



ANNUAL REPORT AND  
SUSTAINABILITY REPORT 2019

# PERSPECTIVES ON THE CITY OF THE FUTURE



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## ABOUT THIS REPORT

Atrium Ljungberg reports the Group's financial and non-financial information in a joint report. This report reflects our operations and integrates financial, sustainability and corporate governance information to provide an overall and cohesive description.

**Atrium Ljungberg's legal annual report** includes the Directors' Report and the Financial Reports, and can be found on pages 82–163.

**Atrium Ljungberg's Sustainability Report**, in accordance with the Swedish Annual Accounts Act, can be found on pages 15–16, 23–35, 87–92 and 149–161. Atrium Ljungberg's Sustainability Report has been drawn up in accordance with the Core level of the GRI Standards. We have taken into account the Construction and Real Estate Sector Supplement, CRESS. We have also taken into account the EPRA Sustainability Best Practices Recommendations Guidelines.

This annual report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the translation, the former shall have precedence.

# ABOUT ATRIUM LJUNGBERG

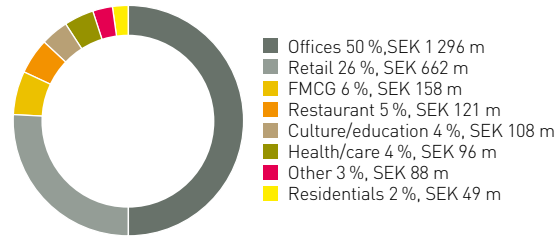
We own, develop and manage properties totalling 1,176,000 m<sup>2</sup> letting area with a property value of SEK 49 billion.

Our focus is on developing attractive urban environments in Stockholm, Gothenburg, Malmö and Uppsala.

Working together with the municipalities, our customers and people living in the city, we build vibrant urban environments where offices, residential units and retail are mixed with culture, services and education.

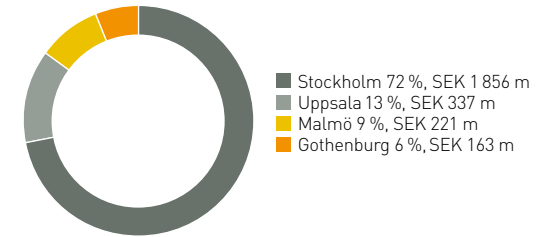
We strongly believe in innovation and the development of attractive spaces for the future. And attractive city districts are not only about buildings. What happens inside and between the buildings is just as important.

## SUSTAINABLE URBAN DEVELOPMENT FOCUSING ON OFFICES...



50 per cent of the contracted annual rent is from offices.

## ...IN THE STOCKHOLM AREA



72 per cent of the contracted annual rent is from Stockholm.



Picture of façade from Gränbystaden

# PERSPECTIVES ON THE CITY OF THE FUTURE

Atrium Ljungberg is represented in Sweden's four major cities – places that are all growing and developing at a rapid pace. New demands are made of the city as more and more people move to urban areas. Creating an urban environment that is social, ecological and economically sustainable is a must – and we urban developers bear a great deal of responsibility. Take a look at our perspectives on how we are creating the city of the future.



## NEW DESTINATIONS FOR THE CITY

We focus on creating the best city life when developing the attractive city districts of the future.  
See page 12



## THE CITY AS A SERVICE

We are now adding a digital layer to our physical locations to make them even better places to live.  
See page 21



## CITY OF TALENT

How can a vibrant city life help successful companies to attract international talent?  
See page 36



## A SUSTAINABLE DISTRICT CITY

When the city grows, new demands are made of sustainable, efficient solutions for food production, transport, etc.  
See page 45



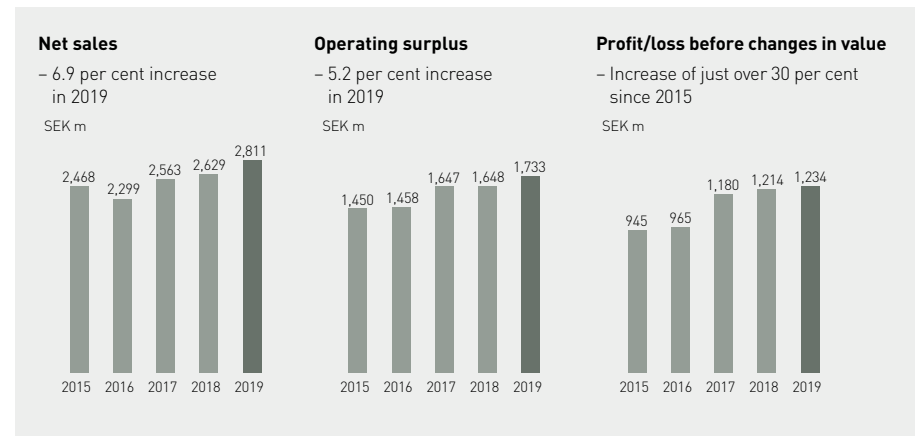
# 2019 IN BRIEF

- **Net sales** increased to SEK 2,811 million (SEK 2,629 m) of which rental income increased to SEK 2,577 million (SEK 2,412 m).
- **The operating surplus**<sup>11</sup> from property management increased to SEK 1,733 million (SEK 1,648 m), excluding the effects of the implementation of IFRS 16, which represents an increase of 5.2 per cent. This increase is mostly a result of completed projects, plus new lettings and renegotiations.
- **Profit before changes in value** increased to SEK 1,234 million (SEK 1,214 m).
- **Unrealised changes in the value** of investment properties amounted to SEK 2,283 million (SEK 2,516 m) and are mainly explained by lower yield requirements on some subsidiary markets and higher operating net. Unrealised changes in the value of derivatives totalled SEK -90 million (SEK -70 m) as a result of lower market interest rates.
- **Profit for the period** totalled SEK 2,807 million (SEK 3,453 m). This reduction is explained primarily by tax and changes in property values.
- **Net letting** amounted to SEK -82 million (SEK 144 m), of which SEK -46 million (SEK 92 m) referred to project properties. Several of the notices of termination are for properties that are being prepared for projects. SEK -85 million relates to Tranbodarne 11, Katarinhuset in Slussen, which is being vacated prior to reconstruction.
- **Property acquisitions** amounted to SEK 1,174 million (SEK 1,727 m) and property sales amounted to SEK 1,031 million (SEK 2,662 m).
- **The 2020 forecast** for profit before changes in value is SEK 1,200 million. Profit after tax is expected to amount to SEK 948 million, corresponding to SEK 7.29/share.
- **The Board** proposes a dividend of SEK 5.00/share (SEK 4.85/share).

Key ratios <sup>11</sup>	Full year 2019	Full year 2018
Property value, SEK m	48,509	44,201
Operating surplus margin, %	67	68
Average interest rate for interest-bearing liabilities, %	1.6	1.6
Share price, SEK/share	226.00	152.00
EPRA NAV, SEK/share	215.12	194.82

Financial goals <sup>11</sup>	2019	2018
Investments in held properties, >SEK 2,000 million per year	1,810	1,758
Return on shareholders' equity, >10% over time	12.9	17.7
Gearing ratio, <45%	41.7	41.9
Interest coverage ratio, >2.0	4.4	5.0

<sup>11</sup> Operating surplus and other earnings figures that are affected by the implementation of IFRS 16 are recognised in the comments for comparisons between the periods exclusive of the effects of the implementation of IFRS 16. This means that earnings figures, such as operating surplus, in the comments differ from the figures in the income statement. The effect of IFRS 16 has resulted in the leasehold fees for 2019 being recognised as a financial expense instead of being included in property management costs. All of the key ratios for 2019 have been calculated exclusive of the effects of the implementation of IFRS 16. See page 172 for the full key ratios table and pages 181-183 for definitions.



Urban Deli food market

# EVENTS IN 2019

## CONSTRUCTION STARTED DURING THE YEAR



We began construction work on three projects during the year: BAS Barkarby in Järfälla with approximately 25,000 m<sup>2</sup>, Life City in Hagastaden with approximately 27,500 m<sup>2</sup> and the first tenant-owned residential district at Nobelberget in Sickla with 68 apartments. Reconstruction work has also begun of Panncentralen in Sickla, the final phase of Forumkvarteret in central Uppsala and Sickla Galleria phase IV.

## STRATEGIC SALE OF RESIDENTIAL PROPERTIES



We have had a strong foothold in Kista for a long time now, primarily due to our office properties. Our residential properties differed from the rest of our operations, and we chose to sell them as there was a great deal of interest from potential purchasers.

## POSSESSION OF SLAKTHUSOMRÅDET



May heralded the approval of the agreement between Atrium Ljungberg and the City of Stockholm in the city council concerning the Slakthusområdet deal. Early June saw possession being taken of the first phase of 14 properties with leaseholds, covering 51,000 m<sup>2</sup> of letting area. We also have an option on 32,000 m<sup>2</sup> of letting area after a new detailed development plan become legally binding, along with the option of ordering land allocations totalling around 100,000 m<sup>2</sup> GFA.



## SEVERAL MAJOR LETTINGS



Lettings totalling 73,000 m<sup>2</sup> have taken place throughout our entire property portfolio over the year. The biggest let involved Nordic Choice Hotels, which made a decision in autumn to extend the area for its new Tapetfabriken hotel in Sickla by 3,000 m<sup>2</sup>.

## INCLUDED IN EPRA INDEX



We are pleased to note that as of 23 September 2019, our share is included in the EPRA Index, a global index comprising around 500 property companies. This has resulted in increased interest in the company and had a positive impact on the liquidity of our share.



CEO'S STATEMENT

## A DECADE OF CHANGE

**As the population in major cities goes on growing, innovation and focus on sustainability are two ingredients required to develop urban environments where people can thrive and be happy. During the year, we have reinforced our organisation so that we can meet these requirements and invest SEK 2 billion per year in our own development projects in the long term.**

Atrium Ljungberg has made some major strategic changes over the last decade. We have sold properties in locations outside Sweden's four major cities and properties where we perceive no opportunity for long-term development in line with our vision. We have sold retail in favour of office properties, extended our project portfolio from SEK 5.5 billion to SEK 28 billion and refined our urban development strategy. We have also entered into the market for tenant-owned units. We have increased our property value in 10 years, from just under SEK 20 billion to SEK 49 billion: this represents a 161 per cent increase.

We have spent the past year focusing closely on setting up our organisation so that we can invest SEK 2 billion a year in our own development projects in the long term. This has involved recruitment of more business developers and project managers, among other things. Our world is changing at a rapid pace, which is particularly clear when we consider human lifestyles and consumption patterns. With this in mind, we also filled a completely new business development position in 2019. This staff member is responsible for innovation and new digital services. I am proud of the fact that we venture to focus on new areas, and I am absolutely certain that we need to do this in order to be relevant in the future.

## CEO'S STATEMENT

### STRONG PROJECT PORTFOLIO

In 2019, we have continued to take big strides towards our vision: our city – where everyone thrives. This is most apparent when looking at our project portfolio, which is permitting investments amounting to SEK 28 billion. SEK 23 billion-worth of these are situated near to existing or future underground stations in the Stockholm area. Rail-based public transport is becoming more and more important as urbanisation increases. It is apparent that office properties with direct underground links have rent levels approximately 30 per cent higher than equivalent office products just one kilometre further away. Our investments in municipalities with strong growth are also creating long-term security.

The deal with the City of Stockholm in respect of Slakt-husområdet was a very important addition to our project portfolio. Here, we have been entrusted with the task of developing the location with offices, apartments, education, service and culture. We took possession of the first just over 50,000 m<sup>2</sup> in 2019, and we have the opportunity to take possession of a further 30,000 m<sup>2</sup> or so within two years. We also have the option of ordering land allocations of approximately 100,000 m<sup>2</sup> GFA. Part of the agreement with the City of Stockholm meant that we had to undertake to activate the location at an early stage. As part of this, we held a number of popular events throughout the year, including the Brilliant Minds blockparty conference and Parkteatern performances at Förbindelsehallen.

### SICKLA CONTINUES TO DEVELOP

Sickla is one of our main priority areas, with a large part of our future project portfolio. Intensive development work is currently in progress here in order to turn Sickla into an extension of the Stockholm city centre. A new vision for future development has emerged, and we are working actively together with the municipality to start on new detailed development planning over the year with the aim to create a denser urban environment, with more offices and apartments.

At the time of writing, we have four extensive projects running in Sickla. We are building the new Hotell Tapet-fabriken for Nordic Choice Hotels at Marcusplatsen, in the heart of Sickla. It is very pleasing to see that they decided to extend their initiative in the autumn, adding around

80 hotel rooms to their rental agreement. This makes a total of 220 rooms. The hotel is expected to open in spring 2021 and will constitute a very important piece of the puzzle in the development of Sickla.

Curanten will be completed in autumn 2020. This will be Sickla's hub for healthcare, positioned strategically directly next to the shopping centre and the public transport hub at which bus services, the cross-town light rail link (Tvärbanan), the Saltsjöbanan line and the future underground will intersect. We have also started working on refurbishment and extension of Sickla Galleria in the autumn. We are adding around 200 parking spaces here to meet the increased need for parking which will come about when we add a large number of office workplaces in Sickla, but we are also providing around 3,000 m<sup>2</sup> of new retail space.

Finally, I would like to mention our tenant-owned dwelling project at Nobelberget in Sickla. The first phase, which includes 68 apartments, went on sale in autumn 2018, and binding contracts have been signed for 65 per cent of the apartments at the time of writing. The first phase will be ready to move into in the autumn, and I am very much looking forward to welcoming our first Nobelberget homebuyers!

**“I am extremely proud that we are helping to make it possible to develop the Nobel Centre at Slussen”**

### AGREEMENT AT SLUSSEN

We have been working actively together with the City of Stockholm in 2019 in order to devise a solution that would make it possible to construct the new Nobel Centre at Slussen. And in February 2020, news of this was published. We have reached an agreement which means that Atrium Ljungberg will return the Hamnmästaren land allocation totalling around 20,000 m<sup>2</sup> GFA in front of our Glashuset property. By way of compensation, we will receive new land allocations at Slussen; for the new 8,000 m<sup>2</sup> retail hub adjacent to the forthcoming Mälarterrassen, and also approximately 4,500 m<sup>2</sup> GFA for a hotel planned for construction on top of the underground entrance at Södermalmstorg. The agreement also includes land allocations at Hagastaden, covering approximately 23,000 m<sup>2</sup> GFA for



offices and approximately 310 apartments, and finally approximately 4,000 m<sup>2</sup> GFA for offices or hotels at Slakt-husområdet. It is estimated that these projects will take place between 2023 and 2030. This switch of land allocations, which took place after the closing date, will increase our project portfolio from SEK 28 billion to SEK 32 billion.

We are one of the biggest property owners at Slussen, so we want to be involved and help develop the site and make it more attractive. A Nobel Centre on the site is an important piece of the puzzle and a building for cultural activities and science that is used by the public is very much in line with what we are aiming to achieve with the site. I am extremely proud that we are helping to make it possible to develop the Nobel Centre at Slussen.

### PROPERTY SALES IN 2019

In 2019, we chose to sell our property portfolio totalling more than 400 rental apartments in Ärvinge, in Kista in northern Stockholm. Atrium Ljungberg has had an active presence in Kista for a long time and is firmly rooted in the



## CEO'S STATEMENT

area, primarily thanks to a number of office properties. Our rental dwellings in Ärvinge are fully developed and are very different to our other properties in the area, which made the sale a natural step. There was enormous interest in acquiring these residentials and we managed to get a fantastic deal. This enabled us to reinvest on our subsidiary markets where our urban development strategy can bear more fruit.

### FUTURE PROSPECTS AND RETAIL DEVELOPMENT

The conditions for Atrium Ljungberg will remain good going forward. We have a presence on strong subsidiary markets in Sweden's four big cities, and we have a fantastic project portfolio that will permit growth over time.

The structural change in the retail sector presents a challenge where we have seen major changes in consumption patterns over the last few years. We are monitoring developments closely and working actively to develop our offering in line with customers' expectations. We report an increase in turnover of a total of 3.3 per cent at our locations for the year. This indicates the strength of our locations. They are sited in some of Sweden's strongest growth areas, with huge flows of people every day. Our strategy is based on creation of sustainable, attractive locations with a mix of retail, offices, residentials, service and culture.

**“In 2019, we were presented with the Nacka Stad sustainability award for our long-term sustainable urban development work in Sickla”**

### INTENSIFIED EMPHASIS ON SUSTAINABILITY

We are affiliated to the UN Global Compact and support its principles, and I am absolutely certain that what we do can help with attainment of the UN Sustainable Development Goals. We have made major investments in sustainability within the company over the last few years, and 2019 was no exception. We have focused more extensively on both solar panels and charging stations for electric cars. We now have one of Stockholm's biggest solar panel facilities in Sickla and the biggest in Malmö. A great deal of attention was also paid during the year to the unique energy system that we implemented at our properties in Gothenburg. There are a number of benefits with this new system, which

includes halving carbon dioxide emissions. It is exciting to help develop a completely new kind of eco-friendly energy solution.

Food is a crucial component at our locations, and interest in locally produced organic food is on the increase. This is why it is particularly wonderful that we this year launched the start of our partnership with Cubegreens, which grows vegetables and herbs hydroponically in a container in Sickla. Hydroponic cultivation means that no soil is used – the plants get their nutrition directly from water. Our sustainability initiatives in Sickla, where we integrate ecological and social dimensions in urban development, have received a great deal of attention; and as a result we were presented with the Nacka Stad sustainability award in 2019.

### PROFIT AND FORECAST

Our profit for 2019 is on a par with our expectations, and we are reporting a profit before changes in value of SEK 1,234 million. Our profit has been stable over the last few years, which is entirely in line with our strategic tactics. We have sold a number of properties in favour of project properties that will provide a greater level of financial exchange in the longer term. As a result of our net sales, we have also reinforced our balance sheet, and our gearing ratio amounted to 42 per cent at the turn of the year. We will also be seeing a stable profit in 2020, as we are forecasting a profit before changes in value of SEK 1,200 million. Major projects will be completed in 2021, giving us a greater operating net surplus from completed products.

2019 has been an intensive year. A great deal of emphasis has been placed on preparing the organisation for the future, and I am proud of the many excellent staff we have recruited. It is truly beneficial to come to work every day and see each and every one of our driven, committed staff; staff who are not just doing a fantastic job, but also helping to reinforce our strong corporate culture.

I would like to pass on my warmest thanks to all our customers, staff and partners for all their commitment in 2019!

Annica Ånäs, CEO





WHY INVEST?

## ATRIUM LJUNGBERG AS AN INVESTMENT

Atrium Ljungberg is changing. Rooted in the old Master builder tradition, we have developed our strategies and cultivated our property portfolio. It is now made up of large, cohesive property areas that have more than doubled in value over the last 10 years. We are in Sweden's strongest growth markets and playing an active part in the development of the sustainable cities of the future.

## WITH A CLEAR URBAN DEVELOPMENT STRATEGY...

Around 85 per cent of people in Sweden live in towns and cities nowadays, and the rate at which people are relocating to larger urban areas is increasing. This presents challenges and opportunities for all of us working to create attractive places. Atrium Ljungberg develops city districts that add values for municipalities, tenants, our shareholders and all the people who live and work in our areas. And we have a clear strategy for this. Our working method is based on interaction and discussion, and we always do our best to take advantage of the soul, origins and best features of the various locations.

Many reasons have to be in place if a location is to be attractive and encourage people to visit around the clock. At Atrium Ljungberg, we work on the basis of the concept of “the power of 10” in our urban development work. This means that there must always be at least 10 reasons to visit a place.

Our emphasis is sustainable urban environments with mixed content: offices, retail, apartments, service facilities and cultural activities. An urban environment where people want to live, work and stay – today and tomorrow. This vision – “Our city – where everyone thrives” – enables us to create value for the company, our shareholders and society.

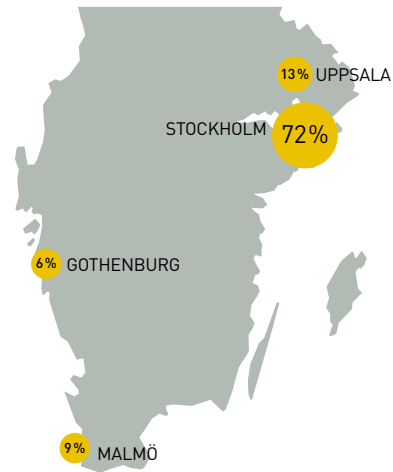


Visualisation, Slakthusområdet

### 10 good reasons to visit a place

1. Street life 24 hours a day
2. Sports and activities
3. Cultural and learning environment
4. Art and cultural history
5. Nature and smart ecosystems
6. Games and social areas
7. Food and cafés
8. Calm oases
9. Digital infrastructure and Wi-Fi
10. Retail and service

WHY INVEST?



## ... WE ARE CREATING ATTRACTIVE AND SUSTAINABLE PLACES ON STRONG SUBMARKETS...

Atrium Ljungberg is one of Sweden’s biggest listed property companies. We are located in strong subsidiary markets in Stockholm, Gothenburg, Malmö and Uppsala. We are a long-term owner and take a great deal of responsibility for our areas. The fact that we own large, cohesive locations gives us a unique opportunity to create a good overall impression unit and a mix of activities that support one another and make the entire area more attractive. Closeness in a dense and mixed urban environment involves sustainability gains due to short transport distances, well-developed public transport and good opportunities for a sharing economy. But sustainable urban environments are not just important from an environmental, financial and social perspective; they also help to make areas more attractive and add value for tenants and municipalities alike – and increase the value of our company.

## ... WITH A FANTASTIC PROJECT PORTFOLIO ...

Our project portfolio has more than quadrupled since the merger between Atrium Fastigheter and Ljungberggruppen in 2006, and we now have the opportunity to invest no less than SEK 28 billion in held properties and land allocations.

Our long-term focus on sustainable urban development is one of the reasons as to why we have been trusted to help develop large parts of Slakthusområdet in southern Stockholm. This is the biggest development project of modern times in Stockholm, and it will be continuing until 2030.

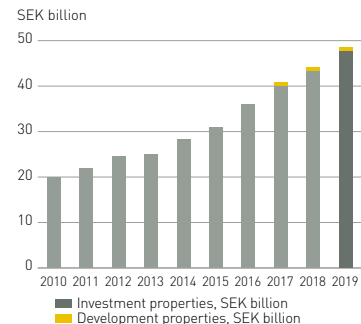
Half of our project portfolio comprises offices, one-third residential and the remainder restaurants, retail and cultural activities. Of SEK 28 billion in our portfolio, development projects equivalent to SEK 23 billion are sited in areas that are directly next to existing or new underground stations. Besides Slakthusområdet, this also includes Sickla, Slussen, Hagastaden and Barkarbystaden.

With its new underground connection, Sickla will be just 7 minutes away from Stockholm Central Station. The close proximity of rail services is having a major positive impact on rent levels, which in turn will help to increase the value of our properties.



**Property value over time**

– Property value more than doubled over the last decade



## ... ENSURING CONTINUED LONG-TERM GROWTH WITHIN THE COMPANY

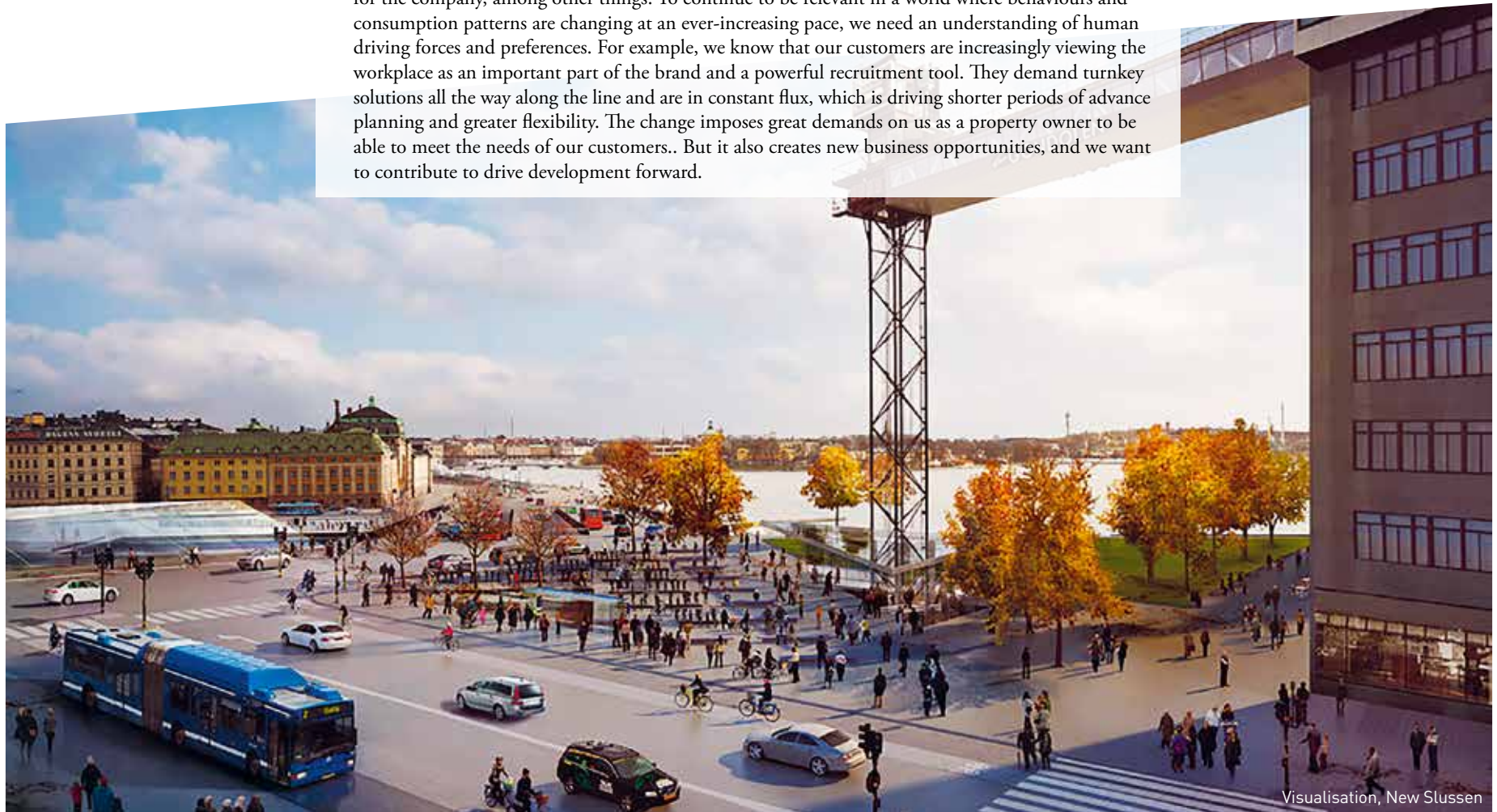
Profit/loss before changes in value in the company over the last 10 years has increased by 85 per cent. The company has grown from just over 200 to more than 300 employees. We have refined our property portfolio, leading to a 161 per cent increase in our property value. Our aim of investing SEK 2 billion per year, with 20 per cent project returns for new builds and extensions, is creating value growth in the company.

## WHY INVEST?

## READY TO CREATE THE CITY OF THE FUTURE

Development in society has never been as rapid as it is now. With our physical locations as our basic platforms, we are placing great emphasis on the use of digital technology to refine and create new, popular offerings that make our areas even more attractive. “Life between buildings” has always been important to us, and we are now focusing on adding a digital layer to our physical locations. This can be anything from a single property to an area or an entire town. “Servicification” is a key concept where we are seeing greater interaction in the industry, with initiatives and solutions that we all devise together.

Over the last year, we have prepared ourselves to meet development needs by recruiting new staff for the company, among other things. To continue to be relevant in a world where behaviours and consumption patterns are changing at an ever-increasing pace, we need an understanding of human driving forces and preferences. For example, we know that our customers are increasingly viewing the workplace as an important part of the brand and a powerful recruitment tool. They demand turnkey solutions all the way along the line and are in constant flux, which is driving shorter periods of advance planning and greater flexibility. The change imposes great demands on us as a property owner to be able to meet the needs of our customers.. But it also creates new business opportunities, and we want to contribute to drive development forward.



WHY INVEST?

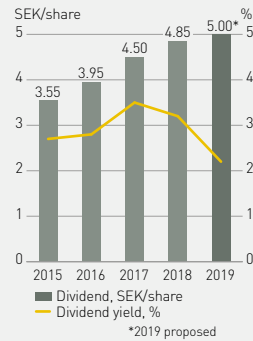
## FOUR REASONS TO OWN SHARES IN ATRIUM LJUNGBERG

### STABLE DIVIDEND YIELD

The dividend yield over the past five years has been 2.9 per cent per year on average. The dividend paid per share by the company since its listing on the stock exchange in 1994 have never dropped.

#### Dividend and share dividend yield

- The company has never reduced its dividend

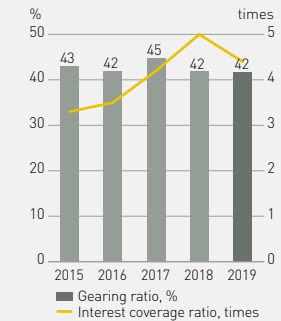


### LOW FINANCIAL RISK

We are in a strong financial position, with solid key ratios such as a low gearing ratio and a high interest coverage ratio, and an investment grade rating from Moody's of Baa2 with a stable outlook.

#### Gearing ratio and interest coverage ratio

- Stable gearing ratio with increased interest coverage ratio

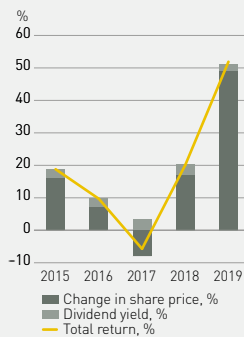


### POTENTIAL FOR GOOD VALUE GROWTH

With a planned investment rate of SEK 2 billion per year and a goal of 20 per cent return on new build and extension projects, Atrium Ljungberg, and therefore the share, has excellent potential for good value growth over time. The total return over the past five years has been 19 per cent per year on average.

#### Share's total yield

- Total return 54 per cent in 2019



### SUSTAINABLE URBAN DEVELOPMENT

Sustainability work is integrated in the business model where we continuously develop our areas in a sustainable direction. We are a long-term player that takes responsibility for the impact of our business on people and the environment.



PERSPECTIVES ON THE CITY OF THE FUTURE



# NEW DESTINATIONS FOR THE CITY

**We focus on creating the best life between buildings when developing the attractive city districts of the future.**

The city population has increased rapidly over the last fifty years in Sweden, while populations in sparsely populated municipalities have fallen dramatically. Many people from other parts of the world have also come to Sweden, and they too have usually chosen to settle in the major cities. This rapid growth led to homogeneous cities where roads between home and work were usually given priority over people and where growing population density, rather than distribution, was deemed as a reasonable solution to complex needs.

The cities and districts created were frequently difficult to live in, they limited people instead of giving them space and restricted their imaginations instead of giving them free rein. Soul and charm, consideration and a sense of community were sacrificed, bringing about tough, unfriendly environments with no beauty or space where people could relax.

These were effects referred to by Danish architect Jan Gehl in his book “Life Between Buildings” in 1971. This book met with an enormous response throughout the entire western world, and the message was impossible to misunderstand: diversity and variation were necessary ingredients in order to create a vibrant city, and the buildings themselves are not the important aspects – the spaces and the activities that go on there are important. The fact that these places are



“

**Here at Atrium Ljungberg, our concept is to develop urban districts, and we do this with the backing of our vision: ‘Our city – where everyone thrives**

*Jon Allesson, business development officer for urban innovation at Atrium Ljungberg.*

what actually provide opportunities for people to have encounters is the truly significant aspect in respect of how people thrive in urban environments.

*“Here at Atrium Ljungberg, our concept is to develop urban districts, and we do this with the backing of our vision: ‘Our city – where everyone thrives’. This is a concept shaped on the basis of the understanding that people and their zest for life and driving forces are what make places attractive,” says Jon Allesson, business development officer for urban innovation at Atrium Ljungberg. Jon has helped to drive our extended focus on cultural activities in urban areas.*

*“When we develop our sites, vibrant cultural content is a key piece of the puzzle. As we frequently develop and own larger unified areas, we have the opportunity to focus on elements of*

*different kinds which together reinforce the overall impression. We are aware right from the planning stage that urban districts such as Sickla and Slakthusområdet need arenas and stages that can be used for varying content, throughout much of the day,” continues Jon.*

If a place is to attract people all year round, and at all times of the day, they need to have plenty of reasons to be there. This is why Atrium Ljungberg works on the basis of a concept known as “the power of ten” – which means people have to have at least ten reasons to visit a place. This includes opportunities for activities: sports and play, culture and learning, food and cafés and calm oases. All these things together create street life 24 hours a day, which in turn helps to create a secure place.

## PERSPECTIVES ON THE CITY OF THE FUTURE

We have chosen to work in partnership with internationally renowned Gehl, founded by Jan Gehl in 2000, for the planning of the major urban development projects taking place in Sickla and Slakthusområdet. Quite simply, we share the basic notion of the major importance of physical places to human lives, and we believe that everything starts and ends with life between buildings.

Kristian Skovbakke Villadsen, Partner and Director at Gehl, has been involved in work on both Sickla and Slakthusområdet and perceives major potential with both locations.

*“With Sickla and Slakthusområdet, Atrium Ljungberg has created some fantastic examples of sustainable urban planning. Reprogramming and condensing the existing urban structure will support and reinforce the existing infrastructure, public transport and – perhaps most importantly of all – sustainable urban life. Gehl has joined Atrium Ljungberg, Nacka Municipality and the City of Stockholm on their journey over the past year, getting involved in a series of workshops, study visits and master plans in order to explore what is required in order to create an active city district. A number of good residential areas and office and retail areas have been developed in the Stockholm area over the last few years, but there are very few examples of new city districts where apartments, offices and retail all blend together with culture and education, creating a destination in the form of an active new city district,”* says Kristian.

Even now we can clearly see how influences and experiences from some of the biggest, most successful urban planning projects of our age using Gehl expertise will have an impact on the future inner city parts of Stockholm. This is clear from the design of the many meeting places and thoroughfares in the planned districts, but also in the green areas that will replace large squares. And it is particularly clear when you follow the calm pedestrian streets, where bicycles and pedestrians are able to recapture those parts of the city that vehicles used previously. We are very keen to ensure that our locations are interlinked in such a way that people can reach all parts on their bikes or on foot.

The structures and materials of the old industrial environments have been left in place in our collective efforts, forming a framework for inspiration for the new areas that will provide space for more people. Most tangible are all those



Visualisation, Slakthusplan in Slakthusområdet

visible attributes such as the wealth of preserved handmade bricks in façades and various details from the industrial era, when many of these buildings were constructed.

*“Both Slakthusområdet and Sickla will be places the people will actively choose to live and work in or visit, quite simply because they have been designed to make people’s lives both bigger and more eventful, while also providing opportunities to cope with the challenges that we all face. But here, there is also a strong perception that beautiful surroundings influence how we see the world while also giving us a more benevolent outlook on life, maybe even making us happier, more creative people,”* says Jon. ■

### ABOUT GEHL

Gehl is a consultancy working with urban planning, public areas, urban life and architecture focusing on people. Gehl has been operating internationally in more than 250 cities since 2000 and now has offices in Copenhagen, New York and San Francisco. Gehl’s mission is to create cities for people, working on the basis of many years of research into how the physical environment influences human quality of life.

# STRATEGIC DIRECTION





# URBAN DEVELOPMENT THAT CREATES VALUE

**Atrium Ljungberg develops attractive and sustainable urban environments where people want to live, work and be – today and tomorrow. This vision enables us to create value for the company, our shareholders and the society.**

## BUSINESS CONCEPT

Our long-term approach to ownership, development and management enables us to offer our customers attractive urban environments for offices, retail and residential units in strong subsidiary markets. Our in-house expertise and holistic perspective enable us to generate added value for customers and partners and to create value growth within the company.

## VISION

### OUR CITY – WHERE EVERYONE THRIVES

Our city is a place where everything you need and desire is right next door. A number of activities meet here, creating an exciting urban environment where everyone would like to be. Here you can work, shop, conduct business, live, study, socialise and be entertained – everything that is part of life. Our locations have a soul and everyone should feel at home. Where people want to live – the city thrives.

## VALUES

Our values permeate everything we do and guide us in our encounters with customers and other players. Care for people and the environment makes up part of our business activities – through our values and processes, action plans and daily routines.

### COLLABORATION

Collaborating across boundaries allows us to create entirely new opportunities – both for ourselves and for our customers.

### LONG-TERMISM

The future permeates everything we do – from our ownership and sustainable solutions to how we work within the company and in relation to our customers and partners.

### RELIABILITY

We keep our promises. The motto of 'a handshake is enough' is every bit as relevant today as it always has been.

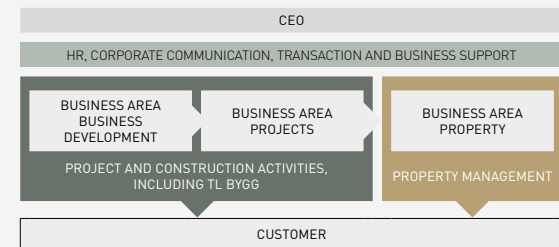
### INNOVATIVE THINKING

We recognise opportunities and always find the best solutions in our own way. We want to learn, try out new ideas and find new ways of collaborating.

## ORGANISATION IN LINE WITH OUR VISION

Our organisation is designed to support our business model and the way we create sustainable city districts, with a focus on value growth, being close to our customers and short decision-making processes. Operations are divided into two branches: Project and Construction Activities and Property Management. Project and Construction Activities include Business Development, Projects and our subsidiary TL Bygg.

Our properties and areas are managed locally by our own, on-site staff.



URBAN DEVELOPMENT THAT CREATES VALUE



## BUSINESS MODEL

### PROJECT DEVELOPMENT

Our project development comprises both new build and reconstruction/extension properties and is conducted in attractive locations in large urban regions, generally in connection with existing property holdings. Our projects are run by our own personnel – from the concept phase to moving in. Project yields will provide better profitability than acquiring properties with an existing cash flow. Consequently, projects contribute both to net operating growth and value growth.

### PROPERTY MANAGEMENT

We have our own management organisation that works closely with the tenants to satisfy their needs in the best way possible, while staying open to new business opportunities.

### ACQUISITION AND SALES

We develop and manage with the aim of long-term ownership. We acquire new properties and land if we can achieve strategic benefits and generate a good operating net surplus, or generate a good return through project development. We sell properties where we perceive no opportunity for long-term development in line with our business model and vision. Most of the properties we have sold over the last few years have been retail properties in external locations.

## CREATING VALUE FOR PLAYERS



### CUSTOMER

We are a long-term landlord that closely collaborates with our customers, which creates continuity and security. Local management allows us to intercept and understand customer needs early on, and therefore create the conditions needed for them to develop and conduct profitable, sustainable business. Meeting places with a mixture of activities generate added value for our customers where the different players benefit from one another.



### OWNERS AND INVESTORS

Our business model, innovative sustainable urban development and a large project portfolio concentrated among attractive areas in four growing metropolitan regions lay the foundation for a stable investment rate. By investing in our own properties and managing them effectively, we create good value growth for Atrium Ljungberg and its owners.



### COMMUNITY

We create sustainable urban environments where people want to live, be, work and reside over time. We take advantage of the financial, social and environmental values that already exist and add new ones that increase the attractiveness of the location. We create the conditions needed for vibrant areas with a mixture of offices, retail, services, residential units, education and culture, and we take on a lot of responsibility for a location in terms of security, services and parks.



### EMPLOYEES

We have in place well-integrated core values and a good workplace culture, clear goals and potential for development, which allows our employees to be happy, to thrive and to deliver at the best possible level. Our workplace stimulates collaboration, creativity and efficiency, which are essential components if a company is to succeed.

## OUTSIDE WORLD AND TRENDS

# LIVING IN A CHANGING WORLD

**The playing field for activities is constantly changing, and new business models are developing quickly. A changing ecosystem requires swift, flexible players, but perhaps most importantly of all it requires players with a holistic perspective who can help to create value in the long term.**

## SUSTAINABILITY

Sustainability has rapidly developed into a factor that is of the utmost strategic importance for companies wishing to remain relevant in the long term. The concept of sustainability has developed to include a number of aspects besides the environment. Issues such as corporate social responsibility, business ethics and corporate governance are now key components in the concept of sustainability. Companies need to take clear overall responsibility for their entire business chain and make contributions in the markets in which they are active. Customers demand sustainable solutions, and suppliers want to work with stable customers that adopt a long-term approach. The company's sustainability profile will have even more of an impact when the employees of tomorrow choose their future employers.

What is known as green financing has grown in significance over the last few years, and is now an integral part of the sustainability work and funding strategies of many companies. Companies that are well in control of the sustainability issue can obtain more secure, and sometimes cheaper access to capital as people are seeking to invest more and more capital in green enterprises.

## CONSUMPTION PATTERNS

Retail is undergoing a structural change where we have seen major changes in consumption patterns over the last few years. E-commerce is continuing to gain ground, although it is not expected to have as much impact on physical retail in Sweden as is the case in the US, for example. In Sweden, the greatest increase is apparent in the FMCG sector, where e-commerce currently accounts for about 2 per cent of sales. Despite reduced growth in retail turnover in stores, we are seeing no slowdown in overall consumption; quite the opposite, in fact. The big difference is in how we shop and what we choose to invest our money in. The demand for food, drinks and entertainment is increasing, while clothing and home electronics are losing out to e-commerce. However, there are growing synergies between e-commerce and physical trade, where online traders are choosing more and more to open physical shops as a complement to their businesses in order to build relationships with their customers.

We are noting a clear change in the ways in which people consume products. This is perhaps particularly evident among the younger generations. Both lifestyles and consumption patterns are being influenced as people become more aware of the finite nature of our planet's resources. There is a great deal of interest in organic and locally grown food, which is one clear example. We are also seeing more interest in the circular economy, and in reducing consumption and ownership in order to help bring about a better, more sustainable environment.

## FLEXIBILITY AND MORE STRINGENT DEMANDS FOR SERVICE

People's demands for flexibility and service are growing as digitisation becomes more widespread. This trend is apparent in many areas, but it is perhaps clearest on the labour market. Digital technology has changed the ways in which we work. It comes as no surprise to learn that many people appreciate more flexible working hours, as it makes their lives easier. Smartphones, laptops and constant connections make it easy to work from absolutely anywhere. Flexibility and the option of dealing with parts of our work remotely is almost a hygiene factor nowadays, and a basic prerequisite for any employer wanting to come across as attractive.

More and more people are preferring shorter contracts rather than permanent employment. The forms of employment that we are used to seeing are undergoing major change as companies supplement their workforces with temporary resources to an increasing extent. Demands on leadership will also increase in order to handle such extensive change in the workplace. Successful managers will be the people who focus on individuals' ability to manage themselves and create a strong corporate culture.

The demand for service is another strong trend. Customers are increasingly well informed and critical, they know what good service is and they expect fast delivery. A poor customer experience can be devastating for a company, as reviews spread like wildfire on social media. It is also apparent that demands for customised service are increasing. Quite simply, we do not want to be one of the crowd: we want to receive offerings linked to our preferences and lifestyles. Convenience is key, and it may be crucial when consumers make choices.



## LEVERIET

Leveriet is a parcel collection concept which aims to integrate the growing e-commerce into physical environments, increase service and guarantee the purchasing experience from the moment an order is made online to collecting the parcel.

We aim to use Leveriet to help drive development involving integration of e-commerce and physical retail. This is giving us the opportunity to try out and develop completely new services.

## TECHNICAL DEVELOPMENT AND DIGITISATION

Value creation logic is changing as technology develops and new ecosystems are created. New products, services, behaviours and business models are developing in the wake of this development. Physical goods are being transformed into digital services, and new phenomena such as the sharing economy – where goods and services can be sold, purchased, co-owned, replaced or reused – are being created at an ever-increasing pace. The sharing economy presents a challenge and creates new values where close relations with customers are more important than ever. If they are to remain relevant, all companies need to keep up with this change and regularly update their understanding of their position in the new ecosystem; in terms of opportunities for new offerings and solutions, but also in terms of the risk of being outcompeted by new, more efficient value creation models.

These movements are most apparent in our major cities. It is extremely important to ensure that as property owners, we remain responsive as part of this change process so that we are properly positioned. Having clear, long-term strategies for the future provides a foundation for successful urban development.

STRATEGY

# STRATEGY THAT FOCUSES ON VALUE GROWTH

**Our strategy helps us do the right things at the right places. The strategy also describes how we are to do these things: with a focus on customers, sustainability and commitment. It enables us to create innovative sustainable urban environments with good value growth over time.**

## PRESENCE ON STRONG SUBSIDIARY MARKETS

We will establish a presence in strong subsidiary markets in metropolitan areas where there is potential for long-term population growth.

**Why:** Long-term population growth creates the right conditions for long-term profitability, both for us and for our customers.

## DEVELOP ATTRACTIVE URBAN ENVIRONMENTS

We will focus on developing attractive urban environments for offices and retail, supplemented with residential units, culture, service and education.

**Why:** The mixture increases the flow of people at the location and creates synergies for everyone involved, which subsequently provides greater opportunities to conduct successful business.

## A SIGNIFICANT PLAYER

We will be a significant player with large, unified units in each subsidiary market.

**Why:** As a significant player, we can lead and influence development and create urban environments with long-term sustainability.

## FOCUS ON OUR CUSTOMERS

We will focus on our customers in everything we do. Collaboration with customers, suppliers, municipalities and other players will be close, long-term, stable and committed.

**Why:** Through relationships and collaboration based on trust we find innovative solutions, and together create long-term sustainable and attractive environments.

## PROPERTIES AND DEVELOPMENT RIGHTS

We will develop and improve properties and development rights.

**Why:** We create value growth within the company through active management, and generate project returns in our project development.

## INTEGRATED SUSTAINABILITY WORK

We will pursue sustainability work that is integrated into the business strategy and constitutes an important component of our offering. We will improve both our own and our stakeholders' responsibility in this regard.

**Why:** In just a short time, sustainability has developed into a factor that is of the utmost strategic importance for companies wishing to remain relevant in the long term.

## BUSINESS PROCESS USING OUR OWN EXPERTISE

We will conduct and manage the entire business process in-house using our own expertise.

**Why:** By conducting the entire business process ourselves, including project development, we can take care of our customers and generate value growth over time.

## COMMITTED EMPLOYEES

We will have committed employees who are passionate about what we do. Our core values – long-termism, collaboration, reliability and innovative thinking – are to be firmly rooted.

**Why:** One condition for achieving good results is competent, motivated and engaged employees. We work to ensure a positive and safe work environment and a culture that is characterised by participation. Sustainable employees help lay the foundation for development and profitability.



# GOALS FOR PROFITABILITY AND SUSTAINABLE ENTERPRISE

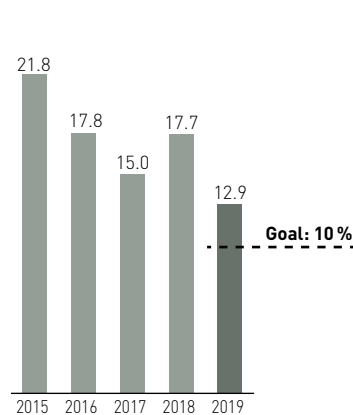
## PROFITABILITY AND GROWTH

The development of profit is key to our success. This is the basis of our return, along with value growth from investments.

### RETURN ON SHAREHOLDERS' EQUITY

**Goal: 10%**  
**Outcome: 13%** ✓

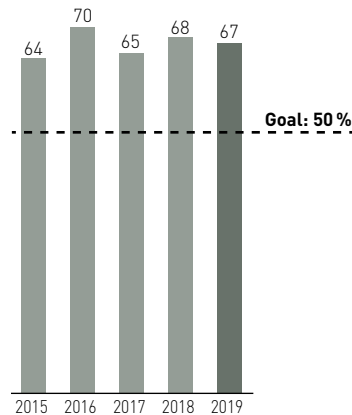
Return on shareholders' equity must be at least 10 per cent over time (new goal from 2019).



### DIVIDEND

**Goal: 50%**  
**Outcome: 67%** ✓

The dividend is to correspond to a minimum of 50 per cent of the profit before changes in value, after nominal tax.

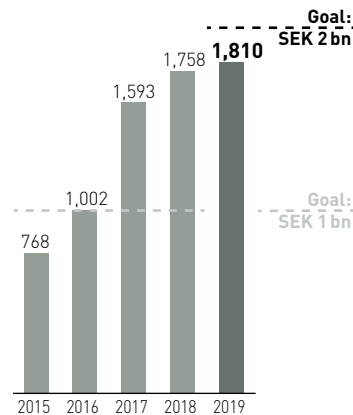


Proposed dividend for the year  
**5.00**  
 SEK/share

### INVESTMENTS IN HELD PROPERTIES

**Goal: SEK 2,000 m**  
**Outcome: SEK 1,810 m**

Investments in held properties will total at least SEK 2 billion per year (goal increased as of 2019).



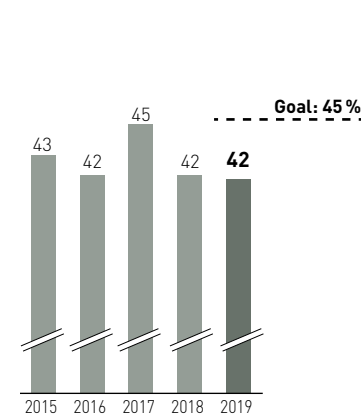
## LONG-TERM STABILITY

The company's capital base is to be strong in order to help ensure long-term stability and generate the conditions needed to do good business in different market situations.

### GEARING RATIO

**Goal: 45%**  
**Outcome: 42%** ✓

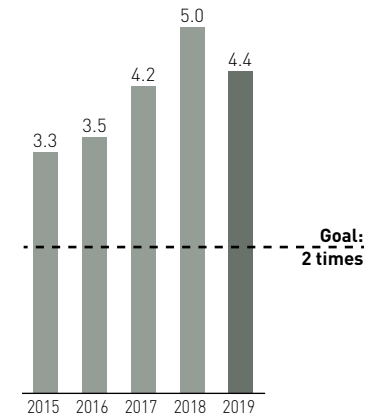
The gearing ratio must not exceed 45 per cent (new goal from 2019).



### INTEREST COVERAGE RATIO

**Goal: Multiple of 2**  
**Outcome: Multiple of 4.4** ✓

The minimum interest coverage ratio is to be a multiple of 2.0.



GOALS AND OUTCOMES

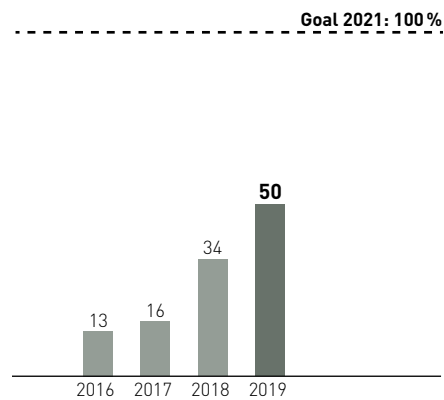
## SUSTAINABLE ENTERPRISE

We are gradually strengthening our focus on sustainable enterprise. We have been certifying major new builds since 2011. We will continue the process to certify our entire portfolio, and we have extended our goal to include both new builds and existing buildings.

### PERCENTAGE OF CERTIFIED PROPERTIES

**Goal 2021: 100 %**  
**Outcome: 50 %**

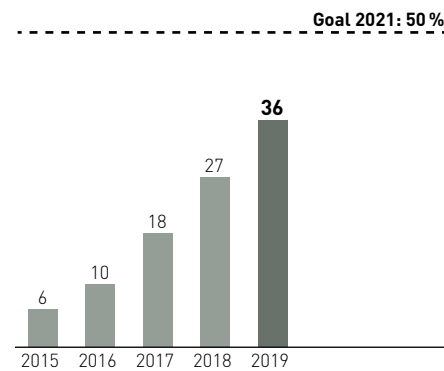
We will have 100 per cent certified buildings by the end of 2021.



### GREEN LEASE CONTRACTS

**Goal 2021: 50 %**  
**Outcome: 36 %**

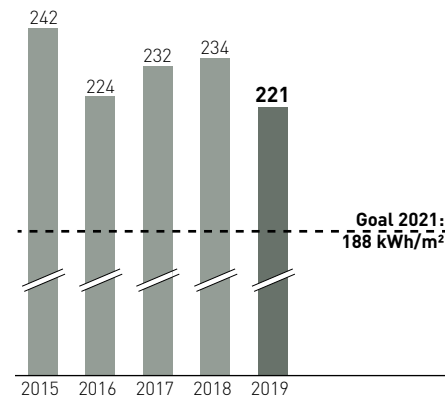
By the end of 2021, the proportion of green leasing contracts is to be 50 per cent of the contracted annual rent.



### REDUCE ENERGY CONSUMPTION (KWH/M²)

**Goal 2021: 188 kWh**  
**Outcome: 221 kWh**

Energy consumption will be reduced by 30 per cent between 2014 and the end of 2021.

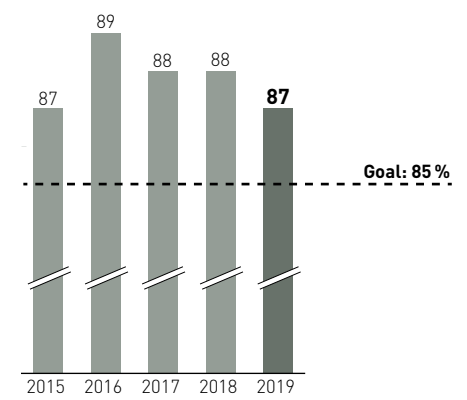


Energy consumption per square metre is to decrease by 30 per cent between 2014 and 2021. Energy consumption decreased by 18 per cent per m² between 2014 and 2019. The increase in energy consumption in 2018 was due to the hot summer that increased the need for cooling of the properties.

### EMPLOYEE INDEX

**Goal: 85 %**  
**Outcome: 87 %** ✓

We will be one of Sweden's best workplaces and this will help us to have sustainable employees.



For seventh year in a row, Atrium Ljungberg was named one of Sweden's best workplaces in the medium-sized organisation category.



We have taken part in the Great Place to Work® (GPTW) evaluation of 'Sweden's best workplaces' since 2011. Our goal is to achieve a minimum average index of 85 per cent. The results do not include TL Bygg's employees.



We have chosen to obtain environmental certification for our buildings in accordance with the BREEAM environmental classification system. Our residential properties are to be certified in accordance with the Sweden Green Building Council's Environmental Building certification (Miljöbyggnad). See page 28 for further details.

100 per cent of our buildings will be certified in accordance with BREEAM or the Sweden Green Building Council's Environmental Building certification (Miljöbyggnad) by 2021. Project properties and properties acquired over the past two years are exempt and are not included in the goal.

PERSPECTIVES ON THE CITY OF THE FUTURE



# THE CITY AS A SERVICE

**Adding a digital layer over our physical locations can make them even more flexible and attractive for the people who live there.**

As an urban developer, Atrium Ljungberg are experts in designing physical environments. We know how to build effective solutions for companies and people, and how to create vibrant meeting places, thoroughfares and calm oases. But we are noticing a change in urban areas thanks to digitisation. Digital technology is bringing about the emergence of new mobility solutions, transport methods and instruments, often with a view to making life easier for people.

Nowadays, the digital environment is a natural part of our lives and we live in two worlds in parallel in what is known as a digiphysical world. While we are heading towards meeting up, holding conversations and creating networks and digital forums to an increasing extent, we are perceiving a demand for face-to-face encounters and contexts, both in and outside work. Companies and organisations are demanding forums where they can meet up in order to learn from one another, cooperate and develop, often across industry boundaries.

Property owners – like us – of physical locations where people move around in urban spaces find that going one step further and adding digital services to underpin the location is not that much of a stretch. Building the collective meeting places into the emerging city and reflecting them as a digital layer is what we consider to be an important piece of the puzzle. We have shored up our organisation with some talented new people in order to get ready for this transformation.



**Technology is a facilitator, but not a solution in itself. You have to understand people and what you want to achieve**

Julie Améen, business developer

One of our new employees is Julie Améen, a business developer who focuses on innovation and development of new digital services, using our locations as basic platforms. Our aim is to make our locations even more flexible and attractive places for people to live and work in and visit. Julie has previously worked with the digital transformation of authorities, organisations and cities, and her previous employers have included CGI and Microsoft. In Julie's experience, it is easy to focus on the technical solutions, but successful digital transformation requires more than that.

*“Technology is a facilitator, but not a solution in itself. You have to understand people and the benefits you actually want to achieve. Young people who have grown up with always being connected have completely different expectations of society and demand seamless integrations between the digital and the physical. For example, being unable to swap a discounted item in a store that you bought from the same company online will not be a sustainable solution in the long term. This is not logical from a customer standpoint,” says Julie.*

## THEME THE CITY OF THE FUTURE

We work with co-creation processes in various forms in order to intercept and understand human needs. Co-creation has been an important element all the way along the line in the new city district of Nobelberget, which is being developed in Sickla. Early on, discussions revealed a great desire for a community, a digital platform where people could plan running groups, for example, organise dogsitters, share cooking duties and arrange car sharing. The relationships between neighbours build a socially sustainable city district where people feel safer and are proud of “their” Nobelberget.

This also gives us the opportunity, as urban developers, to forge closer ties with our customers. This will allow us to identify elements that we could improve in the urban environment, but also to link residents with the city district in general, encouraging contact with our retail, restaurant and service tenants, for example. This would allow people to make the most of everything Sickla has to offer in the form of takeaway food and shopping, for example.

*“This gives us the opportunity to meet our customers regularly, and in completely different ways to just face-to-face meetings. Customers are in the digital world, and we have to be able to meet them there as well. But we do not want to just chuck in the technology and hope for the best. We start off with face-to-face meetings in order to build relationships and create a sense of trust. For instance, we have organised dinners for the first buyers of our apartments. This will give them the opportunity to get to know us here at Atrium Ljungberg, as well as their future neighbours, well before they move into the district. We can adopt a customer-driven approach and work quickly and in more agile ways when we start using the digital point of contact later,”* says Julie.

Another example of a point where a digital layer is added to the physical environments is Leveriet, the innovative concept opened by Atrium Ljungberg in four locations to date. Besides providing a service-oriented parcel representative offering generous opening hours, fitting rooms, parcel wrapping and recycling, this is a kind of innovation platform that also offers the opportunity for online traders to use Leveriet as an on-site inventory service where they rent a kind of storage area for popular products stored directly at the representative’s premises, allowing them to be delivered to end customers more quickly. Leveriet also offers a display



Leveriet has a presence in Sickla, Mobilia, Gränbystaden and Farsta Centrum

area where online traders can display their products in a physical environment, allowing them to create face-to-face contact with their customers. Leveriet has also become a natural collection point for local businesses. One example is the company known as Cubegreens, which grows vegetables hydroponically in a container in Sickla. Their online customers collect the vegetables from Leveriet.

*“Leveriet is an initiative where we meet the future head-on. This is really a superb example of how the physical can be linked with the digital, and by putting everything together in a single, service-oriented package has allowed us to deliver an experience based on what people need. Leveriet is only in its infancy as yet, but it could be developed into so much more than it is at the moment,”* says Julie. ■

#### ABOUT LEVERIET

Leveriet allows Atrium Ljungberg to integrate e-commerce with physical environments, thereby enhancing service levels and the customer experience. This innovative parcel representative offers a high level of service, generous opening hours and supplementary this is such as fitting rooms, parcel wrapping and recycling of packaging. Leveriet is available in four locations at present: Sickla, Gränbystaden, Mobilia and Farsta Centrum.



# SUSTAINABLE ENTERPRISE





# CARING FOR PEOPLE AND THE ENVIRONMENT

**We create sustainable cities and properties where people want to live and work for many years to come. Cities that are capable of handling urbanisation, climate change and social transformation. We take long-term responsibility when we build, develop and manage.**

## OUR ROLE AND IMPACT

The issue of sustainable urban development has become more topical as urbanisation and population in metropolitan areas have grown. Awareness that the earth's resources are limited and that humans impact the climate has increased. The construction and property sector accounts for roughly one third of Sweden's energy consumption, and it has a large impact on the climate. There are also risks in our industry associated with health and safety, corruption and violations of human rights. It is therefore important for us to always take care of people and the environment.

Atrium Ljungberg is active during the entire lifecycle of a building: as a developer of new properties, a buyer of construction materials and services, a developer and contractor, a property manager and a leasing manager for properties, but also at the final stage of a building when

it is going to be demolished. We place demands on our suppliers and work with our tenants to achieve more than we could individually. By doing this we are trying to guide the entire value chain in a sustainable direction.

## FOCUS AREAS, GOALS AND STRATEGIES

We engage in dialogue with the most important stakeholder groups and analyse how we are influencing the outside world so as to ensure that we identify our most significant sustainability issues. We use the results of the materiality analysis as the basis for developing our focus areas, goals and policies. We have a sustainability strategy with measurable goals and specific measures that we follow up. Sustainability risks are evaluated when necessary or in the event of major changes to the company's context, but at least every two years.

Find out more on pages 149–152 and in notes H.1 and H.2.

## GOVERNING SUSTAINABILITY

The Board of Directors evaluates and annually establishes the company's overall sustainability policy and other policies governing sustainability; the equality and discrimination policy, supplier policy, business ethics policy, tax policy, whistleblowing policy and work environment policy.

The CEO has ultimate responsibility for ensuring the policies are observed and delegates responsibility to managers and project managers in the organisation. The sustainability work is a natural and integral part of all operations and the managers have a specific responsibility for its implementation.

See notes H.1 and H.2 for further details.

UN'S GLOBAL GOALS

# GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT

We are a signatory of the UN Global Compact and support the ten principles concerning human rights, labour law, the environment and anti-corruption. We have also carried out analyses to ascertain which of the UN Sustainable Development Goals we can contribute to.

**GOAL 3: GOOD HEALTH AND WELL-BEING Target: 3.9**

Our properties must be designed to create health and well-being for people who spend time there. By using the Swedish Building Materials Assessment and obtaining environment certifications for our properties, we contribute to reducing hazardous chemicals and construction materials, and prevent pollution of the air, water and ground. A good indoor climate in the properties is very important for health. We can thereby contribute to reducing the amount of illness in society. See pages 27–31 for further information.

**GOAL 5: GENDER EQUALITY Target: 5.1**

We constantly work to increase gender equality and counter discrimination in the workplace. We have an equal gender distribution in our Executive Management team and in staff functions — in 2019 we ranked as the eighth most gender-equal company out of the 333 Swedish companies listed on the stock exchange. This work continues, focusing primarily on the occupational groups within construction and property management. See pages 32–33 for further information.

**GOAL 6: CLEAN WATER AND SANITATION Target: 6.3 and 6.4**

The properties are to be resource-efficient and facilitate a sustainable lifestyle. This is why we certify our buildings with the environmental certifications BREEAM, BREEAM In-Use and Miljöbyggnad. We can contribute to efficient water consumption and ensure sustainable abstraction of freshwater in order to combat water shortages, particularly when developing city districts and buildings, but also when selecting materials. We help improve water quality by minimising emissions and pollutants in the water and through smart surface water management. See page 28 and note H.7 for further details.

**GOAL 7: AFFORDABLE AND CLEAN ENERGY Target: 7.2 and 7.3**

By only purchasing electricity from hydroelectric power and having our own photovoltaic installations on the properties, we contribute to increasing the share of renewable energy in the

global energy mix. We are reducing energy consumption in our buildings using different measures and encouraging more efficient use of premises, and this is helping to increase the global improvement rate for energy efficiency. See pages 28–31 for further information.

**GOAL 8: DECENT WORK AND ECONOMIC GROWTH Target: 8.8**

We actively work to promote a safe and secure work environment and good working conditions for our own employees and our subcontractors. Combating human rights violations is an important part of our work and the demands we place on our suppliers. See pages 32–35 for further information.

**GOAL 11: SUSTAINABLE CITIES AND COMMUNITIES**

**Targets: 11.3, 11.6 and 11.7**

We play an active role in the urbanisation of cities through the work that we do. Our business is based on sustainable, innovative urban development. We work with customers, suppliers and municipalities in the planning, construction and management of the properties, and together we create sustainable cities and societies. By ensuring that we have a good mix of content in the buildings and by designing public spaces and green areas, we create inclusive urban life, green oases, security and well-being. We also work to reduce the cities' negative environmental impact per person. See pages 27–31 for further information.

**GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION**

**Targets: 12.2, 12.4 and 12.5**

Our ambition is to contribute to more sustainable consumption and production by working with our own resource efficiency, as well as the resource efficiency of our suppliers and customers. We aim to reduce energy consumption, handle chemicals and waste in an eco-friendly way and reduce emissions by obtaining environmental certifications for our buildings, sorting waste at source at our construction sites and placing demands on our suppliers. We contribute to increasing recycling and reuse among our tenants and visitors by providing recycling solutions



In October 2018, we mapped the global goals against Atrium Ljungberg's key areas and strategies. Based on this, we have selected the ten global goals and subgoals that we are able to contribute to.

at all properties, running recycling campaigns and ensuring that there are second-hand shops at our retail hubs. See pages 28–31 for further information.

**GOAL 13: CLIMATE ACTION Target: 13.1**

We are working to reduce energy consumption and the use of fossil fuels in order to reduce carbon dioxide emissions and therefore combat climate change. We also want to give the cities and the properties greater resistance and a better ability to adapt to climate-related dangers and natural catastrophes. Trees, green roofs and smart surface water management help us adapt our properties to climate change. See pages 27–31 for further information.

**GOAL 15: LIFE ON LAND Target: 15.5**

It is important to help reduce the destruction of natural habitats, halt biodiversity loss and protect and prevent the extinction of threatened species. We can do this by creating green spaces that promote species diversity, working on ecosystem services and using trees, land, walls and roofs in a sustainable way in our urban environments. See page 27 for further details.

**GOAL 16: PEACE, JUSTICE AND STRONG INSTITUTIONS**

**Target: 16.5**

We work proactively to minimise all forms of corruption and bribes, both among our employees and among suppliers and customers. This is our way of contributing to a peaceful and inclusive society. See pages 34–35 for further information.

# OUR FOUR FOCUS AREAS

We work with our most significant sustainability issues within the scope of four focus areas. These help to meet our own goals, but also the UN Sustainable Development Goals at target level. The link between these is shown here.

## Our focus areas

## How we are achieving the sustainable development goals

## UN Sustainable Development Goals

### 1. Sustainable urban development

We develop sustainable city districts and properties to increase the attractiveness of the areas and create value for tenants, municipalities, others who use the sites and us ourselves. The properties must be designed with care for people and the environment. They must be resource-efficient and make it easier for people to lead a sustainable lifestyle.

- Environmental certification of our properties
- Creating efficient properties and city districts
- Choosing healthy construction materials
- Installing charging stations for electric cars
- Creating safe, inclusive, vibrant urban environments
- Assisting with efficient water consumption and supply, as well as treatment of stormwater
- Counteracting depletion of biodiversity

See pages 27–31 for further information.



Targets: 3.9, 6.3, 6.4, 11.3, 11.6, 11.7 and 15.5

### 2. Environment and resource utilisation

Resource utilisation, primarily energy consumption, represents a significant portion of a building's operating and production cost, and its climate impact. Consequently, we focus on improving our own and our customers' resource efficiency.

- Streamlining energy consumption
- Installing solar panels
- Reducing greenhouse gas emissions
- Adapting properties according to climate change
- Using sustainable construction materials
- Reducing spillage and wastage of natural resources
- Increasing the proportion of green lease contracts
- Helping to increase recycling and reuse
- Reducing waste volumes

See pages 28–31 for further information.



Targets: 7.2, 7.3, 12.2, 12.4, 12.5 and 13.1

### 3. Sustainable employees

One condition for achieving good results is competent, engaged and healthy employees. We work to ensure a positive and safe work environment and a culture that is characterised by participation. Sustainable employees lay the foundation for development and profitability.

- Being one of Sweden's best workplaces
- Having good employment conditions and terms
- Helping to ensure that staff stay healthy, with low levels of sick leave
- Maintaining a zero-tolerance attitude to occupational accidents and stress-related illnesses
- Focusing on skills development
- Doing our best to achieve diversity, equal opportunities and equality
- Countering discrimination in all its forms

See pages 32–33 for further information.



Targets: 5.1 and 8.8

### 4. Business ethics

Trustworthiness is of central importance to us. We use sound business practices in our own business and in relation to suppliers and other partners. We make the same demands of our suppliers as we do of ourselves when it comes to the environment, the work environment, working conditions and human rights.

- Aiming to be a long-term, reliable partner
- Countering corruption in all its forms
- Improving governance and control of suppliers
- Standing up for human rights

See pages 34–35 for further information.



Targets: 16.5

# SUSTAINABLE URBAN DEVELOPMENT

Contributing to sustainable urban development is one of our focus areas. City districts and properties must be designed with care for people and the environment. They must be resource-efficient and make it easier for people to lead a sustainable lifestyle. Eight factors are important if we are to achieve this.

## 1. IDENTITY AND HISTORY

City districts must have a nature that is characterised by its own unique quality and history, based on the people in the area. Culture is an important component in our city. Atrium Ljungberg manages the location's soul and identity, which means we aim to utilise the cultural history and unique activities found in the area. We do our best to preserve and develop old properties and blend in modern elements.

## 2. DIALOGUE AND PARTICIPATION

We manage and develop our sites in discussion with tenants, people living nearby, visitors, trade and industry and associations in order to take advantage of local involvement. This gives Atrium Ljungberg a broad and genuine knowledge of the site and the city district. The dialogues pertain to everything from how land, buildings and infrastructure can be utilised to which cultural activities are suitable for the location. We also hold workshops with politicians and partners to address issues related to urban development and the development of city districts.

## 3. ENCOUNTERS AND INTERACTION

We want to create environments that facilitate encounters and interaction, since these elements are decisive in terms of people wanting to live, work and be in the area. This might pertain to creating the right conditions for meetings between companies or industries, new restaurants and cafés or meeting places for culture and learning. It is also important for locations and city districts to be connected in the right way. Furthermore, we want to create the right conditions for entrepreneurs, for example by providing workplaces in a networking environment.

## 4. DIVERSITY AND FLEXIBILITY

Our locations need to house many different activities – work and retail co-exist with housing, service, culture and education. We place activities with a large number of visitors such as retail and cafés in good locations and along busy thoroughfares. The buildings are meant to last for a long time, so the areas need to develop over time and as people and society change. The properties need to be flexible and adaptable to new and modified needs.

## 5. SECURITY AND WELL-BEING

Atrium Ljungberg always focuses on people. Locations, thoroughfares and courtyards need to be vibrant during different times of the day and year. Squares, streets and parks should be perceived as open and inclusive, and we develop locations that promote encounters, relaxation and play – thereby increasing the level of security and well-being.

## 6. ECOSYSTEMS AND SPECIES DIVERSITY

Close proximity to nature and gardens are important for the quality of life in a city. We want to create green spaces and promote biodiversity and ecological approaches, contributing ecosystem services such as air cleaning and pollination. Parks, green roofs and smart stormwater treatment are important for dealing with the consequences of climate change such as cloudburst and flooding.

## 7. RESOURCE AND ENERGY EFFICIENCY

A circular approach is required in a sustainable city. We make reuse and recycling possible. We make our buildings more energy efficient and place solar panels on the roofs. We obtain environmental certification for our buildings according to certification systems such as BREEAM and the Sweden Green Building Council's Environmental Building certification (Miljöbyggnad). We aim to achieve near-zero energy



## SLAKTHUSOMRÅDET

We will create a new urban city district in Slakthusområdet, working in partnership with the City of Stockholm and other property owners. We will take advantage of the cultural history of the site and combine it with new activities. Slakthusområdet is to be Stockholm's new hub for offices, food, culture and experiences and will become an engine for the entire Söderort.

consumption in new properties. Atrium Ljungberg creates waste and recycling systems that help tenants to behave sustainably. This might pertain to repair or sharing services such as shared utilisation of cars, as well to companies that focus on re-utilisation, recycling and second hand items.

