



# SAMHÄLLSBYGGNADSBOLAGET I NORDEN AB (PUBL)

Samhällsbyggnadsbolaget



JANUARY-SEPTEMBER 2020

# 81.2      24.36

Property value, SEKbn

EPRA NRV, SEK/share

# 3,868

Rental income, SEKm

# 1,601

Profit from property management, SEKm

# 5,734

Interim profit, SEKm

## THE PERIOD

### The period in brief

- Rental income increased to SEK 3,868m (1,400).
- The operating surplus increased to SEK 2,669m (903).
- Cashflow from operating activities before changes in working capital was SEK 1,590m (450).
- Profit before tax increased to SEK 6,142m (1,526), of which:
  - Profit from property management is included in the amount of SEK 1,601m (508). The profit from property management includes costs for early repayment of loans and other non-recurring costs of SEK -206m (-130).
  - Changes in value of properties are included in the amount of SEK 5,248m (1,136).
  - Changes in the value of derivatives are included in the amount of SEK -268m (-118).
- Profit for the period was SEK 5,734m (1,337) after the deduction of deferred tax of SEK -316m (-137) and current tax of SEK -92m (-52), corresponding to earnings per series A and B ordinary share of SEK 4.15 (1.41) before dilution.
- The value of the property portfolio amounted to SEK 81.2bn (79.5).
- Long-term net asset value (EPRA NRV) calculated in accordance with EPRA's new guidelines for net asset value calculations was SEK 30,886m (9,914), corresponding to SEK 24.36 (13.11) per share.

## THIRD QUARTER

### Significant events during the third quarter

- During the quarter, SBB acquired properties for SEK 4.6bn, with the largest acquisition involving a portfolio of preschools acquired from Norwegian Laeringsverkstedet for a value of NOK 4,250m, with newly-signed 35-year triple-net agreements and with Laeringsverkstedet as the tenant. Of the consideration, NOK 1,400m comprised newly issued series D shares.
- In July, mandatory convertible subordinated notes maturing in 2023 were issued for SEK 2.75bn, of which SEK 2,148 is reported as equity. The mandatory convertibles will mandatorily be converted into new series B shares in SBB. At the same time, an issue of series D shares was conducted in the amount of SEK 607m.
- During the period, SBB launched a new business area, SBB Government Infrastructure, with the objective of acquiring properties within government infrastructure, and which will focus will on ministry and government buildings, prison properties and defence properties.
- During the quarter, the remaining senior unsecured bonds issued by Hemfosa were redeemed. Secured bank loans of SEK 3bn were also repaid. By repaying these loans, the company cuts its financial costs by SEK 90m on a 12-month rolling basis.
- In early September, the municipality of Nyköping adopted a major new zoning plan for central Nyköping. SBB is commissioned with developing an entirely new district in the station adjacent Nöthagen area, encompassing 1,600 homes, as well as schools and health care and residential care facilities
- During the quarter, SBB started and communicated a large number of projects for its own long-term management. These include residentials and elderly care homes in central Västerås, elderly care homes in Borlänge, new police houses in Örnköldsvik, Helsinki and Kiruna, sheltered housing, cultural centers and residentials in Boden and residentials in Haninge. The investments are fully in line with SBB's increased focus on project development as part of achieving the growth target of SEK 125bn in property value by 2025.

### Significant events following the end of the period

- SBB has signed agreements to sell a number of properties, including office properties in Karlshamn and Karlstad, as well as residential apartments in Ronneby at a property value of SEK 722m. An agreement was also signed with Oscar Properties regarding the sale of a property portfolio for SEK 1.4bn, incl. SBB's joint venture Valerum.
- SBB presented a strategic update of a number of focus areas and the ambition of the Board of Directors to propose a dividend of SEK 1 per ordinary series A and B shares to the 2021 Annual General Meeting.
- An agreement was signed for the acquisition of a property portfolio in Finland with mainly elderly care homes and care homes for EUR 222m with an annual rental income of EUR 13.6m and a net operating income of EUR 13.1m.
- After the end of the quarter, the company carried out external valuation of transactions signed after the end of the quarter and agreements that will be entered into during the next 12 months. Regarding community properties, these transactions have an average contract duration of 39.5 years and a fully indexed net operating income of SEK 101m. The outcome of the valuation shows a surplus value that exceeds the acquisition value / investments by SEK 624m.



## SBB KEY RATIOS

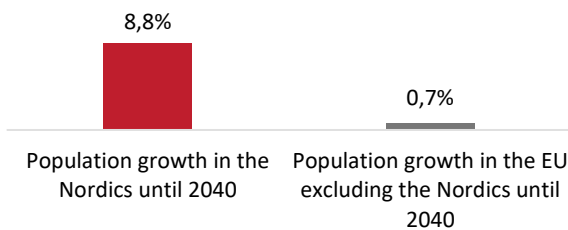
	2020 Jan-Sep	2019 Jan-Sep	2020 Jul-Sep	2019 Jul-Sep	2019 Jan-Dec
<b>Property-related key ratios</b>					
Property value (market value), SEKm	81 187	30 776	81 187	30 776	79 542
Number of properties	1 455	842	1 455	842	1 394
Leasable area, sq.m., thousands	3 820	1 795	3 820	1 795	4 233
Surplus ratio, %	69	65	71	68	63
Yield, %	4,5	4,7	4,5	4,7	4,8
Economic letting ratio, %	94,5	95,3	94,5	95,3	94,8
WAULT, social infrastructure properties, yrs	9	7	9	7	7
<b>Financial key ratios</b>					
Rental income, SEKm	3 868	1 400	1 204	507	1 996
Net operation income, SEKm	2 669	903	852	343	1 265
Interim profit, SEKm	5 734	1 337	3 139	404	2 624
Cash flow from current operations, SEKm	1 590	450	411	255	653
Equity excluding non-controlling interest, SEKm	31 711	10 872	31 711	10 872	24 304
Return on Equity, %	16	10	8	3	12
Loan-to-value ratio, %	42	38	42	38	41
Secured loan-to-value ratio, %	13	16	13	16	26
Equity ratio, %	42	36	42	36	30
Adjusted Equity ratio, %	46	39	46	39	33
Interest coverage ratio, times	3,3	2,4	-	-	2,6
<b>Equity-related key ratios</b>					
Actual net asset value (EPRA NTA), SEKm *)	23 844	8 786	23 844	8 786	17 931
Actual net asset value (EPRA NTA), SEK/share *)	18,80	11,62	18,80	11,62	14,45
Long-term net asset value (EPRA NRV), SEKm *)	30 886	9 914	30 886	9 914	24 855
Long-term net asset value (EPRA NRV), SEK/share *)	24,36	13,11	24,36	13,11	20,04
EPRA Earnings, SEKm	1 509	456	637	239	611
EPRA Earnings (EPS), SEK/share	1,19	0,60	0,50	0,32	0,80
EPRA Vacancy Rate	5,5	4,7	5,5	4,7	5,2
Earnings per ordinary class A and class B shares	4,15	1,41	2,35	0,40	2,97
Earnings per ordinary class D shares	1,50	1,50	0,50	0,50	2,00
Average number of ordinary class A and B shares	1 265 183 353	756 049 031	1 268 092 596	756 049 031	762 481 721
Average number of ordinary class D shares	116 873 168	62 248 416	137 819 243	74 662 662	65 967 084
Average number of preference shares	30 713	153 947	30 713	112 035	122 886
Number of ordinary class A and B shares	1 268 092 596	756 049 031	1 268 092 596	756 049 031	1 240 526 587
Number of ordinary class D shares	172 021 720	76 498 230	172 021 720	76 498 230	104 425 359
Number of preference shares	30 713	30 713	30 713	30 713	30 713

\*) The key ratios are calculated in accordance with EPRA's new guidelines for calculation of net asset values. See definitions and calculations at page 36-40.

# SAMHÄLLSBYGGNADSBOLAGET I NORDEN

Ilija Batljan founded SBB in March 2016 with the vision of building the best Nordic property company focused on residential and social infrastructure properties. The company's strategy is to own, manage and develop residential properties in Sweden and social infrastructure properties in the Nordics over the long term. The company also aims to actively conduct project and property development to develop new social infrastructure.

SBB operates in a market with stable and strong underlying driving forces (economic development and population growth). SBB's property portfolio is characterized by a high occupancy rate and long lease contracts. Rental income consists of secure, long-term flows, primarily from Nordic central governments/municipalities/county councils and from rent-regulated residentials in Sweden. Of the company's income, 95 percent derives from community properties in the Nordics and Swedish rent regulated residentials - social infrastructure. Cash flows are uniquely stable with three of the Nordic central governments being among only ten sovereigns around the world to hold an AAA rating from the three leading credit rating agencies. As a whole, the property portfolio provides exposure to the Nordics' strong demographic trend, with a sharp increase in population compared with the rest of the EU.



Source: OECD

## RENTAL INCOME ROLLING 12 MONTHS

Classification	Rental income, SEKm	Total, %
Regulated rent residentials	773	16
<b>Sum residentials</b>	<b>773</b>	<b>16</b>
Education	1 320	28
Pre school	417	9
Compulsory/Upper secondary school	612	13
University	290	6
Elderly care	516	11
Homes for people with disabilities	305	6
Hospitals and health centres	286	6
Government infrastructure and justice <sup>1)</sup>	556	12
Municipality and department properties	418	9
Public offices	326	7
Other	2	0
<b>Sum community service</b>	<b>3 729</b>	<b>78</b>
Building rights for social infrastructure	172	4
<b>Sum social infrastructure</b>	<b>4 674</b>	<b>98</b>
Other	85	2
<b>Total</b>	<b>4 759</b>	<b>100</b>

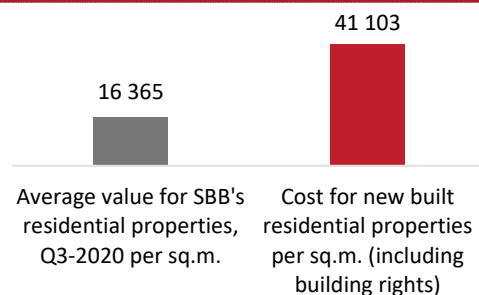
## Why a low risk asset?

## Driving force

### Rental apartments

Regulated market with sub-supply combined with social safety net and housing allowance - only 0.17% weak payers among the tenants in all of Sweden's 1.5m tenancies.

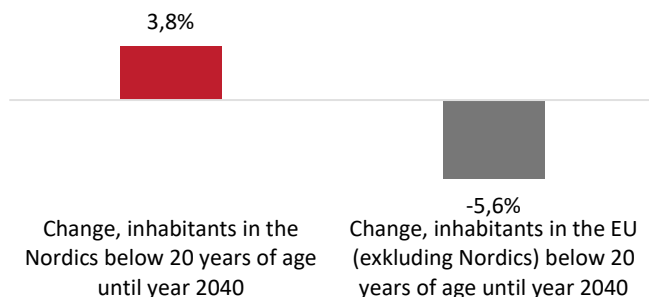
Source: Statistics Sweden, Sweden Enforcement Agency, the National Board of Housing,



### Education

Preschools, primary schools, upper secondary schools and universities in the Nordics are publicly funded.

Source: Eurostat



1) Government infrastructure are properties for the police, justice and defence and prisons.

## Why a low risk asset?

## Driving force

### Elderly care

Elderly care in the Nordics is publicly funded and the number of elderly people over the age of 65 in the Nordics is estimated to increase by 32 percent by 2040.

2,0%



Share of GDP spent by public sector on elderly care in the Nordics

0,5%



Share of GDP spent by public sector on elderly care in the EU

Source: Eurostat, OECD

### LSS

Publicly funded housing for people with special needs in a housing market characterized by structural shortages.

21 773



Average value for SBB's LSS properties, Q3-2020 per sq.m.

41 103



Cost for new built residential properties per sq.m. (including building rights)

Source: Statistic Sweden

### Hospitals & health care centres

In contrast to other parts of the EU/EEA, health care is predominantly publicly funded in the Nordics.

79,8%



Share of public financing of helathcare in the Nordics

28,5%



Share of public financing of helathcare in the EU

Source: Eurostat

### Police and judiciary

The police force and judiciary are publicly funded. The Nordic countries currently invest less resources in relation to GDP compared with other EU countries, providing growth potential in pace with population growth and greater political focus is placed on reducing the gap with other EU countries.

1,2%



Share of GDP spent on law enforcement agencies in the Nordics

1,7%



Share of GDP spent on law enforcement agencies in the EU

Source: Eurostat

### Central government infrastructure, ministries, town halls and public offices

Sweden, Norway and Denmark are among only ten sovereigns in the world to hold an AAA rating from all leading credit rating agencies.

Moody's  
S&P Global  
FitchRatings

AAA

## SBB's business model and how we generate value

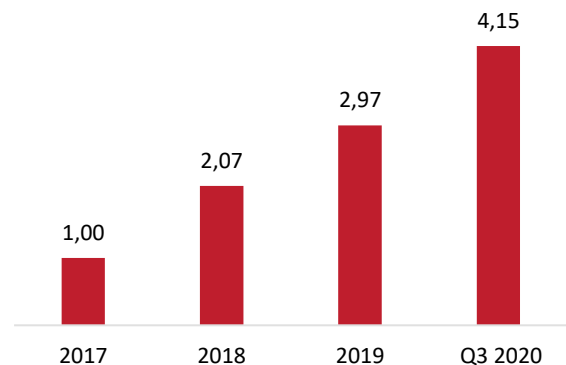
The business model builds on managing the world's most secure assets with exposure to value-generating potential through project and property development, renovations and property transactions. Through its business model, SBB generates long-term, sustainable shareholder value through a high, risk-adjusted annual return.



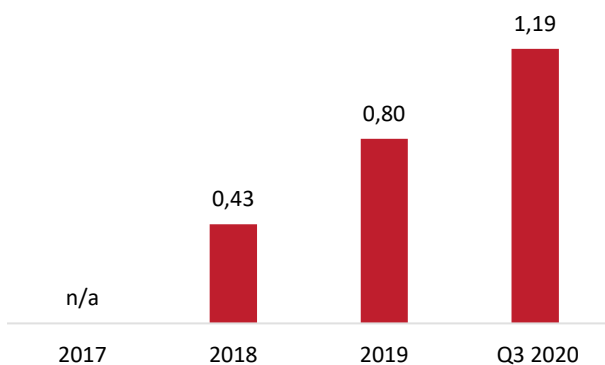
### Focus on delivery

- Earnings per series A and B ordinary share have increased by 315 percent since 2017
- The dividend per series A and B ordinary share has increased by 900 percent since 2017
- Strong balance sheet: BBB- (investment grade credit rating) from S&P and Fitch

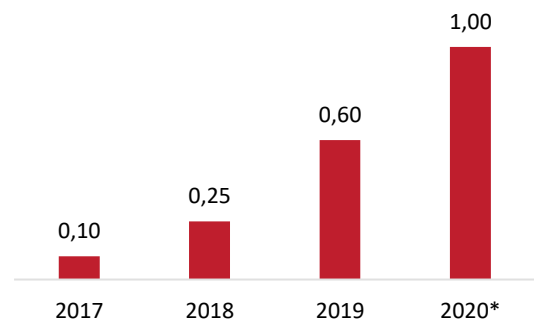
### Earnings per series A and B ordinary share, SEK



