



Annual Report 2019



Contents

OVERVIEW

| | |
|-----------------------------|---|
| This is Bonava | 2 |
| The year in brief | 4 |
| Comments from the CEO | 6 |

REPORT OF THE BOARD OF DIRECTORS

| | |
|--|----|
| Report of the Board of Directors | 12 |
| Segments | 15 |
| Risks and risk management | 17 |

FINANCIAL REPORTING

| | |
|---|----|
| Consolidated accounts and notes | 20 |
| Parent Company accounts and notes | 52 |
| Appropriation of profit | 61 |
| Audit Report | 62 |

GOVERNANCE

| | |
|--|----|
| Corporate Governance Report | 66 |
| Board of Directors | 72 |
| Executive Management Group | 74 |
| Auditor's limited assurance report | 76 |

SUSTAINABILITY

| | |
|--|-----|
| Disclosures | 78 |
| GRI index | 98 |
| Auditor's limited assurance report | 103 |

OTHER INFORMATION

| | |
|------------------------------------|-----|
| Bonava in the capital market | 104 |
| Definitions | 109 |
| Annual General Meeting | 110 |

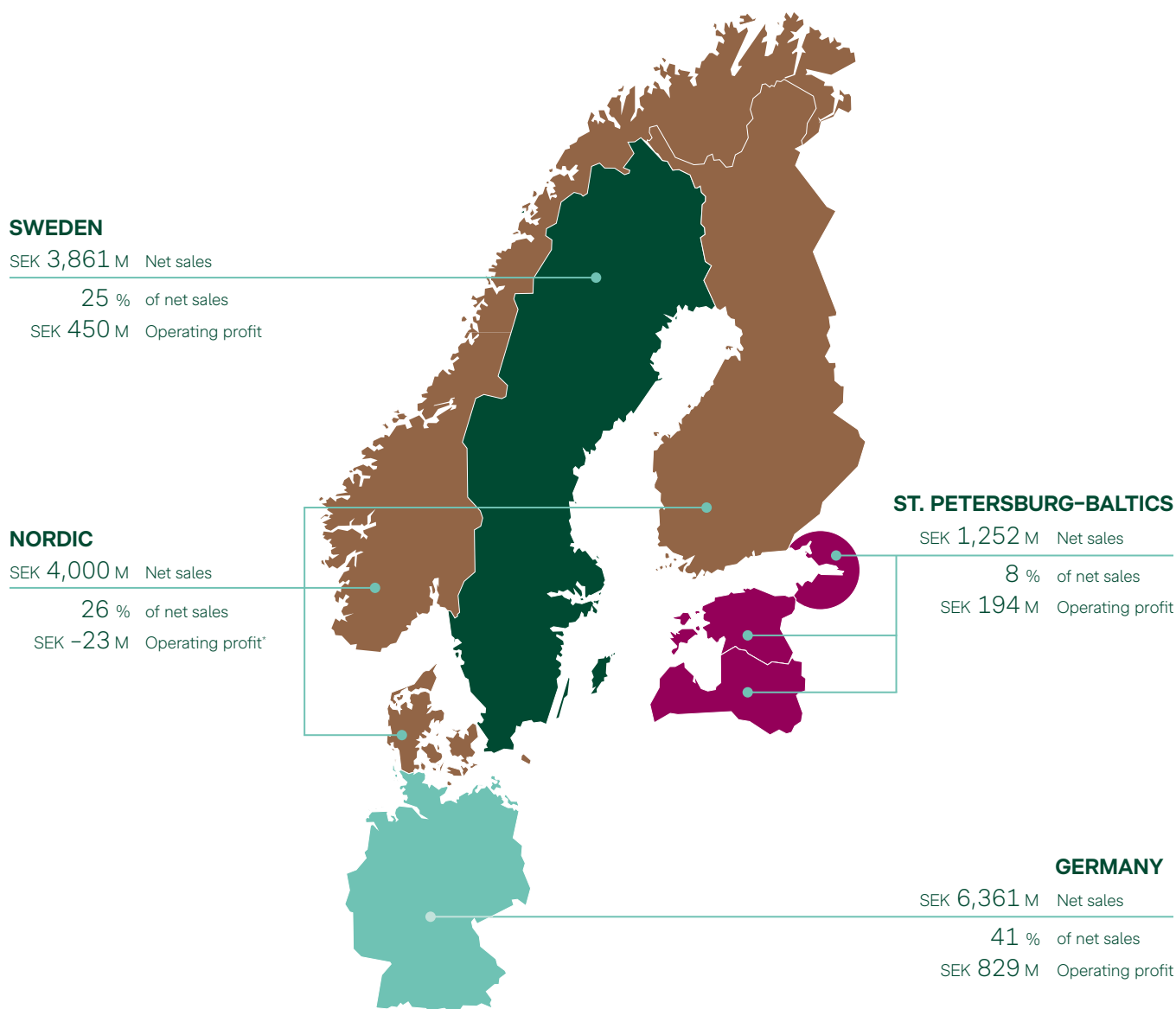
→ Read more about Bonava and the past year in the online version of our 2019 Annual Overview and at bonava.com.





This is Bonava

Bonava is a leading residential developer in Northern Europe that has been creating homes and neighbourhoods since the 1930s. Bonava has 2,300 co-workers and operates in Germany, Sweden, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia, with sales of SEK 15.5 billion in 2019. Bonava's shares are listed on Nasdaq Stockholm. Our vision is to create happy neighbourhoods where people have the highest quality of life. Our mission is to challenge ourselves every day to change the housing game, creating better homes and lives for the many.



* Before items affecting comparability



Bonava aims to be a residential developer in carefully selected markets that are characterised by strong underlying demand and to hold a leading position in these markets. The selection of markets is continuously assessed so that available capital can be allocated in order to optimise profitability and diversify the portfolio. The project portfolio should be diverse in terms of geography, forms of tenure and types of products. The strategic vision is based on the insight that the similarities between our markets are strong enough for us to benefit from acting as one company, with joint processes and systems.

Bonava sells housing units to consumers (70 per cent) and investors (30 per cent), with a specific focus on and target for the affordable segment. Lowering costs while increasing productivity is essential for building homes that ordinary people can afford, while maintaining profitability. We achieve this by building up our own design and production capacity while investing in digital tools. This creates possibilities for enhancing efficiency in design, production and purchasing. The aim is to achieve a high degree of repetition in building engineering solutions and processes, and to benefit from economies of scale between our markets by coordinating purchasing.

→ Read more in our 2019 Annual Overview/Strategic initiatives



Bonava's vision is to create happy neighbourhoods where people have the highest quality of life. Achieving our vision requires a genuine understanding of our customers' needs and underlying drives. By systematically working through our existing offering from a target audience perspective, we ensure the relevancy and continual improvement of our customer offering. With these data-driven insights, we can continuously identify similarities between our markets and pinpoint synergies and economies of scale that are crucial to streamlining operations and increasing cost efficiency. This is what ultimately enables us to offer affordable and competitive housing units to our customers. In addition to local insights and monitoring the business environment, we develop shared measurements and tools that underpin Bonava's insight-based work.

→ Read more in our 2019 Annual Overview/Offering based on data-driven customer insights

The year in brief

Key performance indicators

| SEK M unless otherwise stated | 2019 | 2018 | 2017 |
|--|--------|--------|--------|
| Net sales | 15,474 | 14,008 | 14,479 |
| Operating profit ¹⁾ | 1,202 | 1,654 | 1,946 |
| Operating margin, % ¹⁾ | 7.8 | 11.8 | 13.4 |
| Profit after financial items | 834 | 1,513 | 1,721 |
| Profit for the period after tax | 615 | 1,265 | 1,402 |
| Earnings per share adjusted for items affecting comparability, SEK ²⁾ | 7.54 | 11.74 | 12.99 |
| Earnings per share, SEK ²⁾ | 5.71 | 11.74 | 12.99 |
| Cash flow before financing | -138 | -764 | -26 |
| Net debt ³⁾ | 6,873 | 5,542 | 4,165 |
| Capital employed at end of period ⁴⁾ | 14,933 | 13,332 | 12,003 |
| Return on capital employed, % ¹⁾ | 8.1 | 12.8 | 16.6 |
| Equity/assets ratio, % | 32.1 | 34.9 | 33.7 |
| Housing units sold during the period | 5,162 | 6,009 | 5,702 |
| Sale value of housing units sold | 14,477 | 14,919 | N/A |
| Housing starts during the period | 4,451 | 6,478 | 6,702 |
| Housing units under construction at end of period | 9,732 | 10,712 | 9,880 |
| Sales rate for housing units in ongoing production, % | 72 | 68 | 68 |
| Value of housing units sold not yet recognised in profit, SEK Bn | 21.1 | 21.1 | N/A |
| Number of housing units recognised in profit during the period | 5,511 | 5,225 | 5,464 |

N/A = Not Applicable / Not Available

1) Excluding items affecting comparability.

2) Before and after dilution.

3) Net debt as of 31 December 2019 excluding effects of IFRS 16 Leases, was SEK 6,616 M.

4) Capital employed at period end 31 December 2019, excluding effects of IFRS 16 Leases, was SEK 14,679 M.

Significant events

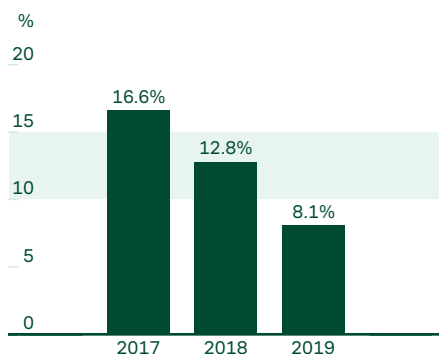
- Bonava acquired Urbanium, a leading residential developer in the Oslo region. With this acquisition, Bonava has returned to Oslo and strengthened its operations in Norway.
- Bonava conducted a strategic review of the Finnish operations in the autumn and, as a result, proposed a range of restructuring measures including leaving Oulu, a region that has shown a weak earnings trend over time. The total cost of SEK 159 M was recognised as an item affecting comparability in the fourth quarter of 2019.
- Over 8,000 people in Bonava's markets responded to the Happy Quest survey about what makes them happy about where they live.
- Bonava adopted goals from the Science Based Target initiative to reduce its climate impact by 2030 in line with the Paris Agreement's goal of limiting global warming to 1.5°C. The goals cover both Bonava's direct emissions in Scope 1 and 2, and its indirect carbon footprint in Scope 3.
- During the year, Bonava reached a settlement with HDM, a former hotel developer, in a legal dispute originating from a construction contract completed in 2006. The total cost for Bonava of SEK 100 M including legal expenses was recognised as an item affecting comparability in the third quarter of 2019.
- The largest branding campaign since the launch of the Bonava brand was conducted in all eight markets. The message was that a home is so much more than the square metres we occupy.



Financial targets

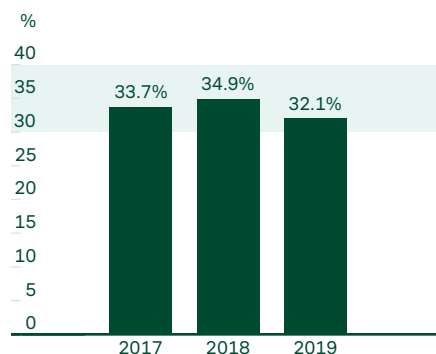
Return on capital employed (%)

Target: 10–15%



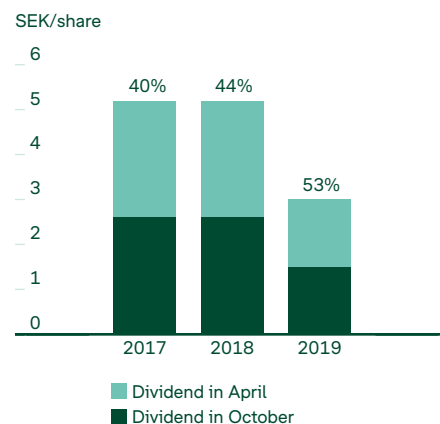
Equity/assets ratio (%)

Target: >30%



Dividend policy (SEK)

Target: at least 40 per cent of consolidated profit after tax should be distributed to shareholders



Sustainability targets

56%

Outcome 2019

By 2020, 50 per cent of Bonava's housing starts will be in the affordable segment.

54%

Outcome 2019

By 2020, 50 per cent of Bonava's housing starts in markets with Nordic Swan eco-labelling or Green Zoom certification will be subject to environmental certification or labelling.

100%

compliance with this year's "zero harm" activities

SCIENCE BASED TARGETS

↓ 50%

Absolute emissions

Bonava commits to reducing its Scope 1 and Scope 2 emissions in line with the 1.5°C goal by reducing its absolute emissions by 50 per cent by 2030 compared with 2018.

↓ 50%

Emissions intensity

Bonava also commits to reducing its carbon footprint over the life cycle of a Bonava home by halving the Group's Scope 3 emissions per started home under construction by 2030 compared with 2018.

→ Read more about our sustainability initiatives on page 78.



"We have left 2019, which was in many ways a challenging year, behind us and entered 2020 with a strong financial position and favourable demand in the majority of our markets."

Joachim Hallengren, President and CEO

Comments from the CEO

2019 was a challenging year for Bonava, but it was also a year in which we made progress and took strategically important decisions that laid the groundwork for a positive performance going forward. Since our listing in 2016, we have sought to enhance our efficiency and change the housing game in order to create happy neighbourhoods for the many. The conditions for achieving this are a focus on the customer, strict cost control throughout the value chain, a sustainable approach and a strong corporate culture. We have made progress in many of these areas since our listing, but we are not satisfied with the earnings for the year.

The year was characterised by hard work and a high level of activity. With a continual focus on our customers, we completed a new Happy Quest, a unique survey that provides us with a greater understanding of how Bonava can create happy neighbourhoods. We also continued to improve our design and production organisations in Sweden and the Baltics, and made further advances in both digitalisation and purchasing. We have achieved a great deal in the field of sustainability, including being the first residential developer in northern Europe to set climate targets in accordance with the Science Based Targets initiative.

From an earnings perspective, 2019 was a weak year that left much to be desired. The performance in our markets certainly varied, with a good performance in Germany and St. Petersburg while earnings in the Nordic and Sweden segments were weaker. In Sweden, this was due to new market conditions and thus lower prices for new production. In the Nordic segment, where the organisation – Finland specifically – has grown a lot over a short period of time, we needed to take action in order to get back on the right path. Our operations were thoroughly reviewed in the autumn, and as a result we recognised a non-recurring cost of SEK 159 M.

The weaker earnings for the year meant we did not achieve our financial target of a return on capital employed between 10 and 15 per cent. Adjusted for items affecting comparability, the outcome was 8.1 per cent.

On the other hand, we surpassed our equity/assets ratio target, and our cash flow before financing was strong. Excluding the acquisition of Urbanium in Oslo, the total was SEK 266 M (–764).

Solid business in Germany

We have a solid business in Germany, where both sales and operating profit increased in 2019. Profitability was stable, and at a satisfactory level.

We continually increased our investments in Germany, which provided strong leverage. Our well-established construction system promotes effective capital efficiency, which in combination with a major shortage in housing units bodes well for our continued success in Germany. Up to 400,000 housing units are needed yearly to meet the current need through 2025. The level of construction activity is high. Although Bonava is at the leading edge, so we have felt the increased competition. One result of this higher level of activity, along with low unemployment, is severe competition for resources. In addition, the numerous applications have caused delays among the local authorities who handle zoning plans and building permits. This is why Bonava worked on preparing several projects in parallel, which allowed us to increase the number of construction starts in the second half of the year compared with the first half. We expect to be able to start more housing units in 2020.

In 2019, Bonava Germany was named the residential development company with the strongest brand in the industry among 100 selected companies. The Real Estate Brand Value study is the largest of its kind: more than 320,000 votes were cast in a number of criteria such as customer focus, sustainability, expertise, pricing and innovation.

Strong sales in Sweden

The housing market in Sweden stabilised after cooling down in the autumn of 2017. Prices are lower than previously, but consumer interest has returned and market activity is increasing. We noted a greater number of visitors at Bonava's showings, and our sales – primarily in the second half of the year – were strong. The earnings trend in Sweden was impacted by price adjustments on housing units delivered. We also started fewer housing units in 2019 than we would have liked, but the more positive signals from the market and the high sales rate in our projects point to more production starts going forward.

The Swedish design and production organisation is in place, and at the beginning of the year we launched our first project in which we handled digital visualisation ourselves instead of consulting outside help. With fewer projects under way, the focus in 2019 was on working with design development in combination with cost-effective digital solutions. This means we are well equipped to place greater emphasis on the large-scale implementation of these solutions.

Poor performance in Nordic

Bonava Nordic has been performing poorly for some time, and this accelerated in 2019. This was primarily attributable to Finland, where we conducted a strategic review in the autumn. We verified that we had less effective control over project management and procedures in specific projects, and identified a number of necessary actions. Among other measures, we decided to leave the Oulu region and sell land that is not part of Bonava's core operations. With stricter control procedures, a slimmer organisation and lower volumes, the right conditions are in place for delivering margins in line with our yield requirements over the long term.

In Norway, which is part of the Nordic segment, we acquired Oslo-based Urbanium AS, our first acquisition since being listed. The acquisition meant that we gained access to an attractive land bank and projects entirely in line with Bonava's ambition of developing neighbourhoods and affordable homes that more people have the possibility of living in. The addition strengthens our position in Norway, where we already have operations in Bergen that are performing well. Along with positive market conditions, we see excellent potential for value creation.

Strong performance in St. Petersburg and the Baltic region

I am very pleased with our performance in St. Petersburg and the Baltic region, with strong growth and excellent improvements in profitability.

In addition to a strong financial performance, we have good reason to be proud of our performance in St. Petersburg due to the Magnifika project, which received a number of awards during the year. This included an award for “the most innovative housing project” in all of Russia from a jury consisting of international experts, government agency representatives and directors of leading companies in the Russian property market. We are even prouder of winning “Best comfort-class housing project under construction” in St. Petersburg – the only business competition in which ordinary consumers along with industry experts take part in the evaluation process of the nominees.

The awards are a confirmation in many respects, but above all that our customers are satisfied with Bonava’s housing units and that we are creating neighbourhoods where people have a high quality of life.

Happy Quest

We have set ourselves the goal of creating unique values throughout the customer journey, and we have good reason to be satisfied with how far we have come.

One important foundation in this work is Happy Quest, our unique survey, which we carried out for the second time in 2019. In it, we ask people in our eight markets what makes them happy about the places where they live. This year’s Happy Quest showed that satisfaction in a neighbourhood is built like a multi-storey building. Functional needs such as proximity to public transportation and grocery stores form the base. Highest up on the top floor is the need for self-actualisation, such as having an impact on the neighbourhood’s development.

Increased control of purchasing

Our data-driven customer insights also form the basis of our purchasing work. The purchasing department works together with the marketing and design divisions to adapt our offering and our purchasing strategies. This way, we create value for the customer while becoming more cost-efficient.

To increase control over the materials used, we also have a strategy of separating purchases of services and materials. During the year, Bonava worked to harmonise the Group’s internal supply of security materials. Together with the health and safety organisation, the purchasing department has reviewed the requirements and was thus able to choose the right business partners.

Separating purchases of services and materials is a way of challenging conventions and ingrained working methods. For us, however, challenging and developing the industry is a driving force – and we want to do this in several areas such as digitalisation.

Clear objective for digitalisation

We have a clear objective for how digitalisation is to develop our business: all our tools and systems are linked to the same digital model. This is a change that not only involves using new IT tools but also requires that we change our procedures and become more agile in our working methods.

In 2019, the centre of excellence for virtual design and construction (VDC) we established in Riga began integrating our cost calculation system with the digital model. The majority of our digital tools are now nearing completion, and we will gradually integrate more and more of them in the same way as the cost calculation system.

This will provide us with major advantages in several dimensions. Since the building is first constructed digitally and then constructed at the work site, any mistakes will be detected in the design phase. Using this approach, we will increase quality and reduce the amount of time and materials wasted.

Staffed design and production

The construction industry is lagging behind when it comes to increased productivity. As a matter of fact, the trend in the industry has been negative. Bonava’s vision and mission are closely linked with changing the housing game. With increased cost effectiveness, we can build affordable housing units with strong profitability. One crucial factor is building up internal design and production capacity, which makes it possible to repeat the same technical building solutions. In turn, this allows for economies of scale in purchasing and industrial learning in production.





In 2019, we staffed large parts of our internal design and production divisions for multi-family housing in Sweden and Finland. For a while now, we have had similar organisations in place in the Germany and St. Petersburg-Baltics segments, whereas internal design is lacking in the Denmark and Norway segments. For the new organisations in Finland and Sweden, it is now a matter of finding their own routines and working methods.

The Swedish organisation need look no further than the Swedish single-family housing operations for a positive model. In 2019, we built our 500th single-family home in the country based on the same construction system. This high degree of reuse has meant we could industrialise production exactly as we want throughout our operations.

First to join the Science Based Targets initiative

Another area in which we have high ambitions is sustainability. Both Bonava and I personally are extremely passionate about the issue, and it is therefore highly gratifying to be the first residential developer in northern Europe to have signed on to the Science Based Targets initiative, which means we have set climate goals in line with the target of limiting global warming to 1.5°C.

It is also gratifying to note that all construction starts in Sweden and Denmark in 2019 received the Nordic Swan ecolabel. One of our sustainability goals is for at least half of our construction starts in the Nordic and St. Petersburg segments to receive the Nordic Swan ecolabel or Russian Green Zoom certification.

One condition for continuing to raise the bar and delivering on our environmental sustainability goals – for example, striving for a circular production model – is increasing control over our purchasing. Digitalisation will be important for this work. For example, we will be linking a climate analysis tool to our digital models so that we can control the climate footprint of a housing unit right in the design stage.

What we intend to do in purchasing and digitalisation with agile working methods is new to the construction industry. Changes take time, since ingrained working methods feel simpler over the

short term. The fact that our ambitions coincide with our sustainability goals thus provides us with extra motivation in our work to implement them.

We are also making advances in the area of equality. In 2019, we rose from 115th to ninth place in the Allbright Foundation's annual ranking of Stockholm's most equitable companies, which is both gratifying and important. For us as a residential developer, a diversity of perspectives is crucial to our long-term success.

Our culture – a precondition for value creation

Our employees are crucial to our ability to achieve the goals we have set for ourselves. We have a strong culture at Bonava and a high degree of commitment among our employees, which is fantastic and shows a desire to develop while changing our industry for the better.

We have established ourselves as a listed company with new organisations and approaches. Now we will work to leverage what we have built. By doing so, we will create value for our shareholders, our customers and society. We have left 2019, which was in many ways a challenging year, behind us and entered 2020 with a strong financial position and favourable demand in the majority of our markets.

With that said, I would like to thank all our employees for their commitment, creativity and hard work in 2019. Together, we will achieve even more and create better homes and lives for the many in 2020. I am convinced of it.

Stockholm, February 2020

Joachim Hallengren
President and CEO

Financial reporting

Contents Financial reporting

| | | | |
|--|----|---|----|
| Report of the Board of Directors | 12 | Parent Company | |
| Group | | Income statement | 52 |
| Consolidated income statement | 20 | Comments on the Parent Company income statement and balance sheet | 52 |
| Consolidated statement of comprehensive income | 20 | Balance sheet | 53 |
| Comments on the consolidated income statement | 21 | Changes in shareholders' equity | 54 |
| Consolidated balance sheet | 22 | Cash flow statement | 55 |
| Comments on the consolidated balance sheet | 22 | Comments on the Parent Company cash flow statement | 55 |
| Consolidated statement of changes in shareholders' equity | 24 | Parent Company Notes | |
| Specification of reserves in shareholders' equity | 25 | Note 1 Accounting policies | 57 |
| Consolidated cash flow statement | 26 | Note 2 Number of employees, salaries and other remuneration | 57 |
| Comments on the consolidated cash flow statement | 27 | Note 3 Depreciation/amortisation | 58 |
| Notes for the Group | | Note 4 Remuneration and fees to audit firms | 58 |
| Note 1 Significant accounting policies | 28 | Note 5 Profit from participations in Group companies | 58 |
| Note 2 Reporting of operating segments | 33 | Note 6 Interest expenses and similar items | 58 |
| Note 3 Revenue | 34 | Note 7 Intangible assets | 58 |
| Note 4 Number of employees, personnel costs and remuneration of senior executives | 34 | Note 8 Participations in Group companies | 59 |
| Note 5 Depreciation/amortisation | 38 | Note 9 Tax on profit for the year, deferred tax assets and deferred tax liabilities | 59 |
| Note 6 Remuneration and fees to audit firms | 38 | Note 10 Interest-bearing liabilities | 60 |
| Note 7 Operating expenses distributed by cost type | 38 | Note 11 Accrued expenses and deferred income | 60 |
| Note 8 Net financial items | 38 | Note 12 Pledged assets and contingent liabilities | 60 |
| Note 9 Intangible assets | 38 | Note 13 Information about the Parent Company | 60 |
| Note 10 Property, plant and equipment | 39 | Note 14 Appropriation of profit | 60 |
| Note 11 Participations in joint operations | 39 | Appropriation of profit | 61 |
| Note 12 Non-current receivables and other receivables | 39 | Audit Report | 62 |
| Note 13 Tax on profit for the year, deferred tax assets and deferred tax liabilities | 40 | | |
| Note 14 Housing projects | 41 | | |
| Note 15 Share capital | 41 | | |
| Note 16 Interest-bearing liabilities | 42 | | |
| Note 17 Provisions | 42 | | |
| Note 18 Other liabilities | 42 | | |
| Note 19 Accrued expenses and deferred income | 42 | | |
| Note 20 Leases | 43 | | |
| Note 21 Pledged assets and contingent liabilities | 43 | | |
| Note 22 Cash flow statement, cash and cash equivalents | 43 | | |
| Note 23 Financial instruments and financial risk management | 44 | | |
| Note 24 Business combinations | 49 | | |
| Note 25 Items affecting comparability | 49 | | |
| Note 26 Financial key performance indicators | 50 | | |
| Note 27 Key performance indicators, housing units | 51 | | |

Report of the Board of Directors

The Board of Directors and Chief Executive Officer of Bonava AB (publ.), corporate identity number 556928-0380, with its registered office in Stockholm, Sweden, hereby present the Annual Report and consolidated financial statements for the 2019 financial year.

IFRS 16 has been applied as of 1 January 2019 and governs how leases are recognised. All leases are recognised as leases in the consolidated accounts in the event Bonava essentially has the rights to all economic benefits arising through using the leased asset and if Bonava has the right to control the use of the leased asset.

OPERATIONS

Bonava develops and sells homes across 23 regions in eight countries. The selected geographical markets are Germany, Sweden, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. The common denominator in our establishments is our focus on major city regions with pronounced growth and with stable local labour markets, which generates demand for new housing over time. Bonava develops land into affordable and sustainable neighbourhoods, where the housing units are adapted to customers' wants and needs as well as the unique circumstances of each location.

Bonava provides multi-family and single-family housing units, and develops homes for consumers and investors, such as pension funds, alongside municipalities and other stakeholders. This is how Bonava creates new and vibrant neighbourhoods.

GROUP PERFORMANCE

Net sales

Net sales amounted to SEK 15,474 M (14,008). The increase was primarily attributable to higher net sales from consumers. During the period, 4,170 housing units (3,539) for consumers were recognised in profit and net sales totalled SEK 12,088 M (10,709). The average price per housing unit for consumers was SEK 2.9 M (3.0). During the period, 1,341 housing units (1,686) for investors in the Germany, Sweden and Nordic segments were recognised in profit and net sales totalled SEK 2,650 M (2,766). The average price per housing unit was SEK 2.0 M (1.6). The increase is attributable to higher average prices in Germany and Sweden. Exchange rate fluctuations had a positive effect of SEK 356 M on consolidated net sales compared with the year-earlier period.

Operating profit

Operating profit before items affecting comparability for the period was SEK 1,202 M (1,654). The increase in housing units transferred to consumers in the Germany, Nordic and St. Petersburg-Baltics segments was offset by fewer housing units for investors recognised in profit and lower project margins. Sale of land amounted to SEK 272 M (245). Operating profit after items affecting comparability was SEK 943 M (1,654). Items affecting comparability comprise a cost of SEK 159 M related to the planned restructuring in Finland and a cost of SEK 100 M for the settlement of an old legal dispute in Germany. Exchange rate fluctuations had a positive impact of SEK 24 M on operating profit compared with the year-earlier period.

Net financial items, tax and profit for the year

Net financial items were SEK -110 M (-141). The improvement was primarily attributable to lower borrowing in roubles. Profit after financial items in the period was SEK 834 M (1,513). Tax on profit for the period was SEK -219 M (-249), corresponding to a

tax rate of 26 per cent (16). The tax rate for the preceding year was impacted by recovered loss carry-forwards in Germany of SEK 72 M. Profit for the period after tax amounted to SEK 615 M (1,265).

FINANCIAL POSITION

Total assets

Total assets were SEK 23,487 M (21,074). The increase is primarily attributable to a higher value on properties held for future development and an increase in completed housing units.

NET DEBT

Net debt amounted to SEK 6,873 M (5,542). Net debt in Swedish tenant-owner associations and Finnish housing companies totalled SEK 3,238 M (4,965), of which SEK 891 M (999) related to financing via Parent Company credit facilities directly attributable to Swedish tenant-owner associations. Net debt for the Group relating to other operations was SEK 3,635 M (577). The increase is attributable to the acquisition of Urbanium AS, increased tied-up capital in Germany as a result of delays in the building permit process, and an increase in completed housing units primarily in the Sweden and Nordic segments. Net debt excluding the effects of IFRS 16 Leases totalled SEK 6,616 M.

CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED

The return on capital employed (excluding items affecting comparability) was 8.1 per cent (12.8). The lower return was attributable to lower operating profit and higher average capital employed, totalling SEK 14,933 M (13,332) at the end of the period. Capital employed increased primarily as a result of higher values regarding properties held for future development and an increase in completed housing units. Excluding the effects of IFRS 16 Leases, capital employed totalled SEK 14,679 M at the end of the period and the return on capital employed was 8.3 per cent.

EQUITY/ASSETS AND DEBT/EQUITY RATIOS

As of 31 December 2019, the equity/assets ratio was 32.1 per cent (34.9).

Bonava's equity/assets ratio is affected by seasonal fluctuations as the company's assets and liabilities normally increase in the first three quarters of the year and then decrease in the fourth quarter, when a large number of housing units are handed over to customers and recognised in profit. The debt/equity ratio was 0.9 (0.8).

CASH FLOW

Cash flow before financing was SEK -138 M (-764). Excluding the acquisition of Urbanium AS, which impacted investment activities by SEK 404 M, cash flow before financing totalled SEK 266 M (-764). Cash flow from operating activities before change in working capital totalled SEK 772 M (1,379). The lower cash flow is attributable to lower earnings after net financial items and higher paid tax. Cash flow from change in working capital amounted to SEK -393 M (-2,009). Sales of housing units increased in all segments. Investments were higher in the Germany and St. Petersburg-Baltics segments but lower in Sweden. Cash flow from other change in working capital was higher, since cash flow from customer advances increased in Sweden.

SEASONAL EFFECTS

Bonava recognises revenue and earnings from housing sales when sold and completed housing units are delivered to customers. Bonava's operations are affected by seasonal variations which

means that a majority of housing units are delivered to customers in the fourth quarter. Accordingly, earnings and cash flow are usually stronger in the fourth quarter than in other quarters.

HOUSING SALES, PRODUCTION STARTS AND BUILDING RIGHTS

Housing units under construction

At the end of the year, there were 6,179 (7,259) housing units for consumers and 3,553 (3,453) housing units for investors in production. As of 31 December 2019, the sales rate was 59 per cent (52) for housing units for consumers and 94 per cent (100) for housing units for investors. The completion rate at the end of the period was 48 per cent (46) for consumers and 33 per cent (30) for investors.

Building rights

There were 33,300 building rights (30,600), of which 19,300 (15,300) were recognised in the balance sheet.

Unsold completed housing units at year-end

The number of unsold completed housing units at year-end was 477 (379). All of these housing units were for consumers. The Nordic segment was responsible for the increase compared with the year-earlier period.

ORGANISATION AND EMPLOYEES

The average number of employees in the Group during the year was 2,045 (1,852). At year-end, the number of employees was 2,166 (2,079). The increase was mainly attributable to increased in-house resources and competences in production, design and procurement, and to business growth in Germany.

Changes to Board members

At the 2019 Annual General Meeting, Mikael Norman was elected as the new Chairman of the Board of Directors.

SHARES AND SHAREHOLDERS

Bonava has two share classes, Class A and Class B. The closing price on 30 December 2019 was SEK 102.00 per Class A share and SEK 99.50 per Class B share, corresponding to a market capitalisation of SEK 11.0 Bn. Bonava's share capital was SEK 434 M on the balance sheet date, divided between 108,435,822 shares and 215,591,586 votes. As of 31 December 2019, Bonava had 11,906,196 Class A shares and 96,529,626 Class B shares. Each Class A share carries ten votes and each Class B share one vote. The number of shareholders amounted to 30,158. Bonava's largest shareholder was Nordstjernan AB. As of 31 December 2019, the ten largest shareholders controlled 63.0 per cent of the capital and 69.8 per cent of the votes.

NOMINATION COMMITTEE

Ahead of the 2020 Annual General Meeting (AGM), Bonava's Nomination Committee consists of Angela Langemar Olsson (Nordstjernan AB and Chairman of the Committee), Tomas Risbecker (AMF – Försäkring och Fonder), Caroline Forsberg (SEB) and Mikael Norman as a co-opted member of the Nomination Committee in his capacity as Chairman of the Board.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Reports is included as a separate section of Bonavas' Annual Report and does not constitute a part of the formal Annual Report documents; refer to the Corporate Governance section on pages 65–75.

SIGNIFICANT EVENTS DURING THE YEAR

Bonava has adjusted its segment division as of 1 January 2019. The Denmark–Norway and Finland segments have been merged into the new Nordic segment. Operations in Estonia and Latvia have been merged with St. Petersburg to form the new St. Petersburg–Baltics segment. The Germany and Sweden segments remain unchanged. The comparative figures have been recalculated.

Kristina Olsen was appointed the new Business Unit President for Bonava Denmark–Norway and took office on 1 October. She has been the acting Business Unit President for Bonava Denmark–Norway since October 2018.

On 25 October 2019, Bonava acquired 100 per cent of the residential developer Urbanium AS, a group comprising five companies with an attractive land bank with the potential for completion of close to 1,000 housing units over the next seven years. The acquisition price was NOK 495 M. Urbanium's operations primarily encompass a land bank in Oslo and the surrounding area. As a result of the acquisition, Bonava has strengthened its position in the Norwegian market.

SIGNIFICANT EVENTS AFTER THE YEAR

After the end of the year, Bonava announced its intention to restructure the Finnish operations. The cost of SEK 159 M was recognised under items affecting comparability in the fourth quarter. The planned measures include exiting the Oulu region, which entails impairment losses on previously accrued expenses. Bonava will also recognise an impairment loss on previously accrued expenses relating to two properties that do not form part of the company's core operations as well as an impairment loss on completed projects in the rest of Finland.

REMUNERATION

The Board has evaluated the application of its guidelines for determining basic and variable remuneration to the CEO and other members of management (Executive Management) approved by the 2019 AGM, and the applicable remuneration structures and remuneration levels of the company. As a result of this evaluation of the overall remuneration package for the company's Executive Management, the Board of Directors proposes to the 2020 AGM that the applicable guidelines should be retained for 2020 with certain changes to the design of the guidelines compared with those now in effect, taking into account new legal requirements and so on. These guidelines cover Executive Management including the CEO, totalling ten (nine) senior executives.

Bonava applies remuneration levels and employment terms that are necessary to enable the recruitment and retention of a management possessing high competence and the ability to achieve the targets set. The remuneration principles and structures should motivate senior executives to do their utmost to safeguard the shareholders' interests. Accordingly, remuneration should be on market terms and competitive. It should be straightforward, long-term and measurable. The total remuneration package supports the company's long-term strategy. Remuneration to management comprises fixed and variable remuneration, long-term performance-based incentive programmes, pensions and other benefits.

Fixed salary

Fixed salary to senior executives should be on market terms and based on areas of responsibility, experience and results achieved. Fixed remuneration is reviewed either annually or biannually.

Short-term variable remuneration

Short-term variable remuneration is to be maximised and related to fixed salary, and based on the outcome in relation to the targets set, of which the absolute majority correspond to financial targets. In 2019, short-term variable remuneration to the CEO was capped at 50 per cent of fixed salary, and for other members of Executive Management maximised at 40 or 30 per cent of fixed salary. At maximum levels, the company's obligations to the individuals concerned would cost the company an estimated maximum of SEK 11.2 M excluding social security contributions.

Pensions and other benefits

With regards to pensions, Bonava offers defined contribution solutions, which means that Bonava pays premiums that comprise a specific proportion of the employee's salary. The members of Bonava's management that serve in Sweden and are not covered by pension benefits pursuant to the ITP plan (supplementary pensions for salaried employees) should receive a maximum of 30 per cent of annual basic salary in a yearly defined contribution pension provision. The members of Bonava's management that serve in other countries have pension solutions that are consistent with local practice. Bonava endeavours to harmonise the retirement age of members of Executive Management at 65.

Other benefits

Bonava provides other benefits to members of Executive Management pursuant to local practice. The aggregate value of these benefits should equate to a limited value in relation to total remuneration, and correspond to what, in principle, is customary in the market.

Notice periods and severance pay

Dismissal pay and severance pay for senior executives should not exceed nine months' salary, or 12 months for the CEO and CFO, on termination by the company, and six months on termination by the senior executive. In this context, senior executive means the CEO, CFO and other members of Executive Management. The Board of Directors is entitled to depart from the above guidelines for remuneration to senior executives if there are special reasons in an individual case.

Long-term incentive programme

The AGM on 10 April 2019 approved the Board of Directors' proposal to introduce a share-based incentive programme for Executive Management and certain key executives, totalling some 50 individuals. Participation in the programme requires an independent shareholding in Bonava. The purpose of the programme is to align the interests of the shareholders and those of Executive Management and specified key executives in order to ensure maximum

long-term value creation. The AGM also authorised the Board of Directors to repurchase Class B shares to ensure future commitments under the incentive programme. The Board has decided to utilise this authorisation and has initiated a repurchase programme. The Board of Directors proposes that the AGM authorise a long-term performance-based share programme (LTIP 2020) for senior executives and key individuals within the Bonava Group. This proposal is essentially consistent with the long-term performance-based share programme previously adopted for 2019, with some suggested changes relating to the performance targets.

It is the view of the Board of Directors that this type of incentive programme benefits the company's long-term progress. LTIP 2020 is proposed to cover a total of some 50 participants within the Bonava Group. More details on the proposal and previous long-term incentive programmes are available at bonava.com. See also Note 4, Number of employees, personnel costs and remuneration of senior executives.