## 8. CLOSE PROXIMITY AND COMFORT

Shopping, food and service are natural elements in our areas. We make sure they are accessible in a way that benefits both health and the environment. It should be easy and convenient to walk and bicycle, or to travel by public transport and electric car. We resolve parking needs in a space-efficient manner that utilises land as shrewdly as possible, while at the same time ensuring proximity to the places people want to be.

# ENVIRONMENT AND RESOURCE UTILISATION

Atrium Ljungberg’s ambition is to reduce environmental impact – both our own and our customers’ – and streamline resource utilisation. Environmentally certified buildings, green lease contracts and reduced energy consumption are some of the important areas for us to work with.

The building and construction industry is responsible for a significant proportion of total emissions in Sweden.<sup>1)</sup> This is why it is important for Atrium Ljungberg to reduce both our own and our customers’ environmental impact and streamline resource utilisation in terms of energy, waste, etc. This will allow us to reduce carbon dioxide emissions and counter climate change.

## ENVIRONMENTAL CERTIFICATION – THE ROAD TO SUSTAINABLE BUILDINGS

Environmental certification of buildings is the most important tool when it comes to guaranteeing the sustainability of our city districts and properties. These certifications also help to make the environmental performance of properties more comparable, and easier to communicate to tenants.

Atrium Ljungberg obtains environmental certifications for commercial new builds in accordance with the BREEAM environmental classification system; for existing buildings in accordance with BREEAM In-Use; and residential buildings in accordance with Miljöbyggnad

(Sweden Green Building Council’s Environmental Building certification). On 31 December 2019, 50 per cent (34%) of letting area was certified. This increase was mainly due to another five existing buildings being certified in accordance with BREEAM In-Use. During the year, we intensified our efforts to achieve our goal; for 100 per cent of our properties to hold environmental certification by 2021. We clarified the distribution of responsibilities and work elements in the certification process, and produced a number of templates and manuals to assist.

BREEAM assesses the building’s environmental performance within several different areas: energy consumption, indoor climate, water conservation, waste management and land usage, and impact on the local environment. BREEAM also assesses how the building is positioned in relation to public transport, selection of building materials and which pollutants the building might produce. Our minimum level for the BREEAM certification for new builds is the rating ‘very good’.

For the Miljöbyggnad certification system, our minimum



level for residential new builds is the rating ‘silver’. The Sweden Green Building Council’s requirements in relation to energy, materials usage and the indoor environment are extensive. A third party conducts the audit and rates the various aspects.

These environmental certifications also constitute the most important element in our green financing. As per 31 December, we had SEK 5.9 billion (SEK 4.5 b) of green bonds outstanding and SEK 1.5 billion (SEK – b) in green bank loans, equivalent to 37 per cent of our total financing. See page 94 for further details.



<sup>1)</sup> According to the National Board of Housing, Building and Planning’s environmental indicators for 2018, the construction and real estate sector is responsible for 37 per cent of Sweden’s energy consumption, 31 per cent of waste and 21 per cent of domestic greenhouse gas emissions.

## ENVIRONMENT AND RESOURCE UTILISATION

### Energy intensity<sup>1)</sup>

Weighted to an average year, kWh/m <sup>2</sup>	2019	2018	2017	Change compared to 2014 <sup>2)</sup>
<b>Property energy</b>				
Heating	70	72	76	-24%
District cooling	16	19	15	-16%
Property electricity	46	49	50	-31%
<b>Total property energy</b>	<b>132</b>	<b>141</b>	<b>140</b>	<b>-26%</b>
<b>Tenant energy</b>				
Tenant electricity	58	60	63	-6%
Tenant electricity, estimated	17	18	19	-39%
Process cooling	14	14	11	-
<b>Total tenant energy</b>	<b>89</b>	<b>92</b>	<b>93</b>	<b>-1%</b>
<b>Total energy intensity</b>	<b>221</b>	<b>234</b>	<b>232</b>	<b>-18%</b>

<sup>1)</sup> See note H.4.

<sup>2)</sup> Reference year.

Atrium Ljungberg also uses the Swedish Building Materials Assessment, a web-based system of environmentally assessed building materials, when purchasing building materials in order to minimise environmental impact and hazardous substances when carrying out construction work. This system also helps us to adhere to the UN's Precautionary Principle, which means that if there is a threat of serious harm to the environment, the lack of scientific certainty should not be used as a reason to postpone cost-effective measures to prevent environmental destruction.

### REDUCED ENERGY CONSUMPTION

Energy consumption throughout the life cycle of a property is the biggest cause of carbon dioxide emissions in our industry. Electricity is responsible for most of the energy consumption by our customers and ourselves. We normally provide our tenants with electricity and charge them on the basis of the amount they actually use.

We purchase hydroelectric electricity and have our own photovoltaic installations. During the year, our three photovoltaic installations in Sickla have been supplemented with another photovoltaic installation on the roof at Mobilia in Malmö. At 2,500 m<sup>2</sup> in area, this photovoltaic installation is the biggest of its kind in Malmö. The installation will produce over 450 megawatt hours of electricity in a year.

The majority of our properties use district heating as their heat source, but two properties use geothermal heating.

Comfort cooling has been installed in the majority of the properties and comprises purchased district cooling and self-generated cooling. One property also requires large amounts of process cooling.

The total energy consumption for 2019, weighted to an average year, amounted to 245 GWh, which is a decrease from 260 GWh in the previous year. Around 40 per cent of the energy consumption is attributable to tenants' own consumption. Energy intensity per m<sup>2</sup> fell to 221 kWh/m<sup>2</sup> (234 kWh/m<sup>2</sup>) in actual consumption.

Our goal is to reduce the energy consumption of our properties per m<sup>2</sup> by 30 per cent between 2014 and 2021. We also include our tenants' total energy consumption in our goal. Up to and including 2019, we have succeeded in reducing energy consumption per m<sup>2</sup> by 18 per cent compared with the base year. Work is continuing, however.

We succeeded in reducing the amount of property energy by six per cent during the year thanks to energy efficiency measures implemented. In 2019 we installed LED lighting in our properties and heat pumps in two properties in order to reduce energy consumption. We installed a new energy system in an office property with a data centre in Gothenburg, which has halved carbon dioxide emissions. Find out more about the project on page 31.

Energy intensity is also affected by changes in the property portfolio, for example, acquisitions and sales, but also new builds, reconstructions and extensions. Energy intensity in a like-for-like portfolio amounted to 220 kWh/m<sup>2</sup> (237 kWh/m<sup>2</sup>). See note H.4 for more information.

During the construction phase, we use environmental certifications to help us minimise energy consumption. Our properties are also designed to be flexible and can be adapted to changes in needs, which reduces the need for rebuilding work. Total energy consumption is also affected by the construction materials used. Wooden materials require much less energy at the manufacturing stage than concrete, for example.

TL Bygg is also working to reduce energy consumption on its construction sites by using LED lights and power tools and machinery, as well as placing heat pumps in its site huts.



### GROWN LOCALLY IN SICKLA

Cubegreens grows lettuce, herbs and vegetables hydroponically in a container in the car park in Sickla. Hydroponic cultivation provides a number of interesting opportunities; because a lot fewer resources are required, but also because this method results in better nutrient content and shelf life. The harvest from these activities is sold to restaurants and shops in Sickla.

### COOPERATION WITH CUSTOMERS

We also support our customers in their work on resource efficiency. As of the first quarter of 2020, our customers will be able to monitor their own electricity consumption in our customer portal. We work together to find potential efficiency measures in the premises.

### CLIMATE IMPACT FROM CARBON DIOXIDE EMISSIONS

Our carbon dioxide emissions amounted to a total of 9 kg CO<sub>2</sub>e/m<sup>2</sup> in 2019 (8 kg), which is an increase compared with the previous year. Carbon dioxide emissions mostly originate from heating our properties with district heat and from visitors coming to our retail hubs by car. A very small proportion is from electricity consumption at the properties or business trips. The increase in emissions compared with last year is due to the fact that some district heating suppliers have changed their fuel mix, resulting in higher greenhouse gas emissions.

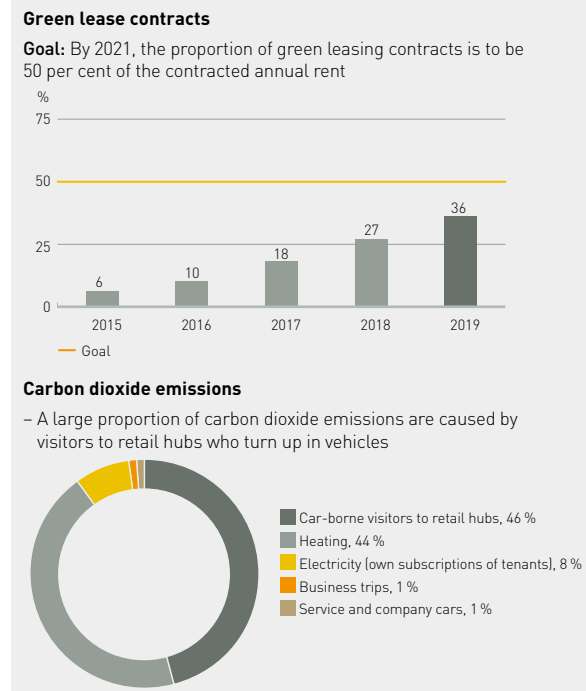
## ENVIRONMENT AND RESOURCE UTILISATION

The electricity we use at our properties and that we supply to our tenants is renewable and carbon dioxide-free. It comprises hydroelectric power with a guarantee of origin with the Gold standard. We use certified carbon dioxide-free electricity at all of our properties, except for one. To compensate for this in respect of the environment, we are supporting a wind power project in India this year.

Carbon dioxide emissions from using district heating and their environmental load depend on the fuel that our district heating suppliers use. We rely on the local supplier regarding district heating and district cooling, and environmental performance varies a great deal. Most of the energy used for district heating production in Sweden is either renewable or recycled. The proportion of fossil fuels used in the industry was around five per cent in 2018.<sup>1)</sup>

As of 1 January 2020, we must only use electric vehicles, plug-in hybrids and vehicles that run on biogas as company cars so that we can reduce carbon dioxide emissions from transport. We have also introduced new guidelines for

<sup>1)</sup> Source: Swedenergy.



business travel, and our goal is to ensure that this travel is as eco-friendly and as efficient in terms of cost and time as possible. Ideally, we should choose to use public transport and prioritise rail travel over air travel.

For visitors with electric vehicles, we provide electric charging stations in our car parks, increase the number of bicycle racks and ensure that public transport is in close proximity.

TL Bygg works to reduce emissions during its construction projects by planning purchases and transports. For example, all transport from warehouses when purchasing materials from the main supplier have been carbon neutral since 2019.

Read more about carbon dioxide emissions per building type in note H.5.

### INCREASING INTEREST IN GREEN LEASE CONTRACTS

Tenants are becoming increasingly interested in contributing to sustainable solutions and efficiency measures. Atrium Ljungberg's green lease contracts are an example of the

collaboration between the property owner and tenant, working together to reduce the environmental impact in the properties in respect of matters such as energy, waste and transport. These green lease contracts are particularly popular when signing new contracts. At the end of the 2019, green lease contracts accounted for 36 per cent (27%) of the contracted annual rent. This improvement is due to the increase in interest from customers, as well as a targeted focus from the the whole property management to include this appendix in all new and renegotiated contracts. The goal is to achieve at least 50 per cent by 2021.

### OUR VISION: ZERO WASTE

We currently provide recycling options at all our properties and construction sites. Our tenants want to monitor their own goals for recycling and waste management and make it worth their while to be resource-efficient. This is why our waste and recycling systems have to be shaped so that it is possible to measure different waste types and charge





## ENVIRONMENT AND RESOURCE UTILISATION

customers accordingly. Fractions for residual waste, paper, cardboard, plastic, glass, metal packaging and batteries must be defined as a minimum.

However, we want to go further than that. Our vision for the future is for neither our own nor our customers' operations to generate any waste. Our processing of residual products at our properties must aim for "Zero waste". The small volume of residual products nevertheless occurring should become a reusable resource in the cycle. To achieve this vision, we must gradually reduce the amount of waste by means of planned and organised resource management together with customers and suppliers. By 2025, the total amount of waste must be reduced by 40 per cent per m<sup>2</sup>, and unsorted waste must be reduced by 80 per cent per m<sup>2</sup> of local area.

TL Bygg is monitoring its disposal of waste and is working to increase the amount of material it reuses and recycles. They are working in close partnership with waste contractors in the planning of waste disposal on construction sites in order to increase the amount of waste sorted into clean fractions. Waste disposal training is provided as part of projects.

### CDP RATING

Atrium Ljungberg has been rated B on a scale of A to D- in the Carbon Disclosure Project Leadership Index (CDP) for 2019. CDP is an independent, non-profit making organisation that gathers information regarding companies' climate impact.



### NEW ENERGY SYSTEM HALVES CARBON DIOXIDE EMISSIONS

Three office blocks in the old shipyard area of Lindholmen in Gothenburg are the first in Sweden to use a new type of energy system. An advanced cooling and heating pump, a third pipe run and an air treatment system are helping to halve carbon dioxide emissions and produce better indoor air.

These properties are home to server halls that have to be kept cold all year round and laboratories that have to be kept at temperatures of at least 40 degrees. There are also offices where a stable indoor climate has to be maintained regardless of the temperature outdoors. Atrium Ljungberg has worked in close cooperation with a number of suppliers to develop a way of utilising the surplus cooling and heat developed at the properties.

An advanced cooling and heating pump and a third pipe run containing tepid water to supplement the cold and hot water loops are dealing with the energy more efficiently to provide a more stable indoor climate. Having a pipe run between three buildings makes the most of their differences, and the pipes also operate as accumulator tanks where the surplus energy that is not needed immediately is stored for later use.

There are a number of gains to be had with the new system. Carbon dioxide emissions are halved when the properties avoid using newly produced energy. The work environment has also been improved for the 5,000 people working in the buildings.

# CARE FOR OUR STAFF

In a world where digitisation and change are proceeding at an increasingly rapid rate, the skills and well-being of our staff are becoming increasingly important. We want to be a stimulating organisation where the emphasis is on learning, commitment and health and safety.

Atrium Ljungberg is continuing to develop, which means that there is an increasing need for staff and new skills. The Group had 334 (304) employees at the end of 2019, of which TL Bygg employed 127 (113). In 2019, we have mainly appointed more project managers, business developers and IT staff. Digitisation is playing an increasingly large part in everyone's jobs. This is why it is becoming increasingly important to have a learning organisation, where staff are constantly developing and learning new technology. We also believe that the best ideas arise from collaboration between people with different backgrounds and experience.

See note H.9 for more facts about our workforce.

## EQUAL VALUE, EQUAL OPPORTUNITIES

Our fundamental approach is that everyone has equal value and the right to equal treatment. Employees are to be afforded the same opportunities for their employment conditions, skills development and promotion within the framework of their own competence and willingness. Working conditions are governed by collective agreements. Pay is based on statistics from the industry and the individual performance of the employees. Pay is reviewed annually

and there were no unjustified differences between the sexes, according to the survey for the year. Nor have we seen any reported cases of discrimination during the year.

The construction and real estate industry is still dominated by men. At Atrium Ljungberg, 72 per cent (72%) of staff are men, and this figure remains unchanged from last year. However, we have achieved an even gender distribution in the executive management and the administrative support functions.

There are still areas where we need to develop. For example, skilled workers and operation technicians in the Group are predominantly male, as is the case throughout the entire industry. The Me-Too movement and the construction industry's #Sista spiken i kistan (Final nail in the coffin) highlighted the need for change.

TL Bygg continued working with the issue of inclusion through conferences, workshops and lectures throughout 2019. Topics that were covered include entrepreneurial spirit, women at the top, equal opportunities and inclusion in the industry, Sweden and the world. The female network created in 2018 continued to meet up regularly throughout the year.



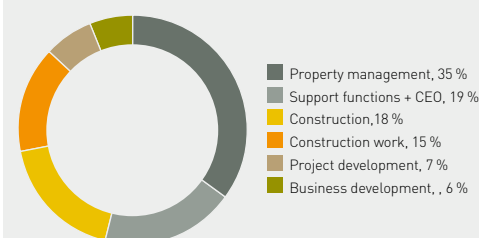
## ONE OF SWEDEN'S BEST WORKPLACES

We run the Great Place To Work® (GPTW) survey every year in order to measure how things are going with our aim of being one of Sweden's best workplaces. Our target is to achieve an average confidence index of at least 85 per cent every year. Atrium Ljungberg has been using this survey since 2011 and all employees are involved. The results have surpassed our targets over the last seven years. A result of 87 per cent (88%) was achieved for the 2019 survey. The best development can be seen with regard to the fact that managers are accessible and keep their staff informed. This may be a result of the fact that we introduced KPIs during



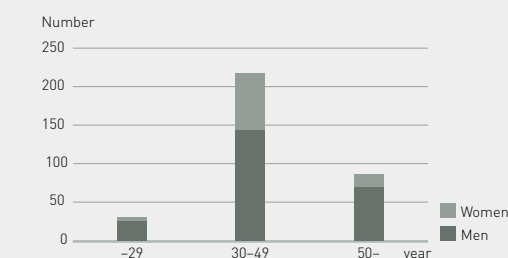
## Distribution of number of employees per function

- Property management has the highest number of employees within the company



## Distribution by age and gender

- 72 per cent of employees were men and 28 per cent women in 2019, including TL Bygg



## EMPLOYEES

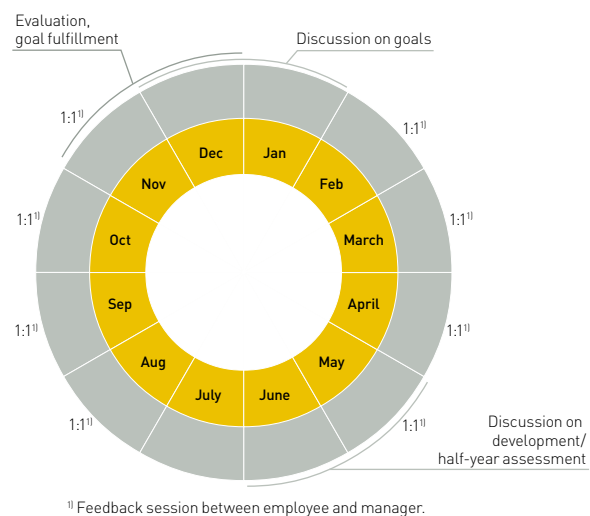
the year in order to measure leadership. Our score for pay and reasonable salaries was slightly down in this year's survey. Our ambition for pay is for our internal median to be above the industry median for each role.

TL Bygg have been using the GPTW survey for administrative employees since 2011, and for both administrative employees and skilled workers since 2016. Our long-term aim is to achieve a total index of 86 per cent. The result for 2019 was 79 per cent, which is a decrease of five percentage points on the outcome for 2018, which was 84 per cent. This decline is due mainly to the fact that a specific construction project that was having a tough time at the time of the survey, with management illness and a lack of clarity within the project leading to dissatisfaction. We are working actively to improve conditions by creating action plans and emergency plans together with our skilled workers. Some of this work began in December and will continue throughout 2020.

### STAFF DEVELOPMENT AND COMMITMENT

The key to our success is satisfied, responsible and committed employees. If employees are to feel engaged, it is important for everyone to understand what is expected of them and how their input contributes to our business. This is why we use a Performance Management process that help managers and employees focus on the right things and focus on the

### OUR PERFORMANCE MANAGEMENT PROCESS



employee's development. All of Atrium Ljungberg's employees and TL Bygg's salaried employees are involved in this process.

This process includes career development reviews, action plans and follow-ups. Each employee is given individual goals and action plans for development, performance, innovation and sustainability. This is carried out during the annual performance reviews and the follow-up twice a year. Atrium Ljungberg employees also have at least eight regular feedback sessions with their managers each year. Every year the employees evaluate their managers and this feedback is used to develop leadership. TL Bygg also holds annual career performance reviews with all of its skilled employees.

During the year courses were held on various themes, including personal efficiency and the work environment. Atrium Ljungberg's managers participate in management days every year, and this year the topic was crisis management.

We also focus on future staff and contributing to their development. We provide placements for apprentices from the vocational courses at upper secondary schools, from the KTH Royal Institute of Technology and higher vocational education programmes. We also employ summer workers within the administration organisation.

Atrium Ljungberg has not needed to make staff redundant or to take early retirement, so it has no transitional support programme.

### ZERO-TOLERANCE APPROACH TO ILLNESS AND ACCIDENTS

Atrium Ljungberg has a zero-tolerance approach to stress-related illnesses and workplace accidents. Serious health and safety risks are common in the real estate and construction industry. In the office environment, the health and safety risks are primarily related to risks that affect mental health. Injuries to hands are the most common accidents when managing properties and carrying out construction work.

We continued our health checks for all staff at Atrium Ljungberg in 2019 in order to detect ill-health. The Group offers its staff wellness funding in the form of contributions to various types of exercise, as well as other health activities such as massage in the workplace. The Wellnet health promotion platform has been used since 2013. We also have internal traffic rules for how we work with meetings, emails, telephones and Skype. During the career development reviews, a personal sustainability goal is set for each

### SICK LEAVE AND ACCIDENTS, 2019

- Sick leave amounted to 3 per cent (5%) of the total agreed number of working hours. This reduction is primarily due to the fact that a number of people who were previously on long-term sick leave have recovered and are back at work.
- There were 5 (3) work-related accidents that resulted in sick leave of one working day or more. None of them were considered to be a serious accident. They involved lifting injuries and injuries caused by falling objects at property management and TL Bygg.
- No fatalities (0) occurred within the Group or at any of Atrium Ljungberg's building sites.

See note H.9 for definitions and more information about sick leave and accidents.

individual. Atrium Ljungberg's employees are also offered voluntary health insurance that provides access to specialist care, online doctors and conversational support.

Regular work environment courses are run for project managers, technical administrators and salaried employees in production at TL Bygg in order to prevent workplace accidents. A work environment committee meets four times per year. There are order and safety rules at each workplace, safety officers are appointed and safety rounds are carried out. It is important to continue to focus on preventive safety work.

TL Bygg's management system is certified in accordance with BF9K, which is a management and product certification system that sets requirements for quality, the environment and the work environment. It works in the same way as an ISO certification, but the system has been directly adapted for the construction industry. TL Bygg has been certified since 2002 and works actively to reduce its environmental impact. It also has rules and procedures in place to ensure that every employee has a good work environment. Every year a third party audit is carried out: in 2019 this was performed by Det Norske Veritas.

BUSINESS ETHICS

# BUSINESS ETHICS AND HUMAN RIGHTS

**Atrium Ljungberg want to be a long-term and reliable partner in all of its relationships. We work proactively, both in-house and with our suppliers, to counter the risks of bribery, corruption and human rights breaches that may occur in the industry.**

Atrium Ljungberg regularly analyses its business with regard to risks of corruption and human rights breaches. The biggest risks within the real estate and construction industry, concern particularly bribes and gifts, special prices for friends when leasing, hiring illegal workers with poor working conditions, labour migration and tax evasion. We use sound business practices and work actively with business ethics among our employees and imposes requirements on suppliers and subcontractors.

## EMPLOYEE CODE OF CONDUCT

Our values – long-termism, collaboration, reliability and innovative thinking – form the basis of everything we do at the company. Employees must act in an honest way and with care, commitment and integrity to business partners and other employees.

Our business ethics policy is also our code of conduct and applies to all employees and temporary employees. We also have guidelines in place for entertainment, gifts and benefits that provides more concrete guidance for the employees, as well as a training package with ethical dilemmas that has been used in courses with all employees since 2017. We provide induction training for new employees and temporary employees as well, where business ethics plays an important role.

## FACTS ABOUT OUR SUPPLIERS

Atrium Ljungberg plays an active role throughout the entire value chain – from acquiring land at an early stage of the areas' urban planning, to conducting a sustainable process through development, construction, management, and at the final stage, demolition and recycling. The company is therefore a major buyer and client with 1,100 different suppliers of goods and services. Our subsidiary TL Bygg engaged around 760 suppliers in 2019. There were no significant changes to the supply chain during the year.

TL Bygg has its own business ethics and purchasing policy and has signed and supports the Swedish Construction Federation's Code of Conduct and applies the Swedish Anti-Corruption Institute's Code of Business Conduct. They are also certified in accordance with the management and product certification system BF9K.

## WHISTLEBLOWER FUNCTION

Atrium Ljungberg has a whistleblower function that enables people to report suspicions of corruption and other crimes or policy deviations anonymously. Both staff and partners can use the function, which is provided by an external supplier. Reports received are dealt with by a steering committee for the whistleblower function, which is headed by the company's Corporate lawyer.

There were no reports via the whistleblower function in 2019 and no cases of corruption were discovered.

## SUPPLIER CODE OF CONDUCT

Our suppliers are seen as an extension of our own operations. Our supplier policy is our Supplier Code of Conduct. It is based on the Swedish Property Federation's Code of Conduct, which sets out the minimum requirements that we impose on the entire supply chain. It covers issues like business

### The major purchasing categories:

- Building and construction services such as carpenters, electricians and panel beaters
- Construction materials
- Energy, primarily electricity and district heating
- Operation and maintenance services such as cleaning and security
- Consultancy services such as architects, project managers and administrative support

## HUMAN RIGHTS

We support the Global Compact and require both our employees and our suppliers to support and respect its 10 principles:

1. Support and respect the protection of internationally proclaimed human rights
2. Do not be complicit in human right abuses
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Eliminate all forms of forced and compulsory labour
5. Effectively abolish child labour
6. Eliminate discrimination in respect of employment and occupation
7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies
10. Work against corruption in all its forms, including extortion and bribery

ethics, the environment, climate, work environment, working conditions and human rights. The supplier policy was revised in 2019 and now contains more precise requirements in respect of matters such as carbon dioxide emissions, renewable energy, waste disposal, and requirements indicating that buses or trains must be used for travel. The new requirements will drive change and make it easier to monitor our suppliers. The revised supplier policy is being used for all new suppliers and being implemented gradually for existing suppliers. See note H.12 for more information.

## GOVERNANCE AND CONTROL OF SUPPLIERS

When agreements are signed, the supplier must sign the supplier policy, which is added as an appendix to the agreement. We monitor new suppliers by evaluating to see whether our supplier policy has been signed. A total of 150 of 188 new suppliers signed the supplier policy in 2019. In addition, we, or a third party, perform audits of selected suppliers every year. 19 audits of existing framework agreement customers took place during the year, and

## BUSINESS ETHICS

this year we focused on construction contractors. No serious infringements were identified.

Suppliers within cleaning, demolition and snow removal from roofs are examples of industries where there are risks of infringements. If serious infringements are discovered, this will result in the agreement being terminated.

Some purchases are made directly in the construction projects and as part of the property management and are not procured centrally through framework agreements. The project manager is responsible for ensuring that the suppliers read and understand the supplier policy.

TL Bygg requires its suppliers to comply with the Swedish Construction Federation's Code of Conduct, and they are also required to hold certification according to the certification system BF9K in respect of quality, environment and the work environment. This is equivalent to the ISO standards. In 2019, the company carried out a review of the processes for purchasing and supplier audits. This review resulted in production of a self-rating questionnaire, and this will start to be used by suppliers in January 2020. A supplier policy is also being produced that contains clearer requirements in respect of sustainability. TL Bygg's ambition is for all new and existing framework agreement customers to be reviewed on the basis of defined requirements as of 2020. There was no coordinated review of suppliers in 2019.

### OUR TAX POLICY

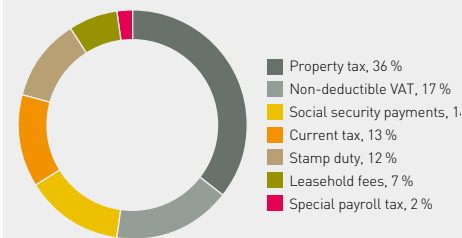
Atrium Ljungberg pays tax in Sweden, which comprises current tax, property tax, non-deductible VAT, stamp duty, social security payments and special payroll tax.

Our tax policy states that we are to be a reliable, long-term and responsible member of society that consistently complies with laws and regulations. Taxes must be checked, reported and paid correctly.

The company undertakes not to conduct aggressive tax planning. By this, we mean transactions that are not for commercial reasons, but only aim to reduce tax. The tax policy is available at al.se. Read more about tax paid in note H.10.

#### Breakdown of taxes

- The company pays SEK 477 million in various taxes, property tax being the largest of these



### INCREASED DEMANDS ON SUPPLIERS

Atrium Ljungberg's supplier policy underwent further development in 2019. It now contains more precise requirements in respect of carbon dioxide emissions, renewable energy, waste disposal and travel. TL Bygg performed a review of its work processes for purchasing and supplier audits during the year. This resulted in a new self-rating questionnaire. A new supplier policy was also produced.

### Process for governance and control of suppliers

1

**On procurement/enquiry:** Requirements are defined for the supplier. Our supplier policy must be included in the case of orders in excess of SEK 100,000.

2

**When signing the contract:** The supplier must sign our supplier policy. This will be followed up.

3

**At regular intervals during the cooperation:** Anyone can ask questions and report non-conformances if a supplier appears to be deviating from our policy. Such reports are submitted via the project manager in question or our whistleblower function.

4

**During auditing:** Around 20-30 randomly selected suppliers are audited every year in order to check social and environmental sustainability criteria.

5

#### Audit results:

- **No remarks:** ▶ The cooperation will continue
- **Minor remarks:** ▶ A discussion will be held with the supplier about how the problem could be resolved within a defined timeframe.
- **Serious remarks:** ▶ The agreement in question will be terminated if the problem is deemed to be serious.

**Feedback:** Given to the organisation prior to future procurement procedures.

PERSPECTIVES ON THE CITY OF THE FUTURE



# CITY OF TALENT

## How can vibrant city life help successful companies to attract and retain international talent?

Sweden has held a top position for many years when it comes to creativity and innovation, and it can pride itself on everything from the Swedish Music Miracle to unicorns such as Spotify, King and Klarna. Our major Swedish cities are competing with other international cities and metropolitan areas when it comes to attracting and retaining talented people. For the companies of the future to establish themselves, grow and stay in Sweden, it is important for us – as urban developers – to create the best environments for them to work in.

*“Finding and retaining talented people presents a major challenge to many growing companies. They operate on an international market and can choose any city in the world to work in. For talented young people, the amenities available in the city outside working hours are important. Vibrant cities with lots of content are high on these people’s lists,”* says Linus Kjellberg, business area manager for business development at Atrium Ljungberg.

In Slakthusområdet in southern Stockholm, Atrium Ljungberg is working together with the City of Stockholm and other property owners in the area to create precisely this kind of “talent city”, with vibrant city life going on 24 hours a day. We can turn Slakthusområdet into precisely the kind of competitive city district that companies’ talented staff are looking for by building a culture and experiences cluster. Creative city districts and cities are very frequently both innovative and entrepreneurially strong.

Slakthusområdet has already a strong urban culture. This was further reinforced in December 2019 with the opening



“  
For talented young people, the amenities available in the city outside working hours are important

Linus Kjellberg, Business Area Manager for Business Development

of the new Fällan culture arena.

Fällan is a cooperation with Kulturarenor AB, the business that spent five years running a similar operation at Nobelberget in Sickla. The premises have capacity for a combined total of 2,300 guests on two stages and serve as a year-round venue for concerts, clubs, mini festivals, art projects and other events. At the same time, we are also planning to work together on a summer stage at the nearby Förbindelsehallen, with enough capacity for audiences of up to 3,500 people. Förbindelsehallen was used for a number of cultural events as early as summer 2019, such as Parkteatern and the closing party for the Brilliant Minds tech and innovation conference.

As Atrium Ljungberg has had the opportunity to get very involved in the development of Slakthusområdet, we have the opportunity to make room for players of different

types, whose enterprises combine to create a dynamic urban environment. By doing this, we can ensure that content is available that benefits the city district as a whole and that people want, and in turn these features will encourage established companies to set up in this city district.

*“It is easy to focus only on clubs that stay open all night when holding these discussions. But rich culture involves so much more than just that. In this area, we are providing plenty of space for a series of restaurants and building on the food history of the locality. Theatres, film, dance, e-sport, conferences and events are also planned. For a city district to be vibrant, it may also involve creating facilities so that people can eat or shop round the clock. We also want to be able to use premises*

## PERSPECTIVES ON THE CITY OF THE FUTURE

*throughout much of the day – clubs do not need to be closed during the daytime, they can be used for other things,”* says Linus.

The problems with being able to offer long-term or short-term homes to the skilled people required is a challenge shared by many companies in Sweden’s major cities. In addition to the traditional types of homes and accommodation such as rental dwellings, tenant-owned dwellings and hotels, we are therefore seeing increased demand into other, new types of housing such as co-living and long stay. These types of accommodation are able to offer more flexible and agile solutions for employees while also adding a social dimension and a network for recent arrivals or people who will only be living in a place for a limited time.

Invest Stockholm is the city’s official trade organisation and is working to ensure that Stockholm offers the best possible conditions for existing companies to grow and new companies to launch and establish a foothold in Stockholm. Anna Gissler, CEO at Invest Stockholm, explains that they are currently working on a report about attracting talented workers, which states that there are challenges other than just a lack of accommodation.

*“We have just completed a number of interviews with talented people in a talent attraction report, and it turns out that the issue of accommodation is not the biggest problem quite as frequently as we think. In some cases, the slowness of public bodies with regard to personal ID numbers, which in turn means that talented people who come here are unable to get themselves bank cards or gym cards, is a major problem. In the City of Stockholm, we are trying to use interviews and analyses to identify the biggest challenges and then work with them in a structured fashion, but problems are relatively frequently at a national level. In that case, we attempt to hold discussions and escalate the issue,”* says Anna.

There is a great deal of international interest in establishing a presence in Sweden in Stockholm, and Invest Stockholm reckons there are a number of reasons for this.

*“There are a number of factors jostling for the slot of ‘most important’ when companies establish themselves in Stockholm. The first is all the talented people, all the knowledge concen-*



Appearance at Föbindelsehallen

*trated here – the skills base. The fact that Stockholm is in third place worldwide as regards the ecosystem for start-ups, with technology maturity and the fact that we have the world’s biggest open fibre network, which means that people can sit and work and program anywhere in Stockholm. It is easy for companies to establish a presence here, not least because of our ‘Stockholm DNA’, Free, Trustworthy and Visionary. There is an openness to new ideas, people can rely on us, and it is easy to do business with us. Moreover, we adopt a visionary and innovative approach to most of the things we do, which means that we drive development globally in many sectors. We are a city where sustainability and equal opportunities issues are strong, and we are even global leaders to an extent. For some years now, talented people have been moving to Stockholm not because a certain company was here, but because they like Stockholm and everything it has to offer,”* says Anna. ■

## ABOUT INVEST STOCKHOLM

Invest Stockholm is the city’s official trade organisation and works to attract talent, investments and establishments, marketing and developing Stockholm as a business destination under the brand Stockholm – The Capital of Scandinavia. Invest Stockholm is a subsidiary of Stockholm Business Region and is wholly owned by the City of Stockholm. Marketing company Visit Stockholm is also part of the company.

# MARKET OVERVIEW AND PROPERTY PORTFOLIO





THE TRANSACTION MARKET

# LOW INTEREST RATES AND GOOD ACCESS TO CAPITAL CONTINUING TO BENEFIT THE PROPERTY MARKET

The transaction market has reported high and stable sales volumes in recent years and this trend seems to be continuing. Low interest rates combined with rising rental levels have encouraged a strong interest in property investments.

**TRANSACTION MARKET 2019**

The Swedish property market continued to demonstrate its strength in 2019 after several years of record interest in investing in properties. Properties totalling a value of around SEK 219 billion were sold, representing an increase of 35 per cent compared with the previous year.

The 2019 transaction market was dominated by portfolio sales as no fewer than 62 per cent of total turnover was made up of portfolio transactions. It is worth knowing that no fewer than 43 transactions have exceeded SEK 1 billion in underlying property value, which is one reason for the

average transaction price reaching a record level of SEK 384 million per transaction.

**INTERNATIONAL INVESTORS STILL ACTIVE**

International investors have been active throughout the year, standing responsible for 35 per cent of total capital invested – the highest level ever. International buyers have been active in all subsegments and many geographical markets. 2019 is the third consecutive year in which international investors were net buyers on the Swedish property market.

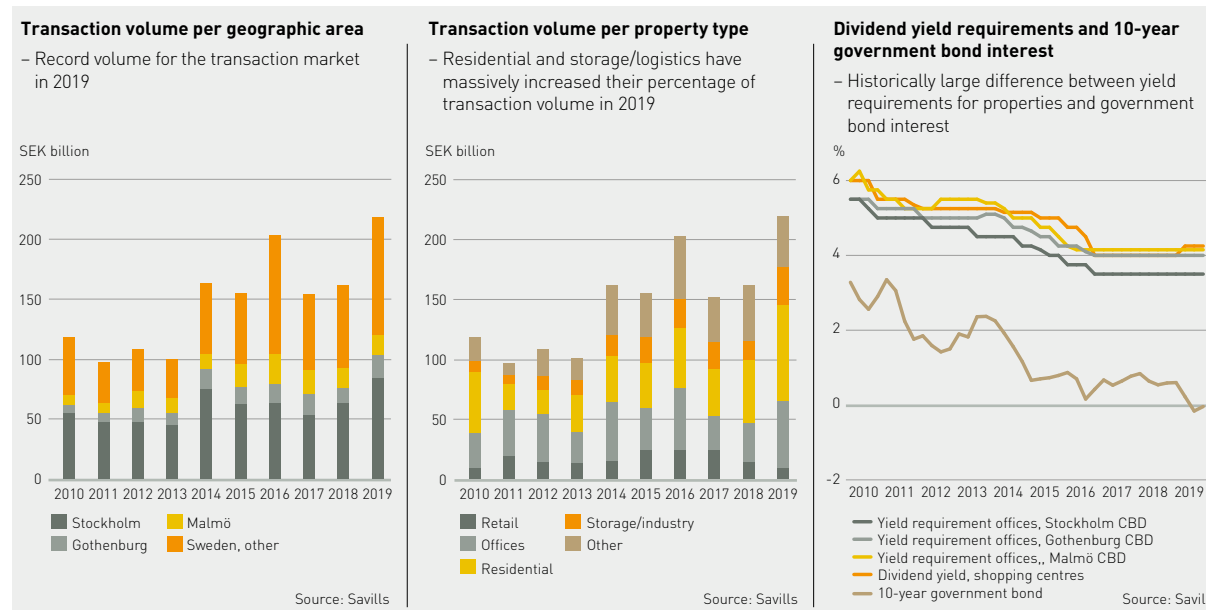
**INCREASED INTEREST IN STORAGE AND LOGISTICS**

In terms of sales, residential units are the largest segment, with a sales volume of approximately SEK 80 billion, which is SEK 28 billion higher than the previous record listing in 2018. Office properties were the second biggest segment, equivalent to 25 per cent. Interest in investing in warehouses and logistics properties has been growing in recent years, and this segment accounted for a record listing in 2019 with a transaction volume share of 15 per cent.

**CONDITIONS FOR 2020**

Interest rates on government bonds both in Sweden and elsewhere have fallen in 2019. The expansive monetary policy pursued by the Riksbank in Sweden, with a very low repo rate and purchase of government bonds, has forced down interest rates in the Swedish economy. The falling interest rates on state securities and bonds and the combination of continued good access to capital and low financing costs have benefited the property market in 2019.

At the end of December 2019, the Riksbank increased the repo rate to 0.0 per cent after holding it at a negative level for almost 5 years. The fact that the interest rate is still low, while the Riksbank will be continuing its extensive purchasing of government bonds, is creating a continued expansive monetary policy. The cautious changing in interest rate climate will probably have no major impact on transaction volumes, and most factors seem to indicate that properties will remain an attractive asset type in 2020.



OFFICE MARKET

# STRONG OFFICE MARKET DRIVEN BY GROWTH AND LOW VACANCY LEVELS

Atrium Ljungberg’s office properties are situated in Stockholm, Gothenburg, Malmö and Uppsala, where we have seen strong positive rental trends and record low vacancies. Moreover, these cities are predicted to continue to have good future prospects for growth with regard to offices.

### STRONG DEMAND FOR OFFICE SPACE

Like the development on the pan-European market, office properties are one of the segments with the most positive trends on the Swedish property market throughout the year. The office segment is driven by strong foundations that are based on an effective labour market and strong growth among companies. According to Oxford Economics, office-based appointments will grow by an average of 1.8 per cent in Stockholm, 1.6 per cent in Gothenburg and 1.5 per cent in Malmö per year over the next five years. This means that all 3 of Sweden’s major cities are on the top 10 list of European cities with the best future prospects in terms of growth with regard to office-based jobs.

### INCREASED DEMAND FOR FLEXIBILITY

Demand for flexible office solutions has grown over the last few years, driven to an extent by the low vacancy rate and the rapidly changing needs of new companies. Co-working operators have continued to take market shares as a result, although the rate of expansion has declined slightly in 2019. In central Stockholm, around 6 per cent of offices available at present are co-working spaces. To meet the increased demand for flexible office solutions, a number of property owners have started developing and offering their own concepts to tenants who demand flexibility and offices that are ready to move into.

### STOCKHOLM

The vacancy level in central Stockholm fluctuated around 3 per cent throughout the year, which has continued to exert upward pressure on rent levels even though rental growth in the central parts has evened out. The enormous competition for vacant premises in the city centre has helped to bring about positive rental trends throughout the year in secondary submarkets in and around the city.

### GOTHENBURG

The vacancy level in central Gothenburg was below 3 per cent at the end of the year. The leasing rate remains high, and there is great demand for premises in the central parts. Lindholmen has become more attractive as a result, and in a number of cases it is possible to match rent levels with the city centre. The next few years will be characterised by large project volumes as a number of construction projects will be completed between 2021 and 2023.

### MALMÖ

Vacancy levels in central Malmö have fluctuated around 7 per cent in 2019. The vacancy level in Malmö is relatively high compared with Stockholm and Gothenburg, and this can be explained in part by several years of high volumes of new builds, some of which were built entirely or partly on the basis of speculation.

### UPPSALA

In central Uppsala, the vacancy level has fluctuated between 5 and 6 per cent throughout the year. There has been a strong trend in the rental market, with annual growth of around ten per cent for three consecutive years.

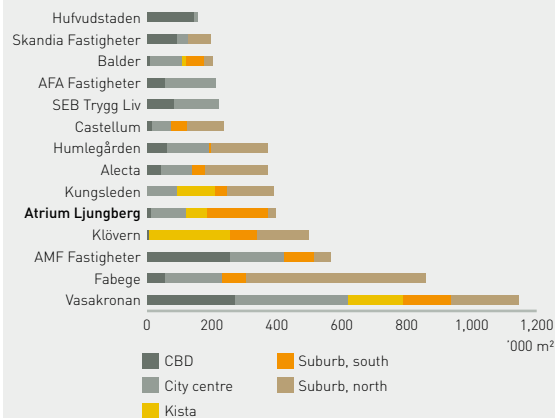
### Atrium Ljungberg’s market shares in subsidiary markets, Office

Subsidiary markets	Office space, '000 m <sup>2</sup>	Share Atrium Ljungberg
<b>Stockholm</b>		
CBD (Central Business District)	1,775	1 %
Inner city	3,996	3 %
Inner suburbs, north	2,916	1 %
Inner suburbs, south	835	15 %
Kista	896	7 %
<b>Gothenburg</b>		
Lindholmen	268	25 %
<b>Malmö</b>		
City centre, incl. CBD	849	3 %

Source: Savills and Strateg Fastighetskonsult

### Letting area for office space in Stockholm

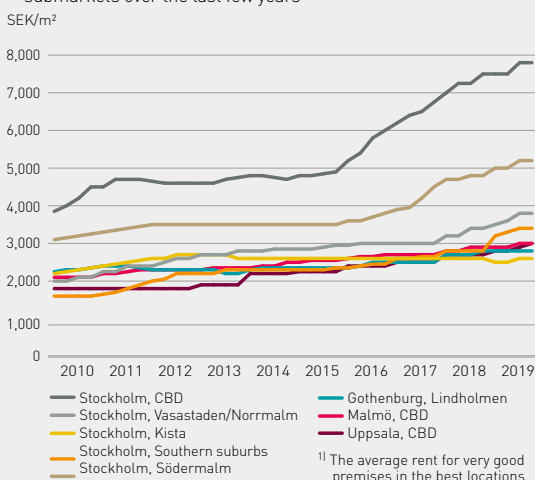
– Atrium Ljungberg is the fifth largest office property owner in Stockholm



Source: Savills

### Rental trends in Stockholm, Gothenburg, Malmö and Uppsala <sup>1)</sup>

– Strong increase of market rent of most Atrium Ljungberg’s submarkets over the last few years



<sup>1)</sup> The average rent for very good premises in the best locations.  
Source: Savills

RETAIL SECTOR

# RETAIL SECTOR GROWTH FOR THE 23RD CONSECUTIVE YEAR

Retail has reported 23 years of growth in a row and has benefited from population growth, low unemployment and a continued low interest rate. E-commerce is continuing to demonstrate high levels of growth, and together with sustainability this involves some of the industry’s most important issues in the long term.

### RETAIL SECTOR 2019

Retail turnover grew by 3.5 per cent at current prices in 2019. As a result, 2019 was another year to add to the list of 22 years in which the retail sector has demonstrated sales growth.

Both the FMCG sector and consumer durables demonstrated good growth, with development of 3.6 and 3.4 per cent respectively. The FMCG trade is still driven by price increases. In the consumer durables market, the home furnishings and furniture trade helped to bring about positive development for the industry as a whole. The clothing trade remains weak, and in particular shops selling footwear and bags demonstrated negative turnover trends during the year.

### INCREASE IN SALES AT OUR RETAIL HUBS

The total sales at our four regional retail hubs, Farsta Centrum, Gränbystaden, Mobilia and Sickla, reported a combined increase of 3.3 per cent (1.1 %) compared with the previous year.

### HIGH GROWTH CONTINUING IN E-COMMERCE

The growth rate in e-commerce has been high for a number of years, but it stalled slightly in 2019. A total of almost SEK 10 billion was brought into Swedish e-commerce, equivalent to 13 per cent (15 %). Hence e-commerce accounted for 55 per cent of total growth in the consumer durables trade; a decline on the previous year, where it was responsible for more than 100 per cent of the growth.

The market share for e-commerce stands at 11 per cent of the total retail trade in Sweden. The FMCG trade, which at around half the turnover is the biggest retail industry, still has an e-commerce share of just 2 per cent, but growth has started to pick up and totalled no less than 22 per cent in 2019. As the retail trade is the least digitised subindustry in retail, continued strong growth is anticipated over the next few years.

As the opposite to digital sales, the discount trade in physical stores is increasing enormously. In this segment, existing players have not really managed as yet to crack the formula that will help them reach out to price-sensitive online consumers as effectively as they do in physical stores.

### RETAIL YEAR 2020

HUI Research predicts continued stable retail growth in 2020 and is forecasting a 3.0 per cent increase for the industry. E-commerce is also expected to continue to grow, albeit with a declining growth rate of around 11 per cent.

### SUSTAINABLE CONSUMPTION TRENDS GRADUALLY CHANGING THE INDUSTRY

Over the last few years, climate change debate has helped to sharpen focus on sustainable consumption. Demands for retailers to take greater responsibility for the manufacturing process for the products sold have become louder. Almost 4 in every 5 consumers say that buying from sustainable companies is important. However, price and quality are still ranked highest among Swedish consumers. Hence the shift to completely value-governed consumption, where sustainability is a hygiene factor, is still some way off. However, this direction indicates that sustainability is and will remain one of the most important issues for retail.

### Atrium Ljungberg’s market shares in subsidiary markets, Retail

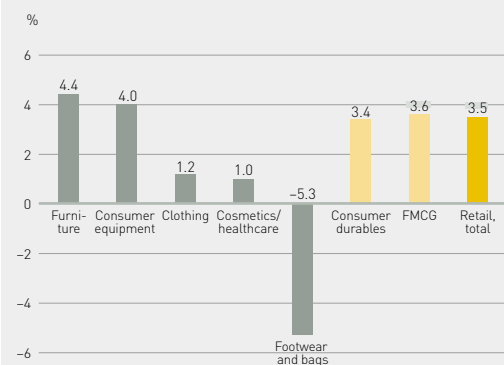
Municipality	Sales municipality, SEK m <sup>11</sup>	Share Atrium Ljungberg
Stockholm	71,531	3 %
Nacka	7,357	43 %
Uppsala	15,847	21 %
Malmö	25,287	7 %

<sup>11</sup> Refers to sales per municipality, 2018.

Source: HUI Research

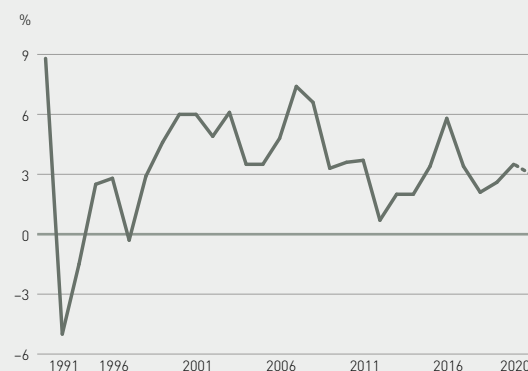
**Retail sector development per submarket in 2019, current prices**

– Varying growth in the consumer durables trade with strong growth for furnishings and home furnishings, while fashion is still struggling



**Retail sector development and forecast for 1991–2020, current prices**

– Positive growth in the retail sector every year since 1997



Source: HUI Research<sup>11</sup>

<sup>11</sup> The figures from HUI Research could potentially be updated.

RESIDENTIAL MARKET

# RECOVERY ON THE RESIDENTIAL MARKET

**Our residential development rights and existing rental properties are situated in Stockholm, Malmö and Uppsala. The residential market has stabilised further in 2019, with housing prices cautiously rising and a reduced supply of new builds.**

**POSITIVE DEVELOPMENT ON THE TENANT-OWNED UNITS MARKET FOR NEW BUILDS**

The prices of tenant-owned dwellings has increased gradually on all Atrium Ljungberg’s submarkets in 2019. Basic factors such as population growth, urbanisation, economic growth and low interest rates are resulting in strong demand for residential units. The number of new apartment blocks on which construction commenced has declined in 2019, and the number of planning permissions granted indicates that the construction rate will remain the same in 2020. However, a high number of apartment blocks were completed in 2019. The supply of new builds has declined, primarily in Uppsala and Stockholm. The supply of apartments on the secondary market remains high and is equivalent to the last

few years. More customers are now buying newly constructed apartments closer to the time of completion, which is leading to slower sales cycles.

**STOCKHOLM**

The prices of tenant-owned dwellings in Stockholm have increased in 2019. The credit restrictions introduced in 2018 have had a major impact on a number of customer segments in the Stockholm region. The turnover rate on the secondary market has been high, while the supply of newly built apartments has declined. Over the past year a clear reduction has continued in terms of both the number of rental and tenant-owned dwellings that had started to be built and in the number of building permit applications.

Population growth in the Stockholm region is continuing, and the population is increasing by around 35,000 people, or 1.5 per cent, every year.

The Stockholm Housing Agency’s (Bostadsförmedlingen) queue grew by around 40,000 people over the year to around 675,000. Waiting times for mediated new apartments are indicating continued strong demand, with waiting times in excess of 8 years on average; the same as in 2018.

**MALMÖ**

The prices of tenant-owned dwellings in Malmö has risen throughout much of 2019, and in percentage terms Malmö’s prices have undergone the most positive development among all the metropolitan regions. The number of new apartment blocks on which construction has commenced has declined sharply.

The population in the Malmö region (Skåne) grew by around 17,000 people over the year, equivalent to 1.2 per cent.

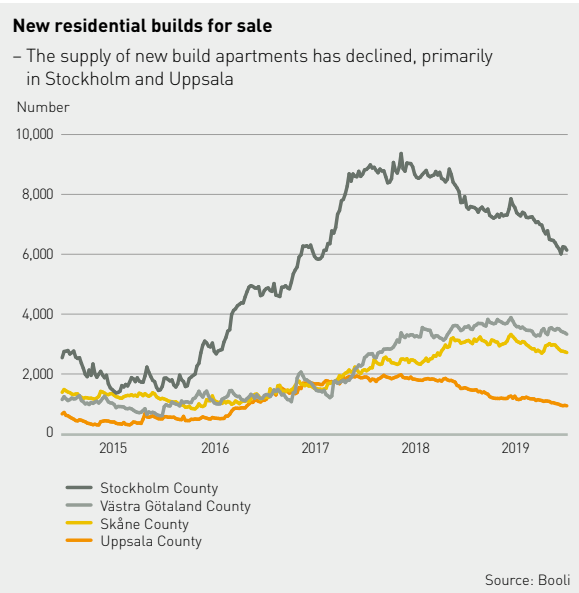
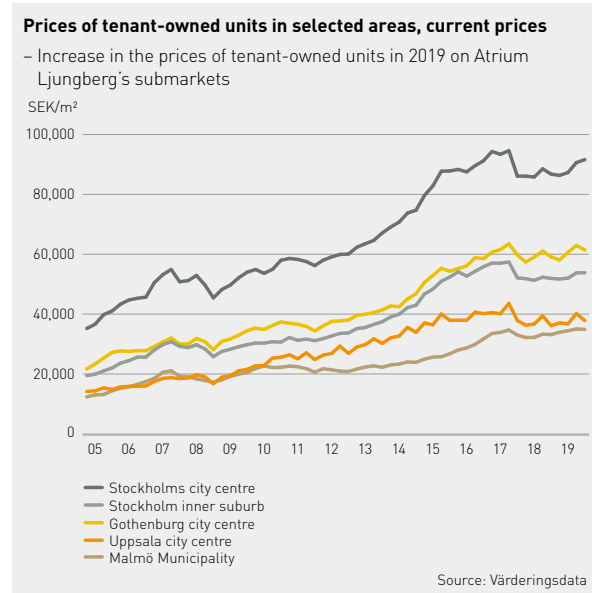
The waiting times for mediated new apartments are showing stable demand for newly built rental dwellings. The average waiting time for a lease for a new build apartment remained at 2 years.

**UPPSALA**

The prices of tenant-owned dwellings in Uppsala have remained stable in 2019. There is a strong supply for the housing market in Uppsala, but the supply of new build tenant-owned dwellings is declining sharply. The high rate of new builds is affecting the market and in recent years many new residential builds have been completed in Uppsala. Uppsala is experiencing the same kind of decline in the number of new buildings that are starting to be built, but the number of new tenant-owned units that have started to be built has decreased further.

The Uppsala region is growing more quickly than the three metropolitan regions, with a population growth rate of around 8,000 people per year, equivalent to 2.1 per cent. Growth in the Uppsala region is primarily a result of a strong net domestic figure for people moving to the area.

The waiting times for mediated new apartments are showing continued demand for newly built rental dwellings. The average waiting time for a lease for a new build apartment fell from 4 years to 3.5 years.



# OUR PROPERTY PORTFOLIO IN FIGURES

Atrium Ljungberg's property portfolio is made up of high-quality office and retail properties concentrated in central locations in the growth regions of Stockholm, Gothenburg, Malmö and Uppsala, and is valued at a total of SEK 49 billion.

## PROPERTY PORTFOLIO

The property portfolio contains a total of 70 properties with a total letting area of 1,176,000 m<sup>2</sup>.

During the year, possession has been completed for 14 properties with leaseholds in the Slakthusområdet in Stockholm. Possession has also been taken of the property Barkarby 2:64, the land for the Bas Barkarby project in Järfälla. Over the period, title deed costs were also paid for the acquisition of Molekylen 1, which is the land for the Life City project in Hagastaden.

During the year the leaseholds Kolding 1 and Kolding 2 in Kista, were vacated.

### Properties acquired

Property	Area	Category	Letting area, m <sup>2</sup>	Possession	Acquisition values, SEK m
14 properties	Slakthusområdet	Industry/offices/retail	51,000	June 2019	1,127
Barkarby 2:64	Barkarby	Land for offices	-	May 2019	16

### Sold properties

Property	Area	Category	Letting area, m <sup>2</sup>	Date vacated	Underlying property value, SEK m
Kolding 1 & 2	Ärvinge, Kista	Apartments	42,612	Sep 2019	1,100

## Property portfolio (excluding Right-of-use assets, leasehold rights)

Property type	Letting area, '000 m <sup>2</sup>		Fair value, SEK m		Fair value, SEK/m <sup>2</sup> <sup>11</sup>		Operating surplus margin, %	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	2019	2018
Office properties	650	654	24,264	22,517	47,495	43,893	72	71
Retail properties	390	321	16,260	14,297	50,559	51,672	62	65
Residential properties	40	81	1,031	1,768	31,407	25,502	63	63
<b>Business area Property</b>	<b>1,080</b>	<b>1,055</b>	<b>41,555</b>	<b>38,582</b>	<b>48,024</b>	<b>44,914</b>	<b>67</b>	<b>69</b>
Project properties	88	68	5,534	3,851	E/T <sup>21</sup>	E/T <sup>21</sup>	68	61
Land and development rights	-	-	423	877	-	-	-	-
<b>Total Investment properties</b>	<b>1,168</b>	<b>1,123</b>	<b>47,513</b>	<b>43,310</b>			<b>67</b>	<b>68</b>
Development properties	8	6	997	890			51	63
<b>Property portfolio, total</b>	<b>1,176</b>	<b>1,129</b>	<b>48,509</b>	<b>44,200</b>			<b>67</b>	<b>68</b>
Properties sold	-	-	-	-			64	71
<b>Total Group <sup>31</sup></b>	<b>1,176</b>	<b>1,129</b>	<b>48,509</b>	<b>44,200</b>			<b>67</b>	<b>68</b>

<sup>11</sup> Square metres excluding garage.

<sup>21</sup> Letting area for new builds is not reported until the project is completed and the figures therefore do not accurately represent the actual situation.

<sup>31</sup> Excluding Right-of-use assets, leasehold rights.

## PROPERTY VALUE

The market value of the property portfolio at the end of the year totalled SEK 48,509 million (SEK 44,201 m). The average dividend yield requirement in the valuation was 4.5 per cent (4.6%). Development rights and land account for SEK 423 million (877 SEK m); see pages 47–55 for further information about our projects.

Unrealised changes in the value of properties during the year totalled SEK 2,283 million (SEK 2,516 m). This change in value is mainly explained by lower yield requirements, primarily for offices, and higher operating nets.

Read more about the valuation in note T.1.

## Change in the property portfolio (excluding Right-of-use assets, leasehold rights)

	2019	2018
<b>Investment properties</b>		
Fair value at the start of the period	43,310	39,991
Acquisitions (after deduction of deferred tax)	1,174	1,727
Sales	-1,031	-2,662
Investments in held properties	1,704	1,738
Unrealised changes in value	2,283	2,516
Other	73	-
<b>Fair value at the end of the period</b>	<b>47,513</b>	<b>43,310</b>
<b>Development properties</b>		
At beginning of period	891	870
Investments in tenant-owned dwelling projects	106	21
<b>Development properties, at period end</b>	<b>997</b>	<b>891</b>
<b>Property portfolio, total <sup>11</sup></b>	<b>48,509</b>	<b>44,200</b>

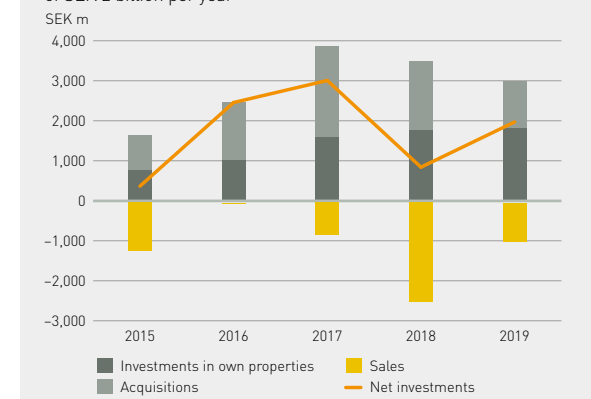
<sup>11</sup> Excluding Right-of-use assets, leasehold rights

## Unrealised changes in value

	2019	2018
Change in yield requirements	1,271	487
Change in operating nets, etc.	936	2,029
Development rights	76	-
<b>Total</b>	<b>2,283</b>	<b>2,516</b>

## Investments, acquisitions and sales

- Increasing investments in own properties since a new goal in 2019 of SEK 2 billion per year



## PROPERTY VALUE

### CONTRACTED ANNUAL RENT

The contracted annual rent at the end of the year totalled SEK 2,578 million (SEK 2,483 m). The rental value, i.e. contracted annual rent and estimated market rents for vacant space, amounted to SEK 2,775 million (SEK 2,637 m). This gives an economic letting rate including project properties of 93 per cent (95 %) and excluding project properties of 94 per cent (95 %). The EPRA vacancy rate is therefore 6 per cent (5 %). The higher vacancy rate is explained, among other things, by two projects (Sickla Front II and Gränby Entré, building 3) being completed, but not yet being fully let, and a couple of properties in Slussen and Sickla being prepared for reconstruction projects.

Calculated on letting area, excluding garage, the letting rate was 88 per cent (90 %).

### CONTRACT PORTFOLIO

The commercial lease contract portfolio, i.e. all lease contracts excluding residential and garage/parking, is well-diversified and comprises 1,933 lease contracts (1,814)

with an average contracted annual rent, including surcharges, of SEK 1.3 million (SEK 1.4 m). The average remaining term of the contracts at the year-end was 3.4 years (4.0 years). In 2020, 16 per cent (11 %) of the contracted annual rents will be subject to renegotiation. The ten largest tenants comprise 21 per cent (21 %) of the contracted annual rent. 9 per cent (9) of contracted annual rent is rented by the state, municipalities or county councils. 89 per cent (87) of contracted annual rent is regulated with an index clause linked to the consumer price index, or involves surcharges linked with actual costs.

Lease contracts for retail premises may contain contractual terms that mandate a minimum rent with a surcharge depending on the turnover of the shop. 1 per cent (1 %) of the total contracted annual rent comprises the estimated turnover surcharges in addition to the minimum rent.

### NET LETTING

During the year net letting amounted to SEK –82 million (SEK 144 m), of which SEK –46 million (SEK 92 m) referred to project properties. Of net letting for the year,

SEK –85 million relates to Tranbodarne 11 (Katarinahuset in Slussen), which is being vacated prior to reconstruction.

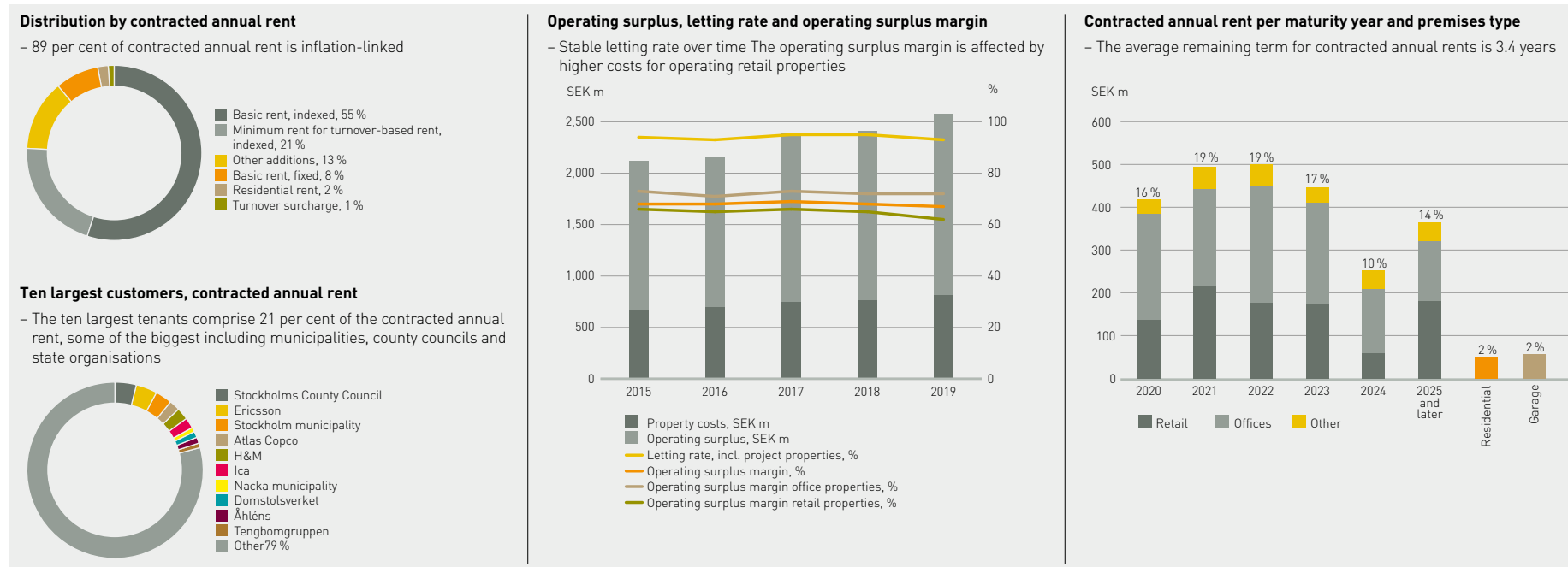
The time lag between net letting and its effect on profit is assessed to be 3–24 months.

### PROPERTY COSTS

Property costs including leasehold fees totalled SEK –844 million (SEK –764 m) during the year. The cost for like-for-like portfolio is SEK –730 million, equivalent to SEK –837/m<sup>2</sup> (SEK –806). The cost of operating retail properties in general and retail centres in particular is generally higher than for other types of commercial properties. These operating costs are, to some extent, covered by passing them on to the tenants in the form of rental surcharges.

### OPERATING SURPLUS MARGIN

The surplus ratio during the year decreased to 67 per cent (68 %) due to divested properties with relatively higher surplus ratios and an increase in property costs.



PERSPECTIVES ON THE CITY OF THE FUTURE



## A SUSTAINABLE DISTRICT CITY

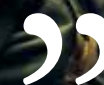
When the city grows, new demands are made of sustainable, efficient solutions for food production, transport, and other services.

Most people agree that current food production and consumption are unsustainable. New dietary habits, improved food production and reduced food wastage are a number of components required to reverse this trend. Rapid urbanisation also suppresses good cropland, and various types of urban cultivation are starting to appear all over the world.

Lill and Carl Grebing began to explore the options for growing plants in an urban environment as a result of their shared passion for cultivation, cooking and delicious flavours. This resulted in the birth of their company, Cubegreens, where lettuces, vegetables and herbs are grown hydroponically in containers. Cubegreens got in touch with Atrium Ljungberg, and the first container was sited in the middle of the **shopping district** in Sickla in the spring of 2019.

Hydroponic cultivation means that no soil is used – the plants get their nutrition directly from water. A head of lettuce needs 0.4 litres of water, compared with 13 litres when grown in the traditional way, and about eight weeks is required to grow the lettuce from seed to harvest. No soil is used to grow these crops, and no toxins or pesticides are used.

*“We face major challenges with our current food supply; food is frequently produced on a large scale and transported long distances, and then 30-50 per cent of ingredients are discarded globally. The food system we have nowadays means that people*



**The food system we have nowadays means that people have lost their links with the food we eat.**

Lill Grebing, Cubegreens

*have lost their links with the food we eat. This is something we are aiming to help change with our local, small-scale growing operation,”* says Lill.

The cultivation container in Sickla has attracted a great deal of interest, and Lill and Carl have become local celebrities in the district in just a short time.

*“The fact that we are really local is a major strength. We usually tell people that we grow our produce here, or in the district. 10–15 people an hour come and peek inside the container when we are working there,”* says Carl.

With almost 14 million visitors in 2019 and the thousands of people who live and work in Sickla, there is major potential for raising awareness and potentially changing people’s behaviour. It is hoped that more people will decide to

choose locally produced vegetables rather than buying lettuce transported long distances, in chains involving lots of individual operators.

*“Our 30 m<sup>2</sup> container, which is normally used to transport food, can be used to grow four tonnes a year – equivalent to a full supply of lettuce, herbs and cabbage for 50 families. The fact that we can grow our produce all year round is a positive, and we have the option of optimising light and heat according to what the various crops need,”* continues Carl.

Their customers include ICA Kvantum in Sickla and the Erssons and Urban Deli restaurants. Private individuals can also place orders with the Cubegreens online shop and collect their purchases at Atrium Ljungberg’s service-oriented

## PERSPECTIVES ON THE CITY OF THE FUTURE

parcel collection concept Leveriet at the Sickla Galleria. Lill and Carl also deliver directly to office tenants in Sickla, which includes staff at Atrium Ljungberg's head office.

*"Many of our customers really like having a relationship with the people who grow the food they eat. Growing this food the traditional way would have required 8,000 m<sup>2</sup> of land, and we would have had to work quite a long way away from the cities where our customers can be found. The world's population is growing, and we need to find new ways of growing food if we are to be able to feed more people,"* says Lill.

Since 2018, Atrium Ljungberg has been working in partnership with Sweden Foodtech, Sweden's leading foodtech player. Foodtech involves transformation of the global food system by means of innovation, tech and data. The organisation's office and a meeting place for foodtech entrepreneurs and start-ups are also based at Söderhallarna at Medborgarplatsen in Stockholm.

Atrium Ljungberg's ambition with the partnership is to transform Söderhallarna into a world-leading food innovation hub, but also to learn about how we can develop the sustainable city districts and meeting places of the future while focusing on food and maintaining sustainability, health and innovation, in combination with tech and data.

Atrium Ljungberg maintains a broad and long-term approach to sustainable urban development, which includes infrastructure issues such as waste disposal, water and energy supply. However, we also create green spaces – both parks and green roofs – that promote biodiversity and ecological approaches, contributing ecosystem services such as air cleaning and pollination.

This focus on sustainable city districts is something that is shared by Cubegreens. Their ambition is to create as many circular ecocycles as possible. Renewable electricity is used for their container even now. When the water needs to be changed, it is used by Sickla's gardener to water vegetation in the district, instead of releasing it to lakes and waterways. Cubegreens also perceives additional opportunities.

*"Our lights generate quite a lot of energy. What if that heat could be injected into an office building? Moreover, our plants love carbon dioxide – and nowadays this is something we get*



Hydroponic cultivation in Sickla

*from Lantmännen's ethanol production, which releases carbon dioxide. It would be interesting to explore the options for taking advantage of the carbon dioxide created by humans inside buildings instead,"* says Lill.

Cubegreens hopes that container growing will become an integral part of society in the long term. For example, Nobelberget tenant-owner associations, retirement homes or schools could become self-sufficient.

*"We are living in an uncertain world, and there is a desire for Sweden to become more self-sufficient. 75-80 per cent of all our vegetables are imported at present. If we are to be able to stand on our own two legs, we need to find smart methods and space where we can grow more for ourselves, because the demand is certainly there,"* concludes Carl. ■

#### ABOUT CUBEGREENS:

750 heads of lettuce, 390 clusters of black cabbage or 1,750 pots of basil a week can be produced over the 30 m<sup>2</sup> that is used to grow food. An area equivalent to 1.5 football pitches would be needed to achieve the same productivity by conventional means. It takes 0.4 litres of water to grow a head of salad here, compared with 13 litres at a conventional farm.



# PROJECT INVESTMENTS





Visualisation, Slakthusområdet

# PROJECT INVESTMENTS

Property development is an important aspect of Atrium Ljungberg’s future value growth. Our project portfolio will enable us to invest the equivalent of approximately SEK 28 billion in the future in confirmed and potential projects.

**THE GOAL IS TO INVEST** at least SEK 2 billion per year in our own development projects, where new build and extension projects yield a return of at least 20 per cent. This generates good value growth within the company and healthy growth in the company’s cash flows.