### EPRA earnings (EPS), SEK/share



### Dividend per series A and B ordinary share, SEK

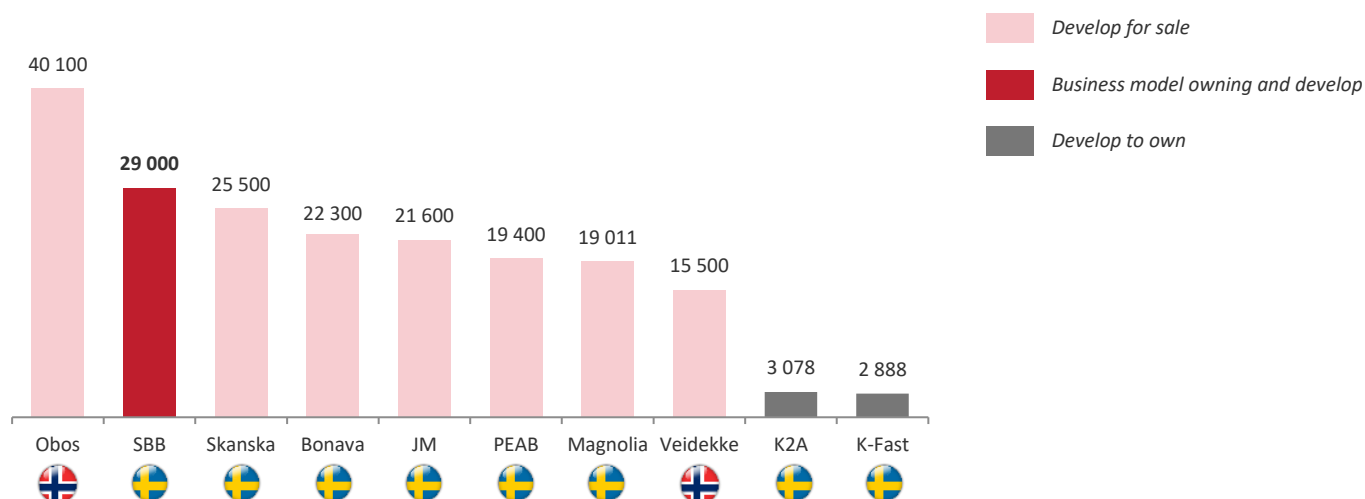


\*The stated ambition of the Board of Directors is to propose a dividend of SEK 1 per series A and B ordinary share to the 2021 Annual General Meeting

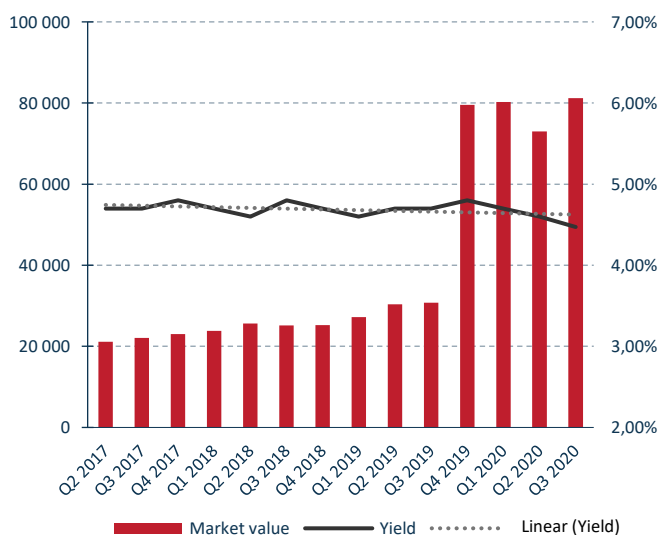
## Growth potential

### The largest Nordic property developers ranked by building rights on their own balance sheet

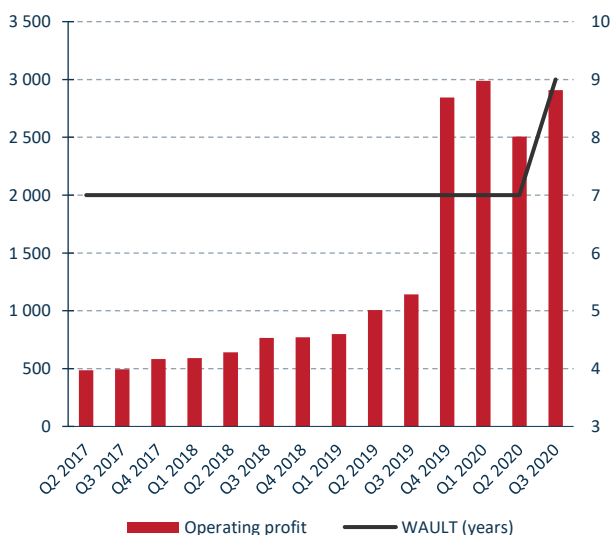
(number of apartments specified by an average area per 75 sqm per apartment)



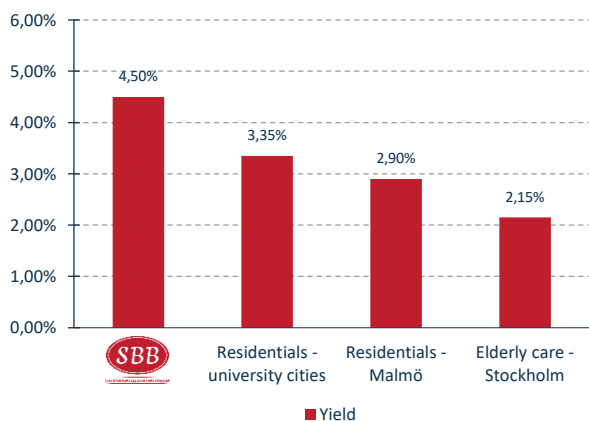
#### MARKET VALUE OF THE PROPERTIES (SEKm) & YIELD



#### OPERATING PROFIT - ROLLING 12 MONTHS (SEKm) & WAULT (years)



#### YIELD - COMPARABLE TRANSACTIONS



# CEO ILIJA BATLIJAN



*”As the largest owner of social infrastructure, SBB is one of Europe’s most socially sustainable company.”*

As the largest owner of social infrastructure, Samhällsbyggnadsbolaget i Norden AB (SBB) is one of Europe’s most socially sustainable company. It is in this role that we shoulder a particular responsibility for society through social initiatives of various types, continuing to invest in sustainability and delivering social infrastructure that is of great importance to very many people. Through renegotiation of lease agreements, new lease agreements and through an active transaction team, our average lease duration for community service properties has increased by 28 percent, from 7 to 9 years. During the second and third quarters, we received 99.8 percent of our rental income, which is probably the highest of all listed property companies in Europe. In addition to various support measures for our tenants, SBB also invested additionally in summer jobs this summer due to the pandemic, with a total of 134 young people thus helping create pleasant local environments around our properties. In line with the UN’s global sustainability goals, as part of SBB’s sustainability initiative, Vision 2030, SBB’s project and property development centres on locations close to transport hubs, where land that has already been exploited is refined rather than taking up important green areas. An amazing example of this is the development of a new district in central Nyköping, adjacent to the central railway station, where brownfield sites are being transformed into a new district with housing and social infrastructure. The zoning plan adopted by the municipal council in September allows for the development of about 1,600 homes.

## Strong earnings increase cash flow by 253 percent

Profit before tax amounted to SEK 6,142m and profit after tax was SEK 5,734m. Adjusted for non-recurring costs and deductions for earnings attributable to preference shares, series D shares and hybrid bonds, profit for the period amounted to SEK 4.39 per series A and B ordinary share.

Cash flow from operations before changes in working capital increased by 253 percent to SEK 1,590m (450) for the first nine months of the year.

Adjusted for non-recurring effects for repurchases of expensive loans and restructuring costs, cash flow for the nine-month period ended up at SEK 1,796m (580).

Adjusted for non-recurring costs, profit from property management increased by 207 percent in comparison with the third quarter of 2019 to SEK 1,910m (623). In addition to loan-repayment costs, non-recurring costs also included restructuring costs and unrealized FX effects. The main reason for the strong increase in profit from property management was the sharp increase in net operating income. At the same time, we continue to lower our average interest rate, ending up at 1.41 percent (1.76) at the end of the period. SBB has no exposure to variable interest rates. The average interest duration for all interest-bearing liabilities is among the longest in the

Nordics at 4.9 years (2.8) and the average debt maturity was 4.7 years (3.4). To further strengthen its sustainability profile, SBB intends to launch a framework for social sustainable bonds.

## BBB+ rating in focus

At the end of the period, our pro forma net debt, adjusted for cash inflows from properties that have been sold but not yet transferred and 12 months’ earnings capacity divided by total capital, in accordance with S&P’s definition of the loan-to-value ratio, amounted to 49.7 percent (see table below).

Interest-bearing liabilities	47 984
50% of hybrid bonds	4 947
Leasing liabilities	460
Cash and cash equivalents	-6 065
Other receivables (sold properties)	-1 953
Financial assets at fair value, realized in Oct 2020	-376
Financial assets at fair value	-1 229
Receivables from associated companies/joint ventures	-1 128
Profit from property management, before dividend (12 months rolling)	-2 822
Cash from building rights	-850
Dividend (shares serie A, B, D, mandatory convertible and hybrid bonds)	1 653
<b>Adjusted net debt 12 months forward</b>	<b>40 621</b>
<b>Adjusted net debt Q3 2020</b>	<b>44 997</b>

Equity	41 983
50% of hybrid bonds	-4 947
Share of value changes as a result of long agreements, not in balance sheet	624
Reversal of reserved but not paid dividend	829
Reversal of reserved but not paid interest mandatory convertible	579
Earnings capacity (12 months rolling)	3 633
Dividend (shares serie A, B, D and hybrid bonds, Q3 2021)	-1 653
<b>Adjusted equity 12 months forward</b>	<b>41 048</b>
<b>Adjusted equity Q3 2020</b>	<b>39 069</b>

<b>Adjusted net debt 12 months forward in % of total capital (S&amp;P adjusted LTV)</b>	<b>49,7%</b>
<b>Adjusted net debt Q3 2020 in % of total capital (S&amp;P adjusted LTV)</b>	<b>53,5%</b>

According to our calculations, we have thus fulfilled the key figures most significant for a BBB+ rating. In the longer term, our objective is to achieve an A- rating. This is supported by the quality of our assets, which have proven to be Europe’s most secure in challenging times. We continue to raise our interest coverage ratio, which was a multiple of 3.3 at the end of the nine-month period. We expect it to end up at a multiple of about 3.7 for the full year, to then pass 4 early next year. We have slightly more than SEK 60bn in unencumbered assets; cash balances, including liquidity from properties that have been sold but not yet transferred and financial assets of SEK 9.6bn, as well as available credit commitments of SEK 9.1bn.



## Clear strategy based on sustainability

The integration of Hemfosa has now been fully implemented. The company has taken the best from both organizations and created a joint management organization resting on three clear pillars – community service properties, residentials and LSS housing – safeguarding efficient and qualitative property management moving forward. We supplement our secure cash flows from property management by generating value through property development, renovations and transactions. In property development, we are now focusing on using our extensive portfolio of building rights to construct new housing and community service properties based on the needs of the municipalities, both to be managed in-house by our new organization following the integration of Hemfosa, as well as through joint ventures with parties who assume the construction risk. Project and property development delivered SEK 852m in profit for the nine-month period, greatly exceeding our target of generating an average SEK 500-700m annually in profit from property development. The scenario analyses presented in the appendix to the project and property development section of this report show potential annual profit of SEK 1.1-1.7bn from property development.

In renovations, we continue to deliver on our target of renovating 600 apartments per year. Over the nine-month period, SBB completed the renovation of 437 apartments. A further 80 apartments are currently being renovated and renovation of a further 176 apartments is planned to commence within the next three months. Combined with renovation needs among community service properties, this generates potential for strong recurring earnings.

SBB is focusing on constructing environmentally friendly rent-regulated residentials in Stockholm and Gothenburg. Of the company's previously communicated target of achieving a property value of SEK 125bn by 2025, at least SEK 15bn of that property value shall comprise rent-regulated residentials in Stockholm and Gothenburg.

Elderly people and people with disabilities are currently experiencing shortages of elderly care units and LSS housing. SBB views contributing new elderly care units and LSS housing as an important part of its investment in social sustainability. The number of elderly care units to be managed in-house is set to increase sharply, with total rental income from elderly care units and LSS housing doubling by 2025, from the current level of just over SEK 800m to SEK 1.6bn annually.

## Prospects

The pandemic has exposed major shortcomings in the world's economies. This has required coordinated action by the world's central banks to try and stimulate growth and create new jobs. Unfortunately, to date, the real

economy has failed to generate growth and inflation, while continuing to conduct operations that risk our entire planet by failing to accept responsibility for the climate. The financial market is assuming an increasingly strong leadership role with regard to climate change. This means that the search for secure and sustainable assets will intensify in the years to come. This will benefit SBB's secure cash flows and sustainable business model. In line with earnings for the first nine months of the year and the earnings capacity for the year as a whole, we see SBB delivering strong earnings capacity of SEK 4.86 per series A and B share. We will continue to invest in society by, for example, offering summer jobs to young people living in SBB's portfolio of rent-regulated residentials. As of 30 September 2020, SBB's portfolio of building rights amounted to approximately 2,185,000 sq.m. GFA for social infrastructure, corresponding to approximately 22,000 apartments, making SBB one of the leading property developers in the Nordics. This safeguards long-term value creation and sharp increases in net asset value. Two years ago, we communicated our view that we would be able to deliver the highest annual increase in net asset value among all listed Swedish property companies for the years 2019-2021. The outcome for 2019 ended up at a high 73 percent per series A and B ordinary share. After the first nine months of 2020, we are looking at increasing our net asset value per series A and B ordinary share by 22 percent, paving the way for the continued value creation.

I would like to repeat what I wrote in our Q2 report: "Covid-19 has gone from being a pandemic to also becoming a greatly increased risk to the world economy that leaves no one indifferent. The great uncertainty that currently prevails around economic development requires focus and hard work. Although community service properties and residentials are the least affected by the crisis, it leaves no one unaffected. On the other hand, this is neither the first nor the last crisis with which companies with a long-term focus have had to deal. Crises come and go and you have to be humble in the face of this, but our task is to be a reliable and long-term societal player that delivers shareholder value, good profitability and strong results in a sustainable way."

With that said, all companies also bear an important responsibility to their shareholders, with whose money they are entrusted, and the Board of Directors of SBB has stated clearly that, given the company's current position and prospects, its ambition is to propose to the 2021 Annual General Meeting a dividend of SEK 1 per series A and B ordinary share.

**Ilja Batljan**

CEO and Founder

# CONSOLIDATED INCOME STATEMENT

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Rental income	3 868	1 400	1 204	507	1 996
Operating costs	-743	-326	-204	-103	-471
Maintenance	-218	-78	-76	-27	-115
Property administration	-150	-68	-46	-24	-104
Property tax	-88	-25	-26	-10	-41
<b>Net operating income</b>	<b>2 669</b>	<b>903</b>	<b>852</b>	<b>343</b>	<b>1 265</b>
Central administration	-173	-85	-79	-34	-136
Acquisition and restructuring costs	-49	-	-8	-	-83
Results from associated companies/joint ventures	42	57	27	8	92
<b>Profit before financial items</b>	<b>2 489</b>	<b>875</b>	<b>792</b>	<b>317</b>	<b>1 138</b>
<b>Financial items</b>					
Interest income and similar items	102	75	42	29	102
Interest expenses and similar items	-716	-325	-214	-108	-482
Expenses for redeemed loans in advance	-157	-130	-44	-7	-197
Translation gains/losses	-103	15	104	24	91
Leasing costs	-14	-2	-3	-1	-7
<b>Profit from property management</b>	<b>1 601</b>	<b>508</b>	<b>677</b>	<b>254</b>	<b>645</b>
Changes in value, property	5 248	1 136	3 459	242	2 453
Dissolution of goodwill after property sales	-439	-	-11	-	-
Changes in value, derivatives	-268	-118	-2	-30	39
<b>Profit before tax</b>	<b>6 142</b>	<b>1 526</b>	<b>4 123</b>	<b>466</b>	<b>3 137</b>
Tax for the year	-92	-52	-39	-26	-34
Deferred tax	-755	-137	-956	-36	-479
Dissolution of deferred tax goodwill	439	-	11	-	-
<b>NET PROFIT FOR THE PERIOD</b>	<b>5 734</b>	<b>1 337</b>	<b>3 139</b>	<b>404</b>	<b>2 624</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Net profit for the period	5 734	1 337	3 139	404	2 624
Translation gains/losses	-1 124	172	-269	30	163
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>4 610</b>	<b>1 509</b>	<b>2 870</b>	<b>434</b>	<b>2 787</b>
Earnings per ordinary share A and B before dilution	4,15	1,41	2,35	0,40	2,97
Earnings per ordinary share A and B after dilution	4,11	1,39	2,33	0,39	2,92
Earnings per ordinary share D (not subject for dilution)	1,50	1,50	0,50	0,50	2,00

# COMMENTS ON THE INCOME STATEMENT

## Net operating income

Rental income during the period amounted to SEK 3,868m (1,400) and for the quarter to SEK 1,204 (507). In a comparable portfolio, rental income increased by 2.2 percent compared with the corresponding period last year. Of the rental income, SEK 645m pertained to residential properties, SEK 3,007m to community service properties and SEK 216m to other properties. The economic occupancy rate at the end of the period was 94.5 percent (95.3). The average contract length for community properties was 9 years (7).