PARENT COMPANY**Net sales and profit**

The Parent Company comprises the operations of Bonava AB (publ). Sales for the period totalled SEK 266 M (267). Profit after financial items amounted to SEK 679 M (1,618). The average number of employees for the year was 80 (78).

ENVIRONMENTAL IMPACT

Bonava does not conduct any operations subject to permits under the Swedish Environmental Code within the Parent Company or subsidiaries.

STATUTORY SUSTAINABILITY REPORT

The Sustainability Report forms part of Bonava's Annual Report and has been prepared in accordance with the standards of the Global Reporting Initiative (GRI). The report covers 2019 and changes made to the report are added standards for climate reporting and forced labour, reworked indicators for materials, updated work environment and health standards and a transition to GRI's newly published tax standard. Reported indicators refer to all of Bonava's units and the full year unless otherwise indicated. The Sustainability Report is issued by the Board of Directors and is externally reviewed and authorised. Refer further to page 78.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 3.00 per share, paid in two disbursements. The first payment of SEK 1.50 per share is proposed for disbursement on 7 April and the second payment of SEK 1.50 per share on 6 October.

AMOUNTS AND DATES

Unless otherwise stated, amounts are indicated in millions of Swedish kronor (SEK M). The relevant period is 1 January–31 December for income statement-related items, and 31 December for balance sheet-related items. Rounding differences may occur.

Segments

GERMANY

Although the German economy slowed in 2019, the housing market continued to make solid progress. Historically low unemployment favoured private consumption, which increased by just over 1.5 per cent. Public consumption also increased, and investments in housing were up by 3.8 per cent. An increase in planning applications and staff shortages at the relevant authorities during the year led to delays in zoning plan and building permit procedures.

Net sales amounted to SEK 6,361 M (5,736). During the period, 1,325 housing units (1,246) for consumers were recognised in profit and net sales totalled SEK 5,063 M (4,371). The average price per housing unit was SEK 3.8 M (3.5), attributable to rising market prices. During the period, 518 housing units (648) for investors were recognised in profit and net sales totalled SEK 1,158 M (1,346). The average price per housing unit was SEK 2.2 M (2.1).

Operating profit for the period was SEK 829 M (796). The increased profit is attributable to a larger number of housing units for consumers recognised in profit, as well as profit from land sales totalling SEK 33 M (10).

Capital employed amounted to SEK 4,814 M (3,985). The increase is attributable to several ongoing housing projects, which were partly offset by a greater share of interest-free financing. The return on capital employed decreased year-on-year as a result of higher average tied-up capital.

| | 2019 | 2018 |
|--|-------|-------|
| Net sales | 6,361 | 5,736 |
| Operating profit before items affecting comparability | 829 | 796 |
| Operating margin before items affecting comparability, % | 13.0 | 13.9 |
| Capital employed | 4,814 | 3,985 |
| Return on capital employed, % | 17.6 | 21.8 |
| Average no. of employees | 877 | 847 |
| Building rights | | |
| Building rights, number | 8,900 | 7,400 |
| of which, off-balance sheet building rights | 3,400 | 2,700 |
| Housing development for consumers | | |
| Housing units sold, number | 1,275 | 1,563 |
| Sale value of housing units sold | 5,363 | 5,521 |
| Housing starts, number | 858 | 2,061 |
| Housing units under construction, number | 2,456 | 2,932 |
| Sales rate for ongoing production, % | 69 | 59 |
| Housing units recognised in profit, number | 1,325 | 1,246 |
| Housing development for investors | | |
| Housing units sold, number | 608 | 873 |
| Sale value of housing units sold | 1,410 | 2,357 |
| Housing starts, number | 636 | 873 |
| Housing units under construction, number | 1,822 | 1,704 |
| Sales rate for ongoing production, % | 98 | 100 |
| Housing units recognised in profit, number | 518 | 648 |

SWEDEN

The Swedish housing market stabilised in 2019 and residential sales displayed a positive trend. However, housing starts declined 9 per cent year-on-year according to the National Board of Housing, Building and Planning (Boverket), and the forecast for 2020 is even lower. While the price trend for new production stabilised during the year, the price range was lower.

Net sales amounted to SEK 3,861 M (3,976). During the period, 653 housing units (775) for consumers were recognised in profit and net sales totalled SEK 2,949 M (3,130). The average price per housing unit was SEK 4.5 M (4.0). The increase is attributable to changes in the product and market mix. During the period, 192 housing units (322) for investors were recognised in profit and net sales totalled SEK 434 M (416). The average price per housing unit was SEK 2.3 M (1.3), attributable to the region and product mix.

Operating profit for the period was SEK 450 M (761). The lower earnings are attributable to fewer housing units being handed over to consumers and lower margins on project deliveries. Profit from land sales totalled SEK 239 M (222).

Capital employed fell to SEK 4,200 M (5,164), attributable to fewer ongoing projects and lower levels of investment in properties held for future development. The return on capital employed decreased year-on-year owing to lower earnings.

| | 2019 | 2018 |
|--|-------|-------|
| Net sales | 3,861 | 3,976 |
| Operating profit before items affecting comparability | 450 | 761 |
| Operating margin before items affecting comparability, % | 11.7 | 19.1 |
| Capital employed | 4,200 | 5,164 |
| Return on capital employed, % | 9.3 | 14.8 |
| Average no. of employees | 206 | 189 |
| Building rights | | |
| Building rights, number | 7,300 | 7,400 |
| of which, off-balance sheet building rights | 2,900 | 5,100 |
| Housing development for consumers | | |
| Housing units sold, number | 629 | 233 |
| Sale value of housing units sold | 2,886 | 1,037 |
| Housing starts, number | 164 | 269 |
| Housing units under construction, number | 890 | 1,342 |
| Sales rate for ongoing production, % | 54 | 39 |
| Housing units recognised in profit, number | 653 | 775 |
| Housing development for investors | | |
| Housing units sold, number | 162 | 423 |
| Sale value of housing units sold | 300 | 948 |
| Housing starts, number | 331 | 423 |
| Housing units under construction, number | 778 | 639 |
| Sales rate for ongoing production, % | 78 | 100 |
| Housing units recognised in profit, number | 192 | 322 |

NORDIC

The Finnish housing market was marked by intense competition and increased production costs. The housing supply was solid but declined slightly during the year. The Danish housing market was hesitant due to the stricter credit regulations previously introduced as well as significant volumes offered for sale. The Norwegian market was solid during the year, with positive price growth.

Net sales amounted to SEK 4,000 M (3,488). The increase was attributable to higher net sales from consumers. During the period, 1,015 housing units (887) for consumers were recognised in profit and net sales totalled SEK 2,863 M (2,424). The average price per housing unit was SEK 2.8 M (2.7). During the period, 631 housing units (716) for investors were recognised in profit and net sales totalled SEK 1,057 M (1,003). The average price per housing unit was SEK 1.7 M (1.4), an increase attributable to the higher average price of housing unit deliveries in Denmark.

Operating profit before items affecting comparability for the period was SEK -23 M (196). The decline in earnings is attributable to fewer units for investors recognised in profit and housing units delivered with lower project margins in Finland and Denmark. Items affecting comparability consist of SEK 159 M in costs related to the planned restructuring in Finland. Profit from land sales amounted to SEK 0 M (14).

Capital employed amounted to SEK 4,152 M (2,986). The increase is attributable to the acquisition of Urbanium AS, several ongoing housing projects and completed housing units as well as a lower level of customer advances. The return on capital employed decreased year-on-year owing to lower earnings.

| | 2019 | 2018 |
|--|--------|--------|
| Net sales | 4,000 | 3,488 |
| Operating profit before items affecting comparability | -23 | 196 |
| Operating margin before items affecting comparability, % | -0.6 | 5.6 |
| Capital employed | 4,152 | 2,986 |
| Return on capital employed, % | -0.7 | 7.1 |
| Average no. of employees | 409 | 338 |
| Building rights | | |
| Building rights, number | 10,600 | 10,000 |
| of which, off-balance sheet building rights | 6,300 | 6,600 |
| Housing development for consumers | | |
| Housing units sold, number | 906 | 884 |
| Sale value of housing units sold | 2,508 | 2,410 |
| Housing starts, number | 687 | 1,108 |
| Housing units under construction, number | 1,080 | 1,531 |
| Sales rate for ongoing production, % | 52 | 46 |
| Housing units recognised in profit, number | 1,015 | 887 |
| Housing development for investors | | |
| Housing units sold, number | 394 | 723 |
| Sale value of housing units sold | 613 | 1,319 |
| Housing starts, number | 394 | 723 |
| Housing units under construction, number | 789 | 1,026 |
| Sales rate for ongoing production, % | 100 | 100 |
| Housing units recognised in profit, number | 631 | 716 |

ST. PETERSBURG-BALTICS

The St. Petersburg housing market remained strong during the year, with rising prices and healthy levels of demand. The Baltics had a strong housing market. Demand for housing units is substantial, and the activity level is high. Competition has been particularly intense in Estonia.

Net sales amounted to SEK 1,252 M (808). The increase was attributable to higher net sales from consumers. During the period, 1,177 housing units (631) for consumers were recognised in profit and net sales totalled SEK 1,232 M (785). The average price per housing unit was SEK 1.0 M (1.2). The decrease is attributable to a changed product mix in St. Petersburg.

Operating profit for the period was SEK 194 M (108). The increase was attributable to more housing units for consumers recognised in profit.

Capital employed amounted to SEK 1,367 M (1,118). The increase is attributable to the Baltics, with a higher share of ongoing projects and a lower share of interest-free financing. The return on capital employed increased due to the improved earnings.

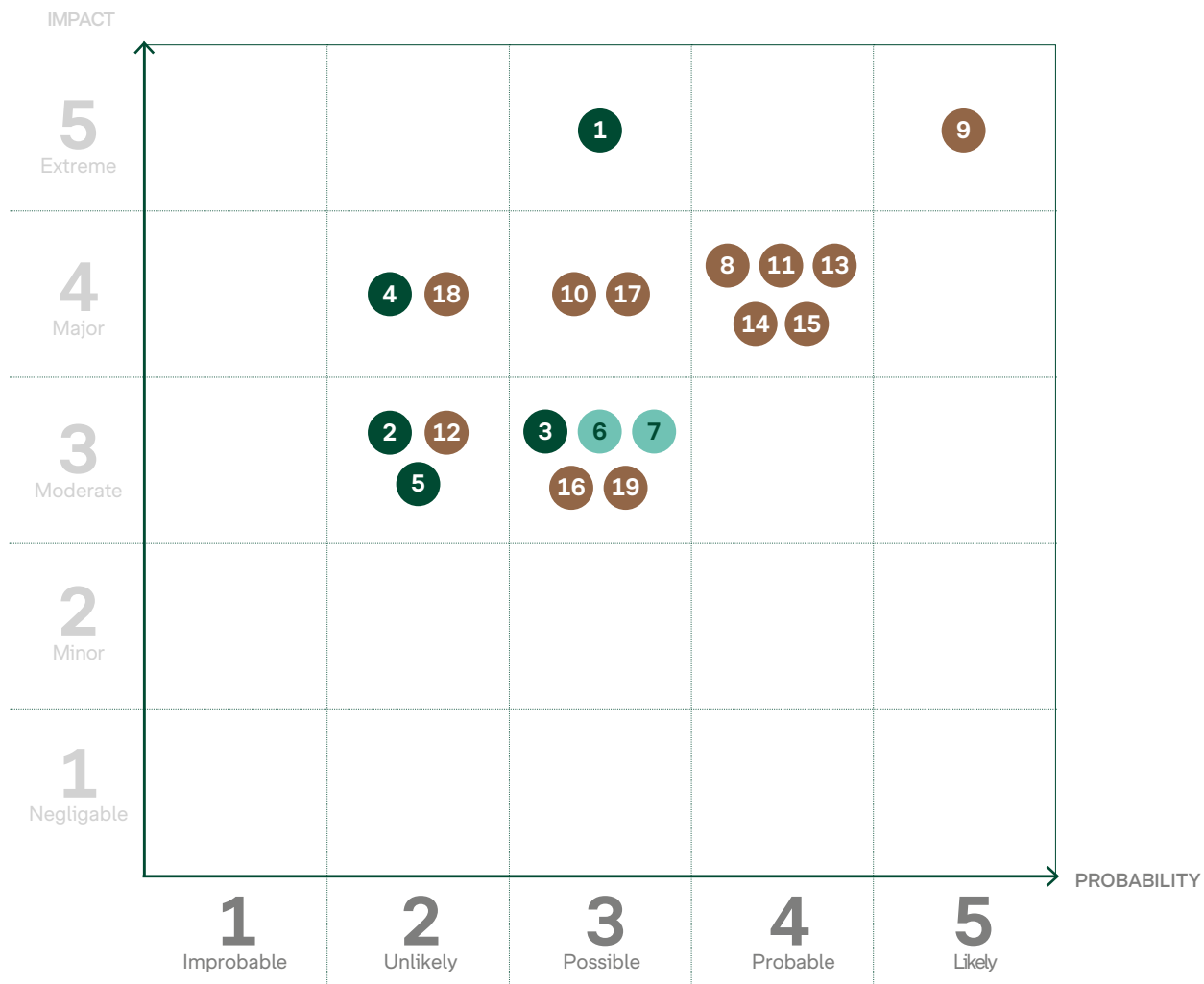
| | 2019 | 2018 |
|--|-------|-------|
| Net sales | 1,252 | 808 |
| Operating profit before items affecting comparability | 194 | 108 |
| Operating margin before items affecting comparability, % | 15.5 | 13.4 |
| Capital employed | 1,367 | 1,118 |
| Return on capital employed, % | 15.8 | 8.4 |
| Average no. of employees | 473 | 400 |
| Building rights | | |
| Building rights, number | 6,500 | 5,800 |
| of which, off-balance sheet building rights | 1,400 | 900 |
| Housing development for consumers | | |
| Housing units sold, number | 1,108 | 1,226 |
| Sale value of housing units sold | 1,324 | 1,257 |
| Housing starts, number | 1,301 | 937 |
| Housing units under construction, number | 1,753 | 1,454 |
| Sales rate for ongoing production, % | 53 | 58 |
| Housing units recognised in profit, number | 1,177 | 631 |
| Housing development for investors | | |
| Housing units sold, number | 80 | 84 |
| Sale value of housing units sold | 73 | 71 |
| Housing starts, number | 80 | 84 |
| Housing units under construction, number | 164 | 84 |
| Sales rate for ongoing production, % | 100 | 100 |
| Housing units recognised in profit, number | | |

Risks and risk management

Bonava is exposed to risks with varying degrees of impact on the company. These risks may be attributable to events or decisions beyond Bonava's control, but may also be the result of decisions by the company. Through structured and proactive risk management, Bonava's ambition is to ensure that the risks are either minimised as much as possible or remain potential risks. The Audit Committee is tasked with monitoring and evaluating Bonava's risk management, including the internal control environment.

In the risk assessment process, a number of risks were identified and assessed based on the probability that they could occur and the impact they would have on the operations. An analysis of the risks is presented in the illustration and table below. An evaluation of probability and impact illustrates the company's assessment of inherent risks without considering mitigating factors. For information on how Bonava's operations affect sustainability and what efforts are being made to minimise the negative effects, refer to page 78.

Bonava has a Risk Committee consisting of the company's CFO, General Counsel, Group Head of Financial Control, Group Head of Sustainability and Group Head of Risk and Compliance. The Risk Committee is responsible for centrally organising, coordinating, and driving Bonava's risk management work. The Risk Committee regularly reports to the Audit Committee and Executive Management.



PROBABILITY THAT THE RISK WILL BE REALISED
(See illustration on page 17 for summary)

IMPACT IF THE RISK IS REALISED
(See illustration on page 17 for summary)

FINANCIAL RISK

| | RISK AREA | DESCRIPTION | | | MITIGATING FACTORS |
|---|---|---|---|---|--|
| 1 | Liquidity | The risk of the company being unable to meet its payment obligations on the maturity date without incurring significantly increased financing costs. | 3 | 5 | Bonava has stipulated a specific level relating to its payment capacity. The company also has a structured process for continuously monitoring and forecasting Group liquidity in order to ensure optimal financing and liquidity at any given time. |
| 2 | Guarantees | Guarantors could decide against providing additional guarantees to Bonava if the company exceeds its guarantee facilities. | 2 | 3 | Bonava closely monitors its volume of guarantees utilised and obtains sureties from a centrally selected group of guarantors. The company also ensures that guarantees outstanding after the expiration of the guarantee period are reclaimed. |
| 3 | Errors in reporting | Financial and non-financial reporting (e.g. environmental and social sustainability, HR, purchasing) for housing operations is complex, involving complicated calculations and assessments. Erroneous calculations, and insufficient monitoring and analysis of reported figures, can lead to significant risks to Bonava's reputation and financial risks. | 3 | 3 | For financial reporting, Bonava applies the completed contract method, which implies that revenue and costs are known at the time of profit recognition. The company also has a structured process for budgeting outstanding costs at the time of profit recognition. A structured process is also used for non-financial items. |
| 4 | Valuation | The valuation of Bonava's properties held for future development, as well as ongoing and completed housing projects, depends on estimates of future sale value and estimates of future costs for development and production. Inaccurate estimates can lead to incorrect reporting of the value of these assets. | 2 | 4 | Bonava prepares a thorough forecast in which the future sale value and cost of housing projects are regularly evaluated and assessed. In addition, impairment tests are conducted annually for properties held for future development. All impairment losses are reflected in the income statement. |
| 5 | Fluctuations in interest rates and currencies | Bonava is exposed to interest rate and exchange rate risks insofar as interest rate and exchange rate fluctuations could negatively impact profit and cash flow or the fair value of financial assets and liabilities. | 2 | 3 | Bonava's Finance Policy stipulates a specific level for the average fixed-rate term in the debt portfolio and that the interest roll-over structure should be diversified over time. Bonava's exchange rate risk is limited because the business units' payments are mainly denominated in local currency. Exchange rate risk in the form of currency fluctuations is managed centrally by the Treasury function and is largely hedged in accordance with the Finance Policy. |

MACROECONOMIC RISK

| | RISK AREA | DESCRIPTION | | | MITIGATING FACTORS |
|---|-----------------------------------|--|---|---|--|
| 6 | Demography/ economic growth | A downturn in the economy could affect consumers' work situations and purchasing power. Demographic changes could lead to a reduction in potential customers. Both these trends could negatively impact sales and profit. | 3 | 3 | Bonava constantly analyses the market situation in each area of operations. A diversified portfolio in eight countries provides the possibility of flexibility in taking advantage of changing market conditions. |
| 7 | Rules and regulations | Changes to building permit regulations, construction guidelines and sustainability requirements can result in cost increases or delays in construction projects. Legislative changes relating to tax and borrowing can influence housing demand and property prices. | 3 | 3 | Bonava is in continual dialogue with stakeholders who have an influence over the political agenda. This is complemented by an external analysis focused on identifying causes, trends and ongoing changes to laws, ordinances and other regulations. Bonava continually adjusts its processes and decisions, and its strategy as needed, when significant changes occur. |

PROBABILITY THAT THE RISK WILL BE REALISED
(See illustration on page 17 for summary)

Impact if the risk is realised
(See illustration on page 17 for summary)

OPERATIONAL RISK

| RISK AREA | DESCRIPTION | | | MITIGATING FACTORS |
|---|--|---|---|--|
| Portfolio management | Inopportune portfolio management decisions could lead to an unfavourable use of capital and decreased profitability. | 4 | 4 | Investments in and divestments of land are regulated through a multi-level control environment that includes a properly developed due diligence process and requires Board approval in conjunction with larger contracts. |
| Project development | Price changes in purchasing, increased project engineering costs and delays caused by a lack of or delayed permits from public authorities could occur in the project development process. Misjudging the constitution of acquired land or infrastructure costs could increase the costs of a project. | 5 | 5 | Operational risks are managed through a structured internal corporate governance process. Bonava evaluates and manages risks through operational systems and developed processes and routines concerning, for example, preliminary project and detailed project planning processes as well as centralised procurement. |
| Procurement | Errors in Bonava's procurement process could entail substantial risks to the company's finances and reputation. This includes failure to monitor the supply chain on the issue of compliance with principles of human rights, working conditions, the environment, anti-corruption, additional production costs and an inability to make payments on time. | 3 | 4 | Bonava has established a centralised procurement organisation and created a framework for the selection and review of its suppliers in order to increase control over and improve the coordination of procurement. Bonava has identified the requirements that each supplier must fulfil in order to qualify as a supplier to Bonava, with the principles of the UN Global Compact and Bonava's Code of Conduct as a starting point. |
| Design and production | Deficiencies in planning and implementing the production of housing units could lead to increased costs and/or unsatisfactory quality, resulting in increased guarantee costs and damage to the company's reputation. Deficiencies in planning the production of housing units could lead to increased production costs and unsatisfactory quality, resulting in increased guarantee costs and damage to the company's reputation. | 4 | 4 | Bonava seeks to increase the industrialisation of its production. Increased repetition and a greater exchange of know-how within the Group reduces the risk of repeating mistakes. |
| Environment and climate | Property operations and the utilisation of properties have an impact on the environment and are regulated by extensive environmental legislation. Claims could be raised against Bonava for soil remediation and protection of ecological values in accordance with the provisions of applicable environmental legislation. The suitability of land for development may change due to climate change. | 2 | 3 | Bonava's internal corporate governance in each market ensures compliance with national and local directives. Bonava has internal local resources and/or employs external experts to plan and carry out soil remediation or post-treatment as well as planning in close dialogue with local authorities. Bonava has Group-wide procedures and systems for alerts and communication regarding accidents and serious incidents as well as a professional Group-wide sustainability network. |
| Employees | Bonava's operations could be adversely affected if the company fails to recruit and retain employees, particularly in areas such as design, production and procurement. | 4 | 4 | Bonava has a structured recruitment process and places considerable emphasis on strengthening its reputation as an employer. The company offers competitive employment terms. |
| Health and safety | The health and safety of Bonava's employees and subcontractors are vulnerable to risks if the company cannot guarantee safe working conditions at its construction sites and offices. | 4 | 4 | Bonava makes no distinction between its employees and subcontractors' employees at sites managed by Bonava and adheres to a vision of "zero harm" with the ultimate objective of preventing the occurrence of all injuries and occupational illnesses. Bonava has established organisational structures and procedures to utilise synergies, govern operations and monitor occupational health and safety work across the Group. Bonava has implemented crisis management plans as well as Group-wide routines and systems for hazard and incident management that include notifications and alerts for severe accidents or incidents. A Group-wide health and safety network has also been established. |
| IT | Inefficient IT architecture and IT operations could lead to decreased profitability and entail a security risk for the company. | 4 | 4 | Bonava has implemented a centralised IT organisation that continuously monitors and evaluates the company's business needs. |
| Breach of internal and external regulations | Bonava's operations are governed by the laws in force as well as internal regulations and principles in the company's markets (including on anti-corruption) that are based in Bonava's values. Breaches of those internal and external rules could lead to significant damage to the company's reputation and finances. | 3 | 3 | Bonava pursues a comprehensive compliance programme ("Our Foundation") to manage these risks. Key elements of the programme include direct and online training programmes, extensive advisory services, a whistle-blower function and regular internal reporting and communication. |
| Housing market and competition | A downturn in the housing market could lead to adverse financial results for Bonava. Increased competition can have a negative effect on the availability of land, employees and resources. | 3 | 4 | The housing market is continuously monitored by internal and external experts in order to foresee changing market conditions as soon as possible. Bonava carries out structured customer surveys and constantly optimises its production costs in order to always offer customers the products they demand. |
| Products/offerings | Product development and an offering that do not meet our customers' requirements could lead to a decline in sales and financial disadvantages. | 2 | 4 | Bonava places significant emphasis on customer insights that enable the identification of the desired plan from potential customers using extensive inquiries and analyses. |
| Sales and marketing | An inefficient sales and marketing strategy that is improperly implemented could lead to decreased sales. | 3 | 3 | The company benefits from centralised expertise that establishes marketing and sales processes supplemented by a well-established network of local experts and empirical analyses. |

Consolidated Income Statement

| | Note | 2019 | 2018 |
|--|------------------------|--------------|--------------|
| | 1, 11, 20 | | |
| Net sales | 2, 3 | 15,474 | 14,008 |
| Production costs | 4, 5, 7, 9, 10, 14, 20 | -13,368 | -11,452 |
| Gross profit | | 2,107 | 2,557 |
| Selling and administrative expenses | 4, 5, 6, 7, 9, 10, 20 | -905 | -903 |
| Operating profit before items affecting comparability | 2 | 1,202 | 1,654 |
| Items affecting comparability | 25 | -259 | |
| Operating profit after items affecting comparability | | 943 | 1,654 |
| Financial income | | 16 | 9 |
| Financial expenses | | -125 | -150 |
| Net financial items | 8 | -110 | -141 |
| Profit after financial items | | 834 | 1,513 |
| Tax on profit/loss for the year | 13 | -219 | -249 |
| Profit for the year | | 615 | 1,265 |
| Attributable to: | | | |
| Bonava AB's shareholders | | 615 | 1,265 |
| Non-controlling interest | | | |
| Profit for the year | | 615 | 1,265 |
| Per share data (before and after dilution) | | | |
| Profit before items affecting comparability, SEK | | 7.54 | 11.74 |
| Profit after items affecting comparability, SEK | | 5.71 | 11.74 |
| Cash flow from operating activities, SEK | | 3.55 | -5.84 |
| Shareholders' equity, SEK | | 70.02 | 68.36 |
| Number of shares at end of the year, million | | 107.6 | 107.6 |

Consolidated Statement of Comprehensive Income

| | 2019 | 2018 |
|--|------------|--------------|
| Profit for the year | 615 | 1,265 |
| Items that have been or may be reclassified to profit for the period | | |
| Translation differences during the year on translation of foreign operations | 139 | 44 |
| Other comprehensive income for the year | 139 | 44 |
| Comprehensive income for the year | 754 | 1,309 |
| Attributable to: | | |
| Bonava AB's shareholders | 754 | 1,309 |
| Non-controlling interest | | |
| Total comprehensive income for the year | 754 | 1,309 |

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Bonava's business model and the agreement structure of the housing projects mean that control is transferred to the buyer at the time of handover of the housing unit or project. Bonava thereby satisfies the undertaking to transfer the housing unit or project upon handover and recognises revenue and profit from sales of housing projects in full at this point. No revenue is recognised on the basis of forecast sales of housing projects. This applies to housing units for both consumers and investors. Since Bonava appoints a majority of the Board members in tenant-owner associations in Sweden and housing companies in Finland, issues guarantees and provides credit to or borrowing on behalf of tenant-owner associations and housing companies, Bonava exercises a controlling influence and therefore consolidates tenant-owner associations and housing companies in full. As a consequence of the consolidation of tenant-owner associations and housing companies in full, Bonava's net debt increases since interest-bearing liabilities attributable to Swedish tenant-owner associations and Finnish housing companies constitute material amounts.

NET SALES

Net sales amounted to SEK 15,474 M (14,008). The increase was primarily attributable to higher net sales from consumers. During the year, 4,170 housing units (3,539) for consumers were recognised in profit and net sales totalled SEK 12,088 M (10,709). The average price per housing unit for consumers was SEK 2.9 M (3.0). During the period, 1,341 housing units (1,686) for investors in the Germany, Sweden and Nordic segments were recognised in profit and net sales totalled SEK 2,650 M (2,766). The average price per housing unit was SEK 2.0 M (1.6). The increase is attributable to higher average prices in Germany and Sweden. Exchange rate fluctuations had a positive effect of SEK 356 M on consolidated net sales year-on-year.

OPERATING PROFIT

Operating profit before items affecting comparability for the period was SEK 1,202 M (1,654). The increase in housing units transferred to consumers in the Germany, Nordic and St. Petersburg-Baltics segments was offset by fewer housing units for investors recognised in profit and lower project margins. Sale of land amounted to SEK 272 M (245). Operating profit after items affecting comparability was SEK 943 M (1,654). Items affecting comparability consist of SEK 159 M in costs related to the planned restructuring in Finland and SEK 100 M in costs for the settlement of an old legal dispute in Germany. Exchange rate fluctuations had a positive impact of SEK 24 M on operating profit year-on-year.

NET FINANCIAL ITEMS

Net financial items were SEK -110 M (-141). The improvement was primarily attributable to lower borrowing in roubles.

TAX

Tax on profit for the year was SEK -219 M (-249), corresponding to a tax rate of 26 per cent (16). The tax rate for the preceding year was impacted by recovered loss carry-forwards in Germany of SEK 72 M. Net profit for the year after tax amounted to SEK 615 M (1,265). Refer also to Note 13.

Consolidated Balance Sheet

| | Note | 2019 | 2018 |
|---|-----------|---------------|---------------|
| ASSETS | 1, 11, 22 | | |
| Fixed assets | | | |
| Goodwill | 9 | 22 | 22 |
| Other intangible assets | 9 | 168 | 140 |
| Real estate used in business operations | 10 | 78 | 83 |
| Right-of-use assets, buildings | | 203 | |
| Machinery and equipment | 10 | 148 | 181 |
| Right-of-use assets, machinery and equipment | | 41 | |
| Other non-current shareholdings | | 4 | 4 |
| Non-current receivables | 12 | 124 | 145 |
| Deferred tax assets | 13 | 116 | 145 |
| Total fixed assets | 23 | 904 | 720 |
| Current assets | | | |
| Housing projects | | | |
| Properties held for future development | 14 | 7,149 | 5,720 |
| Ongoing housing projects | 14 | 11,740 | 11,381 |
| Right-of-use assets, ongoing housing projects | | 21 | |
| Completed housing units | 14 | 2,013 | 1,510 |
| Housing projects | | 20,923 | 18,611 |
| Materials and inventories | | 10 | 6 |
| Tax receivables | | 60 | |
| Accounts receivable | 24 | 225 | 518 |
| Prepaid expenses and accrued income | | 118 | 254 |
| Other receivables | 12 | 749 | 640 |
| Cash and cash equivalents | 22 | 499 | 325 |
| Total current assets | 23 | 22,583 | 20,354 |
| TOTAL ASSETS | | 23,487 | 21,074 |

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

FIXED ASSETS

Fixed assets increased year-on-year, primarily owing to rights of use for buildings and equipment as a result of the transition to IFRS 16.

CURRENT ASSETS

Properties held for future development

Building rights increased year-on-year, primarily as a result of the acquisition of Urbanium AS but also in Germany owing to delayed building permits.

Ongoing housing projects

The value of ongoing housing projects increased in all countries except for the Sweden and Nordic segments, where fewer projects were begun during the year.

Right-of-use assets, ongoing housing projects

As a result of the transition to IFRS 16, leases for land in the Nordic segment are recognised as right-of-use assets in ongoing housing projects.

Completed housing units

The value of completed housing units increased, primarily in the Sweden and Nordic segments. The number of completed housing units not yet recognised in profit was 714 (718). The average value of the completed housing units was 2.8 (2.1). The increase is attributable to more completed housing units in the Sweden and Nordic segments, and fewer in the St. Petersburg–Baltics segment.

Accounts receivable and other receivables

Accounts receivable decreased, primarily in Germany, owing in part to fewer projects started.

Consolidated balance sheet, cont.

| | Note | 2019 | 2018 |
|--|-----------|---------------|---------------|
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 15 | 434 | 434 |
| Other capital contributions | | 4,569 | 4,569 |
| Reserves | | 250 | 111 |
| Profit brought forward incl. comprehensive income for the year | | 2,283 | 2,244 |
| Shareholders' equity | | 7,536 | 7,357 |
| Non-controlling interest | | 5 | 4 |
| Total shareholders' equity | | 7,540 | 7,362 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Non-current interest-bearing liabilities | 16 | 1,208 | 1,625 |
| Non-current interest-bearing lease liabilities, IFRS 16 | 16 | 169 | |
| Other non-current liabilities | 18 | 334 | 221 |
| Deferred tax liabilities | 13 | 131 | 13 |
| Provisions | 17 | 582 | 541 |
| Total non-current liabilities | 23 | 2,424 | 2,400 |
| Current liabilities | | | |
| Current interest-bearing liabilities | 16 | 5,927 | 4,345 |
| Current interest-bearing lease liabilities, IFRS 16 | 16 | 88 | |
| Accounts payable | | 707 | 777 |
| Tax liabilities | | 195 | 301 |
| Accrued expenses and deferred income | 19 | 1,018 | 1,029 |
| Other current liabilities | 18 | 5,588 | 4,860 |
| Total current liabilities | 23 | 13,523 | 11,312 |
| Total liabilities | | 15,947 | 13,713 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 23,487 | 21,074 |

NON-CURRENT LIABILITIES**Non-current interest-bearing liabilities**

Non-current interest-bearing liabilities for Swedish tenant-owner associations and Finnish housing companies decreased year-on-year. This was a result of a lower number of housing projects started; refer also to Note 16, Interest-bearing liabilities. Non-current interest-bearing lease liabilities are attributable to the transition to IFRS 16.

Provisions

Provisions were slightly higher year-on-year, primarily as a result of higher guarantee provisions attributable to the housing projects.

CURRENT LIABILITIES**Current interest-bearing liabilities**

Current interest-bearing liabilities increased owing to a number of factors: the acquisition of Urbanium AS, increased tied-up capital in Germany as a result of delays in the building permit process, and an increase in completed housing units primarily in the Sweden and Nordic segments.

Other current liabilities

Other current liabilities consist primarily of customer advances, a large part of which consists of advance payments in Germany. Ongoing housing projects increased in Germany during the year, which resulted in an increase in customer advances.

Consolidated Statement of Changes in Shareholders' Equity

| | Equity attributable to Bonava AB's shareholders | | | | | Non-controlling interest | Total shareholders' equity |
|---|---|-----------------------------|------------|------------------------|--------------|--------------------------|----------------------------|
| | Share capital | Other capital contributions | Reserves | Profit brought forward | Total | | |
| Opening shareholders' equity, 1 January 2018 | 434 | 4,569 | 67 | 1,564 | 6,633 | 5 | 6,638 |
| Profit for the year | | | | 1,265 | 1,265 | | 1,265 |
| Other comprehensive income | | | 44 | | 44 | | 44 |
| Total comprehensive income | 0 | 0 | 44 | 1,265 | 1,309 | 0 | 1,309 |
| Performance-based incentive programme | | | | 5 | 5 | | 5 |
| Dividend | | | | -560 | -560 | -1 | -561 |
| Purchase of treasury shares | | | | -29 | -29 | | -29 |
| Total transactions with shareholders | 0 | 0 | 0 | -584 | -584 | -1 | -585 |
| Closing shareholders' equity, 31 December 2018 | 434 | 4,569 | 111 | 2,244 | 7,357 | 4 | 7,362 |
| Profit for the year | | | | 615 | 615 | | 615 |
| Other comprehensive income | | | 139 | | 139 | | 139 |
| Total comprehensive income | 0 | 0 | 139 | 615 | 754 | 0 | 754 |
| Performance-based incentive programme | | | | -16 | -16 | | -16 |
| Dividend | | | | -560 | -560 | | -560 |
| Total transactions with shareholders | | | | -577 | -577 | | -577 |
| Closing shareholders' equity, 31 December 2019 | 434 | 4,569 | 250 | 2,283 | 7,536 | 5 | 7,540 |

Specification of reserves in shareholders' equity

| Reserves | 2019 | 2018 |
|--|------------|------------|
| Translation reserve | | |
| Opening translation reserve | 111 | 67 |
| Translation differences during the year on translation of foreign operations | 139 | 44 |
| Closing translation reserve | 250 | 111 |

CHANGE IN SHAREHOLDERS' EQUITY

The change in shareholders' equity consists mainly of comprehensive income for the year, dividends, repurchases of treasury shares and effects of the long-term performance-based incentive programme.

OTHER CAPITAL CONTRIBUTIONS

Shareholders' equity paid up by shareholders.

RESERVES

Reserves pertain to translation reserves that include all exchange rate differences from 1 January 2013 and onwards arising from the translation of the financial statements of foreign operations prepared in a currency other than that used in Bonava's financial statements, i.e. SEK.

PROFIT BROUGHT FORWARD INCLUDING COMPREHENSIVE INCOME FOR THE YEAR

This item includes accrued earnings in Bonava and transactions with shareholders such as dividends, repurchases of treasury shares and performance-based incentive programmes.

Consolidated Cash Flow Statement

| | Note | 2019 | 2018 |
|---|-----------|-------------|---------------|
| OPERATING ACTIVITIES | | | |
| Profit after financial items | | 834 | 1,513 |
| Adjustments for items not included in cash flow: | | | |
| - Depreciation/amortisation | 5 | 230 | 129 |
| - Exchange rate effects | | -103 | -56 |
| - Changes in provisions | | 33 | -106 |
| - Other incl. items affecting comparability | | 115 | -26 |
| Total items not included in cash flow | | 275 | -60 |
| Tax paid | | -337 | -75 |
| Cash flow from operating activities before change in working capital | | 772 | 1,379 |
| Cash flow from change in working capital | | | |
| Sales of housing projects | 14 | 12,902 | 11,082 |
| Investments in housing projects | 14 | -13,919 | -13,445 |
| Other change in working capital | | 624 | 354 |
| Cash flow from change in working capital | | -393 | -2,009 |
| Cash flow from operating activities | | 379 | -630 |
| INVESTMENT ACTIVITIES | | | |
| Business combinations | | -404 | |
| Acquisitions of buildings and land | | -3 | -33 |
| Sales of buildings and land | | | 15 |
| Acquisitions of property, plant and equipment and intangible assets | | -114 | -130 |
| Sales of property, plant and equipment and intangible assets | | 4 | 12 |
| Cash flow from investment activities | | -517 | -135 |
| Cash flow before financing | | -138 | -764 |
| FINANCING ACTIVITIES | | | |
| Dividend paid | | -560 | -561 |
| Purchase of treasury shares | | | -29 |
| Increase in interest-bearing financial liabilities | | 3,140 | 3,048 |
| Decrease in interest-bearing financial liabilities | | -2,376 | -2,476 |
| Decrease in non-current interest-bearing receivables | | 5 | 2 |
| Increase (-)/decrease (+) in current interest-bearing receivables | | 77 | -27 |
| Cash flow from financing activities | | 286 | -42 |
| Cash flow for the year | | 148 | -806 |
| Cash and cash equivalents at 1 January | 22 | 325 | 1,122 |
| Exchange rate difference in cash and cash equivalents | | 26 | 10 |
| Cash and cash equivalents at 31 December | 22 | 499 | 325 |

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

Cash flow before financing was SEK -138 M (-764). Excluding the acquisition of Urbanium AS, which impacted investment activities by SEK 404 M, cash flow before financing totalled SEK 266 M (-764).

