

**MAGNOLIA**

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**Magnolia Bostad  
Annual Report  
2020**

**20**



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*Magnolia Bostad's formal financial reports can be found on pages 78 – 123 and are audited by the company's auditors.*

*This annual report is a translation of the original audited Swedish Annual Report, which prevails in case of discrepancies between this translation and the Swedish original.*

# 2020 in brief

High level of activity during the year resulted in the company's best profit ever. 3,904 residential units were sold in 2020 and at the same time the development of residencies for self-management took shape.

## January – December 2020

- Net sales amounted to SEK 2,358 m (896).
- The operating profit was SEK 906 m (366), of which SEK 336 m (348) refers to changes in the value of managed properties.
- The profit before tax was SEK 725 m (194) and the profit after tax was SEK 688 m (157).
- Earnings per share after deductions for minority shares was SEK 17.40 (3.41).
- During the year, Magnolia Bostad agreed on the acquisition of 8 233 estimated building rights (3 548) and started the production process on 3 599 (2 678) residential units.
- In the light of the new dividend policy the board proposes no dividend for financial year 2020 (2.00).

Operating profit 2020, SEK m

# 906

2019: SEK 366 m

Profit after tax 2020, SEK m

# 688

2019: SEK 157 m

KPIs, Group <sup>1)</sup>	2020 Jan–Dec	2019 Jan–Dec
<b>Project related</b>		
Number of production started residencies during the period <sup>2)</sup>	3,599	2,678
Number of sold residencies during the period <sup>2)</sup>	3,904	499
Total number of residencies in production <sup>2)</sup>	9,810	9,284
Total number of estimated building rights <sup>r2)</sup>	22,731	18,037
<b>Financial</b>		
Investment properties, SEK m	1,483	654
Operating profit, SEK m	906	366
Return on equity, % <sup>3)</sup>	49.4	13.2
Equity/assets ratio, %	32.7	28.1
Interest coverage ratio, times	4.1	1.4
<b>Share related</b>		
Earnings per share, SEK <sup>3)</sup>	17.40	3.41
Equity per share, SEK <sup>3)</sup>	42.95	27.55

<sup>1)</sup> From Q2 2020, Magnolia Bostad has applied changed principles for the consolidation of tenant-owner associations.

<sup>2)</sup> Including projects developed in joint ventures

<sup>3)</sup> Excluding the minority

For definitions of alternative KPIs that are not defined in IFRS, see page 120. For other definitions, see page 151.

Estimated building rights 2020

# 8,233

2019: 3,548

Production process-started residential units 2020

# 3,599

2019: 2,678

Completed residential units 2020

# 2,901

2019: 1,060



Number of environmentally certified, completed residencies 2020



# 2,680



# This is Magnolia Bostad

Magnolia Bostad is a leading urban developer that develops new housing in attractive locations in Sweden's growth areas and large cities. Our residencies are developed both for sale and for self-management, as individual projects or as part of larger projects where we create entirely new neighbourhoods.

Magnolia Bostad's building rights portfolio is one of Sweden's largest and on 31 December 2020 comprised a total of 22,731 building rights, mainly for the development of rental accommodation. In addition, 9,810 residential units were in production, most of which will be ready for occupancy over the next five years.

We develop housing both for self-management and for sale, and develop rental accommodation as well as tenant-owned apartments, community service properties and hotels. The company thereby achieves a good

spread of risk and becomes an attractive partner for long-term collaboration. We operate from Ystad in the south to Luleå in the north and have offices in five locations: Stockholm, Göteborg, Malmö, Norrköping and Umeå.

Our work is guided by a holistic approach in which business is conducted in a way that promotes long-term sustainable social development. We create modern homes and living environments while connecting with life in the localities where we operate.

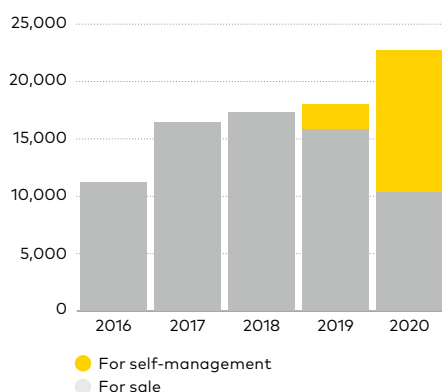


Since Magnolia Bostad was founded in 2009, we have delivered more than 4,800 ready-made residential units.

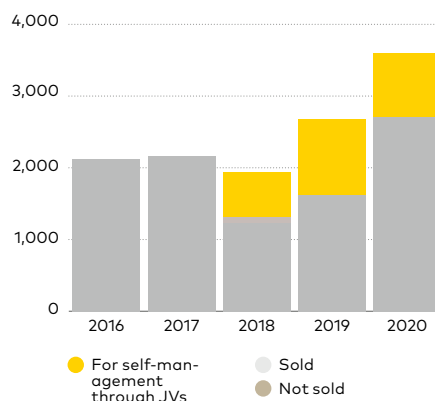


At the end of 2020, Magnolia Bostad had 112 employees. Pictured are Alexandra Skeppström and Jonas Sundin.

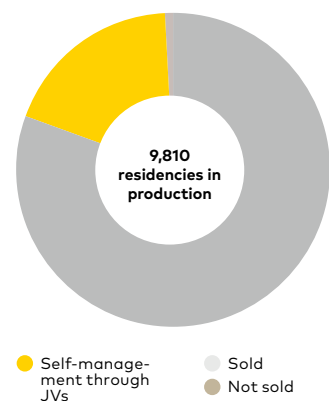
Development of the building rights portfolio, number of residencies



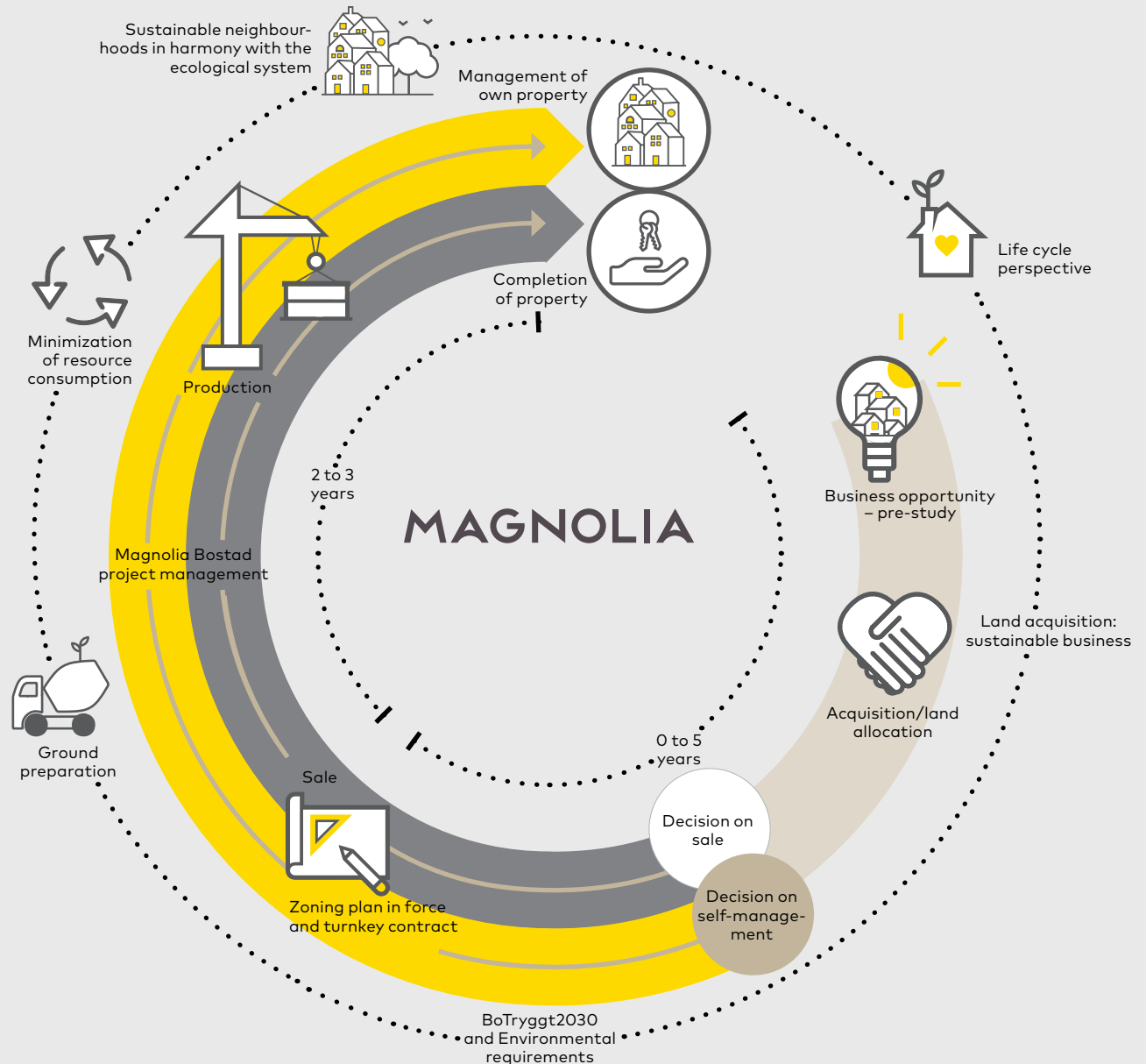
Production-started residencies with sale status as of 31 December 2020



Distribution of residencies in production as of 31 December 2020



## Magnolia Bostad's business model



### Magnolia Bostad's business model

The business development department constantly monitors the market for new business opportunities. Once attractive land has been identified, the company carries out feasibility studies in the form of market analyses and revenue and cost estimates..

After completing acquisitions, we compile zoning plans, often at the same time as we negotiate with building contractors for turnkey contracts for the projects. Carrying out zoning plan work is a large part of Magnolia Bostad's value creation, but land is sometimes also purchased with a zoning plan that has come into force. We project manage all projects until occupancy, a period that normally lasts two to three years after construction starts.

Projects are developed for self-management or selling.

- Development for self-management usually takes place in the form of joint ventures with financially strong partners. When these projects are completed, these residential units will contribute long-term value growth and an ongoing cash flow to the company.
- Projects developed for sale are usually sold at an early stage, generally before the building permit has come into force and before production has started. Buyers are usually financially strong institutions or property companies.

Magnolia Bostad's life cycle perspective means that we take responsibility all the way from the time the new neighbourhood or residential area is planned until the land is used for other generations at some point in the future.

- Our aim is for all projects to be environmentally certified according to the Swedish Green Building Council's silver certification, the Nordic Swan Ecolabel or another equivalent standard. This means, among other things, more stringent requirements for efficient energy consumption than required by law.
- As urban developers, we work to develop housing that provides the conditions for security, integration, gender equality and health. We do this through working with BoTryggt2030 and also through focusing on girls' and women's football. We support, for example, the football players homework preparation, buses to matches and snacks before football training.
- We work preventively against bribery and corruption. Every employee signs Magnolia Bostad's code of conduct which, among other things, governs the company's business ethics, health and safety, human rights and working conditions.

# Strong increase in projects for self- management

2020 was a successful year for Magnolia Bostad. We were able to present our best full-year profit ever, expand the building rights portfolio and increase the number of production starts at the same time as we reduced net debt.

I took over as CEO of Magnolia Bostad in December 2020 and have the pleasure of presenting the company's best full-year profit ever. This is despite the fact that 2020 was largely marked by the ongoing Covid-19 pandemic that has dramatically changed the everyday lives of everyone around the world. For Magnolia Bostad, the pandemic has meant that we have adapted our way of working and switched to becoming more digital, something I see will benefit our business in future.



*Our intention is to build up a substantial property portfolio for self-management in the coming years.*

Demand for the housing and community service properties we develop was strong during the year and we sold around 3,900 residential units. A large part was sold to Heimstaden Bostad in accordance with our framework agreement and we also sold a large number of units to new buyers such as Trenum, CBRE and SBB. The performance of our hotel business was weaker for obvious reasons and during Q4 we had to make write-downs in our two ongoing hotel projects.

Characteristic of our activities in 2020 was that we established several new JVs for the development of residencies for self-management. Our intention is to build up a substantial property portfolio in the coming years. As an increasing number of residencies are being developed for our long-term self-management, changes in value, which arise primarily as a natural consequence of the continual processing in the projects, will constitute a significant part of our operating profit in future.

We have a locally based business and project development organization which during the year expanded

with a regional office in northern Sweden and we now have five offices, from Malmö in the south to Umeå in the north. This has brought us closer to each region's local market and has increased our ability at all stages from business generation to project development and implementation.

With almost 3,600 production starts and just over 2,900 completed residencies in 2020, we consolidated our position as one of Sweden's leading urban developers. With this, comes a responsibility to contribute to sustainable urban development, something that is close to our hearts and which has been a central part of our business for several years.

Building sustainably is a matter of course today. Our homes and districts must be economically, socially and environmentally sustainable and our ambition is to create good and safe living environments with materials and building systems selected from a sustainability





and life cycle perspective. An example of this is our collaboration with Derome on innovative and sustainable wood construction based on our common vision of "The sustainable wooden city."

The green bond that we issued during the year increases the transparency of our sustainability work. Green financing will be a standing element of our financing in future.

Our investment in the development of properties for self-management was concretized during the year.

**”** *The green bond that we issued during the year increases the transparency of our sustainability work.*

Against this background, the board reviewed the company's goals at the start of 2021 so that they reflect the future business better. With these goals behind me, our locally based business and project development organization, our more than 22,700 building rights and with my committed employees, I feel that we are moving towards a really exciting future

Finally, the management and I would like to thank all our employees, customers and partners for the past year and for finding a way of working together during the current pandemic. We are now looking forward to an eventful 2021 with strong development within residencies for both sale and self-management.

Stockholm, March 2021

Johan Tengelin  
CEO

# Events in 2020



Tegelslagaren is an environmentally certified project in Vallentuna which was completed in 2020 and handed over to the buyer SEB Domestica. The block consists of 157 rental apartments, an underground car park with charging points for electric cars and a roof with solar panels.



Magnolia Bostad established its fifth office, Northern Region, in Umeå. From right: David Andersson, Regional Director; Kristoffer Larsson, Project Developer; David Brink, Business Developer and Fredrik Westerlund, Project Development Manager.

## Q1

Start of zoning plan work for the Vårby Udde project, a new marine district in Huddinge municipality, comprising development of around 1,800 residential units, nursery schools, residential care units, shops, restaurants and a hotel.

Magnolia Bostad signed an agreement on the acquisition of land in Bergsäter near the centre of Borås comprising around 280 building rights. The company also received a land allotment in Skellefteå comprising the development of around 300 residential units.

Magnolia Bostad's and Slättö's JV, which was formed in October 2019, acquired land in Barkarby, Järfälla, comprising around 350 building rights.

Sale to Heimstaden Bostad of:

- 783 residential units in Luof
- 225 residential units in Ystad
- 116 residential units in Norrköping

The Täljöviken project in Österåker was revenue recognized as the sale was no longer conditional.

Partial repurchase of a bond loan with due date 28 April 2020.

## Q2

The company signed agreements for the acquisition of four projects for around 990 residential units in Sundbyberg, Sollentuna and Ystad. The company also received a land allocation in Örebro comprising the development of around 180 residential units.

Sale of:

- 900 residential units to Trenum in Tullholmsviken, Karlstad. 440 units were already owned by Magnolia Bostad and 460 units were acquired during the quarter.
- Three projects of around 1,040 residential units in Sundsvall, Sundbyberg and Skellefteå to Heimstaden Bostad.
- 101 residential units to SBB in a community services property in Borlänge.
- 230 residential units in the Björnbäret project developed for long-term management in Kalmar, to a company formed by Arctic Securities.

The company's fifth office, Northern Region, was established in Umeå. The company now has a local presence throughout Sweden

An internal architectural department was formed. The focus is on creating good, safe living environments and choosing materials and building systems from a sustainability perspective.

Final redemption of a bond loan with a nominal amount of SEK 450 m at due date of 28 April 2020.



Magnolia Bostad signed an agreement with Heimstaden Bostad regarding joint development of land for the construction of apartment blocks next to Hede Station in Kungsbacka. The project includes about 1,600 apartments. Representation.



In Orminge Centrum, Nacka, about 10 km east of Stockholm, Magnolia Bostad is developing 200 rental apartments for self-management in a JV with SBB. Representation.

## Q3

New joint ventures with Heimstaden Bostad and Derome for joint development of 1,600 residential units and 1,500 detached houses.

Agreements signed for the acquisition of properties for the development of around 2,345 building rights in Kungsbacka, Haninge and Upplands Bro.

Four projects for self-management production started. The projects comprise a total of 890 residential units and one community service property. The projects are in Sollentuna, Nacka, Haninge and Helsingborg.

Reclassification of several projects for developing as self-managed properties. These now make up 56% of the building rights portfolio.

Sale to Heimstaden Bostad of:

- 231 residential units in the new district of Partille Port in Partille. The project is Magnolia Bostad's first to go into production in the Western Region.

## Q4

Johan Tengelin took over as CEO of Magnolia Bostad.

Agreements signed on the acquisition of land in:

- Öresjö Ängar, Borås, for the development of about 350 residential units and a nursery school.
- Edvinshem, Ystad for the development of about 470 residential units and a school for about 200 pupils

Collaboration deepened with SBB through the formation of a JV for the development of 2,550 residential units. Magnolia Bostad also sold two care homes to SBB.

Sale to Heimstaden Bostad of:

- 346 residential units in Handen, Haninge
- 180 b residential units in Nya Hovås, Göteborg.

Sale to CBRE Global Investors of:

- 200 residential units in Ursvik, Sundbyberg

New unsecured green bond issued of SEK 550 m and listed on Nasdaq. Voluntary repurchase of certain outstanding bonds.

An Extraordinary General Meeting resolved on a dividend of SEK 2 per share for 2019.

# A value-creating business with the customer in focus

## **Business concept**

Magnolia Bostad is an urban developer that develops and manages attractive and sustainable living environments with good profitability.

## **Magnolia Bostads cornerstones**

### *Flexible business model*

We can choose between:

- developing projects for self-management or selling.
- developing rental accommodation, tenant-owned apartments, community service properties, hotels or entire neighbourhoods.

### *Building rights portfolio*

At the end of 2020, our building rights portfolio consisted of 22,731 building rights, mainly for the development of rental accommodation. This makes Magnolia Bostad one of the largest developers of rental accommodation in Sweden.

### *Financing*

Financing is largely done with bond loans and secured loans. As we develop our building rights portfolio, financing is increasingly linked to specific projects.

Development of projects for self-management is usually carried out in joint ventures (JVs) with financially strong partners. This structure, together with building credit from banks, ensures the financing of the project until completion. After completion and when Magnolia Bostad has acquired its share of the properties from the JV, financing is via long-term bank financing.

Projects for sale are sold at an early stage, even before construction has begun. Sales are usually through a forward funding scheme, which means that the project is owned and financed by the project's buyers during the production period. This reduces Magnolia Bostad's tied up capital and financing needs. Magnolia Bostad is the project leader for the development work until completion.

### *Organization*

The company has a local presence through five offices and a total of 112 employees. Our core expertise is in the areas of business development and project development.

## **How we create value**

### *Safe land acquisitions*

The company's land acquisitions are based on a calculation for rental residential housing and a careful preparatory work where major consideration is given to sustainability aspects.

### *Project development*

We develop the project from idea, through zoning planning and concept development until final completion. Magnolia Bostad's value creation lies largely in the development work until the project is ready to start construction. Construction is procured in the form of turnkey contracts at a fixed price, which limits the risk of cost increases related to construction.

### *Parallel development*

In parallel with the land acquisition process, work begins on developing attractive and sustainable residences. We work closely with our contractors to develop cost-effective solutions. We also have contacts with buyers early in the process.

### *Long-term value growth in self-management*

Magnolia Bostad's development of property for self-management aims to strengthen the balance sheet, provide a continuous, predictable cash flow and long-term value growth.

### *Sales at an early stage*

Projects for sale are usually sold through framework agreements with long-term customers. Magnolia Bostad then leads the project until occupancy. This enables value-creating property development with low tied up capital for Magnolia Bostad.

### *Sustainability*

We start from a life cycle perspective when we develop housing and we strive to achieve or exceed the requirements for environmental certification according to the Swedish Green Building Council's silver certificate, the Nordic Swan Ecolabel or the equivalent. We are a partner to Botryggt2030, a body for urban planning that can prevent crime and increase security through measures in the physical environment.

## Value for our stakeholders

### Owners

Stable value growth.

### Society

Sustainable residential areas and districts.

### Customers

Functional and space-efficient housing. Attractive for the tenant and easy to manage for the property owner.

### Partners

An effective, skilled partner.

### Employees

An equal work place that nurtures and develops different skills.

## How we create value



### Safe land acquisition

Acquisitions are based on calculation for rental residential housing. Good demand for our projects.



### Parallel development

- Land acquisitions
- Zoning plan work
- Contractors
- Buyers



### Self-management

Continuous cash flows and long-term value growth.



### Early sales

Projects for sale are sold at the planning stage which reduces the need for financing.



### Project management from start to finish

Own project management. Turnkey contracts at a fixed price.



### Sustainability

Projects are developed according to a life cycle perspective and with the support of BoTryggt2030.

## Magnolia Bostad's cornerstones

### Flexible business model

Choice between housing types and between selling or developing for self-management.

### Building rights portfolio

Wide range of products and presence throughout Sweden

### Financing

Mainly bonds, bank financing and cash flow from operations.

### Organization

Highly skilled, dedicated employees. Five regional offices provide local presence.

### Business concept

Magnolia Bostad is an urban developer that develops and manages attractive and sustainable living environments with good profitability.

### Value for our stakeholders

#### Owners

Magnolia Bostad works to create sustainable value growth for its owners.

#### Society

Magnolia Bostad develops sustainable housing and neighbourhoods, thereby helping to fill a need in society.

#### Customers

Magnolia Bostad delivers functional, space-efficient attractive, housing to tenants and easy to manage residencies to property owners

#### Partners

Magnolia Bostad is a partner who runs projects efficiently and with high level expertise from prestudy to completion.

#### Employees

Magnolia Bostads is an attractive employer. We offer an equal and exciting workplace and work with skills development, career planning as well as promoting employees' health and well-being.



# Strategy and targets

Magnolia Bostad's strategy forms the basis for profitable growth and governs the development of both projects for self-management and selling.

To achieve our targets within the framework of our business concept, the following strategic direction has been established:

- Development must take place in locations with good long-term demographic conditions.
- Properties must be developed for sale as residential units, community service properties or hotels based on current market conditions and each property's individual potential and characteristics
- Properties will be developed partly for self-management and partly for sale.
- Properties developed for self-management must primarily be developed through JVs. The purpose of properties for self-management is to strengthen the balance sheet, generate a continuous cash flow and create long-term value growth.
- Properties for sale will primarily be developed in collaboration with long-term customers, including the signing of framework agreements.
- Production only starts when demand has been assured.



## Business targets<sup>1)</sup>

Completed residential units for self-management before the end of 2025



Before the end of 2025, Magnolia Bostad will own at least 4,000 completed residential units for self-management or alternatively own investment properties with a market value of at least SEK 8 billion. This refers to Magnolia Bostad's own ownership and the company's ownership interest in JV.

# 4,000

completed residential units for self-management, alternatively

# >SEK 8 bn

market value of investment properties

Production starts per year

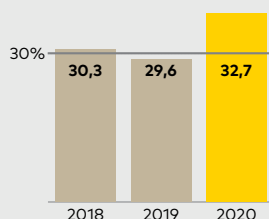


Magnolia Bostad will start production of least 3,000 residential units per year, seen as an average over a business cycle.

# 3,000

## Financial target<sup>1)</sup>

Equity/assets ratio



The equity/assets ratio must be at least 30%.

**Outcome 2020:** The equity/assets ratio was 32.7 %

# >30%

<sup>1)</sup> Approved by the board in February 2021.

## Sustainability targets



For targets and outcomes of sustainability indicators, see pages 72–74.

# Magnolia Bostad Architects

Magnolia Bostad started its own architectural department in 2020. The purpose is to further raise the level of our projects and to highlight softer values that cannot be measured in figures.

Magnolia Bostad started its own architectural department in 2020. Hugo Löfgren the architects' manager, talks about the investment and what it was like to recruit a completely new department during the coronavirus pandemic.

## **Why has Magnolia Bostad created its own architectural department?**

"The reason is to further raise the level of what we do and in our offer. The focus is on creating good, safe living environments and choosing materials and building systems from a sustainability perspective. We evaluate and provide feedback on the projects the company develops. The idea is that everyone who works at Magnolia Bostad will constantly get better at what they do through this transfer of experience. We will partly develop our own projects and partly collaborate with external architects, together with our business and project developers."

## **How has it been recruiting new employees during the pandemic?**

"I started by hiring Jenny and Madalina who I worked with before, something that felt like a safe start. As we continued to grow, the pandemic made it a little easier for us to get hold of really good people. Many in the industry and at Magnolia Bostad have been curious about this venture and it is fun. On the other hand, it has been strange not to be able to meet for real before employing someone and meeting so much digitally in the beginning when we need to get to know each other the most."

## **How have you worked to create team spirit when you can not be seen "for real"?**

"In addition to our recurring Monday and Friday meetings, we work closely together on projects and keep in close contact. It's easier to feel connected even if it is done digitally. It is important that new employees feel that they are part of something bigger. It is also very

much up to me as manager to plan in a way that makes them feel welcome. But it is difficult to discuss and brainstorm ideas, when you lack that extra of being seen for real. A funny thing we do is that the one of us who logs in first every morning should post a humorous picture to set the mood for the day - it's fun and contributes to a good, laidback mood."

## **How have you worked for the architect group to become part of the rest of the gang at Magnolia Bostad and become part of the culture here?**

"I have tried to create a place where it works for us to be part of the informal group. I also think that other departments have been good at inviting us into different activities so that we become part of the business. Magnolia Bostad's digital Thursday information has also contributed positively and despite the pandemic, the company was able to carry out a Magnolia day where the employees got to meet. An important way for our new employees to get into the culture is also the company's approach with a Magnolia friend. We have also introduced digital training challenges in teams across departmental boundaries, which was fun and contributed to team spirit and more movement."

## **How has this year developed you as a leader?**

"Something we really learned in 2020 is that a lot can be done digitally and that's positive. But at the same time, I have been reminded of how important it is to meet physically and that a physical workplace gives us as human beings an important ambience. There is something about getting to and from work that I have not reflected on before - those trips clearly mark a boundary between work and leisure. I hope that it will be even easier to conduct meetings digitally in the future. Previously, it could be that my group was the only ones at the meeting who took part digitally, which gives a skewed commitment and presence at the meeting. Now that everyone is involved digitally, it is more equal."





Magnolia Bostads architectural department at work. From left: Julia Hermansson, Camilla Levin, Hugo Löfgren, Stavros Chrysovergis, Jenny Karlmark, Aksel Wunsch Widoff and Madalina Gherghina.

## Our values

Magnolia Bostad is an urban developer who wants more and our strong yellow colour lights up the places where we develop and manage tomorrow's homes and neighbourhoods. Being colourful means to us that we are proud, hungry and long-term. We dare to think in a new way when we develop sustainable neighbourhoods where people want to live.



### Proud

We are proud to be one of Sweden's leading urban developers. For us, just building homes is not enough. We also want to be an active, committed force in the places where we are located.



### Hungry

We are innovative and curious, proud but never satisfied. Our driving force is to constantly sharpen and develop our offer.



### Long-term

Together with our partners and the municipalities where we operate, we develop sustainable housing and safe neighbourhoods where people want to live and live for generations.

# Shares and owners

Magnolia Bostad's shares are listed on Nasdaq Stockholm.

## The shares

Magnolia Bostad's shares are listed on Nasdaq Stockholm, and are traded under the MAG ticker. The shares were traded for the first time in June 2015 on Nasdaq First North. In 2017, the shares switched to be traded on Nasdaq First North Premier and on 20 June 2018 the shares were listed on Nasdaq Stockholm. The total number of shares issued in 2020 was at an average level and at year-end 37,822,283 (37,822,283).

The share price at closing on 30 December 2020 was SEK 58.40. On average, 118 transactions were completed per trading day in 2020 and the average trading volume per trading day was SEK 1.8 million.

## Dividend policy

The long-term dividend must correspond to up to 30% of the profit. Over the next few years, Magnolia Bostad will prioritize investments in the building rights portfolio and investment properties, which will mean no or low dividends during this period.

Ahead of the 2021 Annual General Meeting, the Board of Directors proposes, in the light of the dividend policy, that no dividend be paid for the 2020 financial year.

## Warrants

Magnolia Bostad issued warrants in both 2017 and 2019.

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. In total 260,500 warrants have been transferred to employees in accordance with the warrant program and 28,000 warrants have been re-purchased. 89 500 unutilized warrants have been cancelled.

Each warrant entitles the holder to the right to subscribe for one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

The Annual General Meeting held on 10 May 2019 resolved to issue 200,000 warrants to the subsidiary Magnolia Utveckling AB. Following the AGM's decision, 200,000 of the warrants were offered to key employees at the subsidiary, all of which have been acquired by and assigned to key employees. Each warrant entitles the holder to subscribe for one share in Magnolia

## Largest shareholders as on 31 December 2020

Shareholder	Number of shares	Percentage of share capital and votes
F. Holmström Fastigheter AB	21,321,837	56.4%
Länsförsäkringar Fondförvaltning AB (publ)	3,745,722	9.9%
Svolder AB (publ)	2,095,000	5.5%
Wealins S.A.	1,663,565	4.4%
Nordnet Pensionsförsäkring	1,043,015	2.8%
John Larsson	750,000	2.0%
Carnegie Fonder	741,959	2.0%
Martin Dahlin	700,000	1.9%
Avanza Pension	639,755	1.7%
Fredrik Lidjan	264,712	0.7%
<b>Total 10 largest shareholders</b>	<b>32,965,565</b>	<b>87.2%</b>
Other shareholders	4,856,718	12.8%
<b>Total</b>	<b>37,822,283</b>	<b>100.0%</b>

Source: Monitor by Modular Finance AB. Data compiled and processed from sources such as Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

Bostad at a strike price of SEK 84 per share during the period from 1 November 2022 until 26 April 2024.

All warrants have been transferred at a price corresponding to fair value.

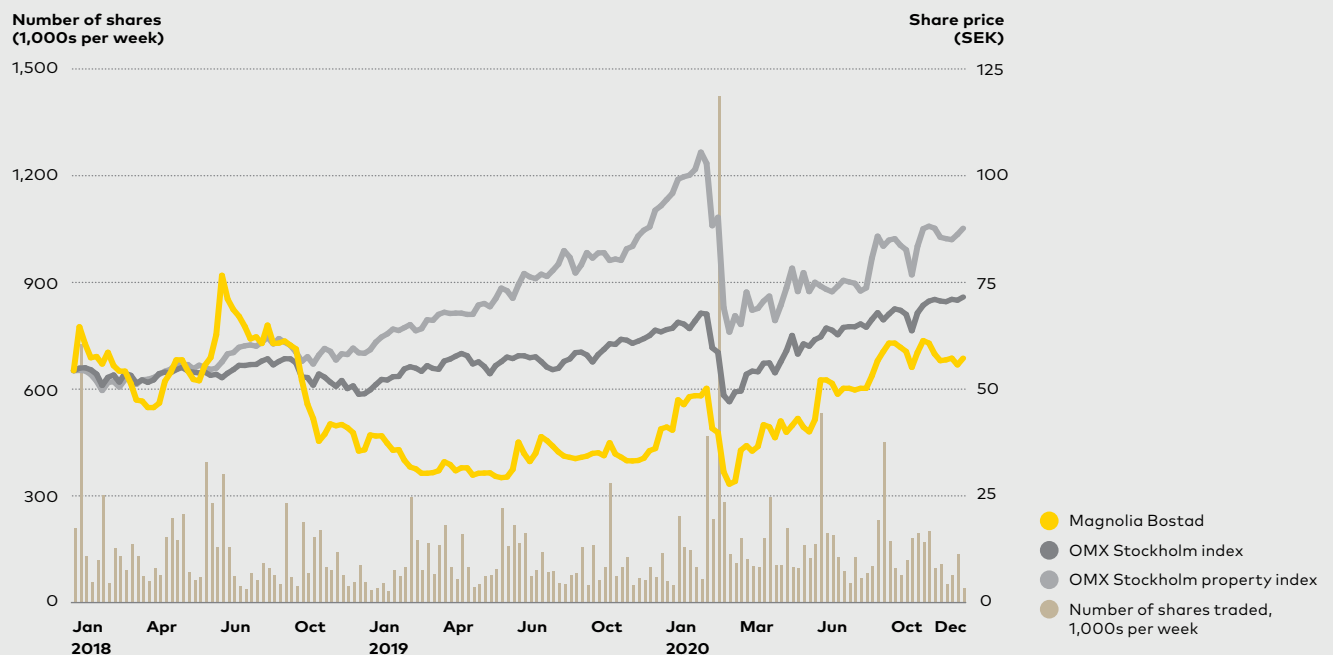
## Owners

F. Holmström Fastigheter AB, which is controlled by Fredrik Holmström through companies, owns 56.4% of Magnolia Bostad.

The company's ten largest owners control 87.2% of the shares. 81.2% of the company's owners own 500 shares or less.

As of 31 December 2020, the number of shareholders was 4,009. 3,930 holders are Swedish private individuals or legal entities, 42 are from the rest of the Nordic region, 30 from Europe (excluding the Nordic region) and seven are from the rest of the world. Of the company's owners, 123 are legal entities and of the 3,886 private individuals, 1,346 are women and 2,540 are men.

### Magnolia Bostad 's share turnover and price trend



## Magnolia Bostad as an investment

As a shareholder in Magnolia Bostad, you have an opportunity of being part of an innovative and responsible urban developer.

### Opportunity for good value growth

The company's project portfolio consists of 22,731 building rights that are being developed for housing and community service properties by Magnolia Bostad's organization. The project portfolio contains the type of housing that is currently in demand in Sweden.

### Balanced risk

The company's land acquisitions are usually conditional on the zoning plan coming into force and are always based on a calculation for the development of rental accommodation. This gives us the opportunity to profitably develop various forms of tenure. We balance risks related to costs, revenue and liquidity partly by forming JVs with financially strong partners in the development of housing for self-management, and partly by selling projects at an early stage.

### Financially strong customers and partners

Most of our customers and partners are financially strong institutional investors or property companies. They usually buy projects at an early stage through forward funding or form a JV company with us for the development of housing for self-management.

### Effective implementation

We have close collaboration with well-established construction companies and other partners.

### Sustainable urban development

We take responsibility for sustainable urban development by developing safe housing and neighbourhoods and focus strongly on social, economic and environmental sustainability in everything we do. We are also keen to develop visually attractive neighbourhoods that will last a long time.

# The market

Despite the coronavirus pandemic, the Swedish property market was strong in 2020. Newly produced rental accommodation in apartment blocks increased markedly during the year.

In recent years, Sweden's population has grown rapidly and the increase is expected to continue. Statistics Sweden's forecast until 2029 indicates a population increase of between 70,000 and 80,000 people per year. The age segment expected to increase the most in percentage terms is people aged 80 and older. When Sweden reaches over eleven million inhabitants, which is expected to happen in 2029, Statistics Sweden estimates that this age group will have increased by 47% compared with 2020. This means that the need for different types of housing for the elderly will particularly increase.

## Housing situation

According to the National Board of Housing, Building and Planning's updated building needs calculation from December 2020, the number of housing starts is now in line with the annual long-term population increase in most of the ten regions with the greatest building needs. The National Board of Housing, Building and Planning states that between 59,000 and 66,000 residential units need to be added annually during 2020–2029 in order to respond to the expected population growth and at the same time catch up with an accumulated housing deficit.

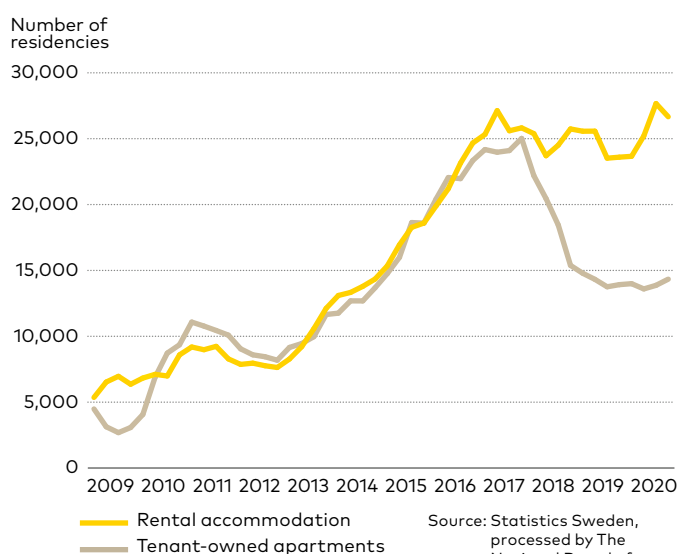
## Production of new housing

According to preliminary statistics from Statistics Sweden published in February 2021, construction began on 54,000 residential units in 2020, of which 51,500 were new builds. About 41,000 of these are in apartment blocks. The construction of new tenant-owned apartments in apartment blocks has been at a high level for a number of years and clearly increased in 2020, while the construction of tenant-owned apartments in apartment blocks has developed weakly since 2018. Of the tenant-owned apartments in apartment blocks that began in 2020, 64% are rental apartments, compared with 62% in 2019.

## Continued high demand for property investments

Despite the global coronavirus pandemic, the property market was strong in 2020. In addition to good demand, low interest rates on government securities and bonds and the combination of continued good access to capital and low financing costs have continued to benefit the property market. In 2020, properties worth SEK 209 billion were sold. This is the second highest figure that has been measured and 16% higher than the aver-

Accommodation started, rolling twelve-month figures



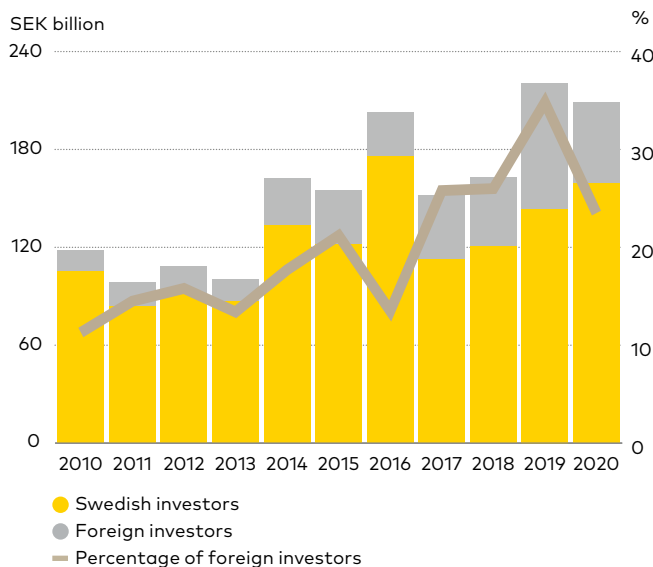
age for the previous five years. The transaction market was dominated by portfolio transactions, i.e. transactions involving several properties simultaneously. These accounted for 59% of the total transaction volume. International investors were net buyers in the Swedish market for the fourth year in a row and accounted for 24% of total invested capital during the year.

## Rental accommodation

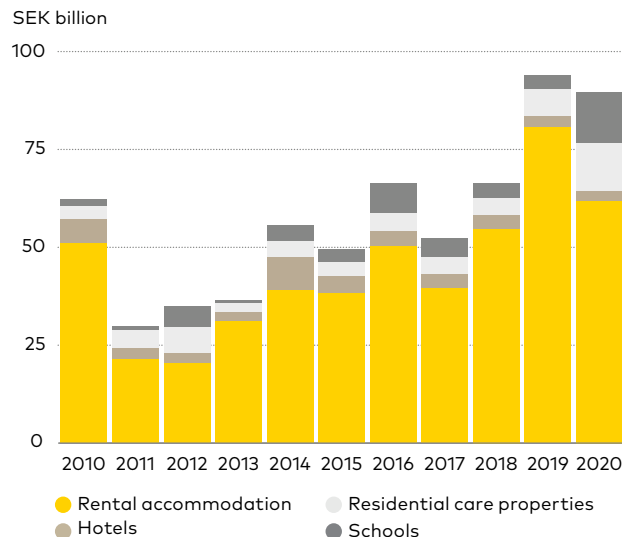
Demand for rental housing in apartment blocks has been particularly strong, probably due to the low risk profile of these investments. The transaction volume in the segment was SEK 62 billion in 2020, which is 18% higher than the average for the previous five years. The segment was thus the single largest in the transaction market in terms of transaction volume and also the most liquid with 189 transactions during the year. Interest in unfinished projects, known as forward deals, was at a record high during the year and amounted to SEK 28 billion, of which international investors accounted for just over SEK 10 billion.

Since 2010, institutions have acquired rental accommodation worth SEK 136 billion, which corresponds to around 30% of the segment's transaction volume. In

**Transaction volume all segments, SEK billion, and percentage of foreign investors, %**



**Transaction volumes rental accommodation, residential care homes and hotels, SEK billion**



2020, institutions accounted for 46% of the transaction volume for unfinished projects. The situation in the rental market creates favourable conditions for both domestic and foreign institutions with a long-term management strategy, which has contributed to an increased interest in newly built and unfinished rental accommodation.

The ownership structure for rental accommodation in Sweden in 2019 (according to the latest available information from Statistics Sweden) was distributed as follows: 46% public housing companies, 37% Swedish limited companies and institutions, 9% private individuals, 8% other owners and 1% cooperative rental associations.

Rental accommodation's good risk-adjusted returns make them very attractive, especially in combination with good access to capital and lack of alternative investments. The rate of return for rental accommodation is therefore at historically low levels.

#### Residential care homes and schools

In total, residential care homes were sold worth SEK 12 billion in 2020, which was a new record and SEK 5 billion higher than the previous record in 2019. Interest in unfinished projects was also large in this segment and accounted for 24% of the segment's transaction volume.

The transaction volume for school properties was SEK 13 billion in 2020, also a record that greatly exceeded the previous record from 2016. The high annual volumes

in both segments are due to the great need and favourable investment climate on a single major corporate deal between two property companies, where both residential care homes and schools were included.

During the year, record low yields were noted for residential care homes with long leases in modern facilities in large cities and regions with an aging population.

#### Hotels

The coronavirus pandemic has affected the hotel sector through declining occupancy rates. In 2020, hotel properties worth SEK 2.3 billion were sold, which is around SEK 500 m less than in 2019.

#### The market for tenant-owned apartments

Demand for tenant-owned apartments has been high during the pandemic and prices increased for brokered tenant-owned apartments by an average of 7% in Sweden in 2020. The fundamental need for new residencies remains large even regarding tenant-owned apartments. This, together with favourable financing terms, contributed to the price increase.

**Population forecast:** Source: SCB

**Production of new accommodation:** Source: The National Board of Housing, Building and Planning

**Ownership structure rental properties:** Source: SCB, latest available data 2019, next update April 2020

**Property market:** Includes transactions over SEK 25 m

**Transaction and yield information:** Source: Savills

**Schools:** Consists of nursery schools, elementary schools, colleges and universities



# Completed projects in 2020

In 2020, Magnolia Bostad completed 13 projects with a total of 2,901 residential units.



Senapsfabriken stage 1, Uppsala. 455 rental units sold to SEB Domestica III.



Nyby Lilium etapp 1, Uppsala. 300 rental units sold to SEB Domestica II.



Tegelslagaren, Vallentuna. 155 rental units sold to SEB Domestica II.



Tegelmästaren, Vallentuna. 160 rental units sold to SEB Domestica II.



Segelflygaren, Örebro. 210 rental units sold to Slättö.



Allarp Laholm, Helsingborg. Care home with 54 residential units sold to Northern Horizon.



Maria Mosaik, Helsingborg. 345 rental units sold to SPP Fastigheter.



Sländan etapp 1, Södertälje. 441 rental units sold to SPP Fastigheter.





Sländan stage 2, Södertälje. 136 rental units sold to Viva Bostad.



Slipen, Karlstad. 216 rental units sold to Slättö.



Visborg, Visby. Care home with 58 residential units sold to Northern Horizon.



Lilium stage 2, Uppsala. Tenant-owned apartment project of 109 apartments.



Gjuteriet stage 1, Eskilstuna. 262 rental units sold to Slättö.

# Magnolia Bostad's projects and properties

Magnolia Bostad has a large building rights portfolio for the development of housing in attractive locations in Sweden's growth areas and large cities. We develop housing both for self-management and for sale.

Magnolia Bostad has one of Sweden's largest building rights portfolios for the development of rental accommodation. Our homes are developed as individual projects or as part of a larger project as a whole new neighbourhood emerges. We develop rental accommodation, as well as tenant-owned apartments, community service properties and hotels.

We operate throughout the country and have offices in five locations: Stockholm, Göteborg, Malmö, Norrköping and Umeå.

The company's aim is to environmentally certify all projects according to the Swedish Green Building Council's silver certification, the Nordic Swan Ecolabel or other equivalent standard. All projects must also be developed in accordance with BoTryggt2030's guidelines to ensure that Magnolia Bostad creates safe and secure residential areas. Read more about our sustainability work on pages 56–76.

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Number of estimated building rights in the project portfolio 31 December 2020

**22,731**

Of which for self-management: 12,439

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Number of residential units in production 31 December 2020

**9,810**

Of which for self-management: 1,814

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Number of residential units completed in 2020

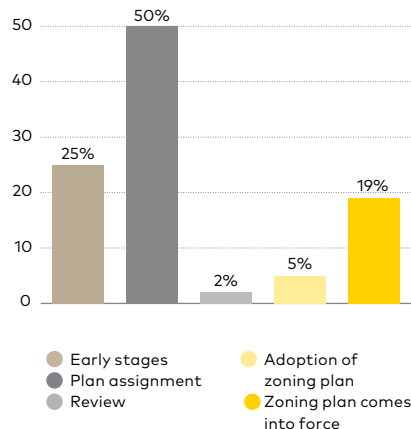
**2,901**

Of which for self-management: 0



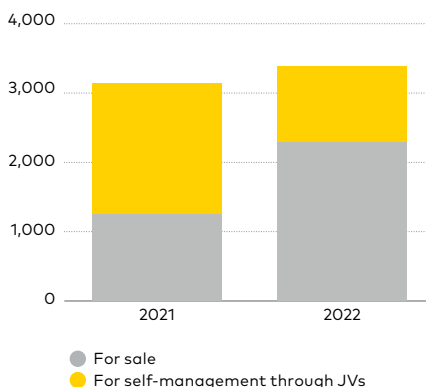
### Zoning plan status in the building rights portfolio<sup>1)</sup>

- proportion of estimated building rights in each zoning plan phase



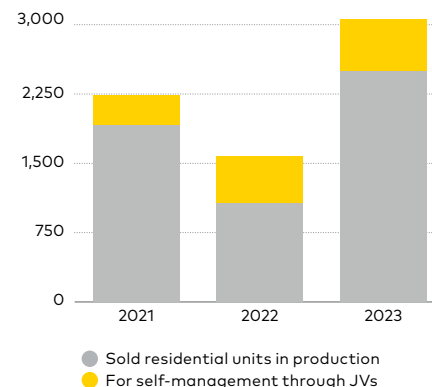
### Estimated production starts in the building rights portfolio<sup>1)</sup> over coming 2 years

- number of residential units



### Estimated completion of projects in production<sup>1)</sup> over coming 3 years

- number of residential units



<sup>1)</sup> Refers to all building rights and residential units in each project, including projects being developed in JVs.

## Building rights portfolio

The total number of estimated building rights as of 31 December 2020 was 22,731. Of these, 10,292 were estimated building rights for sale, of which 3,667 through JVs (pages 34–36), and 12,439 building rights in non-production-started properties for self-management, of which, as of 31 December 2020, 3,540 are owned through JVs (page 33). Upon completion, 50% of the 12,439 building rights are expected to be owned and managed in the long-term by Magnolia Bostad.

## Projects in production

As on 31 December 2020, Magnolia Bostad had 48 projects in production totalling 9,810 residential units.

### Properties for self-management in production

As of 31 December 2020, Magnolia Bostad had 1,814 residential units in production for self-management, all through JVs. Of these, 907 units are expected to be owned and managed in the long-term by Magnolia Bostad with the same high sustainability standard as when the company develops projects for sale.

## Sold projects in production

In projects developed for sale, 7,511 residential units were production-started. Of these, 7,432 were sold and revenue recognized, which corresponds to a sales ratio of 98.9%. The difference of 79 units refers to not yet sold tenant-owned apartments in two projects. Binding agreements exist with tenant-owners for the sale of 77 of the 79 unsold units. In addition to these, 717 units were sold externally during the year in properties developed for self-management.