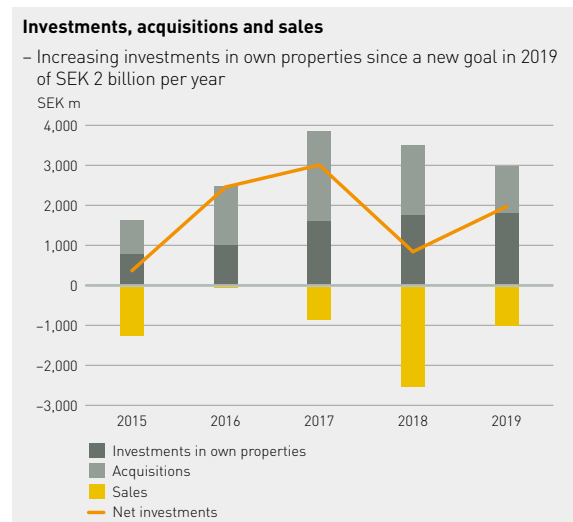
**OUR CONFIRMED PROJECTS** have a total investment volume of around SEK 6 billion, of which SEK 3 billion still remains to be invested.

**A TOTAL AREA OF 659,000 M<sup>2</sup> GFA CAN BE DEVELOPED** in potential projects, half of which relates to offices, one-third relates to residentials and the rest relates to retail/service, education and culture. The project portfolio is divided among all our areas, with Slakthusområdet, Sickla, Södermalm and Gränbystaden accounting for the majority of the projects. SEK 20 billion of a total of SEK 25 billion in potential projects is situated near to existing or future underground stations in the Stockholm area.

**USING OUR OWN EXPERTISE**, we are working at early stages to plan and create future development opportunities. The ability to complete the projects depends on the market situation and the progress made in the detailed development plans. We work with these issues on a daily basis in close collaboration with our customers, partners and municipalities. A project is not usually started until we have secured a minimum level of return in the form of signed lease contracts.

**WE ACQUIRE** properties to create value growth or to obtain strategic benefits. This pertains both to acquiring land in order to gain access to development rights for future development projects and to acquiring investment properties that have development potential.

We sell properties where we perceive no opportunity for long-term development in line with our business model and vision. Most of the properties we have sold over the last few years have been retail properties in external locations.



# CONFIRMED PROJECTS

**We have confirmed projects with a remaining investment of SEK 3 billion. We invested over SEK 1.8 billion in held properties in 2019, and in 2020 we are forecasting an increased investment rate at SEK 2.4 billion.**

During the year, investments in held properties amounted to SEK 1,810 million (SEK 1,758 m), of which SEK 1,085 million (SEK 1,216 m) was in project properties and SEK 106 million (SEK 21 m) in development properties, i.e. our tenant-owned dwelling projects. Investments in project properties related primarily to projects in Sickla, Mobilia, Barkarbystaden and Hagastaden. Other investments related mostly to adaptations of properties in Sickla, Sundbyberg, Södermalm, Liljeholmen, Malmö and Gothenburg.

The Formalinfabriken project in Sickla, covering

approximately 2,000 m<sup>2</sup> over four storeys, was completed during the year. The old industrial building used to be used as a laboratory, has now been reconstructed as modern offices.

Our confirmed projects are in Uppsala, Sickla, Barkarbystaden, Hagastaden and Malmö. In Gränbystaden in Uppsala, residential properties are being built that include commercial premises. Major transformation work is underway in Forumkvarteret in Uppsala, which includes retail and offices. A number of projects are in progress in Sickla: construction of Curanten, which will become a nursing

and healthcare destination, Tapetfabriken, which is being turned into a hotel. And on Nobelberget construction is ongoing of Nobelbergsgaraget, Panncentralen being turned into a preschool, and Brf Sicklastråket with 68 tenant-owned apartments. During the year, construction has begun for the Life City project in Hagastaden, which involves offices, and Bas Barkarby in Järfälla, mainly involving education premises. In Malmö we are building Torghuset in Mobilia, which will contain cultural activities, residential apartments and retail.

The remaining investment volume for confirmed projects amounted to approximately SEK 3.1 billion (SEK 3.8 bn) at the end of the year. It is assessed that the investment volume in held properties will reach approximately SEK 2.4 billion in 2020.



The shared kitchen in Formalinfabriken

## CONFIRMED PROJECTS

Project, property, municipality	Letting area, m <sup>2</sup>					Total invest-ments, SEK m <sup>1)</sup>	Of which remaining, SEK m	Fair value, SEK m	Rental value, SEK m <sup>2)</sup>	Letting rate, %	READ MORE ON PAGE
	Retail	Offices	Residential	Other	Parking, GFA						
<b>New builds and extensions</b>											
Curanten, Sicklaön 83:22, Nacka	1,600				9,900	530	250		40	32	51
Nobelbergsgaraget, Sicklaön 83:45, Nacka	600	100				60	30	4		-	-
Sickla Galleria phase IV, Sicklaön 83:22, Nacka	5,000					130	120	16		-	52
Tapetfabriken, Sicklaön 83:22, Nacka					10,500	440	220	E/T <sup>3)</sup>		100 <sup>4)</sup>	51
Mobilia Torghuset, Bohus 8, Malmö	3,400		3,800		5,800	540	220	31		70 <sup>5)</sup>	52
Life City, Molekyten 1, Stockholm		27,500			4,400	1,840	1,130	109		E/T <sup>3)</sup>	51
Bas Barkarby, Barkarby 2:64, Järfälla		5,000			19,300	830	680	54		E/T <sup>3)</sup>	51
Gränby Entré, building 3, Gränby 21:5, Uppsala	1,200	1,300	3,400			240	30	15		86 <sup>4)</sup>	-
Parkhusen, phase 1, Gränby 25:1, Uppsala	100		2,700			120	100	6		-	52
<b>Reconstruction</b>											
Forumkvarteret, Dragarbrunn 27:2, Uppsala	6,200	7,500	1,400		1,300	350	30	50		92	-
Formalinfabriken, Sicklaön 83:33, Nacka		2,100				60	0	4		91	-
Panncentralen, Sicklaön 83:33, Nacka					1,000	90	70	E/T <sup>3)</sup>		100	-
<b>Tenant-owned dwellings</b>											
Brf Sicklastråket, Sicklaön 83:43, Nacka			4,500			300	180		E/T	59 <sup>8)</sup>	52
<b>Total</b>	<b>18,100</b>	<b>43,500</b>	<b>15,800</b>		<b>46,500</b>	<b>5,530</b>	<b>3,060</b>	<b>3,204<sup>7)</sup></b>			

<sup>1)</sup> Including any land acquisition in connection with the project implementation, but excluding any initial values such as the market value of a demolished building.

<sup>2)</sup> Excluding premiums and any turnover surcharges.

<sup>3)</sup> Rental value/letting rate is not reported as a subtotal with regard to individual business transactions.

<sup>4)</sup> The letting rate including parking amounts to 94 per cent. Parking is let closer to completion.

<sup>5)</sup> The letting rate for commercial premises amounts to 69 per cent. The letting rate for residential units is 75 per cent.

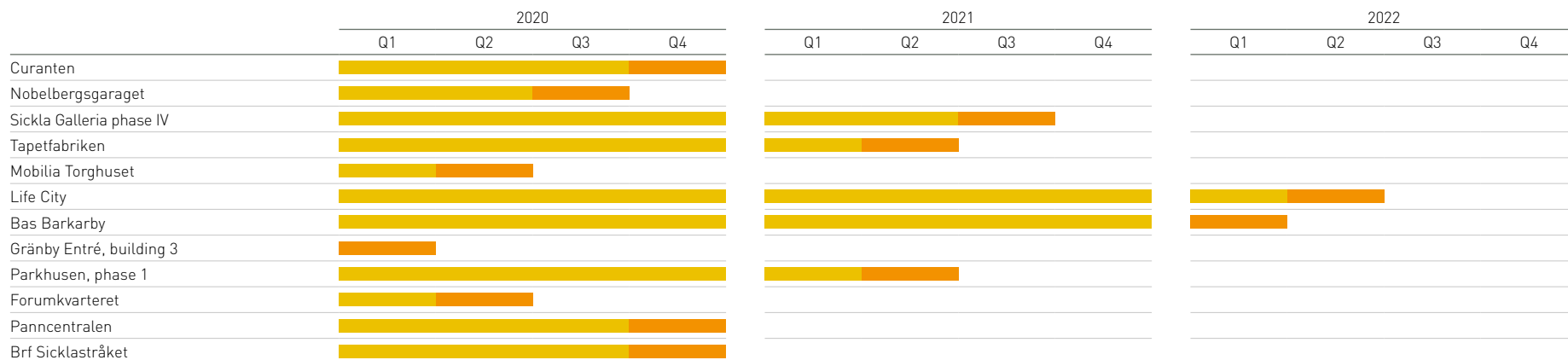
<sup>6)</sup> The letting rate for commercial premises amounts to 73 per cent. The letting rate for residential units is 100 per cent.

<sup>7)</sup> Divided into SEK 2,167 million for new building and extensions, SEK 917 million for reconstructions and SEK 120 for tenant-owned dwelling projects.

<sup>8)</sup> The percentage of apartments sold with binding contracts, percentage of number.

### Confirmed projects, schedules

■ Construction ■ Completion



CONFIRMED PROJECTS



**CURANTEN** Curanten in Sickla will be ready to move into at the end of 2020. Curanten will be a building that focuses on health: the concept involves gathering together lots of different kinds of nursing and healthcare players in a single location. This building will cover a total area of 11,500 m<sup>2</sup>, of which 8,100 m<sup>2</sup> will be used for healthcare purposes. Curanten will be home to a clinic, naprapaths, a psychologist, physiotherapy and baby swimming, and it is in a fantastic location directly next to the cross-town light rail link (Tvärbanan), the Saltsjöbanan line, bus services and the forthcoming underground.



**LIFE CITY** We are building Life City in one of Scandinavia's most visual places, passed by more than 200,000 people every day. This building will be the obvious choice of meeting place for everyone working in life sciences in Hagastaden. Life City will have a total letting area of 27,500 m<sup>2</sup> and will be ready for the first tenants to move into in December 2021. The entire building is planned for completion in the spring of 2022.



**HOTELL TAPETFABRIKEN** We are building the new hotel Clarion Collection Tapetfabriken at Marcusplatsen, in the heart of Sickla. The hotel will have 220 hotel rooms and a 2,000 m<sup>2</sup> lobby, restaurants and conference premises. The hotel covers a total area of 10,500 m<sup>2</sup> and will be opening in spring 2021.



**BAS BARKARBY** The development of Barkarby-staden is providing trade and industry, society, universities and colleges with a unique opportunity to work together on innovation and new technology. Bas Barkarby will be a central location directly adjacent to the new public transport hub with its underground, commuter rail services and long-distance rail services, as well as the freeway E18.

## CONFIRMED PROJECTS



**PARKHUSEN IN GRÄNBYSTADEN** Early 2020 heralds the start of construction for the first phase of Parkhusen in Gränbystaden, Uppsala. Here, we are planning to have 44 rental apartments with a commercial premises on the ground floor. Completion of the building is expected to take place in the second quarter of 2021.



**TENANT-OWNED DWELLINGS AT NOBELBERGET** We are planning for 500 apartments, creative offices, cultural activities, a park area and a preschool at Nobelberget in Sickla. The first residential block includes 68 apartments and is expected to be completed at the end of 2020.



**MOBILIA** In Mobilia in Malmö we are building Torghuset, which will contain 74 apartments, a modern cinema and Funnys Äventyr, which is a cultural building for children focusing on learning, reading and play. Torghuset will open in the autumn of 2020.



**SICKLA GALLERIA PHASE IV** We have started work on an extension project in Sickla Galleria which will accommodate a car park over two levels offering around 220 parking spaces and approximately 3,000 m<sup>2</sup> of new retail space. The parking garage will provide the parking spaces needed for the Curanten and Stationshuset projects and will be completed in autumn 2021.

# POTENTIAL PROJECTS

Besides confirmed projects, our project portfolio is facilitating future investments of approximately SEK 25 billion, which includes potential land acquisitions in the event of land allocations.

In terms of area, half of the project portfolio comprises offices, one-third residentials, while the remainder is retail/service, education and culture. The project portfolio is divided among all our areas, with Slakthusområdet, Sickla, Gränbystaden and Södermalm accounting for the majority of the projects. SEK 20 billion in projects is situated near to existing or future underground stations in the Stockholm area. Detailed development plans that has gained final approval are available for around 30 per cent of our planned project areas.

The rate at which we can complete the projects depends on the market situation and the progress made in the detailed development plan process. Projects are not normally started until we have secured a minimum level of return in the form of signed lease contracts.

## POTENTIAL PROJECT STARTS 2020-2021

In **Sickla**, sales are in progress of the first tenant-owned apartments of a total of 500 at Nobelberget. The launch of phase two relating to almost 60 tenant-owned apartments with ground floor premises is planned for 2020. The development of the remaining apartments will be carried out gradually depending on market demand. At Nobelberget, we are creating an attractive and dense urban environment with residentials as well as office premises and cultural activities.

We have a development right for approximately 7,500 m<sup>2</sup> GFA at Sickla

### Potential projects

	Municipality	Premises type <sup>1)</sup>	Project area, m <sup>2</sup> , GFA		Potential investment, SEK 2 m)	READ MORE ON PAGE
			Detailed development plan exists	Change to detailed development plan required		
Barkarby	Järfälla	Offices	20,000			-
Lindholmen	Gothenburg	Offices		35,000		55
Hagastaden	Stockholm	Offices		21,000		-
Hagastaden	Stockholm	Retail	1,000			-
Mobilia	Malmö	Offices	5,000			55
Sickla	Nacka	Education		9,000		53-54
Sickla	Nacka	Residential	41,000	94,000		53-54
Sickla	Nacka	Offices		22,000		53-54
Slakthusområdet	Stockholm	Education		7,000		55
Slakthusområdet	Stockholm	Residential		44,000		55
Slakthusområdet	Stockholm	Offices		77,000		55
Slakthusområdet	Stockholm	Retail		28,000		55
Slakthusområdet	Stockholm	Culture/ restaurants		11,000		55
Sundbyberg	Sundbyberg	Offices		14,000		-
Södermalm	Stockholm	Offices	108,000			54
Södermalm	Stockholm	Retail	7,000			-
Uppsala	Uppsala	Residential	20,000	21,000		54-55
Uppsala	Uppsala	Offices		46,000		54-55
Uppsala	Uppsala	Retail	5,000	23,000		54-55
<b>Total</b>			<b>207,000<sup>2)</sup></b>	<b>452,000<sup>4)</sup></b>	<b>25,000</b>	

<sup>1)</sup> Anticipated premises use may change and may include other elements.

<sup>2)</sup> The investment volume relates to investments in existing properties and future development rights, including any land acquisitions.

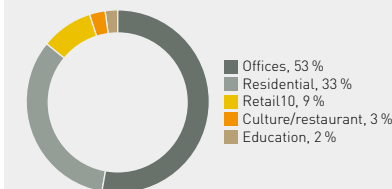
<sup>3)</sup> Of which around 40,000 m<sup>2</sup> relates to reconstruction and around 60,000 m<sup>2</sup> GFA relates to land allocations.

<sup>4)</sup> Of which around 60,000 m<sup>2</sup> relates to reconstruction and around 140,000 m<sup>2</sup> GFA relates to land allocations.

On 7 February 2020, Atrium Ljungberg announced that we had come to an agreement with the City of Stockholm with regard to returning a land allocation at Slussen, in front of our Glashuset property at Stadsgårdskajen. We received new land allocations at Slussen, Hagastaden and Slakthusområdet as a result of this agreement, and this means that the company's option for investing in existing properties and land allocations increased from SEK 28 billion to SEK 32 billion.

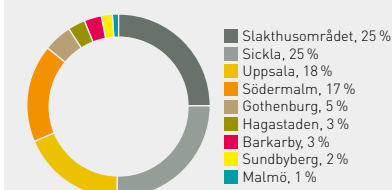
### Potential projects by premises type

- More than half of the area is made up of offices



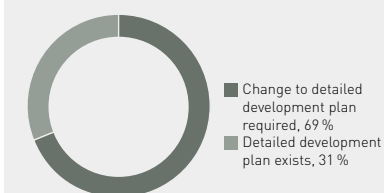
### Potential projects by area

- 75 per cent in Stockholm



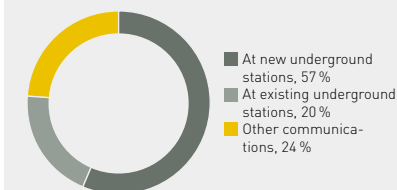
### Potential projects by detailed development plan

- There is a detailed development plan for over 30 per cent of the area



### Potential projects at new underground stations

- 77 per cent of the area at new or existing underground stations



## POTENTIAL PROJECTS

Station, where the future underground station will be linked with the cross-town light rail link (Tvärbanan), the Saltsjöbanan line and bus services. Work is underway on a new detailed development plan with an extended development right, which will include a 23-storey building and approximately 23,000 m<sup>2</sup> GFA. The detailed development plan for the taller building was out for consultation in December 2019. This building will house both a ticket hall for the underground and offices and other commercial premises. Atrium Ljungberg and Region Stockholm are working jointly on a project that involve construction of parts of the new station entrance. The ground work will commence in the first quarter of 2020.

Detailed development planning work is in progress for a new 16-storey residential building with approximately 80 rental apartments. This will be at the eastern section of Sickla Galleria by the second planned underground entrance in Sickla. The preparatory work on the station entrance is planned for the autumn of 2021.

**Katarinahuset in Slussen** is now being vacated for demolition, and it is estimated that it will be possible to

start this work in the third quarter of 2020. Following the reconstruction, this building will be home to modern offices, as well as hotels and restaurants. Discussions are currently taking place with a number of hotels and restaurant operators, including Gondolen, which is expected to return to its premises when the renovation of Katarinahuset is complete. We are also planning to develop the building's roof terrace so that the general public can access it via Mosebacke and Katarinahissen. It is estimated that the renovation work will be completed by mid-year 2023.

**The development** of Uppsala's second city centre is continuing in Gränbystaden. Construction of the first residential block in Parkhusen is planned to start in the first quarter of 2020, but there is also the potential for approximately 200 additional residential apartments within the existing detailed development plan.

In northern Gränbystaden there is the possibility of developing 5,000 m<sup>2</sup> GFA for retail and offices on the remaining land within the existing detailed development plan.

In May 2019, we obtained a new land allocation with



**STATIONSHUSET IN SICKLA** In Sickla, we are working on plans for Stationshuset, a 23-storey building of around 23,000 m<sup>2</sup> GFA, with a ticket hall for underground services, offices and public facilities. Work on the extension of the underground line is expected to begin in 2020 and continue for a decade.





## POTENTIAL PROJECTS

a development right for potentially 45,000 m GFA south of Gränbystaden Galleria.

The plan is to develop the area into a new office cluster. Detailed development planning is underway and expected to be complete in 2020.

**At Mobilia in Malmö** we have a development right of 6,800 m GFA for offices on Trelleborgsvägen. Construction could potentially start in the first quarter of 2021 once Torghuset is complete.

### SLAKTHUSOMRÅDET

In June 2019, Atrium Ljungberg took possession of 14 properties with leaseholds, totalling more than 50,000 m<sup>2</sup> of letting area. We also have an option to acquire an investment property of 32,000 m<sup>2</sup> of letting area. Furthermore, we have the option of ordering land allocations of approximately 100,000 m<sup>2</sup> GFA. The acquisitions and developed land allocations amount to a total of approximately 200,000 m<sup>2</sup> GFA for offices and residentials, supplemented with culture, retail, restaurants, hotels, education, etc. The total investment up to 2030, including acquisitions, amounts to around SEK 8 billion.

Slakthusområdet is one of Stockholm's largest urban development projects. We have worked together with the City of Stockholm during the autumn to complete a preliminary study for the northern part of Slakthusområdet. Our objective was to be able to create high levels of well-being and provide opportunities for activities to continue 24 hours a day. An increase in volumes is proposed in order to make this possible, thereby permitting a better mix of activities in the area. The planning work for the north part of the site is expected to begin in 2020.

Concert and club arena Fällan opened in autumn 2019. Fällan is a collaborative project between Atrium Ljungberg and Kulturarenor, which previously ran the culture project at Nobelberget.

We are working alongside other property owners in the area to create a strong destination; a meeting place for food, culture and experiences in Stockholm. This will become an engine for the entire Söderort.



**SLAKTHUSOMRÅDET** With acquisitions and developed land allocations totalling 200,000 m<sup>2</sup> GFA, we are creating a strong destination and a meeting place for food, culture and experiences.



**MOBILIA OFFICE** We have a development right covering 6,800 m<sup>2</sup> GFA within the existing detailed development plan. Our aim here is to create affordable, newly built office premises with a high level of shared functions within the building. Construction is slated to commence in the first quarter of 2021.



**LINDHOLMEN IN GOTHENBURG** We applied for planning permission for Tornen and Citadellet in autumn 2019. We are planning to demolish part of the existing structure and replace it with a taller building around 20 storeys high to accommodate offices, as well as service and other commercial operations on the lower floors.

# OUR PROPERTY AREAS



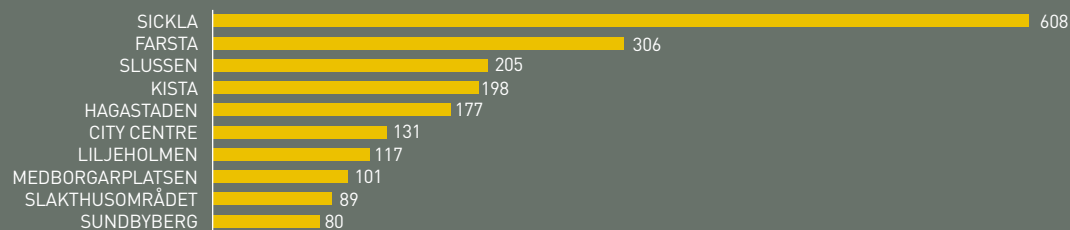


Life City in Hagastaden

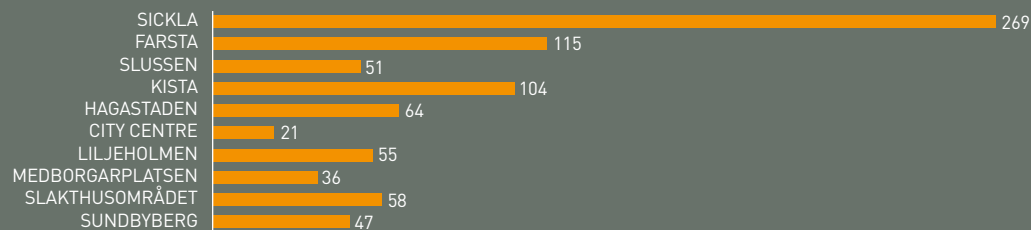
# STOCKHOLM

Stockholm is one of the fastest growing regions in Europe. Around 30 major urban development projects are in progress and planned here, and Atrium Ljungberg is involved in a number of them, including Slussen and Slakthusområdet. Stockholm accounts for 72 per cent of Atrium Ljungberg's contracted annual rent, and we have a presence on strong subsidiary markets such as Sickla, Södermalm, City centre, Hagastaden, Kista, Sundbyberg, Liljeholmen and Farsta.

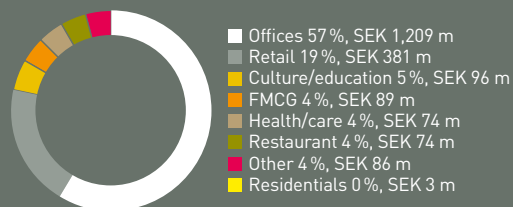
Rental value, SEK m



Total letting area, '000 m<sup>2</sup>



Types of premises in Stockholm, rental value



# STOCKHOLM

**KISTA 104,000 M<sup>2</sup>**



**HAGASTADEN 64,000 M<sup>2</sup>**



**SLUSSEN 51,000 M<sup>2</sup>**



**MEDBORGARPLATSEN 36,000 M<sup>2</sup>**



**SICKLA 269,000 M<sup>2</sup>**



**SLAKTHUSOMRÅDET 58,000 M<sup>2</sup>**



**SUNDBYBERG 47,000 M<sup>2</sup>**



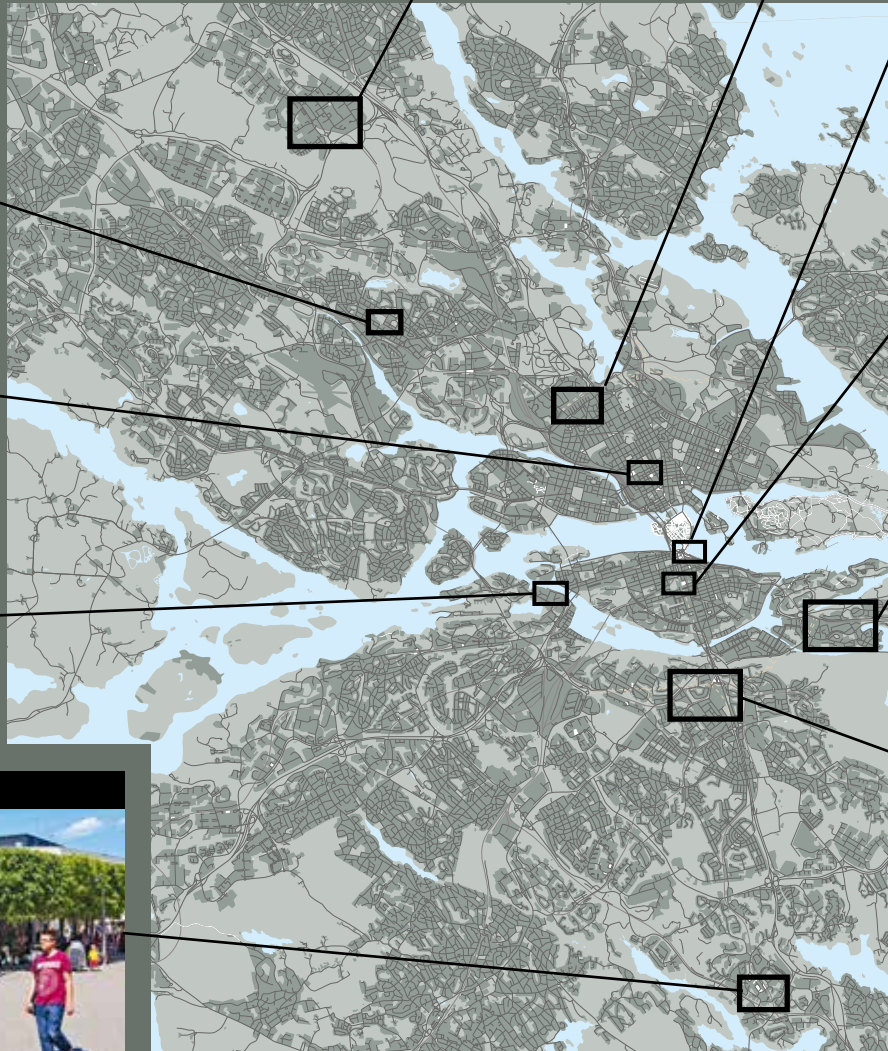
**CITY CENTRE 21,000 M<sup>2</sup>**



**LILJEHOLMEN 55,000 M<sup>2</sup>**



**FARSTA 115,000 M<sup>2</sup>**



STOCKHOLM

# SICKLA NEW CITY DISTRICT SINCE 1898

More than 20 years have passed since Atrium Ljungberg acquired the old industrial estate from Atlas Copco. Since then, we have developed Sickla into a vibrant city district offering jobs, restaurants, retail, education and culture. In 2019, we received the award for sustainable urban development by Nacka Municipality for our long-term and innovative work in Sickla. The explanatory statement refers to the installation of Stockholm's biggest photovoltaic system, the installation of charging stations for electric vehicles and the facilitation of hydroponic growing of vegetables, lettuce and herbs in a container in partnership with Cubegreens.

In 2019, there have been a number of new lettings at Sickla Front, the new office district linking Sickla with Hammarby Sjöstad. Formalinfabriken, an industrial building turned into creative offices, a café and restaurant, as well as spaces for cultural activities and socialising for residents and companies at Nobelberget, has also been completed. Work also commenced on Atrium Ljungberg's first tenant-owned apartments in 2019.

Sickla is one of our main priority areas and a large part of our future project portfolio is there. In the coming years, Nacka will expand by 14,000 residentials and more than 200,000 m<sup>2</sup> of office space. The extension of the underground service to Nacka means that Sickla will have a station with two entrances in the heart of Sickla, one of which will be in the **shopping centre**. Travelling between Sickla and central Stockholm will take just seven minutes using this

underground service, which is estimated to be completed in 2030.

## CONFIRMED PROJECTS

### TAPETFABRIKEN – SICKLA'S NEW HOTEL

What is known as Tapetfabriken – the Wallpaper Factory – was erected in 1906 and was originally home to the award-winning Kåbergs tapetfabrik wallpaper manufacturer. We are now creating a building here providing a hotel with a floor space of more than 10,500 m<sup>2</sup>, along with a garage. Nordic Choice Hotels will be starting off with 220 hotel rooms and a 2,000 m<sup>2</sup> lobby with a restaurant, event spaces and conference premises. During the reconstruction to a hotel, the façade will be reconstructed with original bricks and the hotel's aim is to emphasise its history. The hotel is planned to open in the spring of 2021 and will help to increase well-being and security, with a vibrant street life late into the evenings and at night.

### CURANTEN – A WHOLE BUILDING FOR HEALTHCARE

At Curanten, we are planning to implement a broad selection of healthcare and wellness services, with players such as specialist medical care, a clinic, a health centre for children, a maternity clinic, a paediatric clinic, dentists, psychologists, naprapaths and chiropractors. There will be health-related cafés, restaurants and shops at street level. The project comprises a total of 11,500 m<sup>2</sup> letting area, which includes



**22%** of total letting value

- Letting area, office, m<sup>2</sup>: **103,000**
- Rental value, offices, SEK m: **284**
- Letting area, retail, m<sup>2</sup>: **75,000**
- Rental value, retail, SEK m: **238**
- Letting area, parking and other, m<sup>2</sup>: **90,000**
- Rental value, parking and other, SEK million: **85**
- No. of stores, restaurants, services: **131**
- Store sales, SEK billion: **3.1**
- No. of visitors per year, millions: **13.5**

9,900 m<sup>2</sup> for healthcare and other activities and 1,600 m<sup>2</sup> for retail. Some of the players already signed up include Sickla Hälsocenter, Alva Barnklinik, GHP Specialiststandläkarna i Nacka, Diagnostiskt Hudcenter, Kronans Apotek, the Reload Superfood Bar restaurant concept and Bastard Burgers. Occupancy is expected to start at the end of 2020.

### NOBELBERGET'S FIRST RESIDENTIAL BLOCK

At Nobelberget, we are developing an attractive and dense city district offering both apartments and commercial areas. Erection of the first residential block, Brf Sicklastråket, which will include 68 tenant-owned apartments, is currently in progress. These apartments have been constructed on top of Nobelbergsgaraget, which offers more than 100 parking



## STOCKHOLM - SICKLA

spaces (30 of which provide charging stations for electric vehicles), along with spaces for restaurants, offices and service facilities. The project is expected to be completed at the end of 2020.

### FROM BOILER ROOM TO PRESCHOOL

The old Nobelberget boiler room is being turned into a preschool with six departments. The older brick building will have a new superstructure, and a playground that local residents will also be able to use will be created next to the preschool. We have signed an agreement with Jensen Education, which plans to open at the end of 2020.

### EXTENSION OF SICKLA GALLERIA

The shopping district in Sickla is one of the largest retail hubs in Sweden with 130 stores, restaurants and service operations. An extension project is now in place at the galleria, to include a two-storey car park offering 200 parking spaces (60 of which will provide charging stations for electric vehicles), plus a further approx. 3,000 m<sup>2</sup> of retail space. This car park will meet the increased need for parking that will come about on account of the Curanten and Stationshuset projects. Completion is planned to take place in the third quarter of 2021.

## POTENTIAL PROJECTS

### SICKLA STATIONSHUS

We are planning a new building at Sickla Station, at the point where the cross-town light rail link, the Saltsjöbanan line and the forthcoming underground will intersect. The applicable detailed development plan permits a five-storey building with around 7,500 m<sup>2</sup> GFA. Work is underway on a new detailed development plan with an extended development right, which will include a 23-storey building

and approximately 23,000 m<sup>2</sup> GFA. This building will house an underground station, offices and other commercial premises. Region Stockholm and we are working jointly on a project that involves construction of elements for the new station entrance, to include a ticket hall and service. The ground work will commence in the first quarter of 2020.

### CONTINUED DEVELOPMENT OF NOBELBERGET

A total of 500 apartments is planned for Nobelberget, and the launch of phase two of almost 60 tenant-owned apartments is planned to take place in 2020. The remaining apartments will be developed gradually at a rate dependent on market demand.

### TRAVERSEN, NEW APARTMENTS IN CENTRAL SICKLA

Detailed development planning work is in progress for a new 16-storey residential building with approximately 80 apartments. This will be at the eastern section of Sickla Galleria by the second planned underground entrance at Sickla Station. The preparatory work on the station entrance is planned for the autumn of 2021.

### MORE HOMES TO CREATE A VIBRANT URBAN ENVIRONMENT

Detailed development plans are ongoing for residentials at Kyrkviken, north Nobelberget and Gillevägen in Sickla.



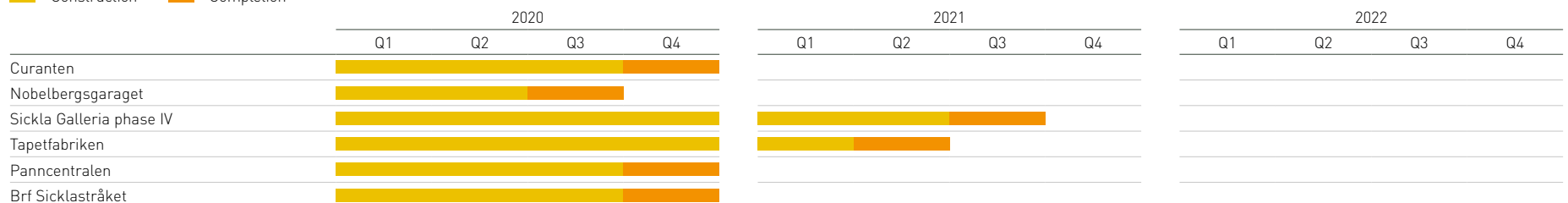
In Kyrkviken, in the eastern part of Sickla, we are planning to create more than 700 attractive apartments and service premises in a pleasant block environment directly next to the promenade. We have plans to build 60 new tenant-owned dwellings on Gillevägen, a few hundred metres from the shopping district in Sickla.

### EXPANSION PLANS FOR SVINDERSVIKSSKOLAN

Growth is strong in Nacka Municipality, increasing the need for social services. Expansion is being planned for the Svindersviksskolan primary school in Sickla, which is currently for pupils from preschool age to Grade 9. We have the opportunity to reconstruct and extend the school from its current 3,000 m<sup>2</sup> GFA to approximately 9,000 m<sup>2</sup> GFA. The detailed development plan process is under way.

### Confirmed projects, schedules

■ Construction ■ Completion



STOCKHOLM

# FARSTA CENTRUM FROM CENTRE TO A MEETING PLACE

Farsta Centrum is one of the first ABC communities, a place where work, residential and centres were all collected in one place. Farsta Centrum have been able to retain its attractiveness for almost 60 years thanks to its strong soul and history. The characteristic façades from the years of construction have been well-preserved, and the architecture is now reflected indoors as well, where we are rebuilding and renovating. Our property portfolio in Farsta Centrum currently includes more than 100,000 m<sup>2</sup> of retail, care, culture and offices, and we are the biggest commercial property owner in the area.

We are working together with the City of Stockholm to plan development of Farsta Centrum to make it an even more attractive, modern and multifunctional location, with up to 1,000 new apartments, supplemented with a number of new offices.

Farsta Centrum is currently a natural meeting place with 140 shops, restaurants and service enterprises. There are also 2,500 jobs based here, working with organisations such as Farsta City District Committee, Jobbtorget and the Social and Elderly Care Administration. In the middle of the square is the popular market trade, a vital element in this vibrant city district.

During the year, this area welcomed around 17 million visitors from a catchment area the size of all of Malmö.

To make Farsta Centrum an even more attractive meeting place, we have created more seating and play areas where people can have a rest and relax.

## POTENTIAL PROJECTS

We already have an approved detailed development plan for an additional 5,000 m<sup>2</sup> of retail. This area is included in the plan for the development of all of Farsta Centrum.

**11%** of total letting value

- Letting area, office, m<sup>2</sup>: **30,000**
- Rental value, offices, SEK m: **67**
- Letting area, retail, m<sup>2</sup>: **61,000**
- Rental value, retail, SEK m: **225**
- Letting area, parking and other, m<sup>2</sup>: **24,000**
- Rental value, parking and other, SEK million: **14**
- No. of stores, restaurants, services: **142**
- Store sales, SEK billion: **2.5**
- No. of visitors per year, millions: **17**



STOCKHOLM

# SLUSSEN

## FROM ROAD JUNCTION TO MEETING PLACE

Stockholm's major reconstruction project, New Slussen, is in full swing and will continue to affect the area until 2025. Slussen will be an attractive meeting place with new squares, thoroughfares and the first park in the area. Transport options, pedestrians and cyclists will obtain more space, at the same time as the area for road traffic will be reduced and adjusted in order to accommodate current traffic flows.

### FAMOUS PROPERTIES AT SLUSSEN

At Slussen we own three famous properties that together form a clear front towards Stadsgårdskajen. Glashuset is one of Stockholm's most famous buildings and is surrounded by Katarinahuset and Sjömansinstitutet. All three properties are now used as office premises, with views across the most central parts of Stockholm. Tenants include Convendum, HiQ, TT and Tengbomgruppen.

### CONFIRMED PROJECTS

#### TOTAL RENOVATION OF KATARINAHUSET

Katarinahuset, which was acquired in late 2018, is in need

of upgrading and modernisation. The property is now being vacated for demolition, and it is estimated that it will be possible to start this work in the third quarter of 2020. Following the reconstruction, this building will be home to modern offices with beautiful views, as well as hotels and restaurants. Discussions are currently taking place with a number of hotel and restaurant operators; including Gondolen which is expected to return to its premises when the renovation of Katarinahuset is complete. We are also planning to develop the building's roof terrace so that the general public can access it via Mosebacke and Katarinahissen. It is thought that the renovation work will be completed by mid-year 2023.

### POTENTIAL PROJECTS

#### MÄLAR TERRASSEN, SLUSSEN'S NEW MEETING PLACE

In June 2018 a land allocation agreement was signed with the City of Stockholm for approximately 6,000 m<sup>2</sup> GFA. Mälarterrassen is being built by Södermalmstorg and the quay heading down towards Gamla Stan and will be a central location when New Slussen develops. The ambition is for

**7%** of total letting value

Letting area, m<sup>2</sup>: **48,000**

Letting area, parking, m<sup>2</sup>: **3,000**

Letting value, SEK million: **205**

Mälarterrassen to become a meeting place with restaurants, cafés and cultural activities for Stockholm's inhabitants and visitors. Construction is expected to start in 2022 and it will be opened by 2025.

### LAND ALLOCATIONS ALONG STADSGÅRDSKAJEN

We have land allocations for two development rights at Stadsgårdsleden. In front of Glashuset, we have a development right covering around 18,000 m<sup>2</sup> GFA; and in front of Katarinahuset, we have a development right covering around 7,500 m<sup>2</sup> GFA. We will be creating space for offices, retail and service facilities here. If an agreement on acquisition and development is concluded, construction can begin during the latter phases of Slussen's transformation process, which is currently expected to be 2025 at the earliest.



Sjömansinstitutet, Glashuset and Katarinahuset at Stadsgårdskajen, Slussen.



STOCKHOLM

# KISTA

## CLUSTER FOR WORLD-LEADING TECHNOLOGY DEVELOPMENT

Kista is one of Stockholm's biggest office markets and perhaps the most important cluster in Europe with regard to information and communications technology (ICT). Around 35,000 people work here, and there are 7,000 students at Stockholm University and KTH Royal Institute of Technology.

The conditions for an even more attractive and stronger Kista will be improved over the next decade; the cross-town light rail link will be extended from Bromma to Kista, and the Blue Line on the underground will be extended to Barkarby. Plans are also afoot to provide new apartments, paths for pedestrians and cyclists, squares and meeting places.

We have been working together with other property owners and the City of Stockholm for a long time to drive the high-tech development of this area.

Atrium Ljungberg has had a presence in Kista since the early 1990s. At that time, we built and planned for a dynamic and pleasant garden city where residential properties and tenant-owned apartments rubbed shoulders with office blocks for major international corporations, innovative

challenges and next-generation ICT companies. In 2019, we sold our portfolio of over 400 rental apartments to HSB Stockholm and are now focusing our operations in Kista on management and development of our office properties. We currently own and manage Kista Front, Kista+ and Nod, totalling around 82,000 m<sup>2</sup> of office space.

### KISTA+ AND KISTA FRONT IN GREAT LOCATIONS

Kista+ is a modern, newly renovated and environmentally certified office property covering over 12,000 m<sup>2</sup> which is situated close to the underground station. IBM is the biggest tenant at Kista+.

Kista Front is an office building offering efficient office space, good conference and meeting facilities and useful loading and unloading opportunities for companies operating in the service industry. Kista Front provides an attractive location for companies thanks to its design and the fact it faces the E18. Kista Front is home to companies such as Atea, Kone and Minolta and other service tech companies.

**7%** of total letting value

Letting area, m<sup>2</sup>: **82,000**  
 Letting area, parking, m<sup>2</sup>: **22,000**  
 Letting value, SEK million: **198**

### NOD – A MEETING PLACE FOR ENTERPRISE, RESEARCH AND EDUCATION

Kvareret Nod, which covers more than 30,000 m<sup>2</sup> of environmentally certified area, brings together small and medium-sized ICT enterprises, universities and colleges, start-ups and organisations. Here we have created natural meeting places and flexible office solutions, where people and companies come together and develop together. Companies such as Fujitsu Sweden and SenseGraphics and research and education centres such as KTH Royal Institute of Technology and Stockholm University operate here.



Kista Front



Kista +

STOCKHOLM

# HAGASTADEN

By 2030, a new city district will have arisen that links Stockholm with Solna and creates one of the world's leading life science clusters. The area will have 50,000 workplaces, and business, research and entrepreneurship will combine with residential units, meeting places, restaurants and services. This new city district will be an exciting contrast between past and the future, the place where the new Hagastaden meets the old Vasastaden. Norra Stationsgatan is being developed into a vibrant thoroughfare focusing on food and cultural experiences and a quality service offering.

Hagastaden already has good accessibility and this will be further enhanced when a new underground station comes to this city district. The underground is being extended with a new line (Yellow Line) from Odenplan to Arenastaden. Three new stations will be created along this link, connecting Vasastaden with Solna: Hagastaden, Södra Hagalund and Arenastaden. According to information received from Region Stockholm, the underground railway line is expected to be completed in 2028.

## A LONG-TERM PROPERTY OWNER

Atrium Ljungberg is one of the largest property owners in Hagastaden and has had a presence there for almost 25 years. We own and manage around 53,000 m<sup>2</sup> of characteristic industrial properties here, such as the former Apotekarnes Mineralvattenfabrik, Glashuset and PV-palatset. All of the properties have been converted and extended to accommodate offices, which preserve the industrial character and provide efficient spaces.

Hagastaden as a whole is being transformed, and besides our existing properties Atrium Ljungberg has a land allocation in the area. By managing existing properties, new projects and land allocations, we will be involved with developing the development of the area and the future vision of Hagastaden as one of the world's leading life science clusters.

## Confirmed projects, schedules

■ Construction ■ Completion



## WORLD-CLASS SCIENCE CITY

### CONFIRMED PROJECTS

#### LIFE CITY – A MEETING PLACE FOR LIFE SCIENCE IN HAGASTADEN

Atrium Ljungberg is developing Life City in one of Sweden's most visual locations, directly above the E4 and adjacent to some of the most important life science players; New Karolinska Solna, KTH Royal Institute of Technology and Stockholm University. The building will be a new centre for commercial development and services connected to healthcare, research and life science. It will also provide a meeting place for trade and industry, the academic community and the community in general. This property covers 27,500 m<sup>2</sup> of letting area, and the first residents will be starting to move in during the fourth quarter of 2021. The ground level will be a dynamic meeting place with joint functions; and higher up in the building, co-working spaces and offices will be filled with talented people and services linked with life science. The biggest tenant is Academic Work, which signed an agreement for 17,000 m<sup>2</sup> in 2018.

### POTENTIAL PROJECTS

#### NEW LAND ALLOCATION IN A UNIQUE AND PROMINENT DISTRICT

In June 2018 Atrium Ljungberg won the land allocation competition in Östra Hagastaden from the City of Stockholm and Region Stockholm. The competition was for a unique and very prominent district in the area that will become the city's northern gateway. The ambition is to develop unique office environments on site with public activities on the lower floors. The land allocation includes the Solna Haga 3:6 properties and part of Solna Haga 4:17; as well as a development right of approximately 16,000-20,000 m<sup>2</sup> GFA of offices. Construction of the new district is expected to start in 2022 and be completed in 2024.

**6%** of total letting value

Letting area, m<sup>2</sup>: **53,000**  
 Letting area, parking, m<sup>2</sup>: **11,000**  
 Letting value, SEK million: **177**



STOCKHOLM

# CITY CENTRE WITH BUILDINGS ALONG SWEDEN'S BUSIEST AND MOST FAMOUS PEDESTRIANISED ZONE

We own two properties, Skotten 6 and Adam & Eva 17, in the City of Stockholm. Both these properties are situated on Drottninggatan, one of Sweden's busiest and most famous pedestrianised zones with flow of more than 20 million people per year. In total, these two properties cover around 21,000 m<sup>2</sup> of letting area, offices accounting for about half of this.

**A MIXTURE OF OLD AND NEW**

Skotten 6 is strongly rooted in Stockholm and was known for a long time as "Bohagshuset", part of the old PUB department store. The building is now made up of

attractive office premises over four levels, with shops on the lower floors. H&M, Apple, Forsen and Amazon are some of the biggest office tenants here.

Adam & Eva 17 is a traditional property, built back in 1929 and adjacent to Hötorget, Drottninggatan and Gamla Brogatan. The lower floors of this building are home to a major Zara store, among other companies, while offices occupy the rest of the floors. This building is occupied by a number of players working in creative industries such as event management, PR and website development.

**5%** of total letting value  
 Letting area, m<sup>2</sup>: 21,000  
 Letting value, SEK million: 131

Skotten 6, in the middle of the picture



STOCKHOLM

# LILJEHOLMEN

## AN EXTENSION OF SÖDERMALM

Since the beginning of the 2000s Liljeholmen has undergone a major transformation to become a mixed city district. It is now an important hub for public transport in Stockholm. Its good location will be further enhanced when a new underground line is built between Älvsjö and Fridhemsplan via Liljeholmen. In the future this city will become a clear part of the inner city and will be linked with Södermalm through buildings along the street Södertäljevägen. There are plans to make this into a major city street. The comprehensive plan for the City of Stockholm states that the city wants to use the good opportunities in Liljeholmen to create more workplaces in Söderort. We want to play an active role in the ongoing development of this area.

### PROPERTY WITH STRONG BRANDS

Atrium Ljungberg owns the Stora Katrineberg 16 office property with three buildings, totalling approximately 42,000 m<sup>2</sup> letting area. This property is by Liljeholms- hamnen close to the Liljeholmstorget galleria, the underground and Marievik's office area. In early 2019, H&M moved into approximately 7,000 m<sup>2</sup> of office space in one of the buildings. Other tenants include Bankgirot and Egencia. Together with Boulebar, we have turned an old printworks into a popular meeting place for boules, food and drink over two floors. We are examining the option of developing the property still further to include modern offices and restaurants and cafés at ground level.

**4%** of total letting value

Letting area, m<sup>2</sup>: **42,000**  
 Letting area, parking, m<sup>2</sup>: **12,000**  
 Letting value, SEK million: **117**

In Liljeholmen, we also own a cultural treasure in the heart of the urban environment. A genuine 1770s house, which was originally a summerhouse where King Karl XIV Johan used to go to freshen up on his travels. The property is currently being used by an accounting firm.



King Karl XIV Johan's former summerhouse



Stora Katrineberg 16

STOCKHOLM

# MEDBORGARPLATSEN THE HEART OF SÖDERMALM

The old working district of Södermalm has now been modernised, but the essential heart and soul remain in the culture at Söder, and Medborgarplatsen is at the heart of this city district. The city district is a popular place to live, but also attractive for offices, especially for creative enterprises and the public sector.

## FAMOUS PROPERTIES AT MEDBORGARPLATSEN

At Medborgarplatsen, we own the Söderhallarna property and the nearby office property Fatbursjön 8. Söderhallarna was officially opened in 1992 and has housed offices, services and retail, with the main focus on food. Sustainability is a primary focus area in our development of Söderhallarna, and a number of players actively working with sustainable food production can already be found here, such as famous baker and chef Sébastien Boudet and Sopköket, which creates

meals from “rescued” ingredients. A roof garden with allotments, beehives and a pop-up restaurant was established on the roof of Söderhallarna in the summer of 2019.

## POTENTIAL PROJECTS

### EXTENSIVE RECONSTRUCTION OF SÖDERHALLARNA

We are planning to fit out and develop the entire property in order to create a meeting place for food, cultural activities and creativity. The property will also house modern offices, with the aim of attracting startups and companies within creative industries. By increasing accessibility by means of façades towards the square, for example, we aim to generate more street life and increase security around Medborgarplatsen. Work on the detailed development plan is ongoing and construction is expected to start in 2023.

**4%** of total letting value

Letting area, m<sup>2</sup>: 31,000  
 Letting area, parking, m<sup>2</sup>: 5,000  
 Letting value, SEK million: 101



Söderhallarna



## STOCKHOLM

# SLAKTHUSOMRÅDET

## A UNIQUE AND CREATIVE CITY DISTRICT

On 31 January 1912, King Gustav V opened Stockholm's first public slaughter house ('slakthus') just south of Södermalm in Stockholm. At the same time slaughter restrictions were introduced in the city and all slaughter operations had to take place at the slaughterhouse to control the problems of hygiene and a lack of supervision. This marked the start of 100 years of slaughtering livestock and food production in Slakthusområdet.

One hundred years ago it was on the very outskirts of the city, but today it is part of modern central Stockholm. The city is growing rapidly and there is a great need to develop new sites where residents can reside, work and live. The City of Stockholm has concluded an agreement with Atrium Ljungberg concerning cooperation on the development of large parts of the area.

### ACCESS TO THE FIRST PROPERTIES

In June 2019, we took possession of 14 properties totalling approximately 51,000 m<sup>2</sup> of letting area. We also have an option to acquire an investment property of 32,000 m<sup>2</sup> of letting area by 31/12/2021. This deal also includes additional options, with us being able to order land allocations of approximately 100,000 m<sup>2</sup> GFA. The acquisitions and land allocations that have been developed comprise a total of approximately 200,000 m<sup>2</sup> GFA for offices and residential units, alongside culture, retail/restaurants, hotel, education, etc. The total investment, including acquisitions, will amount to approximately SEK 8 billion between 2019 and 2030.

This area will be developed gradually in several phases in years to come. Detailed development planning work is underway for the first stage and construction is planned to start in the first quarter of 2023.

We worked together with the City of Stockholm in autumn 2019 to complete a preliminary study for the northern part of Slakthusområdet. Our objective was to be able to create good occupation values and provide opportunities for activities to continue 24 hours a day. An increase in volumes is proposed in order to make this possible, thereby creating a better mix of activities in the area. The planning work for the north part of the site is expected to begin in 2020.

### STOCKHOLM'S NEW MEETING PLACE FOR FOOD, CULTURE AND EXPERIENCES.

Our vision is for Slakthusområdet to be a new meeting place for dining, culture and experiences in Stockholm. We are planning to provide workplaces here that focus on tech, design and innovation. Slakthusområdet's historical connection to food and culinary crafts will continue to permeate the site with a wide range of restaurant concepts. This area will also be filled with culture, art and nightlife, and Förbindelsehallen will come the cultural heart of the location. We are also planning to build around 500 residences where, in addition to the traditional types of homes and accommodation such as rental dwellings, tenant-owned dwellings and hotels, we are also looking into building new types of housing such as co-living and long stay.

### CITY DISTRICT TO BE ACTIVATED EARLY

Early activations with long-term partners in order to fill the location with content from day one are now taking place as part of our efforts to turn our vision for Slakthusområdet into reality. In June, the popular Brilliant Minds conference organised their closing party in the area. During the summer, Parkteatern performed a number of shows at Förbindelsehallen, and in the winter an industrial building was turned into an exhibition of graffiti art.

December 2019 saw the opening of Fällan, the new Slakthusområdet arena for shows, clubs and drama projects. Fällan is run by Kulturarenor, which previously ran a similar enterprise at Nobelberget in Sickla. There are also plans afoot in partnership with them to set up a summer stage at Förbindelsehallen, with capacity for audiences of up to 3,500 people. We will put Slakthusområdet on the map at an early stage thanks to activations like this, which will allow us to create a vibrant district. We are working alongside other property owners in the area to create a strong destination; a meeting place for food, culture and experiences in Stockholm, an engine for the entire Söderort.

**3%** of total letting value  
Letting area, m<sup>2</sup>: **58,000**  
Letting value, SEK million: **89**



STOCKHOLM

# SUNDBYBERG

Sundbyberg Municipality in north-western Stockholm, with more than 50,000 residents, has seen the most vigorous population growth and highest levels of construction of residential premises in Sweden over the last few years.. It is anticipated that around 77,000 people will be living in the municipality by 2030.

The vibrant and vivid centre of Sundbyberg is also a public transport hub. Commuter rail services, regional rail services, the cross-town light rail link, the underground and a number of bus services all stop here. You can take a domestic flight from Bromma airport less than ten minutes away.

A decision has been made by the city council to place the railway line in a tunnel. This will make it possible to link the two halves of the city, which are currently located on either side of the railway. Plans are afoot here to create

## WITH ENORMOUS POPULATION GROWTH AND HIGH LEVELS OF RESIDENTIAL CONSTRUCTION

new city districts, with more homes, offices, retail opportunities, service and parks. There are also plans to create a new bridge for pedestrians, cyclists and public transport. Lövströms allé, where our Chokladfabriken property is located, may be straightened out. There are also plans to create a new, upgraded station for commuter and regional rail services when the tunnel is constructed. Construction of the tunnel will begin in 2022 at the earliest, and it is estimated that construction will take eight years. This new city centre will be built as the tunnel is completed.

### CHOKLADFABRIKEN – A MODERN OFFICE IN THE HEART OF SUNDBYBERG, DATING BACK YEARS

Chokladfabriken – the Chocolate Factory – which dates all the way back to the early 20th century, is now home to

**3%** of total letting value

Letting area, m<sup>2</sup>: **28,000**

Letting area, parking, m<sup>2</sup>: **19,000**

Letting value, SEK million: **80**

modern offices while maintaining its industrial nature; generous ceiling heights, large windows, light and space. The factory stopped making chocolate in the latter part of the 1970s, and the building was then converted into offices. This property accommodates just under 50,000 m<sup>2</sup> of offices and a garage. Tenants today includes for example ST1, the Swedish Enforcement Authority and Friskis&Svettis.

### POTENTIAL PROJECTS

We are at an early investigation stage concerning the ongoing development of property. Any project will require amendment of the plans.



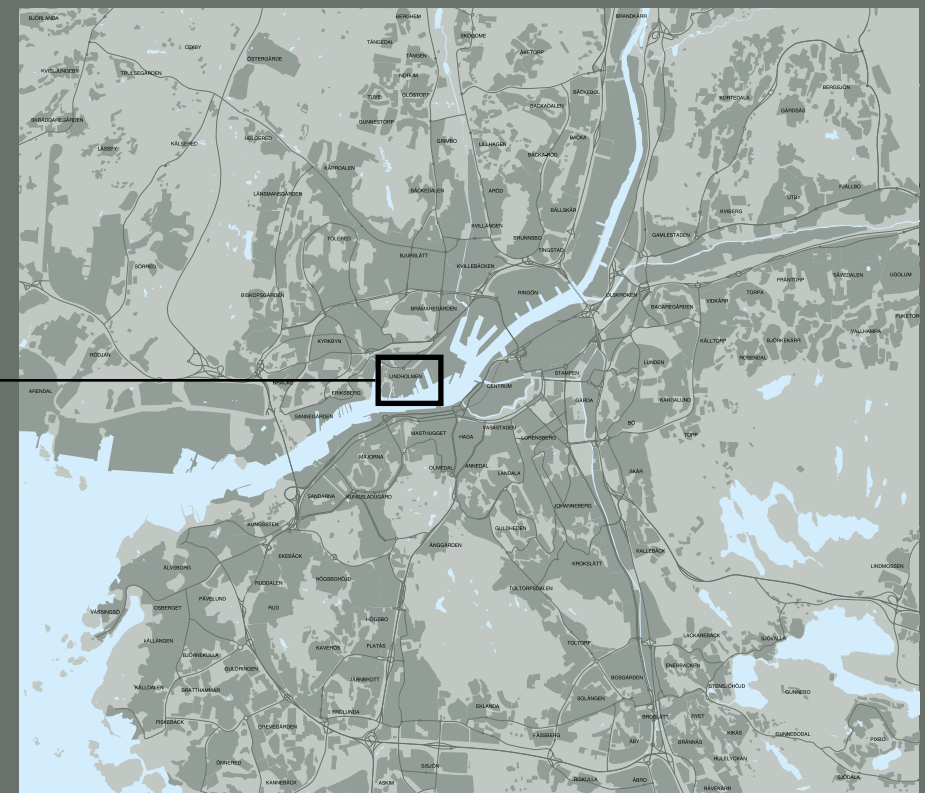
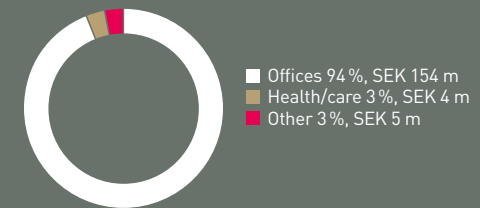
Eken 6, Chokladfabriken

# GOTHENBURG

The old shipyard area at Lindholmen in Gothenburg is now being transformed, with strong development that is attracting national and international companies, students and researchers. Companies such as Volvo, Geely, Nevs and Cevt are based here, along with research and education activities at Chalmers University of Technology and Lindholmen Science Park. We will be continuing to create an excellence cluster on this site, working with media, vehicle development, innovation and IT.

Around 20,000 people work here at present. We want to work together with the City of Gothenburg and other property owners to create an inclusive, dynamic, sustainable city around the Göta älv river, and there are plans to allow Lindholmen to grow so that it offers almost 30,000 jobs in the near future. Plans are also afoot to build apartments in the area so that the city can go on operating 24 hours a day. Gothenburg's first skyscraper will be built here, too.

Types of premises in Lindholmen, rental value, 163 m





GOTHENBURG

# LINDHOLMEN

## FROM A SHIPBUILDING AREA TO A KNOWLEDGE-INTENSIVE INDUSTRY

### FULLY LET

Atrium Ljungberg owns three properties totalling 72,000 m<sup>2</sup> of letting area in Lindholmen. Good use has been made of details from its former glories as a shipyard, and these are emphasised at the modernised, flexible premises. Our tenants are mostly active in the fields of technology and energy. We have tenants such as Cevt, Ericsson and AKQA, and all our Lindholmen properties are now fully let.

### DEVELOPMENT OF LINDHOLMEN

Our property portfolio at Lindholmen makes us a major player, and we play an active part in the development of the city. Atrium Ljungberg has had a presence in Gothenburg since 2015, when we acquired our first properties: Tornen,

M2 and Citadellet. We also acquired the property Lindholmen 30:1 in 2017, with Ericsson as a tenant.

### POTENTIAL PROJECTS

In autumn 2019, Atrium Ljungberg applied for planning permission for the property Lunbyvassen 4:7 (Citadellet and Tornen), where we propose demolishing part of the existing structure and replacing it with a taller building around 20 storeys high, totalling around 35,000 m<sup>2</sup> GFA. This building will include space for offices, with commercial enterprises and service facilities on the lower floors.

**6%** of total letting value

Letting area, m<sup>2</sup>: **72,000**  
 Letting area, parking, m<sup>2</sup>: **10,000**  
 Letting value, SEK million: **163**



Lindholmen 30:1

# MALMÖ

Malmö is in a strategic location in the Öresund region. This is a growth area and a city with history and soul. The region is one of the largest labour markets in the Nordic area, with no fewer than 3.8 million inhabitants.

A major development project has been ongoing at Mobilia for a number of years: this includes apartments as well as culture, care and retail facilities. We are also involved in the development of Möllevången, one of Malmö's most exciting cultural meeting places and a natural hub in the city.

Malmö is Sweden's third largest city with 334,000 inhabitants. By 2025 the City of Malmö is expected to have 375,000 inhabitants and the county 1.46 million inhabitants. We believe in Malmö and aim to continue to grow here, and help to develop the city.

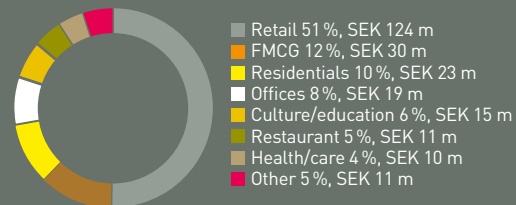
## Rental value, SEK m



## Total letting area, '000 m²



## Types of premises in Malmö, rental value



MOBILIA 119,000 M²



MÖLLEVÅNGEN 25,000 M²



MALMÖ

# MOBILIA

UNIQUE INDUSTRIAL HISTORY DEVELOPING INTO A MODERN CITY DISTRICT

Mobilia, in Malmö's southern city centre district, is only two kilometres from Malmö City. It is surrounded by the city's three most important cross-town routes: Trelleborgsvägen, Ystadsvägen and Stadiongatan, and its proximity to Malmö City enables a large number of people to get here by bus, bicycle or on foot.

The urban environment in and around Mobilia is being developed and condensed as Malmö city centre grows. In addition to Atrium Ljungberg's own development of Mobilia, the city is planning new residential areas around the area. The research park Medeon is right next to Mobilia, with 40 players within life science. Medeon is a possible development area, with great potential to add another building. The same area is also home to Skåne University Hospital, Lund University and Malmö University.

**FROM GALLERIA TO CITY DISTRICT**

Mobilia was originally an old textile factory with a unique industrial history. Instead, we have created a vibrant city district that not only has stores, cafés and restaurants, but also services, office premises and almost 300 rental apartments. The central square with pavement cafés, and paths for pedestrians and bicycles, acts as a central meeting place and links the various parts of the area together.

The industrial heritage from the old textile factory has been preserved during the transformation. We have highlighted the buildings' unique character, and combined it with modern architecture and sustainable materials. This is where old meets new, giving Mobilia a clear soul and a complete character of its own.

**CONFIRMED PROJECTS**

**A DESTINATION OFFERING CULTURE, RETAIL AND HOMES**

We are continuing to develop Mobilia into a dynamic which is vibrant 24 hours a day. In the heart of the district,

a new construction and extension project called Mobilia Torghuset is underway, measuring 13,000 m<sup>2</sup> of letting area. We are creating further space for culture here, along with 74 new rental apartments and retail facilities.

Mobilia will be a destination for the entire region. As part of this, we are establishing at Torghuset two culture-based players: Nordisk Film, with five state-of-the-art cinema screens, and Funnys Äventyr, a unique cultural building for children focusing on play, reading and learning and covering an area of 3,000 m<sup>2</sup>. The openings of Nordisk Film and Funnys Äventyr are planned for the fourth quarter of 2020.

**POTENTIAL PROJECTS**

At Mobilia we have a development right of 6,800 m<sup>2</sup> GFA for offices on Trelleborgsvägen. We estimate that construction can commence in 2021 when the Torghuset project is completed in full.

**7%** of total letting value

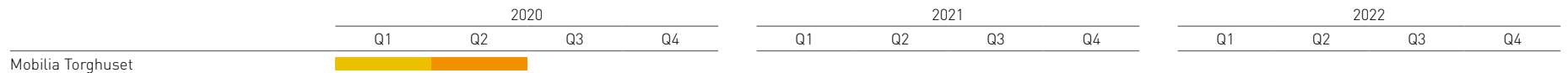
- Letting area, retail, m<sup>2</sup>: **55,000**
- Rental value, retail, SEK m: **170**
- Letting area, parking and other, m<sup>2</sup>: **49,000**
- Rental value, parking and other, SEK million: **10**
- Letting area, residential, m<sup>2</sup>: **15,000**
- Rental value, residential, SEK m: **23**
- No. of stores, restaurants, services: **100**
- Store sales, SEK billion: **1.8**
- No. of visitors per year, millions: **13**



Urban environment in Mobilia

**Confirmed project, schedule**

■ Construction ■ Completion



MALMÖ

# MÖLLEVÅNGEN

## DYNAMIC MEETING PLACE IN THE HEART OF MALMÖ

Möllevången is a city district in the heart of Malmö. It is situated around Möllevångstorget, an exciting former factory site that has undergone a transformation over the last decade. “Möllan” is now a dynamic meeting place, famous for its many bars, exciting stores and its lively markets. There is a broad ethnic mix in the people, enterprise, food and culture here.

### OUR OFFICES IN CENTRAL MALMÖ

In Möllevången we own the office properties Dimman 11 and Malmen 12. Dimman 11 contains cultural and educational activities as well as offices, where the City of Malmö is a major tenant, housing Malmö’s city archives, a restaurant and a cinema.

Malmen 12 is a small office and healthcare property that is located in close proximity to Dimman 11. The largest tenants are the City of Malmö and Region Skåne.

**1%** of total letting value

Letting area, m<sup>2</sup>: **23,000**  
 Letting area, parking, m<sup>2</sup>: **2,000**  
 Letting value, SEK million: **41**



Möllevången



Dimman 11



Malmen 12

# UPPSALA

Uppsala is Sweden's fourth biggest city, with population growth amounting to around 3,000 people per year. Uppsala is one of Atrium Ljungberg's most important sub-markets and accounts for 13 per cent of the company's contracted annual rent. We focus our activities on Gränbystaden and central Uppsala, where we are playing an active part in developing the city centre with development of the new Forumkvarteret.

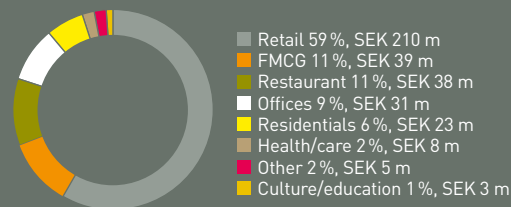
## Rental value, SEK m



## Total letting area, '000 m²



## Types of premises in Uppsala, rental value



GRÄNBYSTADEN 114,000 M²



UPPSALA CITY 17,000 M²



UPPSALA

# GRÄNBYSTADEN

UPPSALA'S SECOND CITY CENTRE IS EMERGING

Gränbystaden is one of the most expansive districts of Uppsala and is expected to be completely integrated with the city centre within a few years. Several projects are ongoing and being planned by different players, primarily the development of housing, but also sports facilities and a public transport hub. Gränbystaden is our biggest urban development project in Uppsala, and our vision is to create what we call Uppsala's second city centre; a vibrant district that complements Uppsala city centre. We have developed offices, work opportunities, homes and cultural facilities here, as well as more retail and experiences, over the past few years. Uppsala has been a cultural and commercial centre for many hundreds of years, but a new Uppsala is now emerging. The population growth here is some of the biggest in Sweden, and it is estimated that Uppsala will have 140,000 new residents and 70,000 new jobs here by 2050. The four-track system between Uppsala and Stockholm will be completed in around 2035, and the city's close proximity to Stockholm and Arlanda will make it an attractive place for establishment of new companies. Atrium Ljungberg wants to be involved in

this development.

### THE CITY DISTRICT CONTINUES TO DEVELOP

The new southern part of the Gränbystaden Galleria, covering around 11,000 m<sup>2</sup> of letting area for retail, restaurants, culture and entertainment, was completed in late 2018/early 2019. The biggest tenants include Nordisk Film, which opened a five-screen cinema and Sweden's first 4DX cinema, as well as an O'Learys restaurant over two levels.

Three apartment blocks with around 200 rental apartments and about 3,000 m<sup>2</sup> for offices have been completed directly adjacent to the southern part of the Gränbystaden Galleria. A new car park offering 275 spaces was also completed underneath the apartment blocks when the properties were ready to move into in October 2018. The apartments are now occupied and the commercial premises are almost fully let. Sara-Stinas torg, with a playground and climbing wall, among other facilities, opened between the galleria and the apartment blocks in spring 2019.

**11%** of total letting value

- Letting area, retail, m<sup>2</sup>: **84,000**
- Rental value, retail, SEK m: **263**
- Letting area, residential, m<sup>2</sup>: **10,000**
- Rental value, residential, SEK m: **21**
- Letting area, parking and other, m<sup>2</sup>: **20,000**
- Rental value, parking and other, SEK million: **16**
- No. of stores, restaurants, services: **154**
- Store sales, SEK billion: **3.1**



Visualisation, Gränbystaden

UPPSALA – GRÄNBYSTADEN

**CONFIRMED PROJECTS**

We are continuing to create urban qualities and develop Gränbystaden with a mix of retail, offices and residentials, as well as service and cultural activities. Several new builds and extensions will be constructed at both the area’s northern part and by Gränbystaden Galleria over the next few years.

**BIG-BOX HUB ALMOST COMPLETE**

Another building was built and opened at the big-box hub in northern Gränbystaden, which is almost complete. Julia,

Jysk and Rusta moved into this new building during the autumn of 2018 and DollarStore at the beginning of 2019. After the completion, Northern Gränbystaden will be a total of 31,000 m<sup>2</sup> letting area.

**RESIDENTIAL BUILDINGS OCCUPIED**

The last of three apartment blocks that together form Gränby Entré, with a total of around 200 rental apartments along with commercial premises on the lower floors, was completed adjacent to the Gränbystaden Galleria in spring 2019. These apartments were mediated via Uppsala Bost-

adsförmiddling, and the last apartments in building 3 were ready to move into in spring 2019.

**PARKHUSEN IN GRÄNBYSTADEN**

In addition to the rental apartments completed in spring 2019, we are planning for approximately 250 more residential properties in the area. The first district comprises 44 rental apartments with commercial premises at ground level. Planning permission for this project was granted in January 2020. Construction is planned to begin in the first quarter, with completion in the second quarter of 2021.

**POTENTIAL PROJECTS**

**RESIDENTIALS, RETAIL AND CULTURE**

Conditions in Gränbystaden are being examined for the start of a new detailed development plan project with a view to facilitating further condensing of the northern and western parts of the galleria to include retail and service facilities, apartments and offices. In northern Gränbystaden there is the possibility of developing 5,000 m<sup>2</sup> GFA for offices and retail on the remaining land within the existing detailed development plan.

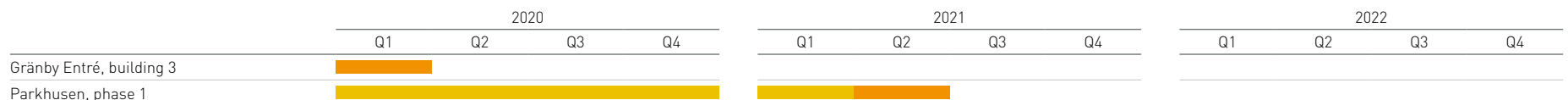
In May 2019, we obtained a new land allocation with a development right for potentially 45,000 m<sup>2</sup> GFA south of Gränbystaden Galleria. The plan is to develop the area into a new office cluster. Detailed development planning is underway and expected to be complete in 2020. As a result of the opportunity to acquire the land, we can strongly continue to develop Gränbystaden towards our vision of creating Uppsala’s second city centre.