Cash flow from operating activities before change in working capital totalled SEK 772 M (1,379), a decrease attributable to lower profit after financial items and higher tax paid.

Cash flow from change in working capital amounted to SEK -393 M (-2,009). Sales of housing units increased in all segments. Investments were higher in the Germany and St. Petersburg-Baltics segments but lower in Sweden. Cash flow from other change in working capital was higher, primarily due to an increase in cash flow from customer advances in Sweden.

Cash flow from investment activities was SEK -517 M (-135), impacted by the acquisition of Urbanium AS.

Cash flow from financing activities was higher, totalling SEK 286 M (-42).

| Other change in working capital | 2019 | 2018 |
|--|------------|------------|
| Increase (-)/decrease (+) in inventories | 27 | -62 |
| Increase (-)/decrease (+) in receivables | 238 | 514 |
| Increase (-)/decrease (+) in liabilities | 359 | -98 |
| Other change in working capital | 624 | 354 |

NET DEBT

Net debt amounted to SEK 6,873 M (5,542). Net debt in Swedish tenant-owner associations and Finnish housing companies totalled SEK 3,238 M (4,965), of which SEK 891 M (999) related to financing via Parent Company credit facilities directly attributable to Swedish tenant-owner associations.

Net debt for the Group relating to other operations was SEK 3,635 M (577). The increase is attributable to a number of factors: the acquisition of Urbanium AS, increased tied-up capital in Germany as a result of delays in the building permit process, and an increase in completed housing units primarily in the Sweden and Nordic segments.

| | 2019 | 2018 |
|---|--------------|--------------|
| Non-current interest-bearing receivables | 2 | 8 |
| Current interest-bearing receivables | 19 | 95 |
| Cash and cash equivalents | 499 | 325 |
| Interest-bearing receivables | 520 | 428 |
| Non-current interest-bearing liabilities | 1,378 | 1,625 |
| Current interest-bearing liabilities | 6,015 | 4,345 |
| Interest-bearing liabilities | 7,393 | 5,970 |
| Net debt | 6,873 | 5,542 |
| <i>of which, attributable to Swedish tenant-owner associations and Finnish housing companies¹⁾</i> | | |
| Cash and cash equivalents | 17 | 106 |
| Interest-bearing liabilities in external project financing | 2,364 | 4,072 |
| Interest-bearing liabilities in other project financing ²⁾ | 891 | 999 |
| Net debt in tenant-owner associations and housing companies | 3,238 | 4,965 |
| <i>of which, other operations³⁾</i> | | |
| Cash and cash equivalents | 482 | 219 |
| Interest-bearing receivables | 19 | 103 |
| Interest-bearing lease liabilities, IFRS 16 | 257 | |
| Interest-bearing liabilities, other operations | 3,880 | 899 |
| Net debt, other operations | 3,635 | 577 |

1) As a consequence of the consolidation of tenant-owner associations and housing companies in full, interest-bearing liabilities attributable to Swedish tenant-owner associations and Finnish housing companies are included in Bonava's net debt.

2) Relates to financing via Parent Company credit facilities directly attributable to Swedish tenant-owner associations.

3) Relates to financing of operations in all segments excluding the Swedish and Finnish consumer business.

Notes for the Group

1 Significant accounting policies

Bonava's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations made by the IFRS Interpretations Committee (IFRIC), as adopted by the EU, the Annual Accounts Act (1995:1554), RFR 1 Supplementary Accounting principles for Groups and its associated interpretations, which were published by the Swedish Financial Reporting Board.

The annual accounts and the consolidated accounts were approved for publication by the Board of Directors on 20 February 2020. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting for adoption on 31 March 2020.

New standards applied by Bonava

For the financial year starting 1 January 2019, Bonava applied IFRS 16 Leases – which replaced IAS 17 Leases and its associated interpretations IFRIC 4, SIC-15 and SIC-27 – for the first time. Under the new standard almost all of Bonava's leases are recognised in the balance sheet, as no distinction is made between operating and finance leases. Under IFRS 16, an asset (the right to use a leased asset) and a financial liability (the obligation to pay lease fees) are to be recognised. In the income statement, lease expenses are replaced by depreciation and interest expenses. Under IAS 17, only finance leases were recognised in this manner.

Total assets, capital employed and net debt increased upon the transition to IFRS 16, but the income statement was also affected as the cost is normally higher in the first years of a lease then subsequently decreases. In addition, the cost was recognised as an interest expense and depreciation rather than as other external expenses. Although this affected operating profit, the effect on Bonava's operating profit was not material. The cash flow statement was also affected, since cash flow from operating activities increased as a majority of the amortisation payments for the lease liability were classified as a financing activity. Only the portion pertaining to interest can be included in operating activities going forward.

Bonava applied the modified retrospective approach and has therefore not restated comparative figures. Upon the transition to IFRS 16, Bonava recognised lease liabilities attributable to leases previously classified as operating leases in accordance with IAS 17. These liabilities were measured at the present value of future minimum lease payments. Bonava used the rate implicit in the lease as of 1 January 2019 in the calculation of land leases and the incremental borrowing rate for other leases.

Lease liabilities were recognised separately in the balance sheet. Right-of-use assets were recognised separately as both property, plant and equipment and current assets, and at the time of the transition were valued at an amount corresponding to the lease liability (adjusted for any prepaid or accrued lease payments as of 1 January 2019). Upon the transition, the unweighted average incremental borrowing rate was 3.80 per cent.

Upon the transition, Bonava essentially chose not to utilise the option of extending the leases. The assessment at the time was that extending the leases was not financially beneficial, since the assets were not business-critical for Bonava or specialised in nature, and other suitable alternatives were deemed to be unavailable. In addition, the costs associated with not extending the leases (e.g. costs for negotiation and relocation or costs for identifying another appropriate asset) were deemed to be immaterial.

No other changes to IFRS or IFRIC interpretations that entered force in 2019 had any material impact on Bonava.

New standards and interpretations that have not yet been applied by Bonava

None of the new or amended IFRS that have not yet come into effect are expected to have any material impact on Bonava.

CONSOLIDATED FINANCIAL STATEMENTS

Acquisition method

Business combinations deriving from parties who are not under joint control are recognised by applying the acquisition method. This method entails that the acquisition of a subsidiary is regarded as a transaction whereby Bonava indirectly acquires the subsidiary's assets and takes over its liabilities. The fair value on the date of acquisition of the acquired identifiable assets and assumed liabilities, as well as any non-controlling interests, is determined in the acquisition analysis.

Acquired and divested companies are included in Bonava's income statement, balance sheet and cash flow statement during the holding period. Bonava acquired Urbanium AS in 2019; refer further to Note 24.

Subsidiaries

Companies in which Bonava has a controlling influence, in practice through a direct or indirect holding carrying more than 50 per cent of the voting rights, are consolidated in their entirety. A controlling influence is defined as influence over the company or association, the right to variable returns from its involvement with the company or association and the ability to exercise its influence over the company or association to affect returns. Bonava has a controlling influence over tenant-owner associations and housing companies which are consolidated in full.

Joint arrangements

Joint arrangements are defined as projects conducted in Bonava in forms similar to those of a consortium, meaning subject to joint control. This could take the form of, for example, jointly owned companies that are governed jointly. For further information, refer to Note 11.

Non-controlling interest

In companies that are not wholly owned subsidiaries, non-controlling interest is recognised as the share of the subsidiaries' equity held by external shareholders. This item is recognised as part of Bonava's shareholders' equity. The share attributable to non-controlling interests is recognised in profit or loss. Information about the share of profit attributable to non-controlling interest is disclosed in conjunction with the income statement. The effects of transactions with non-controlling interests are recognised in shareholders' equity if they do not result in any changes in controlling influence.

Foreign subsidiaries and joint arrangements

Foreign subsidiaries are recognised using the functional currency and are translated to the reporting currency. For Bonava, the functional currency is defined as the local currency used in the reporting entity's accounts. The reporting currency is defined as the currency in which the Consolidated Financial Statements are reported, in Bonava's case Swedish kronor (SEK).

Elimination of intra-Group transactions

Receivables, liabilities, revenue and expenses, as well as unrealised gains and losses that arise when an entity within Bonava sells a good or service to another Group company, are eliminated in their entirety. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no need for impairment. The same applies to joint arrangements, to the extent this corresponds to Bonava's participating interest.

REVENUE

Bonava's net sales primarily comprise three revenue streams: sales of housing units to consumers, sales of housing projects to investors and – to a lesser extent – sales of land. IFRS 15 Revenue from Contracts with Customers describes a five-step model that deals

1 Significant accounting policies, cont.

with the entire revenue chain. For Bonava, this five-step model can be summarised as follows:

1. Identify the contract with customer
Depending on the revenue stream, Bonava identifies a customer contract with, for example, a private individual or an investor.
2. Identify the performance obligations in the contract
For Bonava, the customer contract generates an asset (a right, that is a promise to receive compensation) and a liability (an obligation, that is a promise to transfer goods). Bonava's various obligations to its customers are not distinct and are viewed as one performance obligation in the form of transferring a housing unit to the customer.
3. Determine the transaction price
The transaction price is a fixed price stipulated in the contract. Bonava's customers pay advances at various points in the process and to varying extents depending on the market. Advance payments are conditional on the completion of Bonava's performance obligation and thus do not affect Bonava's assessment that the performance obligation is fulfilled only when the buyer takes possession of the housing unit.
4. Allocate the transaction price to the performance obligation
This step is not applicable as Bonava only has a single performance obligation to its customers: the transfer of a housing unit.
5. Recognise revenue when a performance obligation is satisfied
Bonava recognises revenue in the income statement when the performance obligation to the buyer has been fulfilled by transferring control of the housing unit to the buyer. For Bonava, this means that the performance obligation is fulfilled at a specific point in time for both the consumer and investor business areas, which usually happens when the customer takes possession of the housing unit.

Housing projects for consumers

Bonava's business model for sales of housing units with ownership rights is that Bonava enters into an agreement to build a housing unit with each respective owner. During the construction of the housing unit, accrued costs are recognised in the "Housing projects" asset class. Revenue is recognised when the housing units are completed and the customer has taken up occupancy of the home.

In Sweden and Finland, Bonava also develops housing projects by entering into construction contracts with a client, either a tenant-owner association in Sweden or a housing company in Finland.

In Sweden, the end customer purchases a right of use in the tenant-owner association corresponding to an individual apartment. In Finland, the customer purchases shares in the housing company corresponding to an individual apartment. Bonava's business model means that control is transferred to the customer who acquires the housing unit when the customer takes possession of the housing unit. Since Bonava exercises control over both the tenant-owner association and the housing company during construction up until the sale to the end customer, these entities are consolidated. As a result, there is no contract with any external party until the end customer has signed a contract. Revenue is based on the actual revenue for the housing project sold. Recognised revenue per housing unit is offset by a share of the housing unit's estimated cost when the project is completed.

Housing projects for investors

Sales of housing projects to investors are recognised at the time when control is transferred to the buyer. Depending on the wording of the contract and local laws and regulations, this may occur on the signing date, continuously during production, or when the buyer takes possession of the housing units. For all projects during 2018 and 2019, Bonava's assessment is that control was transferred when the buyer took control of the housing units.

Sales of land

Sales of land are recognised on the date when control is transferred to the buyer, which normally coincides with the buyer taking possession of the land. Divestments of land that has not undergone project development are normally recognised in profit or loss on the date the customer takes possession of the land.

For all revenue flows, estimated losses are charged in their entirety to profit or loss for the period.

DEPRECIATION/AMORTISATION

Straight-line depreciation/amortisation according to plan is applied in accordance with the estimated useful life, with due consideration for any residual values at the end of the period, or after a confirmed decline in net asset value in those cases when the asset does not have an indefinite life. Goodwill that has an indefinite life is not amortised but is instead subject to systematic impairment testing. Bonava applies component depreciation/amortisation, whereby each asset with a considerable value is divided into a number of components that are depreciated/amortised on the basis of their particular useful life.

The period of depreciation/amortisation varies in accordance with the table below:

| | |
|---|------------|
| Software | 1-5 years |
| Other intangible assets | 3-10 years |
| Real estate used in business operations | 8-25 years |
| Machinery and equipment | 3-20 years |

IMPAIRMENT LOSSES

When there is an indication of an impairment requirement, Bonava tests the carrying amount of fixed assets. An impairment requirement arises when the recoverable amount is less than the carrying amount. The term impairment is also used in connection with a reduced valuation of housing projects. Valuations of these projects are based on the "lower of cost or market" method, meaning the lower of cost and net realisable value.

LEASES

All contracts are recognised as leases in the consolidated accounts in the event that Bonava essentially has the rights to all economic benefits arising through use of the leased asset and if Bonava has the right to control the use of the leased asset. Leases are recognised in the balance sheet. The right to use a leased asset is recognised either as property, plant and equipment (buildings, premises in which Bonava conducts its operations, machinery and equipment – primarily cars and office equipment) or a current asset (ongoing housing projects) depending on how the leased asset would be classified if it were owned instead. Leases for land (ongoing housing projects) are recognised only when there is a confirmed zoning plan or the building permit can no longer be appealed. Before that point, Bonava has neither control of the land nor the rights and obligations associated with the land. The obligation to make lease payments is recognised as a long- or short-term financial liability depending on the length of the lease. Lease expenses are recognised as depreciation and interest expenses in the income statement. Bonava has certain obligations to Swedish tenant-owner associations, Finnish housing companies and other parties relating to payment of membership fees and rent as regards completed unsold housing units. The intent is to sell these completed unsold housing units immediately, and thus these obligations are not recognised as leases. Variable costs such as property tax and maintenance costs, including electricity, heating and water, have been excluded from the calculation of lease liabilities to the extent they can be separated from rental costs. There are no substantial variable lease payments that depend on an index or rate.

With respect to land leases, Bonava applies the rate implicit in the lease. For the remaining leases, the incremental borrowing rate is applied; this is established by taking the geographical market and term of the lease into account. The term of the leases is in turn established through the start and end dates in the leases. Bonava has essentially chosen not to consider the possibility of extending lease contracts. This is not financially beneficial because the assets are not business-critical or specialised, and other suitable alternatives are deemed to be available. In addition, the costs associated with not extending the leases (e.g. costs for negotiation and relocation or costs for identifying another appropriate asset) were deemed to be immaterial.

Bonava does not have any finance leases in the capacity of lessor, nor has it applied exceptions for assets of a low value or short-term leases.

For previously applied accounting policies regarding leases, see the 2018 Annual Report.

ITEMS AFFECTING COMPARABILITY

This heading includes events and transactions such as substantial legal disputes, major impairment losses, restructuring and other substantial non-recurring costs or revenue, the profit effect of which is important to note when the profit/loss for the period is compared with earlier periods. Tax on items affecting comparability and tax items that are themselves classified as items affecting comparability are recognised under Tax in the consolidated income statement. Items recognised as affecting comparability in one period are recognised consistently in future periods by any potential reversal of these items also being recognised as items affecting comparability.

TAXES

Income taxes comprise current tax and deferred tax. Tax is recognised in profit or loss, except when the underlying transaction is recognised in other comprehensive income or in shareholders' equity, in which case the associated tax is recognised in other comprehensive income or in equity. Current tax is tax that is to be paid or received in the current year. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is recognised on the basis of temporary differences between recognised and taxable values of assets and liabilities. For information on tax on profit for the year and deferred tax assets and liabilities, refer to Note 13.

Deferred tax assets and liabilities are calculated on the basis of the tax rate determined for the following year in each particular country. When changes occur in tax rates, the change is recognised in profit for the year.

REPORTING OF OPERATING SEGMENTS

An operating segment is part of Bonava that conducts business operations from which it generates revenue and incurs costs and for which independent financial information is available. Furthermore, the earnings of an operating segment are continuously monitored by the chief operating decision maker (in Bonava's case this is the CEO) in order to evaluate results and allocate resources to the operating segment. The reporting of operating segments concurs with the reports presented to the CEO, in Bonava's case on the basis of the countries in which Bonava conducts operations. For more information, refer to Note 2.

INTANGIBLE ASSETS

Intangible assets are recognised at cost less accumulated amortisation and impairment losses. Goodwill arises from acquisitions of companies and operations. Goodwill is not amortised but is instead impairment tested on an annual basis. For more information, refer to Note 9.

PROPERTY, PLANT AND EQUIPMENT

Real estate used in business operations

Real estate used in business operations is held for use in the company's operations for purposes such as production, provision of

services or administration. These properties are recognised at cost less accumulated depreciation and any impairment losses. Refer also to Note 10.

Machinery and equipment

Machinery and equipment is recognised at cost less accumulated depreciation and any impairment losses. Refer also to Note 10.

FINANCIAL FIXED ASSETS

Financial fixed assets are recognised at fair value or amortised cost. Impairment losses are posted if the fair value is less than the cost. Refer also to "Financial instruments" below.

CURRENT ASSETS

Housing projects

Bonava's property holdings designated as housing projects are recognised as current assets, since the intent is to sell the properties and transfer them to the customer after completion. Property holdings are measured at the lower of cost and net realisable value.

Housing projects in Bonava are divided among:

- Properties held for future development
- Ongoing housing projects
- Completed housing units

For a distribution of amounts, refer to Note 14. Properties held for future development are reclassified as ongoing projects when construction on a project has started.

Properties held for future development

Properties held for future development refer to Bonava's holdings of land and building rights for future housing development and capitalised project development properties. Properties with leased buildings are classified as properties held for future development if the intent is to demolish or refurbish the properties.

The valuation of properties held for future development takes into consideration whether the properties will be developed or sold. The valuation of land and building rights for future development is based on a capital investment appraisal. This appraisal is updated with regard to the established sales price and cost trend when the market and other circumstances so require. In the event a positive contribution margin from the development cannot be obtained with regard to normal contract profit, an impairment loss is recognised. Development expenses are capitalised when they pertain to land owned or controlled by Bonava.

Ongoing housing projects

In connection with the production start, the value of land and capitalised development expenses is reclassified to ongoing projects, together with costs incurred after the production start.

Completed housing units

Project costs for completed housing units are reclassified from ongoing housing projects to completed housing units at the date of final inspection. Completed housing units are measured at the lower of cost and net realisable value.

FINANCIAL INSTRUMENTS

Purchases and sales of financial instruments are recognised on the date of transaction, meaning the date on which the company undertakes to purchase or sell the asset. Financial instruments recognised on the asset side of the Balance Sheet include cash and cash equivalents, loan receivables, accounts receivable, endowment policies, financial investments and derivatives. Accounts payable, borrowings and derivatives are recognised under liabilities. Financial guarantees such as sureties are also included in financial instruments.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognised in the balance sheet when invoices have been sent. Accounts payable are recognised when invoices have been received.

A financial asset is derecognised from the balance sheet when the contractual rights have been realised or extinguished. The same applies to portions of financial assets. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or otherwise terminated. This also applies to portions of financial liabilities.

The classification of an instrument is dependent on Bonava's classification of the asset in its business models and the characteristics of the instrument. At initial recognition, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the initial recognition, as described below.

Cash and cash equivalents comprise cash funds and immediately available balances at banks and equivalent institutions, as well as short-term investments with a maturity of less than three months at the date of acquisition and that are exposed to only a minor risk of value fluctuation.

Bonava classifies its financial assets and liabilities as follows:

Financial assets measured at fair value through profit or loss

This category includes Bonava's derivative instruments with a positive fair value. Changes in fair value are recognised in net financial items. Most financial instruments included in this category are intended for trading. Bonava's endowment policies are also measured at fair value through profit or loss.

Financial assets measured at amortised cost

Bonava has accounts receivable and loan receivables resulting from the collection of contractual cash flows measured at amortised cost (i.e. the amount at which they are expected to be received less doubtful receivables). Since the expected maturity of accounts receivable is short, a nominal value without discounting is recognised. Bonava applies the simplified approach to making provisions for accounts receivable. The simplified approach means that Bonava measures credit loss allowance for accounts receivable at an amount corresponding to the expected credit losses for the remaining term, regardless of whether or not the credit has deteriorated. This means that for accounts receivable, Bonava proceeds from historical credit losses adjusted for forward-looking estimates. This category also includes cash and cash equivalents and other receivables that satisfy these criteria.

Bonava has not identified any financial assets measured at fair value through other comprehensive income.

Financial liabilities measured at fair value through profit or loss

This category includes Bonava's derivative instruments with a negative fair value. Changes in fair value are recognised in net financial items.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortised cost.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Receivables and liabilities in foreign currencies are revalued at the exchange rate prevailing on the balance sheet date. Exchange rate differences arising from the translation of operational receivables and liabilities are recognised in operating profit, while exchange rate differences arising from the translation of financial assets and liabilities are recognised in net financial items.

REMUNERATION TO EMPLOYEES

Share-based remuneration

The Group's share-based remuneration programme consists of shareholders' rights. The fair value of allocated rights at the time of allocation is recognised as a personnel cost with a corresponding increase in shareholders' equity.

At each reporting date, Bonava AB judges the likelihood that performance targets will be achieved. Expenses are measured based on the number of shareholders' rights expected to be settled at the end of the vesting period.

When shareholders' rights are to be settled, social security contributions are paid for the value of employee benefits. These vary between the national markets where Bonava operates. In the period when services are rendered, provisions are made for these estimated social security contributions based on the fair value of the shareholders' rights at the reporting date.

To fulfil Bonava AB's commitments pursuant to the long-term incentive programme, Bonava AB has repurchased Class B shares. These shares are recognised in treasury as a reduction in shareholders' equity. For a description of the Bonava Group's share-based payment programme, refer to Note 4.

Post-employment remuneration

Bonava differentiates between defined contribution and defined benefit pension plans. Defined contribution plans are defined as pension plans for which the company pays fixed fees to a separate legal entity and does not assume any obligations for payments of additional fees, even if the legal entity lacks sufficient assets to pay benefits accrued for employment up to and including the balance sheet date. Other pension plans are defined benefit plans. Bonava primarily has defined contribution plans.

Bonava's payments for defined contribution pension plans are recognised as a cost in the period when the employees perform the service the contribution relates to.

For salaried employees in Sweden, the ITP 2 plan's defined benefit pension obligations for retirement and family pensions are secured through insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Recognition of ITP2 Pension Plan financed through insurance in Alecta, this constitutes a multi-employer defined benefit plan. For the 2019 financial year, the company did not have access to the information required for reporting its proportional share of the plan's commitment, plan assets and expenses, which made it impossible to report the plan as a defined benefit plan. The ITP 2 Pension Plan that is secured through insurance in Alecta is therefore recognised as a defined contribution plan. The premium for the defined benefit retirement and family pension is calculated on an individual basis and depends on factors such as salary, previously vested pension and anticipated remaining term of employment. Anticipated fees during the next accounting period for ITP 2 insurance taken out with Alecta amount to SEK 11 M.

The collective solvency rate consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting methods and assumptions, which do not comply with IAS 19. The collective solvency rate is normally allowed to vary between 125 and 155 per cent. If Alecta's collective solvency rate falls below 125 per cent or exceeds 155 per cent, measures must be taken to create conditions for returning the solvency rate to the normal interval. In the event of low solvency, one measure could be raising the agreed price for new subscriptions and increasing existing benefits. In the event of high solvency, one measure could be introducing premium reductions. At the end of 2019, Alecta's surplus in the form of its collective solvency rate was 148 per cent (142).

Remuneration on termination of employment

In conjunction with notice of employment termination, a provision is recognised only if the company is contractually obliged to terminate employment before the normal time, or when payments are made as an offering to encourage voluntary termination. For cases in which the company implements personnel cutbacks, a detailed plan is prepared that covers at least the workplace concerned, positions, and the approximate number of employees affected and disbursements for every personnel category or position, and the schedule for the plan's implementation. If severance payment requirements arising from personnel cutbacks extend beyond 12 months after financial year-end, such payments are discounted.

PROVISIONS

Provisions differ from other liabilities in that there is a degree of uncertainty concerning when payment will occur or the size of the amount required to settle the provision. Provisions are recognised in the balance sheet when a legal or informal commitment exists due to an event that has occurred, and it is probable that an outflow of economic resources will be required to settle the commitment and the amount can be estimated reliably.

Guarantee commitments

Provisions for future expenditure arising due to guarantee commitments are recognised at the estimated amounts required to settle the commitment on the balance sheet date. The estimation is based primarily on historical experience of comparable projects and calculations, but also on management's assessment and experience of similar transactions.

BORROWING COSTS

Borrowing costs attributable to qualifying assets are capitalised as a portion of the capitalised asset's cost when the borrowing costs are significant. A qualifying asset is one for which a substantial period of time is necessary to prepare the asset for its intended use (in Bonava's case, more than one year). Other borrowing costs are carried as expenses in the period in which they are incurred. SEK 0 (0) M was capitalised in the year. Transaction costs for loans raised are assigned to periods over the term of the loan according to the effective rate method.

PLEDGED ASSETS

Bonava recognises collateral provided by the company or the Group as pledged assets for liabilities and/or obligations. These may be liabilities, provisions included in the balance sheet or obligations not recognised in the balance sheet. The collateral may be tied to assets in the balance sheet or mortgages. Assets are recognised at the carrying amount and mortgages at nominal value. For type of collateral, refer to Note 21.

Deposit guarantees constitute collateral for investments and concession fees paid to tenant-owner associations formed by Bonava. Such guarantees are to be relinquished as soon as one year has passed after the final acquisition cost for the tenant-owner association has been established.

CRITICAL ESTIMATES AND ASSESSMENTS

The consolidated financial statements include certain assessments and assumptions about the future. These are based in part on historical experience and in part on expectations concerning future events and thus may, at a later date, be changed because of, for example, changes in factors in the business environment. Particular attention must be paid to this at times of economic conditions characterised by major uncertainty in terms of both the construction market and the global financial markets. The assessments that are most critical to Bonava are described below.

Revenue

Bonava's assessment is that the consumer business has a controlling influence over tenant-owner associations and housing companies, which are therefore consolidated in full. This means that there are no contracts with external parties before the end customer has signed a contract. On this basis, revenue recognition occurs in relation to the end customer (i.e. when housing units have been completed and the customer has taken up occupancy).

Depending on the wording of the contract and local laws and regulations, control of residential properties may be transferred to investors on the signing date, continuously during production, or when the housing units are handed over to the buyer. Bonava's assessment is that control is transferred upon taking occupancy of the property, and revenue during 2018 and 2019 is recognised at that date.

Valuation of housing projects

Bonava's housing projects are recognised at the lower of acquisition value and net realisable value. The assessment of net realisable value is based on a series of assumptions such as sales prices, production costs, the price of land, rent levels and yield requirements as well as the possible timing of production start and/or sale. Bonava continuously monitors progress on the market and tests the assumptions made on an ongoing basis.

In some cases, the difference between the carrying amount and the estimated net realisable value is minor. A change in the assumptions made could give rise to additional impairment requirements.

| | Carrying amount at year-end, properties held for future development ¹⁾ | Impairment during the year |
|------|---|----------------------------|
| 2019 | 7,149 | 102 |
| 2018 | 5,720 | |

1) Refer to Note 14.

Leases

Bonava assesses the possibility of extending its leases when they are signed, if conditions have materially changed and when less than one year remains in the lease term. In 2019, Bonava's current assessment is that it is essentially not financially beneficial to extend the leases, since the assets are not business-critical for Bonava or specialised, and other suitable alternatives are deemed to be unavailable. In addition, the costs associated with not extending the leases (e.g. costs for negotiation and relocation or costs for identifying another appropriate asset) were deemed to be immaterial.

With respect to land leases, Bonava applies the rate implicit in the lease. For the remaining leases, Bonava is of the opinion that the discount rate can be established by using an incremental borrowing rate adjusted for geographical market and the term of the lease.

Guarantee commitments

At year-end, guarantee provisions amounted to SEK 358 M (326), see Note 17. Provisions for future expenditure arising due to guarantee commitments are recognised at the estimated amounts required to settle the commitment on the balance sheet date. This estimate is based on calculations, assessments by company management and experience gained from past transactions.

Surety and guarantee obligations, legal disputes, etc.

Within the framework of Bonava's regular business operations, Bonava occasionally becomes a party in legal disputes. In such cases, an assessment is made of Bonava's obligations and the probability of a negative outcome for the company. Bonava's assessment is based on the information and knowledge currently possessed by the company. In a number of cases, these assessments are difficult and the final outcome could differ from the assessment. Refer also to Note 17.

Sensitivity and risk analysis

Bonava's operations are affected by seasonal fluctuations as a result of a cyclical production year and cold weather, and the fact that a large proportion of annual production is completed and delivered to customers in the fourth quarter. Accordingly, fourth quarter profit is usually stronger than the other quarters. The assessment is based on values at year end and is made on the basis of all other factors remaining unchanged. Refer also to Note 23.

1 Significant accounting policies, cont.

| | Change | Profit effect after net financial items, SEK M (annualised) | Equity/assets ratio | Effect on return on capital employed (%-units) |
|----------------------------|------------|---|---------------------|--|
| Net sales | +/- 5% | +/- 60 | +/- 0.2 | +/- 0.5 |
| Operating margin | +/- 1% | +/- 155 | +/- 0.4 | +/- 1.0 |
| Interest rate change | +/- 1% | +/- 42 | +/- 0.1 | +/- 0.1 |
| Cash flow before financing | SEK -500 M | -1 | -0.7 | -0.2 |

2 Reporting of operating segments

From 1 January 2019, operations are divided into four operating segments based on the parts of the organisation monitored by the CEO, the chief operating decision maker. Each operating segment has a manager who is responsible for the daily operations and regularly reports the results of the operating segment's performance

to the CEO. On the basis of this internal reporting, Bonava has identified the following segments: Germany, Sweden, Nordic (Finland, Denmark and Norway) and St. Petersburg-Baltics. The comparative figures have been adjusted. All segments develop and sell housing units. Sales between the segments are not material.

| 2019 | Germany | Sweden | Nordic | St. Petersburg-Baltics | Parent Company and adjustments | Total |
|---|---------|--------|--------|------------------------|--------------------------------|--------|
| Net sales, consumers | 5,063 | 2,949 | 2,844 | 1,232 | | 12,088 |
| Net sales, investors | 1,158 | 434 | 1,057 | | | 2,650 |
| Net sales, land | 136 | 473 | 92 | | | 700 |
| Other revenue | 3 | 5 | 7 | 20 | | 36 |
| Selling and administrative expenses (including depreciation/amortisation) | -292 | -151 | -172 | -59 | -231 | -905 |
| Depreciation/amortisation | -97 | -8 | -31 | -10 | -84 | -230 |
| Operating profit/loss before items affecting comparability | 829 | 450 | -23 | 194 | -248 | 1,202 |
| Items affecting comparability | | | -159 | | -100 | 259 |
| Operating profit/loss after items affecting comparability | 829 | 450 | -182 | 194 | -348 | 943 |
| Net financial items | | | | | | -110 |
| Profit after financial items | | | | | | 834 |
| Fixed assets | 348 | 251 | 137 | 59 | 109 | 904 |
| Capital employed | 4,814 | 4,200 | 4,152 | 1,367 | 399 | 14,933 |

| 2018 | Germany | Sweden | Nordic | St. Petersburg-Baltics | Parent Company and adjustments | Total |
|---|---------|--------|--------|------------------------|--------------------------------|--------|
| Net sales, consumers | 4,371 | 3,130 | 2,424 | 785 | | 10,709 |
| Net sales, investors | 1,346 | 416 | 1,003 | | | 2,766 |
| Net sales, land | 18 | 422 | 55 | | | 496 |
| Other revenue | | 8 | 7 | 23 | | 38 |
| Selling and administrative expenses (including depreciation/amortisation) | -291 | -188 | -160 | -58 | -205 | -903 |
| Depreciation/amortisation | -36 | | -5 | -4 | -89 | -134 |
| Operating profit/loss | 796 | 761 | 196 | 108 | -206 | 1,654 |
| Net financial items | | | | | | -141 |
| Profit after financial items | | | | | | 1,513 |
| Fixed assets | 222 | 222 | 102 | 37 | 138 | 720 |
| Capital employed | 3,985 | 5,164 | 2,986 | 1,118 | 80 | 13,332 |

| Net sales by country | Germany | Sweden | Finland | Denmark | Norway | St. Petersburg | Latvia | Estonia |
|----------------------|---------|--------|---------|---------|--------|----------------|--------|---------|
| 2019 | 6,361 | 3,861 | 2,539 | 787 | 675 | 805 | 308 | 139 |
| 2018 | 5,736 | 3,976 | 2,257 | 533 | 699 | 578 | 85 | 145 |

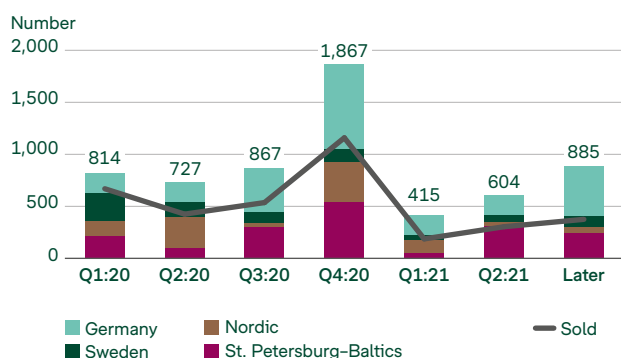
No customer accounts for net sales corresponding to over 5 per cent of the Group's net sales.

3

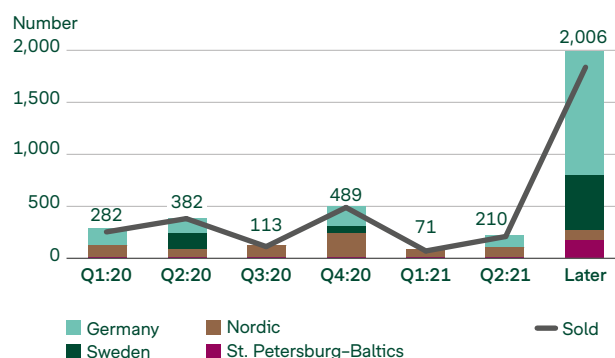
Revenue

Estimated completions per quarter

The diagrams illustrate the estimated completion dates for housing units for consumers and housing units for investors that have not yet been recognised in profit. The curves illustrate the proportion sold. Year-on-year, Bonava has fewer housing units to complete from the first quarter of 2020 onwards. Of the total number of housing units not yet completed, 57 per cent (53) is expected to be completed in 2020. The value of housing units sold under construction and completed housing units sold not yet recognised in profit at 31 December 2019 was SEK 13.8 Bn (14.0) for consumers and SEK 7.3 Bn (7.1) for investors.

Consumers

| Customer advances | 2019 | 2018 |
|--------------------------------------|--------|--------|
| Carrying amount on 1 January | 4,320 | 3,958 |
| Advances paid in | 10,160 | 9,849 |
| Advances recognised in profit | -9,507 | -9,336 |
| Other changes in customer advances | 1 | -196 |
| Translation differences for the year | 197 | 45 |
| Carrying amount on 31 December | 5,171 | 4,320 |

Investors

4

Number of employees, personnel costs and remuneration of senior executives

| Average number of employees | 2019 | | 2018 | |
|-----------------------------|------------------|---------------|------------------|---------------|
| | No. of employees | Of which, men | No. of employees | Of which, men |
| Sweden | 286 | 144 | 267 | 131 |
| Germany | 877 | 618 | 847 | 611 |
| Finland | 298 | 169 | 230 | 121 |
| Denmark | 79 | 54 | 83 | 57 |
| Norway | 32 | 26 | 25 | 20 |
| St. Petersburg | 292 | 170 | 270 | 161 |
| Estonia | 54 | 33 | 46 | 25 |
| Latvia | 127 | 95 | 84 | 60 |
| Total | 2,045 | 1,309 | 1,852 | 1,186 |

| Percentage women, % | 2019 | 2018 |
|--------------------------------------|------|------|
| Distribution of management by gender | | |
| Total | | |
| Board of Directors | 43 | 43 |
| Senior executives | 50 | 40 |

Senior executives are defined as the individuals who, together with the CEO, constitute the Executive Management group.

Salaries and other remuneration allocated between the Board and senior executives, and other employees

| | 2019 | | | 2018 | | |
|---------------------------------|--|-----------------|-------|--|-----------------|-------|
| | Board of Directors and senior executives | Other employees | Total | Board of Directors and senior executives | Other employees | Total |
| Salaries and other remuneration | 32 | 1,317 | 1,349 | 45 | 1,096 | 1,141 |
| Social security expenses | | | 313 | | | 299 |
| - of which, pension costs | 7 | | 101 | 8 | | 95 |

TERMS AND REMUNERATION FOR SENIOR EXECUTIVES

The Chairman of the Board and the other directors elected by the Annual General Meeting receive remuneration only at an amount resolved by the Annual General Meeting. No pensions are paid to the Board of Directors.

Remuneration of the CEO is proposed by the Chairman of the Board and decided by the Board of Directors. Remuneration to

other members of Bonava's senior management is proposed by the CEO and approved by the Chairman of the Board.

Remuneration to the CEO and other senior executives consists of a fixed salary, variable remuneration, share-based remuneration, other benefits and pensions. At the end of 2019, the number of senior executives was ten. Of these, six were employed by the Parent Company and four by subsidiaries.

VARIABLE REMUNERATION

The variable remuneration for 2019 payable to CEO Joachim Hallengren was capped at 50 per cent of fixed salary. The variable remuneration was based on financial targets established by the Board of Directors. Remuneration regarding the 2019 financial year amounted to SEK 0.0 M (1.5). For other members of Executive Management, variable remuneration is capped at 30 or 40 per cent of fixed remuneration.

PENSION TERMS FOR THE CEO

CEO Joachim Hallengren has a defined-contribution pension plan with a premium amounting to 30 per cent of fixed salary. Joachim Hallengren's retirement age is 65.

PENSION TERMS FOR OTHER SENIOR EXECUTIVES

Other senior executives employed in Sweden have a defined contribution ITP plan with a retirement age of 65. One of the members of Executive Management is party to an agreement that states that the portion of occupational pension comprising ITP (i.e. for a proportion of salary up to 30 income base amounts) shall be paid out in full if the member retires between the ages of 60 and 65.

For other senior executives employed outside Sweden, defined-contribution supplementary pension terms apply ranging from 0 to 30 per cent of pensionable salary depending on the country of employment.