As of Q2 2020, Magnolia Bostad applies changed principles for consolidating tenant-owner associations in its financial reports and has chosen to make a corresponding change in the presentation of projects and properties. For further information, see Note 37.

In sold rental accommodation projects, Magnolia Bostad can, on behalf of and in collaboration with the buyer, sell parts of sold rental projects as tenant-owned apartments. During the year, 13 homes were converted to tenant-owned apartments.

## Important information about assumptions

Information about projects during production and non-production-started projects on pages 24–31 is based on assessments of size, focus and scope and when in time projects are judged to be started and completed. Furthermore, the information is based on assessments of future investments, yield, rental value and inflation. The assessments and assumptions involve uncertainties relating to the implementation of the projects, design and size, schedules, project costs and future rental value. Information about ongoing

projects and non-production-started projects is reviewed regularly and assessments and assumptions are adjusted as a result of projects being started, completed or added to, and conditions changing. For projects that have not been production-started, financing has not been procured, which means that financing of construction investments in project development is an uncertainty factor. Projects that are currently being run by the company itself may in future be run in JVs.

# Properties for self-management

A growing number of Magnolia Bostad's projects are being developed for self-management, which creates the conditions for a long-term increase in the net asset value of the company and a stronger cash flow.

Magnolia Bostad develops properties for self-management, primarily through joint ventures (JVs). In the JVs, we contribute our development expertise, while our partner accounts for a larger share of the capital requirement. When these projects are completed, the properties contribute with an ongoing predictable cash flow and long-term value growth.

Accommodation for self-management is developed with a focus on security, smart mobility solutions, low energy consumption and consideration for the environment, in the same way as when the company develops projects for sale.

When Magnolia Bostad has identified a business opportunity, feasibility studies are carried out in the form of market analyses and revenue and cost estimates. Through a local presence throughout Sweden, via our five offices, Magnolia Bostad has good knowledge of the property market.

Allocating projects for long-term self-management takes place after an individual assessment of each project. In the assessment, we take into account, among others, whether the property fits into Magnolia Bostad's long-term strategy for building up its own portfolio of properties for self-management. Construction of projects for self-management will only begin after the credit-approved building credit is in place, in order to ensure the project's financing.

Through close collaboration with JV partners, conditions are created for a faster pace of development and the opportunity to develop larger projects. An advantage of large projects is that there is often greater potential for value-adding development. Projects that, for example, concern the development of an entire neighbourhood often include a combination of rental accommodation, tenant-owned apartments, care homes, nursery schools, schools and hotels. Magnolia Bostad therefore has the opportunity of finding the optimal mix in an area and work with the whole project based on the living environment and sustainability. When the project is completed, it is further managed within the JV, or Magnolia Bostad and the JV partner each buy part of the project.

## Business target self-management

**Target 2025:**

Completed residential units	4,000
or property value	SEK 8 bn

**Production-started properties for self-management**

Upon completion, production-started properties for self-management had an estimated property value of SEK 3.9 billion as of 31 December 2020 and generate an annual rental value of SEK 187 m. Remaining investments amount to SEK 2.0 billion. The remaining estimated undiscounted surplus value amounted to SEK 457 m. Completion of the projects is expected to be from 2021 to 2025. For more information on each project and assessed completion, see page 32. For an assessment of the estimated surplus value and uncertainties in the estimate, see page 25.

**Building rights portfolio for self-management**

Non-production-started properties for self-management, which are currently run under our own auspices, are judged to have an undiscounted surplus value of SEK 7.4 billion in the case of a legally binding zoning plan. The value is assessed after taking into account the initial estimate of costs for demolition, development, planning costs etc. Non-production-started properties for self-management that are carried out in JVs are estimated to have an undiscounted surplus value of just over SEK 1.9 billion. For more information about the projects and the estimated completion of each project, see page 33. For an assessment of the estimated surplus value and uncertainties in the estimate, see page 25.

## Breakdown of properties for self-management

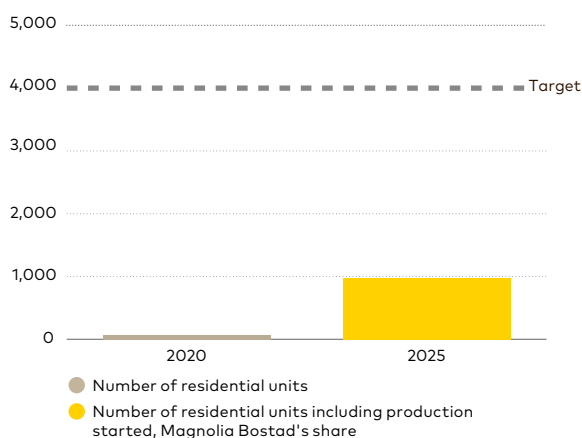
Completed properties, projects in production and non-production-started projects.

	Estimated number of residential units	Rentable area upon completion(m²)	Reported value (SEK m)	Remaining investment (SEK m)	Estimated property value on completion (SEK m)	Estimated annual rental value on completion (SEK m)
Properties for self-management, completed	68	9,300	229	–	229	14
Properties for self-management, in production	1,814	84,100	1,393	2,006	3,856	187
Properties for self-management, not production started	12,439	704,350	1,863	22,482	33,700	1,577
<b>Total</b>	<b>14,321</b>	<b>797,750</b>	<b>3,485</b>	<b>24,488</b>	<b>37,785</b>	<b>1,778</b>
<b>Of which currently in JV</b>	<b>5,422</b>	<b>287,500</b>	<b>2,141</b>	<b>8,303</b>	<b>12,827</b>	<b>612</b>
<b>Magnolia Bostad's expected share upon completion</b>	<b>7,195</b>	<b>403,525</b>	<b>1,857</b>	<b>12,244</b>	<b>19,007</b>	<b>896</b>

The reported value in the table above is reported either in Magnolia Bostad's report on the financial position or in the JV's report on the financial position depending on ownership. In the same way, the remaining investment will be divided between investments that Magnolia Bostad will make in its

own investment properties and investments that the JVs will make. The JVs' investments will be financed with external loans, shareholder contributions from the JVs' shareholders and shareholder loans.

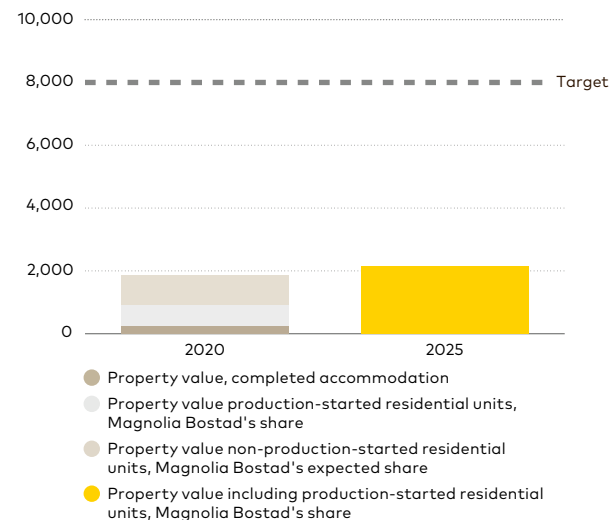
### Number of residential units : outcome and target 2025



Magnolia Bostad's target is for completed residential units to go from the current 68 units to at least 4,000 units by 2025, or for the property value for these to go from SEK 229 m to at least SEK 8 billion during the same period. A total of 1,814 units with an estimated property value upon completion of SEK 3.86 billion are in production in JVs, which means that Magnolia Bostad's share of these amounts to 907 units with an estimated property value upon completion of SEK 1.92 billion. All properties that are in production are expected to be completed before 2025.

In addition to properties in production, an additional 3,025 residential units, alternatively an estimated property value of SEK 6.77 billion, are needed to reach

### Property value: outcome and target 2025, SEK m



the target in 2025. The majority of this is estimated to come from production starts in the existing portfolio of 12,439 units with an estimated property value of SEK 33.7 billion, of which Magnolia Bostad's expected share amounts to 6,220 units and an estimated property value upon completion of SEK 17 billion. As the majority of non-production-started projects in the existing portfolio have calculated completion beyond 2025, some additional acquisitions will need to be made to achieve the targets for 2025.

For more information about the existing portfolio for self-management and estimated completion for each project, see pages 32–33.

**Earning capacity, SEK m**

	Total for portfolio	Completed	In production	Not production-started
Rental value	1,778	14	187	1,577
Vacant	-11	0	-1	-10
<b>Rental income</b>	<b>1,767</b>	<b>14</b>	<b>186</b>	<b>1,567</b>
Operating and maintenance costs	-389	-3	-41	-345
<b>Net operating income</b>	<b>1,378</b>	<b>11</b>	<b>145</b>	<b>1,222</b>
Net financial items	-705	-5	-74	-626
<b>Net operating income after net financial items<sup>1)</sup></b>	<b>673</b>	<b>6</b>	<b>71</b>	<b>596</b>
<i>of which in current JVs</i>	226	0	71	156
<b>Magnolia Bostad's expected share upon completion</b>	<b>340</b>	<b>6</b>	<b>35</b>	<b>298</b>

<sup>1)</sup> Rental value and earning capacity down to net operating income after net financial items are based on the entire portfolio without adjustment for minorities and projects conducted in JVs.

Total includes 68 completed residential units, 1,814 units in production and 12,439 non-production-started units are included in the above earning capacity.

**Estimated earning capacity**

The table above shows the estimated annual earning capacity in investment properties in total for the portfolio but also divided into completed investment properties, investment properties in production and non-production-started projects.

Operating and maintenance costs include operation, maintenance, any property fees and administration, but not a share of Magnolia Bostad's costs for central administration. Financing costs are calculated at 3%

based on an estimated loan-to-value ratio of 70% of the assessed property value.

Completed homes are owned by Magnolia Bostad. Magnolia Bostad intends to carry out production together with one or more partners in JVs. If all non-production-started projects are developed within JVs, Magnolia Bostad's share of net operating income after net financial items for non-production-started projects will amount to around SEK 298 m.

**Important information about assumptions**

Information about earning capacity, rental development and property value of completed properties, ongoing production and non-production-started properties, includes assessments and assumptions. Operating and maintenance costs are estimated according to the standard rate and include operation, maintenance, any property fees and administration, but not a share of Magnolia Bostad's costs for central administration. Financing costs are calculated at 3% based on an estimated loan ratio of 70% of the assessed property value. The assessments and assumptions involve uncertainties and the information above should not be seen as a forecast.

Information about projects in production and non-production-started projects in the annual report, is based on

assessments of size, focus and scope and when in time projects are judged to be started and completed. Furthermore, the information is based on assessments of future investments and rental value. The assessments and assumptions involve uncertainties relating to the implementation of the projects, design and size, schedules, project costs and future rental value. Information about ongoing projects and non-production-started projects is reviewed regularly and assessments and assumptions are adjusted as a result of projects being started, completed or added to, and conditions changing. For projects that have not been production-started, financing has not been procured, which means that financing of construction investments in project development is an uncertainty factor. Projects that are currently being run by the company itself may in future be run in JVs.

## Value in SEK million as of 31 December 2020

See also pages 25 and 32–33

229      2,157

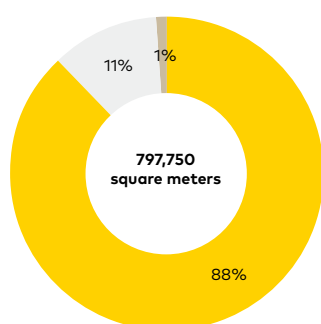
Value of completed investment properties

Value of completed investment properties and estimated value upon completion for Magnolia Bostad's share of the investment properties that are currently in production. The figure does not include non-production-started projects.

## Distribution of properties for self-management

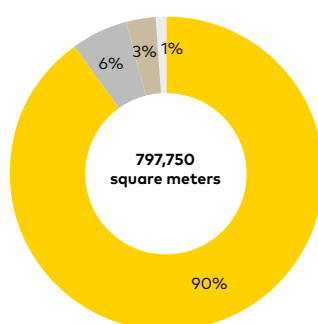
Includes completed projects, projects in production and non-production-started projects

Properties for self-management, distributed by project status



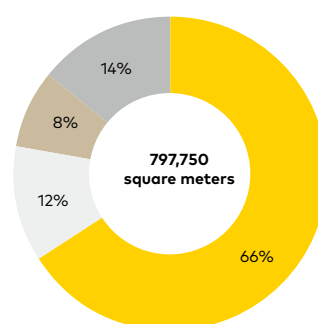
● Not production-started  
● In production  
● Completed

Properties for own management, distributed by category



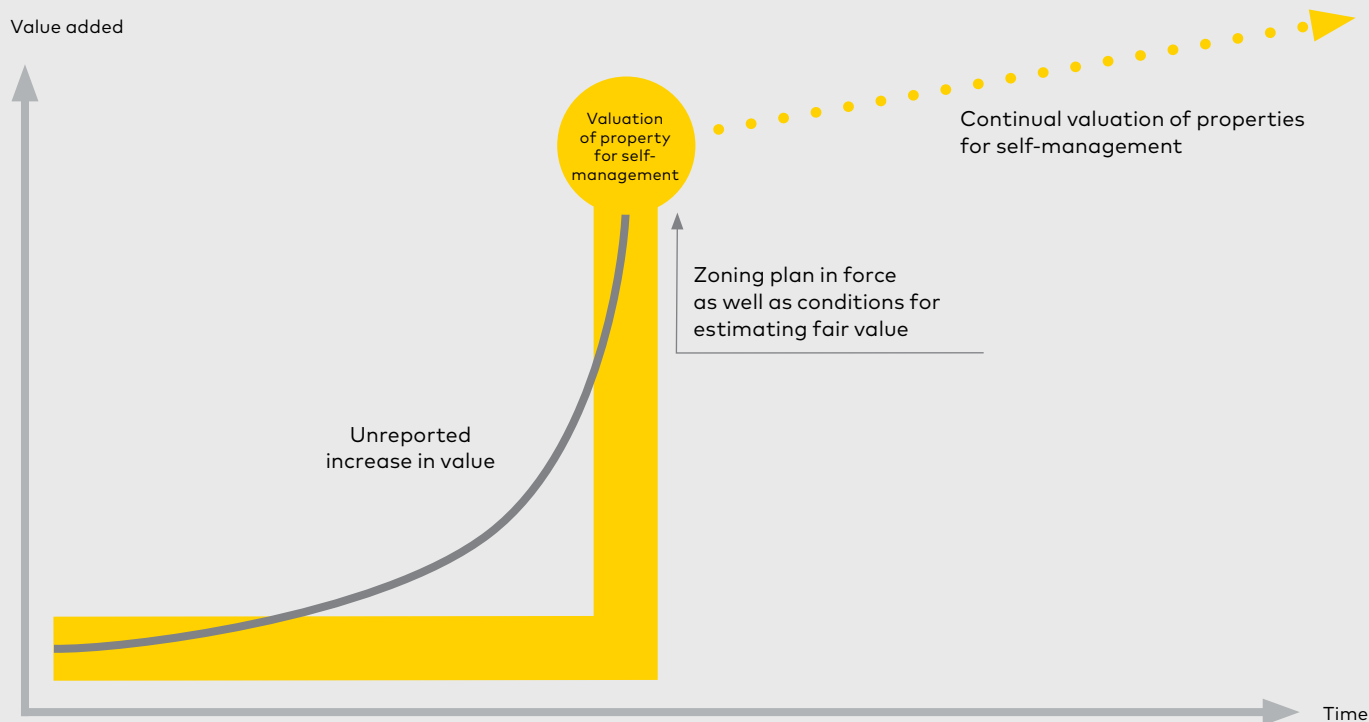
● Rental accommodation  
● Community service properties  
● Hotels  
● Offices

Properties for self-management, geographical distribution



● Greater Stockholm  
● Greater Göteborg  
● Öresund region  
● Other Sweden

## Value and valuation of properties for self-management



*The value of the property gradually increases during the zoning plan process, but reporting of the change in value only takes place when there are conditions for estimating the property's fair value, normally when the zoning plan has come into force.*

We create value continuously throughout the process: from land acquisition, through zoning plan work up to the completion of a rental-generating building. Value creation before a zoning plan has come into force is not reported.

For projects that are intended for long-term management, a valuation is made when a zoning plan comes into force and other conditions for reliably estimating fair value. This usually occurs in connection with the conclusion of a turnkey contract, as this is a prerequisite

for being able to estimate investments with sufficient security. In some cases, properties are valued at fair value based on the agreed price in signed sales agreements.

Before any of these conditions for valuing the land at fair value are met, the land is only valued at acquisition value as the uncertainty factor is so great that no change in value is reported. A valuation takes place every quarter.

The value of the property increases as our work to achieve a zoning plan coming into force progresses. The value increases further when an agreement with the contractor is signed and the cost of the construction is determined. In addition to this, factors such as inflation and return requirements have an impact on the value of the property.

The value of the building rights portfolio thus increases gradually, but reporting of changes in value only takes place when reliable estimates of fair value can be made. For more information, see below under method and process for valuing properties for self-management. In projects for sale, building rights are valued at acquisition value and the value development is only reported upon sales.

#### Method - valuation of properties for self-management

Managed properties and production-started properties are reported at fair value in accordance with the accounting standard IAS 40. Before a zoning plan comes into force, it is difficult to reliably estimate fair value, which means that properties without a zoning plan are reported at acquisition value, which includes directly attributable expenses, unless there are sales agreements or other reliable indications of other value.

#### Determination of fair value

Fair value is determined with a combined application of the return-based method and the local price method.

The return-based method valuation consists of an estimate of the property's future cash flows. The valuation is based on an assessment of the present value of the property's future net operating income during the calculation period and the present value of the property's residual value at the end of the calculation period. The calculation period varies between 10 and 15 years and the residual value has been assessed through a perpetual capitalization of an estimated market net operating income the year after the end of the calculation period. The perpetual capitalization takes place with a yield requirement that has been derived from the current transaction market for comparable properties, both direct and indirect (properties sold in companies) transactions have been taken into account. Cash flow for operating, maintenance and administration costs is based on market-based and normalized payments for operation, maintenance and property administration, whereby corrections are made for deviations. Investments are calculated on the basis of the investment need that is deemed to exist. Classification takes place in level 3 in accordance with IFRS 13.

Production of properties takes place by signing a turnkey contract with an external contractor. For properties in construction, costs for the turnkey contract, other production costs and a mark-up for production risk

(risks and uncertainties such as time aspects, degree of completion and local market risks) are included as remaining investments in the cash flow analysis on which the return-based method is based.

The fair value of investment properties can include building rights and then the return-based method is combined with the local price method. In the local price method, the valuer bases the value on the prices in similar markets and transactions, as well as on how the market views the object in question. For costs that arise, a simplified exploitation calculation is also made.

#### Process - valuation of properties for self-management

All properties are valued through internal valuation at the end of each quarterly report. At least once a year, an external valuation takes place to validate the internal valuations for all properties that are not valued at acquisition cost or at fair value, based on a signed sales agreement. The external valuation was SEK 68 m higher, 14.5%, than the internal valuation as on 31 December 2020 and the external valuation for investment properties owned via JVs was SEK 45 m higher, 2.4%, than the internal valuation. External valuations can be done more than once a year for projects that are in the early stages of the development process when uncertainty can be greater. To ensure a professionally performed valuation, the valuations are carried out in accordance with the International Valuation Standards (IVS) issued by the International Valuation Standards Council (IVSC).

#### Internal and external valuation respectively

	Investment properties owned via JVs		Investment properties	
	2020	2019	2020	2019
External valuation, SEK m	1,780	808	468	654
External valuation of total value, %	93%	100%	32%	100%
External valuation higher than internal, SEK m	+45	+/-0	+68	+11

The reason why the share of the value of investment properties confirmed by external valuation has fallen to 32% (100%) is that a larger share of the property value at the end of 2020 is valued at acquisition cost or based on signed sales agreements compared with the previous year.

#### Property portfolio properties for self-management

Magnolia Bostad has 31 projects for self-management around Sweden. The majority of the projects are in production or non-production-started. As of 31 December 2020, Magnolia Bostad had two completed properties

with a carrying amount of SEK 229 m. All production-started properties are owned via JVs. The value of properties in production amounted to SEK 1,393 m, of which Magnolia Bostad's share amounted to SEK 697 m. The value of non-production-started properties amounted to SEK 1,863 m, of which Magnolia Bostad's current share amounts to SEK 1,489 m.

Some projects that are currently being developed for self-management under our own auspices may in future instead be sold to JVs that we have formed with financially strong partners. By developing the project within the framework of such a JV, we secure the financing and enable an earlier project start.

#### *Investments and acquisitions*

After deductions for acquisitions from Magnolia Bostad of SEK 186 m made by JVs, investments and acquisitions during the year amounted to SEK 1,612 m (726). The majority of the investments have been made in JVs together with JV partners.

#### *Divestments*

During the year, the Björnbäret project in Kalmar was sold to a company started by Arctic Securities, the Söderbymalm project in Haninge was sold to Heimstaden Bostad and the Norrsken project in Östersund and Hasseludden in Nacka were sold to Samhällsbyggnadsbolaget i Norden (SBB). Realized value growth since the start of production for sold investment properties amounted to SEK 181 m (234).

#### *Estimated value at completion of investment properties in production*

The property value for completed properties amounted to a total of SEK 229 m as of 31 December 2020. On completion of properties in production as of 31 December 2020, the total property value is estimated to have risen to SEK 3,856 m and have a rental value of SEK 187 m. All properties in production are owned via JVs. Magnolia Bostad's share of the estimated underlying values on completion amounted to SEK 1,928 m in property value and SEK 93 m in rental value.

The estimated remaining investments as of 31 December 2020 for properties in production amounted to SEK 2,006 m, where all investments will be made by the respective JVs. The total includes property and properties in production of 93,400 m<sup>2</sup>, of which 84,100 m<sup>2</sup> is owned via JVs. In addition, there are 704,350 m<sup>2</sup> in non-production-started properties, of which 194,100 m<sup>2</sup> is owned in JVs.

#### Changes in value for self-management properties

SEK m	2020	2019
<b>Fair value at start of the period</b>	654	296
Reclassifications	543	170
Investments and acquisitions	817	278
Changes in value	360	348
Sales	-891	-438
<b>Fair value at end of the period</b>	<b>1,483</b>	<b>654</b>

#### Property value, properties for self-management owned by JV

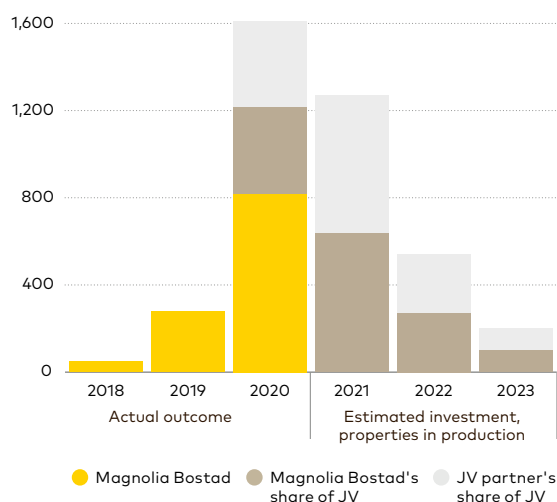
SEK m	2020	2019
<b>Fair value at start of the period</b>	708	-
Reclassifications	-112	-
Investments and acquisitions	980	448
Changes in value	335	261
<b>Fair value at end of the period</b>	<b>1,911</b>	<b>708</b>

Input valuation at fair value 31 December 2020:

Discount rate, range: 5.65–7.70%

Direct yield, range: 3.75–5.70%

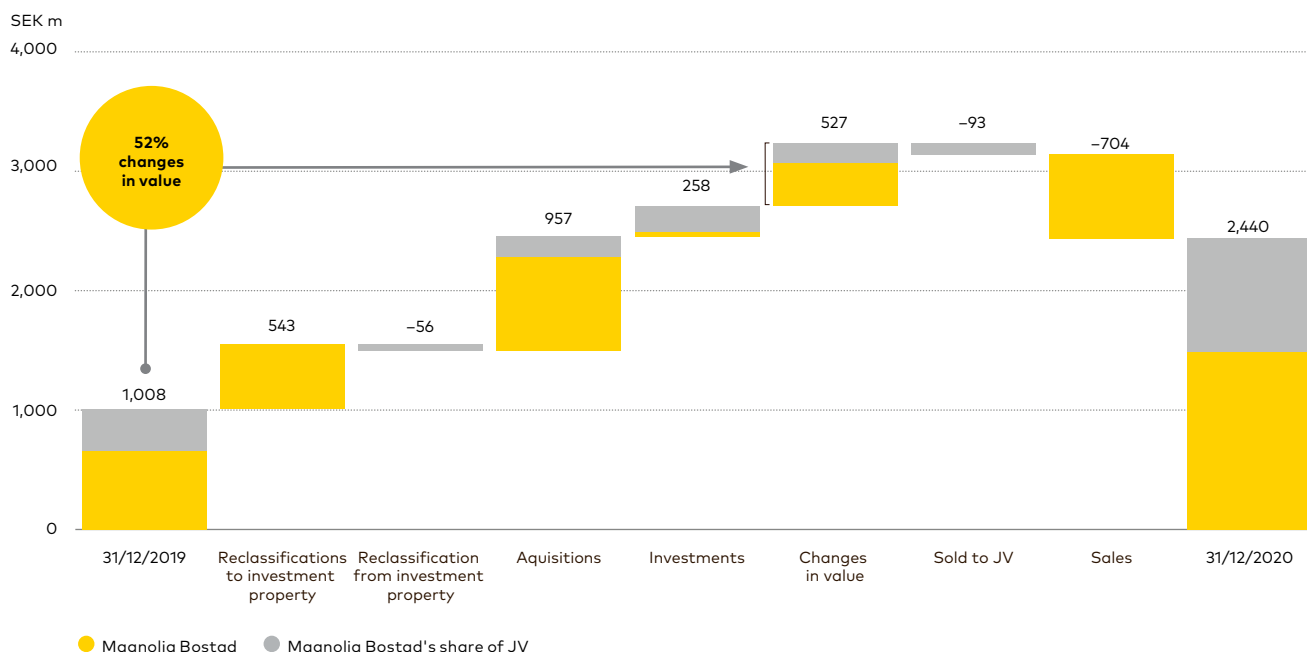
#### Investments and acquisitions, production-started properties - including investment properties owned in JVs, SEK m



The diagrams above are based on current ownership, the intention is to secure financing by starting JV collaborations for further projects. JVs will raise external debt to finance their investments and acquisitions.



### Changes in value, properties for self-management



### Changes in value

Demand for property, especially rental accommodation, remained strong in 2020, with falling direct yields and rising prices as a result. For newly produced rental accommodation, the direct yields were pushed during the year to levels between 3.75 and 4.0%. Direct yields below 4% were also noted for residential care homes with long leases in modern facilities in large cities and regions with an aging population. This, together with project gains, means that Magnolia Bostad reports a change in value of SEK 336 m for the year, corresponding to an increase of 51% compared with the value at the start of the period. Reported changes in value in JVs amounted to SEK 335 m, corresponding to an increase of 47% compared with the value at the start of the period.

The difference of SEK 24 m between the total in the table Changes in value, properties for self-management and the item Changes in value in the table Changes in value, properties for self-management on page 30 is partly due to earnings effects arising during the year from properties sold to JVs in previous years.

The largest part of the changes in value comes from development gains in Magnolia Bostad's production-started projects, which amount to SEK 332 m (359). Development gains arise through the work Magnolia Bostad does to achieve zoning plans coming into force. During the year, the Björnbäret project in Kalmar was sold to a company started by Arctic Securities, the Söderbymalm project in Haninge was sold to Heimstaden Bostad and the Norrsken project

Changes in value, own investment properties	2020 jan-dec	2019 jan-dec
Changes in net operating income	4	0
Changes in project costs	-8	-4
Project development	332	359
Changes in direct yield	1	13
Sales	32	-
Sales to JV	-25	-20
<b>Total</b>	<b>336</b>	<b>348</b>

in Östersund and Hasseludden in Nacka were sold to Samhällsbyggnadsbolaget i Norden (SBB). Realized value growth since the start of production for sold investment properties amounts to SEK 181 m (234).

Three production-started projects, Drottninghög, Väsjön Norrsätra and Orminge Hus 1, have been sold to a recently-started JV together with SBB. The projects will continue to be developed for self-management with SBB. During the year, costs related to soil pollution were identified in the Gjuteriet stage 2 project. These are reported as a negative change in value as Magnolia Bostad will be responsible for these costs in accordance with the sales agreement to the JV with Slättö. For the Vårby Udde project, which comprises around 1,800 residential units, there is a sales agreement conditional on a zoning plan in force with a JV owned with SBB.

## Project list properties for self-management

Magnolia Bostad's share of the profit amounts to 92% unless otherwise stated.

### Properties for self-management, completed

Project	Area, Municipality	Category	No. of apartments	Rentable space (m <sup>2</sup> )	Property value (SEK m)	Occupancy rate (%)	Property value per sq.m	Annual rental value (SEK m)
Orminge Centrum <sup>1)</sup>	Orminge, Nacka	O	–	6,000	109	98	18,167	8
Adjutanten	A7-området, Visby	CSP	68	3,300	120	99	36,364	6
<b>Total</b>			<b>68</b>	<b>9,300</b>	<b>229</b>			<b>14</b>

<sup>1)</sup> Magnolia Bostad's share of the profit amounts to 90%.

### Properties for self-management, under production

Project	Area, municipality	Category	Est. number of ap.	Est. rentable space at completion (m <sup>2</sup> )	Est. completion	JV-partner
Strandblick <sup>1)</sup>	Centrala Östersund	RU	212	9,200	2021	Slättö
Gjuteriet, etapp 2 <sup>1)</sup>	Norra Munktellstaden, Eskilstuna	RU	115	5,850	2021	Slättö
Kronandalen <sup>1)</sup>	Kronandalen, Luleå	RU	117	5,100	2022	Slättö
Sportflygaren <sup>1)</sup>	Södra Ladugårdsängen, Örebro	RU	180	8,350	2022	Slättö
Brogårdstaden <sup>1)</sup>	Bro, Upplands-Bro	RU	645	30,000	2022-2025	Heimstaden Bostad
Drottninghög <sup>1)</sup>	Drottninghög, Helsingborg	CSP	129	6,200	2023	SBB
Väsjön Norrsåtra <sup>1)</sup>	Väsjön, Sollentuna	RU	210	9,200	2023	SBB
Orminge Hus 1 <sup>1)</sup>	Orminge, Nacka	RU	206	10,200	2024	SBB
<b>Total projects through JV</b>			<b>1,814</b>	<b>84,100</b>		
<b>Total Magnolia Bostads' share</b>			<b>907</b>	<b>42,050</b>		

<sup>1)</sup> Part of JV. Magnolia Bostad's share of the profit amounts to 46%.

O Office

RU Rental unit,

CSP Community service property, such as for example, care homes, schools and nurseries

## Properties for self-management, not yet production started

Name	Area, Municipality	Category	Estimated no. of ap.	Est. rentable space at completion (m²)	Est. completion	Zoning plan status	JV partner
Öresjö ängar	Borås, Öresjö ängar	A, CSP	350	22,800	2025	●●●●○	-
Kvarnsjödal <sup>2)</sup>	Botkyrka, Tumba	A, CSP	2,000	130,000	-	●○○○○	-
Mesta	Eskilstuna, Mesta	CSP	54	3,950	2022	●●○○○	-
Fixfabriken	Göteborg, Majorna	A	120	7,000	2024	●●●●●	-
Frihamnen <sup>2)</sup>	Göteborg, Lundbyvassen	A	150	7,500	2027	●●○○○	-
Västerhaninge	Haninge, Västerhaninge	A	500	30,000	2028	●●○○○	-
Vårby Udde <sup>3)</sup>	Huddinge, Vårby	A, VSP, H	1,800	115,000	2025–2034	●●○○○	SBB
Österhagen	Huddinge, Länna	CSP	80	5,300	2023	●●○○○	-
Bunkeflostrand <sup>2)</sup>	Malmö, Limhamn	A	750	39,000	2029	●●○○○	-
Lommarstranden 1 <sup>2)</sup>	Norrköping, Lommarstranden	A	200	11,200	2024	●●●●●	-
Lommarstranden 2 <sup>2)</sup>	Norrköping, Lommarstranden	A	120	6,000	-	●○○○○	-
Norrbacka <sup>2)</sup>	Sigtuna, Norrbacka	A, CSP	310	16,000	-	●○○○○	-
Södra Årby 1	Strängnäs, Läggesta	A	1,325	62,600	2024–2029	●●●●●	-
Sländan, etapp 3 <sup>2)</sup>	Södertälje, Centralt	A	250	12,700	2024	●●○○○	-
Grimsta 5:2 (Infra) <sup>2)</sup>	Upplands Väsby, Infra	A, CSP, H	890	41,200	2025–2026	●●○○○	-
<b>Total projects under own self-management</b>			<b>8,899</b>	<b>510,250</b>			
Barkarbystaden <sup>1)</sup>	Järfälla, Barkarby	A	395	17,800	2024	●●●●●	Slättö
Hede <sup>1)</sup>	Kungsbacka, Hede	A	900	43,000	2028–2030	●○○○○	Heimstaden
Järven <sup>1)</sup>	Norrköping, Centralt	A	250	12,000	-	●○○○○	SBB
Örnäs <sup>1)</sup>	Upplands-Bro, Kungsängen	A, CSP	145	6,500	2025	●●○○○	Heimstaden
Valfisker <sup>1)</sup>	Västerås, Öster Mälarstrand	A, CSP	80	4,800	2023	●●●●●	Slättö
Näsängen <sup>1)</sup>	Österåker, Åkersberga	A	1,770	110,000	2025–2035	●●○○○	Heimstaden
<b>Total projects through JV</b>			<b>3,540</b>	<b>194,100</b>			
<b>Total</b>			<b>12,439</b>	<b>704,350</b>			
<b>Total Magnolia Bostad's current share</b>			<b>10,669</b>	<b>607,300</b>			

<sup>1)</sup> Part of JV. Magnolia Bostad's share of the profit amounts to 46%.

<sup>2)</sup> Magnolia Bostad's share of the profit amounts to 90 %.

<sup>3)</sup> A conditional sales agreement is signed with a JV, which is owned with SBB.

A Apartment (will be RU and/or TO),

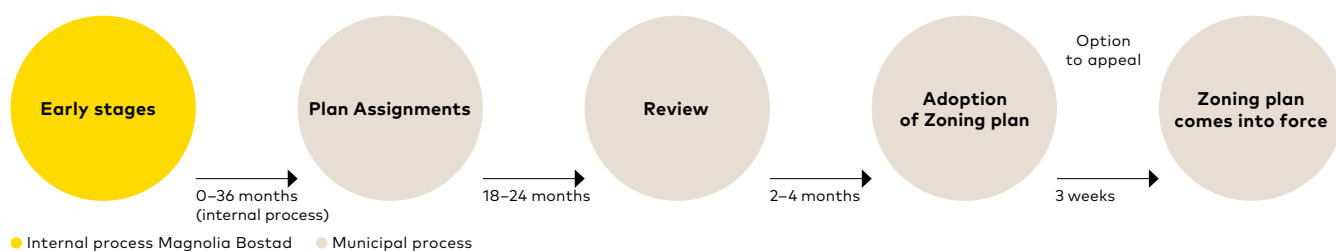
CSP Community service property, such as for example, care homes, schools and nurseries

H Hotel

●●●●● Zoning plan comes into force  
 ●●●●○ Adoption of zoning plan  
 ●●●○○ Review  
 ●●○○○ Plan Assignment  
 ●○○○○ Early stages

## Zoning plan process

The timeline below shows the estimated average time spent in the various stages of the planning process.



The above process can be affected by a number of factors and thus delayed due to, for example, political change or changed conditions in

the development area. An appeal against an adopted plan can delay the process by up to 18 months.

# Projects for sale

Projects developed for sale are sold at an early stage before construction has started, which reduces the need for financing. Buyers are financially strong institutions or property companies.

Production starts in the building rights portfolio for sale take place when the zoning plan has come into force and the turnkey contract and a binding sales agreement have been signed. Larger projects are usually started in several stages of 200-300 residential per stage.

Magnolia Bostad's aims to achieve a margin of at least 10% for all projects developed for sale.

The information about each project in the tables is based on the company's current assessment of the project as a whole. Due to uncertainties such as zoning plan processes, government decisions or undecided dates for the occupancy of project properties, these assessments, and thus the final outcome of each project, may change over time.

## Projects not yet production started

The information refers to all residential units in each project, including projects being developed in JVs. Magnolia Bostad's share of earnings amounts to 92% unless otherwise stated.

Name	Municipality	Area	Category	Estimated number of building rights	Estimated GFA/MUA/UFA (m <sup>2</sup> )	Zoning plan status	Planned buyer
Åkermynntan	Borås	Bergsäter	A	430	18,900	●●●●○	Heimstaden agreement
Fixfabriken	Göteborg	Majorna	A	250	12,300	●●●●●	
Frihamnen H <sup>4)</sup>	Göteborg	Lundbyvassen	H	300	11,000	●●○○○	
Mejeriet <sup>2)</sup>	Helsingborg	Filborna	A	540	30,000	●○○○○	Heimstaden agreement
Torgkvarteren <sup>2)</sup>	Håbo	Centrala Bålsta	A	325	21,500	●●●○○	Heimstaden agreement
Ängloket <sup>2)</sup>	Knivsta	Centrala Knivsta	A	415	17,150	●●●●●	Heimstaden agreement
Hede <sup>5)</sup>	Kungsbacka	Hede	A	700	33,000	●○○○○	
Bunkeflostrand <sup>2)</sup>	Malmö	Limhamn	A	330	21,500	●●○○○	
Orminge Hus 2	Nacka	Orminge Centrum	CSP	75	5,130	●●○○○	
Nykvarn <sup>3)</sup>	Nykvarn	Centrala Nykvarn	A	285	13,000	●●●●●	
Södra Häggviks Gårdar <sup>7)</sup>	Sollentuna	Stinsen, Häggvik	A, CSP	1,500	94,000	●●○○○	Alecta, part of project
Bredängshöjden <sup>2)</sup>	Stockholm	Bredäng	A	700	35,000	●●○○○	Heimstaden agreement, part of project
Årstaberg 2	Stockholm	Årsta	A	120	6,500	●●○○○	
Erstavik <sup>3)</sup>	Stockholm	Erstavik	CSP	72	5,180	●○○○○	
Årstaberg 1	Stockholm	Liljeholmen	A	100	5,500	●●○○○	Heimstaden agreement
Oktaven	Stockholm	Skärholmen	A	110	5,830	●●○○○	
Skarpnäcksgård 1:1	Stockholm	Skarpnäck	A	90	4,200	●●●○○	Heimstaden agreement
Södra Årby <sup>3)</sup>	Strängnäs	Läggesta	A	485	49,000	●●●●●	
Kajkvarteren <sup>2)</sup>	Sundsvall	Norra Kajen	A	480	24,540	●●●●●	Heimstaden agreement
Finnekajen <sup>4)</sup>	Sundsvall	Stenstaden	H	270	10,500	●●●●○	
Örnäs, småhus <sup>5)</sup>	Upplands-Bro	Bro	A	255	27,000	●●○○○	
Brogårdstaden, småhus <sup>5)</sup>	Upplands-Bro	Kungsängen	A	140	16,000	●●●●●	

Name	Municipality	Area	Category	Estimated number of building rights	Estimated GFA/MUA/UFA (m²)	Zoning plan status	Planned buyer
Senapsfabriken <sup>2)</sup>	Uppsala	Centrala Uppsala	A	700	29,000	●○○○○	
Edvinshem 3	Ystad	Edvinshem	A	210	9,500	●●○○○	Heimstaden agreement
Lotsen	Ystad	Edvinshem	A	470	22,400	●●○○○	Heimstaden agreement
Lotsen förskola	Ystad	Edvinshem	CSP	–	–	●●○○○	
Näsängen, småhus <sup>5)</sup>	Österåker	Åkersberga	A	230	26,000	●●○○○	
Solfjädersn	Örebro	Tamarinden, Örebro	A	180	7,900	●●●●●	
Nätverket <sup>2)</sup>	Österåker	Åkersberga	A	335	9,600	●●○○○	Heimstaden agreement
Hagby Park <sup>2)</sup>	Österåker	Åkersberga	A	195	10,300	●●○○○	Heimstaden agreement
<b>Total estimated number of apartments for sale</b>				<b>10,292</b>	<b>581,430</b>		

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

<sup>2)</sup> Magnolia Bostad's share of the profit amounts to 90%.

<sup>3)</sup> Part of JV. Magnolia Bostad's share of the profit amounts to 46%.

<sup>4)</sup> Magnolia Bostad's share of the result amounts to 76%.

<sup>5)</sup> Part of JV. Magnolia Bostad's share of the profit amounts to 23%.

●●●●● Zoning plan comes into force  
 ●●●●○ Adoption of zoning plan  
 ●●○○○ Review  
 ●●○○○ Plan Assignment  
 ●○○○○ Early stages

A Apartments (will be RU and/or TO)

CSP Community service property, such as for example, care homes, schools and nurseries

H Hotel

## Projects in production

Magnolia Bostad's share of earnings amounts to 90% unless otherwise stated.

Project	Area, Municipality	Category	Sold ap.	Unsold ap. <sup>5)</sup>	GFA/MUA/UFA (m²)	Buyer	Contractor	Production start
Senapsfabriken, etapp 2 norra <sup>1)</sup>	Centrala Uppsala	HR	325		13,100	Slättö	NCC	2017
Senapsfabriken, etapp 2 södra <sup>1)</sup>	Centrala Uppsala	HR	325		13,900	Heimstaden Bostad	NCC	2017
Fyren, etapp 1	Nynäshamn	RU	220		10,500	Viva Bostad	Consto	2017
Fyren, etapp 2	Nynäshamn	RU	236		11,600	SEB Domestica IV	Consto	2017
Hyllie Gärde <sup>2)</sup>	Hyllie, Malmö	RU	427		21,000	Slättö	ED Bygg	2017
Hotell Brunnshög <sup>3)</sup>	Brunnshög, Lund	H	251		8,900	Alecta	Serneke	2017
Hotell Resecentrum <sup>3)</sup>	Centrala Halmstad	H	244		9,500	Alecta	Serneke	2017
Fasanen	Arlöv, Burlöv	RU	275		12,675	Heimstaden Bostad	Serneke	2018
Brogårdstaden <sup>2)</sup> 1:1	Bro, Upplands-Bro	RU	320		15,500	Slättö	Consto	2018
Brogårdstaden <sup>2)</sup> 1:2	Bro, Upplands-Bro	RU	338		15,500	Slättö	Consto	2018
Ophelias Brygga	Oceanhamnen, Helsingborg	TO	46	78	7,500	Brf	Serneke	2018
Nämndemansgatan	Centrala Motala	CSP	54		4,400	M&G	Gärahovs Bygg	2018
Nyponrosen 5 <sup>4)</sup>	Rosengården, Helsingborg	CSP/RU	125		8,360	Northern Horizon	Veidekke	2018
Piccolo <sup>2)</sup>	Centrala Halmstad	TO	25	1	1,860	Brf	Serneke	2018
Kvarteret Alen	Norrtälje Hamn, Norrtälje	CSP/RU	167		9,500	Heba	Credentia	2019
Ferdinand <sup>2)</sup>	Spånga, Stockholm	CSP/RU	221		15,400	Heimstaden Bostad	Consto	2019
Föreställningen 1 <sup>2)</sup>	Björkalund, Norrköping	RU	116		5,100	Heimstaden Bostad	Derome	2019
Edvinshem <sup>2)</sup>	Edvinshem, Ystad	RU	225		13,730	Heimstaden Bostad	Derome	2019

Project	Area, Municipality	Category	Sold ap.	Unsold ap. <sup>5)</sup>	GFA/ MUA/ UFA (m <sup>2</sup> )	Buyer	Contractor	Production start
Slipsen	Södra Råbylund, Lund	RU	783		34,000	Heimstaden Bostad	Serneke	2019
Täljöviken	Täljöviken, Åkersberga	CSP	60		4,650	Heba	Consto	2020
Kajkvarteren, etapp 1 <sup>2)</sup>	Norra kajen, Sundsvall	RU	360		14,500	Heimstaden Bostad	Serneke	2020
Tullholmsviken 7 <sup>2)</sup>	Tullholmsviken, Karlstad	RU	217		9,450	Trenum	Consto	2020
Tullholmsviken 4 <sup>2)</sup>	Tullholmsviken, Karlstad	RU	222		9,830	Trenum	Consto	2020
Tullholmsviken 3 <sup>2)</sup>	Tullholmsviken, Karlstad	RU	458		20,885	Trenum	Consto	2020
Bryggghuset <sup>2)</sup>	Ursvik, Sundbyberg	RU	380		20,070	Heimstaden Bostad	Mecon Bygg AB	2020
Västra Erikslid <sup>2)</sup>	Västra Erikslid, Skellefteå	RU	300		13,500	Heimstaden Bostad	Derome	2020
Gyllehemmet <sup>2)</sup>	Centrala Borlänge	CSP	101		7,700	SBB	Peab	2020
Partille Port <sup>2)</sup>	Partille	RU	231		12,400	Heimstaden Bostad	Tornstaden	2020
Nya Hovås <sup>2)</sup>	Nya Hovås, Göteborg	RU	180		8,300	Heimstaden Bostad	Consto	2020
Ursvik II <sup>2)</sup>	Ursvik, Sundbyberg	RU	200		10,000	CBRE Global Investors	Mecon Bygg AB	2020
<b>Total</b>			<b>7,432</b>	<b>79</b>	<b>363,310</b>			
<b>Sold projects previously developed for self-management</b>								
Hasseludden <sup>2)</sup>	Hasseludden, Nacka	CSP	60		4,000	SBB	Veidekke	2020
Norrskan <sup>2)</sup>	Centrala Östersund	CSP	80		5,800	SBB	NCC	2019
Söderbymalm <sup>2)</sup>	Handen, Haninge	RU	345		15,000	Heimstaden Bostad	Consto	2020
<b>Total</b>			<b>485</b>		<b>24,800</b>			
<b>Total number of residencies in production – sold or for sale</b>			<b>7,996</b>		<b>388,110</b>			

<sup>1)</sup> Magnolia Bostad's share of the profit amounts to 76.3%.

<sup>2)</sup> Magnolia Bostad's share of the profit amounts to 92%.

<sup>3)</sup> Magnolia Bostad's share of the profit amounts to 76%.

<sup>4)</sup> Part of JV. Magnolia Bostad's share of the profit amounts to 46%.

<sup>5)</sup> From Q2 2020, Magnolia Bostad has applied changed principles for the consolidation of tenant-owner associations.

RU Rental unit

TO Tenant-Owned apartment

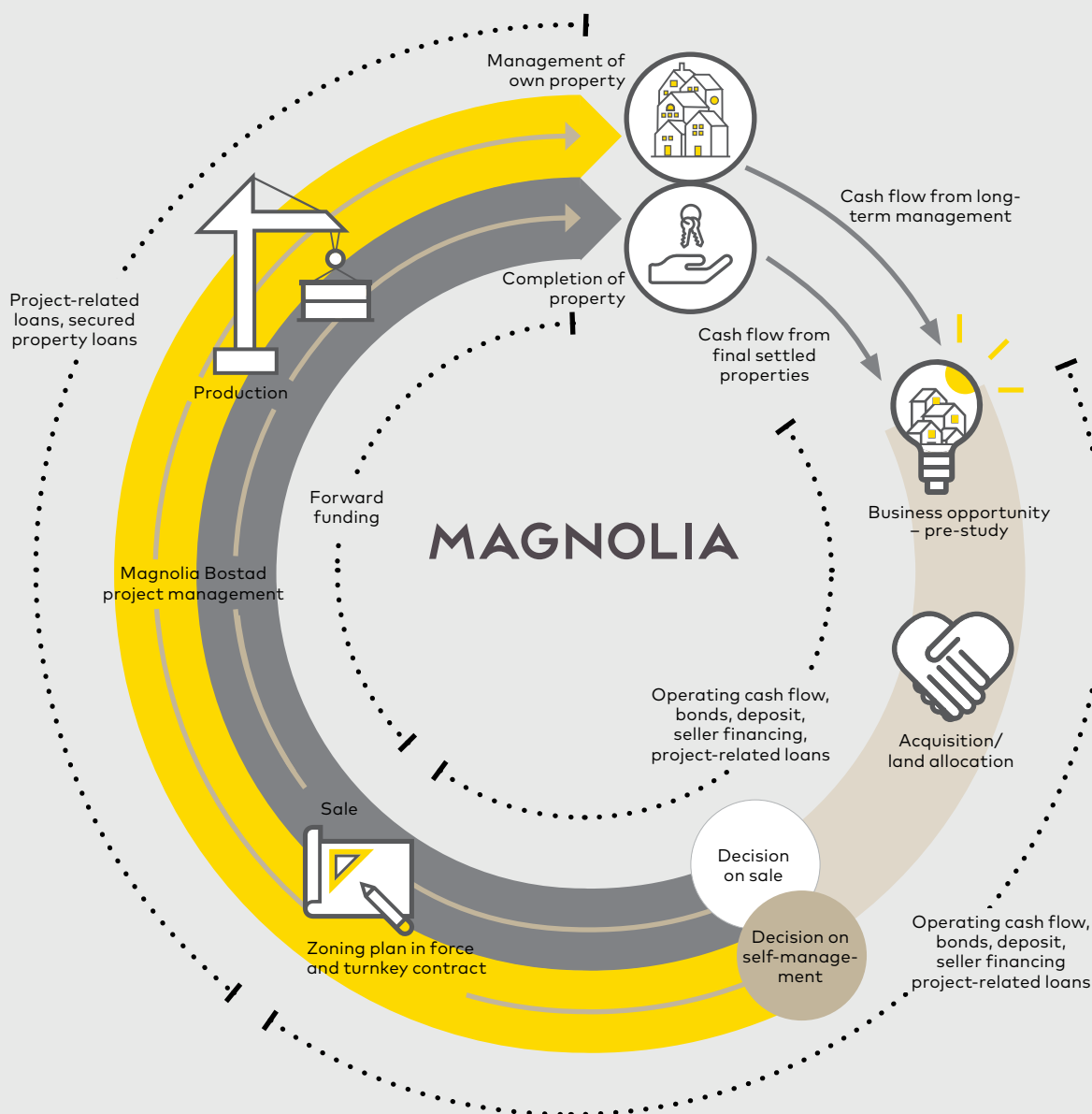
CSP Community service property, such as for example, care homes, schools and nurseries

H Hotel

# Financing

Magnolia Bostad's main focus with financing is to provide the business with capital on favourable terms regarding price, interest rate risk and structure. The chosen capital structure is important for the shareholders' expected return and exposure to risk.

