the opinion of the Company that the housing development market forms a central part of the Swedish real estate market.

The following graphs present Magnolia Bostad's income per business line for the financial years 2017, 2016 and 2015.

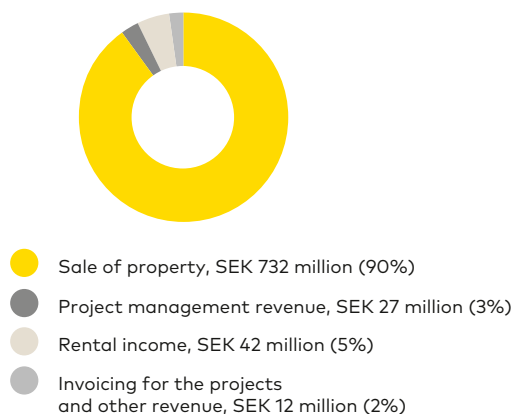
Income per business line – 2016²⁾



Income per business line – 2017¹⁾



Income per business line – 2015³⁾



1) Magnolia Bostad's revised audited historical financial information for the financial year ending December 31, 2017.

2) Magnolia Bostad's revised audited historical financial information for the financial year ending December 31, 2016.

3) Magnolia Bostad's revised audited historical financial information for the financial year ending December 31, 2015.

A brief description of the housing development market and the factors influencing and driving the housing development market in Sweden is provided below.

Macroeconomic factors

In the opinion of the Company, macroeconomic factors have a considerable impact on the real estate and housing development market. Examples of such macroeconomic factors include the state of the economy, employment and wage levels, GDP growth and interest rates. A rising GDP, strong economic conditions and low interest rates are factors that increase the level of investment in the industry.

Statistics Sweden (Sw. *Statistiska centralbyrån*) estimates that the population will increase by 100,000 people a year over the next few years. With strong population growth and a repo rate of –0.5 percent¹⁾ since the beginning of 2016, the Swedish economy has been facing good conditions for continued strong growth. In 2017, Sweden's GDP amounted to SEK 4,604 billion. This is an increase of 4.5 percent compared to the previous year – or 2.4 percent calculating both years at the same price level (fixed prices).²⁾ Swedish housing investment as a percentage of GDP amounted to 5 percent.³⁾

In the fall of 2008, the world suffered a financial crisis that adversely affected the Swedish economy. The commercial market fell, and as the need for labor decreased unemployment increased. Between 2010 and 2011, unemployment decreased and then stabilized at a level of around 8 percent. In 2017, unemployment was approximately 6.7 percent.⁴⁾

Sweden's economy is strong, and the global economic upswing is driving Swedish exports. The high capacity utilization has meant that commercial investments are increasing rapidly, even though housing investments are plateauing. Because there continues to be a large demand for labor, salary increases are rising slowly, but inflation is not expected to reach 2 percent until 2020 at the earliest.⁵⁾

The outlook for Sweden's GDP is expected to remain positive, partly as a result of higher population growth, increased exports, continued low interest rates, household consumption and a strong labor market.⁶⁾

The National Institute of Economic Research's (NIER) Economic Tendency Survey for March 2018 shows that household optimism has fallen slightly in the past few months. The recent turbulence on the housing market is believed to be a contributing factor. GDP growth (calendar-adjusted) in Sweden increased in 2017 by 2.7 percent and is expected to increase by 2.9 percent in 2018, and then increase by only 2.1 percent in 2019.⁷⁾

Population

Population growth in Sweden is a strong driver behind the construction of new housing. In February 2018, Sweden's population was 10.1 million, which corresponds to a population increase of 1.2 percent compared to the previous year. Sweden's population is expected to pass 13 million in 2060. The strong population growth is due in part to higher migration inflows than outflows and that the number of children born in Sweden each year is larger than the number of people who pass away. In the next few years, the population is expected to increase by approximately 100,000 people a year.⁸⁾

The three metropolitan regions currently represent 39 percent of the Swedish population. In 2017, the population increased in three out of four municipalities, or in total 222 municipalities, which is fewer than in the same period the previous year (nine out of ten municipalities). This can be explained by the fact that population growth was more concentrated to the largest municipalities during the year, and Stockholm Municipality increased the most in real figures.⁹⁾

1) The Swedish Riksbank – Repo rate, deposit and lending rate.

2) Statistics Sweden, *Rekordår och kriser – så har BNP ökat och minskat*.

3) Newsec report commissioned by the Company (January 2018).

4) Statistics Sweden – Labor Force Surveys.

5) National Institute of Economic Research, Swedish Economy Report, March 2018.

6) Pangea Property Partners, Real Estate Outlook – Sweden, Pangea's view on 2017.

7) National Institute of Economic Research, Swedish Economy Report, March 2018.

8) Statistics Sweden, Population Statistics, February 2018, and Sweden's Future Population 2017–2060.

9) Newsec report commissioned by the Company (January 2018).

Demographics

The demographic composition is of significance for housing development on the market since people have different requirements for housing depending on the stage of life they have reached when they are looking for housing. Housing development companies able to adjust the supply of housing according to expected demand from the various age categories can thus take advantage of the demographic composition.

The 25–34 age group in both Greater Stockholm and Uppsala Municipality is large and at the end of 2017 amounted to 350,595 and 38,208 people, respectively, which represents 15.6 percent and 17.4 percent, respectively, of the total population of the two areas. The 25–34 age group is also large in Greater Gothenburg and Greater Malmö and at the end of 2017 repre-

sented 15.5 and 15.3 percent, respectively, of the total population of each region. In Sweden as a whole, the corresponding figure in 2017 was 13.8 percent.¹⁾ Due to the general ability to pay in this age group, particularly at the lower end of the age interval, there is often a demand for small, space-efficient apartments. The 30–39 age group is expected to increase considerably over the next five years.²⁾ This age group, particularly the higher end of the interval, is generally inclined to pay more for its housing and generally demands larger apartments than younger age groups. The 65+ age group in the county of Stockholm is also expected to increase in the coming years.³⁾ A summary of the demographics of Sweden and Greater Stockholm, Greater Gothenburg, Greater Malmö and the Municipality of Uppsala is set out below.

Age category	Population of Sweden (2017)	Population of Greater Stockholm (2017)	Population of Greater Gothenburg (2017)	Population of Greater Malmö (2017)	Population of the Municipality of Uppsala (2017)
0–4	602,044	148,100	62,317	46,981	13,049
5–14	1,192,633	284,252	121,841	87,853	25,090
15–24	1,161,757	254,291	118,278	84,945	30,618
25–34	1,396,496	360,595	157,270	109,982	38,208
35–44	1,269,868	334,832	137,626	100,149	27,796
45–54	1,339,977	317,617	135,045	92,003	26,011
55–64	1,151,321	242,866	108,817	73,616	22,433
65–74	1,116,876	209,346	96,366	68,323	21,389
75–84	828,721	110,771	52,809	39,281	10,780
85–94	238,855	41,011	20,299	14,632	4,108
95+	21,664	4,462	1,901	1,420	432

Source: Statistics Sweden, Population by region and year.

1) Statistics Sweden, Population by region and year.

2) The National Board of Housing, Building and Planning, *Analys av utvecklingen på bygg- och bostadsmarknaden med byggprognos* (November 2017).

3) Statistics Sweden, Sweden's Future Population 2017–2060.



Södra Häggviks Gårdar, Sollentuna

Housing supply

In relation to population growth, housing construction has been low in Sweden since the 1990s.¹⁾ In view of the expected future population growth and the fact that housing construction has not changed to match the growing population, there is pent-up demand for new housing. Despite an increase in housing construction in recent years, too few homes in relation to population growth are still being built to cover the need, primarily in the metropolitan regions. Estimates indicate a need for 600,000 new homes to be built in Sweden by 2025 to meet the anticipated need for housing.²⁾ In Sweden, the need for new homes is estimated to amount to at least 80,000 annually.³⁾

Swedish investment in housing as a share of GDP amounts to approximately 5 percent, which is normal by international standards, but high for Sweden. In Denmark, housing investments are more than 4 percent of GDP, and the equivalent figure in Germany and France is approximately 6 percent. Swedish housing investment as a percentage of GDP has amounted to 3.2 percent on average over the past 20 years.⁴⁾

According to Statistics Sweden, construction began on approximately 49,800 apartments during the first three quarters of 2017, which is an increase of 11 percent compared to the same period in 2016 when construction began on 45,016 apartments. In Greater Stockholm, construction began on approximately 19,910 apartments during the first three quarters of 2017, which is more or less the same as in the same period the previous year.⁵⁾

1) Newsec report commissioned by the Company (January 2018).

2) National Board of Housing, Building and Planning, *Reviderad prognos över behovet av nya bostäder till 2025 (2017:17)* and a Newsec report commissioned by the Company (January 2018).

3) National Board of Housing, Building and Planning, *Reviderad prognos över behovet av nya bostäder till 2025 (2017:17)*.

4) Newsec report commissioned by the Company (January 2018).

5) Newsec report commissioned by the Company (January 2018).

Developments in the tenant-owned housing market

The market for tenant-owned apartments recovered slightly during the first two months of 2018. In March, prices remained basically the same, with only a very slight decrease, but there were markedly fewer residential units sold. This is most likely an effect of the new amortization requirement that entered into force on 1 March 2018. The fall in prices appears to have come to an end. Of the three metropolitan areas, Stockholm and Gothenburg reported falling prices over the past 12-month period. In Greater Stockholm the decline was 9.0 percent, and in Greater Gothenburg the decline was 3.6 percent. In Greater Malmö there was an increase of 1.1 percent. In Q1 2018, prices were stable in Greater Stockholm and Greater Malmö, but fell 3.4 percent in Greater Gothenburg.¹⁾

Developments in the rental market

The rental housing market is a regulated market, where rents in both newly-built apartments and the existing rental housing stock are fixed by means of negotiations between the Swedish Union of Tenants and the property owner. This negotiation system has resulted in rents in metropolitan regions largely remaining at a low level in relation to the amount tenants have been willing to pay, whereupon the demand for rental housing has often exceeded supply. This is reflected in the long and, in recent years, increasing waiting lists to obtain a rental property in metropolitan regions. In 2006, the largest group seeking housing allocated through the Housing Agency (Sw. *Bostadsförmedlingen*) had been waiting for 2–4 years, whereas the largest group allocated housing in 2016 had been waiting for 8–10 years. As at December 31, 2017, for example, 596,171 people paid to be on Stockholm's housing waiting list, which is an increase of approximately 40,246 people or 7.6 percent in 2017.²⁾

Because of a considerable excess demand for rental housing in many growth regions, developers in new construction situations are in a powerful negotiating position vis-à-vis the Swedish Union of Tenants. This negotiating position is based on the fact that rent levels must be sufficiently high to allow housing development to take place in order for developers to decide to begin construction of rental housing and for them to consider it more attractive to use land for rental apartments rather than tenant-owned housing. Since the Swedish Union of Tenants is working to achieve a greater supply of rental accommodation, it is important that the organization helps bring about the right conditions to induce developers to choose to build rental housing on properties.

Factors which, in the opinion of the Company, could affect the supply of rental apartments are further deregulation of rents, the introduction of market rents for rental properties, and changes to rules concerning investment grants for rental properties.

Valuation of rental properties

According to the IPD property index³⁾ prepared by Morgan Stanley Capital International, the total return on housing in Sweden was 8.0 percent in 2017. The total return for Swedish properties as a whole was 10.8 percent and thus demonstrated better growth than both the stock market and the bond market. The return consisted of a 4.4 percent direct yield and a 9.1 percent change in value.

The yield requirement for centrally located residential properties in the metropolitan regions of Stockholm, Gothenburg and Malmö has fallen steadily since 2008. This development shows that the residential sector is judged to be a stable investment sector facing low risk. For centrally located residential properties in the best locations in Stockholm, Gothenburg and Malmö, it is primarily the square meter price for tenant-owned apartments in the same area that steers the market value, following the possibility of conversion. For these residential properties, the direct yield requirement is estimated to be 1.45 percent, 1.65 percent and 2.4 percent for the best residential locations in Stockholm, Gothenburg and Malmö, respectively.⁴⁾

Households' ability to pay and the rate of growth in lending to households

One important factor affecting price formation in the housing market is households' ability to pay. Their ability to pay is affected by a number of factors, including the aforementioned macroeconomic factors, possibilities for obtaining bank financing, changes in applicable regulations, such as the implementation of a stricter amortization requirement, and developments on the interest market for mortgages. Swedish interest rates are at a historically low level.⁵⁾

Mortgage lenders and banks adopt a restrictive stance on lending to households. The annual rate of increase in household debt amounted to 7 percent in February 2018.⁶⁾ Lenders perform thorough creditworthiness assessments when granting new loans, which test the ability of borrowers to cover higher living expenses, in the form of higher interest expenses. In this stress test, the lenders often require the borrower to be able to pay interest on the loan even in a situation where interest rates are approximately 3–5 percentage points higher

1) Swedish Real Estate Agents Statistics, April 16, 2018.

2) The Stockholm Housing Agency, *Statistik för bostadskön 2017*.

3) IPD Svenskt Fastighetsindex MSCI measures the return on direct investments in properties that were held during the period between two market valuations but disregards loans.

4) Newsec report commissioned by the Company (January 2018).

5) The Swedish Riksbank, search interest rates & foreign exchange rates.

6) Statistics Sweden, Financial Market Statistics, February 2018.

than current interest rates. These tests establish that the borrower is able to cope with higher interest rates. The Swedish Financial Supervisory Authority made the assessment in 2018 that, since 2013 and in particular since 2015, Swedish households' repayment capacity has continued to improve. Most households with new mortgages currently have sufficient margins to meet higher interest rates, higher unemployment and a fall in house prices. In the event of a significant economic stress, only a few households experience problems with their repayments.¹⁾

In February 2018, 82 percent of lending to households consisted of mortgages. The annual growth rate in lending to households has slowed over the past decade and in February 2018 was 7 percent. Since 2013, it has fluctuated between 5 and 7.6 percent. This development can be partly explained by the mortgage cap that was imposed in 2010 and the amortization requirement that was introduced in June 2016.²⁾

The mortgage cap, the amortization requirement and the banks' stress tests are important factors when it comes to choice of housing. Another factor that could influence the choice of housing is the introduction of market rents for rental housing.

Households' margins are generally good. According to spot checks by the Swedish Financial Supervisory Authority, households have a surplus of SEK 20,000 a month on average after housing costs and other necessary living expenses. On average, that represents a surplus equivalent to 41 percent of disposable income.³⁾ In relation to financial assets, indebtedness has also remained fairly stable at around 30 percent throughout the 2000s and up to 2017.⁴⁾

The property transaction market

The real estate market leveled off during Q1 2018. The transaction volume⁵⁾ amounted to SEK 21 billion, distributed across 88 transactions. This can be compared to SEK 34.2 billion for the same period in 2017. The percentage of foreign investors continues to be high and amounted to 36 percent in the first quarter, which can be compared to 29 percent in the same period last year.

The percentage of transactions conducted in the Stockholm area increased sharply, and during the first quarter 49 percent of the transaction volume took place in Stockholm. Of this year's ten largest transactions to date, six were conducted in Stockholm. Gothenburg is responsible for 10 percent of the volume,

Malmö for 12 percent, regional cities for 20 percent and the rest of the country for 10 percent.

The office segment, which contracted last year, is now once again the most active segment, with 31 percent of the total volume. Hotel and building rights were responsible for 23 percent, residential property for 19 percent, trade for 12 percent, logistics for 10 percent and community properties for 6 percent.⁶⁾

Building rights and land allocations

One prerequisite for housing developers' business is the availability of building rights. A building right is the property owner's right to build on a plot. Building rights are governed in the local planning for the property. The local planning also governs the zoning of the land/building (for residential purposes, for example), specifying aspects such as the maximum number of stories, the height of the building and the minimum distance from the plot border and between buildings. Such building rights are a prerequisite for the property owner's ability to build apartments on a plot of land and one building right corresponds to one apartment. Building rights can be acquired from private property owners and municipalities. Acquisitions from private property owners can take place via individual negotiation between purchasers or via a bidding process in which several potential purchasers take part.

Municipal authorities allocate land to various interested parties via land allocations. A land allocation means a right for the holder to carry on negotiations with the municipal authority for a particular period on new development of the land. Land allocation decisions can be made both before and after adoption of the local planning. Land allocations can be made via so-called direct allocation or by means of a land allocation competition. Direct allocation means that an interested party submits a proposal for development of a specific area that is then approved by the municipal authority. A direct allocation can also take the form of the municipal authority proposing a particular builder or property developer for a specific project. A land allocation competition means that a municipal authority invites proposals from a number of interested parties on how a particular piece of land can be used. The winner of the competition is determined by the municipal authority on the basis of certain criteria, which may vary from one land allocation competition to another. The City of Stockholm allocated a total of 8,651 building rights in 2017. The prices per square meter of total area varied between SEK 7,500 and SEK 39,400.⁷⁾

1) The Swedish Financial Supervisory Authority, The Swedish Mortgage Market 2018.

2) Statistics Sweden, Financial Market Statistics 2017, February 2018, and the National Board of Housing, Building and Planning, Analysis of developments in the construction and housing markets, including a construction forecast (May 2017).

3) The Swedish Financial Supervisory Authority, The Swedish Mortgage Market 2018. The calculation is based on the banks' average standard costs and actual interest rates and an actual established amortization schedule.

4) Statistics Sweden, Household debt as a percent of disposable income and of households' financial assets, March 2017, and Economic Facts, Household Debt.

5) Transactions in excess of SEK 40 million, which means, for example, that tenant-owned apartments are not part of this data.

6) Newsec report commissioned by the Company (April 2018).

7) City of Stockholm, Land Allocation Register – Land Allocations 2017.



Allarp, Laholm

Competition

In the opinion of the Company, the property development market is exposed to competition and, particularly in the metropolitan regions, there are many operators competing for potential development projects.

The market is dominated by large housing companies with relatively similar offerings to customers, which means that competition will focus on what housing locations they can offer customers. Magnolia Bostad's largest competitors are considered to include large housing producers such as JM, HSB, Riksbyggen, PEAB, Skanska, Veidekke, Wallenstam and Bonava, which together account for a large portion of the housing produced in Sweden. Several of these companies run a building business for external clients and carry on housing development activities on their own account.

The number of niche housing developers has risen over the past few years. Examples of operators building rental accommodation for their own management include Rikshem, Stena Fastigheter, Wallenstam, ByggVesta and Heba. Companies and organizations such as Besqab, Oscar Properties, the housing development company SSM and ALM Equity are other operators competing with the Company in some regions, primarily on the tenant-owned housing market. There are also operators, such as Wästbygg, that develop and build apartment buildings, commercial properties and logistic facilities. If the number of operators in Magnolia Bostad's main market increases, the competition for building rights also increases. In the opinion of the Company, there is considerable demand for building rights, particularly in attractive locations in the metropolitan areas, and this results in greater competition for their acquisition.



Business overview

Overview

Magnolia Bostad is an urban developer that creates districts and neighborhoods in Sweden, where housing is an important part of a greater context. Magnolia Bostad puts community and society in focus. Magnolia Bostad creates modern homes and living environments while the Group, at the same time, becomes involved in life in the areas where it is present. As an urban developer, Magnolia Bostad is part of a growing Sweden. Magnolia Bostad's business model is to deliver a comprehensive offer – rental apartments, tenant-owned apartments, residential care facilities and hotels – for municipalities that want to develop new districts and residential areas. Together with select partners, Magnolia Bostad creates sustainable homes and residential areas. At the end of Q1 2018, Magnolia Bostad's project portfolio contained approximately 16,001 estimated building rights. In 2017, the Company recognized 10 projects corresponding to 2,227 residential units. No projects relating to hotels or student housing had yet been concluded at the date of the Prospectus. For an overview of the Company's projects, see *"Projects"*. The distribution between rental apartments, residential care facilities, hotels, student housing and tenant-owned apartments in the project portfolio varies over time based on demand, the state of the economy and what is considered to be most favorable for the Company at any given time. In 2017, the overwhelming majority of Magnolia Bostad's residential units were developed based on its business model for rental apartments, residential care facilities and hotels. The rest of the residential units were developed by Magnolia Bostad as tenant-owned projects under Magnolia Bostad's management. After the sale of rental apartment projects, the Company's goal is to work with the purchaser to convert approximately 25 percent of the rental apartments into tenant-owned apartments.

In projects developed as rental apartments, residential care facilities, hotels and student housing, the project is sold before actual production starts. The Company thus seeks to combine satisfactory profitability, low tie-up of capital and low project risk with relatively low internal use of resources. Magnolia Bostad's core product is rental apartment properties. The end-customers in rental apartment projects are long-term institutional investors and other reputable partners. In projects developed as tenant-owned apartments under Magnolia Bostad's management, construction starts once the tenant-owners association has signed binding agreements for a certain number of apartments. After completed construction, the tenant-owned apartments are turned over to the customer, so called conversions.

Tenant-owned projects allow for higher margins but are also more staff-intensive and place higher demands on financial resources during the implementation of the project.

Municipalities normally endeavor to ensure that areas are developed with mixed forms of housing. By developing residential areas with mixed forms of housing, the Company may become an attractive partner for long-term collaboration.

Common for all the housing developed by the Company is its well thought-out, effective interiors and appealing exteriors, influenced by contemporary architecture. All buildings are developed with the aim that they will be used by many generations, and the Company's work is permeated by a holistic approach in which business is conducted in a manner that promotes long-term sustainable social development.

History

2009

Magnolia Bostad is founded by Fredrik Holmström and Andreas Rutili. The Company secures its first residential project at Lidingö. Thomas Sandell is appointed as architect.

2010

Magnolia Bostad secures five new projects in Skåne, Nacka and Lidingö in Sweden and Norefjell in Norway.

Magnolia Bostad starts a jointly-owned associated company with Byggpartner, and invests in the Söderblick project in Nyköping.

2011

The Company acquires the Lake View project in Åre and Seaside project in Skåne

2012

Magnolia Bostad's first project is ready for occupancy in Skåne, Nyköping, Stockholm, Lidingö and Nacka.

Magnolia Bostad secures a larger property in Södermalm for renovation into modern apartments.

2013

The Company conducts a number of large projects in Stockholm and Uppsala involving approximately 2,000 new apartments.

The Company establishes a new business area focusing on the development of rental housing under the leadership of Fredrik Lidjan.

The Company starts its first project relating to the development of rental housing in a project to construct 230 new residential units in central Sollentuna. The properties are later sold to Aberdeen's Bostadsfond, a residential fund.

2014

Magnolia Bostad receives SEK 200 million in cash via a bond issue.

Magnolia Bostad secures two properties in Kungsängen and one in central Norrköping. At these properties, the Company develops 401 rental apartments, which are sold to the SEB's residential housing fund Domestica II property fund before construction starts.

Magnolia Bostad wins land allocation competitions in Vallentuna and Uppsala relating to a total of around 345 rental apartments.

2015

Fredrik Lidjan takes over as CEO of the Company. He replaces Andreas Rutili, who joins the Company's board of directors along with Risto Silander.

Magnolia Bostad enters into a land transfer agreement with the Municipality of Helsingborg regarding the Slagan 1 property. The Company signs an agreement with the occupational pension company, Alecta, for the sale of the 292 rental apartments that will be developed on the property.

Magnolia Bostad carries out a listing of the Company's shares on Nasdaq First North.

The Company acquires an area of land at Kanikenäs-holmen in south-east Karlstad, where the Company plans to build 316 residential units. The Company signs an agreement for the sale of around 216 of the residential units to Slättö Förvaltning. The units are intended to be let as rental accommodation.

Magnolia Bostad employs Clas Hjorth as head of its hotel development operations. The Company and Clas Hjorth also begin a joint venture to develop hotels.

Magnolia Bostad issues a letter of intent with Alecta for the sale of more than 2,000 rental apartments spread across six projects over the next two years.

Magnolia Bostad acquires building rights for around 273 apartments in the area of Limhamn in Malmö. The Company signs an agreement for the sale of all of the rental apartments that will be developed at the properties.

The Company acquires an area of land in Nyby, Uppsala, where the Company plans to build around 400 residential units. The Company signs an agreement for the sale of 325 of these apartments to SEB's residential housing fund Domestica II. The apartments are intended to be let as rental apartments.

The Company signs a letter of intent with SEB Domestica Fastigheter for the sale of around 450 rental apartments that are intended to be built as part of the Uppsala Kungsängen 25:1 property.

The Company acquires an area of land in the center of Helsingborg, where it plans to build 327 rental apartments. The Company signs an agreement for the sale of the residential units to Alecta.

2016

Magnolia Bostad signs a cooperation agreement with Västerkulla Hotel. Under the agreement, Västerkulla Hotell Holding AB has the possibility to acquire the hotels that Magnolia Bostad develops.

The Company acquires the Antikvarien 1 and Arkeologen 1 properties in Mariastaden from the Municipality of Helsingborg. At the same time, the 325 rental apartments that will be developed at these properties are sold to SPP Fastigheter.

Magnolia Bostad and the Municipality of Helsingborg sign a letter of intent to collaborate on the development of new rental apartments with reasonable rents.

Jan Roxendal is elected as a member of the Company's board of directors.

Magnolia Bostad sells the Segelflygaren project, consisting of 217 apartments located at Södra Ladugårdsängen in Örebro, to Slättö. The value of the property on completion amounts to approximately SEK 350 million.

Fredrik Westin takes over as CFO.

The Company acquires approximately 380 building rights in Norra Munktelstaden, Eskilstuna. At the same time, Magnolia Bostad sells the Gjuteriet project, consisting of 262 residential units to be developed in the first phase of the project, to Slättö. The value of the property on completion is estimated at approximately SEK 450 million.

Magnolia Bostad issues secured bonds in the amount of SEK 600 million pursuant to a bond frame of SEK 750 million and unsecured bonds in the amount of SEK 400 million pursuant to a bond frame of SEK 1 billion and redeems all previously outstanding bonds. The bonds are listed on Nasdaq First North Bond Market.

Magnolia Bostad signs a framework agreement with Slättö whereby Slättö intends to acquire residential projects from Magnolia Bostad at a value of at least SEK 5 billion, which could gradually increase to SEK 14 billion. The project portfolio is concentrated to the Stockholm, Uppsala and Öresund regions.

Magnolia Bostad and the occupational pension company, Alecta, establishes a jointly-owned company that acquires the Stinsen shoppingcenter in Sollentuna.

2017

Viveka Ekberg is elected as a member of the Company's board of directors.

Magnolia Bostad is listed on Nasdaq First North Premier in March.

Camilla Weiner is engaged as Sustainability Manager, Linda Wiman as Head of Business Area Development and Stefan Berg as Head of Business Development.

Previously issued bonds are moved from Nasdaq First North Bond Market to the Corporate Bond list on Nasdaq Stockholm.

Magnolia Bostad's framework agreement with Slättö Bostäder is no longer conditional and its scope is extended to a minimum of SEK 7 billion.

Magnolia Bostad acquires all shares in Svenska Vårdfastigheter. The acquisition includes twelve projects covering a total area of approximately 70,700 square meters distributed among approximately 825 apartments and 8 employees and gives Magnolia Bostad the capacity to become a leading operator in the development of residential care facilities.

Magnolia Bostad acquires approximately 5,000 estimated building rights in Tumba, Huddinge, Nynäshamn and Bredäng.

The Company sells phase 2 of the Senapsfabriken project in Uppsala in two separate transactions to Heimstaden Bostad and Slättö, respectively. The sales include a total of approximately 650 residential units with an assessed property value on completion of SEK 1.5 billion.

Magnolia Bostad sells phases 1 and 2 of the Fyren project in Nynäshamn to Viva Bostad Nynäshamn AB and SEB Domestica IV, respectively. The sales include 220 and 240 residential units, respectively, and a pre-school premises.

Magnolia Bostad signs a strategic cooperation agreement with the contracting company Consto AB for the production of approximately 2,000 residential units for a contract value of approximately SEK 2 billion.

It is resolved at an extraordinary general meeting held on October 13, 2017 to approve the introduction of a new minority ownership structure with FLAB.

Magnolia Bostad completes two hotel transactions, one in Lund with 260 rooms and one in Halmstad with 240 rooms, with an estimated property value on completion of SEK 700 million. The purchaser is the occupational pension company Alecta.

Magnolia Bostad sells the Terra Nova project in Visby with 60 residential care units. The purchaser is M&G Investments.

Magnolia Bostad receives one land allocation for the development of a residential care facility in Motala and four land allocations in the City of Stockholm for the development of a total of 355 residential units.

2018

Magnolia Bostad sells the Instrumentet 2 property in Örnberg, which has an underlying property value of approximately SEK 166 million, to Genova Property Group.

Magnolia Bostad issues additional bonds in the amount of SEK 200 million within the existing bonds' existing frame, which means that total volume now amounts to SEK 600 million.

Magnolia Bostad signs a cooperation agreement with project development and construction company Skanska and Arkitema Architects for urban development projects.

Magnolia Bostad signs an agreement to enter into a joint venture with Randviken regarding the Skogskarlen 3 property in Bergshamra outside of Stockholm.

Business idea and strategy

Vision

To be the leading operator in developing and building Sweden.

Business idea

The Company's business idea is to develop efficient, attractive and functional housing at good profitability.

Strategic direction

Magnolia Bostad operates in the areas of rental apartments, tenant-owned apartments, residential care facilities, hotels and student housing. Working with several forms of housing enables the Company to achieve satisfactory distribution of risk.

The distribution between rental apartments, residential care facilities, hotels, student housing and tenant-owned apartments in the project portfolio varies over time based on demand, the state of the economy and what is considered to be most favorable for the Company at any given time. The Company's growth must be associated with satisfactory profitability.

In order to achieve the set goals within the framework of the business idea, the following areas of strategic focus have been established:

- Development must occur in areas with favorable demographic conditions in the long term.
- The properties are developed into residential units, hotels or residential care facilities based on a market assessment and each property's individual potential and characteristics.
- After the sale of rental apartment projects, the Company's goal is to work with the purchaser to convert approximately 25 percent of the rental apartments into tenant-owned apartments.
- Production only starts when demand has been secured.
- Focus on long-term partners.
- Make effective use of the balance sheet, primarily through a fast turnover rate in the entire project chain.

Financial targets

The Company has established the following financial targets:

- *Return on equity*: Return on equity must amount to at least 30 percent.
- *Equity/assets ratio*: The equity/assets ratio must amount to at least 30 percent.
- *Long-term dividend policy*: The dividend policy must be based on what is considered at any given time to promote the overall goal of optimizing the total return for the shareholders.
The board of directors has made the assessment that dividend will be proposed up to a maximum of 25 percent of the Group's profit after tax for the 2018 financial year.

When establishing the long-term dividend policy, the Company has taken dividend limitations in Group agreements with lenders into consideration (for additional information about dividend limitations, see "*Legal considerations and supplementary information – Material agreements – Facility agreements with clauses on limitations on dividends*", "*Legal considerations and supplementary information – Material agreements – 2016/2020 Bond issue*" and "*Legal considerations and supplementary information – Material agreements – 2016/2021 Bond issue*").

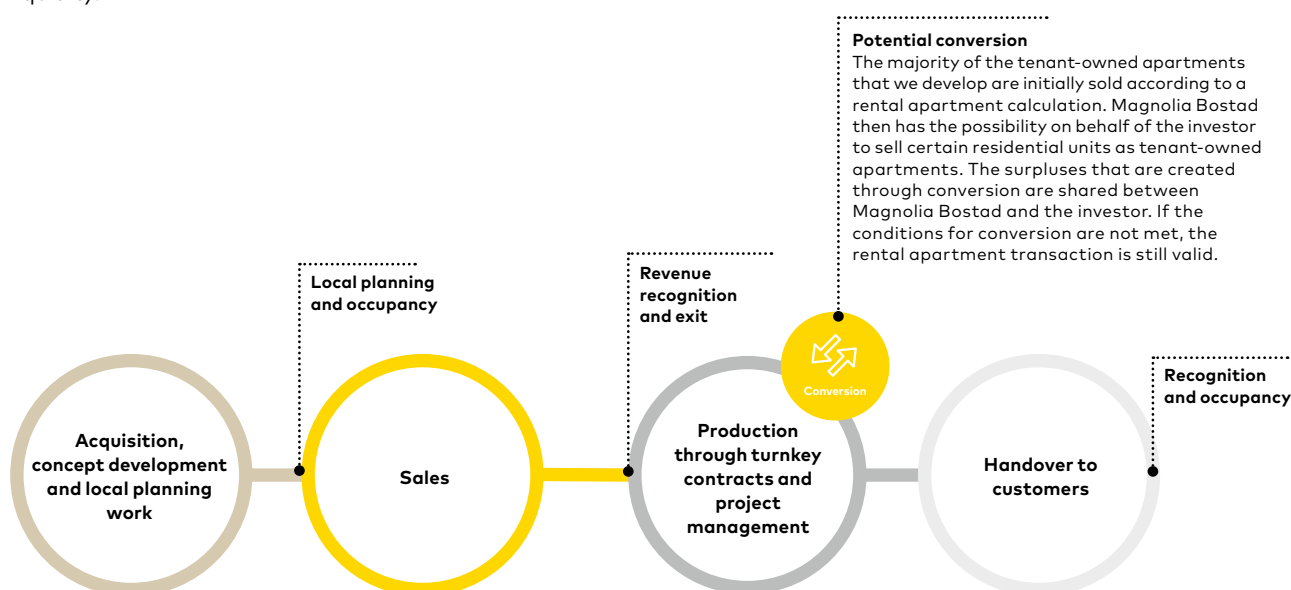
Operational and sustainability targets

The Company has established the following long-term operational and sustainability targets:

- *Operational targets*: Have the capacity to start production on 3,000 residential units, two to four residential care facilities, senior housing or student housing, and one to two hotels per year as of 2018 (for an overview of the Company's projects, see "*Projects*").
- *Sustainability targets*: As a minimum, certification in accordance with Sweden Green Building Council Silver in all projects.

Business model with focus on balanced risk

Magnolia Bostad develops comprehensive offers, primarily rental apartments but also tenant-owned apartments, residential care facilities, hotels and student housing. The Company's business model is based on balancing risks in the areas of costs, revenue and liquidity.



By working with separate offers for different categories of customers, Magnolia Bostad seeks to combine satisfactory profitability with balanced risk-taking.

Balanced risk at all levels

Magnolia Bostad's business is based on developing financially, socially and environmentally sustainable residential units on the outskirts of the major cities and in the central areas of the mid-sized cities. The financial groundwork aims to balance risks in the areas of costs, revenue and liquidity; projects are sold at an early stage before construction has begun. By carrying out the purchase of the land, contractor procurement and negotiations with investors at the same time, we reduce the time between acquisition and sale, which balances the risk in Magnolia Bostad's operations. Balanced risk in all areas of the operations serves as the basis for Magnolia Bostad's business model, and other important factors are a broad project offering and presence in a large number of locations throughout the country. Magnolia Bostad develops rental apartments, tenant-owned apartments, residential care facilities and hotels, and by working closely with a diverse number of housing types, Magnolia Bostad achieves broad risk dissemination. Given that many municipalities would like a mix of housing, this makes the Company an attractive partner for long-term cooperation.

Broad portfolio

In order to be able to start production and continuously deliver new residential units, a broad building rights portfolio is necessary. Magnolia Bostad's goal is to have at any given time more than 15,000 building rights in the portfolio. All of the Company's acquisitions are based on a rental apartment calculation, which reduces the risk that Magnolia Bostad will buy building rights at high prices. Magnolia Bostad considers that over time it will be possible to convert approximately 25 percent of the apartments in rental apartment projects into tenant-owned apartments. When converting into tenant-owned apartments, the target is for the tenant-owned apartment to be worth around SEK 10,000 more per square meter than the rental apartment.

Effective organization

Clear procedures are important features of Magnolia Bostad's day-to-day operations. The effectiveness of all employees is a condition for a company that is expanding. The key functions of the activities are managed internally in order to ensure control over the Company's refinement process. The Company has ensured that all key competences are available locally within the organization and that effective processes and procedures are in place to ensure good control and effective operations are implemented.

Business model

Acquisition of land, concept development and award of contracts take place as far as possible in collaboration with the final investor and agreements with the final investor are thus most commonly entered before development of the project begins. During production, the project is financed by the investor through what is referred to as forward funding and the project margin for Magnolia Bostad is largely secured. Magnolia Bostad's goal is to develop around 90 percent of its portfolio according to this process. After the sale of rental apartment projects, the Company's goal is to work with the purchaser to convert approximately 25 percent of these residential units into tenant-owned apartments. In the Company's opinion, these types of conversions make it possible to increase profit margins at the same low risk and capital tie-up as in traditional rental housing projects.

Magnolia Bostad's business model seeks to achieve good profitability, low amounts of capital tied up and low project risk with a relatively low use of resources internally.

Magnolia Bostad has chosen to focus most of its resources on the development of rental properties. The end customers in rental housing projects are long-term institutional investors or other partners who acquire the properties at an early stage of the project. Projects relating to hotels, residential facilities and student housing are similar to rental projects in terms of business arrangements, as the end-customers are also institutional investors and other partners. New hotels are established in cities that are demonstrating growth in terms of population and commercial activities. The projects must be located centrally or alongside strategic communications hubs, for example at gateway locations or airports.

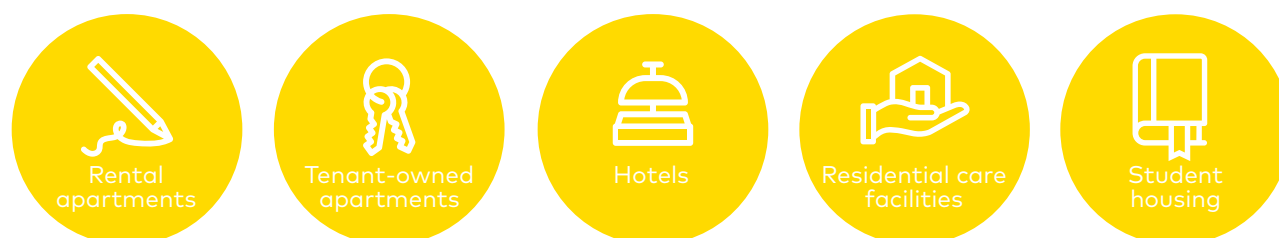
In order to ensure the quality of the project, Magnolia Bostad controls and manages all its projects internally. However, the Company has no construction operations of its own. Production takes place instead via external contractors at a fixed price in the form of turnkey contracts. This results in lower consumption of resources, in both financial and operational terms, and a low risk of higher production costs and limited guarantee liability for the company itself. The Company acts as a professional client in relation to the construction company and imposes the necessary requirements to achieve the best results in terms of both quality and the environment.

Five product categories offer balanced risk

The properties Magnolia Bostad develops as rental apartments, residential care facilities, hotels or student housing, are sold to large Swedish institutions or other partners at an early stage. Before production starts on a project, a binding agreement must have been signed between Magnolia Bostad and the final property owner and the purchaser thus also provides financing through what is referred to as forward funding on an ongoing basis throughout production. This normally means that Magnolia Bostad gets back the capital it has already invested when the purchaser takes possession of the project, and Magnolia Bostad's profit is paid on completion of the project.

It may be said that Magnolia Bostad has continuous involvement in the development projects, as the Company to some extent retains certain risks associated with the completion of the projects. The Company uses all or part of the cash flow from its reported profit to complete the project.

The Company's policy in relation to tenant-owner projects is that the sale must involve a binding agreement corresponding to coverage of costs before production starts.



Magnolia Bostad's refinement process

Magnolia Bostad's refinement process extends over each stage of the property's development. From identification of a new project to when responsibility is handed over to the tenant-owners association or, as far as rental housing projects are concerned, to a new property owner.

Magnolia Bostad offers the residential units that customers demand. This applies in terms of form and function as well as today's stringent demands for sustainability. Considerable emphasis is placed on only investing in attractive locations with good communications in Sweden's growth areas. There is high demand and good marketing potential for new residential units in such locations, which results in lower risk, even in slower periods.

There is a long chain for refining a project from the acquisition of undeveloped land or an existing building, via financing and project development, to sales and production until the customer moves into their new home. Magnolia Bostad's management of the full value chain makes the Company a competitive operator in the housing development market.

The Company has a diversified customer and supplier structure. Magnolia Bostad's customers include institutions such as SPP Fastigheter, Alecta and SEB's housing funds Domestica II – IV. Examples of the Company's suppliers include Consto, Skanska, NCC, Veidekke and Arkitema Architects, Sweco, and Krook & Tjäder.

The main stages in the refinement process are described below.

Feasibility studies and acquisitions

- Close contact with municipalities regarding land allocations.
- Analysis of property ownership and proactive operations to find own business opportunities.
- Fast follow-up on proposals from individuals and property companies.
- Volume assessments and early sketches.
- Market analyses and due diligence.

At this stage, the Company's partners include municipalities, private landowners, agents and law firms.

Program phase

- Pursuit of flexible, effective local planning to legal force where needed.
- Concept development for the specific project.
- Establishment of the project's environmental classification.
- Negotiation for and procurement of competitive turnkey contracts.
- Preparation of agreements for the sale of rental accommodation projects.
- Started sale to tenant-owners association customer.

At this stage, the Company's partners include NCC, Alecta and Arkitema Architects.

Implementation

- Project management and obtaining building permission.
- Signing of sales agreements and turnkey contracts.
- Revenue recognition.
- Delivery of the project to investors or the tenant-owners association.
- Project management of construction in cooperation with the contractor.

At this stage, the Company's partners include NCC, Serneke and Consto.

After sales

- Operational follow-up in collaboration with the customer.
- Exchange of experience.
- Handling customer relationships during the warranty period.
- Implementation of the warranty inspection.

An example of the Company's cooperation partners at this stage is SBC.

Below is a more detailed description of Magnolia Bostad's refinement process.