Gränby Entré residential buildings

**Confirmed project, schedule**

■ Construction ■ Completion



UPPSALA

# UPPSALA CITY

## AN URBAN INNER CITY DISTRICT IN THE HEART OF THE CITY

In Uppsala city centre, we own, manage and develop one of Uppsala's best known retail hubs; Forumkvarteret. This location has undergone extensive reconstruction work over a number of years and has developed into an urban inner city district that is home to offices, retail facilities, apartments and restaurants.

### CONFIRMED PROJECTS

#### FORUMKVARTERET

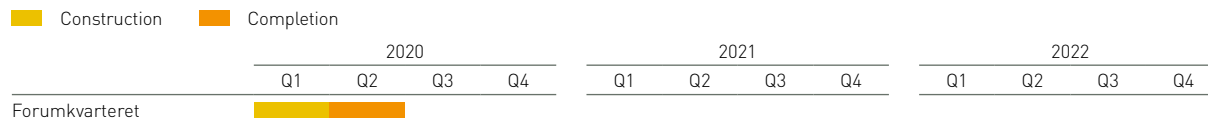
Forumkvarteret has been a central element in Uppsala's city life since 1953. Since 2015 work has been underway to transform Forumkvarteret into an urban inner city district with a wide range of retail stores, restaurants and cafés,

combined with attractive office environments and residential apartments. The galleria section was completed in 2019 to include a number of new shops and restaurants. Work on the final office environments on the top floors will be completed in early 2020. Academic Work, Tengbom Arkitekter and others have moved into modern, reconstructed premises here. As part of this transformation, Forumgallerian (Forum galleria) changed its name in 2019 to Forumkvarteret (Forum district) to better reflect what is at the site.

**2%** of total letting value

- Letting area, office, m<sup>2</sup>: **8,000**
- Rental value, offices, SEK m: **23**
- Letting area, retail, m<sup>2</sup>: **6,000 m<sup>2</sup>**
- Rental value, retail, SEK m: **30**
- Letting area, parking and other, m<sup>2</sup>: **3,000**
- Rental value, parking and other, SEK million: **3**

#### Confirmed project, schedule



New shopping centre section opened in 2019



Forumkvarteret in the heart of central Uppsala



# TL BYGG



# TL BYGG – A COLLABORATION THAT STRENGTHENS OUR BUSINESS

Our partnership with our subsidiary TL Bygg is extending Atrium Ljungberg’s offering and reinforcing our business, allowing us to implement projects with high levels of efficiency and flexibility. This collaboration helps both companies develop and generates a better product.

TL Bygg AB was formed in 1983. It has its roots in the construction and property company that was founded by the builder Tage Ljungberg in the middle of the 1940s, and which makes up part of our companies’ DNA. The strong values that were formed there live on today in the culture of both TL Bygg and Atrium Ljungberg. TL Bygg has an historic construction tradition, a wide range of competence and strong environmental awareness.

The company’s business areas focus mostly on residential units and offices in turnkey contracts and pure construction contract assignments. Customers are primarily found in Stockholm and Uppsala, and the main clients are Atrium Ljungberg, other property companies, the state and various municipalities.

## COLLABORATION THAT STRENGTHENS OUR BUSINESS

Close collaboration with TL Bygg is helping us to turn our vision into reality and is reinforcing our business in a

cost-effective manner that is sustainable in the long-term. TL Bygg has competence for the entire chain and can be involved right from the start of the project to find both financially and environmentally sustainable solutions for major, complex customisations for tenants and production of new residential. TL Bygg is able to play its part in both advisory and production related roles in our projects, and the extensive expertise within the company allows projects to be run and implemented from a turnkey perspective.

## TL BYGG – ALSO AN EXTERNAL CONTRACTOR

TL Bygg has a number of long-term goals, which include achieving a turnover of SEK 1 billion and even distribution between external and internal projects as the majority of projects over the last few years have been internal.

In 2019, TL Bygg developed a brand platform with a view to reinforcing its market position and thereby extending the number of external projects in future. This work has

**553** Net sales, SEK m  
2019

**BF9K** Certified  
A management and product certification system for the construction industry

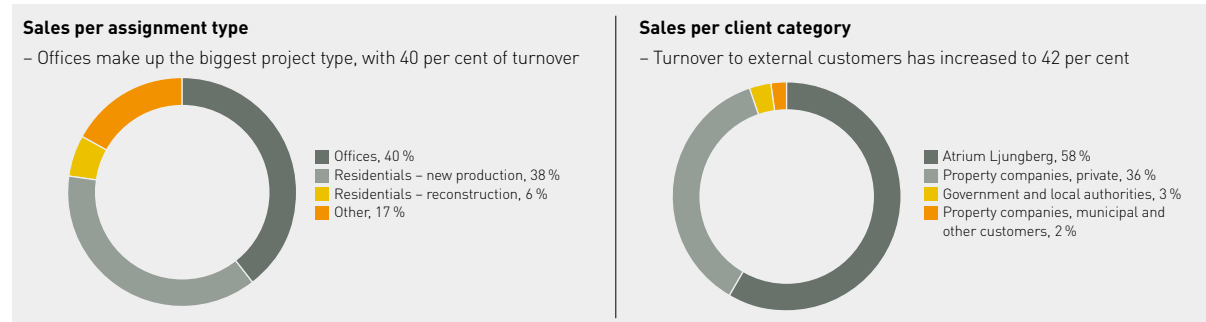
**574** Order book, SEK million  
At 2019 year-end

**127** Number of employees  
68 administrative employees,  
59 skilled workers

resulted in the vision “Everyone wants to live and work in buildings built by us”, as well as clear strategies for brand building initiatives. The company’s three business areas – Reconstruction Stockholm, New Builds Stockholm and Reconstruction and New Bills Uppsala – will be marketed strongly, which should help to increase turnover in both the short and the long term.

## DIGITISATION PROCESS

TL Bygg focuses strongly on the potential impact of digitisation in terms of more efficient, sustainable and cost-saving production. The company has developed its digitisation process in 2019, which makes it more competitive on the market thanks to a new communications system and a more advanced HR and payroll system.





### INTERNAL AND EXTERNAL PROJECTS

In 2019 58 per cent of the total sales comprised work on behalf of Atrium Ljungberg with projects within offices and residential properties. Among other things, TL Bygg is a general contractor for the housing initiative in Uppsala, with Parkhusen block 1 in Gränbystaden as an ongoing project, and is a turnkey contractor for the first tenant-owned residential district at Nobelberget in Sickla. In 2019, TL Bygg has also signed agreements with external players such as SKB Stockholms Kooperativa Bostadsförening and Riksbyggen concerning the construction of apartment blocks. Long-term investments and the company's efforts to build up confidence have allowed it to make progress on a market where many competitors are cutting back.

The external project portfolio also includes the extensive reconstruction of Mörby Centrum on behalf of Skandia Fastigheter; a project that is expected to take about three years to complete.

### OPPORTUNITIES AND EXPANSION IN UNCERTAIN TIMES

These are uncertain times in the construction industry, and a number of the company's competitors have gone bankrupt. TL Bygg is showing positive results and is still undergoing an expansion phase. The workforce was increased by around 10 per cent on 2019, and the number of employees is expected to continue to increase in 2020. A partly uncertain market position is creating opportunities for good recruitment activities, but also the opportunity to run projects at lower costs for both the company and its clients.

The unstable market may give financially stable companies such as TL Bygg competitive advantages for many years to come, as they can focus on both short-term and long-term initiatives in areas where others are cutting back.

### PROFIT

TL Bygg's operating profit fell to SEK 3 million (SEK 8 m). 2019 was impacted by delays in project starts as well as start-up costs in early stages. However, TL Bygg has been working successfully with its order book and has a high number of known projects at the start of 2020.

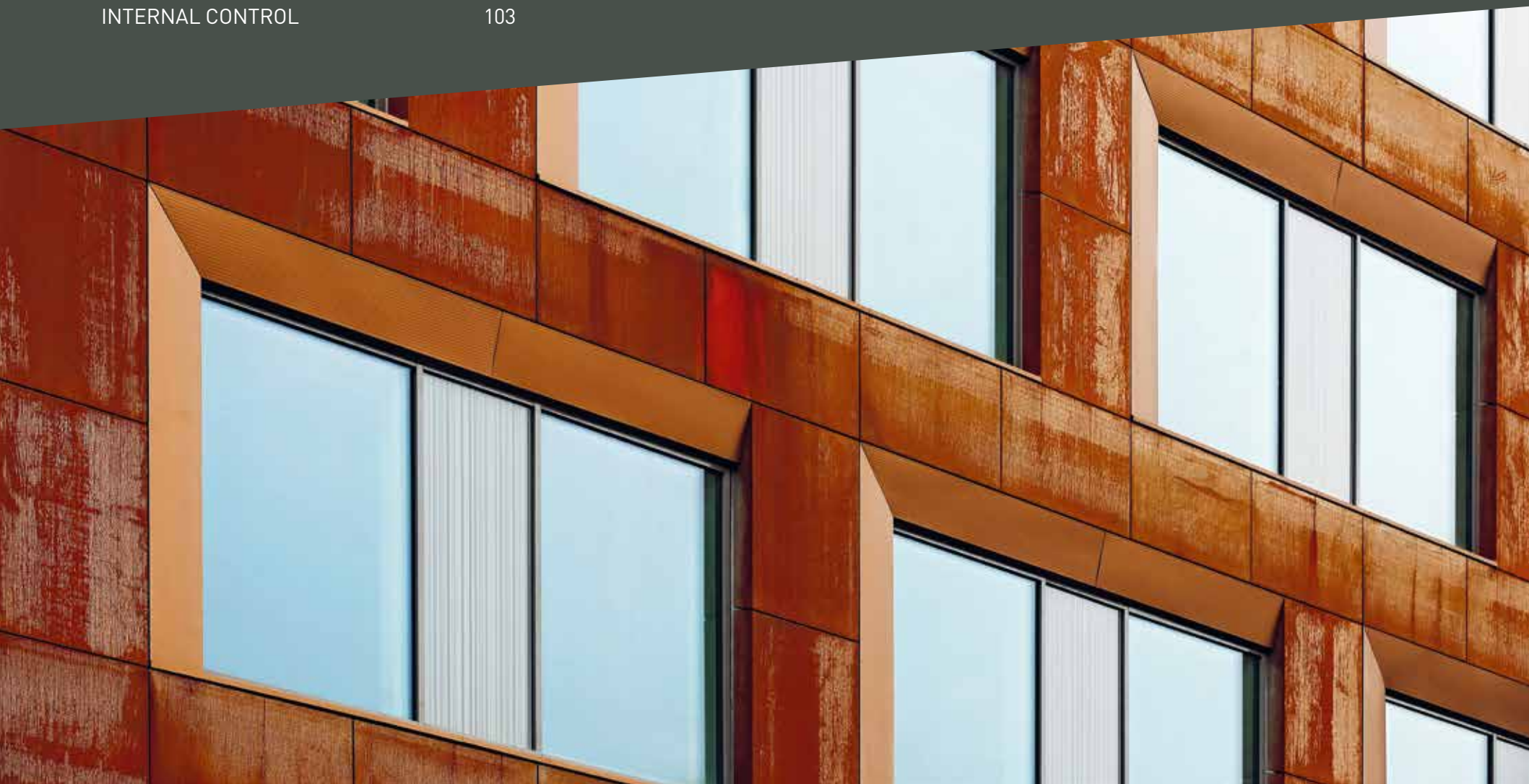
Find out more at [www.tlbygg.se](http://www.tlbygg.se)

#### Summary of income statements

SEK m	2019	2018	2017	2016	2015
Net sales, external clients	233	207	120	121	335
Net sales, Group companies	320	386	518	314	137
<b>Net sales, total</b>	<b>553</b>	<b>593</b>	<b>638</b>	<b>435</b>	<b>472</b>
Operating profit	3	8	16	4	-11
Net financial items	1	1	0	0	2
Profit after net financial items	4	9	16	4	-9
Number of employees	127	113	114	110	120

# GOVERNANCE AND CONTROL

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# DIRECTORS' REPORT

The Board of Directors and the CEO of Atrium Ljungberg AB (publ.), company ID no. 556175-7047, hereby submit the annual accounts and the consolidated accounts for the 2019 financial year. The figures shown in parentheses refer to the preceding financial year. The legal annual report including the directors' report is, with the exception of the corporate governance report and statement of the Chairman of the Board, revised and covers pages 82–95, 103–149 and 162–163. The sustainability report has been reviewed to a limited extent.

## OPERATIONS

Atrium Ljungberg is one of Sweden's biggest listed property companies. We develop attractive urban environments for offices, retail and residential properties in strong subsidiary markets. The business are conducted with a long-term ownership perspective. We generate growth in value by developing and upgrading new and existing properties and development rights and by conducting active and customer-orientated property management. We lead and manage the entire business process with our employees, which provides knowledge and understanding of the entirety and generates added value for the customer. Our development projects generate a long-term return.

## FINANCIAL GOALS 2019

According to the financial goals applicable for 2019 onwards, the return on shareholders' equity must exceed 10 per cent over time. A total of SEK 2 billion shall be invested in development projects per annum and shall yield a project return of 20 per cent for new builds and extension projects. Return on shareholders' equity for 2019 amounted to 12.9 per cent (17.7%). Investments during the year in Atrium Ljungberg's held properties amounted to SEK 1,810 million (SEK 1,758 m). The financial goals also state that the gearing ratio shall be a maximum of 45 per cent and that the interest coverage ratio multiple shall be a minimum of 2.0. At the 2019 year-end, the gearing ratio was 41.7 per cent (41.9%) and the interest coverage ratio multiple was 4.4 (5.0).

## DIVIDEND

The dividend shall correspond to a minimum of 50 per cent of the profit before changes in value after nominal tax, unless investments or the company's financial position in general motivates a deviation from this norm. A dividend of SEK 5.00

per share (SEK 4.85/share) is proposed for the financial year, which corresponds to 66.9 per cent of the distributable profit (67.6%) and a dividend yield of 2.2 per cent (3.2%).

## MARKET

### The financial market

The global growth in the world economy has slowed in 2019. The economy has been affected by factors such as uncertainty in global trade policy, poorer prospects for the economy and the effect of the exit of the United Kingdom from the EU. The central banks are pursuing an expansive monetary policy with low key interest rates in order to subdue any decline. Low interest rates are still very low, even though they have risen from the record lows at the end of the summer.

The Swedish economy has entered a slowdown phase after several years of prosperity. In December, the Riksbank increased the repo rate from -0.25 per cent to 0 per cent. GDP has seen slight growth in 2019. In December the National Institute of Economic Research assessed growth in GDP of 1.1 per cent in 2019 and 1.0 per cent in 2020. The variable rate, 3M Stibor, amounted to 0.15 per cent at the end of the year compared with -0.13 per cent at the beginning of the year. At the end of the year, the 10-year swap rate amounted to 0.67 per cent compared with 1.13 per cent at the beginning of the year.

### The property market

The Swedish property market continued to demonstrate its strength in 2019 after several years of record interest in investment in property. Properties worth around SEK 219 billion were sold during the year, which is the highest level ever measured and represents an increase of 35 per cent compared with the previous year.

The 2019 transaction market was dominated by portfolio

sales as no fewer than 62 per cent of total turnover was made up of portfolio transactions. It is worth knowing that no fewer than 43 transactions have exceeded SEK 1 billion in underlying property value, which resulted in the average sale price reaching a record level of SEK 384 million per transaction.

### Office market

Like the development on the pan-European market, office properties are one of the segments with the most positive development on the Swedish property market throughout the year. The office segment is driven by strong foundations that are based on an effective labour market and strong growth among company. According to Oxford Economics, office-based appointments will grow by an average of 1.8 per cent in Stockholm, 1.6 per cent in Gothenburg and 1.5 per cent in Malmö per year over the next five years. This means that all three of Sweden's major cities will end up in the top 10 list of European cities with the best future prospects in terms of growth with regard to offices.

### Retail market

Retail turnover grew by 3.5 per cent at current prices in 2019. As a result, 2019 was another year to add the list of 22 years in which the retail sector has demonstrated sales growth. Both the FMCG sector and consumer durables demonstrated good growth, with development of 3.6 and 3.4 per cent respectively for 2019 as a whole. The FMCG trade is still driven by price increases. In the consumer durables market, the home furnishings and furniture trade helped to bring about positive development for the industry. The clothing trade remains weak, and in particular shops selling footwear and bags demonstrated negative turnover trends during the year.

### Residential market

The prices of tenant-owned dwellings has increased gradually on all Atrium Ljungberg's submarkets in 2019. Basic factors such as population growth, urbanisation, economic growth and low interest rates are resulting in strong demand for residential units. The number of new apartment blocks on which construction commenced has declined in 2019, and the number of planning permissions granted indicates that the construction rate will remain the same in 2020. However, a high number of apartment blocks were completed in 2019.

## DIRECTORS' REPORT

The supply of new builds has declined, primarily in Uppsala and Stockholm. The supply of apartments on the secondary market remains high and is equivalent to the last few years. More customers now are buying newly constructed apartments closer to the time of completion, which is leading to slower sales cycles.

Demand for tenant-owned dwellings on Atrium Ljungberg's submarkets remains stable. The waiting times for mediated new apartments are showing continued demand.

### PROPERTY MANAGEMENT

#### Net letting

Net letting for the year amounted to SEK –82 million (SEK 144 m), of which SEK –46 million (SEK 92 m) referred to project properties. Of net letting for the year, SEK –85 million relates to Tranbodarne 11 (Katarinhuset in Slussen), which is being vacated prior to reconstruction.

The time lag between net letting and its effect on profit is assessed to be 3–24 months.

#### Rental income and letting rate

As of 01/01/2020 the contracted annual rent amounted to SEK 2,578 million (SEK 2,483 m). The economic letting rate including project properties was 93 per cent (95%), and excluding project properties, 94 per cent (95%). The EPRA vacancy rate was therefore 6 per cent (5%). The lower letting rate is explained, among other things, by two projects (Sickla Front II and Gränby Entré, building 3) being completed, but not yet being fully let, and a couple of properties in Slussen and Sickla being prepared for reconstruction projects. The average remaining term for contracted rent excluding residential and parking was 3.4 years (4.0 years) as of 01/01/2020. 89 per cent (87%) of the contracted annual rent is regulated with an index clause linked to inflation.

#### Profit and financial position

Comments on the net profit for the year and financial position are contained on pages 110–112.

### PROJECT PROPERTIES

#### Confirmed and completed

During the year, investments in held properties amounted to SEK 1,810 million (SEK 1,758 m), of which SEK 1,085 million (SEK 1,216 m) was in project properties and SEK 106 million (SEK 21 m) in development properties, i.e. our tenant-owned dwelling projects. Investments in project properties relate

primarily to projects in Sickla, Mobilia, Barkarby and Haga-staden. Other investments relate mostly to tenant adaptations in properties in Sickla, Sundbyberg, Södermalm, Lilje-holmen, Malmö and Gothenburg.

The Formalinfabriken project in Sickla, covering approximately 2,000 m<sup>2</sup> over four storeys, was completed during the year. The fairly old industrial building used to be used as a laboratory, but it has now been reconstructed to modern offices.

The remaining investment volume for confirmed projects amounted to SEK 3,060 million as of 31 December.

#### Sickla – Nacka

**Curanten** – At Sickla Station, we are building a healthcare destination, with stores, cafés and restaurants on the ground floor. The project comprises a total of 11,500 m<sup>2</sup>, which includes 8,100 m<sup>2</sup> for healthcare. Adaptation of the premises for tenants is currently underway. Occupancy is planned for the end of 2020. Lease contracts have been signed with Sickla Hälso-center, Alva Barnklinik and GHP Specialisttandläkarna in Nacka and Diagnostiskt Hudcenter. Contracts have been signed with Kronans Apotek, Reload Superfoods and Bastard Burgers for the ground floor.

**Tapetfabriken** – The old wallpaper factory directly next to Marcusplatsen in Sickla is now being developed into a hotel. Nordic Choice Hotels signed a contract for a hotel with 156 rooms in early 2018, and a new contract to extend the number of rooms to a total of 220 was signed in the end of 2019. With this, the project is fully let. The opening has been postponed until spring 2021 on account of the extension of the hotel.

**Nobelbergsgaraget** – The framework has been put into place for the garage and supplementary areas for restaurants, offices and service, and completion is expected to take place at the end of 2020. This parking garage will include around a hundred parking spaces. This property is a 3D property under Brf Sicklastråket.

**Panncentralen** – The former boiler room at Nobelberget is being reconstructed and extended to create a modern preschool with six departments and an outdoor play area. An agreement was signed with Jensen Education in the first quarter of 2019, and the activity is planned to open at the end of 2020.

**Brf Sicklastråket** – The tenant-owned apartment project containing 68 tenant-owned apartments is the first residential block to be built on Nobelberget. Sales started for this project in the autumn of 2018 and as of the end of December 2019

binding contracts had been signed for 59 per cent of the apartments. These apartments are being built on top of Nobelbergsgaraget, and the block is expected to be completed at the end of 2020.

**Sickla Galleria, phase IV** – On top of the existing galleria, we are creating approximately 200 parking spaces in order to meet the increased need for parking linked with the Curanten and Stationshuset projects. Approximately 2,000 m<sup>2</sup> of existing retail space has been vacated, and new areas covering almost 3,000 m<sup>2</sup> have been created for retail and service. Demolition work is in progress, and plans are afoot to lay the foundations in spring 2020. Completion of the parking garage and the new retail spaces is planned for the third quarter of 2021.

#### Hagastaden – Stockholm

**Life City** – The building, which is next to Karolinska University Hospital, covers 27,500 m<sup>2</sup> and represents an investment of SEK 1.9 billion including the land acquisition. Here, we are building a new meeting place for commercial development and services connected to healthcare and research. A rental agreement with Academic Work relating to 17,000 m<sup>2</sup> was signed in 2018. Tunnelling work beneath the building has been completed, and the frame being erected is expected to be finished by summer 2020. This project is on schedule with the first tenants expected to move in during the fourth quarter of 2021. The entire building is planned for completion in the spring of 2022.

#### Barkarbystaden – Järfälla

**Bas Barkarby** – Construction of the first phase of Bas Barkarby started in the second quarter of 2019 and comprises approximately 25,000 m<sup>2</sup>. Here we will be bringing together education with the business community to create an entirely new meeting place. Järfälla Municipality will lease almost 11,000 m for upper secondary education, a multi-purpose hall, a library and other cultural activities. Casting of the foundation is in progress at present, and erection of the framework will begin in February 2020. Occupancy is expected to take place in the spring of 2022.

Bas Barkarby will be directly connected to western Stockholm's new hub for the underground railway, long-distance trains, commuter trains and buses.

## DIRECTORS' REPORT

**Gränbystaden – Uppsala**

**Gränby Entré, building 3** – We have built three buildings containing rental apartments, commercial premises and offices next to Gränbystaden Galleria. Building 3 contains 66 rental apartments, offices and premises for restaurants, gyms and other service activities. The apartments are now occupied and the work on the last commercial premises is ongoing.

**Parkhusen, phase 1** – We are building a residential block called Parkhusen next to Gränbystaden Galleria and Gränbyparken. The project comprises a total of approximately 250 apartments and we will create an urban frontage and a clearly defined entrance to the park. Phase 1 comprises 44 rental apartments with commercial premises on the ground floor. Planning permission was granted in January 2020. Construction is planned to commence in the first quarter of 2020, and it is estimated that the building will be completed in the second quarter of 2021. The apartments will be mediated through Uppsala Bostadsförmedling.

**Forumkvarteret – Uppsala**

**Forumkvarteret** – We are in the final phase of major reconstruction work in Forumkvarteret in central Uppsala. Work on the final office environments on the top floors will be completed in early 2020, and otherwise the building is complete.

**Mobilia – Malmö**

**Mobilia Torghuset** – Work is continuing on the extension of approximately 12,900 m<sup>2</sup> and is approaching its final stage. Funnys Äventyr has taken possession of its premises and is currently working on building up its environments. Adaptation of the premises for Nordisk Film, which are expected to open at the same time as Funnys Äventyr in the fourth quarter of 2020, is in progress. In the retail section, contracts have been signed with New Yorker and Specsavers. Contracts have been signed for most of the 74 residential apartments, and tenants will be moving in in May 2020.

**POTENTIAL DEVELOPMENT PROJECTS**

Our current project portfolio with new constructions and development projects enables future investments of approximately SEK 25 billion, which includes potential land acquisitions through land allocations. In terms of area, more than half of the project portfolio comprises offices, one-third residential, while the remainder is retail/service, education and culture. The project portfolio is divided among the majority

of our areas with Sickla, Slakthusområdet, Gränbystaden and Södermalm accounting for approximately 85 per cent. The rate at which we can complete the projects depends on the market situation and the detailed development plan process. Projects not normally started until we have secured a minimum level of return in the form of signed lease contracts.

**Potential project starts 2020–2021**

In **Sickla**, sales are in progress of the first tenant-owned apartments of a total of 500 at Nobelberget. The launch of phase two relating to almost 60 tenant-owned apartments with ground floor premises is planned for 2020. The development of the remaining apartments will be carried out gradually depending on market demand. At Nobelberget, we are creating an attractive and dense urban environment with residential as well as office premises and cultural activities.

We have a development right for approximately 7,500 m<sup>2</sup> GFA at Sickla Station, where the future underground will be linked with the cross-town light rail link (Tvärbanan), the Saltsjöbanan line and bus services. Work is underway on a new detailed development plan with an extended development right, which will include a 23-storey building and approximately 23,000 m<sup>2</sup> GFA. The detailed development plan for the higher building was out for consultation in December 2019. This building will house both an underground station and offices and other commercial premises. Atrium Ljungberg and Region Stockholm are working jointly on a project that involve construction of parts of the new station entrance, including a ticket hall and service. The ground work will commence in the first quarter of 2020. Detailed development planning work is in progress for a new 16-storey residential building with approximately 80 apartments. This will be at the eastern section of Sickla Galleria by the second planned ticket hall for the underground at Sickla Station. The preparatory work on the station entrance is planned for the autumn of 2021.

**Katarinahuset in Slussen** is now being vacated for demolition, and it is estimated that it will be possible to start this work in the third quarter of 2020. Following the reconstruction, this building will accommodate hotels, restaurants and modern offices with a unique view. Discussions are currently taking place with a number of hotel and restaurant operators; including Gondolen, which is expected to return to its premises when the renovation of Katarinahuset is complete. We are also planning to develop the building's roof terrace so that the general public can access it via Mosebacke and

Katarinahissen. It is estimated that the renovation work will be completed by mid-year 2023.

**Gränbystaden** and the development of Uppsala's second city centre continues. Construction of the first residential block in Parkhusen is planned to start in the first quarter of 2020, but there is also the potential for approximately 200 additional apartments within the existing detailed development plan. In northern Gränbystaden there is the possibility of developing 5,000 m<sup>2</sup> GFA for retail and offices on the remaining land within the existing detailed development plan. In May 2019, we obtained a new land allocation with a development right for potentially 45,000 m GFA south of Gränbystaden Galleria. The plan is to develop the area into a new office cluster. Detailed development planning is underway and expected to be complete in 2020.

At **Mobilia in Malmö** we have a development right of 6,800 m GFA for offices on Trelleborgsvägen. Construction could potentially start in the first quarter of 2021 once Torghuset is complete.

**Slakthusområdet**

Atrium Ljungberg took early June possession of the first phase of 14 properties with leaseholds, covering 51,000 m<sup>2</sup> of letting area. We also have an option to acquire an investment property of 32,000 m<sup>2</sup> of letting area. Furthermore, we have the option of ordering land allocations of approximately 100,000 m<sup>2</sup> GFA. The acquisitions and developed land allocations amount to a total of approximately 200,000 m<sup>2</sup> GFA for offices and residentials, supplemented with culture, retail, restaurants, hotels, education, etc. The total investment up to 2030, including acquisitions, amounts to around SEK 8 billion.

Slakthusområdet is one of Stockholm's largest urban development projects. We have worked together with the City of Stockholm during the autumn to complete a preliminary study for the northern part of Slakthusområdet. Our objective was to be able to create good occupation values and provide opportunities for activities to continue 24 hours a day. An increase in volumes is proposed in order to make this possible, thereby creating a better mix of activities in the area. The planning work for the north part of the site is expected to begin in 2020.

**PROPERTY TRANSACTIONS**

During the year, possession has been completed for 14 properties with leaseholds in the Slakthusområdet in Stockholm. Possession has also been taken of the property Barkarby

## DIRECTORS' REPORT

2:64, the land for the Bas Barkarby project in Järfälla. During the year, title deed costs were also paid for the acquisition of the property Molekylen 1, which is the land for the Life City project in Hagastaden. During the year the leaseholds Kolding 1 and Kolding 2 in Ärvinge, Kista, were vacated.

## PROPERTY VALUES

Atrium Ljungberg had 44 per cent of the market value of its property portfolio externally valued during the year, of which 19 per cent was conducted during the fourth quarter. The valuations were carried out by Forum Fastighetsekonomi, Savills and Newsec in accordance with international valuation standards. The remaining properties were subject to an internal valuation. Market rents, operating costs, vacancies and yield requirements were quality assured by external valuation experts. The market valuation is based on analyses of completed property transactions for properties of a similar standard and in a similar location, in order to assess the market's yield requirements. The valuation also entails cash flow calculations, with individual assessments of the earning capacity of each individual property. Assumed rental levels in conjunction with contract expirations correspond to assessed long-term market rent levels. Operating costs have been assessed on the basis of the company's actual costs. Development rights have been valued based on an assessed market value per m<sup>2</sup> GFA for determined development rights in accordance with an approved detailed development plan or where the detailed development plan is assessed to enter into force within the near future.

Project properties are valued on the basis of completed projects, less remaining investments. A risk premium is added to the yield requirement on the basis of the current phase of the project.

The unrealised changes in value during the period amounted to SEK 2,283 million (SEK 2,516 m) and are mainly explained

by the market's lower yield requirements on some submarkets and higher operating net. The value of Atrium Ljungberg's properties on 31/12/2019 was SEK 48,509 million (SEK 44,201 m), excluding right-of-use attributable to leaseholds, and the average dividend yield requirement was 4.5 per cent (4.6%).

## ORGANISATION

The organisation within the company has been reinforced throughout 2019 so as to cope with future growth. A number of key personnel have been recruited in the Projects and Business Development Business Areas. The organisation within the Property Business Area has been adapted and will also include leasing as of November 2019 so as to create even closer cooperation with regard to letting issues. Monica Fallenius, Atrium Ljungberg's Business Area Manager for Transactions and Leasing, left the company when this change was made. A number of supporting functions have also been developed in line with the growth of the company, particularly with regard to IT and marketing.

## REMUNERATION FOR SENIOR EXECUTIVES

Amendments to the Swedish Companies Act Chapter 7 §§ 61–62, and Chapter 8 §§ 51–53b (1 July 2019) have resulted in extended guidelines for remuneration for the CEO, Deputy CEO and Board members. These will come into effect from the 2020 Annual General Meeting and have been taken into consideration in the proposal for the guidelines for 2020. Salaries and other terms of employment for the Executive Management shall be market-based and competitive, but shall not be market leaders in terms of salary paid in relation to other comparable companies. The guidelines shall apply for the senior management team which consists of the CEO and 5 other senior executives.

## OUTLOOK FOR 2020

The increase in the operating net from the project portfolio will be limited in 2020, as a large number of our ongoing projects are planned for completion at the end of 2020 and start of 2021. The sale of the residential portfolio in Kista and the vacating of Katarinahuset at Slussen will also contribute to this limitation. As anticipated, the Riksbank also increased the repo rate in early January, which was noted in our forecast.

The forecast for profit before changes in value amounts to SEK 1,200 million in comparison to the outcome of SEK 1,234 million for 2019. The forecast for profit after tax is SEK 948 million, corresponding to SEK 7.29/share. Changes in value and any other future property acquisitions and sales have not been taken into account in the forecast. The investment volume in held properties for 2020 is assessed to amount to approximately SEK 2.4 billion.

## SUSTAINABILITY REPORT

Atrium Ljungberg has produced a separate sustainability report in accordance with the Swedish Annual Accounts Act. This report encompasses Atrium Ljungberg AB (publ) and all of its subsidiaries. The Sustainability Report is on pages 15–16, 23–35, 87–92 and 149–161 and is not part of the financial report.

## EVENTS AFTER THE CLOSING DAY

On 7 February Atrium Ljungberg agreed with the City of Stockholm to return the Hammästaren land allocation of approximately 20,000 m<sup>2</sup> GFA in Slussen. By way of compensation for returning this land allocation, the company received new land allocations in Slussen, Hagastaden and Slakthusområdet. In Slussen the land allocations that were received included 8,000 m<sup>2</sup> for the new retail hub and approximately 4,500 m<sup>2</sup> GFA for a hotel at Södermalmstorg. The company also received land allocations in Hagastaden, which includes approximately 23,000 m<sup>2</sup> GFA for offices and approximately 310 apartments. Finally a land allocation of approximately 4,000 m<sup>2</sup> GFA was received in Slakthusområdet for offices or hotels. It is estimated that the total investment for the new projects will amount to approximately SEK 5 billion between 2023 and 2030.

The agreement is conditional on a decision in the city council of the City of Stockholm which is expected to be made in the second quarter of 2020.

Properties acquired					
Property	Area	Category	Letting area, m <sup>2</sup>	Possession	Acquisition values, SEK m
14 properties	Slakthusområdet	Industry/offices/retail	51,000	June 2019	1,127
Barkarby 2:64	Barkarby	Land for offices	–	May 2019	16
Sold properties					
Property	Area	Category	Letting area, m <sup>2</sup>	Date vacated	Underlying property value, SEK m
Kolding 1 & 2	Ärvinge, Kista	Residential	42,612	Sep 2019	1,100



# RISKS AND RISK MANAGEMENT

Atrium Ljungberg’s property portfolio is primarily focused on urban development with different content, including office and retail operations. We operate in the Swedish market, and are thereby exposed to the performance of the Swedish economy as a whole and in particular the locations in which we operate. The Board of Directors has overall responsibility for risk management, while the operational work has been delegated to the CEO.

Taking into account our operations, prioritised areas for risk management are letting, project and construction activities, property valuation and financing. Our operations and the opportunity to attain our goals are affected by both external factors and business risks. We cannot influence external factors, but we can work in a preventative manner and be prepared for different scenarios. Operational risks are mainly handled by being aware of the risks and working continuously on minimising any negative impact.

The Board of Directors has overall responsibility for risk management while the operational work has been delegated to the CEO and the various business areas. Risk management in the administration and project and construction activities is largely decentralised while financing, insurance and property valuation are managed centrally.

Digitisation and the increase in the use of IT services is making new, more stringent demands on IT security work in the form of technical solutions, processes, organisation and

security awareness among personnel and partners. This is why we have included cyber risks as an additional risk area.

The following section describes these risks based on their probability, and the extent of the consequences that these risks are assessed to have on Atrium Ljungberg’s financial position and future earning capacity.

Also see the corporate governance statement, pages 97–102 and internal control, pages 103–104.

AREA	RISK	PROBABILITY	CONSEQUENCE
MANAGEMENT AND PROPERTY PORTFOLIO	Property values		
	Assumptions for property valuation		
	Unpredictable events in our properties		
	Rental income		
	Letting rate		
	Property costs		
	INVESTMENTS AND ACQUISITIONS	Investments	
Acquisitions			
Project portfolio			
EMPLOYEES AND SUPPLIERS	Expertise		
	Suppliers		
	Corruption		
	Health and safety		
FINANCIAL RISKS	Credit risk		
	Currency risk		
	Interest		
	Refinancing		

AREA	RISK	PROBABILITY	CONSEQUENCE
ENVIRONMENT	Contamination in our properties		
	Climate changes		
OUTSIDE WORLD	Requirements for more efficient energy consumption		
	E-commerce		
	Digitalisation		
	Changed tax rate		
	“Paketeringsutredningen”; public investigation regarding taxation in conjunction with the sale of packaged real estate		
CYBER RISKS	IT attacks		
	Outages		
	Information leaks		
	Dependency on external parties		

## RISKS AND RISK MANAGEMENT

## MANAGEMENT AND PROPERTY PORTFOLIO

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
Property values	The property portfolio is reported at fair value, i.e. market value. The market value is normally determined by the anticipated operating net and the anticipated return that market players will accept. A higher anticipated future operating net has a positive impact on market value, as well as a lower yield requirement.	By working in the long-term with our management and developing our areas into attractive spaces, we create the conditions for better and more stable operating net from our properties. However, the market's yield requirement is an external factor that we cannot influence.
Assumptions for property valuation	Changes in fair value for investment properties are recognised in the income statement as unrealised changes in value. The market value for the properties also constitute the foundation for calculation of the company's gearing ratio. Therefore, it is of the utmost importance to ensure that the properties' market values are as accurate as possible. The real estate valuation is based on a number of financial input data and assumptions. In the valuation process there is a risk that the assumptions that have been made do not reflect the current market conditions or actual conditions, which means that the valuation does not provide an accurate representation.	The real estate valuation is done on a quarterly basis. Approximately 40–50 per cent of the market value is valued externally every year. Our internal valuations are subjected to quality assurance by independent valuers. The Board of Directors made a decision during the year on a new policy for valuation of investment properties. See more in note T.1 on pages 131–133. See the sensitivity analyses on page 88 for information on how changes in assumptions affect property values and how changes in property values affect key ratios.
Unpredictable events in our properties	Our properties can be affected by unpredictable events in the form of fire, water damages and other damages.	We continuously work with preventative measures such as, for example, updated fire alarms, sprinkler systems, entrance control systems and trained security officers. All properties are insured for their full value through If.
Rental income	Our rental income is affected by the economic performance in the subsidiary markets in which we operate and by how successfully we develop the areas where our properties are located. Economic growth will probably lead to increased demand for premises, with lower vacancies as a result; a trend which, in turn, usually leads to higher market rents. A negative economic trend is assumed to result in the opposite effect.	We build urban environments with a focus on office and retail operations, which are supplemented with housing, service, culture and education. This mix makes us less sensitive to the economic development and increases the risk spread in the tenant structure. As commercial lease contracts are normally signed for a term of three to five years, changed market rents gradually have an impact on rental income. As only one per cent of the rental income comprises surcharges to sales-based rent besides a minimum rent, in the short-term Atrium Ljungberg is affected by declining sales of retail hubs to a very small extent. However, in the long-term it impacts the demand of the premises.
Letting rate	A change in the company's letting rate has an effect on income.	By operating in strong subsidiary markets with close relations with both existing and potential customers, we can satisfy the customers' need for premises in a timely manner and thereby prevent and reduce the risk of high vacancy levels.

The table shows how the effects of different parameters impact the market value.

## Sensitivity analysis, property valuation

Value parameter	Assumption	Impact on value, SEK m
Rental level	+/- 10%	+/- 4,540
Operating cost	+/- 10%	-/+705
Yield requirement	+/- 0.25 % units	-2,100 /+2,630
Long-term vacancy level	+/- 2%	-/+ 1,220

The changes in the value of properties also affect the company's key ratios and the following sensitivity analysis shows how Atrium Ljungberg's financial position is affected by changes in value of +/- 10%.

## Sensitivity analysis, change in value

	Change in market value of properties	Impact	Impact, %
Profit for the year	+/- 10%	SEK +/-3,773 million	+/-134%
Equity	+/- 10%	SEK +/-3,773 million	+/-17%
Gearing ratio	+/- 10%	-3.8 % unit/+4.6 % unit	-9 %/+11%
Equity/assets ratio	+/- 10%	+4.8 % unit/-5.9 % unit	+11 %/-13%

## RISKS AND RISK MANAGEMENT

## MANAGEMENT AND PROPERTY PORTFOLIO, cont.

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
Property costs	<p>Changed property costs impact the property's operating net and thereby also the market value of the property. A large share of the cost is linked to energy consumption in the form of heating, cooling and electricity.</p> <p>Property costs are impacted by seasonal variations. Generally costs are higher during the first and last quarter of the year, primarily caused by higher costs of heating and property maintenance.</p> <p>See pages 91 and 156 for more information on the impact of climate change on property costs in the longer term.</p>	<p>Some of the property costs are passed on to the tenant through regulations in the lease contracts and cost increases or savings consequently only have a limited impact on our results. Any vacancies that arise affect the result, not only in the form of lost rental income, but also in the form of costs that cannot be passed on to the tenants.</p> <p>We work purposefully, for the benefit of both our tenants and the company, to increase the efficiency of our consumption. As a part of this, Atrium Ljungberg has set a goal of reducing energy consumption per square metre between the years 2014 and 2021 by 30 per cent.</p> <p>Unforeseen damage and repairs can have a negative effect on the company's results and are prevented by means of a long-term maintenance programme in order to maintain a good standard throughout the property portfolio.</p> <p>We have 23 properties with leasehold. The leasehold agreements are usually renegotiated at 10 or 20 year intervals. See more on leasehold fees in note IK.4.</p>

## INVESTMENTS AND ACQUISITIONS

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
Investments	Atrium Ljungberg develops and constructs its held properties in its project activities. Risks in these activities are that the projects will be more expensive than expected due to miscalculation, changed conditions or higher purchasing prices.	The projects are mostly run through divided contracts, which enables flexible production and cost-efficiency in production. In-house expertise is used in our residential development through our subsidiary TL Bygg. We always have direct contact with customers, short decision-making processes, as well as a rapid and simple handover to the management team.
Acquisitions	Atrium Ljungberg's expansion also takes place through acquisition of properties. Risks during the acquisition are that the letting rate and rental trend will be lower than expected or that the technical standard is lower than the conducted assessments. Another risk is that there are unexpected environmental consequences. During the acquisition of properties through companies there is also a tax risk.	The risks during an acquisition are prevented by a due diligence process always being carried out, in which we inspect the property and examine agreements, accounts and fiscal aspects with both internal and external specialists. All acquisitions are made with the intention of owning and developing the properties in the long-term.
Project portfolio	Property development through investments in in-house properties and production of development rights is very important in terms of the company's value growth. A limited project portfolio can reduce future growth.	The company has a large project portfolio, and to maintain long-term growth, we are constantly searching for new business opportunities and projects through continuous dialogue with municipalities and other market players. Our portfolio focuses on growth situations in Sweden's four major cities and is primarily located at public transport hubs. Our portfolio is diversified towards various property segments, which gives us the flexibility to cope with economic fluctuations in different segments. See pages 47–55 for further information about our project portfolio.

Sensitivity analysis cash flows	Change, %	Effect on profit, year 1, SEK m	Effect on profit, full-year, SEK m
Rental income	+/- 5 %	+/- 21	+/- 114
Property management costs	+/- 5 %	-/+ 41	-/+ 41
Letting rate	+/- 1 % unit	+/- 28	+/- 28
Atrium Ljungberg's average borrowing rate	+/- 1 % unit	-/+ 51	-/+ 202

The effect on the profit in year 1 relates to the effect in the immediately subsequent year with reference to fixed terms in lease contracts and loan agreements.

## RISKS AND RISK MANAGEMENT

## EMPLOYEES AND SUPPLIERS

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
<b>Expertise</b>	The ability to attract and retain skilled personnel is an important prerequisite for our success.	By being one of Sweden's best workplaces in accordance with "Great Place to Work®", we can both attract and retain competent personnel. See page 32 for further details.
<b>Suppliers</b>	Supplier risk refers to the risk that our suppliers cannot fulfil their deliveries, that they use unethical business practices or do not fulfil the environmental requirements, working conditions and human rights that have been imposed.	Atrium Ljungberg's purchasing function comprises efficient support for the entire organisation by coordinating purchasing. This results in higher quality and lower costs. Furthermore, the purchasing function ensures that the Group's suppliers comply with Atrium Ljungberg's requirements within sustainability and business ethics.
<b>Health and safety</b>	Health and safety risk are common in our business and industry. Injuries to hands are the most common accidents when managing properties and carrying out construction work. For offices, the risks are primarily related to stress, which affects mental health.	We have a zero-tolerance approach to stress-related illnesses and workplace accidents. We hold regular work environment training courses for our project managers and technical managers as well as for managers at our subsidiary TL Bygg. We provide health insurance for employees, and the company's Performance Management process includes a clear dialogue between managers and employees.
<b>Corruption</b>	Improprieties that affect Atrium Ljungberg may damage our brand and staff.	Atrium Ljungberg has established a whistleblowing service through an external party. In this manner we can guarantee a system with highest secrecy and total anonymity which makes it safe for our employees, customers and collaboration partners to submit a complaint. Complaints can be submitted through our website and are then handled by the external party. There is a policy for business ethics with guidelines which provide more concrete guidance.

## FINANCIAL RISKS

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
<b>Credit risk</b>	The term, credit risk, refers to the risk that our tenants will be unable to fulfil their payment obligations.	Each property area continuously evaluates the capacity of new and existing tenants to pay the agreed rent. In many cases, default in payment of rent is secured through deposits and bank guarantees. A large number of tenants in different sectors ensures a good risk spread.
<b>Currency risk</b>	Currency risk refers to the risk that our income will be lower or the costs higher when agreements are entered into in a different currency to Swedish krona.	We are partly financed by means of bonds in Norwegian krone, where the loan volume and coupon payments were secured with currency swaps, thus eliminating currency exposure. The only exception is purchases made in foreign currency, which involves a low currency risk.
<b>Interest</b>	The main risks involve fluctuations in profits and cash flow as a result of changes in interest rates.	The interest maturity structure has been spread over different terms through interest derivatives in order to limit the risk of severe fluctuations in interest expenses. See pages 93–95 for further information.
<b>Refinancing</b>	There are refinancing risks linked to renegotiations of existing credit and financing of future investments.	In order to limit the refinancing risk, a maximum of 50 per cent of the financing is provided for by an individual lender. Atrium Ljungberg has credit agreements with five different bank lenders, direct financing and financing in the capital market through certificates and MTN programmes. See pages 93–95 for further information about financing.

**Confirmed bad debt losses**

SEK m	
2015	15
2016	12
2017	8
2018	17
2019	4

## RISKS AND RISK MANAGEMENT

## ENVIRONMENT

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
Contamination or environmental damage at our properties	According to the Swedish Environmental Code, the property owner may be liable to defray measures resulting from a contamination incident or a serious case of environmental damage. Contamination of land or water, groundwater, or a building or facility may harm our tenants' health or the environment, or cause them inconvenience.	We conduct surveys and screening work ahead of property acquisitions and new projects in order to identify any potential environmental risks. The process also contributes to identifying opportunities for energy efficiency and reducing the incidence of materials with a negative impact on human beings and the environment.
Climate changes	Extreme weather conditions such as cloudburst, storms and large temperature fluctuations as a result of global climate change risk damaging our property portfolio. Extensive political, legal, technical and market-related changes may be necessary if we are to achieve a climate neutral society. This may increase costs for building, developing and managing properties. See page 156 for further details.	Atrium Ljungberg works continuously on improved maintenance in order to increase the resistance of our properties during extreme weather conditions. The risks are considered to the highest degree possible for new builds and major reconstruction projects.
Requirements for more efficient energy consumption	There is a risk that more stringent regulatory requirements concerning energy consumption will increase costs for building and developing properties.	Atrium Ljungberg works continuously on energy efficiency through implementation of new technology in both the existing property portfolio and for new builds, which results in lower current expenses. See pages 28–31 for further information about our work.

## OUTSIDE WORLD

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
E-commerce	E-commerce has become an important sales channel, and sales volume is increasing every year. Several retail companies are establishing online stores. This impacts the demand for retail premises.	According to HUI Research, e-commerce accounted for 11 per cent of the total retail sector in 2019. We are monitoring the trend closely and also have a close dialogue with our retail customers. Atrium Ljungberg builds places with attractiveness and flexible premises which can be adapted to new conditions. In recent times combining online trade and retail sale has also been successful as the consumer can attain further experiences in the physical store and have the opportunity of collection and return of purchased goods.
Digitalisation	Digitalisation is having a major impact on society. It is changing people's behaviour, with customer expectations rapidly increasing. Some sectors have gone through significant market changes, with new players, usually platform companies, establishing themselves and capturing large market shares.	Atrium Ljungberg is investing in innovation and digital development. We are looking at ways to transform our current business and identify new business opportunities. We have a strong customer focus and we are developing processes to carry out innovation projects quickly and test new business concepts. It's all about creating value for the end-consumer and thereby creating new revenues for the company. A specialist role was set up within the Business Development Business Area in 2019 to run work on new digital business.
Deferred tax	Current accounting regulations require deferred tax liabilities to be reported as if all property sales were taxed at 20.6 per cent. However, the size of the actual deferred tax liability depends on the company's tax position, how long Atrium Ljungberg has had the property and the market's pricing of the deferred tax liability in conjunction with sale of the property through companies.	The Group's recognised deferred tax for properties amounted to SEK 4,598 million, calculated with a 20.6 per cent tax rate. Assuming a deferred tax rate of 4 per cent (in accordance with EPRA NNNAV) for costing purposes for properties, the deferred tax would total SEK 941 million, which would have a positive effect on shareholders' equity of SEK 3,687 million.
"Paketeringsutredningen"; public investigation regarding taxation in conjunction with the sale of packaged real estate	The investigation committee proposes that companies which sell real estate packaged in a company should be taxed based on market value. Under current regulations, shares in property holding companies are sold tax-free. The investigation committee proposes that taxation should be in line with traditionally transacted real estate. The process is still ongoing.	Atrium Ljungberg is closely following the development; however, based on the political situation, the company believes there is very little risk of the proposals from the investigation being implemented in the near future.

## CYBER RISKS

RISK	RISK DESCRIPTION	MANAGEMENT/OPPORTUNITIES
<b>IT attacks</b>	<p>External attacks that render IT services inaccessible, such as DDoS attacks on networks or virus attacks on key systems with a view to harming the company's brand or extorting money out of the company, for example.</p>	<p>This risk is managed by means of installed firewalls, antivirus services and spam filters and web filters to render attacks more difficult. Vulnerability tests and regular improvements are also carried out in order to increase security.</p> <p>We have implemented protection against DDoS attacks at network level, firewalls and risk-based spread of services between cloud services and services operated locally. We are working to improve security awareness through training within the organisation.</p> <p>We also perform annual continuity tests, including restarting and data recovery.</p>
<b>Outages</b>	<p>One or more critical IT services are rendered inaccessible due to problems with software or hardware or their handling.</p>	<p>We have reinforced our IT organisation and are working to improve our change management, as well as control of system suppliers.</p> <p>We perform annual risk analyses and evaluate risks and prioritisation of actions.</p> <p>We have redundancy for critical IT services, and we perform regular tests on our infrastructure.</p>
<b>Information leaks</b>	<p>An external party is able to access sensitive information with a view to harming the brand, customers, partners or employees.</p>	<p>We have technical multilayer protection of sensitive information assets.</p> <p>Access controls are implemented for both individuals and equipment, in combination with multifactor authentication.</p> <p>All accesses are assigned on the basis of needs and risks.</p> <p>Systems containing sensitive information are given priority, and risks are assessed and linked with activities in order to manage these risks.</p> <p>We are also working to improve security awareness within the organisation by providing training and information on information security and our policies on IT, information security and processing of personal data.</p>
<b>Dependency on external parties</b>	<p>More and more IT services are supplied by external parties, frequently via cloud services. This makes the company more dependent on external parties' security work, skills and technical protection.</p>	<p>With a new IT organisation in place, we are working to reinforce our monitoring of suppliers and contracts. All major changes to our IT environment are preceded by a risk analysis. We have also used technical protection to improve identification and control when external parties access the in-house operating environment.</p>

# STRONG FINANCIAL POSITION

Atrium Ljungberg is a long-term owner with a good financial position. Any capital-intensive enterprise requires good access to finance. This selection of capital structure provides the desired combination of financial risk relative to financing cost.

## FINANCE MARKET 2019

The global growth in the world economy has slowed in 2019. The economy has been affected by factors such as uncertainty in global trade policy, poorer prospects for the economy and the effect of the anticipated exit of the United Kingdom from the EU. The central banks are pursuing an expansive monetary policy with low key interest rates in order to subdue any decline. Low interest rates are still very low, even though they have risen from the record lows at the end of the summer.

The Swedish economy has entered a slowdown phase after several years of prosperity. In December, the Riksbank increased the repo rate from -0.25 per cent to 0 per cent. GDP has undergone weak development in 2019, and GDP

increased by 0.3 per cent in the third quarter. In December the National Institute of Economic Research assessed growth in GDP to be 1.1 per cent for 2019 and 1.0 per cent for 2020.

The variable rate, 3M Stibor, amounted to 0.15 per cent at the end of the year compared with -0.13 per cent at the beginning of the year. At the end of the year, the 10-year swap rate amounted to 0.67 per cent compared with 1.13 per cent at the beginning of the year.

## FINANCE MARKET 2020

It is thought that global growth will continue to weaken in 2020, where declines in the manufacturing industry that were apparent in 2019 will persist. However, uncertainty

linked with Brexit has declined and the first phase of the trade agreement between the US and China has been signed, which is stabilising development. It is thought that the growth of the Swedish economy will be weak, with a further increase in unemployment. This means that the inflation target of two per cent will be difficult to achieve. The Riksbank's forecast is that the repo rate will remain unchanged in 2020.

## FINANCING AND FINANCIAL POLICY

Owning, managing and developing properties is a capital-intensive sector, which often entails a range of financial risks. The primary risk is liquidity risk in the form of refinancing risks and credit risks in association with renegotiations of loans, bond maturity and new financing requirements, taking into account investments in held properties and acquisitions. Another risk involves fluctuations in profits and cash flow as a result of changes in interest rates. Financial operations are regulated by our financial policy, which is

## Financial policy 2019

	Goal/Mandate	Result, 31/12/2019
Gearing ratio, commercial properties	max. 70 %	69%
Gearing ratio, residential property	max. 75 %	63%
Gearing ratio, the Group	max. 45 %	42%
Percentage of interest falling due within 12 months	0-55 %	25%
Percentage of loans falling due within 12 months	10-30 %	0%
Currency risk, financing	Not permitted	None
Bank deposits	SEK 0-200 m	SEK 467 m
Unutilised overdraft facility	SEK 300-500 m	SEK 300 m
Number of financing providers, banks	3-7	6
Loan volume with a single provider	max. 50 %	14%
Lines of credit and liquid assets/loan maturity term 4.5 months	min. 100%	achieved

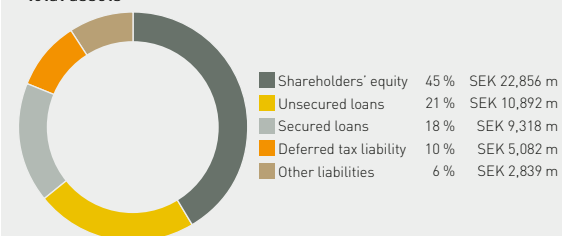
## Financial goals

	Goal	Result, 31/12/2019
Gearing ratio <sup>1)</sup>	max. 45 %	42%
Interest coverage ratio	> Multiple of 2	Multiple of 4.4

<sup>1)</sup> Gearing ratio from 2019 is a financial goal

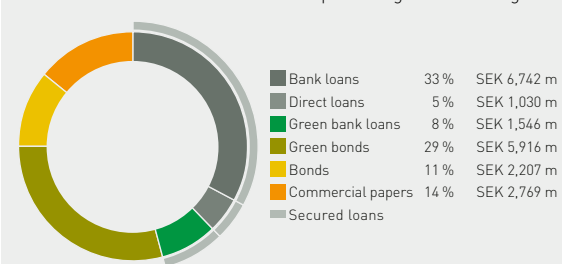
## Capital structure

- Secured loans correspond to 18 per cent in relation to total assets



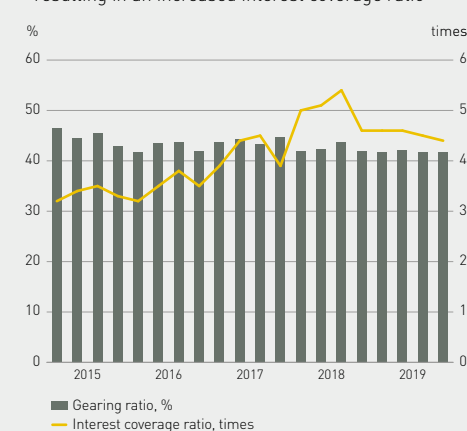
## Interest-bearing liabilities

- SEK 20.1 billion in liabilities with 37 per cent green financing



## Gearing ratio and interest coverage ratio

- A stable gearing ratio with a reduced interest level resulting in an increased interest coverage ratio



## FINANCING

reviewed at least once a year and adopted by the Board of Directors.

## CAPITAL STRUCTURE AND CAPITAL MARKET FINANCING

Atrium Ljungberg aims for the distribution between shareholders' equity and loan capital to provide an acceptable level of risk. Shareholders' equity totalled SEK 22,784 million (SEK 20,696 m) and liabilities totalled SEK 28,278 million (SEK 24,432 m), of which SEK 20,211 million (SEK 18,506 m) refers to interest-bearing liabilities. According to the company's financial goals, the gearing ratio is to be less than 45 per cent over the long term. At the end of the year, it was 41.7 per cent (41.9%). In the past 10 years, the gearing ratio has been 39.8 per cent at the lowest point, and 45.7 per cent at the highest.

Capital market financing represents the largest share of financing and makes up 54 per cent (51%) of the total loan volume. Capital market financing consists of bonds in Swedish krona and Norwegian krone which were issued under the company's MTN programme. It is supplemented by short-term financing through the company's commercial paper programme. Bank financing represented SEK 8,288 million (SEK 8,078 m) and makes up 41 per cent (44%) of the loan volume.

Since 2013 Atrium Ljungberg has been financed through the capital market, when the company established both a commercial paper programme and an MTN programme. At

the turn of the year, the framework amount for the commercial paper programme was SEK 5 billion, and SEK 10 billion for the MTN programme. In recent years, capital market financing has increased as a proportion of the total loan volume and is an important source of financing. In 2019 we issued six bonds with a total volume of SEK 2,729 million.

Bonds totalling SEK 8,123 million (SEK 7,615 m) are outstanding under the MTN programme. Outstanding commercial papers at the end of the year totalled SEK 2,769 million (SEK 1,786 m). Unutilised loan guarantees in addition to loan guarantees that cover outstanding commercial papers amounted to SEK 2,276 million (SEK 2,860 m). The company also has an unutilised overdraft facility totalling SEK 300 million (SEK 300 m).

## GREEN FINANCING

Atrium Ljungberg is creating attractive and sustainable cities, and we are focusing on improving resource efficiency as part of our sustainability strategy. This will reduce our environmental impact. This also makes it possible to apply green financing for operations. Green financing accounts for 37 per cent of the total loan volume. At the end of the period, there were SEK 5,916 million (SEK 4,500 m) in green bonds outstanding, as well as SEK 1,546 million (–) of green bank loans.

## CAPITAL COMMITMENT AND FIXED INTEREST

Our property ownership is a long-term commitment, requiring long-term financing. Long-term capital commitment also reduces the refinancing risk. The remaining capital commitment term at the turn of the year was 4.3 years (4.6 years).

Interest expenses are the biggest single cost item in the income statement. They are affected primarily by changes in market rates and the credit market preconditions that influence the margin of lenders. Interest rates are fixed for a variety of terms in order to reduce the fluctuations in interest expenses. We use tools such as interest derivatives, which offer a flexible and cost-effective way of extending the interest term of the loans without having to change the terms of the underlying loans, in order to reduce the interest risk and achieve the desired fixed interest term.

The average interest rate was 1.6 per cent (1.6%) at the end of the year. Including unutilised loan guarantees the average interest rate was 1.7 per cent (1.6%). The average fixed interest term was 5.4 years (4.1 years) at year-end.

## FINANCIAL INSTRUMENTS

Besides interest derivatives, currency derivatives are used to eliminate the currency exposure that arises when bonds are issued in Norwegian krone. Derivative instruments shall, in accordance with the accounting regulation IFRS 9, be valued at market rate, which means that an unrealised surplus or

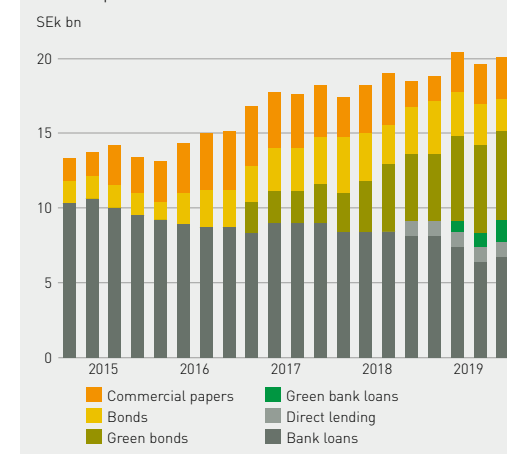
## Bonds issued in 2019

Bond	Issued	Due	Term, year	Fixed/variable rate	Volume, SEK million	Issue spread over 3M Stibor	Note
123	2019 March	2024 March	5	Variable	500	1.45%	Green
124	2019 May	2022 November	3.5	Variable	500	0.95%	
125	2019 May	2023 May	5	Variable	300	1.35%	Green
126	2019 May	2021 July	5	Fixed	500	1.35%	Green
127	2019 July	2021 September	3	Variable	400	1.07%	Green
NOK 202 <sup>11</sup>	2019 February	2024 February	5	Fixed	500	1.48%	

<sup>11</sup> Issued in Norwegian krone.

## Development of financing sources

– The increase in debt volume has mostly been achieved through the capital market.





## FINANCING

deficit value arises if the agreed interest rate deviates from the current market rate. The amount is recognised directly against the result. During maturity a derivative contract's market value was entirely dissolved and the change in value over time has thereby not impacted shareholders' equity. Interest derivatives have been entered into for a total value of SEK 12,296 million (SEK 9,396 m) with terms maturing between 2022 and 2030. In addition, there is SEK 500 million in forward-starting interest swaps beginning in 2021. A restructuring was carried out in December 2019, with interest derivatives being redeemed at a nominal value of SEK 1,800 million in order to improve future cash flows. At the same time, new derivatives were taken out with a lower interest rate and longer average fixed terms.

The unrealised change in the value of financial instruments totalled SEK -90 million (SEK -70 m) as interest rates had fallen during the period on the terms of the derivatives taken out. Realised changes in the value of derivatives during the year totalled SEK -50 million (SEK 1 m). The deficit net book value of the derivatives portfolio totalled SEK -266 million (SEK -349 m) at the turn of the year.

### SECURITIES

Our borrowing is to some extent secured by real estate mortgages. Of the interest-bearing liabilities, SEK 9,319 million (SEK 9,106 m) is secured by mortgage deeds and SEK 10,892 million (SEK 9,400 m) is unsecured. The share of secured financing is 18 per cent (20%) in relation to the total assets.

In addition to providing security over real estate mortgage certificates, the parent company in some cases grants security over shares in the property holding subsidiaries. The parent company also provides guarantee undertakings for the subsidiaries' undertakings in connection with guarantee commitments or borrowing. Guarantee undertakings of the parent company for subsidiaries amounted to SEK 4,111 million (SEK 1,240 m) at the turn of the year.

### COVENANTS

Covenants, i.e. the terms and conditions a lender requires for providing a credit and which entail that a credit is due for payment if the terms and conditions are not fulfilled, are similar in the various credit agreements. The agreements primarily prescribe a minimum interest coverage margin multiple of 1.30-1.75, a maximum gearing ratio of 65-75 per cent, and a minimum equity/ assets ratio of 25-30 per cent.

### PUBLIC RATING

Atrium Ljungberg has an investment grade rating from the credit rating agency Moody's and was awarded Baa2 grade with a stable outlook.

### Capital commitment

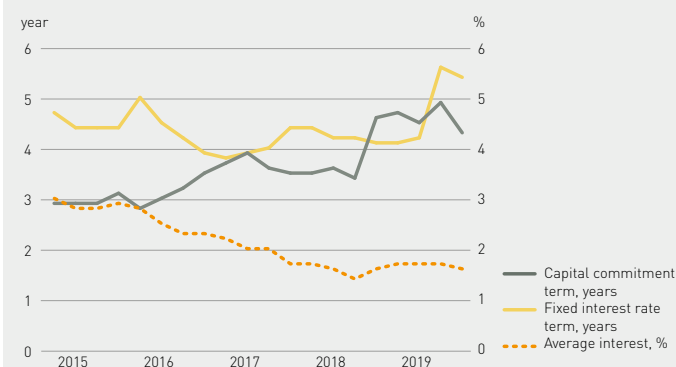
Maturity date	Amount, SEK m	Percentage, %
2020	-	-
2021	4,417	22
2022	5,717	28
2023	1,809	9
2024	2,379	12
2025 and thereafter	5,890	29
<b>Total</b>	<b>20,211</b>	<b>100</b>

### Fixed interest

Maturity date	Amount, SEK m	Percentage, %	Average interest, %
2020	5,064	25	1.0
2021	800	4	0.7
2022	400	2	1.6
2023	736	4	1.5
2024	1,529	8	1.6
2025 and thereafter	11,682	58	2.0
<b>Total</b>	<b>20,211</b>	<b>100</b>	<b>1.6</b>

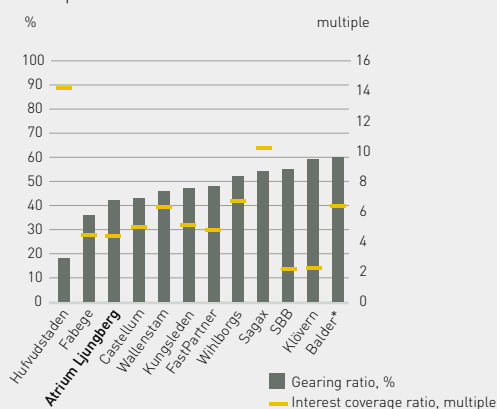
### Average interest and capital commitment and fixed interest rate

- The fixed interest rate term has increased during the year to over five years



### Gearing ratio and interest coverage ratio as of 31/12/2019, the largest listed property companies

- Continued decline in gearing ratio among listed property companies



\*Per 30/09/2019

Source: SEDIS

### Financial key ratios

	31/12/2019	31/12/2018
Interest-bearing liabilities, SEK m	20,211	18,506
Shareholders' equity, SEK m	22,784	20,696
Gearing ratio, %	41.7	41.9
Average fixed interest term, years	5.4	4.1
Average capital commitment term, years	4.3	4.6
Average interest rate for interest-bearing liabilities, %	1.6	1.6
Interest coverage ratio	4.4	5.0

## THE CHAIRMAN'S STATEMENT

# ATRIUM LJUNGBERG IS BUILDING FOR THE FUTURE

2019 was characterised by transformations and a high rate of change in the outside world. At Atrium Ljungberg, we have set great store by equipping the company to successfully develop sustainable urban environments at an ever-increasing pace, with the objective of investing SEK 2 billion or more in our own development projects every year. I am extremely proud of the company's proactive approach, and I am looking forward to 2020.



“

The way in which we work is based on cooperation and dialogue, and we focus on delivering really great products that generate value.

## STRATEGIC ORIENTATION TOWARDS OUR VISION – OUR CITY – WHERE EVERYONE THRIVES

I have the pleasure of being able to walk to work every day, and this time is incredibly valuable for me. It gives me the opportunity to prepare and reflect on the day and week ahead, and I also consider it to be a step in the right direction towards a more sustainable life. As part of my work as the Chairman of the Board at Atrium Ljungberg, I hope I can

help many more people to live in a sustainable city as well.

In 2019, we have taken big strides towards our vision: our city – where everyone thrives. Atrium Ljungberg's direction is clear: we develop sustainable, attractive places with mixed content where people want to live, work, shop and socialise. This adds value for customers, residents, shareholders, investors and municipalities. We have a high-quality property portfolio at the moment, along with a fantastic project portfolio that is facilitating major investments, most of which are located near to existing or forthcoming underground stations in the Stockholm area. Having investments in such obvious growth areas creates security in the long term.

Atrium Ljungberg has changed over the last decade. We have sold our property portfolio outside Sweden's four major cities, and we have become more active on the transaction side of things in order to create greater profit performance in the longer term. We have also sold a large proportion of retail facilities, extended our project portfolio and refined our urban development strategy.

The deal with the City of Stockholm in respect of Slakthusområdet was a very important addition to our project portfolio. We have been entrusted with the development of locations to include offices, homes, education and culture, and this work will be ongoing for many years to come. Early activations together with different partners in order to fill the location with content from

day one are now taking place as part of our efforts to market Slakthusområdet. This was an important element in our agreement with the City of Stockholm, and I am pleased with what we supplied in the form of events in the area. I am looking forward to being able to start our project development in the area in 2023.

The way in which we work is based on cooperation and dialogue, and we focus on delivering really great products that generate value. Our strong owner grouping creates security for shareholders and conditions for long-term work.

## OUR WORLD IS CHANGING

We live in a changing world. Retail development is a major issue and a challenge that we are monitoring carefully and handling with respect. I have a great deal of belief in our sites in Sweden's top growth areas used by many, many people every day. We are seeing a clear change in consumers' buying behaviours, and we have chosen to play an active part in this development over the year. One example of this is Leveriet, which was launched in 2019. Leveriet is a completely new concept, and its aim is to integrate e-commerce with physical sites and thereby enhance service levels and the buying experience. Leveriet is giving us the opportunity to try out and develop completely new services.

It is important for us to venture to implement initiatives of this kind – not because we believe we will see quick results, but

because we are certain that testing new things will add value for our sites in the long term.

## FINANCIAL STABILITY AND EPRA

The company is in a strong financial position, and it is extremely important for us to maintain this. With this in mind, we made a decision in early 2019 that our gearing ratio should be below 45 per cent in the long term. This also creates security for investors and will also enable us to retain our excellent Moody's rating.

The share was eventually included in the EPRA index during the year. This has had a positive impact on the liquidity of the share, which in turn makes it more attractive.

## CHANGES IN THE BOARD OF DIRECTORS

There were a number of changes to Atrium Ljungberg's Board of Directors in 2019. Sune Dahlqvist, who was a Board member since the merger of Ljungberggruppen and Atrium Fastigheter in 2006, resigned in March. Conny Fogelström was elected to the Board when Sune left. In September, Anna Hallberg left her position after having been appointed Sweden's new Minister for Foreign Trade.

## THANK YOU TO THE MANAGEMENT AND THE ENTIRE COMPANY

Atrium Ljungberg is a value-based company that focuses closely on long-termism and cooperation. In a time of change, the fact that these values are rooted in all our talented staff working at Atrium Ljungberg provides us with a great deal of strength. I would like to pass on my warmest thanks for all your commitment over the past year.

Johan Ljungberg, Chairman of the Board

# CORPORATE GOVERNANCE REPORT

Atrium Ljungberg AB is a Swedish public limited company with registered offices in Nacka. The Articles of Association prescribe the company's operations as follows: the company shall conduct construction operations, own and manage real property or leaseholds and securities, conduct trade in properties, and engage in any and all other activities compatible therewith. The Articles of Association do not contain any provisions for changes in the Articles of Association. The company's class B share (ATRLJ B) is listed on the Nasdaq OMX Stockholm exchange, the Large Cap. The foundation of corporate governance comprises the Articles of Association, the Swedish Companies Act, other applicable laws and ordinances, the regulatory framework of the stock exchange, the Global Reporting Initiative (GRI), internal guidelines and policies and the Swedish Code of Corporate Governance, ("the Code"). The overriding purpose of the Code is to strengthen the confidence of Swedish quoted companies by promoting a positive development of the corporate governance. These norms are not compulsory but are based on the principle that any deviations should be specified and explained. During the year the company has not reported any deviations from the Code and has otherwise complied with good practice in the stock market. Atrium Ljungberg strives for openness for the company's decision-making pathways, responsibilities, and different control systems.

## GOVERNANCE STRUCTURE

The structure of corporate governance within Atrium Ljungberg is presented in the image and the following sections.

### Steering instruments

#### Internal steering instruments

The business concept, business plan, goals and strategies, the formal work plan of the Board of Directors, the CEO's instructions, policies, job descriptions, delegation instructions and authorisation instructions and core values.