Remuneration, provisions and other benefits in 2019

| SEK 000 | Total salary, remuneration and benefits ^{1) 3)} | of which, benefits | of which, variable remuneration ²⁾ | of which, provisions for share-based remuneration ⁴⁾ | Pension cost |
|---|--|-----------------------|---|--|--------------|
| CEO Joachim Hallengren | 6,581 | 85 | | | 1,802 |
| Chairman Mikael Norman | 685 | | | | |
| Director Viveca Ax:son Johnson | 296 | | | | |
| Director Carl Engström | 498 | | | | |
| Director Åsa Hedenberg | 371 | | | | |
| Director Samir Kamal | 316 | | | | |
| Director Frank Roseen | 296 | | | | |
| Director Anna Wallenberg | 296 | | | | |
| Other senior executives, Group (ten individuals) | 22,673 | 834 | 307 | | 4,970 |
| Total senior executives | 32,012 | 919 | 307 | 0 | 6,772 |

1) Remuneration and benefits pertain to holiday pay, reduced working hours, company vehicles and, when appropriate, severance pay.

The difference between the years is attributable to there being 11 people in Executive Management at the end of 2018 and ten people at the end of 2019. Of the three positions filled in 2019, one position was filled late in the year.

2) Variable remuneration pertains to the amounts expensed for each financial year.

3) Board fees have been allocated from the date of the Annual General Meeting 2019 onwards. Audit Committee fees were paid to Carl Engström (Chairman), Åsa Hedenberg and Mikael Norman.

4) In 2019, the assessment of the outcomes of the 2017 and 2018 programmes for share-based remuneration were adjusted downward by SEK 9 M, which exceeds the total provision of SEK 1 M for the 2019 programme.

Remuneration, provisions and other benefits in 2018

| SEK 000 | Total salary, remuneration and benefits ^{1) 3)} | of which, benefits | of which, variable remuneration ²⁾ | of which, provisions for share-based remuneration | Pension cost |
|---|--|-----------------------|---|--|--------------|
| CEO Joachim Hallengren | 9,175 | 91 | 1,525 | 851 | 1,800 |
| Chairman Carl Engström | 621 | | | | |
| Director Viveca Ax:son Johnson | 280 | | | | |
| Director Åsa Hedenberg | 347 | | | | |
| Director Samir Kamal | 347 | | | | |
| Director Mikael Norman | 415 | | | | |
| Director Frank Roseen | 195 | | | | |
| Director Magnus Rosén | 85 | | | | |
| Director Anna Wallenberg | 280 | | | | |
| Other senior executives, Group (ten individuals) | 33,137 | 668 | 4,609 | 1,346 | 6,531 |
| Total senior executives | 44,882 | 759 | 6,134 | 2,197 | 8,331 |

1) Remuneration and benefits pertain to holiday pay, reduced working hours, company vehicles and, when appropriate, severance pay.

2) Variable remuneration pertains to the amounts expensed for each financial year.

3) Board fees have been allocated from the date of the 2018 Annual General Meeting onwards. Frank Roseen was elected as a new Board member and Magnus Rosén resigned as a Board member at the AGM on 25 April 2018. Audit Committee fees were paid to Mikael Norman (Chairman), Åsa Hedenberg and Samir Kamal.

SEVERANCE PAY

The period of notice for Joachim Hallengren is six months. A period of notice of 12 months is in effect in conjunction with termination by the company. Severance pay amounts to 12 months. Other senior executives are subject to between nine and 12 months' notice from the company, or six months' notice if the senior executive resigns of his/her own accord. Severance pay for between nine and 12 months is payable if employment is terminated by the company. The severance pay will be reduced by an amount corresponding to any remuneration received from a new employer or own business. During the period of notice, senior executives may not take up a new position with another employer or conduct their own business activities without the company's written consent. Should the senior executive resign on his/her own accord, severance pay is not payable. When employment ends, the senior executive becomes subject to a prohibition on competition or employees for a period of 12 and nine months respectively.

LONG-TERM INCENTIVE PROGRAMME

Bonava has three outstanding long-term performance-based share programmes for senior executives and key personnel in the Bonava Group (LTIP 2017, LTIP 2018 and LTIP 2019). The purpose of the programmes is to align the interests of the shareholders and Executive Management to ensure maximum long-term value creation and a long-term Group-wide focus on profit performance and to facilitate the recruitment and retention of members of Executive Management and other key executives.

LTIP 2017

LTIP 2017 encompasses 50 senior executives and key personnel in the Bonava Group. LTIP 2017 is a three-year performance-based programme that involves participants receiving no-cost warrants that confer the right to Class B shares. Participants in LTIP 2017 are required to invest in independent shareholdings in Bonava AB (known as investment shares) that are allocated to LTIP 2017. The participants are divided into four categories; (1) CEO, (2) CFO and Business Unit Presidents, (3) rest of Executive Management and other key personnel, and (4) key personnel with responsibility for functions. The allocation value per investment share is six warrants for category (1), five warrants for category (2), and four and three warrants for category (3) and (4) respectively.

Performance-based targets

Allocation of Class B shares is dependent on the extent to which specific predetermined targets are met during the performance term. 70 per cent of the targets for LTIP 2017 relate to Bonava's earnings per share (EPS) and 30 per cent to Bonava's average return on capital employed (ROCE). In the event that the total return on the company's Class B shares is negative in the period between the introduction of the programmes and the day including the day of publication of Bonava's Interim Report for the third quarter 2020, allocation of Class B shares will be reduced to half.

Scope and cost of the programme

Assuming complete fulfilment of the performance-based targets and maximum participation and maximum investment, the value of the warrants amounts to approximately SEK 28 M including social security contributions.

Repurchase of treasury shares

In order to cover its undertaking in relation to LTIP 2017 for the delivery of Class B shares, including social security contributions, Bonava AB has repurchased 194,800 Class B shares at a total value of SEK 30 M.

LTIP 2018

LTIP 2018 encompasses 50 senior executives and key personnel in the Bonava Group. LTIP 2018 is a three-year performance-based programme that involves participants receiving no-cost warrants that confer the right to Class B shares. Participants in LTIP 2018 are required to invest in independent shareholdings in Bonava AB (known as investment shares) that are allocated to LTIP 2018. The participants are divided into four categories; (1) CEO, (2) CFO and Business Unit Presidents, (3) rest of Executive Management and other key personnel, and (4) key personnel with responsibility for functions. The allocation value per investment share is six warrants for category (1), five warrants for category (2), and four and three warrants for category (3) and (4) respectively.

Performance-based targets

Allocation of Class B shares is dependent on the extent to which two predetermined targets are met during the performance term. 70 per cent of the targets for LTIP 2018 relate to Bonava's earnings per share (EPS) and 30 per cent to Bonava's average return on capital employed (ROCE). The allocation of Class B shares is also based on a recalculation measure governed by total yields for Bonava's Class B share (share price change plus dividend) over a period.

Scope and cost of the programme

Assuming complete fulfilment of the performance-based targets and maximum participation and maximum investment, the value of the warrants amounts to approximately SEK 31 M including social security contributions.

Repurchase of treasury shares

In order to cover its undertaking in relation to LTIP 2018 for the delivery of Class B shares including social security expenses, Bonava has repurchased 265,861 Class B shares at a total value of SEK 29 M.

LTIP 2019

LTIP 2019 encompasses 50 senior executives and key personnel in the Bonava Group. LTIP 2019 is a three-year performance-based programme that involves participants receiving no-cost warrants that confer the right to Class B shares. Participants in LTIP 2019 are required to invest in independent shareholdings in Bonava AB (known as investment shares) that are allocated to LTIP 2019. The participants are divided into four categories; (1) CEO, (2) CFO and Business Unit Presidents, (3) rest of Executive Management and other key personnel, and (4) key personnel with responsibility for functions. The allocation value per investment share is six warrants for category (1), five warrants for category (2), and four and three warrants for category (3) and (4) respectively.

Performance-based targets

The share rights are divided into Series 1, Series 2 and Series 3 and are weighted 30 per cent, 35 per cent and 35 per cent respectively. The allocation of Class B shares for the respective series depends on the extent to which the performance goals for the series are met. The goals for LTIP 2019 are related to Bonava's average return on capital employed (Series 1), total shareholder return on Bonava's Class B share (Series 2), and relative total shareholder return on Bonava's Class B share relative to a comparison group of 25 companies (Series 3).

Scope and cost of the programme

Assuming full fulfilment of the performance-based targets and maximum participation and maximum investment, the value of the warrants amounts to approximately SEK 32 M including social security contributions.

Repurchase of treasury shares

The 2019 AGM resolved that the company will have the right to repurchase Class B shares in the company for the purpose of covering the costs that could arise as a result of the 2019 incentive programme. The company has not exercised this right.

Allocation in the 2016 long-term incentive programme

The results for the 2016 incentive programme did not reach the minimum level for one of the performance measures. No warrants were therefore allocated to the participants in accordance with the conditions of the 2016 incentive programme.

| Warrants | Group | Parent Company |
|--|----------|----------------|
| Outstanding at the beginning of the period | 568,760 | 259,884 |
| Allocated in the period | 158,782 | 80,781 |
| Forfeited in the period | -290,300 | -143,395 |
| Outstanding at the end of the period | 437,242 | 197,270 |

LTIP 2016

| Targets | Weight (%) | Share allocation | |
|-------------------------|------------|------------------|----------------|
| | | Outcome (%) | Allocation (%) |
| EBIT | 70 | 11.1 | 0 |
| ROCE | 30 | 0 | 0 |
| Total allocation | | | 0 |

Fair value and assumptions

| | 2019 | | 2018 | |
|---------------------------------------|--------|----------------|--------|----------------|
| | Group | Parent Company | Group | Parent Company |
| LTIP 2017 | | | | |
| Fair value at valuation date, SEK 000 | 0 | 0 | 7,119 | 2,563 |
| Share price, SEK | 140.47 | 140.47 | 140.47 | 140.47 |
| Exercise price, SEK | 0 | 0 | 0 | 0 |
| Term of the warrants, years | 0.5 | 0.5 | 1.5 | 1.5 |

| | 2019 | | 2018 | |
|---------------------------------------|--------|----------------|--------|----------------|
| | Group | Parent Company | Group | Parent Company |
| LTIP 2018 | | | | |
| Fair value at valuation date, SEK 000 | 0 | 0 | 1,422 | 632 |
| Share price, SEK | 106.98 | 106.98 | 106.98 | 106.98 |
| Exercise price, SEK | 0 | 0 | 0 | 0 |
| Term of the warrants, years | 1.5 | 1.5 | 2.5 | 2.5 |

| | 2019 | | | |
|---------------------------------------|--------|----------------|--|--|
| | Group | Parent Company | | |
| LTIP 2019 | | | | |
| Fair value at valuation date, SEK 000 | 1,821 | 990 | | |
| Share price, SEK | 118.20 | 118.20 | | |
| Exercise price, SEK | 0 | 0 | | |
| Term of the warrants, years | 2.5 | 2.5 | | |

| | 2019 | | 2018 | |
|---|------------|----------------|----------|----------------|
| | Group | Parent Company | Group | Parent Company |
| Personnel costs for share-based remuneration | | | | |
| Warrants | -16 | -7 | 5 | 3 |
| Social security expenses | -3 | -2 | 1 | 1 |
| Total personnel costs for share-based remuneration | -19 | -9 | 6 | 3 |

5 Depreciation/amortisation

| | 2019 | 2018 |
|---|------------|------------|
| Other intangible assets | 84 | 82 |
| Real estate used in business operations | 10 | 9 |
| Right-of-use assets, buildings | 58 | |
| Machinery and equipment | 35 | 38 |
| Right-of-use assets, machinery and equipment | 40 | |
| Right-of-use assets, ongoing housing projects | 4 | |
| Total depreciation/amortisation | 230 | 129 |

6 Remuneration and fees to audit firms

| | 2019 | 2018 |
|--|----------|----------|
| Audit firm | | |
| <i>PwC</i> | | |
| Audit assignment | 7 | 6 |
| of which, Parent Company auditors | 3 | 3 |
| Audit-related activities in addition to audit assignment | | |
| Tax advice ¹⁾ | | |
| Other fees | | |
| Total PwC | 7 | 6 |
| <i>Other audit firms</i> | | |
| Audit assignment | | |
| of which, Parent Company auditors | | |
| Other audit firms | | |
| Audit assignment | 1 | 1 |
| Total remuneration and fees to auditors and audit firms | 8 | 6 |

1) Relates primarily to VAT consultations in Finland.

Audit assignment is defined as fees for the statutory audit (i.e. audit work required to present the Audit Report and provide audit advice in connection with the audit assignment).

7 Operating expenses distributed by cost type

| | 2019 | 2018 |
|--|---------------|---------------|
| Production-related goods and services, and raw materials and consumables | 12,543 | 10,778 |
| Change in inventories | -4 | 1 |
| Personnel costs | 1,661 | 1,440 |
| Depreciation/amortisation | 230 | 134 |
| Settlement of a legal dispute | 100 | |
| Total production costs, and selling and administrative expenses | 14,530 | 12,354 |

8 Net financial items

| | 2019 | 2018 |
|--|-------------|-------------|
| Financial income | 16 | 9 |
| Interest expense on financial liabilities measured at amortised cost | -87 | -74 |
| Interest expense on financial liabilities held for trading purposes | -6 | -40 |
| Net exchange-rate changes | 3 | |
| Other financial expenses | -34 | -36 |
| Financial expenses | -125 | -150 |
| Net financial items | -110 | -141 |

9 Intangible assets

| 2019 | Goodwill | Other |
|---|------------|-------------|
| Recognised cost at 1 January | 67 | 309 |
| Investments | | 107 |
| Reclassification | | 21 |
| Recognised cost at 31 December | 67 | 437 |
| Accumulated amortisation at 1 January | | -137 |
| Reclassification | | -16 |
| Amortisation according to plan during the year | | -84 |
| Accumulated amortisation at 31 December | | -238 |
| Accumulated impairment losses at 1 January | -45 | -31 |
| Accumulated impairment losses at 31 December | -45 | -31 |
| Residual value at 1 January | 22 | 140 |
| Residual value at 31 December | 22 | 168 |

| 2018 | Goodwill | Other |
|---|------------|-------------|
| Recognised cost at 1 January | 67 | 256 |
| Investments | | 52 |
| Recognised cost at 31 December | 67 | 309 |
| Accumulated amortisation at 1 January | | -56 |
| Amortisation according to plan during the year | | -82 |
| Accumulated amortisation at 31 December | | -137 |
| Accumulated impairment losses at 1 January | -45 | -31 |
| Accumulated impairment losses at 31 December | -45 | -31 |
| Residual value at 1 January | 22 | 169 |
| Residual value at 31 December | 22 | 140 |

Impairment testing of goodwill has not been included for reasons of materiality. The item "Other" refers mainly to capitalised development expenses for IT systems.

Amortisation is included in the following lines in the income statement

| | 2019 | 2018 |
|-------------------------------------|-----------|-----------|
| Production costs | 7 | |
| Selling and administrative expenses | 77 | 82 |
| Total | 84 | 82 |

10 Property, plant and equipment

| 2019 | Real estate used in business operations | Machinery and equip- ment | Total |
|--|--|---------------------------------|-------------|
| Recognised cost at 1 January | 121 | 401 | 521 |
| Investments | 2 | 26 | 28 |
| Divestment and disposal | | -5 | -5 |
| Reclassification | | -55 | -55 |
| Translation differences for the year | 5 | 7 | 12 |
| Recognised cost at 31 December | 128 | 375 | 502 |
| Accumulated impairment losses and depreciation on 1 January | -37 | -220 | -257 |
| Divestment and disposal | | 4 | 4 |
| Depreciation during the year | -10 | -35 | -44 |
| Reclassification | | 27 | 27 |
| Translation differences for the year | -2 | -3 | -5 |
| Accumulated impairment losses and depreciation on 31 December | -49 | -226 | -275 |
| Residual value at 1 January | 83 | 181 | 264 |
| Residual value at 31 December | 78 | 148 | 227 |

| 2018 | Real estate used in business operations | Machinery and equip- ment | Total |
|--|--|---------------------------------|-------------|
| Recognised cost at 1 January | 101 | 331 | 432 |
| Investments | 33 | 80 | 113 |
| Divestment and disposal | -15 | -15 | -30 |
| Translation differences for the year | 2 | 4 | 5 |
| Recognised cost at 31 December | 121 | 401 | 521 |
| Accumulated impairment losses and depreciation on 1 January | -28 | -184 | -211 |
| Divestment and disposal | | 8 | 8 |
| Depreciation during the year | -9 | -44 | -53 |
| Accumulated impairment losses and depreciation on 31 December | -37 | -220 | -257 |
| Residual value at 1 January | 73 | 147 | 221 |
| Residual value at 31 December | 83 | 181 | 264 |

11 Participations in joint operations

Bonava's financial statements include the following items that constitute interests in the net sales, costs, assets and liabilities of joint operations.

| | 2019 | 2018 |
|--------------------------|------------|------------|
| Revenue | 429 | 53 |
| Expenses | -182 | -66 |
| Profit/loss | 247 | -14 |
| Fixed assets | 90 | 26 |
| Current assets | 512 | 336 |
| Total assets | 602 | 362 |
| Non-current liabilities | 153 | 70 |
| Current liabilities | 130 | 224 |
| Total liabilities | 283 | 294 |
| Net assets | 319 | 69 |

| Specification of joint operations | Shareholding, % |
|---|--------------------|
| Tipton Brown AB | 33 |
| NVB Beckomberga KB | 33 |
| Stora Ursvik KB | 50 |
| Ursvik Exploaterings AB | 50 |
| KB Öhusen | 50 |
| AB Broutsikten | 50 |
| Sigtuna Stadsängar Exploaterings AB ¹⁾ | 53 |
| NVB Sköndalsbyggarna II AB | 33 |
| NVB Sköndalsbyggarna II KB | 33 |

1) The company has not been consolidated because of a shareholder agreement stipulating that Bonava does not exercise control over the company.

12 Non-current receivables and other receivables

| | 2019 | 2018 |
|---|------------|------------|
| Non-current receivables | | |
| Receivables from joint ventures | | 7 |
| Other non-current receivables | 124 | 138 |
| Non-current receivables | 124 | 145 |
| Other receivables classified as current assets | | |
| Receivables from joint ventures | | 42 |
| Receivables from housing projects sold | 300 | 43 |
| Advance payments to suppliers | 33 | 61 |
| Derivative instruments not used for hedge accounting | 47 | 49 |
| Receivables in tenant-owner associations | 255 | 297 |
| Other current receivables | 113 | 150 |
| Other receivables classified as current assets | 749 | 640 |

13

Tax on profit for the year, deferred tax assets and deferred tax liabilities

| | 2019 | 2018 |
|---|-------------|-------------|
| Tax on profit/loss for the year | | |
| Current tax cost | -153 | -255 |
| Deferred tax revenue/cost | -66 | 7 |
| Total recognised tax on profit/loss for the year | -219 | -249 |

| Effective tax | 2019 | | 2018 | |
|--|------------|-------------|------------|-------------|
| | Tax, % | Profit | Tax, % | Profit |
| Profit before tax | | 834 | | 1,513 |
| Tax according to company's current tax rate | -21 | -178 | -22 | -333 |
| Effect of other tax rates for non-Swedish companies | -6 | -51 | -4 | -55 |
| Amended tax rates in Sweden and Norway | | -1 | | -4 |
| Non-tax deductible costs | -1 | -11 | -1 | -10 |
| Non-taxable revenues ¹⁾ | 3 | 22 | 4 | 52 |
| Tax effect resulting from non-capitalised tax loss carry-forwards | | -3 | | -3 |
| Tax effect resulting from previous non-capitalised tax loss carry-forwards | | | | 11 |
| Tax effect of revaluation of tax loss carry-forwards | | | -6 | 85 |
| Tax attributable to prior years | | 3 | | 8 |
| Average tax rate/recognised tax | -26 | -219 | -16 | -249 |

1) Relates primarily to tax-free sales of shares in subsidiaries.

Current tax has been calculated based on the nominal tax prevailing in the country concerned. When the tax rate for future years has been amended, that rate is used for calculating deferred tax. The higher average tax rate of 26 per cent (16) for the Group is attributable to the fact that a greater share of the Group's earnings were attributable to Germany, where the tax rate is higher, and that the preceding year was affected by recovered taxable deficits in Germany of SEK 72 M.

Change in deferred tax in temporary differences and tax loss carry-forwards

| | 2019 | 2018 |
|--|------------|------------|
| Opening carrying amount | 132 | 125 |
| Acquisitions/divestments of subsidiaries | -82 | |
| Recognised tax on profit/loss for the year | -66 | 7 |
| Translation differences | 3 | -1 |
| Closing carrying amount | -15 | 132 |

| Deferred tax asset/tax liability | Assets | | Liabilities | | Net | |
|---|------------|------------|-------------|------------|------------|------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Ongoing housing projects | 44 | 38 | | | 44 | 38 |
| Properties held for future development | | 10 | -94 | | -94 | 10 |
| Untaxed reserves | | | -20 | -13 | -20 | -13 |
| Provisions | 43 | 33 | | | 43 | 33 |
| Tax loss carry-forwards | 10 | 25 | | | 10 | 25 |
| Other | 5 | 41 | -3 | -2 | 1 | 39 |
| Deferred tax asset/tax liability | 102 | 146 | -117 | -15 | -15 | 132 |

Capitalised tax loss carry-forwards are expected to be used within a five-year period.

Bonava has tax loss carry-forwards in a Russian subsidiary of approximately SEK 11 M (8) that have not been included in the balance sheet since the company is not expected to generate a taxable surplus before the taxable deficit falls due. The deficit will fall due within a ten-year period.

14 Housing projects

| 2019 | Properties held for future development | Ongoing housing projects | Completed housing units | Total |
|---|--|--------------------------|-------------------------|---------|
| Recognised cost at 1 January | 5,941 | 11,419 | 1,521 | 18,880 |
| Investments ¹⁾ | 4,030 | 10,579 | 203 | 14,812 |
| Divestments | -400 | -9,199 | -3,302 | -12,902 |
| Reclassification | -2,275 | -1,279 | 3,554 | 0 |
| Translation differences for the year | 161 | 258 | 69 | 488 |
| Recognised cost at 31 December | 7,456 | 11,778 | 2,045 | 21,280 |
| Accumulated impairment losses at 1 January | -222 | -38 | -11 | -271 |
| Impairment losses for the year | -81 | | -21 | -102 |
| Translation differences for the year | -4 | | | -4 |
| Accumulated impairment losses at 31 December | -307 | -38 | -32 | -377 |
| Residual value at 1 January | 5,720 | 11,381 | 1,510 | 18,611 |
| Residual value at 31 December | 7,149 | 11,740 | 2,013 | 20,903 |

1) Investments pertain to investments in land held for future development, ongoing housing production and acquisitions of housing units that have been completed but have not yet been delivered or sold.

| 2018 | Properties held for future development | Ongoing housing projects | Completed housing units | Total |
|---|--|--------------------------|-------------------------|---------|
| Recognised cost at 1 January | 5,958 | 9,523 | 826 | 16,307 |
| Investments ¹⁾ | 2,856 | 10,171 | 418 | 13,445 |
| Divestments | -239 | -8,118 | -2,725 | -11,082 |
| Reclassification | -2,723 | -300 | 3,023 | 0 |
| Translation differences for the year | 88 | 143 | -21 | 211 |
| Recognised cost at 31 December | 5,941 | 11,419 | 1,521 | 18,880 |
| Accumulated impairment losses at 1 January | -225 | -42 | -11 | -278 |
| Translation differences for the year | 3 | 4 | | 7 |
| Accumulated impairment losses at 31 December | -222 | -38 | -11 | -271 |
| Residual value at 1 January | 5,734 | 9,482 | 815 | 16,031 |
| Residual value at 31 December | 5,720 | 11,381 | 1,510 | 18,611 |

1) Investments pertain to investments in land held for future development, ongoing housing production and acquisitions of housing units that have been completed but have not yet been delivered or sold.

15 Total shareholders' equity

| Changes in share capital | No. of shares | Share capital, SEK 000 |
|------------------------------------|---------------|------------------------|
| Number of shares, 1 January 2019 | 108,435,822 | 433,743 |
| Number of shares, 31 December 2019 | 108,435,822 | 433,743 |

The shares are divided between 11,906,196 Class A shares and 96,529,626 Class B shares. Class A shares confer the right to ten votes each and Class B shares confer the right to one vote each. The quotient value per share is SEK 4.

In order to meet its commitments under the long-term incentive programme, Bonava AB holds 815,061 (815,061) Class B treasury shares as of 31 December.

On 9 June 2016, NCC AB distributed all of the shares in Bonava AB to the shareholders. NCC AB remains a minority owner of Bonava Deutschland GmbH, but Bonava holds the option to acquire NCC AB's participations in 2021. According to a profit-sharing agreement, NCC AB will waive its dividend and instead receive annual compensation of EUR 1.3 M until the agreement is cancelled, which may occur five years from entering the agreement at the earliest. The agreed profit sharing means that a debt of SEK 27 M to NCC AB has been recognised at an amount corresponding to the fair value of two years of payments.

16 Interest-bearing liabilities

| | 2019 | 2018 |
|---|--------------|--------------|
| Non-current liabilities | | |
| Liabilities to credit institutions and investors | 844 | 614 |
| Lease liabilities, IFRS 16 | 169 | |
| Finance lease liabilities, IAS 17 | | 15 |
| Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies | 157 | 943 |
| Liabilities to joint ventures | | 6 |
| Other non-current loans | 208 | 48 |
| Total | 1,378 | 1,625 |
| Current liabilities | | |
| Liabilities to credit institutions and investors | 3,707 | 956 |
| Liabilities pertaining to Swedish tenant-owner associations and Finnish housing companies | 2,208 | 3,130 |
| Liabilities to joint ventures | | 42 |
| Lease liabilities, IFRS 16 | 88 | |
| Finance lease liabilities, IAS 17 | | 7 |
| Other current liabilities | 13 | 211 |
| Total | 6,015 | 4,345 |
| Total interest-bearing liabilities | 7,393 | 5,970 |

For repayment schedules and terms and conditions, see Note 23.

17 Provisions

| 2019 | Guarantees | Other | Total |
|---------------------------------|------------|------------|------------|
| On 1 January | 326 | 214 | 541 |
| Provisions during the year | 131 | 143 | 274 |
| Amount utilised during the year | -115 | -125 | -240 |
| Reversed, unutilised provisions | -2 | | -2 |
| Reclassification | 9 | -9 | 0 |
| Translation differences | 8 | 1 | 8 |
| On 31 December | 358 | 224 | 582 |

| 2018 | Guarantees | Other | Total |
|---------------------------------|------------|------------|------------|
| On 1 January | 326 | 313 | 640 |
| Provisions during the year | 97 | 55 | 151 |
| Amount utilised during the year | -104 | -154 | -258 |
| Reversed, unutilised provisions | -4 | | -4 |
| Reclassification | 2 | -2 | 0 |
| Translation differences | 9 | 2 | 11 |
| On 31 December | 326 | 214 | 541 |

GUARANTEES

Guarantee provisions pertain to assessed future costs. To estimate a future guarantee cost, individual assessments are made per project. Standard percentage rates are used for the calculation of the size of the future cost, whereby the standard percentage is varied depending on the nature of the project. The guarantee cost is posted individually for each project. The longest term for a guarantee provision is ten years, while a majority have maturities of approximately two to three years.

OTHER

Other provisions mainly comprise commitments in projects sold in Bonava Sweden. A majority have a term of approximately six years. In 2019, provisions in Sweden decreased while provisions in Finland increased as a result of the planned restructuring. The provisions in Finland have a term of one to two years.

18 Other liabilities

| | 2019 | 2018 |
|--|--------------|--------------|
| Other non-current liabilities | | |
| Liabilities to joint ventures | | 2 |
| Liabilities, property acquisitions | 239 | 191 |
| Other non-current liabilities | 95 | 28 |
| Total | 334 | 221 |
| Other current liabilities | | |
| Customer advances | 5,171 | 4,320 |
| Liabilities, land acquisitions | 51 | 165 |
| Derivative instruments not used for hedge accounting | 11 | 1 |
| Current liabilities, other | 355 | 375 |
| Total | 5,588 | 4,860 |

19 Accrued expenses and deferred income

| | 2019 | 2018 |
|-------------------------|--------------|--------------|
| Payroll-related costs | 164 | 172 |
| Project-related costs | 646 | 760 |
| Administrative expenses | 193 | 89 |
| Interest expenses | 7 | 2 |
| Other expenses | 8 | 6 |
| Total | 1,018 | 1,029 |

20 Leases

According to the disclosures in the 2018 Annual Report, operating lease obligations at 31 December 2018 totalled SEK 582 M. Bonava does not apply exceptions for short-term leases. The longest agreement has a term of 30 years. In this context, an average term of 17 years has been applied in estimating the reconciliation between the present value of operating lease expenses according to the 2018 Annual Report and the opening balance for lease liabilities in accordance with IFRS 16 Leases. The incremental borrowing rate is established by taking the geographical market and term into account. The average interest rate at 1 January 2019 totalled 3.80 per cent. Bonava's total finance lease liabilities at 31 December 2018 were of an insignificant amount. As indicated by the accounting policies, there are no reasonably secure extension options, and there are no substantial variable lease payments that depend on an index or a rate. The discounted amount thus totals SEK 427 M, which concurs with the lease liability of SEK 427 M recognised at 1 January 2019.

| Disclosures under current regulations, IFRS 16 | 2019 |
|--|------|
| Interest expenses for lease liabilities | 12 |
| Total cash flow for leases | 109 |

For depreciations per right-of-use asset, refer to Note 5.

| Disclosures under previous regulations, IAS 17 | 2018 |
|--|------------|
| Operating lessee | |
| Future minimum lease payments – lessee | |
| <i>Lease contracts that expire:</i> | |
| Within one year | 30 |
| Within more than one year but less than five years | 141 |
| Later than five years | 411 |
| Total future minimum lease payments | 582 |
| Cost of operating leases for the year | 93 |

21 Pledged assets and contingent liabilities

| | 2019 | 2018 |
|---|--------------|--------------|
| Pledged assets | | |
| <i>For own debt:</i> | | |
| Property mortgages | 4,837 | 4,049 |
| Restricted bank funds | 1 | 11 |
| Other pledged assets | 4 | 3 |
| Total pledged assets | 4,842 | 4,063 |
| Surety and guarantee obligations | | |
| <i>Own obligations:</i> | | |
| Deposits and concession fees ¹⁾ | 3,361 | 2,879 |
| Other guarantee obligations | 111 | |
| Total surety and guarantee obligations | 3,471 | 2,879 |

1) Deposit guarantees constitute collateral for deposits and concession fees paid to tenant-owner associations formed by Bonava Sverige AB. Such guarantees are to be relinquished as soon as one year has elapsed after establishing the final acquisition cost for the tenant-owner association's building.

Rental guarantees comprise minor amounts.

22 Cash flow statement, cash and cash equivalents

| Cash and cash equivalents | 2019 | 2018 |
|---|------------|------------|
| Cash and bank balances | 499 | 325 |
| Total according to balance sheet and cash flow statement | 499 | 325 |

Short-term investments have been classified as cash and cash equivalents based on the following considerations:

- They are subject to an insignificant risk of value fluctuation.
- They can easily be converted into cash funds.
- They have a maturity of up to three months at the time of acquisition.

INFORMATION ABOUT INTEREST PAID/RECEIVED

Interest received during the year amounted to SEK 13 M (7). Interest paid during the year amounted to SEK 95 M (142).

| | 2018 | Cash flow | 2019 |
|---|------------|-----------|-----------|
| Non-current interest-bearing receivables | 8 | 5 | 2 |
| Current interest-bearing receivables | 95 | 77 | 19 |
| Total interest-bearing receivables | 103 | 82 | 21 |

| | 2017 | Cash flow | 2018 |
|---|-----------|------------|------------|
| Non-current interest-bearing receivables | 10 | 2 | 8 |
| Current interest-bearing receivables | 68 | -27 | 95 |
| Total interest-bearing receivables | 78 | -25 | 103 |

22

Cash flow statement, cash and cash equivalents, cont.

| | 2018 | Cash flow | Non-cash items | | | 2019 |
|---|--------------|------------|-----------------------|--------------------|--------------------------|--------------|
| | | | Exchange-rate changes | Companies acquired | New leases ¹⁾ | |
| Non-current interest-bearing liabilities | 1,610 | -401 | -1 | | | 1,208 |
| Interest-bearing lease liabilities | 22 | -109 | | | 344 | 257 |
| Current interest-bearing liabilities | 4,338 | 1,274 | 47 | 268 | | 5,927 |
| Total interest-bearing liabilities | 5,970 | 764 | 46 | 268 | 344 | 7,393 |

| | 2017 | Cash flow | Non-cash items | | | 2018 |
|---|--------------|------------|-----------------------|--|------------|--------------|
| | | | Exchange-rate changes | | New leases | |
| Non-current interest-bearing liabilities | 3,326 | -1,718 | 2 | | | 1,610 |
| Interest-bearing lease liabilities | 21 | | | | 1 | 22 |
| Current interest-bearing liabilities | 2,017 | 2,290 | 31 | | | 4,338 |
| Total interest-bearing liabilities | 5,364 | 572 | 33 | | 1 | 5,970 |

1) The change compared with the preceding year is attributable to the transition to IFRS 16.

23

Financial instruments and financial risk management

FINANCE POLICY (PRINCIPLES FOR RISK MANAGEMENT)

Bonava is exposed to financial risks through its business operations. Financial risk is defined as refinancing risk, liquidity risk, interest rate risk, exchange rate risk, credit risk, counterparty risk and guarantee capacity risk. Bonava's Treasury function assumes responsibility for compliance with the Finance Policy. Bonava's Finance Policy for managing financial risks has been decided by Bonava's Board of Directors and provides a framework of guidelines and regulations in the form of risk mandates and limits for the finance operations.

Within Bonava's decentralised organisation, the finance operations are centralised in the Group's Treasury function, in part to monitor the Group's overall financial risk position but also to achieve cost efficiency and economies of scale, to accumulate competence and to protect Group-wide interests. The Treasury function manages Bonava's interest rate, exchange rate, credit, refinancing, counterparty and liquidity risk. Customer credit risk is managed by the relevant business area.

REFINANCING RISK

Refinancing risk is defined as the risk that Bonava will not be able to obtain financing at a given time or that creditors will have difficulty in fulfilling their commitments. According to its Finance Policy, Bonava is to strive to spread its risks among various sources of financing to secure its long-term access to borrowed capital.

Bonava's policy is that the company's debt portfolio is to have a maturity structure that minimises exposure from the perspective of refinancing risk. The debt portfolio consists of project financing and corporate debt. Project financing relates to construction by Finnish housing companies and Swedish tenant-owner associations and is to be linked to individual housing projects, and the term must reflect the projects' completion dates. The maturity periods of the rest of the debt portfolio are to be well diversified over time and the weighted average remaining maturity must be at least 18 months.

In relation to the financing of construction of Finnish housing companies and Swedish tenant-owner associations totalling SEK 2,364 M (4,072), tied-up capital is linked to individual housing projects and totalled 10 (15) months. As of 31 December 2019, tied-up capital was 32 (37) months for the rest of the company's debt portfolio¹⁾. Tied-up capital was 25 (22) months for total interest-bearing liabilities¹⁾. For unutilised facilities, tied-up capital was 48 (60) months.

CAPITAL STRUCTURE

Bonava defines capital as shareholders' equity including minority share as indicated in the balance sheet. This means that capital amounted to SEK 7,540 M (7,362) as of 31 December 2019. Bonava's objective is to achieve a capital structure that results in an efficient, weighted cost of capital and a credit rating that secures the operations' needs and potential future acquisitions.

When monitoring its capital structure, Bonava uses key measures including the current and forecast equity/assets ratio and cash and cash equivalents. Bonava reviews its capital structure and makes changes when financial circumstances change. To retain or change the capital structure, Bonava's Board of Directors may propose an adjustment of the dividend paid to shareholders, pay an extra dividend, buy back shares, complete a new share issue or sell assets in order to reduce its liabilities.

1) Liabilities pertaining to leases were excluded from the calculation of the maturity period for tied-up capital. For commercial paper, the maturity period for Bonava's revolving credit facility (RCF) has been applied as this constitutes the back-up for commercial paper.

Maturity structure of tied-up capital 2019¹⁾

| Matures | Interest-bearing liabilities | |
|--------------|------------------------------|---------------|
| | Amount | Proportion, % |
| 2020 | 6,037 | 85 |
| 2021 | 981 | 14 |
| 2022 | 117 | 2 |
| 2023 | | |
| 2024 | | |
| 2025 | | |
| 2026– | | |
| Total | 7,136 | 100 |

1) Excluding liabilities pertaining to leases.

LIQUIDITY RISKS

To achieve adequate flexibility and cost-effectiveness, while ensuring that future financing requirements are satisfied, Bonava's Finance Policy states that payment capacity must correspond to at least 10 per cent of annual sales. Payment capacity is defined as cash and cash equivalents, short-term investments and unutilised committed credit facilities. Available cash and cash equivalents are to be invested in banks or in interest-bearing instruments with good credit ratings, and a liquid secondary market.

As of 31 December 2019, Bonava's cash and cash equivalents and short-term investments amounted to SEK 499 M (325).

As of 31 December 2019, Bonava's payment capacity was 13 per cent (16) including available cash and cash equivalents of SEK 482 M (219) and unutilised committed credit facilities of SEK 1,564 M (2,214).

The following table shows Bonava's financial assets and liabilities (including interest payments) and derivative instruments classified as financial assets and liabilities. For financial instruments carrying variable interest rates, the interest rate prevailing on the balance sheet date has been used.

The amounts in the tables are contractual undiscounted cash flows.

Analysis of maturities (amounts including interest)

| 2019 | Total | <3 months | 3 months–1 year | 1–3 years | 3–5 years | >5 years |
|---|--------------|--------------|-----------------|--------------|------------|-----------|
| Other non-current shareholdings | 4 | | | | | 4 |
| Interest-bearing receivables | 2 | | | 2 | | |
| Accounts receivable | 225 | 225 | | | | |
| Cash and cash equivalents | 499 | 499 | | | | |
| Total financial assets | 730 | 723 | | 2 | | 4 |
| Financial instruments | 47 | 37 | 10 | | | |
| TOTAL | 777 | 760 | 10 | 2 | | 4 |
| Interest-bearing liabilities | 4,832 | 2,270 | 1,639 | 923 | | |
| Interest-bearing liabilities in Finnish housing companies and Swedish tenant-owner associations ²⁾ | 2,389 | 265 | 1,929 | 195 | | |
| Interest-bearing lease liabilities | 430 | 25 | 76 | 149 | 105 | 75 |
| Financial instruments | 11 | 5 | 6 | | | |
| Accounts payable | 707 | 707 | | | | |
| TOTAL | 8,369 | 3,272 | 3,650 | 1,267 | 105 | 75 |

| 2018 | Total | <3 months | 3 months–1 year | 1–3 years | 3–5 years | >5 years |
|---|--------------|--------------|-----------------|--------------|------------|----------|
| Other non-current shareholdings | 4 | | | | | 4 |
| Interest-bearing receivables | 94 | | 84 | 10 | | |
| Accounts receivable | 518 | 518 | | | | |
| Cash and cash equivalents | 325 | 325 | | | | |
| Total financial assets | 941 | 843 | 84 | 10 | | 4 |
| Financial instruments | 49 | 18 | 27 | 3 | | |
| TOTAL | 990 | 861 | 111 | 13 | | 4 |
| Interest-bearing liabilities | 1,923 | 709 | 521 | 386 | 307 | |
| Interest-bearing liabilities in Finnish housing companies and Swedish tenant-owner associations ²⁾ | 4,125 | 456 | 2,717 | 952 | | |
| Financial instruments | 1 | 0.4 | 0.6 | | | |
| Accounts payable | 777 | 777 | | | | |
| TOTAL | 6,826 | 1,943 | 3,239 | 1,338 | 307 | |

2) The maturity date for interest-bearing liabilities in unsold completed projects in Finnish housing companies is defined as the maturity date for the long-term loan agreements. However, the loans will be redeemed in pace with sales of the housing units.