## Financing in the business model



Financing activities are carried out in accordance with the rules and guidelines established by the Board annually. The company's overall policy is to ensure short- and long-term capital supply, achieve a long-term, stable capital structure with an even maturity structure and the least possible risk exposure.

Magnolia Bostad develops properties for long-term self-management or for sale. Development for self-management entails the need for financing of contracts and construction as well as long-term financing in the form of property loans when the property is completed. Projects for sale usually have a shorter capital requirement cycle as forward funding is normally received at the time of sale.

When a new project idea has been identified or land has been acquired, work begins on developing concepts and producing zoning plans and building permits. Financing is already needed during the initial development phase, where capital is required for land acquisition and value-added work.

The need for financing varies from project to project, depending on how long the development work takes and the type of acquisition in question. If Magnolia Bostad buys a property that does not have a zoning plan, planning work and property conversion can take several years. Properties that are acquired with a zoning plan in force can often start production quickly, sometimes in direct connection with the acquisition.

Bonds are used to finance the processing of building rights, for other parts of the ongoing work of developing the projects and to finance the liquidity reserve. Some land acquisitions are also initially financed with liquidity from bonds, thereby reducing the liquidity

reserve. Land acquisitions can, to some extent, also be financed with seller financing. Acquired properties can usually be financed with various project-related liabilities. For completed investment properties and rental-generating project properties, secured property loans are used as much as possible as the average interest rate for this type of financing is lower than for other financing.

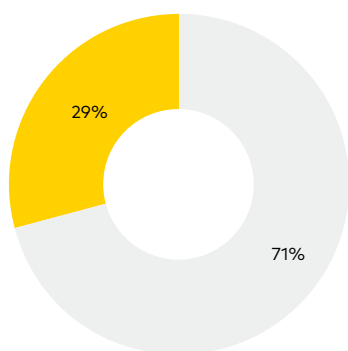
### The Group's financing as on 31 December 2020

The majority of the interest-bearing liabilities consist of bonds with a carrying amount of SEK 1,215 million.

Magnolia Bostad has three outstanding unsecured bonds totaling a nominal SEK 1,233 m, maturing in 2021 and 2022, respectively, and a green bond maturing in 2024. The bond maturing in 2021 has a nominal amount of SEK 253 million under a framework of SEK 1 billion and a floating coupon of Stibor 3m + 7.25% (without a Stibor floor). The bond maturing in 2022 is an unsecured bond of a nominal SEK 430 m that has a floating coupon of Stibor 3m + 8.5% (without a Stibor floor). The green bond was issued in 2020 and has a nominal amount of SEK 550 million under a framework of SEK 700 m and a floating coupon of Stibor 3m + 7.50% (with a Stibor floor). Part of the bond's liquidity was used to repurchase bonds maturing in 2021 at a nominal amount of SEK 347 m

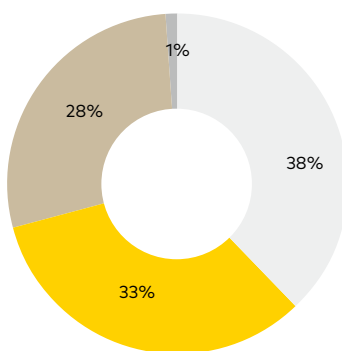
The funds from the green bond will be used to develop sustainable, environmentally certified projects. The funds may, among other things, be used to finance the part of the cost in JVs that is covered by Magnolia Bostad in cases where Magnolia Bostad owns at least 50% of the JV.

Securing of credit



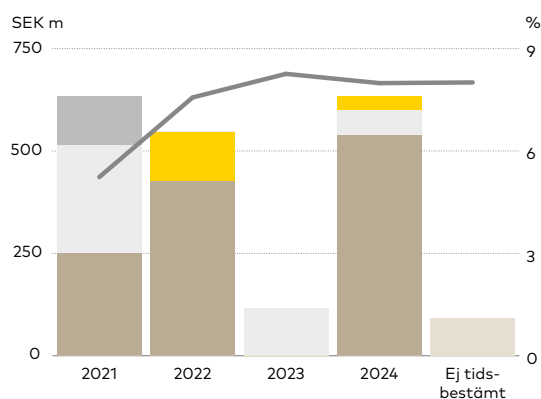
Unsecured credit  
Secured credit

Supply of capital 31/12/20



Interest-bearing debt  
Equity  
Other debt  
Deferred tax

Maturity structure (SEK m) and average interest rate (%)



Deposits  
Bonds  
Project-related debt  
Secured property loans  
Seller financing  
Average interest rate



Financing KPIs, 31 December 2020	2020	2019
Equity, SEK m	1,733	1,141
Cash and cash equivalents, SEK m	277	441
Interest-bearing liabilities, SEK m	2,021	2,491
Unutilized credit, SEK m	490	788
Cash flow, operating activities, SEK m	405	-18
Cash flow investment activities, SEK m	-168	-267
Cash flow financing activities, SEK m	-401	324
Equity/assets ratio, %	32.7	28.1
Return on equity, %	49.4	13.2
Net financial items, SEK m	-181	-172
Interest coverage ratio, times	4.1	1.4
Average interest rate, %	7.1	7.0
Average fixed tied-up capital period (excluding deposits and utilized overdraft facility), number of years	2.0	1.6

Project-related liabilities amounted to SEK 437 m and secured property loans SEK 156 m. The remaining interest-bearing liabilities consist of a deposit of SEK 91 m and seller financing of SEK 121 m.

Magnolia Bostad also has various short-term revolving credit facilities (RCF) amounting to SEK 1,050 m, of which SEK 490 m was unutilized as of 31 December 2020. Of SEK 490 m in unutilized credit facilities, SEK 50 m consists of unutilized overdraft facilities.

At the end of the period, Magnolia Bostad's average interest rate was 7.1%, compared with 7.0% as of 31 December 2019. The bonds with an average interest rate of 8.5% and interest-bearing deposits with an interest rate of 8.0% raises the average interest rate. The secured property loans and the seller financing have a lower interest rate of 2.2% and 2.0%, respectively. Project-related liabilities have an average interest rate

of 5.7%. The interest coverage ratio for 2020 was 4.1 times, compared with 1.4 times for the full year 2019.

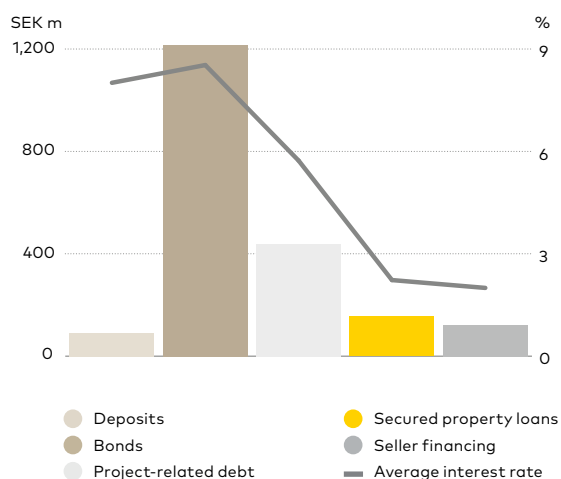
Tied-up capital, excluding deposits, amounted to 2.0 years as of 31 December 2020, compared with 1.6 years as of 31 December 2019. Of the Group's liabilities, 29% is secured by a property mortgage, share pledges or other security. Unsecured loans mostly consist of bonds. By working long-term with banks and other lenders, refinancing work for larger loans begins no later than nine months before maturity.

### Financial target

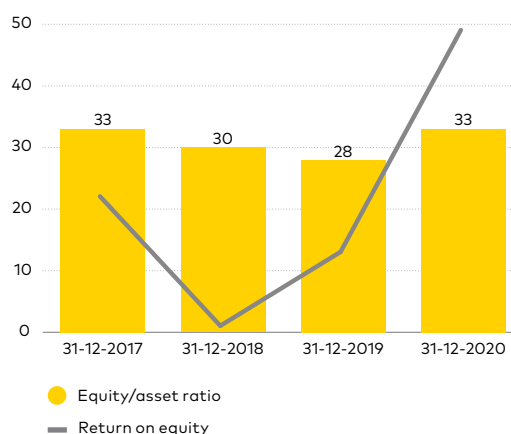
The equity/assets ratio must be at least 30%

Magnolia Bostad's finance policy stipulates that the equity/assets ratio must be at least 30%. The equity/assets ratio as of 31 December 2020 was 32.7%, which is in line with the financial target and the finance policy.

Form of borrowing (SEK m) and average interest rate (%)



Equity/assets ratio and return on equity, %



## Financing of projects for sale

Magnolia Bostad's investment in the projects normally increases the closer the project is to acquiring the land and thereby paying the purchase price.

Most of Magnolia Bostad's bank financing is linked to individual projects where debt is repaid in connection with Magnolia Bostad's exit. In connection with the handover, Magnolia Bostad receives forward funding for the projects. This means that the buyer pays for investments made up to the handover and usually part of the project's profit.

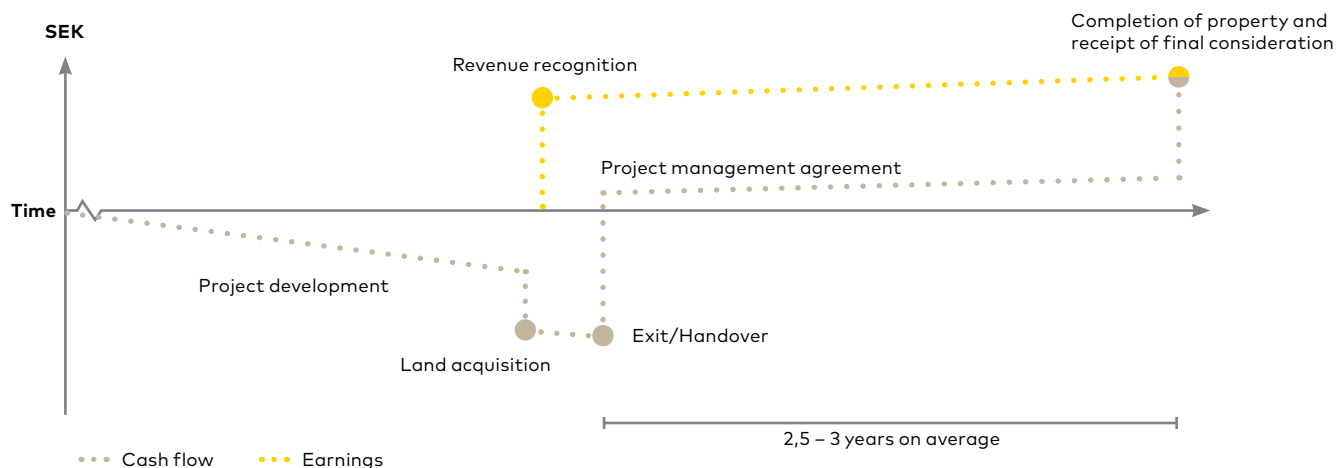
After the handover, financing responsibility for the project passes to the buyer. For the period after the handover, Magnolia Bostad has a project management agreement with the buyer, which runs until the property

is completed. The project management agreement is invoiced and revenue is reported on an ongoing basis during the contract period. Upon completion of the property, Magnolia Bostad receives the bulk of the proceeds.

Sales and revenue recognition take place when binding purchase agreements and zoning plans are in force and contracts for turnkey contracts have been signed. The time for Magnolia Bostad's handover is often when obtaining a building permit or when the division of a property is approved. The time between revenue recognition and legal handover can therefore vary from project to project. Handover usually occurs two to six months after the contract date, but it can take up to one year after the contract date.

### Schematic picture of cash flow and profits in Magnolia Bostad's projects being developed for sale.

The picture is not intended to give any indication of the profitability of a project.



Of debt falling due in 2021, SEK 262 m is in project-related loans where Magnolia Bostad receives forward funding or final payment in connection with the maturity of the debt, which can be used to settle the debt.

Forward funding means that projects developed for sale can be run with a small capital requirement. However, during a growth phase with an expanding building rights portfolio as well as acquisitions and access to properties early in the zoning plan process the need for capital is greater.

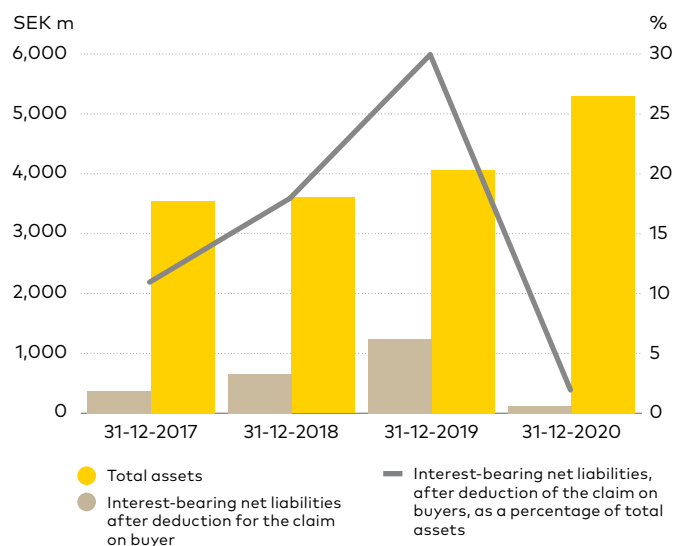
Magnolia Bostad has receivables from buyers of projects of SEK 1,627 m (812). Counterparties for project sales must be well established and chosen with great care. The credit risk among receivables for property sales is judged to be limited as the risk that the counterparties would not be able to fulfil their obligations is judged to be low

Of the Group's Other long-term receivables and Other receivables totalling SEK 1,801 m (977), which include receivables for property sales, of SEK 1,164 m (353), are receivables from counterparties with investment grades in credit ratings by an independent credit rating agency. Counterparties for other receivables do not have credit ratings from independent credit rating agencies, and the majority are concentrated on a few counterparties such as Slättö, Trenum and Heba. In total, receivables from these three parties amounted to SEK 406 m (336).

After deductions for cash and cash equivalents of SEK 277 m (441), interest-bearing net liabilities amounted to SEK 1,744 m (2,050). Interest-bearing net liabilities after deductions for receivables from the buyer of SEK 1,627 m (812) amount to SEK 117 m (1,238), which corresponds to a fall of SEK 1,121 m during the year. Interest-bearing net liabilities after deductions for receivables from buyers in relation to total assets have fallen to 2.2% (30.4%).

Liquidity obtained from final settlements is reinvested in projects, either projects for sale or projects for development for self-management.

Net debt, SEK m and as a percentage of total assets



## Financing of projects for self-management

Liquidity from final settlements in the sales operation is reinvested in the development of projects for self-management. To enable more project starts and advantageous financing, the projects for self-management are sold to JVs that we form together with financially strong partners. Through this type of collaboration, the JV's financing can be arranged on more favourable terms and reduce the need for capital from Magnolia Bostad.

Upon the sale to the JVs, Magnolia Bostad usually also receives, in addition to reimbursed costs incurred, a surplus because the development project has been refined and requires a higher value.

The development within the JV is financed partly through shareholder contributions and shareholder loans from the JV company's shareholders, and partly through building credits from major banks. The surplus from the value development realized on the sale from Magnolia Bostad to the JV is used to finance Magnolia Bostad's shareholder contributions and lending to the JV.

Magnolia Bostad develops and manages attractive residential and community service properties. As part of the business model, certain investment properties may be sold and the growth in value as a result of the development is realized. Realizing growth in value generates cash flows that can be invested in other projects to create additional growth in value.

When the properties are completed, they are managed either within the JV, or the JV partners buy out their respective shares, normally 50% worth. Magnolia Bostad uses property loans to finance its completed investment properties.

### Investment properties

#### *Completed investment properties*

Magnolia Bostad has two completed properties for self-management with a reported value of SEK 229 m. Reported changes in value during the year amounted to SEK 10 m.

The properties are financed with secured property loans and loans with pledged shares totaling SEK 141 m with an average interest rate of 2.91%. The loans have a variable interest rate and have an average tied-up capital of 1.95 years.

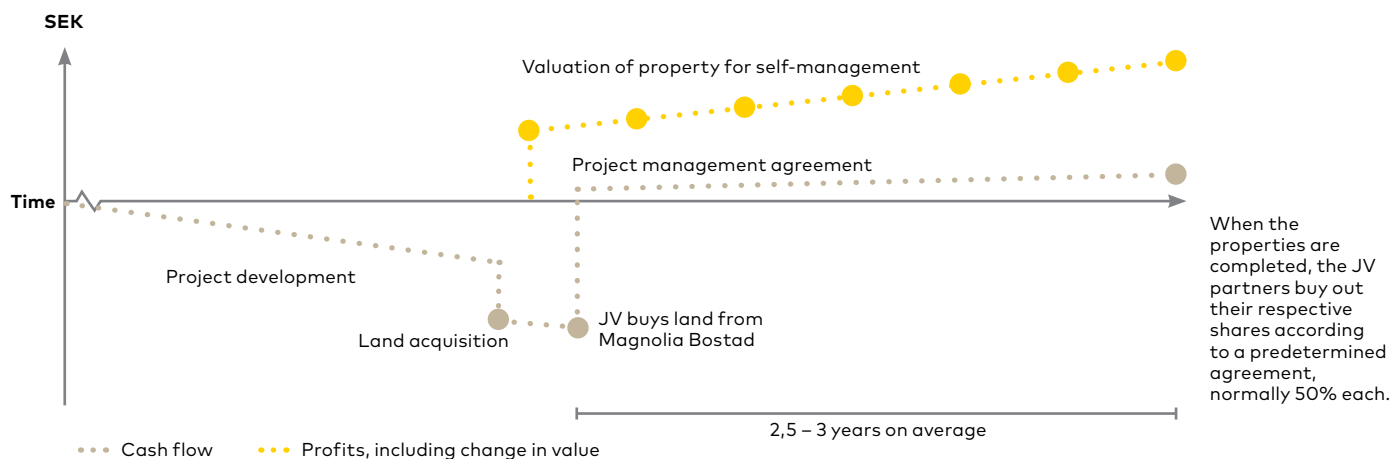
#### *Production-started investment properties*

During the year, four projects started production, whereof three projects with a value of SEK 254 m were also acquired during the year. The remaining project was previously owned, and was reclassified to production-started investment properties.

During the year, investments of SEK 25 m were made, mainly in the Björnbäret project in Kalmar, which was mainly financed with building credits. Reported changes in value during the year amounted to SEK 79 m. During the year, the Björnbäret project in Kalmar was sold to a company started by Arctic Securities, the Söderby-malm project in Haninge was sold to Heimstaden

### Schematic picture of cash flow and profit in Magnolia Bostad's projects being developed in a joint venture for long-term self-management.

The picture is not intended to give any indication of the profitability of a project.



Bostad and the Norrsken project in Östersund was sold to Samhällsbyggnadsbolaget i Norden (SBB). Realized growth in value since the start of production was SEK 118 m for Söderbymalm, SEK 95 m for Björnbäret and SEK 5 m for Norrsken.

In addition, three production-started projects, Drottninghög, Väsjön Norrsätra and Orminge Hus 1, have been sold to a recently-started JV together with SBB. The projects will continue to be developed for self-management with SBB. At the end of the year, there were no wholly-owned production-started investment properties, which means that there is no need for Magnolia Bostad to independently finance investments in production-started investment properties.

#### *Non-production-started investment properties*

Magnolia Bostad has 15 non-production-started projects for self-management with a carrying amount of SEK 1,254 m. Reported changes in value during the year amounted to SEK 271 m. During the year, the Hasseludden project in Nacka was sold to SBB and a sales agreement conditional on a zoning plan in force was signed with a recently-started JV with SBB on the sale of the Vårby Udde project. The project will continue to be developed for self-management with SBB. By carrying out the future production of Vårby Udde in a JV with SBB, Magnolia Bostad's future capital requirements for the development of the approximately 1,800 estimated building rights in the project will be significantly reduced.

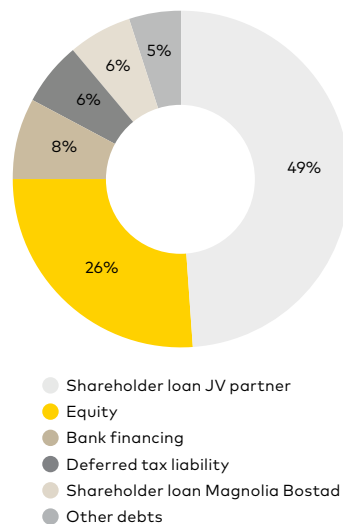
External project-related financing is SEK 65 m with an average interest rate of 7.79%. The loans have a variable interest rate and have an average tied-up capital period of 3.04 years.

#### **Investment properties in JVs and JVs' financing**

An efficient and advantageous capital structure in the JVs is always aimed for. Magnolia Bostad and its JV partners usually own equal parts of the JV and thus initially contribute the same amount of equity to the JV and have an equal right to the value development from their ownership in it. The JV partner usually contributes a larger part of the shareholder loans to the JV. The shareholder loans are usually subordinated to other debt in the JV and run with individual interest.

The JVs acquire the projects from Magnolia Bostad, which means that Magnolia Bostad can often use proceeds from the sale to the JVs or invoicing to cover part of the financing commitment for the JV. Building credits are also used to finance large parts of the production in the JVs.

**Capital supply in development of joint ventures**



#### *Production-started investment properties in JVs*

JVs have eight production-started projects for self-management with a reported value of SEK 1,393 m.

During the year, three projects were acquired for a total of SEK 186 m, of which all projects were acquired from Magnolia Bostad. Investments during the year amounted to SEK 442 m. Reported changes in value during the year amounted to SEK 169 m.

Financing will be done with secured building credits totalling SEK 181 m with an average interest rate of 2.76%. The loans have a variable interest rate and have an average tied up capital of 2.08 years. In total, there are unutilized building credits totaling SEK 885 m to finance the development of production-started projects. In addition, JVs are financed with shareholder contributions and shareholder loans from JV partners.

#### *Non-production-started investment properties in JVs*

There are six non-production-started projects for self-management in JVs, with a reported value of SEK 519 m. During the year, five projects were acquired and reported changes in value during the year amounted to SEK 166 m.

## Four questions to Fredrik Westin, CFO

### **How do you intend to finance the construction of properties for self-management?**

- By collaborating in JVs where the financially strong partner accounts for a larger part of the capital investment and Magnolia Bostad drives the development of the project. The combination of financial strength and strong expertise in project development means that the JV receives good financing terms from the banks. When we develop projects under our own auspices for our self-management, financing takes place through equity and building credits.

### **How do you view green financing?**

- Green financing is currently a natural part of our financing. When we issued our first green bond in the autumn of 2020, we found that the focus we have had for a long time on ESG (environment, social factors and governance) made it very easy to get a green rating.

- With this in mind, we can state that it was not a one-off event to use a green framework, especially as sustainability issues are central to us. Our goal is to issue more green bonds and also take out green bank loans in the future.

### **Which part of your business is most financially demanding?**

- Given how our business currently looks, it is project-related financing together with bonds that accounts for the majority of the loans. We use most of this funding to drive our project development operations forward by acquiring new project areas and making the necessary investments in these until the project is sold. When we then handover and receive payment, the money goes back into the process of generating new business. Alternatively, we can choose to develop our own book and then the invested capital forms the basis for future building credits and then final financing.

### **Which forms of financing are best suited for Magnolia Bostad?**

- To answer that question, we need to take a closer look at which parts of our business require financing, and this includes everything from financing the acquisition of land in the early stages to financing at Group level.

- To be able to run the business in an optimal way, we need a toolbox where different forms of financing are available. We have one today, thanks to that over time



we have developed good relationships with banks and other financial players. Our largest source of financing today is three listed bonds, followed by project financing and secured mortgage loans. Given our goal of expanding our portfolio of properties for self-management, we will initially see in the coming years that project-related financing increases in relation to the total. As properties are completed, secured property loans will make up an increasing share of the financing.

# Project events in 2020

## Acquisitions

During the year, Magnolia Bostad acquired 21 projects of just over 8,230 building rights around the country.

## Production starts and project sales

During the year, production was started in a total of 3,599 residential units, of which 890 residential units are being developed for self-management.

During the financial year, a total of 3,904 residential units were sold, of which 1,124 in three projects that had previously started production within the framework agreement with Heimstaden. In addition, 71 apartments were sold in already production-started tenant-owned projects. During the year, Magnolia Bostad also sold four projects developed for self-management: two community service properties in Nacka and Östersund to SBB, a tenant owned apartment project in Kalmar to a company formed by Arctic Securities and a rent-

al accommodation project in Haninge to Heimstaden Bostad.

## Completed projects

In 2020, 13 projects with a total of 2,901 residential units were completed. Of these, all rental accommodation and tenant-owned apartment projects were environmentally certified or built according to the Swedish Green Building Council's silver certification, the Nordic Swan ecolabel or another equivalent standard.

## Environmental certifications

In 2020, we certified four projects according to the Swedish Green Building Council's silver certification. In 2020, a total of 16 environmental audits were carried out, all with good results. During the year, the environmental audits were largely performed digitally due to Covid-19.

Acquisitions 2020 <sup>1)</sup>				Estimated number of building rights
Quarter	Project	Municipality	Category	
1	Västra Erikslid	Skellefteå	A	300
1	Barkarbystaden	Järfälla	A	350
1	Åkermynatan	Borås	A	280
2	Tullholmsviken 3	Karlstad	A	458
2	Solfjädersn	Örebro	A	180
2	Väsjön Norrsätra	Sollentuna	A	210
2	Brygghuset	Sundbyberg	A	380
2	Ursvik II	Sundbyberg	A	200
2	Edvinshem 3	Ystad	A	200
3	Söderbymalm	Haninge	A	345
3	Örnäs	Upplands-Bro	A	145
3	Örnäs - småhus	Upplands-Bro	A	255
3	Hede	Kungsbacka	A	1,600
4	Fixfabriken	Göteborg	A	370
4	Öresjö Ångar	Borås	A	350
4	Lotsen 1	Ystad	A	470
4	Lotsen förskola	Ystad	CSP	-
4	Södra Årby 1	Strängnäs	A	1,325
4	Södra Årby 2	Strängnäs	A	485
4	Valfiken	Västerås	A, CSP	80
4	Järven	Norrköping	A	250
<b>Total</b>				<b>8,233</b>

<sup>1)</sup> Refers to all building rights and residential units in each project, including projects developed in JVs.

A Apartments (will be RU and/or TO)

CSP Community service property, such as for example, care homes, schools and nurseries



Production starts 2020<sup>1)</sup>

Quarter	Project	Municipality	Category	Acquired by/self-management	Number of residencies
1	Täljöviken	Österåker	CSP	Heba	60
2	Tullholmsviken 7	Karlstad	RU	Trenum	217
2	Tullholmsviken 4	Karlstad	RU	Trenum	222
2	Tullholmsviken 3	Karlstad	RU	Trenum	458
2	Kajkvarteren, etapp 1	Sundsvall	RU	Heimstaden Bostad	360
2	Brygghuset	Sundbyberg	RU	Heimstaden Bostad	380
2	Västra Erikslid	Skellefteå	RU	Heimstaden Bostad	300
2	Gyllehemmet	Borlänge	CSP	SBB i Norden	101
3	Partille Port	Partille	RU	Heimstaden Bostad	231
3	Söderbymalm	Haninge	RU	Self-management	345
3	Väsjön Norrsätra	Sollentuna	RU	Self-management	210
3	Drottninghög	Helsingborg	CSP	Self-management	129
3	Orminge Hus 1	Nacka	RU	Self-management	206
4	Nya Hovås	Göteborg	RU	Heimstaden Bostad	180
4	Ursvik II	Sundbyberg	RU	CBRE Global Investors	200
<b>Total</b>					<b>3,599</b>

Sales 2020<sup>1)</sup>

Quarter	Project	Municipality	Category	Acquired by	Number of residencies
1	Slipsen	Lund	RU	Heimstaden Bostad	783
1	Edvinshem	Ystad	RU	Heimstaden Bostad	225
1	Föreställningen 1	Norrköping	RU	Heimstaden Bostad	116
1	Täljöviken	Österåker	CSP	Heba	60
2	Tullholmsviken 7	Karlstad	RU	Trenum	217
2	Tullholmsviken 4	Karlstad	RU	Trenum	222
2	Tullholmsviken 3	Karlstad	RU	Trenum	458
2	Kajkvarteren, etapp 1	Sundsvall	RU	Heimstaden Bostad	360
2	Piccolo	Halmstad	TO	Brf	24
2	Brygghuset	Sundbyberg	RU	Heimstaden Bostad	380
2	Västra Erikslid	Skellefteå	RU	Heimstaden Bostad	300
2	Gyllehemmet	Borlänge	CSP	SBB i Norden	101
3	Partille Port	Partille	RU	Heimstaden Bostad	231
3	Piccolo	Halmstad	TO	Brf	1
4	Nya Hovås	Göteborg	RU	Heimstaden Bostad	180
4	Ursvik II	Sundbyberg	RU	CBRE Global Investors	200
4	Ophelias Brygga	Helsingborg	TO	Brf	46
<b>Total</b>					<b>3,904</b>

<sup>1)</sup> Refers to all building rights and residential units in each project, including projects developed in JVs.

TO Tenant-owned apartment

RU Rental unit

CSP Community service property, such as for example, care homes, schools and nurseries

#### Completed projects in 2020<sup>1)</sup>

Quarter	Project	Municipality	Category	Acquired by	Number of residencies
1	Senapsfabriken, etapp 1	Uppsala	RU	SEB Domestica III	455
1	Nyby Lilium, etapp 1	Uppsala	RU	SEB Domestica II	300
1	Tegelslagaren	Vallentuna	RU	SEB Domestica II	155
1	Tegelmästaren	Vallentuna	RU	SEB Domestica II	160
1	Segelflygaren	Örebro	RU	Slättö	210
1	Allarp Laholm	Helsingborg	CSP	Northern Horizon	54
2	Maria Mosaik	Helsingborg	RU	SPP Fastigheter	345
2	Sländan, etapp 1	Södertälje	RU	SPP Fastigheter	441
2	Visborg	Visby	CSP	Northern Horizon	58
2	Lilium, etapp 2	Uppsala	TO	Brf	109
3	Sländan, etapp 2	Södertälje	RU	Viva Bostad	136
3	Slipen	Karlstad	RU	Slättö	216
3	Gjuteriet, etapp 1	Eskilstuna	RU	Slättö	262
<b>Total</b>					<b>2,901</b>

<sup>1)</sup> Refers to all building rights and residential units in each project, including projects developed in JVs.

TO Tenant-owned apartment

RU Rental unit

CSP Community service property, such as for example, care homes, schools and nurseries

# Joint ventures for development of properties for self-management

The majority of the residential properties Magnolia Bostad develops for self-management are developed in joint ventures. We usually offer building rights and development capacity, while our partners contribute a larger portion of the capital.

In order to start projects earlier and ensure financing, we develop housing for self-management primarily through joint ventures (JVs). It can also happen that larger landowners come to us with planned residential land for which they need a development partner. Collaborating with a partner also facilitates the development of larger projects such as Vårby Udde, where Magnolia Bostad previously entered into an agreement for the acquisition of land for around 1,800 residential units.

When the projects are completed<<<, the properties are transferred to the JV partners and the collaboration ceases. Then the long-term self-management begins, which provides Magnolia Bostad with a predictable cash flow and a strong long-term balance sheet.

By the end of 2025, the goal is for Magnolia Bostad to own at least 4,000 completed residential units for self-management, or own investment properties with a market value of at least SEK 8 billion. This refers to Magnolia Bostad's own ownership and the company's ownership share in JV companies. At the end of 2020, Magnolia Bostad had 68 residential units in self-management and 1,814 units (1,581) in production for long-term self-management.



Representation of the project Brogårdsstaden in Upplands-Bro. Read more about the project on page 52.

All residential properties are developed in collaboration with partners in JV companies, which means that Magnolia Bostad's share amounts to 907 units. In addition to the housing in production, Magnolia Bostad's building rights portfolio for self-management contains just over 12,000 additional units, of which 3,540 are already included in a JV. Magnolia Bostad's intent is for most residential units for self-management to be developed in JVs.

All development work is carried out according to the same principles, regardless of whether the projects are for sale or self-management.

## Joint ventures for development for self-management

### JV with Heimstaden Bostad

- About 645 residential units in the new southern part of Bro, Upplands-Bro Municipality. See page 52.
- About 145 residential units in Örnäs, Upplands-Bro Municipality.
- About 1,770 residential units in Näsängen, Österåker Municipality.
- About 900 residential units in Hede, Kungsbacka Municipality.

### JV with Slättö

- About 1,100 residential units in Östersund, Luleå, Eskilstuna, Örebro, Järfälla and Västerås.

### JV with Samhällsbyggnadsbolaget i Norden (SBB)

- About 2,595 residential units in Sollentuna, Nacka, Huddinge, Norrköping and Helsingborg.



Representation of Orminge, Nacka Municipality.



*We look forward to collaborating with Magnolia Bostad as our organizations complement each other well. Our joint venture consists of many exciting projects and it will be nice to see them develop and progress, says Oscar Lekander, Business Development Manager at SBB.*



Oscar Lekander, Business Development Manager at SBB.

As an example of what a JV collaboration looks like, here are the projects included in our JV with SBB.

#### **Norrköping**

- About 250 residential units.  
Ongoing zoning plan process, changed use of existing property.

#### **Sollentuna, Väsjön**

- About 210 residential units.
- Turnkey contract, Tornstaden, planned for completion in 2023.

#### **Nacka, Orminge**

- About 206 residential units.
- Turnkey contract, Serneke, to be completed in 2023.

#### **Huddinge, Vårby Udde**

- About 1,800 residential units, nursery schools and residential care homes.
- Conditional on zoning plan coming into force, expected 2023.

#### **Helsingborg, Drottninghög**

- About 129 assisted living units, health centre, child and maternity care centres, open nursery school, social services and pharmacy.
- 12-year lease agreement signed with Skåne County Council (Region Skåne).
- Turnkey contract, Veidekke, to be completed 2023.



# Development of properties for sale

Approximately half of Magnolia Bostad's projects are developed for sale, the majority consist of rental units in apartment blocks. Our customers purchase entire properties or neighbourhoods containing hundreds or even thousands of units. Residential care homes and schools are often included in the sales.

The development of housing for sale has laid the foundation for what Magnolia Bostad is today and will continue to be a key element of the company's operations.

Magnolia Bostad's value creation is largely in the development work up until the project is ready to begin construction. The development work starts with an idea and then goes through land acquisition, zoning planning and concept development until construction begins.

The future customer is often involved at a very early stage and sometimes undertakes to purchase certain units via framework agreements. The final sale usually takes place shortly after the zoning plan has come into force and the turnkey contract is signed. Magnolia Bostad then surrenders the property and the property is thereafter owned by the customer. Magnolia Bostad remains part of the project in the role of project manager until construction is completed and occupancy can take place.

Magnolia Bostad always takes a life cycle perspective in development work, regardless of whether it is a property for self-management or a project for sale. Through sound material choices and building for low energy consumption, we create sustainable residences where people can feel good and thrive for years to come.

In 2020, Magnolia Bostad sold 3,904 residential units.



During the year, Magnolia Bostad sold 897 residential units in Tullholmsviken, Karlstad, to Trenum. The area consists of three neighbourhoods. The two first neighbourhoods are under construction, and the first occupancy is expected in 2023/2024. The representation above shows the third neighbourhood.



The Ursvik II project consists of 200 residential units in Västra Ursvik, Sundbyberg and was sold to CBRE Global Investors in 2020. Construction began in 2021 and the first occupancy is expected in 2023. (Representation)



The Brygghuset project consists of 380 residential units in Ursvik, Sundbyberg, and was sold to Heimstaden Bostad in 2020. The property is in production and the first occupancy is expected in 2023–2024. (Representation)



*In 2020, we acquired nearly 3,000 residential units from Magnolia Bostad. These are interesting, sustainable and exciting projects that will soon make up some of our managed properties. As a long-term owner we need partners we can trust, and we have found that in Magnolia Bostad, says Patrik Hall, CEO of Heimstaden.*



Patrik Hall, CEO at Heimstaden.



# Urban developer with a great ability for implementing

Many of Sweden's municipalities need a partner to help develop new residential areas. One example is Upplands-Bro, where Magnolia Bostad and the municipality are collaborating on the new neighbourhood of Brogårdstaden.



The Brogårdstaden project phases 1 and 2 include about 1,500 residential units. Phase 1 was completed in 2020 and phase 2 is expected to be done in 2025.



Tony Weideskog, Business Developer, and Maria Cederblom, Head of Conceptualization.

Between Bro and Mälaren and next door to Bro Hof Slott Golf Club in Upplands-Bro Municipality, the area Brogårdstaden is being developed as part of the larger development area Bro Mälärstad. In under seven years, the area will be transformed into a vital residential area.

"We started working on the project in 2018 and recognized that the area had great potential," says Tony Weideskog, Business Developer at Magnolia Bostad. "Thanks to a fantastic collaboration with Upplands-Bro Municipality, production was already underway by the beginning of 2019. We envision a neighbourhood where people can live in all stages of life, in direct proximity to both service and large swathes of undisturbed nature."

Bro Mälärstad will consist of about 3,000 residential units. The area will include apartment blocks, terraced houses and detached houses. Services are also being planned in the form of shops, residential care homes, schools and nursery schools. Through place branding, the area is now being put on the map as a new, attractive place to live.

"We are part of a collaboration with various players and Upplands-Bro Municipality where we are working actively with place branding to create an attractive brand for Bro Mälärstad," says Maria Cederblom, Head of Conceptualization at Magnolia Bostad.

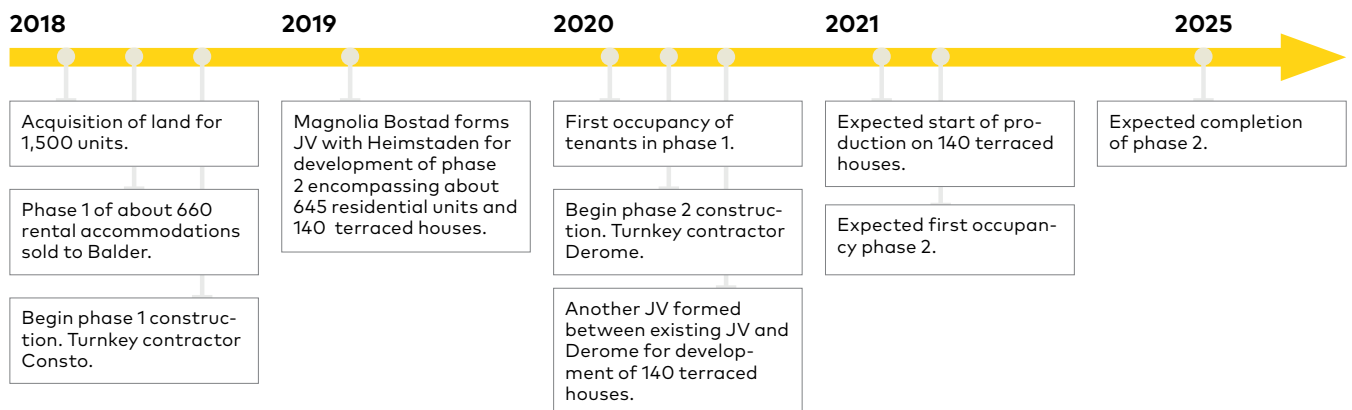
The first phase, with 658 residential units, was built with Consto as the turnkey contractor. Occupancy began in spring 2020. The second phase consists of 645 units in apartment blocks and 140 single-family terraced houses. The apartment blocks were developed for self-management in a JV with Heimstaden Bostad and are built of wood, with Derome as the turnkey contractor. The goal is for all properties to be environmentally certified according to the Swedish Green Building Council's Silver certification or the Nordic Swan Ecolabel.



Brogårdstaden emerges between Mälaren and Bro Hof Slott Golf Club in Upplands-Bro.

## Brogårdstaden – from idea to finished residential area

In February 2018, Magnolia Bostad signed a contract to acquire planned land including the development of about 1,500 residential units in Bro Mälarstad in Upplands-Bro Municipality. The seller is KF Fastigheter and the property has a legally binding zoning plan.





# Community service properties: a key component of new residential areas

When a new area is developed, it is important to plan not just for housing and commercial spaces, but also to address the increased need for community service properties.

Magnolia Bostad develops community service properties like nursery schools, schools, residential care homes and other types of assisted living accommodation. We offer expertise and experience and develop our sustainable community service properties with great care for those who will live there.

"More and more municipalities are seeking a partner that can take a holistic approach to various urban development projects," says Catrin Viksten, Head of Community Service Properties at Magnolia Bostad.

Many municipalities see a great need for new nursery schools and schools, not just where new housing is being built, but also to replace older and run-down facilities. To meet this growing need, in 2020 Magnolia Bostad strengthened its investment in nursery schools and schools.

In 2020, Magnolia Bostad acquired properties in Borås and Ystad for the development of residential areas where nursery schools and schools are included in the development work. We also signed a long lease with the operator Tellus barn regarding a nursery school in Ursvik, Sundbyberg.



In the Öster Mälarstrand neighbourhood in Västerås Municipality, Magnolia Bostad is working with Slättö to develop the project Valfisken, 82 residential units and a nursery school for 72 children. For the nursery school, a 20-year lease agreement has been signed with the city of Västerås. Magnolia Bostad and the Municipality are working together to create a nursery school environment that stimulates children's curiosity and creativity. (Representation)

## Community service properties with occupancy in the near future

- **Gyllehemmet, Borlänge:** Assisted living, residential care home, in-home care, day care for the elderly, a nursery school and a shared commercial kitchen. Occupancy planned for 2023.
- **Täljöviken, Österåker:** Residential care home with 60 units and a nursery school. Occupancy planned for 2021.
- **Norrsken, Östersund:** Residential care home with 80 units. Occupancy planned for 2023.
- **Hasseludden, Nacka:** Residential care home with 60 units. Occupancy planned for 2023.



In Nacka Municipality, Magnolia Bostad is developing the Hasseludden residential care home which was sold to Samhällsbyggnadsbolaget i Norden (SBB). It consists of 60 units and will be designed with Japanese-inspired architecture and a garden that encourages the residents to spend time outdoors. Occupancy is planned for 2023. In 2020, a 15-year contract was signed with Stockholms Sjukhem for operation of the Hasseludden residential care home. (Representation)



*Our goal is to provide a safe and modern home with furnishings, new technology and a concept for creating quality of life for older people who need attention and care, says Karin Thalén, CEO of Stockholms Sjukhem.*



Karin Thalén, CEO of Stockholms Sjukhem.



# Sustainability Report

Sustainable business for Magnolia Bostad means that we develop economically, socially and environmentally sustainable societies.



Since 2015, Magnolia Bostad has supported girls' and women's football teams in the locations where we operate. At the end of 2020, there were 24 teams in our football family. Magnolia Bostad organizes activities such as tournaments and summer football schools, and provides snacks for training sessions and safe transport to matches. Through our support, we contribute to increased integration and health, as well as to increased safety in the community. The photo was taken during Sättra football school in summer 2020.

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# 2,680

Environmentally certified apartments 2020,  
of 2,901 completed

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In 2020, a total of 16  
environmental audits  
were carried out on our  
projects.



# 16

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# 14

Rank on Allbright's green list of  
gender equality companies



*Our mindset of sustainability  
accompanies everything we  
do, from land acquisition to the  
completion of housing that can be  
managed in a sustainable way.*

*When I look back on 2020, I am happy about  
many things we accomplished, but most of all  
that, during the pandemic, we were able to  
adapt our working methods and become more  
digital. For example, we carried out digital  
environmental audits and were thereby able to  
ensure that our environmental certifications  
were achieved. It is also exciting that we issued  
our first green bond and that we achieved a  
good ranking on Allbright's green list of gender  
equality companies.*

*Our football family continues to grow, and  
this year we took on several new teams. Our  
investment in football makes a difference in  
the areas in which we operate and creates the  
conditions for increased integration, safety and  
health.*

*Going forward, we intend to intensify our efforts  
to reduce our impact on the climate. Enjoy  
reading about our work towards this goal and  
much more in this Sustainability Report."*

Johan Tengelin  
CEO





# Sustainable business

Magnolia Bostad strives to be a sustainable urban developer. This means that we develop economically, socially and environmentally sustainable communities.

## About this report

Magnolia Bostad's sustainability report is separate to the annual report and is issued by the Board. All information in the report refers to the period 1 January 2020 to 31 December 2020, unless otherwise stated. The sustainability report is on pages 56–76. Magnolia Bostad's business model can be found on page 5 and the GRI index is on pages 75–76.

This is Magnolia Bostad's fourth sustainability report. It has been prepared in accordance with GRI Standard's global guidelines level Core. The report contains information and targets for the company's sustainability work, where the precautionary principle has been applied. For a description of Magnolia Bostad's sustainability risks and how they are managed, refer to pages 64–69. For Magnolia Bostad's general work related to risk, see pages 86–87.

## Focus areas and sustainability aspects

Magnolia Bostad has identified focus areas and sustainability aspects based on a stakeholder dialogue and materiality analysis. The sustainability aspects make up three strategic focus areas: economic, social and environmental responsibility. Magnolia Bostad's sustainability work is also based on the ten principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption and on the UN Sustainable Development Goals.

Information presented under each strategic focus area relates to Magnolia Bostad's operations and significant sustainability aspects that relate to the entire value chain.

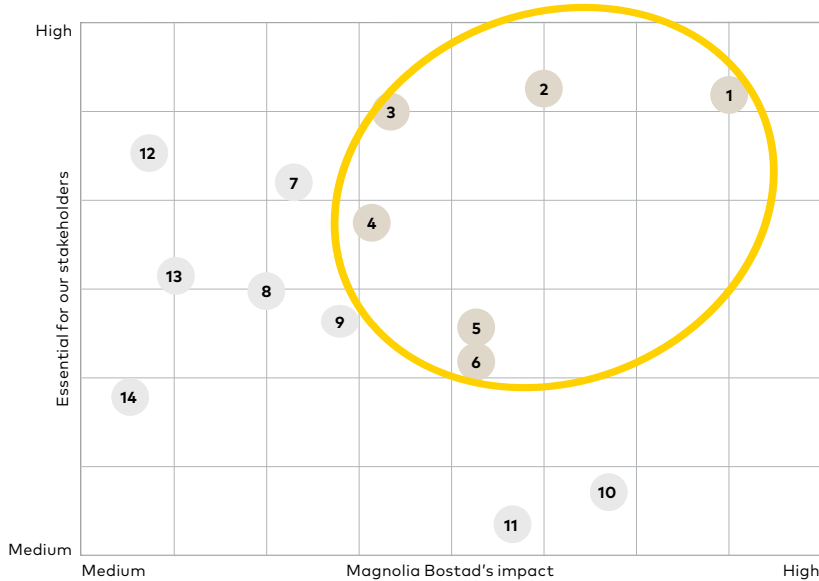
## Magnolia Bostad's stakeholders



## Stakeholder dialogue and materiality analysis

In the summer of 2020, Magnolia Bostad carried out a new comprehensive stakeholder dialogue with the company's stakeholders. The results of the stakeholder dialogue were then analysed thoroughly in a materiality analysis. Following the analysis, the company can establish that Magnolia Bostad has six material sustainability aspects. The results have been discussed and determined by the management and Board of Magnolia Bostad.