#### External steering instruments

The Nordic Exchange rules for issues, the Swedish Code of Corporate Governance, the Swedish Companies Act, IFRS,

the Swedish Annual Accounts Act, GRI and other relevant legislation.

## NOMINATION COMMITTEE

The Nomination Committee is the General Meeting's body for preparing the meeting's resolutions on appointment-related issues. The Nomination Committee shall propose a basis for the Meeting's handling of the following issues:

- the election of the Chairman of the Meeting, the Chairman of the Board and other Members of the Board of Directors of the company;
- the determination of Directors' fees for the Chairman of the Board, other Board Members, and any remuneration for committee work and, where relevant, the election and remuneration of Auditors;
- decisions on principles relating to the structure of the Nomination Committee ahead of impending Annual General Meetings;

At the Annual General Meeting held on 27 March 2019, it was decided that the Nomination Committee for the 2020 Annual General Meeting shall comprise representatives of

the company's five biggest shareholders by votes, as of the last banking day in February. The Nomination Committee's members were appointed, consisting of Lars Ericson appointed by the Stockholm Consumer Cooperative society, Per Erik Hasselberg (also the Nomination Committee's Chairman) appointed by the Holmström family, Hans Hedström appointed by Carnegie Fonder, Johan Ljungberg appointed by the Ljungberg family, and Ilkka Tomperi appointed by the mutual occupational pension insurance company, Varma. In some cases the Nomination Committee can increase the number of members to maximum seven.

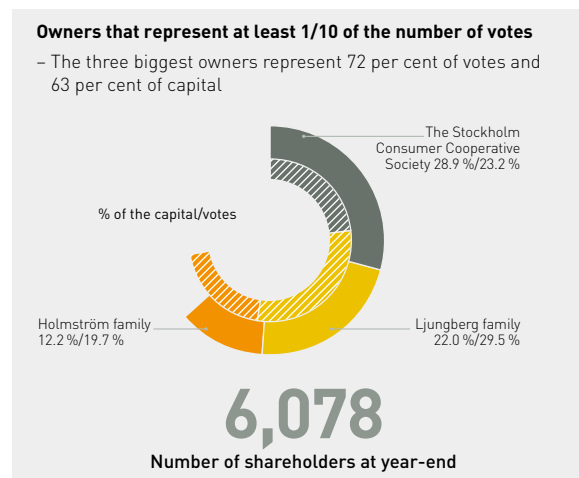
The skills, experience and backgrounds of Board members have been taken into account when compiling proposals for the Board of Directors ahead of the 2019 Annual General Meeting. The Nomination Committee has also applied to the Atrium Ljungberg Equal Opportunity and Discrimination Policy. The objective of this policy is to achieve equal opportunities and diversity in all areas and all functions within the company and on the Board of Directors. The 2019 Annual General Meeting adopted the proposal of the Nomination Committee, thereby electing two women and four men to the Board. Five Board members were re-elected, and one Board member was elected for the first time.

## OWNERS AND SHARES

The company's share capital amounted to SEK 333,051,840 on 31 December 2019, divided among 4,000,000 class A shares (ten votes per share) and 129,220,736 class B shares (one vote per share). The company holds 3,382,000 own class B shares. With the exception of holding own shares, there is no restriction on voting rights. The company's market capitalisation at year-end totalled SEK 28.4 billion. Atrium Ljungberg's target is for the dividend to correspond to at least 50 per cent of the profit before changes in value after nominal tax unless investments or the company's financial position otherwise mandate a deviation from this norm. More information on the ownership structure is contained in the table on page 106.

## ANNUAL GENERAL MEETING

The shareholders' influence within the company is exercised through the Annual General Meeting (AGM) of the company's



## CORPORATE GOVERNANCE REPORT

shareholders, which is the company’s most senior decision-making body and should be held within six months of the end of the financial year. The AGM appoints the Board of Directors and the company’s auditors, and adopts principles governing remuneration to the Board of Directors, the auditors, and the company’s senior executives. The Meeting also takes decisions with regard to the Articles of Association, dividends, and any changes to the share capital. The AGM should also adopt the balance sheet and income statements and decide on the discharge from liability for the Board of Directors and the CEO. The date of the AGM is announced in conjunction with the Interim Report of 30 September at the latest. Notices convening the Annual General Meeting shall be issued 4–6 weeks before the meeting and shall be issued by means of press releases, announcements in the Swedish Official Gazette, and on the company’s website, www.al.se. The issue of the convening notice shall be announced in the Dagens Nyheter newspaper. Shareholders are entitled to have an issue discussed at the meeting if the Board is provided with notice thereof no later than seven weeks before the meeting is held. The 2019 Annual General Meeting was held on 27 March and was attended by 192 shareholders representing 82.5 per cent of the share capital and 87.9 per cent of the votes. The Annual General Meeting took decisions on, amongst other things, the following issues:

- adoption of income statements and balance sheets for the parent company and the Group
- granting of discharge from liability for the Board of Directors and the CEO;

- determination of the appropriation of profits entailing a dividend of SEK 4.85 per share;
- election of the Board of Directors;
- determination of Directors’ fees totalling SEK 1,540,000, broken down as SEK 440,000 payable to the Chairman of the Board and SEK 220,000 payable to each of the Board Members;
- determination of Auditors’ fees in accordance with an approved presentation of invoice;
- establishment of a nomination committee representing the five biggest shareholders by vote as of the last banking day in February 2019
- guidelines for the remuneration of senior executives within the Group;
- authorisation to the Board of Directors, on one or several occasions, to acquire as many class B shares that the company’s holding at the respective time does not exceed 10 per cent of all shares in the company, in a regulated market where the shares are listed;
- authorisation to the Board of Directors to, on one or several occasions, decide on an issue in kind of maximum SEK 13.3 million class B shares.

Minutes of the Annual General Meeting and other meeting documents are available on the company’s website.

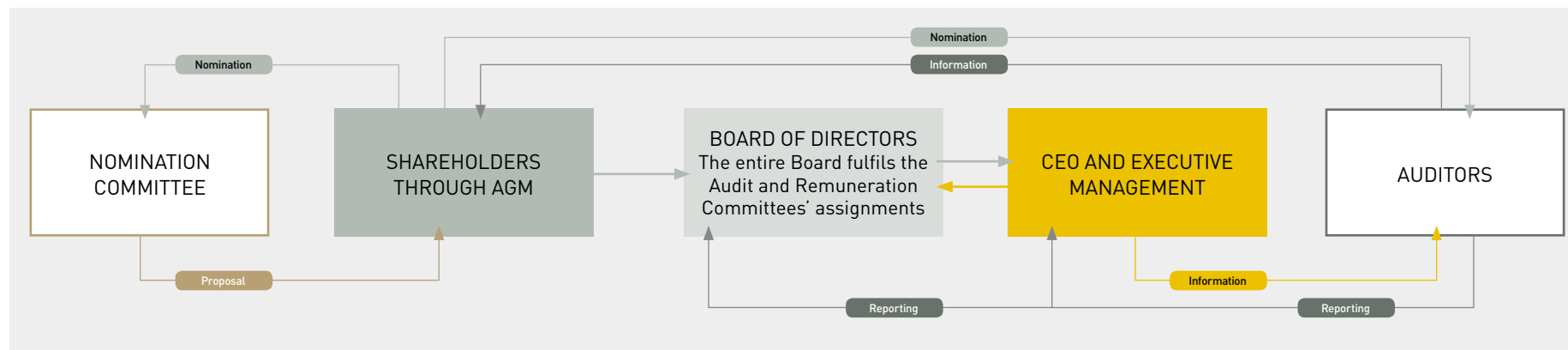
### BOARD OF DIRECTORS

Atrium Ljungberg’s Board of Directors comprised six members up to September, and since then five members

(information on the members can be found on page 100). The Code states that a majority of the Board shall be independent in relation to the company and the senior executives. At least two of the independent members must also be independent in relation to the company’s major shareholders. The composition of the Board of Directors meets the independence requirements. The Articles of Association do not contain any provisions on the appointment and dismissal of board members.

The Board has overall responsibility for the company’s organisation, financial reporting and for ensuring that management of the company’s affairs is handled in a manner which ensures that the interests of owners for long-term favourable capital yield are fulfilled. The responsibility also covers efficient and appropriate systems for governance, internal control and risk management.

As a supplement to the Swedish Companies Act, the Articles of Association and the Code, the Board annually determines a formal work plan (including the CEO’s instructions, instructions for financial reporting, business plan and budget, policy for business ethics, supplier policy, affiliated policy, equal opportunity and discrimination policy, sustainability policy, work environment policy, corporate communication policy, financial policy, crisis policy, IT policy, information security policy, policy for processing personal data, whistleblowing policy, insider trading policy, tax policy and policy for valuation of investment properties). The formal work plan regulates the Board’s work structure. The Chairman of the Board organises and leads the work of the Board, ensures



## CORPORATE GOVERNANCE REPORT

that the Board has the expertise and know-how required to perform its duties, that the Board receives the information and decision data required for its work, that the Board's resolutions are implemented, and that the work of the Board is evaluated every year. The Board's assignments include setting operational goals and strategies, appointing, evaluating and if necessary dismissing the CEO, ensuring that effective systems are put in place for monitoring and control of the company's operations and that there is compliance with legislative and other requirements, and deciding on transfer of properties and companies as well as investments of SEK 20 million or more. The work of the Board and CEO should be evaluated annually. The formal work plan prescribes that the Board shall, over and above the Board Meeting following election, meet at least five times per year. The Board has held 13 ordinary Board Meetings of which one Board Meeting following election was held during the year.

The Board of Directors has made decisions on updated financial goals in 2019. Goals and goal fulfilment are described on pages 19-20 of the Annual report. The Board has decided on all investments in excess of SEK 20 million and on property acquisitions and sales carried out. There has been a strong focus on ongoing and future investment projects, sustainability issues, property transactions and financing issues. Feedback reports from the Group management with regard to the company's economic and financial position, sustainability reporting, current market issues, and ongoing projects have been presented at the Board Meetings. Results in comparison with the budget have been reported quarterly during the year, together with revised forecasts for the financial year. The annual planning of the Board is presented in the illustration on this page.

The Board members have appropriate collected experience, expertise and breadth with respect to Atrium Ljungberg's operations, development phases and conditions in general. The formal work plan does not contain any provisions on work allocation between the members. The entire Board has comprised the Audit and Remuneration Committees, in that the Board has deemed it more appropriate to address these issues within the context of the normal work of the Board. The Remuneration Committee prepares, complies with and evaluates issues concerning terms of employment and any programmes for variable remuneration for the Executive Management, guidelines for remuneration of senior executives and remuneration structures and levels in the company.

The Audit Committee is responsible for preparation of the Board's work on quality assurance of the company's financial reporting, regularly meets the company's auditors to learn about the focus and scope of the audit and to discuss the coordination between the external and internal audit and view of the company's risks, establishes guidelines for which services besides the audit the company may procure from the company's auditor, evaluates the audit effort and informs the company's Nomination Committee about the results of the evaluation and assists the Nomination Committee for preparing proposals for auditors and remuneration of the audit effort.

The Board's work structure and efficiency are evaluated annually and presented to the Nomination Committee. The work of the CEO is evaluated continually and at least once a year without Executive Management being present.

The company's auditors have reported on their work and observations to the Board on two occasions during the year, on one of these occasions without Executive Management being present.

The company's Corporate Counsel has acted as Secretary to the Board. The Chairman of the Board has had continuous contact with the CEO during the year.

## CEO AND EXECUTIVE MANAGEMENT

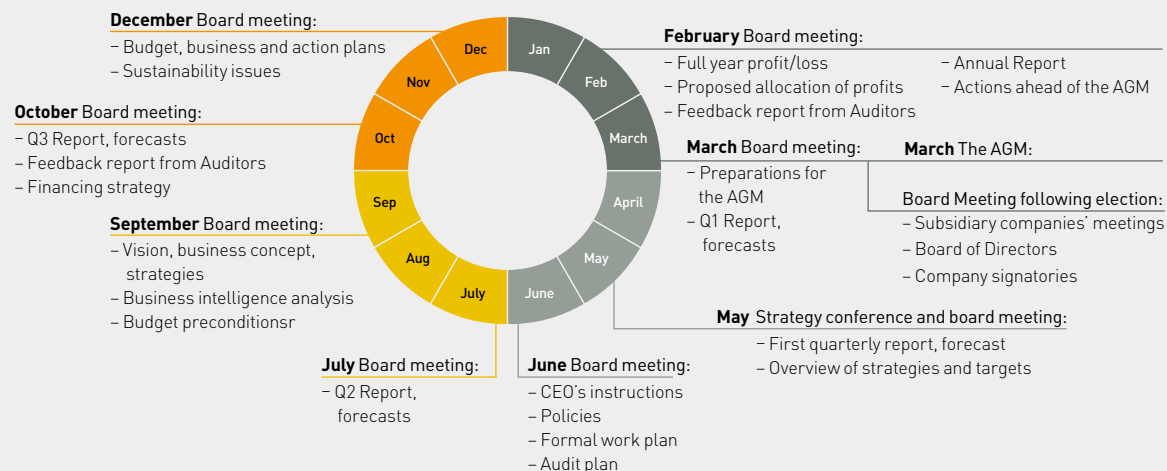
The executive management comprises the CEO and five business area managers. See the illustration on page 100.

In addition to ongoing matters within each function, the Executive Management has prioritised issues concerning ongoing investment projects, transfer of land, financing issues, business development, organisational issues and sustainability issues.

Annica Ånäs (born in 1971) took over as CEO of the company in February 2016. She was employed in the company in 2011 as the company's CFO and was also an employee 2008-2010. Annica Ånäs also has experience as CFO at Hemsö Fastigheter and served as CEO within the communication sector. She also has experience of several directorships including the listed Finnish property company Technopolis. Annica Ånäs has been elected to JM AB's Board of Directors from March 2019. Annica Ånäs has an academic background as Legal Counsel and Graduate Business Administrator. She holds 38,000 class B shares in Atrium Ljungberg. She has no shareholdings in companies with which Atrium Ljungberg has significant commercial links.

The other members of the senior management are presented on page 102 and the organisation structure on page 100.

### The Board's annual planning in addition to standing items, such as investment decisions, progress report, ongoing projects and management, liquidity and financing



## CORPORATE GOVERNANCE REPORT

## REMUNERATION FOR SENIOR EXECUTIVES

Amendments to the Swedish Companies Act Chapter 7 §§ 61-62, and Chapter 8 §§ 51-53b (1 July 2019) have resulted in extended guidelines for remuneration for the CEO, Deputy CEO and Board members. These will come into effect from the 2020 Annual General Meeting and have been taken into consideration in the proposal for the guidelines for 2020. Salaries and other terms of employment for the Executive Management shall be market-based and competitive, but shall not be market leaders in terms of salary paid in relation to other comparable companies. The guidelines shall apply for the senior management team which consists of the CEO and six other senior executives. The CEO's remuneration shall be proposed by the Chairman and determined by the Board of Directors. Other remuneration payable to members of the senior management team shall be proposed by the CEO and approved by the Chairman. Remuneration payable to the senior Executive Management team, including the CEO, comprises a fixed salary. No variable salary or performance-related remuneration shall be payable. A loan subsidy programme was adopted at the 2018 Annual General Meeting. The loan programme refers to interest compensation for loans raised in order to acquire shares in Atrium Ljungberg. A maximum loan for which interest subsidies can be provided amounts to SEK 4.5 million for the CEO and SEK 1.5 million for other senior executives. The CEO's retirement age is 62, while that of the other members of the Executive Management is 65. Pension plans are defined contribution plans, and the company hence has no additional obligations after payment of the annual premiums.

The CEO shall, if notice of termination is given by the company, be entitled to a 12 month notice period and severance pay corresponding to 12 months' salary. No other severance pay is payable. Other members of the senior management have notice periods of up to 6 months. The terms and conditions applied by the company for other Group employees, either in accordance with collective agreements or in accordance with unilateral undertakings by the company to the employees, shall otherwise apply, where applicable, to the Executive Management. Departure from the above-mentioned guidelines by the Board of Directors is permitted if there are specific grounds for doing so in a particular instance.

## Board of Directors, 2019

		Elected	Remuneration, SEK	Independent*	Independent**	Note	Board Meetings
Johan Ljungberg	Chairman	2001	440,000	Yes	No	<sup>1)</sup>	12 of 13
Simon de Château	Member	2014	220,000	Yes	Yes		12 of 13
Conny Fogelström	Member	2019	220,000	Yes	No	<sup>2)</sup>	9 of 13
Erik Langby	Member	2014	220,000	Yes	Yes		11 of 13
Sara Laurell	Member	2018	220,000	Yes	Yes		13 of 13
Members who left during the year:							
Sune Dahlqvist	Member	2006	–	Yes	Yes	<sup>3)</sup>	3 of 13
Anna Hallberg	Member	2009	110,000	Yes	Yes	<sup>4)</sup>	9 of 13

\* Independent in relation to the company and the Executive Management.

\*\* Independent in relation to the company's major shareholders.

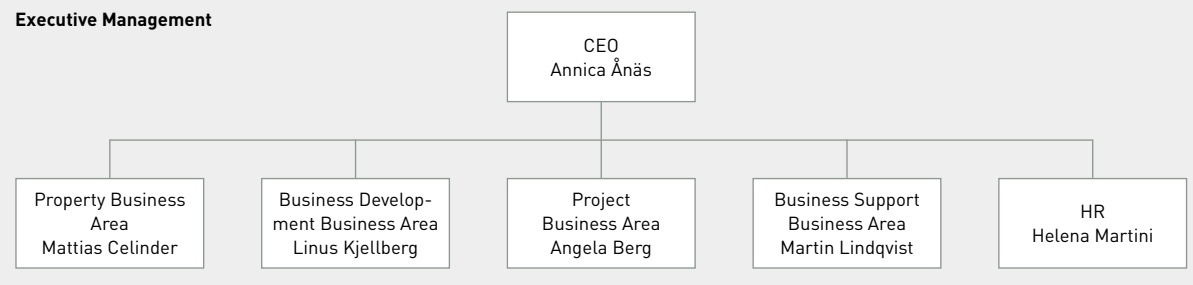
<sup>1)</sup> Chairman of the Board for the 2015 Annual General Meeting. Member 2009-2015. Deputy Member, 2001-2009. Directly and/or indirectly a major shareholder in the company.

<sup>2)</sup> Elected at the 2019 Annual General Meeting.

<sup>3)</sup> Member until the 2019 Annual General Meeting.

<sup>4)</sup> Left in September 2019.

## Executive Management



## AUDITING

Öhrlings PricewaterhouseCoopers AB was elected at the 2019 Annual General Meeting to act as auditors with authorised public accountant Helena Ehrenborg as the auditor in charge. The auditing team has ongoing contact for information purposes with the company during the year, over and above the review activities conducted. The Board meets with the auditor at least twice a year, one of which meetings is held in the absence of the Executive Management. The company's auditors audit financial statements as at 31 December, perform a general review of the interim accounts as at

30 September and review the company's processes, including the management audit.

## AUDITOR

## HELENA EHRENBORG

Auditor at of Atrium Ljungberg since 2019.

Auditor in charge since 2019.

**Born:** 1965

**Education:** Graduate Business Administrator

**Primary occupation:** Authorised Public Accountant, Öhrlings PricewaterhouseCoopers AB.

**Other significant positions:** Auditor at Vasakronan, Akademiska Hus, Pandox, HSB Riksförbund and Jernhusen.

## Remuneration for Executive Management

SEK k	Basic salary/fee		Other remuneration		Other benefits		Pension costs		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Annica Ånäs, CEO	6,139	5,847	–	–	185	39	2,039	1,914	8,363	7,800
Other senior executives	12,045	11,701	76	96	397	219	3,005	2,883	15,523	14,899

# BOARD OF DIRECTORS



Top row from the left: Conny Fogelström, Simon de Château and Erik Langby.  
Bottom row from the left: Sara Laurell and Johan Ljungberg.

## CONNY FOGELSTRÖM

**Function:** Member of the Board.

**Elected to the Board:** 2019.

**Profession:** Founder and CEO, Chairman of Konsult i Sverige AB since 2015.

**Education:** Political Science at Stockholm University and Real Estate Management at the University of Gävle.

**Relevant professional experience:** Ombudsman for the Swedish Union of Tenants, 1987-2004. Municipal commissioner for Täby, 2006-2015.

**Other significant directorships:** Board member at the Stockholm Consumer Cooperative Society, Täby Fastighets AB, Elvira Kunskapsutveckling AB and AB ABF-huset i Stockholm, and Chairman of the Nomination Committee at the Swedish Cooperative Union.

**Born:** 1960.

**Own and related parties' shareholding:** 1,000 class B shares.

## SIMON DE CHÂTEAU

**Function:** Member of the Board.

**Elected to the Board:** 2014.

**Profession:** Chief Investment Officer in Alma Property Partners.

**Education:** Graduate Business Administrator, the Stockholm School of Economics.

**Relevant professional experience:** CEO of Svea-fastigheter, head of corporate finance and analyst at Leimdörfer.

**Other significant directorships:** Chairman of the Board of Alma Property Partners AB. Member of the Board of Wilthem AB (publ) and Akka Egendom AB.

**Born:** 1970.

**Own and related parties' shareholding:** 20,000 class B shares.

## ERIK LANGBY

**Function:** Member of the Board.

**Elected to the Board:** 2014.

**Profession:** Owner of business focused on societal issues. Former chairman of the municipal executive board of Nacka 1983-2012.

**Education:** Social Sciences education, Stockholm University

**Relevant professional experience:** Several years of experience as a municipal commissioner and chairman of county council boards, as well as a number of directorships, including Första AP-fonden, Dagens samhälle, HSB omsorg, AB Solom and Hegeli Public Affairs AB.

**Other significant directorships:** Chairman of the Board of Nacka StrandsMässan AB. Member of the Board of Kommuninvest i Sverige AB and Bostadsrätterna Sverige. Chairman of the municipal council of Sigtuna Municipality.

**Born:** 1951.

**Own and related parties' shareholding:** 1,000 class B shares.

## SARA LAURELL

**Function:** Member of the Board.

**Elected to the Board:** 2018.

**Profession:** CEO of Loopia Group.

**Education:** Graduate Business Administrator. Stockholm School of Economics and MBA Harvard Business School.

**Relevant professional experience:** Many years of experience of transformation in the retail trade and digitisation of consumer/SME-driven business.

**Other significant directorships:** No other significant directorships.

**Born:** 1971.

**Own and related parties' shareholding:** 2,495 class B shares.

## JOHAN LJUNGBERG

**Function:** Chairman of the Board.

**Elected to the Board:** Deputy Member of the Board 2001-2009, and Member of the Board for part of 2006. Member of the Board since 2009.

**Profession:** Chairman of the Board of Tagehus Holding AB.

**Education:** Graduate Engineer.

**Relevant professional experience:** Many years' experience from the property and capital market.

**Other significant directorships<sup>1)</sup>:** Chairman of the Board and member of the Boards of companies within the Tagehus Group. Member of the Board at John Mattson Fastighetsföretagen AB, K2A Knaust & Andersson Fastigheter AB and Eastnine AB.

**Born:** 1972.

**Own and related parties' shareholding:** 1,396,410 class A shares and 20,494,588 class B shares.

<sup>1)</sup> Does not include intra-Group directorships.

# THE MANAGEMENT



Top row from the left: Martin Lindqvist, Annica Ånäs, Angela Berg and Linus Kjellberg.  
Bottom row from the left: Helena Martini and Mattias Celinder.

## MARTIN LINDQVIST

**Function:** CFO and Business Area Director, Business Support.

**Employed since:** 2016.

**Education:** M. Phil. in Business Administration, Mid Sweden University.

**Relevant professional experience:** Management positions and international experience from Tetra Pak, Munters and Aleris, among others.

**Other significant directorships<sup>1)</sup>:** –

**Born:** 1970.

**Own and related parties' shareholding:** No shareholding.

## ANGELA BERG

**Function:** Business Area Director, Projects.

**Employed since:** 2011.

**Education:** Civil Engineering Graduate in Road and Water, KTH Royal Institute of Technology.

**Relevant professional experience:** Project management positions in the construction and property industry.

**Other significant directorships:** Member of the Board of HENT AS.

**Born:** 1975.

**Own and related parties' shareholding:** 3,200 class B shares.

## HELENA MARTINI

**Function:** HR Director.

**Employed since:** 2010.

**Education:** Tourism Programme at Dalarna University College.

**Relevant professional experience:** HR Manager at Microsoft.

**Other significant directorships:** –

**Born:** 1965.

**Own and related parties' shareholding:** 10,660 class B shares.

## ANNICA ÅNÄS

**Function:** CEO

**Employed since:** Previously CFO. Employed by Atrium Ljungberg since 2011; also employed between 2008 and 2010.

**Education:** LL.B. and graduate business administrator

**Relevant professional experience:** CFO of Hemsö and CEO in the communication industry. Several directorships, for example property company Technopolis.

**Other significant directorships<sup>1)</sup>:** Member of the Board at JM AB.

**Born:** 1971.

**Own and related parties' shareholding:** 38,000 class B shares.

## LINUS KJELLBERG

**Function:** Business Area Director, Business Development.

**Employed since:** 2003.

**Education:** Master of Arts, Stockholm University. Urban Centre Planning, KTH Royal Institute of Technology.

**Relevant professional experience:** Business analyst, business developer and project manager in the property industry.

**Other significant directorships:** Member of the Board of Barkarby Science AB.

**Born:** 1972.

**Own and related parties' shareholding:** 250 class B shares.

## MATTIAS CELINDER

**Function:** Business Area Director, Properties.

**Employed since:** 2006.

**Education:** Graduate Business Administrator.

**Relevant professional experience:** Management positions in the hotel, restaurant and travel industries.

**Other significant directorships:** –

**Born:** 1972.

**Own and related parties' shareholding:** 9,958 class B shares.

<sup>1)</sup> Does not include intra-Group directorships.



# INTERNAL CONTROL

The Board of Directors is, subject to the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance, responsible for the company's internal control. This report has been prepared in accordance with chapter. 6, §6 of the Swedish Annual Accounts Act and is consequently limited to internal control in respect of the financial reporting. The company has, in order to describe the internal control, followed the framework established by COSO (the Committee of Sponsoring Organisations), which comprises five components, namely control environment, risk management and assessment, control activities, information and corporate communication, and follow-up work.

## CONTROL ENVIRONMENT

The Board of Directors has overall responsibility for ensuring good internal control and effective risk management. The Board adopts a formal work plan every year, laying down the Board's responsibilities and regulating the Board's internal division of labour. The Board has decided that the entire Board shall comprise both an Audit Policy Committee and a Remuneration Committee. The Board exercises its control primarily through the annual adoption of policy documents,

CEO's instructions, delegation instructions, instructions for the financial reporting, authorisation instructions, operational goals and strategies, and business plans and budgets.

The Executive Management is responsible for structuring, documenting, maintaining and testing the systems and processes needed to minimise risks as part of the operating activities and financial reporting. There are, in addition to policy documents, guidelines, delegation instructions, authorisation instructions, and job descriptions for the respective employees

containing details of the employees' responsibilities and authorities, and standardised reporting routines.

The company also has very well-supported core values that permeate every aspect of our operations, such as reliability, long-termism, collaboration and innovative thinking.

Atrium Ljungberg is also a member of the Global Compact and has consequently signed up to the ten principles in the fields of human rights, labour law, the environment and anti-corruption. The company also reports in accordance with GRI (Global Reporting Initiative). A GRI index is presented on pages 184–185 of the Annual Report, and the company's formal Sustainability Report can be found on pages 15–16, 23–35, 87–92 and 149–161. For a more detailed presentation, see the company's website at [www.al.se](http://www.al.se).

## RISK MANAGEMENT AND ASSESSMENT

Risk assessment means that Atrium Ljungberg has identified the work processes and income statement and balance sheet items where there is a risk that inaccuracy, incompleteness, or improprieties could arise if the requisite control activities are not built into the routines. Risk assessment accordingly analyses whether errors could occur and, if so, how and where they could occur in the process. The risk assessment work has identified the items where the risk of significant errors is greatest, namely items where the sums involved in the transactions are substantial or where the process is highly complex and requires strong internal control. The three most important risk areas are: project operations, property valuation and financing activities.

### Project operations

During 2019 the company invested SEK 1,810 million in held properties, of which the investments in Sickla, Mobilia, Barkarby and Hagastaden account for the largest share. No investments are normally made until a reasonable yield can be secured. Detailed costing calculations based on extensive expertise in the field are carried out in order to minimise the risks inherent in construction projects. Procurement is conducted cost-effectively using in-house project managers by means of a divided contract process whereby several players are allowed to submit quotes for individual components of the construction project. Project reviews are conducted

## POLICIES ISSUED BY THE BOARD OF DIRECTORS

Policy for business ethics	Describes the behaviour that is expected of the employees
Supplier policy	Supplier Code of Conduct
Affiliated policy	Identifies related parties and transactions with related parties in accordance with the regulations
Equal opportunity and discrimination policy	Steering document about issues surrounding equal opportunities and all kinds of discrimination
Sustainability policy	Overall ambitions for the company's environmental and social responsibilities
Work environment policy	Work environment management policy
Communication policy	Policy for our external and internal communication
Financial policy	Policy and regulations on how financial activities should be carried out
IT policy	Forms the basis for the company's approach to IT issues
Information security policy	The aim is to minimise risks that can jeopardise secrecy and confidentiality
Policy for processing personal data	Concerns personal data processing and protection
Whistleblowing policy	Enables employees and players to report any improprieties
Insider trading policy	Concerns securities trading
Crisis policy	Aims to avoid or limit crises
Tax policy	Guides our employees in what to do in tax issues
Policy for valuation of investment properties	Describes the methodology for valuation of investment properties.

## INTERNAL CONTROL

every quarter and attended by the Chairperson of the project's steering group, business developers, project managers, the CFO, property analysts and the project controller. Project reports are submitted on a rolling basis to the Executive Management and the Board, noting any deviations from the plan.

**Property valuation**

Monitoring trends in the property market in order to ensure the ability to assess the properties' market values is one of the important components of the valuation process. During 2019 the company consequently conducted quarterly reconciliations with external valuation experts. The company conducts internal valuations during each quarter and also conducts external valuations at the turn of the full-year and half-year. For 2019, 44 per cent of the property portfolio has been valued externally, 19 per cent of which took place in the fourth quarter. External valuation experts also quality assure assumed market rents, operating costs, vacancies and yield requirements in conjunction with the internal valuation processes. The Board of Directors made a decision during the year on a new policy for valuation of investment properties.

**Financing activities**

Property operations are a capital-intensive sector, which often entails a range of financial risks. The primary risk is liquidity risk in the form of refinancing risks and credit risks in association with renegotiations of loans, bond maturity and new financing requirements, taking into account investments in held properties and acquisitions. Another risk involves fluctuations in profits and cash flow as a result of changes in interest rates. These risks are regulated in the company's financial policy and are monitored continuously by the company's management and Board of Directors. The Board also monitors compliance with mandates specified in the financial policy.

The following processes have also been analysed during the year in addition to the above-mentioned risk areas:

- The project process
- The letting process
- The purchasing process
- The payroll process
- The year-end accounts process
- The property valuation process
- The financing process
- Routines in conjunction with property transactions

See the section entitled "Risks and risk management" on pages 87–92 with regard to other risks identified.

**CONTROL ACTIVITIES**

A number of control activities have been introduced in order to prevent inaccuracies occurring and with the aim of ensuring that the control goals are fulfilled. The work on risk assessment and structuring of control activities has been conducted by individuals involved in the respective processes on an ongoing basis, in cooperation with the company's controllers, Senior Controller, and CFO in order to ensure participation and an understanding of the risks and the importance of conducting internal controls. Internally, the company also works continuously to evaluate and enhance the efficiency of its control activities. The controls are carried out both at an overall level, through analyses of results and key ratios, and at a detailed level by defining a number of control points in the ongoing processes and routine descriptions. The company's results are compared with budgets and forecasts every quarter and ongoing projects are monitored in relation to Board resolutions. Detailed commentaries are submitted to the Executive Management and Board of Directors in accordance with standardised reporting routines as part of the follow-up work.

The company has an external whistleblower function and continually takes action to reduce the risk of corruption, for example, by auditing the company's suppliers or by offering in-house training.

**INFORMATION AND COMMUNICATION**

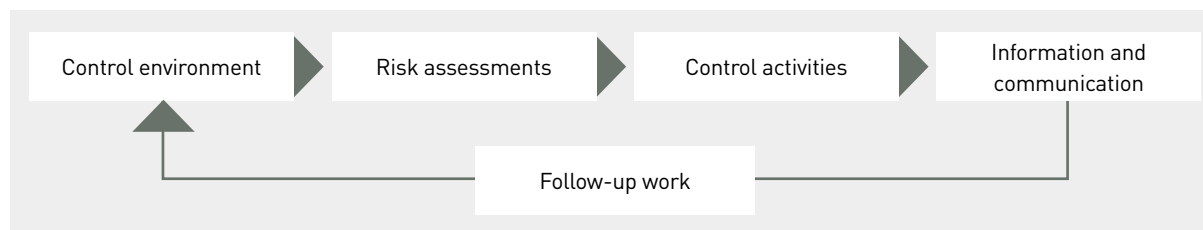
The Annual Accounts, Preliminary Financial Statement, Interim Reports and other ongoing information are prepared in accordance with Swedish legislative requirements and praxis. The information provision shall be characterised by transparency and shall be reliable. A corporate communication policy regulating the way in which information is to be provided has been established in order to ensure that external communication with the stock market is correct. Our aim is to

generate an understanding of and confidence in the operations on the part of owners, investors, analysts and other players.

The Executive Management is responsible for informing relevant employees of their responsibilities with regard to the maintenance of good internal control. Employees are kept up to date with regulations and policies via the company's intranet and information meetings. The creation of job descriptions for every position within the company also ensures clarity with regard to division of responsibility.

**FOLLOW-UP WORK**

All process descriptions, policies and steering documents are updated as necessary, but at least once a year. An evaluation of the internal controls is also conducted every year. Both the senior management and the Board of Directors are notified of the results. Atrium Ljungberg has no internal audit department. The system for internal controls is followed up by the Group's CFO, the Finance Manager, Accounting Managers, the Controllers (who have specialist competence), and through self-evaluation, and feedback is provided to the Board of Directors. These controls are deemed to be necessary and sufficient to generate appropriate knowledge, feedback of experience and high quality in the ongoing accountancy work, and hence in the financial reporting. The company's auditors also conduct ongoing reviews of the company's controls and report their findings on the company's internal control to the company's senior management and Board. For 2019 the auditors have focused on the following areas when reviewing the internal control; the project, property valuation, financing, rental, purchasing, annual accounts and payroll process, as well as property transaction procedures. The auditors' feedback report for 2019 indicates that Atrium Ljungberg has good internal control in relation to the size and operations of the company. The Board believes that the establishment of a separate internal audit function is consequently not justified.



# THE SHARE AND THE SHAREHOLDERS

The Atrium Ljungberg share reached its highest price ever during the year, and rose by a total of 50 per cent over the year. We have never reduced our dividend since the company was listed on the Stockholm Stock Exchange in 1994.

## MARKET CAPITALISATION

Market capitalisation, i.e. the value of all outstanding listed shares, amounted to SEK 28.4 billion (SEK 19.6 b) at the turn of the year. This makes Atrium Ljungberg one of the largest listed property companies in Sweden.

## PRICE TREND AND RETURN

During the year the share price of the class B share (ATRLJ B) increased by 50 per cent to SEK 226.00 (SEK 152.00). The year's highest rate amounted to SEK 229.50 and the lowest to SEK 151.00.

The total return for the share, corresponding to the total of distributed dividend and share price growth, was 54.2 per cent (20.1%) during the year. The corresponding return for OMXS Benchmark GI, which contains a selection of the largest and most traded shares on Nasdaq, was 31.5 per cent

(-4.6%) and for OMXS Real Estate GI, with the listed property companies on the Nasdaq Stockholm exchange, was 62.2 per cent (12.1%).

## RETAIL AND SALES

Atrium Ljungberg's class B share is listed on the Nasdaq Stockholm exchange and is traded on the list for large companies, Large Cap. According to Fidessa, a total of 47.6 million shares (24.0 million) were sold during the year. Of these 53 per cent (68%) were traded on Nasdaq Stockholm and the remaining on other marketplaces such as Cboe BXE and Cboe APA. The turnover rate, i.e. the number of shares traded during the year divided by the number of outstanding shares as at year-end, was 38 per cent (18 %).

## INCLUDED IN EPRA INDEX

The Atrium Ljungberg share has been included in the FTSE EPRA Nareit Global Real Estate Index since 23 September 2019. The index is one of the most renowned and utilised indexes for property investments listed on the stock exchange and includes almost 500 property companies around the world.

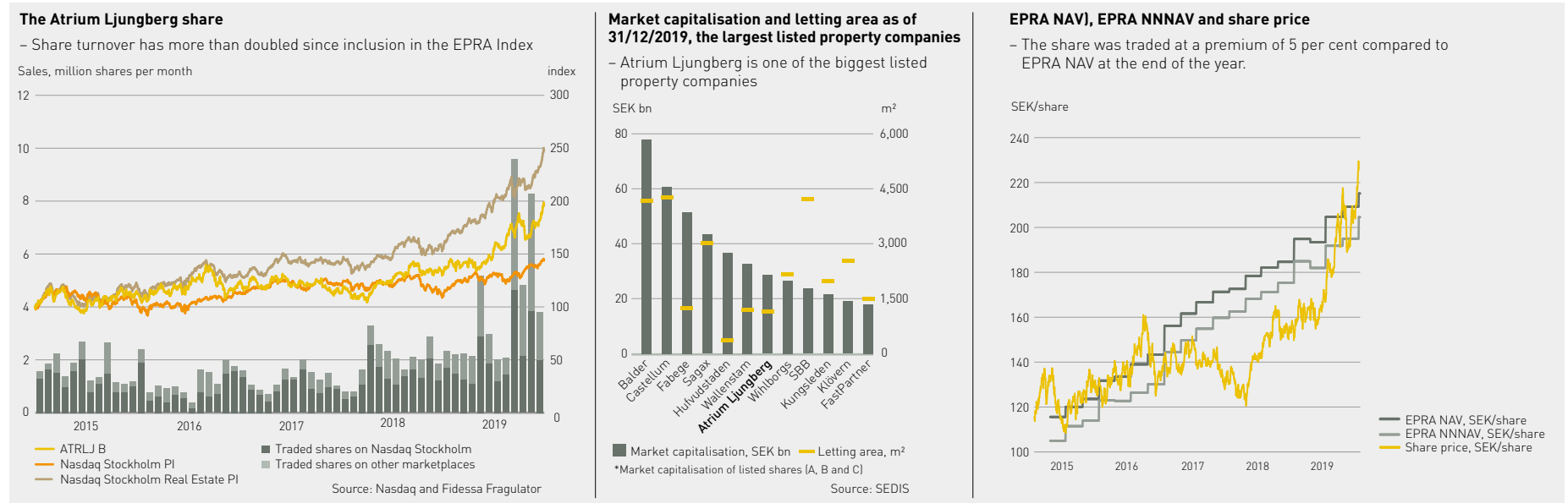
## LIQUIDITY

Atrium Ljungberg has engaged Erik Penser Bank as a liquidity guarantor in order to improve the share's liquidity. Erik Penser Bank has undertaken to set bid and ask prices on a daily basis for a volume of shares corresponding to SEK 65,000, with a maximum difference of one per cent on the basis of the ask price.

## EPRA NAV AND EPRA NNNAV

As Atrium Ljungberg's properties are reported at fair value, the net worth can be calculated on the basis of the balance sheet equity. EPRA NAV and EPRA NNNAV are reported in accordance with the EPRA's guidelines, see notes E.

Atrium Ljungberg has a substantial project portfolio in which the development of its own development rights generates growth in value. The calculation of EPRA NAV and EPRA NNNAV do not take into account future value potential of the



## THE SHARE

project portfolio. See pages 47–55 for further information about our project portfolio.

The share price at the end of the year was equivalent to 105 per cent (78%) of EPRA NAV.

## DIVIDEND

The dividend shall correspond to a minimum of 50 per cent of the profit before changes in value after nominal tax, unless investments or the company's financial position in general motivates a deviation from this norm. For the 2019 financial year a dividend of SEK 5.00 (SEK 4.85) per share is proposed, which corresponds to a dividend yield of 2.2 per cent (3.2%) calculated on the share price at the end of the year.

## OWNERSHIP STRUCTURE

At the end of the year there were 6,078 known shareholders (5,575) in Atrium Ljungberg, representing an increase of 9 per cent compared with the previous year. The largest owners are the Stockholm Consumer Cooperative Society, together with the Ljungberg family and the Holmström family, who together own 63.1 per cent in total. Foreign ownership amounted to 17 per cent (15%).

One class A share grants entitlement to 10 votes and one class B share grants entitlement to 1 vote. The Articles of Association include a pre-emption clause with regard to class A shares whereby shareholders wishing to sell their shares must first offer them to other holders of class A shares. There is also an agreement between the company's

class A shareholders whereby if the pre-emption right is not exercised, the class A shares should be converted to class B shares before a transfer may occur.

## BUY-BACK OF SHARES

On 28 March 2018, the Board of Atrium Ljungberg decided to initiate a buy-back of its own shares. The aim of the programme is to secure the supply of shares in accordance with the Group's stock option programme, and to give the Board more flexibility in its work on the company's capital structure, which will therefore help to increase shareholder value. As of 31 December 2019, the company owned 3,382,000 class B shares (2,761,000). The buy-back has been in the range of SEK 132.20–165.96 per share.

Major shareholders on 31/12/2019	Class A shares, '000	Class B shares, '000	Share of votes, %	Share of capital, %
The Stockholm Consumer Cooperative Society	–	38,466	23.2	28.9
Ljungberg family	2,190	27,066	29.5	22.0
Holmström family	1,810	14,502	19.7	12.2
Carnegie Funds	–	9,018	5.4	6.8
Varma pension insurance	–	8,117	4.9	6.1
ODIN Funds	–	2,234	1.3	1.7
AFA Insurance	–	2,160	1.3	1.6
Vanguard	–	1,585	1.0	1.2
Margareta af Ugglas	–	1,445	0.9	1.1
Norges Bank	–	1,354	0.8	1.0
Other	–	19,892	12.0	14.9
<b>Total outstanding shares</b>	<b>4,000</b>	<b>125,839</b>	<b>100</b>	<b>97.4</b>
Shares bought back <sup>1)</sup>	–	3,382	–	2.5
<b>Total number of shares issued</b>	<b>4,000</b>	<b>129,221</b>	<b>100</b>	<b>100</b>

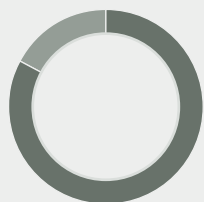
<sup>1)</sup> Bought-back shares have no voting rights and do not receive dividend.

## Shareholding structure on 31/12/2019

Size class	Number of shares	Capital, %	Votes, %	Number of known owners	Share of known owners, %
1–1,000	687,575	0.5	0.4	5,471	90.0
1,001–10,000	4,377,637	3.3	2.6	550	9.0
10,001–100,000	11,399,644	8.6	6.7	40	0.7
100,001–2,000,000	6,957,244	5.2	4.1	5	0.1
2,000,001–10,000,000	52,211,004	39.2	52.1	10	0.2
10,000,001–	53,580,908	40.2	31.7	2	0.0
Anonymous ownership	4,006,724	3.0	2.4	E/T	E/T
<b>Total</b>	<b>133,220,736</b>	<b>100</b>	<b>100</b>	<b>6,078</b>	<b>100</b>

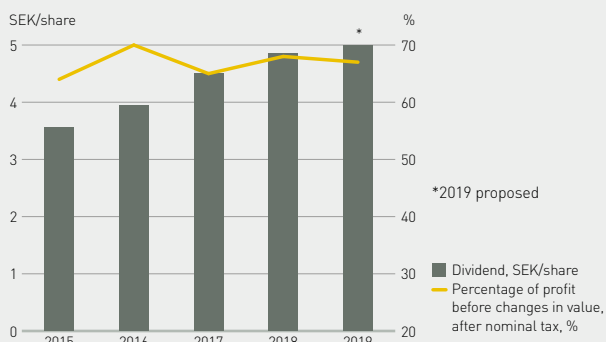
## Ownership per country

– Foreign owners have increased to 17 per cent



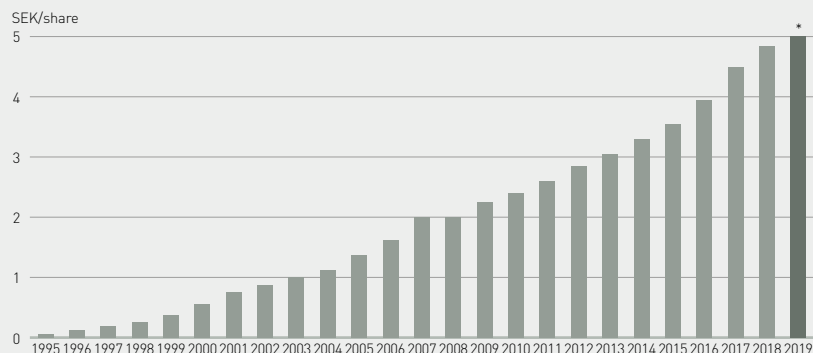
## Dividend and dividend share

– A proposed dividend of SEK 5.00 per share corresponds to 67 per cent of profit/loss before changes in value after nominal tax



## Historical dividend

– The dividend in SEK per share has never been reduced since the company was listed on the stock exchange



# FINANCIAL STATEMENTS



# FINANCIAL STATEMENTS 2019

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## CONSOLIDATED INCOME STATEMENT

Amounts in SEK m	Note	2019	2018
Rental income	IK.1	2,577	2,412
Sales, project and construction work		233	217
<b>Net sales</b>	IK.3	<b>2,811</b>	<b>2,629</b>
Property management costs			
Service charge-related costs		-197	-186
Other operating costs		-202	-173
Management costs		-173	-157
Repairs		-54	-58
Property tax		-174	-150
Leasehold fees	IK.4	-	-27
Non-deductible VAT		-11	-12
	IK.4-7	<b>-810</b>	<b>-764</b>
Project and construction work costs		-276	-246
<b>Gross profit</b>	IK.3	<b>1,724</b>	<b>1,619</b>
– of which gross profit/loss property management (operating surplus)		1,767	1,648
– of which gross profit/loss from project and construction work	IK.8	-43	-29
Central administration, property management		-80	-73
Central administration, project and construction work		-16	-30
	IK.2	<b>-96</b>	<b>-103</b>
Financial income	F.3	2	1
Financial expenses	F.3	-362	-303
Leasehold fees		-34	-
		<b>-395</b>	<b>-302</b>
<b>Profit/loss before changes in value</b>		<b>1,234</b>	<b>1,214</b>
<b>Changes in value</b>			
Properties, unrealised	T.1 IK.9	2,283	2 516
Properties, realised	T.1	73	121
Derivatives, unrealised	F.2	-90	-70
Derivatives, realised	F.2	-50	1
		<b>2,216</b>	<b>2,568</b>
<b>Profit before tax</b>		<b>3,450</b>	<b>3,781</b>
Current tax	S.1	-63	-35
Deferred tax	S.1-3	-580	-294
		<b>-643</b>	<b>-329</b>
<b>Profit for the year, entirely attributable to the parent company's shareholders</b>		<b>2,807</b>	<b>3,453</b>
Earnings per share, SEK		21.59	26.15
Weighted average number of shares, thousands		130,005	132,019

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Amounts in SEK m	Note	2019	2018
<b>Profit for the year</b>		<b>2,807</b>	<b>3,453</b>
<b>Other comprehensive income</b>			
<i>Items which will be reclassified to profit/loss</i>			
Cash flow hedging	F.2	16	16
Tax attributable to cash flow hedging	S.3	-3	-3
<b>Total other comprehensive income</b>		<b>13</b>	<b>13</b>
<b>Total comprehensive income for the year, entirely attributable to the parent company's shareholders</b>		<b>2,819</b>	<b>3,466</b>

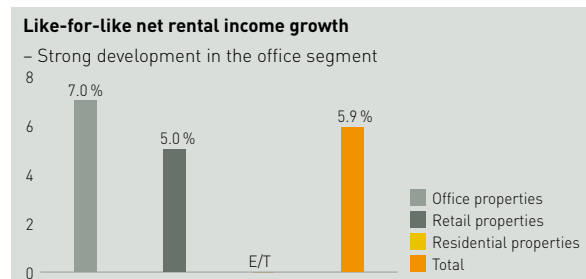
## COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

### NET SALES

The Group's net sales for the year increased to SEK 2,811 million (SEK 2,629 m) of which rental income comprised SEK 2,577 million (SEK 2,412 m). Rental income increased in the like-for-like portfolio by 5.9 per cent (2.9%) compared with last year, while office properties increased by 7.0 per cent and retail properties by 5.0 per cent. This increase is mostly explained by new rentals, renegotiations and higher surcharges for property tax. The development of rental income for retail properties is mostly due to the completion of the extension at Gränbystaden and letting out vacant premises from last year. The letting rate was 93 per cent (95%), including project properties. Contracted annual rents at the end of the year amounted to SEK 2,578 million (SEK 2,483 m). During the year, non-recurring payments of SEK 4 million (SEK 5 m) were received for premature vacating of premises.

Rental income trend	2019	2018	Change, %
Like-for-like portfolio	2,223	2,099	5.9
Non-recurring remuneration	4	5	
Project properties	184	117	
Properties acquired	127	14	
Properties sold	39	177	
<b>Rental income</b>	<b>2,577</b>	<b>2,412</b>	<b>6.9</b>

At the end of the year the market value for the like-for-like portfolio was SEK 38,565 million (SEK 36,085 m), corresponding to 79 per cent of the property portfolio's total value.



### PROPERTY COSTS

Property costs amounted to SEK –810 million (SEK –764 m) and SEK –844 million (SEK –764 m) excluding the effects of the implementation of IFRS 16. For like-for-like portfolios, excluding the effects of IFRS 16, property costs increased by 11.1 per cent. The increase in property costs is explained to an extent by increased property tax costs, a few customer losses, management costs and electricity costs.

Property costs trend	2019	2018	Change, %
Like-for-like portfolio	–730	–657	11.1
Project properties	–59	–46	
Properties acquired	–41	–9	
Properties sold	–14	–52	
<b>Property management costs</b>	<b>–844</b>	<b>–764</b>	<b>10.5</b>

### GROSS PROFIT

The gross profit for property management (operating surplus) increased to SEK 1,767 million (SEK 1,648 m) and SEK 1,733 million (SEK 1,648 m) excluding the effects of the implementation of IFRS 16. The main reason for the increase is the completion of project properties with the occupancy of tenants as well as the new leases and renegotiations relating to office properties.

For the like-for-like portfolio, excluding the effects of IFRS 16, the gross profit for property management increased by 3.6 per cent compared with last year. This increase is mostly due to new rentals and renegotiations, but has also been negatively impacted by higher property costs, resulting primarily from property tax, bad debt, management costs and the costs of electricity.

The surplus ratio decreased to 67 per cent (68%), due to divested properties with relatively higher surplus ratios and an increase in property costs.

The gross profit for project and construction activities amounted to SEK –43 million (SEK –29 m). The decrease in gross profit is mostly due to a lower gross profit in TL Bygg.

### CENTRAL ADMINISTRATION

Central administration is comprised of costs for the company management as well as central support functions. The cost for central administration for property management amounted to SEK –80 million (SEK –73 m) and increased as a result of investments in the company's future growth. The cost of central administration for project and construction work amounted to SEK –16 million (SEK –30 m). This reduction is due primarily to start-up costs in the previous year for the deal for tenant-owned dwellings.

### FINANCIAL INCOME AND EXPENSES

Financial expenses amounted to SEK –362 million (SEK –303 m) excluding leasehold fees. This increase is due mainly to higher interest-bearing liabilities and an increase in the variable interest rate throughout the year. The average interest rate at the end of the period amounted to 1.6 per cent (1.6%).

### CHANGES IN VALUE

Unrealised changes in the value of properties amounted to SEK 2,283 million (SEK 2,516 m) and are explained in the table below.

Unrealised changes in value, properties	2019	2018
Change in yield requirements	1,271	487
Change in operating net, etc.	936	2,029
Development rights	76	–
<b>Total</b>	<b>2,283</b>	<b>2 516</b>

Realised changes in the value of properties amounted to SEK 73 million (SEK 121 m), attributable primarily to the sale of the properties at Kolding 1 and Kolding 2 in Kista.

At the end of the year, the derivative portfolio comprised SEK 12,296 million (SEK 9,296 m) in interest rate swaps and currency swaps, with maturity between 2021 and 2030. Currency swaps are being used to hedge against foreign exchange risk for bond loans in Norwegian krone. The unrealised change in the value of derivatives amounted to SEK –90 million (SEK –70 m) for the year as a result of lower market interest rates. Realised changes in the value of derivatives amounted to SEK –50 million (SEK 1 million), which is linked to the restructuring of interest derivatives at the end of the year.

### TAX

The current tax for the year amounted to SEK –63 million (SEK –35 m), which was affected by, among other things, tax deductible depreciation and investments.

Deferred tax amounted to SEK –580 million (SEK –294 m), which was mainly impacted by unrealised changes in the value of properties, the sale of properties and derivatives. The comparison year has also been affected by a reduction in the tax rate from 22.0 to 20.6 per cent.

### PROFIT

The Group posted a profit before changes in value of SEK 1,234 million (SEK 1,214 m), an increase of 1.6 per cent. Profit for the year amounted to SEK 2,807 million (SEK 3,453 m), corresponding to SEK 21.59/share (SEK 26.15/share).

### OTHER COMPREHENSIVE INCOME

Other comprehensive income reports the reversal of the hedging reserve in equity which relates to the derivatives (interest swaps) which until 31 December 2011 applied hedge accounting. As of this date Atrium Ljungberg does not apply hedge accounting to these instruments in the consolidated accounts.



# CONSOLIDATED BALANCE SHEET

Amounts in SEK m	Note	31/12/2019	31/12/2018	Amounts in SEK m	Note	31/12/2019	31/12/2018
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Non-current assets</b>				<b>Equity</b>			
Investment properties	T.1	47,513	43,310	Share capital		333	333
Right-of-use asset, leaseholds	IK.4	1,305	–	Other capital contributions		3,960	3,960
Property, plant and equipment	T.3	36	32	Provisions		–13	–26
Goodwill	T.2	225	225	Retained earnings including profit for the year		18,506	16 429
Shares in associated companies	K.2	5	0	<b>Total equity attributable to the parent company's shareholders</b>		<b>22,784</b>	<b>20,696</b>
Deferred tax receivable	S.2	0	2				
Derivatives	F.2	82	–	<b>Non-current liabilities</b>			
Other non-current receivables		33	10	Deferred tax liability	S.3	5,106	4,598
<b>Total non-current assets</b>		<b>49,198</b>	<b>43,579</b>	Non-current interest-bearing liabilities	F.1–2	20,211	18,506
<b>Current assets</b>				Non-current finance lease liability		1,305	–
Development properties	T.7	997	891	Derivatives	F.2	348	349
Accounts receivable	T.4	148	104	Other non-current liabilities	OS.1	222	202
Other receivables	T.5	96	93	<b>Total non-current liabilities</b>		<b>27,193</b>	<b>23,655</b>
Prepaid costs and accrued income	T.6	168	126				
Cash and cash equivalents	F.1–2	457	335	<b>Current liabilities</b>			
<b>Total current assets</b>		<b>1,865</b>	<b>1,549</b>	Accounts payable		205	208
<b>Total assets</b>		<b>51,062</b>	<b>45,128</b>	Tax liabilities		40	3
				Other liabilities	OS.2	81	91
				Accrued costs and prepaid income	OS.3	760	475
				<b>Total current liabilities</b>		<b>1,086</b>	<b>777</b>
				<b>Total equity and liabilities</b>		<b>51,062</b>	<b>45,128</b>

## COMMENTS ON THE CONSOLIDATED BALANCE SHEET

### NON-CURRENT ASSETS

The carrying amount for investment properties amounted to SEK 47,513 million (SEK 43,310 m) at the end of the year. Development rights and land accounted for SEK 423 million (SEK 877 m) of this total. Investments in Atrium Ljungberg's held properties amounted to SEK 1,704 million (SEK 1,738 m). During the year, possession was completed for 14 properties in Slakthusområdet in Stockholm. Possession was also taken of the property Barkarby 2:64; the land for the Barkarby project in Järfälla. Over the year, title deed costs were also paid for the acquisition of the property known as Molekylen 1, which is the land for the Life City project in Hagastaden. During the year the leaseholds Kolding 1 and Kolding 2 in Ärvinge, Kista, were vacated. The year's unrealised changes in the value of investment properties amounted to SEK 2,283 million (SEK 2,516 m).

#### Change in investment properties (excluding Right-of-use asset, leaseholds)

SEK m	2019	2018
Fair value at the start of the period	43,310	39,991
Acquisitions (after deduction of deferred tax)	1,174	1,727
Sales	-1,031	-2,662
Investments in held properties	1,704	1,738
Unrealised changes in value	2,283	2,516
Other	73	-
<b>Fair value at the end of the period</b>	<b>47,513</b>	<b>43,310</b>

The consolidated goodwill arose in conjunction with an operational acquisition and comprises the difference between nominal tax and the tax which the company actually included during the acquisition. The reported goodwill amounted to SEK 225 million (SEK 225 m).

A deferred tax receivable for loss carry-forwards totalling SEK 2 million was recognised at the beginning of the year. The deferred tax receivable calculated on the basis of the fiscal deficit as of 31 December 2019 amounted to SEK 0 million.

### CURRENT ASSETS

Cash and cash equivalents at the end of the financial year amounted to SEK 457 million (SEK 335 m). The remaining current assets increased by SEK 194 million, of which SEK 106 million is attributable to development properties.

### DEVELOPMENT PROPERTIES

The development properties are recognised at the lower of the costs expended and the estimated net realisable value. Investments in tenant-owned dwellings projects amounted to SEK 106 million (SEK 21 m).

#### Development properties

SEK m	2019	2018
At the start of the period	891	870
Investments in tenant-owned dwelling projects	106	21
<b>Development properties, at the end of the period</b>	<b>997</b>	<b>891</b>
<b>Property portfolio, total</b>	<b>48,509</b>	<b>44,200</b>

### EQUITY

Equity on the closing day amounted to SEK 22,784 million (SEK 20,696 m), corresponding to SEK 175.48/share (SEK 158.64/share). The change in equity is mainly attributable to the profit for the year of SEK 2,807 million. The hedging reserve decreased by SEK 13 million (SEK 13 m). The change in the hedging reserve refers to the successive reversal of the opening hedging reserve due to the fact that the Group no longer applies hedge accounting to interest swaps. During the year, the company conducted a buy-back of its own shares totalling SEK 99 million (SEK 396 m).

The dividend paid, which was approved at the Annual General Meeting held in March 2019, amounted to SEK 631 million (SEK 599). The equity/assets ratio at the end of the year was 45.8 per cent (45.9%). Current EPRA NNAV amounted to SEK 204.57/share (SEK 184.93/share).

### DEFERRED TAX LIABILITY

Deferred tax liability is recognised at 20.6 per cent of temporary differences between fiscal values and book values, primarily with regard to investment properties and financial instruments. The reported liability as of 31 December 2019 amounted to SEK 5,106 million (SEK 4,598 m). The year-on-year change is attributable to unrealised changes in the value of properties and financial instruments, fiscal depreciation of buildings, and direct deductions for investments.

The probable effective tax rate is lower than 20.6 per cent. See further calculation of the company's net worth on pages 143–144 in accordance with EPRA.

### INTEREST-BEARING LIABILITIES

At the end of the year, the interest-bearing liabilities in accordance with the balance sheet amounted to SEK 20,211 million (SEK 18,506 m), a net increase of SEK 1,705 million. The raising of new loans refers to financing of investments and acquisitions.

The average maturity date was 4.3 years (4.6 years). The average fixed interest term was 5.4 years (4.1 years). The gearing ratio was 41.7 per cent (41.9%).

The market value of derivatives at the end of the year amounted to SEK -266 million (SEK -349 m).

Atrium Ljungberg's financing is described in more detail on pages 93–95.

## CONSOLIDATED CHANGES IN EQUITY

Amounts in SEK m	Attributable to the parent company shareholders				Total equity
	Share capital	Other capital contributions	Hedging reserves	Profits brought forward	
<b>Opening balance as of 1 January 2018</b>	<b>333</b>	<b>3,960</b>	<b>-39</b>	<b>13,970</b>	<b>18,223</b>
Profit for the year				3,453	3,453
Other comprehensive income			13		13
Acquisition of own shares				-396	-396
Option premiums received				1	1
Dividend, SEK 4.50/share				-599	-599
<b>Closing balance as of 31 December 2018</b>	<b>333</b>	<b>3,960</b>	<b>-26</b>	<b>16,430</b>	<b>20,696</b>
<b>Opening balance as of 1 January 2019</b>	<b>333</b>	<b>3,960</b>	<b>-26</b>	<b>16,430</b>	<b>20,696</b>
Profit for the year				2,807	2,807
Other comprehensive income			13		13
Acquisition of own shares				-99	-99
Dividend, SEK 4.85/share				-631	-631
<b>Closing balance, as of 31 December 2019</b>	<b>333</b>	<b>3,960</b>	<b>-14</b>	<b>18,507</b>	<b>22,784</b>

There are a total of 133,220,736 shares (133,220,736), of which 4,000,000 (4,000,000) are class A shares and 129,220,736 (129,220,736) are class B shares. One class A share grants entitlement to ten votes and one class B share grants entitlement to one vote. During the period Atrium Ljungberg acquired 621,000 (2,761,000) class B shares and at the end of the year owned 3,382,000 class B shares. The number of outstanding shares amounted to 129,838,736 (130,459,736) at the end of the year. The weighted average number of outstanding shares for 1 January 2019 to 31 December 2019 amounted to 130,005,440 (132,018,709). The quota value of the share was SEK 2.50.

## CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK m	Note	2019	2018
Profit before tax		3,450	3,781
Reversal of depreciation, amortisation and impairment	IK.7	13	11
Realised changes in value, investment properties		-73	-121
Unrealised changes in value, investment properties	T.1	-2,283	-2 516
Realised changes in value, financial instruments	F.2	50	-1
Unrealised changes in value, financial instruments		90	70
Other items not included in the cash flow		-62	17
Tax paid		-27	-14
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,158</b>	<b>1,228</b>
Net change in working capital		192	32
<b>Change in working capital</b>		<b>192</b>	<b>32</b>
<b>Cash flow from operating activities</b>		<b>1,350</b>	<b>1,260</b>
<b>INVESTMENT ACTIVITIES</b>			
Acquisition of properties	T.1	-1,174	-2,159
Reconstruction and new construction of properties	T.1	-1,810	-1,758
Sale of properties		1,031	3,582
Investment in financial fixed assets		-5	0
Purchases of machinery and equipment		-17	-13
<b>Cash flow from investment activities</b>		<b>-1,975</b>	<b>-348</b>
<b>FINANCING ACTIVITIES</b>			
Change in other non-current liabilities		20	10
Loans raised	F.1	5,709	5,867
Amortisation of debts	F.1	-4,016	-5,612
Exercise of derivatives	F.2	-235	-191
Buy-back of own shares		-631	-396
Dividends paid		-99	-599
<b>Cash flow from financing activities</b>	F.4	<b>748</b>	<b>-920</b>
<b>Cash flow for the year</b>		<b>122</b>	<b>-9</b>
Cash and cash equivalents at the start of the year		335	344
<b>Cash and cash equivalents at the end of the year</b>		<b>457</b>	<b>335</b>
<b>Information on interest paid</b>			
Interest received amounted to		2	1
Interest paid amounted to		-362	-303
<b>Information on cash and cash equivalents at the end of the year</b>			
Bank deposits, excluding blocked funds		457	335

## COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow from operating activities amounted to SEK 1,350 million (SEK 1,260 m), corresponding to SEK 10.38/share (SEK 9.54/share). The higher cash flow compared to last year is mainly explained by the increased net change in operating capital.

SEK -1,975 million (SEK -348 m) in investment activities was charged to the cash flow, attributable to acquisitions and investments in Atrium Ljungberg's held properties as well as the sale of Kolding 1 and Kolding 2 in Kista. The cash flow within financing activities amounted to SEK 748 million (SEK -920 m) due to net borrowing for acquisitions and investments, amortisation of debts and the buy-back of own shares.

Available liquidity amounted to SEK 3,033 million (SEK 3,495 m) at the end of the year and comprised bank deposits of SEK 457 million (SEK 335 m), unutilised overdraft facilities of SEK 300 million (SEK 300 m) and unutilised lines of credit of SEK 2,276 million (SEK 2,860 m) in addition to credit facilities covering outstanding commercial paper.

## PARENT COMPANY INCOME STATEMENT

Amounts in SEK m	Note	2019	2018
Rental income	IK.1	144	176
Management income		328	300
<b>Net sales</b>		<b>472</b>	<b>476</b>
Property costs	IK.4	-53	-61
Management and administration expenses	IK.5-6	-400	-364
Capital gain/loss from sale of properties	IK.7	-184	-72
Depreciation		-20	-21
<b>Operating profit</b>	A.5 IK.4	<b>-186</b>	<b>-42</b>
Earnings from shares in Group companies	MB.2	1,419	500
Interest income and similar profit items	F.3	597	565
Interest expenses and similar profit items	F.3	-989	-574
		<b>1,028</b>	<b>491</b>
<b>Profit after financial items</b>		<b>842</b>	<b>449</b>
Appropriations	MB.4	29	185
<b>Profit before tax</b>		<b>870</b>	<b>634</b>
Current tax	S.1	-6	-35
Deferred tax	S.1-3	91	12
		<b>85</b>	<b>-23</b>
<b>Profit for the year</b>		<b>955</b>	<b>611</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Parent company statement of comprehensive income			
Profit for the year as per income statement		955	611
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>955</b>	<b>611</b>
Dividend per share, SEK (2019, proposed)		5.00	4.85

## COMMENTS ON THE PARENT COMPANY ACCOUNTS

The parent company's operations comprise Group-wide functions and the organisation for the management of the properties owned by the parent company and the subsidiaries.

Net sales amounted to SEK 472 million (SEK 476 m). Rental income decreased as a result of the properties Kolding 1 and Kolding 2 in Kista being vacated on 30 September 2019. Management income increased as a result of an increase in the sale of management services to companies within the Group. Management and administration expenses increased as a result of a higher number of employees. The operating profit/loss amounted to SEK -186 million (SEK -42 m). The profit after financial items amounted to SEK 842 million (SEK 449 m) and was primarily affected by higher dividends from subsidiaries. Dividends from subsidiaries amounted to SEK 1,419 million (SEK 500 m). Interest-bearing liabilities amounted to SEK 15,988 million (SEK 14,483 m). These funds finance the company's property portfolio and are lent on to other Group companies.

The parent company's cash flow from operating activities amounted to SEK 121 million (SEK 274 m). The cash flow from investment activities amounted to SEK 373 million (SEK -13 m), and cash flow from financing activities amounted to SEK -381 million (SEK -247 m). The cash flow for the year amounted to SEK 112 million (SEK 14 m). Cash and cash equivalent as the end of the financial year stood at SEK 395 million (SEK 283 m).

## PARENT COMPANY BALANCE SHEET

Amounts in SEK m	Note	2019-12-31	2018-12-31	Amounts in SEK m	Note	31/12/2019	31/12/2018
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Non-current assets</b>				<b>Equity</b>			
<b>Tangible non-current assets</b>				<i>Restricted equity</i>			
Investment properties	T.1 MB.3	904	1,486	Share capital (133,220,736 shares, quota value: SEK 2.5)		333	333
Property, plant and equipment	T.3	17	12	Statutory reserve		265	265
<b>Total tangible non-current assets</b>		<b>922</b>	<b>1,498</b>			<b>598</b>	<b>598</b>
<b>Financial non-current assets</b>				<i>Non-restricted equity</i>			
Shares in Group companies	K.1 MB.2	963	945	Share premium reserve		3,948	3,948
Deferred tax receivable	S.3	68	-	Retained earnings		2,104	2,224
Other non-current receivables		32	11	Profit for the year		955	611
<b>Total financial non-current assets</b>		<b>1,062</b>	<b>956</b>			<b>7,007</b>	<b>6,782</b>
<b>Total non-current assets</b>		<b>1,984</b>	<b>2,454</b>	<b>Total equity</b>		<b>7,606</b>	<b>7,381</b>
<b>Current assets</b>				<b>Untaxed reserves</b>	MB.4	<b>8</b>	<b>61</b>
Accounts receivable	T. 4	2	2	<b>Provisions</b>			
Receivables from Group companies	A.5	21,698	19,405	Pension provision		16	13
Tax receivables		25	4	Deferred tax liability	S.3	63	86
Other receivables	T.5	22	8	<b>Total provisions</b>		<b>79</b>	<b>99</b>
Prepaid costs and accrued income	T.6	23	32	<b>Non-current liabilities</b>			
Cash and cash equivalents	F.2	395	283	Non-current interest-bearing liabilities	F.1-2	15,988	14,483
<b>Total current assets</b>		<b>22,165</b>	<b>19,734</b>	Derivatives	F.2	348	-
<b>Total assets</b>		<b>24,150</b>	<b>22,188</b>	Other non-current liabilities	OS.1	1	5
				<b>Total non-current liabilities</b>		<b>16,337</b>	<b>14,488</b>
				<b>Current liabilities</b>			
				Accounts payable		26	34
				Other liabilities	OS.2	12	48
				Accrued costs and prepaid income	OS.3	83	77
				<b>Total current liabilities</b>		<b>120</b>	<b>159</b>
				<b>Total equity and liabilities</b>		<b>24,150</b>	<b>22,188</b>

## PARENT COMPANY CHANGE IN EQUITY

Amounts in SEK m	Share capital	Statutory reserve	Share premium reserve	Profits brought forward	Total equity
<b>Opening balance as of 1 January 2018</b>	<b>333</b>	<b>265</b>	<b>3,948</b>	<b>3,218</b>	<b>7,764</b>
Profit for the year				611	611
Option premiums received				1	1
Buy-back of own shares				-396	-396
Dividend, SEK 4.50/share				-599	-599
<b>Closing balance as of 31 December 2018</b>	<b>333</b>	<b>265</b>	<b>3,948</b>	<b>2,835</b>	<b>7,381</b>
Profit for the year				955	955
Buy-back of own shares				-99	-99
Dividend, SEK 4.85/share				-631	-631
<b>Closing balance, as of 31 December 2019</b>	<b>333</b>	<b>265</b>	<b>3,948</b>	<b>3,060</b>	<b>7,606</b>

There are a total of 133,220,736 shares (133,220,736), of which 4,000,000 (4,000,000) are class A shares and 129,220,736 (129,220,736) are class B shares. One class A share grants entitlement to ten votes and one class B share grants entitlement to one vote. At the end of the year the parent company had 3,382,000 (2,761,000) of its own class B shares. At the end of the year, the number of outstanding shares amounted to 129,838,736 (130,459,736). The average weighted number of outstanding shares for 2019 SEK amounted to 130,005,440 (132,018,709). The quota value of the share was SEK 2.50.