Acquisitions

Acquiring properties that can be developed into modern homes in attractive environments and in markets with satisfactory demand are two key components of profitable property development. Magnolia Bostad has a competent organization consisting of its own employees who work exclusively on analysis and acquisition of new projects. In the case of acquisitions, the Company's analysis of a project involves thorough assessments of demand, rent levels, housing prices, production costs, financing and risks. This analysis is conducted both internally and in collaboration with external experts.

Using an extensive network of contractors, property companies, architects, credit institutions and real estate agents, Magnolia Bostad's search for potential projects takes place in an active, structured manner. The Company's ability to make rapid decisions means that Magnolia Bostad is able to act quickly and thereby secure new investment opportunities.

Magnolia Bostad's long-term relations with the municipalities in the markets in which the Company operates provide Magnolia Bostad with good opportunities for land allocation, among other things. As the Company's production in growth areas increases, its position as an operator in the market is further established and the prospects for new business with the municipalities therefore improve.

Project development

Work is started already at the acquisition phase to develop an attractive concept adapted to the natural characteristics of the location. During the local planning processes, the Company seeks to obtain the largest possible volume for implementation, though without compromising quality. Magnolia Bostad also endeavors to obtain local planning that is as flexible as possible in order to develop the best possible product.

The ability to decide how a project will be designed at an early stage allows Magnolia Bostad's economic estimates to be more accurate. Magnolia Bostad works closely with hired contractors and exchanges experiences with the aim of developing cost-effective solutions at an early stage. This increases the financial stability in the project and is particularly important in rental housing projects in which the Company wants to be able to offer residential units at a reasonable monthly cost.

As an urban developer, Magnolia Bostad takes responsibility for the residential units being tasteful, well-planned and space-efficient, but also for developing the area around the residential units into a district where residents want to live. Magnolia Bostad works with leading architects and suppliers to achieve attractive architecture, design and residential functions.

Considerable emphasis is also placed on the project's entrances, stairwells, corridors, courtyards and other communal areas.

Sustainability aspects are important in the project and Magnolia Bostad always endeavors to meet the requirements for environmental certification equivalent to Miljöbyggnad Silver or Svanen. The Company chooses materials and suppliers with care to ensure that they meet or exceed current strict environmental, energy and sustainability requirements.

Sales

Selling apartments to customers before they have had the opportunity to see the final product requires a clear, effective sales process. Magnolia Bostad's communication department focuses on marketing and sales, as well as visualizing what the project will look like in terms of layout, design, architecture and functions. A positive image of the project and the apartment's properties and value are important for customer satisfaction. Regardless of the housing form, Magnolia Bostad manages the projects all the way to completion.

To reduce the need for financing and the risk in the Company's projects, the projects are sold at an early stage before construction has started. By completing the purchase of the land, contractor procurement and negotiations with investors at the same time, the Company reduces the time between acquisition and sale, which contributes to balanced risk. The Company works with long-term institutions and other partners who are less sensitive to economic conditions than many other purchasers, and enters into discussions in order to satisfy any conditions that must be met to enter into share purchase agreements, framework agreements concerning the acquisition of housing projects (see "*Legal considerations and supplementary information – Material Agreements – Framework agreements*"), and similar agreements. This gives Magnolia Bostad a continuity and the option to enter into discussions on a final property value for the project as early as the planning stage and offers the investor an opportunity to influence the direction of the project.

Profitable conversion

The development of rental apartments is the foundation of Magnolia Bostad's operations. However, the profit potential of tenant-owned apartments is higher, which Magnolia Bostad takes advantage of by striving over time to convert one-fourth of the apartments into a rental project to tenant-owned apartments. Magnolia Bostad can thereby double profitability on converted residential units while maintaining low risk and low capital tie-up. When converting tenant-owned apartments, the target is for the tenant-owned apartment to be worth around SEK 10,000 more per square meter than the rental apartment.

Effective implementation

Magnolia Bostad enters into long-term partnerships with well-established construction contractors through framework agreements. By involving the construction contractors early in the development process, the Company strengthens the possibilities for achieving high quality and delivery performance. Magnolia Bostad procures production in the form of turnkey contracts at a fixed price, which limits the risk for cost increases relating to building production such as alterations and additions, which can occur during the production phase.

Magnolia Bostad's project developers have extensive experience in professional procurement and control of construction contracts. They work closely with the construction companies and regularly monitor production to ensure that the customer receives the right quality at the right price. Regardless of the form of the housing, Magnolia Bostad develops the projects from the initial idea through the local planning work and concept development to final completion.

Handover to the end customer

A prerequisite for satisfied customers is that Magnolia Bostad delivers the product on time and in perfect condition. Therefore, Magnolia Bostad places considerable emphasis on ensuring that the apartments do not have any inspection comments when the occupant moves in. In its rental apartments, hotel and residential care projects, Magnolia Bostad's end customer is generally the institution that acquired the property. In tenant-owned apartment projects, the end customer is the tenant-owners association.

The Company's production process aims to identify any defects and deficiencies at an early stage of the process. The residential units must be free of defects when the property is handed over to the end customer or when the purchaser of the tenant-owned apartment moves in.

A selection of completed projects



Nya Parken Allé, Norrköping

Next to the Norrköping football stadium, within cycling and walking distance from the city center, Magnolia Bostad built 268 rental units that were sold to SEB. The architects were Radar Arkitektur & Planering.



Traversen, Sollentuna

The tenants moved into the Traversen project at Turebergs Allé in Sollentuna in October 2016. Magnolia Bostad sold the 230 space-efficient, modern apartments to the Aberdeen residential fund when the property was acquired in 2013.



Lumen, Sollentuna

Magnolia Bostad developed the Lumen project, which totals 90 tenant-owned homes in an old industrial area within walking distance from Sollentuna Centrum with good communications to Stockholm City. Lumen has been sold out. The entire building had been built by the end of 2016. Completion took place during the first half of 2017, and occupancy in 2017.

Organization and employees

A fast-moving, scalable organization

The board of directors and employees of Magnolia Bostad have long experience and considerable skill in relation to property refinement and development of housing. As at December 31, 2017, the Company's organization consisted of a total of 61 full-time employees (2016: 49 and 2015: 35), 54 in Stockholm (2016: 45 and 2015: 33) and 7 in Helsingborg (2016: 4 and 2015: 2). During the second quarter of 2018 Magnolia Bostad expanded its business in the region of Gothenburg.

The organization is divided into the following areas: Management, Business Development, Business Area Development, Marketing and Communications, Project Development, Finance, and Administration. The management team consisted of seven individuals as at December 31, 2017 (2016: 5). The Business Development area, which works on developing the Company's projects, consisted of 13 individuals as at December 31, 2017 (2016: 19). Business Area Development, which as of 2017 is a new department with specialist functions, consisted of eight employees as at December 31, 2017 (2016: 0). Marketing and Communications, which works on marketing, trade mark issues, PR and communication and marketing of the projects, employed six individuals as at December 31, 2017 (2016: 6). As the project portfolio has grown, the Project Development functional area, which primarily consists of the Company's project developers and personnel working actively on Magnolia Bostad's development projects, has grown in recent years. As at December 31, 2017, the functional area employed 14 individuals (2016: 11). Finance, which covers financial functions and other administration, employed nine individuals as at December 31, 2017 (2016: 8). In 2017, an Administration department was created that employed three individuals as at December 31, 2017 (2016: 0).

Magnolia Bostad's sustainability work is integrated into its business activities and a Sustainability Manager was recruited in January 2017.

The key functions of the activities are managed internally in order to ensure maximum control over the Company's refinement process. The activities require careful resource planning and good insight into how the Company's need for resources varies over time to enable it to guarantee a high quality of delivery and minimize the risk of undercapacity in the organization. The Company's partner organization consists of individual specialists and suppliers within the areas of project development, sales, building, financing, etc. The result is a cost-effective and flexible organizational structure that can be quickly adapted to meet faster growth rates and new market conditions.

Sustainability

Magnolia Bostad's work is characterized by a holistic approach in which operations are conducted in a manner that promotes long-term, sustainable development. Using the Company's basic assessments as a starting point, Magnolia Bostad seeks to create sustainable value for the Company's various stakeholders and earn their trust and respect. Magnolia Bostad's goal is to create housing that is financially, socially and environmentally sustainable.

Magnolia Bostad's Code of Conduct

Magnolia Bostad has drawn up a Code of Conduct to bring about conditions for sustainable work at every stage of the process. This includes the Company's requirements in terms of behavior and conduct and Magnolia Bostad also requires all the Company's business partners to respect them. The Code of Conduct is based on Magnolia Bostad's values and sustainability work. The Code of Conduct is also based on the ten principles of the UN Global Compact.

The core values are the Company's compass

Magnolia Bostad's values – innovation, ambition and awareness – summarize the Company's culture and motivation. They also form the basis of how the Company relates to customers, suppliers, partners and the world in general. Magnolia Bostad works in a structured, focused manner with industrialized processes that optimize productivity – an orderly structure from planning to occupancy. Magnolia Bostad's overall goal is to generate satisfactory growth and returns for its shareholders. This must be done in an economically, environmentally and socially sustainable manner.

These values function as the Company's moral compass. Magnolia Bostad is driven by a desire for innovation and awareness of goals. The Company's business culture is characterized by openness, happiness and dynamism.

Innovation

Magnolia Bostad is motivated by the opportunity to break new ground. The Company has a deep-rooted desire to renew and challenge old traditions. Building for the needs of both today and the future and embracing modern solutions when it comes to architecture, service and building technologies. This requires curiosity and resourcefulness.

For Magnolia Bostad, sustainability means understanding the Company's role in society and making responsible, long-term decisions in the areas that Magnolia Bostad is able to influence. Magnolia Bostad contributes to a more sustainable society by taking financial, social and environmental responsibility.

Ambition

Magnolia Bostad has a constant wish to improve and innovate. The Company does not engage in random actions; there is thought behind every action. This requires an orderly structure. Magnolia Bostad is continually moving forwards and our culture is based on people who share an honest desire to listen to and understand the customer. This is the ambition on which the Company builds its residential units.

Awareness

Magnolia Bostad is part of the inclusive society, a sustainable society where the Company builds housing based on how people want to live today. Magnolia Bostad takes the environment into consideration to the greatest possible extent because our ambition to build for the future includes responsibility to future generations. Magnolia Bostad encourages, values and respects the fact that people are different. These differences create a dynamic workplace, which generates new solutions, which means better housing. The Company shows the same respect for its suppliers, investors and other partners.

Financial responsibility

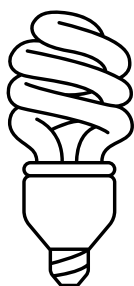
For Magnolia Bostad, the issue of sustainability constitutes a natural part of the housing business. Taking a long-term approach to these matters is not just about the Company's customers living in beautiful, solid buildings. It is also a fundamental prerequisite for the Company's growth and profitability. Magnolia Bostad's work is characterized by a holistic approach in which operations are conducted in a manner that promotes long-term, sustainable development. Our strong focus on resource-efficiency, space-efficiency and scalability in the project means that we are also able to bring about the right conditions for building financially sustainable buildings for many generations.

Social responsibility

Community involvement

Magnolia Bostad works actively to develop socially, financially and environmentally sustainable residential areas and endeavors to reduce the housing shortage in Sweden. Magnolia Bostad also plays an important role in society by actively contributing to the fulfillment of requirements for housing construction resulting from increased urbanization, with the goal of achieving greater social and economic integration. Safe, financially sustainable solutions are created by working together with municipalities, contractors and other local companies.

Together with others, the Company also wishes to be part of the long-term process to bring about conditions for sustainable development. Magnolia Bostad has a committed local presence in the areas where the



Innovation

Company operates as an urban developer, and it supports team sports, primarily women's football, in a number of locations where Magnolia Bostad operates. Through Magnolia Bostad's local involvement and positive contribution to the development of the community, local recognition of Magnolia Bostad's operations and brand also increases.

Attractive employer

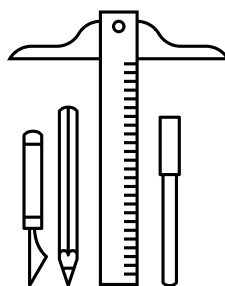
Magnolia Bostad wants to have satisfied employees and to be the most attractive employer in the industry. The Company is therefore working continuously on skills development, career planning and the promotion of our employees' health and well-being. As an employer, Magnolia Bostad wants to offer secure, safe workplaces that are free from discrimination and harassment and where all employees are treated equally and with respect.

The Company's Code of Conduct also sets out the requirements for the Company's behavior and conduct. Magnolia Bostad also demands that all its business partners respect those requirements.

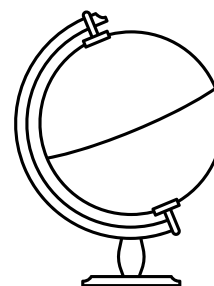
Environmental responsibility

Magnolia Bostad also works to promote sustainable development and a smaller carbon footprint. Each project involves specific conditions for developing the housing that is demanded by our customers. Sustainability permeates everything the Company does, from planning, acquisitions, project management and sales to production. Magnolia Bostad's goal is to continually improve the process in order to minimize the impact of the project on the environment. Not only does the Company comply with the already strict requirements for environmental and sustainability measurements set out by the Swedish parliament, municipalities and government authorities, we also seek to be at the forefront when it comes to ensuring that our projects are sound, energy-efficient and sustainable.

Magnolia Bostad has drawn up an environmental policy with which the Company complies in its work and also expects all its business partners to respect. The Company seeks at all times to achieve the requirements for environmental certification according to the Sweden Green Building Council's Silver certification, the Swan Ecolabel or their equivalents in all residential projects.



Ambition



Awareness

Magnolia Bostad also works diligently to reduce its suppliers' and customers' environmental impact. By continuously working with more energy-efficient, climate-friendly and resource-efficient products and services, Magnolia Bostad reduces the stresses it imposes on the environment, which helps achieve more sustainable development.

Sustainability is key in all projects

The Company maintains a dialog on sustainability in all our collaborations with consultants, architects, construction contractors and other suppliers in each individual project. Magnolia Bostad requires the construction contractors it appoints to hold ISO certification or the equivalent when it comes to quality, the environment and the working environment.

Materials and products are thoroughly evaluated from a life-cycle perspective to ensure that they do not entail any environmental or health risks either for residents or those working in production. Negotiating projects as turnkey contracts means that the construction companies are responsible for ensuring that they comply with the requirements established by Magnolia Bostad. The Company also imposes requirements on waste and transport management to ensure that both are environmentally friendly and efficient and that materials and products are recycled.

Energy efficiency

Magnolia Bostad is extremely ambitious when it comes to building energy-efficient homes that provide a satisfactory indoor environment. Energy efficiency is an important environmental aspect and energy consumption in the Company's homes is currently significantly lower than the level prescribed by the Building Code of the Swedish National Board of Housing, Building and Planning. The environmental and energy-related measures adopted during the course of a project vary depending on the conditions in each project. Common environmental and energy-related measures include specially-insulated windows, sun catchers, solar panels or geothermal heating. A high percentage of natural materials, such as tile and wood, are also used in projects. If geographically possible, the majority of the Company's newly built apartment buildings are also connected to district heating.



Tegelmästaren, Vallentuna

Projects

This section describes Magnolia Bostad's project portfolio as at March 31, 2018. Information on the Company's portfolio is, in all essential respects, the Company's current assessment of the project portfolio and of each project as a whole. These assessments, and the final outcome of the relevant project, may change as a result of factors both within and beyond the control of the Company due to, for example, preparation of local planning, decisions by authorities and market development and the fact that several of the projects are in the planning phases, where plans for each project may change.

Magnolia Bostad's projects

Magnolia Bostad develops primarily rental apartments, tenant-owned apartments, residential care facilities, hotels and student housing in Sweden's large cities and growth areas. Municipalities, and even institutional investors, are often looking for the expertise to develop comprehensive residential areas that include not only residential units but also, for example, residential care facilities and student housing. By working with several products and housing forms, Magnolia Bostad achieves good risk distribution and becomes an attractive partner for long-term cooperation. Magnolia Bostad has the ambition to reach a margin of 10 percent for rental apartment transactions, 15 percent for hotel transactions and 20 percent for residential care and tenant-owned apartment transactions.

Project portfolio in 2017

As at December 31, 2017, Magnolia Bostad had a project portfolio with a total of 16,429 estimated building rights, and the number of sold residential units in production amounted to 5,849. During the 2017 financial year, the Company also signed agreements for the acquisition of 7,501 estimated building rights in, for example, Hyllie, Stockholm, Huddinge and Nynäshamn. In June 2017, an agreement was also signed for the acquisition of all shares in Svenska Vårdfastigheter AB with a total of around 825 estimated residential units in its project portfolio.

In December, the Company also sold its first hotels with a total of 500 rooms.

In 2017, ten projects with a total of 2,227 residential units were sold.

Geographically, approximately 80 percent of the Company's residential units were divided between Greater Stockholm, the Öresund region and Gothenburg. The remaining 20 percent were evenly distributed between Uppsala and the rest of Sweden, including Karlstad, Örebro and Eskilstuna.

Project portfolio in 2018

The tables below show pending projects not sold as at March 31, 2018, sold projects in production as at March 31, 2018, conversions of current rental apartment projects as at March 31, 2018 and closed projects as at March 31, 2018. Projects being developed by the subsidiary Norefjell i Oslo Invest AB and the associated company Svenska Husgruppen Intressenter AB, and which are not operated by Magnolia Bostad, constitute financial investments and are thus not included in the tables below. The information regarding each project in the tables below is the Company's current assessment of each project as a whole. Due to uncertainty factors such as local planning processes, decisions by government authorities or undetermined dates for vacancy, these assessments and thus the final outcome for each project may change over time.

PROJECTS NOT SOLD

The table below shows Magnolia Bostad's project portfolio consisting of 56 pending projects not sold, as at March 31, 2018. The associated company Norefjell Invest is not included. Magnolia Bostad's share of earnings in the projects listed in the table amounts to 90 percent, unless otherwise specified.

Project	Property, municipality	Category	Estimated number of apartments	Estimated residential area (sqm)	Local plan	Estimated prod. start	Estimated completion	Planned buyer (B) and/or contractor (C)
Adjutanten ⁴⁾	A7 området, Gotland	C	68	4,200	●	2018	2019	PEAB (C)
Täljöviken ⁴⁾	Näs 7:7, Stockholm	C	54	4,850	●	2018	2019	
Partilleport ⁵⁾	Partille 11:61, Göteborg	C	54	11,100	●	2018	2019	Consto (C)
Allarp Laholm ⁵⁾	Allarp 2:468, Helsingborg	C	54	3,850	●	2018	2019	
Nyponrosen 5 ⁵⁾	Nyponrosen 5, Helsingborg	C	125	8,360	●	2018	2019	
Lilium, etapp 2	Del av Gamla Uppsala 99:1, Uppsala	A	110	5,200	●	2018	2019	Serneke (C)
Gyllehemmet ⁴⁾	Gyllehemmet 1 & 2, Borlänge	C	106	10,500	●	2018	2019	
Mossenskolan ⁸⁾	Mossenskolan 3, Motala	C	54	4,400	●	2018	2019	
Konstnären	Östra Sala Backe, E2, kv 5, Uppsala	A	115	6,150	●	2018	2020	
Norrbacka	Sigtuna Norrbacka 1:32-36, Sigstuna	A/C	210	12,000	●	2018	2020	Consto agreement (C)
Ångloket	Ängby 1:1, Knivsta	A/C	270	15,000	●	2018	2020	Consto agreement (C)
Kilot ⁴⁾	Kilot 3, Halmstad	A	26	1,860	●	2018	2020	Serneke (C)
Hasseludden ⁴⁾	Hasseludden 1:79, Stockholm	C	60	4,300	●	2018	2020	
Ophelias Brygga	Del av Gamla Staden 1:1 m.fl., Helsingborg	A	125	7,500	●	2018	2020	Serneke (C)
Gjuteriet, etapp 2	Nätet 15, Eskilstuna	A	100	5,800	●	2018	2020	
Slipsen, etapp 1	Stora Råby 33:2 m.fl., Lund	A	195	9,900	●	2018	2020	Slättö agreement (B)
Norrtälje Hamn, etapp 1 ²⁾	Del av Tälje 3:1 m.fl. & Alen 1-5, Norrtälje Hamn	A	145	7,400	●	2018	2020	Slättö agreement (B)
Sportflygaren	Del av Nikolai 3:63 m.fl., Örebro	A	145	7,300	●	2018	2020	
Drottninghög ⁸⁾	Drottninghög södra 3 & del av eskadern 1, Helsingborg	C	100	8,100	●	2018	2020	
Österhagen ⁴⁾	Länna 4:7, Stockholm	C	72	5,040	●	2019	2020	
Mesta ⁴⁾	Mesta 5:81, Eskilstuna	C	54	3,950	●	2019	2020	
Sländan, etapp 3	Sländan 9, Södertälje	A	200	10,000	●	2019	2021	
Frihamnen ⁷⁾	Del av Lundbyvassen 736:168, Göteborg	H	300	12,000	●	2019	2021	
Hagby Park	Hagby 1:5, Åkersberga	A	195	10,900	●	2019	2021	Slättö agreement (B), Consto agreement (C)
Nätverket	Husby 3:3, Åkersberga	A	335	9,200	●	2019	2021	Slättö agreement (B), Consto agreement (C)
Lommarstranden, etapp 1	Del av Tälje 4:62, Norrtälje	A	100	5,500	●	2019	2021	Slättö agreement (B), Consto agreement (C)
Norra kajen, etapp 1	Norrmalm 3:18 & 4:2, Sundsvall	A	240	18,000	●	2019	2021	
Torgkvarteren, etapp 1	Del av Våppeby 7:7, Bålsta	A	220	11,000	●	2019	2022	Consto agreement (C)
Mejeriet, etapp 1	Filborna 28:4, Helsingborg	A	230	10,400	●	2019	2022	Slättö agreement, part of project (B)
Norrtälje Hamn, etapp 2 ²⁾	Del av Tälje 3:1 m.fl. & Alen 1-5, Norrtälje Hamn	A	145	7,500	●	2019	2022	Slättö agreement (B)
Norrtälje Hamn, etapp 3 ²⁾	Del av Tälje 3:1 m.fl. & Alen 1-5, Norrtälje Hamn	A	150	7,600	●	2019	2022	Slättö agreement (B)
Torgkvarteren, etapp 2	Del av Våppeby 7:7, Bålsta	A	220	11,000	●	2019	2023	Slättö agreement (C)
Slipsen, etapp 2	Stora Råby 33:2 m.fl., Lund	A	195	9,900	●	2019	2023	Slättö agreement (B)

PROJECTS NOT SOLD, *cont.*

Project	Property, municipality	Category	Estimated number of apartments	Estimated residential area (sqm)	Local plan	Estimated prod. start	Estimated completion	Planned buyer (B) and/or contractor (C)
Hammarby-Smedby ⁸⁾	Hammarby-Smedby 1:27, Upplands-Väsby	C	72	7,700	●	2020	2021	
Ystad trädgårdstad ⁹⁾	Mispeln 2, Ystad	C	100	4,600	●	2020	2021	
Skärholmen ⁴⁾	Skärholmen 2:1, Stockholm	A	85	7,000	●	2020	2021	
Frihamnen	Del av Lundbyvassen 736:168, Göteborg	A	150	8,000	●	2020	2022	
Norra kajen, etapp 2	Norrmalm 3:18 & 4:2, Sundsvall	A	230	16,000	●	2020	2022	
Lommarstranden, etapp 2	Del av Tälje 4:62, Norrtälje	A	100	5,500	●	2020	2022	Slättö agreement (B), Consto agreement (C)
Mejeriet, etapp 2	Filborna 28:4, Helsingborg	A	230	10,400	●	2020	2023	
Upplands Väsby Infra City	Grimsta 5:2, Upplands Väsby	A/C/H	800	42,000	●	2020	2023	Consto (C)
Slipen, etapp 3	Stora Råby 33:2 m.fl., Lund	A	200	9,900	●	2021	2024	Slättö agreement (B)
Mejeriet, etapp 3	Filborna 28:4, Helsingborg	A	240	10,400	●	2021	2024	
Södra Häggviks Gårdar ¹⁾	Stinsen 2, Sollentuna	A/C	1,500	94,000	●	2020	–	Slättö agreement, part of project (B), Skanska agreement (C)
Erstavik ⁵⁾	Erstavik 25:1, Stockholm	C	72	5,180	●	2021	2022	
Norra kajen, etapp 3	Norrmalm 3:18 & 4:2, Sundsvall	A	230	16,000	●	2021	2023	
Bredängshöjden	Vita Liljan 3 m.fl., Stockholm	A	700	35,000	●	tbd ⁶⁾	–	Slättö agreement, part of project (B)
Orminge Centrum	Orminge 52:1, Nacka	A	240	20,000	●	tbd ⁶⁾	–	
Senapsfabriken, etapp 3	Kungsängen 29:2, Uppsala	A	700	29,000	●	tbd ⁶⁾	–	Slättö agreement (B)
Skogskarlen ³⁾	Skogskarlen 3, Solna	A	200	17,400	●	tbd ⁶⁾	–	
Bunkeflostrand	Limhamn 155:355, Malmö	A/C	1,300	58,500	●	tbd ⁶⁾	–	Slättö agreement, part of project (B)
Kvarnsjödal	Tumba 7:241, Botkyrka	A/C	2,000	130,000	●	tbd ⁶⁾	–	Slättö agreement, part of project (B)
Vårby Bryggör	Gambrinus 2 & 4, Huddinge	A/C/H	1,800	85,000	●	tbd ⁶⁾	–	Slättö agreement, part of project (B), Skanska agreement (C)
Skarpnäcksgård 1:1 ⁴⁾	Skarpnäcks gård 1:1, Stockholm	A	60	3,500	●	tbd ⁶⁾	–	
Årstaberg 1 ⁴⁾	Liljeholmen 1:5, Stockholm	A	100	6,300	●	tbd ⁶⁾	–	
Årstaberg 2 ⁴⁾	Årsta 1:1, Stockholm	A	120	7,500	●	tbd ⁶⁾	–	
Total			16,001	898,640				

1) Magnolia Bostad owns 45% of the JV. Magnolia Bostad's share of the development profit amounts to 90%.

2) Developed in cooperation with Slättö Förvaltning AB.

3) Magnolia Bostad owns 50% of the JV.

4) Magnolia Bostad's share of the profit amounts to 92%.

5) Part of JV. Magnolia Bostad's share of the profit amounts to 46%.

6) For land where Magnolia Bostad does not have planning permission or there is no date for when the tenants will move out.

7) Magnolia Bostad's share of the profit amounts to 76%.

8) Magnolia Bostad's share of the profit amounts to 78.2%.

9) Part of JV. Magnolia Bostad's share of the profit amounts to 39.1%.

Category: A = apartments, C = Residential care, H = Hotel

● Local planning in force ● Local planning not in force

SOLD PROJECTS IN PRODUCTION

The table below shows Magnolia Bostad's project portfolio consisting of 25 projects in production as at March 31, 2018. The associated company Norefjell Invest is not included. Magnolia Bostad's share of earnings in the projects listed in the table amounts to 90 percent, unless otherwise specified.

Project	Property, municipality	Type of ownership	Sold ap. in production	Residential area (sqm)	Unsold ap. in production	Production start	Completion	Buyer	Contractor
Slipen	Del av Varvet 2, Karlstad	RU	216	12,300	0	2015	2018	Slättö	Consto
Maria Forum	Slagan 1, Helsingborg	RU	292	12,500	0	2015	2018	Alecta	Serneke
Bryggeriet	Norrland 11, Helsingborg	RU	327	14,700	0	2015	2019	Alecta	Skanska
Nyby Lilium, etapp 1	Del av Gamla Uppsala 99:1, Uppsala	RU	300	14,000	0	2015	2019	SEB Domestica II	Serneke
Kalkstenen	Tankloket 1, Malmö	RU	129	5,100	0	2015	2019	SPP Fastigheter	Veidekke
Cementfabriken	Kölen 1, Malmö	RU	144	7,100	0	2015	2019	SPP Fastigheter	Veidekke
Varvet	Varvet 4 & Del av Varvet 2, Karlstad	TO	92	6,100	0	2016	2018	Brf	Consto
Segelflygaren	Glidplanet 1, Örebro	RU	210	10,000	0	2016	2018	Slättö	Consto
Maria Mosaik	Arkeologen 1 & Antikvarien 1, Helsingborg	RU	345	16,000	0	2016	2020	SPP Fastigheter	Veidekke
Senapsfabriken, etapp 1 ¹⁾	Kungsängen 25:1, kv 2, Uppsala	RU	455	19,400	0	2016	2019	SEB Domestica III	NCC
Tegelslagaren	Vallentuna-Åby 1:166, Vallentuna	RU	155	6,150	0	2016	2019	SEB Domestica II	ED Bygg
Tegelmästaren	Vallentuna-Åby 1:171, Vallentuna	RU	160	5,950	0	2016	2019	SEB Domestica II	ED Bygg
Sländan, etapp 1	Sländan 6, Södertälje	RU	445	19,000	0	2016	2019	SPP Fastigheter	ED Bygg
Gjuteriet, etapp 1	Nätverket 1 & Namnsdagen 1, Eskilstuna	RU	262	13,900	0	2016	2019	Slättö	Consto
Varvet Townhouse	Varvet 4 & Del av Varvet 2, Karlstad	TO	4	700	4	2017	2018	Brf	Consto
Sländan, etapp 2	Sländan 8, Södertälje	RU	130	5,300	0	2017	2020	Viva Bostad	ED Bygg
Fyren, etapp 1	Telegrafan 16, Nynäshamn	RU	220	10,500	0	2017	2020	Viva Bostad	Consto
Fyren, etapp 2	Telegrafan 16, Nynäshamn	RU	236	11,600	0	2017	2020	SEB Domestica IV	Consto
Hotell Resecentrum ²⁾	Kilot 2, Halmstad	H	240	9,500	0	2017	2020	Alecta	Serneke
Hotell Brunnshög ²⁾	Morgonen 1, Lund	H	260	8,900	0	2017	2020	Alecta	Serneke
Hyllie Valhall ²⁾	Valhall 1, Malmö	RU	427	21,000	0	2017	2021	Vault investment partners	ED Bygg
Senapsfabriken, etapp 2 norra ¹⁾	Del av Kungsängen 45:1, 29:3, Uppsala	RU	325	13,100	0	2017	2022	Slättö	NCC
Senapsfabriken, etapp 2 södra ¹⁾	Del av Kungsängen 45:1, 29:3, Uppsala	RU	325	13,900	0	2017	2023	Heimstaden Bostad	NCC
Visborg ²⁾	Skenet 3, Visby	C	58	3,950	0	2018	2019	Northern Horizon	Peab
Fasanen	Burlöv Arlöv 20:58 m.fl., Burlöv	RU	275	12,675	0	2018	2020	Heimstaden Bostad	Serneke
Total			6,032	273,325	4				

1) Magnolia Bostad's share of the profit amounts to 76.3 %.

2) Magnolia Bostad's share of the profit amounts to 92 %.

Type of ownership: RU = Rental unit, TO = Tenant-owned, H = Hotels, C = Residential care

CONVERSIONS IN SOLD RENTAL APARTMENTS PROJECTS IN 2018

Project	Municipality	Number of converted TO-apartments sold to end customer	Partner
Gjuteriet, #2	Eskilstuna	3	Slättö
Total		3	

PROJECTS CLOSED IN 2018

Project	Municipality	Type of ownership	Number of apartments	Buyer
Lumen	Sollentuna	BR	90	Brf
Terra Nova	Visby	V	60	M&G
Total			150	

RESIDENTIAL UNITS DELIVERED DURING THE PERIOD 2012–2017 (transferred, revenue recognized and settled projects)¹⁾

Project	City	Type	Number of residential units
Torsgatan	Stockholm	Tenant-owned	18
Holmiavägen	Lidingö	Condominiums	3
Strandpromenaden	Höllviken	Tenant-owned	6
Grevilli	Lidingö	Tenant-owned	13
Söderblick	Nyköping	Tenant-owned	24
Sand	Falsterbo	Condominiums	4
Seaside	Höllviken	Tenant-owned	12
Traversen	Sollentuna	Rental	232
Kungsängen-Tibble	Kungsängen	Rental	133
Publiken 1	Norrköping	Rental	268
Muttern	Stockholm	Tenant-owned	62
Total:			775

1) As at 31 December 2017, Magnolia Bostad has 5,849 sold and recognized residential units in production

A selection of projects



Fyren, Nynäshamn

The Fyren project is located in the center of Nynäshamn in close proximity to the sea and nature. Only one hour from Stockholm, the location is ideal for those who wish to combine city life and the outdoors. The building, part of which is 19 floors, will be a landmark when coming into the center of Nynäshamn. Fyren is situated close to the water and features expansive views, unique architecture and well-planned units. Construction will start in 2018, with occupancy starting in the second half of 2020. The purchaser of Fyren phase 1, with approximately 220 residential units, was Viva Bostad Nynäshamn AB and the purchaser of Fyren phase 2, with approximately 240 residential units and pre-school premises, was SEB's housing fund Domestica IV. The architects are Schweiller Svensson Arkitektkontor and Consto is the contractor.



Ophelias Brygga, Helsingborg

Ophelias Brygga at the entrance to Helsingborg's harbor has a spectacular location looking out over Öresund, and is only a mere stone's throw from the central train station. A new neighborhood, H+, is being planned for this area, with apartments, offices, restaurants and stores close to the water. Magnolia Bostad is developing 125 well-planned, modern tenant-owner units in this location. Occupancy is planned for 2020 and the architects are Link Arkitektur and Batteriö Arkitekter. Ophelias Brygga is characterized by a carefully-selected interior design concept, rich, verdant communal roof terraces and magnificent views of the landing stage. The project looks out over the harbor basin and a public park and green space is planned on the other side. Besides a unique location at the harbor entrance, Ophelias Brygga also has a unique focus on the environment, with well thought-out choices of materials and smart technological solutions.



Senapsfabriken, Uppsala

Senapsfabriken is one of the largest development areas in central Uppsala, and Magnolia Bostad intends to develop a total of 1,800 residential units in three phases here. The apartments are located in the Kungsängen district next to the south entrance to downtown Uppsala, an area that has undergone strong development in recent years. The future apartments will be located only a few minutes' walk from Uppsala's newly constructed travel center and a stone's throw from the Fyrisån shoreline. The train to Stockholm takes only 40 minutes, which creates an attractive residential area for commuters. Phase 1, consisting of 454 rental apartments, has been sold to SEB Domestica III, and phase 2, consisting of a total of 650 rental apartments, has been sold to Heimstaden Bostad and Slättö, with conditions for potential conversion. Occupancy in phase 1 is planned for 2018–2019, and occupancy in phase 2 is planned for 2020. The architect is Sweco and the building contractor is NCC.



Kanikenäsholmen, Karlstad

Magnolia Bostad is planning to build a new residential area close to the water at Karlstad's old shipyards at Kanikenäsholmen. The Company is developing 316 residential units in varying housing forms next to Lake Vänern with a marina, quays and boathouses. The area is located a comfortable walking distance from the center of Karlstad. The 216 rental apartments were sold to Slättö Förvaltning and have been converted into tenant-owned apartments. The first tenant-owned apartments in the district of Varvet were sold out in 2017. The sale of Kanikenäsholmen Townhouse consisting of eight tenant-owned apartments began in 2017. Occupancy began in 2017 and will continue in 2018. The architect is Radar Arkitektur & Planering and the contractor is Consto.



Maria Forum, Helsingborg

Magnolia Bostad is developing 292 rental properties in the eastern part of Mariastaden in Helsingborg, approximately 600 meters from Maria Station and 4.5 kilometers from Knutpunkten. Småryd nature reserve and Pålsjö forest, with areas for country walks, exercise tracks, tennis courts and football pitches, are close by, as is Sofiero Slott with its fantastic park. There are also grocery stores, cafés, restaurants and a garden center close by.

The development is urban, in the form of a closed block with active ground floors and a protected courtyard. The apartments vary in size, which guarantees a varied mix of tenants, with families with children mixing with both older and younger residents. The apartments were sold to Alecta in conjunction with the acquisition of the land. Occupancy is planned for 2018. The architect is Radar Arkitektur & Planering and the contractor is Serneke.



Södra Häggviks Gårdar, Sollentuna

Magnolia Bostad and occupational pension company Alecta acquired the Stinsen shopping center in Södra Häggvik, in December 2016. The area is intended to be transformed into an attractive urban and residential neighborhood with mixed functionality. The plan is to build approximately 2,000 apartments here. Approximately one-third will be developed as tenant-owned apartments by Magnolia Bostad, one-third is intended to be sold to Alecta as rental apartments and the remaining one-third is intended to be sold to Slättö.



Torgkvarteren, Bålsta

Bålsta Centrum is undergoing an extensive transformation with a new travel center, a city square and residential blocks alongside it. Magnolia Bostad intends to build a new travel center and 440 homes with varying forms of housing. The homes are intended to contribute to a vibrant, varied urban environment that is financially, socially and environmentally sustainable.

The homes are divided into three residential districts that contain space for stores, outdoor cafés, restaurants and offices on the ground floor, with apartment blocks extending out towards the Mälaren Line. A supermarket with a total area of 3,000 square meters will also be built here. Occupancy is planned for 2020–2021. The architect is ETTTELVA Arkitekter/Tengbom. A building contractor has not been engaged yet for the project.



Segelflygaren, Örebro

The new district of Segelflygaren is growing on the site where Örebro's first airport was located, Södra Ladugårdsängen. Magnolia Bostad acquired land in this district for the development of 210 residential units. With its attractive location next to the green spaces, Segelflygaren opens up the possibility of living close to the city and to nature. The homes are close to sports and fitness facilities including a golf course, a gym, a racquet center and a water park. The sale of 58 of the 210 rental units that were sold to Slättö began in the third quarter of 2017 as tenant-owner units according to the conversion model. The architect is C.F. Møller and the contractor is Consto.



Gjuteriet, Eskilstuna

In September 2016, Magnolia Bostad acquired the Eskilstuna Nätverket 7 & 8 properties in Norra Munktelstaden, Eskilstuna. Under the project name Gjuteriet, phase 1 and phase 2, the Company will develop approximately 375 rental and tenant-owned homes. The Norra Munktelstaden area is undergoing a major transformation and will when finished consist of approximately 1,200 homes. In conjunction with the acquisition, Magnolia Bostad sold Gjuteriet, phase 1, consisting of 260 of the homes, to Slättö. The sale of 98 of the 260 rental units that were sold to Slättö began in the second and third quarters of 2017 as tenant-owner units according to the conversion model. Completion is expected to take place in 2019. The architect is Hidemark & Stintzing and the contractor is Consto.



Cementfabriken and Kalkstenen, Limhamn, Malmö

Magnolia Bostad is developing Kalkstenen, with 129 rental homes, in the northern part of Limhamn. Magnolia Bostad is developing Cementfabriken, with 144 rental homes, in the southern part of Limhamn. The plan is to install solar panels on the roof of the building and the intention is to put a park in the middle with bicycle parking and a playground. The building rights were acquired in December 2015 and sold to SPP Fastigheter at the same time. The building permit was granted in Q3 2016 and construction began in Q4 2016. Final completion is planned for 2018. The architect is Lindberg Stenberg and the contractor is Veidekke.

Selected financial information

Unless otherwise stated, the selected financial information presented below has been obtained from Magnolia Bostad's revised audited historical financial information for the financial years ending December 31, 2017, 2016 and 2015, which have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS"), and audited by Magnolia Bostad's auditors, as specified in their report (Revr5) appended to the revised historical financial information. The information has also been obtained from Magnolia Bostad's interim report for the three-month period ending March 31, 2018 (which has not been audited or reviewed), containing comparative figures for the three-month period ending March 31, 2017 (which have not been audited or reviewed), which was prepared in accordance with IAS 34 and the Annual Accounts Act. The historical financial information has been revised to IFRS 15 in order to have the same reporting standard for income for the purposes of increasing the level of comparability and making it easier for an investor to digest the historical financial information.

The financial information should be read together with the following sections: "Risk factors", "Operational and financial overview", "Capitalization, indebtedness and other financial information", and the revised historical financial information contained in "Historical financial information". The Group's historical results do not necessarily indicate the results that can be expected in the future. Unless expressly stated, no information in the Prospectus has been reviewed or audited by the Company's auditor. Amounts specified in this section have been rounded off in some cases, and the totals in the tables are therefore not always necessarily exact.

Consolidated Income Statement

(SEK million)	For the three months ending March 31		For the financial years		
	2018 (not audited or reviewed)	2017 (not audited or reviewed)	2017 (audited)	2016 (audited)	2015 (audited)
Net sales	532	77	1,781	1,064	813
Production and operating costs	-404	-45	-1,347	-642	-657
Gross profit/loss	128	32	434	422	156
Central administration	-12	-8	-41	-27	-13
Profit/loss from participations in associated companies	-3	-4	-9	14	0
Revaluation during transition from associated company to subsidiary	-	-	-	-	153
Operating profit/loss	113	20	384	409	296
Financial income	2	1	6	3	3
Financial expenses	-35	-24	-115	-93	-52
Change in value, financial instruments	-	0	0	0	0
Profit/loss before tax	80	-3	276	319	245
Income tax	0	0	0	0	-1
NET PROFIT/LOSS FOR THE PERIOD	80	-3	276	319	245
Profit/loss attributable to					
Company shareholders	81	-2	203	271	232
Holdings without a controlling influence	-1	-1	73	48	13
Earnings per share, SEK					
Before dilution effects	2.14	-0.05	5.37	7.16	6.71
After dilution effects	2.14	-0.05	5.37	7.13	6.50

Consolidated Balance Sheet

(SEK million)	March 31		December 31		
	2018 (not audited or reviewed)	2017 (not audited or reviewed)	2017 (audited)	2016 (audited)	2015 (audited)
ASSETS					
Non-current assets					
Goodwill	6	6	6	6	6
Other intangible assets	1	1	1	0	1
Total intangible assets	7	7	7	6	7
Machinery and equipment	8	7	8	1	0
Total property, plant and equipment	8	7	8	1	0
Participations in associated companies and joint ventures	109	114	111	116	2
Receivables from associated companies	24	23	24	23	24
Other securities held as non-current assets	31	31	31	31	31
Other long-term receivables	1,202	468	1,165	397	216
Total financial assets	1,365	636	1,330	567	272
Total non-current assets	1,380	650	1,345	574	279
Current assets					
Development and project properties	1,101	1,453	1,310	1,160	1,139
Tenant-owned apartments	4	4	4	4	4
Accounts receivable	13	2	31	1	4
Receivables from associated companies	42	19	52	20	0
Other receivables	662	509	595	475	204
Prepaid expenses and accrued income	5	4	5	5	2
Cash and cash equivalents	442	138	208	507	193
Total current assets	2,268	2,129	2,205	2,172	1,546
TOTAL ASSETS	3,648	2,779	3,550	2,746	1,825

Consolidated Balance Sheet, cont.