Property costs during the period amounted to SEK -1,199m (-497) and for the quarter SEK -352m (-164). They mainly consist of tax-related costs, operating and maintenance costs and management administration.

In a comparable portfolio, costs decreased by 0.3 percent compared with the corresponding period last year. Accordingly, the net operating income for a comparable portfolio increased by 3.4 percent.

## Segment reporting

For reporting and follow-up, SBB has been divided into three segments: Residential, Community service and Other/Property Development. The division is based on the differences in the nature of the segments and on the reporting the management obtains to follow up and analyze the business, as well as on the data obtained on which to base strategic decisions.

## Segment reporting 01-01-2020 – 30-09-2020

SEK millions	Residential	Community service	Other	Total
Rental income	645	3 007	216	3 868
Property costs	-322	-775	-102	-1 199
<b>Net operating profit</b>	<b>323</b>	<b>2 232</b>	<b>114</b>	<b>2 669</b>
Surplus ratios	50%	74%	53%	69%
Central administration				-173
Acquisition and restructuring costs				-49
Results from associated companies/joint ventures				42
Net financial				-888
<b>Operating profit</b>	<b>323</b>	<b>2 232</b>	<b>114</b>	<b>1 601</b>
Changes in value, property	495	4 683	70	5 248
Dissolution of goodwill after property sales				-439
Changes in value, derivatives				-268
Tax				-408
<b>Profit for the period</b>	<b>818</b>	<b>6 915</b>	<b>184</b>	<b>5 734</b>
<b>Investment properties</b>	<b>12 692</b>	<b>63 430</b>	<b>5 065</b>	<b>81 187</b>
Value per sq.m. (SEK)	16 968	23 157	15 226	21 254

## Segment reporting 01-01-2019 – 30-09-2019

SEK millions	Residential	Community service	Other	Total
Rental income	513	799	88	1 400
Property costs	-255	-198	-44	-497
<b>Net operating profit</b>	<b>258</b>	<b>601</b>	<b>44</b>	<b>903</b>
Surplus ratios	50%	75%	50%	65%
Central administration				-85
Results from associated companies/joint ventures				57
Net financial				-367
<b>Operating profit</b>	<b>258</b>	<b>601</b>	<b>44</b>	<b>508</b>
Changes in value, property	588	526	22	1 136
Dissolution of goodwill after property sales				-
Changes in value, derivatives				-118
Tax				-189
<b>Profit for the period</b>	<b>846</b>	<b>1 127</b>	<b>66</b>	<b>1 337</b>
<b>Investment properties</b>	<b>10 335</b>	<b>18 337</b>	<b>2 103</b>	<b>30 776</b>
Value per sq.m. (SEK)	14 432	20 983	10 285	17 150

## Segment reporting 01-07-2020 – 30-09-2020

SEK millions	Residential	Community service	Other	Total
Rental income	203	942	59	1 204
Property costs	-97	-228	-27	-352
<b>Net operating profit</b>	<b>106</b>	<b>714</b>	<b>32</b>	<b>852</b>
Surplus ratios	52%	76%	54%	71%
Central administration				-79
Acquisition and restructuring costs				-8
Results from associated companies/joint ventures				27
Net financial				-115
<b>Operating profit</b>	<b>106</b>	<b>714</b>	<b>32</b>	<b>677</b>
Changes in value, property	374	2 962	123	3 459
Dissolution of goodwill after property sales				-11
Changes in value, derivatives				-2
Tax				-984
<b>Profit for the period</b>	<b>480</b>	<b>3 676</b>	<b>155</b>	<b>3 139</b>
<b>Investment properties</b>	<b>12 692</b>	<b>63 430</b>	<b>5 065</b>	<b>81 187</b>
Value per sq.m. (SEK)	16 968	23 157	15 226	21 254

## Segment reporting 01-07-2019 – 30-09-2019

SEK millions	Residential	Community service	Other	Total
Rental income	174	300	33	507
Property costs	-81	-69	-14	-164
<b>Net operating profit</b>	<b>93</b>	<b>231</b>	<b>19</b>	<b>343</b>
Surplus ratios	53%	77%	58%	68%
Central administration				-34
Results from associated companies/joint ventures				8
Net financial				-63
<b>Operating profit</b>	<b>93</b>	<b>231</b>	<b>19</b>	<b>254</b>
Changes in value, property	71	196	-25	242
Dissolution of goodwill after property sales				-
Changes in value, derivatives				-30
Tax				-62
<b>Profit for the period</b>	<b>164</b>	<b>427</b>	<b>-6</b>	<b>404</b>
<b>Investment properties</b>	<b>10 335</b>	<b>18 337</b>	<b>2 103</b>	<b>30 776</b>
Value per sq.m. (SEK)	14 432	20 983	10 285	17 150

## Profit after tax

In total, the period's costs for central administration amounted to SEK -173m (-85) for the period and SEK -79m (-34) for the quarter. The central administration costs include costs for business development, transactions, property development and financial management. As a result of the acquisition of Hemfosa, the company has had some non-recurring costs during the period. In total, these acquisition and restructuring costs amounted to SEK -49m as of 30 September 2020. Profit from associated companies and joint ventures was SEK 42m (57) for the period.

Net financial items for the period amounted to SEK -888m (-367) and for the quarter SEK -115m (-63). The financial costs include interest for external financing, as well as other financial costs, such as accrued arrangement fees. The financial costs include non-recurring expenses in the form of costs for early redemption of expensive loans of SEK -157m (-130). During the period, exchange rate differences of SEK -103m (15) were reported that are attributable to the translation of loans raised in Euro to the extent that they are not matched against hedges in the form of net assets in Euro and FX derivatives. Value changes for the properties amounted to SEK 5,248m (1,136), of which SEK -588m (-308) were realized value changes and

SEK 5,836m (1,444) were unrealized value changes. The realized changes in value are essentially explained by discounts for deferred tax which are offset by the corresponding lower reported tax. The sales have been made to values slightly higher than valuation. The unrealized changes in value are mainly explained by increased net operating income due to investments and new leases in the property portfolio, e.g. lease agreements with an annual rental value of SEK 462m with an average contract duration of just over 25 years. In addition, SBB has renovated 437 apartments during the period, made project investments in the existing property portfolio such as the rebuilding of the Western Helsinki Central Police Station, new production of police houses in Kiruna and new and rebuilding of a school and elderly care home property in Haninge. Reduced yield requirements attributable to increased demand for long and stable cash flows have also affected the quarter's unrealized changes in value. Profit after tax for the period was SEK 5,734m (1,337). Tax on the profit for the period was SEK -408m (-189), of which SEK -92m (-52) pertained to current tax and SEK -316m (-137) pertained to deferred tax related to properties and loss carryforwards. The low tax is explained by property sales.



# CONSOLIDATED BALANCE SHEET

Amount in SEK, millions	30-09-2020	30-09-2019	31-12-2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Goodwill	6 261	24	6 687
<b>Total intangible assets</b>	<b>6 261</b>	<b>24</b>	<b>6 687</b>
<b>Tangible assets</b>			
Investment properties	81 187	30 776	79 542
Land lease agreements	460	137	445
Equipment, machinery and installations	16	4	21
<b>Total tangible fixed assets</b>	<b>81 663</b>	<b>30 917</b>	<b>80 008</b>
<b>Financial fixed assets</b>			
Shares in associated companies/joint ventures	1 233	535	909
Receivables from associated companies/joint ventures	1 128	1 754	1 142
Derivatives	-	-	73
Financial fixed assets at fair value	1 605	239	459
Other long-term receivables	23	39	24
<b>Total financial fixed assets</b>	<b>3 989</b>	<b>2 567</b>	<b>2 607</b>
<b>Total fixed assets</b>	<b>91 913</b>	<b>33 508</b>	<b>89 302</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivable	21	27	53
Current assets at cost	-	165	-
Other receivables	1 953	333	791
Prepaid expenses and accrues income	288	101	158
<b>Total current receivables</b>	<b>2 262</b>	<b>626</b>	<b>1 002</b>
Short-term investments	-	1 094	1 041
Cash and cash equivalents	6 065	8 532	12 858
<b>Sum current assets</b>	<b>8 327</b>	<b>10 252</b>	<b>14 901</b>
<b>TOTAL ASSETS</b>	<b>100 240</b>	<b>43 760</b>	<b>104 203</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>41 983</b>	<b>15 940</b>	<b>30 896</b>
<b>Long-term liabilities</b>			
Liabilities to credit institutions	11 387	5 635	22 073
Bond loans	30 266	17 763	23 720
Derivatives	120	118	25
Deferred tax liabilities	6 310	1 238	6 237
Liabilities leasing	460	137	445
Other long-term liabilities	667	33	22
<b>Total long-term liabilities</b>	<b>49 210</b>	<b>24 924</b>	<b>52 522</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	320	135	3 912
Commercial papers	3 816	1 728	4 944
Bond loans	2 195	70	1 442
Accounts payable	128	78	131
Current tax liabilities	138	47	126
Other liabilities	1 397	404	8 822
Accrued expenses and prepaid income	1 053	434	1 408
<b>Total current liabilities</b>	<b>9 047</b>	<b>2 896</b>	<b>20 785</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100 240</b>	<b>43 760</b>	<b>104 203</b>

# COMMENTS ON THE BALANCE SHEET

## Investment properties

The value of the properties amounted to SEK 81,2bn as of 30 September 2020. The value of the property portfolio has been based on external valuations made by Newsec, JLL, Savills, CBRE and Colliers. The valuations have been based on an analysis of future cash flows for each property, taking into account the current lease terms, market situation, rental levels, operating, maintenance and management administration costs and investment needs. The yield requirements used in the valuation are in the range of 2.25 percent to 15.0 percent with an average rate of 4.5 percent (4.7). The value of the properties includes SEK 3,130m for building rights that have been valued through the application of the local price method, which means that the assessment of the value is based on comparisons of prices for similar building rights. Fair value has thus been assessed in accordance with IFRS 13 level 3. See further on investment properties on page 17-22.

## Associated companies and joint ventures

SBB's engagement in associated companies and joint ventures consists partly of a holding in the companies and in some cases financing to the companies. As of 30 September 2020, participations in associated companies and joint ventures amounted to SEK 1,233m (909) and receivables from associated companies and joint ventures amounted to SEK 1,128m (1,754). Some of the companies conduct property development projects, while other companies own investment properties. The largest holdings consist of the companies KlaraBo Förvaltning AB, Valerum Fastighets AB and Offentlig Eiendom AS.

## Goodwill

The goodwill item of SEK 6,261m (6,687) is largely attributable to the acquisition of Hemfosa and consists mainly of synergy effects in the form of reduced financing and administration costs. In addition, there is a reported goodwill attributable to the difference between nominal tax and the deferred tax that is calculated on the acquisition of properties in company format that must be reported at acquisitions classified as so called business combinations, such as the acquisition of Hemfosa. For reported goodwill of SEK 1,952m, a corresponding amount is recognized under the item deferred tax. Due to properties having been sold, this part decreased over the period. A small part of the goodwill arose through the 2018 acquisition of the company SBB Förvaltning Sverige AB (formerly Hestia Sambygg AB) with 70 employees. The goodwill item arising at the time of the acquisition pertained to the employees.

## Equity

Equity as of 30 September 2020 amounted to SEK 41,983m (30,896). The equity includes issued hybrid bonds with a book value of SEK 9,893m, mandatory convertibles of SEK 2,148m and preference shares in the Norwegian subsidiary Nye Barcode 121 Bidco AS and a minority in Hemfosa Fastigheter AB (publ), as SBB does not hold all of the shares in that company. As shares in Hemfosa have been acquired during the period, the minority interest has decreased by SEK 1,634bn. During the period, SBB carried out issues of series B and D ordinary shares for SEK 2,655m after issue costs that were used as consideration for the acquisition of shares in Hemfosa and acquisition of Laeringsverkstedet. In July, SBB issued a mandatory convertible which, for accounting purposes, has been divided into an equity and a debt component. The part that is reported as equity incl. issue costs amounted to SEK 2,148m. In addition, a perpetual hybrid bond of EUR 500m was issued with a fixed coupon of 2.624 percent.

Translation differences in the translation of net assets in subsidiaries in Norway, Finland and Denmark from local currency to SEK amounted to SEK -1,124m (172) of the change in equity during the period. The effect is mainly explained by the negative development of the Norwegian krona against the Swedish krona during the period.

The equity ratio was 42 percent (30), the adjusted equity ratio was 46 percent (33) and the loan-to-value ratio was 42 percent (41).

## Deferred tax

In Sweden, deferred tax is calculated at a nominal tax rate of 20.6 percent on differences between the reported and tax value of assets and liabilities. In Norway and Denmark, the corresponding tax rate is 22.0 percent and in Finland, it is 20.0 percent. As of 30 September 2020, the deferred tax liability amounted to SEK 6,310m (6,237) and is largely attributable to investment properties and loss carryforwards. The loss carryforwards amount to approximately SEK 3,9bn as of 30 September 2020.

## Debt and cash and cash equivalents

At the end of the period, interest-bearing liabilities in the Group amounted to SEK 47,984m (56,091), of which SEK 11,707m (25,985) pertained to liabilities to credit institutions, SEK 32,461m (25,162) pertained to bond loans and SEK 3,816m (4,944) pertained to commercial paper. See further under the section Financing on page 23. Cash and cash equivalents amounted to SEK 6,065m (12,858).