## PARENT COMPANY CASH FLOW STATEMENT

Amount, SEK m	Note	2019	2018
Profit before tax		870	634
Reversal of depreciation, amortisation and impairment	IK.7	20	20
Capital gain/loss		184	72
Unreceived dividends from subsidiaries	MB.2	-1,419	-500
Other items not included in the cash flow	MB.4	629	-185
Tax paid		-118	-12
<b>Cash flow from operating activities before changes in working capital</b>		<b>166</b>	<b>29</b>
Net change in working capital		-46	245
<b>Change in working capital</b>		<b>-46</b>	<b>245</b>
<b>Cash flow from operating activities</b>		<b>121</b>	<b>274</b>
<b>INVESTMENT ACTIVITIES</b>			
Purchase/sale of machinery and equipment		-7	-8
Reconstruction and new construction of properties	MB.3	-36	-64
Sale of properties		416	59
<b>Cash flow from investment activities</b>		<b>373</b>	<b>-13</b>
<b>FINANCING ACTIVITIES</b>			
Change in other non-current liabilities	F.4	-4	-15
Change in receivables from Group companies		-915	3,393
Change in liabilities to Group companies		-	-1,944
Loans raised	F.1	5,501	4,714
Amortisation of debts	F.1	-3,999	-5,400
Exercise of derivatives		-235	-
Dividends paid		-631	-599
Buy-back of own shares		-99	-396
<b>Cash flow from financing activities</b>		<b>-381</b>	<b>-247</b>
<b>Cash flow for the year</b>		<b>112</b>	<b>14</b>
Cash and cash equivalents at the start of the year		283	269
<b>Cash and cash equivalents at the end of the year</b>		<b>395</b>	<b>283</b>
<b>Information on interest paid</b>			
Interest received amounted to		597	565
Interest paid amounted to		-407	-574
<b>Information on cash and cash equivalents at the end of the year</b>			
Bank deposits, excluding blocked funds		395	283

## SUPPLEMENTARY INFORMATION — NOTES

### A GENERAL INFORMATION AND ACCOUNTING POLICIES

#### A.1 GENERAL INFORMATION

Atrium Ljungberg AB (publ.), company ID no. 556175-7047, is registered in Sweden with registered office in Nacka and street address Smedjegatan 2C, SE-131 04 Nacka. Atrium Ljungberg's class B share has been listed on the Nasdaq Stockholm Exchange since 1994. Atrium Ljungberg will engage in the long-term ownership, development and management of retail properties, office properties and full-service environments in strong subsidiary markets, primarily in large urban regions, and will engage in project and construction activities. The annual accounts and the consolidated accounts in respect of the 2019 financial year were approved for publication by the Board of Directors on 6 February 2020. It is proposed that the annual accounts and the consolidated accounts be adopted at the Annual General Meeting held on 25 March 2020.

#### A.2 CONSOLIDATED ACCOUNTS AND THEIR PREPARATION

##### SCOPE OF CONSOLIDATED ACCOUNTS

The consolidated accounts comprise the parent company, Atrium Ljungberg AB, and the companies over which the parent company has a controlling influence (subsidiaries). The parent company has controlling influence when it is exposed to or has entitlement to variable yield from its engagement in a company and can affect the yield using influence over the company. This is normally fulfilled when the parent company directly or indirectly holds shares which represent more than 50 per cent of the votes. Controlling influence can also be exercised in ways other than through share ownership.

The results of subsidiaries acquired or sold during the year are included in the Consolidated Statement of Comprehensive Income up to and including the date when the transaction occurred, i.e. when the controlling influence arises and ceases.

##### PREPARATION OF THE CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as of 31 December 2019. The consolidated accounts have also been prepared in accordance with Swedish law and with the application of RFR 1, Complementary accounting regulations for corporate groups, issued by the Swedish Accounting Standards Board.

If the accounting policies of the subsidiaries deviate from those of the Group, the subsidiaries' accounting is adjusted to comply with the same policies as other Group companies.

Internal transactions between Group companies and intra-Group transactions are eliminated in conjunction with the preparation of the consolidated accounts. Assets and li-

abilities are recognised at cost, with the exception of investment properties and derivative instruments, which are valued and recognised at fair value. The consolidated accounting policies described have been applied consistently to all periods presented in the Group's financial statements, unless otherwise indicated below. The functional currency of the parent company is the Swedish krona, which is also the reporting currency for the parent company and the Group. All amounts are shown in SEK million unless otherwise indicated.

##### ACQUISITIONS

During an acquisition an assessment is done to ascertain whether it is a business combination or an asset acquisition. A business combination is defined in accordance with IFRS 3 and requires that assets and liabilities which are acquired should comprise a business/operation. When a group of assets or net assets is acquired which does not comprise a business/operation, it is classified as an asset acquisition.

For the acquisition of a subsidiary, the assets of which only comprise a property and lack management organisation and administration, the acquisition is classified as an asset acquisition in most cases. The acquisition value of assets or net assets is divided among the individual identifiable assets and liabilities based on their relative fair values at the time of acquisition.

The acquisition of an independent business therefore only comprises a business combination and is recognised using the acquisition method. The cost of a business combination comprises the fair value on the transaction date of assets paid, of liabilities arising or assumed, and of the equity instruments issued by the acquiring party in return for the controlling influence over the acquired unit. Acquired and identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. If the cost of the shares acquired exceeds the sum of the fair value of acquired and identifiable assets, liabilities and contingent liabilities, the difference is recognised as goodwill. If the cost is lower than the fair value calculated in the manner described above, the difference is recognised directly in the income statement.

##### ASSOCIATED COMPANIES

Associated companies are companies in which the Group has a controlling influence, normally through a shareholding of a minimum 20 per cent and maximum 50 per cent and is recognised using the equity method. Under the equity method, shares in associated companies are recognised at cost on the acquisition date and subsequently adjusted by the Group's share of the change in the associated company's net assets. The Group's book value of the shares in the associated companies corresponds to the Group's share in the associated companies' equity and any residual value of consolidated surplus and deficit values.



## SIGNIFICANT ASSESSMENTS AND ASSUMPTIONS WHEN APPLYING THE GROUP'S ACCOUNTING POLICIES

Preparing financial statements in accordance with IFRS requires the Board of Directors and the company management to make assessments and estimates that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses.

Assumptions and estimates are based on, among other things, historical experience and other factors deemed relevant under the prevailing circumstances. These assumptions and estimates are used to assess the carrying amounts of assets, liabilities, income and expenses whose value is not otherwise clear from other sources. The actual result may deviate from these estimates and assessments. Assumptions and estimates are analysed regularly by the Board of Directors and senior management. Changes are reflected in the accounts for the period when the change is made if the change only affects the current period. If the change affects the current period and subsequent periods, the accounts are affected in accordance with this. The assumptions deemed most significant when preparing the financial statements are described below.

Investment properties are measured at fair value. The valuation includes assessments and assumptions that are regarded as critical to the carrying amounts. Assumptions, uncertainties and assessments are described further in note T.1. When acquiring a company, an assessment is made as to whether this acquisition will be classified as an asset acquisition or a business combination. An asset acquisition is deemed to exist if the acquisition refers to properties but does not include any organisation or management processes required to conduct the operations. Other acquisitions are classified as business combinations.

For property transactions, an assessment is made of when control passes to the counterparty. This assessment acts as a guide to when the transaction is recognised. Normally the control is transferred to the counterparty when entering into the contract. See note IK.1 for more information.

An assessment of the potential for offsetting the deficit against future profits is made during the valuation of loss carry-forwards.

Allocations to the guarantee reserve for construction work are made in the amount of 0.5 per cent of the contract sum during the guarantee period. The allocation is based on historical experience and an assessment of the risks inherent in ongoing projects.

## CASH FLOW STATEMENT

Cash flow statements are prepared using the indirect method, in accordance with IAS 7, and the profit is consequently adjusted for transactions that have not entailed payments received or made and for income and expenses that can be attributed to investment and/or financial activities.

### A.3 NEW STANDARDS AND INTERPRETATIONS

#### IFRS 16 Leases

IFRS 16 Leases has been applied by the Group since 1 January 2019 and replaces IAS 17 Leases with its related interpretations.

The effects of implementing IFRS 16 means that from 1 January 2019 Atrium Ljungberg has recognised a right-of-use asset and a leasing liability amounting to SEK 1,113 million in the balance sheet attributable to leaseholds. The income statement has been affected by leasehold fees being reclassified from Property management costs to Net financial items. The leasehold fees that are paid are recognised in their entirety as an interest expense as these leases are considered to be perpetual leases. The cash flow statements have not been affected by the implementation of IFRS 16, as the cash flow statements are based on Profit before changes in value.

Atrium Ljungberg has elected to reverse the effect of the implementation of IFRS 16 when calculating the alternative KPIs that are presented in this annual report. This means that some of the definitions of the KPIs have been changed. For more information, see pages 181–183.

The Group has chosen to apply the option not to recognise short-term leases and leases with a low-value underlying asset as right-of-use assets and leasing liabilities in the balance sheet. These leases mostly comprise vehicles and office machinery.

See note IK.4 for the accounting policies that have been applied that are linked to IFRS 16 and supplementary disclosures on leases.

## NOTES

A IK S T OS F E K MB H

**A.4 NEW STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET ENTERED INTO FORCE****Amendments to IAS 1**

IAS 1 requires companies to disclose their 'significant' accounting policies. IASB is proposing to replace the reference to 'significant' with a requirement to disclose 'material' accounting policies to clarify the threshold for disclosing information. ISAB is also proposing to add guidance to IAS 1 to help companies understand what makes an accounting policy 'material'. As Atrium Ljungberg's disclosures are assessed as being material, these changes will not affect its accounting policies.

This amendment will be applied for the financial year starting 1 January 2020.

**Amendments to IFRS 3**

On 22 October 2018 IASB issued amendments to the definition of a business combination in IFRS 3. These amendments include giving a company the option of performing a concentration test and if it shows that the acquisition is an asset acquisition, no further assessment is required. However, the test will never give the answer to whether an acquisition is a business combination; it can only show that it is an asset acquisition. This voluntary test means that if substantially all of the fair value of the gross assets acquired is attributable to a single identifiable asset or group of similar identifiable assets, the acquisition is an asset acquisition. The amendments that are being introduced in IFRS 3 are expected to result in more acquisitions being recognised as an asset acquisition compared with the current guidance. Atrium Ljungberg has deemed that this amendment will not affect the proportion of asset acquisitions in relation to business combinations to any major extent as most of the acquisitions performed within the Group are asset acquisitions.

This amendment will be applied for the financial year starting 1 January 2020.

**A.5 EVENTS AFTER THE CLOSING DAY**

On 7 February Atrium Ljungberg agreed with the City of Stockholm to return the Hamnmästaren land allocation of approximately 20,000 m<sup>2</sup> GFA in Slussen. By way of compensation for returning this land allocation, the company received new land allocations in Slussen, Hagastaden and Slakthusområdet. In Slussen the land allocations that were received included 8,000 m<sup>2</sup> for the new retail hub and approximately 4,500 m<sup>2</sup> GFA for a hotel at Södermalmstorg. The company also received land allocations in Hagastaden, which includes approximately 23,000 m<sup>2</sup> GFA for offices and approximately 310 apartments. Finally a land allocation of approximately 4,000 m<sup>2</sup> GFA was received for Slakthusområdet for offices and hotels. It is estimated that the total investment for the new projects will amount to approximately SEK 5 billion between 2023 and 2030.

This agreement is conditional on a decision in the city council of the City of Stockholm which is expected to be made in the second quarter of 2020.

**A.6 INFORMATION ON RELATED PARTIES**

The following legal entities and physical persons have been identified as related parties of Atrium Ljungberg AB:

- All companies within the Atrium Ljungberg Group, see note K.1
- Board members, company management, and their close family members for all companies in the Atrium Ljungberg Group.
- Companies controlled by board members, company management or their family members, or companies where these people have a controlling influence.
- Our principal owners; the Stockholm Consumer Cooperative society, the Ljungberg family with companies, and the Holmström family with companies

**TRANSACTIONS AND DEALINGS BETWEEN THE PARENT COMPANY AND GROUP COMPANIES**

	Parent company	
	2019	2018
Sale to subsidiaries	311	317
Purchasing from subsidiaries	-15	-34
Interest income from subsidiaries	587	561
Dividends from subsidiaries	1,419	500
Interest expenses to subsidiaries	-118	-93
Receivables from related parties (Group companies)	21,698	19,405
Liabilities to related parties (Group companies)	-	-

**OTHER**

No other transactions between related parties and Atrium Ljungberg have taken place during the year. Remuneration to the Board of Directors and company management is shown in Note IK.6.

## IK INCOME AND EXPENSES

### REVENUE RECOGNITION

Revenue comprises rents and remuneration for external project and construction activities.

#### Rental income

All lease contracts are classified as operational lease agreements. Rental income is distributed on a straight-line basis over the term of the contract other than when the terms of the lease contract are such that a different form of distribution would better reflect the way in which the economic benefits attributable to the letting of the investment property change over time. Rental payments in advance are recognised as prepaid income. The gross rent includes items in respect of costs passed on for property tax, electricity and heating. Substantial rent discounts have been distributed over the term of the contracts. Sales-based rent has been estimated in the closing accounts on the basis of reported sales data. Sales-based rent is determined in subsequent years once tenants' auditors have determined the tenants' sales. Any difference between the established and estimated annual rent is recognised as an amended assessment in the period in which the annual rent is established.

#### Project and construction revenue

Project and construction revenue is recognised as the project progresses, i.e. in accordance with so-called successive revenue recognition. The degree of recognition – the degree of completion – is primarily determined on the basis of project costs expended in relation to the estimated total engagement expenses in conjunction with completion. If the result of a project cannot be reliably calculated, a revenue is recognised that corresponds to expenses disbursed as of the closing day. Anticipated losses are immediately recognised as an expense. The difference between recognised project revenue and as yet invoiced amounts is recognised as a contract asset and included in Prepaid costs and accrued income in the consolidated balance sheet. Similarly, the difference between an invoiced amount and as yet unrecognised project revenue is recognised as a contract liability and included in Accrued costs and prepaid income in the balance sheet.

#### Revenue from property sales

Earnings from the sale of investment properties is recognised in the Properties, realised row in the consolidated income statement. Revenue attributable to property sales is recognised when control transfers to the purchaser. This normally coincides with the contract date as a property sales contract normally severely limits the seller's ability to adopt any management measures for existing or new tenants or reconstructions from the contract date. Read more about investment properties in note T.1.

### Revenue from tenant-owned associations

Atrium Ljungberg builds properties that are intended for sale to tenant-owned associations after completion. Earnings from these sales are only recognised when the property has been completed, sold and transferred to the tenant-owned association, i.e. the moment when Atrium Ljungberg no longer has control over the tenant-owned association. Read more about development properties in note T.7.

#### Other income

Dividend income is recognised when the shareholders' right to receive payment has been confirmed.

Interest income is recognised over the interest term, applying the effective interest method. Effective interest is the interest that ensures that the current value of all future payments received and made during the fixed interest term is the same as the carrying value of the receivable.

### PROPERTY MANAGEMENT COSTS

The concept of property costs includes both direct and indirect expenses of managing a property. Direct expenses relate to service charge-related costs, maintenance costs and property tax. Service charge-related costs cover electricity, heating, cooling, water and sewage. Indirect expenses relate to costs of letting, rent administration and accounting.

### LEASING

A lease is an agreement whereby a lessor grants a lessee the right to make use of an asset in return for payment, on agreed terms and conditions for a contractually agreed period of time.

#### Atrium Ljungberg as a lessee

A lessee recognises assets and liabilities attributable to all leases, except for leases with a term of less than 12 months and/or if the underlying asset is of low value. For Atrium Ljungberg this means that a right-of-use asset and a non-current leasing liability attributable to leasehold agreements are recognised in the balance sheet.

Other leases will continue to be recognised as operating leases as the amounts have been deemed not to be significant for the Group. Benefits received in conjunction with the signing of these leases are recognised on a straight-line basis over the term of the lease. Higher leasing fees are distributed over the term of the lease.

Read more about leasehold agreements and leases in note IK.4.

#### Atrium Ljungberg as a lessor

Atrium Ljungberg is the lessor in conjunction with the granting of premises to tenants. Read more about rental income from operating leases in the Rental income section above.

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## IK.1 INCOME AND LEASE CONTRACTS

As of 1 January 2020 the contracted annual rent, including turnover-based rent, amounted to SEK 2,585 million (SEK 2,483 m) in the Group, of which SEK 74 million (SEK 247 m) in the parent company.

Maturity structure for lease contracts	The Group		Parent company	
	Contracted rent, SEK m	Percentage, %	Contracted rent, SEK m	Percentage, %
2020	418	16	23	31
2021	493	19	8	11
2022	500	19	6	8
2023	446	17	15	20
2024	251	10	7	10
2025 and thereafter	365	14	1	1
Apartments	57	2	2	2
Garage/parking	56	2	12	17
<b>Total</b>	<b>2,585</b>	<b>100</b>	<b>74</b>	<b>100</b>

Letting rate 1/1/2020	Rental value, SEK m	Rental value SEK/m <sup>2</sup> <sup>1)</sup>	Letting rate, %
	Offices	1,278	2,842
Retail	951	3,443	95
Other	236	2,043	92
Residentials	46	1,976	100
Garage/parking	60	–	94
<b>Business area Property</b>	<b>2,572</b>	<b>2,972</b>	<b>94</b>
Project properties	210		85
<b>Total</b>	<b>2,783</b>		<b>93</b>

<sup>1)</sup> Excluding garage.

Letting rate 1/1/2019	Rental value, SEK m	Rental value, SEK/m <sup>2</sup> <sup>1)</sup>	Letting rate, %
	Offices	1,158	2,678
Retail	945	3,789	95
Other	226	1,933	94
Residentials	86	1,432	100
Garage/parking	54	–	93
<b>Business area Property</b>	<b>2,470</b>	<b>2,812</b>	<b>95</b>
Project properties	167		85
<b>Total</b>	<b>2,637</b>		<b>95</b>

<sup>1)</sup> Excluding garage.

Lease contracts for retail space may contain contractual terms that mandate a minimum rent with a surcharge depending on the turnover of the shop. SEK 34 million (SEK 21 m) of the company's contracted annual rent comprises the estimated turnover surcharges in addition to the minimum rent, corresponding to 1 per cent (1%).

## IK.2 CENTRAL ADMINISTRATION

## ACCOUNTING POLICIES

Central administration for property management mainly comprises the costs for depreciating machinery and equipment, costs attributable to the Board of Directors, CEO, and other senior executives, and audit costs, as well as corporate costs for the provision of information for shareholders, maintaining the stock market listing, and the preparation of the annual accounts. For depreciation of machinery and equipment associated with the central administration, see note IK.7.

## REMUNERATION TO AUDITORS

Central administration also includes remuneration to auditors, see the table below.

Fees and expenses paid to auditors	The Group		Parent company	
	2019	2018	2019	2018
Ernst & Young AB				
– Audit assignment	–	2	–	1
– Other additional audit-related work	–	0	–	0
– Tax advice	–	0	–	0
<b>Total</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>1</b>
PWC				
– Audit assignment	2	–	1	–
– Other additional audit-related work	1	–	0	–
– Tax advice	0	–	0	–
<b>Total</b>	<b>3</b>	<b>–</b>	<b>2</b>	<b>–</b>

Audit assignment refers to the auditor's fee for the statutory audit, i.e. such work that is necessary to issue the audit report. Other additional audit-related work refers in principle to what is termed quality assurance services, as well as advice and other assistance resulting from observations during the examination or execution of such other tasks.

## CENTRAL ADMINISTRATION FOR PROJECT AND CONSTRUCTION ACTIVITIES

Central administration for project and construction activities includes indirect costs for support functions that have been allocated to developing development properties and costs attributable to the CEO and support functions within TL Bygg's operations.

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## IK.3 SEGMENT REPORTING

## ACCOUNTING POLICIES

The identification of reportable segments is based on the internal reporting to the most senior executive decision maker, which is deemed to be the parent company's CEO. The Group is managed on the basis of the earnings measurement of gross profit divided by the identified and reportable operating segments shown below. Profit and loss items that are not divided by segment are financial items and taxes. Sales between segments have been eliminated in the Group's sales. Accounting policies applied for the segment reporting

concur with the consolidated accounting policies and presentation formats for the income statement.

100 per cent of the Group's income was generated in the country where the parent company has its registered office, namely Sweden. No single customer accounts for more than 10 per cent of the Group's total revenue.

All non-current assets are in the country where the parent company has its registered office, i.e. in Sweden.

Amounts in SEK m	Properties		Project development <sup>1)</sup>		TL Bygg		Project and construction activities		Non-allocated items and eliminations		The Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Rental income	2,595	2,424							-17	-12	2,577	2,412
Sales, project and construction work			17	9	553	593	570	602	-337	-385	233	217
<b>Net sales</b>	<b>2,595</b>	<b>2,424</b>	<b>17</b>	<b>9</b>	<b>553</b>	<b>593</b>	<b>570</b>	<b>602</b>	<b>-354</b>	<b>-397</b>	<b>2,811</b>	<b>2,629</b>
Property management costs	-821	-770							11	7	-810	-764
Project and construction activities costs			-47	-52	-526	-561	-574	-613	298	367	-276	-246
<b>Gross profit</b>	<b>1,773</b>	<b>1,654</b>	<b>-30</b>	<b>-43</b>	<b>27</b>	<b>32</b>	<b>-3</b>	<b>-11</b>	<b>-46</b>	<b>-23</b>	<b>1,724</b>	<b>1,619</b>
Central administration	-80	-73	-6	-11	-12	-24	-17	-35	2	5	-96	-103
Financial income and expenses									-395	-302	-395	-302
<b>Profit/loss before changes in value</b>	<b>1,693</b>	<b>1,581</b>	<b>-36</b>	<b>-54</b>	<b>15</b>	<b>8</b>	<b>-21</b>	<b>-47</b>	<b>-439</b>	<b>-320</b>	<b>1,234</b>	<b>1,214</b>
Changes in value <sup>2)3)</sup>	2,355	2,637							-139	-69	2,216	2,568
Tax									-643	-329	-643	-329
<b>Profit/loss for the period</b>	<b>4,048</b>	<b>4,217</b>	<b>-36</b>	<b>-54</b>	<b>15</b>	<b>8</b>	<b>-21</b>	<b>-47</b>	<b>-1,221</b>	<b>-718</b>	<b>2,807</b>	<b>3,453</b>
Investments and acquisitions	2,951	3,464	106	21	0		106	21	22		3,079	3,485

<sup>1)</sup> The profit within project development mainly refers to costs of investigations at early project stages and ongoing development projects.

<sup>2)</sup> Properties unrealised SEK 2,283 million (SEK 2,516 m). Properties realised SEK 73 million (SEK 121 m).

<sup>3)</sup> Unrealised changes in value, derivatives SEK -90 million (SEK -70 m). Realised changes in value, derivatives SEK -50 million (SEK 1 m).

Revenue type per segment	Properties		Project development		TL Bygg		Project and construction activities		Non-allocated items and eliminations		The Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Rental income	2,595	2,424							-17	-12	2,577	2,412
<b>Sales, project and construction work</b>												
of which Turnkey contracts, fixed price					91	227	91	227	-3	-114	87	113
of which Turnkey contracts, open account					248	72	248	72	-240	-44	8	28
of which Performance contracts, fixed price					21	282	21	282		-223	21	59
of which Performance contracts, open account					193	12	193	12	-77	-7	116	5
of which Other			17	12			17	12	-17		-	12
<b>Total Project and construction sales</b>			<b>17</b>	<b>12</b>	<b>553</b>	<b>593</b>	<b>570</b>	<b>605</b>	<b>-337</b>	<b>-388</b>	<b>233</b>	<b>217</b>
<b>Total Net sales</b>	<b>2,595</b>	<b>2,424</b>	<b>17</b>	<b>12</b>	<b>553</b>	<b>593</b>	<b>570</b>	<b>605</b>	<b>-354</b>	<b>-400</b>	<b>2,811</b>	<b>2,629</b>

**IK.4 LEASEHOLD AGREEMENTS AND OTHER LEASES – ATRIUM LJUNGBERG AS A LESSEE****GROUP ACCOUNTING POLICIES 2019**

The Group's leases comprise almost entirely leasehold agreements. Other leases comprise vehicles, office machinery, etc. For other leases the Group applies the practical option; recognising payments attributable to short-term leases (12 months or less) and leases where the underlying asset has a low value as an expense on a straight-line basis over the lease term in the income statement, with no right-of-use asset or leasing liability therefore being recognised in the balance sheet. Atrium Ljungberg does not apply IFRS 16 for leases for intangible assets.

A right-of-use asset and a leasing liability attributable to leaseholds are recognised in the balance sheet. Leaseholds are considered to be perpetual leases and are recognised at their fair value. This means that the right-of-use asset will not be depreciated and the value will remain until the time when the respective leasehold fee is renegotiated. Although right-of-use assets are by definition part of the value of the management properties, the Group has chosen to recognise them on a separate row in the balance sheet under the item "Right-of-use asset, leaseholds". A non-current liability is recognised that corresponds to the value of the right-of-use asset. The leasing liability is not amortised, with the value remaining unchanged until the renegotiation of the relevant leasehold fee. Leases are recognised as a right-of-use asset or liability on the day that the leased asset is available for use by the Group, which is normally on the date of possession of the property.

In the income statement the cost of leasehold fees is recognised in their entirety as a financial expense as they are considered to be interest in accordance with IFRS 16.

**PARENT COMPANY ACCOUNTING POLICIES 2019**

Instead of applying IFRS 16, the parent company applies RFR 2 (IFRS 16 Leases, p. 2–12). As the parent company is the lessee, it means that lease payments are expensed on a straight-line basis over the term of the lease. The costs of leases attributable to leaseholds and the cost for other leases are recognised in operating profit. The right-of-use asset and the leasing liability are therefore not recognised in the balance sheet. For disclosures about the parent company as a lessor, see the section on revenue recognition on page 121.

**GROUP ACCOUNTING POLICIES 2018**

Leases are classified as either finance or operating leases, depending on whether the financial risks and rewards incidental to ownership are transferred substantially to the lessee. All leases have been classified as operating leases. Payments made during the term of the lease are expensed in the statement of comprehensive income on a straight-line basis over the term of the lease.

**PARENT COMPANY ACCOUNTING POLICIES 2018**

For the parent company all leases are classified as operating leases and payments made during the term of the lease are expensed on a straight-line basis over the term of the lease.

**LEASES 2019 GROUP****Leaseholds 2019**

Right-of-use assets, leaseholds are by definition part of the value of the management properties. As well as the leasehold agreements, there are smaller leases for vehicles, office machinery, etc. The Group has defined these leases as ones where the underlying asset has a low value and the practical option in IFRS 16 has been applied. This means that the lease payment is recognised as an expense on a straight-line basis over the term of the lease in the income statement and no right-of-use asset or leasing liability is therefore recognised in the balance sheet. There are no leases less than 12 months in the Group. For information about management properties, see note T.1. The following table shows the change in the right-of-use asset attributable to leaseholds.

<b>Right-of-use asset, leaseholds</b>	<b>2019</b>
Start of the period (implementation of IFRS 16)	1,113
Acquisitions	209
Sales	-70
Change in leasehold fees	53
<b>Fair value leaseholds at the end of the period</b>	<b>1,305</b>

Interest expenses for lease liabilities amounted to SEK 34 million in 2019.

As of 31 December 2019 contractual undiscounted cash flows attributable to leasing liabilities comprise an annual leasehold fee of SEK 37 million that is paid annual in perpetuity. The annual leasehold fee that has to be paid will be affected in the future by changes to the leasehold fee.

The total cash outflows attributable to leases for leaseholds amounted to SEK 36 million in 2019.

The Group is not linked to any leases that have not yet started and that would involve future cash flows.

**Other leases 2019**

Other leases comprise leases where the underlying asset is of a low value. The cost for leasing assets of a low value amounted to SEK 6 million in 2019.

The total cash flow attributable to other leases amounted to SEK 6 million in 2019.

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**IK.4 LEASEHOLD AGREEMENTS AND OTHER LEASES – ATRIUM LJUNGBERG AS A LESSEE, cont.****LEASES 2018 GROUP****Leaseholds 2018**

Costs for leasehold fees amounted to SEK 27 million in 2018.

<b>Maturity structure lease payments as of 31/12/2018</b>	The Group	
	Rent, SEK m	Percentage, %
2019	27	2
2020	27	2
2021	27	2
2022	27	2
2023 and thereafter	1,005	92
<b>Total</b>	<b>1,113</b>	<b>100</b>

**Other leases 2018**

Agreed leases refer primarily to vehicles and copying machines and have a maturity date of less than 3 years. The leasing costs in this category amounted to SEK 13 million in 2018, while remaining costs during the term amounted to SEK 21 million as of 31 December 2018.

**EFFECT OF TRANSITION TO IFRS LEASES**

The effect of the transition to IFRS 16 is described in section A.3. There is a reconciliation below of the obligation for operating leases described in the 2018 annual accounts and the leasing liability recognised on 1 January 2019.

**Reconciliation operational leasing commitments**

<b>Operational leasing commitments on 31 December 2018</b>	<b>1,134</b>
Short-term lease agreements which are carried as an expense	-
Leases for low-value assets which are carried as an expense	-21
Variable leasing fees attributable to indexes or tariffs	-
<b>Leasing liability on 1 January 2019</b>	<b>1,113</b>

**LEASES PARENT COMPANY 2018 AND 2019**

The parent company has leases in the form of leaseholds and leases primarily for vehicles and office machinery.

**Leaseholds**

The cost for leasehold fees for the year amounted to SEK 6 million (SEK 7 m).

<b>Maturity structure lease payments as of 31/12/2019</b>	Parent company	
	Rent, SEK m	Percentage, %
2020	4	3
2021	4	3
2022	4	3
2023	4	3
2024 and thereafter	118	87
<b>Total</b>	<b>135</b>	<b>100</b>

<b>Maturity structure lease payments as of 31/12/2018</b>	Parent company	
	Rent, SEK m	Percentage, %
2019	7	3
2020	7	3
2021	7	3
2022	7	3
2023 and thereafter	177	88
<b>Total</b>	<b>205</b>	<b>100</b>

**Other leases**

Agreed leases refer primarily to vehicles and office machinery and have a maturity date of less than 5 years. The year's leasing costs in this category amounted to SEK 18 million (SEK 17 m), while remaining costs during the term amounted to SEK 61 million (SEK 56 m).

**IK.5 PERSONNEL EXPENSES****ACCOUNTING POLICIES**

Remuneration to employees in the form of salaries, paid leave, paid absence due to sickness, etc., and pensions, are recognised as they are earned. Pensions and other remuneration after employment ceases are classified as defined contribution or defined benefit pension plans. The company pays defined fees to a separate, independent legal entity for defined contribution pension plans and has no obligation to pay any additional fees. Costs are charged to the Group's profit/loss as the benefits are earned. The Group has only one defined benefit pension plan, the Alecta plan. According to a statement issued by the Swedish Financial Reporting Board, UFR 10, this is a defined benefit plan that comprises several employers. A pension plan in accordance with ITP (supplementary pensions for salaried employees) that is secured through an insurance policy with Alecta will, for those financial years for which the company has not had access to information that enables this plan to be recognised as a defined benefit plan, be recognised as a defined contribution plan.

SEK k	The Group		Parent company	
	2019	2018	2019	2018
<b>CEO, Board of Directors and senior executives</b>				
Salaries	20,272	19,442	20,272	19,442
Payroll overhead	7,593	7,272	7,593	7,272
Pension costs (defined-contribution plans)	5,044	4,797	5,044	4,797
<b>Other</b>				
Salaries	176,748	155,825	115,906	102,165
Payroll overhead	57,049	54,389	36,418	35,575
Pension costs (defined-contribution plans)	27,552	24,460	20,799	18,971
<b>Total</b>	<b>294,257</b>	<b>266,185</b>	<b>206,032</b>	<b>188,222</b>

**PENSIONS**

The year's pension insurance fees in accordance with ITP for the policy with Alecta amounted to SEK 9 million (SEK 8 m). Alecta's surplus may be allocated to the policyholders and/or those insured. At the end of 2019, Alecta's surplus in the form of the collective consolidation level amounted to 148 per cent (142%).

The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance undertakings calculated in accordance with Alecta's actuarial calculation assumptions, which do not correspond to IAS 19.

The CEO may retire from the age of 62. The premium is a defined contribution one, and the company consequently has no additional undertaking once the annual premium has been paid. The pensionable age for senior executives other than the CEO is 65. All pensions are, with the exception of the defined benefit ITP plan in accordance with collective agreements, defined benefit pension plans.

**SHARE-RELATED REMUNERATION**

At the 2018 Annual General Meeting the shareholders decided to adopt a long-term incentive programme. This programme comprises a stock option programme where all people who were employed by Atrium Ljungberg at that time were invited to participate. This programme aims to increase the share of ownership among employees, which will therefore increase their long-term engagement in the company and its development. Atrium Ljungberg receives services from the employees as remuneration for the Group's equity instruments (stock options). These options have been issued at a rate below market value at the time of subscription, where the price depends partly on whether the employee remains in their employment over a specific period of time or not.

Options were subscribed by 95 employees and at the end of the period Atrium Ljungberg had issued a total of 94,500 call options, which entitles Atrium Ljungberg AB's employees to acquire the same number of class B shares. The maturity of these options is approximately 3.5 years and the redemption period is set at between 16 August 2021 and 31 December 2021. The strike price is SEK 150.40. If these options were fully utilised, it would represent a dilution of approximately 0.07 per cent.



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## IK.6 REMUNERATION SENIOR EXECUTIVES

## BOARD OF DIRECTORS

Remuneration to the Board of Directors is based on fees determined by the Annual General Meeting. Directors' fees are paid as salary.

## SENIOR EXECUTIVES' TERMS AND REMUNERATION

Amendments to the Swedish Companies Act Chapter 7 §§ 61–62, and Chapter 8 §§ 51–53b (1 July 2019) have resulted in extended guidelines for remuneration for the CEO, Deputy CEO and Board members. These will come into effect from the 2020 Annual General Meeting and have been taken into consideration in the proposal for the guidelines for 2020. Salaries and other terms of employment for the company management will be market-based and competitive, but will not be market leaders in terms of salary paid in relation to other comparable companies. The guidelines will apply for the senior management team which consists of the CEO and five other senior executives. The CEO's remuneration will be proposed by the Chairman and determined by the Board of Directors. Other remuneration payable to members of the senior management team will be proposed by the CEO and approved by the Chairman. Remuneration payable to the senior company management team, including the CEO, comprises a fixed salary. No variable salary or performance-

related remuneration will be payable. A loan subsidy programme was adopted at the 2018 Annual General Meeting. The loan programme refers to interest compensation for loans raised in order to acquire shares in Atrium Ljungberg. A maximum loan for which interest subsidies can be provided amounts to SEK 4.5 million for the CEO and SEK 1.5 million for other senior executives. The CEO's retirement age is 62, while that of the other members of the company management is 65. Pension plans are defined contribution plans, and the company therefore has no additional obligations after payment of the annual premiums.

The CEO will, if notice of termination is given by the company, be entitled to a 12-month notice period and severance pay corresponding to 12 months' salary. No other severance pay is payable. Other members of the senior management have notice periods of up to 6 months. The terms and conditions applied by the company for other Group employees, either in accordance with collective agreements or in accordance with unilateral undertakings by the company to the employees, will otherwise apply, where applicable, to the company management. Departure from the above-mentioned guidelines by the Board of Directors is permitted if there are specific grounds for doing so in a particular instance.

The company management team is presented on page 102.

## Remuneration to CEO, Board of Directors and senior executives

SEK k	Director's fees/basic salary		Other remuneration		Other benefits		Pension costs		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Chairman of the Board</b>										
Johan Ljungberg	440	440	–	–	–	–	–	–	440	440
<b>Other board members</b>										
Conny Fogelström	220	–	–	–	–	–	–	–	220	–
Anna Hallberg	110	220	–	–	–	–	–	–	110	220
Sara Laurell	220	220	–	–	–	–	–	–	220	220
Simon de Château	220	220	–	–	–	–	–	–	220	220
Erik Langby	220	220	–	–	–	–	–	–	220	220
Sune Dahlqvist	–	220	–	–	–	–	–	–	–	220
	<b>1,430</b>	<b>1,540</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,430</b>	<b>1,540</b>
CEO Annica Ånäs	6,139	5,847	–	–	185	39	2,039	1,914	8,363	7,800
Other senior executives	12,045	11,701	76	96	397	219	3,005	2,883	15,523	14,899
<b>Total</b>	<b>18,184</b>	<b>17,548</b>	<b>76</b>	<b>96</b>	<b>582</b>	<b>258</b>	<b>5,044</b>	<b>4,797</b>	<b>23,886</b>	<b>22,699</b>

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## IK.7 DEPRECIATION AND WRITE-DOWNS

	The Group		Parent company	
	2019	2018	2019	2019
<b>Depreciation in management and production</b>				
Investment properties	–	–	15	17
Machinery and equipment	8	7	0	0
	<b>8</b>	<b>7</b>	<b>15</b>	<b>17</b>
<b>Depreciation in central administration</b>				
Machinery and equipment	6	5	5	4
<b>Total</b>	<b>13</b>	<b>11</b>	<b>20</b>	<b>21</b>

## IK.8 PROJECT AND CONSTRUCTION ACTIVITIES

	The Group		Parent company	
	2019	2018	2019	2018
Gross profit/loss, TL Bygg AB	4	13	–	–
Development project costs that cannot be capitalised	–47	–42	–38	–30
<b>Total</b>	<b>–43</b>	<b>–29</b>	<b>–38</b>	<b>–30</b>

## ONGOING CONSTRUCTION AGREEMENTS

On the closing day assignment expenses including reported profit in respect of ongoing engagements in accordance with construction agreements amounted to SEK 213 million (SEK 186 m). Sums received from the client for ongoing engagements amounted to SEK 5 million (SEK 5 m).

## IK.9 UNREALISED CHANGES IN VALUE

	2019	2018
<b>Unrealised changes in value, properties</b>		
Change in yield requirements	1,271	487
Change in operating net, etc.	935	2,029
Development rights	76	–
<b>Total</b>	<b>2,283</b>	<b>2,516</b>

For more information, see note T.1.

## S TAX

## S.1 CURRENT TAX

## ACCOUNTING POLICIES

Current tax is calculated on the basis of the taxable profit/loss for the period and is recognised as an expense or income in the income statement. The taxable profit/loss differs from the recognised profit/loss in the income statement in that it has been adjusted for non-taxable income and non-deductible expenses and for income and expenses that are taxable or deductible in other periods. The Group's current tax liability is calculated using the tax rates confirmed or announced as of the closing day.

Property tax and advertising tax are recognised as property costs and social security payments as property costs and central administration. The obligation to pay property tax is based on the existing property portfolio at the start of the year. Due to this, the entire property tax is entered as a liability on 1 January every year to later be distributed on a straight-line basis over the year. The share which is not carried as an expense is recognised as a prepaid cost.

Deferred tax is recognised as the difference between the carrying and fiscal values of assets and liabilities. Changes in the recognised deferred tax receivable or liability are recognised as an expense or income in the income statement, except when the tax is attributable to items which are recognised in Other comprehensive income or directly to equity.

Tax calculation Group, SEK m	Current tax		Deferred tax	
	2019	2018	2019	2018
Reported profit/loss before tax	3,450	3,781	–	–
Tax deductible				
depreciation	–577	–467	577	467
investments	–250	–307	250	307
Non-taxable/non-deductible				
changes in the value of properties, unrealised	–2,283	–2,516	2,283	2,516
changes in the value of properties, realised	–73	–121	73	121
changes in the value of financial instruments, unrealised	90	70	–90	–70
changes in the value of financial instruments, realised	50	–191	–50	191
consolidated capitalisation of borrowing	–13	–16	13	16
consolidated internal profit	23	18	–23	–18
Other fiscal adjustments	–114	–62	392	135
<b>Taxable profit/loss before loss carry-forwards</b>	<b>303</b>	<b>190</b>	<b>3,424</b>	<b>3,665</b>
Change in loss carry-forwards	–9	–29	2	18
<b>Taxable profit/loss</b>	<b>295</b>	<b>161</b>	<b>3,426</b>	<b>3,682</b>
<b>Of which 21.4 per cent current tax/20.6% deferred tax</b>	<b>–63</b>	<b>–35</b>	<b>–706</b>	<b>–759</b>
Reversal of deferred tax for properties sold	–	–	126	147
Effect of change in tax rate	–	–	–	318
<b>Reported tax expense</b>	<b>–63</b>	<b>–35</b>	<b>–580</b>	<b>–294</b>

## S.1 CURRENT TAX, cont.

Tax calculation	Current tax		Deferred tax	
	2019	2018	2019	2018
<b>Parent company, SEK m</b>				
Reported profit/loss before tax	870	634	-	-
Change in difference between book and fiscal values of properties	-15	-44	15	44
Earnings from shares in Group companies	-1,232	-500	-	-
Other fiscal adjustments	400	72	-451	-
<b>Taxable profit/loss</b>	<b>23</b>	<b>162</b>	<b>-436</b>	<b>44</b>
Of which 22 per cent current tax/20.6% deferred tax	-5	-35	91	-9
<b>Adjustment of tax in relation to previous years</b>	<b>-1</b>	<b>-</b>	<b>-</b>	<b>21</b>
<b>Reported tax expense</b>	<b>-6</b>	<b>-35</b>	<b>91</b>	<b>12</b>

The income tax for limited companies in Sweden was 22 per cent until 2018. The government has decided to lower the tax rate in two steps, first to 21.4 per cent in 2019 and then to 20.6 per cent in 2021. Atrium Ljungberg has chosen to calculate the deferred tax liability on the lower tax rate since tax liabilities are not expected to be realised in any significant extent in 2019 and 2020. In the income statement tax is divided between current tax and deferred tax. Current tax is the tax which is calculated on the basis of the taxable profit for a period in each individual Group company, after profit equalisation through Group contributions. The sum of the Group companies' taxable profit is often lower than the Group's accounting profit, mainly depending on tax depreciation, difference in the handling of investments in repair, maintenance and reconstruction, unrealised changes in value, the opportunity to sell properties through companies tax-free, difference in handling of borrowing costs in construction projects and utilisation of previous years' deficit.

## DEPRECIATION

As Atrium Ljungberg has chosen to recognise investment properties at fair value, no depreciation for them is recognised in the consolidated accounts. However, the tax rules permit depreciation by 2–5 per cent of buildings, 5 per cent of land improvements and 20–30 per cent of the areas and fixtures of a building or of the type of land improvements which comprise the building's furniture and fixtures and land inventory. Land is not subject to depreciation.

## INVESTMENTS

Expenses in connection with renovation and maintenance work that has entailed an economic benefit and which can be calculated reliably, are capitalised in the accounting. However, the tax rules permit direct deduction for repair and maintenance and certain types of amendment work which technically entails reconstruction but which is normal in the business and which does not comprise the building's furniture and fixtures. Examples of such amendment work within Atrium Ljungberg are the tenant-specific adaptations which take place continuously along with renegotiation of lease contracts or during change of tenants.

## UNREALISED CHANGES IN VALUE

In the consolidated accounts Atrium Ljungberg values investment properties and derivative instruments (interest swap agreements and currency swap agreements) at fair value. Changes in the market value are recognised in the consolidated income statement. Accounting rules do not permit properties to be recognised at fair value in the individual Group companies. Agreements attributable to derivative instruments that Atrium Ljungberg has entered into are recognised at fair value as of 1 January 2019. This is also the case for the parent company, as RFR 2 states that negative values of derivatives have to be recognised in legal entities. Accordingly, no unrealised changes in value are recognised for investment properties in the individual companies, although there are unrealised changes in value for derivative instruments.

## SALE OF PROPERTIES

Properties may be sold directly or indirectly by the property holding subsidiary being sold. Profits from the sale of properties are taxable, while profits from the sale of companies in most cases are non-taxable.

## BORROWING COSTS

In the consolidated accounts Atrium Ljungberg capitalises loan charges during major reconstruction and extensions to the extent they arose during the construction period. However, the accounting rules allow them to be recognised as a cost in the individual Group companies, whereby the cost is also directly tax deductible.

## DEFICIT FROM PREVIOUS YEARS

The current tax is calculated on the basis of the taxable profit for the taxation year. This profit may, sometimes with certain limitations, be reduced by unutilised tax deficits which have emerged during previous tax years.

The deficit which exists within Atrium Ljungberg has primarily emerged through examination of previous years' income tax assessments or by there being unutilised tax deficit from previous years in property companies which have been acquired by Atrium Ljungberg.

	The Group		Parent company	
	2019	2018	2019	2018
<b>Reconciliation of tax expenses</b>				
Profit before tax	3,450	3,781	870	634
<b>Nominal tax rate, 21.4%/22.0%<sup>1)</sup></b>	<b>-738</b>	<b>-832</b>	<b>-186</b>	<b>-139</b>
Fiscal effect of				
other non-deductible expenses/non-taxable income	107	52	8	110
other fiscal adjustments	-12	451	264	6
<b>Reported tax expense/income</b>	<b>-643</b>	<b>-329</b>	<b>85</b>	<b>-23</b>
of which current tax	-63	-35	-6	-35
of which deferred tax	-580	-294	91	12

## S.2 DEFERRED TAX RECEIVABLE

## ACCOUNTING POLICIES

The carrying amount of deferred tax receivables is reviewed in conjunction with the preparation of every set of financial statements and reduced to the extent that it is no longer likely that sufficient taxable surpluses will be available for offsetting, either wholly or in part, against the deferred tax receivable.

Deferred tax is calculated using the tax rates expected to apply for the period during which the asset is recovered or the debt settled, based on the tax rates (and tax legislation) confirmed or announced as of the closing day. Deferred tax receivables and tax liabilities are offset when they are attributable to income tax levied by the same authority and when the Group intends to settle the tax demand using a net amount. The tax deficit can be rolled forward and does not have a due date.

Deferred tax receivable	The Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
<b>Opening balance</b>	<b>2</b>	<b>6</b>	<b>-</b>	<b>-</b>
Deferred tax attributable to derivatives	-	-	68	-
Additional loss carry-forwards	0	2	-	-
Loss carry-forwards utilised	-2	-6	-	-
<b>Closing balance</b>	<b>0</b>	<b>2</b>	<b>68</b>	<b>-</b>

The Group's accumulated tax deficit was estimated at SEK 2 million (SEK 10 m) at the turn of the year 2019. The deferred tax receivable has been calculated for a deficit of SEK 2 million (SEK 10 m).

## S.3 DEFERRED TAX LIABILITY

## ACCOUNTING POLICIES

Deferred tax is recognised based on the difference between the recognised value of assets and liabilities in the financial statements and the fiscal value used when calculating taxable earnings. Deferred tax is recognised using the balance sheet method. Deferred tax liabilities are recognised, in principle, for all taxable temporary differences, and deferred tax receivables are recognised, in principle, for all deductible temporary differences to the extent that it is likely that the amounts can be used to offset future taxable surpluses.

Deferred tax liabilities and tax receivables are not recognised if the temporary difference is attributable to goodwill or if they arise as a result of a transaction that constitutes the first reporting of an asset or liability (which is not a corporate acquisition) and which, at the time of the transaction, affects neither the reported nor the taxable profit/loss. No deferred tax has been calculated on asset acquisitions in accordance with applicable accounting recommendations.

Deferred tax liability	The Group					Parent company	
	Investment properties	Development properties	Untaxed reserves	Interest derivatives	Total	Directly via the income statement.	Investment properties
<b>Opening balance, as of 01/01/2018</b>	<b>4,440</b>	<b>19</b>	<b>174</b>	<b>-102</b>	<b>4,531</b>		<b>98</b>
Effect of change in tax rate	-311		-12	6	-318		-
Change recognised via the income statement	299	55	12	15	381		-12
Changes recognised directly via the income statement	-	-	-	-	-	231	-
Change recognised via comprehensive income	-	-	-	4	4		-
<b>Closing balance, as of 31/12/2018</b>	<b>4,428</b>	<b>73</b>	<b>174</b>	<b>-77</b>	<b>4,598</b>		<b>86</b>
<b>Opening balance, as of 01/01/2019</b>	<b>4,428</b>	<b>73</b>	<b>174</b>	<b>-77</b>	<b>4,598</b>		<b>86</b>
Effect of change in tax rate	-	-	-	-4	-4		-
Change recognised via the income statement	473	12	-	24	509		-23
Changes recognised directly in the income statement	-	-	-	-	-	69	-
Change recognised via comprehensive income	-	-	-	3	3		-
<b>Closing balance, as of 31/12/2019</b>	<b>4,901</b>	<b>85</b>	<b>174</b>	<b>-54</b>	<b>5,106</b>		<b>63</b>

## T ASSETS

### T.1 INVESTMENT PROPERTIES EXCLUDING RIGHT-OF-USE ASSETS – LEASEHOLDS

#### ACCOUNTING POLICIES

Investment properties, i.e. properties held in order to generate rental income and/or increased value gains, are recognised on an ongoing basis at fair value in the balance sheet. The measurement takes place in accordance with Level 3 in the IFRS measurement hierarchy and reflects estimated market values, which correspond to the value at which ownership of a property could be transferred between knowledgeable parties who are mutually independent and who have an interest in completing the transaction. The fair value reflects the market conditions on the closing day.

The term investment properties includes buildings and land, land improvement, building and land-related equipment as well as ongoing work. Any properties that are being built or developed for future use as investment properties are also recognised as investment properties. Atrium Lungberg has chosen to recognise the right-of-use for leaseholds separately from other investment properties; see note IK.4 for more information.

Investments in investment properties are initially recognised at cost. The acquisition value includes transaction costs, legal costs and stamp duty directly related to acquisitions and any additional real estate mortgage costs and loan costs. Borrowing costs are capitalised in conjunction with major renovation or new construction projects to the extent that

they have arisen during the construction period. Interest expenses are calculated on the basis of the Group's average interest rate on all loans.

Expenses in connection with renovation and maintenance work that has entailed an economic benefit for the Group and which can be calculated reliably, are capitalised. Other expenses in connection with repairs and ongoing maintenance are recognised as repair costs and are included in the operating surplus.

Changes in fair value for investment properties are recognised in the income statement as unrealised changes in value.

Gains or losses arising in conjunction with the sale or disposal of investment properties comprise the difference between the sale price and the carrying amount which is based on the most recently conducted measurement at fair value, and are recognised as realised changes in value in the income statement. Property sales are recognised in conjunction with the transfer of control from the vendor to the purchaser, which normally coincides with the contract date unless the specific contractual terms and conditions mandate that this occurs on some other date.

#### Investment properties (excluding Right-of-use assets, leaseholds)

Property type	Letting area, '000 m <sup>2</sup>		Fair value, SEK m		Fair value, SEK/m <sup>2</sup> <sup>1)</sup>		Rental income, SEK m		Property costs, SEK m		Operating surplus, SEK m		Operating surplus margin, %	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	2019	2018	2019	2018	2019	2018	2019	2018
Office properties	650	654	24,264	22,517	47,495	43,893	1,363	1,176	-363	-336	1,000	840	72	71
Retail properties	390	321	16,260	14,297	50,559	51,672	957	906	-358	-318	599	588	62	65
Residential properties	40	81	1,031	1,768	31,407	25,502	62	35	-23	-13	39	22	63	63
<b>Business area Property</b>	<b>1,080</b>	<b>1,055</b>	<b>41,555</b>	<b>38,582</b>	<b>48,024</b>	<b>44,914</b>	<b>2,382</b>	<b>2,117</b>	<b>-744</b>	<b>-667</b>	<b>1,638</b>	<b>1,450</b>	<b>67</b>	<b>69</b>
Project properties	88	68	5,534	3,851	E/T <sup>2)</sup>	E/T <sup>2)</sup>	150	111	-49	-43	101	68	68	61
Land and development rights	-	-	423	877	-	-	-	-	-	-	-	-	-	-
<b>Total Investment properties</b>	<b>1,168</b>	<b>1,123</b>	<b>47,513</b>	<b>43,310</b>			<b>2,532</b>	<b>2,228</b>	<b>-793</b>	<b>-710</b>	<b>1,739</b>	<b>1,518</b>	<b>67</b>	<b>68</b>
Properties sold	-	-	-	-	-	-	39	177	-14	-52	25	125	64	71
<b>Total Group<sup>3)</sup></b>	<b>1,168</b>	<b>1,123</b>	<b>47,513</b>	<b>43,310</b>			<b>2,571</b>	<b>2,405</b>	<b>-807</b>	<b>-762</b>	<b>1,764</b>	<b>1,643</b>	<b>67</b>	<b>68</b>

<sup>1)</sup> m<sup>2</sup> excluding garage.

<sup>2)</sup> Letting area for new builds is not recognised until the project is completed and the figures therefore do not accurately represent the actual situation.

<sup>3)</sup> Excluding Right-of-use assets, leaseholds.

## NOTES

A IK S T OS F E K MB H

**T.1 INVESTMENT PROPERTIES EXCLUDING RIGHT-OF-USE ASSETS – LEASEHOLDS, cont.****CHANGES DURING THE YEAR**

The fair value of investment properties excluding Right-of-use assets, leaseholds amounted to SEK 47,513 million (SEK 43,310 m) as of 31 December 2019. Investments in Atrium Ljungberg's held properties during the year amounted to SEK 1,704 million (SEK 1,737 m). The unrealised change in value amounted to SEK 2,283 million (SEK 2,516 m) during the year. This change in value is mainly explained by lower yield requirements in some subsidiary markets and higher operating net. The average dividend yield requirement in the valuation was 4.5 per cent (4.6%). In the third quarter some buildings were reclassified from office properties to retail properties, with a fair value of approximately SEK 500 million.

During the year 14 properties were taken into possession and two properties were sold; see more under Property portfolio in figures on page 43.

Change in investment properties SEK m	The Group	
	2019	2018
Fair value at the start of the period	43,310	39,991
Acquisitions (after deduction of deferred tax)	1,174	1,727
Sales	-1,031	-2,662
Investments in held properties	1,704	1,738
Other	73	-
Unrealised changes in value	2,283	2,516
<b>Fair value at the end of the period</b>	<b>47,513</b>	<b>43,310</b>
<b>Unrealised changes in value, properties</b>	<b>2019</b>	<b>2018</b>
Change in yield requirements	1,271	487
Change in operating net, etc.	936	2,029
Development rights	76	-
<b>Total</b>	<b>2,283</b>	<b>2,516</b>

**INVESTMENTS IN INVESTMENT PROPERTIES OVER THE YEAR**

In 2019 Atrium Ljungberg invested a total of SEK 2,878 million (SEK 3,464 m) in investment properties, of which SEK 1,174 million (SEK 1,727 m) was for acquisitions and SEK 1,704 million (SEK 1,737 m) was for investments in held properties, which included SEK 1,085 million (SEK 1,216 m) in project properties.

**SUBSTANTIVE OBLIGATIONS**

Atrium Ljungberg is obliged to complete projects that it has started with a remaining investment volume of SEK 3,060 million (SEK 3,770 m) in addition to what is recognised in the balance sheet, including investments in development properties of SEK 180 million.

**RIGHT-OF-USE ASSETS, LEASEHOLDS**

The value of Right-of-use assets, leaseholds, amounted to SEK 1,305 million (-). Although right-of-use assets by definition form part of the value of investment properties, the Group

has chosen to recognise them on a separate row in the balance sheet under the item Right-of-use, leaseholds. More information is available in note IK.4.

**VALUATION****Valuation policy**

During the year that Board adopted a valuation policy that sets out the guidelines for the company's valuation process.

**Valuation process**

Investment properties are valued every quarter. As part of ensuring that the valuation is fair, independent external valuation consultants are used; this year Forum Fastighetsekonomi, Newsec and Savills. Properties corresponding to 44 per cent of the market value have been valued externally during the year. The remaining properties were subject to an internal valuation with market rents, operating costs, vacancies and yield requirements quality-assured by Forum Fastighetsekonomi.

The fee for the valuation is not dependent on the properties' market value. The variable part is instead based on the properties' area, number of lease contracts and usage.

**Data for property valuation**

The property valuation is based on observable and unobservable input data. Observable data which has greatest impact on the value is primarily current rent, actual operation and maintenance costs, planned investments and current vacancy rates.

Yield requirement and expectations of rental level and vacancies include the input data which can be seen as unobservable. Yield requirement is derived from actual transactions. The number of comparison items which are sold can sometimes be few, which makes it more difficult to derive changes in yield requirements during certain periods.

**Valuation method**

The valuations were carried out in accordance with the International Valuation Standards (IVS).

Each property has been valued individually without taking any portfolio effect into consideration. The valuations are based on a cash flow calculation with individually estimated yield requirements for each property and activity. The yield requirement is used to determine the value through a present value calculation during the so-called calculation period and through a present value calculation of the residual value at the end of the calculation period. The calculation period is normally between 5 and 10 years but may, in certain cases, be longer due to the contractual situation.

The long-term earning capacity of each property is assessed during the valuation. Income during the calculation period comprises agreed rental levels until such time as these lease contracts come to an end or are due for renegotiation. Rental income for the subsequent period is calculated at the market rent currently applicable. Operating and maintenance costs have been assessed based on the company's actual costs and are adjusted in line with the property's age and condition.

## NOTES

A IK S T OS F E K MB H

**T.1 INVESTMENT PROPERTIES EXCLUDING RIGHT-OF-USE ASSETS – LEASEHOLDS, cont.**

Analyses and an assessment of the underlying factors that impact the value form the basis of the valuation, for example:

- existing rent levels and market rents for respective premises
- existing tenants and contract structure
- current and future vacancies
- operating and maintenance costs in the short and long-term, based on the property's and company's actual costs
- the technical and commercial condition of the properties
- planned reconstructions, extensions and new builds and other investment requirements
- yield requirements for completed and uncompleted transactions in comparable properties markets

Project properties are valued on the basis of completed projects, less remaining investments. A risk premium is added to the yield requirement on the basis of the current phase of the project.

Development rights are valued based on an assessed market value per m<sup>2</sup> of GFA using the location price method. This valuation only includes established development rights in accordance with detailed development plans that have gained final approval or where the detailed development plan is assessed to enter into force within the near future.

**Yield requirement per premises type in the valuation**

Premises type, %	Interval	31/12/2019		31/12/2018
		Average		Average
Offices	3.5–6.3	4.3		4.5
Retail	3.7–6.3	4.9		4.9
Residential	2.3–3.8	3.7		3.2
Other	3.5–6.3	4.8		5.0
<b>Total</b>	<b>2.3–6.3</b>	<b>4.5</b>		<b>4.6</b>

**Yield requirement per region in the valuation**

Region, %	Interval	31/12/2019		31/12/2018
		Average		Average
Stockholm	2.3–6.2	4.5		4.5
Uppsala	3.8–5.8	5.0		5.2
Malmö	3.8–6.3	5.4		5.4
Gothenburg	4.4–5.0	4.5		4.5
<b>Total</b>	<b>2.3–6.3</b>	<b>4.5</b>		<b>4.6</b>

**Sensitivity analysis, property valuation**

Property valuation involves estimating the property's market value and is based on calculations that use established principles, along with a number of assumptions and assessments. An interval of +/- 5 per cent is often given for this value to show the uncertainty of the assumptions and calculations that have been made. This interval can be larger in a market that is less liquid. Atrium Ljungberg's property portfolio, excluding Right-of-use

assets leaseholds and development properties, is valued at SEK 47,513 million; and with an uncertainty interval of +/- 5 per cent, this means that the actual value varies by SEK +/- 2,376 million.

The table below shows how changes in different parameters impact the market value of investment properties.

Value parameter	Change in assumption	Value impact, SEK m	Value impact, %
Rental level	+/- 10%	+/- 4,540	+/- 9%
Operating cost	+/- 10%	+/- 705	+/- 2%
Yield requirement	+/- 0.25% units	-2,630/+ 2,100	-5%/+ 4%
Long-term vacancy level	+/- 2%	+/- 1,220	+/- 3%

**Sensitivity analysis, change in value**

The following sensitivity analysis shows how a change in the market value of investment properties impacts earnings and relevant key ratios.

	Change in market value of investment properties	Impact	Impact, %
Profit/loss	+/- 10%	SEK +/-3,852 million	+/-137%
Equity	+/- 10%	SEK +/-3,852 million	+/-21%
Gearing ratio	+/- 10%	-3.8% unit/+4.6% unit	-9%/+11%
Equity/assets ratio	+/- 10%	+4.8% unit/-5.9% unit	+11%/-13%

**T.2 GOODWILL****ACCOUNTING POLICIES**

Goodwill arising in conjunction with the preparation of the consolidated accounts comprises the difference between cost and the Group's share of the fair value of an acquired subsidiary's identifiable net assets on the acquisition date. Goodwill recognised within the Group is attributable to the difference between nominal tax and calculated tax applied in conjunction with operational acquisitions. The company's goodwill is, therefore, fully linked to the deferred tax. Goodwill is recognised at cost on the acquisition date and is subsequently valued at cost after any deductions for impairment.

The remaining carrying amount of goodwill is taken into account when calculating the capital gain or loss in conjunction with the sale of a subsidiary or associated company.

On 17 October 2006, LjungbergGruppen AB acquired all of the shares in Atrium Fastigheter AB through payment in the form of newly issued shares. The closing rate on 16 October 2006 was used to calculate the cost and equity. Goodwill arose in conjunction with the acquisition that was attributable to the difference between nominal tax and the estimated tax for costing purposes applied in conjunction with the acquisition. Goodwill is thereby completely linked to deferred tax amount and therefore changes when a property with goodwill is sold.

## NOTES

A IK S T OS F E K MB H

## T.2 GOODWILL, cont.

SEK m	The Group	
	2019	2018
Opening cost	324	326
Sale of property	–	–2
<b>Closing accumulated cost</b>	<b>324</b>	<b>324</b>
Opening impairment	–99	–86
Impairment as a result of change to rate of taxation	–	–13
<b>Closing accumulated impairment</b>	<b>–99</b>	<b>–99</b>
<b>Closing balance</b>	<b>225</b>	<b>225</b>

## IMPAIRMENT TESTING

Goodwill impairment testing is carried out annually, or more frequently if there is any indication that the carrying amount may not be recoverable.

When conducting impairment testing, goodwill is allocated to the cash-generating units that are expected to benefit from the synergies arising in conjunction with the acquisition. The cash-generating units comprise the properties which were a part of the acquisition of Atrium Properties which the Group still owns at the end of the accounting period. If the recovery value of a cash-generating unit is determined to be lower than the carrying amount, the carrying amount of goodwill attributable to the cash-generating unit is reduced. Any recognised impairment of goodwill may not be reversed in a subsequent period.

In connection with the annual impairment testing of goodwill, an estimate of the recoverable amount is made. As the cash-generating units comprise the properties that were part of the acquisition of Atrium Fastigheter, the recovery value corresponds to the property's fair value.

Each property has been valued individually without taking any portfolio effect into consideration. The long-term earning capacity of each property is assessed during the valuation. Income during the calculation period comprises agreed rental levels until such time as these lease contracts come to an end or are due for renegotiation. Rental income for the subsequent period is calculated at the market rent currently applicable. Operating and maintenance costs have been assessed based on the company's actual costs and are adjusted in line with the property's age and condition.

Discount rates which were used to determine the properties' fair value correspond to the yield requirements of properties which are based on comparable properties and markets. For more information see note T.1.

## T.3 PROPERTY, PLANT AND EQUIPMENT

## ACCOUNTING POLICIES

Property, plant and equipment is recognised at cost less accumulated depreciation and impairment. Cost includes expenses directly attributable to the acquisition of the asset. Additional expenses are added to the asset's carrying amount or recognised as a separate asset only if it is likely that future economic benefits associated with the asset will be received by the Group and when the cost of the asset can be reliably calculated.

The useful life of computer equipment and of other machinery and equipment has been calculated at 3 years and 5 years, respectively. Depreciation is effected on a straight-line basis over the useful life and is recognised in the income statement as expenses under property management or in the row for central administration. The residual value of the assets and their useful life is reviewed on every closing day and adjusted when necessary.

	The Group		Parent company	
	2019	2018	2019	2018
<b>Opening cost</b>	<b>80</b>	<b>69</b>	<b>33</b>	<b>25</b>
Purchases	17	16	11	8
Sales/disposals	–19	–5	–16	–
<b>Closing accumulated cost</b>	<b>79</b>	<b>80</b>	<b>28</b>	<b>33</b>
<b>Opening depreciation</b>	<b>–48</b>	<b>–41</b>	<b>–21</b>	<b>–17</b>
Sales/disposals	18	4	15	–
Depreciation for the year	–13	–11	–5	–4
<b>Closing accumulated depreciation</b>	<b>–43</b>	<b>–48</b>	<b>–11</b>	<b>–21</b>
<b>Closing residual value according to plan</b>	<b>36</b>	<b>32</b>	<b>17</b>	<b>12</b>

Property, plant and equipment mainly comprises machinery, equipment and computer equipment.



## NOTES

A IK S T OS F E K MB H

**T.4 ACCOUNTS RECEIVABLE****ACCOUNTING POLICIES**

Accounts receivable are recognised at their transaction price upon initial recognition. Afterwards these receivables are recognised at amortised cost less any impairment.

Receivables are recognised in the balance sheet when Atrium Ljungberg has completed an obligation and where its entitlement to consideration is unconditional, but has not yet been received. If the anticipated term is short, the value is recognised without discounting.

Impairment is based on expected credit losses and recognised in the income statement under property management costs.

Atrium Ljungberg applies the simplified approach in accordance with IFRS 9, measuring the provision for credit losses at an amount corresponding to the expected credit losses over the entire remaining term, regardless of whether the credit has deteriorated or not. To calculate the expected credit losses, accounts receivable have been grouped based on the characteristics of the credit risk and the number of days' delay. The expected credit loss levels are based on the customers' payment history over a period of 36 months.

Accounts receivable are written off when there is no longer a reasonable expectation of repayment.

Credit losses are recognised as credit losses – net within operating profit. Recovery of amounts that have previously been written off are recognised on the same row in the income statement.

	The Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Accounts receivable	183	122	4	3
Provision for credit losses	-35	-18	-2	-1
<b>Total</b>	<b>148</b>	<b>104</b>	<b>2</b>	<b>2</b>

The provision for credit losses is based on the following:

31 December 2019	Not due	Due between 1 and 60 days	Due after more than 60 days	Due after more than 120 days	Total
Carrying amount accounts receivable, gross	101	4	4	74	<b>183</b>
Provision for credit losses	0	0	-2	-33	<b>-35</b>
31 December 2018					
Expected loss level, %	0.2%	0.5%	20.2%	57.1%	
Carrying amount accounts receivable, gross	41	42	10	28	<b>122</b>
Provision for credit losses	0	0	-2	-16	<b>-18</b>

The change in the provision for credit losses during the financial year is specified below:

Provision for credit losses	<b>2019</b>
<b>Opening balance</b>	<b>18</b>
Increase in provision for credit losses, change recognised in income statement	19
Accounts receivable written off during the year	-4
Reversal of unutilised amount	2
<b>Closing balance</b>	<b>35</b>

**T.5 OTHER RECEIVABLES**

	The Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
VAT receivable	40	55	5	1
Other receivables	55	38	17	7
<b>Closing balance</b>	<b>96</b>	<b>93</b>	<b>22</b>	<b>8</b>

**T.6 PREPAID COSTS AND ACCRUED INCOME**

	The Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Receivables from clients for work in progress as per construction agreement (contract asset)	10	8	-	-
Other prepaid costs	41	35	16	19
Distributed rent discounts	89	65	2	5
Accrued rent	28	18	5	-
Other accrued income	1	-	-	8
<b>Closing balance</b>	<b>168</b>	<b>126</b>	<b>23</b>	<b>32</b>

**T.7 DEVELOPMENT PROPERTIES****ACCOUNTING POLICY**

Development properties are recognised at the lower of their accumulated cost and their net realisable value. The earnings from future sales are recognised when the Group no longer controls the tenant-owner association, i.e. when the property is completed, sold and transferred to the purchaser.

Accumulated cost comprises a property's acquisition cost plus the costs expended. If a property has been reclassified from an investment property to a development property, the acquisition cost comprises the fair value of the property that was established most recently.

The Group	<b>2019</b>	2018
<b>Opening balance</b>	<b>891</b>	<b>870</b>
Investments in tenant-owned dwelling projects	106	21
<b>Closing balance</b>	<b>997</b>	<b>891</b>

**INVESTMENTS IN DEVELOPMENT PROPERTIES OVER THE YEAR**

In 2019 Atrium Ljungberg invested SEK 106 million (SEK 21 m) in development properties, i.e. our tenant-owned dwelling project.

## NOTES

A IK S T OS F E K MB H

## OS OPERATING LIABILITIES

## OS.1 OTHER NON-CURRENT LIABILITIES

	The Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Personnel-related liabilities	16	13	-	-
Deposits received from tenants	76	66	1	5
Earnouts	120	120	-	-
Guarantee reserve	3	3	-	-
Other	8	-	-	-
<b>Closing balance</b>	<b>222</b>	<b>202</b>	<b>1</b>	<b>5</b>

## EARNOUTS

Earnouts are measured continually at their fair value (Level 3 in IFRS 13) and the liability is adjusted for any changes to the fair value in the income statement. The calculation of earnouts is based on parameters in each acquisition agreement. In 2019 no earnouts attributable to acquisitions were entered as liabilities. SEK – million of the opening liability as of 1 January 2019 was settled during the year.

## OS.2 OTHER LIABILITIES

	The Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Personnel-related liabilities	11	10	11	10
Other liabilities	70	81	0	38
<b>Closing balance</b>	<b>81</b>	<b>91</b>	<b>12</b>	<b>48</b>

## OS.3 ACCRUED COSTS AND PREPAID INCOME

	The Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Holiday pay liability and payroll overhead	37	25	29	22
Liabilities to clients for work in progress as per construction agreement (contract liability)	31	6	-	-
Accrued interest expenses	25	21	23	17
Accrued property tax	36	15	8	10
Prepaid rent	529	331	15	13
Premises vacation payment	40	-	-	-
Other accrued costs and prepaid income	62	77	8	15
<b>Closing balance</b>	<b>760</b>	<b>475</b>	<b>83</b>	<b>77</b>

## OS.4 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	The Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
<b>Pledged assets</b>				
Property mortgages	10,275	9,909	667	1,187
Shares in subsidiaries	-	-	1,552	-
<b>Contingent liabilities</b>				
Guarantee undertakings for subsidiaries	-	-	4,114	1,240
Guarantee obligation	40	20	40	18
<b>Total</b>	<b>10,315</b>	<b>9,929</b>	<b>6,373</b>	<b>2,445</b>

## CONTINGENT LIABILITIES

## Liability for damages for contamination or environmental damage

According to the Swedish Environmental Code, the property owner may be liable to measures resulting from a contamination incident or a serious case of environmental damage. We conduct surveys and screening work ahead of property acquisitions and new projects in order to identify any potential environmental risks.

On the closing day Atrium Ljungberg is not aware of any such contamination or environmental damage which may materially impact the Group's financial position.

## Disputes

From time to time Atrium Ljungberg is a party in legal processes and administrative proceedings related to letting, management and the development of properties.

On the closing day Atrium Ljungberg is not a party in any ongoing process which may have a material impact on the Group's financial position.

## F FINANCING AND CAPITAL STRUCTURE

### F.1 CAPITAL STRUCTURE

The Group endeavours to ensure a good profit performance, financial sustainability and a strong financial position. The economic and financial goals are set in order to provide a combination of a high return on equity, high growth capacity, and financial stability.

The Group's financial goals from 2019 are as follows:

- The gearing ratio will be a maximum of 45 per cent.
- The minimum interest coverage ratio will be a minimum of 2.0.
- The dividend will correspond to a minimum of 50 per cent of the profit before changes in value after nominal tax, unless investments or the company's financial position in general motivates a deviation from this norm.

The term and conditions that the Group has with external lenders for providing a credit and which entail that a credit is due for payment if the terms and conditions are not fulfilled are similar in the various credit agreements. The agreements primarily prescribe a minimum interest coverage margin multiple of 1.30–1.75, a maximum gearing ratio of 65–75 per cent, and a minimum equity/assets ratio of 25–30 per cent. At the end of the year the Group had fulfilled all the terms and conditions that were in place. The terms and conditions are also subordinate to also the Group's financial goals. The Group's capital structure comprises interest-bearing net borrowing and equity attributable to the parent company's shareholders. This comprises share capital, other capital contributions and retained earnings, including profit for the year. The financing operations are described in greater detail in the note Financial instruments and risk management.