(SEK million)	March 31		December 31		
	2018 (not audited or reviewed)	2017 (not audited or reviewed)	2017 (audited)	2016 (audited)	2015 (audited)
EQUITY AND LIABILITIES					
Equity					
Share capital	151	151	151	151	151
Other capital contributions	187	185	185	185	185
Retained profits including net profit/loss for the period	737	516	655	518	285
Equity attributable to the Company's shareholders	1,075	852	991	854	621
Holdings without a controlling influence	178	135	180	135	87
Total equity	1,254	987	1,171	989	708
Non-current liabilities					
Deferred tax liability	2	2	2	2	2
Non-current interest-bearing liabilities	1,399	1,267	1,566	1,268	731
Non-current liabilities to associated companies	24	–	35	–	–
Derivatives	–	–	–	–	0
Other non-current liabilities	30	54	30	91	110
Total non-current liabilities	1,455	1,323	1,633	1,361	843
Current liabilities					
Current interest-bearing liabilities	656	262	507	237	130
Derivatives	–	0	–	0	–
Accounts payable	55	68	16	38	14
Liabilities to associated companies	0	11	1	–	–
Income tax liabilities	2	0	0	0	4
Other current liabilities	108	40	85	68	77
Accrued expenses and deferred income	118	88	136	53	50
Total current liabilities	939	469	745	396	274
TOTAL EQUITY AND LIABILITIES	3,648	2,779	3,550	2,746	1,825

Consolidated Cash Flow Statement

(SEK million)	For the three months ending March 31		For the financial years		
	2018 (not audited or reviewed)	2017 (not audited or reviewed)	2017 (audited)	2016 (audited)	2015 (audited)
Cash flow from operating activities before changes in working capital	-50	-37	-291	-90	-90
Cash flow from changes in working capital	112	-347	-326	68	-60
Cash flow from operating activities	62	-384	-617	-22	-150
Cash flow from investing activities	-1	-8	-13	-101	0
Cash flow from financing activities	173	24	332	437	306
Cash flow for the period	234	-368	-298	314	156
Cash and cash equivalents at beginning of the period	208	507	507	193	37
Cash and cash equivalents at end of the period	442	138	208	507	193

Select KPIs

Some of the key performance indicators presented below are non-IFRS measures, in other words financial measures that are not defined in accordance with IFRS. Magnolia Bostad considers these financial measures, which have not been defined in accordance with IFRS, to provide a better understanding of the trends relating to the financial performance and that such measures, which are not defined according to IFRS, are useful information for investors in combination with other measures that are defined in accordance with IFRS. A financial measure that is not defined in accordance with IFRS is defined as a measure that measures

historical or future financial performance, financial position or cash flow but which excludes or includes amounts that should not be adjusted in the same way as in the closest comparable IFRS measure. These financial measures must not be considered as isolated from or as a substitute for the performance measures produced in accordance with IFRS. In addition, such measures, defined by the Group, may not be comparable with other measures with similar names used by other companies. For a description of the calculation of non-IFRS measures and the reason for use, see "Selected financial information – Definitions".

(SEK million, unless otherwise stated)	For the three months ending March 31		For the financial years		
	2018	2017	2017	2016	2015
Number of residential units sold during the period ^{1), 3)}	333	130	2,227	2,124	1,553
Number of residential units sold in production ^{2), 3)}	6,032	4,075	5,849	3,945	2,253
Operating margin, % ⁴⁾	21.2	26.0	21.6	38.4	36.4
Operating profit/loss ⁴⁾	113	20	384	409	296
Return on equity (excluding minority), % ⁴⁾	-	-	22.0	36.7	53.1
Net financial income/expense ⁴⁾	-33	-23	-109	-90	-49
Equity/assets ratio, % ⁴⁾	34.4	35.5	33.0	36.0	38.8
Profit margin, % ⁴⁾	15.0	-3.9	15.5	30.0	30.1
Profit/loss after financial items ⁴⁾	80	-3	276	319	245
Interest-bearing net liabilities ⁴⁾	1,613	1,391	1,865	998	668
Interest coverage ratio (multiple) ⁴⁾	3.3	0.9	3.4	4.4	5.7
Cash flow from operating activities per share (SEK) ⁴⁾	1.6	-10.2	-16.3	-0.6	-4.3
Earnings per share (excluding minority) (SEK) ⁵⁾	2.14	-0.05	5.37	7.16	6.71
Equity per share (excluding minority) (SEK) ⁴⁾	28.42	22.53	26.20	22.58	16.42
Dividend per share (SEK) ⁴⁾	-	-	1.75	1.75	1.00

1) Number of residential units in sold projects where binding sales agreements were signed during the period.

2) Number of residential units in sold projects where binding sales agreements have been signed.

3) Non-IFRS measures obtained from Magnolia Bostad's internal accounting and reporting system.

4) Non-IFRS measures obtained from, or calculated based on, the information in the revised audited historical financial information.

5) IFRS measures obtained from the revised audited historical financial information.

Reconciliation table

The following table provides a reconciliation of return on equity, %, equity per share, net financial income/expense, cash flow from operating activities per share, interest-bearing net debt, interest rate coverage ratio (multiple), operating margin, %, equity/assets ratio, % and profit margin, %. For a description of the calculation of non-IFRS measures and the reason for use, see "Selected financial information – Definitions".

(million, unless otherwise stated)	For the three months ending March 31		For the financial years		
	2018	2017	2017	2016	2015
OPERATING MARGIN					
Operating profit/loss	113	20	384	409	296
Net sales	532	77	1,781	1,064	813
Operating margin, %	21.2	26.0	21.6	38.4	36.4
RETURN ON EQUITY					
Profit/loss for the period attributable to the Company's shareholders	81	-2	203	271	232
Opening equity attributable to the Company's shareholders	991	854	854	621	253
Closing equity attributable to the Company's shareholders	1,075	852	991	854	621
Average equity attributable to the Company's shareholders	1,033	853	923	738	437
Return on equity, %	7.8	-0.2	22.0	36.7	53.1
EQUITY/ASSETS RATIO					
Equity, including holdings without a controlling influence	1,254	987	1,171	989	708
Balance sheet total	3,648	2,779	3,550	2,746	1,825
Equity/assets ratio, %	34.4	35.5	33.0	36.0	38.8
INTEREST COVERAGE RATIO					
Profit/loss after financial items	80	-3	276	319	245
Reversal: financial expenses	35	24	115	93	52
Total	115	21	391	412	297
Financial expenses	-35	-24	-115	-93	-52
Interest coverage ratio (multiple)	3.3	0.9	3.4	4.4	5.7
NET FINANCIAL INCOME/EXPENSE					
Financial income	2	1	6	3	3
Financial expenses	-35	-24	-115	-93	-52
Change in value, financial instruments	-	0	0	0	0
Net financial income/expense	-33	-23	-109	-90	-49
INTEREST-BEARING NET LIABILITIES					
Non-current interest-bearing liabilities	1,399	1,267	1,566	1,268	731
Current interest-bearing liabilities	656	262	507	237	130
Reversal: cash and cash equivalents	-442	-138	-208	-507	-193
Interest-bearing net liabilities	1,613	1,391	1,865	998	668
PROFIT MARGIN					
Net profit/loss for the period	80	-3	276	319	245
Net sales	532	77	1,781	1,064	813
Profit margin, %	15.0	-3.9	15.5	30.0	30.1

Reconciliation table, cont.

(million, unless otherwise stated)	For the three months ending March 31		For the financial years		
	2018	2017	2017	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES PER SHARE					
Cash flow from operating activities	62	-384	-617	-22	-150
Opening number of outstanding shares before dilution	37,822,283	37,822,283	37,822,283	37,822,283	31,288,942
Closing number of outstanding shares before dilution	37,822,283	37,822,283	37,822,283	37,822,283	37,822,283
Weighted average number of outstanding shares before dilution	37,822,283	37,822,283	37,822,283	37,822,283	34,555,613
Cash flow from operating activities per share (SEK)	1.6	-10.2	-16.3	-0.6	-4.3
EQUITY PER SHARE					
Equity attributable to the Company's shareholders	1,075	852	991	854	621
Number of outstanding shares before dilution	37,822,283	37,822,283	37,822,283	37,822,283	37,822,283
Equity per share (excluding minority) (SEK)	28.42	22.53	26.20	22.58	16.42

Definitions

Non-IFRS measures	Description	Reason for use
Return on equity (excluding minority), %	Profit/loss for the period attributable to the Company's shareholders as a percentage of the average equity attributable to the Company's shareholders.	Return on equity shows the return generated from the capital that the shareholders have invested in the Company, and from the accumulated profit/loss.
Equity per share (excluding minority)	Equity attributable to the Company's shareholders divided by the average number of outstanding shares before dilution.	Equity per share is presented because it is a measurement indicating the book value per share.
Net financial income/expense	Net of financial income and financial expenses.	Net financial income/expense is presented to give an impression of the profit/loss generated by the Company's financing operations.
Cash flow from operating activities, per share	Cash flow from operating activities divided by the average number of outstanding shares before dilution.	Cash flow from operating activities per share is presented to give an impression of funds generated from the operating activities per share.
Profit/loss after financial items	Operating profit/loss plus financial income less financial expenses.	Profit/loss after financial items measures the Company's profit/loss before tax.
Interest-bearing net liabilities	Interest-bearing liabilities less cash and cash equivalents.	Interest-bearing net liabilities are presented since they are a useful measurement to show the Company's financial position.
Interest coverage ratio (multiple)	Profit/loss after financial items including financial expenses divided by interest expenses.	Interest coverage ratio is presented since it is a useful measurement to give an impression of the Company's ability to cover the interest expenses.
Operating margin, %	Operating profit as a percentage of net sales.	Operating margin measures profitability in the Company's business activities.
Operating profit/loss	Net sales less costs for production and operation, central administration, depreciation/amortization and impairment of intangible assets and property, plant and equipment and profit/loss from participations in associated companies.	Operating profit/loss and operating margin are presented to give an impression of the profit/loss generated in the operating activities.
Equity/assets ratio, %	Equity, including holdings without a controlling influence, as a percentage of the balance sheet total.	Equity/assets ratio is used to measure the Company's financial position. Equity/assets ratio shows the extent to which the Company's assets are financed by own funds.
Profit margin, %	Profit/loss for the period as a percentage of net sales.	Profit margin is presented to give an impression of the profit/loss generated in the operating activities and the financing of the operating activities.

Operating and financial review

The following information should be read together with the Group's financial and operational data and revised historical financial information with notes, which are contained in section "Historical financial information". The information contains forward-looking statements that reflect the Group's plans, estimates and assumptions, and the Group's realized profit/loss may differ considerably from what is expressed or suggested in the forward-looking statements. Factors that may cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in the Prospectus, particularly in "Risk factors".

Forward-looking information refers to all statements in the Prospectus that do not refer to historic facts and events, and such statements that refer to the future, and which, for example, contain expressions such as "deem", "assess", "expect", "await", "judge", "assume", "predict", "can", "will", "shall", "should or ought to", "according to estimates", "consider", "may", "plan", "potential", "calculate", "as far as we know" or similar expressions that identify information as forward-looking. Forward-looking statements are based on current estimates and assumptions. Such forward-looking statements are subject to risks, uncertainties, and other factors that can result in the actual profit/loss being significantly different from the profit/loss that expressly or indirectly forms the basis for, or is described in, the statements or that result in the expectations that expressly or indirectly form the basis for, or are described in, the statements not being fulfilled or proving to be less advantageous.

Factors affecting Magnolia Bostad's profit/loss

The financial result for Magnolia Bostad has been affected, and is likely to be affected in the future by a number of factors, some of which lie outside the Company's control. This section includes key factors that, in Magnolia Bostad's view, have affected the Group's operating profit/loss and cash flow for the period covered by the historical financial information in the Prospectus and that are assessed to continue to do so in the future. Below is a list of factors the Company considers to have the greatest impact on its financial development:

- macroeconomic factors and demand for residential units;
- access to acquisition targets;
- project costs;
- sales prices;
- partners; and
- revenue recognition.

Macroeconomic factors and demand for residential units

The Group is dependent on a functional market for its residential units, which is affected mainly by the general demand for housing. That demand is affected by a number of macroeconomic factors, among other things. Those factors include growth in population, demographics, supply of housing, employment and households' payment ability. For more information about the macroeconomic factors, see "*Market overview*". In addition to this, the Group is dependent on a number of factors that affect the market for new homes, for example, decisions by government authorities and other political measures that affect new construction.

Access to acquisition targets

Magnolia Bostad works continuously to identify and evaluate new project development opportunities and is highly dependent on the situation regarding access to acquisition targets. Since the Company is selective and follows a well-established investment strategy, it is important for the Company to have access to as many potential acquisition targets as possible. Acquisitions can take place with both private owners and municipalities as the counterparty.

Project costs

Unforeseen project costs outside the project budget can have a direct impact on the Group's profit/loss. Project costs include costs attributable to personnel and suppliers.

Sales prices

Determining the sales price of properties developed by Magnolia Bostad is a key part of the Group's work. The Company has a good understanding of its intended target group before it initiates the project and it works actively to comply with the customer's wishes and needs during the entire project phase in order to ensure that the homes meet the customer's expectations in terms of quality, functionality and price.

Partners

Magnolia Bostad offers expertise in the area of property development to partners who want to make joint investments in residential projects. This expertise is offered in exchange for financial strength or access to project properties with good potential for returns and a distribution of risk and profit.

Revenue recognition

Revenue recognition occurs when a performance obligation has been performed by means of promised goods and services being transferred to a customer. An asset is transferred when control of the asset is passed to the customer. When (or as) a performance obligation is performed, a company must recognize the revenue from the transaction price allocated to the performance obligation.

Magnolia Bostad develops new apartments (both rental apartments and tenant-owned apartments), residential care units, hotels and student housing. When properties are sold, two different agreements are entered into with the customer: an agreement concerning the sale of the project (the property) and a project management agreement. These two agreements are regarded under IFRS 15 as a single agreement. The Group has two separate performance obligations: project management (which is reported over time based on the level of completion of the project) and the sale of the project (the property) which is reported at a time when control passes to the customer. The transaction price is allocated between the two performance obligations based on a separate sales price for project management.

Revenue recognition of project management agreements

Project management is recognized as a performance obligation and the revenue attributable to project management is recognized over time based on the input method, since control is transferred over time. The input method entails that revenue is recognized on the basis of input required to comply with a performance obligation in relation to the total anticipated input required to comply with the performance obligation.

Revenue recognition of project development

Magnolia Bostad is of the opinion that the time for recognizing revenue from project development is when control has passed to the purchaser. Control is deemed to pass when (i) a binding agreement is entered into with a purchaser of the project (the property), (ii) local planning is in place, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is entered into by or transferred to the purchaser. The Group considers that control of the assets passes at this time, since there is a legally binding agreement with the purchaser and, consequently, the considerable risks and benefits associated with ownership of the assets have passed to the purchaser.

The transaction price contains elements of variable consideration. For rental apartment projects, hotels and residential care facilities, the variable consideration is linked to the future property's rent/net operating income and area. Variable remuneration amounts are estimated at the expected value and included in the transaction price to the extent that a significant reversal at a later point in time is highly improbable. At the end of each reporting period, the estimated transaction price is updated to correctly reflect the circumstances at that point in time. The variable element for rent is based on guarantees limited in terms of time and scope linked to future rent/net operating income and future vacancy rates for rental accommodation projects. The vacancy warranty has been updated based on the current rental situation.

Variable elements in the transaction price linked to area comprise planning risk and potential turnkey risk. Planning risk is based on knowledge of the local planning work and revenue is recognized when a building permit has entered into force, since the uncertainty associated with planning risk comes to an end. The turnkey risk is deemed to end and revenue is recognized when the turnkey contract has been completed. The Group makes an individual assessment of the expected value of variable elements in each individual project. In respect of tenant-owned accommodation projects, the Group has an undertaking to the tenant-owners association to purchase un-sold tenant-owned apartments, whereby un-sold tenant-owned apartments are treated as an additional variable element in the transaction price for tenant-owned accommodation projects in addition to the variable element for areas consisting of planning risk and turnkey risk, which are described above. "Sold apartments" means there is a binding agreement in place with tenant-owners.

Reassessments of the expected end result of the project mean adjustments of previously calculated profit in the projects concerned and entail that they are recognized as revenue, or reported as a reduction in revenue, in the period during which the transaction price changed.

Rent revenues

Rent revenues are notified in advance and reported in the period to which they are attributable, which is stated in the leases. Rent revenues include supplements such as invoiced property tax and heating expenses.

Comparison between the period January 1 – March 31, 2018 and the period January 1 – March 31, 2017

The Group's profit/loss

Net sales

Magnolia Bostad's net sales amounted to SEK 532 million for the three-month period ending March 31, 2018, compared to SEK 77 million for the three-month period ending March 31, 2017, which corresponds to an increase of 591 percent. The increase in net sales is primarily attributable to sales of 333 units, an increase of 203 units compared to 130 units in Q1 2017. Furthermore, during Q1 2018, the property Instrumentet 2 in Örnberg was sold to Genova Property Group, and the property Skogskarlen 3 in Bergshamra outside Stockholm was sold to a newly-started joint venture with Randviken.

Operating profit/loss

Magnolia Bostad's operating profit amounted to SEK 113 million for the three-month period ending March 31, 2018, compared to SEK 20 million for the three-month period ending March 31, 2017. The operating margin for the three-month period ending March 31, 2018 amounted to 21 percent, compared to 26 percent for the three-month period ending March 31, 2017. The increase in operating profit is primarily attributable to sales of 333 units, an increase of 203 units compared to 130 units in Q1 2017. Furthermore, during Q1 2018, the property Instrumentet 2 in Örnberg was sold to Genova Property Group, and the property Skogskarlen 3 in Bergshamra outside Stockholm was sold to a newly-started joint venture with Randviken.

Financial income and expenses

Magnolia Bostad's net financial income/expense amounted to SEK –33 million for the three-month period ending March 31, 2018, compared to SEK –23 million for the three-month period ending March 31, 2017. The change in net financial income/expense is primarily attributable to increased financing expenses, which are due to the fact that total interest-bearing liabilities were higher during the quarter than in the same period in the previous year. The increase is due to the financing of the acquisition of Svenska Vårdfastigheter AB, which was carried out at the beginning of Q3 2017.

Tax

Magnolia Bostad's tax expense amounted to SEK 0 million for the three-month period ending March 31, 2018, compared to SEK 0 million for the three-month period ending March 31, 2017, which corresponds to an effective tax rate of 0 percent (0 percent). The Company's tax expense for the three-month period ending March 31, 2018 is less than 22.0 percent of income before tax because some reported income, primarily sales of companies, is not taxable.

Profit/loss for the period after tax

Magnolia Bostad's income after tax amounted to SEK 80 million for the three-month period ending March 31, 2018, compared to SEK –3 million for the three-month period ending March 31, 2017. This corresponds to a profit margin of 15 percent for the three-month period ending March 31, 2018, compared to –4 percent for the previous period.

Cash flow

Magnolia Bostad's cash flow from operating activities generated an inflow of SEK 62 million for the three-month period ending March 31, 2018, compared to an outflow of SEK 384 million for the three-month period ending March 31, 2017. The change compared to the three-month period ending March 31, 2017 was primarily attributable to cash flow received from purchasers of the projects. Cash flow from investment activities amounted to SEK –1 million for the three-month period ending March 31, 2018, compared to SEK –8 million for the previous period. The change compared to the three-month period ending March 31, 2017 is primarily attributable to acquisitions of property, plant and equipment, which were SEK 0 million for the three-month period ending March 31, 2017, compared to SEK 7 million for the three-month period ending March 31, 2018. The Company's cash flow from financing operations amounted to SEK 173 million for the three-month period ending March 31, 2018, compared to SEK 24 million for the three-month period ending March 31, 2017. The increase compared to the three-month period ending March 31, 2017 was primarily attributable to the fact that net borrowings and repayment of borrowings amounted to SEK 171 million, compared to SEK 24 million during the three-month period ending March 31, 2017. Total cash flow for the three-month period ending March 31, 2018 amounted to SEK 234 million, compared to SEK –368 million for the three-month period ending March 31, 2017.

The Group's financial position

Magnolia Bostad's balance sheet total amounted to SEK 3,648 million as at March 31, 2018, compared to SEK 3,550 million as at December 31, 2017. This constitutes a 2.8 percent increase, which is explained by the below.

Other long-term receivables

Magnolia Bostad's other long-term receivables amounted to SEK 1,202 million as at March 31, 2018, compared to SEK 1,165 million as at December 31, 2017. Other long-term receivables primarily consist of long-term receivables from purchasers of the projects, and the 3.2 percent increase is primarily attributable to sales of projects.

Other receivables

Magnolia Bostad's other receivables amounted to SEK 662 million as at March 31, 2018, compared to SEK 595 million as at December 31, 2017. Other receivables primarily consist of the current element of receivables from purchasers of the projects, and the 11.3 percent increase is primarily attributable to sales of projects, reallocation from other long-term receivables to current receivables, and is reduced due to payments received from purchasers.

Development and project properties

Magnolia Bostad's development and project properties amounted to SEK 1,101 million as at March 31, 2018, compared to SEK 1,310 million as at December 31, 2017. The -16.0 percent change is primarily attributable to sales carried out during the quarter and continued investments in the project portfolio.

Comparison between the financial years ended 2017 and 2016

The Group's profit/loss

Net sales

Magnolia Bostad's net sales amounted to SEK 1,781 million in 2017, compared to SEK 1,064 million in 2016, which corresponds to an increase of approximately 67.4 percent. The increase in net sales is primarily attributable to increased sales of development and project properties. Magnolia Bostad recognized revenue from 2,227 residential units in 2017, which is 103 more than the previous year.

Operating profit/loss

Magnolia Bostad's operating profit amounted to SEK 384 million in 2017, compared to SEK 409 million in 2016. The operating margin amounted to 21.6 percent in 2017, compared to 38.4 percent in 2016. The decrease in operating profit is primarily attributable to a somewhat lower margin in project sales due to a change in the mix of units, increased expenses of SEK 14 million for central administration, and lower earnings of

SEK 23 million from participations in associated companies and joint ventures. Magnolia Bostad strengthened its organization during the year and completed the acquisition of Svenska Vårdfastigheter, which explains the increase in costs for central administration to SEK 41 million (27). Earnings from associated companies decreased to SEK -9 million (14), primarily due to the loss from ownership in Sollentuna Stinsen JV AB of SEK -11 million (-), which is in line with the project development plan. In addition to the contribution from Sollentuna Stinsen JV AB, Kanikenäsvarvet Bostad HB contributed SEK 3 million (-) to earnings from participations in associated companies and joint ventures.

Financial income and expenses

Magnolia Bostad's net financial income/expense amounted to SEK -109 million in 2017, compared to SEK -90 million in 2016. The increase is primarily attributable to growth in assets that are financed externally.

Tax

Magnolia Bostad's tax costs amounted to SEK 0 million in 2017, compared to SEK 0 million in 2016. The Company's tax costs for 2017 are less than 22.0 percent of the profit before tax because certain reported income, primarily sales of companies, is not taxable.

Profit/loss for the year after tax

Magnolia Bostad's profit after tax amounted to SEK 276 million in 2017, compared to SEK 319 million in 2016, which corresponds to a profit margin of 15.5 percent in 2017, compared to 30.0 percent in the previous year.

Cash flow

Magnolia Bostad's cash flow from operating activities generated an outflow of SEK 617 million in 2017, compared to an outflow of SEK 22 million in 2016. The increase compared to 2016 is primarily the result of investments in development and project properties and deposits paid for projects for which possession has not yet been transferred. Cash flow from investment activities amounted to SEK -13 million in 2017, compared to SEK -101 million during the previous year. The difference compared to 2016 is attributable to the acquisition of Stinsen shopping center (SEK -100 million) through a company jointly-owned with Alecta, which had an effect on cash flow of SEK -100 million the previous year. The Company's cash flow from financing activities amounted to SEK 332 million in 2017, compared to SEK 437 million in 2016. The reduction compared to 2016 was primarily due to lower net borrowing. In total, the cash flow in 2017 amounted to SEK -298 million, compared to SEK 314 million in 2016.

The Group's financial position

Magnolia Bostad's balance sheet total amounted to SEK 3,550 million as at December 31, 2017, compared to SEK 2,746 million as at December 31, 2016. This constitutes a 29.3 percent increase, which is explained by the below.

Other long-term receivables

Magnolia Bostad's other long-term receivables amounted to SEK 1,165 million as at December 31, 2017, compared to SEK 397 million as at December 31, 2016. Other long-term receivables primarily consist of long-term receivables from purchasers of the projects, and the 193.5 percent increase is primarily attributable to sales of projects.

Other receivables

Magnolia Bostad's other receivables amounted to SEK 595 million as at December 31, 2017, compared to SEK 475 million as at December 31, 2016. Other receivables primarily consist of the current element of receivables from purchasers of the projects, and the 25.3 percent increase is primarily attributable to sales of projects, reallocation from other long-term receivables to current receivables, and is reduced due to payments received from purchasers.

Development and project properties

Magnolia Bostad's development and project properties amounted to SEK 1,310 million as at December 31, 2017, compared to SEK 1,160 million as at December 31, 2016. The 12.9 percent increase is primarily attributable to investments in the project portfolio and the acquisition of Svenska Vårdfastigheter AB and the acquired project portfolio comprising 12 projects distributed among approximately 825 residential care units.

Comparison between the financial years ended 2016 and 2015

The Group's profit/loss

Net sales

Magnolia Bostad's net sales amounted to SEK 1,064 million in 2016, compared to SEK 813 million in 2015, which corresponds to an increase of approximately 30.9 percent. The increase in net sales is primarily attributable to increased sales of development and project properties. Magnolia Bostad has recognized revenue from 2,124 apartments in 2016, which is 571 apartments more than the previous year.

Operating profit/loss

Magnolia Bostad's operating profit amounted to SEK 409 million in 2016, compared to SEK 296 million in 2015. The operating margin amounted to 38.4 percent in 2016, compared to 36.4 percent in 2015. The increase in operating profit is primarily attributable to more sold units during the year, namely 2,124 units in 2016 compared to 1,553 units in 2015. Magnolia Bostad strengthened the Company's organization in 2016, which meant that costs for central administration increased to SEK 27 million compared to SEK 13 million in 2015.

Financial income and expenses

Magnolia Bostad's net financial income/expense amounted to SEK -90 million in 2016, compared to SEK -49 million in 2015. The change in net financial income/expense is primarily attributable to growth in assets that are financed externally and costs in connection with repurchasing part of the bonds.

Tax

Magnolia Bostad's tax costs amounted to SEK 0 million in 2016, compared to 1 million in 2015. The Company's tax costs for 2016 are less than 22.0 percent of the profit before tax because certain reported income, primarily sales of companies, is not taxable.

Profit/loss for the year after tax

Magnolia Bostad's profit after tax amounted to SEK 319 million in 2016, compared to 245 million in 2015, which corresponds to a profit margin of 30.0 percent in 2016, compared to 30.1 percent in the previous year.

Cash flow

Magnolia Bostad's cash flow from operating activities generated an outflow of SEK 22 million in 2016, compared to an outflow of SEK 150 million in 2015. The change compared to 2015 was mainly due to the change in the development and project properties. Cash flow from investment activities amounted to SEK -101 million in 2016, compared to 0 million during the previous year. The difference compared to 2015 is attributable to the acquisition of Stinsen shopping center (SEK -100 million) through a company jointly-owned with Alecta. The Company's cash flow from financing activities amounted to SEK 437 million in 2016, compared to SEK 306 million in 2015. The increase compared with 2015 was mainly due to the bond issue Magnolia Bostad carried out in 2016. In total, the cash flow in 2016 amounted to SEK 314 million, compared to SEK 156 million in 2015.

The Group's financial position

Magnolia Bostad's balance sheet total amounted to SEK 2,746 million as at December 31, 2016, compared to SEK 1,825 million as at December 31, 2015. This constitutes a 50.5 percent increase, which is explained by the below.

Other long-term receivables

Magnolia Bostad's other long-term receivables amounted to SEK 397 million as at December 31, 2016, compared to SEK 216 million as at December 31, 2015. Other long-term receivables primarily consist of long-term receivables from purchasers of the projects, and the 83.8 percent increase is primarily attributable to sales of projects.

Other receivables

Magnolia Bostad's other receivables amounted to SEK 475 million as at December 31, 2016, compared to SEK 204 million as at December 31, 2015. Other receivables primarily consist of the current element of receivables from purchasers of the projects, and the 132.8 percent increase is primarily attributable to sales of projects, reallocation from other long-term receivables to current receivables, and is reduced due to payments received from purchasers.

Development and project properties

Magnolia Bostad's development and project properties amounted to SEK 1,160 million as at December 31, 2016, compared to SEK 1,139 million as at December 31, 2015. The 1.8 percent increase is primarily attributable to investments in the project portfolio.

Important accounting principles

For a description of important assessments and estimates for the Group's accounts in the application of the accounting principles, see Notes 1 and 2 in *"Historical financial information – Revised historical financial information for 2017, 2016 and 2015 – Notes"*.

Capitalization, indebtedness and other financial information

The tables in this section describe Magnolia Bostad's capitalization and net indebtedness as at March 31, 2018, i.e., the last reporting date before publication of this Prospectus. All information in the tables below is non-audited financial information. Information presented below should be considered together with "Operational and financial overview" and "Historical financial information" in the Prospectus. In addition to what is described in "Capitalization, indebtedness and other financial information – Significant events after March 31, 2018", no significant changes have occurred in Magnolia Bostad's capitalization or indebtedness since March 31, 2018.

Capitalization

In the table below, Magnolia Bostad's capitalization is summarized as at March 31, 2018, i.e. the last reporting date prior to the Listing. The table below includes both interest-bearing and non-interest-bearing liabilities.

SEK million	March 31, 2018
Current liabilities	
Against guarantee	–
Against security ¹⁾	531
Without guarantee or other security	408
Total current liabilities	939
Non-current liabilities	
Against guarantee	–
Against security ²⁾	776
Without guarantee or other security	679
Total non-current liabilities	1,455
Total current and non-current liabilities	2,394
Equity	
Share capital	151
Capital contributions	187
Retained profits	737
Holdings without a controlling influence	178
Total equity	1,254

1) SEK 416 million of which consists of security over shares and SEK 398 million of security over property. Some of the security comprises security over both shares and property.

2) SEK 689 million of which consists of security over shares and SEK 87 million of security over property.

Pledged assets

Magnolia Bostad's pledged securities amounted to SEK 1,534 million as at March 31, 2018, consisting of property mortgages of SEK 659 million, pledged shares in subsidiaries of SEK 831 million and pledged intra-group notes of SEK 43 million.

Contingent liabilities

Magnolia Bostad's contingent liabilities amounted to SEK 308 million as at March 31, 2018, consisting of guarantees in favor of liabilities in tenant-owners associations.

Pension commitments

The Group only has defined-contribution pension plans. In defined-contribution plans, the company pays fixed fees to an external public or private legal entity that manages the future pension commitments. The Group's profit is debited for costs as benefits are accrued. The Group has no additional payment commitments or other obligations once the fees are paid.

Net indebtedness

Magnolia Bostad's net indebtedness as at March 31, 2018, i.e. the final reporting date before the Listing, is summarized in the table below. The table below relates to both interest-bearing and non-interest-bearing liabilities.

Amounts in SEK million	March 31, 2018
A. Cash	–
B. Cash and cash equivalents	442
C. Easily realizable securities	–
D. Liquidity (A) + (B) + (C)	442
E. Current receivables	722
F. Current bank loans	656
G. Current proportion of non-current liabilities	–
H. Other current financial liabilities	283
I. Current interest-bearing liabilities (F) + (G) + (H)	939
J. Net current indebtedness (I) – (E) – (D)	–225
K. Non-current bank loans	359
L. Issued bonds	723
M. Other non-current loans	371
N. Non-current liabilities (K) + (L) + (M)	1,453
O. Net indebtedness (J) + (N)	1,228

Property, plant and equipment

As at March 31, 2018, the carrying amount for Magnolia Bostad's property, plant and equipment was SEK 8 million, consisting of machinery and equipment. However, there are no existing or planned significant property, plant and equipment.

Intangible assets

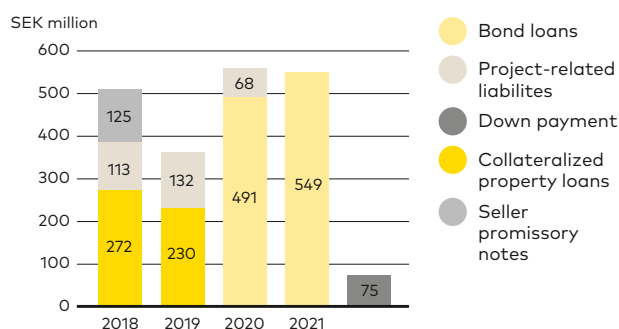
As at March 31, 2018, the carrying amount for Magnolia Bostad's intangible assets was SEK 7 million and consisted primarily of goodwill.

Financing structure

Magnolia Bostad's financing comprises, among other things, two issued bond loans. In April 2016, the Company issued senior secured four-year bonds in the initial amount of SEK 600 million (which, as at the date of the Prospectus, amount to SEK 500 million), with the possibility to issue subsequent bonds within a frame of SEK 750 million. Furthermore, in October 2016, the Company issued senior unsecured five-year bonds (which, as at the date of the Prospectus, amount to SEK 600 million), with the possibility to issue subsequent bonds within a frame of a total amount of SEK 1 billion. In addition, the Company's financing comprises bank loans totaling SEK 815 million, of which SEK 503 million is secured by means of a security over property. The remaining liabilities consist of vendor notes in the amount of SEK 125 million and deposits received of SEK 75 million. Furthermore, Magnolia Bostad has undrawn facilities in the amount of SEK 257 million, comprising primarily a revolving credit facility of a total amount of SEK 200 million with Magnolia Utveckling AB as borrower and Nordea as lender, and a revolving credit facility of a total amount of SEK 300 million with Magnolia Utveckling AB as borrower and Collector Bank AB as lender. For further information about the bonds, please see the section entitled "Legal considerations and supplementary information – Material agreements – 2016/2020 Bond issue" and "Legal considerations and supplementary information – Material agreements – 2016/2021 Bond issue".

The graph below summarizes as at March 31, 2018 the structure of Magnolia Bostad's liabilities in terms of when they mature. In addition to the information set out in the graph, as at March 31, 2018 Magnolia Bostad has undrawn credit facilities in the amounts of SEK 57 million and SEK 200 million, which mature in 2020.

Maturity structure



Working capital

The Company considers its available working capital to be sufficient to meet the Company's needs for at least the 12 months from the date of the Prospectus. In this sense, working capital means the Company's ability to obtain access to cash and cash equivalents in order to meet its payment obligations as they become due.

Magnolia Bostad's need for working capital is affected primarily by the rate at which the Company expands and invests in its project portfolio. During the period 2015–2017, the Company made extensive investments and the number of development and project properties increased, which resulted in an increase in the need for working capital during this period as well.

Investments

The table below summarizes the Group's total investments for the three-month period ending March 31, 2018 and the financial years ending 2017, 2016 and 2015.

	For the three months ending March 31, 2018	2017	2016	2015
(SEK million)				
Investments in intangible assets	0	1	–	1
Investments in property, plant and equipment	0	9	1	1
Investment in financial assets	1	3	100 ¹⁾	5

1) The investment consists of SEK 100 million in a joint venture with Alecia pensionsförsäkring, ömsesidigt. For further information, please see the section entitled "Legal considerations and supplementary information – Material agreements – Framework agreements" and Note 19 in the section entitled "Historical financial information – Revised historical financial information for 2017, 2016 and 2015 – Notes".

Ongoing or decided investments

Magnolia Bostad has no significant ongoing or decided future investments at the time of the Prospectus.

Significant changes after March 31, 2018

There were no significant changes in the Group's financial position or position on the market since March 31, 2018.

Board of directors, executive management and auditors

Board of directors

In accordance with Magnolia Bostad's articles of association, the board of directors must consist of between three (3) and seven (7) members elected by the Company's shareholders at a general meeting, with no deputies. At present, Magnolia Bostad's board of directors consists of six (6) members appointed by the shareholders at the annual general meeting for the period up to the end of the 2019 annual general meeting. There are no deputies on the Company's board of directors.

Magnolia Bostad's board of directors

Name	Position	Year of birth	Elected	Independent in relation to the	
				Principal Owner	Company and management
Fredrik Holmström	Chairman	1971	2009	No	No
Fredrik Tibell	Member	1966	2011	No	Yes
Andreas Rutili	Member	1975	2015	Yes	No
Risto Silander	Member	1957	2015	Yes	Yes
Jan Roxendal	Member	1953	2016	Yes	Yes
Viveka Ekberg	Member	1962	2017	Yes	Yes

The members of Magnolia Bostad's board of directors are listed below, stating when they were elected and their age, title, shareholding in the Company and current positions and positions held in the past five years. The shareholding specified for each board member relates to his or her current shareholding at the date of the Prospectus. The shareholdings include shareholdings of the member's husband, wife and children under legal age and shareholdings via companies in which the member in question holds a significant ownership and/or exercises significant influence.



Fredrik Holmström (born in 1971)

Fredrik Holmström has been chairman of Magnolia Bostad since 2009.

Fredrik Holmström is also owner, a board member and the CEO of F. Holmströmgruppen AB, F. Holmström Fastigheter AB and F. Holmström Fastigheter i Nynäshamn AB. Fredrik Holmström is also chairman of the board of directors of Emilsborg Property Nybro AB and Klematis Fastigheter AB, a board member of F. Holmström Private Equity AB, Pelle Holmström Aktiebolag, Pelle Holmström Nederön AB, Bonäsudden Holding AB, Bonäsudden Fastighets AB, Sachajuan Haircare Aktiebolag, Stars & Angels Productions AB, and Vincero Fastigheter 3 AB.

On the Group's behalf, Fredrik Holmström also holds positions in certain group companies that are not wholly owned, such as chairman of the board of directors of Magnolia Hotellutveckling AB and Magnolia Hotellutveckling 2 AB, board member of Moutarde Holding AB and Moutarde Equity AB, and deputy board member of FL Properties Uppsala AB.

During the past five years, Fredrik Holmström has been, but is no longer, a board member of Travel Agency Holding Sweden AB and a deputy board member of Sinclair PR & Communications AB, Uppsala Väststolen Bostads AB and Moutarde Holding AB. Fredrik Holmström is also one of the founders of Magnolia Bostad.

Fredrik Holmström has a BSBA in Finance from IUM, Monaco (formerly the University of Southern Europe).

Fredrik Holmström holds 21,321,837 shares in the Company (through the company wholly owned by Fredrik Holmström, F. Holmström Fastigheter AB).



Fredrik Tibell (born in 1966)

Fredrik Tibell has been a board member of Magnolia Bostad since 2011.

Fredrik Tibell is also owner, a board member and the CEO of Caritas Corporate Finance AB. Fredrik Tibell is also chairman of the board of directors of Svenska husgruppen AB, Svenska husgruppen Holding AB, Svenska husgruppen Bygg AB, Svenska husgruppen Intressenter AB, Forsgrens Timmerhus AB, and Faluhus AB, and a deputy board member of F. Holmströmgruppen AB, F. Holmström Fastigheter AB, F. Holmström Private Equity AB, F. Holmström Fastigheter i Nynäshamn AB, Pelle Holmström AB, Klematis Fastigheter AB, Emilsborg Property Nybro AB, Stars & Angels Productions AB, Synergy Tower AB, and Uljaberg Intressenter AB.

On the Group's behalf, Fredrik Tibell also holds positions in certain group companies that are not wholly owned, such as chairman of the board of directors of FL Properties Uppsala AB, board member of Moutarde Holding AB, Moutarde Equity AB, Magnolia Hotellutveckling AB and Magnolia Hotellutveckling 2 AB, and deputy board member of Magnolia Senap AB.

During the past five years, Fredrik Tibell has been, but is no longer, chairman of the board of directors of Travel Agency Invest II AS, Travel Agency Holding Sweden AB, and a board member of Uppsala Väststolen Bostads AB, Holiday Wheels Nordics AB, Travel Agency I AB, Travel Capital AB and Caritas Corporate Support AB.

Fredrik Tibell studied Economics at Stockholm University.

Fredrik Tibell holds 10,000 shares in the Company (through the company wholly owned by Fredrik Tibell, Caritas Corporate Finance AB).



Andreas Rutili (born in 1975)

Andreas Rutili has been a board member of Magnolia Bostad since 2015.