INTEREST RATE RISKS

Interest rate risk is the risk that changes in market rates will adversely affect Bonava's cash flow or the fair value of financial assets and liabilities. Bonava's main financing sources are shareholders' equity, cash flow from operating activities and borrowing.

Interest-bearing borrowing exposes Bonava to interest rate risk.

According to Bonava's Finance Policy for managing interest rate risk, the weighted average remaining fixed-rate term for liabilities concerning construction projects by Finnish housing companies and Swedish tenant-owner associations must not exceed the scheduled completion date for the project. For the rest of the company's debt portfolio, the fixed interest term must be between one and 18 months.

The fixed interest term for project-related costs of SEK 2,364 M (4,072) was four (two) months. Interest-bearing liabilities for the rest of the company's debt portfolio amounted to SEK 4,771 M (1,898) and the average fixed interest term was two (three) months. As of 31 December 2019, Bonava's total interest-bearing gross debt was SEK 7,136 M (5,970) and the average fixed interest term was two (two) months¹⁾.

The fixed interest term for project-related financing and the rest of the company's debt portfolio follows the adopted Finance Policy.

There were no interest rate swaps outstanding as of 31 December 2019 or 2018.

An increase in interest rates by one percentage point would result in a change of SEK -40 M (-44) in net profit/loss for the year, given the interest-bearing assets and liabilities that existed on the balance sheet date.

Interest rate sensitivity¹⁾

| Profit | Profit effect, SEK M | |
|-----------------------------|----------------------|------|
| | 2019 | 2018 |
| Market interest rate +/- 1% | 40 | 44 |

Maturity structure, fixed interest term 2019¹⁾

| Matures | Interest-bearing liabilities | |
|---------|------------------------------|---------------|
| | Amount | Proportion, % |
| 2020 | 6,037 | 85 |
| 2021 | 981 | 14 |
| 2022 | 117 | 2 |
| Total | 7,136 | 100 |

EXCHANGE RATE RISKS

Exchange rate risk is the risk that fluctuations in exchange rates will adversely affect the consolidated income statement, balance sheet or cash flow statement.

TRANSACTION EXPOSURE

In accordance with Bonava's Finance Policy, transaction exposure must be eliminated as soon as it becomes known and material. Contractual and probable forecast flows are to be hedged.

Because Bonava's business units receive and make payments in local currency, the extent of the transaction exposure is limited. There were no outstanding derivatives to hedge transaction exposure as of 31 December 2019.

The following table shows Bonava's interest-bearing liabilities in various currencies.

Interest-bearing liabilities 2019¹⁾

| Counter-value | Amount | Proportion, % |
|---------------|--------|---------------|
| EUR | 3,204 | 45 |
| NOK | 689 | 10 |
| SEK | 3,243 | 45 |
| Total | 7,136 | 100 |

Translation exposure

Up until 2016, translation exposure in foreign net assets was hedged.

The following table shows Bonava's net investments by currency.

| Counter-value | 2019 | 2018 |
|---------------|----------------|----------------|
| Currency | Net investment | Net investment |
| DKK | 359 | 371 |
| EUR | 1,659 | 1,910 |
| NOK | 534 | 461 |
| RUB | 647 | 450 |
| Total | 3,200 | 3,192 |

As of 31 December 2019, a 5 per cent depreciation of the SEK in relation to other currencies would result in a change in shareholders' equity of SEK 161 M (160).

Currency sensitivity

| | 2019 | 2018 |
|------------|------------------|------------------|
| | Effect on equity | Effect on equity |
| DKK +/- 5% | 18 | 19 |
| EUR +/- 5% | 83 | 96 |
| NOK +/- 5% | 27 | 23 |
| RUB +/- 5% | 32 | 22 |

CREDIT RISKS**Credit and counterparty risk in financial operations**

Bonava's investment regulations for financial credit risks are revised continuously and characterised by caution. Transactions are only entered into with creditworthy counterparties with credit ratings of at least A- (Standard & Poor's) or the equivalent international rating, as well as local banks with a minimum rating equal to the creditworthiness of the country in which Bonava conducts operations. The International Swaps and Derivatives Association (ISDA) master agreement on netting is used with all external counterparties with respect to derivative trading. The investment regulations specify maximum credit exposures and maturities for various counterparties.

The total counterparty exposure relating to derivatives, calculated as net receivables per counterparty, amounted to SEK 11 M (53) at the end of 2019. Net receivables per counterparty is calculated in accordance with the market valuation method, i.e. the market value of the derivative plus a supplement for the change in risk (1 per cent of the nominal amount). The calculated gross exposure to counterparty risks pertaining to cash and cash equivalents and short-term investments amounted to SEK 499 M (325).

1) Excluding liabilities pertaining to leases.

Credit risks in accounts receivable

The risk that Bonava's customers will not fulfil their obligations, meaning that payment is not received from the customers, constitutes a credit risk. The credit rating of the Group's customers is checked, whereby information on the customers' financial position is obtained from various credit information companies. Essentially, the right of ownership of the product the customer is paying for is not transferred until full payment has been made. This means that Bonava's risk is low, as it is limited to changes in market value.

Age analysis of accounts receivable including receivables for divested housing projects at 31 December 2019

| | Gross amount | Expected default rate, % | Credit loss allowance | Total |
|--|--------------|--------------------------|-----------------------|------------|
| Not due accounts receivable | 405 | 0.3–4 | 1 | 404 |
| Past-due accounts receivable 1–30 days | 81 | 0.3–5 | 1 | 80 |
| Past-due accounts receivable 31–60 days | 15 | 2.4–50 | 1 | 14 |
| Past-due accounts receivable 61–180 days | 23 | 3–100 | 12 | 11 |
| Past-due accounts receivable >180 days | 7 | 3–100 | 4 | 3 |
| Total | 531 | | 19 | 512 |

Bonava has grouped its accounts receivable in portfolios corresponding to the respective Group operating segment, as these items are deemed to have a similar credit risk. Each operating segment in the Bonava Group has prepared a matrix for accounts receivables, which examines historical losses and has been adjusted for current conditions and forward-looking adjustments. This means that the intervals represent the lowest and highest credit loss allowance percentage applied in the Group for each period.

Change in credit loss allowance

| | 2019 | 2018 |
|---|-----------|-----------|
| Opening balance as at 1 January | 41 | 36 |
| Provision for the year | 19 | 5 |
| Reversal of previously posted impairment losses | -41 | -2 |
| Translation differences | | 2 |
| Closing balance as at 31 December | 19 | 41 |

IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 requires that a loss allowance be established for expected credit losses. Historically, Bonava's credit losses have been limited, which means that this approach to calculating credit losses has not had a material impact on Group credit losses. Bonava applies the simplified approach according to IFRS 9.5.5.15. The simplified approach means that Bonava measures credit loss allowance for accounts receivable at an amount corresponding to the expected credit losses for the remaining term, regardless of whether or not the credit has deteriorated.

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the fair value of financial instruments are presented in the following table.

The measurement at fair value of currency-forward contracts is based on published forward rates on an active market.

For financial instruments measured at amortised cost (accounts receivable, other receivables, cash and cash equivalents, accounts payable, other interest-free liabilities and other interest-bearing liabilities), fair value is considered equal to the carrying amount.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

| 2019 | Financial assets measured at fair value in other comprehensive income | Financial assets measured at fair value in profit or loss | Financial assets measured at amortised cost | Financial liabilities measured at fair value in profit or loss | Other financial liabilities | Total |
|--|---|---|---|--|-----------------------------|--------------|
| Other non-current shareholdings | | 4 | | | | 4 |
| Non-current receivables | | | 2 | | | 2 |
| Accounts receivable | | | 225 | | | 225 |
| Other receivables | | | 300 | | | 300 |
| Cash and cash equivalents | | | 499 | | | 499 |
| Derivatives | | 47 | | | | 47 |
| Total assets | | 51 | 1,026 | | | 1,077 |
| Non-current interest-bearing liabilities | | | | | 1,208 | 1,208 |
| Other non-current liabilities | | | | | 334 | 334 |
| Current interest-bearing liabilities | | | | | 5,927 | 5,927 |
| Accounts payable | | | | | 707 | 707 |
| Other current liabilities | | | | | 51 | 51 |
| Derivatives | | | | 11 | | 11 |
| Total liabilities | | | | 11 | 8,227 | 8,238 |

| 2018 | Financial assets measured at fair value in other comprehensive income | Financial assets measured at fair value in profit or loss | Financial assets measured at amortised cost | Financial liabilities measured at fair value in profit or loss | Other financial liabilities | Total |
|--|---|---|---|--|-----------------------------|--------------|
| Other non-current shareholdings | | 4 | | | | 4 |
| Non-current receivables | | 3 | 10 | | | 13 |
| Accounts receivable | | | 518 | | | 518 |
| Other receivables | | | 84 | | | 84 |
| Cash and cash equivalents | | | 325 | | | 325 |
| Derivatives | | 49 | | | | 49 |
| Total assets | | 56 | 937 | | | 993 |
| Non-current interest-bearing liabilities | | | | | 1,625 | 1,625 |
| Other non-current liabilities | | | | | 221 | 221 |
| Current interest-bearing liabilities | | | | | 4,345 | 4,345 |
| Accounts payable | | | | | 777 | 777 |
| Other current liabilities | | | | | 165 | 165 |
| Derivatives | | | | 1 | | 1 |
| Total liabilities | | | | 1 | 7,133 | 7,134 |

In the following tables, disclosures are made concerning how fair value has been determined for the financial instruments that are continuously measured at fair value and the financial instruments not measured at fair value in Bonava's balance sheet. The difference between fair value and carrying amount for long-term liabilities does not constitute a material amount and the carrying amount has therefore been deemed to correspond to the fair value. For current liabilities, the carrying amount has been deemed to correspond to the fair value. The fair value measurement divides assets into three levels. No transfers between levels occurred during the period and no significant changes were made with respect to measurement methods, data used or assumptions.

- Level 1: according to prices quoted on an active market for identical instruments. This category is not relevant for Bonava.
- Level 2: according to the method for Level 2, fair value is based on models that use other observable inputs for the asset or liability other than the quoted prices included in Level 1. For Bonava, these inputs include market interest rates and yield curves used to calculate fair value.
- Level 3: on the basis of inputs that is not observable on the market. This category is not relevant for Bonava.

23 Financial instruments and financial risk management, cont.

| | 2019 | | 2018 | |
|--|--------------|--------------|--------------|--------------|
| | Level 2 | Total | Level 2 | Total |
| Financial assets measured at fair value | | | | |
| Derivative instruments not used for hedge accounting | 47 | 47 | 49 | 49 |
| Other securities held as non-current assets | 4 | 4 | 4 | 4 |
| Total financial assets | 51 | 51 | 53 | 53 |
| Financial liabilities measured at fair value | | | | |
| Derivative instruments not used for hedge accounting | 11 | 11 | 1 | 1 |
| Financial liabilities not measured at fair value | | | | |
| Other liabilities (interest-bearing liabilities) ¹⁾ | 7,125 | 7,125 | 5,970 | 5,970 |
| Total financial liabilities | 7,136 | 7,136 | 5,971 | 5,971 |

1) Excluding liabilities pertaining to leases.

OFFSETTING FINANCIAL INSTRUMENTS

Bonava has binding master agreements (ISDA) governing netting with all counterparties as regards derivatives. The table above shows reported gross financial assets and liabilities that can be offset. Bonava has not offset any amounts in the balance sheet.

24 Business combinations

On 25 October 2019, Bonava acquired 100% of the residential developer Urbanium AS, a group comprising five companies with an attractive land bank with the potential for completion of close to 1,000 housing units over the next seven years. The acquisition price was NOK 495 M. Urbanium's operations primarily encompass a land bank in Oslo and the surrounding area. As a result of the acquisition, Bonava has strengthened its position in the Norwegian market.

From the date of acquisition up until 31 December 2019, Urbanium contributed SEK 0 M to net sales and SEK -5 M to net profit after tax. If the acquisition had occurred on 1 January 2019, it is estimated that Bonava's net sales would have increased by SEK 0 M and net profit after tax would have decreased by SEK 29 M. Bonava intends to integrate the company's existing organisation and develop housing units as part of Bonava's operations. Net profit pertains to an estimated cost for conducting operations in the Oslo region. The acquisition calculation is preliminary.

The net assets of the acquired operations, measured at fair value at the time of acquisition:

| | |
|---|------------|
| Current assets | |
| Properties held for future development | 650 |
| Ongoing housing projects | 52 |
| Deferred tax assets | 5 |
| Current receivables | 3 |
| Cash and cash equivalents | 10 |
| Non-current liabilities | |
| Non-current interest-bearing liabilities | 193 |
| Current liabilities | |
| Current interest-bearing liabilities | 72 |
| Current non-interest bearing liabilities | 46 |
| Deferred tax liabilities | 6 |
| Identifiable assets and liabilities, net | 402 |
| Surplus value in properties held for future development | 191 |
| Deferred tax | 74 |
| Acquisition price | 519 |

Acquisition-related expenses totalling SEK 13.3 M were recognised as income in 2019.

Acquisition price:

| | |
|---------------------------|------------|
| Cash and cash equivalents | 414 |
| Current liability | 105 |
| Total | 519 |

Cash and cash equivalents acquired amounted to SEK 10 M.

25 Items affecting comparability

The items recognised as affecting comparability at 31 December 2019 pertain to the settlement of a legal dispute originating from an operation Bonava discontinued many years ago. The total cost of SEK 100 M was recognised as an item affecting comparability under "Parent Company and adjustments", since the item is not attributable to Bonava's current operations.

Bonava also recognised a total cost of SEK 159 M related to the restructuring plans in Finland. The cost has been recognised as an item affecting comparability under the Nordic segment.

The income statement below shows the Bonava Group including items affecting comparability.

| | 2019 |
|-------------------------------------|--------------|
| Net sales | 15,474 |
| Production costs | -13,518 |
| Gross profit | 1,956 |
| Selling and administrative expenses | -1,013 |
| Operating profit | 943 |
| Financial income | 16 |
| Financial expenses | -125 |
| Net financial items | -110 |
| Profit after financial items | 834 |
| Tax on profit for the year | -219 |
| Profit for the year | 615 |

OVERVIEW OF SELECTED PERFORMANCE INDICATORS¹⁾

Unless otherwise stated, the table below contains certain financial and operational key performance indicators that are not defined according to IFRS. The information below referring to the financial years 2013–2018 is of material value to investors since it enables a better evaluation of Bonava's financial position and earnings. The

key performance indicators for 2013–2015 below are unaudited but have been calculated on the basis of the figures in the Audited Combined Financial Statements for 2013–2015, which have been audited by the company's auditor. For definitions of key performance indicators, see "Definitions" in the section "Financial key performance indicators".

| SEK M unless otherwise stated | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------|--------|--------|--------|--------|
| Profitability ratios | | | | | |
| Return on capital employed, % ²⁾ | 8.1 | 12.8 | 16.6 | 14.6 | 12.5 |
| Key performance indicators at end of period | | | | | |
| Interest coverage ratio, multiple ²⁾ | 7.7 | 11.1 | 8.3 | 5.4 | 3.9 |
| Equity/assets ratio, % | 32.1 | 34.9 | 33.7 | 33.7 | 30.5 |
| Interest-bearing liabilities/total assets, % | 31.5 | 28.3 | 27.2 | 26.7 | 32.8 |
| Net debt | 6,873 | 5,542 | 4,165 | 3,699 | 4,216 |
| Net debt, excl. tenant-owner associations and housing companies | 3,635 | 577 | -838 | 75 | 1,039 |
| Debt/equity ratio, multiple | 0.9 | 0.8 | 0.6 | 0.7 | 0.9 |
| Capital employed at end of period | 14,933 | 13,332 | 12,003 | 10,134 | 9,811 |
| Capital employed, average | 14,579 | 12,683 | 11,419 | 10,412 | 10,882 |
| Capital turnover rate, multiple ²⁾ | 1.1 | 1.1 | 1.3 | 1.3 | 1.2 |
| Share of risk-bearing capital, % | 32.7 | 35 | 33.8 | 33.8 | 30.5 |
| Average interest rate at end of period, % ³⁾ | 1.12 | 1.41 | 2.86 | 3.75 | 3.06 |
| Average fixed-rate term, years ³⁾ | 0.1 | 0.2 | 0.2 | 0.3 | 0.2 |
| Average interest rate at end of period, % ⁴⁾ | 1.23 | 1.3 | 1.4 | 1.35 | 1.26 |
| Average fixed-rate term, years ⁴⁾ | 0.3 | 0.2 | 0.1 | 0.1 | 0.1 |
| Per share data before and after dilution | | | | | |
| Profit after tax, SEK | 5.71 | 11.74 | 12.99 | 9.26 | 7.36 |
| Cash flow from operating activities, SEK | 3.55 | -5.84 | 0.79 | 6.54 | 13.37 |
| Dividend, SEK ⁵⁾ | 3.00 | 5.20 | 5.20 | 3.80 | 0 |
| Shareholders' equity, SEK | 70.02 | 68.36 | 61.48 | 52.25 | 43.08 |
| Average number of shares, million | 107.6 | 107.6 | 107.9 | 108.4 | 108.4 |

1) The historical financial key performance indicators are impacted by the fact that Bonava's historical capital structure as a business area within the NCC Group did not reflect the capital structure of an independent, publicly traded company. Accordingly, a shareholders' contribution of approximately SEK 5 Bn was provided in late 2015 via a receivable from NCC. This transaction is presented as other capital contributions to Bonava.

2) Calculations are made on the basis of a 12-month average.

3) Excluding loans in Swedish tenant-owner associations and Finnish housing companies. For more information, refer to "Construction finance for tenant-owner associations and housing companies" under "Capital structure and financing".

4) Pertains to loans in Swedish tenant-owner associations and Finnish housing companies. For more information, refer to "Construction finance for tenant-owner associations and housing companies" under "Capital structure and financing".

5) Dividend for 2019 is the Board of Director's proposal to the Annual General Meeting.

| No. of housing units unless otherwise stated | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------|--------|--------|--------|--------|
| Building rights at end of period | 33,300 | 30,600 | 31,400 | 28,000 | 29,100 |
| Of which, building rights off the balance sheet | 14,000 | 15,300 | 14,600 | 10,500 | 11,000 |
| Housing development for consumers | | | | | |
| Housing units recognised in profit during the period | 4,170 | 3,539 | 4,294 | 4,371 | 3,968 |
| Housing starts during the period | 3,010 | 4,375 | 4,984 | 4,041 | 4,452 |
| Housing units sold during the period | 3,918 | 3,906 | 3,984 | 4,311 | 4,542 |
| Housing units under construction at end of period | 6,179 | 7,259 | 6,844 | 6,158 | 6,432 |
| Sales rate, ongoing production, at end of period, % | 59 | 52 | 54 | 63 | 60 |
| Reservation rate, ongoing production, at end of period, % | 4 | 4 | 3 | 6 | 6 |
| Completion rate, ongoing production, at end of period, % | 48 | 46 | 44 | 49 | 46 |
| Completed housing units not recognised in profit at end of period | 714 | 718 | 377 | 373 | 429 |
| Housing units for sale (ongoing and completed) at end of period | 3,001 | 3,833 | 3,443 | 2,440 | 2,713 |
| Completed unsold housing units | 477 | 379 | 284 | 180 | 156 |
| Housing development for investors | | | | | |
| Housing units recognised in profit during the period | 1,341 | 1,686 | 1,170 | 407 | 1,768 |
| Housing starts during the period | 1,441 | 2,103 | 1,718 | 1,791 | 1,904 |
| Housing units sold during the period | 1,244 | 2,103 | 1,718 | 1,922 | 1,773 |
| Housing units under construction at end of period | 3,553 | 3,453 | 3,036 | 2,955 | 2,346 |
| Sales rate, ongoing production, at end of period, % | 94 | 100 | 100 | 100 | 94 |
| Completion rate, ongoing production, at end of period, % | 33 | 30 | 32 | 40 | 69 |
| Completed housing units not recognised in profit at end of period | | | | | |
| Housing units for sale (ongoing and completed) at end of period | | | | | 131 |

| Housing development for consumers | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------|--------|--------|--------|--------|
| Housing units under construction at start of period | 7,259 | 6,844 | 6,158 | 6,432 | 5,952 |
| Changed evaluation of number of housing units in production at start of period | | | | | -13 |
| Resumption of housing starts ¹⁾ | 76 | | | | |
| Housing starts during the period | 3,010 | 4,375 | 4,984 | 4,041 | 4,452 |
| Housing units recognised in profit during the period | -4,170 | -3,539 | -4,294 | -4,371 | -3,968 |
| Decrease (+)/increase (-) in completed housing units not recognised in profit at end of period | 4 | -421 | -4 | 56 | 9 |
| Housing units under construction at end of period | 6,179 | 7,259 | 6,844 | 6,158 | 6,432 |

| Housing development for investors | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------|--------|--------|-------|--------|
| Housing units under construction at start of period | 3,453 | 3,036 | 2,955 | 2,346 | 1,735 |
| Housing starts during the period | 1,441 | 2,103 | 1,718 | 1,791 | 1,904 |
| Housing units recognised in profit during the period | -1,341 | -1,686 | -1,170 | -407 | -1,768 |
| Time delay between completion and recognition in profit in Bonava Finland ²⁾ | | | -467 | -775 | 475 |
| Housing units under construction at end of period | 3,553 | 3,453 | 3,036 | 2,955 | 2,346 |

1) Projects recognised as housing starts at the initial starting date. In the event of delays in conjunction with appeals of building permits, projects are excluded from housing units under construction. In Sweden, one project was resumed after a delayed process due to building permits being appealed.

2) Up until 2015, Bonava Finland's housing units for investors were recognised in profit at the time of production start. There has thus been a time delay between the years regarding recognition in profit and completion of housing units for investors. From 2016, housing units for investors in Bonava Finland are recognised in profit at the time of completion.

Parent Company Income Statement

| | Note | 2019 | 2018 |
|---|---------|-------------|--------------|
| Net sales | 1, 12 | 266 | 267 |
| Production costs | | -46 | -31 |
| Gross profit | | 220 | 236 |
| Administrative expenses | | -455 | -423 |
| Operating loss | 2, 3, 4 | -235 | -187 |
| Profit from financial items | | | |
| Profit from participations in Group companies | 5 | 793 | 1,722 |
| Other interest income and similar items | | 170 | 150 |
| Interest expenses and similar items | 6 | -50 | -66 |
| Profit after financial items | | 679 | 1,618 |
| Appropriations | | | |
| Changes to tax allocation reserve | | -32 | |
| Group contributions received | | 259 | 730 |
| Profit before tax | | 905 | 2,348 |
| Tax on profit for the year | 9 | -21 | -142 |
| Profit for the year | | 884 | 2,206 |

COMMENTS ON THE PARENT COMPANY INCOME STATEMENT AND BALANCE SHEET

INCOME STATEMENT

The Parent Company consists of Group-wide services for Finance, IT, Marketing, Procurement, Human Resources, Legal and Strategy.

Parent Company revenue largely comprises invoicing to subsidiaries for services provided. Net sales amounted to SEK 266 M (267).

Profit from participations in Group companies comprises dividends. Otherwise, financial items mainly comprise interest income and expenses from the centralised Treasury function.

BALANCE SHEET

Receivables from Group companies increased due to an increase in investments, partially financed by Parent Company loans.

Parent Company Balance Sheet

| | Note | 2019 | 2018 |
|--|-----------|---------------|--------------|
| ASSETS | 1 | | |
| Fixed assets | | | |
| <i>Intangible assets</i> | | | |
| Capitalised expenditure for development work, etc. | 7 | 141 | 131 |
| Total intangible assets | | 141 | 131 |
| <i>Property, plant and equipment</i> | | | |
| Equipment | | 7 | 10 |
| Total property, plant and equipment | | 7 | 10 |
| <i>Financial fixed assets</i> | | | |
| Participations in Group companies | 8 | 2,258 | 2,278 |
| Other non-current receivables | | 4 | 3 |
| Total financial fixed assets | | 2,263 | 2,282 |
| Total fixed assets | | 2,411 | 2,423 |
| Current assets | | | |
| <i>Current receivables</i> | | | |
| Receivables from Group companies | | 8,071 | 4,934 |
| Prepaid expenses and accrued income | | 40 | 33 |
| Other receivables | | 1,301 | 1,422 |
| Cash and bank balances | | 59 | |
| Total current receivables | | 9,471 | 6,389 |
| TOTAL ASSETS | | 11,882 | 8,812 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| <i>Restricted equity</i> | | | |
| Share capital | | 434 | 434 |
| Fund for development expenses | | 80 | 70 |
| Total restricted equity | | 513 | 503 |
| <i>Non-restricted equity</i> | | | |
| Profit brought forward | | 5,741 | 4,121 |
| Profit for the year | | 884 | 2,206 |
| Total non-restricted equity | 14 | 6,625 | 6,327 |
| Total shareholders' equity | | 7,139 | 6,830 |
| <i>Untaxed reserves</i> | | | |
| Tax allocation reserve | | 32 | |
| Total untaxed reserves | | 32 | 0 |
| <i>Provisions</i> | | | |
| Other provisions | | 4 | 3 |
| Total provisions | | 4 | 3 |
| <i>Non-current liabilities</i> | | | |
| Liabilities to credit institutions | 10 | 844 | 614 |
| Other liabilities | | | 2 |
| Total non-current liabilities | | 844 | 617 |
| <i>Current liabilities</i> | | | |
| Accounts payable | | 25 | 29 |
| Liabilities to Group companies | 10 | 62 | 257 |
| Current tax liability | | 17 | 76 |
| Liabilities to credit institutions | 10 | 3,707 | 956 |
| Other liabilities | | 18 | 8 |
| Accrued expenses and deferred income | 11 | 34 | 35 |
| Total current liabilities | | 3,863 | 1,362 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 11,882 | 8,812 |

Parent Company Changes in Shareholders' Equity

| | Restricted equity | | Non-restricted equity | | Total share- holders' equity |
|--|-------------------|-------------------------------------|---------------------------|------------------------|---------------------------------|
| | Share capital | Fund for development expenses | Profit brought forward | Profit for the year | |
| Opening shareholders' equity, 1 January 2018 | 434 | 98 | 4,249 | 428 | 5,208 |
| Appropriation of profit | | | 428 | -428 | 0 |
| Transfer to/from fund for development expenses | | -28 | 28 | | 0 |
| Performance-based incentive programme | | | 5 | | 5 |
| Repurchases of treasury shares | | | -29 | | -29 |
| Dividend | | | -560 | | -560 |
| Profit for the year | | | | 2,206 | 2,206 |
| Closing shareholders' equity, 31 December 2018 | 434 | 70 | 4,121 | 2,206 | 6,830 |
| Appropriation of profit | | | 2,206 | -2,206 | 0 |
| Transfer to/from fund for development expenses | | 10 | -10 | | 0 |
| Performance-based incentive programme | | | -16 | | -16 |
| Dividend | | | -560 | | -560 |
| Profit for the year | | | | 884 | 884 |
| Closing shareholders' equity, 31 December 2019 | 434 | 80 | 5,741 | 884 | 7,139 |

Parent Company Cash Flow Statement

| | 2019 | 2018 |
|---|-------------|---------------|
| OPERATING ACTIVITIES | | |
| Profit after financial items | 679 | 1,618 |
| Adjustments for items not included in cash flow: | | |
| - Anticipated dividend | -359 | -369 |
| - Depreciation/amortisation | 74 | 89 |
| - Impairment losses | 11 | |
| - Changes in provisions | 1 | 1 |
| - Other | -9 | -23 |
| Total items not included in cash flow | -282 | -302 |
| Tax paid | -80 | 10 |
| Cash flow from operating activities before change in working capital | 316 | 1,326 |
| Cash flow from change in working capital | | |
| Increase (-)/decrease (+) in receivables | 485 | 302 |
| Increase (+)/decrease (-) in liabilities | -161 | -56 |
| Cash flow from change in working capital | 323 | 246 |
| Cash flow from operating activities | 639 | 1,572 |
| INVESTMENT ACTIVITIES | | |
| Investments in shares in subsidiaries | | -3 |
| Investments in equipment | -1 | -9 |
| Investments in intangible assets | -80 | -51 |
| Cash flow from investment activities | -80 | -63 |
| Cash flow before financing | 559 | 1,510 |
| FINANCING ACTIVITIES | | |
| Dividend paid | -560 | -560 |
| Purchase of treasury shares | | -29 |
| Increase (-)/decrease (+) in interest-bearing receivables | -2,779 | -1,410 |
| Increase (+)/decrease (-) in interest-bearing liabilities | 3,037 | 780 |
| Cash flow from financing activities | -301 | -1,219 |
| Cash flow for the year | 258 | 291 |
| Cash and cash equivalents at 1 January | -199 | -490 |
| Cash and cash equivalents at 31 December | 59 | -199 |

Cash and cash equivalents of SEK -199 M at year-end 2018 relate to funds held in Group accounts and were recognised as other liabilities in the Balance Sheet.

COMMENTS ON THE PARENT COMPANY CASH FLOW STATEMENT

Cash flow from operating activities amounted to SEK 639 M (1,572). A decrease in earnings as a result of lower dividends from subsidiaries meant that cash flow from operating activities declined.

Cash flow from investment activities was on a par with the preceding year.

Cash flow from financing activities was positive compared to the preceding year, since sales of housing projects in the Group were higher year-on-year.

During the year, interest received amounted to SEK 170 M (150) and interest paid to SEK 36 M (82).

Parent Company cash flow statement, cont.

| Change in interest-bearing receivables | 2018 | Cash flow | Group contributions | 2019 |
|---|--------------|--------------|---------------------|--------------|
| Current interest-bearing receivables | 5,891 | 2,779 | 259 | 8,929 |
| Total interest-bearing receivables | 5,891 | 2,779 | 259 | 8,929 |

| Change in interest-bearing receivables | 2017 | Cash flow | Group contributions | 2018 |
|---|--------------|--------------|---------------------|--------------|
| Current interest-bearing receivables | 3,751 | 1,410 | 730 | 5,891 |
| Total interest-bearing receivables | 3,751 | 1,410 | 730 | 5,891 |

Group contributions are recognised as interest-bearing receivables as they are recorded, but do not impact cash flow. This occurs the following year, when the Group contribution is settled.

| Change in interest-bearing liabilities | 2018 | Cash flow | 2019 |
|---|--------------|--------------|--------------|
| Current interest-bearing liabilities | 956 | 2,751 | 3,707 |
| Non-current interest-bearing liabilities | 614 | 229 | 844 |
| Total interest-bearing liabilities | 1,570 | 2,980 | 4,550 |

| Change in interest-bearing liabilities | 2017 | Cash flow | 2018 |
|---|------------|------------|--------------|
| Current interest-bearing liabilities | 200 | 756 | 956 |
| Non-current interest-bearing liabilities | 590 | 24 | 614 |
| Total interest-bearing liabilities | 790 | 780 | 1,570 |

Parent Company Notes

1

Accounting policies

The Parent Company's Annual Report has been prepared in accordance with the Annual Accounts Act (1995:1554) and the recommendation RFR 2, Accounting for legal entities and statements from the Swedish Financial Reporting Board.

The Parent Company's accounting policies differ from the Group's in the following ways:

Subsidiaries

For the Parent Company, shares in subsidiaries are recognised at cost less any impairment losses. Impairment losses for these shares and participations arise if the recoverable amount is lower than the carrying amount. Received and anticipated dividends are recognised as revenue.

Leases

In the Parent Company, all lease expenses are recognised in the income statement in conjunction with the cost arising.

Group contributions

Group contributions received and paid are recognised as appropriations in the Parent Company income statement, in accordance with the alternative rule in RFR 2.

Borrowing costs

The Parent Company recognises total borrowing costs as an expense in the period in which they arise.

2

Number of employees, salaries and other remuneration

The average number of employees for the year was 80 (78). 51 (49) of the employees are women and 29 (29) are men.

Gender division

| | Percentage women | |
|--------------------|------------------|------|
| | 2019 | 2018 |
| Board of Directors | 43 | 43 |
| Senior executives | 50 | 50 |

Salary and other remuneration, and social security expenses including pension costs

| | 2019 | 2018 |
|--------------------------|------|------|
| Salary and remuneration | 74 | 85 |
| Social security expenses | 48 | 51 |
| of which, pension costs | 17 | 18 |

Salary and remuneration refer exclusively to personnel in Sweden. Refer also to Note 4 for the Group, Number of employees, personnel costs and remuneration to senior executives.

Salary and other remuneration divided among Board members, CEO and other employees

| | 2019 | | 2018 | |
|---------------------------------|-------------------|-----------------|-------------------|-----------------|
| | The Board and CEO | Other employees | The Board and CEO | Other employees |
| Salaries and other remuneration | 9 | 65 | 12 | 73 |
| (of which, bonuses, etc.) | (0) | (0) | (2) | (2) |

3 Depreciation/amortisation

| | 2019 | 2018 |
|--|-----------|-----------|
| Intangible assets | 70 | 79 |
| Property, plant and equipment | 4 | 4 |
| Total depreciation/amortisation | 74 | 83 |

6 Interest expenses and similar items

| | 2019 | 2018 |
|--|-----------|-----------|
| Interest expenses, credit institutions | 36 | 53 |
| Other financial expenses | 14 | 13 |
| Total | 50 | 66 |

4 Remuneration and fees to audit firms

| | 2019 | 2018 |
|--|----------|----------|
| Audit firm | | |
| PwC | | |
| Audit assignment | 2 | 1 |
| Total remuneration and fees to auditors and audit firms | 2 | 1 |

Audit assignment is defined as fees for the statutory audit (i.e. audit work required to present the Audit Report and provide audit advice in connection with the audit assignment).

5 Profit from participations in Group companies

| | 2019 | 2018 |
|-------------------|------------|--------------|
| Dividend | 805 | 1,722 |
| Impairment losses | -11 | |
| Total | 793 | 1,722 |

7 Intangible assets

| Acquired intangible assets | 2019 | 2018 |
|---|-------------|-------------|
| Recognised cost at 1 January | 294 | 242 |
| Investments | 80 | 51 |
| Recognised cost at 31 December | 374 | 294 |
| Accumulated amortisation at 1 January | -132 | -52 |
| Amortisation according to plan during the year | -70 | -79 |
| Accumulated amortisation at 31 December | -201 | -132 |
| Accumulated impairment losses at 1 January | -31 | -31 |
| Accumulated impairment losses at 31 December | -31 | -31 |
| Residual value at 1 January | 131 | 159 |
| Residual value at 31 December | 141 | 131 |

8

Participations in Group companies

| Name, Corp. ID no., Reg. office | Proportion, % | No. of shares | Carrying amount | |
|--|---------------|---------------|-----------------|--------------|
| | | | 2019 | 2018 |
| Bonava Danmark A/S, 32 65 55 05, Denmark | 100 | 5,000 | 456 | 457 |
| Bonava East Holding AB, 556495-9079, Stockholm | 100 | 1,000 | | |
| Bonava Eesti OÜ, 11398856, Estonia | 100 | 1 | 41 | 41 |
| Bonava Holding GmbH, HRB 16608 FF, Germany | 100 | 100,000 | 373 | 376 |
| Bonava Latvija SIA, 40003941615, Latvia | 100 | 15,780,000 | 176 | 176 |
| Bonava Lietuva UAB, 305099434, Lithuania | 100 | 250 | | |
| Bonava Norge AS, 980 390 020, Norway | 100 | 7,501 | 481 | 481 |
| Bonava Suomi Oy, 2726714-3, Finland | 100 | 10,000 | 300 | 303 |
| Bonava Sverige AB, 556726-4121, Stockholm | 100 | 1,000 | 49 | 52 |
| Bonava Wohnbau GmbH, HRB 15662 FF, Germany | 10 | 2,500 | 1 | 1 |
| LLC Bonava Saint-Petersburg, INN7841322136, Russia | 100 | | 381 | 381 |
| LLC Petro Center, INN7841457408, Russia | 99 | | | 11 |
| Total participations in Group companies | | | 2,258 | 2,278 |

Only directly owned companies are reported in the table above. Apart from the companies listed above, Bonava AB indirectly controls a number of trading and dormant sub-subsidiaries.

9

Tax on profit for the year and deferred tax assets

| | 2019 | 2018 | Effective tax | Profit | |
|---|------------|-------------|---|------------|-------------|
| | | | | 2019 | 2018 |
| Tax on profit for the year | | | Profit before tax | 905 | 2,348 |
| Current tax cost | -21 | -80 | Tax according to company's current tax rate | -194 | -517 |
| Deferred tax revenue/cost | | -63 | Non-tax deductible costs | -5 | -1 |
| Total recognised tax on profit/loss for the year | -21 | -142 | Non-taxable revenues | 178 | 379 |
| | | | Tax attributable to prior years | | -3 |
| | | | Recognised tax | -21 | -142 |
| | | | Effective tax, % | 2 | 6 |

10 Interest-bearing liabilities

| | 2019 | 2018 |
|---|--------------|--------------|
| Non-current liabilities | | |
| Liabilities to credit institutions | 844 | 614 |
| Total non-current liabilities | 844 | 614 |
| Current liabilities | | |
| Liabilities to credit institutions | 3,707 | 956 |
| Liabilities to Group companies | 57 | |
| Total current liabilities | 3,764 | 956 |
| Total interest-bearing liabilities | 4,608 | 1,570 |

For repayment schedules and terms and conditions, see Note 23 for the Group, Financial instruments and financial risk management.

11 Accrued expenses and deferred income

| | 2019 | 2018 |
|-------------------------|-----------|-----------|
| Payroll-related costs | 20 | 26 |
| Administrative expenses | 6 | 7 |
| Interest expenses | 6 | 2 |
| Other expenses | 1 | |
| Total | 34 | 35 |

12 Pledged assets and contingent liabilities

| | Utilised amount | |
|--|-----------------|---------------|
| | 2019 | 2018 |
| Deposits and concession fees | 3,971 | 3,516 |
| Construction loans, tenant-owner associations | 1,470 | 3,225 |
| Counter guarantee to external guarantors | 8,648 | 8,018 |
| Other guarantee commitments | 4,988 | 4,539 |
| Other pledged assets | 3 | 3 |
| Total pledged assets and contingent liabilities | 19,079 | 19,301 |

The Parent Company's guarantees are on behalf of subsidiaries.