## Materiality analysis



The materiality analysis was performed in 2020.

## Significant sustainability aspects

### Financial responsibility

- Sustainable profitable growth
- Sustainable purchasing and supplier evaluations
- Anti-corruption

### Environmental responsibility

- Reduced climate impact

### Social responsibility

- Safety
- Health and safety for Magnolia Bostad's employees

## Sustainable business model

Magnolia Bostad's business is based on developing sustainable housing, community service properties and hotels in the outer suburbs of large cities and in the central areas of medium-sized cities. Magnolia Bostad runs a number of projects for its own management, but many projects are sold at an early stage. In order for the company's business and strategy to succeed, the company depends on healthy employees who can perform in a fast and changing environment, as well as on conducting business ethically. As an urban developer in an industry that accounts for about 20% of Sweden's CO<sub>2</sub> emissions, Magnolia Bostad is obliged to work actively to reduce the company's environmental and climate impact. This means that the company must collaborate with other players in the industry to find sustainable solutions for the future as well as placing demands on the company's contractors. See page 5 for more information on Magnolia Bostad's business model and pages 37–44 for the financing and valuation of the projects.

## Sustainability Strategy

Magnolia Bostad has three general directions for its sustainability work: we want to be at the forefront of sustainable business, follow the direction of the industry towards a climate-neutral business and be an attractive employer.

## Sustainable organization and governance

Magnolia Bostad's CFO is responsible for the company's sustainability work; the Head of Sustainability reports to him. Sustainability issues are raised and decided on at management meetings and reported on at board meetings. Strategy and policy documents are revised by the Board or the CEO once a year. These are available on the company's intranet. The company has a Code of Conduct and an environmental policy that are attached to all of the company's contracting agreements. The company also has a whistleblower function, a policy for handling conflicts of interest, a policy on diversity of the board and a plan of action against harassment and bullying. The company has an ethics council, a crisis committee and a safety committee that handle suspected inequality, crises and questions regarding a safe work environment. These committees have guidelines for the decisions they can make and how they should act.

Magnolia Bostad has a sustainability council which includes representatives from all regions. The purpose is to spread knowledge at all levels and in all regions throughout the organization. In 2020, the sustainability council had three meetings.

Each project shall have a project manual that contains sustainability information about the project. The project manuals will be updated every quarter by the project developers so that the company can have a complete picture of the sustainability aspects of each individual project. All projects shall also undergo two environmental audits, one in the planning phase and one in production. The goal is to ensure that the company's turnkey contractors fulfil the company's requirements and that the project's planned environmental certification is achieved.

For the company's corporate governance report see pages 131–147. For goals and outcomes of the company's sustainability indicators see pages 72–74.

# Magnolia Bostad and Agenda 2030

Magnolia Bostad carried out an analysis of Agenda 2030 during 2020, and linked eight of the 17 Sustainable Development Goals, including sub-targets, to the company's operations.

Magnolia Bostad wants to contribute to achieving all of the 17 Sustainable Development Goals (SDGs) but sees that the company's impact mainly affects eight of them. The company estimates that its negative impact mainly affects goal 15, Life on land. In the analysis, Magnolia Bostad has taken into account the sub-targets that are linked to the SDGs and analysed how the company can actually contribute to achieving these.

## Goal 5 Gender equality

Sub-target 5.1 and 5.5



- Magnolia Bostad has slightly more female than male employees.
- The company is not completely equal on the functional level or in its offices.
- In 2020, Magnolia Bostad ranked 14th on Allbright's green list of gender equality companies.
- Magnolia Bostad has zero tolerance for harassment and discrimination and has a safety committee and an ethics council that work to prevent this.
- The company's code of conduct is signed by all employees and is attached to all major external agreements.
- Magnolia Bostad has a whistleblower function for employees and external stakeholders.

## Goal 7 Affordable and clean energy

Sub-targets 7.2 and 7.3



- The majority of Magnolia Bostad's projects are developed using largely renewable energy, which creates opportunities for increased use of renewable energy.

## Goal 8 Decent work and economic growth

Sub-targets 8.1 and 8.8



- One of Magnolia Bostad's material sustainability aspects is sustainable, long-term growth which is a requirement for the company's future.
- Magnolia Bostad works toward a safe and secure work environment through its ethics council, crisis committee, safety committee and employee forum.
- The company engages in active dialogue with its stakeholders and places demands on the working environment in contracting agreements. The company performs an audit of a contractor every year in which working environment is reviewed.
- The company's code of conduct includes Magnolia Bostad's position on human rights violations.



## Goal 10 Reduced inequalities

### Sub-target 10.3



- The company works against unequal outcomes in terms of pay through actions including mapping of salaries where any unjustified differences are corrected.
- Magnolia Bostad conducts employee surveys every year and works actively with the outcome, through internal information, discussions and evaluation of the results in smaller groups.

## Goal 11 Sustainable cities and communities

### Sub-target 11.1, 11.3 and 11.6



- By developing rental accommodation, tenant-owned apartments, community service properties and hotels, Magnolia Bostad develops communities and residential areas that attract a wide range of people.
- Magnolia Bostad develops neighbourhoods with a focus on safety, where it should be easy to do right in terms of, for example, recycling.
- The company strives to develop smart mobility solutions for each project.

## Goal 13 Climate action

### Sub-target 13.1 and 13.3



- When developing new neighbourhoods, Magnolia Bostad takes into account the risk of climate change, e.g. that sea levels are expected to rise and extreme weather is expected to become more common, in order to develop resilient buildings.
- The company is engaged in an active dialogue with other players on how we can develop resilient neighbourhoods together and reduce our climate impact.

## Goal 15 Life on land



- Magnolia Bostad's operations are about meeting the need for new housing, which affects ecosystems and biodiversity negatively. Goal 15 is therefore a challenge for the company.
- Magnolia Bostad strives to reduce this negative impact by working in close dialogue with specialists, municipalities and interest groups on how nearby habitats can be protected.
- For the projects built with wooden frames, only certified wood from sustainable forestry operations is used.

## Goal 16 Peace, justice and strong institutions

### Sub-target 16.5



- Magnolia Bostad works preventively against corruption and bribery in dialogue with partners and employees through the company's code of conduct and whistleblower function, through dialogue and placing demands.
- In the company's projects, safety and security are mandatory aspects to consider in housing development. The company follows the guidelines of BoTryggt2030 to ensure this.

# Magnolia Bostad's life cycle perspective

A life cycle perspective is key when we develop projects – for our nature and environment, for our employees and residents and for future generations.

Magnolia Bostad strives to be a responsible urban developer. For us, this means that we do business in an ethical way, take responsibility so we have healthy employees and strive to minimize our impact on people and the environment.

We want to build sustainable housing with sound material choices and low energy consumption, where people feel good and are happy for many years.

The land we prepare and the properties we build will be used by generations to come. The materials we use should not be hazardous to health and the environment and we should be considerate about the land we use.



Strandblick in Östersund is a project that Magnolia Bostad is developing together with Slättö. Derome is the turnkey contractor. The project is close to the water, just a few minutes from the city centre. The project is built from wood to reduce the climate impact. The project consists of 216 rental apartments and move-in will take place in 2020–2021.



## Magnolia Bostad roadmap – a life cycle perspective



### Land acquisition/Ethical business

We do business in an ethically correct way and work to prevent bribery and corruption. New employees should sign our Code of Conduct, which is also attached to all major agreements. We also make a stand for human rights in the Code of Conduct.



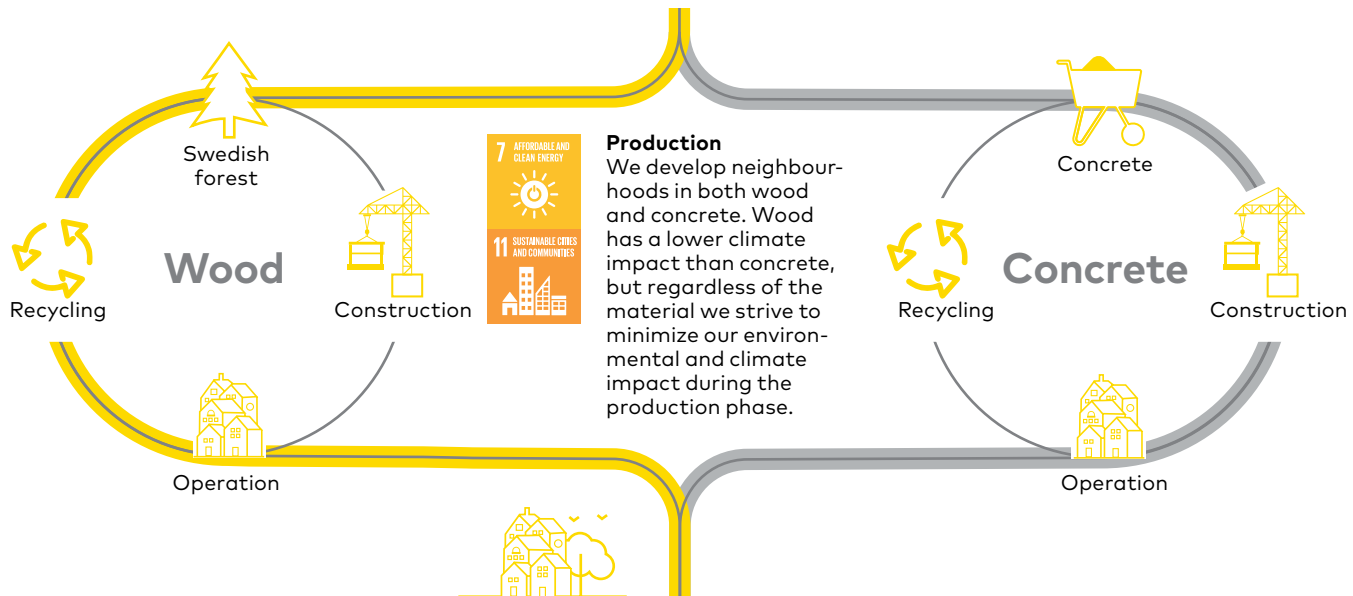
### Employees/Organization

We are an equal opportunity organization that actively works against harassment and discrimination.



### Land preparation

When preparing land to develop neighbourhoods, we work to minimize the impact on the environment and biodiversity.



### Sustainable neighbourhoods

We build environmentally certified homes and safe neighbourhoods to suit a wide range of people. We enable renewable energy and develop housing where it is easy to make environmentally smart choices.



### Demolition

By choosing materials with low environmental and climate impact and having a clear list of the materials and products we use, Magnolia Bostad counteracts the negative effects on animals, nature and the environment that can occur when hazardous substances are released through demolition.



### Long-term sustainability

Our life cycle perspective means we want to take responsibility throughout, from planning the new neighbourhood until, sometime in the future, the land is used to meet the needs of future generations.





# Strategic focus areas

## Economic responsibility

Magnolia Bostad's operations are conducted in such a manner as to promote long-term, sustainable development. Magnolia Bostad's goal is to create value for owners and other stakeholders. By working with a diversified portfolio of rental accommodation, tenant-owned apartments, community service properties and hotels, as well as a large building rights portfolio, the company minimizes its financial risk.

Magnolia Bostad wants to enable sustainable work at all levels therefore engages in active dialogue with its suppliers and contractors. The company's suppliers can be divided into three general categories: contractors, service providers and material suppliers. The majority of the company's suppliers are located in Sweden. Suppliers of material for production are largely negotiated by our turnkey contractors. Magnolia Bostad condemns all forms of corruption and makes this clear to all employees as well as to suppliers and partners.

In autumn 2020, Magnolia Bostad issued its first green bond according to the Green Bond Principles, category



### Events 2020

- Green bond issued according to Green Bond Principles, category Green Buildings.
- Magnolia Bostad carried out an audit of a turnkey contractor in Östersund.
- During the fiscal year, all new employees signed Magnolia Bostad's Code of Conduct.

Green Buildings. With the help of this bond, Magnolia Bostad can continue to develop projects with a high environmental standard.

Magnolia Bostad is an ESG Transparency Partner at Nasdaq, which means that the company reports key figures related to the environment, social factors and governance to Nasdaq's ESG database to contribute to greater transparency in the financial market.

## Risks and risk management in the area of economic responsibility

Risk	Management	Key figures
<b>Long-term profitable growth</b>		
Magnolia Bostad's goal is to create long-term profitable growth for its stakeholders. By working with a large and diversified building rights portfolio, the company minimizes its financial risk.	See the Group's financial risks and risk management on page 87. For management of the respective sustainability aspects, see pages 64–69.	Goals and outcomes of sustainability indicators, see pages 72–74. For Magnolia Bostad's financial targets, see page 13.
<b>Anti-corruption</b>		
Magnolia Bostad condemns all forms of corruption and fraud. Unethical behaviour or poor management of business ethical risks would harm Magnolia Bostad's brand and reputation. This risk is highest among employees with frequent customer interactions.	Magnolia Bostad is actively working against bribery and corruption through the company's Code of Conduct. The code is based on the ten goals of the UN Global Compact. The Code of Conduct is part of the introductory training program for new employees and is an annex to employment contracts. Magnolia Bostad has a whistleblower function that is available on the company's website and intranet where suspected violations can be reported. The company also has a policy for handling conflicts of interest.	No cases of corruption were reported in 2020.
<b>Sustainable purchasing and supplier evaluation</b>		
Magnolia Bostad's contractors often work with subcontractors, which reduces Magnolia Bostad's influence. This increases the risk of poor working conditions and environmentally hazardous activities.	Through dialogue, requirements and the monitoring of suppliers and contractors, Magnolia Bostad aims to counteract the risk of human rights violations and environmentally hazardous activities. Magnolia Bostad has zero tolerance for this, as stated in the Code of Conduct. The aim is to include the Code of Conduct in all the company's major agreements. Magnolia Bostad aims to carry out audits of at least one turnkey contractor per year.	During the fiscal year, Magnolia Bostad carried out one audit of a turnkey contractor.



Above: Ground-breaking in Råbylund in south-eastern Lund, autumn 2020. Plans are for twelve buildings with 779 total rental apartments. Move-in of stage 1 planned for 2023. Magnolia Bostad is the housing developer, Heimstaden is the buyer and Serneke is the turnkey contractor. From left: Jacob Lif, Serneke, Annamaj Larsson, Heimstaden, and Kajsa Löf, Magnolia Bostad.  
Right: Magnolia Bostad's green bond framework, published in September 2020.

#### Green Bond Framework September 2020

MAGNOLIA

## Magnolia Bostad's first green bond

In autumn 2020, Magnolia Bostad issued its first green bond. The green bond is listed on the Nasdaq Sustainable Bond list. Magnolia Bostad developed a green bond framework according to the Green Bond Principles from 2018, which dictates how Magnolia Bostad can use the money from the bond. This framework is published on Magnolia Bostad's website.

Projects eligible for financing are those that are expected to be certified by according to the Sweden Green Building Council's Silver level or Nordic Swan Ecolabel. Magnolia Bostad's overall goal is for all projects to be certified according to these or equivalent standards. Projects built from wood are also eligible to be financed with the help of bond funds according to the green bond framework.

The green bond framework has been independently assessed by Cicero Shades of Green, which gave the framework the second-highest score, "medium green". Magnolia Bostad will publish an annual report on its website that shows how the company used the funds. This report will be audited by the company's auditors, Ernst & Young. The first report will be published in autumn 2021 when the bond will have been available for one year. The maturity period the green bond is 3.5 years.



*We are very pleased with the large showing of support from investors for our first green bond issuance. A major contributing factor to the interest is our strong sustainability work, which clearly creates value. The new green bonds are a key building block in the continued development of Magnolia Bostad. We hope that we will work more with green financing in the future and see this as proof that our business should be classified as green, says Fredrik Westin, CFO of Magnolia Bostad.*

#### What is a bond?

A bond is an interest-bearing negotiable instrument that provides returns in the form of interest. In purchasing a bond, investors loan money to the issuer of the bond. A green bond is a bond that contributes to environmental sustainability. This means that there are conditions on how the issuer (Magnolia Bostad) can use the bond's funds.

## Environmental responsibility

The building and property industry is one of the industries with the greatest climate impact and it is therefore important that Magnolia Bostad, like other organizations in the industry, takes responsibility to reduce this impact. Climate change also places a demand on Magnolia Bostad to develop buildings that can withstand things like extreme weather, 100-year floods and elevated sea levels.

Magnolia Bostad aims for all projects to be environmentally certified in accordance with the Swedish Green Building council's silver certificate, the Nordic Swan Ecolabel or the equivalent. Magnolia Bostad allows an independent consultant to carry out two environmental audits in each project, one in the project planning phase and one in the production phase, to ensure that the company's requirements are met. A turnkey contract is also audited every year.

Magnolia Bostad believes in the importance of co-operation and is working with Derome to develop climate-smart wooden housing, a concept we call the sustainable wooden city. We are also a member of the Building and Civil Engineering roadmap to achieve climate neutrality by 2045, and are part of LFM30, which

### Events 2020

- Achieved environmental certification for 2,680 of 2,901 completed residences according to the Swedish Green Building Council silver certification or the Nordic Swan Ecolabel.
- Performed 16 environmental audits, six in the planning phase and ten in production.
- Created a digital exhibit with Derome about the sustainable wooden city.

is the Malmö region's roadmap for climate neutrality 2030.

The part of Magnolia Bostad that develops residential care housing, the subsidiary Svenska Vårdfastigheter AB, is certified according to ISO 14001. An internal and external audit of the certification has been carried out during the financial year. Magnolia Bostad demands that the building contractors employed by the company must be ISO certified or meet the corresponding requirements in terms of quality, environment and working environment. The room description largely contains Nordic Swan Eco-labelled products to ensure eco-friendly and sustainable material choices. The room description excludes purchases from countries that are on the UN and EU sanctions lists.

## Risks and risk management in the area of environmental responsibility

Risk	Management	Key figures
<b>Reduced climate impact</b>		
The company must reduce its CO <sub>2</sub> emissions to meet the national target of climate neutrality by 2045. Otherwise, the company risks losing credibility and competitiveness as well as counteracting its sustainable development. Magnolia Bostad could also be affected by environmental policy decisions such as increased taxes or other necessary investments.	Magnolia Bostad includes climate and environmental requirements in turnkey contracts. These requirements are upheld through two environmental audits on each project, one in the planning phase and one in production. The company is developing several projects with wooden frames, which have a lower climate impact than concrete. The company performs life-cycle analyses on select projects to identify climate impact.	300 homes that will be built using wooden frames went into production this year.
<b>Climate change</b>		
Climate change leads to higher temperatures, extreme weather conditions and raised water levels. This entails a risk of property damage resulting from flash floods and buildings being unable to handle new weather conditions or changed temperatures.	Magnolia Bostad performs climate risk analyses for projects in coastal locations. In 2021 Magnolia Bostad plans to develop this analysis and develop a climate risk program for all projects developed by the company. This program will be part of the company's due diligence process.	Not applicable
<b>Environmental impact</b>		
The property industry has a large impact on the environment, with high energy consumption and waste generation.	The company aims for all projects to be environmentally certified in accordance with the Swedish Green Building Council's silver certificate, the Nordic Swan Ecolabel or equivalent. The company also places demands on its contractors regarding waste management. This is followed up on in environmental audits. The company also has an environmental policy that covers both environmental and quality assurance and follows the aims of ISO 14001 and ISO 9001.	10 completed environmentally certified projects 16 completed environmental audits





One of Magnolia Bostad and Derome's projects is Västra Erikslid, one kilometre north of Skellefteå. Magnolia Bostad is planning a new residential area there with around 300 units with varying forms of tenancy. The project will be designed as climate-smart wooden residential buildings with a mix of detached houses and apartment buildings in a neighbourhood structure.

## Wooden buildings have a smaller climate footprint

Magnolia Bostad and Derome are collaborating on the vision of the sustainable wooden city. Through sustainable wooden construction, we create benefits for the climate and the community in the areas in which we operate. Studies show that wooden volume elements have a carbon load between 18 and 33% lower than concrete alternatives. Energy consumption in our housing is also lower than what Boverket's building regulations (BBR) dictate. An example is our joint project Björnbäret in Kalmar, which is at 56% of the BBR requirement.

Another benefit is that wooden buildings are quick to build, because multi-storey buildings can be delivered as prefabricated elements and assembled on site. This reduces the construction time, which means less disruption for people in the area and lower associated costs for the local government. Of course, Magnolia Bostad's goal for all projects to be environmentally certified in accordance with the Swedish Green Building Council's silver certificate, the Nordic Swan Ecolabel or equivalent standard applies to projects built from wood as well, and the same emphasis is placed on safety in development.

Magnolia Bostad and Derome began production on our first wooden project in 2019. We have now completed 234 residences and have 1,467 in production, as well as a planned project in our portfolio.



*Skellefteå Municipality is about to begin a very expansive phase and we have chosen to work with proactive partners like Magnolia Bostad and Derome. This is because we see that there is a sense of safety in their implementation and in what they stand for when it comes to sustainability. Their approach is well aligned with Skellefteå Municipality's idea of sustainability, says Therese Kreisel, Head of Planning for Skellefteå Municipality.*

### Exhibit on the sustainable wooden city

In 2020, Magnolia Bostad and Derome organized an exhibit on the sustainable wooden city. In conjunction with this, the company held three webinars on the topics:

- Building with a lower climate footprint
- Women can solve the housing crisis
- Why build your next neighbourhood from wood?

The webinars are available to watch on our joint website [trastaden.se](https://trastaden.se) (Swedish only).

## Social responsibility

Magnolia Bostad wants to be an engaged organization in the locations where we are active. Therefore, it is important for Magnolia Bostad to engage locally to get to know the area and to understand the needs of the residents. Magnolia Bostad is involved in girls' and women's football with the aim of enabling young girls to have active leisure time. The company sponsors 24 clubs and enables things like night football in Limhamn as well as safe bus transport to matches. This increases safety and involvement in the area.

Safety and security is an aspect that is crucial for the comfort of residents in their homes. Magnolia Bostad therefore works according to the BoTryggt2030 guidelines to ensure that the company develops safe housing areas. One example of safety-increasing measures is the creation of courtyards without dark corners and with well-lit entryways.

Magnolia Bostad's employees are high-performing individuals with demonstrably high engagement. This is a necessity for the company's success. As an employer, Magnolia Bostad has a serious responsibility to enable a balanced life for the company's employees and to ensure a safe and secure working environment free of discrimination, harassment and bullying. Magnolia Bostad has a zero vision for workplace accidents.

### Diversity and gender equality

Diversity and gender equality in the organization helps to increase the understanding of our partners, customers and the local market, which is an important aspect of growth and profitability. If Magnolia Bostad does not work with diversity and gender equality, there is a great risk that the company will not succeed in attracting the talents that are necessary for the company's growth and thus miss business opportunities.

Magnolia Bostad's Code of Conduct, personnel handbook and policy on diversity of the Board contain guidelines on diversity and gender equality. Today, Magnolia Bostad's employees consist of slightly more women than men. The company's board consists of 29% women, and the management consists of 40% women. During the year, Magnolia Bostad was rated 14th on Allbright's green list of gender equality companies.

In the procurement of contracts, Magnolia Bostad demands that contractors work with diversity and be a diversified working group as far as possible.

### Events 2020

- Magnolia Bostad formed a working group for working with BoTryggt2030, which developed an internal process for the company to follow when it comes to BoTryggt2030.
- Ranked 14 on Allbright's green list of gender equality companies.
- Five new football teams signed.



During the year, Magnolia Bostad started a working group that worked with BoTryggt2030. Silvio Moro, project developer at Magnolia Bostad, participated in the working group. In BoTryggt2030 published a handbook with guidelines and recommendations for working with safety when developing new neighbourhoods.

## Risks and risk management in the area of social responsibility

Risk	Management	Key figures
<b>Safety</b>		
If Magnolia Bostad does not prioritize safety and security in developing new projects or in the operation of housing under its own management, the risk is that the residents would feel unsafe, which creates a feeling of unease. It would also reduce interest from the company's investors in investing in the company's projects.	During the year, the company formed a working group that is working to adapt the new BoTryggt2030 guidelines to Magnolia Bostad's work process. The company created a checklist to be used in the development of new projects. The goal is for all projects to be developed in accordance with this checklist.	Employees received a brief introduction to BoTryggt-2030 during the year. In the future the company plans to assess the percentage of projects that follow BoTryggt2030's internal checklist.
<b>Health and safety for Magnolia Bostads employees</b>		
<p><i>The company's own employees</i></p> <p>The risk with ambitious employees is that the workload may be too great, which can lead to ill-health and stress-related illnesses, which in turn can cause employees to take sick leave. This has a negative effect on the individual, but also means that the company cannot make full use of its competencies.</p>	In order to prevent stress-related illnesses and ergonomically related injuries, the company works preventively in the event of an employee not feeling well. This is done through talks and correcting the workload, among other things. The company also conducts work environment training for new managers every year. All employees are covered by health insurance and rehabilitation insurance. To promote health and well-being, Magnolia Bostad offers all employees wellness grants and opportunities for group training.	In 2020, one employee was injured at work in Magnolia Bostad's direct activities (excluding projects). Sick leave amounted to a total of 1.72%.
<p><i>The construction company's employees</i></p> <p>As Magnolia Bostad has no employees in the construction companies, work in production is not a direct risk for the company. However, it is important that Magnolia Bostad engage in dialogue with the contractors to ensure a good working environment where everyone goes home in good health after a day of work. In addition, Magnolia Bostad's brand is also affected negatively if its contractors lack a safe working environment.</p>	Magnolia Bostad sets clear requirements for the working environment in turnkey contracts. These requirements are followed up on during construction meetings. Magnolia Bostad's position on this is also stated in the company's Code of Conduct which is attached to all turnkey contracts. Furthermore, Magnolia Bostad performs an audit of a turnkey contractor every year, in which working environment is reviewed.	During the year, the company carried out an audit of a turnkey contractor in Östersund.
<b>Discrimination, harassment and bullying</b>		
Magnolia Bostad has zero tolerance for discrimination, harassment and bullying. If an employee is subject to this, the risk is that the individual feels uneasy, which affects their professional and personal life. There is also a risk that Magnolia Bostad's brand would be negatively affected and that the company would have difficulty attracting new employees.	Magnolia Bostad has a Code of Conduct and a personnel handbook. The Code of Conduct must be signed by all employees and states the company's position on discrimination, harassment and bullying. The company also has a safety committee, a crisis committee and an ethics council that work toward a safe working environment.	<p>One claim of discrimination was investigated during the year. No cases of discrimination were determined to have occurred.</p> <p>The safety committee had three meetings during the fiscal year and performed safety inspections at all five offices.</p>



# We engage with the areas in which we operate

Magnolia Bostad wants to be an active player in the places where our projects are located. We do this in part by supporting girls' and women's football teams, but also through a number of other efforts.

There are currently a total of 24 football clubs in the Magnolia family. We support their activities in a number of different ways, including snacks and safe transport to matches. Another example is Sättra SK, a football club with women's and girls' programmes that we have sponsored since 2017.

"We think football is the best sport in the world. On a football team, every player is important. It doesn't matter who you are off the pitch – here you are part of the team, and you share a common goal with your teammates. It builds community," says Angelica Hjort Ståhlgren, president of Sättra SK. "I have worked in schools with younger children and have seen how children can easily get trapped in patterns that are hard to break. But on a football team, the child gets a completely different opportunity to feel seen and appreciated. They become part of a larger context, where everyone matters!"

## What are the benefits of girls-only teams?

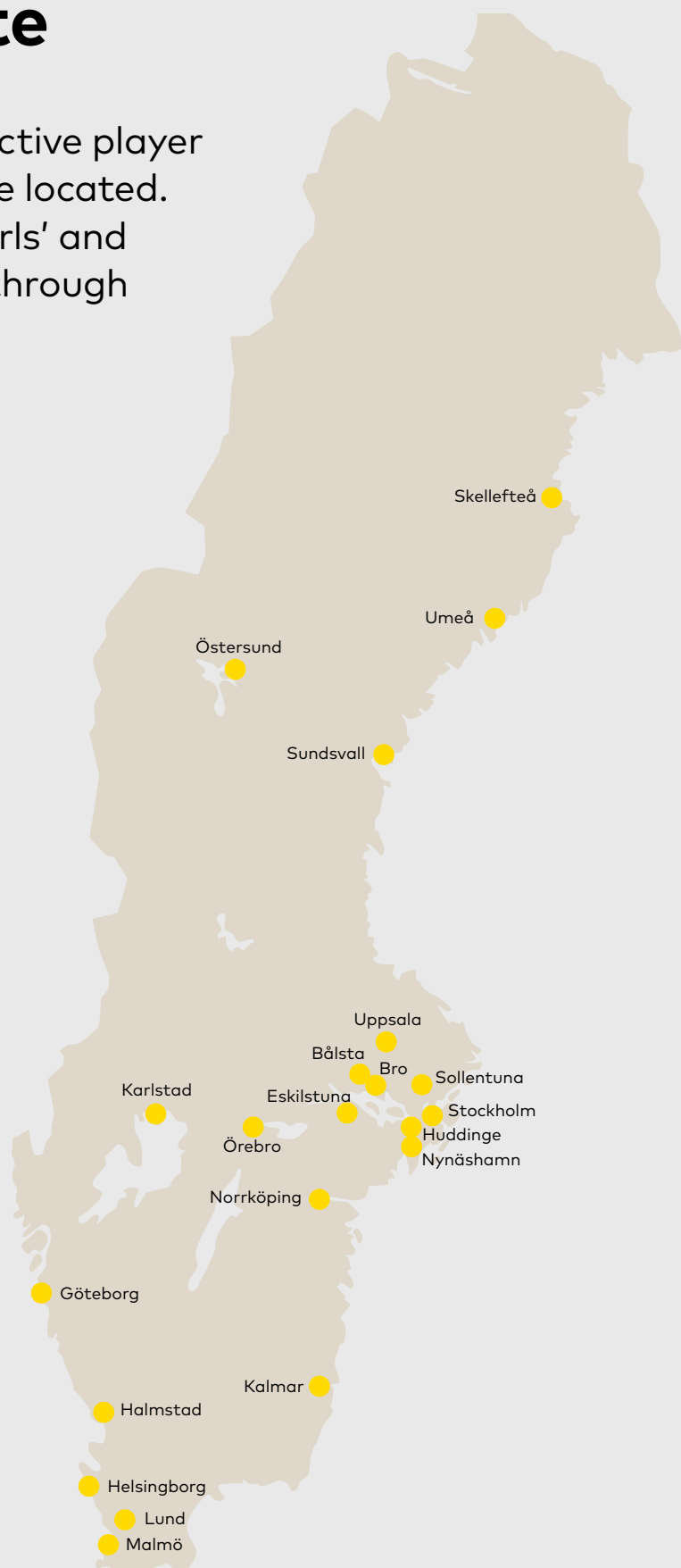
"In other associations with mixed teams, the boys often get the best practice times and the girls get the time that's left over. We don't have that problem. Our girls don't have to compete with the boys, full stop."

## What does Magnolia Bostad's support mean for you?

"A tremendous amount! Thanks to your support, for instance, we were able to put on the Sättra Girls Cup, which in ten years has grown to become Stockholm's largest girls' cup, with a focus on fun, community and development."

## How important was it to run the football school in 2020 specifically?

"The pandemic made it extra important because people's lives were turned upside-down. The players got to meet up, even though there were restrictions. They got to have fun, be active and have some form of normalcy. The football school was a great success, with happy players and parents."





Angelica Hjort Ståhlgren, president of Sättra SK, and Tilda Carlsson, defender on Sättra SK's women's team.

## Active work for gender equality

Ownershift works to increase women's ownership and releases an annual report focused on equality. Magnolia Bostad has been a supporter since the beginning, in 2017.



Linda Waxin, Secretary General of Ownershift:

"We believe that ownership is a key to increasing women's financial autonomy and space to shape our society. We have a broad definition of women's ownership, from companies, shares, and patents to real estate. We target the general public opinion as well as politicians and business. In 2021 we are focusing on real estate in the report 'Who owns the land you walk on?' which Magnolia Bostad is sponsoring."

## Support for elderly people in Eskilstuna

Through the football association Hjärta United we support Care United, where football players offer help and support to the older generation in Eskilstuna.



Loreta Kullashi, football player with Eskilstuna United:

"The players function as extra resources and companions for the elderly. On visits we do things like 90+ gymnastics, play games and take walks. In 2020, the Covid restrictions allowed only 128 hours with Care United, but in total we have spent over 3,300 hours since the beginning."

## All children have the right to dream

All children should be able to feel hope for the future. This can be difficult for children battling serious illnesses. That is why Magnolia Bostad supports Min stora dag.



Jennifer McShane, Secretary General of Min stora dag:

"We are incredibly grateful for Magnolia Bostad's support of Min stora dag. It means that more children with serious illnesses and diagnoses can have joyful experiences that give them the strength to keep fighting in a tough situation. When life is hard and centred around medicine and treatments, a happy experience makes a big difference."

# Goals and outcomes of sustainability indicators

## Economic responsibility

Sustainability aspect	Goal	Outcome		
Long-term profitable growth	See Magnolia Bostad's business targets and financial target, page 13	<b>Direct financial value created and delivered, GRI 201-1 SEK m</b>		
			<b>2020</b>	<b>2019</b>
		Created value:		
		Property sales	2,161	486
		Rental income	52	16
		Project management income	21	29
		Other income	123	220
		Financial income	4	17
		Distributed value:		
		Operating expenses	-1,759	-705
		Salaries and remuneration to employees	-63	-56
		Payment to financiers	-280	-267
		(of which dividends to owners)	(-97)	(-78)
		Payments to the public sector	-41	-35
		Unrealized changes in value	373	388
		Remaining in Magnolia Bostad	591	93
Anti-corruption	No cases of corruption	<b>Corruption incidents GRI 406-1/205-3</b>	<b>Investigated cases</b>	<b>Found cases</b>
		Discrimination	1	0
		Bullying	0	0
		Corruption incidents	0	0
		Violations of the Code of Conduct	2 <sup>1)</sup>	0
		<sup>1)</sup> Of which one refers to an investigation of discrimination which was also examined according to the Code of Conduct.		
Sustainable purchasing and supplier evaluations			<b>2020</b>	
	All new employees must sign the Code of Conduct	<b>Percentage of new employees who signed the company's Code of Conduct</b>		100%
	All employees must receive training on the Code of Conduct	<b>Percentage of employees trained in human rights GRI 412-2</b>		100%
	One audit of a contractor shall be carried out every year	<b>Number of suppliers reviewed for compliance with contracts and Code of Conduct GRI 414-1</b>		1

Magnolia Bostad creates value through the development of housing in Sweden. The economic value created is distributed among suppliers (mainly contractors), employees, society, financiers and owners. The reported distributed value to the employees differs from what is reported as personnel costs in Note 9, remuneration to employees. This is because some of the costs are capitalized on the projects and then reported as operating expenses. Furthermore, social security contributions and other staff-related taxes are reported as payments to the public sector in the Sustainability Report.

## Environmental responsibility

Sustainability aspect	Goal	Outcome		
Reduced climate impact	All projects should be environmentally certified according to the Sweden Green Building Council's Silver level Nordic Swan Ecolabel or equivalent standard.		2020	2019
		<b>Type and number of sustainability certifications, rankings and markings according to new buildings, GRI CRE-8</b>	10 of 13 projects were environmentally certified, one according to Nordic Swan Ecolabel and nine according to the Sweden Green Building Council's Silver level.	Four projects certified according to the Sweden Green Building Council's Silver level. Two projects were certified according to the Nordic Swan Ecolabel. One project was not certified.



## Social responsibility

Sustainability aspect	Goal	Outcome						
Health and safety for Magnolia Bostad's employees					2020	2019		
	All employees covered by a health and safety committee	Representation on working environment committees, GRI 403-1			100%	100%		
	No workplace accidents	Number of workplace accidents, GRI 403-9			2020			
		Sick leave <sup>1)</sup>			1.7%			
		Of which short-term			63.7%			
		Of which long-term			36.3%			
		Workplace accidents <sup>2)</sup>			1			
		Fatalities			0			
		<sup>1)</sup> Long-term sick leave is defined as sick leave lasting more than four weeks. In 2020 fewer than five people took long-term sick leave. <sup>2)</sup> The workplace injury was of a less serious nature.						
	Low employee turnover	Employee turnover 401-1			Per cent women	Per cent men	Total	
		New hires			25.0%	26.5%	29	
		Terminated			9.3%	12.2%	12	
Training and skills development	Average hours of training per employee, per gender, per occupational category >40hrs per year	Total average hours of training, GRI 404-1						
		2020			2019			
		Women	Men	Total	Women	Men	Total	
		Management	32	19	26	69	32	47
		Managers	34	21	27	47	59	55
		Employees	24	28	26	27	30	28
	Total	26	26	26	33	36	34	
	All employees must have employee interviews and career planning every year	Employee talks and career planning GRI 404-3					2020	
Percentage of employees with regular employee talks and career planning					100%			








Sustainability aspect	Goal	Outcome																																																																														
Diversity and gender equality	Equal gender breakdown between men and women	<b>Diversity of governance bodies and employees GRI 405-1</b>																																																																														
		<table><tr><th></th><th colspan="4">2020</th><th colspan="4">2019</th></tr><tr><th>Board</th><th>Management</th><th>Employees</th><th>Total</th><th>Board</th><th>Management</th><th>Employees</th><th>Total</th></tr><tr><td colspan="4">Gender distribution</td><td colspan="4"></td></tr><tr><td>Women</td><td>29%</td><td>46%</td><td>60%</td><td>59%</td><td>17%</td><td>50%</td><td>54%</td><td>52%</td></tr><tr><td>Men</td><td>71%</td><td>54%</td><td>40%</td><td>41%</td><td>83%</td><td>50%</td><td>46%</td><td>48%</td></tr><tr><td colspan="4">Age group</td><td colspan="4"></td></tr><tr><td>&lt;30</td><td>0 %</td><td>0%</td><td>7%</td><td>7%</td><td>0%</td><td>0%</td><td>11%</td><td>9%</td></tr><tr><td>30-50</td><td>30%</td><td>100%</td><td>81%</td><td>79%</td><td>33%</td><td>88%</td><td>77%</td><td>75%</td></tr><tr><td>&gt;50</td><td>70%</td><td>0%</td><td>12%</td><td>14%</td><td>67%</td><td>12%</td><td>12%</td><td>16%</td></tr></table>		2020				2019				Board	Management	Employees	Total	Board	Management	Employees	Total	Gender distribution								Women	29%	46%	60%	59%	17%	50%	54%	52%	Men	71%	54%	40%	41%	83%	50%	46%	48%	Age group								<30	0 %	0%	7%	7%	0%	0%	11%	9%	30-50	30%	100%	81%	79%	33%	88%	77%	75%	>50	70%	0%	12%	14%	67%	12%	12%	16%
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>50	70%	0%	12%	14%	67%	12%	12%	16%																																																																								
<b>Total number of employees by gender, region and type of employment GRI 102-8, Employees at Magnolia Bostad 31/12/2020</b>																																																																																
<table><tr><th></th><th colspan="3">2020</th><th colspan="3">2019</th></tr><tr><th>Region</th><th>Women</th><th>Men</th><th>Total</th><th>Women</th><th>Men</th><th>Total</th></tr><tr><td>Eastern Region</td><td>53</td><td>39</td><td>94</td><td>50</td><td>34</td><td>84</td></tr><tr><td>Central Region</td><td>3</td><td>4</td><td>7</td><td>0</td><td>4</td><td>4</td></tr><tr><td>Southern Region</td><td>3</td><td>2</td><td>5</td><td>3</td><td>5</td><td>8</td></tr><tr><td>Western Region</td><td>4</td><td>1</td><td>5</td><td>4</td><td>1</td><td>5</td></tr><tr><td>Northern Region</td><td>0</td><td>3</td><td>3</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Total</td><td>63</td><td>49</td><td>112</td><td>57</td><td>44</td><td>101</td></tr></table>		2020			2019			Region	Women	Men	Total	Women	Men	Total	Eastern Region	53	39	94	50	34	84	Central Region	3	4	7	0	4	4	Southern Region	3	2	5	3	5	8	Western Region	4	1	5	4	1	5	Northern Region	0	3	3	0	0	0	Total	63	49	112	57	44	101																								
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Region	Women	Men	Total	Women	Men	Total																																																																										
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Western Region	4	1	5	4	1	5																																																																										
Northern Region	0	3	3	0	0	0																																																																										
Total	63	49	112	57	44	101																																																																										
In the Eastern region, one part-time employee and one temporary employee (both are women). The Southern region has a man working part-time. These are included in the table above. Aside from these, everyone in the table is employed full time. As of 12/31/2020, the company had 10 consultants in the business.																																																																																

# GRI index

GRI Standard	Details	Page reference	Comments
<b>GENERAL INFORMATION</b>			
GRI 102: General Disclosures 2016	102-1	Name of the organization	97
	102-2	Brands, products and services	4–5, 78
	102-3	Location of headquarters	97
	102-4	Location of operations	4–5, 22–23
	102-5	Ownership and legal forms	10, 78
	102-6	Markets served	3–4, 10
	102-7	Scale of the organization	4–5, 72, 88–90
	102-8	Information on employees and other workers	73–74
	102-9	Supply chain	64
	102-10	Significant changes to the organization and its supply chain	No significant changes
	102-11	Precautionary principle or approach	58
	102-12	External initiatives	58
	102-13	Membership of associations	64, 66, 68
	102-14	Statement from the CEO, Head of Sustainability and the Chairman of the Board of Directors	6–7, 57, 131
	102-16	Values, principles, standards and norms of behaviour	10–11, 15, 59, 66
	102-18	Governance structure	59, 64, 66, 69, 131–148
	102-40	List of stakeholder groups	58–59
	102-41	Collective bargaining agreements	Not affiliated
	102-42	Identifying and selecting stakeholders	58–59
	102-43	Approach to stakeholder engagement	58–59
	102-44	Key topics and concerns raised	58–59
	102-45	Entities included in the consolidated financial statements	58
	102-46	Defining report content and topic boundaries	58–59
	102-47	List of material topics	58–59
	102-48	Restatements of information	No corrections made
	102-49	Changes in reporting	No corrections made
	102-50	Reporting period	58
	102-51	Date of most recent report	31/3/2020
	102-52	Reporting cycle	58
	102-53	Contact point for questions regarding the report	Fredrik Westin, CFO
	102-54	Claims of reporting in accordance with the GRI Standards	58
	102-55	GRI content index	75–76
	102-56	Policy for external assurance	The report has not been externally reviewed

GRI Standard	Details	Page reference	SDG <sup>1)</sup>	Comments
<b>SIGNIFICANT FOCUS AREAS</b>				
<b>Economic</b>				
<i>Long-term profitable growth</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	58–59, 64	
	103-2	The management approach and its components	64	
	103-3	Evaluation of the management approach	64	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	72	
<i>Anti-corruption</i>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	58–59, 64	
	103-2	The management approach and its components	64	
	103-3	Evaluation of the management approach	64	
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	72	



GRI Standard	Details		Page reference	SDG <sup>1)</sup>	Comments
<i>Sustainable purchasing and supplier evaluations</i>					<i>Number of hours not reviewed</i> <i>Percentage not stated.</i>
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	58–59		
	103-2	The management approach and its components	58–59		
	103-3	Evaluation of the management approach	58–59		
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights	74		
	414-1	Number of suppliers evaluated for compliance with contract and Code of Conduct.	64, 72		
<b>Environment</b>					
<i>Reduced climate impact</i>					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	58–59, 66		
	103-2	The management approach and its components	66		
	103-3	Evaluation of the management approach	66		
GRI Construction and Real Estate Sector Supplement	CRE-8	Type and number of sustainability certifications, rankings and awards for new construction	66, 73		
<b>Social</b>					
<i>Health and safety for Magnolia Bostad's employees</i>					Not completely reported
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	58–59, 68–69		
	103-2	The management approach and its components	68–69		
	103-3	Evaluation of the management approach	68–69		
GRI 403: Occupational Health and Safety 2016	403-1	Representation on work environment committees	68–69, 73		
	403-9	Work-related injuries and illnesses	68–69, 73		
<i>Training and education</i>					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	68–69, 73		
	103-2	The management approach and its components	68–69		
	103-3	Evaluation of the management approach	68–69		
GRI 404: Training and Education 2016	404-1	Average number of training hours	73		
	404-3	Percentage of employees with regular employee talks and career planning	73		
<i>Diversity and gender equality</i>					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	68–69		
	103-2	The management approach and its components	68–69		
	103-3	Evaluation of the management approach	68–69		
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity among management and employees	74		
<i>Safety</i>					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundaries	58–59, 68–69		
	103-2	The management approach and its components	68–69		
	103-3	Evaluation of the management approach	68–69		

<sup>1)</sup> SDG: Sustainable Development Goals.

## Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Magnolia Bostad AB (publ), corporate identity number 556797-7078

### Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2020 on pages 56–77 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the statutory sustainability statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally

accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A statutory sustainability statement has been prepared.

Stockholm, 30th of March 2021  
Ernst & Young AB

Fredric Hävrén  
*Authorized Public Accountant*

# Directors' report

The Board of Directors and CEO of Magnolia Bostad AB (pub), CIN 556797-7078, hereby submit the annual report and consolidated financial statements for the financial year 01/01/2020-31/12/2020.

## The business in general

### *Parent Company*

The Parent Company, Magnolia Bostad AB, which is domiciled in Stockholm, has one (2) employee and conducts its business through the acquisition, ownership and management of subsidiaries in the housing industry.

### *The Group*

The Group conducts operations within the housing industry related to tenant-owned and rental apartments, community service properties and hotels. Production is procured externally. Property management is conducted until the point in time when project management may begin, and from the end of 2018, the Group has own certain properties for its own long-term management.

## Significant events in the Group during the financial year

During the year, Magnolia Bostad agreed to acquire 8,233 (3,548) estimated building rights, the number of production process-started residential units amounted to 3,599 (2,678) and 3,904 (499) residential units were sold during the period.

The Board proposes no dividend payment for 2020.

## Business concept, targets and strategy

Magnolia Bostad is an urban developer that develops and manages attractive and sustainable living environments with good profitability.

In light of Magnolia Bostad's investment in the development of properties for self-management, the Board has reviewed the company's targets to better reflect its future business. The targets form the basis for profitable growth and guide the development of projects, both for self-management and for sale.

By the end of 2025, Magnolia Bostad shall own at least 4,000 completed residential units for self-management, or alternatively own investment properties with a market value of at least SEK 8 billion. Production must start on at least 3,000 residential units per year, seen as an average over a business cycle, and all projects must, as previously, aim to achieve the requirements for environmental certification corresponding to the Swedish Green Building Council's silver certification or Nordic Swan Ecolabel. The Group's equity/assets ratio must amount to at least 30%. During 2020, the production process started on 3,599 (2,678) residential units and the equity/assets ratio totalled 32.7% (28.1) at the end of the year.

As of 31 December 2020, Magnolia Bostad was active in the areas of rental apartments, tenant-owned apartments, community service properties and hotels. Magnolia Bostad also owns properties for self-management. Development must be in growth areas demonstrating favourable long-term demographic conditions. Production of projects only begins when demand has been ensured.

## Legal structure

The Magnolia Bostad Group, in addition to holdings reported in accordance with the equity method, consisted of 220 companies (191) as of 31 December 2020.

## Organization

The Magnolia Bostad organization is divided into the following departments: Business Development, Project Development, Business Generation, Community Service Properties, Magnolia Architects, Residential Development, Operational Development, Communications, Legal and Finance. As of 31 December 2020, the company's organization consisted of 112 employees (101), of which 63 were women (56) and 49 were men (45), at offices in Stockholm, Norrköping, Göteborg, Malmö and Umeå.

## Sustainability

Magnolia Bostad has a clear focus on ensuring that all projects are financially, socially and environmentally sustainable. The housing the company develops should not just be sustainable today, but for generations. Therefore, the company has a clear focus on sustainable material choices and social safety. A fundamental prerequisite for the company's growth and profitability is to think about long-term sustainability and integrate the issues into each part of the business. In accordance with Chapter 6, section 11 of the Annual Accounts Act, Magnolia Bostad AB (publ) has opted to prepare its statutory sustainability report as a separate report from the annual report. The sustainability report was submitted to the auditor along with the annual report. The sustainability report can be found on pages 56-76.