Andreas Rutili is also chairman of the board of directors of Vincero AB, Vincero Invest AB, Vincero Fastigheter AB, Viva Bostad AB, Mulino Fastigheter 1 AB, BFB Fastigheter AB and Provberg Fastigheter 1 AB, a board member and the CEO of Vitosha Capital AB and Vitosha One AB, a board member of Vincero Invest 1 AB, Vincero Senap Holding AB, Vincero Utveckling AB, Mulino Fastigheter AB, Mulino Fastigheter Holding AB, FLUPP AB, Sjöålen Fastigheter 5 AB, Senapsfabriken Uppsala AB, Senapsfabriken Fastigheter AB, Flemingsdal Fastigheter 1 AB, Flemingsdal Fastigheter 2 AB, Flemingsdal Fastigheter Holding AB, Flemingsdal Fastigheter 2 Holding AB, Sjöålen Fastigheter Holding AB, Sjöålen Fastigheter Holding 3 AB, Sjöålen Fastigheter 7 Holding AB, Sjöålen Fastigheter 8 Holding AB, Sjöålen Fastigheter 1 AB, Sjöålen Fastigheter 6 AB, Sjöålen Fastigheter 7 AB, Sjöålen Fastigheter 8 AB, Sjöålen Fastigheter 9 AB, Cavallino Fastigheter Holding AB, Cavallino Fastigheter 1 Holding AB, Cavallino Fastigheter 1 AB, Primo Veddesta Fastigheter Holding AB, Primo Veddesta Fastigheter 1 Holding AB, Primo Veddesta Fastigheter AB, and Arda Ekonomisk förening, and a deputy board member of Vincero Fastigheter 1 AB, Vincero Fastigheter 2 AB, Vincero Fastigheter 3 AB, Vincero Invest 2 AB and Rickard E Danielsson AB.

On the Group's behalf, Andreas Rutili also holds positions in certain group companies that are not wholly owned, such as chairman of the board of directors of Magnolia Senap AB, Moutarde Equity AB and Moutarde Holding AB, and board member of Söderblick Utveckling AB, Söderblick Produktion AB and FL Properties Uppsala AB.

During the past five years, Andreas Rutili has been, but is no longer, chairman of the board of directors of Mulino Fastigheter 2 AB, Uppsala Väststolen Bostads AB, Termino C 121 AB and Förvaltningsbolaget Kängen 44:1 Aktiebolag, and a board member of Viva Bostad Sländan AB, Terraviva 1 AB, Mulino Fastigheter AB, Flemingsdal Fastigheter 1 Holding AB, Sjöålen Fastigheter AB, Alimenta AB, H9 Fastighets AB, Höllviken Utveckling AB, Termino C 143 AB, Termino C 142 AB, Albrektsvägen Fastighetsutveckling AB, T18 Holding Aktiebolag and Provberg Fastigheter 2 AB. Furthermore, Andreas Rutili has been a general partner at Danielsson & Rutili Kommanditbolag and Terraviva Kommanditbolag. Andreas Rutili is also one of the founders of Magnolia Bostad and was the Company's CEO during the years 2009–2015.

Andreas Rutili studied economics at Uppsala University and Stockholm University.

Andreas Rutili holds 2,938,565 shares in the Company via endowment insurance with Danica Pension.



Risto Silander (born in 1957)

Risto Silander has been a board member of Magnolia Bostad since 2015.

Risto Silander is also a board member of Varenne AB, Stronghold Invest AB (publ), Niam AB, Brevan Howard Funds, Endeavour Pembroke Funds, BH-DG Funds, Trygg Stiftelsen and Gamla Livförsäkringsaktiebolaget SEB Trygg Liv. Risto Silander is also the chairman of the board of directors of Fountainhead AB, Yeoville AB, Roark Investments AB and Bånudden Fastighets AB.

During the past five years, Risto Silander has been, but is no longer, a board member of E. Öhman J:or Aktiebolag, E. Öhman J:or Holding AB, ZenGroup AB, ZenMgmt AB and ECAM AB.

Previously, Risto Silander was also the CEO of Alfred Berg and held senior executive positions at Svenska Handelsbanken, Goldman Sachs and UBS.

Risto Silander has a degree in Business and Economics from the Stockholm School of Economics.

Risto Silander holds 80,000 shares in the Company (through the company wholly owned by Risto Silander, Yeoville AB).



Jan Roxendal (born in 1953)

Jan Roxendal has been a board member of Magnolia Bostad since 2016.

Jan Roxendal is also chairman of the board of directors of Andra AP-fonden and Exportkreditnämnden, a board member of Catella AB, and owner and the chairman of the board of directors and CEO of Roxtra AB. Jan Roxendal is also a board member of Stiftelsen Serafimerlasarettet.

During the past five years, Jan Roxendal has been, but is no longer chairman of the board of directors of Flexenclosure AB (publ), mySafety Försäkringar AB and mySafety Group AB, and a board member of Aktiebolaget Svensk Exportkredit.

Jan Roxendal has also previously been Group Chief Executive and CEO of Intrum Justitia AB, VP and member of the executive management of the ABB Group, and Group Chief Executive of ABB Financial Services, and has held several other senior executive positions in the ABB Group.

Jan Roxendal holds a higher general banking degree from Studierådet för Affärsbankerna.

Jan Roxendal holds 5,000 shares in the Company via endowment insurance with Swiss Life KP. Jan Roxendal also holds bonds in the 2016/2020 bond issue at an amount of SEK 1,000,000 via endowment insurance with Swiss Life KP. For more information about the bonds, see "Legal considerations and supplementary information – Material agreements – 2016/2020 Bond issue".



Viveka Ekberg (born in 1962)

Viveka Ekberg has been a board member of Magnolia Bostad since 2017.

Viveka Ekberg is also chairman of the board of directors of Nordic Cross Asset Management AB, a board member of Lindab International AB (publ), Svolder Aktiebolag (publ), CAG Group AB, AREIM AB, SPP Pension & Försäkring AB (publ), Marmot Förvaltning AB and Skagen A/S (in Norway), and a deputy board member of Sechrall AB, Sechrall II AB, Sechrall 4 AB and Sechrall 952 AB. Viveka Ekberg is also chairman of the board of directors of Apoteket AB:s Pensionsstiftelse, a board member of and vice-chairman of the board of directors of Stiftelsen Affärsvärlden, and a board member of Centrum för Rättvisa.

During the past five years, Viveka Ekberg has been, but is no longer, a board member of Piab Group AB, Piab International AB, Piab Management AB, Bluestep Bank AB (publ), Bluestep Holding AB, Catella AB (publ), Forex Bank Aktiebolag, Estea AB, SPP Spar AB, EndCo 1042 Sweden AB, Fastighetsaktiebolaget Skärvagsvålen I, Fastighetsaktiebolaget Skärvagsvålen II, Fastighetsaktiebolaget Skärvagsvålen III, Estea Sverige fastigheter 2 AB (publ), Estea Sverige fastigheter 3 AB (publ), Estea Logistic Properties 5 AB and SPP Livförsäkring AB (publ). Viveka Ekberg has also been chairman of the Swedish Childhood Cancer Foundation's Board of Finance.

Viveka Ekberg has a degree in Business and Economics, majoring in Accounting and Finance and International Business from the Stockholm School of Economics.

Viveka Ekberg holds 20,000 shares in the Company (10,000 of which are held through the company wholly owned by Viveka Ekberg, Marmot Förvaltning AB, via endowment insurance with Swedbank AB (publ)).

Executive management

The following table lists the name, position, year of birth and year of employment of Magnolia Bostad's executive management.

Magnolia Bostad's executive management

Name	Position	Year of birth	Position held since
Fredrik Lidjan	CEO	1973	2015
Fredrik Westin	CFO	1973	2016
Erik Rune	VP and COO	1973	2016 ¹⁾
Rickard Langerfors	VP and Head of Project Development	1972	2011
Suzana Bossel	Marketing and Communications Manager	1973	2014
Camilla Weiner	Sustainability Manager	1968	2017
Linda Wiman	Business Area Development Manager	1975	2017
Stefan Berg	Business Development Manager	1979	2017

1) During the period from February 2015 to September 2016, Erik Rune was VP and CFO of the Company and VP and Head of the Business Development Department during the period from September 2016 to November 2017.

The Company's management team consists of eight individuals. The members of the executive management are listed below, stating when they joined the Company and their age, position, shareholding in the Company and each person's current positions and positions held in the past five years. The shareholding specified for each individual relates to his or her current shareholding at the date of the Prospectus. The shareholdings include shareholdings of the individual's husband, wife and children under legal age and shareholdings via companies in which the individual in question holds a significant ownership and/or exercises significant influence.



Fredrik Lidjan (born in 1973)

Fredrik Lidjan has been the CEO of Magnolia Bostad since 2015.

Fredrik Lidjan is also an owner and a board member of Fredrik Lidjan AB (FLAB), and a board member of Magnolia Holding 3 AB, Magnolia Holding 4 AB, Magnolia Hotellutveckling AB and Magnolia Hotellutveckling 2 AB.

On the Group's behalf, Fredrik Lidjan also holds positions in certain group companies that are not wholly owned, such as chairman of the board of directors and CEO of Fastighet Senapsfabriken kv 3 AB, Holding Senapsfabriken kv 3 AB, Holding Senapsfabriken Parkering kv2 AB, Fastighet Senapsfabriken Parkering kv 2 AB, Holding Senapsfabriken Parkering kv 3 AB, Fastighet Senapsfabriken Parkering kv 3 AB, Holding Senapsfabriken del av etapp 2 AB, Fastighet Senapsfabriken del av etapp 2 AB and Moutarde Holding Senapsfabriken etapp 2 AB, chairman of the board of directors of Sollentuna Stinsen Holding 1 AB and Sollentuna Stinsen JV AB, and a board member of Sollentuna Stinsen Property 1 AB and Magnolia Senap AB.

During the past five years, Fredrik Lidjan has been, but is no longer, chairman of the board of directors and CEO of Varvet 2 Bostäder AB and Holding Senapsfabriken kv 2 AB, chairman of the board of directors of T18 Holding Aktiebolag, a board member and the CEO of Nox Invest AB, which was subject to compulsory liquidation in 2013, and a board member of Valsta Bostad 4 AB. Fredrik Lidjan has been Business Manager for tenant-owned housing development at Magnolia Bostad and has served on the board of directors of F. Holmström Fastigheter AB. Fredrik Lidjan also has extensive experience of properties, housing development, risk management and financing, including in his position as a transaction manager at DTZ and as a credit analyst at Skandinaviska Enskilda Banken AB (publ).

Fredrik Lidjan has a degree in Business and Economics from the University of California, Los Angeles, USA.

Fredrik Lidjan holds 155,300 shares in the Company.



Fredrik Westin (born in 1973)

Fredrik Westin has been the CFO of Magnolia Bostad since 2016.

On the Group's behalf, Fredrik Westin also holds positions in certain group companies that are not wholly owned, such as board member of Fastighet Senapsfabriken kv 3 AB, Fastighet Senapsfabriken Parkering kv 2 AB, Fastighet Senapsfabriken Parkering kv 3 AB, Holding Senapsfabriken kv 3 AB, Holding Senapsfabriken Parkering kv2 AB, Holding Senapsfabriken Parkering kv 3 AB, Holding Senapsfabriken del av etapp 2 AB, Fastighet Senapsfabriken del av etapp 2 AB and Moutarde Holding Senapsfabriken etapp 2 AB, and deputy board member of Sollentuna Stinsen Holding 1 AB and Sollentuna Stinsen JV AB.

During the past five years, Fredrik Westin has been, but is no longer, a board member of Holding Senapsfabriken kv 2 AB. Fredrik Westin has also been a Financial Manager at Kungsleden and also has a background as Chief Analyst and Accounting Manager at GE Capital Real Estate Nordic.

Fredrik Westin has a degree in Business and Economics from the Gothenburg School of Economics.

Fredrik Westin holds 1,600 shares and 20,000 warrants in the Company.



Erik Rune (born in 1973)

Erik Rune has been VP and COO at Magnolia Bostad since 2015.

Erik Rune is also a board member of EWTR Invest AB.

On the Group's behalf, Erik Rune also holds positions in certain group companies that are not wholly owned, such as a deputy board member of Fastighet Senapsfabriken kv 3 AB, Holding Senapsfabriken kv 3 AB, Holding Senapsfabriken Parkering kv2 AB, Holding Senapsfabriken Parkering kv 3 AB, Fastighet Senapsfabriken Parkering kv 2 AB, Fastighet Senapsfabriken Parkering kv 3 AB, Holding Senapsfabriken del av etapp 2 AB, Fastighet Senapsfabriken del av etapp 2 AB and Moutarde Holding Senapsfabriken etapp 2 AB.

During the past five years, Erik Rune has been, but is no longer chairman of the board of directors of Valsta Bostad 4 AB and a board member of NPF Sweden Holding AB, Trophi Daily 1 AB, Trophi Daily 2 AB, Trophi Daily 3 AB, Trophi Daily 4 AB, Trophi Daily 5 AB, Trophi Daily 6 AB, Trophi Daily 7 AB, Trophi Daily 8 AB, Trophi Daily 9 AB, Sollentuna Stinsen Property 1 AB, GenJärn Borås Fastighet AB, NPF Sweden Investment Holding AB, NPF Sweden Holding 2 AB, NPF Sweden 3 AB, NPF Sweden 5 AB, NPF Sweden 10 AB, NPF Sweden 12 AB, NPF Sweden 16 AB, NPF Sweden 20 AB, Falkenberg Bostad Utvecklings AB, Genova Gördelmakaren 5 AB, Lillån Center AB, Genova Viby Fastighet AB, Power Gate Property AB, Klockarbäcken Fastighets AB, Fastighets AB Nygård 2:14, Oiger Baronen AB, Varvet 2 Bostäder AB, Fastighet Senapsfabriken kv 3 AB, Holding Senapsfabriken Parkering kv2 AB, Holding Senapsfabriken Parkering kv 3 AB, Fastighet Senapsfabriken Parkering kv 2 AB, Fastighet Senapsfabriken Parkering kv 3 AB, NPF Finland Megastock Holding Oy, NPF Megahertsi Oy, NPF Rautatalo Oy, NPF Kluuvi Oy, NPF Merikortelli Oy, NPF Finland Kluuvi Holding Oy, AFIAA Brondankulma Oy, NPF Finland Holding Oy, AFIAA Finland Bronda Holding Oy and Holding Senapsfabriken kv 2 AB and a deputy board member of CBRE Global Investors Nordics AB. Erik Rune has also been CFO and Head of the Business Development Department of the Company, CFO in the Nordic region of CBRE Global Investors, has worked in property financing at Eurohypo and Skandinaviska Enskilda Banken AB (publ) and in property advisory services at Skandinaviska Enskilda Banken AB (publ).

Erik Rune has a degree in Business and Economics from the Stockholm School of Economics.

Erik Rune holds 175,000 shares (through EWTR Invest AB, a company wholly owned by Erik Rune via endowment insurance with Nordnet Pensionsförsäkring AB), and 87,500 warrants in the Company.



Rickard Langerfors (born in 1972)

Rickard Langerfors has been VP and Head of Project Development at Magnolia Bostad since 2011.

Rickard Langerfors is also a board member of Urban Green AB and Langholding AB.

On the Group's behalf, Rickard Langerfors also holds positions in certain group companies that are not wholly owned, such as a deputy board member of Magnolia Senap AB, Söderblick Utveckling AB, Söderblick Produktion AB, Holding Senapsfabriken Parkering kv2 AB, Holding Senapsfabriken kv 3 AB, Holding Senapsfabriken Parkering kv 3 AB, Fastighet Senapsfabriken Parkering kv 2 AB, Fastighet Senapsfabriken kv 3 AB, Fastighet Senapsfabriken Parkering kv 3 AB, Holding Senapsfabriken del av etapp 2 AB, Fastighet Senapsfabriken del av etapp 2 AB and Moutarde Holding Senapsfabriken etapp 2 AB, and is the CEO of Stinsen JV AB.

During the past five years, Rickard Langerfors has been, but is no longer, a board member of Valsta Bostad 4 AB and a deputy board member of Termino C 121 AB, Termino C 142 AB, Holding Senapsfabriken kv 2 AB, Albrektsvägen Fastighetsutveckling AB and Varvet 2 Bostäder AB. Rickard Langerfors was also a project manager at Skanska with responsibility for housing development, including Järvastaden. Rickard Langerfors also has as background as a product manager with responsibility for standardization of Skanska's housing production in Sweden and as a project manager at HSB with responsibility for the Hammarby Sjöstad, among other things.

Rickard Langerfors has a degree in Engineering from the Royal Institute of Technology.

Rickard Langerfors holds 294,000 shares (via endowment insurance with Nordnet Pensionsförsäkring AB through the company wholly owned by Rickard Langerfors, Langholding AB), and 16,000 warrants in the Company.



Suzana Bossel (born in 1973)

Suzana Bossel has been Head of Marketing and Communications at Magnolia Bostad since 2014.

Suzana Bossel is also owner and a board member of Plava Invest AB and is a board member of Bossel Solutions AB.

During the past five years, Suzana Bossel has been, but is no longer, Head of Marketing for Ettelva Arkitekter. Suzana Bossel has extensive experience of concept development, trademark matters and PR in the housing industry, including from JM AB, as Marketing Manager for single-family home developer, Arkitekthus's business activities in Sweden and Norway and from her own business as communication consultant for, for example, projects for Peab in Gothenburg and Stockholm.

Suzana Bossel has a degree in Marketing and Economics DIHM from IHM Business School and a degree in Technical Editing from Mälardalen University.

Suzana Bossel holds 105,000 shares (through the company wholly owned by Suzana Bossel, Plava Invest AB), and 15,000 warrants in the Company.



Camilla Weiner (born in 1968)

Camilla Weiner has been Sustainability Manager at Magnolia Bostad since 2017.

Camilla Weiner is also owner, the CEO and a board member of Weiner Kommunikation AB.

During the past five years, Camilla Weiner has been, but is no longer, Head of IR and Sustainability at Pandox AB. Camilla Weiner has a background as a communications director and sustainability director in listed companies such as Securitas AB, Axfood AB, Ahlsell AB and SCA AB and as an auditor at PricewaterhouseCoopers.

Camilla Weiner has a degree in Business and Economics from Uppsala University.

Camilla Weiner holds no shares in the Company.



Linda Wiman (born in 1975)

Linda Wiman has been Head of the Business Development Area at Magnolia Bostad since 2017.

During the past five years, Linda Wiman has been, but is no longer Head of Sales and Head of Marketing at JM AB.

Linda Wiman has a degree in Marketing and Economics DIHM from IHM Business School.

Linda Wiman holds 3,000 warrants and, through a closely related party to Linda Wiman, 350 shares in the Company.



Stefan Berg (born in 1979)

Stefan Berg has been the Head of Business Development at Magnolia Bostad since 2017.

During the past five years, Stefan Berg has been, but is no longer, chairman of the board of directors and CEO of ESCF II Sweden Holding AB, PEC Tobaksmonopolet AB and Pan European Core Sweden Holding AB, chairman of the board of directors of CBRE Global Investors Nordics AB, ESCF Sweden Valbo Centrum AB, ESCF Sweden Valbo Holding AB and ESCF II Sweden Jägersro AB. Stefan Berg has also been a board member of NPF Sweden 3 AB, NPF Sweden 10 AB, NPF Sweden 12 AB, NPF Sweden 16 AB, NPF Sweden 20 AB, NPF Sweden Holding AB, NPF Sweden Holding 2 AB, NPF Sweden Investment Holding AB, CBRE Global Investors Finland Oy, NPF Kluuvi Oy, NPF Rautatalo Oy, NPF Finland Kluuvi Holding Oy, NPF Finland Megastock Holding Oy, Kirkkokatu 14, Trophi Daily 1 AB, Trophi Daily 2 AB, GenJärn Borås Fastighet AB, NPF Sweden 5 AB, Falkenberg Bostad Utvecklings AB, Trophi Daily 3 AB, Genova Gördelmakaren 5 AB, Trophi Daily 4 AB, Trophi Daily 5 AB, Lillån Center AB, Trophi Daily 6 AB, Trophi Daily 7 AB, Trophi Daily 8 AB, Fastighets AB Nygård 2:14, Klockarbäcken Fastighets AB, Power Gate Property AB, Genova Viby Fastighet AB, Trophi Daily 9 AB, Sollentuna Stinsen Property 1 AB, Oiger Baronen AB, ESCF Tyresö Centrum AB, TyresöHandel AB, ESCF Sweden Holding AB, ESCF Fastighets Valbo Köpcentrum AB, NPF Megahertsi Oy, NPF Finland Bronda Holding Oy, Merikortteli Oy, and a member of executive management of REI Denmark Aps. Stefan Berg has also been Managing Director and Head of Asset Management at CBRE Global Investors Nordics AB, a Senior Associate at Pembroke Real Estate, and Head of Asset Management at Genesta Property Nordics.

Stefan Berg has a Master of Science degree in land surveying from the Royal Institute of Technology.

Stefan Berg holds 12,000 warrants in the Company.

Further information on the board members and executive management

There are no family ties between any of the board members or the members of the executive management. None of the individuals on the Company's board of directors or management have, in the past five years, (i) been convicted of any fraud-related offenses, (ii) other than as referred to above, represented a company that has filed for bankruptcy or receivership, or applied for compulsory winding-up or undergone company reorganization, (iii) been subject to complaints or sanctions from government authorities or bodies acting for particular professional groups under public law, or (iv) been subject to injunctions by a court to act as a board member or senior executive or carry out any other form of business activity.

Fredrik Tibell, through his fully-owned company Caritas Corporate Finance AB, has been appointed as a consultant to the Company to a limited extent. Fredrik Holmström's company, F. Holmström Fastigheter AB, the Principal Owner, has entered into a management agreement with the Company in relation to six of Magnolia Bostad's properties. The Principal Owner has granted a loan of SEK 4 million to FLAB, which is wholly owned by the CEO. The Company's CEO holds ten percent of the shares in Magnolia Holding 3 AB, 24 percent of the shares in Magnolia Hotellutveckling AB and 8 percent of the shares in Magnolia Holding 4 AB and Magnolia Hotellutveckling 2 AB through FLAB. The minority ownership in Magnolia Holding 3 AB and Magnolia Hotellutveckling AB was established before Fredrik Lidjan was appointed as CEO of the Company. Furthermore, before Fredrik Lidjan was appointed as CEO of the Company, FLAB had entered into agreements with some of the Company's subsidiaries. For more information about FLAB, see "*Legal considerations and supplementary information – Minority ownership structure*". As the Company understands it, these transactions were carried out on market terms.

Viva Bostad Sländan AB, a company in which Andreas Rutili holds indirect ownership but not a controlling influence, acquired the Sländan project, consisting of approximately 130 apartments, from Magnolia Bostad on March 31, 2017. On September 29, 2017, Viva Bostad Nynäshamn AB, a company in which Andreas Rutili has an indirect holding but not a controlling influence, acquired the Fyren phase 1 project, consisting of 220 apartments, from Magnolia Bostad. Vincero AB, a company in which Andreas Rutili owns 50 percent and the other 50 percent is owned by a closely related party to Andreas Rutili, holds, through a company structure, ownership corresponding to 16.7 percent of the group company, Moutarde Holding AB. Andreas Rutili is thus entitled to a share of the profits in the Senapsfabriken phase 1 and Senapsfabriken phase 2 projects.

For further information on transactions with related parties, see "*Legal considerations and supplementary information – Transactions with related parties*".

Otherwise, there are no potential conflicts of interest for the board members and members of the executive management in relation to their work at the Company.

The fact that certain executives at the Company are active in other companies, in accordance with what is described above, may cause conflicts of interest to arise. Members of the executive management at the Company sometimes have to act as board members or chief executive officers in subsidiaries and associated companies within the framework of their employment. Such positions involve a duty of loyalty to these companies in terms of working in their interests, which do not necessarily coincide with the Company's interests. The conflicts of interest described are dealt with according to the rules for disqualification in the Swedish Companies Act.

No-one in the Company's management has made any agreement with major shareholders, any customers, suppliers or other parties in accordance with which the senior executive was voted on to the Company's board of directors or commenced employment as CEO.

No company within the Magnolia Bostad Group has entered into agreements with board members or members of the executive management on benefits after the engagement has ended. For information on the Company management's right to severance pay if their employment in the Company is terminated, see "*Corporate Governance – Remuneration to board members and executive management – Remuneration to the CEO and other executive management*".

No-one in the Company's management has entered into agreements involving a limitation on transferring securities in the Company for a specific period.

All board members and members of the executive management are available at the Company's address: Sturegatan 6, SE-102 40 Stockholm.

Auditors

The Company's auditors are Ernst & Young AB, Box 7850, 103 99 Stockholm, with Fredric Hävrén (born in 1971) as auditor-in-charge, Ingemar Rindstig (born in 1949) as the individually appointed auditor, and Mikael Ikonen (born in 1962) as the deputy auditor. All three were elected at the 2018 annual general meeting for the period up to the end of the 2019 annual general meeting. Fredric Hävrén, Ingemar Rindstig and Mikael Ikonen are all authorized auditors and members of FAR. Ingemar Rindstig has a business address of Box 1448, 751 44 Uppsala, Sweden, and Mikael Ikonen has a business address of Box 7850, 103 99 Stockholm.

Ernst & Young AB and Ingemar Rindstig, but not Fredric Hävrén and Mikael Ikonen, have been the auditor and auditor-in-charge or individually appointed auditor, respectively, for the Company for the entire period covered by the revised historical financial information in the Prospectus. The Company's auditors reviews the consolidated financial statements and annual reports for the ultimate parent company and subsidiaries and issues an auditor's report. The external audit is conducted in accordance with generally-accepted auditing principles in Sweden.

Corporate governance

Magnolia Bostad AB is a Swedish public limited liability company. Before the Listing, the Company's corporate governance was based primarily on Swedish laws and rules, e.g. the Swedish Companies Act (2005:551) and the Swedish Annual Accounts Act (1995:1554), the Company's articles of association and internal rules and instructions. As a company listed on Nasdaq Stockholm, the Company will apply Swedish law and rules, the Company's articles of association, internal rules and instructions, Nasdaq Stockholm's rules for issuers and the Swedish Code of Corporate Governance (the "Code") and other applicable Swedish and foreign laws and rules. The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and has been applied by the Company since January 2017. The Code specifies a standard for good corporate governance at a higher level of ambition than the minimum requirements set out in the Swedish Companies Act and other rules. The Code is based on the principle of "comply or explain". This means that the Company is not obliged to comply with each rule in the Code at all times, but can choose other solutions that are deemed more suitable to the situation in the particular case, provided that the Company openly reports each such deviation, describes the solution selected instead, and states the reason for this. The Company does not expect to deviate from any of the regulations in the Code, although (for personal reasons) the Company's CEO was not able to attend the extraordinary general meeting of the Company that was held on October 13, 2017.

The primary objective of Magnolia Bostad's corporate governance is to create a framework for rules, areas of responsibility and processes and procedures that effectively protects the interests of shareholders and other parties by minimizing risks and bringing about conditions for a secure expansion of the Company's activities.

General meetings

According to the Swedish Companies Act, the general meeting is the Company's highest decision-making body. The general meeting can determine any matter at the Company that does not expressly fall under the exclusive competency of another company body. At the annual general meeting, which must be held within six months of the end of the financial year, shareholders exercise their voting rights on matters such as adopting the income statement and balance sheet, distributing the Company's profit or loss, deciding whether or not to discharge board members and the CEO from liability, electing board members and an auditor, and determining the remuneration to board members and the auditor.

In addition to the annual general meeting, extraordinary general meetings can be convened. According to the articles of association, notices of general meetings must be announced in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and by publishing the notice on the Company's website. A notice that the meeting has been convened must be placed at the same time in Dagens Industri with information that the meeting has been convened.

The chairman of the board of directors, as many other board members as possible and the CEO must be present at extraordinary general meetings of the Company. In addition to the above, at least one member of the nomination committee and, if possible, all board members must attend the annual general meeting.

Right to attend general meetings

All shareholders that are registered directly in the share register maintained by Euroclear five business days before the general meeting and that notify the Company no later than on the date stated in the notice of the general meeting of their intention to participate in the meeting have a right to attend in the general meeting and vote according to the number of shares they hold. Shareholders can attend in the general meeting in person or via a representative and can also be accompanied by not more than two assistants.

Initiatives from shareholders

Shareholders who wish for a matter to be discussed at the general meeting must submit a request in writing to that effect to the board of directors. The request must normally have been received by the board of directors no later than seven weeks before the general meeting.

Nomination committee

At the annual general meeting held on April 26, 2017, the Company decided to establish a nomination committee and to adopt instructions for the nomination committee. According to the instructions, the nomination committee must consist of the chairman of the board of directors and members representing the three largest shareholders of the Company according to the share register maintained by Euroclear Sweden as at September 30 of the year before the annual general meeting that wish to participate in the nomination work. The instructions for the nomination committee comply with the Code in relation to the appointment of the members of the nomination committee. The composition of the nomination committee before each annual general meeting must be published at least six months before the annual general meeting. No remuneration will be paid to the members of the nomination committee. The Company

will pay the necessary costs incurred by the nomination committee in connection with its work. The mandate period for the nomination committee runs until the composition of the next nomination committee is published.

The nomination committee's primary tasks are to nominate candidates to the posts of chairman at the annual general meeting, submit proposals for the number of board members, nominate a chairman of the board of directors and other board members, submit proposals for fees and other remuneration for each board member and submit proposals for remuneration for committee work for each board member. The nomination committee must also nominate candidates to the position of auditor and submit proposals for the fees to the auditor taking into consideration the recommendation from the audit committee. The nomination committee must safeguard the common interests of all shareholders in the matters that fall within its area of responsibility. The nomination committee must perform its tasks in accordance with the Code and thus observe the requirement for diversity and breadth in the Company's board of directors in particular.

Board of directors

The board of directors is the highest decision-making body after the annual general meeting and the highest executive body. The board of directors' responsibility is primarily governed by the Swedish Companies Act, the Company's articles of association and the Code. In addition to this, the board of directors' work is governed by guidelines from the annual general meeting and the board of directors' rules of procedure. The board of directors' rules of procedure, which have been adopted by the Company's board of directors and is reviewed annually, regulates the division of work and responsibilities between the board of directors, the chairman of the board of directors and the CEO and specifies a system for financial reporting for the CEO. The board of directors also adopts instructions for the board of directors' committees and instructions for the CEO as well as instructions for financial reporting.

The board of directors' tasks include establishing strategies, business plans and budgets, annual and interim reports, and annual financial statements, and adopting instructions, policies and guidelines. The board of directors is also required to monitor economic trends and ensure the quality of financial reporting and the internal control and to evaluate business activities based on the targets and guidelines established by the board of directors. Finally, the board of directors makes decisions in relation to the Company's significant investments and changes in the organization and business activities.

The chairman of the board of directors leads the board of directors' work, is responsible for ensuring that the board of directors' work is carried out efficiently and

that the board fulfills its obligations in accordance with applicable laws and rules. In particular, the chairman of the board of directors must monitor the board of directors' performance and prepare and chair board meetings. The chairman of the board of directors is also responsible for ensuring that the board evaluates its work every year and always obtains the information it needs to be able to perform its work efficiently. The chairman of the board of directors represents the board in relation to the Company's shareholders.

The board members, with the exception of the employee representatives, are elected annually at the annual general meeting for the period up to the end of the next annual general meeting. According to the Company's articles of association, the board of directors must comprise no less than three and no more than seven members elected at the annual general meeting, with no deputies. As at the date of the Prospectus, the Company's board of directors consists of six ordinary members elected at the annual general meeting, with no deputies. The board members are presented in more detail in "*Board of directors, executive management and auditors*".

Audit committee

The board of directors has appointed an audit committee in accordance with the Swedish Companies Act. According to the Swedish Companies Act, members of the audit committee may not be employed by the Company, and at least one member of the audit committee must have qualifications in accountancy or auditing. The audit committee must consist of three members, of which a majority must be independent in relation to the Company and its management, and at least one of the members who is independent in relation to the Company and its management must also be independent in relation to the Company's major shareholders.

The current audit committee consists of three members: Jan Roxendal (chairman of the audit committee), Fredrik Tibell and Viveka Ekberg, all of whom are independent in relation to the Company and its management. Jan Roxendal and Viveka Ekberg are also independent in relation to the Company's major shareholders. The Company's CEO or other representatives of the Company and the Company's auditors may attend the audit committee meetings when necessary.

The audit committee is responsible for monitoring the Company's financial reporting, risk management, structure and policies for internal control and accounts and audits. The audit committee also reviews and monitors the auditor's impartiality and independence and other services provided by the Company's auditor, and assists the Company's nomination committee to prepare proposals for the resolution at the annual general meeting on selection of an auditor. Members of the audit committee must possess the qualifications and experience within the areas of accountancy,

auditing and/or risk management required to fulfill the committee's obligations. In 2018, the audit committee held two minuted meetings as at March 31, 2018, of which the Company's auditors attended one.

Matters relating to remuneration

The board of directors has decided to carry out the tasks assigned to the remuneration committee since this is considered most appropriate for the Company. The primary function of the board of directors in relation to remuneration is:

- To oversee and decide whether the framework for the remuneration package for the Company's CEO, including but not limited to salary, salary increases, pension rights and any compensation payments and severance pay, ensures that the contractual terms and conditions are reasonable for the individual and the Company and that failure is not rewarded and the task of mitigating losses is recognized in full.
- To oversee and decide on matters relating to remuneration principles, remuneration and other terms of employment for other members of the executive management, including but not limited to evaluating whether the level of remuneration and other terms of employment are in line with and do not exceed comparable market levels at any given time.
- To oversee and decide on matters concerning remuneration that are critical to the Company, including incentive plans and payments to the Company's CEO. The decisions relating to remuneration for the CEO, including any incentive plans, must take place in accordance with and must not exceed comparable market levels at any given time.
- To oversee and decide on targets (bonus levels and performance targets) for performance-related incentive plans run by the Company for its members of the executive management and to monitor and evaluate the fulfillment of such targets.
- To oversee and evaluate programs for variable remuneration, both ongoing and such that has been terminated during the year, for members of the executive management.
- To oversee and evaluate the application of the guidelines for remuneration that the annual general meeting must establish by law and the applicable structure for remuneration and remuneration levels at the Company.
- To oversee implementation of any pension, death, invalidity or life insurance package as well as any incentive plans for members of the executive management at the Company.
- To review its own frameworks and efficiency in relation to the above on an annual basis.

Investment committee

Following a resolution adopted by the board of directors, the Company has established an investment committee. The investment committee, which is not a committee relating to the board of directors, must consist of four to five members who are elected by the board of directors once a year. The investment committee currently consists of four members: the Company's CEO, VP/COO, VP/Head of Project Development and the Head of Business Area Development. In addition to the committee members, the investment committee meetings are attended by both the Company's Head of Business Development as rapporteur and either the chief legal counsel or in-house counsel at the Company as keeper of the minutes.

The investment committee's main task is to act as an advisor and to support the board of directors in connection with acquisitions and sales of real estate projects. Magnolia Bostad has established a delegation procedure whereby acquisitions and sales that are not considered to qualify as inside information, or are considered to constitute a decision on a matter concerning a related-party, must be approved as follows:

Land acquisitions:

- valued at up to SEK 50 million must be approved by the chairman of the board of directors and an independent board member jointly;
- valued at over SEK 50 million must be approved by the board of directors as a whole.

Sales:

- valued at up to SEK 150 million must be approved by the chairman of the board of directors and an independent board member jointly;
- valued at over SEK 150 million must be approved by the board of directors as a whole.

Decisions on matters concerning a related-party and transactions considered to be inside information must be made by the board of directors as a whole. The investment committee assesses, in accordance with the Company's insider policy, when a transaction may be regarded as inside information and when such inside information arises. The investment committee is also responsible for ensuring that an insider list is drawn up. The Company's chief legal counsel makes the assessment of whether a deferred disclosure can or should occur.

The investment committee has a specific time set aside each week for meetings (although meetings are only held where required). Five minuted meetings have been held in 2018 as at March 31, 2018. The investment committee's decisions are documented through minutes which, together with other relevant documentation and information, are made available to the

board of directors. The CEO reports decisions made by the investment committee at ordinary board meetings and when otherwise deemed necessary.

An investment decision is made in several stages. The responsible project organization, which consists of at least one business developer and one project developer, presents a potential transaction to the investment committee. After approval from the investment committee, the process is taken forward by the project organization with a so called due-diligence and contractual negotiations. The decision on whether to approve an acquisition or sale is then made based on the delegation procedure described above, following a recommendation by the investment committee.

CEO and the executive management

The CEO reports to the board of directors. The CEO's responsibility is regulated in the Swedish Companies Act and Annual Accounts Act, the Company's articles of association, guidelines from the annual general meeting, the instructions for the CEO and other internal guidelines and directions established by the board of directors and other applicable Swedish and foreign laws and rules. In addition, from the time of the Listing, the CEO must comply with the Code and Nasdaq Stockholm's rules for issuers.

Under the Swedish Companies Act, the CEO must attend to the day-to-day management of the Company in accordance with the board of directors' guidelines and directions. The CEO must also take the necessary action to ensure the Company's accounts are prepared in accordance with the law and that funds are managed securely. The division of work between the board of directors and the CEO is described in the instructions for the CEO.

The CEO must direct the operational management and carry out decisions made by the board of directors. The CEO must verify and monitor that the matters to be dealt with by the board of directors in accordance with applicable legislation, the articles of association and internal instructions are presented to the board of directors and must keep the chairman of the board of directors continually informed of the Company's business activities, results and financial position as well as other events, circumstances or conditions that cannot be considered irrelevant for the board of directors or shareholders.

The CEO and the executive management are presented in more detail in "*Board of directors, executive management and auditors*".

Remuneration of board members and the executive management

Remuneration of board members

Fees and other remuneration for the board members, including the chairman of the board of directors, are resolved by the shareholders at the annual general

meeting. It was resolved at the annual general meeting held on April 27, 2018 that the total fees for board members for the period up to the next annual general meeting will amount to SEK 1.7 million. SEK 450,000 will be paid to the chairman of the board of directors and SEK 250,000 will be paid to each of the five other board members. In addition to this, SEK 80,000 will be paid to the chairman of the audit committee and a further SEK 60,000 to each of the other members of the audit committee. The Company's board members are not entitled to any benefits when they resign as board members.

Remuneration of the CEO and other members of the executive management

Remuneration of the Company's executive management must be on market terms and competitive and must be paid in the form of a fixed salary so that Magnolia Bostad has the opportunity to attract and retain skilled employees. The fixed salary is reviewed at the beginning of the calendar year. The fixed salary is based on factors such as the position, expertise, experience and performance. With this assessment, the fact that the Company is in a phase of strong expansion must be taken into consideration. Magnolia Bostad must also be able to recruit consultants for the management team at remuneration on market terms.

Variable remuneration in the form of a bonus may be paid to members of the executive management at an amount corresponding to a maximum of 12 months' basic salary. Bonuses must be based on the outcome in relation to established targets, both in relation to the Company's profits and to individual performance. Variable remuneration is paid as non-pensionable income.

The terms of the pension must be on market terms and must be based on defined contribution pension schemes.

Non-compete clauses and post-employment benefits apply to the Company's CEO. Remuneration as a result of the non-competition clause must not exceed a total amount equivalent to 60 percent of the fixed salary for one year.

Benefits in addition to salary, variable remuneration and pension are paid to all members of the executive management in the form of a company car and medical insurance. These benefits will constitute a smaller portion of the total compensation and will conform to standard practice in the market.

In addition, the general meeting of Magnolia Bostad may resolve to offer long-term incentive plans. These incentive plans shall be intended to contribute to long term valuable growth and provide a common interest for value creation for shareholders and employees. For more information about the Company's existing incentive plans, see "*Share capital and ownership – Share-based incentive plan*".

Remuneration in the 2017 financial year

Board members elected at the annual general meeting receive remuneration in accordance with resolutions adopted at the annual general meeting. Remuneration in SEK thousands received by the board of directors and members of the executive management for the 2017 financial year is stated in the table below.

(SEK thousands)	Basic salary/Board of directors fees	Variable salary	Pension premiums	Total
Board members				
Fredrik Holmström	450	0	0	450
Jan Roxendal	303	0	0	303
Fredrik Tibell	290	0	0	290
Andreas Rutili	250	0	0	250
Risto Silander	250	0	0	250
Viveka Ekberg	290	0	0	290
Members of the executive management				
CEO, Fredrik Lidjan ¹⁾	2,318	0	577	2,895
VP and COO, Erik Rune	1,720	1,680	414	3,814
VP/Head of Project Development, Rickard Langerfors	1,487	720	332	2,539
Other executive management (5 individuals)	5,252	1,087	730	7,069
Total	12,610	3,487	2,053	18,150

1) Please see the section entitled "Legal considerations and supplementary information – Minority ownership structure" for a description of Fredrik Lidjan's indirect minority ownership in some Group companies and the profit distribution agreement entered into between FLAB and the Group.

Internal control

The responsibility of the board of directors for internal control is governed by the Swedish Companies Act and the Code. The board of directors is ultimately responsible for ensuring that internal controls are developed, communicated to and understood by the employees at the Company who implement the individual control activities and that the control activities are monitored, enforced, updated and maintained. Heads of Department for each level are responsible for ensuring that internal controls are established within their areas and that these controls achieve the desired effect.

Magnolia Bostad complies with the Committee of Sponsoring Organizations of the Treadway Commission's framework for evaluating a company's internal control over financial reporting ("Internal Control – Integrated Framework"). The framework consists of the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

The procedures for internal control, risk assessment, control activities and monitoring in relation to the financial reporting have been designed to guarantee reliable overall financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations and other requirements that may apply to companies listed on Nasdaq Stockholm. This work involves the board of directors, members of the executive management and other employees.

The manner in which the board of directors monitors and ensures the quality of internal controls is documented in the adopted rules of procedure for the board of directors and in the instructions for the audit committee. Part of the audit committee's work is to

assess the Company's structure and policies for internal control, please see the section entitled "Audit committee".

As a step towards strengthening the Company's control activities, in January 2017 the Company employed two in-house legal counsels.