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount in SEK, millions

	Share capital	Other contributed capital	Retained earnings	Hybrid bonds	Non-controlling interest	Total equity
<b>Total equity 01-01-2019</b>	<b>80</b>	<b>4 345</b>	<b>4 585</b>	<b>1 873</b>	<b>314</b>	<b>11 197</b>
Share issue	3	1 050				1 053
Issue hybrid bonds				3 115		3 115
Redeemed preference shares		-93	-54		-291	-438
Dividends			-344	-151	-1	-496
Net profit for the period			1 185	151	1	1 337
Other comprehensive income			115	41	16	172
<b>Total equity 30-09-2019</b>	<b>83</b>	<b>5 302</b>	<b>5 487</b>	<b>5 029</b>	<b>39</b>	<b>15 940</b>
Share issue	51	12 302				12 353
Issue hybrid bonds				1 485		1 485
Issue warrants		3				3
Dividends			-13	-47		-60
Redeemed preference shares					-3	-3
Repurchased hybrid bonds			-283	-1 873		-2 156
Acquired minority interests					1 930	1 930
Tax effects equity		51		76		127
Net profit for the period			1 236	47	4	1 287
Other comprehensive income			85	-88	-6	-9
<b>Total equity 31-12-2019</b>	<b>134</b>	<b>17 658</b>	<b>6 512</b>	<b>4 629</b>	<b>1 963</b>	<b>30 896</b>
<b>Total equity 01-01-2020</b>	<b>134</b>	<b>17 658</b>	<b>6 512</b>	<b>4 629</b>	<b>1 963</b>	<b>30 896</b>
Share issue	10	2 645				2 655
Issue hybrid bonds				5 280		5 280
Issue mandatory convertible bonds		2 148				2 148
Redeemed minority interests			-731		-1 640	-2 371
Dividends			-1 074	-249	0	-1 323
Tax effects equity		30		58		88
Net profit for the period			5 429	249	56	5 734
Other comprehensive income			-1 049	-74	-1	-1 124
<b>Total equity 30-09-2020</b>	<b>144</b>	<b>22 481</b>	<b>9 087</b>	<b>9 893</b>	<b>378</b>	<b>41 983</b>

# CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
<b>Operations</b>					
Profit from property management	1 601	508	677	254	645
<i>Adjustments for non-cash flow items</i>					
Depreciations	2	1	1	1	3
Results from associated companies/joint ventures	-42	-57	-27	-8	-92
Net financial items	888	367	115	63	493
Interest paid	-856	-390	-351	-69	-459
Interest received	89	73	36	29	97
Income tax paid	-92	-52	-40	-15	-34
<b>Cash flow from operations before changes in working capital</b>	<b>1 590</b>	<b>450</b>	<b>411</b>	<b>255</b>	<b>653</b>
<b>Cash flow from changes in working capital</b>					
Changes in current receivables	-1 252	-106	5 078	382	-644
Changes in current liabilities	-8 558	143	-65	-125	9 443
<b>Cash flow from operations</b>	<b>-8 220</b>	<b>487</b>	<b>5 424</b>	<b>512</b>	<b>9 452</b>
<b>Investment activities</b>					
Investments in properties <sup>1)</sup>	-8 078	-10 069	-5 172	-978	-58 258
Divestments in properties	10 339	6 024	288	654	6 672
Investments/divestments in equipment, machinery and installations	3	-	3	-1	-19
Investments in associated companies/joint ventures	-324	-264	5	-13	-606
Investments in intangible fixed assets	-11	-	-	-	-4 295
Changes in receivables from associated companies/joint ventures	6	-178	131	-459	432
Changes in financial assets	-205	-1 408	-111	-772	-1 459
Changes in other long-term receivables	18	-28	-13	-27	-13
<b>Cash flow from investment activities</b>	<b>1 748</b>	<b>-5 923</b>	<b>-4 869</b>	<b>-1 596</b>	<b>-57 546</b>
<b>Financing activities</b>					
Share issue <sup>1)</sup>	2 655	1 053	1 936	79	13 406
Issue hybrid bonds	5 280	3 115	7	-	4 600
Issue mandatory convertible bonds	2 148	-	2 148	-	-
Redeemed preference shares	-	-93	-	-93	-83
Repurchased hybrid bonds	-	-	-	-	-2 156
Issue warrants	-	-	-	-	3
Dividends paid	-563	-390	-402	-113	-426
Acquired minority shares	-	-	-	-	1 930
Redeemed minority shares <sup>1)</sup>	-2 371	-345	-	1	-349
New loans	22 548	21 389	7 909	7 729	53 766
Amortization of loans	-30 499	-10 929	-7 939	-649	-12 362
Changes in other long-term liabilities	486	8	517	-31	2 467
<b>Cash flow from financing activities</b>	<b>-316</b>	<b>13 808</b>	<b>4 176</b>	<b>6 923</b>	<b>60 796</b>
<b>Cash flow for the period</b>	<b>-6 788</b>	<b>8 372</b>	<b>4 731</b>	<b>5 839</b>	<b>12 702</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>12 858</b>	<b>157</b>	<b>1 330</b>	<b>2 691</b>	<b>157</b>
Translation difference of cash and cash equivalents	-5	3	4	2	-1
<b>Cash and cash equivalents at the end of the period</b>	<b>6 065</b>	<b>8 532</b>	<b>6 065</b>	<b>8 532</b>	<b>12 858</b>

<sup>1)</sup> The amount above also include share issues without contribution of cash. Investments in subsidiaries also includes investments made by direct share issues.

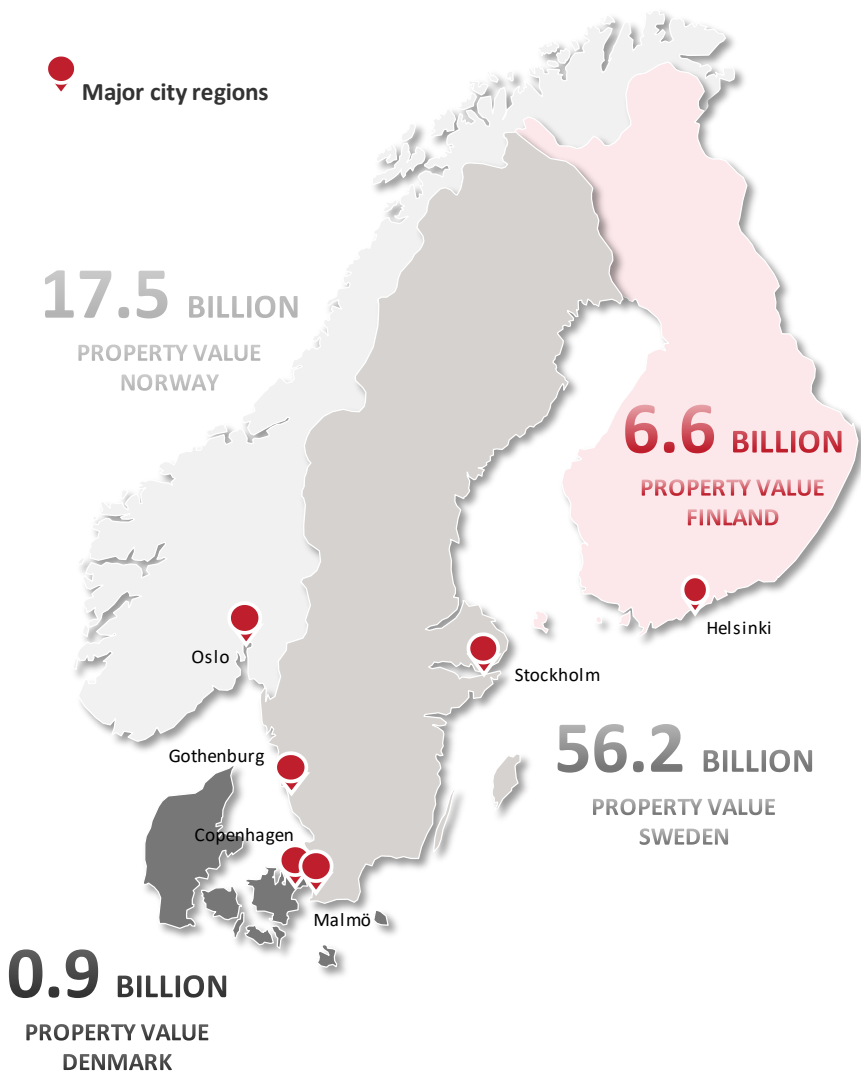


# PROPERTY PORTFOLIO

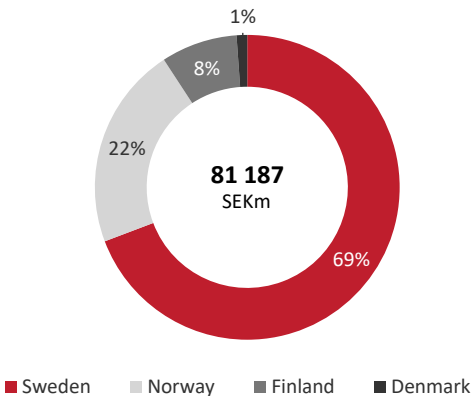
SBB’s core holdings are community service properties in the Nordics together with rent regulated residentials in Sweden.

The combination of community service properties in the Nordics and rent regulated residentials in Sweden is unique among listed companies in the Nordics. SBB’s properties are among the most secure investments available, offering high, risk-adjusted returns.

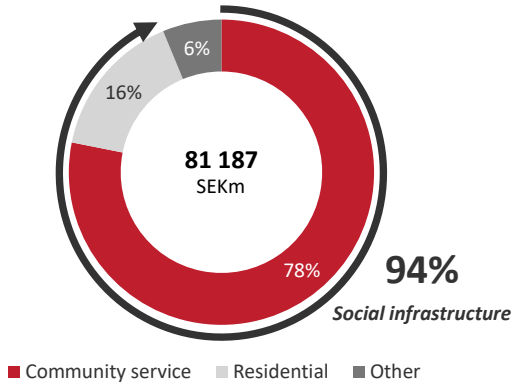
## PROPERTY VALUE BY GEOGRAPHY:



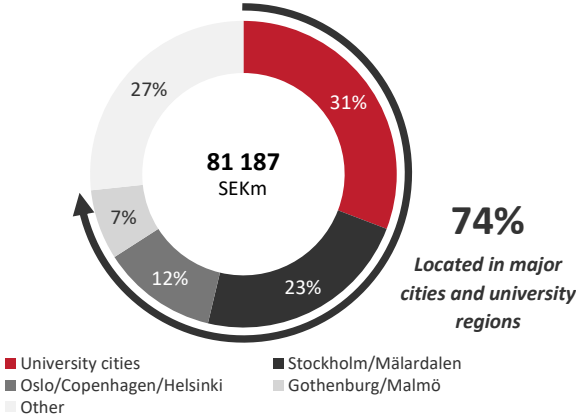
Property value per country



Property value per segment



Property value per region



98%



OF THE PROPERTY PORTFOLIO IS SOCIAL INFRASTRUCTURE PROPERTIES IN AAA RATED COUNTRIES IN THE NORDICS <sup>1)</sup>

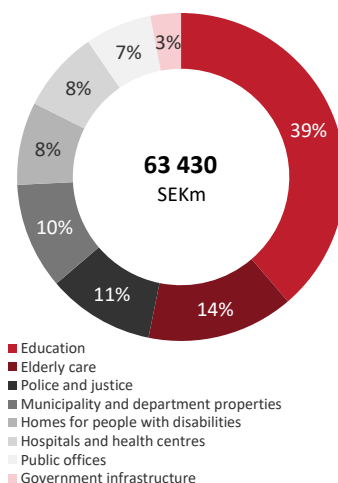
1) Including building rights for social infrastructure

# COMMUNITY SERVICE PROPERTY PORTFOLIO



## Community service properties by area of use

Market value



## Largest tenants, community service property portfolio

	Rental income, SEKm	% of total
Swedish State	551	14,8
Norwegian State	371	9,9
Læringsverkstedet AS	252	6,8
Finnish State	137	3,7
Municipality of Härnösand	131	3,5
Norwegian National Association for Heart- and Lung Disease	122	3,3
Academia	113	3,0
Attendo	78	2,1
Ambea	74	2,0
Västra Götaland County Council	61	1,6
<b>Sum 10 largest tenants</b>	<b>1 891</b>	<b>50,7</b>
Other	1 838	49,3
<b>Total rental income</b>	<b>3 729</b>	<b>100,0</b>

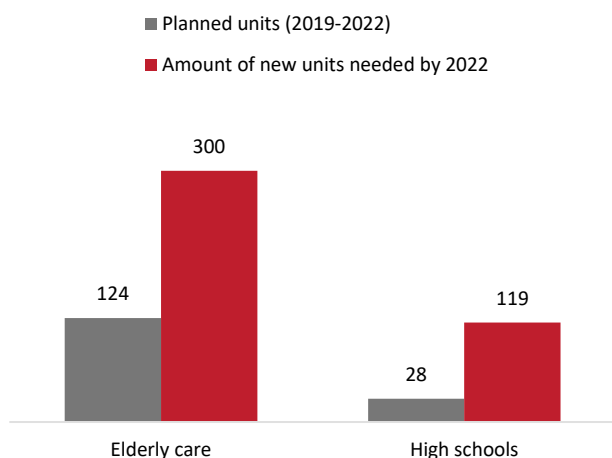
## Rental income from community service properties by area of use

Use	Rental income, SEKm	% of total
Education	1 320	35,4
Elderly care	516	13,8
Homes for people with disabilities	305	8,2
Hospitals and health centres	286	7,7
Government infrastructure and justice	556	14,9
Municipality and department properties	418	11,2
Public offices	326	8,8
Other	2	0,0
<b>Total</b>	<b>3 729</b>	<b>100,0</b>

## Supply and demand for social infrastructure

The need for community service properties is very large. The graph below illustrates the number of planned elderly care units and upper-secondary schools up until 2022 in relation to the actual need. The market for Swedish rent regulated residentials is also characterized by an extensive supply deficit, with the average queue time for an apartment in the Stockholm region being about ten years.

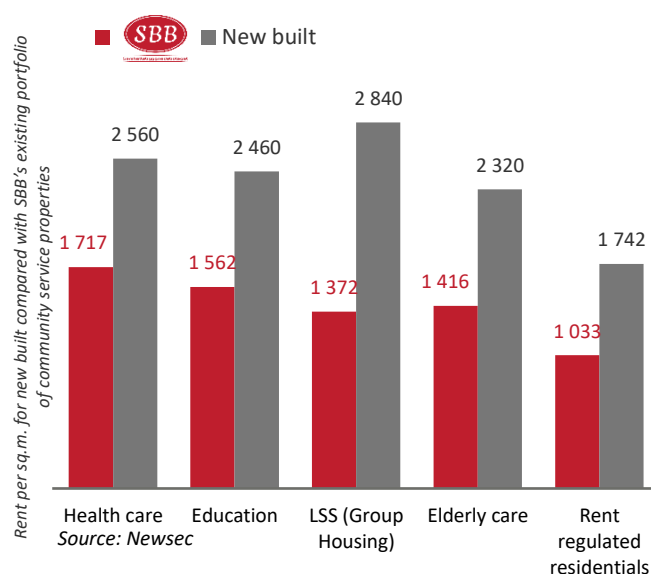
### Planned and needed community service properties



Source: SKR

In addition to a major deficit of social infrastructure properties, there is also considerable potential for further letting of the existing portfolio. In the autumn of 2019, leading property adviser Newsec analyzed rent levels for newly produced community service properties in Sweden. The graph below shows rent levels in the new production analysis in relation to average rent levels for SBB's portfolio.

### Rent per sq.m. for new production, compared with SBB's existing portfolio of community service properties



## Sensitivity analysis

The property valuations are made according to accepted principles based on certain assumptions. The table below presents how the value has been impacted by a change in certain parameters assumed for the valuation. The table provides a simplified illustration as a single parameter is unlikely to change in isolation.

	Change	Value impact
Rental value	+/- 5 %	3 656 / -3 669 SEKm
Discount rate	+/- 0,25 %	-2 267 / 2 441 SEKm
Exit yield	+/- 0,25 %	-2 528 / 2 852 SEKm

## Property portfolio change

<b>Opening fair value 2020-01-01</b>	<b>79 542</b>
Acquisitions	6 694
Investments	1 384
Sales	-10 929
Translation differences	-1 327
Unrealized value changes	5 836
<b>Fair value at end of period</b>	<b>81 187</b>

# ADDITIONAL INCOME STREAMS FROM SBB'S BUSINESS MODEL

In addition to working with traditional active property management with income from sovereigns with the highest credit rating and Swedish rent regulated residentials, SBB conducts three more value-generating activities:

- (1) Project and property development
- (2) Renovations
- (3) Property transactions

## 1. PROJECT AND PROPERTY DEVELOPMENT

Project and property development within SBB is to generate an average annual profit of SEK 500 - 700m over a business cycle. Profit from project and property development amounted to SEK 852m for the period and SEK 594m for the quarter. The result from property development is calculated as the sum of result from project development (calculated as change in market value of properties with ongoing major projects during the period with deductions for investments during the period) and result from development of building rights.

For SBB, project and property development entails developing building rights and the development of properties to be managed by the company itself and where the contractor assumes complete responsibility for the implementation of the project. For a scenario analysis of upcoming project development gains, see Appendix 3 of the report. As of 30 September 2020, SBB's portfolio of building rights amounted to approximately 2,185,000 sq.m. GFA for social infrastructure, corresponding to approximately 29,000 apartments, making SBB one of the leading property developers in the Nordics.

In line with the UN's global sustainability goals, as part of SBB's sustainability initiative, *Vision 2030*, SBB's project and property development centres on locations close to transport hubs, where land that has already been exploited is refined rather than taking up important green areas. SBB is driven by modern housing enabling people to live without needing a car of their own, with it being necessary for transport options, local services, healthcare, schools and residential care to be available in the vicinity. Most of SBB's development properties are located close to

designated priority transport hubs, such as commuter rail stations and key regional rail hubs. In addition, most of the development projects include housing, as well as schools, elderly care units and other community services

## Development of building rights

SBB divides the development process into four phases: Project concept (phase 1), Pre-planning approval (phase 2), With planning approval (phase 3), and Legally enforceable zoning plans (phase 4). The following tables detail SBB's building rights projects by phase.