13 Information about the Parent Company

Bonava AB, corp. ID no. 556928-0380, is a registered limited company with its registered office in Stockholm, Sweden. Bonava AB's shares are listed on the Stockholm Stock Exchange (Nasdaq Stockholm Large Cap).

The address of the head office is Bonava AB, Lindhagensgatan 72, Stockholm, Sweden.

The consolidated financial statements for 2019 consist of the Parent Company and its subsidiaries, jointly termed the Group. The Group also includes holdings in associated companies.

14 Appropriation of profit

The Board of Directors proposes that distributable earnings of SEK 6,625,179,117

Be appropriated as follows:

| | |
|---|----------------------|
| Ordinary dividend to shareholders SEK 3.00 per share | 322,862,283 |
| Carried forward | 6,302,316,834 |
| Total SEK | 6,625,179,117 |

Shares repurchased by Bonava AB do not confer the right to receive dividends. The total amount of the proposed dividend is calculated on the basis of the number of outstanding shares as of 20 February 2020.

Appropriation of profit

| | |
|--|----------------------|
| The Board of Directors proposes that distributable earnings | 6,625,179,117 |
| Be appropriated as follows: | |
| Ordinary dividend to shareholders SEK 3.00 per share ¹⁾ | 322,862,283 |
| Carried forward | 6,302,316,834 |
| Total SEK | 6,625,179,117 |

1) Shares repurchased by Bonava AB do not confer the right to receive dividends. The total amount of the proposed dividend is calculated on the basis of the number of outstanding shares as of 20 February 2020.

The Board of Directors and the Chief Executive Officer hereby give their assurance that the annual accounts and the consolidated accounts have been prepared in compliance with the international accounting standards referred to in the European Parliament's and Council of Europe's Regulation (EC) No. 1606/2002 dated 19 July, 2002 regarding the application of international accounting standards and generally accepted accounting practice, and thus give a true and fair view of the financial position and results of operations of the Group and the Parent Company. The Report of the Board of Directors for the Group and Parent Company provide a fair review of the Group's and the Parent Company's operations, financial position and results of operations and describe the significant risks and uncertainties facing the Parent Company and the Group.

The Board of Directors and the Chief Executive Officer also submit Bonava AB's Sustainability Report for 2019. The Sustainability Report describes the Group's operations from financial, environmental and social aspects. The Report is prepared according to the Global Reporting Initiatives (GRI) Sustainability Reporting Standards.

The annual accounts and the consolidated accounts were approved for publication by the Board of Directors on 20 February 2020. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting for adoption on 31 March 2020.

Stockholm, Sweden, 20 February 2020

Mikael Norman
Chairman

Viveca Ax:son Johnson
Director

Carl Engström
Director

Åsa Hedenberg
Director

Samir Kamal
Director

Frank Roseen
Director

Anna Wallenberg
Director

Joachim Hallengren
CEO

Our Audit Report was submitted on 20 February 2020
Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor in Charge

Linda Andersson
Authorised Public Accountant

Auditor's report

Unofficial translation

To the general meeting of the shareholders of Bonava AB (publ), corporate identity number 556928-0380

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Bonava AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 11–61 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 and the group 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. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

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.

Bonava AB (publ) is a housing development company. Operations comprise the development of suitable land into affordable and sustainable residential neighborhoods in Sweden, Germany, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. Bonava develops and sells multi-family housing and single-family housing to consumers and investors, mainly in metropolitan areas.

We have carried out an audit of consolidated operations for the businesses in Sweden, Germany, Denmark, Norway and Finland as well as specific audit procedures related to the St. Petersburg business. These operations comprises 97 per cent of Group turnover and constitutes a majority of the Group's total assets. In addition, statutory audits are carried out for all relevant units in the Group. Key audit matters of the audit are valuation of housing projects and valuation of guarantee commitments. A specific focus in our audit has further been placed on the accounting of the acquisition of Urbanium AS. Our audit includes the following:

- Review of internal control over financial reporting, routines and processes focusing on key controls for financial reporting and accounting of housing projects;
- Summary review of the financial statements as of 30 September 2019 with the aim of providing a summary audit review opinion;
- Audit of year-end financial statements as of 31 December 2019 focusing on the valuation of properties held for future development and unsold properties, judgments and assumptions relating to ongoing housing construction projects, accrued costs and prepaid expenses as well as guarantee provisions; and
- Final audit measures required for the presentation of this audit report of the annual report in the parent company and Group and where applicable, other legal entities. In this context, we have also carried out a review giving our opinion on compliance with guidelines for senior executives, corporate governance of the parent company and sustainability reporting.

The review has been carried out by an audit team that is part of the PwC network. The work complies with local Auditing standards in the relevant countries and specific instructions relating to the consolidated accounts. With regard to the operations in St. Petersburg, the audit team working on the consolidated accounts carried out the Group review, while the statutory audit was carried out by a local auditing firm. In addition, the Auditor in Charge team members from the audit core team visited operations in St. Petersburg and Germany to acquire an understanding of operations in these units as well as routines and controls focusing on evaluating internal control and presenting a summary review of financial reporting on the basis of the Group's accounting principles. For other units in the Group that are not subject to statutory audit requirements, we have carried out other analytical audit measures as part of the review of the consolidated accounts.

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 statements 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.

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>Valuation of housing projects <i>Housing projects are described in the Annual Report in Note 14 and Note 1 Significant accounting policies under Critical estimates and judgments.</i></p> <p>As of 31 December 2019, housing projects totaled SEK 20,923 M, comprising 89 per cent of Group assets as of 31 December 2019.</p> <p>Housing projects consist of ongoing housing projects (SEK 11,740 M), completed housing units (SEK 2,013 M) and properties held for future development (SEK 7,149 M).</p> <p>Housing projects are recognized in full at the lower of acquisition value and net realizable value. The assessment of net realizable value is by its nature associated with a degree of assumption, and changes in these assumptions can have a material impact on reported values. Completed housing units have increased both in numbers and total value, mainly due to a cautious Swedish housing market. Assumptions and judgments for completed housing units thus have a larger effect on the valuation on completed housing units. A cautious market and longer planning-, permit- and project processes may also affect the valuation of properties held for future development as those are valued from a final result of the project perspective. Assumptions and judgments affect all items mentioned but have the largest impact on the valuation of properties held for future development. In order for the accounting of these items to be representative, related cost reserves and provisions attributable to housing projects or completed housing projects are also of material significance.</p> <p>As housing projects comprise the most significant item in Bonava's accounts, the review of Bonava's valuation of this item, which is in part based on assumptions, constitutes a key audit matter.</p> | <p>Our audit is based on evaluating internal control and substantive testing as well as other analytical measures, including data-based transaction analysis of certain Balance Sheet and Income Statement items on a sample basis in housing projects of significant subsidiaries. To ensure the accuracy of the valuation in particular we have also carried out the following audit measures:</p> <ul style="list-style-type: none"> • Evaluated the management process for project reporting, including review of relevant parts of Bonava's operating system with the aim of determine the expediency of its processes and controls. • Reviewed key controls on a sample basis to ensure that relevant control processes have been carried out and documented in accordance with the stipulations of the operating system and to ensure that projects have been reported correctly. • Carried out an analytical review of a selection of projects where divergences have been identified between actual and forecast outcomes to create an understanding of the relevant causes. Analysed trends over time to identify and, where applicable, understand the causes of trend breaks. • Reviewed project calculations and evaluated the reasonableness of project margins. With the support of PwC's valuation experts, we reviewed the reasonableness of assumptions such as sales prices, production costs, rent levels and yield requirements for the valuation of properties held for future development and, where necessary, other parts of housing projects. • On a sample basis, tested, evaluated and challenged the information used in the calculations of Bonava's hourly rates paid to staff and other reported costs associated with housing projects. • Evaluated Bonava's projects that necessitate specific judgments. Tested and evaluated Bonava's judgments on the basis of our own experience and Bonava's supporting documentation, and through discussions with Bonava's executives. • Carried out in-depth reviews of a selection of projects by following these through the full term of the project. Reviewed relevant control processes as projects progress, carried out in-depth forecast reviews. • Reviewed that requisite provisions and other reserves attributable to housing projects have been appropriately reported on the basis of supporting documentation and other assessments. • Assessed that the information contained in the annual report is correct on the basis of applicable disclosure requirements. <p>Apart from stating that the valuation of housing projects is associated with inherent uncertainty because reporting is partly based on assumptions that are subject to change, our review has not resulted in the reporting of any material observations to the Audit Committee. It can be noted that the inherent uncertainty in the valuation have increased as compared to last year based on the market situation.</p> |
| <p>Guarantee commitments <i>Guarantee commitments are described in the Annual Report in Note 17 Provisions and Note 1 Significant accounting policies under Critical estimates and judgments.</i></p> <p>Provisions for guarantee commitments totaled SEK 358 M as of 31 December 2019.</p> <p>Provisions for future guarantee commitments have been reported at the amount judged to be required to settle the commitments on the Balance Sheet date. The estimate is based on calculations, management's judgment and experience of previously completed housing projects. This means that reporting is mainly based on management's judgments and is thereby associated with a degree of uncertainty attributable to these judgments.</p> <p>On the basis of the materiality of the item, and the fact that reporting is based on judgments, the review of the valuation of guarantee provisions constitute a key audit matter.</p> | <p>Our audit of guarantee commitments included the following review measures:</p> <ul style="list-style-type: none"> • Evaluated routines relating to provisions of guarantee commitments in our audit, including by evaluating the methods used. • Analysed reported provisions and guarantee expenses in the year and previous years, and discussed effects that could affect guarantee provisions with management. • On a sample basis, reviewed calculations and assumptions against supporting documentation and judgments on the basis of historical outcomes and other sources. • Judged that the information provided in the annual report is correct. <p>On the basis of our audit, we have not reported any material observations to the Audit Committee. However, we have noted that the scale of future guarantee costs for current and previous housing projects are dependent on future outcomes and are thereby associated with inherent uncertainty, and as such may come to deviate from the guarantee provisions made.</p> |

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 1–10 and pages 104–110. Other information also comprises the report Annual overview 2019 published on the Bonava webpage. 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 Director's 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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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. 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 Director's and the Managing Director of Bonava 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 Director's 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 Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of 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. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Bonava AB (publ) by the general meeting of the shareholders on the 10 April 2019 and has been the company's auditor since the 25 April 2018.

Stockholm 20 February 2020

Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Partner in Charge

Linda Andersson
Authorised Public Accountant

Corporate Governance Report

Bonava is a Swedish public limited company listed on Nasdaq Stockholm. Bonava complies with the Swedish Corporate Governance Code. Bonava's corporate governance aims to ensure an efficient and value-creating decision-making process through the clear distribution of roles and responsibilities between the owners, the Board of Directors and Executive Management. This transparency is a prerequisite for quick and appropriate responses to new business opportunities.

Corporate Governance Report

Bonava is a Swedish public limited company that was listed on Nasdaq Stockholm in 2016. Bonava's corporate governance is based on Swedish law, the Articles of Association, Nasdaq Stockholm's Rules for Issuers and regulations and recommendations issued by relevant organisations. In the countries where Bonava conducts operations, the company complies with local legislation and other regulations. Bonava also complies with accepted securities market practice, which includes the application of the Swedish Corporate Governance Code, "the Code". Bonava has not departed from the Code. There have been no instances of non-compliance with Nasdaq Stockholm's Rules for Issuers or accepted securities market practice. This Corporate Governance Report has been prepared by the Board of Directors and is presented in compliance with the Annual Accounts Act and the Code, presenting Bonava's Corporate Governance in 2019.

GENERAL MEETING

Notices convening General Meetings are made available on the company's website and through announcements in the Swedish Official Gazette (Post- och Inrikes Tidningar). Confirmation that the notice has been issued is published simultaneously in the Swedish daily broadsheet Dagens Nyheter.

GENERAL MEETINGS IN 2019

The Annual General Meeting (AGM) on 10 April 2019 was the only General Meeting held during the year. In addition to electing the Board of Directors and other customary matters, the AGM authorised a new share-based incentive programme for Executive Management and specific key executives.

2020 ANNUAL GENERAL MEETING

Bonava's Annual General Meeting for 2020 will be held on 31 March 2020 in Stockholm, Sweden. Shareholders are entitled to raise matters at the AGM subject to submitting a written request no later than 11 February 2020. This information was published on the company's website in connection with the interim report for the third quarter of 2019. Such requests should be addressed to the Board of Directors. Bonava seeks to ensure that the Board of Directors, management team, Nomination Committee and auditor are present at General Meetings. For more information about the AGM, see page 10 or Bonava's website, bonava.com.

SHARES AND SHAREHOLDERS

Bonava's share was listed on Nasdaq Stockholm in 2016. At year-end, the number of shares in the company was 108,435,822. On the same date, the share capital totalled SEK 434 M with a quotient value per share of SEK 4.00.

At year-end, Bonava had 30,158 shareholders. The company's five largest shareholders at year-end were Nordstjernan AB, AMF Försäkring och Fonder, Swedbank Robur fonder, Lannebo fonder and SEB Investment Management.

– Read more about Bonava's shares and shareholders on pages 106–108.

ARTICLES OF ASSOCIATION

Bonava's Articles of Association were adopted by the 2019 AGM and are available in full at bonava.com. The Articles of Association stipulate that the company, directly or through subsidiaries, develops and invests in residential properties and engages in real estate trading operations, and conducts other operations related to the above. The company also undertakes certain Group-wide activities, such as the provision of employee services. The registered office is

in Stockholm, Sweden. The company is prohibited from making any decisions that contravene the Articles of Association without first referring such matters to the General Meeting for a decision and potentially amending the Articles of Association.

The Articles of Association do not contain any special stipulations regarding the appointment and discharge of Board members or amendments to the Articles of Association.

NOMINATION COMMITTEE

The 2019 AGM appointed the following Nomination Committee ahead of the 2020 AGM: Angela Langemar Olsson, Nordstjernan AB; Tomas Risbecker, AMF Försäkring och Fonder; and Caroline Forsberg, SEB as well as the Chairman of the Board as a co-opted member. Angela Langemar Olsson was elected Chairman of the Nomination Committee.

THE WORK OF THE NOMINATION COMMITTEE

According to the instructions, the Nomination Committee's task is to propose to the AGM the number of Board members and the composition of the Board, including the Chairman as well as proposals relating to remuneration to the Board, including any special fees for committee work. The Nomination Committee also proposes the Chairman of the AGM and, where applicable, the company's auditors and their remuneration. Where required, the Nomination Committee also proposes any changes to the applicable instructions for the Nomination Committee.

Ahead of the AGM 2020, the Nomination Committee held six recorded meetings, and also communicated by phone and e-mail between meetings. The Chairman of the Board of Directors reported to the Nomination Committee on the Board's work during the year, and also studied the self-evaluation completed by the Board of Directors. In addition, the Nomination Committee also discussed the work and composition of the Board directly with all Board members. The Nomination Committee noted that the Board of Directors is functioning properly, and that in terms of gender distribution and diversity in general has a satisfactory composition which meets the requirements under the company's diversity policy. The Nomination Committee has subsequently evaluated the company's needs and an appropriate Board composition in relation to the current Board members' background and expertise, and in that connection has found that the Board of Directors should be supplemented with one member with competence and experience in construction and property development and one member with competence in management accounting and project monitoring. On this basis, requirement profiles for potential new members have been produced and the Nomination Committee has interviewed and evaluated candidates. The Nomination Committee also evaluated Board fees and addressed the matter of remuneration for committee work. All decisions taken by the Nomination Committee were unanimous.

DIVERSITY POLICY

Bonava's diversity policy stipulates that, with regard to the needs of the company's operations, stage of development and other conditions, the Board shall have a suitable composition characterised by diversity and breadth with regard to the members appointed by the AGM in terms of skill, experience and background, and that an even gender distribution shall be pursued. The objective of the diversity policy is to meet the requirement for satisfactory diversity in the Board in terms of gender, age and nationality as well as experience, professional background and other qualities. For more information about the company's diversity initiatives, refer to the section "Passionate workplace" on page 93.

NOMINATION COMMITTEE PROPOSALS

Shareholders have been invited to submit their proposals and views to the Nomination Committee. Shareholders wishing to present a proposal to the Nomination Committee should do so via ir@bonava.com. No special remuneration was paid to the Chairman, or any other member of the Nomination Committee.

The Nomination Committee's proposals for Board members, Board fees and auditors are published in the notice convening the AGM and at bonava.com.

BOARD OF DIRECTORS

According to the Articles of Association, Bonava's Board of Directors shall have a minimum of three and a maximum of eight members. The AGM on 10 April 2019 resolved to re-elect Carl Engström, Viveca Ax:son Johnson, Åsa Hedenberg, Samir Kamal, Mikael Norman, Frank Roseen and Anna Wallenberg as Board members, and to elect Mikael Norman as the new Chairman of the Board. For information on Board members, their assignments outside the Group and their shareholdings in Bonava, see the "Board of Directors" section. The Board of Directors also adopts the Rules of Procedure for the Board and instructions for the CEO. The Board of Directors has also decided on a number of general policies, guidelines and instructions relating to the company's operations, see page 70. These internal policy documents are reviewed at least once a year and are also updated continuously to comply with legislation as and when required.

THE BOARD OF DIRECTORS AND NON-AFFILIATION

Bonava's Board of Directors was deemed to satisfy the Code's requirements of non-affiliation as all seven of the members elected by the AGM are not affiliated with the company and Executive Management.

All Board members, with the exception of Carl Engström and Viveca Ax:son Johnson, are deemed to satisfy the requirement for non-affiliation with regard to major shareholders (in both cases this relates to Nordstjernan AB).

CHAIRMAN

The Chairman of the Board is elected by Bonava's AGM and leads the work of the Board. At the AGM on 10 April 2019, Mikael Norman was elected as the new Chairman of the Board.

THE BOARD IN 2019

In 2019, the Board held ten meetings, including the inaugural meeting following election. The agenda for every regular Board meeting includes a number of standing items: the CEO's summary of operations, divestments and investments, financial reporting, a summary of major exposures and reports on any potential health and safety and Code of Conduct incidents. In 2019, the Board discussed and decided on adjustments to Bonava's strategy, the status of the company's various markets, the acquisition of residential developer Urbanium AS in Oslo, a restructuring project concerning

the operations in Finland and a number of major land and project sales and investments. The Board also evaluated Bonava's climate impact survey and established climate targets for 2030 in accordance with an approved method of application to the Science Based Target initiative. The company's sustainability agenda is otherwise unchanged.

COMMITTEES

The Board currently has two committees: the Audit Committee and the Remuneration Committee. In 2019, the Remuneration Committee's assignments were carried out by Bonava's Board of Directors, while a dedicated Audit Committee operated separately. The committees' assignments are regulated more closely in the annually revised committee instructions.

AUDIT COMMITTEE

The Audit Committee works according to an agenda which is set annually. Its tasks include monitoring the company's financial reporting and the efficiency of the company's internal control and risk management. During 2019, the Audit Committee consisted of Board members Carl Engström (who also served as Chairman), Åsa Hedenberg and Mikael Norman, none of whom is employed by the company.

In 2019, the Audit Committee held seven meetings. Bonava's auditor was present at all the meetings. The meetings addressed matters such as the company's interim reports, the focus of the external audit and the company's internal control of its financial reporting.

REMUNERATION COMMITTEE

The tasks of the Remuneration Committee include addressing matters relating to the principles governing remuneration to the CEO and senior executives, as well as individual remuneration to the CEO in accordance with the remuneration principles. These principles include the relationship between fixed and variable remuneration, and the correlation between performance and remuneration, mainly the terms applying to potential bonuses and incentive programmes, and the primary terms of non-monetary benefits, pension, termination of employment and severance pay. The whole Board determines the CEO's remuneration and other employment terms. Share-based incentive programmes for Executive Management and other senior executives are decided by the AGM.

The Remuneration Committee held two meetings (Board meetings) in 2019, one regular meeting and one extraordinary meeting. All members were present at both meetings with the exception of Board member Anna Wallenberg, who was not present at the regular meeting in December 2019. The meetings addressed matters such as variable remuneration for senior executives in 2020, remuneration to the CEO and the proposed basis for a share-based incentive programme for Executive Management and certain key executives for resolution in 2020.

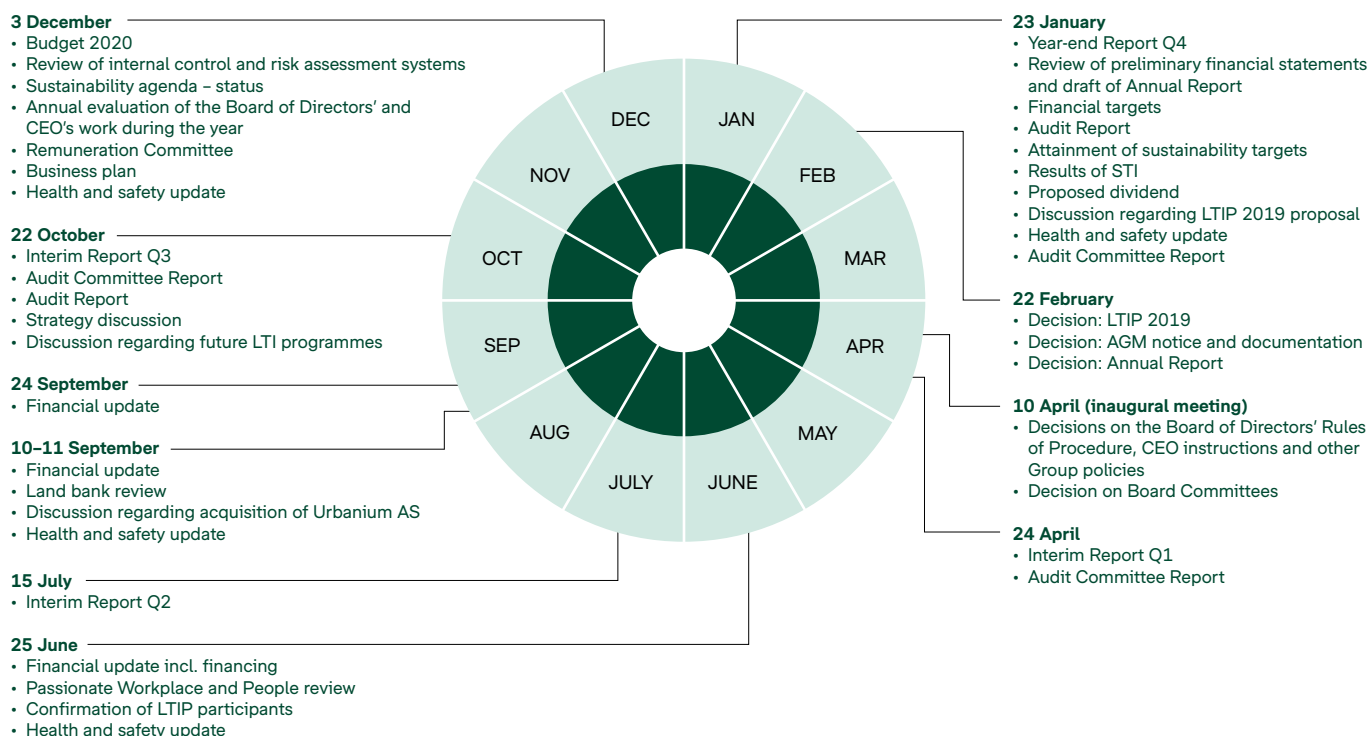
Nomination Committee ahead of 2020 AGM

| Board members ¹⁾ | Appointed by | Non-affiliated ²⁾ |
|--|-----------------------------|------------------------------|
| Angela Langemar Olsson, Chairman of the Nomination Committee | Nordstjernan AB | Yes/No |
| Tomas Risbecker | AMF - Försäkring och fonder | Yes/Yes |
| Caroline Forsberg | SEB | Yes/Yes |

1) And Chairman of the Board, as a co-opted Board member.

2) Non-affiliated to the company and management/the largest shareholder in terms of votes.

Board meetings 2019



REMUNERATION

The AGM on 10 April 2019 resolved to pay, in the period until the next AGM is held, annual fees of SEK 700,000 to the Chairman and SEK 300,000 to each of the other Board members, none of whom are employed by the company. Additionally, the AGM resolved to pay for work on the Audit Committee, in the period until the next AGM is held, annual fees of SEK 150,000 to the Chairman and SEK 75,000 to each of the other committee members, none of whom are employed by the company. No special remuneration was paid for any other committee work.

In addition, the company decided to continue not to allow the Board members to invoice their Board fees through companies.

EVALUATION OF THE BOARD OF DIRECTORS AND THE CEO

In accordance with the Board of Directors' Rules of Procedure, the Chairman of the Board evaluates the Board's work annually. The evaluation for 2019 took the form of Board member Carl Engström, on instruction from the Chairman, interviewing and discussing with each Board member and subsequently compiling the results of the discussions. The purpose of the evaluation was to gather information about the views of Board members on the Board's work and what measures can be implemented to improve its efficiency.

The intention was also to get an idea of the issues the Board of Directors considers should be given more prominence, and in which areas the Board may be in need of additional experience and competence. The results of the evaluation were presented to the Board of Directors, and the Chairman shared the results with the Nomination Committee. In brief, the Board was of the opinion that its composition was appropriate but that additional competence as regards to project development and more specifically the German market would be valuable, that the Board generally works well and that there should be additional focus on concrete measures for achieving the company's vision and strategic goals.

THE CEO AND SENIOR EXECUTIVES

The division of responsibilities between the CEO and the Board of Directors is defined in the Board's Rules of Procedure, and the instructions to the CEO are prepared by the Board of Directors. The CEO serves as the head of the Executive Management Group and makes decisions in consultation with other members of Executive Management.

The EMG meets regularly and as and when required. In 2019, Executive Management met on nine occasions.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

In this context, senior executive means the CEO, CFO and other members of The Executive Management Group. For more information on remuneration to senior executives, refer to Note 4. In accordance with the guidelines adopted by the AGM on 10 April 2019, Bonava offers remuneration on market terms that enable the company to recruit and retain individuals with the highest possible competence levels. The total remuneration package supports the company's long-term strategy. Remuneration to management comprises fixed and variable remuneration, long-term performance-based incentive programmes, pensions and other benefits. When determining fixed salaries, individual employees' area of responsibility, experience and achieved results are considered. Fixed salaries are reviewed either annually or biannually. All variable remuneration is related to a maximised fixed salary, and rewards the fulfilment of pre-determined targets, primarily of a financial nature. All variable remuneration at Bonava is designed to motivate and reward value-creating activities that support the company's long-term operational and financial objectives.

With regard to pension, Bonava offers defined-contribution solutions, which means that Bonava pays premiums comprising a specific portion of the employee's salary. The Board of Directors is entitled to depart from the above guidelines for remuneration to senior executives if there are special reasons in an individual case.

Remuneration and attendance at Board meetings 2019

| Members appointed by General Meeting | Elected year | Board of Directors | Audit Committee | Remuneration Committee | Non-affiliated, shareholders | Non-affiliated, company and management | Total annual fees, SEK |
|--------------------------------------|--------------|--------------------|-----------------|------------------------|------------------------------|--|------------------------|
| Total number of meetings | | 10 | 7 | 2 | | | |
| Chairman Mikael Norman ²⁾ | 2017 | 10 | 7 | 2 | Yes | Yes | 775,000 |
| Viveca Ax:son Johnson | 2015 | 10 | | 2 | No | Yes | 300,000 |
| Åsa Hedenberg | 2015 | 10 | 7 | 2 | Yes | Yes | 450,000 |
| Samir Kamal | 2015 | 10 | 3 | 2 | Yes | Yes | 375,000 |
| Carl Engström | 2015 | 10 | 4 | 2 | No | Yes | 300,000 |
| Anna Wallenberg | 2015 | 7 | | 1 | Yes | Yes | 300,000 |
| Frank Roseen | 2018 | 10 | | 2 | Yes | Yes | 300,750 |

1) In 2019, the Remuneration Committee's tasks were carried out by the Board of Directors in its entirety.

2) Elected Chairman of the Board on 10 April 2019, when Carl Engström became an ordinary Board member.

SHARE-BASED INCENTIVE PROGRAMMES

Bonava has three previously existing share-based incentive programmes, each of which covers approximately 50 people. The AGM on 10 April 2019 approved the Board of Directors' proposal to introduce an additional share-based incentive programme for Executive Management and certain key individuals, totalling some 50 people. As with the previous programmes, participation in the programme requires an independent shareholding in Bonava. The aim of the long-term incentive programmes is to align the interests of the shareholders and those of Executive Management and specified key executives in order to ensure maximum long-term value creation. The AGM also resolved to authorise the Board of Directors to repurchase Class B shares to ensure the implementation of the incentive programme. Thus far, the Board has decided not to utilise this authorisation. The Board of Directors intends to propose that Bonava's future AGMs introduce long-term incentive programmes based on similar principles to the programme implemented in 2019. In 2019, the first of the company's share-based incentive programmes, adopted in 2016, was concluded. Under the terms of the programme, at least the minimum level for each of the adopted performance targets had to be achieved in order to allocate share rights to the participants at the conclusion of the programme. Since the minimum level was not achieved for one of the adopted performance targets, the outcome was thus zero for the 2016 programme and no share rights were allocated to the participants.

The company's financial accounts and accounting, as well as the management by Executive Management and the Board of Directors, are reviewed and audited by the company's auditor. At the AGM on 10 April 2019, the registered audit firm Öhrlings PricewaterhouseCoopers AB (PwC) was elected auditor for the period until the Annual General Meeting in 2020. The election took place on the Nomination Committee's proposal which concurred with the Audit Committee's recommendation. Authorised Public Accountant Patrik Adolfson has been appointed Auditor in Charge.

The auditor is to report any material accounting errors and suspected irregularities to the Audit Committee. At least once a year, usually in connection with the closing of the financial statements, the auditor is to report any observations from the audit and its assessment of the company's internal control to the Board of Directors. The auditor also participates at the AGM to present its Audit Report and outline the audit work carried out and observations made. Bonava's Sustainability Report was audited and complies with the statutory requirements on sustainability reporting and the Global Reporting Initiative standards according to PwC.

| Audit fees in 2019 | SEK M |
|--|-------|
| Audit fees to PwC | 7 |
| Fees to other auditors | 1 |
| Fees for audit-related consulting services | 0 |
| Fees for tax consulting services | 0 |
| Other fees | 0 |

| Share-based long-term incentive programme | LTIP 2019 | LTIP 2018 | LTIP 2017 |
|---|-----------|-----------|-----------|
| No. of employees invited to participate | 50 | 50 | 51 |
| No. of employees opting to participate | 39 | 41 | 50 |

AUDITOR

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL

INTERNAL CONTROL OF FINANCIAL REPORTING AND RISK MANAGEMENT

Bonava's internal control regarding financial reporting is designed to manage risk and ensure a high degree of reliability in the processes surrounding the preparation of the financial statements, and to ensure compliance with applicable accounting standards and other requirements placed on Bonava as a listed company. Bonava complies with the Committee of Sponsoring Organisations of the Treadway Commission's ("COSO") framework for evaluating a company's internal control over its financial reporting, "Internal Control—Integrated Framework." The Framework includes the following five components: control environment, risk assessment, control activities, information and communication, and follow-up. The process has been designed to ensure appropriate risk management, including reliable financial reporting in accordance with IFRS, applicable legislation and regulations as well as other stipulations with which companies listed on Nasdaq Stockholm are required to comply. This work involves the Board of Directors, Executive Management and other employees.

PROCESS FOR RISK ASSESSMENT AND INTERNAL CONTROL

In 2017, Bonava established a central Risk Committee and introduced a new annual process for systematic risk assessment and internal control for financial and non-financial risks. The Risk Committee comprises the company's CFO, General Counsel, Group Head of Financial Control, Group Head of Sustainability and the Group Head of Risk and Compliance. This process was developed further in 2019. At the beginning of the year, each of Bonava's operational business units and Group functions evaluated the key risks the segment encounters in its operations. These were then discussed and analysed in more detail during the spring in an interactive process that included the Risk Committee. Subsequently, in the summer, each respective business unit and Group function evaluated its internal controls for a number of risk classes, where the business units focused on the primary risks identified in the risk assessment process. The risk assessment was performed in close cooperation with the Risk Committee, the Group functions concerned and Bonava's auditors. Once these controls had also been discussed and analysed by the Risk Committee and in follow-up meetings with the business units, the Committee compiled Bonava's annual risk and compliance report based on the process described above, which was then approved by the CEO and the Audit Committee, adopted by the Board of Directors and delivered to Executive Management.

CONTROL ENVIRONMENT

The division and delegation of responsibilities has been documented and communicated in company policies that govern the Board of Directors and the company.

- The Board of Directors reviews and approves the following policies annually:
- The Board of Directors' Rules of Procedure
- Instructions to the CEO
- Decision Order
- Finance policy
- Code of Conduct
- Corporate governance policy
- Insider policy
- Communication policy
- IT policy
- Sustainability policy
- Health and safety policy
- HR policy
- Procurement policy
- Information security policy

All policies are decided by the Board of Directors. In addition to these policies, Bonava also has other kinds of binding policy documents including a number of Group procedures determined by the CEO. All internal governing documents are updated regularly in connection with changes to legislation, accounting standards or listing requirements, and as and when necessary. All the Group's policies and other governing documents are available to all employees on the company's intranet. The Board of Directors monitors and ensures the quality of the company's internal control in accordance with the Board's Rules of Procedure and instructions to the Audit Committee.

The Board of Directors has also adopted a number of fundamental guidelines that govern risk management efforts and internal control activities. These guidelines include risk assessment, demands for control activities to manage the most material risks, in accordance with the aforementioned new risk assessment and internal control process, and reporting. Bonava's control environment is comprised of responsibilities, authorisations and policy documents as well as laws and regulations. Within company management, relevant named document owners have primary responsibility for ensuring compliance with the relevant policy documents. In addition, the company considers that all employees have a responsibility to ensure compliance with all governing regulations and processes. The company makes it possible for employees to assume this responsibility by means of various information and training initiatives.

RISK ASSESSMENT

In accordance with the Board's Rules of Procedure, the Board of Directors and the Audit Committee review the company's internal control annually. This review is based on the new risk assessment and internal control process described above. The Group's overarching risk analysis primarily encompasses risks in the following areas:

- Bonava's operating environment
- Strategic
- Operational
- Health and safety
- Climate and environment
- Customer-related
- Financial
- Legal

The risks identified in each area are evaluated on the basis of their estimated probability and impact. The outcome of the risk analysis is part of the aforementioned risk assessment and internal control process and is included in the annual risk and compliance report. For more information about the Group's risks and risk management, see pages 17–19 and Note 23.

CONTROL ACTIVITIES

Bonava's risk management is based on a number of control activities being carried out at different levels throughout the business operations and within various functions. The control activities are intended to ensure that Bonava's processes are efficient and that the risks identified are managed efficiently. For the business operations, ERP systems form the basis of the control structure, focusing on key stages of the business operations such as investment decisions, production start and sales. Bonava places considerable emphasis on monitoring its projects. It has established functions such as Human Resources Operations, which manages payroll administration for the Nordic countries, and a Treasury function that controls financial risks in various respects. In addition, there is the IT function that bears central responsibility for the most essential IT systems at Bonava. All these functions stipulate that processes must include control activities that manage identified risks efficiently. Other control activities in addition to the risk assessment and internal control process described above primarily include: Quarterly Board meetings in each business unit.

Central elements in these meetings include reporting and discussion of financial forecasts and outcomes, the structured risk assessment of the business units, etc. Bonava has also implemented a comprehensive compliance programme ("Our Foundation"). The programme aims to minimise risk relating to regulatory compliance and business ethics, and includes written guidelines on anti-corruption and competition legislation, central and local advisers on these issues, compulsory training in business ethics and a whistle-blower function. For more information, see page 91.

INFORMATION AND COMMUNICATION

Bonava has established an organisation to ensure correct and efficient financial and non-financial reporting. The internal governing documents specify the division of responsibilities, and daily interaction between the individuals concerned means that relevant information and communication reaches all the relevant parties. Guidelines, instructions and manuals of significance to financial reporting are communicated to the relevant employees through Bonava's intranet. Instructions for non-financial reporting were developed during the year, and the organisation has been trained in correct and efficient reporting by internal change leaders. The Board of Directors regularly receives financial reports regarding Bonava's financial position and earnings performance. Executive Management receives weekly and monthly financial information about the progress of Bonava's sales, profit, reviews and follow-up of ongoing and future investments, and liquidity planning.

The company's communication policy ensures that all external and internal information is accurate and is presented in a timely manner. Bonava's employees are invited to participate, directly or indirectly, in the preparation of internal policies and guidelines, and have thus been part of preparing these internal governing documents.

FOLLOW-UP AND IMPROVEMENTS

Follow-up continuously takes place at all levels of Bonava. The Board of Directors regularly evaluates the information provided by management and the auditors. The company's auditor also personally reports observations based on his review, as well as an assessment of internal control, directly to the Board of Directors. Bonava's external auditor is also invited to provide an account of his report on internal control at Board meetings and to the Audit Committee. The Board assesses the information provided by Executive Management on a continual basis. Bonava's financial position, investments and ongoing operations are discussed at each Board meeting. The Board is also responsible for monitoring and improving internal control, and ensuring that measures are taken to address any weaknesses or proposals that emerge. This work includes ensuring that measures are taken to handle any shortcomings, as well as following up on suggested measures arising from the external audit. The main basis for this Board monitoring consists of the previously described risk assessment and internal control process.

EVALUATION OF THE NEED FOR A DEDICATED INTERNAL AUDIT FUNCTION

Bonava does not currently have an internal audit function, apart from the established Risk Committee whose operations have some characteristics of an internal audit. The Board of Directors has reviewed the matter and considers the existing structures for follow-up and evaluation to be satisfactory. In conclusion, this means that it is currently not justified to establish an internal audit function. The matter is reviewed annually.

SUSTAINABILITY

The Board of Directors has determined Bonava's sustainability agenda and overarching Group sustainability targets, and presents the Sustainability Report. The Sustainability Report forms part of Bonava's Annual Report and has been prepared in accordance with the Global Reporting Initiative standards. The Sustainability Report has been assured by PwC, the auditor for sustainability reporting. The period of the report is the full year 2019 and the reporting cycle is annual. Read more about Bonava's sustainability work on pages 72-102. The location of sustainability-related information in the Annual Report can be found in the index on page 1.