Control environment

The basis for the internal control on financial reporting is the Company's organization, decision-making procedures, responsibilities and authorizations that are communicated in the governing documents. These documents include the articles of association, the board of directors' rules of procedure, the instructions for the CEO, the code of conduct, the business plan, policies, process descriptions and manuals. The Company's work on internal control aims to identify high-risk areas and minimize these risks.

Risk Assessment

The risks of misstatements in the financial reporting is assessed by Magnolia Bostad's board of directors and its executive management. Magnolia Bostad has an established risk management process. In cooperation with the other departments, the CEO is responsible for ensuring that the Company has mapped the risk of the entire operations in a structured manner. Magnolia Bostad's risks are divided into four main types: (1) external risks, (2) operational risks, financial risks (3) and (4) organizational risks.

External risks consist of external risks such as macro-economic, regulatory, socio-economic, price and competition-related risks that affect the Company's market, industry, business and internal processes. Operational risks consist of business risks relating to

Magnolia Bostad's business, projects and processes (such as regulatory compliance), and quality defects. Financial risks that affect the financial conditions for the Company's business are interest rate risk, financing risk, liquidity risk and credit risk. Financial risks also include risks in Magnolia Bostad's internal processes relating to accounting and reporting. Organizational risks are primarily attributable to succession planning, supply of skills, and resource planning. Magnolia Bostad's established business model, along with established control systems, procedures and processes, limits the Company's total risks and guarantees an ability to act whenever necessary.

Control activities

Control activities are designed on the basis of the risk analysis to address the significant risks identified. These are both of a preventive nature, i.e. actions aiming to avoid losses or errors in the reporting, and of the nature of detection. The controls must also ensure that any errors will be corrected.

Examples of areas that have a material impact on the Company's results and that have well-established control measures include accounting for projects and funding matters and sales. Controls are carried out using methods such as variance analyses and on the occasion of quarterly meetings between business areas and the group management. For the business, the business systems form the basis of the control structure established and focuses on important steps in the business, such as investment decisions, production start-up and sales. Magnolia Bostad places great emphasis on follow-up of projects linked to established procedures for the project process, such as weekly meetings, the investment committee and the quality council.

Information and communication

Magnolia Bostad's governing documents in the form of a code of conduct, policies, process descriptions and manuals are updated regularly by process owners and management, and are made available via Magnolia Bostad's intranet. Information on Magnolia Bostad's values and code of conduct is also available on the Company's website. All new employees receive information on the governing documents and Magnolia Bostad holds information sessions where the values and the code of conduct are discussed. All employees also have a responsibility to be aware of applicable laws and regulations and to act according to Magnolia Bostad's guidelines. Magnolia Bostad has an information policy to ensure that the Company complies with applicable requirements on accurate information for the market.

Follow-up

Follow-up takes place on many different levels at Magnolia Bostad. The Company has a business plan, and a budget is adopted by the board of directors each year. The board of directors receives summary financial statements every month and financial statements with comments including project follow-up and follow-up of warranties and reserves at least once a quarter. The board of directors also reviews interim reports and year-end reports prior to publication.

Magnolia has no internal audit function of its own. The Group has a simple operational structure where the operations are conducted as one segment. The Company has procedures to ensure that action is taken to address any deficiencies and that proposed actions are followed up on. Monitoring of ongoing and completed investment is presented to the board of directors on a continuous basis. The board of directors considers that its own monitoring is sufficient to ensure that internal control of the financial reporting is satisfactory. The decision is assessed annually.

Audits

The Company's statutory auditor is appointed by the shareholders at the annual general meeting. The auditor must audit the Company's annual report and accounts, the consolidated annual report and the management by the board of directors and the CEO. At the end of each financial year, the auditor must submit an audit report to the annual general meeting.

Pursuant to the Company's articles of association, the Company must have one or two auditors, of which one may be a registered accounting firm, and no more than two deputy auditors. Magnolia Bostad's auditor is Ernst & Young AB, with Fredric Hävrén as auditor in charge. The Company's individually appointed auditor is Ingemar Rindstig, and Mikael Ikonen is the deputy auditor. The Company's auditors is presented in more detail in the section entitled "*Board of directors, executive management and auditors – Auditors*".

Remuneration of the Company's auditor must be paid according to an approved invoice. The total remuneration to the Company's auditor in 2017 amounted to SEK 7.2 million, of which SEK 2.7 million was paid for audit services engagement, SEK 0.3 million was paid for auditing activities in addition to the audit engagement, SEK 0.7 million was paid for tax advisory services, and SEK 3.5 million was paid for other services.

Information policy and insider policy

The Company has prepared an information policy and an insider policy with the aim of informing employees and other parties concerned at the Company of the laws and regulations that apply in relation to the Company's dissemination of information and the special requirements imposed on those who are active in a listed company, e.g. in relation to inside information. In connection with this, the Company has established procedures for managing the dissemination of information that has not been published.

IR function

The IR function is lead by Magnolia Bostad's CFO, with support from the Company's IR manager. The primary tasks of the IR function are to support the CEO and the executive management in relation to the capital markets, including management of the dissemination of information that has not been published, along with the CEO and the communications team prepare quarterly and annual reports, analyst meetings, general meetings and capital market presentations, and regularly report on IR activities.

Share capital and ownership

As at the date of the Prospectus, Magnolia Bostad's share capital amounts to SEK 151,289,132 divided into 37,822,283 shares. The quota (par) value of the share is SEK four (4). According to the Company's articles of association, the share capital must not be less than SEK 120,000,000 and not more than SEK 480,000,000. There must not be fewer than 30,000,000 shares in the Company and no more than 120,000,000. There is only one class of shares in the Company. Each share carries one (1) vote at general meetings. All shares carry equal rights to the Company's assets and profits in the event of liquidation and distribution of dividends. The shares confer a right to a dividend for the first time on the next record date for a dividend after the Listing. Entitlement to dividends accrues to those registered as owners in the share register maintained by Euroclear on the record date determined by the general meeting. All issued shares are fully paid up.

The ISIN code for Magnolia Bostad's shares is SE0007074505. Trading symbol for the Company's share on Nasdaq Stockholm will be MAG. The Company's share capital is expressed in SEK and is divided according to the shares issued by the Company, with a quota (par) value denominated in SEK. The Company's shares have been issued in accordance with Swedish law and the shareholders' rights can only be changed or amended in accordance with the Swedish Companies Act.

The Company's shares are affiliated with Euroclear, which is the central securities depository and clearing organization for shares in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

Development of the share capital

The table below shows historic changes in Magnolia Bostad's share capital from when the Company was incorporated up to the first day of trading of the Company's shares on Nasdaq Stockholm.

Date of registration with the Swedish Companies Registration Office	Transaction	Change in the number of shares	Total number of shares	Change in share capital (SEK)	Total share capital (SEK)	Quota (par) value (SEK)
December 18, 2009	Formation	25,000	25,000	100,000	100,000	4
January 4, 2011	New share issue	26,662,627	26,687,627	106,650,508	106,750,508	4
September 17, 2012	New share issue	4,601,315	31,288,942	18,405,260	125,155,768	4
June 3, 2015	Exercise of warrants	800,000	32,088,942	3,200,000	128,355,768	4
June 3, 2015	Exercise of warrants	1,040,000	33,128,942	4,160,000	132,515,768	4
June 10, 2015	New share issue	4,693,341	37,822,283	18,773,364	151,289,132	4

Major shareholders as at March 31, 2018

The Principal Owner owns approximately 56.4 percent of the shares and holds approximately 56.4 percent of the voting rights in Magnolia Bostad. The Principal Owner, F. Holmström Fastigheter AB, is wholly owned by Fredrik Holmström, chairman of the Company's board of directors. Andreas Rutli, a board member of Magnolia Bostad, holds his shares in the Company via endowment insurance at Danica Pension. Erik Rune, VP and COO at Magnolia Bostad (through his wholly-owned company,

EWTR Invest AB), and Rickard Langerfors, VP and Head of Project Development at Magnolia Bostad (through his wholly-owned company, Langholding AB), hold their shares in the Company via endowment insurance with Nordnet Pensionsförsäkring AB (for additional information see "*Board of directors, executive management and auditors – Board of directors*"). The table below shows ownership of the Company as at March 31, 2018.

Shareholders	Number of shares	Proportion of number (%)
F. Holmström Fastigheter AB	21,323,837	56.38
Danica Pension ¹⁾	3,128,534	8.27
Länsförsäkringar Fondförvaltning AB	2,635,908	6.97
Nordnet Pensionsförsäkring AB ²⁾	1,604,837	4.24
Svolder Aktiebolag	1,494,009	3.95
Försäkringsaktiebolaget, Avanza Pension	686,264	1.81
Martin Dahlin	581,611	1.54
John Larsson	388,540	1.03
Cliens Sverige Fokus	346,864	0.92
Cliens Sverige Mixfond	246,596	0.65
Total ten largest shareholders	32,437,000	85.76
Other shareholders	5,385,283	14.24
Total	37,822,283	100.00

1) 2,938,565 shares of which are held by Andreas Rutli, corresponding to approximately 7.77 percent of the total number of shares and voting rights in the Company.

2) 175,000 shares of which are held by Erik Rune and 294,000 shares of which are held by Rickard Langerfors, corresponding to approximately 0.46 percent and 0.78 percent, respectively, of the total number of shares and voting rights in the Company.

The Company has not taken any specific measures to ensure control is not abused. However, the rules concerning the protection of minority shareholders contained in the Swedish Companies Act (2005:551) constitute protection against potential abuse by a majority shareholder of its control over a company. Nasdaq Stockholm's rules will also apply if the application for the Listing is approved. The Company also applies the Code.

Dilution of shareholders

As at the date of the Prospectus, other than the warrants described below under "*Share capital and ownership – Share-based incentive plan*", Magnolia Bostad has no outstanding convertible debentures or other financial instruments that could cause a dilution effect for the Company's shareholders if exercised.

Share-based incentive plan

A resolution was adopted at Magnolia Bostad's annual general meeting on April 26, 2017 to issue warrants as part of a new incentive plan for members of the executive management and other employees at the Company, including future new employees. The incentive plan involves a maximum total of 350,000 warrants. The warrants were issued free of charge to the Magnolia Bostad subsidiary Magnolia Utveckling AB, which also subscribed for all warrants.

Members of the executive management and other employees at the Company have been offered the opportunity to acquire warrants from Magnolia Utveckling AB at market value. Notification of the acquisition of warrants initially was supposed to be given during the period from May 1, 2017 to December 31, 2017. In Q4 2017, the Company's board of directors decided to extend the notification period for the scheme until the 2018 annual general meeting. When the notice period expired at the time of the 2018 annual general meeting, a total of 260,500 warrants had been acquired by the members of the executive management and employees in the Company. The warrants were acquired at the price of SEK 8.23 per warrant.

The Company or Magnolia Utveckling AB has a right to repurchase the warrants at the relevant market value at that time if the participant ceases to be employed at the Company or a subsidiary. Warrants held by Magnolia Utveckling AB that were not transferred to or repurchased from participants may be canceled by the Company or transferred by Magnolia Utveckling AB to other participants at market value and under the terms of the warrant scheme.

New subscriptions for shares with warrants can take place between the period November 2, 2020 and up to and including April 26, 2022. Each warrant confers the right to subscribe for a new share in the Company at a subscription rate equivalent to an amount equal to

160 percent of the weighted average of all transactions in the Company's shares during the period December 1, 2017 to December 31, 2017, which amounted to SEK 84 per share.

The subscription price and the number of shares for which each warrant entitles subscription may be recalculated in some cases. These cases include bonus issues, a share consolidation or share split, rights issues pursuant to which shareholders have pre-emption rights to subscribe for new shares in return for cash payments or offset, and rights issues pursuant to which shareholders have pre-emption rights to subscribe for convertibles or warrants. In the event of full share subscription with all warrants, 350,000 new shares can be issued under the scheme, which means a dilution of 0.9 percent of the total number of shares and voting rights in the Company, although with a reservation that a recalculation of the number of shares may take place in some cases. Where shares are subscribed for by virtue of the acquired warrants, 260,500 new shares can be issued, which would result in a dilution of 0.7 percent of the total number of shares and voting rights in the Company, subject to the conversion of the number of shares that may take place in certain cases.

As warrants must be transferred on market terms, the Company considers that no costs for social security contributions will be charged to the Company due to the warrant scheme. On that basis, the Company has not secured the warrant scheme in this respect by means of hedging or any other method.

Shareholders' agreements

As far as the board of directors of Magnolia Bostad is aware, no shareholders' agreements or other agreements have been entered into between any of Magnolia Bostad's shareholders aimed at achieving joint influence in the Company. As far as the board of directors of Magnolia Bostad is aware, there are no agreements or corresponding contracts that may lead to any change in the control of Magnolia Bostad.

The Company's CEO holds ten percent of the shares in Magnolia Holding 3 AB, 24 percent of the shares in Magnolia Hotellutveckling AB and eight percent of the shares in Magnolia Holding 4 AB and Magnolia Hotellutveckling 2 AB through the company wholly owned by him, FLAB. Share ownership in the group companies named is governed by shareholders' agreements. For more information, see "*Legal considerations and supplementary information – Minority ownership structure*".

Restrictions on selling shares in the Company

Shares in Magnolia Bostad are freely transferable. Shares in the Company are not subject to offers that are submitted as a consequence of mandatory takeover bid, squeeze-out rights or a sell-out process. No public takeover bid has been submitted in relation to the shares of Magnolia Bostad since the Company was formed.

Articles of Association

Articles of Association for Magnolia Bostad AB, company registration number 556797-7078, were adopted at the annual general meeting on April 27, 2018.

§ 1 The Company name

The company name is Magnolia Bostad AB. The company is public (publ).

§ 2 Registered office

The company's registered office is situated in Stockholm.

§ 3 Objects

The company will – either directly or indirectly through subsidiaries – acquire, own, manage, develop and sell properties, carry on project activities relating to properties and own and manage securities and other associated activities thereto.

§ 4 Share capital and number of shares

The share capital amounts must be not less than SEK 120,000,000 and not more than SEK 480,000,000. The total number of shares must be not less than 30,000,000 and not more than 120,000,000.

§ 5 The board of directors

The board of directors shall consist of between 3 and 7 members.

§ 6 Auditors

The company must have one or two auditors, one of whom may be a registered public accounting firm, and no more than two deputy auditors.

§ 7 Notice of general meetings

Notice of general meetings must be given by means of an announcement in Post- och Inrikes Tidningar (the Swedish Official Gazette) and by publishing the notice on the company's website. At the same time as the notice is published, the company must place an announcement in Dagens Industri that notice has been given.

§ 8 Participation in general meetings

Shareholders who wish to participate in the discussions at general meetings must be included in the transcript or other presentation of the complete share register relating to the circumstances five working days before the general meeting and must notify the company no later than the date specified in the notice of the meeting. That date may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not fall earlier than the fifth working day prior to the meeting.

Shareholders may not have more than two assistants at the general meeting and only when they notify the company of the number of assistants prior to the Meeting as indicated in the previous paragraph.

§ 9 Opening the meeting

The chairman of the board of directors or a person appointed by the board of directors opens the general meeting and leads the discussions until a chairman has been elected for the general meeting.

§ 10 Annual general meetings

The annual general meeting is held each year within six months after the end of the financial year.

The following matters shall be addressed at the annual general meeting:

1. Election of a chairman for the meeting.
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of one or two persons to sign the minutes.
5. Determination of whether the general meeting has been duly convened.
6. Presentation of the annual financial statements and the auditor's report and, where appropriate, consolidated financial statements and consolidated auditor's report.
7. Resolutions regarding
 - a. adoption of the income statement, balance sheet and, where appropriate, consolidated income statement and consolidated balance sheet,
 - b. dispositions concerning profit or loss as stated in the adopted balance sheet,
 - c. discharge of the board members and the CEO from liability.
8. Determination of the number of board members and of the number of auditors and deputy auditors to be appointed at the meeting.
9. Adoption of the fees for the board of directors and auditor.
10. Election of the board members and auditor.
11. Decision on guidelines for remuneration to members of the executive management.
12. Any other business that arises at the meeting in accordance with the Swedish Companies Act or the company's articles of association.

§ 11 Financial year

The company's financial year shall be calendar year.

§ 12 Record date provision

The company's shares shall be registered in a central security depository register according to the Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

General corporate information and legal group structure

The Company's activities are carried out in compliance with the Swedish Companies Act (2005:551). The ultimate parent company in the Group, Magnolia Bostad AB (company registration number 556797-7078), is a Swedish public limited liability company (Sw. *publikt aktiebolag*) which was established on September 14, 2009 and registered with the Swedish Companies Registration Office on December 18, 2009. The Company's current name was registered with the Swedish Companies Registration Office on April 4, 2011.

The Company has its registered office in Stockholm, Sweden. Magnolia Bostad is currently carrying out its operations in Sweden. As at March 31, 2018, the Group consisted of 138 directly and indirectly held companies.

As at the date of the Prospectus, the Company has the following five material subsidiaries: Magnolia Utveckling AB (company registration number 556776-1464), Magnolia Projekt AB (company registration number 556784-2413), Magnolia Produktion AB (company registration number 556866-9666), Magnolia Holding 3 AB (company registration number 559016-4140) and Magnolia Holding 4 AB (company registration number 559114-8415). The Company holds all the shares in Magnolia Utveckling AB, which in turn holds all the shares in Magnolia Projekt AB and Magnolia Produktion AB. Magnolia Utveckling AB also holds 90 percent of the shares in Magnolia Holding 3 AB and 92 percent of the shares in Magnolia Holding 4 AB. The remaining shares in Magnolia Holding 3 AB and Magnolia Holding 4 AB are held by FLAB (for more information about the minority ownership in Magnolia Holding 3 AB and Magnolia Holding 4 AB, see "*Minority ownership structure*"). All material subsidiaries are established in Sweden.

Environment

Magnolia Bostad has developed an environmental policy which it uses as a basis for all projects and which is available to all Magnolia Bostad's employees. The environmental policy includes environmental as well as quality assurance, and complies with the intentions in ISO 14001¹⁾ and ISO 9001²⁾.

Magnolia Bostad does not carry out any activity that requires a permit in accordance with the Swedish Environmental Code (1998:808). However, individual situations may arise in connection with the development of properties that require a permit.

Disputes

One of the Company's group companies entered into a share purchase agreement in 2015 concerning the acquisition of a company that owned property. At the beginning of the summer of 2016, it was determined, in breach of the provisions of the share purchase agreement, that the acquired company neither owned nor was registered as the owner of the property that the company was supposed to hold in accordance with the agreement. In March 2017, based on the breach of warranty, the group company claimed that the sellers should pay an amount corresponding to the property's value, which amounted to SEK 29 million at the time of the acquisition. The sellers subsequently contested the claim. The Group has made a provision for the amount in dispute, and an arbitration administered by the Arbitration Institute of the Stockholm Chamber of Commerce has been initiated to settle the dispute.

Furthermore, in 2017, one of the Company's group companies entered into a share purchase agreement concerning the acquisition of a company (and the group of which the company was the ultimate parent company) operating in the area of residential care facilities development. The share purchase agreement contained an indemnity under which the sellers of the company agreed to indemnify the group company for costs that may arise in certain projects listed in a document appended to the share purchase agreement. Following the completion of the acquisition, it was noted that costs which, according to the Group, should be subject to the indemnity, arose in a number of the specified projects. In December 2017 and April 2018, the group company sent two notices to legal counsel acting for the sellers, in which the group company claimed that the sellers must compensate it for costs of approximately SEK 27 million under the indemnity and also reserved the right to bring further claims against the sellers under the indemnity in the share purchase agreement, as well as any other claims. On 4 June 2018, a letter of claim was provided to the sellers in view of the aforementioned claims. As at the date of the Prospectus, the group company has not received a formal response from the sellers. Settlement negotiations with the sellers have been initiated.

Other than as specified above, Magnolia Bostad is not and has not been a party to any judicial or arbitration proceedings (including cases not yet resolved or cases that the Company is aware may arise) during the past 12 months that have recently had or could have significant effects on the Company's or Group's financial position or profitability. Nor has the Company been informed

1) Swedish Standards Institute – ISO 14000 is the collective name of the standards related to environmental management.

2) Swedish Standards Institute – ISO 9001 is a management system standard for operational processes in a company or an organization.

of any claims that may lead to the Company becoming a party to such judicial or arbitration proceedings.

Insurance

The Group's insurance policies include, among others, the following: combined business insurance (including property insurance and business insurance) and liability insurance for the board of directors and the CEO. The Company considers that its insurance policies are at the same level as other companies in the industry and that they are sufficient in relation to the risks normally associated with the Company's activities. However, there is no guarantee that the Company will not suffer losses that are not covered by the insurance policies. Furthermore, there are no guarantees that the insurance cover will continue to be available for the Company or, if it is available, will not be at a considerably higher price.

Magnolia Bostad's agreement model

Below is a summary of the types of agreement entered into by Magnolia Bostad in connection with the Company's ongoing activities.

Land allocation agreements

Before the production of new local planning and development of an area of land owned by a municipality, a land allocation agreement is normally entered into between the municipality and Magnolia Bostad which, as a rule, gives the Company an exclusive right to negotiate with the municipality, for a limited period and under certain conditions, the transfer or grant of a site leasehold right on the land owned by the municipality. When entering into a land allocation agreement, Magnolia Bostad pays, in certain cases, a reservation fee which is not refunded if the transfer of the area of land fails to materialize.

It should be noted that an agreement according to which a party is given the right to enter into an agreement in the future for the acquisition of a property is not binding under Swedish law. In many cases, however, this type of agreement is entered into with municipalities, which normally do not withdraw from the agreement. This means that the parties ultimately enter into a land transfer agreement.

Development agreements

In connection with new local planning, the municipality usually places conditions on development of an area of land owned by a private property owner through a development agreement. In connection with the development and conversion of properties, Magnolia Bostad therefore regularly enters into or takes over responsibility for development agreements with municipalities due to the development and exploitation of the property in question. Under these development agreements, the Company undertakes to design and implement construction, at Magnolia Bostad's expense, of public facilities such as streets and sidewalks and to pay development contributions. The Company furthermore undertakes (under penalty) to ensure that the construction is completed within a certain period of

time and that the buildings constructed on the property are not converted from rental apartments to tenant-owned apartments during a certain period following the signing of the development agreement.

Share purchase agreements for rental apartment projects and tenant-owned apartment projects

The share purchase agreements, which normally largely contain similar contractual documents, contain, with regard to share purchase agreements for both tenant-owned apartments and rental apartments, warranties from Magnolia Bostad in its capacity as seller, relating to matters such as title to the shares, title to the property, charges on the property and other warranties relating to the shares, assets and the transferred company's obligations, taxes, disputes and claims. The purchaser is usually required to bring claims within a certain period of time, often between nine and 24 months, though in tax-related matters no later than 90 days after a decision to that effect has gained legal force, and with regard to environmental warranties within 36 months. Several of the share purchase agreements are subject to additional limitations, which mean that the purchaser's warranty claims must exceed a specific amount before the purchaser is entitled to compensation, and the seller's liability is generally limited to the agreed value of the property.

Sale of rental properties

Magnolia Bostad acquires land that is developed into rental properties to be sold to professional buyers.

According to the sale agreement for this type of rental property, the Company is responsible for ensuring that the residential property is constructed in accordance with the construction contract that the Company that owns the property has entered into. Magnolia Bostad must also ensure that the project is completed in accordance with the construction contract at the Company's own expense and risk. Magnolia Bostad is also responsible for ensuring that the obligations under the construction contract are met and, as far as it is within the Company's control, ensuring that other parties to the construction contract also meet their obligations. Magnolia Bostad ensures that the necessary inspections for the construction work are completed and that any identified defects are rectified within a reasonable time. Claims based on the warranties under the construction contract are dealt with by the Company and Magnolia Bostad must compensate the purchaser for claims and costs arising from the construction from/incurred by consultants, employees, tenants and other third parties.

According to the sale agreements, certain sanctions arise in the event of delays to the construction project. In the event that completion is delayed, the purchaser is normally entitled to a penalty for delay. The purchaser is also entitled to terminate the contract if the necessary building permit for the project has not gained legal force before the agreed start date or if the construction work on the property has not been approved through a final inspection by the deadline specified in the sale agreement or if the intended result

of the project has not been achieved on the date on which the building is approved by means of a final inspection. Where the purchaser terminates the agreement on such grounds, the purchaser is normally entitled to compensation.

The parties will normally reach agreement on an initial expected rent level for the new residential rental agreements to be entered into in relation to the property. If any of the rents are set at a lower level after negotiations with the Swedish Union of Tenants, Magnolia Bostad must compensate the purchaser for a specific proportion of the difference in the expected rent levels and the actual rent levels.

The parties will also usually reach agreement that the Seller, within a certain period from the date the homes were made available for rent, usually between 12 and 24 months, will to some extent bear the costs of any rental vacancies.

In connection with the sale of the rental properties, the Company applies a so-called forward funding model, which means that the purchaser of the rental property owns and is responsible for financing the project throughout production.

In some agreements regarding the sale of rental apartment projects, it is possible for the purchaser to request that the apartments instead be sold as tenant-owned apartments, upon which the purchaser must pay additional consideration for part of the profit in the sale of tenant-owned apartments, provided that Magnolia Bostad participates in the tenant-owned apartment project.

Sale agreements entered into with tenant-owners associations

Before Magnolia Bostad develops an acquired property into a residential property, the property in question is normally sold to a tenant-owners association formed by Magnolia Bostad. This is done by selling the property to one of the companies owned by the Company, whose shares are sold to the tenant-owners association. The purchaser of the shares pays the purchase price by issuing a subordinated debt instrument. The loan amount according to the subordinated debt instrument will be paid by the purchaser of shares at Magnolia Bostad's request regarding certain projects on condition that the financing bank in question has issued authorization for such in writing.

According to the tenant-owners association's statutes, Magnolia Bostad initially has the right to appoint a majority of the board members of the tenant-owners association.

Project and building management agreements in tenant-owned apartment transactions

In connection with the sale of the property to the tenant-owners association described above, Magnolia Bostad enters into a standard project and building

management agreement with the tenant-owners association in question. According to the agreement, the Company's project manager acts in relation to the tenant-owners association, which means that Magnolia Bostad represents the tenant-owners association in relation to parties such as the turnkey contractor, government authorities, suppliers and purchasers of apartments. The Company also issues a guarantee in relation to the total cost calculations for the project.

The project and building management agreement contains a number of obligations for Magnolia Bostad, including management of contractual negotiations, project management, documentation, quality assurance, inspection, permits, insurance and financing. ABK 09: General Conditions of Contract for Consulting Agreements for Architectural and Engineering Assignments, is applicable to project and building management agreements.

Magnolia Bostad is responsible for all costs relating to development that are associated with the project and building management agreement, including costs for entry into the land registry, building permits, inspections, insurance, administration and taxation. These costs must be deducted from the amount on the promissory note issued by the tenant-owners association in connection with the purchase of the property.

Payment of the remuneration to which the Company is entitled under the agreement is only made once Magnolia Bostad has fulfilled its obligations under the agreement, though no earlier than after the tenant-owners association's board of directors has made a decision on the commencement of construction, the tenant-owners association has received a building loan, and the lender has approved payment.

According to the project and building management agreement, the Company bears the project risk for unsold apartments, which means apartments that are not sold within a specific time, usually between two and three months after passing final inspection, will be transferred to Magnolia Bostad. The apartments must be transferred at the price specified in the financial plan on which the project is based. The Company is entitled to rent out the apartments until they are transferred to a third party.

The project and building management agreement is conditional upon the parties fulfilling their obligations in accordance with the sale agreement entered into between the parties as at the above.

The agreement expires when the building project is complete and has been approved by means of a final inspection, the tenant-owners association's building loan has been settled and all tenant-owned apartments have been let. Magnolia Bostad's obligations as project manager for the contract continue to exist during the warranty period and for the period subsequently required to rectify defects observed during the warranty inspection.

Sale of apartments

Sale of apartments to individuals takes place in two stages. First, the tenant-owners association enters a preliminary agreement for an apartment with an individual and the parties then enter into a sale and purchase agreement, which is described in more detail below.

According to the standardized preliminary agreement used by the tenant-owners association, ten percent of the purchase price is paid in advance and before the apartment begins to be completed. The agreement contains information on estimated costs, purchase price and fees to the tenant-owners association. This information is based on a cost calculation appended to the agreement. If the estimated costs are significantly higher than the amount specified in the preliminary agreement in accordance with the cost calculation, the individual has the option of terminating the contract within three months of the cost increase. In such case, the tenant-owners association refunds the advance payment plus interest in accordance with the Swedish Interest Act (1975:635). In the event of a cost increase, individuals may also receive compensation for costs relating to such items as interiors approved by the tenant-owners association. If an individual fails to fulfill his or her obligations in accordance with the agreement, the individual is liable to pay compensation. It should be noted that the standardized preliminary agreement may be considered invalid given that set out in *"Risk factors – Acquisition, sales and other transaction-related risks"*. Magnolia Bostad is monitoring the issue of how specified the estimated date in the preliminary agreement should be and will update future agreements once the legal basis is established.

At the end of the project and approximately two weeks before the purchaser takes possession of the apartment, the tenant-owners association enters into a sale and purchase agreement with the purchaser whereby the tenant-owners association grants the purchaser a right to the apartment. On the date it takes possession, the purchaser pays the purchase price for the apartment less the advance payment of ten percent of the purchase price, which is paid in connection with entering into the preliminary agreement in accordance with the above. The sale and purchase agreement contains the usual provisions on, among other things, the purchaser's share in the tenant-owners association, membership, regulations and rental fees.

Sale of residential care projects

In 2017, Magnolia Bostad acquired Svenska Vårdfastigheter AB and certain subsidiaries of that company, and thereby indirectly acquired approximately 12 projects regarding the development of properties for residential care. Some of these companies are owned jointly with the external partner, KIAB, and the aim is that Magnolia Bostad and KIAB will together develop the properties in question.

Magnolia Bostad is developing the premises for residential care and intends to then divest the residential

care projects to property management companies for operation thereof after the Company entered into a rental agreement with a residential care operator.

Magnolia Bostad generally seeks to enter into rental agreements with a residential care operator with an initial maturity of between 15 and 25 years, and the rental agreement is signed long before the construction of the residential care project has begun. The rental agreement is entered into either as a local rental agreement or as a block rental agreement and is normally conditional on receiving building permission and a start decision and, if entering into a block rental agreement, on the rental board approving certain deviations from the provisions of the Swedish Rental Act regarding residential apartments. Normally, the date of possession under such a rental agreement is variable, and the tenant is entitled to terminate the rental agreement immediately in the event of a delay in the preliminary possession date. The residential care operator may be entitled to fees for delay if the date for the transfer of possession is delayed.

Sometimes, Magnolia Bostad enters into a construction contract (a) with a municipality for an order of residential care, and (b) with a contractor, as well as a project development agreement. These construction contracts largely contain corresponding provisions.

Sale of hotel projects

Before Magnolia Bostad develops an acquired property for hotel operations, the project company and the property in question are sold to a long-term owner.

Before construction begins on the hotel, the Company and a tenant enter into a rental agreement for the hotel, which is then handed over to the project company in question. The rental agreement is normally conditional on approved building permission, the Company entering into a construction contract, and the implementation agreement, which will be entered into between the Company and the tenant, not being invalid. Normally, a preliminary date of possession is specified, and the tenant has the right to terminate the rental agreement in the event the tenant has not taken possession of the hotel within nine months from the date that the date of possession was determined. If the date of possession is delayed, the tenant may be entitled to be compensated for damage resulting from the delay. The tenant may also be entitled to a rent reduction if hotel rooms are unusable on the date of possession.

Construction contracts

Magnolia Bostad engages a construction firm to build the residential properties and, in turn, awards a turnkey contract to the tenant-owners association. The Company also enters into a construction contract for the development and renovation of rental properties, residential care facilities, hotels and student housing, which is described in more detail below. The construction contract

relating to the rental properties is usually entered into by Magnolia Produktion AB in its capacity as the client and is then transferred to the project company.

The construction contract is normally a turnkey contract based on ABT 06: General Conditions of Contract for Design and Construct Contracts for Building, Civil Engineering and Installation Works. The turnkey contract is often conditional on Magnolia Bostad obtaining the necessary building permits and entering into the necessary sale and purchase agreements with the purchasers of the properties.

The turnkey contract stipulates fixed prices for the project and any additions and amendments must be made in writing. The agreement usually contains standard warranty periods of five years after a final inspection of the construction work has been passed. In the construction contracts where the Company is the client, the contractor must also pay a penalty for each week by which the construction work is delayed. The contractor in the turnkey contract is responsible vis-à-vis the client in several of the construction contracts for the client's obligation to pay damages to third parties due to the construction work. The contractor and client must also normally provide security for their obligations under the agreement.

Material agreements

Below is a summary of the material agreements entered into by the Company in the past two years and other agreements entered into by the Company that contain rights or obligations of material importance to the Company. The Company does not consider that there is any individual agreement of material importance to the Company's business as a whole other than the agreements described below.

Framework agreements

The Company has signed a framework agreement with Slättö under which Slättö will acquire residential projects from the Company at a value of at least SEK 7 billion. Magnolia Bostad has entered into land allocation agreements, land reservation agreements and agreements on acquisition for most of the projects that are covered by the framework agreement. The framework agreement means that the Company gains greater security in the sale of the existing project portfolio by securing purchasers for future potential projects. The framework agreement is valid until March 21, 2020, with the option of an extension.

Slättö is entitled to terminate the framework agreement with immediate effect and is entitled to standardized damages (a pre-determined amount of damages) and to be refunded the SEK 75 million deposit paid under the framework agreement, plus 7 percent interest, if Magnolia Bostad has failed to present a sufficient volume of projects ready for production within particular periods of time and, as a result, the parties have not entered into a transfer agreement relating to the project for a specific value. In order for a project to be considered ready for production, the Company is required to have entered

into binding agreements for acquisition of the relevant property or, as appropriate, land allocation agreements for this. The property must also be covered by legally binding local planning and the Company must have entered into a construction contract and a specific technical standard must have been agreed. If Magnolia Bostad has not presented a sufficient volume of projects ready for production, meaning that the parties have not entered into sale and purchase agreements of a minimum value of SEK 300 million, the standardized damages will amount to SEK 5 million and, if sale and purchase agreements have not been entered relating to the project of an amount of SEK 1 billion, the standardized damages will amount to SEK 20 million. If the parties have not thereafter entered into sale and purchase agreements of a value corresponding to a certain percentage of the projects for which the Company has entered into acquisition agreements and for which local planning has assumed legal force, the standardized damages will amount to between SEK 25 million and SEK 100 million. Slättö and Magnolia Bostad are of different views as to whether a sufficient volume of projects ready for production have been delivered by Magnolia Bostad to date, and the framework agreement between Slättö and Magnolia Bostad is currently being renegotiated based on the common intention of the parties to amend the framework agreement. The aim is to ensure that the framework agreement is better adapted to changes in conditions and to assess the extent to which projects under the framework agreement can be adapted to the changes to investment grant rules. In the event the negotiations do not come to a conclusion and, contrary to Magnolia Bostad's view, Slättö is entitled to terminate the agreement, Slättö will be entitled to standardized damages of SEK 5 million and to be refunded the deposit plus interest.

The Company has also entered into a framework agreement with Alecta pensionsförsäkring, ömsesidigt ("Alecta") for the acquisition of the Sollentuna Stinsen 2 property in a jointly-owned company with equal ownership. Magnolia Bostad plans to construct approximately 2,000 homes in the property. According to the agreement, Magnolia Bostad will acquire building rights in the project through a company jointly owned by the parties, whereupon the property will be split into smaller parts and Alecta will acquire one of these parts for the development of rental housing by Magnolia Bostad. Magnolia Bostad will sell the remaining parts of the property to one or more third parties. According to the framework agreement and on certain conditions, Magnolia Bostad has undertaken to indemnify Alecta for any tax burden that may arise for the company for the transactions that are conducted in accordance with the framework agreement due to any changes to the legislation related to property tax and stamp duty. Magnolia Bostad considers that such an indemnity could not lead to a payment in excess of SEK 85 million. The undertaking by the Company to indemnify Alecta, directly or indirectly, for any changes in legislation was also included in other agreements for the sale of rental apartment projects entered into with Alecta.

The Company has also entered into a cooperation agreement with Skanska Sverige AB, according to which the parties must investigate the conditions to together develop the Södra Häggviks Gårdar and Vårby Bryggor projects, with the possibility to also include the Kvarnsjödalen and Bredängshöjden projects. The parties' intention for the cooperation should lead to the parties entering into construction contracts and implementation agreements that where relevant will replace the cooperation agreement.

The Company has also entered into a framework agreement with the contracting company, Consto AB, for a construction contract between the parties. The framework agreement contains provisions about certain fundamental principles that must apply for such a construction contract.

Cooperation agreement

Magnolia Bostad is a partner in certain associated companies and so-called joint ventures along with other investors. These part-owned companies are sometimes financed by loans or shareholder contributions from the Company and cooperation is regulated through shareholders' agreements. All agreements are entered into on standard terms and conditions for the industry. The cooperation agreements that the Company considers to be of material importance for Magnolia Bostad's business are described in more detail below in section *"Legal matters and additional information – Minority Ownership Structure"*.

Facility agreements containing change of control provisions

Several of the Company's subsidiaries have entered into facility agreements with various lenders that contain change of control provisions. The provisions state that the lender has the right to terminate the agreement if a certain type of change of control occurs during the period in which the Company has obligations towards the lender. See below for a description of these provisions.

A supplementary agreement to facility agreements entered into between, among others, Swedbank AB (publ) and Magnolia Bergshamra Holding AB contains a covenant that (i) the Company's shares will be listed on Nasdaq First North Premier or Nasdaq Stockholm or another marketplace approved by Swedbank AB (publ), and (ii) the Company, directly or indirectly, must own and control 100 percent of the shares and voting rights in Magnolia Bergshamra Holding AB.

A loan agreement that was entered into between, among others, Collector Bank AB and Svenska Vårdfastigheter AB contains an obligation that the Company, directly or indirectly, must own and control at least 50.1 percent of the shares in Svenska Vårdfastigheter Holding AB.

A loan agreement that was entered into between, among others, Collector Bank AB and Magnolia Utveckling AB contains a covenant that the Company must

own and control at least 100 percent of the shares and voting rights in Magnolia Utveckling AB.

A supplementary agreement to facility agreements entered into between Swedbank AB (publ) and Sambo Fastigheter 4 AB contains a covenant that the Company, directly or indirectly, must control at least 75 percent of the shares and voting rights in Sambo Fastigheter 4 AB.

A supplementary agreement to facility agreements entered into between the Company and Skandinaviska Enskilda Banken AB (publ) contains a covenant that (i) Fredrik Holmström must own at least 35 percent of the shares in the Company, (ii) the Company must own 100 percent of the shares in Magnolia Utveckling AB, and (iii) Magnolia Utveckling AB must own at least 90 percent of the shares in Magnolia Holding 3 AB.

A loan agreement that was entered into between Nordea Bank AB (publ) and Magnolia Utveckling AB contains a provision that the bank is entitled to terminate its obligations and accelerate the loan if (i) a natural person or group of natural persons (with the exception of Fredrik Holmström and his children, siblings, nieces/nephews and spouse), or a legal person controlled by such natural persons, acquires control of more than 30 percent of the voting rights in the Company, or (ii) the Company ceases to own and control 100 percent of the voting rights in Magnolia Utveckling AB.

A loan agreement that was entered into between, among others, Heimstaden Bostad Portalen AB (as lender) and Fastighet Senapsfabriken kv 3 AB (as borrower) contains a provision that the lender is entitled to terminate its obligations and accelerate the loan if (i) the borrower is no longer consolidated by the Company, (ii) Moutarde Holding AB no longer owns, directly or indirectly, shares corresponding to 100 percent of the voting rights in the borrower, Holding Senapsfabriken Parkering kv2 AB, Moutarde Holding Senapsfabriken etapp 2 AB and Holding Senapsfabriken Parkering kv 3 AB or in any other way no longer, directly or indirectly, has control of 100 percent of the voting rights in those companies, or (iii) the borrower is transferred to a company outside of the Company's or the borrower's group.

Facility agreements containing limitations on dividends

Several of the Company's subsidiaries have entered into facility agreements with different lenders that contain provisions placing limitations on dividends. These provisions include an obligation not to distribute dividends or not to propose that any subsidiary should distribute dividends. Below is a description of these provisions.

A facility agreement of SEK 65 million that has been entered into between Erik Penser Bank AB (publ) and Magnolia Utveckling AB contains an obligation under which Magnolia Utveckling AB may not permit dividends

in its subsidiary Moutarde Holding AB to be distributed under certain circumstances.

A supplementary agreement to facility agreements entered into between, among others, Swedbank AB (publ) and Sambo Fastigheter 4 AB contains an obligation under which Sambo Fastigheter 4 AB may only distribute dividends or make other value transfers with the bank's approval.

A facility agreement for SEK 55.9 million that has been entered into between, among others, SBAB Bank AB (publ) and Ormingeplan 2-4 KB contains an obligation relating to the circumstances under which Ormingeplan 2-4 KB, Ormen Långe AB and Ormen Korte AB have a right to carry out value transfers.

2016/2020 Bond issue

The Company issued secured, four-year bonds of SEK 600 million in April 2016, with the option of issuing subsequent bonds of SEK 150 million in the future. The bonds have since been listed on Nasdaq Stockholm. The lowest subscription grade for each bond subscriber is SEK 1 million, which is also the nominal amount of each bond.

The bonds are subject to an interest rate of 3-month STIBOR plus 6.25 percent per annum, with a STIBOR floor of 0 percent, and interest will be paid four times a year, on January 28, April 28, July 28 and October 28. The maturity date is April 28, 2020. The bonds are secured by way of a pledge of shares in Magnolia Utveckling AB.