Atrium Ljungberg's borrowing is partly secured by means of real estate mortgages in the Group's properties, share pledges in subsidiaries and, in some cases, guarantee undertakings issued by the parent company with regard to the subsidiaries' borrowing.

Interest-bearing liabilities are recognised at amortised cost which is the carrying amount in the above table. The calculation of the fair value of liabilities to credit institutions is based on discounted estimated future cash flows. The discounting is effected on the basis of current market rates plus current borrowing margins. The valuation is hereby conducted with IFRS valuation hierarchy level 2. The valuation of derivatives is described in Note F.2. Commercial papers are those that are issued unsecured as part of the company's commercial paper programme with a framework of SEK 5 billion. The company has an MTN programme with a framework of SEK 10 billion. There is a total of SEK 8,123 million (SEK 7,615 m) of outstanding bonds; during the year SEK 2,729 million was issued. Also see the table on page 94.

#### Capital structure

	31/12/2019		31/12/2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>The Group</b>				
<b>Non-current liabilities</b>				
Liabilities to credit institutions	9,319	9,494	9,105	9,267
Bonds	8,123	8,243	7,615	7,692
Commercial papers <sup>1)</sup>	2,769	2,770	1,786	1,786
<b>Total loans</b>	<b>20,211</b>	<b>20,507</b>	<b>18,506</b>	<b>18,745</b>
Cash and cash equivalents	-457		-335	
<b>Net debt</b>	<b>19,754</b>		<b>18,171</b>	
Equity	22,856		20,696	
<b>Total capital</b>	<b>42,610</b>		<b>38,867</b>	

<sup>1)</sup> Commercial papers that are covered by unutilised long-term credit agreements are classified as non-current liabilities.

	31/12/2019		31/12/2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Parent company</b>				
<b>Non-current liabilities</b>				
Liabilities to credit institutions	5,095	5,113	5,082	5,100
Bonds	8,123	8,243	7,615	7,692
Commercial papers <sup>1)</sup>	2,769	2,770	1,786	1,786
<b>Total loans</b>	<b>15,988</b>	<b>16,126</b>	<b>14,483</b>	<b>14,578</b>

<sup>1)</sup> Commercial papers that are covered by unutilised long-term credit agreements are classified as non-current liabilities.

**F.2 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****ACCOUNTING POLICIES**

A financial instrument is each form of agreement which gives rise to a financial asset or financial liability. Financial assets in the balance sheet refer to loans receivable, derivatives, rents receivable, accounts receivable, other receivables and cash and cash equivalents. Financial liabilities refer to loans payable, derivatives, other current liabilities and accounts payable. Financial instruments are recognised in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. An asset is eliminated from the balance sheet when the rights contained in the agreement are realised, fall due, or when the company loses control over it. A liability is eliminated from the balance sheet when the undertaking in the agreement is fulfilled or otherwise ceases to obtain. Trading date accounting is applied for derivative instruments and settlement date accounting for on demand purchases or sales of financial assets. The company conducts impairment testing on every closing day to determine whether there are objective indications that events indicate a requirement to write down a financial asset or group of financial assets.

**Categorisation of financial instruments<sup>1)</sup>**

The Group	Financial assets measured at amortised cost		Financial assets/liabilities measured at fair value via the income statement		Financial liabilities measured at amortised cost	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Derivatives	-	-	82	-	-	-
Accounts receivable	148	104	-	-	-	-
Other receivables	45	38	-	-	-	-
Cash and cash equivalents	457	335	-	-	-	-
<b>Total</b>	<b>650</b>	<b>477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest-bearing liabilities	-	-	-	-	20,211	18,506
Derivatives	-	-	348	349	-	-
Other liabilities	-	-	120	120	105	91
Accounts payable	-	-	-	-	205	208
<b>Total</b>	<b>-</b>	<b>-</b>	<b>468</b>	<b>484</b>	<b>20,521</b>	<b>18,917</b>

<sup>1)</sup> The fair value conforms to the book value of all financial instruments except for interest-bearing liabilities.

Derivatives (interest swap agreements and currency swap agreements) are measured at fair value in the balance sheet and the fair value of derivatives has, in accordance with the IFRS valuation hierarchy, been measured pursuant to level 2. This level means that the measurement is based on input data other than the listed prices used in level 1, which are observable for the asset or the liability, either directly or indirectly.

The derivative agreements (ISDA agreements) include an option to net obligations in respect of the same counterparty. Unrealised changes in value for the year amount to SEK -90 million (SEK -70 m), of which SEK -16 million (SEK -16 m) relates to the reversal of

The financial instruments of the Group are classified in accordance with the following.

- Financial assets are valued at fair value via the income statement
- Financial assets are valued at amortised cost.
- Financial liabilities valued at fair value via the income statement
- Financial liabilities are valued at amortised cost.

**POLICIES GOVERNING FINANCING AND FINANCIAL RISK MANAGEMENT**

Financing and financial risks are managed in accordance with guidelines laid down by Atrium Ljungberg's Board of Directors. The Group's treasury function, which is responsible for financing, liquidity and financial risks, is concentrated within the parent company. The various categories of financial instrument held by the Group are shown in the table below.

the hedging reserve. The realised change in the value of derivatives amounted to SEK -50 million (SEK 1 m) during the year. The carrying net value of the derivatives of SEK -266 million (SEK -349 m) comprises a positive value of SEK 82 million (-) and a negative value of SEK -348 million (SEK -349 m); SEK 19 million (-) of the carrying amount of derivatives relates to currency derivatives. Other financial instruments are not affected by the fair value hierarchy in that they are recognised at amortised cost in the balance sheet.

## NOTES

A IK S T OS **F** E K MB H**F.2 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, CONT.****Categorisation of financial instruments**

	Financial assets measured at amortised cost		Financial assets/liabilities measured at fair value via the income statement		Financial liabilities measured at amortised cost	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
<b>Parent company</b>						
Accounts receivable	2	2	-	-	-	-
Receivables from Group companies	21,698	19,405	-	-	-	-
Other receivables	28	8	-	-	-	-
Cash and cash equivalents	395	283	-	-	-	-
<b>Total</b>	<b>22,123</b>	<b>19,698</b>				
Interest-bearing liabilities	-	-	-	-	15,988	14,483
Derivatives	-	-	348	-	-	-
Other liabilities	-	-	-	-	1	-
Accounts payable	-	-	-	-	26	34
<b>Total</b>	<b>-</b>	<b>-</b>	<b>348</b>	<b>484</b>	<b>16,015</b>	<b>14,517</b>

**LIQUIDITY RISK**

The term, liquidity risk refers to the company's risk that there will be insufficient cash and cash equivalents or credit for the company to be able to fulfil its payment undertakings. In order to ensure that the liquidity risk can be managed, a maximum of 30 per cent of the loan portfolio may fall due within one year and a maximum of 50 per cent of the loan financing may be obtained from a single creditor. In addition, liquidity must at all times total a minimum of SEK 300 million and a maximum of SEK 700 million, including liquidity reserves totalling a maximum of SEK 500 million and which may comprise current account overdrafts or loan guarantees. The Group's liquidity as of 31 December 2019, including unutilised current overdraft facilities totalling SEK 300 million, amounted to SEK 757 million (SEK 635 m). At the end of the year there were also revolving credit facilities of SEK 5,045 million (SEK 4,645 m). SEK 5,045 million of the credit facility was unutilised at the end of the year. The table below shows the capital commitment structure of the loan portfolio. The average loan maturity term, as of 31 December 2019, was 4.3 years (4.6 years).

**Capital commitment**

Commitment period	The Group		Parent company	
	Amount	Percentage, %	Amount	Percentage, %
2020	-	-	-	-
2021	4,417	22	4,164	26
2022	5,717	28	3,834	24
2023	1,809	9	1,809	11
2024	2,379	12	2,379	15
2025 and thereafter	5,890	29	3,802	24
<b>Total</b>	<b>20,211</b>	<b>100</b>	<b>15,988</b>	<b>100</b>

**MARKET AND INTEREST RISK**

The term, market risk, refers to the risk of an impact on the profit/loss as a consequence of changes in the outside world. The market risk is primarily attributable to the trend in interest levels for short and long-term borrowing and for market rent levels. In order to limit the interest risk, the interest payable is spread among 11 years. A maximum of 30 per cent of the loans may fall due for renegotiation of the terms within 1 year and a maximum of 55 per cent of the interest payable may take place within 1 year. The fixed interest term table below itemises the due dates for the Group's interest-bearing liabilities. The average fixed interest term as of 31 December 2019 was 5.4 years (4.1 years). Interest-bearing liabilities amounted to SEK 20,211 million (SEK 18,506 m) at the end of the period with an average interest rate of 1.6 per cent (1.6%) excluding and 1.7 per cent (1.6%) including unutilised loan guarantees.

The derivatives portfolio comprised SEK 13,796 million (SEK 9,296 m) in interest swaps and currency swaps at the end of the period. The interest swap agreements are primarily used as a means of changing the fixed interest structure without changing the capital commitment in the loan portfolio. The fair value of interest derivatives amounted to SEK -247 million (SEK -349 m) on the closing day. Currency swaps are being used to hedge against foreign exchange risk for bond loans in Norwegian krone. The fair value of currency derivatives amounted to SEK -19 million (SEK - m) on the closing day.

As of 1 January 2012 the Group ceased to apply hedge accounting to the interest swaps that hedge the interest flows on external loans. Unrealised changes in the value of derivatives are consequently recognised directly to profit. The hedging reserve, which amounted to SEK -164 million as of 31 December 2011, is being reversed on a straight-line basis to other comprehensive income over the terms of the respective derivatives. The remaining amount to be redeemed as of 31 December 2019 totals SEK -14 million (SEK -26 m) after adjustments for deferred tax calculated at a nominal rate of taxation of 20.6 per cent.

Interest on liabilities falls due for payment quarterly up until 2029. These payments have an ongoing effect on the income statement during the terms of the loans in question as accrued interest is recognised.

Atrium Ljungberg has also endeavoured to spread the renegotiation dates for existing lease contracts as part of its efforts to reduce the market risk of temporary cyclical fluctuations. For details of the percentage of income that will be renegotiated during the year ahead, see Note IK.1. The weighted average remaining term for the lease contracts is 3.4 years (4.0 years).

**F.2 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, cont.****Fixed interest term**

	The Group		
	Loan amount	Percentage, %	Average interest, % <sup>11</sup>
2020	5,064	25	1.0
2021	800	4	0.7
2022	400	2	1.6
2023	736	4	1.5
2024	1,529	8	1.6
2025 and thereafter	11,682	58	2.0
<b>Total</b>	<b>20,211</b>	<b>100</b>	<b>1.6</b>

<sup>11</sup> The average credit margin for variable interest rates is spread over the time segment during which the derivative falls due for payment. The average interest is recognised excluding the cost of unutilised loan guarantees.

**Maturity structure, derivative instruments**

Maturity year	Nominal amount, SEK m	Unrealised changes in value, SEK m	Average interest, %
2020	–	–	–
2021	–	–	–
2022	200	–2	0.6
2023	736	–5	0.5
2024	1,000	–8	0.1
2025 and thereafter	11,860	–251	0.8
<b>Total</b>	<b>13,796</b>	<b>–266</b>	<b>0.8</b>

**CREDIT RISK**

The term, credit risk, refers to the risk of a counterparty being unable to fulfil delivery or payment undertakings. Atrium Ljungberg's credit risks lie in the possibility that the tenants may be unable to fulfil their payment undertakings in accordance with applicable lease contracts. This risk is assessed when contracts are signed and the agreements are supplemented, where appropriate, with pledged assets from the tenants in the form of deposits or bank guarantees corresponding to between 3 and 12 months' rent. Deposits and bank guarantees received amounted to SEK 76 million (SEK 66 m) and SEK 78 million (SEK 89 m), respectively, at the end of the year.

**CURRENCY RISK**

A currency risk arises when payment is made in a currency other than that in which the vendor's costs or the purchaser's income arises. Any such currency effect is recognised in the income statement. Atrium Ljungberg only makes purchases in foreign currencies on an occasional basis and the currency risk is consequently small. During the year a bond of NOK 500 million was issued, and the loan volume and coupon payments were secured with currency swaps, thus eliminating currency exposure. There is a total of NOK 1,000 million (NOK 500 m) in currency derivatives.

**Sensitivity analysis, cash flows<sup>11</sup>**

	Change, %	Effect on profit, year 1, SEK m	Effect on profit, full-year, SEK m
Rental income	+/- 5%	+/- 21	+/- 114
Property management costs	+/- 5%	-/+ 41	-/+ 41
Letting rate	+/- 1 % unit	+/- 28	+/- 28
Atrium Ljungberg's average borrowing rate	+/- 1 % unit	-/+ 51	-/+ 202

<sup>11</sup> The effect on the profit in year 1 relates to the effect in the immediately subsequent year with reference to commitment periods in lease contracts and loan agreements. Effect on profit is before tax.

## NOTES

A IK S T OL **F** E K MB H**F.2** FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, cont.**MATURITY STRUCTURE FOR FINANCIAL INSTRUMENTS**

The table below shows future undiscounted cash flows for the payment undertakings associated with the company's financial liabilities. For disclosures on contractual undiscounted cash flows attributable to leasing liabilities, see note IK.4.

The Group	31/12/2019					31/12/2018				
	2020	2021	2022	2023	2024 and thereafter	2019	2020	2021	2022	2023 and thereafter
<b>Liabilities</b>										
Interest-bearing liabilities incl. interest	-215	-4,599	-5,862	-1,916	-8,349	-252	-3,205	-5 013	-3,711	-7,252
Derivatives	-97	-97	-97	-94	-150	-161	-164	-184	-246	-355
Other current liabilities	-81	-	-	-	-	-91	-	-	-	-
Accounts payable	-205	-	-	-	-	-208	-	-	-	-
<b>Total</b>	<b>-598</b>	<b>-4,696</b>	<b>-5,959</b>	<b>-2,010</b>	<b>-8,499</b>	<b>-712</b>	<b>-3,369</b>	<b>-5,197</b>	<b>-3,957</b>	<b>-7,607</b>

Parent company	31/12/2019					31/12/2018				
	2020	2021	2022	2023	2024 and thereafter	2019	2020	2021	2022	2023 and thereafter
<b>Liabilities</b>										
Interest-bearing liabilities incl. interest	-158	-4,290	-3,934	-1,885	-6,224	-156	-1,823	-4,961	-1,995	-6,089
Derivatives	-97	-97	-97	-94	-150	-161	-164	-184	-246	-355
Liabilities to Group companies	-1	-	-	-	-	-	-	-	-	-
Accounts payable	-26	-	-	-	-	-34	-	-	-	-
<b>Total</b>	<b>-282</b>	<b>-4,388</b>	<b>-4,031</b>	<b>-1,979</b>	<b>-6,374</b>	<b>-351</b>	<b>-1,987</b>	<b>-5,145</b>	<b>-2,241</b>	<b>-6,444</b>

**F.3** FINANCIAL INCOME AND EXPENSES

	The Group		Parent company			The Group		Parent company	
	2019	2018	2019	2018		2019	2018	2019	2018
<b>Financial income</b>					<b>Financial expenses</b>				
Interest income	0	0	0	0	Interest expenses	-362	-303	-304	-289
Other interest income	2	1	0	0	Other interest expenses	0	0	-235	-191
Other financial income	0	0	-10	4	Other financial expenses	0	0	-332	-1
Group interest income	-	-	587	561	Group interest expenses	-	-	-118	-93
<b>Total</b>	<b>2</b>	<b>1</b>	<b>578</b>	<b>565</b>	<b>Total</b>	<b>-362</b>	<b>-303</b>	<b>-989</b>	<b>-574</b>

Of which interest income and expenses of financial assets/liabilities which are measured at amortised cost:

Interest income	2	1	587	565
Interest expenses	-362	-303	-424	-574
<b>Total</b>	<b>-360</b>	<b>-302</b>	<b>163</b>	<b>-9</b>

During the year, SEK 12 million (SEK 16 m) of interest expenses which relate to investments in the Group's held properties was capitalised. The average interest rate which has been used during the calculation amounts to 1.7 per cent (1.6%). Interest expenses for investments in held properties were carried as an expense in the parent company.

## NOTES

A IK S T OS **F** E K MB H**F.4 CASH FLOW FROM FINANCIAL LIABILITIES**

	Derivatives	Non-current interest-bearing liabilities	Short-term interest-bearing liabilities	Other non-current liabilities	Total
<b>Group, 1 January 2019</b>	<b>349</b>	<b>18,506</b>		<b>202</b>	<b>19,057</b>
Loans raised	–	5,709	–	11	5,720
Amortisation of debts	–	–4,016	–	–	–4,016
Deposits received and repaid	–	–	–	9	9
Exercise of derivatives	–235	–	–	–	–235
<b>Cash items</b>	<b>–235</b>	<b>1,693</b>	<b>–</b>	<b>20</b>	<b>1,478</b>
Reclassification	–	–	–	–	–
Dissolution of hedging reserve	–13	–	–	–	–13
Change in value of derivatives	165	–	–	–	165
Currency	–	2	–	–	2
Allocation of costs	–	10	–	–	10
<b>Non-cash items</b>	<b>152</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>164</b>
<b>Group, 31 December 2019</b>	<b>266</b>	<b>20,211</b>	<b>–</b>	<b>222</b>	<b>20,698</b>

	Derivatives	Non-current interest-bearing liabilities	Short-term interest-bearing liabilities	Other non-current liabilities	Total
<b>Parent company, 1 January 2019</b>		<b>14,483</b>		<b>5</b>	<b>14,488</b>
Loans raised	–	5,501	–	–	5,501
Amortisation of debts	–	–3,999	–	–	–3,999
Exercise of derivatives	–235	–	–	–	–235
Deposits received and repaid	–	–	–	–4	–4
<b>Cash items</b>	<b>–235</b>	<b>1,502</b>	<b>–</b>	<b>–4</b>	<b>1,263</b>
Reclassification	264	–	–	–	264
Change in value of derivatives	319	–	–	–	319
Currency	–	2	–	–	2
Allocation of costs	–	1	–	–	1
<b>Non-cash items</b>	<b>583</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>586</b>
<b>Parent company, 31 December 2019</b>	<b>348</b>	<b>15,988</b>	<b>–</b>	<b>1</b>	<b>16,337</b>

	Derivatives	Non-current interest-bearing liabilities	Short-term interest-bearing liabilities	Other non-current liabilities	Total
<b>Group, 1 January 2018</b>	<b>484</b>	<b>16,415</b>	<b>1,832</b>	<b>73</b>	<b>18,804</b>
Loans raised	–	5,867	–	–	5,867
Amortisation of debts	–	–4,304	–1,308	–	–5,612
Deposits received and repaid	–	–	–	10	10
Exercise of derivatives	–191	–	–	–	–191
<b>Cash items</b>	<b>–191</b>	<b>1,563</b>	<b>–1,308</b>	<b>10</b>	<b>74</b>
Reclassification	–	524	–524	–	–
Dissolution of hedging reserve	–13	–	–	–	–13
Change in value of derivatives	69	–	–	–	69
Additional purchase price	–	–	–	120	120
Allocation of costs	–	4	–	–	4
<b>Non-cash items</b>	<b>56</b>	<b>528</b>	<b>–524</b>	<b>120</b>	<b>180</b>
<b>Group, 31 December 2018</b>	<b>349</b>	<b>18,506</b>	<b>–</b>	<b>202</b>	<b>19,057</b>

	Liabilities to Group companies	Non-current interest-bearing liabilities	Short-term interest-bearing liabilities	Other non-current liabilities	Total
<b>Parent company, 1 January 2018</b>	<b>1,944</b>	<b>13,551</b>	<b>1,620</b>	<b>20</b>	<b>17,135</b>
Loans raised	–	4,714	–	–	4,714
Amortisation of debts	–	–4,304	–1,096	–	–5,400
Change in liabilities to Group companies	–1,944	–	–	–	–1,944
Deposits received and repaid	–	–	–	–15	–15
<b>Cash items</b>	<b>–1,944</b>	<b>410</b>	<b>–1,096</b>	<b>–15</b>	<b>–9,989</b>
Reclassification	–	524	–524	–	–
Currency	–	–	–	–	–
Allocation of costs	–	–2	–	–	–2
<b>Non-cash items</b>	<b>–</b>	<b>522</b>	<b>–524</b>	<b>–</b>	<b>–2</b>
<b>Parent company, 31 December 2018</b>	<b>–</b>	<b>14,483</b>	<b>–</b>	<b>5</b>	<b>14,488</b>



## NOTES

A IK S T OS F **E** K MB H**E** EPRA PERFORMANCE MEASURES

## EPRA

Atrium Ljungberg is a member of the European Public Real Estate Association (EPRA). EPRA is an organisation which represents Europe's publicly listed real estate companies. The organisation strives to create a forum for debate and decisions on the issues which are decisive for the sector's future and to establish practice within accounting, reporting and corporate governance.

EPRA's practice for accounting and reporting is described in EPRA Best Practices Recommendations Guidelines (EPRA BPR). The recommendation contains key ratios which aim to increase transparency and comparability between Europe's publicly listed real estate companies. In the following notes Atrium Ljungberg reports EPRA key ratios and how they deviate from IFRS and other applicable benchmarks for the Group. Further reconciliation of these key ratios is available on the company's website.

**E.1** EPRA EARNINGS AND EARNINGS PER SHARE (EPRA EPS)

EPRA Earnings corresponds to profit before changes in value less calculated current tax excluding loss carry-forwards. The deducted tax has been calculated by taking into account tax deductible depreciation and investments.

EPRA Earnings is considered as being important for investors who want to assess to what extent dividends are supported through recurrent management earnings.

	The Group	
	2019	2018
Profit/loss before changes in value	1,234	1,214
- Tax deductible depreciation	-577	-467
- Tax deductible investments	-250	-307
- Consolidated capitalisation of borrowing	-13	-16
- Other items	-105	-235
<b>Taxable profit/loss before loss carry-forwards</b>	<b>289</b>	<b>189</b>
<b>Tax 21.4% (from 1 January 2019) on taxable profit/loss before loss carry-forwards</b>	<b>-62</b>	<b>-42</b>
Profit/loss before changes in value	1,234	1,214
Tax 21.4% (from 1 January 2019) on taxable profit/loss before loss carry-forwards	-62	-42
<b>EPRA Earnings</b>	<b>1,172</b>	<b>1,172</b>
EPRA Earnings	1,172	1,172
Number of outstanding shares, '000	129,839	130,460
<b>EPRA EPS per share</b>	<b>9.03</b>	<b>8.99</b>

**E.2** EPRA NAV

EPRA NAV corresponds to reported equity with reversal of goodwill, interest derivatives and deferred tax. EPRA NAV represents the assessed fair value of a real estate company's net assets. The value presumes long-term ownership where the property portfolio's unrealised changes in value and realised changes in value for sale of properties are excluded. Furthermore, unrealised changes in the value of financial hedging instruments are recognised at fair value as they will amount to zero as they are held until maturity.

EPRA NAV per share corresponds to EPRA NAV divided by the number of outstanding shares at the end of the period.

	The Group	
	2019	2018
Equity according to the balance sheet	22,784	20,696
Replacement:		
+ Fair value financial instruments	266	349
- Deferred tax receivable	-0	-2
+ Deferred tax liability	5,106	4,598
- Goodwill attributed to deferred tax	-225	-225
<b>EPRA NAV</b>	<b>27,931</b>	<b>25,416</b>
EPRA NAV	27,931	25,416
Number of outstanding shares at end of period, '000	129,839	130,460
<b>EPRA NAV per share</b>	<b>215.12</b>	<b>194.82</b>

**E.3** EPRA NNNAV

EPRA NNNAV corresponds to reported equity with reversal of goodwill and adjusted with estimated actual deferred tax. The value is expected to correspond to the estimated value of net assets at a given time, in contrast to EPRA NAV which reports the net asset value for long-term operation.

Assuming a deferred tax rate of 4 per cent (in accordance with EPRA's recommendation) for costing purposes for properties, the deferred tax totals SEK 1,104 million, rather than the reported value of SEK 4,986 million, which would have a positive effect on equity of SEK 3,882 million.

EPRA NNNAV per share corresponds to EPRA NNNAV divided by the number of outstanding shares at the end of the period.

## NOTES

A IK S T OS F E K MB H

**E.3** EPRA NNNAV, cont.

	The Group	
	2019	2018
EPRA NAV	27,931	25,416
– Fair value financial instruments	–266	–349
– Actual deferred tax liability	–1,104	–941
<b>EPRA NNNAV</b>	<b>26,561</b>	<b>24,126</b>
EPRA NNNAV	26,561	24,126
Number of outstanding shares at end of period, '000	129,839	130,460
<b>EPRA NNNAV per share</b>	<b>204.57</b>	<b>184.93</b>

**E.4** EPRA VACANCY RATE

EPRA Vacancy rate shows what proportion of the rental value is not obtained due to vacancies. EPRA Vacancy rate is calculated by dividing the rental value of vacant areas by the total rental value for the entire property portfolio if everything was let. Project properties are not included.

	The Group	
	01/01/2020	01/01/2019
Rental value vacant premises, excl. project properties	166	128
Rental value total, excl. project properties	2,565	2,470
<b>EPRA Vacancy rate, %</b>	<b>6.5</b>	<b>5.2</b>

**E.5** TOTAL INVESTMENTS (CAPEX)

Total investments (EPRA CAPEX) are reported in the tables in accordance with EPRA BPR. Investments contain both revenue-increasing measures and capitalised maintenance.

	The Group	
	2019	2018
Acquisition of properties	1,174	2,159
Investments in project properties	1,085	1,216
Investments in land and development rights	40	16
Investments in development properties	106	20
Investments in sold properties	1	15
Investments in acquired properties (not projects)	0	0
Investments in like-for-like portfolios	650	491
<b>Total investments (EPRA CAPEX)</b>	<b>3,057</b>	<b>3,917</b>

**K** GROUP STRUCTURE**K.1** SHARES IN GROUP COMPANIES

## ACCOUNTING POLICIES

The parent company's shares in Group companies are measured at cost less accumulated impairment, increased or decreased based on changes to the share of equity. A subsidiary's carrying amount is tested at least annually for any impairment, or more frequently if there is any indication that the carrying amount may not be recoverable. During the impairment testing the estimated recoverable value is compared to the book value. The recovery value comprises the higher of the fair value less sales costs and the value-in-use. Value-in-use comprises the present value of future cash flows. Potential impairment is recognised for cases when the decline in value can be deemed as permanent. Impairment and reversals of previous impairment are recognised in the income statement.

	Parent company	
	2019	2018
Opening cost	953	953
Acquisitions	–	–
Capital contribution	18	–
Change in share of equity	–	–
Sales	–	–
<b>Closing accumulated cost</b>	<b>971</b>	<b>953</b>
Opening impairment	–7	–7
Depreciation for the year	–	–
<b>Closing accumulated impairment</b>	<b>–7</b>	<b>–7</b>
<b>Closing balance</b>	<b>963</b>	<b>945</b>

## NOTES

A IK S T OS F E **K** MB H**K.1** SHARES IN GROUP COMPANIES, cont.

Parent company, Directly-owned companies	Corporate ID no.	Registered office	Number of shares	Share of equity, %	Equity, SEK k	Profit/loss	Book value, SEK m		
			31/12/2019	31/12/2019	31/12/2019 <sup>1)</sup>	2019 <sup>1)</sup>	31/12/2019	31/12/2018	
Atrium Ljungberg Bostad Holding AB	559117-6440	Nacka	500	1	3	-0	3	3	
Atrium Ljungberg Holding 1 AB	556781-3059	Nacka	1,000	1	430	-94	500	500	
Atrium Ljungberg Holding 2 AB	556720-3111	Nacka	100,000	1	27	-22	0	0	
Atrium Ljungberg Holding 3 AB	556781-3117	Nacka	1,000	1	0	-15	15	0	
Atrium Ljungberg Holding 4 AB	559056-7730	Nacka	1,000	1	550	1	5	5	
Atrium Ljungberg Holding 5 AB	559160-5729	Nacka	500	1	472	6	0	0	
Atrium Ljungberg Holding 6 AB	559196-3490	Nacka	500	1	841	841	0	0	
Atrium Ljungberg Holding 7 AB	559198-3415	Nacka	500	1	0	-2	2	0	
Atrium Ljungberg Impluvium Holding AB	559196-3532	Nacka	500	1	0	-0	0	0	
Atrium Ljungberg Slakthuset Holding AB	559183-0244	Nacka	500	1	0	0	0	0	
Fastighetsaktiebolaget Blästern	556282-8052	Nacka	10,000	1	0	0	0	0	
Fastighetsaktiebolaget Celtica	556350-9727	Nacka	2,781,000	1	190	4	167	167	
LjungbergGruppen Holding AB	556669-3221	Nacka	1,000	1	884	-1	190	190	
TL Bygg AB	556225-4440	Nacka	10,000	1	80	781	80	80	
<b>Closing balance</b>								<b>963</b>	<b>945</b>

<sup>1)</sup> Information is only provided for the companies that form part of the Group on 31 December 2019.

Parent company, Indirectly owned companies <sup>1)</sup>	Corporate ID no.	Registered office	Number of shares	Share of equity, %	Equity, SEK k	Profit/loss
			31/12/2019	31/12/2019	31/12/2019	2019
Sickla Industrifastigheter Kommanditbolag	916616-1720	Nacka	E/T	1	234	184
Atrium Ljungberg Hälsingegatan AB	556877-5687	Nacka	500	1	58	33
Atrium Ljungberg Dimman AB	556659-3231	Nacka	1,000	1	254	61
Farsta Centrum HB	916404-1361	Nacka	E/T	1	162	112
Atrium Ljungberg Uddvägen AB	556781-3067	Nacka	1,000	1	0	-57
Atrium Ljungberg Kyrkviken AB	556781-3083	Nacka	1,000	1	0	-1
Atrium Ljungberg Sickla Industrifastigheter Holding AB	559187-7658	Nacka	500	1	35	35
Atrium Ljungberg Farsta Centrum Holding AB	559187-7625	Nacka	500	1	0	-0
Atrium Ljungberg Bostad AB	559122-1378	Nacka	500	1	0	-1
Atrium Ljungberg Mark Holding AB	559117-6416	Nacka	500	1	2	0
Atrium Ljungberg Kyrkviken Holding AB	559117-6424	Nacka	500	1	2	0
Atrium Ljungberg Stiftare AB	559155-0396	Nacka	500	1	0	-0
Atrium Ljungberg Conditor 1 AB	559155-0404	Nacka	500	1	0	0
Atrium Ljungberg Conditor 2 AB	559155-0487	Nacka	500	1	0	0
Atrium Ljungberg Conditor 3 AB	559155-0479	Nacka	500	1	0	0
BRF Sicklastråket	769636-3667	Nacka	E/T	1	1	1
Atrium Ljungberg Gränby Park Holding AB	559172-9024	Nacka	500	1	0	-0
Atrium Ljungberg Gränby Park Fastighet 1 AB	559172-9073	Nacka	500	1	0	0
Atrium Ljungberg Nobelberget Holding 1 AB	559196-3516	Nacka	500	1	145	145
Atrium Ljungberg Fanny Udde AB	559198-3407	Nacka	500	1	0	0
Atrium Ljungberg KV 1 AB	559198-3456	Nacka	500	1	0	-0
Atrium Ljungberg Kyrkviken 1 AB	559117-6408	Nacka	500	1	3	0
Atrium Ljungberg Gillevägen AB	559196-3508	Nacka	500	1	0	-0
Atrium Ljungberg Gränby Park 1 AB	559196-3540	Nacka	500	1	0	-0

## NOTES

A IK S T OS F E **K** MB H**K.1** SHARES IN GROUP COMPANIES, cont.

Parent company, Indirectly owned companies <sup>1)</sup>	Corporate ID no.	Registered office	Number of shares 31/12/2019	Share of equity, % 31/12/2019	Equity, SEK k 31/12/2019	Profit/loss 2019
Atrium Ljungberg The Point AB	559165-9916	Nacka	500	1	0	-0
Atrium Ljungberg Impluvium 8 AB	559194-8905	Nacka	500	1	0	-0
Atrium Ljungberg Projektutveckling AB	559198-3423	Nacka	500	1	0	-0
Atrium Ljungberg Slakthuset Holding 1 AB	559183-0301	Nacka	500	1	1	-1
Atrium Ljungberg Slakthuset Holding 2 AB	559183-0319	Nacka	500	1	0	-0
Atrium Ljungberg Slakthuset Holding 3 AB	559183-0285	Nacka	500	1	0	-3
Atrium Ljungberg Slakthuset 1 AB	559184-9616	Nacka	50,000	1	0	-1
Atrium Ljungberg Slakthuset 6 AB	559184-9624	Nacka	50,000	1	0	0
Atrium Ljungberg Slakthuset 7 AB	559184-9632	Nacka	50,000	1	0	-0
Atrium Ljungberg Slakthuset 8 AB	559184-9640	Nacka	50,000	1	0	0
Atrium Ljungberg Slakthuset 13 AB	559184-9657	Nacka	50,000	1	3	3
Atrium Ljungberg Slakthuset 16 AB	559184-9665	Nacka	50,000	1	0	-1
Atrium Ljungberg Slakthuset 22 AB	559184-9673	Nacka	50,000	1	0	-0
Atrium Ljungberg Slakthuset 32 AB	559184-9798	Nacka	50,000	1	0	0
Atrium Ljungberg Slakthuset 39 AB	559184-9780	Nacka	50,000	1	0	-0
Atrium Ljungberg Slakthuset 40 AB	559184-9814	Nacka	50,000	1	0	0
Atrium Ljungberg Slakthuset 41 AB	559184-9806	Nacka	50,000	1	0	0
Atrium Ljungberg Slakthuset 48 AB	559184-9830	Nacka	50,000	1	0	0
Atrium Ljungberg Slakthuset 49 AB	559184-9822	Nacka	50,000	1	0	-0
Atrium Ljungberg Slakthuset 15 AB	556605-2386	Nacka	1,000	1	21	9
Atrium Ljungberg Impluvium 9 AB	559198-3449	Nacka	500	1	0	-0
Atrium Ljungberg Sickla Front 1 AB	559198-3399	Nacka	500	1	0	0
Atrium Ljungberg Gränby Port AB	559198-3340	Nacka	500	1	0	-0
Atrium Ljungberg Impluvium 1 AB	559198-3365	Nacka	500	1	0	-0
Atrium Ljungberg Impluvium 2 AB	559198-3332	Nacka	500	1	0	-0
Atrium Ljungberg S:t Eriksgatan AB	556914-0782	Nacka	50,000	1	14	3
Atrium Ljungberg Stora Katrineberg AB	556600-3843	Nacka	1,000	1	273	139
Atrium Ljungberg Eken AB	556948-7555	Nacka	1,000	1	101	23
Atrium Ljungberg Tranbodarne 13 AB	556754-7947	Nacka	1,000	1	46	9
Atrium Ljungberg Lindholmspiren KB	969646-1509	Nacka	E/T	1	97	25
Atrium Ljungberg Life City AB	559065-7713	Nacka	1,000	1	0	-13
Atrium Ljungberg Hallvägen AB	559155-0453	Nacka	500	1	0	-2
LjungbergGruppen Fastighets AB TX31	556688-4283	Nacka	1,000	1	51	13
LjungbergGruppen Svindersvik AB	556674-6045	Nacka	1,000	1	3	0
Mobilia Nord AB	556745-4888	Nacka	1,000	1	25	9
Atrium Ljungberg Gränby Köpstad AB	556731-8265	Nacka	1,000	1	16	4
Atrium Ljungberg Kista NOD AB	556745-5182	Nacka	1,000	1	46	8
Atrium Ljungberg Sickla Station AB	556781-3075	Nacka	1,000	1	0	0
Atrium Ljungberg Gränby Entré AB	556781-3091	Nacka	1,000	1	13	10
Impluvium Tretton AB	556781-3109	Nacka	1,000	1	29	29
Atrium Ljungberg Planriavägen AB	556815-7852	Nacka	50,000	1	13	0

## NOTES

A IK S T OS F E **K** MB H**K.1** SHARES IN GROUP COMPANIES, cont.

Parent company, Indirectly owned companies <sup>1)</sup>	Corporate ID no.	Registered office	Number of shares 31/12/2019	Share of equity, % 31/12/2019	Equity, SEK k 31/12/2019	Profit/loss 2019
Tranbodarne 11 KB	959542-9472	Nacka	E/T	1	504	65
Walls Fastighets AB	556004-9909	Nacka	6,000	1	27	1
Fastighets AB Brogatan	556060-5536	Nacka	1,000	1	41	1
Kommanditbolaget Wårbyrigen 1	969651-2251	Nacka	E/T	1	71	2
Atrium Ljungberg Skotten AB	556948-4537	Nacka	1,000	1	57	21
Atrium Ljungberg Resan AB	556948-4529	Nacka	1,000	1	3	0
Atrium Ljungberg Tomtmark AB	556948-4545	Nacka	1,000	1	9	5
Atrium Ljungberg Fatburssjön AB	556021-7506	Nacka	1,500	1	1	-1
Fatburstrappan Väst AB	556622-5966	Nacka	1,000	1	25	6
Fastighetsaktiebolaget Österbotten	556019-4408	Nacka	1,250	1	1	-0
Fastighetsaktiebolaget Stadsgården	556029-0602	Nacka	31,993,074	1	1,134	39
Gränby Centrum AB	556409-6708	Nacka	100	1	99	26
Mobilia Shopping Centre AB	556412-5242	Nacka	100	1	148	31
Kommanditbolaget T-Bodarne	969646-1392	Nacka	E/T	1	70	50
AB Farsta Centrum	556065-3023	Nacka	1,000	1	5	-0
Atrium Ljungberg T-Bodarne Holding AB	559187-7633	Nacka	500	1	0	-0
Atrium Ljungberg Citadellet AB	556994-4878	Nacka	500	1	32	3
Atrium Ljungberg M2 AB	556994-4910	Nacka	500	1	39	13
Atrium Ljungberg Malmen AB	556165-6553	Nacka	1,000	1	12	1
Atrium Ljungberg Borgarfjord 3 AB	556755-8076	Nacka	1,000	1	29	1
Atrium Ljungberg Bas Barkarby AB	559056-7540	Nacka	1,000	1	0	-1

<sup>1)</sup> Information is only provided for the companies that form part of the Group on 31 December 2019.

**K.2** SHARES IN ASSOCIATED COMPANIES

## ACCOUNTING POLICIES

Associated companies are companies in which the Group has a controlling influence, normally through a shareholding of minimum 20 per cent and maximum 50 per cent and is recognised using the equity method. Under the equity method, shares in associated companies are recognised at cost on the acquisition date and subsequently adjusted by the Group's share of the change in the associated company's net assets. The Group's book value of the shares in the associated companies corresponds to the Group's share in the associated companies' equity and any residual value of consolidated surplus and deficit values.

	Number 31/12/2019	Share of equity 31/12/2019	Book value, SEK k 31/12/2019	31/12/2018
AB FB-sjön, general partner, 556605-5181 Registered office in Stockholm	500	50%	50	50
Prospect and Icons AB 559137-9077 Registered office in Stockholm	900	90%	5,078	-
<b>Closing balance</b>			<b>5,128</b>	<b>50</b>

## MB PARENT COMPANY'S ACCOUNTING POLICIES AND SUPPLEMENTARY DISCLOSURES

### MB.1 PARENT COMPANY ACCOUNTING POLICIES

#### GENERAL

The parent company applies the same accounting policies as the Group with the exceptions and additions regulated in the RFR 2, Reporting for legal entities recommendation issued by the Swedish Financial Reporting Board. This means that in its annual accounts for the legal entity the parent company applies all of the IFRS standards and statements approved by the EU wherever this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and with reference to the link between accounting and taxation. The parent company does not apply IFRS 9, except for areas that are not exempt in accordance with RFR 2. IFRS 16 Leases is not applied by the parent company, which means that all leases are recognised as operating leases for the parent company.

#### DERIVATIVES

As of 31 December 2019, the parent company has ceased hedge accounting of derivatives and is therefore recognising derivatives at the lower of cost or fair value. There were negative fair values as of 31 December 2019, which means that a liability of SEK 348 million has been recognised in the balance sheet. A change in value of SEK 348 million has been recognised in profit under Interest expenses and similar profit items.

#### PROVISIONS AND FINANCIAL GUARANTEE AGREEMENTS

Provisions are recognised under a separate heading in the parent company's balance sheet. The parent company applies the relaxation rule in RFR 2 with regard to the recognition of financial guarantee agreements to the benefit of subsidiaries and associated companies, which means that IFRS 9 is not applied to such guarantee agreements. Instead, the parent company recognises a provision in respect of financial guarantee agreements when the company has an undertaking for which an outflow of resources will probably be required in order to settle this undertaking.

### MB.2 PARENT COMPANY'S EARNINGS FROM SHARES IN GROUP COMPANIES

#### ACCOUNTING POLICIES

Received dividend is recognised when the shareholders' right to receive payment has been confirmed. If it is deemed to be certain that a later decision on dividends will be decided at the upcoming Annual General Meeting in the paying subsidiary, the parent company enters the income earlier, referred to as anticipatory dividend.

	Parent company	
<b>Earnings from shares in Group companies</b>	<b>2019</b>	2018
Dividends from subsidiaries	1,419	500
<b>Total</b>	<b>1,419</b>	<b>500</b>

### MB.3 PARENT COMPANY'S INVESTMENT PROPERTIES

#### ACCOUNTING POLICIES

Properties are measured at cost less accumulated depreciation and impairment and come under the heading of Investment properties in the parent company's balance sheet. The term investment properties includes buildings and land, land improvement, building and land-related equipment as well as work in progress.

Expenses which entail future financial benefits and where the expense can be calculated in a reliable manner have been added to cost. Ongoing maintenance which is not covered by the aforementioned description has been carried as an expense.

Depreciation according to plan is charged to the operating profit/loss of the parent company. Depreciation according to plan is effected in the amount of 1 per cent of the cost of buildings, land improvements and building equipment. The buildings are fiscally depreciated at between 2 and 4 per cent of cost, while land improvements are depreciated at 5 per cent. Building equipment is fiscally depreciated at 20–30 per cent of cost. The difference between depreciation according to plan and fiscal depreciation is recognised under appropriations. Deferred tax on the difference between booked and fiscal depreciation of buildings and land improvements is recognised as deferred tax in the income statement and as a deferred tax liability in the balance sheet.

	31/12/2019	31/12/2018
<b>Investment properties</b>		
Opening cost	1,819	1,909
Sales	-798	-154
Investments	36	64
<b>Closing accumulated cost</b>	<b>1,057</b>	<b>1,819</b>
Opening depreciation	-260	-267
Sales	122	24
Depreciation for the year	-15	-17
<b>Closing accumulated depreciation</b>	<b>-153</b>	<b>-260</b>
Opening impairment	-73	-73
Reversal impairment	73	-
<b>Closing accumulated impairment</b>	<b>-</b>	<b>-73</b>
<b>Closing residual value according to plan</b>	<b>904</b>	<b>1,486</b>
<b>Fair value, investment properties</b>	<b>998</b>	<b>2,393</b>

The valuation method is described in note T.1.

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## MB.4 UNTAXED RESERVES / APPROPRIATIONS

## ACCOUNTING POLICIES

The amount allocated to untaxed reserves in the parent company comprises taxable temporary differences. The deferred tax liability attributable to the untaxed reserves in the parent company is not recognised separately due to the link between accounting and taxation. Untaxed reserves are, however, broken down within the Group, with 79.4 per cent reported as equity and 20.6 per cent as deferred tax liabilities.

Untaxed reserves	31/12/2019	31/12/2018
Accumulated excess depreciation	8	61
<b>Closing balance</b>	<b>8</b>	<b>61</b>
<b>Appropriations</b>		
Excess depreciation equipment	53	–
Group contributions received/made	–24	185
<b>Total</b>	<b>29</b>	<b>185</b>

## MB.5 PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

The Board proposes the following treatment of unappropriated earnings to the Annual General Meeting. Read more about the Board's statement on proposed treatment of unappropriated earnings on page 162.

The following sum in the parent company is available for disposal by the Annual General Meeting:

Profit brought forward	SEK 6,051,919,325
Net profit for the year	SEK 955,184,743
<b>Total</b>	<b>SEK 7,007,104,068</b>

The Board of Directors proposes that the unappropriated earnings be allocated as follows:

That a dividend of SEK 5.0/share be paid to the shareholders	SEK 649,193,680
Carried forward	SEK 6,357,910,388
<b>Total</b>	<b>SEK 7,007,104,068</b>

## H SUSTAINABILITY

## H.1 GENERAL INFORMATION

## ABOUT OUR REPORT

This report covers the financial year from 1 January to 31 December 2019. The Annual Report comprises Atrium Ljungberg's Sustainability Report in line with the GRI Standards' Core level, and our Communication on Progress Report for the UN's Global Compact. This is Atrium Ljungberg's third Sustainability Report in accordance with the GRI Standards. However, we are still reporting certain important information that is contained in GRI G4's sector supplement for the construction and real estate industry. This sector supplement has not yet been updated to GRI Standards.

We have also observed the EPRA Sustainability Best Practices Recommendations Guidelines in our reporting. EPRA indicators for energy, carbon dioxide emissions, water, environmentally certified buildings and employees have been reported in Section H Sustainability. EPRA indicators for corporate governance are reported in the Corporate Governance Statement on pages 97–102.

The chapter Sustainable Enterprise on pages 23–35 along with pages 15–16 and section H Sustainability form our Sustainability Report in accordance with the Swedish Annual Accounts Act. The Sustainability Report covers the entire Group, see notes K.1 and K.2, where we directly or indirectly own 100 per cent of the companies and their assets. Exceptions from this basic rule and the reasons for these exceptions are reported in the relevant sections.

Atrium Ljungberg publishes the Sustainability Report annually. The previous Annual Report was published on 28 February 2019. A limited assurance review has been performed by Atrium Ljungberg's external auditors. There are some sustainability results that are also published every quarter in the financial Interim Reports.

## CHANGES TO THE REPORT AND SCOPE

There have been no significant changes to the organisation or our supply chain. During the year Atrium Ljungberg's property portfolio changed due to the sales, acquisitions and completion of new properties/projects. These changes do not affect the sustainability reporting appreciably, but should be considered for comparisons of energy consumption and emissions over time.

No significant changes in scope or limitations of the GRI reporting have been made. The scope of each area is described in each section.

## GOVERNANCE

Atrium Ljungberg's Board of Directors establishes the overall sustainability policy for the company and related policies, which cover the following areas: business ethics, anti-corruption and whistleblowing, suppliers, equal opportunity and non-discrimination and taxes. The Supplier Policy includes human rights. Our policies are revised and updated annually. They are available in their entirety on our website.

**H.1 GENERAL INFORMATION, cont.**

Our Sustainability Policy highlights the fact that we need to maintain a continual dialogue with the stakeholders who form part of our core business, or who are affected by it, to ensure that we have identified our significant sustainability issues. We use the results of the materiality analysis as the basis for developing our focus areas, goals and relevant policies. The Sustainability Policy emphasises the fact that these goals need to be measurable. The goals are monitored every quarter or annually, while the company's strategy and goals are evaluated and updated once a year or once every two years by the Board and management team as part of planning for the following year and the budgetary work within the company. Our sustainability goals are also based on the company's values. See page 20 for further information on the goals and outcomes.

**H.2 STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS****STAKEHOLDER ENGAGEMENT**

Atrium Ljungberg's most important stakeholders are customers, owners and investors, employees and municipalities. They are all important for our value creation. It is essential for us to maintain a dialogue with our stakeholders in order to provide a relevant offering. We also gain insight into their expectations of us in terms of sustainable enterprise. Stakeholder dialogues form the basis of the choice of our most important sustainability issues (see below).

In 2015, we conducted a specific stakeholder dialogue process in the form of individual interviews, either in person or in some cases by phone, where at least three representatives per stakeholder group were interviewed. The employee dialogue took place through an interactive online survey. Based on the survey from 2015 we continually identify changes in the expecta-

**SUSTAINABILITY RISKS**

Our sustainability risks are evaluated at least every two years, along with other risks, by company management and the Board. Our main sustainability risks involve the supplier chain, climate change, the environment and energy, bribes/corruption, and health and safety. The construction and real estate industry is an industry at risk in terms of bribes and corruption. Our risks in the supplier chain include the environment, human rights and social issues. The entire construction industry contains risks associated with health and accidents, for example during demolition work and putting up scaffolding. Read more about risks and risk management on pages 87–92. See pages 15–16, 18 and 25 for further information about Atrium Ljungberg's business model, strategies and role in the value chain.

tions of our stakeholders through our standard dialogue channels, but we did not compile all of this information in writing in 2019. In the coming year we are going to carry out a new stakeholder survey that will also include suppliers as a key stakeholder group.

To summarise, the areas that are believed to be most important are energy, emissions, suppliers, anti-corruption, employment, health, training, non-discrimination and equal opportunities. In 2018 and 2019 we noticed an increase in the amount of interest surrounding climate issues among all our stakeholders. This includes investors, who are interested in green bonds and our energy and climate work, partly because of the introduction of the EU's taxonomy. Social issues have also become more important for investors.

The table below describes the issues that each stakeholder group has indicated as important, as well as the channels we use for dialogue.

**Stakeholder dialogue and prioritised issues**

Primary stakeholders	Prioritised issues	Channels for dialogue
<b>Customers</b>	Resource efficiency and recycling Certification of buildings and communication Work environment Environment and climate adaptation	Continuous dialogue in management Annual customer survey Collaboration in projects on new production, reconstruction and green lease contracts
<b>Owners and investors</b>	Governance and reporting Anti-corruption Responsible purchasing Resource efficiency Environment and climate adaptation Certification of buildings Contribution for urban and social development	Feedback in connection with the sustainability assessment Investor meetings Annual strategy conference with the Board
<b>Employees</b>	Resource efficiency and recycling Environment and climate adaptation Contribution for urban and social development Professional development	Employee survey Performance management process Meetings and workshops
<b>Municipalities (society)</b>	Environment and climate adaptation Contribution for urban and social development	Meetings and workshops Processing cases



## H.2 STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS, cont.

## MATERIALITY ANALYSIS AND KEY ISSUES

We have identified a number of key areas based on the Group's strategies, our impact on the outside world, and our stakeholders' expectations, which we have developed into four focus areas for the company's sustainability work. The materiality analysis clearly showed that the Board, the management team and other stakeholders were all mostly in agree-

ment about what the key areas were for Atrium Ljungberg. Changes in the market, the risk profile and new prioritised issues which arose during our dialogues with stakeholders in 2019 show that our focus areas continue to be important for the Group.

## Reporting and governance of key focus areas

## Atrium Ljungberg's focus areas

Sustainability management of the focus areas		Sustainable urban development	The environment and resource efficiency	Business ethics	Employees
Link to GRI Standards	<b>Reported GRI Standards and disclosures</b>	<ul style="list-style-type: none"> <li>• <b>Customer health and safety</b> (CRE8): Type and number of sustainability/environmental certifications, labelling or processes applied for implementation of projects or construction of properties/facilities</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Energy</b> (GRI 302-1, 302-3/CRE1): Energy consumption within the organisation and energy performance in buildings</li> <li>• <b>Emissions</b> (GRI 201-2, 305-1, 305-2, 305-3/CRE3): Financial implications and other risks and opportunities due to climate change. Direct and indirect greenhouse gas emissions (Scope 1, 2 and 3) and emissions intensity in buildings</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Evaluation of suppliers in terms of working conditions and human rights</b> (GRI 414-1): Percentage of new supplies that are evaluated with respect to social criteria</li> <li>• <b>Evaluation of suppliers in terms of the environment</b> (GRI 308-1): Percentage of suppliers that are evaluated using environmental criteria.</li> <li>• <b>Anti-corruption</b> (GRI 205-1, 205-3): Percentage of operations that are assessed for risks related to corruption as well as the number of incidents of corruption</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Employment conditions and working conditions</b> (GRI 401-1): Employee turnover</li> <li>• <b>Health and safety</b> (GRI 403-2): Injuries, illnesses, absence as well as work-related fatalities.</li> <li>• <b>Training</b> (GRI 404-2, 404-3): Competence provision, including programmes for continuing training and lifelong learning to support continued employability and to help employees at the end of their employment. Percentage of employees receiving regular performance and career development reviews</li> <li>• <b>Diversity and equal opportunities</b> (GRI 405-1): Composition of the Board and management team, and breakdown of other employees by sex, age group, minority group and other diversity indicators</li> <li>• <b>Non-discrimination</b> (GRI 406-1): Number of cases of discrimination</li> </ul>
	<b>Why this area is important to us</b>	As an urban and property developer we have a major impact on the environment and the people who will live and spend time there.	The construction and property sector accounts for roughly one third of Sweden's energy consumption and has a major impact on the climate.	Our industry faces bribes, corruptions and human rights violations, which we want to combat.	If we are to achieve good results, we need to have competent, engaged and healthy employees and provide them with a positive work environment.
	<b>Responsibilities and impact on the value chain</b>	We cause or contribute to this impact in our role as project developer and client. When we act as a supplier, we contribute to this impact through our business relationships and collaboration with our customers. Read more on pages 25 and 27.	We cause and contribute to this impact at all stages in the value chain. When we act as a supplier, we contribute to this impact through our business relationships and collaboration with our customers. Read more on pages 25 and 28-31.	We cause and contribute to this impact at all stages in the value chain. When we act as a supplier, we contribute to this impact through our business relationships and collaboration with our customers. Read more on pages 25 and 34-35.	We take responsibility for our own employees and the people who work under our roof.
<b>Scope of the report</b>	See note H.7.	See note H.4 and H.5.	See note H.11 and H.12.	See note H.9.	

table cont. on next page

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## H.2 STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS, cont.

## cont. Reporting and governance of key focus areas

		Atrium Ljungberg's focus areas			
Sustainability management of the focus areas		Sustainable urban development	The environment and resource efficiency	Business ethics	Employees
GRI 103-2	<b>How we work</b>	See the chapter on Sustainable urban development on page 27.	See the chapter on Environment and resource utilisation on pages 28–31.	See the chapter on Business ethics and human rights on pages 34–35.	See the chapter on Care for our employees on pages 32–33.
	<b>What we want to achieve</b>	We develop sustainable city districts and properties to increase the attractiveness of the areas and create value for tenants, municipalities, others who use the sites and us ourselves. The properties must be designed with care for people and the environment. They must be resource-efficient and make it easier for people to lead a sustainable lifestyle.	We improve our own and our customers' resource efficiency and reduce our impact on the environment and climate by streamlining our energy consumption and reducing our carbon dioxide emissions into the atmosphere.	We uphold sound business practices in our own operations and in relation to suppliers and other partners. We impose the same requirements on our suppliers as we do on ourselves in terms of the environment, work environment, working conditions and human rights.	We want to have competent, engaged and healthy employees, which is why we want to have a positive and safe work environment and a culture that is characterised by participation.
	<b>Goal</b>	The goal is for 100 per cent of our properties to be environmentally certified by 2021. The result of this goal is reported publicly in our interim reports.	The goal is for energy consumption per m <sup>2</sup> to be reduced by 30 per cent between the years 2014 and 2021. The result of this goal is reported publicly in our interim reports. Emissions are reported in the Annual Report and to CDP.	We monitor the number of incidents reported to the whistleblowing function, the number of incidents of corruption and the number of suppliers that have signed our supplier policy. These key figures are monitored annually.	Our goal is to achieve an average confidence index of 85% in the Great Place To Work® evaluation every year. The result of this goal is reported publicly in our annual report. Atrium Ljungberg also has a zero-tolerance approach to stress-related illnesses and workplace accidents. Key figures are monitored annually.
	<b>Policies</b>	Overall sustainability policy	Overall sustainability policy and supplier policy	Overall sustainability policy, business ethics policy, supplier policy, tax policy, whistleblowing policy	Overall sustainability policy, equal opportunity and discrimination policy, business ethics policy, whistleblowing policy and work environment policy
	<b>Obligations in addition to Swedish laws and guidelines</b>	UN Global Compact, UN Sustainable Development Goals, and the certification of buildings in accordance with BREEAM, BREEAM In-Use and Miljöbyggnad	UN Global Compact, UN Sustainable Development Goals	UN Global Compact, UN Sustainable Development Goals, Universal Declaration of Human Rights, Swedish Anti-Corruption Institutes' Code of Business Conduct, and the Swedish Construction Federation's Code of Conduct for Legal and Appropriate Behaviour	UN Global Compact, UN Sustainable Development Goals, ILO Core Conventions, Universal Declaration of Human Rights,
	<b>Specific processes, projects, programmes and initiatives</b>	Governed by the strategy for sustainable urban development and adopted processes with internal steering documents for certifications.	Governed by certification from TL Bygg in accordance with the management and product certification system BF9K.	Governed by the Supplier Policy, which is appended to agreements. The purchasing process contains procedures for checks and reviews of entertainment, gifts and benefits. It is possible to make an anonymous report using the whistleblowing function	Governed by adopted processes with internal steering documents. Workplace accidents are reported to the Swedish Work Environment Authority. It is possible to make an anonymous report using the whistleblowing function TL Bygg is certified in accordance with the management and product certification system BF9K.
GRI 103-3	<b>Evaluating governance</b>	The Board of Directors/management team evaluates whether the governance is effective enough during the annual review of the policies. This year it was decided to change governance in order to achieve the goal before 2021. The process descriptions, responsibilities and supporting documents have therefore been revised.	The Board of Directors/management team evaluates whether the governance is effective enough during the annual review of the policies. This has resulted in no changes to the governance of this focus areas over the year.	The Board of Directors/management team evaluates whether the governance is effective enough during the annual review of the policies. This has resulted in the supplier policy now containing clearer requirements for our suppliers.	The Board of Directors/management team evaluates whether the governance is effective enough during the annual review of the policies. This has resulted in no changes to the governance of this focus areas over the year.

We also report the outcome of the direct economic value that is generated and distributed to the various stakeholders in accordance with the GRI Standards' indicator 201-1. We base this on the <IR> framework that considers all stakeholders to be important; this is

why it is natural for us to report economic value divided by stakeholder group, even though we do not consider this to be a focus area. See further in note H.10.

**H.3 EXTERNAL INITIATIVES AND MEMBERSHIPS**

Atrium Ljungberg has decided to support a number of international conventions and initiatives, and the company are also member of several associations and organisations presented here.

**INVOLVEMENT IN INTERNATIONAL CONVENTIONS AND INITIATIVES**

- UN Global Compact
- The UN's Sustainable Development Goals
- Universal Declaration of Human Rights
- ILO Core Conventions
- Swedish Anti-Corruption Institutes' Code of Business Conduct<sup>1)</sup>
- Swedish Construction Federation's Code of Conduct for Legal and Appropriate Behaviour<sup>1)</sup>

**MEMBERSHIP IN ASSOCIATIONS AND TRADE ASSOCIATIONS:**

- Swedish Property Federation (Fastighetsägarna)
- Sweden Green Building Council
- Stockholm Chamber of Commerce
- EPRA
- Almega
- Confederation of Swedish Enterprise
- SNS (Centre for Business and Policy Studies)
- Kultur & Näringsliv
- Swedish Building Materials Assessment
- Swedish Construction Federation<sup>1)</sup>
- The Swedish Association of HRM
- Centrum för AMP

<sup>1)</sup> Applies to subsidiary TL Bygg.

**H.4 ENERGY CONSUMPTION****CALCULATION METHODS AND SCOPE**

Atrium Ljungberg reports energy consumption using EPRA's guidelines. The amount of energy refers to the amount that has been purchased from suppliers. The values from solar cells are taken from our supplier meters. Heating and cooling, including tenant consumption in the property. Tenant electricity is estimated for tenants with their own electricity subscription. The distribution between measured and standard value electricity is shown in the table below. The standard value was calculated by using the average value for the retail, food sector and office categories, where we have onward delivery of electricity. The key ratio was then multiplied by the letting area in the properties where we do not have onward delivery of electricity. The Swedish Energy Agency's key ratio is used for residential property since we do not have onward delivery of electricity and therefore lack the underlying data for residential property.

We use weighting to an average year for district heating for each location. In previous years fuel in the form of oil and pellets was weighted to an average year. District cooling was not weighted to an average year in 2019, but we are looking into the possibility of doing this in the future.

The energy intensity measure includes heat, cooling and electricity, including tenants' energy consumption, and is measured per m<sup>2</sup>. In previous years, fuel in the form of oil and pellets was included. We use the total letting area, excluding the garage, indexed by a factor of 1.15, to include the shared areas and technical areas. We use the Swedish National Board of Housing's Building Regulations and Atemp to define the area for which a building's energy consumption is to be calculated.

Atrium Ljungberg's goal is to reduce energy consumption per m<sup>2</sup> by 30 per cent from 2014 to 2021. We also include the energy consumption of our tenants in our target. Purchased and sold properties are calculated in relation to period of ownership. In terms of like-for-like properties, we use the definition from EPRA, which states that properties must have been owned for at least two full reporting years before they are included in the reporting in order to ensure as comparable statistics between the years as possible. Like-for-like key figures are a complement to the actual consumption, as they show change in performance that is not related to changes in the property portfolio.

The energy statistics do not include the subsidiary TL Bygg or project properties. This is because we report in accordance with EPRA's guidelines, which only includes the property portfolio.

**DEVELOPMENTS IN 2019**

Energy consumption weighted to an average year has decreased by 5 per cent (3%) since 2018 when comparing like-for-like portfolios (LfL). The actual energy consumption and energy intensity also decreased. This is due to changes in the property portfolio, for example, acquisitions and sales, but also new builds, reconstructions and extensions. In 2019 we also installed LED lighting in properties and heat pumps in two properties in order to reduce energy consumption. We installed a new energy system in an office property with a data center in Gothenburg, which has halved carbon dioxide emissions.

At the start of 2019 the former pellet and oil-fired facility was closed down, which is why it is not included in the statistics for 2019 below. This means that we no longer have any fuel-fired facilities in our property portfolio. See pages 28–31 for further information about our work.

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## H.4 ENERGY CONSUMPTION, cont.

Energy			Absolute measures use (ABS)			Like-for-like (LFL) per property type												
			Atrium Ljungberg Total			Offices			Retail			Residential			Atrium Ljungberg Total			
EPRA code	Unit	Indicator	2019	2018	2017	2019	2018	Change	2019	2018	Change	2019	2018	Change	2019	2018	Change	
Elec-Abs Elec-LfL	MWh	Electricity	Total landlord-obtained electricity, measured	51,811	54,957	55,018	21,679	24,023	-10%	25,607	29,483	-13%	1,845	1,519	21%	48,805	55,352	-12%
		<i>Property electricity, measured</i>	Total number of properties included in the indicator	50	52	51	29	29		13	13		5	5		48	48	
Elec-Abs Elec-LfL	MWh	Electricity	Total tenant-obtained electricity, measured	63,734	66,480	69,579	34,471	33,816	2%	29,279	28,886	1%	-	-	-	63,763	62,703	2%
		<i>Tenant electricity, measured</i>	Total number of properties included in the indicator	26	26	25	20	20		8	8		-	-		26	26	
Elec-Abs Elec-LfL	MWh	Electricity	Total tenant electricity, standard value	19,248	20,435	22,880	19,249	20,554	-6%	6,173	6,173	0%	2,648	2,648	0%	19,248	19,249	0%
		<i>Tenant electricity, standard value</i>	Total number of properties included in the indicator	22	26	26	12	12		5	5		5	5		22	22	
DH&C-Abs DH&C-LfL	MWh		Total landlord-obtained heating and cooling	106,833	113,050	104,240	66,658	71,493	-7%	28,059	30,358	-8%	7,695	8,847	-13%	102,629	110,933	-7%
		<i>Total district heating and cooling</i>	Total number of properties included in the indicator	54	52	51	30	30		14	14		5	5		49	49	
Fuel-Oil	MWh	Fuels	Total oil	-	220	133	-	-	-	-	-	-	-	-	-	-	-	-
			Total number of properties included in the indicator	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Fuel-Pellets			Total pellets	-	1,472	1,949	-	-	-	-	-	-	-	-	-	-	-	-
			Total number of properties included in the indicator	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-
Fuels-Abs Fuels-LfL			Total fuel (oil and pellets)	-	1,692	2,082	-	-	-	-	-	-	-	-	-	-	-	-
		<i>Total fuel</i>	Total number of properties included in the indicator	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-
			Share of the total fuel that is renewable	-	87%	94%	-	-	-	-	-	-	-	-	-	-	-	-
	MWh	Energy	Total energy use	241,626	256,614	251,251	132,954	141,348	-6%	89,117	94,900	-6%	11,874	13,340	-11%	234,164	249,822	-6%
	MWh	Energy	Total energy use (Degree day corrected)	244,676	259,786	257,160	135,134	141,487	-4%	90,848	95,495	-5%	11,156	12,461	-10%	237,152	249,444	-5%
Energy intensity	kWh/m <sup>2</sup>	Energy intensity	Energy building intensity	221	234	232	211	230	-8%	266	254	5%	140	156	-10%	220	237	-7%

The total number of properties is 54 (52).

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## H.5 CARBON DIOXIDE EMISSIONS

## CALCULATION METHODS AND SCOPE

Atrium Ljungberg reports carbon dioxide emissions in accordance with Greenhouse Gas Protocol, which internationally, is the most common method for voluntarily calculating a company's greenhouse gas emissions. Since 2007, which is also our base year, we have been reporting the calculations of our emissions for Scope 1, 2 and 3 to CDP. Only carbon dioxide emissions are included. Carbon dioxide emissions in the base year 2007 amounted to 323 tonnes in Scope 1, 5,946 tonnes in Scope 2 and 32,048 tonnes in Scope 3.

We use the principle of control based on ownership, once we have defined what is included in our carbon dioxide emissions. This means that the emissions from our tenants' energy consumption in our properties are reported in Scope 1 and 2.

Emissions from heating consumption in Scope 1 and 2 are based on actual consumption. The emission figures for calculating emissions from oil, pellets, electricity and district cooling have been obtained from the relevant supplier. The emission figures for district heating have been obtained from the Swedish District Heating Association, where the values from previous years have been used. We use 'Nordisk elmix' to calculate emissions for electricity using the location-based method and from tenants that have their own electricity subscription. Our own

electricity consumption and our onward delivery of electricity to our customers are origin-labelled and generated using hydroelectricity, which produces zero carbon dioxide emissions.

In Scope 3 we calculate emissions that are generated from our visitors' journeys to and from our retail hubs, which is a significant emission category downstream in the value chain. These calculations are based on a rough estimate of habits, travel patterns and the number of miles driven. The emission factor for our customers' car journeys to and from our retail hubs corresponds to the emissions of an average private car for 2018 according to the Swedish Transport Administration.

We also include emissions from business trip by plane and private vehicle in Scope 3. This year we have also included trips by train in Sweden, but the carbon dioxide emissions from trains are insignificant in this context. Other categories in Scope 3 are not reported as the emissions are either insignificant or we do not currently have reliable data for them. We are investigating the possibility of starting to report the emissions from building materials purchased and from the building production stage in the future as well.

## Carbon dioxide emissions, origin and sources

Scope	Activity	Data source	Emission factor
Scope 1	Use of oil in properties	Data from suppliers for 2018–2017	Heating oil 246 g CO <sub>2</sub> /kWh
Scope 1	Use of pellets in properties	Data from suppliers for 2018–2017	Pellets 6 g CO <sub>2</sub> /kWh
Scope 1	Business trips using service and company cars	Data from Autoplan and an estimate of the use of individual cars outside Autoplan	Emission factor for each vehicle
Scope 2	Electricity consumption in properties	Data from suppliers is used in market-based calculations. We use hydroelectricity with guarantees of origin, which does not produce carbon dioxide emissions. 'Nordisk elmix' is used for location-based calculations and tenants with their own electricity subscription.	Market based: 0 g CO <sub>2</sub> /kWh Location based: 60 g CO <sub>2</sub> /kWh
Scope 2	District cooling consumption in properties	Data from suppliers	Emission factor for each supplier
Scope 2	District heating consumption in properties	Data from Svensk Fjärrvärme, one year time lag	Emission factor for each supplier
Scope 3	Business trips by air and train <sup>1)</sup>	Data from our travel agency Egencia, in accordance with STS standard.	kg CO <sub>2</sub> STS standard for each trip
Scope 3	Private vehicle used for work	Internal data from the finance system for mileage payments for business trips using a private car	Emission factor from the Swedish Transport Administration. 149 g CO <sub>2</sub> /km
Scope 3	Visitors to retail hubs	Estimated distance driven based on travel habits and customer surveys, and the emission factor from the Swedish Transport Administration.	149 g CO <sub>2</sub> /km

<sup>1)</sup> Train travel is included from 2019.

## DEVELOPMENT IN 2019

Atrium Ljungberg's carbon dioxide emissions come from heating its properties and the use of fuel for transports. In 2019 carbon dioxide emissions per m<sup>2</sup> from Scopes 1, 2 and 3 amounted to a total of 9 kg CO<sub>2</sub>e/m<sup>2</sup> (8), which was an increase on the previous year. This

was due to some district heating suppliers changing their fuel mix and now producing higher greenhouse gas emissions. Scope 1 emissions from the combustion of biomass amounted to 0 tonnes (8.8 tonnes) of carbon dioxide in 2019, as a pellet-burner was taken out of use at the start of 2019. Read more about our work during the year on pages 28–31.

## Greenhouse gas emissions

EPRA code	Unit	Indicator	Scope	Absolute measures use (ABS)			Like-for-like (LFL) per property type											
				Atrium Ljungberg Total			Offices			Retail			Residential			Atrium Ljungberg Total		
				2019	2018	2017	2019	2018	Change	2019	2018	Change	2019	2018	Change	2019	2018	Change
GHG-Dir-Abs	Tonne CO <sub>2</sub> e	Direct	Scope 1	163	320	337	-	-	-	-	-	-	-	-	-	-	-	
GHG-Dir-LfL				8,889	7,736	6,951	4,224	4,268	-1%	4,541	4,187	8%	2,047	2,113	-3%	8,116	7,635	6%
GHG-Indir-Abs				8,012	10,607	10,032	-	-	-	-	-	-	-	-	-	-	-	-
GHG-Indir-LfL	Other indirect	Scope 3																
GHG-Int	kg CO <sub>2</sub> e/m <sup>2</sup>	GHG Intensity		9	8	7	6	6	-6%	11	9	22%	14	15	-11%	9	8	13%

Scope 2 in the table has been calculated using market-based principles. Atrium Ljungberg's Scope 2 emissions, which were calculated using location-based principles, totalled 19,583 tonnes (19,483 tonnes) CO<sub>2</sub>e. The total number of properties is 54 (52).

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**H.5** CARBON DIOXIDE EMISSIONS, cont.**FINANCIAL IMPACT OF CLIMATE RISKS AND OPPORTUNITIES**

Every year we provide CDP with a rough estimate of what the financial impact of our climate risks would have on Atrium Ljungberg should they transpire. We have valued the total financial impact to be SEK 539 million in higher costs distributed as follows:

**Transition risks:**

- SEK 20 million in higher operating costs, primarily energy costs, due to the introduction of carbon dioxide tax or fees.
- SEK 100 million in higher project costs and higher investment needs due to stricter building regulations and stricter requirements for lower emissions from properties.
- SEK 258 million in lower demand that could be caused by tenants not willing to renegotiate their contracts if we do not meet their raised expectations.
- SEK 139 million from a higher vacancy rate, leading to a decrease in income, that is caused by an uncertain market that may not be willing to pay for climate adaptation.

**Physical risks:**

- SEK 20 million per year in higher costs due to a higher average temperature, due to greater variations in the energy price.
- SEK 2 million in higher repair and maintenance costs in properties caused by increased rainfall, snowfall and storms.

To reduce these climate risks, we are working with certifications of our buildings, green lease contracts, and reducing energy consumption.