## Share information

### *The shares*

Since 20 June 2018, Magnolia Bostad's shares have been listed on Nasdaq Stockholm, in the Small Cap segment, and are traded under the ticker MAG. The total number of issued shares at the end of the period was 37,822,283 with a quota value of SEK 4 per share. According to Magnolia Bostad's Articles of Association, the share capital shall total no less than SEK 120 m and no more than SEK 480 m, which means that Magnolia Bostad shall have a minimum of 30,000,000 and a maximum of 120,000,000 shares. The share price at closing on 30 December 2020 was SEK 58.40.

The Annual General Meeting held on 26 April 2017 resolved to issue 350,000 warrants to the subsidiary,

## Financial overview

Amounts in SEK m unless otherwise specified	2020	2019	2018	2017	2016
Net sales	2,358	896	1,054	1,781	1,064
Gross profit/loss	594	30	147	434	422
Operating profit/loss	906	366	164	384	409
Profit/loss after financial items	725	194	22	276	319
Net profit/loss for the year	688	157	7	276	319
Interest coverage ratio (multiple)	4.1	1.4	0.7	3.4	4.4
Balance sheet total	5 297	4,067	3,605	3,550	2,746
Equity	1 733	1,141	1,093	1,171	989
Equity/assets ratio (%)	32.7	28.1	30.3	33.0	36.0
Return on equity, % <sup>1)</sup>	49.4	13.2	1.0	22.0	36.7
Earnings per share after tax, SEK <sup>1)</sup>	17.40	3.41	0.26	5.37	7.16
Earnings per share after full dilution, SEK <sup>1)</sup>	17.40	3.41	0.26	5.37	7.13
Equity per share, SEK <sup>1)</sup>	42.95	27.55	24.77	26.20	22.58
Earnings per share, SEK <sup>4)</sup>	0	2.00 <sup>2)</sup>	0	1.75	1.75
Number of outstanding shares	37,822,283	37,822,283	37,822,283	37 822 283	37 822 283
Number of outstanding shares after full dilution	37,822,283	37,822,283	37,822,283	37 822 283	37 982 283 <sup>3)</sup>

<sup>1)</sup> Excluding the minority

<sup>2)</sup> It was decided at an Extraordinary General Meeting in the autumn of 2020 to pay a dividend for the 2019 financial year.

<sup>3)</sup> 160,000 warrants are held by the Magnolia Bostad Group.

<sup>4)</sup> Refers to the Board's proposed dividend for each financial year

For information about alternative KPIs, see Note 36 – Alternative KPIs.

Magnolia Utveckling AB. In total 260,500 warrants were transferred to employees in accordance with the warrant program, and 28,000 warrants have been repurchased. 89,500 unexercised warrants were cancelled during the year. Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

The Annual General Meeting held on 10 May 2019 resolved to issue 200,000 warrants to the subsidiary, Magnolia Utveckling AB. Following the AGM's decision, 200,000 of the warrants were offered to key employees at the subsidiary, all of which have been acquired by and assigned to key employees. Each warrant entitles the holder to subscribe for one share in Magnolia Bostad at a strike price of SEK 84 per share during the period from 1 November 2022 until 26 April 2024.

### Ownership

The number of shareholders as of 31 December 2020 amounted to 4,009 (3,691). F. Holmström Fastigheter AB, which is controlled by Fredrik Holmström through a company, owns 56.4% (56.4) of Magnolia Bostad. The ten largest owners together hold 87.2% (87.7) of the votes. One (one) of these had a holding amounting to 10% or more of the votes in the company.

## Earnings, financial position and cash flow

### The Group

Net sales for the financial year amounted to SEK 2,358 m (896) and consist primarily of sales of development and project properties. Magnolia Bostad recognised revenue for 3,904 properties, compared to 499 properties last year.

Operating profit amounted to SEK 906 m (366) and includes changes in value to management properties of SEK 336 m (348). The operating profit was negatively affected by delays in certain projects as their zoning plans were reviewed or appealed.

During the year, Magnolia Bostad strengthened its organization, which resulted in an increase in costs for central administration to SEK -98 m (-89).

Net financial items amounted to SEK -181 m (-172). The increase is primarily attributable to growing assets that are financed externally. The profit/loss after tax for the full year amounted to SEK 688 m (157). Tax expenses totalled SEK -37 m (-37) and consisted of deferred taxes on temporary differences in investment properties.

The balance sheet total increased by SEK 1,230 m to SEK 5,297 m (4,067). The Group's equity as of 31 De-

ember 2020 amounted to SEK 1,733 m (1,141) with an equity/assets ratio of 32.7% (28.1). The minority share of equity was SEK 109 m (99). During the year, a dividend of SEK 21 m was distributed to holders without a controlling influence. In 2020, return on equity amounted to 49.4% (13.2).

Total interest-bearing loans amounted to SEK 2,021 m (2,491) as of 31 December 2020. Interest-bearing net liabilities, after deductions for cash and cash equivalents of SEK 277 m (441), amounted to SEK 1,744 m (2,050). At the end of the year, Magnolia Bostad's average interest rate on the nominal principal loan amount was 7.1% (7.0) with an interest coverage ratio of 4.1 (1.4). The average tied-up capital period, excluding deposits and the credit line, was 2.0 years (1.6) on 31 December 2020.

Consolidated cash flow from operating activities amounted to SEK 405 m (-18), cash flow from investment activities amounted to SEK -168 m (-267) and cash flow from financing activities amounted to SEK -401 m (324). Cash and cash equivalents as of 31 December 2018, amounted to SEK 277 m (441). In addition to cash and cash equivalents, there are unused credit facilities totalling SEK 490 m (788) as of 31 December 2020.

#### *Parent Company*

The parent company's profit after tax for the period was SEK 118 m (87). The balance sheet total amounted to SEK 1,914 m (2,057). The equity/assets ratio in the parent company was 23.9% (20.3).

#### **Project portfolio**

The total number of estimated building rights in the portfolio amounted to 22,731 (18,037) as of 31 December 2020. During 2020, 3,904 residential units were sold from 17 projects, compared to 499 from 6 projects in 2019. During the year, 13 projects totalling 2,901 residential units were completed, compared to 7 projects totalling 1,060 residential units last year. In 2020, a total of 13 (37) apartments were converted to tenant-owned apartments and sold to end customers in already-sold rental apartment projects.

#### **Auditors**

At the Annual General Meeting on 27 April 2020, the auditing company Ernst & Young AB was re-selected as the company's auditor for the period extending up to the end of the 2021 Annual General Meeting.

#### **Corporate governance and the work of the Board**

Magnolia Bostad AB is a Swedish public limited liability company domiciled in Stockholm. The Articles of Association, the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq's regulations for issuers, the Swedish Corporate Governance Code and other applicable laws and regulations form the basis of the company's corporate governance.

The Annual General Meeting in 2020 was held on 27 April 2020. Present at the meeting were 5 shareholders (20), representing in total 71.7% of the votes (72.0). Fredrik Holmström was elected chair of the Meeting. The minutes from the Annual General Meeting are available on Magnolia Bostad's website, [magnoliabostad.se](http://magnoliabostad.se).

The Annual General Meeting in 2020 resolved on the following:

- Adoption of the income statement and balance sheet for the 2019 financial year and appropriation of profits.
- Granting of discharge from liability for the Board members and the CEO for the financial year 2019.
- Adoption of remuneration to the Board of Directors and auditors.
- Re-election of Board members Viveka Ekberg Fredrik Holmström, Jan Roxendal, Andreas Rutili, Risto Siilander and Fredrik Tibell, and the additional election of Anna-Greta Sjöberg.
- Fredrik Holmström was elected Chair of the Board.
- Reselection of the auditing company Ernst & Young AB as auditor. Authorized auditor Fredric Hävrén was appointed chief auditor.
- Resolution on warrants program and the transfer of warrants.
- Resolution on new nomination committee instructions.

All decisions apply to the period until the end of the next Annual General Meeting.

The formal work plan for the Board of Directors includes information about the distribution of responsibility between the Board of Directors, the Chairman of the Board and the CEO. The Board is responsible for the company's organization and management. The work of the Board follows an annual meeting schedule that utilizes a fixed agenda structure for each Board meeting. As needed, employees from the company attend Board meetings to hold presentations. A description of Magnolia Bostad's corporate governance and the work of Board of Directors can be found in the Corporate Governance Report.

#### **Guidelines for remuneration to Executive Management**

At the 2020 Annual General Meeting, it was decided that the following guidelines for salaries and other remuneration to Board members, the company's CEO, Deputy CEO and other senior executives apply until new guidelines are adopted by an AGM, however no later than the end of the 2024 AGM. Executive Management refers to members of the company's executive management team. The guidelines apply to agreements entered into after the decisions taken at the Meeting, as well as where changes have been made to existing agreements after this point. The guidelines do not cover fees to the Board determined by the Annual General Meeting or such issues and transfers covered by Chapter 16 of the Swedish Companies Act.



*The guidelines' promotion of the company's business strategy, long-term interests and sustainability*

In brief, the company's business strategy is as follows. Magnolia Bostad is an urban developer working with rental accommodation, community service properties, hotels and tenant-owned apartments. We develop our accommodation as individual projects or as part of larger projects involving the creation of a whole new neighbourhood. Magnolia Bostad will develop efficient, attractive and functional new housing with good profitability. By working with several forms of tenure and focusing on long-term partnerships, the company achieves a good diversification of risk. In order to achieve our targets within the framework of our business concept, the following strategic focus has been established: development will take place in locations with good, long-term demographic conditions; properties should be developed for sale as residential units, community service properties or hotels based on market conditions and each property's individual potential and characteristics; projects must also be developed for self-management, to strengthen the balance sheet, generate ongoing cash flow and create long-term value growth; production should start only when demand is ensured, cooperation should be with long-term partners and the balance sheet must be utilized efficiently, primarily through a high turnover rate throughout the project chain.

For further information on the company's business strategy, see <https://om.magnoliabostad.se/en>.

Successful implementation of the company's business strategy and safeguarding the company's long-term interests and sustainability, requires the company to be able to recruit and retain skilled employees. This requires the company to be in a position to offer competitive remuneration. These guidelines enable senior executives to be offered a competitive total remuneration.

*Previously established incentive schemes*

In previous years, the Board has used long-term incentives with the aim of promoting the company's long-term financial interests by encouraging ownership in the company. This promotes the company's business strategy and enables the shareholders and employees concerned to achieve the same long-term targets as well as a common view on sustainability issues. They have been approved by the AGM and are therefore not covered by these guidelines.

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2018, 260,500 warrants were transferred to employees at market terms in accordance with the warrant programme. 28,000 warrants were bought back during 2019. Warrants that have been bought back are still in the ownership of the subsidiary Magnolia Utveckling AB. 89,500 unexercised warrants were cancelled during 2019. Each warrant entitles the holder to the right to subscribe to one share

at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

The Annual General Meeting held on 10 May 2019, resolved to issue 200,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2019, 170,000 warrants were transferred to key personnel at Magnolia Bostad at market terms in accordance with the warrant programme. The outstanding warrants remain in Magnolia Utveckling AB's ownership and can, according to the AGM's decision, be offered to employees of Magnolia Bostad (which may include senior executives). Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 1 November 2022 until 26 April 2024.

There is no agreed incentive scheme that has not fallen due for payment, i.e. there is no commitment for the company to pay in agreed schemes.

For further information on these schemes, see <https://om.magnoliabostad.se/en>.

*Remuneration and forms of remuneration*

Remuneration to senior executives shall be market-based and competitive and may consist of a fixed portion and a variable portion, as well as pensions and other benefits. In addition, the Board can prepare, and the AGM decide on, share- and share price-related incentive schemes. With a combination of remuneration forms, it is possible to achieve both short and long-term target management that works for target fulfilment. The various forms of remuneration that can be paid are described below.

*Fixed part*

The fixed salary (monthly salary) should be attractive in relation to the market and based on the employee's skills, experience and performance. The salary is assessed annually. Senior executives do not receive remuneration for Board assignments in the Group.

*Variable part*

In addition to the fixed salary, variable remuneration can be paid to senior executives (however, the CEO, Fredrik Lidjan, only has a fixed salary). Variable remuneration may be paid at an amount corresponding to a maximum of 12 monthly salaries. As a maximum, the variable portion represents 50% of the total remuneration (fixed and variable salary).

Variable remuneration must be linked to set targets and must be partly based on individual performance and partly on the company's performance and results and must be designed to promote the company's business strategy and long-term interests, including the company's sustainability targets. The targets for variable remuneration should be related to the outcome of the company's financial targets as well as individual targets. The financial targets are set by the Board with a

view to ensuring that they are in line with the company's business strategy and financial targets. The individual targets are used to ensure focus on non-financial targets of particular interest. The targets set should be measured over the course of a calendar year. After the end of the calendar year, an overall assessment shall assess the extent to which the set targets have been met. It is the Board of Directors who is responsible for the overall assessment, however, the CEO assesses outcomes regarding individual targets to report to the Board, which makes a decision.

Additional variable remuneration may be paid in exceptional circumstances, provided that such extraordinary arrangements are time-limited and made only at an individual level, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary work in addition to the person's regular duties. Such remuneration may not exceed an amount corresponding to a maximum of 50% of the total fixed portion of the remuneration and may not be paid more than once a year and per individual. A decision on such remuneration shall be made by the Board (where applicable after preparation by the remuneration committee).

#### *Remuneration to Board members*

In special cases, Board members elected by the AGM shall be able to receive remuneration and other remuneration for work carried out on behalf of the company, in addition to the work of the Board. For such services, a market-oriented fee shall be payable, if required, to be approved by the Board.

#### *Pensions and other benefits*

The terms of the pension must be on market terms and must be based on defined-contribution pension schemes. Individuals in the group of senior executives have a defined contribution pension, with no other obligations from the company other than the payment of an annual premium during the period of employment.

For the CEO and for other senior executives, pension benefits and private health insurance must be premium-determined. Variable cash remuneration (bonuses) shall not be pensionable. The pension premiums for defined contribution pensions correspond to the ITP plan and amount to 4.5% of the fixed annual cash remuneration up to 7.5 income base amounts and 30% of the fixed annual salary exceeding 7.5 income base amounts. However, the pension premiums for defined contribution pensions shall amount to a maximum of 35% of the fixed part of the salary.

Other benefits shall be of limited scope and may include: life and medical insurance and car insurance. These benefits should form a minor part of the total remuneration and be consistent with market conditions.

The company has no employment conditions that are governed by non-Swedish regulations.

#### *Conditions for termination of employment*

The retirement age should normally be 65 years. The notice period for the CEO from the company shall not exceed 12 months. The notice period for other senior executives shall not exceed 6 months. In the event of termination by the CEO, the period of notice is 12 months and from senior executives a maximum of 6 months.

There are non-competition terms and terms regarding remuneration after employment termination for the CEO. Remuneration as a result of the prohibition of competition shall not, in total, exceed an amount corresponding to 60% of the previous monthly income at the time of termination of employment (the average of the monthly income for the twelve months preceding the termination of employment). Such remuneration shall compensate for any loss of income during the period subject to the prohibition of competition obligation, which shall not exceed twelve months after the termination of employment.

#### *Incentive schemes*

In order to improve long-term decision-making and ensure long-term target fulfilment, the Board of Directors may propose that the AGM decide on incentive schemes.

Salaries and terms of employment for other employees In preparing this proposal for the guidelines, the salary and terms of employment for all the company's employees have been taken into account by the fact that information on employees' total remuneration, remuneration components and increase in remuneration over time has informed the Board's decision when evaluating the reasonableness of the guidelines and the limitations that follow these. The development will be reported in the remuneration report prepared before the AGM in 2021.

#### *The decision-making process to establish, review and implement the guidelines*

Given the size of the company and the scope of the business, the company has chosen not to set up a remuneration committee but has found that it is more appropriate that issues regarding remuneration and terms of employment for the company's management be addressed by the Board in its entirety. If a Board member is a member of the executive management, he/she must not participate in this part of the work. The Board shall have a remuneration policy regarding remuneration and terms of employment for senior executives.

The Board of Directors has to prepare proposals for new guidelines at least every four years and submit the proposals for decision at the AGM. The guidelines shall apply until new guidelines have been adopted by the AGM. It is also the responsibility of the Board to monitor and evaluate any schemes for variable remuneration for the company's management, the application of the guidelines as well as applicable remuneration structures and remuneration levels in the company.

In the Board's treatment of and decisions on remuneration-related matters, the CEO or other members of the company's management do not attend, insofar as they are affected by the issues. All decisions ensure that conflicts of interest are counteracted and that any conflicts of interest are handled in accordance with the company's conflicts of interest policy.

#### *Departure from the guidelines*

The Board of Directors may decide to deviate temporarily from the guidelines in whole or in part, if there are specific reasons for this in an individual case and a departure is necessary to meet the company's long-term interests.

#### *Information on remuneration decided that has not been due for payment and deviations from the guidelines for remuneration decided by the Annual General Meeting 2019*

At previous AGMs, guidelines were set for remuneration and other terms of employment for senior executives for the period leading up to the next AGM. The guidelines adopted by the AGM of 2019 have been followed and all previously agreed remuneration that has not yet been paid remains within the above framework. There is one case of a fixed bonus agreement but is based on an agreement with a person who at the time of signing the agreement was not a senior executive.

#### *Description of significant changes to the guidelines*

The content of the guidelines has been reviewed and adapted to reflect the legal requirements imposed by Directive (EU) 2017/828 of the European Parliament and of the Council, amending Directive 2007/36/EC as regards the encouragement long-term involvement of shareholders.

#### *Other*

Note 9 shows the total remuneration and other benefits paid to senior executives during the year.

#### **Proposed guidelines for remuneration to Executive Management in 2021**

It is proposed by the Board that the Annual General Meeting of 27 April 2021 should decide on the following guidelines for salaries and other remuneration to Board members, the company's CEO, Deputy CEO and other senior executives, to apply until new guidelines are adopted by an AGM, however no later than the end of the 2025 AGM. Executive Management refers to members of the company's executive management team. The guidelines apply to agreements entered into after the decisions taken at the Meeting, as well as where changes have been made to existing agreements after this point. The guidelines do not cover fees to the Board determined by the Annual General Meeting or such issues and transfers covered by Chapter 16 of the Swedish Companies Act.

#### *The guidelines' promotion of the company's business strategy, long-term interests and sustainability*

In brief, the company's business strategy is as follows. Magnolia Bostad is an urban developer working with rental accommodation, community service properties, hotels and tenant-owned apartments. We develop our accommodation as individual projects or as part of larger projects involving the creation of a whole new neighbourhood. Magnolia Bostad will develop efficient, attractive and functional new housing with good profitability. By working with several forms of tenure and focusing on long-term partnerships, the company achieves a good diversification of risk. In order to achieve our targets within the framework of our business concept, the following strategic focus has been established: development will take place in locations with good, long-term demographic conditions; properties should be developed for sale as residential units, community service properties or hotels based on market conditions and each property's individual potential and characteristics; projects must also be developed for self-management, to strengthen the balance sheet, generate ongoing cash flow and create long-term value growth; production should start only when demand is ensured, cooperation should be with long-term partners and the balance sheet must be utilized efficiently, primarily through a high turnover rate throughout the project chain.

For further information on the company's business strategy, see <https://om.magnoliabostad.se/en>.

Successful implementation of the company's business strategy and safeguarding the company's long-term interests and sustainability, requires the company to be able to recruit and retain skilled employees. This requires the company to be in a position to offer competitive remuneration. These guidelines enable senior executives to be offered a competitive total remuneration.

#### *Previously established incentive schemes*

In previous years, the Board has used long-term incentives with the aim of promoting the company's long-term financial interests by encouraging ownership in the company. This promotes the company's business strategy and enables the shareholders and employees concerned to achieve the same long-term targets as well as a common view on sustainability issues. They have been approved by the AGM and are therefore not covered by these guidelines.

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2018, 260,500 warrants were transferred to employees at market terms in accordance with the warrant programme. 28,000 warrants were bought back during 2019. Warrants that have been bought back are still in the ownership of the subsidiary Magnolia Utveckling AB. 89,500 unexercised

warrants were cancelled during 2019. Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

The Annual General Meeting held on 10 May 2019, resolved to issue 200,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2019, 170,000 warrants were transferred to key personnel at Magnolia Bostad at market terms in accordance with the warrant programme, and subsequently in 2020 the remaining 30,000 warrants were transferred to a key person in Magnolia Bostad at market terms in accordance with the warrant programme. Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 1 November 2022 until 26 April 2024.

All agreed incentive schemes have fallen due for payment, i.e. there is no commitment for the company to pay in agreed schemes.

For further information on these schemes, see <https://om.magnoliabostad.se/en>.

#### *Remuneration and forms of remuneration*

Remuneration to senior executives shall be market-based and competitive and may consist of a fixed portion and a variable portion, as well as pensions and other benefits. In addition, the Board can prepare, and the AGM decide on, share- and share price-related incentive schemes. With a combination of remuneration forms, it is possible to achieve both short and long-term target management that works for target fulfilment. The various forms of remuneration that can be paid are described below.

##### *Fixed part*

The fixed salary (monthly salary) should be attractive in relation to the market and based on the employee's skills, experience and performance. The salary is assessed annually. Senior executives do not receive remuneration for Board assignments in the Group.

##### *Variable part*

In addition to the fixed salary, variable remuneration can be paid to senior executives. Variable remuneration may be paid at an amount corresponding to a maximum of 12 monthly salaries. As a maximum, the variable portion represents 50% of the total remuneration (fixed and variable salary).

Variable remuneration must be linked to set targets and must be partly based on individual performance and partly on the company's performance and results and must be designed to promote the company's business strategy and long-term interests, including the company's sustainability targets. The targets for variable remuneration should be related to the outcome of the company's financial targets as well as individual targets. The financial targets are set by the Board with a view to ensuring that they are in line with the company's

business strategy and financial targets. The individual targets are used to ensure focus on non-financial targets of particular interest. The targets set should be measured over the course of a calendar year. After the end of the calendar year, an overall assessment shall assess the extent to which the set targets have been met. It is the Board of Directors who is responsible for the overall assessment, however, the CEO assesses outcomes regarding individual targets to report to the Board, which makes a decision. It should be noted that there is one instance of an agreement for a fixed bonus. See the Guidelines for salary and other remuneration adopted by the 2020 Annual General Meeting.

Additional variable remuneration may be paid in exceptional circumstances, provided that such extraordinary arrangements are time-limited and made only at an individual level, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary work in addition to the person's regular duties. Such remuneration may not exceed an amount corresponding to a maximum of 50% of the total fixed portion of the remuneration and may not be paid more than once a year and per individual. A decision on such remuneration shall be made by the Board.

#### *Remuneration of Board members*

In special cases, Board members elected by the AGM shall be able to receive remuneration and other remuneration for work carried out on behalf of the company, in addition to the work of the Board. For such services, a market-oriented fee shall be payable, if required, to be approved by the Board.

#### *Pensions and other benefits*

The terms of the pension must be on market terms and must be based on defined-contribution pension schemes. Individuals in the group of senior executives have a defined contribution pension, with no other obligations from the company other than the payment of an annual premium during the period of employment.

For the CEO and for other senior executives, pension benefits and private health insurance must be premium-determined. Variable cash remuneration (bonuses) shall not be pensionable.

The pension premiums for defined contribution pensions correspond to the ITP plan and amount to 4.5% of the fixed annual cash remuneration up to 7.5 income base amounts and 30% of the fixed annual salary exceeding 7.5 income base amounts. However, the pension premiums for defined contribution pensions shall amount to a maximum of 35% of the fixed part of the salary.

Other benefits shall be of limited scope and may include: life and medical insurance and car insurance. These benefits should form a minor part of the total remuneration and total a maximum of 10% of the fixed aspect of the remuneration, while being consistent with market conditions.

The company has no employment conditions that are governed by non-Swedish regulations.

#### **Conditions for termination of employment**

The retirement age should normally be 65 years. The notice period for the CEO from the company shall not exceed 12 months. The notice period for other senior executives shall not exceed 6 months. In the event of termination by the CEO, the period of notice is 12 months and from senior executives a maximum of 6 months.

There are non-competition terms and terms regarding remuneration after employment termination for the CEO. Remuneration as a result of the prohibition of competition shall not, in total, exceed an amount corresponding to 60% of the previous monthly income at the time of termination of employment (the average of the monthly income for the twelve months preceding the termination of employment). Such remuneration shall compensate for any loss of income during the period subject to the prohibition of competition obligation, which shall not exceed twelve months after the termination of employment.

#### **Incentive schemes**

In order to improve long-term decision-making and ensure long-term target fulfilment, the Board of Directors may propose that the AGM decide on incentive schemes.

#### **Salaries and terms of employment for other employees**

In preparing this proposal for the guidelines, the salary and terms of employment for all the company's employees have been taken into account by the fact that information on employees' total remuneration, remuneration components and increase in remuneration over time has informed the Board's decision when evaluating the reasonableness of the guidelines and the limitations that follow these. The development will be reported in the remuneration report for the year in question.

#### **The decision-making process to establish, review and implement the guidelines**

Given the size of the company and the scope of the business, the company has chosen not to set up a remuneration committee but has found that it is more appropriate that issues regarding remuneration and terms of employment for the company's management be addressed by the Board in its entirety. If a Board member is a member of the executive management, he/she must not participate in this part of the work. The Board shall have a remuneration policy regarding remuneration and terms of employment for senior executives.

The Board of Directors has to prepare proposals for new guidelines at least every four years and submit the proposals for decision at the AGM. The guidelines shall apply until new guidelines have been adopted by the AGM. It is also the responsibility of the Board to monitor and evaluate any schemes for variable remuneration

for the company's management, the application of the guidelines as well as applicable remuneration structures and remuneration levels in the company.

In the Board's treatment of and decisions on remuneration-related matters, the CEO or other members of the company's management do not attend, insofar as they are affected by the issues. All decisions ensure that conflicts of interest are counteracted and that any conflicts of interest are handled in accordance with the company's conflicts of interest policy.

#### **Departure from the guidelines**

The Board of Directors may decide to deviate temporarily from the guidelines in whole or in part, if there are specific reasons for this in an individual case and a departure is necessary to meet the company's long-term interests.

#### **Description of changes to the guidelines**

The content of the guidelines has been reviewed and amended in order to remove descriptions of person-specific conditions after the change of CEO. The changes are not seen as being significant.

#### **Other**

The Annual Report shows the total remuneration and other benefits paid to senior executives during the year. The remuneration report has further details for the CEO and deputy CEO.

#### **Events after the end of the period**

New targets and a new dividend policy were adopted by the Board in February 2021 in the light of Magnolia Bostad's investment in the development of properties for self-management. These new targets replace previously communicated business and financial targets.

A senior unsecured green bond loan of SEK 500 m with a variable interest rate of 3 months (STIBOR) plus 6.90% was issued during March 2021. At the same time, a voluntary repurchase offer was made for outstanding bonds maturing in 2021. In March, Magnolia Bostad notified the holders of bonds maturing in 2021 of the voluntary early redemption of all outstanding bonds in accordance with the terms and conditions of the bonds. Early redemption will take place during April 2021.

#### **Proposed appropriation of company profits**

*The following is available to the Annual General Meeting, SEK:*

Share premium reserve	184,732,539
Profit/loss carried forward	4,846,450
Net profit/loss for the year	117,458,021

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<b>Total</b>	<b>307,037,010</b>
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*The Board proposes:*

To be carried forward	307,037,010
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<b>Total</b>	<b>307,037,010</b>
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## Risk management

Magnolia Bostad considers and manages on an ongoing basis the various risks that arise in conjunction with its operations and takes them into account when selecting the business focus, making business decisions and establishing procedures.

It is the company's belief that an active risk management through competent employees and good procedures does not simply identify risks in time but also

contributes to higher profitability. Magnolia Bostad's risks are divided into three main types: (1) external risks, (2) operative risks and (3) organizational risks.

The following table presents Magnolia Bostad's significant risks and uncertainty factors. The risk evaluation is based on an overall assessment of the probability of the risk occurring and the impact if the risk occurs.

### External risks

Risk	Description	Risk assessment	Primary management
<i>Possibility to sell projects</i>	The business largely consists of the new production of residential properties in Sweden's growth areas. Magnolia Bostad is dependent on its ability to meet the market's demand in order to be able to successfully sell projects.	● ● ○	Through continuous market analysis, rules for when production may begin and breakdown of projects into stages.
<i>Macroeconomic factors</i>	The real estate industry is greatly affected by macroeconomic factors such as general economic development, regional economic development, population growth, rate of production, etc.	● ● ○	Through ongoing macroeconomic analysis and business planning of which municipalities and districts have favourable/unfavourable future conditions. By locking commercial terms early or via framework agreements.
<i>Competition</i>	Magnolia Bostad operates in a competitive industry. Competitors may increase in number and strength in the future, for example through mergers, new strategies and/or enhanced financial possibilities.	● ● ○	Through competition analyses at both the regional and local levels and constantly striving to refine Magnolia Bostad's business model.
<i>Shortage of resources</i>	The increasing activity on the Swedish housing market could cause building prices to rise and make it difficult to secure production resources in the projects, which could result in longer delivery times. The municipalities also risk suffering from a shortage of resources, which could result in longer processing times in terms of planning processes and municipal housing projects.	● ● ○	The business model largely secures income before the project is started and costs are procured as turnkey contracts at a fixed price. The company works with different types of warranty solutions and long-term partnerships and can therefore tie up necessary resources at an early stage.
<i>Legal risks</i>	The business is regulated by not only a large number of laws and regulations, but also different processes and decisions related to these regulations, both at the political and officials level. In addition to the fact that this framework can change, it is important that the company has interpreted laws and rules correctly.	● ○ ○	Together with the company's legal advisers, developments are followed and changes in laws monitored. The company monitors case law concerning the company's business areas. In addition, there is ongoing dialogue with municipalities and authorities.
<i>Reduction in valuations of properties</i>	Risk that the market value of development properties on the balance sheet is lower than the book value.	● ○ ○	An impairment test is performed upon indications of impairment. If the net realizable value is less than the book value, a write-down is made.
<i>Planning process risk</i>	Risk that the company will not be able to obtain a detailed zoning plan for the construction of housing in agreements entered into for the acquisition of land, or that this is severely delayed.	● ○ ○ ● ○ ○	Soil conditions including special conditions such as stormwater treatment, rare wildlife, archaeological discoveries, environmental aspects and others may stop plans or make them more expensive. Careful due diligence and agreements subject to the corresponding risks reduce exposure. Risks relating to politics and bureaucracy are primarily risks of delay, but they can also affect whether a plan is obtained. Networking and good relationships with municipalities can reduce these risks.
<i>Climate change</i>	Risk that areas will be more difficult to build on or will have to be developed in a different way due to climate change and increased aspects/requirements to take into account. Risk that self-managed projects become more expensive to insure as insurance companies look at factors such as locations close to the sea, extreme weather and 100-year rain records linked to climate change and increase the premium for these.		The company conducts analyses of the climate factors that must be investigated in projects and follows developments in the insurance industry regarding climate change.
<i>Tax risks</i>	Magnolia Bostad's operations are affected by the tax rules in effect in Sweden at any given time. Changes to or incorrect interpretations of the tax rules could have a negative impact.	● ● ○	The company monitors changes in legal practice and plans for modified legislation and regularly consults with external experts.

● ○ ○ Low risk  
 ● ● ○ Medium risk  
 ● ● ● High risk

## Operational risks

Risk	Description	Risk assessment	Primary management
<i>Business models and projects</i>	The operations consist of real estate development projects, which is why it is a pre-requisite that these projects can be implemented profitably.	● ● ○	The projects are based on detailed financial calculations in the project governance system, which are followed up on a regular basis. Price risk is managed by the business model, as part of which income is secured to a large extent before the project is started, and costs are largely tendered at a fixed price.
<i>Transaction risks</i>	Real estate transactions, which are associated with uncertainty and risks, are carried out on an ongoing basis. Such risks can include uncertain market conditions, legal issues, financial commitments, decisions by government authorities and the handling of rental tenants.	● ● ○	The business conducts due diligence in conjunction with acquisitions, including a legal analysis of existing documentation, review of soil conditions and technical deficiencies, the timing of the acquisition, assessment of the company, understanding of the tax situation, etc. When selling properties, one of the requirements is to be knowledgeable about the guarantees that normally accompany such a sale. In addition to its own staff, the company engages external advisors as needed to ensure the right competence when both purchasing and selling real estate.
<i>Key personnel</i>	Magnolia Bostad is dependent on the knowledge, skills and experience of key personnel. It is therefore important to keep and as needed recruit key personnel.	● ○ ○	Ensure on an ongoing basis that the necessary competence is available and the extent to which competence needs to be recruited or engaged. Work with continuous competence transfer. Actively strive to make the company an attractive employer.
<i>Environmental risks</i>	Pollutants and other environmental damage are the responsibility of the party carrying out the business operations and this party is responsible for post-ex remediation. If the party carrying out the operations cannot pay post-ex remediation of a property, the party that owns the property is responsible.	● ● ○ ● ○ ○	When acquiring a property, the seller agrees to be responsible for any environmental damages or such are handled with detailed investigations.
<i>Risk of change in value of investment properties</i>	The value of investment properties is affected by a number of factors, including occupancy rate, rent level and operating costs. In addition, it is also affected by market factors such as yield requirements and discount rates. Changes in value of investment properties affect the financial position and results.		Market analysis to ensure the correct assumptions. At the time of quarterly reports, internal valuations are made of all investment properties. External valuations are obtained for the first valuation of an investment property and continuously during the year for existing investment properties to ensure that valuation assumptions are correct.
<div> <div>● ○ ○</div> Low risk           <div>● ● ○</div> Medium risk           <div>● ● ●</div> High risk         </div>			

## Financial risks

Risk	Description	Risk assessment	Primary management
<i>Interest rate risk</i>	Changes to market interest rates affect the borrowing cost.	● ○ ○	Interest rate expense is a significant cost for Magnolia Bostad, and prior to each financing transaction the risk that interest rates may change is included in the calculation.
<i>Credit risk</i>	There is a risk of not being paid for the apartments or properties as agreed.	● ○ ○	In rental apartment transactions, the counterparty shall be well established and selected after careful consideration, and when selling tenant-owned apartments, diversification is achieved in that there are many different types of buyers.
<i>Liquidity risk</i>	If cash and cash equivalents are not available to pay current costs, investments and amortization payments on their due dates.	● ● ●	Ongoing forecasting of future cash flows based on different scenarios to ensure that financing is arranged in time.
<i>Financing risk</i>	If financing for acquisitions or development cannot be obtained, extended, expanded, refinanced or if such loans only can be obtained at unfavourable terms. Risk of change in margin in the event of refinancing or new financing.	● ● ●	The company has an equity/assets ratio target to be followed. Furthermore, the company is responsible for regularly following up on special commitments upon which the loans may be conditional. The company also maintains an ongoing dialogue with several credit issuers.
<div> <div>● ○ ○</div> Low risk           <div>● ● ○</div> Medium risk           <div>● ● ●</div> High risk         </div>			

## Consolidated Income Statement

Amounts in SEK M	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Net sales	5, 6	2,358	896
Production and operating costs		-1,764	-866
<b>Gross profit/loss</b>		<b>594</b>	<b>30</b>
Central administration	8	-98	-89
Profit/loss from participations in associated companies and joint ventures	10	74	77
Change in value, investment properties	19	336	348
<b>Operating profit/loss</b>	7, 9, 11	<b>906</b>	<b>366</b>
Financial income	12	2	17
Financial expenses	13	-183	-189
<b>Profit/loss before tax</b>		<b>725</b>	<b>194</b>
Income tax	14	-37	-37
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>688</b>	<b>157</b>
<b>Profit/loss attributable to</b>			
Parent company shareholders		658	129
Holdings without a controlling influence		30	28
<b>Earnings per share (SEK)</b>	15		
Before dilution effects		17.40	3.41
After dilution effects		17.40	3.41

## Consolidated Statement of Comprehensive Income

Amounts in SEK M	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Net profit/loss for the year		688	157
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>			
<b>Total other comprehensive income</b>		<b>0</b>	<b>0</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>688</b>	<b>157</b>
<b>Comprehensive income attributable to</b>			
Parent company shareholders		658	129
Holdings without a controlling influence		30	28

### Comments on the Consolidated Income Statement

Net sales amounted to SEK 2,358 m (896) and the operating profit was SEK 906 m (366). Profit before tax for the period was SEK 725 m (194).

Net sales is primarily explained by the sale of 3,904 residential units (499). Net sales from the sale of property amounted to SEK 1,973 m (484). Rental income amounted to SEK 21 m (16). Operating costs for properties generating rental income were SEK -13 m (-9), which means that their contribution to operating profit has increased to SEK 8 (7). Revenue from project management services amounted to SEK 52 m (23), and other invoicing for the projects and other revenue contributed SEK 312 m (373) to net sales.

Magnolia Bostad strengthened its organization during the year, which explains the increase in central administration costs to SEK -98 m (-89). Earnings from associated companies amounted to SEK 74 m (77), affected by earnings from increases in the value of property in jointly-owned JVs with Heimstaden and Slättö.

Changes in the value of investment property amounted to SEK 336 m (348) and comes mainly from growth in value from ongoing project development. Realized value growth on sold investment properties amounts to a total of SEK 181 m (234).

Operating profit increased by SEK 540 m. This is explained by more residential units sold at the same time as the change in value of investment properties is at the same level as last year.

#### Net financial items

Net financial items amounted to SEK -181 m (-172). This increase is attributable to increased assets being externally financed.

#### Net profit/loss for the year

The net profit for the year was SEK 688 m (157) of which SEK -37 (-37) was income tax. Reported income taxes for the year relate to deferred tax on temporary differences regarding investment properties.

# Consolidated Statement of Financial Position

Amounts in SEK M	Note	31/12/2020	31/12/2019
<b>ASSETS</b>	1		
<b>Non-current assets</b>			
Goodwill	16	6	6
Other intangible assets	17	0	0
<b>Total intangible assets</b>		<b>6</b>	<b>6</b>
Investment properties	19	1,483	654
Rights of use assets	7	72	51
Machinery and equipment	18	12	12
<b>Total property, plant and equipment</b>		<b>1567</b>	<b>717</b>
Shares in associated companies and joint ventures	20	350	188
Receivables from associated companies	35	45	201
Other securities held as non-current assets	21	41	31
Other long-term receivables	22	1,059	563
<b>Total financial assets</b>		<b>1,495</b>	<b>983</b>
<b>Total non-current assets</b>		<b>3,068</b>	<b>1,706</b>
<b>Current assets</b>			
Development and project properties	23	999	1,382
Tenant-owned apartments		11	9
Accounts receivable	24	45	41
Receivables from associated companies	36	136	64
Other receivables	25	742	414
Prepaid expenses and accrued income	26	19	11
Cash and cash equivalents	27	277	441
<b>Total current assets</b>		<b>2,229</b>	<b>2,361</b>
<b>TOTAL ASSETS</b>		<b>5,297</b>	<b>4,067</b>

## Comments on the Consolidated Statement of Financial Position

The consolidated balance sheet total increased to SEK 5,297 m compared to SEK 4,067 m at the beginning of the year. Properties held for long-term management are reported as investment properties and totalled SEK 1,483 m (654).

Long-term and short-term receivables from associated companies and JVs fell by SEK 84 m to SEK 181 m (265). The decrease in receivables from associated companies is mainly due to reduced receivables from the company jointly-owned with Slättö Core Plus Holding AB.

Of the long-term and other receivables of SEK 1,801 m (977), SEK 1,627 m (812) were receivables of buyers of the projects, mainly of our partners and large Swedish institutions, while

SEK 119 m (121) referred to deposits paid for future property acquisitions. Within the next 12 months, the Group is expected to receive SEK 625 m (294) in total claims on buyers of the projects as amortization of promissory notes, payment of additional consideration, final consideration and forward funding.

Development and project properties declined due to reclassification of investment properties and at the same time the Group was continuing to invest in the project portfolio. During the period, Development and project properties declined by SEK 383 m and totalled 999 m (1,382).

Shares in associated companies and JVs rose by SEK 162 m to SEK 350 m (188), mainly due to investments and unrealized changes in value in projects developed in JVs.

# Consolidated Statement of Financial Position

Amounts in SEK M	Note	31/12/2020	31/12/2019
<b>EQUITY AND LIABILITIES</b>	1		
<b>Equity</b>	28		
Share capital		151	151
Other capital contributions		187	187
Retained profits including net profit/loss for the year		1,286	704
<b>Equity attributable to Parent Company shareholders</b>		<b>1,624</b>	<b>1,042</b>
Holdings without a controlling influence		109	99
<b>Total equity</b>		<b>1,733</b>	<b>1,141</b>
<b>Non-current liabilities</b>			
Deferred tax liability	29	68	38
Non-current interest-bearing liabilities	30	1,377	1,667
Non-current liabilities to associated companies	35	10	–
Non-current lease liabilities	7	57	39
Other non-current liabilities	30	532	42
<b>Total non-current liabilities</b>		<b>2,044</b>	<b>1,786</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	30	644	824
Current lease liabilities	7	18	13
Accounts payable		65	68
Liabilities to associated companies	35	13	1
Income tax liabilities		0	0
Other current liabilities		626	105
Accrued expenses and deferred income	31	154	129
<b>Total current liabilities</b>		<b>1,520</b>	<b>1,140</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,297</b>	<b>4,067</b>

For information about the Group's pledged assets and contingent liabilities, refer to Notes 32 and 33.

## Comments on the Consolidated Statement of Financial Position

### Equity and equity/assets ratio

On 31 December 2020, consolidated equity amounted to SEK 1,733 m (1,141), with an equity/assets ratio of 32.7% (28.1). During Q4, a dividend of SEK 76 m was paid to the shareholders. Of the consolidated equity SEK 109 m (99) is attributable to holdings without controlling influence.

Investments in property for self-management, both as investment properties and through JVs, have meant that total assets have increased.

### Interest-bearing liabilities

Total interest-bearing loans, including interest-bearing deposits amounted to SEK 2,021 m (2,491) as on 30 December 2020. The majority of Magnolia Bostad's liabilities consist of bonds with a book value of SEK 1,215 m and project-related liabilities of SEK 437 m, of which SEK 156 m is collateralized by property.

Repayment for project-related liabilities is made in connection with Magnolia Bostad's handover, or in connection with the final payment being received from buyers upon project comple-

tion. In 2021, SEK 262 m in project-related liabilities is expected to mature, of which SEK 149 m is linked to a project within the framework agreement with Heimstaden. The amount will be amortized in conjunction with Heimstaden Bostad's access to the project.

The remaining interest-bearing liabilities are made up of deposits received of SEK 91 m and seller financing of SEK 121 m. The average tied-up capital period, excluding deposits and the utilized credit line, was 2.0 years as of December 31, 2020 compared to 1.6 years 31 December 2019.

After deductions for cash and cash equivalents of SEK 277 m (441), interest-bearing net liabilities amounted to SEK 1,744 m (2,050). Receivables at buyers amount to SEK 1,627 m (812), interest-bearing net liabilities after deductions for receivables at buyers amounts to SEK 117 m (1,238), a decrease of SEK 1,211 m compared to 31 December 2019.



# Consolidated Cash Flow Statement

Amounts in SEK M	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
<b>Operating activities</b>	1		
Profit/loss after financial items		725	194
<i>Adjustments for non-cash items, etc.</i>			
Less share in profits in associated companies		-74	-77
Earnings received from associated companies		-	10
Depreciation/amortization and impairment of assets		45	23
Change in value, investment properties		-336	-348
Capital gains/losses from the sale of development properties		-691	-65
Other provisions		-	0
Other profit/loss items that do not affect liquidity		13	13
Income tax paid		0	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>-318</b>	<b>-249</b>
<b>Cash flow from changes in working capital</b>			
Decrease(+)/increase(-) of development and project properties		-627	-317
Decrease(+)/increase(-) in current receivables		1,141	506
Decrease(+)/increase(-) in current liabilities		209	42
<b>Cash flow from operating activities</b>		<b>405</b>	<b>-18</b>
<b>Investing activities</b>			
Acquisition of intangible fixed assets		0	0
Acquisition of investment properties		-114	-282
Acquisition of property, plant and equipment		-6	-3
Investment in financial assets		-48	-11
Sales/reduction of financial assets		0	29
<b>Cash flow from investing activities</b>		<b>-168</b>	<b>-267</b>
<b>Financing activities</b>			
Issue of warrants		0	0
Borrowings		1,513	677
Repayment of borrowings		-1,810	-264
Dividend paid to parent company owners		-76	-
Dividend paid to minority interests		-28	-86
Acquisition of non-controlling interests		-	-3
<b>Cash flow from financing activities</b>		<b>-401</b>	<b>324</b>
<b>Cash flow for the year</b>		<b>-164</b>	<b>39</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>441</b>	<b>403</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>277</b>	<b>441</b>

Interest received amounted to SEK 2 m (17). Interest paid amounted to SEK -170 m (-176).

## Comments on the Consolidated Cash Flow Statement

Cash flow from operating activities for the entire year 2020 amounted to SEK 405 m (-18). The cash flow for the period was affected by investments in the project portfolio. The cash flow for the period from operating activities excluding investments and other changes in development and project properties, amounted to SEK 1,032 m (299).

In conjunction with the handover, Magnolia Bostad receives forward funding for the projects, which means that Magnolia Bostad receives payment for investments made up until handover. Often, a part of the project gains is received at the handover. The remainder of the project gains are received in connection with project completion. This leads to a delay be-

tween the reporting of the sales in the results and the received cash flow.

The cash flow from investment activities amounted to SEK -168 m (-267) and was affected by investments in self-managed properties of SEK -114 m (-282). The cash flow from financing activities amounted to SEK -401 m (324).

Cash and cash equivalents as on 31 December 2020 amounted to SEK 277 m, compared with SEK 441 m on 31 December 2019. In addition to cash and cash equivalents, there were unutilized credit facilities of SEK 490 m (788) available as on 31 December 2020 of which there were unutilized overdraft facilities of SEK 50 m.

## Consolidated Statement of Changes in Equity

Amounts in SEK M	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Non-controlling interests	Total equity
<b>Opening equity 01/01/2018</b>	<b>151</b>	<b>187</b>	<b>0</b>	<b>599</b>	<b>156</b>	<b>1,093</b>
<i>Change of accounting principles</i>						
Effect of consolidation of tenant-owner associations, note 37	–	–	–	–25	–3	–28
<b>Adjusted opening equity 01/01/2019</b>	<b>151</b>	<b>187</b>	<b>0</b>	<b>574</b>	<b>153</b>	<b>1,065</b>
Net profit/loss for the year	–	–	0	130	28	158
Other comprehensive income	–	–	0	–	0	0
<i>Transactions with owners</i>						
Dividend	–	–	–	–	–78	–78
Issue of warrants	–	0	–	–	–	0
Acquisition of non-controlling interests	–	–	–	1	–4	–3
	<b>151</b>	<b>187</b>	<b>0</b>	<b>704</b>	<b>99</b>	<b>1,141</b>
<b>Closing equity 31/12/2019</b>						

Amounts in SEK M	Share capital	Other capital contributions	Reserves	Retained profits incl. net profit/loss for the year	Non-controlling interests	Total equity
<b>Opening equity 01/01/2020</b>	<b>151</b>	<b>187</b>	<b>0</b>	<b>704</b>	<b>99</b>	<b>1,141</b>
Net profit/loss for the year	–	–	–	658	30	688
Other comprehensive income	–	–	–	–	–	–
<i>Transactions with owners</i>						
Dividend	–	–	–	–76	–21	–97
Issue of warrants	–	0	–	–	–	0
<b>Closing equity 31/12/2020</b>	<b>151</b>	<b>187</b>	<b>0</b>	<b>1,286</b>	<b>109</b>	<b>1,733</b>

For more information, see Note 28 – Share capital and other capital contributions.