SUSTAINABILITY ORGANISATION

The Board bears the ultimate responsibility for Bonava's sustainability agenda and its ongoing sustainability efforts. Bonava's CEO delegates operational responsibility to Bonava's Head of Sustainability, who as of September 2019 reports to the company's SVP Operations in Executive Management and coordinates the sustainability efforts with other Heads of Functions.

The Head of Sustainability leads two committees in the Group: a steering committee for the sustainability agenda and a council for preparing supporting documentation for the management team, strategic boards and the steering committee for the sustainability agenda as well as implementing such decisions. In addition to the Head of Sustainability, the steering committee includes Bonava's CEO, CFO, General Counsel, SVP HR, SVP Operations, and SVP Marketing and Sales. The Sustainability Council includes representatives from each business unit. The Head of Sustainability is also a member of Bonava's Risk Committee. In addition, Bonava has a Head of Health and Safety who has overarching responsibility for developing Group-wide processes and driving the development process for sustainability relating to health and safety. The Head of Health and Safety leads Bonava's Council for Health and Safety with the aim of preparing supporting documentation for the management team and strategic boards, and implementing decisions. The Council for Health and Safety includes representatives from each business unit. Bonava has a Head of Risk and Compliance, who is responsible for developing Bonava's procedures for deliberate and proactive work on risk and compliance management and leads Bonava's Risk Committee.

The primary development work is carried out as part of the most relevant strategic initiatives of the respective sustainability aspects with support from Bonava's two councils: the Sustainability Council and the Health and Safety Council.

Board of Directors



MIKAEL NORMAN

Board member since 2017, Chairman since 2019

Born in 1958

Education: Master of Laws (LL.M.), Stockholm University.

Previous experience: CFO of Nobia, Group Controller at Electrolux, tax lawyer at PricewaterhouseCoopers and judge in the Stockholm County Court and Administrative Court of Appeal.

Other current assignments: Director of Bravida Holding AB and Swedavia AB, Chairman of the Audit Committees in Bravida Holding AB and Swedavia AB.

Shareholding in Bonava AB: 8,000 Class B shares.



VIVECA AX:SON JOHNSON

Board member since 2015

Born in 1963

Education: Social science secondary education.

Other current assignments: Chairman of Nordstjernan AB and the Axel and Margaret Ax:son Johnson Foundation for Public Benefit. Director of NCC AB, Rosti Group AB, the Axel and Margaret Ax:son Johnson Foundation and FPG Media AB.

Shareholding in Bonava AB: 25,000 Class A shares and 123,000 Class B shares.



CARL ENGSTRÖM

Board member since 2015, Chairman 2015–2019

Born in 1977

Education: M.Sc. (Econ.), Stockholm School of Economics, and M.Sc. (Eng.), Royal Institute of Technology in Stockholm.

Current role: Senior Investment Manager and management team member at Nordstjernan AB.

Previous experience: Management consultant at Bain & Co.

Other current assignments: Chairman of Salcomp Oy and Salcomp Holding AB.

Shareholding in Bonava AB: 3,000 Class A shares and 9,000 Class B shares.



ÅSA HEDENBERG

Board member since 2015

Born in 1961

Education: M.Sc. (Eng.), Royal Institute of Technology in Stockholm.

Current role: CEO of Specialfastigheter Sverige AB.

Previous experience: CEO of Huga Fastigheter AB, CEO of Uppsalahem AB, Market Area Manager of Stockholm Kommersiellt Innerstad AP Fastigheter.

Other current assignments: Director of Envac AB. Member of the Council, Stockholm Chamber of Commerce.

Shareholding in Bonava AB: 4,410 Class B shares.



SAMIR KAMAL

Board member since 2015
Born in 1965

Education: M.Sc. (Econ.), Stockholm School of Economics. M.Sc. (Eng.), Imperial College London.

Current role: Senior Director at Novo Holdings A/S.

Previous experience: Partner of EQT Partners, Partner of IK Investment Partners, Project Manager at Carnegie Investment Bank and Analyst at SEB.

Other current assignments: Director of Scandi Standard AB and Ritmas Holding AB.

Shareholding in Bonava AB: 3,000 Class B shares.



FRANK ROSEEN

Board member since 2018
Born in 1962

Education: M.Sc., MBA, Business Administration, Stockholm University

Current role: Board member of Aroundtown Commercial Properties and Chairman of the Board of Star Real Estate Ventures LLC.

Previous experience: CIO/CFO of WCM AG in Germany (2015–2016), CEO of GE Capital Real Estate in Germany and Central/Eastern Europe (2012–2015), and a number of management positions within GE Capital Real Estate in the Nordics, Europe and Asia (2002–2012).

Shareholding in Bonava AB: 1,500 Class B shares.



ANNA WALLENBERG

Board member since 2015
Born in 1975

Education: M.Sc. (Econ.), Uppsala University.

Current role: Sales Director at Kronans Apotek.

Previous experience: Assortment and Purchasing Manager at Kronans Apotek, Business Area Manager at Oriola AB and Strategy Consultant at Accenture.

Other current assignments: Board member of Volati Bok AB and Akademibokhandeln Holding AB.

Shareholding in Bonava AB: 400 Class B shares.

Auditor

PATRIK ADOLFSON

PwC (Öhrlings PricewaterhouseCoopers AB)
Auditor in Charge since 2018

Born in 1973

Other significant assignments: Other audit assignments include AcadeMedia AB (publ), Attendo AB (publ), Nordstjernan AB, Securitas AB (publ) and Pandox AB (publ). Member of FAR.

Executive Management Group



JOACHIM HALLENGREN

President and CEO

Born in 1964

Education: M.Sc. (Eng.), Chalmers University of Technology.

Professional experience: CEO of NCC Housing 2012–2016 and a total of 16 years' experience in a range of positions in the NCC Group, including Business Area Manager of NCC Property Development and member of senior management of NCC AB.

Other current assignments: Director of Caverion Oy, Forenom Group Oy and Director and owner of Phlebas AB, directorships in other companies in the Phlebas Group and Chairman of Offside Press AB.

Shareholding in Bonava: 14,000 Class A shares and 83,700 Class B shares.



ANN-SOFI DANIELSSON

CFO

Born in 1959

Education: M.Sc. (Econ.), Uppsala University.

Professional experience: CFO, Financial Director and a total of 13 years' experience as a member of NCC AB's senior management.

Other current assignments: Director of Vasakronan AB and Pandox AB.

Shareholding in Bonava: 16,358 Class B shares.



SOFIA RUDBECK

SVP Marketing, Sales & Communication

Born in 1974

Education: M.Sc. (Eng.), Lund Technical University.

Professional experience: Product and Brand Director at Fagerhult Retail. Various positions within innovation, brand and marketing at Electrolux as well as Management Consultant at McKinsey & Company.

Other current assignments: Chairman of the Centre for the Future of Places (KTH Royal Institute of Technology).

Shareholding in Bonava: 5,900 Class B shares.



JENNY LILJA LAGERCRANTZ

SVP HR

Born in 1972

Education: B.Sc. (Phil.), Stockholm University.

Professional experience: A total of 20 years' experience in human resources, including at Skandia, Nasdaq Stockholm and NCC.

Other current assignments: None

Shareholding in Bonava: 5,623 Class B shares.



FREDRIK HEMBORG

Business Unit President Sweden

Born in 1972

Education: M.Sc. (Eng.), Royal Institute of Technology in Stockholm.

Professional experience: A total of 19 years of experience from various positions in the NCC Group, including as Regional Manager in NCC Property Development.

Other current assignments: Director of Ursviks exploaterings AB.

Shareholding in Bonava: 11,967 Class B shares.



SABINE HELTERHOFF

Business Unit President Germany

Born in 1962

Education: Law degree, Leipzig University.

Professional experience: General Counsel in Germany since 1999 and responsible for investor transactions in Germany since 2007.

Other current assignments: Board member of German building society Bauindustrieverband Ost.

Shareholding in Bonava: 4,453 Class B shares.



JUUSO HIETANEN

Business Unit President Finland
Born in 1977

Education: MSc (Eng.), Helsinki University of Technology (Aalto University). Real Estate Finance, Hanken School of Economics, Finland. Finance Studies, Budapest University of Technology, Hungary.

Professional experience: A total of 12 years from various positions at NCC in Finland, St. Petersburg, Estonia-Latvia and Lithuania. Responsible for NCC Housing's operations in St. Petersburg between 2008 and 2016 and previously responsible for NCC Housing in Finland.

Other current assignments: None

Shareholding in Bonava: 6,422 Class B shares.



KRISTINA OLSEN¹⁾

Business Unit President Denmark-Norway
Born in 1967

Education: B.Sc. (Econ.), Copenhagen Business School and certified Real Estate Agent, Niels Brock Copenhagen Business College. Advanced Business Development Programme, CIF.

Professional experience: Over 25 years' experience in the property market, including 16 years in various management roles at NCC. Head of Sales and Marketing at Bonava Denmark and Norway since 2016.

Other current assignments: None

Shareholding in Bonava: 4,005 Class B shares.



MICHAEL BJÖRKLUND

Business Unit President St. Petersburg and the Baltics.

Born in 1969

Education: M.Sc. (Eng.), Royal Institute of Technology, Stockholm, Bachelor of Economics, Stockholm University.

Professional experience: 16 years' experience in leading positions in the property sector, including IKEA Real Estate Russia, Skanska International, NCC AB and Bonava.

Other current assignments: None

Shareholding in Bonava: 5,035 Class B shares.



CARL RIETZ²⁾

SVP Operations
Born in 1970

Education: MSc (Eng.), Industrial Engineering and Management, Linköping University. Humanities degree, Complutense University of Madrid, Spain.

Professional experience: Owner and CEO of GLT Herrljunga AB. Director of Volvo Buses' industrial operations in Mexico. Various managerial roles at Kemira Oy and Kemira Kemi AB. Management Consultant at McKinsey & Company, Cell Network and Ernst & Young Management.

Other current assignments: Chairman and owner of GLT Herrljunga AB and Board member of Basework AB.

Shareholding in Bonava: 650 Class A shares and 845 Class B shares.

1) Until October 2019, acting Business Unit President for Denmark-Norway alongside Morten Jakobsen, Head of Finance for Bonava Denmark-Norway. Sole permanent Business Unit President since 1 October 2019.

2) Part of Executive Management as of September 2019.

Stockholm, Sweden, 20 February 2020

Mikael Norman
Chairman

Viveca Ax:son Johnson
Director

Carl Engström
Director

Åsa Hedenberg
Director

Samir Kamal
Director

Frank Roseen
Director

Anna Wallenberg
Director

Joachim Hallengren
CEO

Auditor's Report on the Corporate Governance Statement

This is a literal translation of the Swedish original report.

TO THE GENERAL MEETING OF THE SHAREHOLDERS IN BONA VA AB (PUBL), CORPORATE IDENTITY NUMBER 556928-0380

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2019 on pages 65–75 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, February 20 2020
Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson
*Authorized Public Accountant
Lead Partner*

Linda Andersson
Authorized Public Accountant

Sustainability Report

Sustainability – information and GRI

ABOUT THE SUSTAINABILITY REPORT

This is Bonava's fourth annual Sustainability Report. The Sustainability Report forms part of Bonava's Annual Report and has been prepared in accordance with the Global Reporting Initiative's (GRI) standards. The index on pages 98–102 shows where in the Annual Report sustainability-related information can be found. The report covers 2019 and reported indicators refer to all of Bonava's units and the full year unless otherwise indicated. The latest Sustainability Report for the 2018 financial year was published in March 2019. The Sustainability Report is issued by the Board of Directors and is reviewed and authorised by external sustainability auditors; refer to page 103.

For this year's report, Bonava has chosen to also highlight GRI Standard 409 Forced or Compulsory Labour, reworked the model for reporting of Standard 301 Materials and updated Standard 403 Occupational Health and Safety. New in the Annual Report for this year is a summarised climate report, in Standard 305. A detailed climate report has been released publicly through CDP for the two last years.

The altered conditions for reporting consist of Bonava's expansion of operations in Norway during the year. These expanded operations are included in the reported indicators for the portion of the year in which they are relevant.

SUSTAINABILITY ORGANISATION

Bonava's organisation and responsibility for the sustainability agenda is described in the Corporate Governance Report on page 65–75. Bonava's progress in its sustainability work is mainly achieved within the framework of the company's strategic initiatives. The strategic initiatives are led by the respective strategic boards. Collaboration among several initiatives is frequently required for Bonava to achieve the intended results.

POLICY DOCUMENTS

The key policy document for Bonava's sustainability work is the Code of Conduct, in which the principles for Bonava's compliance with the UN Global Compact and the sustainability agenda are clarified. The Code of Conduct aligns with Bonava's sustainability policy including Bonava's social and environmental responsibility, Bonava's work environment policy and Bonava's HR policy including its commitment to diversity and against discrimination. The Code of Conduct and all policies are authorised by the Board. Bonava's supplier requirements apply to all suppliers. More information about the aforementioned policies and Bonava's supplier requirements can be found at bonava.com. In addition, Group-wide procedures with internal mandatory instructions govern areas such as tax, travel, motor vehicles, sponsorship, alcohol and drugs, and the minimum standard for the environment and health and safety management in all business units.

MEMBERSHIPS IN EXTERNAL INITIATIVES AND ORGANISATIONS

Bonava is a financial supporter of the UN Global Compact and the Swedish Standards Institute (SIS), and Bonava's Head of Health and Safety is a Technical Expert on the SIS Technical Committee for Work Environment Management Systems. Bonava's Head of Marketing and Sales is Chairman of the steering committee for the Centre for the Future of Places (CFP) at KTH Royal Institute of Technology in Stockholm. CFP is an international hub for research relating to places of the future and has been established to promote sustainable urban development. The centre focuses on city planning and design in order to meet the challenges of today and tomorrow.

Bonava in Sweden is a member of the Sweden Green Building Council and supports the Construction and Civil Engineering Sector Roadmap for a Fossil Free Sweden. Bonava in Denmark is a member of the Green Building Council Denmark and Bonava in Finland is a member of the Green Building Council Finland. Bonava in St. Petersburg is a member of the Russian Green Building Council and collaborates with the non-profit Research Institute for Sustainable Development in Construction (NIURS). Bonava in Sweden is also a member of Sweden's Håll Nollan organisation and the

Swedish Safety Culture Network (SÄKU). Bonava's Head of Health and Safety is on the Board of Directors of SÄKU and is the organisation's signatory. Bonava in Sweden is a partner of the organisation Mitt Liv, a community-driven company that works for a more inclusive society and a labour market that values diversity.

By contributing with experience, testing and impact assessments to investigative research projects and in referral procedures in each country's legislative development as well as collaborating in industry organisations, Bonava promotes the following UN Sustainable Development Goal (SDG) targets:

- **13.2** Integrate climate change measures into national policies, strategies and planning.
- **17.14** Enhance policy coherence for sustainable development.

MATERIALITY ANALYSIS

Bonava's most crucial sustainability topics have been identified through a thorough materiality analysis based on comprehensive surveys of business environment factors and expected regulatory trends globally, in the EU and locally. They are based on identifying long-term opportunities and risks for Bonava in achieving its vision and mission, and promoting sustainable development for society as a whole through strategic initiatives. Social, ecological and financial topics must interact in order to achieve sustainable development as Bonava defines it. The design of Bonava's sustainability agenda and the grouping of topics into four focus areas is based on preparations made by Bonava's steering committee for the sustainability agenda, validated by the management team and finally authorised by the Board. The initial survey was conducted in 2016. The Board of Directors amends and approves the sustainability agenda and the overarching sustainability targets annually based on an updated materiality analysis that promotes the following UN SDG target:

- **12.6** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

The materiality analysis, which was deemed to remain relevant in 2019, can be summarised in four focus areas:

- **Happy Neighbourhoods** – demographic and societal changes in Bonava's markets mean that more affordable housing units are needed in socially and environmentally well-functioning neighbourhoods in order to develop sustainable cities and societies. Contributing to this development is a major business opportunity for Bonava.
- **Protecting our planet** – the over-consumption of natural resources and the effects of environmental destruction in combination with a strong trend towards urbanisation require alignment towards more efficient utilisation of resources, lower emissions and land use that increase climate change resilience. These are critical to achieving sustainable consumption and production and climate action. For Bonava, this trend represents both a risk and an opportunity to make a positive contribution and is a pre-requisite for obtaining permits for developing land and cost-efficiently producing homes that our customers want to live in.
- **Passionate workplace** – Bonava is active in an industry where the prevalence of accidents is high and that is characterised by limited diversity. Accordingly, Bonava is dependent on committed employees who are willing to drive change in order to achieve positive terms of employment and economic growth. This kind of change is a pre-requisite for Bonava's success and simultaneously creates the opportunity to contribute to progress outside of Bonava's direct control.
- **Reliable business** – partly as an effect of digitalisation and the emerging information society, stakeholders' expectations on transparency and information about how businesses assume their societal responsibility are increasing. Openly reporting on Bonava's work contributes to compliance with the universal principles through partnerships for the goals, relating to the global sustainability targets determined by the UN. This is key to being a credible business partner.

BONAVA'S SUSTAINABILITY AGENDA

Focus areas and UN Sustainable Development Goals

| HAPPY NEIGHBOURHOODS FOR THE MANY | PROTECTING OUR PLANET | PASSIONATE WORKPLACE | RELIABLE BUSINESS |
|--|--|---|--|
| <ul style="list-style-type: none"> Affordable housing units Happy neighbourhoods | <ul style="list-style-type: none"> Circular production model Sustainable use of land Efficient buildings Sustainable and non-hazardous materials | <ul style="list-style-type: none"> Labour conditions that support our values Health and safety Diversity | <ul style="list-style-type: none"> Compliance Responsible supply chain management Tax Transparency |
|  |   |  |  |

For information on how Bonava's sustainability agenda promotes the detailed Sustainable Development Goals, refer to the 2019 Annual Review.

Supporting framework



United Nations
Global Compact

LIMITATIONS

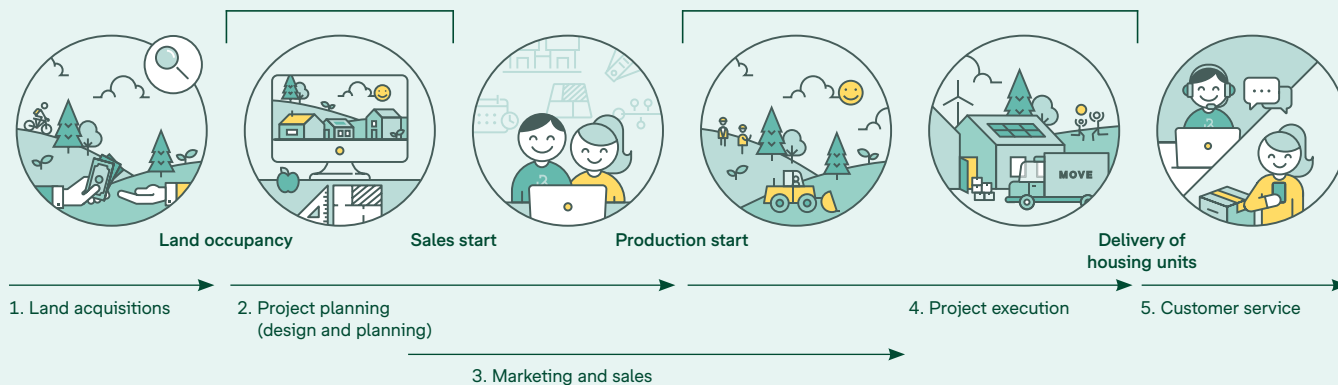
From the entire value chain perspective, Bonava's main impact on people and the environment mainly lies outside the organisation. Aspects that primarily influence the organisation internally include labour conditions that support Bonava's values and compliance. A circular production model, health and safety, and diversity have a significant impact within the organisation itself and in the surrounding world.

BUSINESS MODEL AND SUSTAINABILITY IMPACT

Land acquisitions

The land used and its location in relation to infrastructure and amenities have a significant impact on social and environmental aspects, directly in connection with production and indirectly through the impact on inhabitants' ability to live sustainably. Bonava examines the conditions applying to the site it purchases and analyses its potential for long-term sustainability prior to making acquisitions by using, for example, the Bonava Happy Neighbourhood tool.

BONAVA'S VALUE CHAIN



Design and planning

The design and planning phase is key to Bonava's long-term indirect social and environmental impact. In collaboration with public authorities and other stakeholders, through dialogue with the local community and Bonava's customers, Bonava aims to create happy neighbourhoods for the many. Bonava's Code of Conduct and the Our Foundation compliance programme provide support and guidance to ensure that contacts with authorities and suppliers are handled correctly, including minimising the risk of bribery or unethical practices. Design and decisions about materials choices determine whether housing units belong in the affordable segment, the indoor environment they will provide and the environmental impact during production and for the remainder of the buildings' and neighbourhood's life cycle.

Project implementation

Bonava's main direct impact on sustainability occurs during the project execution. Production of most housing units involves ground work that can affect the water table and surrounding areas. Remediation of earlier contamination may also be necessary. Transport to and from the construction site, energy for production, materials used and waste have a direct and indirect environmental impact. How the work is carried out has an impact on working conditions including the health and safety of the people who spend time on the construction site. Noise, dust and light pollution can directly disrupt the lives of neighbours. Indirectly, Bonava can affect human rights, working conditions, the environment and anti-corruption considerations outside its own operations through demands on and control of suppliers and subcontractors.

Customer service

After completion, Bonava's impact is largely indirect. Final inspection, remedial measures, fine tuning of installations, maintenance opportunities and instructions are key factors. Collaboration agreements or providing contacts may also entail a significant indirect impact on sustainability in areas such as supporting residents in their choice of supplier for service and maintenance and power supply, for example. By providing information and support that help Bonava's customers to use the buildings and the surrounding area for sustainable lifestyle, and by facilitating collaboration between residents, Bonava can have a further indirect social and environmental impact.

STAKEHOLDERS

Bonava's key stakeholders are:

- Customers
- Stock market investors and analysts
- Employees
- Suppliers
- Public authorities

To gather customer insights, Bonava interacts with its customers primarily as part of its housing projects, through customer surveys and focus group dialogues. Bonava has regular contact with investors and analysts through interim reporting, shareholders' meetings, capital markets days, meetings and presentations. Over the last few years, banks and their associated sustainability analysts have become an increasingly important stakeholder group. The most important dialogue with employees takes place in day-to-day

BONAVA'S KEY STAKEHOLDERS

Public authorities

Bonava is influenced by public authorities as they often lead the way in terms of sustainability through regulation, granting permits and influencing public opinion.

Investors and analysts

Investors and analysts are important stakeholders for Bonava's sustainability reporting. They search for information about how Bonava manages sustainability risks and opportunities.

Bonava

Customers

Bonava's customers are consumers and investors. Consumers look for safe homes in happy neighbourhoods while investors are particularly interested in sustainability risks that could impact future cash flow and third party verification.

Employees

Bonava has approximately 2,300 employees in eight countries and needs to attract and retain dedicated employees in order to drive change. Employees search for information about opportunities for individual development and commitment.

Suppliers

Bonava has some 10,000 suppliers, including suppliers of construction services, and is dependent on collaboration with these operators to achieve the desired results. Suppliers seek clarity, dialogue, and repeatable work.

activities and regular meetings regarding development and performance planning. Bonava's employee surveys enable the employees to anonymously voice their opinions about Bonava as a workplace. Bonava has close contact with its suppliers, including through dedicated supplier meetings. Finally, Bonava works in close collaboration with public authorities, mainly within the framework of housing projects and in connection to referral procedures. Bonava determines the stakeholders with whom it is important to engage in active dialogue based on their significance for the company's ability to deliver on its strategic initiatives and set goals. This assessment is integrated into the materiality analysis for Bonava's sustainability agenda.

Stakeholder dialogue during the year

Round two of Bonava's Happy Quest survey was carried out during the year. The new version of the survey was designed to explain to a greater degree what creates happy neighbourhoods, which in turn is defined as a combination of a sense of belonging, feeling at home and liking one's neighbourhood. This provides a deeper understanding of how well various sustainability factors are interacting. The survey is carried out on a nationally representative sample of the population across all of Bonava's markets. The design and scope of the survey makes it possible to identify similarities and differences among various national markets, family constellations, housing types, etc. The results of Bonava's two Happy Quest surveys correlate closely with the earlier materiality analysis aimed at identifying Bonava's sustainability agenda. Read more about the conclusions in Bonava's Happy Neighbourhood report at bonava.com.

Aside from its customers, the external stakeholder group that Bonava assigned the highest priority to during the year was stock market investors and banks. The overall analysis following meetings and interviews held during the year confirms that Bonava is prioritising the right aspects for the sustainability agenda and continued progress. Bonava's contacts with banks have shown a need to analyse sustainability indicators across more dimensions than those presented in the Annual Report in order to customise more specific sustainability reports, for example reporting in relation to sustainability frameworks for financing, which was prepared during the year.

As in previous years, the most important internal stakeholder dialogue of the year apart from the Passionate Workplace employee survey consisted of the physical Our Foundation workshops with select employees in all eight of Bonava's markets, during which the ethical guidelines and their efficiency are evaluated. At its recurring meetings, Bonava's Ethics Committee – consisting of representatives from all the business units – identified ethical subjects for which support in the compliance programme could be improved.

SUMMARY OF THE YEAR'S SUSTAINABILITY RESULTS

| UN Sustainable Development Goal | Focus areas, Bonava's sustainability agenda | Bonava's Group target set by the Board | Outcome 2019 | Outcome 2018 | Outcome 2017 |
|--|---|--|---|---|---|
| Sustainable cities and communities | Happy neighbourhoods for the many | By 2020, 50 per cent of Bonava's production housing starts will be in the affordable segment. | 56% | 61% | 40% |
| Responsible consumption and production | Protecting our planet | By 2020, 50 per cent of Bonava's housing starts in markets with Nordic Swan eco-labelling or Green Zoom certification are to be subject to environmental certification or labelling. | 54% | 45% | 42% |
| Climate action | Protecting our planet | By 2020, Bonava will combat climate change with climate targets in accordance with the Science Based Targets initiative. | B*, target established and committed to the Science Based Target initiative | C* | D* |
| Decent work and economic growth | Passionate workplace | Zero Harm | 100% compliance with the detailed Zero Harm targets for the year | 99% compliance with the detailed Zero Harm targets for the year | 98% compliance with the detailed Zero Harm targets for the year |
| Partnerships for the goals | Reliable business | Publish annual Sustainability Reports in accordance with GRI's guidelines and report progress to UN Global Compact. | Externally reviewed and assured Sustainability Report | Externally reviewed and assured Sustainability Report | Externally reviewed and assured Sustainability Report |

* Score in the Carbon Disclosure Project (CDP)

Happy neighbourhoods for the many

AFFORDABLE HOUSING UNITS

103-1 By providing newly produced housing units to target groups who would otherwise be unable to afford to purchase a newly produced housing unit, housing units on the second-hand market are freed up to a much greater extent, becoming available to others. Failure to combine the ambition of developing affordable housing units with Bonava's knowledge of what creates happy neighbourhoods could bring about an indirect negative economic impact – and over the long term, the risk of slums. The SDG target that Bonava contributes most to is:

- **11.1** By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums.

103-2 All of Bonava's strategic initiatives work together to create the conditions for building affordable housing. Bonava's target is that by 2020, 50 per cent of the housing units the company develops will be part of the affordable segment. Bonava's definition of affordable housing units are those that people with disposable income in the median bracket, in each respective geographical market, can afford to buy and live in.

103-3 During the year, Bonava determined that the target of 50 per cent will remain relevant after 2020 as well.

203-2 Significant indirect economic impacts

| Results Segment | 2019 | | | 2018 | | | 2017 | | |
|----------------------------|------------|----------|-------|------------|----------|-------|------------|----------|-------|
| | Affordable | Moderate | Upper | Affordable | Moderate | Upper | Affordable | Moderate | Upper |
| Housing starts, % | 56 | 44 | 0 | 61 | 39 | 0 | 40 | 53 | 7 |
| Completed housing units, % | 47 | 46 | 7 | 51 | 48 | 1 | 45 | 48 | 7 |

Comments on the results

The housing units in projects where construction began in 2019 met the target of 50 per cent of housing starts in the affordable segment. The year in which individual major projects are started has a significant impact on this indicator. The trend over time should be considered.

HAPPY NEIGHBOURHOODS

103-1 The design of a neighbourhood and of activities that promote social interaction impact people's behaviour, which has sustainability effects both socially and environmentally. By providing positive conditions for happy neighbourhoods, Bonava promotes several of the targets for UN Sustainable Development Goal 11. *Make cities and human settlements inclusive, safe, resilient and sustainable*. More specifically, Bonava contributes to:

- **11.3** By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
- **11.7** By 2030, provide universal access to safe, inclusive and accessible green and public spaces, in particular for women and children, older persons and persons with disabilities.

103-2 The Happy Quest survey is conducted every other year to study what is important for people to feel content and happy where they live. These insights are used to develop the neighbourhoods of the future, using Bonava's Happy Neighbourhood tool. This is a framework for ensuring that the knowledge and insights gathered regarding what creates happy neighbourhoods is systematically implemented in the neighbourhoods Bonava develops, for example, with solutions for safe and green outdoor environments, social interaction among neighbours-to-be and a sense of involvement. The degree of Bonava's success is evaluated over both the short and the long term through Bonava's customer satisfaction programme. This includes Bonava's Happy Index, which measures the degree of happiness in a neighbourhood. This indicator makes it possible to compare the degree of satisfaction among different groups of people, different places and different points in time. The index was designed by Bonava and is statistically reliable.

Regarding area design, these aspects are the most important for happy neighbourhoods:

1. Feels safe to be in (82%)
2. Good atmosphere (73%)
3. Reasonable distance to grocery stores (71%)
4. Pedestrian and bicycle friendly (67%)
5. Parks and green spaces (67%)

Bonava's customer service organisation, which is responsible for customers' experiences after they have moved in to their new homes, provides feedback on any shortcomings or suggestions for improvement to the design and production units for continuous quality improvement.

103-3 The results from this year's Happy Quest survey have been thoroughly analysed. By identifying what characterises neighbourhoods with various Happy Index levels, Bonava has created an entirely new model for happy neighbourhoods: House of Happiness. The model illustrates how happy neighbourhoods are built like storeys in a building, where the lower storeys constitute prerequisites for the upper storeys. The ground storey includes functional aspects that must be met in an area to ensure a functional daily existence. The first storey contains aspects that help people feel content and happy mentally and physically, while the second storey primarily contains the things that create a sense of community in an area. A smaller portion of all neighbourhoods reach the third – and highest – storey, which is characterised by a higher purpose where neighbours actively contribute to creating a sense of community, inclusiveness and well-being for one another. The neighbourhoods that occupy all four storeys are also the neighbourhoods with the highest results on the Happy Index.

Comments on the results

The graphs below illustrate the *Customer Satisfaction Index* and *Net Promoter Score* for new customers. The figures are based on all responses submitted during the respective years, four to eight weeks after moving in. Sweden continued to trend positively compared with the preceding year and also performed above the industry averages (for Sweden, NKI 72 and NPS 26). Denmark and Norway also trended positively, which indicates that ongoing efforts are having an effect even though potential for improvement remains. Two of the smaller markets showed the greatest changes year-on-year: Estonia's results improved drastically and Latvia clearly declined – though from exceptionally high numbers. The relatively small volumes in these markets also contribute to much more volatile figures as regards these indicators.

413-1 Operations with local community engagement, impact assessments and development programmes

13 per cent of all projects with a fixed production start in 2019 underwent Bonava's process, making full use of the Happy Neighbourhood tool. An additional 31 per cent made use of portions of the Happy Neighbourhood tool or other development programmes for sustainable neighbourhood development.

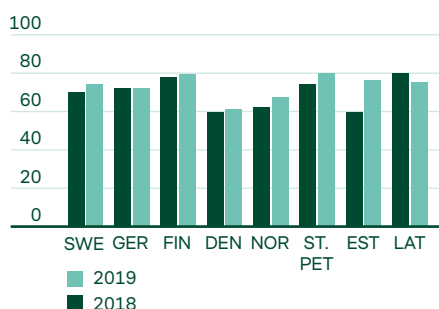
Bonava indicator: Customer satisfaction programme

See the *Happy Index* for existing customers graph below.

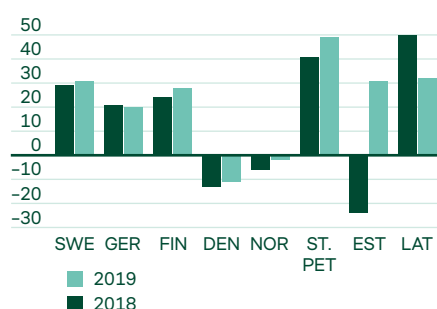
Comments on the results

Bonava's neighbourhoods in Finland showed the greatest positive trend in the 2019 Happy Index compared to the 2017 measurement. Estonia trended in the opposite direction, however the statistical base there is limited which leads to greater volatility between measurements. The trend for Germany was also negative, albeit from an initially high level, and the degree of happiness remains high for residents in Bonava's neighbourhoods compared to other neighbourhoods.

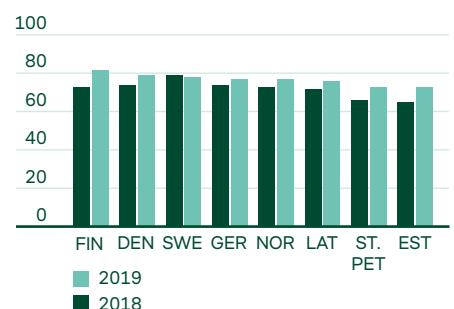
Customer Satisfaction Index (CSI) for new customers



Net Promoter Score (NPS) for new customers



Happy Index for existing customers



Protecting our planet

CIRCULAR PRODUCTION MODEL

103-1 Natural resources are limited and global overconsumption is evident. Forecasts show that the cost of raw materials – especially where supplies are limited – will increase over time, as will costs of emissions and waste management. By continually striving for increased resource efficiency, Bonava contributes to UN SDG 12 *Responsible consumption and production*, in particular the following targets:

- **12.2** By 2030, achieve the sustainable management and efficient use of natural resources.

103-2 A circular production model requires optimised material streams, and Bonava seeks to minimise the use of newly produced commodities in our production as much as possible, with the ultimate aim of achieving a closed-loop system. The use of materials constitutes a significant portion of Bonava's indirect climate impact, and from a resource perspective optimising material use is thus also important for reaching climate targets. Bonava's ongoing digitalisation is the key to its future success, including achieving a circular production model by providing a platform for improved control and opportunities to optimise the use of materials and resources.

103-3 By producing digital twins, Bonava was also able to determine use of materials for the markets in which not all material is purchased directly by Bonava. In addition, particular focus was devoted to waste management from a purchasing perspective during the year, since these suppliers were identified as important for monitoring and improving both circularity and climate impact.

301-1 Materials used by weight or volume

| Materials | 2019 | |
|---|--------------|--------------------------|
| | Total amount | Amount per housing start |
| Concrete (m ³) | 84,752 | 19.0 |
| Prefabricated concrete elements (m ³) | 83,805 | 18.8 |
| Construction blocks (m ³) ¹⁾ | 26,406 | 5.9 |
| Plaster (m ³) | 809 | 0.2 |
| Insulation (m ³) | 41,902 | 9.4 |
| Steel (metric tonnes) | 4,420 | 1.0 |
| Wood (metric tonnes) | 1,627 | 0.4 |

1) Sandstone blocks in Germany and light concrete blocks in the Baltics

The table shows a breakdown by category of the materials needed to build all the projects on which Bonava started production during the year, both for materials purchased by Bonava directly and materials purchased by contractors and their subcontractors. The model is built on direct information from design and purchasing calculations for the representative building types in the respective markets, extrapolated for gross area of housing starts during the year. The basis for calculations covers all load-bearing construction elements and façades. Interior walls, finishes, foundations and roofs are not included in this overview.

Comments on the results:

This is the first year Bonava has compiled information on use of materials based on the digital models, using the same method in all markets. This provides a better basis for decisions compared with previous overviews, which were based solely on Bonava's direct materials purchases. Out of all the materials in the overview, only wood is completely renewable.

SUSTAINABLE USE OF LAND

103-1 Using land in a more sustainable way is becoming increasingly important due to its significance for climate change resilience, and supporting biodiversity locally. Bonava thereby contributes to UN SDG targets including:

- **13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

103-2 Where needed, Bonava will decontaminate land and render it suitable for building homes. Where previously undeveloped land is claimed, the projects are designed to protect biological diversity and other ecological values. Bonava's Happy Neighbourhood tool for creating happy neighbourhoods includes support for planting trees and planning for greenery and green spaces.

103-3 In producing relevant climate targets, Bonava has chosen to include changes in land use as a direct climate impact. This choice is supported by the UN Intergovernmental Panel on Climate Change (IPCC) in its Special Report, Climate Change and Land, published during the year.

304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations Bonava indicator: Sustainable use of land G4 CRE 5 Land remediation

Sustainable use of land

Projects with fixed production start in 2019

| Key performance indicators | 2019 | 2018 | 2017 |
|--|------|------|------|
| Of which, previously developed (%) | 62 | 58 | 55 |
| Of which, previously undeveloped (%) | 38 | 42 | 45 |
| Land remediation (ha) | 90 | 14 | 12 |
| Share of projects with significant initiatives aimed at preserving ecological values (%) | 23 | 27 | 25 |
| Number of protected species affected | 3 | 4 | 3 |

Additional disclosures and comments:

The protected species affected by the projects for which Bonava was granted permission to start construction during the year include salmon, lizard and bat species, all of which are categorised under Least Concern (LC). In addition, efforts are being made to protect the ecological values in projects with protected habitat types, specific trees and one project with hot springs. The increase in the number of square metres affected by land remediation means that larger areas of land need to be decontaminated, which is in line with Bonava's ambition of investing in previously developed land and decontaminating it when it becomes available.

EFFICIENT BUILDINGS

103-1 Residential developers, municipalities and customers have long devoted considerable focus to the resource use of buildings during operation. This remains important, but requires a proper life cycle assessment as the share of renewable energy increases and fossil fuel dependency decreases, so that increased environmental impact and other costs during production are not detrimental to improvements in the operation phase. Bonava thereby contributes to UN SDG target:

- **13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

103-2 Bonava focuses on developing resource-efficient housing units with good energy performance and low water consumption. The definitions and energy performance standards vary between national markets, which complicates comparisons of energy intensity between buildings located in different countries. Therefore, Bonava has set separate targets for each national market in relation to national requirement levels. Adapting Bonava's building systems to national environmental and certification standards also creates potential for more efficient use of water resources.

103-3 An analysis of the starting point for Bonava's climate targets indicates that energy consumption during the operation phase for buildings completed and sold accounts for around 25 per cent of Bonava's total climate impact. The use of products sold is therefore a significant category under Bonava's climate targets for Scope 3, and providing Bonava's customers with the conditions for efficient energy consumption is important.