The terms and conditions of the bonds contain a financial covenant whereby the Company must ensure that the equity/assets ratio is at least 25 percent at all times. There are particular covenants in the terms and conditions of the bonds according to which the Company and its subsidiaries are only permitted to distribute dividends if: (i) the Group has at least SEK 25 million in Cash Equivalents, (ii) there is no outstanding Event of Default, (iii) the Company's equity/debt ratio on a consolidated basis exceeds (A) 27.50 percent from and including the first issue date to (but excluding) the date falling one year after the first issue date, (B) 28.50 percent from and including the date falling one year after the first issue date to (but excluding) the date falling two years after the first issue date, (C) 29.50 percent from and including the date falling two years after the first issue date to (but excluding) the date falling three years after the first issue date and (D) 30.00 percent from and including the date falling three years after the first issue date to (but excluding) the maturity date (Incurrence Test), and (iv) the payment does not exceed (A) 25 percent of the Group's consolidated profit for the previous financial year up to and including 2017, and (B) 50 percent of the Group's consolidated profit for the previous financial year from and including 2018.

The particular covenants in the terms and conditions for the bonds also contain restrictions relating to the

conditions under which the Company and its subsidiaries may raise debt, provide security and sell assets. The terms and conditions of the bonds also contain standard covenants relating to the provision of information to the bond holders and the agent. The Company may redeem the bonds prematurely (call option) under certain circumstances.

If there is any change of control or de-listing event, each individual bond holder has the right to request premature repayment at an amount equivalent to 101 percent of the nominal amount of each redeemed bond plus accrued interest. A change of control means that a person (or several persons acting together) other than Fredrik Holmström (or anyone associated with him) takes control of the Company by (i) owning or controlling, directly or indirectly, more than 50 percent of the shares in the Company or (ii) having the right, directly or indirectly, to appoint or remove the majority of the members of the Company's board of directors. A de-listing event means that (i) the Company's shares cease to be listed on Nasdaq First North, Nasdaq Stockholm or another regulated market, or (ii) trading in the Company's shares on these stock markets ceases for a period of 15 business days in succession.

2016/2021 Bond issue

The Company issued unsecured, five-year bonds of SEK 400 million in October 2016, with the option of issuing subsequent bonds within a frame of a total of SEK 1 billion. The bonds have since been listed on Nasdaq Stockholm. The lowest subscription grade for each bond subscriber is SEK 1 million, which is also the nominal amount of each bond. On March 16, 2018, the Company issued subsequent bonds of SEK 200 million.

The bonds are subject to an interest rate of 3-month STIBOR plus 7.25 percent per annum, and interest will be paid four times a year on January 13, April 13, July 13 and October 13. The maturity date is October 13, 2021.

The terms and conditions of the bonds contain a financial covenant whereby the Company must ensure that the equity/assets ratio is at least 25 percent at all times. There are particular covenants in the terms and conditions of the bonds according to which the Company and its subsidiaries are only permitted to distribute dividends if: (i) the Group has at least SEK 25 million in Cash Equivalents, (ii) there is no outstanding Event of Default, (iii) the Company's equity/assets ratio on a consolidated basis exceeds (A) 27.50 percent from and including the first issue date to (but excluding) April 28, 2017, (B) 28.50 percent from and including April 28, 2017 to (but excluding) April 28, 2018, (C) 29.50 percent from and including April 28, 2018 to (but excluding) April 28, 2019 and (D) 30.00 percent from and including April 28, 2019 to (but excluding) the maturity date (Incurrence Test), and (iv) the payout does not exceed (A) 25 percent of the Group's consolidated profit for the previous financial year up to and including 2017, and (B) 50 percent of the Group's consolidated profit for the previous financial year from and including 2018.

The particular covenants in the terms and conditions for the bonds also contain restrictions relating to the conditions under which the Company and its subsidiaries may raise debt, provide security and sell assets. The terms and conditions of the bonds also contain standard covenants relating to the provision of information to the bond holders and the agent. The Company may redeem the bonds prematurely (call option) under certain circumstances.

If there is any change of control or de-listing event, each individual bond holder has the right to request premature repayment at an amount equivalent to 101 percent of the nominal amount of each redeemed bond plus accrued interest. A change of control means that a person (or several persons acting together) other than Fredrik Holmström (or anyone associated with him) takes control of the Company by (i) owning or controlling, directly or indirectly, more than 50 percent of the shares in the Company or (ii) having the right, directly or indirectly, to appoint or remove the majority of the members of the Company's board of directors. A de-listing event means that (i) the Company's shares cease to be listed on Nasdaq First North, Nasdaq Stockholm or other regulated market, or (ii) trading in the Company's shares on the said stock markets ceases for a period of 15 business days in succession.

Minority Ownership Structure

In 2013, at the initiative of, and along with, Fredrik Lidjan, who was an external consultant at the time, Magnolia Bostad established the business model for rental housing in 2013. Fredrik Lidjan, through the wholly-owned company Fredrik Lidjan AB (FLAB), was engaged to initiate the new business. According to the agreement, FLAB did not receive any fixed remuneration, but would instead receive 8–12 percent of the profits in rental apartment projects developed and divested together with FLAB. In 2013, the company and FLAB entered into profit-sharing agreements regarding the mediation of projects comprising the properties Publiken 1, Traversen 18, Trapphuset 1, Kungsängens-Tibble 19:1, Kungsängens-Tibble 20:2, Sigtuna Valsta 3:29 and Uppsala Kungsängen 25:1. No new projects are included in the profit-sharing agreements, and they will expire as soon as the original projects governed by the agreements have been completed. As the Company understands it, these transactions with FLAB were carried out on market terms. FLAB received SEK 18 million in 2017 (SEK 30 million in 2016) under these agreements. The Company calculates that FLAB will receive SEK 15-25 million in compensation in accordance with the remaining profit-sharing agreements pursuant to the agreement described above, after which all profit-sharing agreements will be finally settled.

Prior to Magnolia Bostad's listing on Nasdaq First North, the arrangement with FLAB was changed from the structure involving profit-sharing agreements to co-ownership of a joint company by means of FLAB and the group company Magnolia Utveckling AB jointly acquiring the shares in the new start-up company Magnolia Holding 3 AB ("H3AB"). 10 percent of

the shares in H3AB were acquired by FLAB and the remaining shares were acquired by Magnolia Utveckling AB. The ownership of H3AB is governed by a shareholders' agreement under which all the Group's property development projects up to and including February 2019, which mainly consist of rental housing (though combined with certain other criteria), will be allocated to H3AB. FLAB's share of profit/loss amounted to SEK -1 million in 2017 (SEK 28 million in 2016), which represents 10 percent of H3AB's results for 2017. FLAB has invested SEK 705,000 in H3AB. The amount relates to FLAB's initial pro-rata financing of its participation in the company and a shareholders' contribution of SEK 700,000. Magnolia Utveckling AB has financed its pro-rata share in the company on the same terms and has made a corresponding shareholders' contribution pro rata to its participating interest.

In 2015, the Company decided to start developing hotels as well in cooperation with Fredrik Lidjan and Clas Hjorth according to an equivalent model as that applied to rental housing described above. The parties established Magnolia Hotellutveckling AB ("Hotell 1") by Magnolia Bostad acquiring 60 percent, FLAB acquiring 24 percent and Clas Hjorth AB acquiring 16 percent of the shares in the new start-up company Hotell 1. The ownership of Hotell 1 is governed by a shareholders' agreement under which Hotell 1 will implement the Group's hotel development projects until December 31, 2020. Since no hotel development projects have been implemented, neither FLAB nor Clas Hjorth AB is entitled to any profits from Hotell 1 for 2017. FLAB and Clas Hjorth AB have invested SEK 109,440 and SEK 72,960 in Hotell 1, respectively. The amounts refer to the parties' initial pro-rata financing of their participations in the company and also to the shareholders' contributions of SEK 97,440 and SEK 64,960. Magnolia Bostad AB has financed its pro-rata share in the company on the same terms and has made a corresponding shareholders' contribution pro rata to its participating interest. The co-ownership of H3AB and Hotell 1 is referred to below as the "Original Minority Ownership Structure".

The shareholders' agreements for H3AB and Hotell 1 contain provisions relating to such aspects as financing, election of the board of directors, valuation of shares and breach of contract. To sum up, the two companies are controlled by Magnolia Bostad, taking the rules on the protection of minorities contained in the Swedish Companies Act into account. Restrictions on transfer in the form of post-transfer purchase rights for shareholders are contained in each company's articles of association. Transfer restrictions enable the Company to prevent FLAB and Clas Hjorth AB selling their shares to a third party. H3AB and Hotell 1 are financed on market terms or by the parties on a pro-rata basis and on the same terms (the same applies to the lodging of security). If FLAB or Clas Hjorth AB do not wish to participate in the financing, Magnolia Bostad is entitled, but not obliged, to provide financing on market terms. The intention is that the parties will finance the companies on a pro-rata basis determined by their ownership.

If financing is not provided on a pro-rata basis, the parties' total return profile for provided capital (shareholders' contributions and loans on market terms) will not be the same. In the event Magnolia Bostad is the sole provider of financing on market terms, and a profit ultimately arises after the loan has been repaid (including interest), FLAB's return on invested capital will be relatively higher than that of Magnolia Bostad. Correspondingly, FLAB's return on invested capital will be relatively lower than that of Magnolia Bostad in cases where no profit arises after the loan has been repaid (including interest). Dividends to shareholders of each company must be paid out annually, taking the restrictions contained in the Swedish Companies Act into consideration. Dividends to shareholders of each company must occur at the same time and for the same amount per share. The dividend that group companies receive can be distributed to Magnolia Bostad's shareholders provided that this is in line with the dividend restrictions described in more detail in *"Legal considerations and supplementary information – Material agreements"*.

In 2015, Fredrik Lidjan was appointed CEO of Magnolia Bostad. The board of directors and the Principal Owner have considered it appropriate prior to the Listing to ensure that there is no risk of Fredrik Lidjan as CEO having interests that conflict with those of the Company's shareholders due to his participating interests in various group companies. FLAB and the Company have therefore established a new minority ownership structure, as follows.

In August 2017, FLAB and Magnolia Utveckling AB acquired a newly incorporated company, Magnolia Holding 4 AB ("H4AB"). 8 percent of the shares in H4AB were acquired by FLAB and the remaining shares were acquired by Magnolia Utveckling AB. FLAB, Clas Hjorth AB and Magnolia Bostad also established Magnolia Hotellutveckling 2 AB ("Hotell 2"). 8 percent of the shares in Hotell 2 are owned by FLAB, 16 percent are owned by Clas Hjorth AB and the remainder of the shares are owned by Magnolia Bostad. The ownership of both companies is governed by a shareholders' agreement. According to these shareholders' agreements, all hotel development projects implemented by Magnolia Bostad are directly or indirectly allocated to Hotell 2 up to December 31, 2020 and all other investments in the Group (i.e., not only projects that mainly consist of rental housing, as was the case in the Original Minority Ownership Structure) are allocated to H4AB up to December 31, 2022. All new projects in the Group will thus be allocated to either H4AB or Hotell 2. After June 30, 2017, no new projects were allocated to H3AB or Hotell 1. When the projects held by H3AB and Hotell 1 have been completed and sold, and the amounts have been recognized as revenue, both H3AB and Hotell 1 will be liquidated. Once the respective exclusivity periods for H4AB and Hotell 2 have expired, no new projects will be allocated to H4AB or Hotell 2, and the ongoing projects held by each company will be completed and sold and the profit distributed on an ongoing basis to the owners. The board of directors believes that it is

probable that the final projects will be completed after 2030, at which time the companies can be liquidated.

The co-ownership of H4AB and Hotell 2 is referred to below as the "New Minority Ownership Structure". FLAB has invested SEK 320,000 in H4AB and SEK 4,000 in Hotell 2. Clas Hjorth AB has invested SEK 8,000 in Hotell 2. The amounts refer to the parties' initial pro-rata financing of their respective participations in the companies and Magnolia Bostad has financed its pro-rata participations on the same terms. The shareholders' agreement for H4AB and Hotell 2, respectively, contains provisions that correspond to those of the shareholders' agreement for H3AB and Hotell 1, respectively.

The purpose of the New Minority Ownership Structure and the replacement of the Original Minority Ownership Structure is for FLAB, by reducing its participating interest from 10 and 24 percent to 8 percent, to receive the same participating interest in all new projects, regardless of the type, which eliminates the potential risk of conflicts of interest.

After engaging external expertise, the Company's board of directors has concluded that the terms and conditions for financing projects in the New Minority Ownership Structure in the case of financing by a single party are on market terms. The board of directors also considers that there is a well-weighted balance in the assessed value of the ownership and rights that FLAB receives through the New Minority Ownership Structure in relation to the value of the ownership and rights that FLAB loses through the premature termination of the Original Minority Ownership Structure and the transaction is not considered to be disadvantageous for the Magnolia Bostad shareholders in terms of its value. The board of directors' assessment is supported by an external market valuation that confirms that the terms and conditions for the transaction are reasonable for Magnolia Bostad's shareholders from a financial perspective. The board of directors also considers that there is a low risk of tax consequences for the Company as a result of the termination of the Original Minority Ownership Structure and the introduction of the New Minority Ownership Structure.

Furthermore, the termination of the Original Minority Ownership Structure and the introduction of the New Minority Ownership Structure has no effects on Magnolia Bostad's financial position, results or key performance indicators. The Principal Owner and the board of directors of the Company consider that, overall, the New Minority Ownership Structure will benefit the shareholders and have a positive impact on the Group's future development.

Prior to its implementation of the New Minority Ownership Structure, the Company obtained a statement from the Swedish Securities Council (no. 2017:29). According to the statement, the Swedish Securities Council had no comments on the profit-sharing agreements and the Original Minority Ownership Structure,

and the establishment of the New Minority Ownership Structure is compatible with good practice on the securities market if it is approved by the general meeting of Magnolia Bostad applying the LEO provisions. The establishment of the New Minority Ownership Structure was approved at an extraordinary general meeting of the Company held on October 13, 2017, with the support of all shares and votes at the general meeting.

Transactions with related parties

The Company and the Principal Owner have entered into management agreements relating to the properties Kopplingsboxen 26, Instrumentet 2, Sländan 5, Skogskarlen 3, Orminge 52:1 and Kungsängen 29:2. According to the management agreements, the Principal Owner must assist the Company, among other things, with financial and technical management of the properties in return for remuneration of between SEK 6,500 and SEK 50,000 (excluding VAT) per quarter, depending on the property in question. The management agreements relating to Kopplingsboxen 26, Instrumentet 2, Skogskarlen 3, Orminge 52:1 and Kungsängen 29:2 are valid from April 30, 2019 and can then be extended by one year at a time. The management agreement relating to Sländan 5 expired on December 31, 2016, but the option to extend the term one quarter at a time was exercised up to the second half of 2017. The Principal Owner previously rented office premises from Magnolia Utveckling AB. The rent amounted to SEK 1,408,000 per year, excluding certain agreed surcharges. This contractual relationship has ended. In May 2018, the Principal Owner and Magnolia Utveckling AB entered into a sublease, according to which, as of June 1, 2018, Magnolia Utveckling AB will rent commercial premises from the Principal Owner. In the Company's view, all these agreements have been entered into on market terms.

On September 11, 2015, the Principal Owner granted a loan of SEK 4 million to the CEO's wholly-owned company, FLAB. The loan has an interest rate of five percent, and the principal and accrued interest becomes due on December 28, 2018. In certain cases, the Principal Owner has the right to accelerate the loan.

Fredrik Tibell, through his wholly-owned company Caritas Corporate Finance AB, has been engaged as a consultant to the Company to a limited extent to provide ongoing financial advice. As the Company understands it, these transactions were carried out on market terms. In 2017, Caritas Corporate Finance AB invoiced the Company the amount of SEK 0.3 million (SEK 0.5 million in 2016) for services performed in 2017.

For a description of related-party transactions with FLAB, see "*Minority Ownership Structure*".

On March 31, 2017, Viva Bostad Sländan AB, a company in which the board member Andreas Rutili holds indirect ownership but not a controlling influence, acquired the Sländan project, consisting of approximately 130 apartments, from Magnolia Bostad. The property acquisition is calculated to be worth approximately SEK 245 million

on completion. Before the sale, the Company obtained a statement from the Swedish Securities Council (no. 2017:02) regarding the transaction. The statement provides that, when deciding on property transfers, the board of directors must give the necessary consideration to the fact that Andreas Rutili, who has interests in a prospective purchaser in the market for Magnolia Bostad's properties, is or may be considered to have a conflict of interest. In terms of good practice, due to the special circumstances relating to the role of Andreas Rutili, the Securities Council considered that, in direct connection with every sale to a purchaser in which Andreas Rutili has a financial interest (described in more detail in the description), Magnolia Bostad must inform the stock market of the sale and the manner in which the board of directors has ensured that it has taken place on market terms. Andreas Rutili did not participate in the board of directors' handling of the transaction. The sale was preceded by a standard sale process and the Company's board of directors also obtained external valuation opinions to ensure that the transaction was carried out on market terms. The transaction was announced by the Company via a press release on March 31, 2017.

On September 29, 2017, Viva Bostad Nynäshamn AB, a company in which Andreas Rutili has an indirect holding but not a controlling influence, acquired the Fyren phase 1 project, consisting of 220 apartments, from Magnolia Bostad. At the same time, Magnolia Bostad sold Fyren phase 2, consisting of approximately 240 apartments and pre-school premises, to SEB's housing fund Domestica IV. Both sales are conditional on the purchaser's financing and the total property value on completion is estimated at approximately SEK 950 million. The transaction took place in accordance with the statement by the Swedish Securities Council that was obtained at the time of the sale of the Sländan project. Andreas Rutili did not participate in the board of directors' handling of the transaction. The sale was preceded by a standard sale process and the Company's board of directors also obtained external valuation opinions to ensure that the transaction was carried out on market terms. The transaction was announced by the Company via a press release on September 29, 2017.

In relation to the transactions relating to the Sländan project and the Fyren phase 1 project, the group company Magnolia Produktion AB entered into an advance warranty insurance agreement with an external insurance provider in favor of Viva Bostad Sländan AB and Viva Bostad Nynäshamn AB, respectively, in order to comply with certain statutory requirements concerning the development of tenant-owned properties. Magnolia Produktion AB entered into an agreement concerning a repayment obligation to Vincero AB (see below) in respect of any potential payment claims that may be made against Magnolia Produktion AB under the advance warranty insurance. Magnolia Produktion AB's payment obligation under the advance warranty insurance cannot exceed SEK 22 million. Magnolia Produktion AB also charges market-based compensation. The purpose of taking out the advance

warranty insurance is to enable the rental housing to be converted into tenant-owned apartments, resulting in the possibility for Magnolia Bostad to receive additional consideration if tenant-owned apartments are developed.

As regards the transaction concerning the Fyren phase 1 project, the sale was conditional on Viva Bostad Nynäshamn AB's financing. The relevant agreement was amended to make it easier for Viva Bostad Nynäshamn AB to receive requisite financing. In light of this fact, and given that the amendment to the agreement was a net positive for Magnolia Bostad (since it will receive higher potential revenues and more beneficial project terms), Magnolia Bostad's board of directors granted its approval to the Company issuing a guarantee for a loan of SEK 20 million to Viva Bostad Nynäshamn AB's parent company with an external lender. Correspondingly, Magnolia Bostad will receive a loan from Viva Bostad Nynäshamn AB of the same amount which can be set off against the guarantee to the external lender. No final agreements had been entered into as at the date of the Prospectus.

Vincero AB, a company in which Andreas Rutili owns 50 percent and the other 50 percent is owned by a party closely related to Andreas Rutili, holds, through a company structure, ownership corresponding to 16.7 percent of the group company, Moutarde Holding AB. Thus, Andreas Rutili is entitled to a share of the profits in the Senapsfabriken phase 1 and Senapsfabriken phase 2 projects. Moutarde Holding AB issued loans in 2017 to its indirect shareholders, including Senapsfabriken Fastigheter AB in which board member Andreas Rutili is indirectly a shareholder. The loans were issued pro rata based on each shareholder's agreed share of the profits of Moutarde Holding AB and all shareholders received loans on the same terms. Senapsfabriken Fastigheter AB received a loan of approximately SEK 55 million.

For further information on transactions with related parties, see Note 34 in "*Historical financial information – Revised historical financial information for 2017, 2016 and 2015 – Notes*".

In the Company's opinion, the above transactions with related parties have been entered into on market terms

Advisors

The Manager provides financial advice and other services to Magnolia Bostad and the Principal Owner in connection with the Listing, for which it will receive customary remuneration. From time to time, the Manager has provided, and may in the future provide, services within the framework of day-to-day activities in connection with other transactions to the Company, the Principal Owner and related parties to the Principal Owner. The Company's and the Principal Owner's legal advisor (please see the section entitled "*Addresses*") will receive customary remuneration for this advice. The legal advisor has also, from time to time, provided, and may in the future provide, legal advice within the framework of day-to-day activities in connection with other transactions to the Company, the Principal Owner and related parties to the Principal Owner.

Transaction costs

Magnolia Bostad's costs attributable to the Listing, including remuneration to the Company's advisors, are estimated to amount to approximately SEK 14.7 million.

Documents made available for inspection

Magnolia Bostad's (i) articles of association and (ii) all the historical financial information referred to in the Prospectus, is made available for inspection during office hours at Sturegatan 6, SE-102 40, Stockholm, Sweden. These documents are also available in electronic format on Magnolia Bostad's website, www.magnoliabostad.se. Magnolia Bostad's and its subsidiaries' annual reports for the 2015–2017 financial years are also available at Magnolia Bostad's address above.

Information available on the website or that is referred to on the Company's website does not constitute a part of, and is not incorporated into, the Prospectus by reference.

Tax issues

Certain Swedish tax rules that could become of interest due to the acquisition of shares in the Company are summarized below. The summary is intended for natural persons and private limited liability companies with unlimited tax liability in Sweden, unless otherwise stated. The summary is not intended to be exhaustive and does not include, for example, situations where shares are held by a trading company or as an inventory item in business activities. In addition, the special rules on tax-free capital gains (including prohibition of deduction in the case of capital losses) and dividends in the corporate sector are not addressed. Furthermore, the special rules that apply to so-called qualified shares in close companies or shares that are held in an investment savings account or endowment insurance are not addressed. Special tax rules apply to certain types of taxpayers, such as investment companies, investment funds and persons who are not unlimited taxpayers in Sweden. Shareholders are recommended to obtain advice from independent tax consultants in relation to the tax consequences that may arise in each individual case, including the application and effect of foreign tax rules and tax treaties.

Taxation on sales of listed shares

Natural persons

Capital gains are taxed as income from capital for natural persons and estates of deceased persons. The tax rate is normally 30 percent.

Capital gains and capital losses arising on sales of shares are normally calculated as the difference between the selling price, after deducting sales costs, and the cost of the shares. Briefly, the cost refers to expenses for the acquisition plus expenses for improvement. Costs for all shares of the same type and class are calculated applying the averages method. For listed shares, the cost may, alternatively, be determined according to the standardized taxation method as 20 percent of the selling price after a deduction for sales costs.

Capital losses arising on sales of listed shares listed are fully deductible against taxable capital gains arising the same year on other listed shares and partial ownership rights, other than shares in certain investment funds that only contain Swedish claim rights (interest rate funds). Capital losses may also be offset against the taxable part of the capital gains on shares in Swedish companies and foreign legal entities that are not listed on the market. It can also be added that set-off will take place in a specific order.

Capital losses that cannot be offset in this way may be deducted at the rate of 70 percent against other income in the income item of capital. If any losses occur in the income item of capital, a tax reduction may be made against municipal and national income tax and against national property tax and municipal property charges. A tax reduction is granted at the rate of 30 percent of the part of the loss that does not exceed SEK 100,000

and at the rate of 21 percent of the remaining loss. The loss cannot be saved for later tax years.

Private limited liability companies

Private limited liability companies are taxed on all income from business activities at the rate of 22 percent. Capital gains and capital losses are calculated in the same way as for natural persons in accordance with the above. Deductions for capital losses from shares are normally permitted against capital gains from shares and other partial ownership rights. If certain conditions are fulfilled, a capital loss can also be offset against capital gains in companies within the same group, provided that a group contribution right exists between the companies and both the giver and receiver request it for a tax year that has the same declaration date (or which would have had if any of the company's accounting obligations had not expired). Capital losses that have not been utilized during a specific year may be saved and deducted against capital gains on shares and other partial ownership rights during the following tax year without any time limit. Special rules apply if the shares constitute shares held by their owner for business purposes.

Taxation of dividends

Dividends on listed shares are taxed as income from capital at the rate of 30 percent for natural persons and the estates of deceased persons. For companies, corporation tax is levied on dividends at the rate of 22 percent. Special rules apply if the shares constitute shares held by their owner for business purposes.

Preliminary tax relating to dividends is withheld by Euroclear or, for nominee-registered shares, by the nominee. The Company is not responsible for withholding tax at source.

Shareholders with limited tax liability in Sweden

For shareholders with limited tax liability in Sweden, Swedish dividend tax normally amounts to 30 percent on dividends from Swedish companies. This tax rate is often reduced through tax treaties between Sweden and other countries for avoiding double taxation. The dividend tax is withheld at the time of payment of the dividend by Euroclear or, for nominee-registered shares, by the nominee. In the event that 30 percent dividend tax is withheld when dividends are paid to a person who is entitled to be taxed at a lower tax rate, or if too much dividend tax has otherwise been withheld, repayment can be requested from the Swedish Tax Agency in writing before the end of the fifth calendar year after the dividend payment.

Shareholders with limited tax liability in Sweden and who do not conduct business activities from fixed places of business in Sweden are normally not taxed in Sweden on capital gains on sales of shares and other partial ownership rights. Shareholders can also be subject to taxation in the country in which they are resident for tax purposes. According to a special rule, natural persons with limited tax liability in Sweden can be subject to Swedish tax on the sale of certain securities if they have been resident in Sweden or consistently spent time in Sweden at any time during the calendar year in which the sale took place or at any time during the ten immediately preceding calendar years. However, the application of this rule is limited in several cases by tax treaties between Sweden and other countries to avoid double taxation.

Definitions

Euroclear means Euroclear Sweden AB (PO Box 7822, SE-103 97 Stockholm, Sweden).

Code means the Swedish Code of Corporate Governance.

IFRS means International Financial Reporting Standards, such as those adopted by the European Union.

Listing means the admission to trading of Magnolia Bostad's shares on Nasdaq Stockholm.

Magnolia Bostad, the Company or the Group, depending on the context, means Magnolia Bostad AB, company registration number 556797-7078, the group in which Magnolia Bostad AB is the ultimate parent company, or subsidiaries in the group.

Manager means Skandinaviska Enskilda Banken AB, SEB Corporate Finance.

Nasdaq Stockholm means the regulated market managed by Nasdaq Stockholm Aktiebolag.

Principal Owner means F. Holmström Fastigheter AB.

Prospectus means this Prospectus which has been prepared for the purpose of the Listing.

SEK means Swedish kronor.



Brunshög, Lund

Historical financial information

Financial interim information for the period January – March 2018

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Financial interim information for the period January – March 2018

Financial information

Consolidated Condensed Income Statement

Amounts in MSEK	2018 Jan-Mar	2017 Jan-Mar	2017/2018 Apr-Mar	2017 Jan-Dec
Net sales	532	77	2,236	1,781
Production and operating costs	-404	-45	-1,706	-1,347
Gross profit/loss	128	32	530	434
Central administration	-12	-8	-45	-41
Profit/loss from participations in associated companies and joint ventures	-3	-4	-8	-9
Operating profit/loss	113	20	477	384
Financial income	2	1	7	6
Financial expenses	-35	-24	-126	-115
Change in value, financial instruments	-	0	0	0
Profit/loss before tax	80	-3	359	276
Income tax	0	0	0	0
NET PROFIT/LOSS FOR THE PERIOD	80	-3	359	276
Profit/loss attributable to				
Parent company shareholders	81	-2	286	203
Non-controlling interests	-1	-1	73	73
Earnings per share (SEK)				
Before dilution effects	2.14	-0.05	7.56	5.37
After dilution effects	2.14	-0.05	7.56	5.37

Consolidated Statement of Comprehensive Income

Amounts in MSEK	2018 Jan-Mar	2017 Jan-Mar	2017/2018 Apr-Mar	2017 Jan-Dec
Net profit/loss for the period	80	-3	359	276
OTHER COMPREHENSIVE INCOME FOR THE PERIOD				
Total other comprehensive income	0	0	0	0
COMPREHENSIVE INCOME FOR THE PERIOD	80	-3	359	276
Comprehensive income attributable to				
Parent Company shareholders	81	-2	286	203
Non-controlling interests	-1	-1	73	73

Consolidated Condensed Statement of Financial Position

Amounts in MSEK	2018 31 Mar	2017 31 Mar	2017 31 Dec
ASSETS			
Non-current assets			
Goodwill	6	6	6
Other intangible assets	1	1	1
Total intangible assets	7	7	7
Machinery and equipment	8	7	8
Total property, plant and equipment	8	7	8
Shares in associated companies and joint ventures	109	114	111
Receivables from associated companies	24	23	24
Other securities held as non-current assets	31	31	31
Other long-term receivables	1,202	468	1,165
Total financial assets	1,365	636	1,330
Total non-current assets	1,380	650	1,345
Current assets			
Development and project properties	1,101	1,453	1,310
Tenant-owned apartments	4	4	4
Accounts receivable	13	2	31
Receivables from associated companies	42	19	52
Other receivables	662	509	595
Prepaid expenses and accrued income	5	4	5
Cash and cash equivalents	442	138	208
Total current assets	2,268	2,129	2,205
TOTAL ASSETS	3,648	2,779	3,550

Consolidated Condensed Statement of Financial Position

Amounts in MSEK	2018 31 Mar	2017 31 Mar	2017 31 Dec
EQUITY AND LIABILITIES			
Equity			
Share capital	151	151	151
Other capital contributions	187	185	185
Retained profits incl. net profit/loss for the period	737	516	655
Equity attributable to Parent Company shareholders	1,075	852	991
Non-controlling interests	178	135	180
Total equity	1,254	987	1,171
Non-current liabilities			
Deferred tax liability	2	2	2
Non-current interest-bearing liabilities	1,399	1,267	1,566
Non-current liabilities to associated companies	24	-	35
Other long-term liabilities	30	54	30
Total long-term liabilities	1,455	1,323	1,633
Current liabilities			
Current interest-bearing liabilities	656	262	507
Derivatives	-	0	-
Accounts payable	55	68	16
Liabilities to associated companies	0	11	1
Income tax liabilities	2	0	0
Other current liabilities	108	40	85
Accrued expenses and deferred income	118	88	136
Total current liabilities	939	469	745
TOTAL EQUITY AND LIABILITIES	3,648	2,779	3,550

Consolidated Condensed Statement of Changes in Equity

Amounts in MSEK	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/ loss for the year	Non-controlling interests	Total equity
Opening equity 1/1/2017	151	185	0	517	136	989
Net profit/loss for the period	-	-	-	-2	-1	-3
Other comprehensive income	-	-	0	-	0	0
Closing equity 3/03/2017	151	185	0	516	135	986
Dividend	-	-	0	-66	-30	-96
Acquisition of subsidiaries	-	-	-	-	1	1
Net profit/loss for the period	-	-	-	205	74	280
Other comprehensive income	-	-	0	-	0	0
Closing equity 12/31/2017	151	185	0	655	180	1,171
Opening equity 1/1/2018	151	185	0	655	180	1,171
Issue of warrants	-	2	-	-	-	2
Net profit/loss for the period	-	-	0	81	-1	80
Other comprehensive income	-	-	0	-	0	0
Closing equity 03/31/2018	151	187	0	737	178	1,254

Condensed Consolidated Cash Flow Statement

Amounts in MSEK	2018 Jan-Mar	2017 Jan-Mar	2017/2018 Apr-Mar	2017 Jan-Dec
Operating activities				
Profit/loss after financial items	80	-3	359	276
Adjustments for non-cash items, etc				
Less share of profit/loss from associated companies and joint ventures	3	4	8	9
Depreciation/amortization and impairment of assets	1	1	2	2
Capital gains/losses from the sale of development properties	-136	-37	-683	-584
Other provisions	0	0	0	0
Other profit/loss items that do not affect liquidity	2	-1	9	6
Income tax paid	0	-1	1	0
Cash flow from operating activities before changes in working capital	-50	-37	-304	-291
Decrease(+)/increase(-) of development and project properties	209	-293	346	-156
Decrease(+)/increase(-) in current receivables	-129	-66	-257	-194
Decrease(+)/increase(-) in current liabilities	32	12	44	24
Cash flow from operating activities	62	-384	-171	-617
Investing activities				
Acquisition of intangible fixed assets	0	-1	0	-1
Acquisition of property, plant and equipment	0	-7	-2	-9
Investment in financial assets	-1	0	-4	-3
Cash flow from investing activities	-1	-8	-6	-13
Financing activities				
Contribution from non-controlling interest	-	-	1	1
Issue of warrants	2	-	2	-
Borrowings	253	25	825	597
Repayment of borrowings	-82	-1	-281	-200
Dividend paid	-	-	-66	-66
Cash flow from financing activities	173	24	481	332
Cash flow for the period	234	-368	304	-298
Cash and cash equivalents at the beginning of the period	208	507	138	507
Cash and cash equivalents at the end of the period	442	138	442	208

Parent Company Condensed Income Statement

Amounts in MSEK	2018 Jan-Mar	2017 Jan-Mar	2017/2018 Apr-Mar	2017 Jan-Dec
Net sales	0	0	14	14
Total income	0	0	14	14
Central administration	-11	-7	-11	-7
Operating profit/loss	-11	-7	3	7
Financial income	15	14	358	357
Financial expenses	-17	-16	-65	-64
Profit/loss after financial items	-13	-10	273	276
Tax on profit/loss for the period	0	0	0	0
NET PROFIT/LOSS FOR THE PERIOD	-13	-10	273	276

Parent Company Statement of Comprehensive Income

Amounts in MSEK	2018 Jan-Mar	2017 Jan-Mar	2017/2018 Apr-Mar	2017 Jan-Dec
Net profit/loss for the period	-13	-10	273	276
OTHER COMPREHENSIVE INCOME FOR THE PERIOD				
Total other comprehensive income	0	0	0	0
COMPREHENSIVE INCOME FOR THE PERIOD	-13	-9	273	276

Parent Company Condensed Balance Sheet

Amounts in MSEK	2018 31 Mar	2017 31 Mar	2017 31 Dec
ASSETS			
Non-current assets			
Financial assets	154	349	154
Total non-current assets	154	349	154
Current assets			
Current receivables			
Receivables from Group companies	1,262	771	1,191
Receivables from associated companies	0	0	0
Other receivables	1	0	2
Prepaid expenses and accrued income	1	1	0
Total current receivables	1,264	772	1,193
Cash and bank balances	79	5	4
Total current assets	1,343	777	1,197
TOTAL ASSETS	1,497	1,126	1,351
EQUITY AND LIABILITIES			
Equity	438	231	451
Non-current liabilities			
Interest-bearing liabilities	1,040	878	883
Total long-term liabilities	1,040	878	883
Current liabilities			
Liabilities to Group companies	0	0	0
Other current liabilities	2	1	1
Accrued expenses and deferred income	17	16	16
Total current liabilities	19	17	17
TOTAL EQUITY AND LIABILITIES	1,497	1,126	1,351

Other information

Accounting principles

Magnolia Bostad follows the IFRS standards approved by the EU. The interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. For the Parent Company, the interim report has been prepared in accordance with the Annual Accounts Act, which is in accordance with the provisions set out in RFR 2. The accounting principles agree with those used by the Group in the 2017 Annual Report. Disclosures in accordance with IAS 34 Interim Financial Reporting are provided as both notes and in other places in the interim report.

New accounting principles

IFRS 9 Financial Instruments refers to the accounting of financial instruments. The new standard applies as of 2018 and replaces IAS 39. It contains rules for the classification and measurement of financial assets and liabilities, the impairment of financial instruments and hedge accounting. Magnolia Bostad has chosen to apply the relief rules that exist in the standard and do no retroactive recalculation of previous periods. For Magnolia Bostad, the new standard entails a new base for the classification and valuation of financial instruments as well as a forward-looking write-down model for financial assets. All financial assets and financial liabilities will continue to be valued on the same basis as previously applied under IAS 39. Magnolia Bostad has not identified any significant effects from the application of IFRS 9.

Effects of the transition to IFRS 15
IFRS 15 Revenue from Contracts with Customers entered into force for financial years commencing on January 1, 2018 or later and replaces the previously issued standards and interpretations that relate to revenue with a joint model for revenue recognition. The standard will be applied by the Group and Parent Company starting on January 1, 2018, with full retrospective restatement.

Revenue recognition of project management agreements

Project management is reported under IFRS 15, like under the previous accounting principles, as a performance obligation, and the revenue attributable to the project management is reported over time in accordance with the input method since control is passed over time. Under the input method, revenue is recognized on the basis of initiatives or input to meet a performance obligation in relation to the total expected input for the satisfaction of the performance obligation.

Revenue recognition of project development

In accordance with IFRS 15, revenue recognition of project development occurs when the control has been passed to the purchaser. The Group makes the assessment that the point in time for revenue recognition under IFRS 15 has not changed compared to previous principles and control has been passed to the purchaser when (i) a binding agreement is entered into with a purchaser of the project (the property), (ii) local planning is in place, and (iii) a binding turnkey contract has been entered into with a contractor. The transaction price contains elements of variable consideration. For rental apartment projects, hotels and residential care facilities, the variable consideration is linked to the future property's rent/net operating income and area. Variable remuneration amounts are estimated at the expected value and included in the transaction price to the extent that a significant reversal at a later point in time is highly improbable. At the end of each reporting period, the estimated transaction price is updated to correctly reflect the circumstances at that point in time.

Some of the revenue was also recognized in accordance with previously applied accounting principles first when the outcome of some uncertainty, such as vacancy risk and potential risk in the turnkey contract, is known and the uncertainty in the variable consideration of the transaction price has ceased. As of 2016, potential uncertainty regarding planning risk in the assessment of the variable remuneration amount was also taken into account.

The transition to IFRS 15 has led to some redistribution in the time for revenue in projects recognized before the assessments and estimates linked to the planning risk were introduced in 2016. Revenue recognition prior to 2016 did not take into account potential uncertainty in the planning risk, which, following retrospective application of IFRS 15, resulted in lower initial revenue in some projects settled in 2015.

For tenant-owned apartment projects, the transition to IFRS 15 did not have any effects.

Accumulated project profit/loss and thus outgoing equity in 2017 are unchanged compared to the application of previous accounting principles. A compilation of the effects on the Consolidated Income Statement and Consolidated Balance Sheet from the application of IFRS 15 is presented in the tables below.

For the interim period 1 January to 31 March 2017, the transition to IFRS 15 has affected Net sales, Gross profit, Operating profit, Profit before tax and Profit for the period positively by SEK 6 million. The balance sheet as at 31 March 2017 has been impacted by SEK -3 million on Other long-term receivables, Total non-current assets, Total assets, Equity and Total equity and liabilities of the transition to IFRS 15.

Income statement 2015

Amounts in MSEK	Previous reporting	IFRS 15 adjustment	According to IFRS 15
Operating income and expenses			
Net sales	876	-63	813
Production and operating costs	-657	-	-657
Gross profit/loss	219	-63	156
Central administration	-13	-	-13
Profit/loss from participations in associated companies and joint ventures	0	-	0
Revaluation during transition from associated company to subsidiary	153	-	153
Operating profit/loss	359	-63	296
Financial income	3	-	3
Financial expenses	-52	-	-52
Profit/loss before tax	308	-63	245
Income tax	-1	-	-1
Net profit/loss for the year	308	-63	245

Income statement 2016

Amounts in MSEK	Previous reporting	IFRS 15 adjustment	According to IFRS 15
Operating income and expenses			
Net sales	1,010	54	1,064
Production and operating costs	-642	-	-642
Gross profit/loss	368	54	422
Central administration	-27	-	-27
Profit/loss from participations in associated companies and joint ventures	14	-	14
Operating profit/loss	355	54	409
Financial income	3	-	3
Financial expenses	-93	-	-93
Profit/loss before tax	265	54	319
Income tax	0	-	0
Net profit/loss for the year	265	54	319

Income statement 2017

Amounts in MSEK	Previous reporting	IFRS 15 adjustment	According to IFRS 15
Operating income and expenses			
Net sales	1,772	9	1,781
Production and operating costs	-1,347	-	-1,347
Gross profit/loss	425	9	434
Central administration	-41	-	-41
Profit/loss from participations in associated companies and joint ventures	-9	-	-9
Operating profit/loss	375	9	384
Financial income	6	-	6
Financial expenses	-115	-	-115
Profit/loss before tax	267	9	276
Income tax	0	-	0
Net profit/loss for the year	267	9	276

Balance sheet 1/1/2015

Amounts in MSEK	Previous reporting	IFRS 15 adjustment	According to IFRS 15
Other long-term receivables	15	-	15
Other long-term assets	109	-	109
Total non-current assets	124	-	124
Total current assets	671	-	671
Total assets	794	-	794

Equity	253	-	253
Total provisions/long-term liabilities	494	-	494
Current liabilities	46	-	46
Total equity and liabilities	794	-	794

Balance sheet 12/31/2015

Amounts in MSEK	Previous reporting	IFRS 15 adjustment	According to IFRS 15
Other long-term receivables	279	-63	216
Other long-term assets	64	-	64
Total non-current assets	342	-63	279
Total current assets	1,546	-	1,546
Total assets	1,888	-63	1,825

Equity	771	-63	708
Total provisions/long-term liabilities	843	-	843
Current liabilities	274	-	274
Total equity and liabilities	1,888	-63	1,825

Balance sheet 12/31/2016

Amounts in MSEK	Previous reporting	IFRS 15 adjustment	According to IFRS 15
Other long-term receivables	406	-9	397
Other long-term assets	177	-	177
Total non-current assets	583	-9	574
Total current assets	2,172	-	2,172
Total assets	2,755	-9	2,746

Equity	998	-9	989
Total provisions/long-term liabilities	1,361	-	1,361
Current liabilities	396	-	396
Total equity and liabilities	2,755	-9	2,746

Balance sheet 12/31/2017

Amounts in MSEK	Previous reporting	IFRS 15 adjustment	According to IFRS 15
Other long-term receivables	1,165	-	1,165
Other long-term assets	180	-	180
Total non-current assets	1,345	-	1,345
Total current assets	2,205	-	2,205
Total assets	3,550	-	3,550
Equity	1,171	-	1,171
Total provisions/long-term liabilities	1,633	-	1,633
Current liabilities	745	-	745
Total equity and liabilities	3,550	-	3,550

Change in equity

Amounts in MSEK	Previous reporting	IFRS 15 adjustment	According to IFRS 15
Opening balance 1/1/2015	253	-	253
Redistribution during transition from associated company to subsidiary	-38	-	-38
New share issue	193	-	193
Issue expenses	-13	-	-13
Acquisition of subsidiaries	74	-	74
Dividend	-6	-	-6
Net profit/loss for the year	308	-63	245
Closing balance 12/31/2015	771	-63	708

For a more detailed description of the applied accounting principles for the Group and Parent Company, refer to Magnolia Bostad AB's 2017 Annual Report.