## Parent Company Income Statement

Amounts in SEK M	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Net sales	5, 6	13	12
<b>Total income</b>		<b>13</b>	<b>12</b>
Central administration	7, 8, 9	-45	-26
<b>Operating profit/loss</b>	11	<b>-32</b>	<b>-14</b>
Financial income	12	283	243
Financial expenses	13	-133	-142
<b>Profit/loss after financial items</b>		<b>118</b>	<b>87</b>
Tax on profit/loss for the year	14	0	0
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>118</b>	<b>87</b>

## Parent Company Statement of Comprehensive Income

Amounts in SEK M	Note	01/01/2020 31/12/2020	01/01/2019 31/12/2019
Net profit/loss for the year		118	87
Other comprehensive income		0	0
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>118</b>	<b>87</b>

# Parent Company Balance Sheet

Amounts in SEK M	Note	31/12/2020	31/12/2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Participations in Group companies	34	89	89
Receivables from Group companies	35	39	39
Participations in associated companies	20	2	2
Receivables from associated companies	35	–	24
<b>Total non-current assets</b>		<b>130</b>	<b>154</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies	35	1,718	1,880
Receivables from associated companies	35	24	0
Other receivables	25	0	1
Prepaid expenses and accrued income	26	7	2
<b>Total current receivables</b>		<b>1,749</b>	<b>1,883</b>
<b>Cash and bank balances</b>	27	<b>35</b>	<b>20</b>
<b>Total current assets</b>		<b>1,784</b>	<b>1,903</b>
<b>TOTAL ASSETS</b>		<b>1,914</b>	<b>2,057</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	28	151	151
<b>Total restricted equity</b>		<b>151</b>	<b>151</b>
<i>Non-restricted equity</i>			
Share premium reserve		185	185
Profit/loss carried forward		5	–6
Net profit/loss for the year		118	87
<b>Total non-restricted equity</b>		<b>307</b>	<b>266</b>
<b>Total equity</b>		<b>458</b>	<b>417</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	30	1,056	1,157
<b>Total non-current liabilities</b>		<b>1,056</b>	<b>1,157</b>
<i>Current liabilities</i>			
Current interest-bearing liabilities	30	251	428
Accounts payable		2	1
Liabilities to Group companies	35	114	22
Other current liabilities		0	2
Accrued expenses and deferred income	31	35	30
<b>Total current liabilities</b>		<b>400</b>	<b>483</b>
<b>Total liabilities</b>		<b>1,455</b>	<b>1,640</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,914</b>	<b>2,057</b>

For information about pledged assets and contingent liabilities, refer to Notes 32 and 33.

# Parent Company Cash Flow Statement

Amounts in SEK M	01/01/2020 31/12/2020	01/01/2019 31/12/2019
<b>Operating activities</b>		
Profit/loss after financial items	118	87
Adjustments for non-cash items, etc.	12	13
Tax paid	0	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>132</b>	<b>100</b>
<b>Cash flow from changes in working capital</b>		
Decrease(+)/increase(-) in current receivables	158	-167
Decrease(+)/increase(-) in current liabilities	96	-12
<b>Cash flow from operating activities</b>	<b>254</b>	<b>-79</b>
<b>Investing activities</b>		
Sales/reduction of financial assets	0	0
Change in long-term receivables	0	0
<b>Cash flow from investing activities</b>	<b>0</b>	<b>0</b>
<b>Financing activities</b>		
Borrowings	538	-
Repayment of borrowings	-833	-
Dividend paid	-76	-
<b>Cash flow from financing activities</b>	<b>-371</b>	<b>-</b>
<b>Cash flow for the year</b>	<b>15</b>	<b>-79</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>20</b>	<b>100</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>35</b>	<b>20</b>

Interest received amounted to SEK 1 m (7). Interest paid amounts to SEK -123 m (-126).



## Parent Company Statement of Changes in Equity

Amounts in SEK M	Share capital	Share premium reserve	Retained profits incl. net profit/loss for the year	Total equity
<b>Opening equity 01/01/2019</b>	<b>151</b>	<b>185</b>	<b>-6</b>	<b>330</b>
Net profit/loss for the year	-	-	87	87
Other comprehensive income	-	-	0	0
<b>Closing equity 31/12/2019</b>	<b>151</b>	<b>185</b>	<b>81</b>	<b>417</b>

Amounts in SEK M	Share capital	Share premium reserve	Retained profits incl. net profit/loss for the year	Total equity
<b>Opening equity 01/01/2020</b>	<b>151</b>	<b>185</b>	<b>5</b>	<b>341</b>
Net profit/loss for the year	-	-	118	118
Other comprehensive income	-	-	0	0
<b>Closing equity 31/12/2020</b>	<b>151</b>	<b>185</b>	<b>123</b>	<b>458</b>

For more information, see Note 28 – Share capital and other capital contributions.

# Additional information and notes

## Note 1 Accounting principles

### About the company in general

Magnolia Bostad AB, corporate identity no. 556797-7078, domiciled in Stockholm, is subject to controlling influence from F. Holmström Fastigheter AB, corporate identity no. 556530-3186, domiciled in Stockholm, Sweden. The Annual Report and consolidated accounts have been approved by the Board of Directors on 29 March 2021 and will be submitted to the Annual General Meeting for approval on 27 April 2021.

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 head office is located at Sturegatan 6, Box 5853, 102 40 Stockholm, Sweden.

### 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.

The Parent Company applies the same accounting principles as the Group with the exception of the cases set out below in the section entitled "Parent Company accounting principles". Deviations that arise between the Parent Company and the Group principles are the result of limitations to the possibilities for applying IFRS in the Parent Company due to the Annual Accounts Act and, in some cases, applicable tax regulations.

### Conditions for the preparation of the financial statements for the Parent Company and 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 m. 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% 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.

### Control over tenant-owner associations /Reporting of tenant-owner associations

Magnolia Bostad consolidates tenant-owner associations during the construction period and up to the time when the final tenant-owners take over their apartments and the control is judged to pass to the final tenant-owners. This means that Magnolia Bostad reports unoccupied tenant-owned apart-

ments as ongoing work within the asset item project and development properties.

#### *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% but less than 50% 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 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.

#### **Segments**

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 takes place when a performance commitment is fulfilled by transferring a promised product or service to a customer. An asset is transferred when control of the asset is transferred to the customer. When a performance commitment is met, or as a result of it being met, a company must recognize the amount of the transaction price allocated to the performance commitment.

Magnolia Bostad develops new housing, including rental apartments, tenant-owned apartments, residential care property, municipal properties and hotels. At the sale of a project, two contracts are signed with the customer: one for the sale of the project (the property) and one for the project management. Under IFRS 15, these two contracts are considered a single contract. The Group has two separate performance obligations; project management is reported over time based on the degree of completion of the project and the sale of the project (property) is reported at a point in time when control is passed to the customer. The transaction price is allocated between the two performance obligations based on independent sales pricing for project management.

#### *Revenue recognition of project management agreements*

Project management is reported 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. Magnolia Bostad has chosen actual project costs in relation to total estimated costs for each project management agreement. This method has been chosen because costs incurred are seen as best reflecting the transfer to the customer. Costs for the project management agreement consist mainly of personnel costs and costs for sub-consultants.

#### *Revenue recognition of projects (property)*

Magnolia Bostad considers that the time of revenue recognition of projects (property) is when control has been passed to the buyer. The buyer is usually a stable Swedish institution or a property company. The 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 signed by or transferred to the buyer. 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 properties, 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 transac-

tion 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.

Following revaluation 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.

#### *Sale of condominiums*

Via the tenant-owner association, an agreement is signed with the tenant-owner on the acquisition of a right of use in the tenant-owner association corresponding to a certain apartment. Magnolia Bostad assesses that controlling influence over tenant-owner associations ends at the time when the final tenant-owners access their apartments and the tenant-ownership is consolidated until this time. Revenues and costs for tenant-owned apartment projects are reported as the apartment buyers take over the tenant-owned apartments and consist of the actual revenue for the apartment sold and the sold apartment's share of the project's total cost.

#### *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 expenses.

#### **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 – lessor**

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.

#### **Leasing – lessee**

As the lessee, rights of use and leasing liabilities for the vast majority of leasing agreements are recognized in the balance sheet. Depreciation of rights of use and interest costs for leasing liabilities are reported in the income statement. In the cash flow analysis, payments attributable to the amortization of leasing liabilities are reported in financing operations and payments attributable to interest in operating activities.

The leasing liability is valued at the acquisition date at the present value of unpaid leasing fees at the commencement date. Subsequently, the lease liability increases with interest costs and decreases with paid lease fees. The right of use is initially reported at acquisition value, i.e. the original value of the lease liability. The right of use then depreciates over the period of use. Leasing fees are discounted by the marginal loan interest rate. The Group applies the exceptions that the standard allows for short-term leases and leases for which the underlying asset is of low value. These lease agreements are reported as other expenses. After the start date, the lease liability is revalued to reflect re-evaluations and changes to the lease agreement. The revaluation of the lease liability is adjusted against the right of use. Profits or losses attributable to changes in lease agreements are recognized in the income statement.

#### **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.

#### Investment properties

Investment properties are properties held for the purpose of collecting rental income or for an increase in value or a combination of the two. Initially, investment properties are reported at acquisition cost, including costs attributable to the acquisition. Investment properties are normally reported on the balance sheet from the contract date, if the transfer from the seller is not made on a different date. If ownership of the property is transferred on a different date, this second date is used for the reporting of the investment property.

Additional expenses are only added to the reported value if it is probable that the future economic benefits associated with the asset will come to the company and the acquisition value can be calculated reliably. Investment support received reduces the asset's carrying amount to a corresponding extent. Expenses for repairs and maintenance are reported in the period they occur. Investment properties are reported at fair value on the balance sheet date. Fair value is the estimated amount that would be received in a transaction at the time of reporting between knowledgeable parties independent of each other and who have an interest in the transaction being carried out. The valuations are made at the end of each quarter and all investment properties are externally valued at least once a year. Both unrealized and realized changes in value are reported in the income statement under the heading Changes in value of investment properties in operating profit.

Income from the sale of investment properties is normally reported on the contract date if the transfer to the buyer is not made on a different date. The transfer of the asset may have occurred at a different time to the contract date. If this is the case, the revenue is reported under this other date. When assessing the revenue recognition date, consideration is given to what has been agreed between the parties regarding risks and benefits and involvement in day-to-day management.

#### 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

Development and project 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 when a binding agreement exists. In certain agreements on asset acquisitions, there are additional payments that are payable if certain events occur in the future. These additional payments are recognized when the underlying event causing an additional payment occurs. 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 it is possible to reliably estimate the amount. Where the effect of the time when the payment will occur is significant, provisions are calculated 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, financial assets measured at accrued acquisition value and financial assets measured at fair value via Other comprehensive income.

#### *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.

Classifications of liability and equity instruments are described below:

*Liability instruments* are the instruments that fulfil the definition of financial liabilities from the issuer's perspective, such as customer receivable and loan receivables. The Group classifies its liability instruments in one of the following two evaluation categories:

#### *Financial assets measured at accrued acquisition value*

Assets held for the purpose of collecting contractual cash flows that only constitute payments of principal amounts and interest, and which are not identified as valued at fair value through profit or loss, are valued at accrued acquisition value. The reported value of these assets is adjusted with any reported expected credit losses. A default is defined as receivables where a significant part of the obligation is delayed by more than 90 days. Individual assessment and provision is made on the basis of rating-based impairment models. Due to short maturities and/or high creditworthiness, the provisions amount to insignificant amounts. Interest income from these financial assets is reported in net financial items using the effective interest method.

Customer receivables are reported at the amount that is expected to be received after deductions for doubtful receivables that have been assessed individually. The expected maturity of rental receivables is short, which is why the value is reported at a nominal amount without discounting. 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.

#### *Financial assets measured at fair value through the income statement*

Assets that do not meet the criteria for accrued acquisition value are measured at fair value through the income statement. Profits or losses due to a debt instrument that after initial recognition are valued at fair value through profit or loss and are not included in a hedging relationship are recognized in net financial items when they arise. Interest income from these financial assets is reported in net financial items using the effective interest method.

Liability instruments are reclassified only when the Group's business model for managing these assets changes.

*Equity instruments* are instruments that meet the definition of equity from the issuer's perspective, which means instru-

ments without a contractual obligation to pay and which deposit a residual right in the issuer's net assets. Profits or losses due to equity instruments measured at fair value via the balance sheet are recognized in net financial items.

#### *Financial assets measured at fair value through the income statement*

Investments in participations in companies other than Group companies, joint ventures and associated companies are included in assets measured at fair value through the income statement.

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.

#### *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.

#### *Financial liabilities measured at accrued acquisition value*

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.

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. As of the balance sheet date, there were no financial instruments reported net or covered by off-set agreements.

#### **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.

#### *Parent Company accounting principles*

The Parent Company prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The Swedish Financial Reporting Board's statements for listed enterprises also apply. Under RFR 2, the Parent Company in the annual report for the legal entity shall apply all of the IFRS and statements approved by the EU to the extent possible within the framework of the Swedish Annual Accounts Act and with consideration given to the link between accounting and taxation. The recommendation states which exceptions and additions may be made in relation to IFRS.

#### *Participations in Group companies*

Participations in Group companies are reported using the cost method. Costs related to acquisition of subsidiaries are included as part of the cost for participations in Group

companies. The carrying amount for participations in Group companies are tested for any impairment need when such indications arise.

#### *Group contributions, dividends and shareholders' contributions*

The company reports Group contributions according to the alternative rule, which entails that Group contributions received or paid are reported under appropriations. Anticipated dividends are reported as financial income by the recipient. Shareholders' contributions are reported directly under equity by the recipient and capitalized in shares and participations by the issuer to the extent a write-down is not required. Shareholder's contributions received are reported as an increase in unrestricted equity.

#### *Financial instruments*

Financial instruments are not reported in accordance with IFRS 9, Financial Instruments, but rather are reported as the lower of cost or net realizable value in accordance with the Annual Accounts Act. Receivables in the parent company largely consist of receivables from subsidiaries which are reported at acquisition value. Rating-based impairment models are applied.

#### **Changed reporting principles**

New or changed existing standards that came into force on 1 January 2020 have not had any significant impact on the Group's financial reports.

#### *New and changed standards that are not yet applied by the Group*

None of the new or revised existing standards that have not yet come into force are expected to have any significant impact on the Group's financial reports.

#### *Changed accounting principles for tenant-owner associations*

Magnolia Bostad follows the development of accounting practices and consolidates tenant-owner associations from Q2 2020 until the time when the final apartment buyers gain access to their apartments as a result of the change in accounting practices among housing developers during the year. This means that Magnolia Bostad reports tenant-owned apartment projects in the balance sheet as ongoing work within the asset item development and project properties, as well as interest-bearing current liabilities. Transactions between Magnolia Bostad and the respective tenant-owner association are eliminated as a result of the changed management. Revenues and costs for the projects are reported as the apartment buyers take them over. According to previous principles, Magnolia Bostad did not consolidate tenant-owner associations and thus reported income and expenses at the time when the tenant-owner association signed an agreement on the acquisition of tenant-owned apartment projects from Magnolia Bostad. All comparative figures for 2019 are recalculated unless otherwise stated. For effects on the financial statements for 2019, see Note 37 - Effect of change in accounting principle.

As of 2020, the IASB has adopted an amendment to IFRS 3 that deals with the demarcation between business and asset acquisitions, by adopting a new definition of business. In practice, the new definition means that if the purchase price for the shares in a company acquisition is essentially attributable to the market value of acquired properties, the acquisition constitutes an asset acquisition. This simply means that the surplus value in its entirety is allocated to properties and that therefore no goodwill arises.

Other new or changed standards approved by the EU as well as interpretative statements from the IFRS Interpretations

Committee are currently not considered to have a significant effect on earnings or financial position.

In other respects, accounting principles and calculation methods are not changed compared with the annual report last year.

## **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 of projects (property)**

The project development of rental apartments is recognized as revenue as of the date that (i) a binding agreement has been signed with a rental project purchaser, (ii) there is a zoning plan, and (iii) a binding turnkey contract has been signed with a contractor. The turnkey contract is signed by or transferred to the buyer. 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 makes provisions based on the specific circumstances of each respective project. Reassessment of the provision for rental guarantees takes place regularly based on the current rental situation. The Group makes provisions for planning risk on the basis of its knowledge of the local planning work. The provision for planning risk is dissolved when the building permit enters into legal force. The Group also makes provisions for any risk in the turnkey contract. 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. Assessment and estimation of variable components to include in the transaction price is largely based 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 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. Assessments and estimates affect the receivable property sales, which is stated in Note 22 - Other long-term receivables and Note 25 - Other receivables. The total amount reported as a receivable from property sales is SEK 1,627 m.

#### **Revenue recognition, right of use (tenant-owned apartments)**

Magnolia Bostad assesses that controlling influence over tenant-owner associations ceases at the time when the final tenant-owners purchase their apartments and the tenant-ownership is consolidated until this time. Revenues and costs for tenant-owned apartment projects are reported as the apartment buyers take over the tenant-owned apartments and consist of the actual revenue for the apartment sold and the sold apartment's share of the project's total cost.

Revaluations of the projects' expected end result entail a correction of previously prepared results in the projects concerned. This forecast change is included in the period's reported results. Assessed losses are charged in their entirety directly to the profit for the period in the period in which they are identified.

#### **Revenue recognition, project management**

Revenues from project management agreements are reported successively based on the degree of completion of the project. The degree of completion is determined mainly on an ongoing basis as the work is carried out.

#### **Valuation of properties**

When valuing investment properties, estimates and assessments can have a significant impact on the Group's reported results and position. Internal valuations of investment properties require assessments of and assumptions about, for example, future cash flows and the determination of direct yields for each individual property. The assessments made affect the carrying amount in the statement of financial position for the item Investment properties and for investment properties owned in joint ventures, which affects the item Participations in associated companies and joint ventures. In the income statement, it affects the item Changes in value of investment properties and for investment properties, it affects the item Profit from participations in associated companies and joint ventures.

Magnolia Bostad continually monitors relevant property transactions. Internal valuations of the entire property portfolio are carried out with each quarterly report. To ensure the quality of internal valuations, Magnolia Bostad continually has parts of the portfolio externally valued. The discrepancies between external and internal values have historically been insignificant.

For more information on valuation, assessments and assumptions as well as sensitivity, see Note 19 - Investment properties for properties reported as Investment properties and Note 20 - Participations in associated companies and joint ventures for investment properties owned via joint ventures.

#### **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 company 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 investment 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. Investment properties, however, are held with the aim of generating rental income and appreciation. Investment properties are measured at fair value and the change in value is recorded in the income statement.

Executive management makes an individual assessment of each property to determine whether the purpose is to develop and sell residential units, both rental apartments and tenant-owned apartments, or whether it is to own the property in the long-term.

#### **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 2019 and 2018, the company's management made the assessment that only asset acquisitions occurred.

#### **Additional payments for asset acquisitions**

In certain asset acquisitions, there are additional payments that are payable if certain events occur in the future. These additional payments are recognized when the underlying event causing an additional payment occurs.

## **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 loan covenants for these three performance measures. The company's own targets are in line with the banks' requirements. In 2020, the company met all targets and requirements. In order for a dividend to be paid or a buy-back of shares to be made, the Group's equity ratio according to the latest published financial report at the time of disbursement must exceed 30%, including the relevant payment. 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 analysed 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 300 m, excluding overdraft facilities. In the short-term, the Group's cash position may be lower. Decisions

on investments that mean that the Group's limit on liquidity of SEK 300 m will be lowered shall be decided by the Board. At the end of the year, cash and cash equivalents totalled SEK 277 m (441). In addition to cash and cash equivalents, there were unutilized credit facilities of SEK 490 m (788) available, including unutilized overdraft facilities of SEK 50 m.

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.

<b>Maturity analysis 31/12/2020</b>	<b>0-1 years</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-5 years</b>	<b>Over 5 years</b>
Interest-bearing liabilities	886	638	151	639	–
Leasing liabilities	23	19	16	19	14
Liabilities to associated companies	13	10	–	–	–
Accounts payable	65	–	–	–	–
Other liabilities	719	50	482	–	–
<b>Total</b>	<b>1,706</b>	<b>717</b>	<b>649</b>	<b>657</b>	<b>14</b>

<b>Maturity analysis 31/12/2019</b>	<b>0-1 years</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-5 years</b>	<b>Over 5 years</b>
Interest-bearing liabilities	959	1,091	544	222	–
Leasing liabilities	16	14	6	10	19
Liabilities to associated companies	1	–	–	–	–
Accounts payable	68	–	–	–	–
Other liabilities	162	8	–	–	–
<b>Total</b>	<b>1,106</b>	<b>1,113</b>	<b>550</b>	<b>232</b>	<b>19</b>

Of the cash flows from interest-bearing liabilities within 0-1 year of SEK 886 m (959), SEK 238 m (542) occurs within six months and SEK 648 m (417) 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 upon Magnolia Bostad exiting the project, when sales proceeds are received from the project buyers. Of the loans that fall due in 2021, SEK 262 m are project-related loans where Magnolia Bostad receives forward funding or final payment in connection with the loan's maturity, which can be used to settle the debt. Loans with property mortgages amount to SEK 156 m falling due in 2022 and 2024 and are estimated to be refinanced at 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 9 months prior to the maturity date. The Group has an equity/assets ratio target of at least 30%. A higher equity/assets ratio makes Magnolia Bostad a more attractive borrower. Outstanding bonds have certain limitations in terms of the type of debt that may be raised. According to the terms for outstanding bonds, the Group's equity/assets ratio

according to the latest published financial report at the time of the loan, must exceed 30%, tested pro forma and including relevant loans, in order for Magnolia Bostad to take up new bond liability or other debt that is ranked equally, or subordinated, existing bonds. There are no restrictions on the raising of project-related debt in the terms for outstanding bonds.

#### 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 2,352 m (1,756). The credit risk among claims for property sales is judged to be limited since the risk that counterparties would not be able to fulfil their commitments is considered to be low. Of the Group's Other non-current receivables and Other receivables totalling SEK 1,801 m (977), including receivables for property sales, SEK 1,164 m (353) 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 Slättö and Trenum and Heba. The claims on these three counterparties amount to SEK 406 m (336).

At the end of the year, past due loans and accounts receivable amount to SEK 21 m (0). Of consolidated net sales, 65.5% (29.9) 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. A rating-based impairment model is applied. Funds in cash accounts and any investments may not exceed SEK 750 m in exposure to one and the same banking group.

#### 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 interest rate adjustment period.

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 -183 m (-189), and the average interest rate at the end of the year amounted to 7.1% (7.0). An increase in STIBOR 3M by one percentage point would increase the Group's interest rate expense for the financial year by around SEK 20 m (23).

#### 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 figure is calculated as equity, including holdings without a controlling influence, as a percent of the balance sheet total. In 2020, the Group's strategy was to maintain an equity/assets ratio of at least 30%. The equity/assets ratio on 31 December 2020 was 32.7% (28.1). The Group's strategy is unchanged compared to last year.

# FINANCIAL INSTRUMENTS PER CATEGORY

31/12/2020 Group	Financial assets/liabilities measured at fair value through the income statement	Amortized cost	Financial liabilities measured at amortized cost
<b>Assets in the balance sheet</b>			
Receivables from associated companies	–	181	–
Other securities held as non-current assets	41	–	–
Other long-term receivables	–	1,059	–
Accounts receivable	–	45	–
Other receivables	–	742	–
Prepaid expenses and accrued income	–	7	–
Cash and cash equivalents	–	277	–
<b>Total</b>	<b>41</b>	<b>2,311</b>	<b>–</b>
<b>Liabilities in the balance sheet</b>			
Non-current interest-bearing liabilities	–	–	1,377
Liabilities to associated companies	–	–	23
Other non-current liabilities	–	–	532
Current interest-bearing liabilities	–	–	644
Accounts payable	–	–	65
Other current liabilities	–	–	603
Accrued expenses and deferred income	–	–	116
<b>Total</b>	<b>–</b>	<b>–</b>	<b>3,361</b>

# FINANCIAL INSTRUMENTS PER CATEGORY

31/12/2019 Group	Financial assets/liabilities measured at fair value through the income statement	Amortized cost	Financial liabilities measured at amortized cost
<b>Assets in the balance sheet</b>			
Receivables from associated companies	–	265	–
Other securities held as non-current assets	31	–	–
Other long-term receivables	–	562	–
Accounts receivable	–	41	–
Other receivables	–	414	–
Prepaid expenses and accrued income	–	2	–
Cash and cash equivalents	–	441	–
<b>Total</b>	<b>31</b>	<b>1,725</b>	<b>–</b>
<b>Liabilities in the balance sheet</b>			
Non-current interest-bearing liabilities	–	–	1,667
Liabilities to associated companies	–	–	1
Other non-current liabilities	–	–	42
Current interest-bearing liabilities	–	–	824
Accounts payable	–	–	68
Other current liabilities	–	–	65
Accrued expenses and deferred income	–	–	97
<b>Total</b>	<b>–</b>	<b>–</b>	<b>2,764</b>

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 1,247 m (1,427), compared to the carrying amount of SEK 1,215 m (1,441). 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. Financial assets assessed at fair value through the income statement refer to an unlisted holding in Norefjell Prosjektutvikling AS and Bergavik Fastighets AB. The holdings were valued based on transactions 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. No significant earnings effect was reported in 2020.

## 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. For information about Magnolia Bostad AB's subsidiaries, see Note 34 – Participations in Group companies.

When Fredrik Lidjan took over as CEO, an agreement was signed with Fredrik Lidjan AB and the company that Fredrik Lidjan AB will invest at market terms with a 10% stake and Magnolia Bostad will invest and receive a 90% 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. Fredrik Lidjan AB thus holds a minority interest of 10% in these companies through its 10% ownership of Magnolia Holding 3 AB. Of the minority's total interests in the Group of SEK 109 m (99), Fredrik Lidjan AB's share of Magnolia Holding 3 AB amounts to SEK -9 m (0) and its share of net profit/loss for the year amounts to SEK -2 m (-2). At the Extraordinary General Meeting on 13 October 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% in Magnolia Holding 4 AB and Magnolia Hotellutveckling 2 AB. In future hotel projects, Clas Hjorth will have an ownership of 16% of Magnolia Hotellutveckling 2 AB. Magnolia Bostad is investing and thereby receives an ownership of 92% of the limited liability companies where rental apartments, tenant-owned apartments, residential care property and municipal properties are developed and an ownership of 76% in future hotel projects. The new agreements extends to 2020 for hotel projects and 2022 for all other projects. In December 2020, the co-investment period for Magnolia Holding 4 AB was shortened by one year, which means that it will end in 2021. The minority's share of the profit/loss in Magnolia Holding 4 AB consists of Fredrik Lidjan AB's holdings and amounts to SEK 96 m (46), and the minority's

share of profit/loss in Magnolia Holding 4 AB amounts to SEK 64m (29).

The minority's share in Magnolia Hotellutveckling 2 AB amounts to SEK -5 m (10) and the minority share of the profit/loss in Magnolia Hotellutveckling 2 AB amounts to SEK -15 m (0). In March 2021, Magnolia Bostad acquired Clas Hjorth's ownership interest of 16% in Magnolia Hotellutveckling 2 AB for one krona after Clas Hjorth terminated the shareholders' agreement in 2020 and terminated his employment with Magnolia Bostad. Following the acquisition of Clas Hjorth's shareholding, Magnolia Bostad's share of Magnolia Hotellutveckling 2 AB amounts to 92% and Fredrik Lidjan AB's share amounts to 8%. The acquisition from Clas Hjorth is covered by an offer of first refusal. Discussions are being held with Fredrik Lidjan AB about the company's continued ownership and how the company will be capitalized to develop current hotel projects in the portfolio.

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%, corresponding to SEK -17 m (-2) of the profit for the year. In total, the minority holding in Moutarde Holding AB amounts to SEK 45 m (106).

There was previously a minority holding of 15% in Magnolia Vårdfastigheter. During the first quarter of 2019 this minority was bought out for a purchase price of SEK 3 m. The share of the minority in Magnolia Vårdfastigheter AB's in the year's profit/loss amounts to SEK - m (3), and in total the minority amounts to SEK - m (4). This is in addition to the minority interest held by Fredrik Lidjan AB through its 8% 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.

For a more detailed description of the minority structure and the Group composition, refer also to pages 124-125 of the Corporate Governance Report.

Condensed financial information for the sub-group that has a non-controlling interest is presented below. During 2019, dividends of SEK 6 m (7) were paid to minority shareholders in Magnolia Holding 3 AB, SEK 5 m (-) was paid to minority shareholders in Magnolia Holding 4 AB, SEK 4 m (-) was paid to minority shareholders in Magnolia Hotel Development 2 AB and SEK 63 m (-) to minority shareholders in Moutarde Holding AB.

	Moutarde Holding AB		Magnolia Holding 3 AB		Magnolia Holding 4 AB	
	2020	2019	2020	2019	2020	2019
Non-current assets	168	192	1,361	383	1,385	960
Cash and cash equivalents	2	4	39	125	53	103
Other current assets	1	70	872	746	1,018	469
<b>Total assets</b>	<b>171</b>	<b>266</b>	<b>2,272</b>	<b>1,254</b>	<b>2,456</b>	<b>1,532</b>
<b>Equity</b>	<b>118</b>	<b>191</b>	<b>-86</b>	<b>-4</b>	<b>1,194</b>	<b>572</b>
Non-current liabilities	-	-	697	66	91	407
Current liabilities	53	75	1,661	1,192	1,171	553
<b>Total equity and liabilities</b>	<b>171</b>	<b>266</b>	<b>2,272</b>	<b>1,254</b>	<b>2,456</b>	<b>1,532</b>



	Moutarde Holding AB		Magnolia Holding 3 AB		Magnolia Holding 4 AB	
	2020	2019	2020	2019	2020	2019
Net sales	-56	4	437	133	1,674	191
Operating expenses	-15	-1	-422	-140	-1,068	-126
Change in value, investment properties	-	-	199	80	137	268
Profit/loss from participations in associated companies and joint ventures	-	-	-43	-22	115	98
Net financial items	-2	8	-147	-61	-67	-37
Income tax	0	0	-45	-1	8	-36
<b>Net profit/loss for the year</b>	<b>-73</b>	<b>10</b>	<b>-21</b>	<b>-23</b>	<b>799</b>	<b>357</b>
			Magnolia Hotellutveckling 2 AB		Magnolia Vårdfastigheter AB	
			2020	2019	2020	2019
Non-current assets			0	24		115
Cash and cash equivalents			0	0		26
Other current assets			47	22		107
<b>Total assets</b>			<b>47</b>	<b>46</b>		<b>249</b>
<b>Equity</b>			<b>-21</b>	<b>40</b>		<b>20</b>
Non-current liabilities			0	4		70
Current liabilities			68	5		159
<b>Total equity and liabilities</b>			<b>47</b>	<b>46</b>		<b>249</b>
Net sales			-51	-		2
Operating expenses			-9	0		-8
Change in value, investment properties			-	-		2
Profit/loss from participations in associated companies and joint ventures			-	-		-
Net financial items			-1	1		-4
<b>Net profit/loss for the year</b>			<b>-61</b>	<b>1</b>		<b>-8</b>

## Note 5 Net sales

Consolidated net sales refers in its entirety to Sweden. Net sales are distributed across the business areas as follows:

	The Group		Parent Company	
	2020	2019	2020	2019
Revenue from Contracts with Customers	2,337	880	12	12
Other income	21	16	-	-
<b>Total</b>	<b>2,358</b>	<b>896</b>	<b>12</b>	<b>12</b>
	The Group		Parent Company	
	2020	2019	2020	2019
Sales, development and project properties	1,973	484	-	-
<b>Total income reported at a point in time</b>	<b>1,973</b>	<b>484</b>	<b>-</b>	<b>-</b>
Project management revenue	52	23	-	-
Rental income	21	16	-	-
Other operating income	312	373	13	12
<b>Total income recognised over time</b>	<b>385</b>	<b>412</b>	<b>13</b>	<b>12</b>
<b>TOTAL INCOME</b>	<b>2,358</b>	<b>896</b>	<b>13</b>	<b>12</b>

Revenue from two (three) of Magnolia Bostad's customers exceeds 10% of Magnolia Bostad's total revenue. 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	The Group	
	2020	2019
Heimstaden Bostad	1,235	200
Trenum	382	65
Heba	118	108
BRF Lilium in Uppsala	8	259
<b>Summa</b>	<b>1,743</b>	<b>632</b>

In total, Heimstaden Bostad and Trenum, as well as Heba and Brf Lilium in Uppsala, which were included when sales last year exceeded 10%, accounted for sales totaling SEK 1,743 m (632). These revenues have largely been reported as the sale of development and project properties.

Cash flow from the sale of projects is partly received in connection with the handover of land via forward funding, since Magnolia Bostad is paid for investments made up to this point. Magnolia Bostad often receives a part of the project gains in cash at the handover. The remaining cash flows from property sales are received in connection with project completion.

After selling and exiting the project, Magnolia Bostad works under a project management agreement for the project, which is valid until the property is completed. The project management agreement is invoiced and recognized as revenue on an ongoing basis during the contract period.

For sales of undeveloped property, the entire consideration is normally received in connection with the handover. Other income, such as rent, and invoicing for the projects, are reported and invoiced on an ongoing basis.

## Note 6 Leasing – lessor

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.

Contractual rental income	The Group		Parent Company	
	2020	2019	2020	2019
Within one year	12	13	–	–
Within two years	5	4	–	–
Within three years	4	3	–	–
Within four years	3	1	–	–
Within five years	3	–	–	–
More than five years	2	–	–	–
<b>Total future leasing income</b>	<b>30</b>	<b>21</b>	<b>–</b>	<b>–</b>

The sum of the rental income that is included in the consolidated income statement amounts to SEK 21 m (16).

## Note 7 Leasing – lessee

Group leasing fees consist mainly of parking spaces rented by the Group in three projects to be rented out, and rent for the premises in which Magnolia Bostad conducts its business. Right-of-use assets are reported in the balance sheet as Rights of use.

Rights of use	The Group	
	2020	2019
<b>Opening carrying amount</b>	<b>51</b>	<b>–</b>
Changes to accounting principles, IFRS 16	–	64
Acquisitions	48	1
Depreciation/amortization	–19	–14
Terminated contracts	–8	–
<b>Closing carrying amount</b>	<b>72</b>	<b>51</b>

Changes to lease liabilities linked to right-of-use assets are listed below.

Leasing liabilities	The Group	
	2020	2019
<b>Opening carrying amount</b>	<b>52</b>	<b>–</b>
Changes to accounting principles, IFRS 16	–	64
Additions	48	1
Interest costs	5	4
Payments	–22	–16
Terminated contracts	–8	–
<b>Closing carrying amount</b>	<b>75</b>	<b>52</b>
Current lease liabilities	18	13
Non-current lease liabilities	57	39

The maturity structure of leasing liabilities is detailed in Note 3 – Financial risks and finance policy.

Reported in the income statement	The Group	
	2020	2019
Depreciation of right-of-use assets	–13	–14
Leasing liability interest costs	–5	–4
Short-term leasing costs	0	0
Costs for low-value leases	0	0
Costs for variable leasing fees	0	0
Income from sub-leasing right-of-use assets	3	2
<b>Total sum reported in the income statement</b>	<b>–15</b>	<b>–16</b>

## Note 8 Disclosures regarding fees and cost reimbursement to the auditor

	The Group		Parent Company	
	2020	2019	2020	2019
Ernst & Young				
auditing assignment	-3.6	-3.3	-3.6	-3.3
audit operations in addition to the audit assignment	-0.1	-0.0	-0.1	-0.0
tax advisory services	-0.1	-0.2	-0.4	-0.2
other	-0.5	-0.4	-0.5	-0.4
<b>Total</b>	<b>-4.3</b>	<b>-3.9</b>	<b>-4.3</b>	<b>-3.9</b>

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

	The Group			
	2020		2019	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-15	-85	-17	-71
(of which bonuses, etc.)	(-4)	(-11)	(-3)	(-8)
Social security expenses	-5	-27	-5	-23
Pension expenses including special employer's contribution	-3	-13	-4	-14
<b>Total</b>	<b>-23</b>	<b>-125</b>	<b>-26</b>	<b>-107</b>

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.

	Parent Company			
	2020		2019	
	Board of Directors and Executive Management	Other employees	Board of Directors and Executive Management	Other employees
Salaries and other remuneration	-5	0	-7	0
(of which bonuses, etc.)	(0)	0	(-1)	0
Social security expenses	-2	0	-2	0
Pension expenses including special employer's contribution	-1	0	-1	0
<b>Total</b>	<b>-7</b>	<b>0</b>	<b>-11</b>	<b>0</b>

### REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2020, SEK 000	Basic salary/ Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chairman of the Board	-500	0	0
Andreas Rutili, member	-300	0	0
Risto Silander, member	-300	0	0
Fredrik Tibell, member	-370	0	0
Jan Roxendal, member	-390	0	0
Viveka Ekberg, member	-370	0	0
Anna-Greta Sjöberg, member	-200	0	0
Fredrik Lidjan, CEO <sup>1)</sup>	-2,125	0	-546
Johan Tengelin, CEO <sup>2)</sup>	-250	-125	-66
Gurmo Endale, VP	-1,585	-1,950	-362
Other senior executives, 3 persons <sup>3)</sup>	-5,040	-1,750	-1,958
<b>Total</b>	<b>-11,430</b>	<b>-3,825</b>	<b>-2,320</b>

<sup>1)</sup> Fredrik Lidjan holds 5,000 shares in Magnolia Holding 3 AB, Co. Reg. No. 559016-4140, 320 shares in Magnolia Holding 4 AB, corporate identity number 559114-8415 and 40 shares in Magnolia Hotellutveckling 2 AB, Co. Reg. No. 559125-7604.

<sup>2)</sup> From December 2020.

<sup>3)</sup> The group of other senior executives has decreased in 2020 from 6 people at the beginning of the year to 3 people at the end of the year.

### REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

2019, SEK 000	Basic salary/ Board fees	Variable remuneration	Pension premiums
Fredrik Holmström, Chairman of the Board	-483	0	0
Andreas Rutili, member	-283	0	0
Risto Silander, member	-283	0	0
Fredrik Tibell, member	-350	0	0
Jan Roxendal, member	-370	0	0
Viveka Ekberg, member	-350	0	0
Fredrik Lidjan, CEO <sup>1)</sup>	-2,318	0	-598
Erik Rune, VP <sup>2)</sup>	-1,563	-1,276	-379
Gurmo Endale, VP <sup>3)</sup>	-260	-200	-70
Rickard Langerfors, VP <sup>4)</sup>	-101	0	-28
Other senior executives, 6 persons	-7,763	-1,176	-1,981
<b>Total</b>	<b>-14,125</b>	<b>-2,652</b>	<b>-3,056</b>

<sup>1)</sup> 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.

<sup>2)</sup> For the period January-October 2019.

<sup>3)</sup> For the period November-December 2019.

<sup>4)</sup> For January 2019.

For more information, see also Note 35 – Closely related parties.

**AVERAGE NUMBER OF EMPLOYEES**

	The Group		Parent Company	
	2020	2019	2020	2019
Average number of employees	104	96	1	2
(of which men)	(43)	(44)	1	(2)

**GENDER DISTRIBUTION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT**

	The Group		Parent Company	
	2020	2019	2020	2019
Board of Directors	7	6	7	6
(of which men)	(5)	(5)	(5)	(5)
CEO and Executive Management	5	8	5	8
(of which men)	(3)	(5)	(3)	(5)

**Remuneration to the Board**

The 2020 Annual General Meeting resolved on remuneration to the members of the Board of Directors for the period ending with the close of the 2021 Annual General Meeting of SEK 500,000 to the Chairman of the Board and SEK 300,000 to each of the other Board members. The Meeting furthermore resolved on remuneration to the Chair of the Audit Committee of SEK 90,000 and of SEK 70,000 to each of the other members of the Audit Committee.

**Executive Management**

In 2020, the management team was reduced by three people and consisted of five people (eight) at the turn of the year. At the turn of the year, the CEO, CFO, Deputy CEO and CIO, Marketing and Communications Manager and General Counsel were included.

Guidelines for remuneration to senior executives are established annually by the Annual General Meeting. Salary and other benefits for the CEO are determined by Magnolia Bostad AB's Board of Directors.

**Remuneration and benefits**

The CEO and other members of Executive Management are paid fixed and variable salaries. Other employees are paid fixed and variable salaries. Variable salary is based on the fulfilment 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. The total monthly remuneration as a result of the non-competition term shall not exceed an amount corresponding to 60% of the average monthly income from fixed and variable salary during the most recent year of employment.

Other members of Group management have a six-month notice of termination.

**Note 10 Profit/loss from participations in associated companies and joint ventures**

	The Group		Parent Company	
	2020	2019	2020	2019
Share of profit/loss from associated companies and joint ventures	74	77	-	-
<b>Total</b>	<b>74</b>	<b>77</b>	<b>-</b>	<b>-</b>

Of profits from participations in associated companies, SEK -2 m (88) comes from Upplands Bro Brogårds Etapp 2 AB, which the company owns together with Heimstaden Bostad Invest AB, SEK 62 m (13) from the Magnolia project 5224 AB, which the company owns with Slättö Core Plus Holding AB, SEK 51 m from Magsam Holding AB, which the company jointly owns, Samhällsbyggnadsbolaget i Norden AB and SEK -31 m (-25) from Sollentuna Stinsen JV AB, which the company owns together with Alecta. For more information, see Note 20 – Participations in associated companies and joint ventures.

**Note 11 Costs for the business broken down by cost type**

	The Group		Parent Company	
	2020	2019	2020	2019
Operating expenses	-14	-9	-	-
Production expenses	-1,691	-805	-	-
Other external costs	-69	-62	-36	-16
Personnel costs	-150	-143	-9	-10
Depreciation/amortization and impairment	-27	-23	0	0
Other operating expenses	-36	-26	-	-
Capitalized project costs	126	113	-	-
<b>Total</b>	<b>-1,862</b>	<b>-955</b>	<b>-45</b>	<b>-26</b>

**Note 12 Financial income**

	The Group		Parent Company	
	2020	2019	2020	2019
Interest income	0	14	0	9
Interest income, associated companies	2	3	0	0
Interest income, Group companies	-	-	83	100
Dividends from Group companies	-	-	200	134
<b>Total</b>	<b>2</b>	<b>17</b>	<b>283</b>	<b>243</b>

## Note 13 Financial expenses

	The Group		Parent Company	
	2020	2019	2020	2019
Interest expenses	-173	-188	-120	-139
Interest expenses, Group companies	-	-	-6	-2
Other financial expenses	-10	-1	-7	0
<b>Total</b>	<b>-183</b>	<b>-189</b>	<b>-133</b>	<b>-142</b>

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.

## Note 14 Tax on profit/loss for the year

	The Group		Parent Company	
	2020	2019	2020	2019
Current tax	0	-1	0	0
Deferred tax for temporary differences	-37	-36	0	0
<b>Total</b>	<b>-37</b>	<b>-37</b>	<b>0</b>	<b>0</b>

### RECONCILIATION OF REPORTED TAX

	The Group		Parent Company	
	2020	2019	2020	2019
Profit/loss before tax	725	194	117	87
Nominal tax according to current tax rate (2019: 21.4%, 2018: 22%)	-155	-42	-25	-19
Tax effect of non-deductible interest expenses	-43	-41	-10	-7
Tax effect of other non-deductible expenses	-2	-0	0	0
Tax effect – non-taxable sales investment property	24	52	-	-
Tax effect of other non-taxable income	164	28	43	29
Tax effect of non-capitalized loss carry-forwards	-24	-44	-8	-3
New future corporation tax	-	2	-	-
Current tax attributable to previous years	0	0	0	0
Other	-1	8	0	0
<b>Reported effective tax</b>	<b>-37</b>	<b>-37</b>	<b>0</b>	<b>0</b>

The tax expense is less than 21.4% since some reported income (primarily the sale of companies) is not taxable and that deferred tax is not reported as loss carry-forwards. 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 on loss carry-forwards, see note 29 – Deferred tax.

## Note 15 Earnings per share

	The Group	
	2020	2019
Net profit/loss for the year attributable to Parent Company shareholders	658	129
Weighted average number of outstanding shares	37,822,283	37,822,283
Weighted average number of outstanding shares after dilution	37,822,283	37,822,283
Number of outstanding shares on the balance sheet date	37,822,283	37,822,283
Earnings per share, basic, SEK	17.40	3.41
Earnings per share, diluted, SEK	17.40	3.41

In 2018 and 2019, warrants were issued. For more information, see Note 28 – Share capital and other capital contributions.

## Note 16 Goodwill

	The Group	
	31/12/2020	31/12/2019
Opening cost	6	6
<b>Closing carrying amount</b>	<b>6</b>	<b>6</b>

The annual impairment test of goodwill did not identify any impairment needs.

## Note 17 Other intangible assets

	The Group	
	31/12/2020	31/12/2019
Opening cost	1	1
Purchases	0	0
<b>Closing accumulated cost</b>	<b>1</b>	<b>1</b>
Opening depreciation/amortization according to plan	-1	-1
Depreciation and amortization for the year according to plan	-0	-0
<b>Closing accumulated depreciation/amortization according to plan</b>	<b>-1</b>	<b>-1</b>
<b>Closing residual value according to plan</b>	<b>0</b>	<b>0</b>

## Note 18 Machines and equipment

	The Group	
	31/12/2020	31/12/2019
Opening cost	27	25
Purchases	6	3
<b>Closing accumulated cost</b>	<b>33</b>	<b>27</b>
Opening depreciation/amortization according to plan	-15	-6
Depreciation and amortization for the year according to plan	-6	-9
<b>Closing accumulated depreciation/amortization according to plan</b>	<b>-21</b>	<b>-15</b>
<b>Closing residual value according to plan</b>	<b>12</b>	<b>12</b>

## Note 19 Investment properties

	The Group	
	31/12/2020	31/12/2019
<b>Opening fair value</b>	<b>654</b>	<b>295</b>
Reclassifications	543	170
Investments and acquisitions	817	278
Unrealized changes in value	360	348
Sales to JV	-186	-438
Sales	-705	-
<b>Closing fair value</b>	<b>1,483</b>	<b>654</b>

Magnolia Bostad has two completed investment properties and 15 non-production-started projects. During 2020, three investment properties were sold to a jointly owned JV with Samhällsbyggnadsbolaget i Norden AB. These projects are being developed for long-term ownership by the respective JV. For more information, see Note 20 – Participations in associated companies and joint ventures.

Investment properties are reported in accordance with IFRS at fair value. Normally, a cash flow model is used where the operating surplus less remaining investments is calculated at present value over a five or ten-year calculation period to determine fair value. The calculation interest rate constitutes a nominal interest rate requirement for total capital before tax. The interest requirement is based on assessments of the market's return requirements for similar objects. The calculation interest rate for the investment properties is between 5.65% and 7.70% and the median amounts to 5.75%. The direct yield requirement in valuations carried out is within the range of 3.75-5.70% and the median amounts to 4.25%.

An individual assessment is made of the rental levels and rental trends. For rented premises, an estimated market rent is used in the cash flow calculations after the end of the rental agreement. Assessments are made of market rents, future normalized operating costs, investments, vacancies and more. Operating and maintenance costs are based on historical outcomes as well as on budget figures and statistics for similar properties. Investment properties under construction are valued on the basis of completed projects with deductions for remaining investments. Depending on the phase of the project, there is a risk premium. In the valuations, a long-term inflation assumption of 2.0% has been used. Projects that do not have

a zoning plan in force or where a binding acquisition agreement is missing, are valued at acquisition value, unless there is a sales agreement that indicates a different value. Valued investment properties where there are no sales agreements have, in addition to the internal valuation, were also valued by external valuers from CBRE Global Investors and Cushman & Wakefield during the last quarter of 2020.

The discount rate is mainly affected by changes in the direct yield requirement. Changes in market rents, operating costs or vacancies affect net operating income.

For more information on valuation and property values, see also pages 24 to 33.

Sensitivity analysis, property valuation	Effect on value (SEK million)	Effect on equity/assets ratio, percentage points
Operating income, +/- 10%	+219/-221	+1,9/-2,0
Direct yield, +/-0.50% points	-229/+299	-2,1/+2,5

### SENSITIVITY ANALYSIS, PROPERTY VALUE

Change in value before tax, %	Effect on earnings (SEK million)	Equity/assets ratio (%)
+10	118	34,0
0	-	32,7
-10	-118	31,4

## Note 20 Shares in associated companies and joint ventures

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Opening cost	189	107	2	2
Acquisitions	0	0	-	-
Contributions	87	42	-	-
Share for the year of profit/loss in associated companies and joint ventures	74	71	-	-
Realization result	0	6	-	-
Dividend	0	-11	-	-
Sales	0	-26	-	-
<b>Closing carrying amount</b>	<b>350</b>	<b>189</b>	<b>2</b>	<b>2</b>

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 m (0).