## Projects in progress

As of 30 September 2020, the total volume of new production projects for management by the company was approximately SEK 4.7bn. SBB makes the assessment that the projects in progress will be completed within the next 12 - 36 months. In the following tables, the projects in progress for management by the company are summarized by region and type.

Selection of projects in progress for management by the company

- New production of police station in Kiruna
- Construction of a cultural centre for the Municipality of Skellefteå
- Construction of elderly care unit (Municipality of Västerås) and rent regulated residentials in Västerås

## Property development in joint ventures

To contribute to urban development and to secure production resources, in several cases SBB has entered into joint ventures with the buyer of the building rights for the development of the building rights and in some cases joint ventures to jointly develop building rights. SBB assesses the profit potential in these arrangements to be around SEK 1.4bn less SBB's own investment in the building rights. This profit potential is in addition to the above described surplus values as regards building rights development. SBB takes a very limited implementation risk in the joint ventures in that the other joint venture party takes responsibility for project planning, sales, production and project management. The profit potential of around SEK 1.4bn relates to one development cycle and only relates to already agreed upon joint ventures.



Illustration of the new police station that SBB is constructing for the Swedish police in Kiruna.



## Development of building rights

### Planning process

Planeringsfas	Internal planning committee	Sent to planning authorities	Decision from planning authorities to initiate zoning plan	Political decision to approve zoning	Legal force	Production	GFA building rights (sq.m.)	External valuation (SEKm)	SEK per sq.m.
Phase 1 – Project concepts	✓						724,570	581	801
Phase 2 – Prior to a decision on planning notification	✓	✓					148,000	134	904
Phase 3 – With planning notification	✓	✓	✓				870 753	1,515	1,740
Phase 4 – Legally enforceable detailed development plans	✓	✓	✓	✓	✓	✓	441,184	900	2,040
<b>Total</b>							<b>2,184,507</b>	<b>3,130</b>	<b>1,433</b>

Sales Status	GFA building rights (sq.m.)	Estimated Market Value (SEKm)	SEK per sq.m.
Sold, but not divested building rights	426,600	1,468	3,442
Unsold building rights (estimated value based on the building rights already sold)	1,757,907	6,051	3,442
<b>Total</b>	<b>2,184,507</b>	<b>7,520</b>	<b>3,442</b>

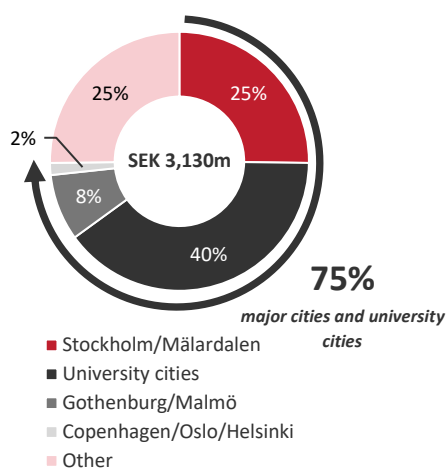
## Projects in process and property development in JVs

	WAULT (years)	Investment (mSEK)	Share CS (%)	Share RE (%)	Lettable area (sq.m.)	Fair value as per 2020-09-30 (mSEK)	Accrued as per 2020-09-30 (mSEK)	NOI improvement (mSEK)	Yield on cost (%)
<b>New development for own management</b>									
Stockholm/Mälardalen		1,860	36 %	64 %	47,944	555	211	91	4,9 %
University cities		1,664	100 %	0 %	45,873	286	122	82	4,9 %
Gothenburg/Malmö		756	74 %	26 %	21,231	20	15	34	4,5 %
Copenhagen/Oslo/Helsinki		-	-	-	-			-	
Other		467	85 %	15 %	25,054	22	7	27	5,9 %
<b>Total</b>	<b>26</b>	<b>4,747</b>	<b>69 %</b>	<b>31 %</b>	<b>140,102</b>	<b>883</b>	<b>355</b>	<b>234</b>	<b>4,9 %</b>

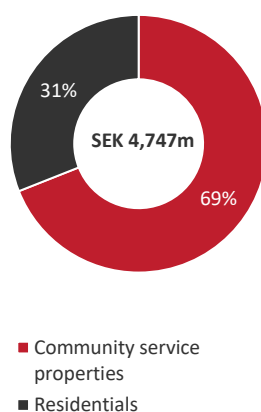
Agreed JV-collaborations									Estimated value at completion (mSEK)	Share SBB (%)	Result SBB (mSEK)
Residential projects	N/A	7,798	0	100	247,411	N/A	N/A	N/A	10,555	45 %	1,247
Other	N/A	378	N/A	N/A	10,800	N/A	N/A	N/A	750	51 %	187
<b>Total JV-collaborations</b>											<b>1,434</b>

## Distribution by region and segment

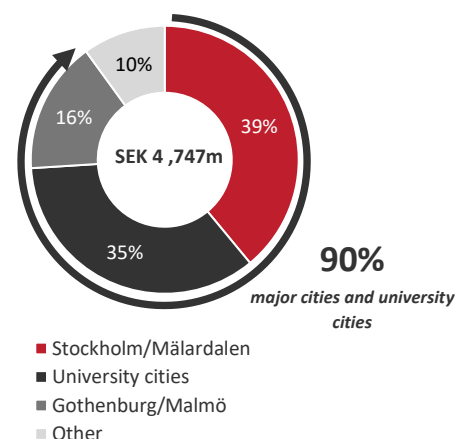
Distribution of building rights, by region



New construction projects in progress, by segment



New construction projects in progress, by region



## 2. RENOVATION, REMODELLING AND EXTENSION

Renovations means the renovation of rent regulated residential (with a goal of 600 renovated apartments per year) and the renovation of the company's community service properties. During the first three quarters of the year, SBB finished renovating 437 apartments. A further 80 apartments are currently being renovated and the leases on 176 apartments have been terminated, with renovation planned to commence within a three-month period.

In addition to renovations of apartments, SBB has a larger volume of remodelling projects and tenant adaptations involving the company's community service properties. The total volume of these projects is approximately SEK 1,958m, which is illustrated in the table below. Examples of ongoing renovations are the conversion of commercial space in Haninge to a school and an elderly care home and the renovation of Western Helsinki Central Police Station.

## 3. TRANSACTIONS

SBB's principal focus is always on generating value from the existing portfolio while also building significant shareholder value by recovering

capital when fully developed properties and/or non-core properties are sold. SBB continuously assesses the portfolio to identify potential and focus resources on the properties offering the greatest potential. SBB continuously works to sell properties assessed as fully developed or not assessed to be core holdings. Selling such properties entails capital being recovered and resources being freed up to facilitate additional attractive acquisitions whereby the quality of the portfolio is gradually raised.

The company's history of property transactions has made it a market leader in the Nordic region and the preferred buyer among both public and private sector vendors, primarily because of SBB's superior professionalism, capacity to execute transactions quickly and high degree of credibility and integrity in the business relationship. The company has a history of acquiring properties with AAA cash flows and untapped potential value. Combined with a continuous pipeline of acquisitions and sales, this allows the company to constantly recover capital to generate benefit for shareholders.

In this value-generating area, the company is also able to seize upon opportunities to make investments with a shorter investment horizon where these are deemed to generate shareholder benefit and include investments in equities and/or debt instruments.

	WAULT (years)	Investment (mSEK)	Share CS (%)	Share RE (%)	Lettable area (sq.m.)	Accrued as per 2020-09-30 (mSEK)	Increased NOI (mSEK)	Yield on cost (%)
Renovations excl apartment renovations	15	1,958	83 %	17 %	142,607	546	119	6,1 %

# FINANCING

## FINANCING KEY RATIOS

42% Loan-to-value

13% Secured loan-to-value

1,41% Average interest rate

**BBB- Stable outlook (S&P)**  
**BBB- Stable outlook (Fitch)**

## Significant events during the third quarter

In the third quarter of 2020, the ongoing Coronavirus pandemic had the greatest impact on the financial markets. The economic slowdown in the early spring of the year was unprecedented. The situation improved somewhat in the second quarter, becoming significantly better in the late summer. The recovery has brought better-than-expected access to finance in the autumn, despite the prevailing Coronavirus pandemic. The negative macro forecasts have been adjusted upwards, with indicators suggesting that this trend will persist. Sweden's GDP trend has recovered very quickly. The Riksbank (Swedish Central Bank) expects the decline in GDP to end up at 3.6 percent for 2020, and it expects GDP growth of 3.7 percent for 2021.

While remaining at high levels, credit margins among investment grade companies with a BBB rating level have recovered somewhat. This means that the credit margin for a corporate bond with a maturity of five years is approximately 30 basis points higher now than before the crisis. Comparing credit margins for different sectors, the trend has been worse in the property sector than in other sectors. The industrial sector has returned to the same levels as prior to the outbreak of the Coronavirus pandemic.

SBB has continued its strategy of repurchasing bonds issued at high interest rates and redeeming expensive bank loans. During the quarter, bonds were repurchased for SEK 240m and terms were renegotiated for bank loans of SEK 3,000m. Bonds of SEK 2,300m issued by Hemfosa Fastigheter AB have been repaid. During the period, bonds with a nominal value of SEK 1,560m were issued within the framework of the EMTN Programme. The issues were denominated partly in NOK for a total of NOK 900m, and partly in SEK for a total of SEK 700m. The bonds have maturities of between three and seven years.

## Interest-bearing liabilities

SBB's strategy is to maintain a low level of financial risk. The loan-to-value ratio shall be less than 50 percent, the interest coverage ratio shall exceed a multiple of 3.0 and the secured loan-to-value ratio shall be less than 30 percent. The loan-to-value ratio was 42 percent (41) and the secured loan-to-value ratio was 13 percent (26). The interest coverage ratio was 3.3 (2.4). At the end of the period, the fair value of interest-bearing liabilities and other financial instruments was deemed to correspond to the carrying amount.

At the end of the period, interest-bearing liabilities amounted to SEK 47,984m (56,091) of which SEK 11,707m (25,985) pertained to liabilities to credit institutions, SEK 32,461m (25,162) pertained to bond loans and SEK 3,816m (4,944) pertained to commercial paper. Loans from credit institutions are normally secured through property mortgages. Issues of bonds and commercial paper are not normally secured. SBB has two secured bonds; (NO963342624) of SEK 466 maturing in December 2021 and (NO0010777683) of NOK 620m maturing in November 2023.

SBB has continued to work actively to lower the interest rate on its interest-bearing liabilities. At the end of the period, the average interest

rate on the interest-bearing liabilities was 1.41 percent (1.76). SBB has no exposure to variable interest rates. The average period of fixed interest for all interest-bearing liabilities was 4.9 years (2.8) and the average debt maturity was 4.7 years (3.4). Excluding commercial papers, SEK 568m matures within one year. To manage the refinancing risks, the commercial paper has been secured through back-up facilities covering all outstanding commercial paper at all times.

## Mandatory Convertible subordinated note

In July, SBB issued a mandatory convertible subordinated note for SEK 2,750m maturing in July 2023. The issue price was set at 100 percent and the convertible note carries an annual interest rate of 7 percent. On maturity, the convertible note is converted into series B SBB shares, subject to the entitlement to premature conversion of SBB and the holders of the convertible note or on fulfilment of certain specific criteria, in accordance with the terms of the convertible note. The minimum conversion price of the convertible note, applied if SBB demands early redemption, is SEK 24.60 per series B share, and the maximum conversion price is SEK 30.44 per series B share, corresponding to a premium of 23.75 percent in relation to the reference price of SEK 24.60 on issuing the note. The number of shares issued in the event of mandatory conversion on maturity will be linked to the prevailing market price for SBB's series B shares at the time of conversion. The number of shares issued upon conversion will decrease proportionally as the price for series B shares increases within the limits set in accordance with the terms of the convertible note. For accounting purposes, the convertible note is divided into an equity component and a debt component, with the debt portion corresponding to the present value of the future interest payments for the instrument.

## Exchange risk

Because SBB holds assets in Sweden, Norway, Finland and Denmark, it is exposed to currency risks. This currency risk is mainly attributable to income statement and balance sheet items in foreign currencies being translated into Swedish kronor. SBB mainly hedges currency exposure by signing forward exchange contracts, signing interest rate swaps when issuing bonds in foreign currencies, raising loans in foreign currencies.

## Liquidity

SBB's available liquidity amounted to SEK 6,065m and financial investments amounted to approximately SEK 1,605m. SBB also has SEK 9,077m in the form of unutilized credit facilities. No additional securities need to be pledged for the credit facilities to be used.

## Change in value of derivatives

Interest-rate derivatives are used to limit the interest rate risk for loans with variable interest and to increase predictability in the company's profit from property management. At the end of the period, the total nominal value of the interest-rate derivatives amounted to SEK 16,622m (14,300) with maturities of between one and ten years. By means of interest-rate derivatives, SBB has hedged 100 percent of its floating interest-bearing liabilities maturing within one year. In accordance with the accounting rules in IFRS 9, derivatives must be marked-to-market. If the agreed interest rate deviates from the market rate, a surplus or deficit arises on the interest rate derivatives, with the change in value not affecting cash flow being reported in the income statement. At the end of the period, the fair value of the interest-rate derivatives and FX derivatives amounted to SEK -120m (48).

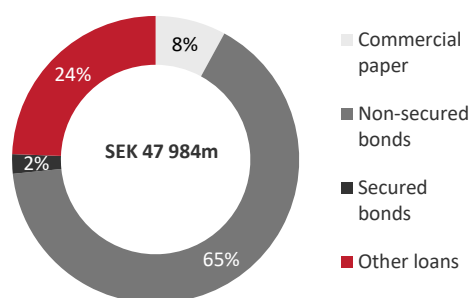
## Rating

SBB has an official credit rating from Fitch Ratings and Standard & Poor's Global Ratings. This rating is rating BBB- with stable outlook. SBB also has a short rating of F3 from Fitch and of A3 from Standard & Poor's, corresponding to an investment grade rating. The reason for also having a short rating is to enable the company to issue securities on the commercial paper market.