Transactions with related parties Group

The Group is subject to controlling influence from F. Holmström Fastigheter AB, CIN 556530-3186, which is domiciled in Stockholm. Transactions with related parties occurred between the Parent Company and its subsidiaries and between the subsidiaries in the form of loans of cash and cash equivalents and invoicing of internal administrative services between the companies. All transactions occurred on market terms and conditions.

Magnolia Bostad and the CEO's company, Fredrik Lidjan AB (FLAB), following the resolution of the Extraordinary General Meeting on October 13, 2017, reached a new agreement regarding future collaborations.

The agreement entails that all new projects acquired by Magnolia Bostad will be signed with a Group subsidiary in which Fredrik Lidjan via Fredrik Lidjan AB will hold an 8-percent ownership and Magnolia Bostad 92 percent.

For more information, see the documentation from the extraordinary general meeting on October 13, 2017, at www.magnoliabostad.se under Annual General Meeting.

Of the profit for the period attributable to non-controlling interests of SEK -1 million, SEK -2 million is attributable to FLAB's share of profit in Magnolia Holding 3 AB and SEK 0 million attributable to Magnolia Holding 4 AB.

Board Member Andreas Rutili through companies has ownership and a right to a share of the profits in the projects Senapsfabriken Phase 1 and Senapsfabriken Phase 2.

The scope and focus of other transactions by related parties have not resulted in any material changes since the last annual report. For more information, see page 84 and Notes 4, 9 and 35 of the 2017 Annual Report and www.magnoliabostad.se.

Parent Company

In addition to the closely related parties specified for the Group, the Parent Company has closely related parties that have a controlling influence over their subsidiaries.

Significant risks and uncertainty factors

Magnolia Bostad is exposed to risks and uncertainty factors through its operations. For information about the Group's risks and uncertainty factors, refer to Magnolia Bostad AB's website, www.magnoliabostad.se, and pages 86 – 87 and Note 3 of the Annual Report.

Sustainability

Magnolia Bostad works to achieve sustainable development and a reduced footprint by developing financially, socially and environmentally sustainable residential areas. During the previous financial year, Magnolia Bostad conducted a stakeholder dialogue and identified material aspects that form the basis for its continued

sustainability work. Furthermore, a long-term sustainability program was developed. For a more in-depth description of Magnolia Bostad's sustainability work, see pages 56-72 in the 2017 Annual Report. Sustainability is a natural part of Magnolia Bostad's operations and housing business. Taking a long-term approach is not just about developing financially, socially and environmentally sustainable buildings and districts. It is also a prerequisite for the company's growth and profitability.

Organizational structure

Magnolia Bostad is a versatile and scalable organization divided into the following areas: Business Development, Business Area Development, Project Development, Finance, Marketing and Communications and Staff. As at March 31, 2018, the company had 64 employees (61), of which 36 (33) were women and 27 (28) were men at the offices in Stockholm and Helsingborg. Comparative figures refer to December 31, 2017.

Executive Management did not change in Q1 2018. In 2017, Executive Management increased by two members and at the end of the year consisted of eight people. For more information about Magnolia Bostad's management team, visit www.magnoliabostad.se.

Stockholm, April 27, 2018,
Magnolia Bostad AB

Board of Directors

This report has not been audited by the company's auditors.

Revised historical financial information for 2017, 2016 and 2015

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Consolidated Income Statement

Amounts in MSEK	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016	1/1/2015 12/31/2015
Net sales	5, 6	1,781	1,064	813
Production and operating costs		-1,347	-642	-657
Gross profit/loss		434	422	156
Central administration	8	-41	-27	-13
Profit/loss from participations in associated companies and joint ventures	10	-9	14	0
Revaluation during transition from associated company to subsidiary		-	-	153
Operating profit/loss	7, 9, 11	384	409	296
Financial income	12	6	3	3
Financial expenses	13	-115	-93	-52
Change in value, financial instruments	30	0	0	0
Profit/loss before tax		276	319	245
Income tax	14	0	0	-1
NET PROFIT/LOSS FOR THE YEAR		276	319	245
Profit/loss attributable to				
Parent Company shareholders		203	271	232
Holdings without a controlling influence		73	48	13
Earnings per share (SEK)	15			
Before dilution effects		5.37	7.16	6.71
After dilution effects		5.37	7.13	6.50

Consolidated Statement of Comprehensive Income

Amounts in MSEK	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016	1/1/2015 12/31/2015
Net profit/loss for the year		276	319	245
OTHER COMPREHENSIVE INCOME FOR THE PERIOD				
Total other comprehensive income		0	0	0
COMPREHENSIVE INCOME FOR THE YEAR		276	319	245
Comprehensive income attributable to				
Parent Company shareholders		203	271	232
Holdings without a controlling influence		73	48	13

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Consolidated Statement of Financial Position

Amounts in MSEK	Note	12/31/2017	12/31/2016	12/31/2015	1/1/2015
ASSETS	1				
Non-current assets					
Goodwill	16	6	6	6	6
Other intangible assets	17	1	0	1	8
Total intangible assets		7	6	7	14
Machinery and equipment	18	8	1	0	0
Total property, plant and equipment		8	1	0	0
Shares in associated companies and joint ventures	19	111	116	2	40
Receivables from associated companies	34	24	23	24	24
Other securities held as non-current assets	20	31	31	31	31
Other long-term receivables	21	1,165	397	216	15
Total financial assets		1,330	567	272	110
Total non-current assets		1,345	574	279	124
Current assets					
Development and project properties	22	1,310	1,160	1,139	424
Tenant-owned apartments		4	4	4	9
Accounts receivable	23	31	1	4	1
Receivables from associated companies	34	52	20	0	10
Other receivables	24	595	475	204	187
Prepaid expenses and accrued income	25	5	5	2	2
Cash and cash equivalents	26	208	507	193	37
Total current assets		2,205	2,172	1,546	671
TOTAL ASSETS		3,550	2,746	1,825	794

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Consolidated Statement of Financial Position

Amounts in MSEK	Note	12/31/2017	12/31/2016	12/31/2015	1/1/2015
EQUITY AND LIABILITIES	1				
Equity	27				
Share capital		151	151	151	125
Other capital contributions		185	185	185	31
Retained profits including profit/loss for the year		655	518	285	97
Equity attributable to Parent Company shareholders		991	854	621	253
Holdings without a controlling influence		180	135	87	0
Total equity		1,171	989	708	253
Non-current liabilities					
Deferred tax liability	28	2	2	2	0
Non-current interest-bearing liabilities	29	1,566	1,268	731	494
Non-current liabilities to associated companies	34	35	-	-	-
Derivatives	30	-	-	0	0
Other non-current liabilities	29	30	91	110	0
Total non-current liabilities		1,633	1,361	843	494
Current liabilities					
Current interest-bearing liabilities	29	507	237	130	0
Derivatives		-	0	-	-
Accounts payable		16	38	14	15
Liabilities to associated companies	34	1	-	-	-
Income tax liabilities		0	0	4	1
Other current liabilities		85	68	77	17
Accrued expenses and deferred income	31	136	53	50	13
Total current liabilities		745	396	274	46
TOTAL EQUITY AND LIABILITIES		3,550	2,746	1,825	794

For information about the Group's pledged assets and contingent liabilities, refer to Notes 32 and 33.

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Consolidated Cash Flow Statement

Amounts in MSEK	Note	1/1/2017 12/31/2017	1/1/2016 12/31/2016	1/1/2015 12/31/2015
Operating activities	1			
Profit/loss after financial items		276	319	245
Adjustments for non-cash items, etc.				
Less share in profits in associated companies		9	-14	1
Depreciation/amortization and impairment of assets		2	1	12
Capital gains/losses from the sale of development properties		-584	-392	-146
Other provisions		0	0	-51
Other profit/loss items that do not affect liquidity		6	0	-152
Income tax paid		0	-4	1
Cash flow from operating activities before changes in working capital		-291	-90	-90
Cash flow from changes in working capital				
Decrease (+)/increase (-) of development and project properties		-156	119	-144
Decrease (+)/increase (-) in current receivables		-194	-4	104
Decrease (-)/increase (+) in current liabilities		24	-47	-20
Cash flow from operating activities		-617	-22	-150
Investing activities				
Acquisition of intangible fixed assets		-1	-	-1
Acquisition of property, plant and equipment		-9	-1	-1
Investment in financial assets		-3	-100	-5
Disposal/reduction of financial assets		-	-	7
Cash flow from investing activities		-13	-101	0
Financing activities				
New share issue		-	-	181
Contribution from holding without a controlling influence		1	0	-
Borrowings		597	1 059	471
Repayment of borrowings		-200	-584	-340
Dividend paid		-66	-38	-6
Cash flow from financing activities		332	437	306
Cash flow for the year		-298	314	156
Cash and cash equivalents at beginning of the year		507	193	37
Cash and cash equivalents at end of the year		208	507	193

Interest received amounts to SEK 8 million (2016: SEK 2 million, 2015: SEK 2 million). Interest paid amounts to SEK -112 million (2016: SEK -74 million, 2015: SEK -42 million).

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Consolidated Statement of Changes in Equity

Amounts in MSEK	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Holdings without a controlling influence	Total equity
Opening equity 1/1/2015	125	31	0	97	0	253
Redistribution during transition from associated company to subsidiary	-	-	-	-38	74	36
New share issue	26	154	-	-	-	180
Dividend	-	-	-	-6	-	-6
Net profit/loss for the year	-	-	-	232	13	245
Other comprehensive income	-	-	0	-	0	0
Closing equity 12/31/2015	151	185	0	285	87	708

Amounts in MSEK	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Holdings without a controlling influence	Total equity
Opening equity 1/1/2016	151	185	0	285	87	708
Dividend	-	-	-	-38	-	-38
Net profit/loss for the year	-	-	-	271	48	319
Other comprehensive income	-	-	0	-	0	0
Closing equity 12/31/2016	151	185	0	518	135	989

Amounts in MSEK	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Holdings without a controlling influence	Total equity
Opening equity 1/1/2017	151	185	0	518	135	989
Dividend	-	-	0	-66	-30	-96
Acquisition of subsidiaries	-	-	-	-	1	1
Net profit/loss for the year	-	-	-	203	73	276
Other comprehensive income	-	-	0	-	0	0
Closing equity 12/31/2017	151	185	0	655	180	1,171

For more information, see Note 27 Share capital and other capital contributions.

Note 1 Accounting principles

About the company in general

Magnolia Bostad AB, CIN 556797-7078, domiciled in Stockholm, is a subsidiary of F. Holmström Fastigheter AB, CIN 556530-3186, domiciled in Stockholm, Sweden.

The Parent Company in the largest group to which Magnolia Bostad AB is a subsidiary and where consolidated financial statements are prepared is F. Holmströmgruppen AB, CIN 556696-3590, domiciled in Stockholm.

Magnolia Bostad AB's office is located at Sturegatan 6, Box 5853, 102 40 Stockholm, Sweden. These financial reports have been approved for issue by the Board of Directors on May 22, 2018.

Applied regulations

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee as adopted by the EU. Furthermore, the consolidated accounts were prepared in accordance with Swedish law and the Swedish Financial Reporting Board's recommendation RFR1, Supplementary Accounting Rules for Corporate Groups.

Conditions for the preparation of the financial statements for the Group

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. All amounts, unless stated otherwise, are rounded to the nearest million. Assets and liabilities are reported at cost, with the exception of some financial assets and liabilities that in the Consolidated Statement of Financial Position are measured at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments and securities, measured at fair value via the consolidated income statement.

The Group's accounting principles have been applied consistently to the accounts and consolidation of the Parent Company and subsidiaries.

Classification

Non-current assets and liabilities in the Parent Company and Group consist only of amounts that are expected to be recoverable or paid later than twelve months from the balance sheet date while current assets and liabilities in the Parent Company and the Group consist only of amounts that are expected to be recoverable or paid within twelve months from the balance sheet date.

Input data for measurements at fair value

- Level 1 – Listed, unadjusted, prices on active markets for identical assets or liabilities that the company has access to at the date of measurement.
- Level 2 – Other input data than the listed prices that are included in Level 1, which are directly or indirectly observable for assets and liabilities.
- Level 3 – Input data at Level 3 are non-observable input data for assets and liabilities.

Consolidated financial statements

The consolidated income statement and balance sheet encompass all companies in which the Parent Company directly or indirectly holds more than half of the share's voting rights as well as companies in which the Group in any other way has a controlling influence.

The financial statements for the Parent Company and the subsidiaries that are included in the consolidated financial statements refer to the same period and are prepared in accordance with the accounting principles that apply to the Group. A subsidiary is included in the consolidated financial statements as of the date of acquisition, which is the date the Parent Company acquires a controlling influence, normally more than 50 percent of the votes, and is included in the consolidated financial statements until the date on which the controlling influence ceases. Intra-Group transactions and any associated profit/loss are eliminated.

Business combinations vs. asset acquisitions

The acquisition of companies can be classified as either a business combination or an asset acquisition. The assessment is made on a case-by-case basis per acquisition. Company acquisitions, the primary purpose of which is to acquire the company's property and where the company's management organization and administration is of subordinate importance for the acquisition, are classified as asset acquisitions. Other company acquisitions are classified as business combinations.

The difference between the cost of a business combination and the acquired share of net assets in the acquired operations is classified as goodwill and reported as an intangible asset in the balance sheet. Goodwill is measured at cost less accumulated write-downs. Goodwill is distributed among cash-generating units following an annual impairment test in accordance with IAS 36. Transaction costs are expensed directly to the period's profit/loss. When acquiring assets, the cost is distributed among the acquired net assets in the acquisition analysis.

The percentage of equity attributable to owners with a non-controlling influence (previously referred to as minority holding) is reported as an individual item under equity separate from the share of equity of the Parent Company's owner. A special note is also provided regarding their share of the period's profit/loss.

Reporting of associated companies and joint arrangements

Joint arrangements are companies in which the Group exercises joint controlling influence through established agreements. Joint arrangements are classified as either joint operations or joint ventures. Joint operations are joint arrangements in which Magnolia Bostad is entitled to the joint operations' assets and obligations for liabilities and reports its share of income and expenses item-by-item in the consolidated financial statements. Magnolia Bostad currently does not have any companies that are considered joint operations.

Joint ventures, on the other hand, are arrangements in which Magnolia Bostad is entitled to the net assets and the investment is reported using the equity method (see the section on associated companies below). Assets (including any goodwill and fair value adjustments) and liabilities for acquired or divested joint arrangements during the year are included in the consolidated financial statements from the date on which the joint controlling influence is acquired and removed on the date on which the joint controlling influence ceases.

The Group's holding of participations in a company that is not a subsidiary but in which the Group exercises a significant but non-controlling influence is classified as a holding of participations in associated companies. Associated companies normally arise when the Group has more than 20 percent but less than 50 percent of the votes in the legal entity. The Group reports participations in associated companies and joint ventures in accordance with the equity method. In the event the Group acquires additional participations in the associated company, but

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the company remains an associated company to the Group, the previous holding is not remeasured. When participations in associated companies are divested such that the significant influence is no longer present, the entire holding is reported as divested and any gains or losses are recognized in the consolidated income statement. In the event participations are left, they are reported as Other securities.

The equity method means that the holding is initially reported at cost. The carrying amount is increased or decreased thereafter to take into account the Group's share of profit/loss and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of profit/loss from holdings reported under the equity method is included in consolidated profit/loss and the consolidated share of other comprehensive income is included in other comprehensive income in the Group.

Gradual acquisitions

During the gradual acquisition of previous associated companies, previous holdings are remeasured at fair value and profit/loss is reported in the income statement when the controlling influence is acquired.

Elimination of transactions between Group companies

Intra-Group receivables and liabilities and transactions between companies in the Group as well as related unrealized gains are eliminated in their entirety. Unrealized gains arising from transactions with associated companies and joint ventures are eliminated to the extent that the Group owns participations in the company. Unrealized gains arising as a result of transactions with associated companies are eliminated from "Participations in associated companies". Unrealized losses are eliminated in the same manner as unrealized gains such that there is no impairment requirement.

Segment

The identification of segments is based on the internal reporting to the highest executive decision-maker, which in Magnolia Bostad is the CEO. Since reporting to the CEO as a basis for decisions regarding the distribution of resources is made for the entire operations and not divided into geographic markets or the equivalent, Magnolia Bostad is considered to consist of only one segment.

Revenue recognition

Revenue recognition occurs when a performance obligation is satisfied by transferring a promised asset or service to a customer. An asset is transferred when the control of the asset is transferred to the customer. When (or as) a performance obligation is satisfied, an entity shall recognize revenue for the part of the transaction price allocated to the performance obligation.

Magnolia Bostad develops new housing, both rental apartments and tenant-owned apartments, residential care facilities, hotels and student housing. In sales, two different agreements are concluded with the customer, an agreement regarding the sale of the project (the property) and an agreement regarding project management. Under IFRS 15, these two agreements are seen as a single contract. The Group has two separate performance obligations; project management that is reported over time based on the degree of completion of the project and the sale of the project (property), which is reported at a point in time when control is transferred to the customer. The transaction price is allocated between the two performance obligations based on independent selling price for project management.

Revenue recognition of project management agreements

Project management is reported as a performance obligation, and revenue attributable to project management is reported over time in accordance with the input method, since control is transferred over time. The input method means that revenue is recognized on the basis of inputs to meet a performance obligation in relation to the total expected input for the satisfaction of the performance obligation. Magnolia Bostad has chosen project costs incurred in relation to total estimated costs for each project management agreement. This method has been chosen because the costs incurred is considered to best reflect the transfer to the customer. Costs for the project management agreement consist largely of personnel costs and costs for subcontractors.

Revenue recognition for project development

The Group recognizes revenue when control has been passed to the purchaser. The control is considered to pass when (i) a binding agreement is entered into with a purchaser of the project (the property), (ii) local planning is in place, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is signed by or delivered to the purchaser. The Group makes the assessment that control over the asset is passed at the point in time when there is a legally binding agreement with the purchaser and the significant risks and benefits associated with the ownership of the asset are thus passed to the purchaser.

The transaction price contains elements of variable consideration. For rental apartment projects, hotels and residential care facilities, the variable consideration is linked to the future property's rent/net operating income and area. Variable remuneration are estimated at the expected value and included in the transaction price to the extent that a significant reversal at a later point in time is highly improbable. At the end of each reporting period, the estimated transaction price is updated to correctly reflect the circumstances at that point in time. The variable consideration for rents is dependent on warranties limited in time and scope linked to future rent levels/net operating income and future vacancy levels for rental apartment projects. The vacancy guarantee is updated using the current rental status.

Variable consideration in the transaction price linked to the area consists of planning risk and any risk in the turnkey contract. Planning risk is based on due diligence regarding the local planning work and is reported as revenue when the building permit gains legal force, which is when the uncertainty surrounding planning risk ceases. The risk in the turnkey contract is considered to cease and is reported as revenue when the turnkey contract has been concluded. The Group makes an individual assessment of the expected value of any variable consideration in each individual project. For tenant-owned apartment projects, the Group has an obligation to the tenant-owner association to purchase unsold tenant-owned apartments, whereupon unsold tenant-owned apartments are treated as an additional, variable consideration in the transaction price for the tenant-owned apartment project in addition to the variable consideration for the area consisting of planning risk and risk in the turnkey contract as described above. "Sold apartments" means that there is a binding agreement with tenant-owners.

Following remeasurements of the projects' expected final profit/loss, previously calculated profit in the projects concerned is adjusted and the projects are recognized as revenue or reported as a decrease in revenue in the period during which the transaction price is changed.

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Rental income

Rental income is announced in advance and reported in the period to which it is attributable, which is specified in the rental contract. The rental contract includes additional charges such as invoiced property tax and heating expense.

Remuneration to employees and the Board of Directors

Remuneration to employees in the form of salaries, paid vacation, paid absence due to illness, etc., and pensions are reported as earned.

Defined-contribution pensions

The Group only utilizes defined-contribution pension plans. In defined-contribution plans, the company pays fixed fees to an external public or private legal entity that manages the future pension commitments. The Group's profit is debited for costs as benefits are accrued. The Group has no additional payment commitments or other obligations once the fees are paid.

Financial income and expenses

Financial income consists of interest-bearing income on bank balances, receivables and financial investments. Interest income is reported using the effective interest method. When the value of a receivable classified as a loan receivable and accounts receivable or a loan liability has been impaired, the Group lowers the carrying amount to the recoverable amount, which is determined by the forecast cash flow discounted by the original effective interest rate for the instrument, and continues to dissolve the discounting effect as interest income. Interest income on impaired loan receivables and accounts receivable are reported at the original effective interest rate.

Financial expenses consist of interest expenses and other borrowing costs. Interest expenses are reported using the effective interest method. Financial expenses are reported in the period to which they refer.

Leasing

Lease agreements are classified as either finance or operating leases. Finance leases occur when the economic risks and rewards attributable to the leasing object in all material respects are transferred to the lessee. All other leases are considered to be operating leases. The Group does not have any material finance lease agreements and all lease agreements are therefore reported as operating lease agreements, which means that the lease fee is distributed on a straight-line basis over the term of the lease.

Taxes

Income tax consists of current tax and deferred tax. Income tax is reported in the income statement, except when the underlying transaction is reported under Other comprehensive income, or directly against Equity, whereupon the related tax effect is also reported under either Other comprehensive income or Equity.

Current tax is tax that must be paid or received for the year in question, under application of the tax rates that have been decided or in practice were decided as of the balance sheet date. This also includes adjustments to current tax attributable to previous periods. Deferred tax is calculated in accordance with the balance sheet method and is based on temporary differences between reported and taxable values of assets and liabilities. Deferred tax is not reported for temporary differences that arise during the initial reporting of assets and liabilities that are asset acquisitions and which at the time of the transaction affect neither reported nor taxable profit/loss. Furthermore, temporary differences are not considered to be attributable to participations in subsidiaries and associated

companies that are not expected to be reversed within the foreseeable future. Deferred tax is calculated using the tax rates and tax rules that have been decided or in practice are decided as of the balance sheet date.

Deferred tax assets for deductible temporary differences and loss carry-forwards are only reported to the extent that it is probable they will be used. The value of deferred tax assets is written down when it is no longer judged to be probable that they can be used.

Intangible assets

Intangible assets acquired by the company are reported at cost less accumulated amortization and impairment. Expenditure for internally generated goodwill and brands are reported in the income statement as the costs are incurred. Additional expenditure is added to the cost of acquisition only if such expenditure increases the future economic benefits beyond the original assessment and the expenditure can be calculated in a reliable manner. All other expenditures are expensed as they are incurred.

Property, plant and equipment

Property, plant and equipment are reported as an asset in the balance sheet when, on the basis of available information, it is probable that the future economic benefit associated with the holding will flow to the company and the cost for the asset can be calculated in a reliable manner. Property, plant and equipment are reported at cost after deductions for depreciation according to plan and any write-downs.

Depreciation and amortization principles for intangible assets and property, plant and equipment

Depreciation according to plan is based on the original cost less the estimated residual value. Depreciation/amortization occurs on a straight-line basis over the estimated useful life of the asset.

Licenses	5 years
Machinery and equipment	3–5 years

Impairment losses

Carrying amounts for the company's assets are tested every balance sheet date to assess whether there is a need for impairment. If such an indication is present, the asset's recoverable amount is calculated as the higher of the value in use and the net realizable value. Impairment losses are applied if the recoverable amount is less than the carrying amount. An impairment loss is only reversed if the asset's carrying amount after the reversal does not exceed the carrying amount that the asset would have had if no impairment loss had been applied. For goodwill and intangible assets with indefinite useful lives, the impairment test is conducted annually.

Development and project properties

Properties are held for the purpose of developing and selling residential units, such as rental apartments and tenant-owned apartments. The properties are reported as current assets, even if some properties are under management and generate rental income pending their development. They are reported at the lowest of cost and net realizable value. Development and project properties are reported in their entirety as an asset upon possession. Any tax discounts at acquisition reduce the property's cost.

Provisions and contingent liabilities

A provision is reported in the balance sheet when the company has an existing legal or informal obligation following the occurrence of an event and it is probable that an outflow of economic resources will be required to settle the obligation and

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it is possible to reliably estimate the amount. Where the effect of when the payment will occur is significant, provisions are calculating by discounting the expected future cash flow at an interest rate before tax that reflects current market conditions of the value of the money and, where appropriate, the risks associated with the debt. Provisions are retested at every period end.

Contingent liabilities are possible obligations that derive from the occurrence of events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. Contingent liabilities also include claims deriving from the occurrence of events, but which are not reported as a liability or provision since it is probable that an outflow of resources will be required to settle the claim and/or it is not possible to reliably estimate the amount.

Financial instruments

A financial asset or financial liability is recognized in the balance sheet when the company becomes party to the instrument's contractual terms and conditions. Financial assets are derecognized from the balance sheet when the rights of the agreement are realized, fall due or the company in any other way loses control over them. Financial liabilities are derecognized from the balance sheet when the obligations in the agreement are discharged or in any other way extinguished.

Financial instruments reported in the balance sheet include cash and cash equivalents, accounts receivable, other long-term receivables, other receivables and derivatives and securities. Liabilities include accounts payable, loans, other liabilities and derivatives. The company does not apply hedge accounting.

Financial instruments are initially reported at cost corresponding to the instrument's fair value at the time of acquisition including transactions costs for all financial instruments except those that belong to the category Financial asset reported at fair value in the income statement, which are reported without transaction costs. Reporting thereafter depends on how they are classified in accordance with that stated below.

The financial assets category consists of three sub-groups: financial assets measured at fair value through the income statement, loans and receivables and available-for-sale financial assets. The financial liabilities category consists of two sub-groups: financial liabilities measured at fair value through the income statement and financial liabilities measured at amortized cost.

A financial asset and a financial liability are netted and reported as a net amount in the balance sheet only in the presence of a legal right to net the amounts and to settle the items with a net amount or simultaneously realize the asset and settle the liability.

Loans and receivables

Accounts receivable are reported at the amount that is expected to be received following deductions for bad debts that are assessed on an individual basis. The expected maturity for rent receivables is short and the amount is therefore reported as a nominal amount without discounts.

Receivables are reported at cost less any impairment losses. A receivable is tested individually for its estimated probability of default and recognized at the amount expected to be received. Write-downs are made for bad debts and are reported under operating expenses.

Contractual assets and contractual liabilities

Timing for revenue recognition, invoicing for project management agreements and obtaining liquidity gives rise to accounts receivable, contractual assets and contractual liabilities. Contractual assets are reported as Other long-term receivables or Other receivables in the Group's statement of financial position. Contractual assets arise in our project sales because the date of revenue recognition occurs when the control of the asset is transferred to the buyer, while final settlement usually fall due for payment when construction of the property is completed and the project is handed over.

Contractual liabilities are reported as Other Long-Term Liabilities or Other Liabilities in the Group's Financial Statement. Contractual liabilities arise if we receive advance or down payment directly linked to a specific project.

Available-for-sale financial assets

Available-for-sale assets are reported initially at cost and measured at fair value in the Consolidated Statement of Financial Position. The change in value of available-for-sale assets are reported under Other comprehensive income. When available-for-sale assets are divested, the accumulated profit/loss is transferred to the income statement. Investments in participations in companies other than Group companies, joint ventures and associated companies are included in assets that are available-for-sale but measured at cost if the fair value cannot be reliably determined.

Cash and cash equivalents and blocked accounts

Cash and cash equivalents consist of cash and immediately accessible balances at banks and equivalent institutions. Amounts in blocked accounts are funds serving as collateral for repayment of loans or the financing of investments in properties as well as rent deposits and are reported as Other receivables.

Financial liabilities measured at fair value through the income statement

Financial assets measured at fair value through the income statement consist of derivative instruments. Derivative instruments are measured in the consolidated accounts at fair value with changes in value reported in the income statement. Derivative instruments in the Group consist of interest rate swaps.

Other financial liabilities

Refers to all other financial liabilities, such as borrowing, accounts payable, accrued costs for services and goods that are settled in cash. Financial liabilities (interest-bearing loans and other financing), with the exception of short-term liabilities where the interest rate effect is insignificant, are measured initially at fair value, and thereafter at amortized cost when applying the effective interest method. Accounts payable and other liabilities with short-term expected maturities are measured without discounting to a nominal amount. Liabilities are reported when the counterparty has delivered and a contractual payment obligation arises, even if the invoice has not yet been received. Accounts payable are reported when the invoice has been received.

Cash Flow Statement

The indirect method is applied to the preparation of the cash flow statement. The reported cash flow only includes transactions that result in incoming or outgoing payments.

Changed reporting principles

New and revised existing standards approved by the EU.

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New and revised accounting standards and interpretations that have been applied by the Group

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces all previously issued standards and interpretations that relate to revenue. If a customer contract contains more than one performance obligation, each performance obligation must be valued individually and recognized when the performance is carried out, either at a specific point in time or over time. According to IFRS 15, multiple contracts with the same customer shall be viewed as a single contract if the contracts are negotiated as a package with a single commercial objective. There are two ways to report the transition to IFRS 15: a retrospective method or a cumulative effect method. The Group applies the retrospective method to its reporting, which means that the approach will apply retroactively to every reported reporting period.

The transition to IFRS 15 has affected Net Sales, Gross profit/loss, Operating profit/loss, Profit/loss before Tax and Net profit/loss for the period, negatively by SEK 63 million for the fiscal year 2015. As of December 31, 2015, it affected Other long-term receivables, Total non-current assets, Total assets, Equity and Total equity and liabilities negatively by SEK 63 million.

For the fiscal year 2016, the transition has affected Net sales, Gross profit/loss, Operating profit/loss, Profit/loss before tax and Net profit/loss for the period positively by SEK 54 million. As of December 31, 2016, it affected Other long-term receivables, Total assets, Total assets, Equity and Total equity and liabilities negatively by SEK 9 million.

For the fiscal year 2017, the transition has affected Net sales, Gross profit/loss, Operating profit/loss, Profit/loss before taxes and Net profit/loss for the period positively by SEK 9 million.

New and revised accounting standards and interpretations that have not yet been applied by the Group

New and revised accounting standards and interpretations that have not yet entered into force and have not been applied in advance by the Group.

IFRS 9 Financial Instruments

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement as of January 1, 2018. The standard entails a decrease in the number of measurement categories for financial assets, which means that the main categories for reporting are cost (amortized cost), fair value through profit/loss and fair value through other comprehensive income. For some investments in equity instruments, it is possible to report at fair value in the balance sheet with the change in value reported directly against other comprehensive income, if no transfer occurs to the period's profit/loss at disposal. New rules have also been introduced for how changes in an own credit spread must be presented when liabilities are reported at fair value. Expected future losses must also be considered in the impairment model. Hedge accounting is based more on the internal risk management in order to reflect the company's risk management in the financial statements. The Group has conducted an analysis of the effects of IFRS 9. The model for classification and measurement entails in practice no major change for Magnolia Bostad compared to today's standard. The new write-down model is considered to push reserves for credit losses earlier in time. Magnolia Bostad's credit risk for accounts receivable is limited since the operations that refer to project management are invoiced on an ongoing basis during the project. The credit risk for receivables with buyers

of the projects are assessed to be very low since the buyers are stable Swedish institutions and other partners with strong reputations. Magnolia Bostad does not apply hedge reporting. Magnolia Bostad's makes the assessment that the standard will not have a material effect on the consolidated financial statements.

IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 as of January 1, 2019. According to the new standard, most leased assets will be reported in the balance sheet, which will lead to a higher balance sheet total and a lower equity/assets ratio. For the lessor, the new standard does not entail any major changes. The Group has begun an analysis of the effects of IFRS 16. The initial assessment is that the standard will have a limited effect on the consolidated financial statements, since Magnolia Bostad has limited leasing, but there will be an increase in the disclosure requirements. For more information about leasing obligations, see Note 7 Operating Leases.

Note 2 Critical assessments and estimations

The preparation of the financial statements in accordance with IFRS requires that the Board of Directors and executive management make assessments, estimations and assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. The estimations and assumptions are based on historical experiences and a number of other factors that given the current circumstances are deemed to be reasonable. The results of these estimations and assumptions are then used to assess the carrying amounts for assets and liabilities that otherwise are not clearly evident from other sources. The actual outcome may deviate from these estimations and assessments. The estimations and assumptions are reviewed regularly.

Revenue recognition

The project development of tenant-owned apartments is recognized as revenue as of the date that (i) a binding agreement has been entered into with the tenant-owner association for the construction of tenant-owned apartments, (ii) there is local planning, and (iii) a binding turnkey contract has been entered into with a contractor. The agreement for the turnkey contract is signed or handed over to the tenant-owner association. The Group makes an individual assessment on the need for any provisions in each individual project. Reported income is based on the agreed purchase price after deduction for unsold tenant-owned apartments. "Sold apartments" means that there is a binding agreement with the tenant-owner. The Group defers recognising a part of revenue for the uncertainty tied to planning risk based on the knowledge about the local planning work. The provision for planning risk is dissolved as the building permit enters into legal force when the uncertainty tied to planning risk disappear. The Group also defers revenue for any risk in the turnkey contract. Reassessments of the expected end result of the project mean adjustments of previously calculated profit in the projects concerned. These changes to forecasts are included in the recognized profit/loss for the period. Estimated losses are charged directly to the profit/loss in the period in which they are identified.

The project development of rental apartments is recognized as revenue as of the date that (i) a binding agreement has been entered into with the purchaser of the rental apartment project, (ii) there is local planning, and (iii) a binding turnkey contract has been entered into with a contractor. The turnkey contract is signed by or delivered to the purchaser. The

Group makes an individual assessment on the need for any provisions in each individual project. The Group establishes certain guarantees for the project in relation to vacancy and rental levels for which the Group defers revenue recognition based on the specific circumstances of each respective project. Reassessment of variable consideration for rental guarantees takes place regularly based on the current rental situation. The Group defers revenue recognition tied to planning risk on the basis of its knowledge of the local planning work. The provision for planning risk is dissolved as the building permit gains legal force when the uncertainty tied to planning risk disappears. The Group also defers revenue for any risk in the turnkey contract. Variable compensation amounts are estimated at the expected value and included in the transaction price to the extent that a significant reversal at a later point in time is highly improbable. The assessment and estimation of variable components included in the transaction price is based largely on an assessment of future expected performance and all information (historical, current and forecast) that is reasonably available to us. Reassessments of the expected end result of the project entail adjustments of previously calculated profit in the projects concerned. These changes to forecasts are included in the recognized profit/loss for the period. Estimated losses are charged directly to the profit/loss in the period in which they are identified.

Revenue from project management agreements is recognized gradually on the basis of the degree of completion of the project. The degree of completion is determined primarily on a continuous basis while the work is being carried out.

Deferred tax asset

Deferred tax assets and liabilities are reported for temporary differences and unutilized loss carry-forwards. The measurement of loss carry-forwards and the Group's ability to utilize loss carry-forwards are based on management's estimations of future taxable income. Since a large portion of the Group's income according to current tax rules is treated as non-taxable income, the company's management has made the assessment that no deferred tax asset for loss carry-forwards is reported.

Classification of development and project properties and management properties

When acquiring a property, an assessment is made whether the property should be developed or used as a management property. The assessment affects the consolidated profit/loss and financial position since each approach is handled differently from an accounting perspective. Properties that are to be developed are classified as development and project properties. Development and project properties are reported as inventory since the intent is to sell the property after completion. The measurement is then the lowest of cost and net realizable value. Management properties, however, are held with the aim of generating rental income and appreciation. Management properties are measured at fair value and the change in value is recorded in the income statement.

Executive management makes the assessment that the Group's holdings in property are held for the purpose of developing and selling residential units, such as rental apartments and tenant-owned apartments. The properties are thus reported as current assets, even if some are under management and generate rental income pending their development.

Demarcation between business combinations and asset acquisitions

When acquiring businesses, an assessment is conducted of how the acquisition should be reported based on whether there are employees and the complexity of internal processes. Such an assessment also takes into account the number of businesses and the occurrence of contracts with varying degrees of complexity. If the above criteria are largely present, the acquisition is classified as a business combination, and if they are minimally present, as an asset acquisition. Executive management makes an assessment on an acquisition-by-acquisition basis which criteria are met. In 2017 and 2016, the company's management made the assessment that only asset acquisitions occurred.

Note 3 Financial risks and finance policy

Through its operations, the Group is exposed to different types of financial risks. Financial risks refer to fluctuations in the company's profit/loss and cash flow as a result of changes in, for example, interest rates. The company is primarily exposed to liquidity risk, financing risk, interest rate risk and credit risk. The Group's finance policy for management of financial risks has been drawn up and decided by the Board of Directors. The finance policy forms a framework of guidelines and rules in the form of risk mandates and limits for the financial operations.

The company's financial risk-taking and position can be derived from, for example, the equity/assets ratio, interest coverage ratio and loan-to-value ratio. Credit agreements with banks and credit institutions often have established covenants for these three performance measures. The company's own targets are in line with the banks' requirements. In 2017, the company well exceeded all targets and requirements. For a description of the company's risks and risk management, see the section Risk Management in the Director's Report.

Liquidity risk

Liquidity risk refers to the risk that there would not be sufficient liquidity to meet future payment obligations. Internal liquidity forecasts are prepared on a regular basis for the coming twelve months, where all items affecting the cash flow are analyzed in aggregate. The aim of the liquidity forecast is to verify the need for capital. Capital tie-up is evaluated individually for each project financing and synchronized with each project maturity. The objective is to match cash flows from forward funding and final consideration from buyers with maturities on financing. Magnolia Bostad has a policy to hold cash of SEK 150 million, including overdraft facilities. At the end of the year, available liquidity, including unutilized credit lines, amounted to SEK 540 million (619).

Below is a maturity analysis for financial liabilities. The table contains undiscounted cash flows based on the date of contract and includes both the interest rate and the nominal amount.

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Maturity analysis 12/31/2017	0-1 year	1-2 years	2-3 years	3-5 years	More than 5 years
Interest-bearing liabilities	626	641	662	421	-
Liabilities to associated companies	2	35	-	-	-
Derivatives	-	-	-	-	-
Accounts payable	16	-	-	-	-
Other liabilities	189	30	-	-	-
Total	833	706	662	421	-

Maturity analysis 12/31/2016	0-1 year	1-2 years	2-3 years	3-5 years	More than 5 years
Interest-bearing liabilities	321	300	231	984	-
Liabilities to associated companies	-	-	-	-	-
Derivatives	0	-	-	-	-
Accounts payable	38	-	-	-	-
Other liabilities	110	91	-	-	-
Total	469	391	231	984	-

Of the cash flows from interest-bearing liabilities within 0-1 year of SEK 626 million, SEK 157 million occurs within six months and SEK 469 million after six months but within twelve months.

The majority of the bank financing is linked to different projects where the repayment of debt will occur as Magnolia Bostad exits the project. Of the loans that fall due in 2018 and 2019, SEK 294 million and SEK 285 million are collateralized property loans that are considered to be refinancable upon maturity, and in addition SEK 95 million and SEK 193 million are short-term loans related to projects that are assessed to be repayable upon maturity.

Financing risk

Financing risk refers to the risk that either no financing can be obtained or financing can only be obtained at much higher prices. In order to manage this risk, the Finance Policy contains rules regarding the spread of capital tie-up for the credit stock and the size of unutilized loan facilities and investments. The refinancing risk is reduced through a structured and early start to the refinancing process. For large loans, the process is begun 12 months prior to the maturity date. The Group has an equity/assets target of at least 30 percent and strives to always have facilities totaling SEK 200 million in total increased borrowings within all existing frameworks for loans. A higher equity/assets ratio makes Magnolia a more attractive borrower.

Credit risk

Credit risk refers to the risk that a counterparty or issuer cannot discharge its obligations to the company. The maximum credit exposure corresponds to the assets' carrying amount and amounts to SEK 2,076 million (2016: SEK 1,428 million, 2015: SEK 643 million). The credit risk among claims for property sales is judged to be limited since the risk that counterparties would not be able to fulfill their commitments is consid-

ered to be low. Of the Group's Other non-current receivables and Other receivables totaling SEK 1,760 million, including receivables for property sales, SEK 309 million refers to receivables on counterparties with an investment grade credit rating from an independent rating institute. Counterparties for other receivables do not have a credit rating from an independent rating institute. The majority are concentrated to a few counterparties, such as Alecta Pensionsförsäkring Ömsesidigt, our partners Slättö and Swedish real estate companies Heimstaden and Viva Bostad. The claims on these four counterparties amount to SEK 918 million. Of the remaining claims, SEK 117 million is to Swedish tenant-owner associations.