Group Company name	CIN	Domicile	Share of capital as a percentage <sup>1)</sup>	Carrying amount
Svenska Husgruppen Intressenter AB	556871-5717	Borlänge	45.0%	9
Söderblick Produktion AB	556849-9452	Stockholm	–	–
FL Properties Uppsala AB	556870-5304	Stockholm	50.0%	0
Moutarde Equity AB	556912-2079	Stockholm	35.0%	1
Magnolia Senap AB	556887-5925	Stockholm	50.0%	0
Sollentuna Stinsen JV AB <sup>2)</sup>	559085-9954	Stockholm	45.0%	18
Kanikenäsvarvet Bostad HB <sup>2)</sup>	969782-0810	Stockholm	–	–
KIASVA AB	559081-9487	Stockholm	46.0%	0
Fastighets AB Partille Port 5	556960-0298	Stockholm	–	–
Bollmora Vårdfastigheter AB	559063-2955	Stockholm	46.0%	18
Hällestad Nyponknoppen AB	559092-4220	Stockholm	46.0%	–
Bryggkaffe Fastighetsutveckling AB	559159-7496	Stockholm	46.0%	21
Upplands Bro Brogårds Etapp 2 AB <sup>2)</sup>	559175-4915	Stockholm	46.0%	112
Yard Holding AB <sup>2)</sup>	559175-4923	Stockholm	46.0%	110
Magnolia Projekt 5222 AB <sup>2)</sup>	559175-4907	Stockholm	46.0%	0
Magsam Holding AB <sup>2)</sup>	559270-5429	Stockholm	46.0%	60
Magnolia Projekt 595 AB <sup>2)</sup>	559277-1256	Stockholm	46.0%	0
JV Edeh Bostad AB <sup>2)</sup>	559254-2251	Stockholm	46.0%	0
<b>Total</b>				<b>350</b>

<sup>1)</sup> Share of capital agrees with ownership

<sup>2)</sup> Holdings classified as joint ventures

In 2020, Magnolia Bostad sold three investment properties to one separate JV with Samhällsbyggnadsbolaget i Norden AB. All the properties are under construction and being developed for long-term ownership by JVs.

Internal valuations have been made of all investment properties owned through JVs as of 31 December 2020. They have all also been valued by external valuers from Cushman & Wakefield and Newsec during the final quarter of 2020. Investment properties are reported in accordance with IFRS as fair value. Normally, a cash flow model is used where the operating surplus less remaining investments is calculated at present value over a five- or ten-year calculation period to determine fair value. The calculation interest rate constitutes a nominal interest rate requirement for total capital before tax. The interest requirement is based on assessments of the market's return requirements for similar objects.

The calculation interest rate for the investment properties is between 5.70% and 6.20% and the median amounts to 6.00%. The direct yield in valuations carried out is within the range of 3.70 - 4.10% and the median amounts to 4.00%.

An individual assessment is made of the rental levels and trends. For rented premises, an estimated market rent is used in the cash flow calculations after the end of the rental agreement. Assessments are made of market rents, future normalized operating costs, investments, vacancies and more. Operating and maintenance costs are based on historical outcomes as well as on budget figures and statistics for similar properties. Investment properties under construction are valued on the basis of completed projects with deductions for remaining investments. Depending on the phase of the project, there is a risk premium.

In the valuations, a long-term inflation assumption of 2.0% has been used. The discount rate is mainly affected by changes in the direct yield requirement. Changes in market rents, operating costs or vacancies affect net operating income.

For more information on valuation and property values, see also pages 24 to 33.

Sensitivity analysis, property valuation	Effect on value of property in JV companies (SEK million)	Effect on value of company's holding in JV (SEK million)	Effect on company equity/assets ratio, percentage points
Operating income, +/- 10%	+472/–470	+188/–187	+2.2/–2.6
Direct yield, +/- 0.50% points	–533/+700	–212/+278	–3.0/+3.1

Sollentuna Stinsen JV AB	2020	2019
Non-current assets		–
Cash and cash equivalents	57	106
Other current assets	750	730
Non-current financial liabilities	–730	–728
Current financial liabilities	–36	–9
Other liabilities	–2	–1
<b>Net assets</b>	<b>38</b>	<b>98</b>
<b>Company's share of net assets</b>	<b>18</b>	<b>49</b>
Net sales	15	20
Depreciation/amortization	0	0
Interest expenses	–47	–44
Net profit/loss for the year	–61	–49
<b>Company's share of profit/loss for the year</b>	<b>–31</b>	<b>–25</b>

Sollentuna Stinsen JV AB was acquired in December 2016. All apartments will be developed by Magnolia Bostad. Approxi-

mately 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 25 November 2016. The consideration paid for the property acquisition amounted to approximately SEK 700 m.

The property includes just under 54,200 m<sup>2</sup> in Södra Häggvik. On the property is the Stinsen shopping centre, which offers approximately 41,600 m<sup>2</sup> of leasable retail and office space.

Upplands Bro Brogårds Etapp 2 AB	2020	2019
Non-current assets	563	508
Cash and cash equivalents	39	0
Other current assets	3	4
Non-current liabilities	-318	0
Current liabilities	-11	-268
Other liabilities	-52	-47
<b>Net assets</b>	<b>224</b>	<b>198</b>
<b>Company's share of net assets</b>	<b>112</b>	<b>99</b>
Net sales	0	0
Depreciation/Amortization	0	0
Change in value of investment properties	25	227
Interest expenses	-22	-3
Income tax	-5	-47
Net profit/loss for the year	-4	177
<b>Company's share of profit/loss for the year</b>	<b>-2</b>	<b>88</b>

In 2019, 50% of the shares in Upplands Bro Brogårds Etapp 2 AB were sold to Heimstaden Bostad Invest AB. Upplands Bro Brogårds Etapp 2 AB acquired property for the development of 835 estimated residential units in Bro from Magnolia Bostad, where 645 residential units were also production-started during the year. The property is being developed for long-term management. Earnings during the year mostly consist of a change in the value of production-started housing.

Yard Holding AB	2020	2019
Non-current assets	969	200
Cash and cash equivalents	13	0
Other current assets	3	0
Non-current financial liabilities	-500	0
Current financial liabilities	-204	-170
Other liabilities	-62	-7
<b>Net assets</b>	<b>219</b>	<b>23</b>
<b>Company's share of net assets</b>	<b>110</b>	<b>13</b>
Net sales	0	0
Depreciation/amortization	0	0
Interest expenses	-15	0
Change in value, investment properties	175	34
Income tax	-36	-7
Net profit/loss for the year	124	26
<b>Company's share of profit/loss for the year</b>	<b>62</b>	<b>13</b>

In 2019, 50% of the shares in Magnolia Projekt 5224 AB were sold to Slättö Core Plus Holding AB. Magnolia Projekt 5224 AB subsequently acquired Kronandalen, Gjuteriet etapp 2, Sportflygaren and the rental rights part of Övre Bangården from Magnolia Bostad. In 2020, Barkarbystaden and Valfisken were acquired from Slättö. The properties are being developed for long-term management. Earnings during the year mostly consist of a change in the value of production-started housing.

Magsam Holding AB	2020
Non-current assets	491
Cash and cash equivalents	0
Other current assets	40
Non-current financial liabilities	-310
Current financial liabilities	-72
Other liabilities	-26
<b>Net assets</b>	<b>121</b>
<b>Company's share of net assets</b>	<b>60</b>
Net sales	0
Depreciation/amortization	128
Interest expenses	-2
Net profit/loss for the year	100
<b>Company's share of profit/loss for the year</b>	<b>50</b>

In 2020, 50% of the shares in Magsam Holding AB were sold to Samhällsbyggnadsbolaget i Norden AB through Samhäll 106 AB. In 2020, Magsam Holding AB acquired Drottninghög, Väs-jön Norrsätra and Orminge Hus 1 from Magnolia Bostad and Järven from SBB. The properties are being developed for long-term management. Earnings during the year mostly consist of a change in the value of production-started housing.

## Note 21 Other long-term securities holdings

	The Group	
	31/12/2020	31/12/2019
Opening fair value	31	31
Acquisitions	10	-
<b>Closing carrying amount</b>	<b>41</b>	<b>31</b>
	31/12/2020	31/12/2019
Other investments	41	31
<b>Total</b>	<b>41</b>	<b>31</b>

During the year, a share of Bergavik Fastighets AB and A&B Invest AS was acquired. The fair value of the holdings in Norefjell Prosjekutvikling AS, A&B Invest AS and Bergavik Fastighets AB has been assessed according to level 3 in the fair value hierarchy as the value is based on input data other than listed prices. No profit effect has been reported from other long-term securities holdings in 2020.

## Note 22 Other long-term receivables

	The Group	
	31/12/2020	31/12/2019
Receivable property sales	1,005	520
Paid deposits	33	20
Deposits	7	7
Other	14	16
<b>Total</b>	<b>1,059</b>	<b>563</b>

Refers largely to long-term claims on buyers.

	The Group	
	2020	2019
<b>Receivable property sales</b>	<b>2020</b>	<b>2019</b>
<b>Opening balance</b>	<b>520</b>	<b>834</b>
Incoming from new property sales	721	75
Change in estimate of variable remuneration	-86	-12
Outgoing to Other receivables	-150	-377
<b>Closing balance</b>	<b>1,005</b>	<b>520</b>

Reported as short-term Other receivables are additional claims from property sales of SEK 625 m (294). For information on short-term receivables on buyers, see Note 25 - 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.

## Note 23 Development and project properties

	The Group	
	31/12/2020	31/12/2019
Opening amount	1,382	1,234
Ongoing new construction	773	827
Reclassifications	-543	-170
Acquisitions	1,078	173
Sales	-1,691	-644
<b>Total</b>	<b>999</b>	<b>1,382</b>

During 2020, 18 (four) properties have been reclassified as Investment properties.

## Note 24 Accounts receivable

	The Group	
	31/12/2020	31/12/2019
Accounts receivable gross	48	41
Provision for bad debt	-3	0
<b>Closing carrying amount</b>	<b>45</b>	<b>41</b>
<b>Provision for bad debt</b>		
Provision at beginning of year	0	0
Realized losses	0	0
Provisions for expected credit losses	-3	0
<b>Provision at end of year</b>	<b>-3</b>	<b>0</b>

	The Group	
	31/12/2020	31/12/2019
<b>Age-distributed accounts receivable</b>		
Accounts receivable not past due	27	21
Past due < 30 days	11	0
Past due 31-90 days	0	1
Past due > 90 days	10	19
<b>Total accounts receivable not written down</b>	<b>48</b>	<b>41</b>
Past due and written down accounts receivable	-3	0
<b>Total accounts receivable</b>	<b>45</b>	<b>41</b>

The company reported losses of SEK -3 m (0) for write-downs of accounts receivable.

## Note 25 Other receivables

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Receivable property sales	625	294	0	–
Paid deposits	86	101	0	–
Deposits	0	7	0	–
Other items	31	12	0	0
<b>Total</b>	<b>742</b>	<b>414</b>	<b>0</b>	<b>0</b>

SEK 0 million (0) of other receivables are past due.

	The Group	
Receivable property sales	31/12/2020	31/12/2019
<b>Opening balance</b>	<b>294</b>	<b>242</b>
Incoming from new property sales	1,691	644
Incoming from Other long-term receivables	150	377
Payments received	–1,510	–969
<b>Total</b>	<b>625</b>	<b>294</b>

The majority of the claims are against Swedish institutions and other reputable partners.

## Note 26 Prepaid expenses and accrued income

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Prepaid costs	11	8	0	0
Accrued income	1	1	0	0
Accrued interest income	7	2	7	2
Other items	0	0	0	0
<b>Total</b>	<b>19</b>	<b>11</b>	<b>7</b>	<b>2</b>

## Note 27 Cash and cash equivalents

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Cash and bank balances	277	441	35	20
<b>Total</b>	<b>277</b>	<b>440</b>	<b>35</b>	<b>20</b>

## Note 28 Share capital and other contributed capital

Share capital in Parent Company Magnolia Bostad AB amounts to SEK 151 m (151) and refers to 37,822,283 ordinary shares. The shares have a quotient value of SEK 4 per share. Each ordinary share corresponds to one vote. All shares registered on the balance sheet date are fully paid.

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. Every warrant entitles the holder to subscribe to one share and will be transferred to employees in accordance with the warrant programme. During 2018, 260,500 warrants were transferred to employees in accordance with the warrant programme. 28,000 warrants were bought back. 89,500 unexercised warrants were cancelled during 2019. Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 2 November 2020 until 26 April 2022.

The Annual General Meeting held on 10 May 2019 resolved to issue 200,000 warrants to the subsidiary, Magnolia Utveckling AB. Following the AGM's decision, 170,000 of the warrants were offered to key employees at the subsidiary, all of which have been acquired by and assigned to key employees. The outstanding warrants remain in Magnolia Utveckling's ownership for the time being. Each warrant entitles the holder to subscribe for one share in Magnolia Bostad at a strike price of SEK 84 per share during the period from 1 November 2022 until 26 April 2024.

All warrants have been transferred at fair value.

### Equity in the Parent Company

#### Share capital

The share capital item includes the registered share capital. As at 31 December 2019, there are 37,822,283 shares (37,822,283) and the quotient value is SEK 4 per share.

#### Share premium reserve

The share premium reserve is part of unrestricted equity. The item arises when a new share issue is oversubscribed.

#### Profit/loss carried forward

Retained profits correspond to accumulated profits and losses generated in the company with supplements/deductions for provisions to statutory reserves, dividends and other contributions from shareholders.

## SHARE CAPITAL GROWTH

Ordinary shares	Number of shares	Quotient value/ share, SEK	Share capital, SEK
Opening balance 01/01/2019	37,822,283	4	151,289,132
<b>Closing balance 31/12/2019</b>	<b>37,822,283</b>	<b>4</b>	<b>151,289,132</b>
Opening balance 01/01/2020	37,822,283	4	151,289,132
<b>Closing balance 31/12/2020</b>	<b>37,822,283</b>	<b>4</b>	<b>151,289,132</b>

### Proposed appropriation of profits

The following is available to the Annual General Meeting, SEK:

Share premium reserve	184,732,539
Profit/loss carried forward	4,846,450
Net profit/loss for the year	117,458,021
<b>Total</b>	<b>307,037,010</b>

The Board proposes:  
To be carried forward 307,037,010

**Total 307,037,010**

### Equity in the Group

#### Share capital

The share capital item includes the registered share capital. As on 31 December 2020, there were 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 share-holders' 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.

## Note 29 Deferred tax

	The Group	
	31/12/2020	31/12/2019
Deferred tax liability		
for temporary difference between carrying amounts and taxable values of buildings	68	38
<b>Total</b>	<b>68</b>	<b>38</b>

Reported deferred tax liability has been calculated at 20.6% (20.6). Total loss carry-forwards without an equivalent capitalization of a deferred tax asset amount to SEK 1,014 m (1,010), which corresponds to a deferred tax asset of SEK 217 m (216) at a tax rate of 21.4%.

## Not 30 Interest-bearing liabilities and other non-current liabilities

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<b>Non-current interest-bearing liabilities</b>				
Bank loans	321	390	–	–
Bond loans	965	1,013	965	1,013
Deposits	91	144	91	144
Seller promissory notes	–	121	–	–
<b>Current interest-bearing liabilities</b>				
Seller promissory notes	121	–	–	–
Bank loans	272	395	–	–
Bond loans	251	428	251	428
<b>Total</b>	<b>2,021</b>	<b>2,491</b>	<b>1,307</b>	<b>1,585</b>
Liabilities that fall due for payment within one year after the balance sheet date	644	823	251	428
Liabilities that fall due for payment within one and five years after the balance sheet date	1,377	1,668	1,056	1,157
Liabilities that fall due for payment more than five years after the balance sheet date	–	–	–	–
<b>Total</b>	<b>2,021</b>	<b>2,491</b>	<b>1,307</b>	<b>1,585</b>

Shares in subsidiaries were pledged as collateral for the bond with an outstanding nominal amount of SEK 0 m (450). The value of the collateral pledged for the bond amounts to SEK 0 m (742) in the Group and SEK 0 m (74) in the parent company. For bank loans, the Group has pledged collateral totalling SEK 610 m (656).

	The Group	
	31/12/2020	31/12/2019
<b>Other non-current liabilities</b>		
Purchase price returned to buyers	20	4
Purchase price acquisition	512	30
Deposits	0	0
<b>Total</b>	<b>532</b>	<b>34</b>

	The Group	
	31/12/2020	31/12/2019
<b>Other non-current liabilities</b>		
Liabilities that fall due for payment within one and five years after the balance sheet date	532	34
Liabilities that fall due for payment more than five years after the balance sheet date	–	–
<b>Total</b>	<b>532</b>	<b>34</b>

Change in interest-bearing liabilities and other non-current liabilities	The Group		Parent Company	
	2020	2019	2020	2019
Opening balance	2,525	2,226	1,585	1,573
Borrowings	1,513	677	538	–
Acquired liabilities	–	–	–	–
Amortization	–1,810	–264	–833	–
Sales	–	–140	–	–
Other non-cash flow changes	325	26	17	12
<b>Closing balance</b>	<b>2,553</b>	<b>2,525</b>	<b>1,307</b>	<b>1,585</b>

## Note 31 Accrued expenses and deferred income

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Accrued personnel costs	36	29	1	3
Accrued interest expenses	36	33	30	25
Deferred income	2	2	0	0
Property tax	0	0	–	–
Other items	81	64	4	2
<b>Total</b>	<b>155</b>	<b>129</b>	<b>35</b>	<b>30</b>

## Note 32 Pledged assets

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Real estate mortgages	386	453	–	–
Pledged shares in subsidiaries	23	742	–	74
Pledged shares in associated companies	60	–	–	–
Pledged internal reversals	141	204	–	–
<b>Total</b>	<b>610</b>	<b>1,398</b>	<b>–</b>	<b>74</b>

## Note 33 Contingent liabilities and other commitments

	The Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Guarantees to the benefit of associated companies	90	–	–	–
Guarantees to the benefit of Group companies	–	–	655	856
Guarantees to the benefit of Group companies	4	107	188	87
Guarantees to the benefit of liabilities according to contracting agreements	18	18	33	33
<b>Total</b>	<b>113</b>	<b>126</b>	<b>876</b>	<b>976</b>

In tenant-owned projects that have been transferred to a tenant-owner's association, the Group has a commitment to acquire housing that has not been leased with a tenant-owner's residence for a certain period of time after approved final inspection.

In certain asset acquisitions, there are additional payments that are payable if certain events occur in the future. These additional payments are recognized when the underlying event causing an additional payment occurs.

A seller of a property-owning company (the Seller) submitted a claim in 2018 for a standardized damages of SEK 25 m under allegation of a breach of contract against a share transfer agreement. In 2018, the Seller submitted a claim for a further SEK 22 m approximately. In 2019, the Seller amended the action and presented a claim of SEK 46.5 m plus interest to the district court for breach of contract. In the autumn of 2020, the district court ruled in favour of Magnolia Bostad. The judgment has been appealed by the Seller to the Court of Appeal. The Court of Appeal has granted leave to appeal and decided to take up the case for review in the second instance.

Magnolia Bostad becomes involved in litigation and legal proceedings from time to time in its operating activities. These disputes and legal processes are not expected to affect Magnolia Bostad's financial results or position to any significant extent, either individually or together.

## Note 34 Participations in Group companies

	Parent Company	
	31/12/2020	31/12/2019
Opening cost	89	89
<b>Closing carrying amount</b>	<b>89</b>	<b>89</b>

Company name	CIN	Domicile	Share of capital as a percentage <sup>1)</sup>	Carrying amount
Norefjell i Oslo Invest AB	556746-2923	Stockholm	100.0%	14
Magnolia Utveckling AB	556776-1464	Stockholm	100.0%	74
Magnolia Hotellutveckling 2 AB	559125-7604	Stockholm	76.0%	0
				<b>89</b>

<sup>1)</sup> Share of capital agrees with ownership.



## Note 35 Closely related parties

### The Group

The Group is subject to controlling influence from F. Holmström Fastigheter AB, co. reg. no. 556530-3186, which is domiciled in Stockholm.

Transactions with related parties have 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	Koncernen	
	31/12/2020	31/12/2019
<b>Divestments to associated companies</b>		
Svenska husgruppen Intressenter AB	–	10
FL Properties Uppsala AB	0	0
Magnolia Senap AB	0	0
Moutarde Equity AB	0	0
KIASVA AB	–	0
Bollmora Vårdfastigheter AB	0	0
Sollentuna Stinsen JV AB	5	3
Skogskarlen Bergshamra Fast AB	–	0
Upplands Bro Brogårds Etapp 2 AB	27	281
Magnolia Projekt 5224 AB	70	167
Magsam Holding AB	187	–
Magnolia Projekt 5222 AB	0	–
JV Edeh Bostad AB	0	–
<b>Total</b>	<b>290</b>	<b>462</b>
<b>Acquisitions from associated companies</b>		
<b>Total</b>	<b>0</b>	<b>0</b>

Receivables from associated companies	Koncernen	
	31/12/2020	31/12/2019
Svenska Husgruppen Intressenter AB	36	36
FL Properties Uppsala AB	0	1
Magnolia Senap AB	0	0
Moutarde Equity AB	0	0
KIASVA AB	–	36
Bollmora Vårdfastigheter AB	2	2
Magsam Holding AB	55	–
Bryggkaffe Fastighetsutveckling AB	4	4
Upplands Bro Brogårds Etapp 2 AB	12	19
Magnolia Projekt 5224 AB	69	167
Magnolia Projekt 595 AB	3	–
JV Edeh Bostad AB	0	–
<b>Total</b>	<b>181</b>	<b>265</b>

Liabilities to associated companies	Koncernen	
	31/12/2020	31/12/2019
Moutarde Equity AB	3	1
Upplands Bro Brogårds Etapp 2 AB	0	–
Magnolia Projekt 5224 AB	20	–
<b>Total</b>	<b>23</b>	<b>1</b>

Transactions occurred with F. Holmström Fastigheter AB and other companies over which Fredrik Holmström, Chair of the Board of Magnolia Bostad AB, has a controlling influence. During the year, Magnolia Bostad Group had expenses of SEK 5 m (2) for services carried out by companies with closely related parties to Fredrik Holmström. Magnolia Bostad rented commercial premises from F. Holmström Fastigheter AB for SEK 1 m (1).

Before Fredrik Lidjan took over as CEO for Magnolia Bostad, Fredrik Lidjan AB also signed a profit-sharing agreement with the Magnolia Bostad Group, for which SEK 0 m (0) 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, Co.Reg.No. 559114-8415 and 40 shares in Group company Magnolia Hotellutveckling 2 AB, Co.Reg.No. 559125-7604. For more information, see Note 4 Group composition. The Group's composition and description of the minority ownership structure appear on pages 139–140 in the corporate governance report.

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 m (0) from Caritas Corporate Finance AB, owned by Board member Fredrik Tibell. The services refer to ongoing financial advice.

For more information about remuneration to executive management, see Note 9 Remuneration to employees.

### 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. See Note 34 – Participations in Group companies. The Parent Company has sold services to Group companies for SEK 13 m (12) and purchased services for SEK 21 m (1).

## Note 36 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 the Parent Company's shareholders as a percentage of the average equity attributable to the Parent Company shareholders.	Return on equity shows the return generated on the capital invested by shareholders in the Company and in the accumulated results.
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 the book value per share.
Net financial items	Net of financial income and financial expenses.	Net financial items are listed to give a picture of the profit/loss generated by the company's financing activities.
Cash flow from the 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 a picture of funds generated by operating activities per share.
Realized growth in value	Revenue from the sale of investment properties less acquisition cost, accumulated investments and costs for sale.	Realized growth in value shows the result of completed sales measured from acquisitions to sales.
Profit/loss after financial items	Operating profit/loss plus financial income minus financial expenses.	Profit/loss after financial items presents the Company's profit/loss after tax.
Interest-bearing net liabilities	Interest-bearing liabilities minus cash and cash equivalents.	Interest-bearing net liabilities are presented as they can be used to show the financial position.
Interest coverage ratio (multiple)	Profit/loss after financial items with reversal of financial expenses, adjustment for changes in value of investment properties and supplements for realized growth in value growth and deduction for unrealized changes in value of investment properties divided by financial expenses.	Interest coverage ratio is presented as it can be used to give a picture of the company's ability to cover interest rate costs.
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/loss and operating margin is presented to give a picture of the profit/loss generated in operating activities.
Equity/assets ratio (%)	Equity, including holdings without a controlling influence, as a percentage of the balance sheet total.	The equity/assets ratio is used to measure the Company's financial position. The equity/assets ratio shows how much of the Company's assets is financed with its own funds.
Profit margin (%)	Net profit for the year as a percentage of net sales.	Profit margin is presented to give a picture of the profit/loss generated in operating activities and their financing.

For reconciliation of alternative KPIs, refer to Magnolia Bostad AB's website, [www.magnoliabostad.se](http://www.magnoliabostad.se).

## Not 37 Effect of change in accounting principle

Magnolia Bostad follows the development of accounting practices and, as a result of the change in accounting practices among housing developers during the year with effect from Q2 2020, has consolidated tenant-owner associations to the time when the final buyers take over their apartments. This means that Magnolia Bostad reports tenant-owned apartment projects in the balance sheet as ongoing work within the asset item development and project properties, as well as interest-bearing current liabilities. Transactions between Magnolia Bostad and the respective tenant-owner association

are eliminated as a result of the change in management. Revenues and costs for the projects are reported as the apartment buyers take over their homes.

According to previous principles, Magnolia Bostad did not consolidate tenant-owner associations and therefore reported income and expenses at the time when the tenant-owner association signed a binding agreement on the acquisition of tenant-ownership projects from Magnolia Bostad.

All comparative figures for 2019 are recalculated unless otherwise stated. For effects on the results and balance sheet for 2019, see tables below.

## Income statement

Amounts in SEK m	2019 Jan–Dec			Comments
	According to previous accounts	Effect of tenant-owner associations	According to new principles	
Operating income and expenses	751	145	896	a)
Production and operating costs	–707	–159	–866	b)
<b>Gross profit/loss</b>	<b>44</b>	<b>–14</b>	<b>30</b>	
Central administration	–89	0	–89	
Profit/loss from participations in associated companies and joint ventures	77	0	77	
Changes in value of investment properties	348	0	348	
<b>Operating profit/loss</b>	<b>380</b>	<b>–14</b>	<b>366</b>	
Financial income	17	0	17	
Financial expenses	–189	0	–189	
<b>Profit/loss before tax</b>	<b>208</b>	<b>–14</b>	<b>194</b>	
Income tax	–37	0	–37	
<b>Profit/loss for the period</b>	<b>171</b>	<b>–14</b>	<b>157</b>	

## Report on financial position

Amounts in SEK m	01/01/2019			31/12/2019			Comments
	According to previous accounts	Effect of tenant-owner associations	According to new principles	According to previous accounts	Effect of tenant-owner associations	According to new principles	
Other long-term receivables	978	–28	950	578	–16	562	a)
Other fixed assets	578	0	578	1,143	0	1,143	
<b>Total fixed assets</b>	<b>1,556</b>	<b>–28</b>	<b>1,528</b>	<b>1,721</b>	<b>–16</b>	<b>1,705</b>	
Current assets							
Development and project properties	1,196	38	1,234	1,114	268	1,382	b)
Other current assets	918	–31	887	1,164	–184	980	a)
<b>Total current assets</b>	<b>2,114</b>	<b>8</b>	<b>2,122</b>	<b>2,278</b>	<b>83</b>	<b>2,361</b>	
<b>TOTAL ASSETS</b>	<b>3,669</b>	<b>–21</b>	<b>3,648</b>	<b>3,999</b>	<b>68</b>	<b>4,067</b>	
<b>Total equity</b>	<b>1,093</b>	<b>–28</b>	<b>1,065</b>	<b>1,183</b>	<b>–42</b>	<b>1,141</b>	
<b>Total long-term liabilities</b>	<b>2,035</b>	<b>8</b>	<b>2,043</b>	<b>1,778</b>	<b>8</b>	<b>1,786</b>	c)
<b>Total current liabilities</b>	<b>541</b>	<b>0</b>	<b>541</b>	<b>1,038</b>	<b>102</b>	<b>1,140</b>	c)
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,669</b>	<b>–21</b>	<b>3,648</b>	<b>3,999</b>	<b>68</b>	<b>4,067</b>	

## Cash flow

Amounts in SEK m	2019 Jan-Dec			Comments
	According to previous accounts	Effect of tenant-owner associations	According to new principles	
<b>Operating activities</b>				
Profit/loss after financial items	208	-14	194	
Other adjustments for items that are not included in cash flow etc.	-379	0	-379	
Profit/loss from sale of development properties	-78	13	-65	a)
<b>Cash flow from operating activities before changes in working capital</b>	<b>-249</b>	<b>0</b>	<b>-249</b>	
Decrease (+)/increase (-) of development and project properties	-88	-229	-317	b)
Decrease (+)/increase (-) of operating receivables	385	121	506	a)
Decrease (-)/increase(+) of operating liabilities	27	15	42	c)
<b>Cash flow from operating activities</b>	<b>75</b>	<b>-93</b>	<b>-18</b>	
<b>Cash flow investment activities</b>	<b>-267</b>	<b>0</b>	<b>-267</b>	
Borrowings	590	87	677	c)
Cash flow from other financing activities	-353	0	-353	
<b>Cash flow from financing activities</b>	<b>237</b>	<b>87</b>	<b>324</b>	
<b>Cash flow for the period</b>	<b>45</b>	<b>-6</b>	<b>39</b>	
<b>Cash and cash equivalents at the start of the period</b>	<b>395</b>	<b>8</b>	<b>403</b>	
<b>Cash and cash equivalents at the end of the period</b>	<b>440</b>	<b>1</b>	<b>441</b>	

### Comments on the tables

a) The consolidation of tenant-owner associations means a time shift in the income statement for tenant-owner-ship projects as income is instead taken in step with the tenant-owners' access to the respective tenant-owner-ship. For the full year 2019, the effect on net sales will be positive due to a higher proportion of deferred revenue recognition from previous years compared with 2019. According to previous reports, the claim on the tenant-owner association from the previous time for revenue recognition was reported as a long- or short-term claim. Items as a result of the changed handling. Cash flow is mainly affected regarding the allocation within cash flow from ongoing activities.

- b) The shift in the income statement also entails a time shift in the cost recognition in the projects. The tenant-owned apartment projects are reported under the asset item Development and project properties, until occupancy takes place.
- c) The tenant-owner associations' debts mainly consist of short-term bank loans to cover expenses related to the contract. In addition to these, there are operating liabilities in the form of accounts payable and paid-in membership fees. In terms of cash flow, the change mainly means a re-allocation between the cash flow from operating activities and the financing activities.

## Note 38 Events after the balance sheet date

New targets and a new dividend policy were adopted by the Board in February 2021, in the light of Magnolia Bostad's investment in the development of properties for self-management. These new targets replace previously announced business and financial targets.

A senior unsecured green bond of SEK 500 m with a floating coupon of 3 months (STIBOR) plus 6.90% was issued in March 2021. At the same time, a voluntary repurchase offer of outstanding bonds fell due in 2021. Magnolia Bostad announced in March the bond holders with a due date in 2021 a voluntary early redemption of all outstanding bonds in accordance with the bond's terms. Early redemption will take place in April 2021.

The Board of Directors and the CEO ensure that the consolidated financial statements have been prepared in accordance with the IFRS international accounting standards as adopted by the EU and are a true and fair presentation of the Group's position and performance. The annual accounts have been prepared in accordance with generally accepted auditing standards and are a true and fair presentation of the Parent

Company's position and performance. The Directors' Report for the Group and the Parent Company is a true and fair presentation of the development in the Group's and Parent Company's operations, position and performance, and describes significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 29 March 2021

Fredrik Holmström  
*Chairman of the Board*

Viveka Ekberg  
*Member*

Jan Roxendal  
*Member*

Andreas Rutili  
*Member*

Risto Silander  
*Member*

Anna-Greta Sjöberg  
*Member*

Fredrik Tibell  
*Member*

Johan Tengelin  
*CEO*

We issued our Auditor's Report on 30 March 2021

Ernst & Young AB

Fredric Hävrén  
*Authorized auditor*

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# Auditor's report

To the general meeting of the shareholders of Magnolia Bostad AB (publ), corporate identity number 556797-7078

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Magnolia Bostad AB (publ) for the financial year 2020. The annual accounts and consolidated accounts of the company are included on pages 78-123 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

### Basis for Opinions

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

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

### Key Audit Matters

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

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



## REVENUE RECOGNITION FROM SALES OF DEVELOPMENT AND PROJECT PROPERTIES

Description	How our audit addressed this key audit matter
<p>The Group's net sales attributable to the sale of development and project properties amounted to 1 973 MSEK for 2020.</p> <p>The Group recognizes revenue from projects development when (i) a binding agreement is entered into with a purchaser of the project (property), (ii) local planning is in place, and (iii) a binding turnkey contract has been entered with a contractor. The transaction price includes elements of variable considerations, linked to future property area, rental level and vacancy level. Variable considerations in the transaction price linked to the property area consist of planning risk and potential risk in the turnkey contract. Planning risk is based on knowledge of the local planning and revenue is accounted for when building permit is received and the uncertainty linked to planning risk ceases. Risk in the turnkey contract is considered ceased and revenue is accounted for when the turnkey contract has been completed. The Group makes an individual assessment of the expected value of variable considerations in each individual project at the end of each reporting period. Revaluations of the assessed expected end project result results in a correction of previously reported result, which increases or decreases revenue, in the period which the transaction price changes.</p> <p>Due to the complexity of the assessments and assumptions made, in several areas as aspects, this is a key audit matter in our audit. The accounting and valuation principles are stated in Note 1 (accounting principles) and Note 2 (critical assessments and estimations).</p>	<p>In our review, we have reviewed the Group's accounting principles for revenue recognition.</p> <p>We have evaluated and assessed a selection of the Group's controls for revenue recognition. We have conducted detailed review of significant agreements, calculations and assessments regarding estimated transaction prices, including estimates of risks for different types of revenue reductions.</p> <p>We have reviewed the Group's assessments of the expected value of variable considerations in the transaction price and revaluations of estimated project results on significant transactions, including evaluating the reliability of estimated final transaction cost against past estimates.</p> <p>We have reviewed the information disclosed in the annual report.</p>

## VALUATION OF DEVELOPMENT AND PROJECT PROPERTIES

Description	How our audit addressed this key audit matter
<p>Consolidated carrying value of development and project properties amounted to 999 MSEK in the statement of financial position at December 31, 2020.</p> <p>The development and project properties are classified as inventories. Book value is at the lower of acquisition cost and net realizable value (estimated sales price after deduction of selling expenses and completion costs). The assessment of net realizable value is based on a number of assumptions, such as planning and development costs, time aspect and estimated sales price, resulting in valuation of development and project properties being considered as a key audit matter in our audit, as a result of the uncertainties included in the assumptions. The accounting and valuation principles are stated in Note 1 (accounting principles) and Note 2 (critical assessments and estimations).</p>	<p>Our audit includes review of acquisition cost of development and project properties and the internal valuation prepared by the Group.</p> <p>We have reviewed assumptions including expected yields, planning and development costs and estimated sales price. We have reviewed that booked value is at the lower of acquisition cost and net realizable value.</p> <p>We have reviewed the information disclosed in the annual report.</p>

## VALUATION OF INVESTMENT PROPERTIES

Description	How our audit addressed this key audit matter
<p>The fair value of the Groups investment properties amounted to SEK 1 483 million on December 31, 2020. The unrealized changes in value during the year, reported in the Group's income statement, amounted to SEK 336 million.</p> <p>The valuations are prepared in accordance with the discounted cash flow model, whereby the future cash flows are forecast. The properties are valued internally, with additional external valuation for control purposes. The required yields for the properties are assessed on each property's unique risk profile and observable transactions in the market for properties with a similar nature. Based on the high degree of assumptions and assessments which are made in connection with the property valuations, we believe that this area is a key audit matter in our audit.</p> <p>A description of the valuation of the property portfolio is stated in the annual report in Note 1 "Accounting principles" on page 100 and in Note 19 "Investment properties" on page 112.</p>	<p>In our audit we have evaluated the company's process for property valuation by evaluating the valuation methodology, valuation model and input data in the internally and externally prepared valuations.</p> <p>We have reviewed a sample of valuations and reviewed that the valuations follow Magnolia Bostad's guidelines for valuation and valuation method. For a selection of properties, we have reviewed the input data for Magnolia Bostad's valuation model. We have discussed important assumptions and assessments with Magnolia Bostad's valuation manager.</p> <p>We have also made comparisons with known market information. With the support of our valuation specialist, we have for a selection of properties also examined the reasonableness of assumptions made such as yield requirements, rental income and operating costs. We have evaluated the competence and objectivity of the external valuers. We have evaluated the skills and objectivity of the external experts.</p> <p>We have reviewed the disclosures provided in the annual accounts.</p>

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### **Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-78, 128-131 and 150-152. The remuneration report for the financial year 2020 also contains other information. The Board of Directors and the Managing Director are responsible for this other information.

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

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

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### **Auditor's responsibility**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

# Report on other legal and regulatory requirements

## Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Magnolia Bostad AB (publ) for the financial year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

## Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

## Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assur-

ance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Magnolia Bostad AB (publ) by the general meeting of the shareholders on the 27th of April 2020 and has been the company's auditor since the 7 May 2014. Magnolia Bostad AB (publ) became a public interest company in 2017.

Stockholm, 30th of March 2021  
Ernst & Young AB

Fredric Hävrén  
Authorized Public Accountant

# Multi-year overview

Income Statement Amounts in SEK M	01/01/2020 –31/12/2020	01/01/2019 –31/12/2019	01-01-2018 <sup>1)</sup> –31-12-2018	01-01-2017 <sup>1)</sup> –31-12-2017	01-01-2016 <sup>1)</sup> –31-12-2016
Net sales	2,358	896	1,054	1,781	1,064
Production and operating costs	–1,764	–866	–907	–1,347	–642
<b>Gross profit/loss</b>	<b>594</b>	<b>30</b>	<b>147</b>	<b>434</b>	<b>422</b>
Central administration	–98	–89	–64	–41	–27
Profit/loss from participations in associated companies	74	77	14	–9	14
Revaluation during transition from associated company to subsidiary	–	–	–	–	0
Change in value, investment properties	336	348	67	–	–
<b>Operating profit/loss</b>	<b>906</b>	<b>366</b>	<b>164</b>	<b>384</b>	<b>409</b>
Financial income	2	17	8	6	3
Financial expenses	–183	–189	–150	–115	–93
Change in value, financial instruments	–	–	–	0	0
<b>Profit/loss before tax</b>	<b>725</b>	<b>194</b>	<b>22</b>	<b>276</b>	<b>319</b>
Income tax	–37	–37	–15	0	0
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>688</b>	<b>157</b>	<b>7</b>	<b>276</b>	<b>319</b>
Profit/loss attributable to					
Parent company shareholders	658	129	10	203	271
Holdings without a controlling influence	30	28	–3	73	48

<sup>1)</sup> Not recalculated as a result of changed accounting principles for tenant-owner associations.

Report on financial position Amounts in SEK M	31/12/2020	31-12- 2019	31-12- 2018 <sup>1)</sup>	31-12- 2017 <sup>1)</sup>	31-12- 2016 <sup>1)</sup>
<b>ASSETS</b>					
Goodwill	6	6	6	6	6
Other intangible assets	0	0	1	1	0
<b>Total intangible assets</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>6</b>
Investment properties	1,483	654	295	–	–
Right of use assets	72	51	–	–	–
Machinery and equipment	12	12	19	8	1
<b>Total property, plant and equipment</b>	<b>1,567</b>	<b>717</b>	<b>314</b>	<b>8</b>	<b>1</b>
Shares in associated companies and joint ventures	350	188	106	111	116
Receivables from associated companies	45	201	56	24	23
Other securities held as non-current assets	41	31	31	31	31
Other long-term receivables	1,059	563	978	1,165	397
<b>Total financial assets</b>	<b>1,495</b>	<b>983</b>	<b>1,171</b>	<b>1,330</b>	<b>567</b>
<b>Total non-current assets</b>	<b>3,068</b>	<b>1,706</b>	<b>1,492</b>	<b>1,345</b>	<b>574</b>
<i>Current assets</i>					
Development and project properties	999	1,382	1,196	1,310	1 160
Tenant-owned apartments	11	9	10	4	4
Accounts receivable	45	41	21	31	1
Receivables from associated companies	136	64	38	52	20
Other receivables	742	414	440	595	475
Prepaid expenses and accrued income	19	11	14	5	5
Cash and cash equivalents	277	441	395	208	507
<b>Total current assets</b>	<b>2,229</b>	<b>2,361</b>	<b>2,114</b>	<b>2,205</b>	<b>2 172</b>
<b>TOTAL ASSETS</b>	<b>5,297</b>	<b>4,067</b>	<b>3,605</b>	<b>3,550</b>	<b>2 746</b>
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to Parent Company shareholders	1,624	1,042	937	991	854
Holdings without a controlling influence	109	99	156	180	135
<b>Total equity</b>	<b>1,733</b>	<b>1,141</b>	<b>1,093</b>	<b>1,171</b>	<b>989</b>
Deferred tax liability	68	38	17	2	2
Non-current interest-bearing liabilities	1,377	1,667	1,914	1,566	1 268
Non-current liabilities to associated companies	10	–	18	35	–
Non-current lease liabilities	57	39	–	–	–
Other non-current liabilities	532	42	34	30	91
<b>Total non-current liabilities</b>	<b>2,044</b>	<b>1,786</b>	<b>1,983</b>	<b>1,633</b>	<b>1 361</b>
Current interest-bearing liabilities	644	824	278	507	237
Current lease liabilities	18	13	–	–	–
Accounts payable	65	68	23	16	38
Liabilities to associated companies	13	1	0	1	–
Income tax liabilities	0	0	0	0	0
Other current liabilities	626	105	114	85	68
Accrued expenses and deferred income	154	129	114	136	53
<b>Total current liabilities</b>	<b>1,520</b>	<b>1,140</b>	<b>529</b>	<b>745</b>	<b>396</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,297</b>	<b>4,067</b>	<b>3,605</b>	<b>3,550</b>	<b>2 746</b>

<sup>1)</sup> Not recalculated as a result of changed accounting principles for tenant-owner associations.

Cash flow analysis Amount in mkr	01/01/2020 –31/12/2020	01/01/2019 –31/12/2019	01-01-2018 <sup>1)</sup> –31-12-2018	01-01-2017 <sup>1)</sup> –31-12-2017	01-01-2016 <sup>1)</sup> –31-12-2016
<b>Operating activities</b>					
<b>Profit/loss after financial items</b>	<b>725</b>	<b>194</b>	<b>22</b>	<b>276</b>	<b>319</b>
Adjustments for non-cash items, etc.	–1,043	–443	–301	–567	–405
Income tax paid	0	0	0	0	–4
<b>Cash flow from operating activities before changes in working capital</b>	<b>–318</b>	<b>–249</b>	<b>–279</b>	<b>–291</b>	<b>–90</b>
<b>Cash flow from changes in working capital</b>					
Decrease(+)/increase(–) of development and project properties	–627	–317	–71	–156	119
Decrease(+)/increase(–) in current receivables	1,141	506	373	–194	–4
Decrease(+)/increase(–) in current liabilities	209	42	–43	24	–47
<b>Cash flow from operating activities</b>	<b>405</b>	<b>–18</b>	<b>–20</b>	<b>–617</b>	<b>–22</b>
<b>Investing activities</b>					
Acquisition of intangible fixed assets	0	0	0	–1	–
Acquisition of investment properties	–114	–282	–21	–	–
Acquisition of property, plant and equipment	–6	–3	–8	–9	–1
Investment in financial assets	–48	–11	–8	–3	–100
Sales/reduction of financial assets	0	29	0	0	–
<b>Cash flow from investing activities</b>	<b>–168</b>	<b>–267</b>	<b>–21</b>	<b>–13</b>	<b>–101</b>
<b>Financing activities</b>					
New share issue	–	–	–	–	–
Issue of warrants	0	0	2	–	–
Contribution from holding without a controlling influence	–	–	–	1	–
Borrowings	1,513	677	1,147	597	1 059
Repayment of borrowings	–1,810	–264	–848	–200	–584
Dividend paid to parent company owners	–76	–	–66	–66	–38
Dividend paid to holdings without controlling influence	–28	–86	–7	–	–
Acquisition of interests without controlling influence	–	–3	–	–	–
<b>Cash flow from financing activities</b>	<b>–401</b>	<b>324</b>	<b>228</b>	<b>332</b>	<b>437</b>
<b>Cash flow for the year</b>	<b>–164</b>	<b>39</b>	<b>187</b>	<b>–298</b>	<b>314</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>441</b>	<b>403</b>	<b>208</b>	<b>507</b>	<b>193</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>277</b>	<b>441</b>	<b>395</b>	<b>208</b>	<b>507</b>

<sup>1)</sup> Not recalculated as a result of changed accounting principles for tenant-owner associations.



# A word from the Chairman



2020 was the year when we really examined ourselves. The whole world stopped because of a virus that no one could predict would hit us right there and then.

Like so many others, we learned to live with uncertainty, distance and challenges to change quickly. We did our best to find digital ways of working that could help both people and businesses to not only survive but also grow.

One of last year's insights is that our sustainability work is invaluable for the future. During the first part of the pandemic, we noticed more birds chirping, clearer water and in some countries a sky that was smog-free for the first time in a long time. As housing developers we have great opportunities to influence the environment for the better and our ambition is for Magnolia Bostad to be a strong driving force in sustainability.

During the year, we listed our first green bond, a bond of SEK 550 m. It is especially gratifying to be able to state that this was done without any adjustments by the organization. We see it as proof that our solid work with sustainability is yielding results and want to continue the journey and become even better. We also environmentally certified ten of our projects, a total of 2,680 residential units, during the year.

We also seriously accelerated our investment in building our own portfolio and increasing the proportion of projects in our own administration. Of the entire project portfolio, we see over time that about half goes into its own book and that the other half is resold. At the time of writing, we have 9,810 residential units in production and 1,814 of them are for self-management.

As part of this transformation, a new CEO was appointed during the year and I am pleased to be able to welcome Johan Tengelin to Magnolia Bostad. Johan comes in with deep transaction and investment experience from the industry where he has contributed strong leadership and value creation. He succeeds Fredrik Lidjan, who has held the role of CEO for the past five years, during which he has created a stable platform for the company with both structural capital and strong growth. Thank you Fredrik!

With all due respect to the difficulties that many suffered during 2020, we can state that the past year was very positive for Magnolia Bostad. That we had time



to reflect, adjust and also be forced into more digital processes is only positive for our organization. We are now more ready than ever to take the next step in the fantastic journey we have made since we started the company.

I would like to thank all the fantastic employees, customers and partners who have been with us during the year and welcome you to the next phase. Now let's fix 2021!

Stockholm, March 2021

Fredrik Holmström

# Corporate Governance

In order to ensure that Magnolia Bostad is managed in an efficient manner and to create long-term value for shareholders, the division of responsibility is clear between the company's decision-making bodies.

Magnolia Bostad AB (publ) (the "Company") is a Swedish public company whose shares are listed on Nasdaq Stockholm. The Corporate Governance Report describes how the Company's shareholders directly and indirectly govern the Company during the year through various decision-making systems. Corporate governance aims, among other things, to clarify the division of roles and responsibilities between the management group and the control bodies, to ensure the shareholders' opportunity to assert their interests vis-à-vis the management bodies and to provide conditions for the dialogue between shareholders and the capital market to be as strong as possible.

Corporate governance is governed by external and internal regulations that are constantly evolving and improving. Since 1 January 2017, the Company has complied with the Swedish Corporate Governance Code (the "Code"). The Code states a standard for good corporate governance at a higher level of ambition than the Swedish Companies Act, the Annual Accounts Act and the minimum requirements of other rules.

## Articles of Association

The Articles of Association, which are adopted at the Annual General Meeting, contain information on, among other things, the Company's operations, share capital and shares, number of Board members and auditors, and provisions on the convening and agenda of the Annual General Meeting. The Articles of Association can be found on page 148 of this report and can be found on the Company's website under the section Corporate governance.

The Company's name is Magnolia Bostad AB and the Company is a Swedish public company with its registered office in Stockholm. The Company's address is Box 5853, 102 40 Stockholm and the Company's visiting address (head office) is Sturegatan 6, telephone 08 470 50 80. The Company shall - directly or indirectly

through subsidiaries - acquire, own, manage, develop and sell properties, conduct project activities regarding properties and own and manage securities and other related activities.