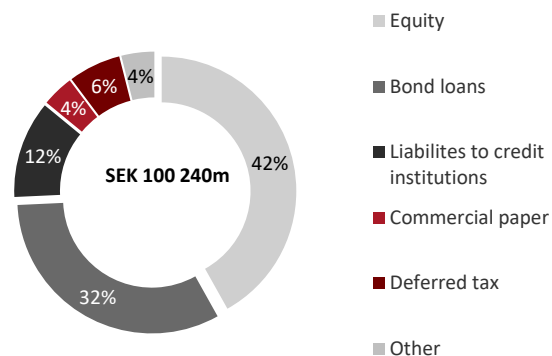
## Bonds as per 30 September 2020

Maturity	SEKm	Repurchased by SBB (SEKm)	Interest	Maturity date	ISIN code	Type
2018-2022	56	22	Stibor 3M + 3,60%	2022-10-03	SE0011725514	
2018-2021	474	466	Stibor 3M + 3,65%	2021-05-12	SE0010985713	
2018-2021	750	711	Stibor 3M + 3,90%	2021-01-29	SE0010414581	
2019-2024	500	247,5	Stibor 3M + 3,30%	2024-02-14	SE0012256741	Green
2019-2024	200	27,5	Stibor 3M + 3,25%	2024-02-19	SE0012313245	
2019-2025	600	50	Stibor 3M + 1,90%	2025-01-14	XS1997252975	
2020-2025	500	86	Stibor 3M + 1,03%	2025-01-14	XS1997252975	
2019-2023	200	75	Stibor 3M + 1,40%	2023-05-22	XS2000538699	
2016-2021	466		Stibor 3M + 1,85%	2021-12-23	NO963342624	Secured
2019-2022	500	50	Stibor 3M + 1,20%	2022-07-22	XS2021634675	Green
2019-2021	1 960	25	Stibor 3M + 0,93%	2021-07-05	XS2022418243	
2019-2023	800	80	Stibor 3M + 1,150%	2023-09-06	XS2050862262	Green
2019-2022	600	110	Stibor 3M + 0,95%	2022-10-03	XS2059787049	
2019-2023	1 000		Stibor 3M + 1,01%	2023-02-01	XS2066041661	
2019-2022	300		0,85%	2022-03-11	XS2078676322	
2019-2021	500		Stibor 3M + 0,7%	2021-11-08	XS2078691123	
2019-2023	700	25	1,07%	2023-05-11	XS2078737306	
2019-2021	800	325	Stibor 3M + 0,66%	2021-11-08	XS2078371486	
2019-2020	400	150	0,80%	2021-06-14	XS2093118953	
2019-2024	1 057		1,66%	2024-11-28	XS2085870728	
2019-HYB	1 500		3,50%	Hybrid	SE0013359148	
2020-2027	600		Stibor 3M + 1,50%	2027-01-30	XS2111589219	Green
2020-2025	785,45		Stibor 3M + 2,008	2025-06-26	XS2194790429	
2020-2027	200		Stibor 3M + 1,97%	2027-09-02	XS2226642259	
2020-2023	2750		7%	2023-07-24	XS2208267596	Mandatory convertible
Maturity	EURm	Repurchased by SBB (EURm)	Interest	Maturity date	ISIN code	Type
2019-HYB	300		4,63%	Hybrid	XS1974894138	
2019-2025	550	3	1,75%	2025-01-14	XS1993969515	
2019-2026	500		1,13%	2026-09-04	XS2049823680	
2020-2027	750		1%	2027-08-12	XS2114871945	
2020-HYB	500		2,62%	Hybrid	XS2010032618	
2020-2040	50		2,87%	2040-04-03	XS2151934978	
Maturity	NOKm	Repurchased by SBB (NOKm)	Interest	Maturity date	ISIN code	Type
2016-2023	620		3,00%	2023-11-01	NO0010777683	Secured
2020-2023	400		Nibor 3M + 0,72%	2023-02-24	XS2124186508	
2020-2025	700		Nibor 3M + 1,65%	2025-08-27	XS2223676201	
2020-2023	200		Nibor 3M + 1,50%	2023-07-14	XS2203994517	

## Distribution of interest-bearing liabilities



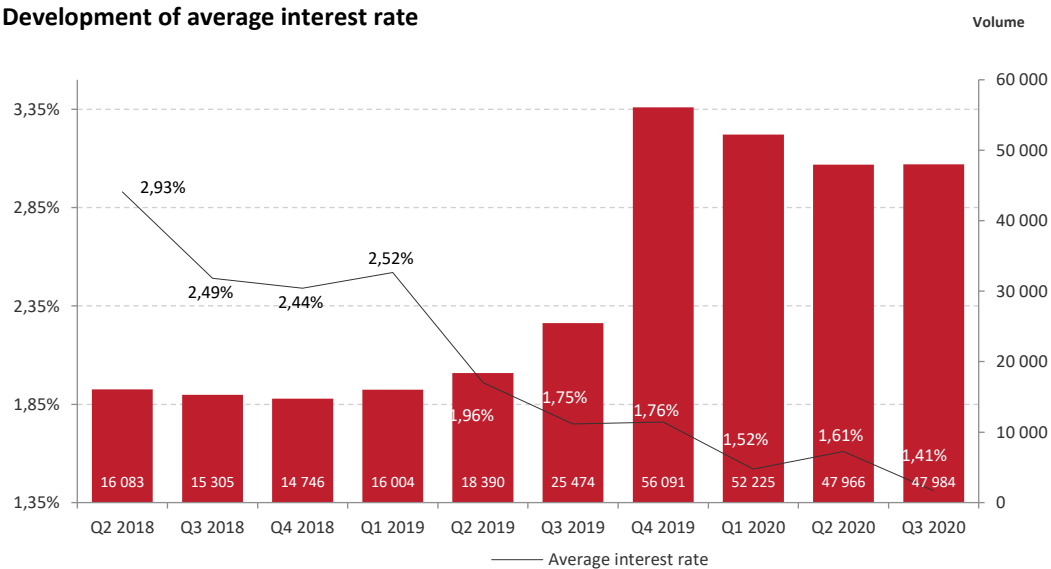
## Capital structure



## Maturity structure (excl. commercial paper)

Maturity year	Nominal amounts, SEKm	Share
< 1 year	2 523	6%
< 2 year	4 081	9%
< 3 year	6 657	15%
< 4 year	1 819	4%
< 5 year	10 445	23%
> 5 year	18 981	43%
Total	44 506	100%

## Development of average interest rate



# SUSTAINABILITY

*At the UN summit in September 2015, the world's national leaders adopted 17 global sustainable development goals. The countries of the world have committed to lead the world to a sustainable and fair future from 1 January 2016 until 2030. The 2030 Agenda for Sustainable Development covers the three dimensions of sustainability: social, economic and ecological – Eradicating extreme poverty, reducing inequality and injustice, solving the climate crisis. Sustainability is a natural part of our business model and we strive to be the most sustainable property company in the world.*

## Focus on sustainability

It is pleasing to note that SBB's long-term sustainability efforts give great results within ecological, social and economic sustainability.

## Ecological sustainability

In August, SBB's management team adopted an environmental and quality management system that will ensure a structured and uniform approach to issues of the environment and quality throughout the company. Matters including procedures for new construction, remodelling, renovation and management are regulated. Procedures are also defined for producing a training plan in the areas of the environment and quality. The work of developing a training plan commenced in close connection with the decision to adopt the environmental and quality management system and an initial training session has been booked in November.

During the third quarter, SBB started up energy projects at the Isbjörnen 5 property in Södertälje, the Majsen 3 and Kråkan 1 properties in Avesta, the Västland 26:39 property in Sundsvall and the Kvarnluckan 1 property in Stockholm. In addition, SBB has initiated the procurement of additional energy projects at the Hosjö and Korsnäs areas in Falun, as well as at an additional four properties in Södertälje. The objective at all of these properties is to achieve energy savings of at least 30 percent. The projects will generate positive environmental effects and reduce CO2 emissions. They will also generate good financial returns, as well as better housing comfort for SBB's tenants. SBB has also begun the process of automating its energy monitoring work by developing an AI robot that analyzes and compiles consumption data from energy invoices.

SBB has also decided to provide a housing app to all residential tenants commencing from the autumn of 2020. The objective is to provide added value to SBB's tenants, while also generating additional income streams through add-on sales and by mediating supplementary services. The big gain is expected to come from minimizing the use of paper for information and invoicing.

During the third quarter, Mid Sweden University and SBB agreed on a new long-term green lease for the Åkroken campus in Sundsvall. This long-term agreement enables SBB to invest in aquifer thermal energy storage and cooling for the premises of Mid Sweden University. The savings provided by this contractual solution will benefit both parties by reducing overall costs. The partnership will also enable the certification of the property, allowing it to be included in SBB's framework for green financing.

## Social sustainability

During the third quarter, SBB decided to introduce youth housing in its portfolio of rent-regulated residentials. Making it easier for young people to secure their own rental contracts represents a clear social contribution by a landlord, with employment and housing being two crucial criteria in avoiding social exclusion. SBB's local leasing agents earmark smaller

apartments (studio apartments and one-bedroom apartments, with living room, kitchen and bathroom), preferably in locations with good public transport. Applications, lease signings, terms and conditions are identical to SBB's ordinary administrative procedures, except that the tenant must be under 26 years of age on the date on which he/she signs the contract.

In September, the Municipality of Nyköping adopted a major new detailed development plan for the Nöthagen area, adjacent to Nyköping station. Today, this is an industrial area, but five years from now, the beginnings of a new district will be completed with housing, schools, health care facilities and residential care units with a total 160,000 sq.m. GFA. SBB has involved the relevant stakeholders, including public authorities, organizations and the local community during the consultation and review stages of the planning process. The new detailed development plan takes socio-demographic trends into account by transforming a brownfield site into a neighbourhood with housing, schools, health care facilities and residential care units, all with nearby public transport connections.

This year 134 young people were given summer jobs at SBB. The young people offered summer jobs live in SBB's residential properties. This helps these young people enter the labour market, enhancing well-being in the local environment for SBB's tenants. The summer-time employees perform various tasks including weeding and tidying flower beds and pathways, cutting hedges, mowing lawns and painting and oiling outdoor furniture and playgrounds, as well as painting interior basement corridors.

During the third quarter, SBB donated ten family tents to the UNHCR to assist its intensive on-site provision of humanitarian aid to the victims of the violent explosion in Beirut. The UNHCR put up temporary housing for people who had lost their homes. Building materials, tarpaulins, tents and tens of thousands of other items, including blankets and mattresses were sent to help the worst affected.

Commencing from the third quarter, SBB is reporting more detailed data on income from various asset classes to further increase transparency and elucidate the social values inherent in SBB's business model. The schools category has, for example, been subdivided into preschools, primary and secondary schools, as well as universities and colleges.

## Economic sustainability

During the third quarter, SBB issued three green bonds amounting to SEK 400m within its green financing framework, which was updated in the second quarter. This framework received a "Medium Green" assessment from the Center for International Climate and Environmental Research in Oslo, Norway (CICERO).

SBB aims to achieve an investment grade rating of BBB + in the short term and A- in the long term. This report clearly shows that SBB is well on its way to achieving the goal.

# THE SHARE

Samhällsbyggnadsbolaget's series B shares (ticker SBB B) and series D shares (ticker SBB D) are traded on Nasdaq Stockholm, Large Cap. The company's preference share (ticker SBB PREF) is traded on Nasdaq First North Premier Growth Market.

As of 30 September 2020, the number of series B ordinary shares totalled 1,058,115,105, while series D shares totalled 172,021,720. There was a total 30,713 preference shares, as well as 209,977,491 ordinary series A shares. Ordinary series B shares were trading at SEK 27.18, series D shares at SEK 31.50 on 30 September 2020. The market capitalization of the series B shares (including the value of unlisted series A ordinary shares at the same price) was SEK 34,466m, for the series D shares, it was SEK 5,419m.

The closing price for SBB's shares fluctuated between SEK 13.54 and 31.65 over the nine months of the year, closing at SEK 27.18 at the end of the third quarter. This is an increase of 28 percent compared with 30 September 2019 (SEK 21.15).

The liquidity of SBB's share has increased over the year. The average daily trading volume was approximately SEK 187.7m, compared with SEK 20.6m for the corresponding period last year, while the average on Large Cap Stockholm was SEK 135m. This amounts to an increase of 810 percent. SBB works actively with its investor base by participating in roadshows, presentations and events for private and institutional investors.

## SERIES B SHARE DEVELOPMENT, PAST 12 MONTHS



## TRADE IN THE SHARES ON NASDAQ

	Share price, SEK	
	30-09-2020	30-09-2019
Class B	27,18	21,15
Class D	31,50	35,40
	Average trading volume per trading day, SEKm	
	Jan-Sep 2020	Jan-Sep 2019
Class B	187,7	20,6
Class D	19,4	13,9

## SERIES D SHARE DEVELOPMENT, PAST 12 MONTHS



## Shareholders

On 30 September 2020, share capital amounted to SEK 144,014,502.9 at a quotient value of SEK 0.10 per share. At the Annual General Meeting, holders are entitled to one vote per series A ordinary share and to 0.1 votes per series B and D ordinary share, and per preference share. The preference shares convey preferential rights, over the ordinary shares, to

an annual dividend of SEK 35 per preference share, divided into quarterly payments. Holders of series D ordinary shares are entitled to five times the total dividend on series A and B ordinary shares, although not to more than SEK 2 per share and year.

Shareholders	Class A shares	Class B shares	Class D shares	Preference shares	Share capital, %	Votes, %
Ilija Batljan (private/through company)	109 053 868	13 132 874	530 000		8,5%	33,2%
Arvid Svensson Invest AB	41 809 742	23 868 281			4,6%	13,3%
Dragfast AB	36 163 467	55 612 502			6,4%	12,5%
Sven-Olof Johansson (private/through company )	22 315 456	30 081 315			3,6%	7,6%
Länsförsäkringar		97 730 186			6,8%	2,9%
Michael Coccozza		45 568 429			3,2%	1,4%
Læringsverkstedet Gruppen AS			44 197 779		3,1%	1,3%
Avanza Pension		27 708 249	8 588 054	1 701	2,5%	1,1%
Vanguard		31 075 382	2 180 248		2,3%	1,0%
Stiftelsen för strategisk forskning		32 651 810			2,3%	1,0%
BlackRock		30 710 287	697 259		2,2%	0,9%
Gösta Welandson (through company )		28 010 811	1 974 271		2,1%	0,9%
Marjan Dragicevic		28 000 000			1,9%	0,8%
Lennart Schuss ( private/through company)		20 074 872	190 000		1,4%	0,6%
Other	634 958	593 890 107	113 664 109	29 012	49,2%	21,4%
<b>Total</b>	<b>209 977 491</b>	<b>1 058 115 105</b>	<b>172 021 720</b>	<b>30 713</b>	<b>100%</b>	<b>100%</b>

In accordance with the decision at the annual general meeting in 2020, the shareholders have appointed Rikard Svensson, Sven-Olof Johansson, Lennart Schuss and Mia Batljan (chairman) to constitute the nomination committee until a new committee has been appointed as mandated by the annual general meeting in 2021.



# INCOME STATEMENT OF PARENT COMPANY

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Net sales	-	-	-	-	-
Personnel costs	-28	-22	-9	-8	-31
Other operation expenses	-57	-42	-18	-18	-147
<b>Operating profit</b>	<b>-85</b>	<b>-64</b>	<b>-27</b>	<b>-26</b>	<b>-178</b>
<b>Financial items</b>					
Profit from shares in group companies	138	-	138	-	-44
Interest income and similar items	471	512	57	165	649
Interest expenses and similar items	-540	-427	-255	-136	-570
Translation gains/losses	-455	-	-	-	126
Changes in value, derivatives	-151	-82	97	4	21
<b>Profit after financial items</b>	<b>-622</b>	<b>-61</b>	<b>9</b>	<b>7</b>	<b>4</b>
Appropriations	-	2	-	2	453
<b>Profit before tax</b>	<b>-622</b>	<b>-59</b>	<b>9</b>	<b>9</b>	<b>457</b>
Tax	-80	12	-93	-6	-81
<b>NET PROFIT FOR THE PERIOD</b>	<b>-702</b>	<b>-47</b>	<b>-83</b>	<b>3</b>	<b>376</b>

# STATEMENT OF COMPREHENSIVE INCOME OF PARENT COMPANY

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Net profit for the period	-702	-47	-83	3	376
Other comprehensive income	10	21	-	-	-
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-692</b>	<b>-26</b>	<b>-83</b>	<b>3</b>	<b>376</b>

# BALANCE SHEET OF PARENT COMPANY

Amount in SEK, millions	30-09-2020	30-09-2019	31-12-2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Shares in group companies	26 744	3 706	24 232
Shares in associated companies/joint ventures	3	-	-
Receivables from group companies	34 600	16 231	18 822
Receivables from associated companies/joint ventures	-	67	-
Deferred tax assets	55	12	45
Financial fixed assets at fair value	687	233	239
Derivatives	-	-	21
Other long-term receivables	1	37	1
<b>Total financial fixed assets</b>	<b>62 090</b>	<b>20 286</b>	<b>43 360</b>
<b>Total fixed assets</b>	<b>62 090</b>	<b>20 286</b>	<b>43 360</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Accounts receivables	-	1	-
Financial assets at cost	-	165	-
Other receivables	110	29	18
Prepaid expenses and accrues income	52	13	5
<b>Total current receivables</b>	<b>162</b>	<b>208</b>	<b>23</b>
Short-term investments	-	1 094	1 041
Cash and cash equivalents	6 140	7 786	11 664
<b>Total current assets</b>	<b>6 302</b>	<b>9 088</b>	<b>12 728</b>
<b>TOTAL ASSETS</b>	<b>68 392</b>	<b>29 374</b>	<b>56 088</b>
<b>Amount in SEK, millions</b>	<b>30-09-2020</b>	<b>30-09-2019</b>	<b>31-12-2019</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>31 072</b>	<b>10 780</b>	<b>22 917</b>
<b>Long-term liabilities</b>			
Bond loans	29 211	16 397	20 387
Liabilities to associated companies/joint ventures	291	-	287
Derivates	92	105	-
Other long-term liabilities	499	-	-
<b>Total long-term liabilities</b>	<b>30 093</b>	<b>16 502</b>	<b>20 674</b>
<b>Current liabilities</b>			
Bond loans	2 192	93	444
Commercial papers	3 816	1 728	3 486
Accounts payable	8	10	12
Current tax liabilities	1	1	-
Other liabilities	910	149	8 103
Accrued expenses and prepaid income	299	111	452
<b>Total current liabilities</b>	<b>7 226</b>	<b>2 092</b>	<b>12 497</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>68 392</b>	<b>29 374</b>	<b>56 088</b>

# STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

Amount in SEKm				
	Share capital	Share premium	Retained earnings	Total equity
<b>Total equity 01-01-2019</b>	<b>80</b>	<b>7 211</b>	<b>-65</b>	<b>7 226</b>
Share issue	3	1 050		1053
Issue hybrid bonds		3 115		3 115
Redeemed preference shares		-93		-93
Dividends		-495		-495
Net profit for the period			-47	-47
Other comprehensive income			21	21
<b>Total equity 30-09-2019</b>	<b>83</b>	<b>10 788</b>	<b>-91</b>	<b>10 780</b>
Share issue	51	12 302		12 353
Issue hybrid bonds		1 485		1 485
Dividends		-74		-74
Repurchased hybrid bonds		-1 873	-283	-2 156
Tax effects equity			127	127
Net profit for the period			423	423
Other comprehensive income			-21	-21
<b>Total equity 31-12-2019</b>	<b>134</b>	<b>22 628</b>	<b>155</b>	<b>22 917</b>
<b>Total equity 01-01-2020</b>	<b>134</b>	<b>22 628</b>	<b>155</b>	<b>22 917</b>
Share issue	10	2 645		2 655
Issue hybrid bonds		5 280		5 280
Issue mandatory convertible bonds		2 148		2 148
Dividends			-1 323	-1 323
Tax effects equity			87	87
Net profit for the period			-702	-702
Other comprehensive income		10		10
<b>Total equity 30-09-2020</b>	<b>144</b>	<b>32 711</b>	<b>-1 783</b>	<b>31 072</b>

## COMMENTS ON THE PARENT COMPANY'S INCOME STATEMENT AND BALANCE SHEET

The parent company's operations consist of group-wide functions such as business development, transactions, property development and financing. The company has ten employees. The costs, incl. personnel costs during the period, amounted to SEK -28m (-22).

During the period, SBB carried out issues of series B and D ordinary shares for SEK 2,655m after issue costs. In July, SBB issued a mandatory convertible which, for accounting purposes, has been divided into an equity and a debt component. The part that is reported as equity incl. issue costs amounted to SEK 2,148m. In addition, a perpetual hybrid bond of EUR 500m was issued with a fixed coupon of 2.624 percent.

# CASH FLOW STATEMENT OF PARENT COMPANY

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Profit after financial items	-622	-61	10	7	4
Net financial items	675	-3	101	-33	-205
Interest paid	-450	-357	-306	-113	-449
Interest received	471	511	63	164	831
Paid tax	-	-	-	-	-
<b>Cash flow from operations before changes in working capital</b>	<b>74</b>	<b>90</b>	<b>-132</b>	<b>26</b>	<b>181</b>
<b>Cash flow from changes in working capital</b>					
Changes in current receivables	-139	-30	40	88	-10
Changes in current liabilities	-7 833	-17	24	97	8 120
<b>Cash flow from operations</b>	<b>-7 898</b>	<b>44</b>	<b>-68</b>	<b>211</b>	<b>8 291</b>
<b>Investment activities</b>					
Investments in subsidiaries	-2 512	-6	-13	-6	-20 532
Investments in associated companies/jv	-3	-	-	-	-
Changes in receivables from group companies	-15 778	-8 283	-2 269	-710	-10 874
Changes in receivables from associated companies/jv	-	89	-	-6	156
Changes in assets at fair value	706	-1 409	1 338	-773	-1 239
Changes in other long-term receivables	-10	-36	52	-36	-
<b>Cash flow from investment activities</b>	<b>-17 597</b>	<b>-9 645</b>	<b>-892</b>	<b>-1 531</b>	<b>-32 489</b>
<b>Financing activities</b>					
Share issue	2 655	1 053	1 936	79	13 406
Issue hybrid bonds	5 280	3 115	7	-	4 600
Issue mandatory convertible bonds	2 148	-	2 148	-	-
Repurchased hybrid bonds	-	-	-	-	-2 156
Redeemed warrants	-	-93	-	-93	-93
Group contributions	-	-	-	-	453
Dividend paid	-563	-373	-400	-108	-419
Changes in interest-bearing loans	10 447	13 679	2 651	6 876	20 065
Changes in other loans	4	-	46	-	-
<b>Cash flow from financing activities</b>	<b>19 971</b>	<b>17 382</b>	<b>6 388</b>	<b>6 753</b>	<b>35 856</b>
<b>Cash flow for the period</b>	<b>-5 524</b>	<b>7 780</b>	<b>5 429</b>	<b>5 434</b>	<b>11 658</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11 664</b>	<b>6</b>	<b>711</b>	<b>2 352</b>	<b>6</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>6 140</b>	<b>7 786</b>	<b>6 140</b>	<b>7 786</b>	<b>11 664</b>

<sup>1)</sup> The amount above also includes non-cash issues. Investments in properties also include acquisitions paid for in issues.

# ADDITIONAL INFORMATION

## GENERAL INFORMATION

Samhällsbyggnadsbolaget i Norden AB (publ) (SBB), corp. ID no. 556981–7660, with its subsidiaries conducts operations in property management and property development. The Parent Company is a limited liability company registered in Sweden and based in Stockholm.

## ACCOUNTING PRINCIPLES

### Principles for the consolidated accounts

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IFRIC). In addition, the Swedish Annual Accounts Act and “RFR1 Supplementary Accounting Rules for Groups” have been applied. The Parent Company applies the same accounting principles as the Group with the exceptions and additions stated in the recommendation RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board. This interim report was prepared in accordance with IAS 34 Interim Reporting. The same accounting and valuation principles were applied as in the latest Annual Report; refer to SBB’s 2019 Annual Report, pages 50-117, except that stated below.

### Information on new standards

#### Amendments to IFRS 3

On 22 October 2018, IASB issued amendments regarding the definition of a business combination in IFRS 3. Among other things, the changes mean that a company may choose to carry out a so-called. concentration test that if it indicates that the acquisition is an asset acquisition it means that no further assessment is required. However, the test never answers the question of whether an acquisition is a business acquisition and can only show if it is an asset acquisition. This voluntary test means that if substantially all of the fair value of the gross assets acquired can be attributed to an asset or group of similar assets, the acquisition constitutes an asset acquisition. The changes, if introduced in IFRS 3, are expected to result in more acquisitions being reported as asset acquisitions compared to current guidance. SBB estimates that the change will not affect the share of asset acquisitions in relation to business acquisitions to any great extent, since the majority of the acquisitions made relate to asset acquisitions. The amendment shall apply for fiscal years beginning on 1 January 2020 and is decided by the EU.

#### Hedge accounting

Since 1 January 2018, the Group applies hedge accounting for currency loans. Currency loans issued in EUR have been used as hedges against net assets in Finland. The effect of the hedge accounting is that the unrealized exchange rate differences of SEK -33m net after tax in the translation of the loan at the closing day rate were recognized in other comprehensive income. In the Swedish Group, there is also a currency loan in NOK that is used as a hedge against net assets in Norway. The effect of the hedge accounting is that the unrealized exchange rate differences of SEK 153m net after tax in the translation of the loan at the closing day rate were recognized in other comprehensive income.

#### Related-party transactions

In addition, SBB acquired the company Hestia Sambygg AB on 26 March 2018, of which 49 percent was previously owned by the principal owner Ilija Batljan Invest AB. The purchase price paid to Ilija Batljan Invest AB was SEK 1. Until the acquisition, SBB purchased consulting services relating to financial and technical property management from the company. The pricing for the services was based on a market-based square metre price. After the acquisition, these services are conducted in-house.

SBB has an incentive programme for the company’s current and future employees, which comprises 20,000,000 warrants that entitle the holder to subscribe for the corresponding number of Class B shares in the company. The subscription price for new subscription of B shares corresponds to 130 percent of the average of the company’s B shares’ volume-weighted last price during the 10 trading days from 24 October 2017 through 6 November 2017. Subscription of B shares on the basis of warrants may take place in the period from on 1 October 2020 until 31 October 2020.

#### Reporting of mandatory convertible subordinated notes

During the period, SBB issued a mandatory convertible amounting to SEK 2.75bn maturing in 2023. The convertible has an annual interest rate of 7% which is paid semi-annually, subject to the company's ability to defer interest payments under certain circumstances. The convertible will be mandatorily be converted into the company's B shares no later than maturity. At the first reporting, a division has been made into equity and debt, respectively, in accordance with IAS 32. Reported debt corresponds to the present value of future interest payments. Equity constitutes the remaining part of issued capital. The issue costs have been divided between the two parts. At the first reporting, SEK 2,148m was reported as equity and SEK 530m as debt.

## INFORMATION OF SIGNIFICANT EVENTS FOLLOWING THE END OF THE PERIOD

After the end of the period, an agreement was signed with Oscar Properties for the sale of a property portfolio for SEK 1.4bn, incl. SBB's joint venture Valerum. The sale is conditional on the buyer receiving the necessary financing and additional equity. SBB has made an undertaking to the investors in the secured bond issued in connection with the sale to repurchase parts of the properties in an amount corresponding to 67% of their market value in the event of a breach of covenants.

The Board of Directors and the CEO provide their assurance that the interim report provides a fair overview operations, position and results of the Parent Company and the Group and describes significant risks and uncertainties that affect the Parent Company and the companies included in the Group.

Stockholm, 3 November 2020

Lennart Schuss  
Chairman of the Board

Ilija Batljan  
CEO

Sven-Olof Johansson  
Board Member

Fredrik Svensson  
Board Member

Hans Runesten  
Board Member

Eva Swartz Grimaldi  
Board Member

Anne-Grete Strøm Erichsen  
Board Member

This information is information that Samhällsbyggnadsbolaget i Norden AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below on November 3, 2020, at 08:00 CET.

Ilija Batljan, CEO, [ilija@sbbnorden.se](mailto:ilija@sbbnorden.se)

Marika Dimming, IR, +46 70-251 66 89, [marika@sbbnorden.se](mailto:marika@sbbnorden.se)

Certified adviser for the company's preference share is Erik Penser Bank AB ([www.penser.com](http://www.penser.com)).

# AUDITOR'S REVIEW REPORT

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## INTRODUCTION

We have reviewed the condensed interim report for Samhällsbyggnadsbolaget i Norden AB as at September 30, 2020 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, the stated conclusion based on a review does not bear the same degree of certainty as the stated conclusion based on an audit.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 3 November 2020

Ernst & Young AB

Mikael Ikonen

Authorized Public Accountant

Ingemar Rindstig

Authorized Public Accountant

# DEFINITIONS

## Financial definitions

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

Equity attributable to the ordinary share, excluding equity related to preference and D shares, non-controlling interests and hybrid bonds, adjusted for estimated actual deferred tax at 5.5 percent and reversal of goodwill and derivatives.

*The key figure provides an adjusted and complementary measure of the size of equity calculated in a manner consistent with listed property companies.*

### **Number of preference shares outstanding**

The number of preference shares outstanding at the end of the period.

### **Number of ordinary shares outstanding**

The number of ordinary shares outstanding at the end of the period.

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

Net profit for the period in relation to average equity for the period.

*The key figure shows SBB's return on equity during the period.*

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

Net debt in relation to total assets.

*The key figure is used to illustrate SBB's financial risk.*

### **EPRA**

European Public Real Estate Association is an organization for listed property companies and investors in Europe. EPRA sets standards regarding financial reporting.

### **EPRA Earnings, SEK**

Profit from property management less estimated current tax attributable to the profit from property management. Taxable profit from property management refers to profit from property management less tax deductible depreciation and renovations.

*The key figure provides information on profit*

*from property management calculated in a uniform manner for listed property companies.*

### **Profit from property management**

Profit before changes in value and tax.

*The key figure provides a measurement of the operations' profit generation regardless of value changes.*

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

The number of preference shares outstanding weighted over the period.

### **Average number of ordinary shares**

The number of ordinary shares outstanding weighted over the period.

### **Average interest, %**

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

*The key figure is used to illustrate SBB's financial risk.*

### **Average fixed interest term, years**

Average remaining duration until an interest-adjustment point for interest-bearing liabilities.

*The key figure is used to illustrate SBB's financial risk.*

### **Adjusted equity/assets ratio, %**

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

*The key figure is used to illustrate SBB's financial stability.*

### **Tied-up capital, year**

Remaining maturity of interest-bearing liabilities.

*The key figure is used to illustrate SBB's financial risk.*

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

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

### **Long-term net asset value (EPRA NRV), SEK**

Recognized equity attributable to the ordinary share, excluding equity related to preference and D shares, non-controlling interests and the hybrid bond, adding back deferred tax liability, goodwill attributable to deferred tax and derivatives.

*The key figure provides an adjusted and complementary measure of the size of equity calculated in a manner consistent with listed property companies.*

### **Net debt, SEK**

Interest-bearing liabilities less cash and cash equivalents.

### **Earnings per ordinary share A and B, SEK Net**

profit for the period after dividend to preference shareholders and holders of D shares and interest on hybrid bonds in relation to the average number of ordinary shares A and B for the period.

### **Interest-coverage ratio, multiple**

Profit from property management (past 12 months) after return of financial costs in relation to financial costs excluding costs for early repayment of loans and leasing costs.

*The key figure is used to illustrate financial risk.*

### **Equity/assets ratio, %**

Reported equity as a percentage of total assets.

*The key figure is used to illustrate SBB's financial stability.*

**Secured loan-to-value ratio, %** Secured liabilities as a percentage of the total assets.

*The key figure is used to illustrate SBB's financial stability.*



## Property-related definitions

### Number of properties

Number of properties at the end of the period

### Number of sq.m.

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

### GFA

Gross floor area

### Yield, %

Net operating income (rolling 12 months) in relation to the sum of the properties fair value at the end of the period excl. the value for building rights and project properties.

*The key figure is used to illustrate the level of return on the net operating income in relation to the value of the properties.*

### Net operating income, SEK

Rental income less property costs.

### Economic letting ratio, %

Rental income as a percentage of rental value

*The key figure is used to facilitate the assessment of rental income in relation to the total value of potential lettable area.*

### EPRA Vacancy rate, %

The rental value of vacant leases divided by the rental value of the entire portfolio.

*The key figure is calculated in accordance with the EPRA definition, which enables comparison with other companies.*

### Average contract length of social infrastructure properties, years

Remaining contract value in relation to annual rent for social infrastructure properties.

*The key figure aims to illustrate SBB's rental risk.*

### Rental income, SEK

Charges for the period with deductions for rental losses.

### Rental value, SEK

Refers to contracted rent plus the assessed rent on vacant space.

### Market value of properties, SEK

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

### Surplus ratio, %

Net operating income as a percentage of rental income for the period. The key figure shows how much of the rental income remains after direct property costs.

# CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES

## Return on equity

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Net profit for the period	5 734	1 337	3 139	404	2 624
IB Equity	30 896	11 197	34 875	15 641	11 197
OB Equity	41 983	15 940	41 983	15 940	30 896
<b>Average equity</b>	<b>36 439</b>	<b>13 569</b>	<b>38 429</b>	<b>15 791</b>	<b>21 047</b>
<b>Return on Equity</b>	<b>16%</b>	<b>10%</b>	<b>8%</b>	<b>3%</b>	<b>12%</b>

## Loan-to-value ratio

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Liabilities to credit institutions	11 707	5 770	11 707	5 770	25 985
Bond loans	32 461	17 833	32 461	17 833	25 162
Commercial papers	3 816	1 728	3 816	1 728	4 944
Cash and cash equivalents	-6 065	-8 532	-6 065	-8 532	-12 858
<b>Net debt</b>	<b>41 919</b>	<b>16 799</b>	<b>41 919</b>	<b>16 799</b>	<b>43 233</b>
Total assets	100 240	43 760	100 240	43 760	104 203
<b>Loan-to-value ratio</b>	<b>42%</b>	<b>38%</b>	<b>42%</b>	<b>38%</b>	<b>41%</b>

## Yield

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Net operating income according to earnings capacity	3 467	1 374	3 467	1 374	3 713
Investment properties	81 187	30 776	81 187	30 776	79 542
Building rights/project properties	-3 637	-1 343	-3 637	-1 343	-2 893
<b>Property value excl. building rights/project properties</b>	<b>77 550</b>	<b>29 433</b>	<b>77 550</b>	<b>29 433</b>	<b>76 649</b>
<b>Yield</b>	<b>4,5%</b>	<b>4,7%</b>	<b>4,5%</b>	<b>4,7%</b>	<b>4,8%</b>

## Economic letting ratio

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Rental income in current earnings capacity	4 759	2 003	4 759	2 003	5 217
Rental value in current earnings capacity	5 038	2 101	5 038	2 101	5 502
<b>Economic letting ratio</b>	<b>94,5%</b>	<b>95,3%</b>	<b>94,5%</b>	<b>95,3%</b>	<b>94,8%</b>

## EPRA Earnings

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Profit from property management	1 601	508	677	254	645
Income tax paid	-92	-52	-40	-15	-34
<b>EPRA earnings</b>	<b>1 509</b>	<b>456</b>	<b>637</b>	<b>239</b>	<b>611</b>
Average number of ordinary class A and B shares	1 265 183 353	756 049 031	1 268 092 596	756 049 031	762 481 721
<b>Earnings per ordinary class A and class B share</b>	<b>1,19</b>	<b>0,60</b>	<b>0,50</b>	<b>0,32</b>	<b>0,80</b>

## Adjusted equity ratio

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Equity	41 983	15 940	41 983	15 940	30 896
Deferred tax liabilities	4 358	1 238	4 358	1 238	3 869
<b>Sum</b>	<b>46 341</b>	<b>17 178</b>	<b>46 341</b>	<b>17 178</b>	<b>34 765</b>
Total assets	100 240	43 760	100 240	43 760	104 203
<b>Adjusted Equity ratio</b>	<b>46%</b>	<b>39%</b>	<b>46%</b>	<b>39%</b>	<b>33%</b>

## Earnings per series A and B ordinary shares

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Net profit for the period	5 734	1 337	3 139	404	2 624
Net profit attributable to preference shares	-2	-22	-1	-7	-11
Net profit attributable to ordinary class D shares	-175	-98	-69	-38	-150
Net profit attributable to hybrid bonds	-249	-151	-83	-58	-198
Net profit attributable to non-controlling interest	-56	-	-4	-	-4
<b>Net profit attributable to ordinary class A and B shares</b>	<b>5 252</b>	<b>1 066</b>	<b>2 982</b>	<b>301</b>	<b>2 261</b>
Average number of ordinary class A and B shares	1 265 183 353	756 049 031	1 268 092 596	756 049 031	762 481 721
<b>Earnings per ordinary class A and class B shares</b>	<b>4,15</b>	<b>1,41</b>	<b>2,35</b>	<b>0,40</b>	<b>2,97</b>

## Interest coverage ratio

Amount in SEK, millions	01-10-2019 30-09-2020	01-10-2018 30-09-2019	01-01-2019 31-12-2019
Profit from property management (rolling 12 months)	1 738	535	645
Interest expenses and similar items (rolling 12 months)	873	504	482
Expenses for redeemed loans in advance (rolling 12 months)	224	177	197
Translation gains/losses (rolling 12 months)	27	-15	-91
Land lease expenses (rolling 12 months)	19	4	7
<b>Sum</b>	<b>2 881</b>	<b>1 205</b>	<b>1 240</b>
Interest expenses and similar items (rolling 12 months)	873	504	482
<b>Interest coverage ratio, times</b>	<b>3,3</b>	<b>2,4</b>	<b>2,6</b>

## Equity ratio

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Equity	41 983	15 940	41 983	15 940	30 896
Total assets	100 240	43 760	100 240	43 760	104 203
<b>Equity ratio</b>	<b>42%</b>	<b>36%</b>	<b>42%</b>	<b>36%</b>	<b>30%</b>

## Net asset value

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
<i>Equity exkluding non-controlling interest</i>					
Equity	41 983	15 940	41 983	15 940	30 896
Hybrid bonds	-9 893	-5 029	-9 893	-5 029	-4 629
Non-controlling interest	-378	-39	-378	-39	-1 963
<b>Equity exkluding non-controlling interest</b>	<b>31 711</b>	<b>10 872</b>	<b>31 711</b>	<b>10 872</b>	<b>24 304</b>
Equity attributable to Preference share investors	-15	-15	-15	-15	-15
Equity attributable to D-share investors	-5 288	-2 299	-5 288	-2 299	-3 255
Derivation of derivatives	120	118	120	118	-48
Goodwill attributable to deferred tax	-1 952	-	-1 952	-	-2 368
Other goodwill	-4 309	-24	-4 309	-24	-4 319
Reversal of deferred taxes	6 310	1 238	6 310	1 238	6 237
Deferred tax deduction (5.5%)	-2 733	-1 104	-2 733	-1 104	-2 604
<b>Current net assets value (EPRA NTA)</b>	<b>23 844</b>	<b>8 786</b>	<b>23 844</b>	<b>8 786</b>	<b>17 931</b>
<i>Current net assets value (EPRA NTA), SEK/share</i>	<i>18,80</i>	<i>11,62</i>	<i>18,80</i>	<i>11,62</i>	<i>14,45</i>
Derivation of derivatives	4 309	24	4 309	24	4 319
Reversal of deferred tax deduction (5.5%)	2 733	1 104	2 733	1 104	2 604
<b>Long-term net asset value (EPRA NRV)</b>	<b>30 886</b>	<b>9 914</b>	<b>30 886</b>	<b>9 914</b>	<b>24 855</b>
<i>Long-term net asset value (EPRA NRV), SEK/share</i>	<i>24,36</i>	<i>13,11</i>	<i>24,36</i>	<i>13,11</i>	<i>20,04</i>
Number of ordinary class A and B shares	1 268 092 596	756 049 031	1 268 092 596	756 049 031	1 240 526 587

## Secured loan-to-value ratio

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Liabilities to credit institutions	11 707	5 770	11 707	5 770	25 985
Secured bond loans	1 052	1 356	1 052	1 356	1 334
<b>Total secured loans</b>	<b>12 759</b>	<b>7 126</b>	<b>12 759</b>	<b>7 126</b>	<b>27 319</b>
Total assets	100 240	43 760	100 240	43 760	104 203
<b>Secured loan-to-value ratio</b>	<b>13%</b>	<b>16%</b>	<b>13%</b>	<b>16%</b>	<b>26%</b>

## Surplus ratio

Amount in SEK, millions	01-01-2020 30-09-2020	01-01-2019 30-09-2019	01-07-2020 30-09-2020	01-07-2019 30-09-2019	01-01-2019 31-12-2019
Net operating income	2 669	903	852	343	1 265
Rental income	3 868	1 400	1 204	507	1 996
<b>Surplus ratio</b>	<b>69%</b>	<b>65%</b>	<b>71%</b>	<b>68%</b>	<b>63%</b>

# APPENDIX 1 – CURRENT EARNINGS CAPACITY FROM PROPERTY MANAGEMENT

The current earning capacity for the Group for 12 months is presented below and takes into account the Group's property portfolio at 30 September 2020. The current earning capacity is not a forecast, but only to be viewed as a hypothetical snapshot and is presented only to illustrate income and expenses on an annual basis, given the property portfolio, financial costs, capital structure and organization at a set point in time. The Group's earning capacity does not include the earning impact of unrealized and realized value changes.

The following information forms the basis for the calculation of the earning capacity:

- Contracted rental income on an annual basis (including supplements and rental discounts) and other property- related revenues on the basis of current lease contracts as of 30 September 2020.
- Operating and maintenance costs are based on budget.
- The property tax is calculated from the properties current tax assessment value as of 30 September 2020.
- Cost for central administration is based on the current organization.
- Financial expenses are based on contracted interest rates and include interest on external loans.

## THE GROUP'S EARNINGS CAPACITY

Numbers in SEKm	Community service	Residential	Other	Total	Adjusted <sup>1)</sup>
Rental income	3 729	773	257	4 759	4 759
Operating costs	-470	-225	-70	-765	-765
Maintenance	-230	-68	-18	-316	-316
Property administration	-72	-32	-12	-117	-117
Property tax	-64	-14	-16	-93	-93
<b>Net operating income</b>	<b>2 893</b>	<b>433</b>	<b>142</b>	<b>3 467</b>	<b>3 467</b>
Central administration				-150	-150
Result from Joint Ventures				63	63
Financial income				98	98
Financial costs				-655	-570
<b>Operating profit before dividend</b>				<b>2 822</b>	<b>2 908</b>
<i>per Class A and B shares</i>				<i>2,23</i>	<i>2,29</i>
Dividend hybrid bonds				-337	-337
Dividend Class D shares				-344	-344
Dividend mandatory convertible				-193	-193
Dividend Preference shares				-1	-1
<b>Operating profit attributable to ordinary shareholders</b>				<b>1 948</b>	<b>2 033</b>
<i>per Class A and B shares</i>				<i>1,54</i>	<i>1,60</i>

1) Adjusted for non-long-term surplus liquidity held by the Group at the end of the period with an estimated average interest rate of 1.41 percent, which is the weighted average in the debt portfolio as of 30 September 2020

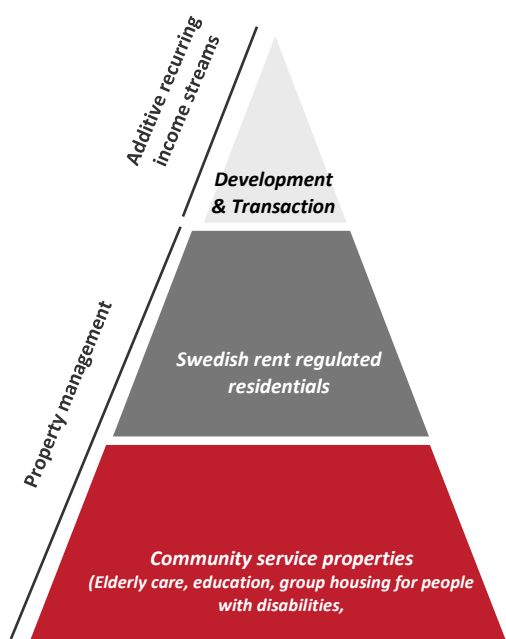
# APPENDIX 2 – CURRENT EARNINGS CAPACITY FROM RECURRING INCOME STREAMS

## THE GROUP'S EARNINGS CAPACITY OF ADDITIVE RECURRING INCOME STREAMS

Numbers in SEKm	Total	Adjusted <sup>1)</sup>
<b>Operating profit attributable to ordinary shareholders</b>	<b>1 948</b>	<b>2 033</b>
<i>per Class A and B shares</i>	1,54	1,60
Result from property development	600	600
Result from transaction	400	400
Result from renovations/investments	600	600
<b>Adjusted operating profit to ordinary shareholders with additive income streams</b>	<b>3 548</b>	<b>3 633</b>
<i>per Class A and B shares</i>	2,80	2,86

1) Adjusted for non-long-term surplus liquidity held by the Group at the end of the period with an estimated average interest rate of 1.41 percent, which is the weighted average in the debt portfolio as of 30 September 2020.

2) Based on historical profit generation from transaction of approximately SEK 700m per year.



# APPENDIX 3 – SCENARIO ANALYSIS BUILDING RIGHTS

Illustrative scenarios, use of building rights	Building right sales	Development for own management
GFA building rights (sq.m.)	2,184,507	2,184,507
Sold building rights (sq.m.)	426,600	426,600
<b>Building rights still in portfolio for development for own management (sq.m.)</b>	<b>1,757,907</b>	<b>1,757,907</b>
Value (SEKm) – already sold to external parties	1,468	1,468
Proceeds (SEKm) – to be sold to external parties	6,051	-
Value (SEKm) – developed for own management (NOI 1 700 SEK/sq.m., yield 4,25 %)	-	59,769
<b>Estimated Market Value (SEKm)</b>	<b>7,520</b>	<b>61,237</b>
(-) Exploitation costs, other investments in building rights, and external valuation of building rights and cash-flow properties (SEKm)	(4,495)	(4,495)
(-) Production costs in development for own management (SEKm)	-	(44,827)
(+) Profits from already agreed JV collaborations (SEKm)	1,434	1,434
<b>Estimated Profits (SEKm)</b>	<b>4,459</b>	<b>13,350</b>
Estimated time to receive profits (years)	4	8
<b>Estimated Recurring Profits p.a. (SEKm)</b>	<b>1,115</b>	<b>1,669</b>

Input, development for own management	
NOI (SEK/sq.m. lettable area)	1,700
Valuation yield (%)	4,25 %
<b>Property value (SEK/sq.m. lettable area)</b>	<b>40,000</b>
Production costs (SEK/sq.m. lettable area)	30,000
Result (SEK/sq.m. lettable area)	10,000
Efficiency ratio (GFA/lettable area)	0,85
<b>Result (SEK/sq.m. GFA)</b>	<b>8,500</b>

## Sensitivity analysis

### Return asset value and earnings including long-term value change

Return asset value and earnings including long-term value change in companies that manage so-called real assets, such as properties; the profit from property management only reflects a part of the overall earnings. The definition of real assets states that they are value-protected, meaning over time and with good maintenance they have a value growth trend that compensates for inflation. The net asset value, i.e. the denominator in the return ratio profit/capital, is adjusted annually through the IFRS rules with regard to value changes. To provide a correct return, the numerator, i.e. profit, must also be adjusted in the same way. The recognized profit from management operations must accordingly be supplemented with a value change component and effective tax to provide an accurate picture of profit and return.

One problem is that value changes can vary strongly between years and quarters and entail volatile results. For a long-term actor with a stable cash flow and a well-composed property portfolio, the long-term value change (or when lacking this, the long-term average inflation rate) can be used to adjust the numerator in the equation. Given our brief history, we have chosen to use inflation averages for the previous ten years.

	Result recurring income streams = SEK 1 500m			Result recurring income streams = SEK 1 700m		
	Value change			Value change		
	-1%-unit	+1%-unit		-1%-unit	+1%-unit	
Operating profit rolling 12 months	2 822	2 822	2 822	2 822	2 822	2 822
Target result recurring income streams	1 500	1 500	1 500	1 700	1 700	1 700
Value change (infl.average 10 years)	893	81	1 705	893	81	1 705
Inflation %	1,10%	0,10%	2,10%	1,10%	0,10%	2,10%
Tax, 10%	-282	-282	-282	-282	-282	-282
Result after tax	4 933	4 121	5 745	5 133	4 321	5 945
Result SEK/share	3,89	3,25	4,53	4,05	3,41	4,69
Return long-term net asset value	15,97%	13,34%	18,60%	16,62%	13,99%	19,25%
Result/share price	14,31%	11,96%	16,67%	14,89%	12,54%	17,25%
P/E	7	8	6	7	8	6



#### UPCOMING REPORT DATES

Year-end report 2020 23-02-2021  
Interim report Jan-Mar 27-04-2021  
Interim report Jan-Jun 15-07-2021  
Interim report Jan-Sep 29-10-2021

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