These climate changes may also present opportunities that could have a positive financial impact on Atrium Ljungberg. We have estimated these to be SEK 186 million. These opportunities include producing our own solar power, reducing operating costs by streamlining resources and lowering emissions, and by ensuring that our properties maintain a high standard, meet stricter requirements and can contribute to climate-smart and sustainable cities. This will make them more competitive and may generate higher income.

These calculations are based on financial data for 2019 and assumptions of a percentage development resulting from the impact of climate change. The calculation methods used for assessing risks differed between 2018 and 2019, which means that these figures are not comparable.

Read more about our climate risks and opportunities in our public CDP report and on page 91.

**H.6** WATER**CALCULATION METHODS AND SCOPE**

Atrium Ljungberg reports water data using EPRA's guidelines, which show water consumption in properties. 'Water' refers to water purchased from suppliers. All of Atrium Ljungberg's properties are included in the statistics, but we do not report water consumption for all of the Group's construction sites or ongoing projects. The total number of properties with water delivery was 55 [52].

**DEVELOPMENT IN 2019**

Actual water consumption decreased during the year, totalling 382,581 [515,290] cubic metres. This is due to changes in our profit portfolio, the installation of restricted flow fixtures and other measures during reconstructions, but also due to a cooler summer compared with 2018 that reduced the need for water. See the table below for like-for-like figures.

Water			Absolute measures use (ABS)			Like-for-like (LFL) per property type											
			Atrium Ljungberg Total			Offices			Retail			Residential			Atrium Ljungberg Total		
EPRA code	Unit	Indicator	2019	2018	2017	2019	2018	Change	2019	2018	Change	2019	2018	Change	2019	2018	Change
Water-Abs	m <sup>3</sup>	Water	382,581	515,290	524,431	161,196	313,810	-49%	147,657	161,716	-9%	68,632	98,605	-30%	377,485	574,131	-34%
Water-LfL																	
Water intensity	m <sup>3</sup> /m <sup>2</sup>	Water intensity	345	466	471	251	527	-52%	415	454	-9%	858	1,233	-30%	350	549	-36%
<i>of applicable properties</i>		Total number of properties included in the indicator	55	52	51	24	24		9	9		3	3		33	33	22%

## NOTES

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**H.7 ENVIRONMENTALLY CERTIFIED BUILDINGS****CALCULATION METHODS AND SCOPE**

Environmentally certified buildings are buildings that have been awarded a sustainability certificate from an independent certification body. The certifications that we include in our statistics are BREEAM, BREEAM In-Use and Miljöbyggnad.

Our goal is for 100 per cent of Atrium Ljungberg's properties to be certified by 2021. When monitoring this goal, the outcome is calculated as the share of letting area that has been certified divided by the total letting area, excluding project properties and buildings acquired over the past two years. However, the EPRA key performance indicator for certifications that is reported below includes buildings acquired over the past two years.

**Environmentally certified buildings**

EPRA code	Indicator	Total			Divided by certification					
		Total number of environmentally certified objects			Miljöbyggnad		BREEAM In-Use		BREEAM	
		2019	2018	2017	2019	2018	2019	2018	2019	2018
	Number of certified assets	30	22	14	3	2	14	9	13	11
Cert-tot	Certified area [m <sup>2</sup> ]	539,431	365,478	176,626	17,100	10,178	407,419	245,793	114,912	109,507
	Certified area, share of total portfolio (%)	46	30	15	1	1	35	22	10	10

The base year for both goal monitoring and the EPRA key figure is 2016. In the base year of 2016, 13 per cent of the total letting in the like-for-like portfolio and 13 per cent of the total portfolio of properties were environmentally certified.

**DEVELOPMENTS IN 2019**

During the year the proportion of environmentally certified buildings in accordance with EPRA's definition increased from 30 to 46 per cent. This increase was due to five existing buildings being certified in accordance with BREEAM In-Use.

**H.8 GREEN LEASE CONTRACTS**

Green lease contracts are contracts that have the Swedish Property Federation's standard green appendix. This appendix is attached to the lease contract. Monitoring of the goal includes ongoing lease contracts as of the end of December that have a green appendix. All types of premises are included, with the exception of residential properties and garages which do not have green appendices at present. The lease value for the contracts that have a green appendix is divided by the total rental value in the same area of use.

Atrium Ljungberg's goal is for the proportion of green lease contracts to reach 50 per cent of contracted annual rent by the end of 2021. At the end of 2019, 36 per cent (27%) of our contracted annual rent came under a green lease contract. This improvement is due to a continued increase in the level of interest surrounding this kind of contract as well as a targeted focus from the entire property management to include this appendix in all new and renegotiated contracts.

**H.9 EMPLOYEES****NUMBER OF EMPLOYEES****Calculation methods and scope**

Atrium Ljungberg does not divide employees by region, but reports the Group's employees as a whole. We only report our own employees. We only use fixed-term employment to a very limited extent, which is why they are not included in our reporting of employees. In 2019, we only had five temporary employees. Similarly we do not include hired consultants or suppliers who work full time or part time under our roof. The reason for this is that they are covered by the supplier's employer responsibility, so we do not have access to their health and safety data.

**H.9 EMPLOYEES, cont.**

The reports in the following tables in note H.9 refers to the number of employees at the end of the year, except for the first table that shows the average number of employees.

We report data for employee turnover and employees divided by age and sex in accordance with EPRA.

**Developments in 2019**

At the end of 2019 the Group had 334 (304) employees, of whom 100 per cent (100%) have collective agreements. We almost only hire employees on a permanent and full-time basis. The average number of employees amounted to 320 (302).

The workforce remains relatively evenly distributed during the year, except during the summer when summer workers are employed, particularly in administration.

Read more about this development during the year on pages 32–33.

**Average number of employees, distributed by gender**

	The Group			Parent company		
	2019	2018	2017	2019	2018	2017
Men	231	219	2,019	120	118	115
Women	90	83	76	79	72	65
	<b>320</b>	<b>302</b>	<b>295</b>	<b>198</b>	<b>190</b>	<b>180</b>

## NOTES

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## H.9 EMPLOYEES, cont.

## Employee turnover (EPRA Emp-Turnover)

	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Year's change in number of employees</i>									
Number of employees at the start of the year	221	83	304	215	80	295	209	71	280
New hirings	38	21	59	28	15	43	29	18	47
Resignations	20	9	29	22	12	34	23	9	32
<b>Number of employees at the end of the year</b>	<b>239</b>	<b>95</b>	<b>334</b>	<b>221</b>	<b>83</b>	<b>304</b>	<b>215</b>	<b>80</b>	<b>295</b>
<i>New employees</i>									
under 30	3	3	6	10	2	12	5	4	9
30-49	27	17	44	15	12	27	19	14	33
50 and above	8	1	9	3	1	4	5	0	5
<b>Total</b>	<b>38</b>	<b>21</b>	<b>59</b>	<b>28</b>	<b>15</b>	<b>43</b>	<b>29</b>	<b>18</b>	<b>47</b>
<i>Resignations</i>									
under 30	5	0	5	5	1	6	3	4	7
30-49	8	8	16	9	10	19	13	2	15
50 and above	7	1	8	8	1	9	7	3	10
<b>Total</b>	<b>20</b>	<b>9</b>	<b>29</b>	<b>22</b>	<b>12</b>	<b>34</b>	<b>23</b>	<b>9</b>	<b>32</b>

## Employees divided by form of employment and employment type

	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Form of employment</i>									
Skilled employees	99	3	102	95	4	99	101	3	104
Administrative employees	140	92	232	126	79	205	114	77	191
<b>Number of employees at the end of the year</b>	<b>239</b>	<b>95</b>	<b>334</b>	<b>221</b>	<b>83</b>	<b>304</b>	<b>215</b>	<b>80</b>	<b>295</b>
<i>Type of employment</i>									
Full-time	239	93	332	221	81	302	214	79	293
Part-time	-	2	2	-	2	2	1	1	2
<b>Total</b>	<b>239</b>	<b>95</b>	<b>334</b>	<b>221</b>	<b>83</b>	<b>304</b>	<b>215</b>	<b>80</b>	<b>295</b>

The total number of employees as of 31 December 2018 has been recalculated to exclude the Board members, which were included in the figure in the 2018 Annual Report.

## Employees divided by age and sex (EPRA Diversity-Emp)

	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<i>Age distribution all employees</i>									
under 30	25	6	31	31	6	37	34	7	41
30-49	144	73	217	126	67	193	116	63	179
50 and above	70	16	86	64	10	74	65	10	75
<b>Total</b>	<b>239</b>	<b>95</b>	<b>334</b>	<b>221</b>	<b>83</b>	<b>304</b>	<b>215</b>	<b>80</b>	<b>295</b>
<i>Age distribution company management</i>									
under 30	-	-	-	-	-	-	-	-	-
30-49	3	2	5	3	3	6	3	3	6
50 and above	-	1	1	-	1	1	-	1	1
<b>Total</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>7</b>
<i>Age distribution other managers and employees</i>									
under 30	25	6	31	31	6	37	34	7	41
30-49	141	71	212	123	64	187	113	60	173
50 and above	70	15	85	64	9	73	65	9	74
<b>Total</b>	<b>236</b>	<b>92</b>	<b>328</b>	<b>218</b>	<b>79</b>	<b>297</b>	<b>212</b>	<b>76</b>	<b>288</b>
<i>Age distribution Board of Directors</i>									
under 30	-	-	-	-	-	-	-	-	-
30-49	2	1	3	2	1	3	2	1	3
50 and above	2	-	2	2	1	3	2	1	3
<b>Total</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>6</b>
<i>Gender distribution</i>									
Board of Directors	4	1	5	4	2	6	4	2	6
Company management	3	3	6	3	4	7	3	4	7
Mid-level management	30	12	42	24	13	37	24	13	37
Other	206	80	286	193	67	260	188	63	251
<b>Total</b>	<b>243</b>	<b>96</b>	<b>339</b>	<b>224</b>	<b>86</b>	<b>310</b>	<b>219</b>	<b>82</b>	<b>301</b>

## SICK LEAVE AND ACCIDENTS

## Calculation methods and scope

Only our own employees are included in the statistics for sick leave and accidents. We base our calculations on total working hours of 388,072 (368,089) for Atrium Ljungberg and 243,191 (230,442) for TL Bygg, which in total amounts to 631,263 (598,531) in 2019. Day refers to contracted work days, not calendar days. The accident rate is reported per one million working hours.

The reasons why we only report two years in some of the tables is that 2018 was the first year when we performed the measurement and compilation of this data.



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**H.9 EMPLOYEES, cont.****Developments in 2019**

The Group's sick leave decreased slightly in 2019, from 5 per cent to 3 per cent, which was mostly due to the number of people on long-term sick leave recovering and returning to work.

The number of work-related accidents increased slightly, including the number of commuting accidents to and from work, as well as other near accidents and accidents that did not result in sick leave. There were no serious accidents and the accidents that resulted in sick leave were for lifting injuries and injuries caused by falling objects.

Lost working hours as a result of work-related accidents or illnesses more than halved during the year. There were no (0) fatalities.

Read more about our employees on pages 32–33.

**Sick leave by gender, % of total contracted working hours**

	2019	2018	2017
Men	3%	4%	5%
Women	3%	6%	4%
<b>Total absence</b>	<b>3%</b>	<b>5%</b>	<b>4%</b>

**Sick leave by age and sex (EPRA H&S-Emp)**

	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
under 30	2.2	4.5	1.9	3.5	1.0	3.1	4.9	1.6	4.3
30–49	3.4	3.2	3.3	3.2	6.1	4.1	2.9	3.3	3.0
50 and above	3.2	5.0	3.5	6.5	7.5	6.7	7.0	8.2	7.2
<b>Total</b>	<b>3.2</b>	<b>3.4</b>	<b>3.2</b>	<b>4.3</b>	<b>6.0</b>	<b>4.8</b>	<b>4.5</b>	<b>4.0</b>	<b>4.4</b>

**Accidents and related absence**

Number	2019			2018		
	Men	Women	No. of absence days, absolute figures	Men	Women	No. of absence days, absolute figures
Accidents with sick leave	5	–	31.5	3	–	150
Sickness or other ill health	3	1	40	1	–	–
Accidents without sick leave	12	–	–	8	1	–
Near accidents	10	–	–	2	–	–
Commuting accident <sup>1)</sup>	5	2	56	5	–	–
<b>Total</b>	<b>35</b>	<b>3</b>	<b>128</b>	<b>19</b>	<b>1</b>	<b>150</b>

<sup>1)</sup> A commuting accident is an accident that takes place outside of working hours, on the way to and from work.

**Work-related accidents and accident rate (LTIR)**

	2019		2018		2017	
	No. of cases	Rate	No. of cases	Rate	No. of cases	Rate
Atrium Ljungberg	2	5.2	1	2.7	2	5.7
TL Bygg	3	12.3	2	8.7	4	17.0
<b>Total</b>	<b>5</b>	<b>7.9</b>	<b>3</b>	<b>5.0</b>	<b>6</b>	<b>10.3</b>
Men	5	10.9	3	5.0	6	10.3
Women	0	0.0	–	–	–	–
<b>Total</b>	<b>5</b>	<b>7.9</b>	<b>3</b>	<b>5.0</b>	<b>6</b>	<b>10.3</b>

The accident rate is reported per one million working hours.

**Lost working hours as a result of a work-related accident or illness (Lost Day Rate)**

	2019		2018		2017	
	No. of days	Rate	No. of days	Rate	No. of days	Rate
Atrium Ljungberg	18	0.0	4	0.0	23	0.1
TL Bygg	54	0.0	146	0.4	59	0.2
<b>Total</b>	<b>72</b>	<b>0.0</b>	<b>150</b>	<b>0.2</b>	<b>82</b>	<b>0.1</b>
Men	72	0.0	150	0.2	82	0.1
Women	–	–	–	–	–	–
<b>Total</b>	<b>72</b>	<b>0.0</b>	<b>150</b>	<b>0.2</b>	<b>82</b>	<b>0.1</b>

**H.10 DIRECT ECONOMIC VALUE AND TAX****FINANCIAL VALUE CREATION**

Atrium Ljungberg creates value through its management, development and acquisition of properties in Sweden. The generated economic value mainly comprises rental income, investments and unrealised changes in the value of properties.

The generated economic value is distributed between suppliers, employees, lenders, society and the owners. Economic value distributed corresponds to economic value generated. The largest share of our distributed economic value refers to payments to suppliers for the products and services we purchase. For definitions, see page 183.

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**H.10** DIRECT ECONOMIC VALUE AND TAX, cont.

	2019	2018	2017
<b>Directly generated economic value</b>			
Revenue	5,026	5,197	4,493
<b>Economic value distributed</b>			
Payments to suppliers	2,401	2,289	2,120
Salaries and compensation to employees	204	180	166
Fees and compensation to the Board and CEO	25	24	28
Payments to financiers, net	372	314	387
Tax to society	477	335	303
Dividends to shareholders	631	599	526
<i>Total distributed economic value</i>	<i>4,110</i>	<i>3,741</i>	<i>3,530</i>
<b>Economic value — remaining in the company</b>	<b>916</b>	<b>1,456</b>	<b>963</b>

<sup>1)</sup> Economic value distributed corresponds to economic value generated.

## TAXES

Atrium Ljungberg's directly distributed economic value to society comprises taxes and leasehold fees. These taxes mainly comprise current tax, property tax, non-deductible VAT, stamp duty, social security payments and special payroll tax. The rules on these taxes are monitored carefully as this is an essential part of the commercial offer with requirements for high predictability and minimisation of administrative expenses. Within the framework of this, in its tax policy Atrium Ljungberg undertakes not to conduct aggressive tax planning. Aggressive tax planning refers to arrangements which only aim to minimise the tax without links to own business activities. The tax policy is available in its entirety on our website.

In 2019 new tax regulations were introduced for the right to deduct interest. This means that the company may only deduct up to 30 per cent of interest expenses.

Tax	2019	2018	2017
Current tax	63	35	9
Property tax	174	150	142
Non-deductible VAT	79	61	53
Stamp duty	55	-	4
Social security payments	65	54	53
Special payroll tax	8	7	6
<b>Total taxes</b>	<b>443</b>	<b>308</b>	<b>268</b>
Leasehold fees	34	27	35
<b>Total to society</b>	<b>477</b>	<b>335</b>	<b>303</b>

**H.11** ANTI-CORRUPTION

## CALCULATION METHODS AND SCOPE

Corruption refers to the misuse of a position of power or trust for a person's own benefit or for the benefit of others. We report cases of corruption which concern regular employees and temporary employees. All of our operations, 100 per cent, have been examined for corruption, and the main risks identified during this examination relate to suppliers, letting and transactions.

## DEVELOPMENTS IN 2019

Zero (0) incidents of corruption were confirmed in 2019.

Incidents of corruption	2019	2018	2017
Number of confirmed incidents of corruption	-	-	1
Number of employees who have had to resign as a result of corruption	-	-	1
Number of collaboration agreements that have been terminated as a result of corruption	-	-	-
Legal procedures for corruption that have been brought against the organisation and our employees	-	-	-

**H.12** SUPPLIERS

## CALCULATION METHODS AND SCOPE

Supplier refers to those that invoiced at least SEK 100,000 in 2019. New supplier refers to those with which Atrium Ljungberg signed a new agreement during the year. In addition to the framework agreements, we have included new agreements signed within project organisation and property management. However, we have not yet included agreements from business development or subsidiaries.

We previously used the Swedish Property Federation's self-evaluation form to evaluate suppliers, but the Swedish Property Federation discontinued this database in 2018. From 2019, we have been using desk audits instead to check that existing suppliers comply with our supplier policy. In 2019, we revised our supplier policy, making it more comprehensive and useful when setting requirements and monitoring them.

We have decided to focus on reviewing existing suppliers instead of new ones. In terms of new suppliers, it is not important what they have done historically. What is important is that they are willing to work with us to make a change. Our existing suppliers also need to continually develop to comply with our requirements. This is why we are reviewing existing suppliers.

**H.12** SUPPLIERS, cont.**DEVELOPMENTS IN 2019**

In 2019, Atrium Ljungberg had 1,100 (968) suppliers, 100 (78) of whom had framework agreements. When agreements are signed, the supplier must sign the supplier policy, which is added as an appendix to the agreement. Atrium Ljungberg monitors new suppliers by ensuring our supplier policy has been signed. In 2019, agreements were signed with 188 (165) new suppliers; 24 (30) of them have a framework agreement. Of these, 150 (102) signed Atrium Ljungberg's supplier policy.

Using a third party, we carried out 19 desk audits of existing suppliers and selected existing suppliers with framework agreements. Based on the results of the desk audits, on-site audits will be performed on five selected suppliers in February 2020. Read more about purchasing and our suppliers on pages 34–35.

**H.13** BOARD'S SIGNATURES

The Board and CEO ensure that the Sustainability Report has been produced in accordance with the Swedish Annual Accounts Act.

Nacka, 2 March 2020

**Johan Ljungberg**  
Chairman of the Board

**Conny Fogelström**  
Member of the Board

**Simon de Château**  
Member of the Board

**Sara Laurell**  
Member of the Board

**Erik Langby**  
Member of the Board

**Annica Ånäs**  
CEO

**Supplier audits 2019**

	2019	2018	2017
Percentage of new suppliers that have signed Atrium Ljungberg's supplier policy <sup>1)</sup>	80%	62%	48%
Number of existing suppliers that have been audited <sup>2)</sup>	19	20	18
Number of audits at the supplier's place of business <sup>3)</sup>	0	0	0

<sup>1)</sup> This performance measure covers framework agreements and agreements signed within project management and property management in 2019. Business development and subsidiaries are not included.

<sup>2)</sup> This performance measure specifies the number of suppliers with existing central framework agreements that have been reviewed during the year through desk audits; this corresponds to 19 per cent (26%). According to GRI Standards 308-1 and 414-1, the new suppliers are to be reviewed based on environmental and social criteria.

<sup>3)</sup> The audit in 2019 resulted in a decision to perform on-site audits of five suppliers at the beginning of 2020.

**H.14** THE AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the General Meeting of Atrium Ljungberg AB (publ), corporate identity number 556175-7047

**Assignment and responsibilities**

The Board of Directors is responsible for the 2019 Sustainability Report and for it being prepared in accordance with the Swedish Annual Accounts Act.

**Focus and scope of the examination**

Our examination has been conducted in accordance with FAR's recommendation RevR 12. *The auditor's opinion regarding the statutory sustainability report.* This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

**Statement**

A sustainability report has been prepared.

Stockholm, 2 March 2020

Öhrlings PricewaterhouseCoopers AB

**Helena Ehrenborg**  
Authorised Public Accountant

# PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

The following sum in the parent company is available for disposal by the Annual General Meeting:

Profit brought forward	SEK 6,051,919,325
Net profit for the year	SEK 955,184,743
<b>Total</b>	<b>SEK 7,007,104,068</b>

The Board of Directors proposes that the unappropriated earnings be allocated as follows:

That a dividend of SEK 5.0/share be paid to the shareholders	SEK 649,193,680
Carried forward	SEK 6,357,910,388
<b>Total</b>	<b>SEK 7,007,104,068</b>

## BOARD STATEMENT CONCERNING THE PROPOSED DIVIDEND

The Board of Directors hereby issues the following statement in accordance with chapter 18, §4 of the Swedish Companies Act (2005:551). The Board's declaration that the proposed dividend is compatible with the provisions of chapter 17, § 3, sections 2 and 3 of the Swedish Companies Act is as follows:

### The nature and scope of the operations and the risks associated therewith

The nature and scope of the operations are specified in the Articles of Association and the published annual accounts. The operations conducted by the company do not entail risks over and above either those that arise or which may be expected to arise within the sector or those generally associated with commercial operations and the conduct thereof.

### The financial position of the company and the Group

The financial position of the company and the Group on 31 December 2019 is shown in the 2019 annual accounts. The principles applied to the valuation of assets, provisions and liabilities are shown in the notes on pages 118–149 of the Annual Report.

It is apparent from the treatment of unappropriated earnings proposal that the Board proposes payment of a dividend of SEK 5.00 per share, corresponding to a total sum of approximately SEK 649 million. The proposed dividend comprises 8.5 per cent of the parent company's equity and 2.8 per cent of the Group's equity. Funds available for payment as dividends within the parent company at the end of the 2019 financial year totalled SEK 7,007 million. The record date for the distribution of profits proposed by the Board of Directors is Friday 27 March 2020.

It is apparent, inter alia, from the annual accounts that the Group's equity/assets ratio is 45.8 per cent. The proposed dividend does not jeopardise fulfilment of the investments deemed necessary. The company's financial position does not give occasion to assume anything other than that the company will be able to continue its opera-

tions and that the company can be expected to fulfil its undertakings in both the short and the long-term.

### The defensibility of the dividend proposal

The Board of Directors is of the opinion, with reference to the above and to other information obtained by the Board, that the financial position of the company and the Group are such that the dividend proposal is defensible with reference to chapter 17, §3, sections 2 and 3 of the Swedish Companies Act, i.e. with reference to the requirements that the nature and scope of the operations and the risks it entails impose on the size of the company's and the Group's equity and the consolidation requirements, liquidity and position in general of the company and the Group

Nacka, 2 March 2020

Atrium Ljungberg AB (publ)  
Board of directors

# ANNUAL ACCOUNTS SIGNATORIES

The Board of Directors and the CEO hereby attest that the consolidated accounts and the annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and with generally accepted auditing principles, and that they

provide a true and fair view of the Group's and the company's respective positions and results and that the Directors' Report for the Group and the Directors' Report for the company are faithful representations of the development of the performance by the Group's and the company's

operations, and of their respective positions and results, and that they describe significant risks and uncertainty factors faced by the companies that make up the Group.

Nacka, 2 March 2020

**Johan Ljungberg**  
Chairman of the Board

**Conny Fogelström**  
Member of the Board

**Simon de Château**  
Member of the Board

**Sara Laurell**  
Member of the Board

**Erik Langby**  
Member of the Board

**Annica Ånäs**  
CEO

Our Audit Report was submitted on 2 March 2020.

Öhrlings PricewaterhouseCoopers AB

**Helena Ehrenborg**  
Authorised Public Accountant

For translation purposes

# AUDITOR'S REPORT

To the general meeting of the shareholders of Atrium Ljungberg AB (publ), corporate identity number 556175-7047

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

### OPINIONS

We have audited the annual accounts and consolidated accounts of Atrium Ljungberg AB (publ) for the year 2019 except for the corporate governance statement on pages 97–100. The annual accounts and consolidated accounts of the company are included on pages 82–95, 97–149 (section PC) and 162–163 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 97–100. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

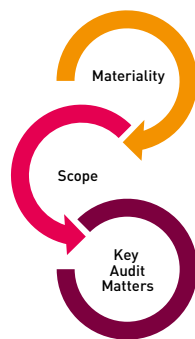
### BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### OUR AUDIT APPROACH

#### Overview



#### Materiality

Overall group materiality: 225 million SEK which represents 0,5 percent of the group's total assets.

#### Scope

Our audit involves conducting a review of all significant companies in the group and includes a focus on central business processes and the audit of the valuation of the investment properties from a group perspective. The main focus of the audit is to evaluate to what extent the annual accounts, in all material respects, reflect the value of the investment properties according to the Company's valuation principles, and whether those principles are consistent with IFRS.

#### Key audit matter

Valuation of investment properties.0

Atrium Ljungberg is a property group that owns, develops and manages properties in prime locations in Stockholm, Gothenburg, Malmö and Uppsala. The company develops vibrant environments where office, residential and retail spaces incorporate areas for cultural experiences, services

and education. The operations of the company comprise two segments, projects- and construction and investment properties.

### AUDIT SCOPE

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates. We have adopted an approach where we assessed the value of all material properties in the group. A total of 93 percent of the total assets of the group are represented by investment properties that are valued to fair market value and is therefore the main focus area of the audit.

### MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial state-

## REVISIONSBERÄTTELSE

ments as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<b>Group materiality</b>	Overall materiality: approx. 225 million SEK, that represent 0,5 percent of the group's total assets.
<b>How we determined it</b>	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users since the value of the properties have a significant impact on the financial status of the group, and is a generally accepted benchmark. We chose, 5 percent which is within the range of acceptable quantitative materiality thresholds in auditing standards.

## KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the

context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Valuation of investment properties</b></p> <p>We refer to the Management Administration Report and the summary of Atrium Ljungberg Group's important accounting and valuation principles as well as the changes in fair values in note T.1.</p> <p>The value of the investment properties amounts to SEK 47.5 billion at 2019-12-31. The investment properties constitute a significant part of the balance sheet and the valuation of the investment properties is inherently subjective and subject to management's assessments of, for example, the specific property's location, condition and future rental income. Investment properties with major uncertainties regarding market value assessments are ongoing project properties.</p> <p>Atrium Ljungberg's valuation process is governed by an established valuation policy. The property portfolio is valued internally every quarter. The valuation is made in accordance with the international valuation standard IVS. Each property is valued individually. As part of ensuring that the valuation is fair, independent external valuation specialists are contracted being Forum Fastighetsekonomi, Newsec and Savills for 2019.</p> <p>Investment properties totalling 44 percent of the total market value has been externally valued. The remaining portion has been internally assessed and Atrium Ljungberg's valuation team has a dialogue with the other areas within Atrium Ljungberg to ensure that the valuations contain accurate and relevant data regarding, for example, rental levels, areas, vacancy rates and an overall analysis of the development by type of property. In addition, the external valuation institutions have quality assured assumptions about market rents, operating costs, vacancies and investor return requirements for the entire portfolio</p> <p>The significance of the estimates and judgments that are included in determining the fair value, the sensitivity of the values to changes in assumptions and judgments together with the fact that the amounts are significant, makes the valuation of management properties a Key Audit Matter.</p>	<p>Among other things, our audit has focused on the company's internal control and quality assurance relating to the execution of the valuations of these investment properties. The audit team, including our valuation specialists, has reviewed and assessed Atrium Ljungberg's valuation policy, guidelines and valuation methods. For a selection of the investment properties, we have ensured that the valuations comply with Atrium Ljungberg's valuation policy including guidelines.</p> <p>Atrium Ljungberg applies the same calculation model as the external valuers, which makes the company's quality assurance of the valuations more reliable. We have evaluated the external appraiser's experience and assessed the group's agreement with the external appraiser to assess if there were any circumstances that could have affected their objectivity and limitations in their work.</p> <p>Furthermore, on a sample basis, we have tested the management's input to the valuation models from the company's systems. This is to ensure that the information for the property valuations used in the external valuers is accurate and correct.</p> <p>We have held meetings with those responsible for valuation where important assumptions and assessments were discussed. Our work has focused on the largest investment properties in the portfolio, project properties and the properties where there were the greatest variations in value compared to previous quarters. We have assessed the yield requirements used by external valuers by comparing these with estimated ranges for expected yield requirements and benchmarks with available market data for the affected markets.</p> <p>The values are based on assessments and are inherently subject to inherent uncertainty. Based on our review, our assessment is that the assumptions used by Atrium Ljungberg are within a reasonable range. As a result of our review, we have not reported any material observations to the Audit Committee.</p>

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### OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–81, 96, 149 [section S] –161, 169–185. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Atrium Ljungberg AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the



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group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 96–102 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance

with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Atrium Ljungberg AB (publ) by the general meeting of the shareholders on the 27th of March 2019 and has been the company's auditor since the 27th of March 2019.

Nacka 2 March 2020

Öhrlings PricewaterhouseCoopers AB

**Helena Ehrenborg**

Authorized Public Accountant

# AUDITOR'S LIMITED ASSURANCE REPORT ON ATRIUM LJUNGBERG'S SUSTAINABILITY REPORT AND OPINION ON THE STATUTORY SUSTAINABILITY REPORT

This is a translation of the original report in Swedish  
To the annual general meeting of Atrium Ljungberg AB  
(publ), corporate identity number 556175-7047

## INTRODUCTION

We have been engaged by the Board of Directors of Atrium Ljungberg AB (publ) ("Atrium Ljungberg") to undertake a limited assurance of Atrium Ljungberg's Sustainability Report for the year 2019. The company has defined the scope of the sustainability report on the inside cover of the annual report, which also constitutes the statutory sustainability report.

## RESPONSIBILITIES OF THE BOARD AND MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and Group Management are responsible for preparing the Sustainability Report, including the Statutory Sustainability Report, in accordance with applicable criteria and the Annual Accounts Act. The criteria are described on page 185 of the Sustainability Report, and consist of the parts of the framework for sustainability reports published by GRI (Global Reporting Initiative) that are applicable to the sustainability report, as well as the accounting and calculation principles that the company has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

## RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the sustainability report based on the limited assurance procedures we have performed and to provide an opinion on the statutory sustainability report. Our assignment is limited to the

historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. We have conducted our review regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and a review according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Atrium Ljungberg according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and review according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed.

The stated conclusion based on a limited assurance and review in accordance with RevR 12, therefore, does not

have the security that a stated conclusion based on an audit has. Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## CONCLUSION

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not, in all material respects, prepared in accordance with the criteria defined by the Board of Directors and Group Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 2nd of March 2020

Öhrlings PricewaterhouseCoopers AB

**Helena Ehrenborg**  
Authorised Public Accountant

**Fredrik Ljungdahl**  
Expert Member of FAR

<b>FIVE-YEAR OVERVIEW</b>	<b>170</b>
<b>PROPERTY LIST</b>	<b>173</b>



Roof terrace at Luftverkstaden in Sickla

# FIVE-YEAR OVERVIEW

Amounts in SEK m	2019	2018	2017	2016	2015
<b>INCOME STATEMENTS</b>					
Rental income	2,577	2,412	2,389	2,150	2,122
Sales, project and construction work	233	217	174	149	346
<b>Net sales</b>	<b>2,811</b>	<b>2,629</b>	<b>2,563</b>	<b>2,299</b>	<b>2,468</b>
Property management costs	-810	-764	-742	-692	-671
Project and construction work costs	-276	-246	-206	-162	-372
<b>Gross profit</b>	<b>1,724</b>	<b>1,619</b>	<b>1,615</b>	<b>1,445</b>	<b>1,425</b>
– of which gross profit/loss from property management	1,767	1,648	1,647	1,458	1,450
– of which gross profit/loss from project and construction work	-43	-29	-31	-12	-26
Central administration, property management	-80	-73	-48	-82	-60
Central administration, project and construction work	-16	-30	-16	-15	-15
	<b>-96</b>	<b>-103</b>	<b>-64</b>	<b>-97</b>	<b>-76</b>
Financial income	2	1	1	1	2
Financial expenses	-362	-303	-372	-385	-405
Leasehold fees	-34	-	-	-	-
	<b>-395</b>	<b>-302</b>	<b>-370</b>	<b>-384</b>	<b>-403</b>
<b>Profit/loss before changes in value</b>	<b>1,234</b>	<b>1,214</b>	<b>1,180</b>	<b>965</b>	<b>945</b>
Properties, unrealised changes in value	2,283	2,516	1,817	2,772	2,328
Properties, realised changes in value	73	121	-4	6	-44
Financial instruments, unrealised changes in value	-90	-70	121	-307	201
Financial instruments, realised changes in value	-50	1	-5	-	-
	<b>2,216</b>	<b>2,568</b>	<b>1,930</b>	<b>2,471</b>	<b>2,485</b>
<b>Profit before tax</b>	<b>3,450</b>	<b>3,781</b>	<b>3,110</b>	<b>3,436</b>	<b>3,431</b>
Current tax	-63	-35	-9	-4	-17
Deferred tax	-580	-294	-542	-751	-630
<b>Profit for the year</b>	<b>2,807</b>	<b>3,453</b>	<b>2,559</b>	<b>2,681</b>	<b>2,784</b>

Amounts in SEK m	2019	2018	2017	2016	2015
<b>BALANCE SHEETS</b>					
Investment properties	47,513	43,310	39,991	36,054	30,841
Right-of-use asset, leaseholds	1,305	–	–	–	–
Goodwill	225	225	240	263	263
Other fixed assets	73	45	45	52	48
Long-term derivatives	82	–	–	–	–
Development properties	997	891	870	–	–
Current assets	411	323	1,272	357	405
Cash and cash equivalents	457	335	344	276	389
<b>Total assets</b>	<b>51,062</b>	<b>45,128</b>	<b>42,763</b>	<b>37,002</b>	<b>31,947</b>
<b>Equity</b>	<b>22,784</b>	<b>20,696</b>	<b>18,223</b>	<b>16,176</b>	<b>13,953</b>
Deferred tax liability	5,106	4,598	4,531	4,010	3,275
Non-current interest-bearing liabilities	20,211	18,506	16,415	13,125	10,976
Non-current finance leasing liability	1,305	–	–	–	–
Long-term derivatives	348	349	484	900	621
Other non-current liabilities	222	202	73	60	32
Current interest-bearing liabilities	–	–	1,832	1,970	2,285
Short-term derivatives	–	–	–	9	–
Other current liabilities	1,086	777	1,205	751	804
<b>Total equity and liabilities</b>	<b>51,062</b>	<b>45,128</b>	<b>42,763</b>	<b>37,002</b>	<b>31,947</b>
Amounts in SEK m	2019	2018	2017	2016	2015
<b>CASH FLOW STATEMENTS</b>					
Cash flow from operating activities	1,350	1,260	1,166	949	1,006
Cash flow from investment activities	-1,975	-348	-3,443	-2,435	-1,535
Cash flow from financing activities	748	-920	2,346	1,373	504
<b>Cash flow for the year</b>	<b>122</b>	<b>-9</b>	<b>68</b>	<b>-113</b>	<b>-25</b>

Amounts in SEK m	2019	2018	2017	2016	2015
<b>KEY RATIOS</b>					
<i>Property-related key ratios</i>					
Letting rate excluding project properties, %	95	95	95	93	94
Letting rate including project properties, %	93	95	95	93	94
Operating surplus margin, %	67	68	69	68	68
Letting area, '000 m <sup>2</sup>	1,176	1,129	1,146	1,124	1,034
Investments in properties, SEK m	1,810	1,758	1,593	1,002	768
Number of properties at the end of the period	70	51	53	50	48
<i>Financial key ratios</i>					
Equity/assets ratio, %	45.8	45.9	42.6	43.7	43.7
Gearing ratio, %	41.7	41.9	44.7	41.9	43.0
Adjusted gearing ratio, %	41.7	41.9	44.1	41.9	43.0
Interest coverage ratio	4.4	5.0	4.2	3.5	3.3
Average interest on interest-bearing liabilities (at the end of the period), %	1.6	1.6	1.7	2.3	2.9
Return on equity, %	12.9	17.7	15.0	17.8	21.8
Return on equity, excluding changes in value, %	4.6	5.1	5.5	5.8	6.3
Return on total assets, %	8.0	9.3	8.7	11.1	12.5
Return on total assets excluding changes in value, %	2.7	2.7	3.1	4.2	4.6
<i>Data per share</i>					
Earnings per share, SEK	21.59	26.15	19.21	20.13	20.89
EPRA EPS, SEK	7.47	8.99	8.15	5.65	5.54
Dividend (2019 proposed), SEK	5.00	4.85	4.50	3.95	3.55
Dividend pay-out ratio, %	67.0	67.6	65.1	69.9	64.1
Share dividend yield, %	2.2	3.2	3.5	2.8	2.7
Cash flow, SEK	10.38	9.54	8.75	7.12	7.55
Equity, SEK	175.48	158.64	136.79	121.42	104.73
EPRA NAV, SEK	215.12	194.82	172.59	156.21	131.78
EPRA NNAV, SEK	204.57	184.93	162.57	144.38	122.95
Share price on 31 December, SEK	226.00	152.00	130.30	142.30	133.00
Weighted average number of shares, thousands	130,005	132,019	133,221	133,221	133,221
Number of outstanding shares at end of period, thousand	129,839	130,460	133,221	133,221	133,221
<i>Employees</i>					
Average number of employees	320	302	295	281	282

# PROPERTY LIST

Municipality/Property name	Address/Description	Certification <sup>1)</sup>	Leasehold	Year of construction/reconstruction	Land area, m <sup>2</sup>	Possession	Letting area, m <sup>2</sup>					Rateable value, SEK m	Rental value, SEK m	Letting rate, %	
							Offices	Retail	Residentials	Garage	Other <sup>2)</sup>				Total
<b>STOCKHOLM</b>															
1 Adam & Eva 17	Drottninggatan 68			1929/2006	1,777	Before 2007	4,507	3,304			137	7,948	606	53	97
2 Blästern 11	Hälsingegatan 43-45	<b>B</b>		1930/2006	11,584	Before 2007	39,521	1,557		9,632	4,562	55,272	966	151	91
3 Borgarfjord 3	Kista +, Kistagången 6	<b>B</b>		1984/2010	5,204	20/04/2016	11,102	561			563	12,226	220	34	91
4 Borgarnäs 1	Nod, Borgarfjordsgatan 12	<b>B</b>	L	2014	7,945	06/02/2012	13,453	948		6,700	10,805	31,906		73	98
5 Borgmästaren 1	Glashuset Slussen, Katarinavägen 15	<b>B</b>	L	1974/2006	4,487	Before 2007	22,718	92		2,886	319	26,015	938	119	89
6 Fatburen 1	Söderhallarna			1991	4,643	Before 2007	13,047	4,912		4,923	4,950	27,832	731	72	97
7 Fatbursjön 8	Magnus Ladulåsgatan 63			1930/2006	1,396	Before 2007	6,643				1,231	7,874	265	29	100
8 Härden 14	S:t Eriksgatan 113			1932/1957	1,134	19/12/2012	6,258	807		1,800	241	9,106	191	26	100
9 Kolding 3	Kista Front	<b>B</b>	L	1993	13,676	Before 2007	16,113	954	1,256	6,848	820	25,991	258	45	92
10 Kolding 4	Kista Front	<b>B</b>	L	1993/2001	24,332	Before 2007	24,034	251		8,067	1,050	33,402	336	46	63
11 Kylfacket 3 <sup>2)</sup>	Hallmästarvägen 2			1936	3,384	01/06/2018	2,060				2,451	4,511	19	3	53
12 Kylhuset 4 <sup>2)</sup>	Hallvägen 1-5, Stora Skorstensgatan 1		L		2,190	11/06/2019	380	949			403	1,732	8	2	98
13 Kylhuset 15	Livdjursgatan 2-6, Palmfeltsvägen 19-21, Slakthusplan 2-4,8		L		12,865	11/06/2019	12,345	482			352	13,179	137	29	100
14 Kylhuset 16 <sup>2)</sup>	Boskapsvägen 15-17, Fållan 13, 6-10, Livdjursgatan 5-7		L		1,939	11/06/2019	1,138				953	2,091	16	3	92
15 Kylhuset 22 <sup>2)</sup>	Fållan 1, Hallvägen 14-16, Kylhusgatan 2		L		1,676	11/06/2019	1,708				35	1,743	21	4	100
16 Kylhuset 23 <sup>2)</sup>	Palmfeltsvägen 13-15, Slakthusplan 1-3		L		1,865	11/06/2019	1,642	618			638	2,898	27	5	98
17 Kylhuset 24 <sup>2)</sup>	Slakthusplan 9		L		140	11/06/2019	265	20				285	3		100
18 Kylhuset 25 <sup>2)</sup>	Hallvägen 4-6, 10		L		1,719	11/06/2019	865				1,177	2,042	8	3	100
19 Kylhuset 26 <sup>2)</sup>	Hallgränd 1-9, Hallvägen 7-9, Rökerigatan 4-8, etc.		L		16,999	11/06/2019	1,040	347			16,041	17,428	88	28	90
20 Kylhuset 27 <sup>2)</sup>	Fållan 3-7, 11, Kylhusgatan 8-12		L		4,275	11/06/2019	296				3,463	3,759	20	5	81
21 Molekylen <sup>2)</sup>	Life City				5,592	2018/09/07							434		
22 Proppen 6	Textilgatan 31			1937/2008	2,607	Before 2007	11,561	490			732	12,783	303	35	97
23 Sandhagen 2 <sup>2)</sup>	Rökerigatan 5-9		L		3,150	11/06/2019	254				2,962	3,216	18	3	63
24 Sandhagen 12	Rökerigatan 15, Styckmästargatan 10		L		1,328	11/06/2019		870				870	4	2	100
25 Sandhagen 13 <sup>2)</sup>	Rökerigatan 11-13, Styckmästargatan 11-13		L		1,258	11/06/2019					1,013	1,013	4	1	76
26 Sandhagen 14 <sup>2)</sup>	Rökerigatan 10, Slakthusgatan 1, Styckmästargatan 8		L		916	11/06/2019					1,219	1,219	5		
27 Skotten 6	Drottninggatan 63			1959/2008	1,485	Before 2007	5,092	5,293			2,174	12,559	962	78	97
28 Stora Katrineberg 16	Katrinebergsvägen 4-12, Liljeholmsvägen 14-18	<b>B</b>	L	1750/1945/1988	24,383	02/02/2015	35,881	3,381		12,400	3,038	54,700	962	117	99
29 Storö 15	Farsta Centrum		L	1961/1998	558	Before 2007		220			1,315	1,535		4	100
30 Storö 2	Farsta Centrum		L	1961/2006	6,175	Before 2007	4,418	5,032			2,277	11,727	188	34	91
31 Storö 21	Farsta Centrum		L	1961/2010	36,374	Before 2007	24,482	42,232		13,692	10,019	90,425	390	240	94
32 Storö 23	Farsta Centrum		L	1961/1998	2,814	Before 2007	2,497	1,098		1,470	3,144	8,209		18	93
33 Storö 24	Farsta Centrum			2014	6,309	Before 2007		3,384				3,384	101	10	100
34 Styckmästaren 3 <sup>2)</sup>	Charkmästargatan 6, Rökerigatan 22, Slakthusgatan 13		L		1,900	11/06/2019	379				1,325	1,704	10	2	98
35 Tranbodarne 11 <sup>2)</sup>	Katarinahuset, Stadsgården 6-12			1912/1965	3,587	01/11/2018	16,895	2,489			2,182	21,566	769	73	77
36 Tranbodarne 13	Sjömansinstitutet			1929/1998	502	30/03/2017	2,723	116	435			3,274	115	13	81
<b>Total Stockholm</b>					<b>222,168</b>		<b>283,317</b>	<b>80,406</b>	<b>1,691</b>	<b>68,418</b>	<b>81,591</b>	<b>515,423</b>	<b>9,123</b>	<b>1,359</b>	<b>92</b>

<sup>1)</sup> All or parts of the property are environmentally certified in accordance with Breeam **(B)** or Miljöbyggnad **(M)**.

<sup>2)</sup> All or part of the property classified as a project property as of 31 December 2019.

<sup>3)</sup> Other includes education/training, culture, health/care, service enterprises and warehouses.





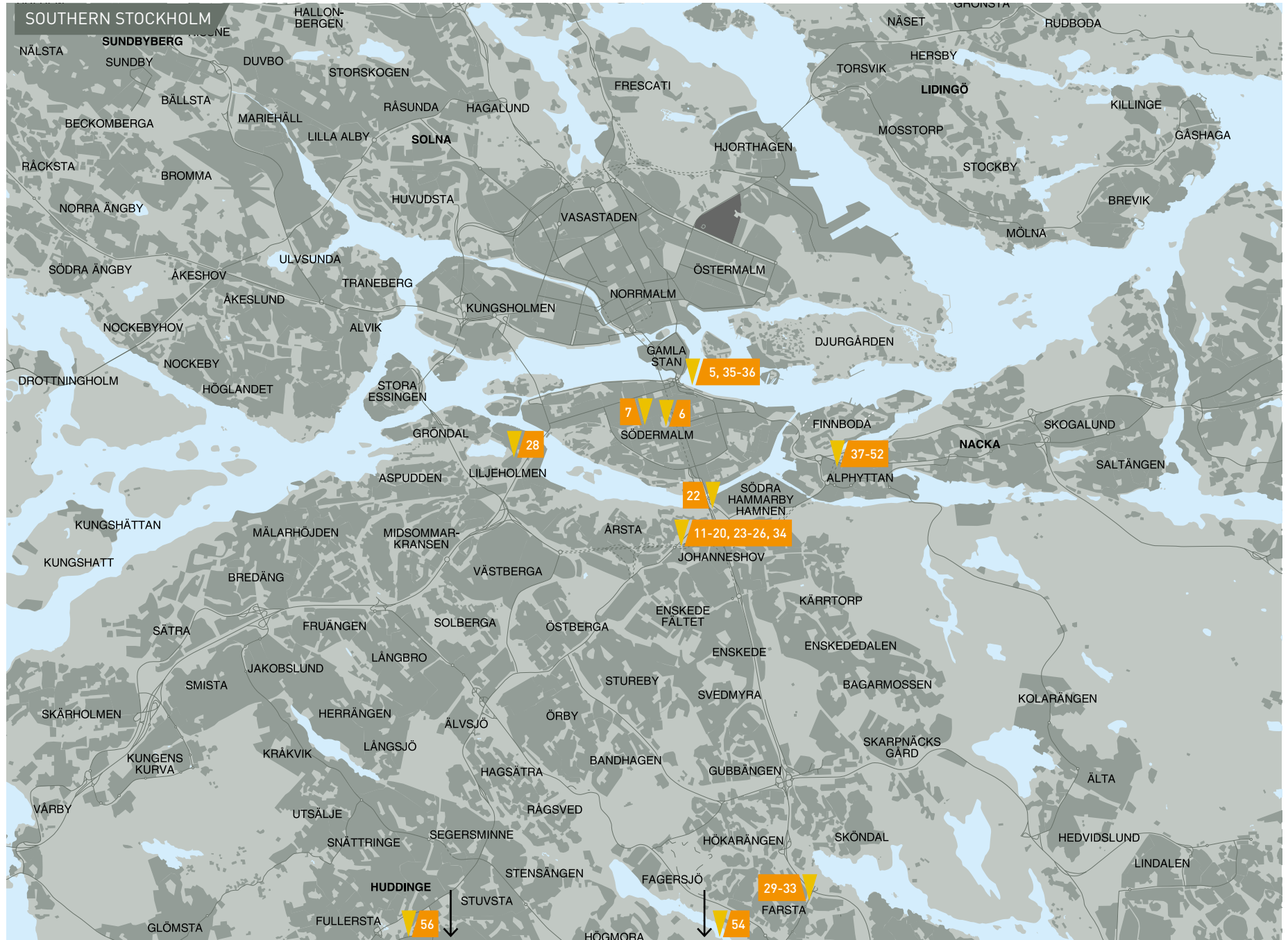
## PROPERTY LIST – STOCKHOLM, CONT.

Municipality/Property name	Address/Description	Certification <sup>1)</sup>	Leasehold	Year of construction/ reconstruction	Land area, m <sup>2</sup>	Possession	Letting area, m <sup>2</sup>					Rateable value, SEK m	Rental value, SEK m	Letting rate, %	
							Offices	Retail	Residentials	Garage	Other <sup>3)</sup>				Total
<b>NACKA</b>															
37	Sicklaön 83:22 <sup>2)</sup>		B	1898/2012	168,913	Before 2007	50,844	66,612		47,470	32,572	197,498	688	459	96
38	Sicklaön 83:32		B	2014	12,268	Before 2007	9,915				585	10,500	182	30	95
39	Sicklaön 83:33 <sup>2)</sup>				29,743	27/02/2014							19		
40	Sicklaön 83:39 <sup>2)</sup>				1,268	27/02/2014	1,878				206	2,084		4	45
41	Sicklaön 83:41 <sup>2)</sup>				1,479	27/02/2014									
42	Sicklaön 83:42 <sup>2)</sup>				1,771	Before 2007							15		
43	Sicklaön 83:43 <sup>2)</sup>				2,666	27/02/2014									
44	Sicklaön 83:45 <sup>2)</sup>					27/02/2014									
45	Sicklaön 87:1			1962	11,006	Before 2007		87			2,476	2,563		3	100
46	Sicklaön 115:1			1929	2,249	Before 2007	370					370	3		100
47	Sicklaön 115:4				9,375	15/06/2011				921		921	40	1	100
48	Sicklaön 117:1			1967	2,823	26/11/2010	100	2,592			435	3,127	15	1	100
49	Sicklaön 117:2			1909	1,368	26/11/2010									
50	Sicklaön 117:17			1 978	10,175	Before 2007					1,629	1,629		3	100
51	Sicklaön 265:5				2,029	Before 2007									
52	Sicklaön 346:1		B	2018	10,524	Before 2007	25,071		11,900	203	37,174		262	70	67
<b>Total Nacka</b>					<b>267,657</b>		<b>88,178</b>	<b>69,291</b>	<b>921</b>	<b>59,370</b>	<b>38,106</b>	<b>255,866</b>	<b>1,223</b>	<b>572</b>	<b>92</b>
<b>JÄRFÄLLA</b>															
53	Barkarby 2:64 <sup>2)</sup>				6,325	01/04/2019									
<b>Total Järfälla</b>					<b>6,325</b>										
<b>HANINGE</b>															
54	Västnora 4:26				2,084	Before 2007									
<b>Total Haninge</b>					<b>2,084</b>										
<b>SUNDBYBERG</b>															
55	Eken 6		B	1916/1997	12,382	15/09/2019	25,718	117	19,000	2,527	47,362		544	80	92
<b>Total Sundbyberg</b>					<b>12,382</b>		<b>25,718</b>	<b>117</b>	<b>19,000</b>	<b>2,527</b>	<b>47,362</b>		<b>544</b>	<b>80</b>	<b>92</b>
<b>NYNÄSHAMN</b>															
56	Ribban 16				1,308	Before 2007									
<b>Total Nynäshamn</b>					<b>1,308</b>										

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<sup>2)</sup> All or part of the property classified as a project property as of 31 December 2019.

<sup>3)</sup> Other includes education/training, culture, health/care, service enterprises and warehouses.





Municipality/Property name	Address/Description	Certification <sup>1)</sup>	Leasehold	Year of construction/reconstruction	Land area, m <sup>2</sup>	Possession	Letting area, m <sup>2</sup>					Rateable value, SEK m	Rental value, SEK m	Letting rate, %	
							Offices	Retail	Residentials	Garage	Other <sup>2)</sup>				Total
<b>GOTHENBURG</b>															
57	Lundbyvassen 4:7	Regnbågsgatan 4-6, Lindholmsallén 10		1989	6,414	30/09/2016	15,709				177	15,886	281	34	100
58	Lundbyvassen 4:13	Götaverksgatan 2-8, Lindholmsallén 12-20		1957/2007	12,205	30/09/2016	15,518	750	10,050	2,903	29,221	367	44	100	
59	Lindholmen 30:1	Lindholmspiren 11		2002	13,647	29/03/2017	37,035				37,035	799	86	100	
<b>Total Gothenburg</b>					<b>32,266</b>		<b>68,262</b>	<b>750</b>	<b>10,050</b>	<b>3,080</b>	<b>82,142</b>	<b>1,447</b>	<b>163</b>	<b>100</b>	

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<sup>2)</sup> All or part of the property classified as a project property as of 31 December 2019.

<sup>3)</sup> Other includes education/training, culture, health/care, service enterprises and warehouses.



Municipality/Property name	Address/Description	Certification <sup>1)</sup>	Leasehold	Year of construction/reconstruction	Land area, m <sup>2</sup>	Possession	Letting area, m <sup>2</sup>					Rateable value, SEK m	Rental value, SEK m	Letting rate, %	
							Offices	Retail	Residentials	Garage	Other <sup>2)</sup>				Total
<b>MALMÖ</b>															
60 Bohus 7	Mobilia			1966/2010	12,023	01/02/2008	183	5,998	11,248	6,680	35	24,144	305	29	98
61 Bohus 8 <sup>2)</sup>	Mobilia	B		1968/2013	76,745	Before 2007	1,722	46,571		37,800	4,750	90,843	925	167	87
62 Bohus 9	Mobilia			2014	979	Before 2007			4,103			4,103	87	7	100
63 Dimman 11	Barkgatan 2-8	B		1940/2014	4,278	29/04/2014	5,150				10,849	15,999		30	100
64 Malmen 12	Barkgatan 9-13	B		1971	2,464	02/05/2016	3,490			1,900	4,021	9,411		10	100
<b>Total Malmö</b>					<b>96,489</b>		<b>10,545</b>	<b>52,569</b>	<b>15,351</b>	<b>46,380</b>	<b>19,655</b>	<b>144,500</b>	<b>1,317</b>	<b>244</b>	<b>91</b>

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<sup>2)</sup> All or part of the property classified as a project property as of 31 December 2019.

<sup>3)</sup> Other includes education/training, culture, health/care, service enterprises and warehouses.



Municipality/Property name	Address/Description	Certification <sup>1)</sup>	Leasehold	Year of construction/reconstruction	Land area, m <sup>2</sup>	Possession	Letting area, m <sup>2</sup>					Rateable value, SEK m	Rental value, SEK m	Letting rate, %		
							Offices	Retail	Residentials	Garage	Other <sup>2)</sup>				Total	
<b>UPPSALA</b>																
65	Brillinge 9:1			2013-2017	25,965	05/04/2011		5,892				50	5,942	53	14	99
66	Brillinge 8:1			2013-2017	71,556	05/04/2011		159	26,342			132	26,633	282	37	99
67	Dragarbrunn 27:2 <sup>2)</sup>			1902/2005	6,714	Before 2007		7,577	5,863	1,420	1,191	891	16,942	381	56	94
68	Gränby 21:4			1971/2018	106,432	Before 2007		1,170	46,259		11,500	5,308	64,237	1,104	205	94
69	Gränby 21:5 <sup>2)</sup>			2017/2018	1,813	Before 2007		3,098	2,763			1,393	17,100	323	44	91
70	Gränby 25:1 <sup>2)</sup>				1,745	Before 2007										
<b>Total Uppsala</b>					<b>214,225</b>		<b>12,004</b>	<b>87,119</b>	<b>11,266</b>	<b>12,691</b>	<b>7,774</b>	<b>130,854</b>	<b>2,143</b>	<b>357</b>	<b>95</b>	
<b>Total Sweden</b>					<b>854,904</b>		<b>488,024</b>	<b>290,251</b>	<b>29,229</b>	<b>215,909</b>	<b>152,733</b>	<b>1,176,146</b>	<b>15,798</b>	<b>2,775</b>	<b>93</b>	

<sup>1)</sup> All or parts of the property are environmentally certified in accordance with Breeam (B) or Miljöbyggnad (M).

<sup>2)</sup> All or part of the property classified as a project property as of 31 December 2019.

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# DEFINITIONS

## FINANCIAL DEFINITIONS

### EFFECT OF THE IMPLEMENTATION OF IFRS 16

Atrium Ljungberg has applied IFRS 16 Leasing since 1 January 2019.

The implementation of IFRS 16 Leasing has resulted in Atrium Ljungberg recognising a financial asset and liability for leaseholds in the balance sheet. In the income statement leasehold fees have been reclassified from property management costs to net financial expenses. Atrium Ljungberg has elected to use the simplified transition method and is not applying the standard retrospectively.

In order to increase comparability, Atrium Ljungberg has elected to reverse the effect of the implementation of IFRS 16 when calculating the alternative performance measures in this report.

This means that the definitions of the following alternative performance measures have been changed:

- Return on total assets, %
- Return on total assets excluding changes in value, %
- Gearing ratio, %
- Adjusted gearing ratio, %
- Interest coverage ratio, multiple
- Equity/assets ratio, %
- Operating surplus margin, %

### SHARE DIVIDEND YIELD, %

The proposed or distributed share dividend as a percentage of the share price at the end of the financial year.

The share's dividend yield is used to illustrate which current yield shareholders are expected to receive.

### SHARE'S TOTAL YIELD, %

The year's change in the share price plus the distributed dividend during the year as a percentage of the share price at the end of the financial year.

The share's total yield is used to illustrate the shareholders' total yield on their ownership in Atrium Ljungberg.

### EPRA NNNAV PER SHARE, SEK

Reported equity with a reversal of goodwill and adjusted with estimated actual deferred tax, divided by the number of outstanding shares at the end of the period.

EPRA NNNAV per share is used to provide stakeholders with information on Atrium Ljungberg's current net worth per share calculated in a uniform manner for publicly listed property companies.

### NUMBER OF OUTSTANDING SHARES

Number of registered shares at the end of the period less bought-back shares, which do not provide entitlement to dividend or voting rights.

### RETURN ON EQUITY, %

Interest-bearing liabilities divided by reported equity.

Return on equity is used to illustrate Atrium Ljungberg's capacity to generate profit on the owners' capital in the Group.

### RETURN ON EQUITY, EXCLUDING CHANGES IN VALUE, %

Profit/loss for the period before changes in value, divided by average adjusted equity.

Return on equity excluding changes in value is used to illustrate Atrium Ljungberg's capacity to generate current cash flow on the owners' capital in the Group.

### RETURN ON TOTAL ASSETS, %

Profit/loss before tax plus interest expenses as a percentage of the average balance sheet total, excluding leaseholds.

Return on total assets is used to illustrate Atrium Ljungberg's capacity to generate profit on the Group's assets uninfluenced by the Group's financing.

### RETURN ON TOTAL ASSETS EXCLUDING CHANGES IN VALUE %

Profit/loss before changes in value plus interest expenses, excluding leasehold fees, as a percentage of the average balance sheet total, excluding leaseholds.

Return on total assets excluding changes in value is used to illustrate Atrium Ljungberg's capacity to generate current cash flow on the Group's assets uninfluenced by the Group's financing.

### GEARING RATIO, %

Interest-bearing liabilities, excluding the liability for finance leasing for leaseholds, as a percentage of the sum of the properties' fair value at the end of the period.

The gearing ratio is used to illustrate Atrium Ljungberg's financial risk.

### GROSS PROFIT PROPERTY MANAGEMENT, SEK

Rental income minus expenses for property management activities with a reversal of leasehold fees which, pursuant to IFRS 16, are recognised as an interest expense in the income statement.

### GROSS PROFIT/LOSS PROJECT AND CONSTRUCTION WORK

Project and construction sales minus project and construction costs.

### EQUITY PER SHARE, SEK

Reported equity divided by the number of outstanding shares at the end of the period.

Equity per share is used to illustrate the owners' share of the company's total assets per share.

### EPRA

The European Public Real Estate Association is a trade organisation for publicly listed property companies and investors in Europe which sets standards for the financial reporting.

### PROPERTY COSTS, SEK

The total of the 'Property management costs' with a reversal of the leasehold fees which, pursuant to IFRS 16 are recognised as an interest expense in the income statement, which excludes central administration.

**MANAGEMENT RESULT LESS NOMINAL TAX (EPRA EPS) PER SHARE, SEK**

Profit/loss before changes in value, less calculated current tax excluding loss carry-forwards, divided by the average number of outstanding shares. The deducted tax has been calculated by taking into account tax deductible depreciation and investments.

Management earnings less nominal tax (EPRA EPS) is used to provide stakeholders information on Atrium Ljungberg's management result per share calculated in a uniform manner for publicly listed property companies.

**AVERAGE MATURITY DATE, YEARS**

Average remaining term until final maturity of all credits in the liabilities portfolio.

The average maturity date is used to illustrate Atrium Ljungberg's financial risk.

**AVERAGE INTEREST RATE FOR INTEREST-BEARING LIABILITIES, %**

Weighted average contracted interest for all credits in the liabilities portfolio excluding unutilised credit facilities.

The average interest is used to illustrate Atrium Ljungberg's financial risk.

**AVERAGE FIXED INTEREST, YEARS**

Average remaining term until interest settlement date of all credits in the liabilities portfolio.

The average fixed interest is used to illustrate Atrium Ljungberg's financial risk.

**ADJUSTED GEARING RATIO, %**

Interest-bearing liabilities, excluding the liability for financial leasing for leaseholds, as a percentage of the sum of the properties' fair values at the end of the period, less properties acquired but not possessed and plus properties sold but not vacated.

The adjusted gearing ratio is used to illustrate Atrium Ljungberg's financial risk.

**CASH FLOW PER SHARE, SEK**

Cash flow from operating activities divided by the average number of outstanding shares.

Cash flow per share, SEK is used to illustrate Atrium Ljungberg's cash flow, and particularly its dividend capacity.

**EPRA NAV PER SHARE, SEK**

Reported equity with a reversal of goodwill, derivatives and deferred tax, divided by the number of outstanding shares at the end of the period.

EPRA NAV per share is used to provide stakeholders information on Atrium Ljungberg's long term net worth per share calculated in a uniform manner for publicly listed property companies.

**AVERAGE NUMBER OF OUTSTANDING SHARES**

Weighted average number of outstanding shares calculated in accordance with IAS 33.

**EARNINGS PER SHARE, SEK**

Net profit/loss for the period divided by the average number of outstanding shares.

**PROFIT/LOSS BEFORE CHANGES IN VALUE PER SHARE, SEK**

Profit/loss before changes in value, less current tax, divided by the average number of outstanding shares.

Profit/loss before changes in value per share is used to illustrate the ongoing management operations.

**INTEREST COVERAGE RATIO, MULTIPLE**

Profit/loss before changes in value, plus interest expenses divided by interest expenses, excluding leasehold fees, which, according to IFRS 16, have been reclassified as an interest expense.

The interest coverage ratio is used to illustrate how sensitive the company's results are to interest rate changes.

**EQUITY/ASSETS RATIO, %**

Reported equity as a percentage of the balance sheet total, excluding leaseholds, at the end of the period.

The equity/assets ratio is used to illustrate Atrium Ljungberg's interest rate sensitivity and financial stability.

**DIVIDEND PAY-OUT RATIO, %**

Dividend per share as a percentage of the profit/loss per share before changes in value, less applicable nominal tax.

Dividend pay-out ratio is used to illustrate what proportion of the earnings is shifted out to the Group's owners and reinvested in the operations respectively.

## PROPERTY-RELATED DEFINITIONS

**GFA, M<sup>2</sup>**

GFA (Gross Floor Area) refers to the building's total area, including outer walls.

**OPERATING SURPLUS, SEK**

Relates to gross profit/loss with a reversal of leasehold fees to costs for property management. The leaseholds are recognised as interest expenses in the income statement in accordance with IFRS 16.

**EPRA VACANCY RATE, %**

The rental value of unlet premises divided by the rental value of the entire property portfolio. Project properties are excluded.

The EPRA Vacancy rate is recognised in accordance with the EPRA's definition of vacancy rate, which enables comparison between different companies.

**DEVELOPMENT PROPERTIES**

Development properties are properties that are built or unbuilt that the Group owns in order to develop and sell them as tenant-owned dwellings. These properties are recognised as current assets, even though some of the properties are managed and generate rental income while they are waiting to be developed.

They are recognised at the lower of their accumulated cost and their net realisable value.

**PROPERTY TYPE**

The premises type which comprises the predominant share of the rental value of a register property or profit area determines the property type.

The market value and development of rental income in like-for-like portfolios recognised per property type.

**RENTAL VALUE, SEK**

Contracted annual rents including rent surcharges (e.g. for property tax, heating and electricity) and estimated market rents for vacant space in existing condition.

Rental value is used to illustrate the Group's income potential.



**LIKE-FOR-LIKE PORTFOLIO**

Like-for-like portfolio refers to the properties which were not classified as project properties and were owned throughout the period and entire comparison period.

Like-for-like portfolio is used to illustrate the trend of rental income excluding non-recurrent effects for premature vacating of premises and property costs uninfluenced by project properties as well as acquired and sold properties.

**PREMISES TYPE**

The operations managed in the individual premises determine the premises type: offices, retail, residential, other or garage. Other includes education, culture, service enterprises and storage.

The letting rate and yield requirement are reported per premises type.

**NET LETTING, SEK**

Total contracted annual rent for new lets with deductions for annual rents due to terminated contracts for the period.

Net letting is used to illustrate the letting situation.

**PROJECT PROPERTY**

An individual property or a clearly delimited part of a property that has been or is about to be vacated in order to permit the renovation and upgrading of the property. The term, project property, also refers to buildings under construction and to undeveloped land and development rights.

Reclassification from project property to completed property occurs on 1 January of the year after completion.

**PROJECT RETURN, %**

Market value after completed project minus total investment as a percentage of total investment.

Project return is used to illustrate value creation in the project operations.

**LEASEHOLDS**

The right of use for building plots. In compliance with IFRS 16, leaseholds are recognised as a right-of-use asset in the balance sheet

**LEASEHOLD FEES, SEK**

The fee paid for the utilisation of leaseholds. Regarded according to IFRS 16 as an interest expense in the income statement.

**LETTING AREA, M<sup>2</sup>**

Total area available for letting. Garage is included in letting area but excluded when calculating the rental value per m<sup>2</sup> and fair value per m<sup>2</sup>.

**LETTING RATE, %**

Contracted annual rents as a percentage of the rental value in conjunction with full letting. Reported figures are based on the immediately subsequent quarter.

The letting rate is used to illustrate the Group's efficiency in the use of its investment properties.

**OPERATING SURPLUS MARGIN, %**

The gross profit for property management with a reversal of leasehold fees which, pursuant to IFRS 16, are recognised as an interest expense in the income statement as a percentage of recognised rental income.

Operating surplus margin is used to illustrate what proportion of the Group's rental income remains after property costs.

## SUSTAINABILITY-RELATED DEFINITIONS

**BREEAM**

Is an environmental certification system developed in Europe for built environments. BREEAM takes a big picture approach to environmental performance. There are two types of BREEAM certification; BREEAM that relates to new production and BREEAM In-Use, which relates to existing properties.

The areas addressed by BREEAM are energy and water consumption, health, transport, materials, waste, land usage, emissions, ecology and management.

**DIRECTLY GENERATED AND DISTRIBUTED ECONOMIC VALUE**

*Generated value:* Atrium Ljungberg's net sales and changes in value.

*Distributed value:* Atrium Ljungberg's payments to suppliers, salaries and remuneration to employees, fees and remuneration to the Board of Directors, the CEO and senior executives, net payments to financiers, taxes and fees to society, and the dividend to the shareholders.

*Payments to suppliers:* Operative costs for purchases of materials, products, premises and services from suppliers.  
*Salaries and compensation to employees:* The period's total salary and pension costs, including benefits. Employees do not include consultants or other temporary staff.

*Fees and compensation to the Board, CEO and senior executives:* Composed of compensation to Board members, as well as fixed salary, other compensation and pension costs for the CEO and other senior executives.

*Net payments to financiers:* The period's recognised interest expenses with a supplement for the consolidated capitalised interest and describes Atrium Ljungberg's total remuneration to lenders.

*Tax and fees to society:* The total payment to the state during the period in the form of leasehold fees, as well as total taxes and charges to the Swedish state. Deferred tax is not included.

*Dividends to shareholders:* The period's paid dividends.

*Economic value – remaining in the company:* Generated value minus distributed value.

**ENERGY INTENSITY, KWH PER M<sup>2</sup>**

Total energy consumption from heating, cooling, tenant electricity and property electricity divided by the average estimated total letting area that is heated, excluding garages.

**GREEN LEASE CONTRACTS, %**

Contracted annual rent for commercial premises excluding the garage and storage for lease contracts with green rent supplement in per cent of contracted annual rent for commercial premises excluding the garage and storage. Green rent supplement is a supplement to the agreement from the Swedish Property Federation in which the tenant and landlord jointly undertake to reduce the environmental impact and covers, for example, energy, waste and transport. Reported figures are based on the immediately subsequent quarter.

**ENVIRONMENTAL BUILDING**

Environmental building is a certification system for buildings which are based on Swedish construction practice and covers energy, the indoor environment and material.

**ACCIDENT RATE (LTIR)**

The number of work-related accidents per million worked hours, which leads to absence of at least one contracted work day.

**LOST WORKING HOURS AS A RESULT OF A WORK-RELATED ACCIDENT OR ILLNESS (LOST DAY RATE)**

The number of lost work days due to work-related accident or illness, per total number of contracted work days during the year.

# GRI CONTENT INDEX

Atrium Ljungberg's Sustainability Report has been drawn up in accordance with the Core level of the GRI Standards. We have also taken into account the Construction and Real Estate Sector Supplement, CRESS. We have also taken the EPRA Sustainability Best Practices Recommendations Guidelines into account.

## ABBREVIATIONS:

GRI: Global Reporting Initiatives  
 CRE: Industry specific disclosures, from the Construction & Real Estate Sector Supplement

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<sup>11</sup> Deviations: We only report our own employees and not hired consultants or suppliers who work either full time or part time under our roof. The reason for this is that they are covered by the supplier's employer responsibility, so we do not have access to their health and safety data.

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\* Starts on 23 March 2020

# INFORMATION

**THE INFORMATION** we release to the market concerning Atrium Ljungberg's operations must be transparent, clear and correct in order to build market confidence in our company and our brand.

**AS A LISTED COMPANY** Atrium Ljungberg is subject to the rules of the listing agreement with the Nasdaq Stockholm exchange. Significant events, interim reports and preliminary financial statements are published immediately via press releases and the information is also available on the company's website: [www.al.se](http://www.al.se).

**REGULAR MEETINGS WITH** analysts, investors, shareholders and financiers, and with our customers and partners, enable us to provide ongoing information on our company, current events and operational changes.

**THE ANNUAL REPORT** and interim reports are available on our website and the annual report is also distributed in printed format by post to shareholders who have actively requested them. Interim reports and preliminary financial statements are translated into English and all language versions are published simultaneously on our website. The annual reports are translated into English shortly after the publication of the Swedish language version.

**INTERESTED PARTIES** can subscribe to both financial reports and press releases via our website: [www.al.se](http://www.al.se). The site also provides updated information on our operations, our properties and projects, financial key ratios, the share, and much more besides. The information on the website is also available in English.

## PUBLICATION OF FINANCIAL INFORMATION

Interim Report, January–March 2020	16/04/2020
Interim Report, January–June 2020	07/07/2020
Interim Report, January–September 2020	15/10/2020
2020 Preliminary Financial Statements	Feb. 2021
2020 Annual Report	March 2021

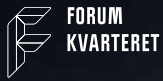
## ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) will take place on Wednesday 25 March 2020 at 17.00 (CET), at Filmstaden, Marcusplatsen 19 in Sickla, Nacka. Notices convening the meeting will be advertised in Post- och Inrikes Tidningar (the Official Swedish Gazette). A statement that the AGM has been convened will be published in the Dagens Nyheter daily newspaper.

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