## Annual General Meeting

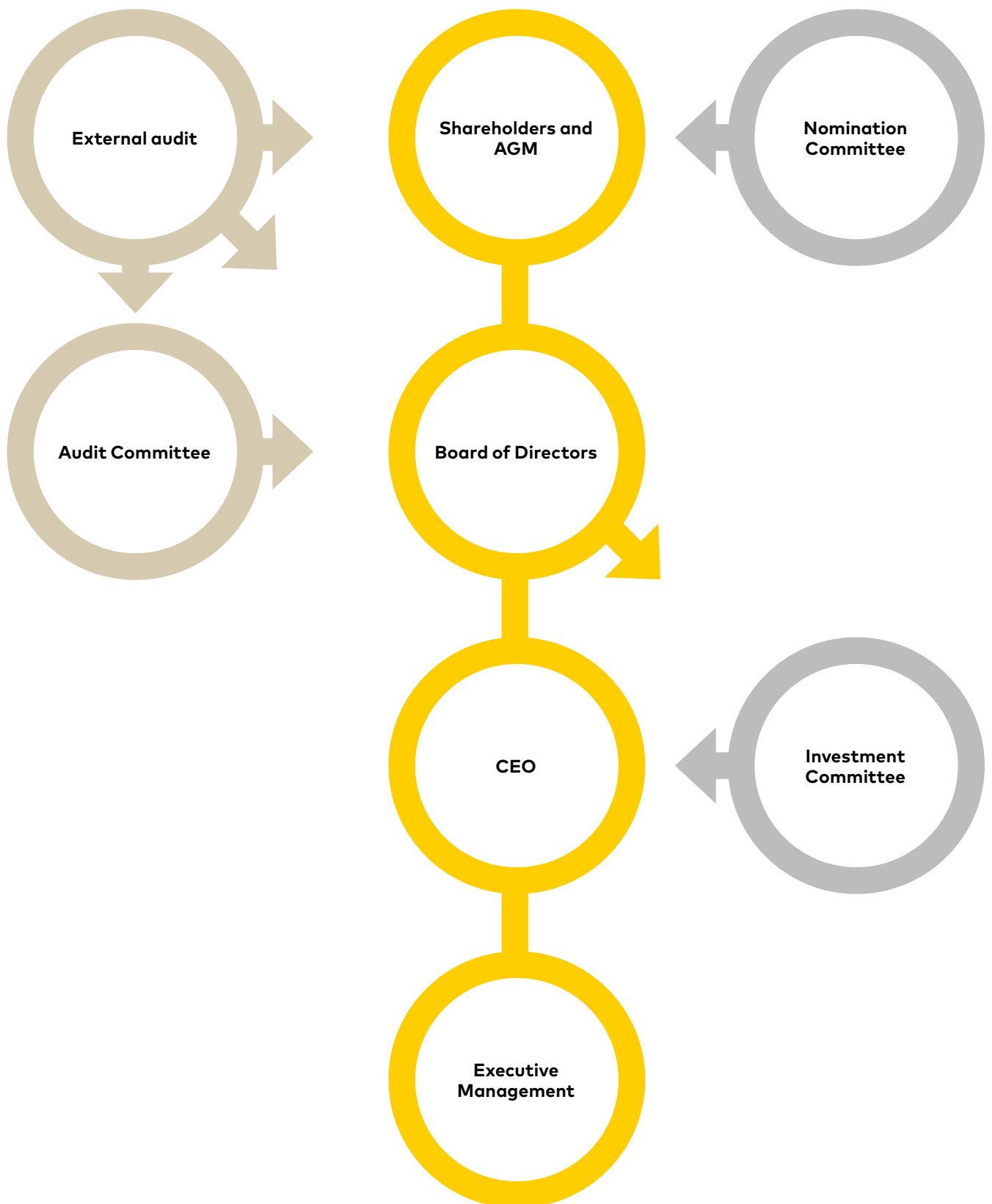
The Annual General Meeting is the decision-making body in which all shareholders have the right to participate. At the Annual General Meeting, the Company's development is discussed and decisions are made on, among other things, dividends, discharge from liability for the Board of Directors, election of the Board of Directors and auditors for the period until the end of the next Annual General Meeting, and remuneration to the Board of Directors and auditors.

## Annual General Meeting 2020

For the 2020 Annual General Meeting on 27 April 2020, the Company decided to take certain precautions to limit the risk of the spread of infection as a result of Covid-19, including:

- Some of the Board and the Company's auditors were present by telephone.
- The CEO Fredrik Lidjan was present by telephone.
- The Nomination Committee was represented on site.
- Some of the Company's management team were present.
- The CEO's speech was cancelled.
- Those present were well-dispersed in the meeting room.

At the Annual General Meeting on 27 April 2020, 5 shareholders attended in person or through proxies (20) and these together represented 71.7% of the votes (72.0). Fredrik Holmström was elected Chairman of the Annual General Meeting. Documentation for the Company's Annual General Meeting and minutes from the Annual General Meeting can be found on the Company's website, [www.magnoliabostad.com](http://www.magnoliabostad.com).



The 2020 Annual General Meeting resolved on the following:

- Adoption of the income statement and balance sheet for the financial year and disposition of the Company's profit in accordance with the approved balance sheet. In accordance with the Board's proposal, no dividend was proposed for the 2019 financial year.
- Granting of discharge from liability for the members of the Board of Directors and the CEO for the financial year.
- Determination of remuneration to Board members and auditors.
- Re-election of Board members Viveka Ekberg, Fredrik Holmström, Jan Roxendal, Andreas Rutili, Risto Silander and Fredrik Tibell and new election of Board member Anna-Greta Sjöberg. Fredrik Holmström was elected Chairman of the Board.
- Re-election of the registered auditing company Ernst & Young AB as auditor.
- Guidelines for remuneration to Executive Management.

On 20 November 2020, the Company held an Extraordinary General Meeting for a decision on an extra dividend to the shareholders. In light of the continued extraordinary situation as a result of Covid-19, the meeting was conducted through a postal voting procedure, without physical participation. The Extraordinary General Meeting resolved on the proposed dividend of SEK 2 per share for the 2019 financial year.

#### **The shares and shareholders**

The Company's shares have been listed on Nasdaq Stockholm since 20 June 2018. The Company's shares were registered for trading for the first time on Nasdaq First North on 9 June 2015, and on Nasdaq First North Premier in March 2017.

The total number of shares on 31 December 2020 amounted to 37,822,283 distributed between 4,009 shareholders. The closing price on 30 December 2020 was SEK 58.40, which corresponds to a market capitalization of SEK 2.2 billion.

The quotient value for all shares is SEK 4.00. Each share is entitled to one vote and grants an equal right to the share of the capital.

#### **Decided programmes for warrants**

The Annual General Meeting held on 26 April 2017, resolved to issue 350,000 warrants to the subsidiary, Magnolia Utveckling AB. During 2018, 260,500 warrants were transferred to employees in accordance with the warrant programme. 89,500 warrants were cancelled during 2019. 28 000 warrants were bought back during 2019. Warrants that have been bought back are still in the ownership of the subsidiary Magnolia Utveckling AB. Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per

share. The subscription period is from 2 November 2020 until 26 April 2022.

The Annual General Meeting held on 10 May 2019, resolved to issue 200,000 warrants to the subsidiary, Magnolia Utveckling AB. As by the Meeting's decision, 200,000 warrants were transferred to key personnel at Magnolia Bostad in accordance with the warrant programme. Each warrant entitles the holder to the right to subscribe to one share at a strike price of SEK 84 per share. The subscription period is from 1 November 2022 until 26 April 2024.

#### **Nomination Committee**

The Nomination Committee is appointed and works according to the instructions determined at the 2019 Annual General Meeting. According to the Nomination Committee's instructions, the Nomination Committee shall consist of representatives of the three largest shareholders in terms of votes according to the share register kept by Euroclear Sweden as at 30 September of the year before the Annual General Meeting. The member representing the largest shareholder in terms of votes shall be appointed Chair of the Nomination Committee. The Chairman of the Board shall also attend Nomination Committee meetings, although not as a member. The composition of the Nomination Committee shall be made public at least six months prior to the Annual General Meeting. Members of the Nomination Committee shall not receive remuneration, and the term of office runs until the composition of the next Nomination Committee has been made public.

The Nomination Committee's primary tasks are to nominate candidates to the posts of Chair of the Annual General Meeting, Chair of the Board, propose the number of members of the Board and members of the Board, 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 shall also nominate candidates to the post of auditor and submit proposals for the fees to the auditor taking into consideration the recommendation from the Audit Committee. The Nomination Committee shall safeguard the communal interests of all shareholders in the matters that fall within its area of responsibility. The Nomination Committee shall 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. For guidance for the Nomination Committee, the policy adopted by the Company's Board for Diversity in the Board applies, where it is stated that the goal is for the Board to be composed of members of varying ages, with varying gender and geographical origin and with a varying educational and professional background to contribute together with varying skills and experience as well as independent and critical ques-



Magnolia Bostad's Board, from left: Jan Roxendal, Andreas Rutili, Viveka Ekberg, Fredrik Holmström, Risto Silander and Fredrik Tibell. As of the 2020 Annual General Meeting, Anna-Greta Sjöberg is also a member of the Board. The picture was taken before Anna-Greta Sjöberg took office. Due to the ongoing pandemic, the Board has not had the opportunity to gather for a photograph in 2020.

## Composition of the Board

Member	Elected	Post	Born	Nationality	Independent in relation to the company/ company management	Independent in relation to major shareholders	Number of board meetings	Attendance	Number of Audit Committee meetings <sup>1)</sup>	Attendance
Fredrik Holmström	2009	Chairman	1971	Swedish	No	No	23	23	-	-
Andreas Rutili	2015	Member	1975	Swedish	Yes	Yes	23	22	-	-
Fredrik Tibell	2010	Member	1966	Swedish	Yes	No	23	23	5	5
Risto Silander	2015	Member	1957	Swedish	Yes	Yes	23	23	-	-
Jan Roxendal	2016	Member	1953	Swedish	Yes	Yes	23	23	5	5
Viveka Ekberg	2017	Member	1962	Swedish	Yes	Yes	23	23	5	5
Anna-Greta Sjöberg	2020	Member	1967	Swedish	Yes	Yes	15	13	-	-

<sup>1)</sup> Members of the Audit Committee: Viveka Ekberg, Jan Roxendal och Fredrik Tibell.

tioning. The Nomination Committee presented and justified its proposals for the composition of the Board, with special justification for how the requirement for an equal gender distribution was sought, including through the proposal that the Board be expanded with member Anna-Greta Sjöberg. After Anna-Greta Sjöberg was elected to the Board, the proportion of women among the Board members is 29% (17%).

For more information on the work of the Nomination Committee, see the Nomination Committee decision suggestions for the Annual General Meeting on the Company's website, [www.magnoliabostad.com](http://www.magnoliabostad.com).

The Nomination Committee for the 2021 Annual General Meeting consists of Katarina Strömberg as representative of F. Holmström Fastigheter AB, Johannes Wingborg as representative of Länsförsäkringar Fondförvaltning AB and Ulf Hedlundh as representative of Svolder AB. Information on the composition of the Nomination Committee was announced on the Company's website six months before the Annual General Meeting. The majority of the Nomination Committee's members are independent in relation to the Company and the company management and the requirement that at least one of the Nomination Committee members is independent in relation to the largest shareholder in the Company in terms of votes or group of shareholders if cooperating with the Company's management, has been met.

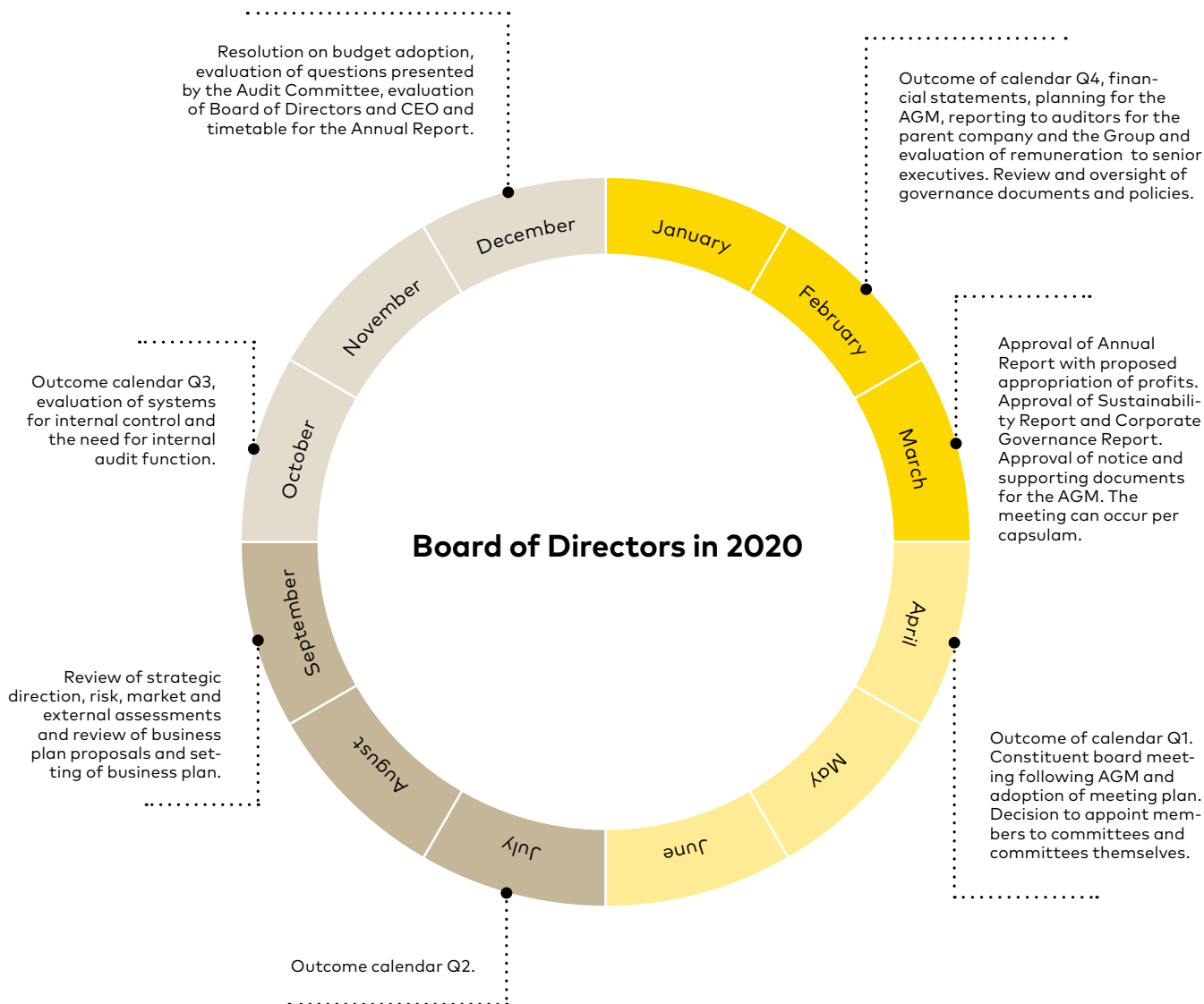
### The Board of Directors

The Board is appointed by the Annual General Meeting. The Board of Directors manages the Company on behalf of the shareholders by establishing the Company's overall goals and strategy, evaluating the operating

activities and ensuring that there are guidelines and routines for established goals as well as systems for monitoring and controlling the Company's operations and risks the Company is associated with. Furthermore, the Board shall ensure that the Company's disclosures are characterized by openness and are correct, relevant and reliable. According to the Articles of Association, the Board of Directors of the Company shall consist of three to seven Board members. At the turn of the year 2020, the Company's Board consisted of seven members who were elected at the 2020 AGM. All Board members were re-elected and one new member was elected. Fredrik Holmström was elected chairman. For further information about the members of the Board, see pages 144 and 145. None of the members of the Board work in, or participate in the management of, the Company or any of its subsidiaries. The majority of the Board members elected by the Annual General Meeting are independent in relation to the Company and the company management and the requirement that at least two of the Board members who are independent in relation to the Company and the company management are independent in relation to the Company's major shareholders, has been met.

The tasks of the Board include establishing strategies for the Company, deciding on the Company's business plan and budget and identifying how sustainability issues affect the Company's risks and business opportunities. The Board decides on full-year and interim reports, adopts annual accounts and adopts policies, instructions, governing documents and guidelines. The Board monitors financial developments and ensures the quality of financial reporting and internal control, and evaluates operations based on the goals and guidelines set by the Board. The Board makes decisions regarding





significant investments such as acquisitions and sales and for major financing commitments. If necessary, the Board makes decisions regarding significant changes in the organization and in the business. The Board's tasks are carried out through an organized interaction between the Board and the management team. The Board has a control function to ensure that shareholders' interests are safeguarded. Through submitted reports, the Board follows the assessment obligations that follow from law, listing rules, the Code and good practice. In addition, the Board's work is governed by guidelines from the Annual General Meeting and by the Board's rules of procedure

#### *Audit Committee*

As of 31 December 2020, the Audit Committee consisted of three members: Jan Roxendal (Chairman), Fredrik Tibell and Viveka Ekberg. The CFO always participates in the Audit Committee's meetings as rapporteur and the Chief Accounting Officer as minute taker. The Company's CEO and the Company's auditors participate in accordance with the established annual schedule, or when otherwise appropriate.

The Audit Committee has a preparatory and administrative role. The Audit Committee is responsible for monitoring the Company's financial statements, 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, other services provided by the Company's auditor and assists the Company's nomination committee when preparing proposals for the decision by the Annual General Meeting on selection of an auditor. Members of the audit committee must possess the qualifications and experience within accountancy, auditing and/or risk management required to fulfil the committee's obligations. In 2020, the Audit Committee held five minuted meetings, of which the Company's auditors participated in three. The issues that have been discussed at the committee's meetings are recorded and reported at the next board meeting.

The Code's requirement that the majority of the Audit Committee's members must be independent in relation to the Company and the management and that at least one member is independent in relation to the Company's major owners, has been met.

#### *Remuneration Committee*

The Board of Directors has decided to carry out the tasks normally assigned to a Remuneration Committee since this is considered most appropriate for the Company. During the year, the focus was on adapting the Company's processes and reporting in line with the EU directive's regulations. The Board follows the remuneration guidelines adopted by the Annual General Meeting and a remuneration policy has been developed to guide the Board's work. Guidelines adopted for remuneration to senior executives include Board members,

the CEO and deputy CEO, as well as other persons in the Executive Management group. Any variable remuneration is linked to criteria designed with the aim of promoting the Company's long-term value creation.

The Board annually evaluates the application of the guidelines for remuneration to the Executive Management group and monitors remuneration structures and remuneration levels at the Company in general.

#### *Chairman of the Board*

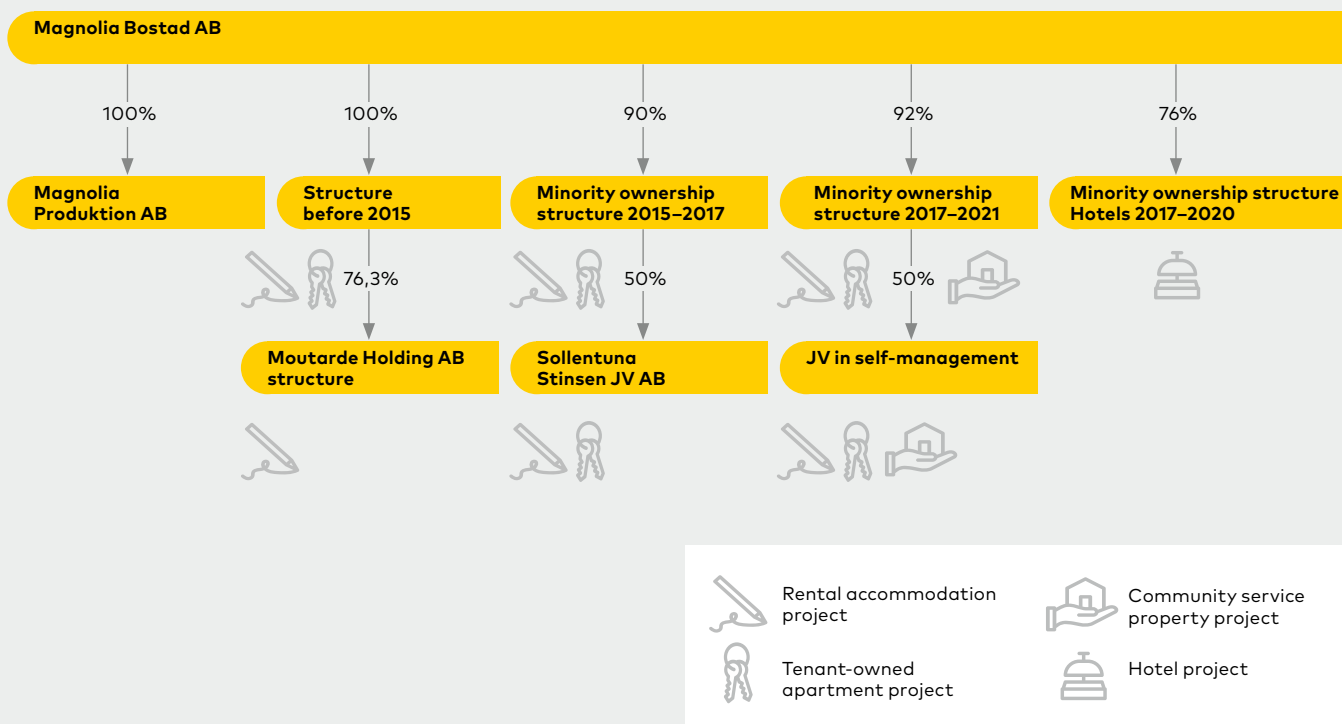
The Chairman of the Board leads the work of the Board and is responsible for ensuring that the work of the Board is carried out efficiently and that the Board fulfills its obligations in accordance with applicable laws and regulations. The Chairman of the Board represents the Board vis-à-vis the Company's shareholders. The Chairman of the Board shall in particular monitor the Board's performance and, together with the CEO, prepare the board meetings. The Chairman of the Board is responsible for chairing the board meetings, for ensuring that the Board receives the information about the Company and the operations required for the Board to be able to carry out its work efficiently and is responsible for monitoring that the Board's decisions are implemented. Under the leadership of the Chairman of the Board, the Board conducts an annual evaluation of its work.

#### **Board work 2020**

According to current rules of procedure, the Board must hold at least seven regular board meetings per calendar year, one of which is a statutory meeting and one is a strategy meeting. In 2020, the Company's Board held 23 board meetings, of which a constituent meeting immediately after the Annual General Meeting. Board meetings are held in connection with the Company's quarterly reporting, prior to the Company's Annual General Meeting for decisions on documentation to the Annual General Meeting, prior to decisions on the Company's business plan and prior to decisions on the budget. The regular board meetings have a recurring structure and deal with issues of significant importance to the Company such as ongoing business and projects, reporting from the Audit Committee and the Company's Investment Committee, financial reporting, follow-up of risks, reporting of disputes and reporting from other operations such as communication and branding, HR and sustainability. Furthermore, the Board is informed of the current business situation at both the property market and the credit market and receives follow-up of status in the ongoing projects. Among the ordinary matters dealt with by the Board in 2020 can be mentioned a review of the rules of procedure for the Board and the Company's policies, a decision on an overall business plan for the Company, a decision on the budget, and a decision on operational and organizational issues and a review of the Compa-

## Magnolia Bostad's Group structure

See pages 32 to 36 for information about which projects are included in the various structures.



ny's risk report. In addition, the Board decided in 2020 on several major acquisitions, divestments, investments and financing in which matters the Board is the decision maker according to the current delegation procedure. To counteract the emergence of conflicts of interest in the Company, the Board has adopted a policy for conflict management. In addition, the Board has adopted guidelines and routines for assessing cases according to the Swedish Companies Act, Chapter 16 a (related parties). It further applies in accordance with the Board's rules of procedure that any other decisions in related party matters, which are defined as matters where someone on the Board or in the Company's management group has a significant interest in the other party, must always be made by the Board, whereby the usual conflict of interest rules apply to the preparation of documentation for decisions as well as for the decision-making itself.

The Deputy CEO, CFO and General Counsel are co-opted to the board meetings and in addition, if necessary, people in the Company participate as rapporteurs on

special issues. During the year, the Board met on two occasions with the Company's auditors without the presence of company management.

### Evaluation of the Board's work

The Board of Directors is evaluated annually, partly for the purpose of developing the Board's work and partly to create a basis for the Nomination Committee's evaluation of the Board's composition. An important objective of the evaluation of the Board of Directors is to ensure that the work of the Board is functioning well and to identify areas for improvement. This evaluation therefore includes investigating the type of questions that the Board believes should be given greater focus, determining the areas in which the Board needs additional expertise and assessing the composition of the Board. In 2020, the evaluation was conducted through a written survey, where Board members were able to give their view on the Board's ways of working and effectiveness, its need for expertise and strengths and its improvement areas. The responses were then compiled into a report that was presented to the Board by the

Chairman of the Board. According to the evaluation the members consider that they can independently assess the matters the Board has to deal with and that they request the information that the members deem necessary for the Board to be able to make well-founded decisions, and that the members continuously acquire that knowledge of the Company's operations and the market, etc, required for the assignment. Furthermore, it appears that the interaction with the Board and management works well and that the Board members' special expertise is utilized well. The outcome of the evaluation forms the basis for identifying areas for improvement for the Board's work in the coming years. The Board's evaluation is communicated to the Nomination Committee. The Company changed CEO during December 2020, and no evaluation of the CEO's work for 2020 has therefore been carried out.

#### **Investment committee**

The Board has established an investment committee whose main task is to act as an advisor to the Board and prepare all investment decisions in connection with acquisitions, sales and property investments. The Investment Committee shall consist of three to five members, who are elected by the Board once a year (or if necessary). On 31 December 2020, the Investment Committee consisted of four members: the Company's CEO Johan Tengelin, Deputy CEO and CIO Gurmo Endale, CFO Fredrik Westin and General Counsel Hanna Jessing. From August 2020, the Board has decided that Erik Rune, former deputy CEO of the Company, can be retained and participate as an expert in business until June 2021.

The Board has adopted a job description for the Investment Committee, with a delegation procedure and decision matrix for decision-making regarding acquisitions and sales etc. The Investment Committee meets when necessary and the decisions made by the Investment Committee, or on the basis of the delegation procedure, are recorded and kept available to the Board via the Board's portal. The CEO reports on the decisions made in the form of a summary that is presented at the ordinary board meetings. In 2020, the Investment Committee held 64 meeting meetings at which a total of 94 cases were handled.

#### **CEO and company management**

The CEO is appointed by the Board and is responsible for the Company's day-to-day management in accordance with the Company's CEO instructions, the rules in the Swedish Companies Act, other applicable laws and guidelines and in accordance with the Company's policies and the Board's instructions.

As of 31 December 2020, the Company's management consisted of the Company's CEO, CFO, Deputy CEO and CIO, Marketing and Communications Manager and General Counsel. The management group meets

regularly to discuss, above all, overall operational issues and strategies.

#### **Remuneration to the Board of Directors and the CEO**

##### *Remuneration of Board members*

Fees and other remuneration for the Board members, including the Chairman of the Board, are determined by the Annual General Meeting. The Annual General Meeting held on 27 April 2020, resolved that the fees for Board members for the period up to the next Annual General Meeting shall amount to SEK 2.3 million. SEK 500,000 shall be paid to the Chairman of the Board and SEK 300,000 shall be paid to each of the six other Board members. In addition to this, SEK 90,000 shall be paid to the Chair of the Audit Committee and SEK 70,000 to each of the other members of the Audit Committee. The Company's Board members are not entitled to any benefits when they leave the Board of Directors.

##### *Remuneration to the CEO*

Johan Tengelin receives market-based remuneration as CEO. For further information, see Note 9 - Remuneration to employees.

Fredrik Lidjan received market-based remuneration as CEO. For further information, see Note 9 - Remuneration to employees.

Fredrik Lidjan has been involved in Magnolia Bostad's operations since it was founded in 2009, including as an advisor. In 2013, he was engaged as a consultant through his company, Fredrik Lidjan AB, to start the rental accommodation business area. Under Fredrik Lidjan's guidance, at that time as a consultant, the business area grew rapidly, and the Company today views this business area as its greatest competitive advantage. Fredrik Lidjan had an agreement that entailed that he would work without fixed compensation but was entitled to 8-12% of the profit of certain rental accommodation projects. The agreement included the projects Traversen 18, Nya Parken Allé, Tibble, Valsta Torg, Lumen and Phases 1 and 2 of Senapsfabriken. The terms of the agreement have been fulfilled for all projects with the exception of Senapsfabriken and do not apply to future rental accommodation projects.

##### *Minority ownership structure 2015-2017*

In conjunction with Fredrik Lidjan's accession to the position of CEO, a new agreement was reached between the Company and Fredrik Lidjan AB. Under this agreement, the Company and Fredrik Lidjan AB would co-invest in future rental accommodation projects. Fredrik Lidjan AB would invest at market terms with a 10% stake and Magnolia Bostad would invest and receive a 90% stake in the companies in which the rental accommodation projects would be operated. The agreement could also include tenant-owned apartments if this applied to the same plot of land and the tenant-owned



Magnolia Bostad's Executive Management, 31 December 2020. Front row from left: Suzana Bossel (Marketing and Communications Manager) and Fredrik Westin (CFO). Back row from left: Gurmo Endale (CIO and Deputy CEO), Hanna Jessing (General Counsel) and Johan Tengelin (CEO).

apartments constituted a small portion of the entire project.

#### *Minority ownership structure 2017-2020 and 2022*

At the Extraordinary General Meeting on 13 October 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 in accordance with the previous structure.

Under the minority ownership structure, Fredrik Lidjan AB will co-invest in all of the Company's future projects on market terms with an 8% stake. In future hotel projects, Clas Hjort's, head of the hotel business, stake will be 16%. Magnolia Bostad will then hold a 92% stake in all projects under this structure, apart from hotels where the total will be 76%. This minority ownership structure comprises investments that take place up to

and including 2022 for all projects except hotel projects that include investments that took place up to and including 2020. In December 2020, the Board decided that the minority ownership structure's co-investment period will end on 31 December 2021. For hotels, the co-investment period ended on 31 December 2020, meaning that from 1 January 2021 there will be no further allocation of hotel projects.

#### **Auditors**

Magnolia Bostad's external auditors are appointed by the Annual General Meeting. The auditors are tasked with reviewing on behalf of the shareholders the Board of Directors' and the CEO's management of the Company and ensuring that the annual financial statements have been prepared in accordance with applicable laws and regulations. The 2020 Annual General Meeting decided to select Ernst & Young AB as auditor for the period up to the end of the 2021 Annual General Meeting.

In addition to the audit, Ernst & Young also provided advisory services during the year, mainly regarding tax. In 2020, remuneration to auditors was paid totalling SEK 4.3 m (3.9). Also see Note 8 – Disclosures regarding fees and cost reimbursement to the auditor.

### Internal controls

The Board's responsibility for internal controls is regulated in the Swedish Companies Act and the Code. The Board is ultimately responsible for ensuring that the internal controls are developed, communicated and understood by the employees of the Company. The Company has formalized routines that ensure that established principles for financial reporting and internal control are complied with and that the Company's financial reporting is prepared in accordance with law, applicable accounting standards and other requirements for listed companies.

The Company has established control structures and regularly monitors that the control structures are implemented, updated and complied with. Regional managers and heads of departments are responsible for ensuring that internal controls are established within their areas of responsibility and that these controls achieve the intended effect.

Magnolia Bostad complies with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) 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 process for internal controls and risk assessment, as well as control structures and monitoring in relation to financial reports has been designed to guarantee reliable overall financial reporting and external financial reporting that complies with IFRS, applicable laws and rules and other requirements that may exist for companies listed on Nasdaq Stockholm. Risk assessment regarding the financial reporting takes place annually and involves the Board of Directors, senior executives and other employees.

The way in which the Board of Directors monitors and ensures the quality of internal controls is documented in the Board's work plan and in the instructions for the Audit Committee. Part of the work of the Audit Committee is to assess the Company's structure and policies for internal control.

To ensure that the Company's code of conduct is complied with, the Company has a whistleblower function. This function offers appropriate channels for reporting

serious irregularities committed by people in key positions or in leading positions at the Company. Registration can be done in a way that is safe for the person reporting and the administration and monitoring of the whistleblower function is handled by an external party. In addition, the Company has established the Ethics Council, whose task is to ensure that reported whistleblower cases are handled correctly. If necessary, the Ethics Council also handles any matters concerning violations of the Company's Code of Conduct, etc. and which cannot be handled within the framework of the whistleblower function.

### Control environment

The basis for internal controls on financial reporting is Magnolia Bostad's organization, decision-making procedures, responsibility and authorizations that are communicated in the governing documents. These documents include the Articles of Association, the Board of Directors' rules of procedure, the CEO's instructions, the Code of Conduct, the Company's business plan, policies, the Investment Committee work description, process descriptions and manuals. Magnolia Bostad's work on internal control aims to identify high-risk areas and minimize these risks. All internal steering documents are regularly updated when, for example, legislation, accounting standards or listing requirements are changed and when other needs occur. The Company's policies and governing documents can be found on the Company's website, [www.magnoliabostad.com](http://www.magnoliabostad.com).

### Risk Assessment

The risk of material misstatement in financial reports is assessed by the Company's Board of Directors, Executive Management and the Company's external auditors. There is an established risk management process within Magnolia Bostad. The CEO, in collaboration with other departments within the Company, is responsible for structured risk mapping across all business activities. The Company's risks are divided into three main types: (1) external risks, (2) operational risks and (3) organizational risks.

External risks consist of external risks such as macroeconomic, regulatory, socio-economic, price and competition-related risks that affect our market, industry, business and internal processes.

Operational risks consist of business risks relating to the Company's business, projects and processes such as regulatory compliance, quality defects and ethical violations. Operational risks also include organizational risks attributable to succession planning, skills provision and resource planning.

Financial risks that affect the financial conditions for the business are interest rate risk, financing risk, liquidi-



ty risk and credit risk. Financial risks also include risks in the Company's internal processes relating to accounting and reporting.

The Company's established business model, along with an 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, in other words actions aiming to avoid losses or errors in reports and for purposes of discovery. 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 quality control measures include accounting for projects and funding matters and sales as well as the IT environment. Controls are carried out using methods such as variance analyses and on the occasion of quarterly meetings between business areas and Executive Management. The Company's IT Council, which includes the CFO and General Counsel, identifies risks and ensures that the Company maintains a secure IT environment. The IT Council's work follows a specific process and the meetings are recorded in minutes. For the business, the business system forms the basis of the control structure established and focuses on important stages in the business such as investment decisions, production start-up and sales. The Company places great emphasis on follow-up of projects linked to established procedures for the project process, such as regular follow-up meetings, the Investment Committee and the Quality Council.

### **Information, communication**

The Company's policy documents in the form of a Code of Conduct, policies, process descriptions and manuals are reviewed annually by process owners and updated when necessary and are made available via the Company's intranet. All new employees receive information on the governing documents and the Company holds information sessions where the values and the Code of conduct are discussed. All employees also are responsible for being aware of applicable laws and rules and acting in accordance with the Company's guidelines.

The Company has created an information policy and an insider policy with the aim of informing employees and other parties concerned within the Company of the laws and rules that apply in relation to the Company's dissemination of information and the specific requirements imposed on people who are active in a company listed on the stock exchange, e.g. in relation to insider

information. For assessing insider issues, the Company has established an insider committee which includes the Company's CEO, CFO and General Counsel and has adopted instructions for the Company's assessment of insider issues.

The IR function is led by the Company's CFO, with support from the Company's IR manager. The primary tasks of the IR function are to support the CEO and senior executives in relation to the capital markets, prepare the quarterly and annual reports, analyst meetings, capital market presentations and regular reports on IR activities.

### **Follow-up**

Follow-up takes place on many different levels within the Company. The Company has a business plan and a budget which both are decided on by the Board of Directors each year. The Board of Directors receives summary financial statements once a 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.

The Company's external auditor reports his findings from audits and assessments of the internal control to the Audit Committee and the Board of Directors partly during the autumn in connection with the auditors' nine-month audit and partly when the year-end accounts are audited. The Company has procedures to ensure that action is taken to address any deficiencies and that highlighted actions are followed up.

### **Evaluation of the need for a separate internal audit function**

No internal audit function is currently established within the Company. The Board has examined the issue and assessed that the Group has a simple operational structure in which business is conducted in one segment. Follow-up of ongoing and completed investments is presented to the Board on an ongoing basis. The Board of Directors believes that the external auditors' audit and its own follow-up within the Company is sufficient to ensure that internal control of financial reporting is good. All in all, this means that it is not considered justified to have a special internal audit unit. This decision is reviewed annually.

### **Deviations in relation to the Code**

In 2020, the Company complied with the Code in all respects.

# Board of Directors



**Fredrik Holmström**  
*Chairman since 2009*

Born 1971  
Founder of Magnolia Bostad. Chairman and owner of Holmströmgruppen AB, the parent company in a privately-owned group focused on the production of residential units, acquisition and management of properties and trade in listed and unlisted holdings.

BSBA from IUM, Monaco (formerly University of Southern Europe).

Dependent of the Company and management. Dependent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons):  
21,542,787.



**Viveka Ekberg**  
*Member since 2017*

Born 1962  
Former CEO of PP Pension, Head of Nordics at Morgan Stanley Investment Management, Associate Partner and Head of Project Management at Brummer & Partners, Head of SEB Institutionell Förvaltning, and analyst at Alfred Berg Fondkommission as well as financial analyst and journalist at Affärsvärlden. Board member of Lindab International AB, Svolder AB, Apotea, Skagen AS, Areim AB, SPP Pension & Försäkring AB and Centrum för rättvisa.

MBA from Stockholm School of Economics.

Member of the Audit Committee.

Independent of the Company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons):  
20,000.



**Jan Roxendal**  
*Member since 2016*

Born 1953  
Previously President of Gambro Holding AB and CEO of Intrum Justitia AB, Executive Vice President and member of the Executive Board of the ABB Group, Group responsible for ABB Financial Services, as well as other senior positions within the ABB Group. Chair of AP2 and Board member of Catella AB.

Higher general banking degree.

Chairman of the Audit Committee.

Independent of the Company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons):  
5,000.



**Andreas Rutili**  
*Member since 2015*

Born 1975  
Founder and CEO of Magnolia Bostad 2009–2015. Previously President of Vito-sha Capital AB, a property development company with a focus on new production of residential units in Eastern Europe. Also has a background as CEO of the food company Bonesto AB.

Studies in economics at Uppsala University and Stockholm University.

Independent of the Company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons):  
1,663,565.

Shareholding as of 31 December 2020 via capital insurance with Wealins S.A.

*Data reported above are as of 31 December 2020.*



**Risto Silander**  
Member since 2015

Born 1957  
Previously CEO of Alfred Berg. Prior to this, management positions at Svenska Handelsbanken, Goldman Sachs and UBS. Currently board member of Varenne AB, Stronghold Invest AB, Niam AB, Brevan Howard Funds and Endeavour Pembroke Funds.

MSc (Economics) from Stockholm School of Economics.

Independent of the Company and management.  
Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 110,000.



**Anna-Greta Sjöberg**  
Member since 2020

Born 1967  
Since 2019 senior consultant at Olivetta AB. Previous positions include CEO and founder of the healthcare company Crispa AB (2011-2018) as well as various roles at The Royal Bank of Scotland Nordic Region such as CFO, COO and Head of Public Sector (1998-2011). Many years of experience in board work. Currently Chairman of Marginalen Bank Bankaktiebolag and board member of Tryggstiftelsen and Hufvudstaden AB.

MBA from Stockholm School of Economics.

Independent of the company and management. Independent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): –



**Fredrik Tibell**  
Member since 2010

Born 1966  
Founder and President of Caritas Corporate Finance AB, which provides financial advisory services primarily to companies within the real estate industry. Chair of the Board of Svenska Husgruppen Intressenter AB and others.

Finance studies at Stockholm University.

Member of the Audit Committee.

Independent of the Company and management.  
Dependent of major shareholders.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 20,000.

Data reported above are as of 31 December 2020.

# Executive Management and auditors



**Johan Tengelin**

*CEO*

Employed and member of Executive Management since December 2020  
Born 1970

Former partner at Brunswick Real Estate after being involved in building up Brunswick's investment operations in his capacity as CEO of the subsidiary Sveafastigheter. Prior to that, CEO of the Nordic operations at GE Capital Real Estate and project manager within Corporate Finance and partner at Carnegie Investment Bank.

MBA from School of Economics at the University of Gothenburg. Authorized Financial Analyst (CEFA) from Stockholm School of Economics.

Shareholding in Magnolia Bostad (own and related parties): 80,000 and 30,000 warrants and 378,223 options.



**Fredrik Westin**

*CFO*

Employed and member of Executive Management since 2016  
Born 1973

Previously Head of Finance at Kungälv. Also has a background as FP&A Manager and Accounting Manager at GE Capital Real Estate Nordic.

MBA from Gothenburg School of Economics.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 2,000 as well as 30,000 warrants.



**Gurmo Endale**

*CIO and Dep. CEO*

Employed 2015–2017 and since 2018 member of Executive Management since 2019  
Born 1983

Previously Business Developer and Chief Investment Officer at Magnolia Bostad. Has 10 years of experience in the property industry, including transactions at CBRE and Business Development at Veidekke Bostad. MSc from the Royal Institute of Technology (KTH), Stockholm.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 6,235 as well as 40,000 warrants.

*Data reported above are as of 31 December 2020.*



**Suzana Bossel**

*Head of Marketing and Communications*  
Employed and member of Executive Management since 2014  
Born 1973

Extensive background in PR and Communications from the housing industry, for example with JM AB. In addition, she was PR and marketing manager for Et-telva Arkitekter and the terraced house developers Arkitekthus and Svenska Husgruppen.

Market Economist from IHM Business School and Higher Degree in Technical Editorial Work from Mälardalen University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 105,000 as well as 25,000 warrants.



**Hanna Jessing**

*General Counsel*  
Employed since 2017  
Member of Executive Management since 2018  
Born 1971

Former legal counsel at Vasakronan AB. Before that, attorney at Lindskog Malmström Advokatbyrå and district court lawyer.

Master of Laws (LL.M) from Stockholm University.

Shareholding in Magnolia Bostad (owned personally and by closely-related persons): 1,000 and 22,000 warrants.

**Auditors**

**Ernst & Young AB**

**Chief Auditor:**

Fredric Hävrén  
*Authorized Public Accountant*

*Data reported above are as of 31 December 2020.*

# Articles of association

Magnolia Bostad AB  
Sturegatan 6  
Box 5853, 102 40 Stockholm  
Switchboard: +46 8 470 50 80  
magnoliabostad.com

## ARTICLES OF ASSOCIATION OF MAGNOLIA BOSTAD AB Reg nr 556797-7078

*Adopted at the Annual General Meeting on 27 April 2018*

- § 1 Name**  
The Company's name is Magnolia Bostad AB. The Company is public (publ).
- § 2 Domicile of the Board of Directors**  
The Board of Directors is domiciled in Stockholm.
- § 3 Operations**  
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.
- § 4 Share capital and the number of shares**  
The share capital consists of at the least SEK 120,000,000 and at the most SEK 480,000,000. The total number of shares shall be at the least 30,000,000 and at the most 120,000,000.
- § 5 Board of Directors**  
The Board of Directors shall consist of three to seven members.
- § 6 Auditors**  
The Company shall have one to two auditors, of which one can be a registered accounting firm, with a maximum of two deputy auditors.
- § 7 Notice of Annual General Meeting**  
Notice of the Annual General Meeting shall be announced in Post- och Inrikes Tidningar and by publishing the notice on the Company's website. At the same time as the notice is published, the Company shall advertise in Dagens Industri that a notice has been published.
- § 8 Participants at the Meeting**  
Shareholders who wish to participate in the proceedings at the General Meeting shall be registered in the transcript or other representation of the complete share register pertaining to the circumstances five days prior to the General Meeting, and they shall notify the Company thereof no later than on the date specified in the notice to the General 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 ordinary business day prior to the General 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 of the meeting**  
The Chair of the Board or a person appointed by the Board opens the Annual General Meeting and leads the proceedings until the Chair of the Meeting is elected.
- § 10 Annual General Meeting**  
The Annual General Meeting is held annually within six months after the end of the financial year. At the Annual General Meeting the following business is conducted.
1. Election of the Chair of the Meeting;
  2. Preparation and approval of the voting list;
  3. Approval of the meeting agenda;
  4. Election of one or two adjusters;
  5. Resolution concerning the due convening of the meeting;
  6. Presentation of the annual report and the auditor's report and, where appropriate, consolidated financial statements and consolidated auditor's report;
  7. Resolution 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 members of the Board and the CEO from liability;
  8. Determination of the number of members for the Board of Directors, auditors and deputy auditors, who shall be appointed by the Meeting;
  9. Adoption of fees paid to members of the Board and auditors;
  10. Election to the Board of Directors and auditor;
  11. Resolution on guidelines for remuneration payable to senior executives;
  12. Any business that arises at the Meeting in accordance with the Swedish Companies Act or the Articles of Association of the Company.
- § 11 Fiscal year**  
The Company's fiscal year shall be a calendar year.
- § 12 Record day provision**  
The Company's shares shall be registered in a securities register according to the Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).



# Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Magnolia Bostad AB (publ), corporate identity number 556797-7078

## Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2020 on pages 131–148 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 30th of March 2021  
Ernst & Young AB

Fredric Hävrén  
*Authorized Public Accountant*

## Annual General Meeting 2021

### Annual General Meeting of Magnolia Bostad AB

Magnolia Bostad AB will hold its Annual General Meeting on Tuesday, 27 April 2021. The Annual General Meeting will be conducted by advance voting (postal voting). A meeting with the opportunity to attend in person or by proxy will not take place; it is therefore a meeting without physical participation.

### Conditions for participation

Anyone wishing to attend the meeting must

- be registered as a shareholder in the share register kept by Euroclear Sweden AB on Monday, 19 April 2021,
- register by casting their advance vote in accordance with the instructions under the heading Advance voting below, so that the advance vote is received by Euroclear Sweden AB no later than Monday, 26 April 2021.

### Nominee-registered shares

To be entitled to participate at the Meeting, shareholders with nominee-registered shares must register their shares through the nominee in their own name, so the person in question is registered in the share register kept by Euroclear Sweden AB on Wednesday 21 April 2021. Such registration may be temporary.

### Advance voting

Shareholders may exercise their voting rights at the meeting only by voting in advance, known as postal voting, in accordance with section 22 of the Act (2020:198) on temporary exemptions to facilitate the conduct of AGMs and general meetings.

A special form must be used for advance voting. The form is available on the company's website, [www.magnoliabostad.com](http://www.magnoliabostad.com). The advance voting form is valid as a notification.

### Agent and power of attorney form

If the shareholder votes in advance through a proxy, a written, signed and dated power of attorney must be attached to the advance voting form. Proxy forms can be downloaded from the company's website, [www.magnoliabostad.com](http://www.magnoliabostad.com). For legal entities, a certified copy of the registration certificate or equivalent authorization document for the legal entity must be attached.

## Financial calendar

- Interim Report January–March 2021: 23 April 2021
- Annual General Meeting 2021: 27 April 2021
- Interim Report January–June 2021: 7 July 2021
- Interim Report January–September 2021: 21 October 2021
- Year-End Report January–December 2021: 24 February 2022

# Definitions

*Alternative KPIs not defined within IFRS*  
see page 120.

*Number of residential units*  
Estimated number of dwellings at a time when binding sales agreements are signed and revenue recognition takes place.

*Estimated area based on preliminary blueprints or calculated using standardized figures.*  
GFA: Gross Floor Area  
MUA: Main Usable Area  
UFA: Usable Floor Area

*Estimated number of building rights*  
Number of estimated future residential units in acquired properties. Due to uncertainties such as zoning plan processes, government decisions or non-established dates for vacancy of project properties, assessments of the number of residential units may change over time.

*Estimated production start, project portfolio*  
Estimated production start is the management's best assessment of when the zoning plan has come into legal force and the turnkey contract and binding sales agreements have been signed. Due to uncertainty factors such as the zoning plan processes, government decisions or non-established dates for vacancy of project properties, assessments can change over time.

*Estimated completion of projects*  
The time for the estimated completion of a project is when the project is completed and finalized

*Residential units*  
Refers to rental apartments, tenant-owned apartments, residential care properties or hotel rooms

*Sales rate*  
Sold residential units in production divided by units in projects in production

*Production start, projects for sale*  
Production commences when the zoning plan has come into legal force and the turnkey contract and binding sales agreements have been signed.

*Production start, properties for self-management*  
Production commences when the zoning plan has come into legal force and the turnkey contract has been signed.

*Community service properties*  
Property that is used predominantly by tax-financed activities and is specifically adapted for community service. Residential care facilities are included under community service properties. In terms of community service properties, Magnolia Bostad primarily develops housing for the elderly and other forms of adapted housing, along with schools and nursery schools.

*Sold residential units in production*  
Number of residential units in sold projects where binding sales agreements were signed, and then revenue recognized.

*Occupancy rate,%*  
Leased area in relation to leasable area.

## Contacts

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CEO

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*Fredrik Westin*

CFO

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Magnolia Bostad's switchboard: 08-470 50 80

Magnolia Bostad's shares (MAG) are listed on Nasdaq Stockholm.  
More information is available at [www.magnoliabostad.com](http://www.magnoliabostad.com)

### **Magnolia Bostad | Annual Report 2020**

Project management	Magnolia Bostad Investor Relations
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Production management, layout and text editing	Paues Media
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