At the end of the year, past due Loans and accounts receivable amount to SEK 0 million (2016: SEK 0 million, 2015: SEK 0 million). Of consolidated net sales, 6 percent (2016: 55 percent) is to counterparties with a credit rating of investment grade. The company is also exposed to credit risk to the extent that the surplus liquidity will be invested. In 2017, the company closed its interest rate swaps and at the end of the year held no interest rate swaps or other derivative instruments.

Market risk

Interest rate risk

Interest rate risk can consist in part of a change in fair value as a result of changes in interest rates (price risk) and changes in cash flow (cash flow risk). Fixed interest periods are an important factor that influence the interest rate risk. Long fixed interest periods mean a higher price risk and short fixed interest period mean higher cash flow risk. The Group strives to have a short fixed interest rate term.

The Group's exposure to interest rate risk in the form of rising market rates is illustrated by a sensitivity analysis. Interest rate expenses during the year amounted to SEK -115 million (2016: SEK -93 million, 2015: SEK -52 million), and the average interest rate at the end of the year amounted to 5.9 per cent. An increase in STIBOR 3M by one percentage point would increase the Group's interest rate expense for the financial year by around SEK 9 million (2016: SEK 1 million). A change in the interest rates by one percentage point would also affect the value of interest rate derivatives by SEK - million (2016: SEK 0 million, 2015: SEK 0 million).

Management of capital risk

The Group's goal with regard to its capital structure is to secure the Group's ability to be a going concern, so it is able to continue to generate returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to keep capital costs low. In order to maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to decrease liabilities.

The Group assesses its capital on the basis of the equity/assets ratio. This key performance indicator is calculated as equity, including holdings without a controlling influence, as a percent of the balance sheet total.

In 2017, the Group's strategy was to maintain an equity/assets ratio of at least 30 percent. The equity/assets ratio on December 31, 2017 was 33.0 percent, 36.0 percent on December 31, 2016 and 38.8 percent on December 31, 2015. The Group's strategy is unchanged compared to 2016.

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FINANCIAL INSTRUMENTS PER CATEGORY

12/31/2017 Group	Financial assets/liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
Assets in the balance sheet				
Receivables from associated companies	-	76	-	-
Other securities held as non-current assets	-	-	31	-
Other long-term receivables	-	1,165	-	-
Accounts receivable	-	31	-	-
Other receivables	-	595	-	-
Prepaid expenses and accrued income	-	1	-	-
Cash and cash equivalents	-	208	-	-
Total	-	2,076	31	-
Liabilities in the balance sheet				
Non-current interest-bearing liabilities	-	-	-	1,566
Liabilities to associated companies	-	-	-	36
Other non-current liabilities	-	-	-	30
Current interest-bearing liabilities	-	-	-	507
Accounts payable	-	-	-	16
Other current liabilities	-	-	-	74
Accrued expenses and deferred income	-	-	-	115
Total	-	-	-	2,344

FINANCIAL INSTRUMENTS PER CATEGORY

12/31/2016 Group	Financial assets/liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
Assets in the balance sheet				
Receivables from associated companies	-	43	-	-
Other securities held as non-current assets	-	-	31	-
Derivatives	0	-	-	-
Other long-term receivables	-	397	-	-
Accounts receivable	-	1	-	-
Other receivables	-	475	-	-
Prepaid expenses and accrued income	-	5	-	-
Cash and cash equivalents	-	507	-	-
Total	0	1,428	31	-
Liabilities in the balance sheet				
Non-current interest-bearing liabilities	-	-	-	1,268
Other non-current liabilities	-	-	-	91
Current interest-bearing liabilities	-	-	-	237
Derivatives	0	-	-	-
Accounts payable	-	-	-	38
Other current liabilities	-	-	-	68
Accrued expenses and deferred income	-	-	-	42
Total	0	-	-	1,744

FINANCIAL INSTRUMENTS PER CATEGORY

12/31/2015 Group	Financial assets/liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
Assets in the balance sheet				
Receivables from associated companies	-	24	-	-
Other securities held as non-current assets	-	-	31	-
Derivatives	0	-	-	-
Other long-term receivables	-	216	-	-
Accounts receivable	-	4	-	-
Other receivables	-	204	-	-
Prepaid expenses and accrued income	-	2	-	-
Cash and cash equivalents	-	193	-	-
Total	0	643	31	-

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FINANCIAL INSTRUMENTS PER CATEGORY

12/31/2015 Group	Financial assets/liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
Liabilities in the balance sheet				
Non-current interest-bearing liabilities	-	-	-	731
Other non-current liabilities	-	-	-	110
Current interest-bearing liabilities	-	-	-	130
Derivatives	0	-	-	-
Accounts payable	-	-	-	14
Other current liabilities	-	-	-	77
Accrued expenses and deferred income	-	-	-	36
Total	0	-	-	1,098

FINANCIAL INSTRUMENTS PER CATEGORY

01/01/2015 Group	Financial assets/liabilities measured at fair value through the income statement	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortized cost
Assets in the balance sheet				
Receivables from associated companies	-	33	-	-
Other securities held as non-current assets	-	-	31	-
Derivatives	0	-	-	-
Other long-term receivables	-	15	-	-
Accounts receivable	-	1	-	-
Other receivables	-	187	-	-
Prepaid expenses and accrued income	-	2	-	-
Cash and cash equivalents	-	37	-	-
Total	0	276	31	-
Liabilities in the balance sheet				
Non-current interest-bearing liabilities	-	-	-	494
Other non-current liabilities	-	-	-	0
Current interest-bearing liabilities	-	-	-	-
Derivatives	0	-	-	-
Accounts payable	-	-	-	15
Other current liabilities	-	-	-	17
Accrued expenses and deferred income	-	-	-	5
Total	0	-	-	531

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The carrying amount of all financial assets and liabilities is not judged to deviate significantly from the fair value except for the bond loans, where the fair value is estimated to amount to SEK 870 million (923), compared to the carrying amount of SEK 883 million (876). Fair value for the bond loans has been assessed according to Level 1, which means that the value is derived from listed prices on an active market. Accounts receivable, other receivables, cash and cash equivalents, accounts payable and some other liabilities have a remaining life of less than six months, which is why the carrying amount is considered to reflect the fair value. The majority of the interest-bearing bank loans have a variable interest rate, and the carrying amount thus is considered to reflect fair value.

Available-for-sale financial assets refer to an unlisted holding in Norefjell Prosjektutvikling AS. The holding was valued based on one transaction between two independent parties adjusted for the size of the holding in comparison with the observed transaction. Fair value for the holdings in Norefjell Prosjektutvikling AS were assessed in accordance with Level 3 of the fair value hierarchy since the value is based on the adjusted value of a transaction on a non-active market. The holding is reported as available-for-sale assets since it is not in line with Magnolia Bostad's current business model. Because ownership is concentrated and there is no active market for the instruments, the schedule for planned divestment is uncertain.

The derivative instruments are reported at fair value in accordance with Level 2, which means that the value is determined either directly (i.e. from observable prices) or indirectly (i.e. derived observable prices).

Note 4 Group composition

The operations of Magnolia Bostad Group are conducted by a number of companies in the Group. Ownership in the operational companies is spread among several different holding companies that are owned either directly or indirectly by Magnolia Bostad AB.

When Fredrik Lidjan took over as CEO, an agreement was entered into with Fredrik Lidjan AB and the company that Fredrik Lidjan AB will invest at market terms with a 10 percent stake and Magnolia Bostad will invest and receive a 90 percent stake in the companies in which the rental apartment projects will be operated. The agreement can also include tenant-owned apartments if this applies to the same plot of land and the tenant-owned apartments constitute a small portion of the entire project. This agreement applies until February 2019. Fredrik Lidjan AB thus holds a minority interest of 10 percent in these companies through its 10-percent ownership of Magnolia Holding 3 AB. Of the minority's total interests in the Group of SEK 180 million (2016: SEK 136 million, 2015: SEK 93 million), Fredrik Lidjan AB's share of Magnolia Holding 3 AB amounts to SEK 40 million (2016: SEK 47 million, 2015 SEK 22 million) and its share of net profit/loss for the year amounts to SEK -1 million (2016: SEK 28 million, 2015: SEK 21 million).

At the Extraordinary General Meeting on October 13, 2017, a new minority ownership structure was adopted and replaced the current structure. Projects developed in limited liability companies in the old minority structure will continue, but no new projects will be allocated to these companies.

Under the new structure, Fredrik Lidjan AB will co-invest in all of the company's future projects on market terms with an ownership of 8 percent in Magnolia Holding 4 AB and Magnolia

Hotellutveckling 2 AB. In future hotel projects, Clas Hjort will have an ownership of 16 percent of Magnolia Hotellutveckling 2 AB. Magnolia Bostad is investing and thereby receives an ownership of 92 percent of the limited liability companies where rental apartments, tenant-owned apartments and residential care facilities are developed and an ownership of 76 percent in future hotel projects. The new agreement extends to 2020 for hotel projects and 2022 for all other projects. The minority's share of profit/loss in Magnolia Holding 4 AB amounts to SEK 7 million, which is the total minority in Magnolia Holding 4 AB.

The minority's share of profit/loss in Magnolia Hotellutveckling 2 AB amounts to SEK 17 million, which is the total minority in Magnolia Hotellutveckling 2 AB.

There is a minority holding in Group company Moutarde Holding AB, through which phases 1 and 2 of the Senapsfabriken are being run, whose share of profit/loss in these projects amounts to 23.7 percent, corresponding to SEK 50 million (2016: SEK 15 million, 2015: SEK -2 million) of the profit for the year. In total, the minority holding in Moutarde Holding AB amounts to SEK 114 million (2016: SEK 88 million, 2015: SEK 71 million).

There is a 15 percent minority in Magnolia Vårdfastigheter AB, under which future residential care projects will be acquired. The share of the minority in Magnolia Vårdfastigheter AB's in the year's profit/loss amounts to SEK 0 million, and in total the minority amounts to SEK 1 million. This is in addition to the minority interest held by Fredrik Lidjan AB through its 8 percent stake in Magnolia Holding 4 AB.

Certain Group loan agreements contain terms that limit the ability to transfer cash or other assets to other companies within the Group.

Condensed financial information for the sub-group that has a non-controlling interest is presented below. No dividends were paid to non-controlling interests in 2017, 2016 or 2015.

Moutarde Holding AB	2017	2016	2015
Non-current assets	509	0	0
Cash and cash equivalents	44	20	2
Other current assets	430	277	426
Total assets	983	297	428
Equity	466	137	96
Non-current liabilities	228	157	151
Current liabilities	289	3	181
Total equity and liabilities	983	297	428
Net sales	565	221	13
Operating expenses	-352	-135	-3
Net financial items	-3	-22	-19
Net profit/loss for the year	210	64	-9

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Magnolia Holding 3 AB	2017	2016	2015
Non-current assets	586	460	77
Cash and cash equivalents	53	9	69
Other current assets	779	577	227
Total assets	1,418	1,046	372

Equity	430	486	156
Non-current liabilities	142	197	76
Current liabilities	846	363	140
Total equity and liabilities	1,418	1,046	372

Net sales	290	685	415
Operating expenses	-241	-354	-261
Net financial items	-51	-1	-4
Net profit/loss for the year	-2	330	149

2017	A	B	C
Non-current assets	81	71	0
Cash and cash equivalents	17	0	4
Other current assets	429	0	17
Total assets	528	71	21

Equity	87	71	5
Non-current liabilities	156	-	-
Current liabilities	285	0	16
Total equity and liabilities	528	71	21

Net sales	382	124	0
Operating expenses	-287	-53	0
Net financial items	-13	0	0
Net profit/loss for the year	82	71	0

A = Magnolia Holding 4 AB, B = Magnolia Hotellutveckling 2 AB, C = Magnolia Vårdfastigheter AB.

Note 5 Net sales

Group	2017	2016	2015
Revenue from contracts with customers	1,734	1,017	771
Other revenue	47	47	42
Total revenue	1,781	1,064	813

Consolidated net sales refers in its entirety to Sweden. Net sales are distributed across the business areas as follows:

Group	2017	2016	2015
Sales, development and project properties	1,347	889	732
Total revenue reported at a point in time	1,347	889	732
Project management revenue	24	23	27
Rental income	47	47	42
Other operating income	363	105	12
Total revenue reported over time	434	175	81
Total revenue	1,781	1,064	813

Revenue from three (2016: three, 2015: four) of Magnolia Bostad's customers exceeds 10 percent of Magnolia Bostad's total revenue, respectively. Below is a list of the revenue from customers whose transactions represent ten percent or more of the company's revenue per year.

Revenue from major customers	2017	2016	2015
Heimstaden Bostad	303	-	-
Slättö	252	162	-
Vault Investment Partners	233	-	-
Skandinaviska Enskilda Banken AB	-	287	123
SPP Fastigheter	-	244	115
Alecta	-	-	133
BRF 1 (Lumen)	-	-	89
BRF 2 (Muttern)	-	-	161
Total	789	693	621

This revenue has been reported as the sale of development and project properties.

Cash flow from the sale of projects is partially obtained in connection with hand over of property through "forward funding", when Magnolia Bostad receives payments for investments made until the date of hand over. Often, Magnolia Bostad also receives a part of the project profit at hand over. Remaining part of cash flow from property sales is obtained in connection with the completion of the project.

After sale and hand over for the project, Magnolia Bostad has a project management agreement that runs until the property is completed. The project management agreement is invoiced and revenue recognised on a continuous basis during the contract period.

When selling undeveloped properties, the purchase price is usually obtained in connection with the time of hand over. Other revenues, such as rent and invoicing to the projects, are reported and invoiced continuously.

Note 6 Contractual future rental income

Rental contracts in the company from an accounting perspective can be viewed as operational leasing contracts. The contracts refer to rental of commercial premises and residential units. Below are the agreed future minimum lease fees within each interval.

Group	2017	2016	2015
Contractual rental income within one year	44	38	53
Contractual rental income between one and five years	111	67	199
Contractual rental income beyond five years	13	0	0
Total	168	105	252

The sum of the rental income that is included in the consolidated income statement amounts to SEK 47 million (2016: SEK 47 million, 2015: SEK 42 million).

Note 7 Operating Leases

Group	2017	2016	2015
Contractual rental payments within one year	-7	-5	-5
Contractual rental payments between one and five years	-15	-18	-5
Contractual rental payments beyond five years	0	0	0
Total	-22	-23	-10

Operating lease fees in the Group amounted in 2017 to SEK 7 million (2016: SEK 4 million, 2015: SEK 3 million). The Group's lease fees consist largely of rent for commercial premises.

Note 8 Disclosures regarding fees and cost reimbursement to the auditor

Group	2017	2016	2015
Ernst & Young			
auditing assignment	-2.7	-1.9	-1.1
audit operations in addition to the audit assignment	-0.3	-0.2	0
tax advisory services	-0.7	-0.1	-0.2
other	-3.5	0	0
Total	-7.2	-2.2	-1.3

Auditing assignment refers to the audit of the annual report and the bookkeeping as well as the Board's and the CEO's management. Other assignments delegated to the company's auditors and advice or other assistance caused by observations during such audits or implementation of such other assignments are also included. Other assignments include transaction advice and consultation regarding sustainability reporting and warrant programs.

Note 9 Remuneration to employees

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

Group	2017		2016		2015	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-16	-36	-10	-21	-6	-12
(of which bonuses, etc.)	(-3)	(-5)	(-2)	(-2)	(-1)	(-3)
Social security expenses	-4	-12	-2	-7	-1	-3
Pension expenses including special employer's contribution	-3	-6	-1	-3	-1	-2
Total	-22	-53	-13	-31	-8	-17

Some of the company's personnel costs are capitalized in the projects. This is why the amount in the note is greater than the amount reported in the income statement.

REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2017, TSEK	Basic salary/Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chairman of the Board	-450	0	0
Andreas Rutli, Member	-250	0	0
Risto Silander, Member	-250	0	0
Fredrik Tibell, Member	-290	0	0
Jan Roxendal, Member	-303	0	0
Viveka Ekberg, Member	-290	0	0
Fredrik Lidjan, CEO ¹⁾	-2,318	0	-577
Erik Rune, VP	-1,720	-1,680	-414
Rickard Langerfors, VP	-1,487	-720	-332
Other senior executives, 5 persons	-5,252	-1,087	-730
Total	-12,610	-3,487	-2,053

¹⁾ Fredrik Lidjan holds 5,000 shares in Magnolia Holding 3 AB, CIN 559016-4140, 320 shares in Magnolia Holding 4 AB, CIN 559114-8415 and 40 shares in Magnolia Hotellutveckling 2 AB, CIN 559125-7604.

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REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2016, TSEK	Basic salary/ Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chairman of the Board	-383	0	0
Erik Paulsson, Member	-50	0	0
Andreas Rutili, Member	-217	0	0
Risto Silander, Member	-217	0	0
Fredrik Tibell, Member	-217	0	0
Jan Roxendal, Member	-167	0	0
Fredrik Lidjan, CEO ¹⁾	-3,190	0	0
Erik Rune, VP	-1,494	-780	-473
Rickard Langerfors, VP	-1,346	-660	-370
Other senior executives, 2 persons	-1,157	-419	-222
Total	-8,438	-1,859	-1,065

¹⁾ Remuneration for the CEO in 2016 was invoiced in accordance with a consultancy agreement.

REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2015, TSEK	Basic salary/ Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chairman of the Board	-167	0	0
Erik Paulsson, Member	-100	0	0
Andreas Rutili, Member	-100	0	0
Risto Silander, Member	-100	0	0
Fredrik Tibell, Member	-100	0	0
Fredrik Lidjan, CEO ¹⁾	-1,650	0	0
Andreas Rutili, former CEO	-299	0	-78
Other senior executives, 3 persons	-3,113	-785	-704
Total	-5,629	-785	-782

¹⁾ Remuneration for the CEO in 2015 was invoiced in accordance with a consultancy agreement.

AVERAGE NUMBER OF EMPLOYEES

	2017	2016	2015
Average number of employees	52	33	23
(of which men)	(24)	(17)	(13)

GENDER DISTRIBUTION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

	2017	2016	2015
Board of Directors	6	5	5
(of which men)	(5)	(5)	(5)
CEO and Executive Management	8	5	4
(of which men)	(5)	(4)	(3)

Remuneration to the Board

The 2017 Annual General Meeting resolved on remuneration to the members of the Board of Directors for the period ending with the close of the 2018 Annual General Meeting of

SEK 450,000 to the Chairman of the Board and SEK 250,000 to each of the other Board members. The Meeting furthermore resolved on remuneration to the Chairman of the Audit Committee of SEK 80,000 and of SEK 60,000 to each of the other members of the Audit Committee.

Executive Management

In 2017, Executive Management increased by two members and at the end of the year consisted of eight people: the CEO, CFO, VP/COO, VP/Head of Project Development, Head of Business Development, Head of Business Area Development, Marketing and Head of Communications and Head of Sustainability.

Remuneration and benefits

The CEO is not entitled to any variable remuneration according to the employment agreement. Other members of Executive Management are paid fixed and variable salaries. Other employees are paid fixed and variable salaries. Variable salaries consist of bonuses. Variable salary is based on the fulfillment of targets linked to the company's results and individual performance. For Executive Management, variable salary shall follow the guidelines adopted by the Annual General Meeting for remuneration to Executive Management.

Pensions

Members of Executive Management have a defined-contribution pension, with no other obligations from the company than to pay an annual premium during the period of employment. This means that, when employment is terminated, employees are entitled to decide during what period the previously defined-contribution payments and resulting yield are drawn as pension.

Termination

The CEO's employment agreement has a mutual notice of termination of 12 months. There are non-competition terms and terms regarding remuneration after employment termination for the CEO. The competition ban applies for 12 months. Remuneration as a result of the non-competition terms shall in total not exceed an amount corresponding to 60% of the fixed salary for one year.

Other members of Group management have a six-month notice of termination.

Note 10 Profit/loss from participations in associated companies and joint ventures

Group	2017	2016	2015
Share of profit/loss from associated companies and joint ventures	-9	14	0
Total	-9	14	0

Of the profit/loss from participations in associated companies, SEK 3 million (2016: SEK 12 million, 2015: SEK - million) comes from Kanikenäsvarvet Bostad HB, which the company owns together with Slättö, and SEK -11 million (2016 SEK - million, 2015: SEK - million) from Sollentuna Stinsen JV AB that the company owns together with Alecia. For more information, see Note 19 Participations in associated companies and joint ventures.

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Note 11 Costs for the business broken down by cost type

Group	2017	2016	2015
Operating expenses	-16	-14	-13
Production expenses	-1,264	-571	-569
Other external costs	-31	-45	-49
Personnel costs	-41	-27	-13
Depreciation/amortization and impairment	-2	-1	-8
Profit/loss from participations in associated companies	-9	14	0
Other operating expenses	-35	-11	-18
Revaluation during transfer from associated company to subsidiary	-	-	153
Total	-1,398	-655	-517

Note 12 Financial income

Group	2017	2016	2015
Interest income	3	3	2
Interest income, associated companies	3	0	1
Total	6	3	3

Note 13 Financial expenses

Group	2017	2016	2015
Interest expenses	-115	-86	-46
Other financial expenses	0	-7	-7
Total	-115	-93	-52

Interest expenses are primarily attributable to financial liabilities measured at amortized cost. The increase compared to the previous year is explained by higher interest-bearing liabilities. Other financial expenses from the previous year consist largely of costs related to the repurchase of a bond.

Note 14 Tax on profit/loss for the year

Group	2017	2016	2015
Current tax	0	0	-1
Deferred tax for temporary differences	0	0	0
Total	0	0	-1

RECONCILIATION OF REPORTED TAX

Group	2017	2016	2015
Profit/loss before tax	267	319	245
Nominal tax according to current tax rate (22%)	-59	-70	-54
Tax effect of other non-deductible expenses	-3	-1	-5
Tax effect of non-taxable income	129	89	62
Tax effect of non-capitalized loss carry-forwards	-53	-11	-4
Current tax attributable to previous years	-3	0	0
Other	-11	-7	0
Reported effective tax	0	0	-1

The tax expense is less than 22.0 percent since some reported income (primarily the sale of companies) is not taxable. Loss carry-forwards consist of tax losses from previous years. The losses, which are not time-limited, are rolled over to the next year and set off against future taxable profits. No deferred tax asset for loss carry-forwards has been capitalized since these deficits will probably not be utilized in the foreseeable future. For more information about loss carry-forwards see note 28 Deferred tax.

Note 15 Earnings per share

Group	2017	2016	2015
Net profit/loss for the year attributable to Parent Company shareholders	203	271	232
Weighted average number of outstanding shares	37,822,283	37,822,283	34,555,613
Weighted average number of outstanding shares after dilution	37,822,283	37,982,283	35,635,613
Number of outstanding shares on the balance sheet date	37,822,283	37,822,283	37,822,283
Earnings per share, basic, SEK	5.37	7.16	6.71
Earnings per share, diluted, SEK	5.37	7.13, ¹⁾	6.50, ¹⁾

¹⁾ 160,000 warrants are held by the Magnolia Bostad Group. They refer to unutilized warrants from previous employee share-option plans.

Note 16 Goodwill

Group	12/31/2017	12/31/2016	12/31/2015
Opening cost	6	6	6
Closing carrying amount	6	6	6

The annual impairment test of goodwill did not identify any impairment needs.

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Note 17 Other intangible assets

Group	12/31/2017	12/31/2016	12/31/2015
Opening cost	1	1	8
Purchases	1	0	1
Disposals	-	-	-8
Closing accumulated cost	1	1	1
Opening depreciation/ amortization according to plan	-1	0	0
Depreciation and amortization for the year according to plan	-0	-1	0
Closing accumulated depreciation/amortization according to plan	-1	-1	0
Closing residual value according to plan	1	0	1

Note 18 Machines and equipment

Group	12/31/2017	12/31/2016	12/31/2015
Opening cost	1	1	0
Purchases	10	0	1
Closing accumulated cost	11	1	1
Opening depreciation/ amortization according to plan	0	0	0
Depreciation and amortization for the year according to plan	-2	0	0
Closing accumulated depreciation and amortization according to plan	-3	0	0
Closing residual value according to plan	8	1	0

Note 19 Participations in associated companies and joint ventures

Group	12/31/2017	12/31/2016	12/31/2015
Opening cost	116	2	40
Acquisitions	0	100	75
Contributions	3	-	-
Transfer against subsidiary shares	-	-	-113
Share for the year of profit/ loss in associated companies and joint ventures	-9	14	0
Closing carrying amount	111	116	2

Participations in associated companies are reported in the Group in accordance with the equity method and in the Parent Company in accordance with the cost method.

The Group's share of profit/loss from individual, non-material associated companies amounts to SEK 0 million (2016: SEK 3 million, 2015: SEK 0 million).

Group Company name	CIN	Domicile	Share of capital as a percent ¹⁾	Carrying amount
Svenska Husgruppen Intressenter AB	556871-5717	Borlänge	45.0%	6
Söderblick Utveckling AB	556849-9445	Stockholm	50.0%	0
Söderblick Produktion AB	556849-9452	Stockholm	50.0%	0
FL Properties Uppsala AB	556870-5304	Stockholm	50.0%	0
Moutarde Equity AB	556912-2079	Stockholm	35.0%	0
Magnolia Senap AB	556887-5925	Stockholm	50.0%	0
Sollentuna Stinsen JV AB ²⁾	559085-9954	Stockholm	45.0%	89
Kanikenäsvarvet Bostad HB ²⁾	969782-0810	Stockholm	45.0%	15
KIASVA AB	559081-9487	Stockholm	46.0%	0
Fastighets AB Partille Port 5	556960-0298	Stockholm	46.0%	0
Bollmora Vårdfastigheter AB	559063-2955	Stockholm	46.0%	1
Hälestad Nyponknoppen AB	559092-4220	Stockholm	46.0%	0
Donatus AB	556825-9351	Stockholm	50.0%	0
Total				111

¹⁾ Share of capital agrees with ownership

²⁾ Holdings classified as joint ventures

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Sollentuna Stinsen JV AB	2017	2016
Non-current assets	0	0
Cash and cash equivalents	60	89
Other current assets	715	700
Long-term financial liabilities	-581	-300
Short-term financial liabilities	-8	-289
Other liabilities	-8	0
Net assets	178	200
Company's share of net assets	89	100
Net sales	57	4
Depreciation/amortization	0	-1
Interest expenses	-34	-3
Net profit/loss for the year	-22	0
Company's share of profit/loss for the year	-11	0

Sollentuna Stinsen JV AB was acquired in December 2016. All apartments will be developed by Magnolia Bostad. Approximately one-third will be sold to Alecta as rental apartments, which Alecta will own and manage itself. Approximately one-third are intended to be sold to Slättö in accordance with the framework agreement signed between Magnolia Bostad and Slättö on November 25, 2016. The consideration paid for the property acquisition amounted to approximately SEK 700 million.

The property includes just under 54,200 sqm in Södra Häggvik. On the property is the Stinsen shopping center, which offers approximately 41,600 sqm of leasable retail and office space.

Kanikenäsvarvet Bostad HB	2017	2016
Non-current assets	0	0
Cash and cash equivalents	0	0
Other current assets	30	24
Non-current liabilities	0	0
Current liabilities	0	0
Net assets	30	24
Company's share of net assets	15	12
Net sales	6	87
Net profit/loss for the year	6	24
Company's share of profit/loss for the year	3	12

Kanikenäsvarvet Bostad HB was formed at the end of 2016 together with Slättö to handle the decision-making process and profit distribution for joint tenant-owned apartment projects, if and to the extent that such handling and decision-making is not already covered by the framework agreement entered into with Slättö on November 25, 2016.

Note 20 Other long-term securities holdings

Group	12/31/2017	12/31/2016	12/31/2015
Opening fair value	31	31	31
Closing carrying amount	31	31	31
Group	12/31/2017	12/31/2016	12/31/2015
Other investments	31	31	31
Total	31	31	31

The unlisted holding in Norefjell Prosjektutvikling AS has been categorized by management as a financial asset that is available for sale. Fair value for the holdings in Norefjell Prosjektutvikling AS were assessed in accordance with Level 3 of the fair value hierarchy since the value is based on input data other than listed prices.

Note 21 Other long-term receivables

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Receivable property sales	1,067	356	215	14
Paid deposits	20	40	-	-
Deposits	0	1	1	1
Other	78	0	-	-
Total	1,165	397	216	15

Refers largely to long-term claims on owners.

Receivable property sales	2017	2016	2015
Opening balance	356	215	14
Additions from new property sales	772	366	207
Change in estimation of variable compensation	-5	30	5
Transferred to Other receivables	-56	-255	-11
Closing balance	1,067	356	215

Reported as short-term Other receivables are additional claims from property sales of SEK 423 million (2016: SEK 403 million, 2015: SEK 157 million). For information on short-term receivables on buyers, see Note 24 Other receivables. Counterparts are mainly Swedish institutions and other highly reputed cooperation partners. Receivables on buyers usually fall due for payment when construction of the property is completed and the project is handed over to the client. This usually occurs 2.5–3 years after exit of the property.

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Note 22 Development and project properties

Group	12/31/2017	12/31/2016	12/31/2015
Opening amount	1,160	1,138	424
Ongoing new construction	695	438	108
Acquisitions	684	155	816
Sales	-1,229	-571	-210
Closing balance	1,310	1,160	1,138

Note 23 Accounts receivable

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Accounts receivable gross	31	1	4	1
Provision for bad debt	0	0	0	0
Closing carrying amount	31	1	4	1
Provision for bad debt				
Provision at beginning of year	0	0	0	0
Realized losses	0	0	0	0
Recovered accounts receivable	0	0	0	0
Change/reserve for the year	0	0	0	0
Provision at end of year	0	0	0	0

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Age-distributed accounted receivable				
Accounts receivable not past due	31	1	4	1
Past due < 30 days	0	0	0	0
Past due 31 - 90 days	0	0	0	0
Total accounts receivable not written down	31	1	4	1
Past due and written down accounts receivable	0	0	0	0
Total accounts receivable	31	1	4	1

The company reported losses of SEK 0 million (2016: SEK 0 million, 2015: SEK 0 million) for write-downs of accounts receivable.

Note 24 Other receivables

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Receivable property sales	423	403	157	164
Paid deposits	97	30	29	-
Other items	75	42	19	23
Total	595	475	204	187

SEK 0 million (2016: SEK 0 million, 2015: SEK 0 million) of other receivables are past due.

Receivable property sales	2017	2016	2015
Opening balance	403	157	164
Additions from new property sales	259	346	43
Transferred from Other long-term receivables	56	255	11
Received payments	-295	-355	-61
Closing balance	423	403	157

The majority of the claims are against Swedish institutions and others reputable partners.

Note 25 Prepaid expenses and accrued income

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Accrued interest income	0	3	0	0
Other items	5	2	2	2
Total	5	5	2	2

Note 26 Cash and cash equivalents

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Cash and bank balances	208	507	193	37
Total	208	507	193	37

Note 27 Share capital and other contributed capital

Equity in the Group

Share capital

The share capital item includes the registered share capital. As at December 31, 2017, there are 37,822,283 shares (37,822,283) and the quotient value is SEK 4 per share.

Other capital contributions

This item includes capital contributed by the owners, such as share premium reserves during new share issues and shareholders' contributions received.

Retained profits including net profit/loss for the year

Retained profits correspond to accumulated profits and losses generated in the company with supplements/deductions for provisions to statutory reserves and dividends.

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Note 28 Deferred tax

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Deferred tax liability				
for temporary difference between carrying amounts and taxable values of buildings	2	2	2	0
for financial derivatives	-	0	0	0
tax allocation reserves	0	0	0	0
Total	2	2	2	0

Total loss carry-forwards without an equivalent capitalization of a deferred tax asset amount to SEK 501 million (2016: SEK 200 million, 2015 SEK 168 million), which corresponds to a deferred tax asset of SEK 110 million (2016: SEK 44 million, 2015: SEK 37 million).

Note 29 Interest-bearing liabilities and Other non-current liabilities

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Non-current interest-bearing liabilities				
Bank loans	608	392	505	268
Bond loans	883	876	226	226
Deposit	75	-	-	-
Current interest-bearing liabilities				
Bank loans	382	222	130	0
Seller promissory notes	125	15	0	0
Total	2,073	1,505	861	494
Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Liabilities that fall due for payment within one year after the balance sheet date	507	237	130	0
Liabilities that fall due for payment between one and five years after the balance sheet date	1,566	1,268	731	494
Liabilities that fall due for payment more than five years after the balance sheet date	-	-	-	-
Total	2,073	1,505	861	494

Shares in subsidiaries were pledged as collateral for the bond loan with an outstanding nominal amount of SEK 500 million. The value of the collateral pledged for the bond loan amounts to SEK 736 million (2016: SEK 638 million, 2015: SEK 264 million) in the Group and SEK 74 million (74) in the Parent Company. For bank loans, the Group has pledged collateral totaling SEK 965 million (2016: SEK 734 million, 2015: SEK 468 million).

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Other non-current liabilities				
Loans	0	91	110	0
Additional consideration	30	0	-	-
Deposits	0	0	0	0
Total	30	91	110	0

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Other non-current liabilities				
Liabilities that fall due for payment between one and five years after the balance sheet date	30	91	110	0
Liabilities that fall due for payment more than five years after the balance sheet date	-	-	-	-
Total	30	91	110	0

Group	2017	2016	2015
Change in financial liabilities			
Opening balance	1,596	983	494
Borrowings	597	1,059	471
Acquired liabilities	195	125	294
Amortization	-200	-584	-340
Sales	-91	-	-
Other non-cash flow changes	6	13	64
Closing balance	2,103	1,596	983

Note 30 Derivatives

Group	12/31/2017	12/31/2016	12/31/2015
Opening fair value	0	0	0
Acquisition of derivatives	0	0	0
Sale of derivatives	0	0	0
Changes in value	0	0	0
Total	-	0	0

The Group's derivatives consisted of an interest rate swap with a nominal amount of SEK 52 million, which fell due in 2017.

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Note 31 Accrued expenses and deferred income

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Accrued personnel costs	13	3	6	1
Accrued interest expenses	19	16	4	0
Deferred income	8	8	8	5
Property tax	0	0	0	2
Other items	96	26	32	4
Total	136	53	50	12

Note 32 Pledged assets

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Real estate mortgages	714	503	468	259
Pledged shares in subsidiaries	944	845	264	56
Pledged internal reversals	43	13	0	0
Total	1,701	1,360	732	315

Note 33 Contingent liabilities

Group	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Guarantees to the benefit of liabilities in tenant-owner associations	634	140	250	0
Total	634	140	250	0

Note 34 Closely related parties

Group

The Group is subject to controlling influence from F. Holmström Fastigheter AB, CIN 556530-3186, which is domiciled in Stockholm.

Transactions with closely related parties occurred between the Parent Company and its subsidiaries and associated companies, and between the subsidiaries in the form of loans of cash and cash equivalents and invoicing of internal administrative services between the companies.

Transactions with associated companies

	12/31/2017	12/31/2016	12/31/2015
Divestments to associated companies			
Svenska Husgruppen Intressenter AB	0	0	0
FL Properties Uppsala AB	0	0	0
Magnolia Senap AB	0	0	0
Moutarde Equity AB	0	0	0
KIASVA AB	0	-	-
KIAB Laholm AB	0	-	-
Bollmora Vårdfastigheter AB	0	-	-
Donatus AB	0	-	-

Acquisitions from associated companies

Svenska Husgruppen Intressenter AB	0	0	0
FL Properties Uppsala AB	0	0	0
Magnolia Senap AB	0	0	0
Moutarde Equity AB	0	0	0
KIASVA AB	0	-	-
KIAB Laholm AB	0	-	-
Bollmora Vårdfastigheter AB	0	-	-
Donatus AB	24	-	-

Receivables from associated companies

	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Svenska Husgruppen Intressenter AB	24	24	24	24
FL Properties Uppsala AB	3	2	-	1
Magnolia Senap AB	2	2	-	1
Moutarde Equity AB	16	14	-	-
Moutarde Holding AB	-	-	-	8
KIASVA AB	8	-	-	-
KIAB Laholm AB	8	-	-	-
Bollmora Vårdfastigheter AB	15	-	-	-
Total	76	43	24	34

Liabilities to associated companies

	12/31/2017	12/31/2016	12/31/2015	01/01/2015
Moutarde Equity AB	36	-	-	-
Total	36	-	-	-

Transactions occurred with F. Holmström Fastigheter AB and other companies over which Fredrik Holmström, Chairman of the Board of Magnolia Bostad AB, has a controlling influence. During the year, Magnolia Bostad Group had expenses of SEK 1 million (2016: SEK 1 million, 2015: SEK 2 million) for services carried out by companies closely related parties to Fredrik Holmström. F. Holmström Fastigheter AB rented commercial

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premises from the Magnolia Bostad Group for SEK - million (2016: SEK 1 million, 2015: SEK 1 million).

The company's CEO invoiced the Magnolia Bostad Group in 2016 through Fredrik Lidjan AB for remuneration for his work as CEO. Before Fredrik Lidjan took over as CEO for Magnolia Bostad, Fredrik Lidjan AB also entered into a profit-sharing agreement with the Magnolia Bostad Group, for which SEK 18 million (2016: SEK 30 million, 2015: SEK 5 million) was invoiced during the year.

Fredrik Lidjan also holds through Fredrik Lidjan AB 5,000 shares in Group company Magnolia Holding 3 AB, CIN 559016-4140, 320 shares in Group company Magnolia Holding 4 AB, CIN 559114-8415 and 40 shares in Group company Magnolia Hotellutveckling 2 AB, CIN 559125-7604. For more information, see Note 4. Group composition.

The associated company, Donatus AB, which was acquired as part of the acquisition of Svenska Vårdfastigheter, invoiced the Group SEK 24 million for contracting services.

Board Member Andreas Rutili through companies has ownership and a right to a share of the profits in the projects Senapsfabriken Phase 1 and Senapsfabriken Phase 2.

In 2017, Magnolia Bostad sold the project, Sländan Phase 2, with approximately 130 apartments to Viva Bostad Sländan AB, a company in which Andreas Rutili holds an indirect ownership, but not a controlling influence. Furthermore, during the year Magnolia Bostad sold the project, Fyren Phase 1, with approximately 220 apartments to Viva Bostad Nynäshamn AB, a company in which Andreas Rutili holds an indirect ownership, but not a controlling influence. Both projects were sold from companies that are owned by Magnolia Holding 3 AB.

The Magnolia Bostad Group purchased services during the year for SEK 0 million (2016: SEK 0 million, 2015: SEK 2 million) from Caritas Corporate Finance AB, where Board member Fredrik Tibell is a member of the Board. The services refer to ongoing financial advice.

For more information about remuneration to executive management, see Note 9 Remuneration to employees.

Note 35 Alternative performance measures

Guidelines for alternative performance measures have been issued by the European Securities and Markets Authority (ESMA). Guidelines for alternative performance measures aim to facilitate comprehension of these measures and thus improve their usability. The alternative performance measures offer additional valuable information to assess the company's operations.

Non-IFRS financial performance measures	Definition	Reason used
Return on equity (%)	Net profit/loss for the year attributable to Parent Company's shareholders as a percent of the average equity attributable to Parent Company shareholders.	Return on equity shows the return generated from the capital that the shareholders have invested in the Company, and from the accumulated profit/loss.
Equity per share	Equity attributable to Parent Company shareholders divided by the number of outstanding basic shares.	Equity per share is presented because it is a measure that shows book value per share.
Net financial items	Net of financial income and financial expenses.	Net financial income/expense is presented to give a picture of profit / loss generated by the company's financing activities.
Cash flow from operating activities, per share	Cash flow from operating activities divided by average number of outstanding shares before dilution.	Cash flow from operating activities per share is presented to give a picture of funds generated by operating activities per share.
Profit/loss after financial items	Operating profit/loss plus financial income minus financial expenses.	Profit/loss after financial items measures the Company's profit/loss before tax.
Interest-bearing net liabilities	Interest-bearing liabilities minus cash and cash equivalents.	Interest-bearing net liabilities is presented as it is a useful measure of showing the financial position.
Interest coverage ratio (multiple)	Profit/loss after financial items including financial expenses divided by financial expenses.	Interest coverage ratio is presented as it is a useful measure to provide a picture of the company's ability to cover interest expenses.
Operating margin (%)	Operating profit as a percentage of net sales.	Operating margin measures profitability in the Company's business activities.
Operating profit/loss	Net sales minus costs for production and operation, central administration, depreciation/amortization and impairment of intangible assets and property, plant and equipment and profit/loss from participations in associated companies.	Operating profit and operating margin is presented to give a picture of profit / loss generated in current operations.
Equity/assets ratio (%)	Equity, including holdings without a controlling influence, as a percentage of the balance sheet total.	Equity/assets ratio is used to measure the Company's financial position. Equity/assets ratio shows the extent to which the Company's assets are financed by own funds.
Profit margin, %	Net profit for the year as a percent of net sales.	Profit margin is presented to give a picture of profit / loss generated by current operations and its financing.

The Auditor's Report on restated financial statements on historical financial information

To the Board of Directors of Magnolia Bostad AB (publ), reg. no. 556797-7078

We have audited the financial statements for Magnolia Bostad AB on pages F14 – F38, which comprise the balance sheet as of 31 December 2015, 31 December 2016, and 31 December 2017 and the income statement, cash flow statement and statement of changes in equity for the years then ended, and a description of significant accounting policies and other explanatory notes.

The Board of Directors' and the Managing Director's responsibility for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Prospectus Regulation (EC) No 809/2004.

The auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 *Examination of 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 the Magnolia Bostad AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

An audit in accordance with FAR's Recommendation RevR 5 *Examination of Prospectuses* involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU/Annual Accounts Act and additional applicable framework of the financial position of Magnolia Bostad AB as of 31 December 2015, 31 December 2016, and 31 December 2017 and its financial performance, statement of changes in equity and cash flows for these years then ended.

Stockholm, June 18, 2018

Ernst & Young AB

Fredric Hävrén

Authorized Public Accountant

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