G4-CRE1: Building energy intensity

Energy intensity, avoided use energy per country, 2019

| GWh | 2019 |
|----------------|-------|
| Germany | 0.508 |
| Sweden | 0.562 |
| Finland | 0.192 |
| Denmark | 0.034 |
| Norway | 0.031 |
| St. Petersburg | 2.167 |
| Estonia | 0.082 |
| Latvia | 0.44 |

Avoided use of energy per operational year for housing starts in the year, compared to applicable requirements for new production.

Comments on the results:

The results are in line with the target established for the respective markets and for the energy performance of buildings in relation to the construction regulations for new production. The targets have been adapted to support Bonava's overall climate targets, which include the expected lifetime emissions of greenhouse gases for the operation of housing units Bonava completed during the year. Refer to the emissions table below. The margin for achieving sustainable climate improvement through reduced energy requirements in relation to the construction regulations for new production vary among geographical markets, due primarily to national definitions and the energy performance regulations in force as well as access to renewable and fossil-free energy.

302-3 Energy intensity

| Housing starts | Bonava's energy performance, kWh/m ² | | | Required energy performance, kWh/m ² | | | Better than requirement, % | | |
|----------------|---|------|------|---|------|------|----------------------------|------|------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Germany | 30 | 24 | 34 | 38 | 30 | 47 | 21 | 19 | 27 |
| Sweden | 63 | 61 | 64 | 82 | 77 | 83 | 24 | 20 | 23 |
| Finland | 88 | 98 | 122 | 92 | 104 | 131 | 5 | 7 | 6 |
| Denmark | 27 | 27 | 27 | 34 | 30 | 30 | 20 | 10 | 9 |
| Norway | 93 | 95 | 47 | 95 | 95 | 60 | 2 | 0 | 22 |
| St. Petersburg | 51 | 57 | 47 | 95 | 101 | 113 | 46 | 43 | 56 |
| Estonia | 129 | 130 | 125 | 135 | 130 | 150 | 4 | 0 | 17 |
| Latvia | 44 | 44 | 41 | 60 | 63 | 68 | 28 | 30 | 38 |

| Completed housing units | Bonava's energy performance, kWh/m ² | | | Required energy performance, kWh/m ² | | | Better than requirement, % | | |
|-------------------------|---|------|------|---|------|------|----------------------------|------|------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Germany | 40 | 42 | 44 | 48 | 58 | 61 | 17 | 29 | 28 |
| Sweden | 62 | 58 | 67 | 79 | 79 | 91 | 21 | 27 | 27 |
| Finland | 111 | 115 | 124 | 118 | 128 | 135 | 6 | 10 | 8 |
| Denmark | 26 | 31 | 43 | 28 | 31 | 43 | 8 | 0 | 1 |
| Norway | N/A | 93 | 15 | N/A | 107 | 30 | N/A | 14 | 50 |
| St. Petersburg | 49 | 59 | 49 | 92 | 103 | 113 | 47 | 43 | 57 |
| Estonia | 142 | 122 | 139 | 150 | 150 | 150 | 5 | 19 | 7 |
| Latvia | 40 | 43 | 46 | 64 | 66 | 63 | 37 | 35 | 26 |

N/A = Not Applicable

SUSTAINABLE AND NON-HAZARDOUS MATERIALS

103-1 The precautionary principle is central to environmental legislation as well as international standards and principles such as the UN Global Compact and ecolabelling. Bonava defines sustainable and non-hazardous materials as materials that do the least harm to the external environment, are non-hazardous to the health of the people that handle them, and do not have a negative impact on the indoor environment. New variations of materials and components are continuously being developed, and legislation does not always keep up. By ecolabelling housing units, Bonava safeguards the precautionary principle and contributes to UN SDG target:

- **12.8** By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

103-2 Bonava applies ecolabelling and certification, either directly or as a benchmark for internal processes and requirements, and has a goal of ecolabelling 50 per cent of all housing starts in the Nordic countries and St. Petersburg by 2020. The Nordic Swan ecolabel is a well-known consumer label that supports repeatability by licensing the entire production process, and is therefore Bonava's first choice. Nordic Swan eco-labelling is only applicable to buildings in the Nordics. Bonava applies Nordic Swan eco-labelling requirements in all tendering at Group level and adds further suitable local certifications where relevant.

103-3 The tables to the right show Bonava's implementation of ecolabelling and certification in the markets where the Nordic Swan ecolabel or the Green Zoom certification is applicable. Due to varying production times among different markets and types of home, Bonava sets its targets in relation to the projects in which production started during the year. For Sweden, the phase-out of the previously applied Miljöbyggnad environmental certification is still under way.

417-1 Requirements for product and service information and labelling

| Housing starts | Share of ecolabelled/ certified housing units ¹⁾ , % | | |
|---------------------------|--|-----------|-----------|
| | 2019 | 2018 | 2017 |
| Sweden | 100 | 92 | 65 |
| Finland | 0 | 0 | 0 |
| Denmark | 100 | 27 | 48 |
| Norway | 0 | 0 | 0 |
| St. Petersburg | 100 | 100 | 100 |
| Total¹⁾ | 54 | 45 | 42 |

1) Of the total in markets where Nordic Swan eco-labelling or Green Zoom apply.

| Completed housing units | Share of ecolabelled/ certified housing units ¹⁾ , % | | |
|---------------------------|--|-----------|-----------|
| | 2019 | 2018 | 2017 |
| Sweden | 50 | 93 | 68 |
| Finland | 0 | 0 | 0 |
| Denmark | 48 | 66 | 14 |
| Norway | N/A | 0 | 55 |
| St. Petersburg | 100 | 100 | 9 |
| Total¹⁾ | 31 | 48 | 36 |

1) Of the total in markets where Nordic Swan eco-labelling or Green Zoom apply.

N/A = Not Applicable

Comments on the results:

The target of ecolabelling 50 per cent of all housing starts in the Nordics and St. Petersburg was exceeded in 2019. The decline in the share of completed housing units with ecolabelling or certification is due primarily to the phase-out of Miljöbyggnad, the environmental certification previously used in Sweden.

GREENHOUSE GASES

103-1 Overall research shows that global warming as a result of human activity is a serious threat to the ecosystems that ensure the conditions for life as we know it on our planet. All of Bonava's identified material environmental aspects have climate relevance. Bonava has direct control over only 2 per cent of the total climate impact caused by Bonava's operations. By also taking responsibility for its indirect impact, Bonava becomes a real part of the solution for keeping global warming within the Paris Agreement target of 1.5°C and for UN SDG 13 Climate action and its impacts, primarily through targets:

- **13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- **13.3** Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

103-2 Bonava has mapped its climate impact and defined climate targets to be approved by the Science Based Targets initiative in order to ensure scientifically that Bonava sufficiently promotes the limitation of global warming.

In accordance with the IPCC's recommendations for limiting global warming to 1.5°C, Bonava commits to reduce the absolute scope 1 and 2 GHG emissions by 50 per cent, and to reduce the lifetime carbon impact per Bonava home, by reducing the intensity of the corporate scope 3 GHG emissions per production started housing unit, by 50 per cent by 2030 from a 2018 baseline.

103-3

Scopes 1–2

In the climate impact mapping, Bonava identified energy suppliers as essential partners in the work to reduce GHG-emissions. A Group level preliminary study has been conducted, and a framework agreement for renewable energy deliveries is under development. Bonava also has operational control over the choice of vehicles in leases for company cars, for example, and a mobility programme is under way to facilitate reduced emissions from motor vehicles.

Scope 3

Life cycle assessments were conducted for a standardised choice of method for prefabricated concrete frames as part of Bonava's strategic purchasing. Initially, Bonava will work with its largest – and for its climate impact, most important – suppliers to jointly reduce emissions. In parallel with this work, there is maximum potential for improvements in optimising design and choice of materials, which several of Bonava's strategic initiatives are cooperating on to achieve full effect.

In 2019, Bonava improved the score in the Carbon Disclosure Project (CDP) two steps, to a ranking of B.

305-1 & 2, 305-3, 305-4 Greenhouse gas emissions, Scopes 1–3; GHG emissions intensity

| tCO ₂ e | 2019 ¹⁾ | Intensity per net sales, SEK M | 2018 | Intensity per net sales, SEK M |
|--|--------------------|--------------------------------|------------------|--------------------------------|
| Scope 1 ²⁾ | 4,161 | 0.27 | 4,996 | 0.36 |
| Scope 2, market-based (location-based) | 7,049 (6,304) | 0.46 | 8,275 (7,337) | 0.59 |
| Scope 3 | 566,149 | 36.6 | 636,356 | 45.4 |
| Total | 577,359 | 37.3 | 649,627 | 46.4 |

1) Based partly on preliminary contractor reports. Updated and verified on a detailed level for the 2020 CDP Report.

2) Biogenic emissions for Scope 1 = 69 tCO₂e for 2018 and 72 tCO₂e for 2019

Additional disclosures

Bonava complies with the GHG Protocol Corporate Accounting and Reporting Standard as well as the Corporate Value Chain (Scope 3) Accounting and Reporting Standard for measuring and reporting greenhouse gas emissions. Bonava has chosen to apply the operational control approach. The climate impact inventory is based on carbon dioxide equivalents (CO₂e).

The report is based on invoices, surveyed data, fuel and vehicle registers, and supplier reports. Emissions factors from the UK Department for Environment, Food and Rural Affairs (Defra) and

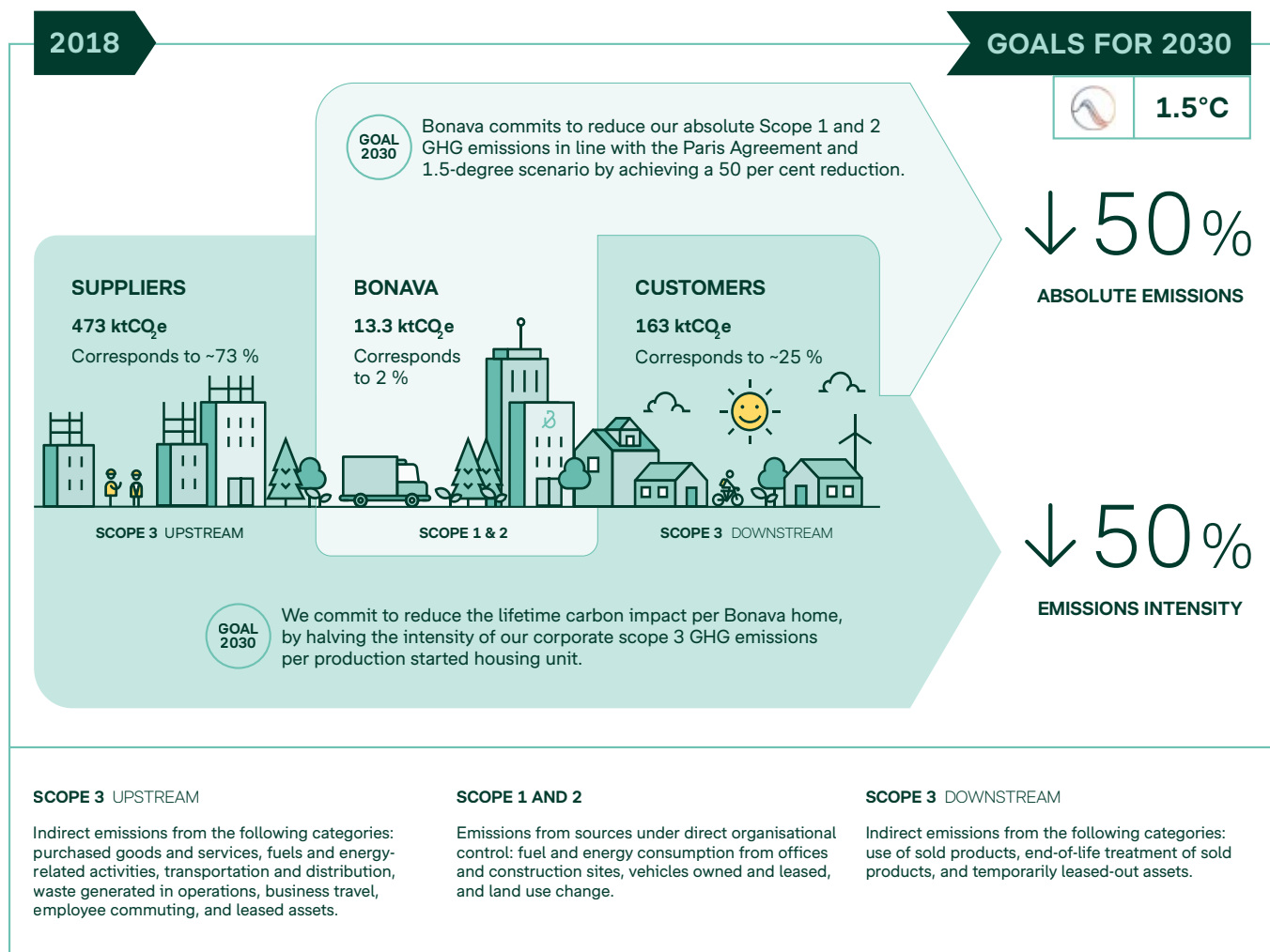
Exiobase v. 3 (exiobase.eu) were used to calculate emissions.

The global warming potential (GWP) is based on the IPCC Fourth Assessment Report (AR4) for the next 100 years.

Emissions are reported in accordance with the division between scopes established for the base year of 2018, for the climate targets which Bonava committed to the Science Based Targets initiative. In its previous reporting to CDP, Bonava did not include Scope 3 emissions for all relevant categories. This will be included going forward. The 2019 emissions report in the table above is partly based on supplier reports with estimated values and emission factors from previous years. The 2019 reports for the Scope 3 subcategories of goods and services purchased are based on the 2018 supplier analysis for emissions per Swedish krona paid. Ahead of reporting to CDP, the disclosures will be updated with supplier reports for actual consumption as they become available as well as the latest published emission factors.

Comments on the results

The climate targets were established in late 2019 after two years of mapping. Initially, the measures focus on Scopes 1 and 2, in which the results for the year indicate a positive trend in absolute numbers. The decrease in Scope 3 emissions in this report is due primarily to decreased costs and fewer housing starts in 2019 compared to 2018. The physical intensity per housing start for Scope 3 increased from 98.2 to 127.2 metric tonnes of CO₂e.

BONAVA'S GREENHOUSE BASE YEAR GAS EMISSIONS, AND CLIMATE TARGETS FOR 2030

Passionate workplace

Number of employees by occupational category at year end

| | | Total | | Salaried employees | | | | Skilled workers | | | |
|--------------------|-----------------------------|-------|-------|--------------------|------|-------|------|-----------------|------|------|------|
| | | | | Women | | Men | | Women | | Men | |
| | Occupational category | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Germany | Permanent, full time | 831 | 806 | 223 | 204 | 432 | 414 | 0 | 0 | 176 | 188 |
| | Permanent, part time | 59 | 41 | 51 | 39 | 8 | 2 | 0 | 0 | 0 | 0 |
| | Line consultants, full time | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Line consultants, part time | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Temporary, full time | 56 | 59 | 12 | 16 | 40 | 42 | 0 | 0 | 4 | 1 |
| | Temporary, part time | 4 | 5 | 2 | 2 | 2 | 3 | 0 | 0 | 0 | 0 |
| Sweden | Permanent, full time | 299 | 274 | 149 | 136 | 150 | 138 | 0 | 0 | 0 | 0 |
| | Permanent, part time | 3 | 5 | 3 | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Line consultants, full time | 28 | 25 | 11 | 15 | 17 | 10 | 0 | 0 | 0 | 0 |
| | Line consultants, part time | 9 | 4 | 5 | 3 | 4 | 1 | 0 | 0 | 0 | 0 |
| | Temporary, full time | 2 | 2 | 0 | 1 | 2 | 1 | 0 | 0 | 0 | 0 |
| | Temporary, part time | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Finland | Permanent, full time | 281 | 246 | 115 | 112 | 166 | 134 | 0 | 0 | 0 | 0 |
| | Permanent, part time | 1 | 2 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Line consultants, full time | 10 | 5 | 9 | 5 | 1 | 0 | 0 | 0 | 0 | 0 |
| | Line consultants, part time | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Temporary, full time | 15 | 21 | 9 | 5 | 6 | 5 | 0 | 0 | 0 | 11 |
| | Temporary, part time | 3 | 0 | 2 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Denmark and Norway | Permanent, full time | 118 | 106 | 35 | 29 | 83 | 77 | 0 | 0 | 0 | 0 |
| | Permanent, part time | 3 | 0 | 2 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| | Line consultants, full time | 4 | 3 | 2 | 1 | 2 | 2 | 0 | 0 | 0 | 0 |
| | Line consultants, part time | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| | Temporary, full time | 2 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| | Temporary, part time | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| St. Petersburg | Permanent, full time | 204 | 206 | 87 | 84 | 85 | 80 | 2 | 4 | 30 | 38 |
| | Permanent, part time | 2 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| | Line consultants, full time | 15 | 22 | 12 | 16 | 3 | 6 | 0 | 0 | 0 | 0 |
| | Line consultants, part time | 8 | 8 | 1 | 4 | 7 | 4 | 0 | 0 | 0 | 0 |
| | Temporary, full time | 87 | 73 | 20 | 16 | 19 | 15 | 12 | 13 | 36 | 29 |
| | Temporary, part time | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Baltics | Permanent, full time | 146 | 110 | 52 | 46 | 91 | 64 | 0 | 0 | 3 | 0 |
| | Permanent, part time | 1 | 4 | 1 | 0 | 0 | 4 | 0 | 0 | 0 | 0 |
| | Line consultants, full time | 2 | 2 | 0 | 1 | 2 | 1 | 0 | 0 | 0 | 0 |
| | Line consultants, part time | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Temporary, full time | 54 | 43 | 1 | 1 | 2 | 0 | 4 | 2 | 47 | 40 |
| | Temporary, part time | 2 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Total | Permanent, full time | 1,879 | 1,748 | 661 | 611 | 1,007 | 907 | 2 | 4 | 209 | 226 |
| | Permanent, part time | 69 | 57 | 59 | 49 | 10 | 8 | 0 | 0 | 0 | 0 |
| | Line consultants, full time | 59 | 57 | 34 | 38 | 25 | 19 | 0 | 0 | 0 | 0 |
| | Line consultants, part time | 18 | 12 | 6 | 7 | 12 | 5 | 0 | 0 | 0 | 0 |
| | Temporary, full time | 216 | 199 | 43 | 40 | 70 | 63 | 16 | 15 | 87 | 81 |
| | Temporary, part time | 13 | 2 | 8 | 1 | 5 | 1 | 0 | 0 | 0 | 0 |

Additional disclosures regarding number of employees:

Information on employees for the Sustainability Report does not include students and interns, whereas line consultants and apprentices are reported. This definition of employee thus differs somewhat from the figures reported in Note 4, where line consultants and apprentices are not reported either. To provide more easily comprehensible tables, only a comparison year is given for employee-related indicators. For more comparison years, refer to previous annual reports.

Millions of hours worked for contractors under Bonava's site management

| Period | Skilled workers | |
|--------------------|-----------------|------|
| | 2019 | 2018 |
| Germany | 2.43 | 2.46 |
| Sweden | 0.25 | 0.26 |
| Finland | 0.73 | 0.50 |
| Denmark and Norway | 0.47 | 0.44 |
| St. Petersburg | 1.23 | 0.85 |
| Baltics | 0.64 | 0.40 |

Collective bargaining agreements

| Number of employees covered by collective agreements | Skilled workers | |
|--|-----------------|--------------|
| | 2019 | 2018 |
| Sweden | 342 | 310 |
| Germany | 926 | 802 |
| Finland | 152 | 137 |
| Denmark and Norway | 0 | 0 |
| St. Petersburg | 0 | 0 |
| Baltics | 0 | 0 |
| Total | 1,420 | 1,249 |

LABOUR CONDITIONS THAT SUPPORT OUR VALUES

103-1 Because Bonava operates in eight different markets, active efforts to empower our employees and corporate culture are particularly important. In order for every individual at Bonava to have the opportunity to grow, an environment that encourages positive performance and achievements is needed, as well as opportunities to learn and develop under great leadership. Bonava's strategy entails significant change processes, which further increases the need for change management. By building a strong culture, Bonava promotes UN SDG target:

- **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

103-2 The Employee Net Promoter Score (eNPS), an employee loyalty and commitment index, is Bonava's most important employee-related indicator. The annual Passionate Workplace employee survey follows up on this and other aspects related to labour conditions at Bonava for the entire company. Areas for improvement are identified in the departmental evaluations, which are then followed up on during the year. Employee performance and development are monitored and coached in direct dialogue through a structured process in which each employee has a quarterly review with their immediate supervisor for a thorough check of mutual expectations, goals and development plans. In addition, every employee is supported through regular monthly meetings with their supervisor.

Bonava Academy is the Group's competence development hub. This is where we provide mandatory training packages on health and safety, and environmental responsibility as well as training in Bonava's Our Foundation programme. Bonava Academy also develops and runs strategic improvement programmes such as L.E.A.D. as well as networks for managers and other key executives.

All new employees participate in onboarding programmes that include training and Group-wide introduction days, both at local Bonava offices and events at Bonava's head office in Stockholm.

The Bonava Change function, with change leaders who actively support projects for change throughout the Group, is important for improving Bonava's ability to lead and manage change.

103-3 This year, the comprehensive Passionate Workplace survey was supplemented with a six-month follow-up that further consolidated our insights into the well-being of our employees and how they work to achieve our shared goals. During the year, Bonava clarified and highlighted the most crucial indicator: employee commitment as an overall goal. The goal is to retain the same high level (84) or higher.

Bonava indicator: Commitment and loyalty**Results from Passionate Workplace employee survey**

| | 2019 | 2018 | Benchmark |
|------------------|------|------|-----------|
| Engagement index | 84 | 85 | 77 |
| eNPS | 32 | 39 | 9 |

Comments on the results:

The results of this year's comprehensive Passionate Workplace survey indicated a somewhat lower level of commitment than in 2018, though it was still very high (and higher than the benchmark). The goal of maintaining at least an 84 in the commitment index is highly ambitious. Employees' willingness to recommend Bonava as an employer, which is measured through the Employee Net Promoter Score (eNPS), is also following a similar trend.

401-1 New employee hires and employee turnover

| No. during the year ¹⁾ | Occupational category | Total | | <30 years | | | | 30–50 years | | | | >50 years | | | |
|-----------------------------------|-----------------------|-------|------|-----------|------|------|------|-------------|------|------|------|-----------|------|------|------|
| | | 2019 | 2018 | Women | | Men | | Women | | Men | | Women | | Men | |
| | | | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Sweden | New employees | 51 | 79 | 6 | 7 | 6 | 3 | 18 | 29 | 17 | 31 | 1 | 6 | 3 | 3 |
| | Terminations | 34 | 43 | 1 | 1 | 0 | 1 | 10 | 21 | 15 | 9 | 6 | 5 | 2 | 6 |
| Germany | New employees | 101 | 87 | 11 | 11 | 12 | 13 | 28 | 24 | 32 | 28 | 6 | 2 | 12 | 9 |
| | Terminations | 68 | 58 | 2 | 1 | 2 | 10 | 11 | 10 | 23 | 10 | 3 | 8 | 27 | 19 |
| Finland | New employees | 87 | 89 | 7 | 7 | 11 | 15 | 17 | 18 | 36 | 39 | 2 | 1 | 14 | 9 |
| | Terminations | 59 | 21 | 1 | 0 | 3 | 0 | 17 | 4 | 25 | 7 | 5 | 3 | 8 | 7 |
| Denmark and Norway | New employees | 31 | 26 | 3 | 1 | 7 | 0 | 5 | 6 | 9 | 13 | 0 | 2 | 7 | 4 |
| | Terminations | 28 | 14 | 3 | 1 | 0 | 0 | 3 | 1 | 13 | 7 | 2 | 1 | 7 | 4 |
| St. Petersburg | New employees | 25 | 28 | 8 | 7 | 2 | 3 | 5 | 9 | 9 | 9 | 0 | 0 | 1 | 0 |
| | Terminations | 25 | 25 | 4 | 5 | 4 | 4 | 8 | 8 | 8 | 5 | 0 | 1 | 1 | 2 |
| Baltics | New employees | 66 | 42 | 6 | 3 | 9 | 11 | 16 | 13 | 32 | 14 | 0 | 0 | 3 | 1 |
| | Terminations | 27 | 15 | 3 | 0 | 1 | 1 | 10 | 6 | 12 | 8 | 1 | 0 | 0 | 0 |
| Total | New employees | 361 | 351 | 41 | 36 | 47 | 45 | 89 | 99 | 135 | 134 | 9 | 11 | 40 | 26 |
| | Terminations | 241 | 176 | 14 | 8 | 10 | 16 | 59 | 50 | 96 | 46 | 17 | 18 | 45 | 38 |

1) Does not include employment for a non-defined period (line consultants and temporary employment).

401-1 Employee turnover

| Employee turnover ¹⁾ | Number, 2019 | Share of entire staff |
|---------------------------------|--------------|-----------------------|
| New employees | 361 | 16.0% |
| Terminations | 241 | 10.7% |

1) Does not include employment for a non-defined period (line consultants and temporary employment).

Comments on the results:

In 2019, the employment of 241 employees (share of entire staff: 10.7 per cent) was terminated and 361 new employees (share of entire staff: 16.0 per cent) started at Bonava. Employee turnover was in line with plans and expectations. The ambition is for employee turnover to level off over time after the transition to new working methods is complete. 249 new employees from all of Bonava's markets participated in Bonava's Global Onboarding Days at the head office in Stockholm, on three different occasions. The new employees who didn't manage to take part in the 2019 Global Onboarding Days must do so in 2020.

404-3 Percentage of employees receiving regular performance and career development reviews

Bonava's system for monitoring development plans shows that 72 per cent of all employees have their personal development plans for 2019 identified and monitored in the system. In the annual Passionate Workplace employee survey, 76 per cent of respondents said they had had performance reviews during the preceding six months.

HEALTH AND SAFETY

103-1 Work on construction sites is still associated with risks, and preventive work as well as efforts to strengthen the corporate culture are required to reduce these risks. With proper routines and a strong focus on both health and safety, Bonava will reach many more people than just its direct employees, and will thereby contribute to the UN SDG target:

- **8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

103-2 Bonava has adopted a long-term vision for health and safety: Zero Harm. Zero Harm means that no one – customers, employees, suppliers or members of the general public – should be injured or fall ill because of Bonava's workplaces. To achieve this, Bonava prioritises preventative health and safety work and has a comprehensive Zero Harm programme that includes detailed targets, activities, and indicators for monitoring that primarily encompass the following focus areas:

- leadership and corporate culture that create business value
- well-being and work-life balance
- streamlined processes and systems
- involving our subcontractors.

Every year, each business unit breaks down the detailed goals into local activities and interim goals to be achieved during the year. The Board and management team monitor progress on a quarterly basis, including compliance with the aggregate Zero Harm plan, as well as risks, serious incidents and accidents.

Bonava imposes the same requirements on its own staff as it does on the staff of its subcontractors in order to also protect their health and safety at Bonava's workplaces.

103-3 Internal auditors were trained during the year, and an internal audit programme encompassing Bonava's various business units has begun. Internal audits have identified potential for improvement in relation to the Bonava health and safety standards developed for all geographical markets. In order to manage this, Bonava's Executive Management decided to devote 90 days of intense focus to achieving total compliance with all of Bonava's health and safety instructions for construction sites. This 90-day period ended on 31 January 2020. Examples of rules that must be followed include ensuring total control over who is permitted entry into the workplaces and that these people have the correct authorisations, and the use of complete and correct personal protective equipment. Safety instructions have been made available in a way that eliminates any potential confusion due to language, for example, through Bonava's Silent book, which wordlessly illustrates safe working methods.

403-1 Occupational health and safety management system

Bonava's standard for occupational health and safety management systems was developed in accordance with ISO 45001 and contains most of the requirements in the international standard. Bonava's occupational health and safety management system is applied throughout the Group's business model, from land acquisition, design and production to customer service as well as all support functions.

When Bonava purchases design and production services from external contractors, their management system is followed provided that the terms of the contract and legal requirements are complied with.

403-2 Hazard identification, risk assessment, and incident investigation

It is important for Bonava to be aware of, assess and manage the risks and hazards that could negatively impact the health and safety of its own staff or that of its subcontractors. Risk assessments are therefore conducted at least once a year, ahead of major changes, in projects and always before particularly risky work is begun. Risk analysis is a natural part of the basis for decisions in all projects and ahead of changes. Risk analyses are always preventive in nature in order to assure the appropriate choice of activities and protective measures for the purpose of reducing the risk level. Contractors are invited to take part in safety inspections and are encouraged to routinely report risks, incidents and accidents.

Hazards are identified and managed preventively and routinely through risk observation reporting, monitoring of the work environment by managers, and safety inspections. The hazards are assessed in BIA, Bonava's system support for health and safety. This is considered so important that risk reporting and management is incorporated into Bonava's bonus programme. To provide assistance in this regard, investigations are conducted for the purpose of identifying root causes, and any measures taken as a result of accidents and incidents are monitored through BIA. Information about serious incidents is also shared through safety alerts so that all business units can immediately check that the identified risk does not exist in their operations.

Bonava also applies a "Time-out" tool that encourages everyone to be observant and use this approved and well-known tool to stop work and correct dangerous situations or behaviour. If a Time-out is needed, everyone should dare to take one.

Risks, incidents and all safety alerts are addressed and managed on a quarterly basis by both the Executive Management and the Board of Directors. Monthly reports are sent out from the Health and Safety division's system support to all business unit management teams.

403-3 Occupational health services

Health risks, such as, stress levels and the opportunity for recuperation are monitored at the company level through the Passionate Workplace employee survey and subsequent workshops. Occupational health and safety audits and risk assessments are conducted annually for the respective units and monitored at unit meetings during the year. The health and work situation of individual employees is monitored through the performance and development process, using thorough reviews with their immediate supervisor on a quarterly basis and shorter reviews on a monthly basis.

403-4 Worker participation, consultation, and communication on occupational health and safety

Occupational Health and Safety Committee meetings are held in all business units, with participants representing both the employer and employees. Occupational health and safety work is addressed in collective agreements in the geographical markets where they exist.

403-5 Worker training on occupational health and safety

All employees, both Bonava's own employees and those of its contractors, undergo mandatory health and safety training based on their role, risk assessment and responsibilities. A health and safety introduction is provided before entry into Bonava's construction sites.

The focus for the 2019 Awareness Day was "Learning from incidents." All Bonava staff and contractors at Bonava's site-managed construction sites and offices had the chance to apply Bonava's model for incident reporting based on recorded scenarios (there were both physical and social/organisational scenarios to choose from). The purpose was to provide greater knowledge of why incidents occur, how they should be investigated in order to better learn from them, and how Bonava can work to prevent incidents going forward.

403-6 Promotion of worker health

Health and wellness, and social health and safety factors, are important focus areas at Bonava, and each business unit has a documented health and wellness programme. Employees are offered health check-ups, and health and wellness are encouraged through group health-promoting activities organised during and outside working hours. For reasons of confidentiality, Bonava avoids storing health-related information about its employees. For this reason, documents such as doctor's certificates are managed by payroll contractors, and not by Bonava directly.

403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

As part of its supplier requirements, Bonava requires that all its suppliers, not just those who will be present at Bonava's construction sites, engage in systematic occupational health and safety work. Relevant indicators for comparison and monitoring levels are determined based on a risk assessment and purchase volumes.

403-8 Workers covered by an occupational health and safety management system

All employees are covered by Bonava's standard for occupational health and safety management, with possible exceptions for employees in investment projects where the investor's health and safety requirements may take priority.

403-9 Work-related injuries

| | Sick leave (%) ¹⁾ | | | Number of work-related injuries ³⁾ | | | | | | Work-related injuries, frequency, time lost ⁴⁾ | | | | | | Work-related injuries, frequency, total ⁵⁾ | |
|----------------|------------------------------|------------|------------|---|--------------------|--------------------|--------------------|--------------------|--------------------|---|--------------------|--------------------|--------------------|--------------------|--------------------|---|--------------------|
| | 2019 | 2018 | 2017 | 2019 ⁶⁾ | 2019 ⁷⁾ | 2018 ⁶⁾ | 2018 ⁷⁾ | 2017 ⁶⁾ | 2017 ⁷⁾ | 2019 ⁶⁾ | 2019 ⁷⁾ | 2018 ⁶⁾ | 2018 ⁷⁾ | 2017 ⁶⁾ | 2017 ⁷⁾ | 2019 ⁶⁾ | 2018 ⁷⁾ |
| Germany | 6.6 | 7.2 | 6.8 | 27 | 12 | 32 | 14 | 22 | 8 | 6.3 | 6.4 | 8.2 | 9.8 | 6.3 | 5.9 | 7.9 | 7.9 |
| Sweden | 1.7 | 2.3 | 1.9 | 5 | 0 | 1 | 0 | 7 | 2 | 5.1 | 0.0 | 1.6 | 0.0 | 10.6 | 4.6 | 7.2 | 0.0 |
| Finland | 1.7 | 2.5 | 1.5 | 25 | 1 | 6 | 1 | 8 | 0 | 18.7 | 1.6 | 6.2 | 2.2 | 9.1 | 0.0 | 29.2 | 1.6 |
| Denmark-Norway | 2.4 | 1.7 | 1.6 | 8 | 0 | 13 | 0 | 7 | 0 | 11.8 | 0.0 | 23.9 | 0.0 | 18.1 | 0.0 | 31.0 | 9.6 |
| St. Petersburg | 1.8 | 3.3 | 0.4 | 1 | 1 | 0 | 0 | 3 | 1 | 0.5 | 1.6 | 0.0 | 0.0 | 2.0 | 2.5 | 0.6 | 0.0 |
| Baltics | 1.5 | 1.5 | 1.1 | 6 | 1 | 0 | 0 | 2 | 0 | 6.1 | 2.9 | 0.0 | 0.0 | 6.8 | 7.6 | 6.1 | 2.9 |
| Total | 3.9 | 4.6 | 4.0 | 72 | 15 | 52 | 15 | 49 | 11 | 7.1 | 3.5 | 6.3 | 4.6 | 6.8 | 4.0 | 10.0 | 4.0 |

1) Number of sick leave hours, in relation to total hours worked.

2) Workplace accidents at Bonava's construction sites leading to fatalities for employees or subcontractors with or without Bonava's site management.

3) Number of work-related injuries leading to sick leave.

4) Number of work-related injuries leading to sick leave, per million hours worked (LTIFR).

5) Total number of work-related injuries requiring visits to health care or adjustment of work tasks (without working days lost) and those leading to sick leave, per million hours worked (TRIFR).

6) Employees and contractors under Bonava's site management.

7) Bonava's employees.

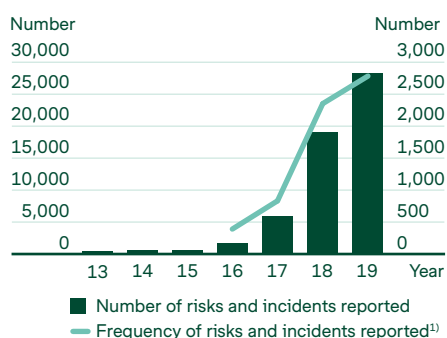
N/A = Not Available

Comments on the results:

No work-related fatalities have occurred during the period in which Bonava has existed as an independent company, meaning since its listing in 2016. In 2019, Bonava employed skilled workers in several business units while maintaining a work-related injury rate that is relatively low for the industry. Unfortunately, this formerly positive trend of a declining number of accidents resulting in sick leave has been broken for subcontractor staff at construction sites under Bonava's site management. The most common types of work-related injuries are cuts, ligament injuries and soft tissue injuries. The body parts most frequently injured were feet, hands, fingers and arms. The injuries most often occurred as a result of stumbling on level ground, contact with sharp objects or being hit by falling objects. The frequency for the total number of work-related injuries (TRIFR) reported is higher than the frequency of injuries resulting

in sick leave (LTIFR), which is a positive development. This means, on the one hand, that injuries were tended to in a way that enabled sick leave to be avoided, and on the other hand, that the routines for reporting and categorising different types of injuries are strong. This new indicator, which Bonava began reporting in 2019, follows the new GRI standard for health and safety. Bonava does not report work-related illnesses, since keeping such registers is not permitted in Germany. The biggest hazards for work-related illnesses, as identified through the anonymous Passionate Workplace employee survey and occupational health and safety audits, are working under pressure and a lack of clarity concerning authority and requirements. To reduce these hazards, Bonava has taken measures to establish more coordinated change processes and a new architecture for roles and job descriptions.

Risks and incidents



Additional disclosures

The graph to the left shows the number of risk observations and incidents per year (bars) and their frequency per million hours worked (line). Incidents are occurrences that could have led to an accident, but did not. The systematic task of identifying and investigating risks and incidents in order to improve routines and working practices to avoid accidents is key to creating safer workplaces. The fact that many risks and incidents are reported is therefore positive, and completely in line with Bonava's plan for improving health and safety.

DIVERSITY

103-1 It is critical for Bonava's ability to serve as an example that all its employees act in line with the company's values. This includes acting with mutual respect. The aim is to ensure Bonava's access to a broad recruitment base, and that the employee base should reflect the general population. This simplifies Bonava's mission to create better homes and lives for the many. By doing so, Bonava promotes the UN SDG target:

- **8.5** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

103-2 Bonava endeavours to be a welcoming workplace characterised by diversity and a focus on collaboration. The Code of Conduct and HR policy underline that Bonava stands for equal opportunities regardless of gender, transgender identity or expression, ethnic origin, religion or other beliefs, disability, sexual orientation and age. The degree of Bonava's success in achieving this is monitored in the annual employee survey.

Internships and apprenticeships as well as various mentoring programmes are available in all of Bonava's markets. In Germany, for example, Bonava has a programme in place that supports the integration, development and training of young refugees with the aim of offering employment at Bonava. Employees in Sweden are invited to participate as mentors in the "Mitt Livs Chans" programme, a mentoring programme intended to build bridges between the Swedish labour market and skilled immigrant labour.

Through active skills development and internal recruitment for management positions, Bonava sets a good example and ensures that its entire pool of employees achieves its full potential so that Bonava's organisation becomes as effective and as dynamic as possible.

103-3 The Passionate Workplace employee survey asks about Bonava's success in maintaining equal opportunities and obligations regardless of gender, transgender identity or expression, ethnic origin, religion or other beliefs, disability, sexual orientation and age. Bonava continues to trend positively in this context, and has achieved better results than the comparison index for the survey. Bonava has earned a place on the Allbright Foundation's Green List as one of the most equitable companies in Sweden.

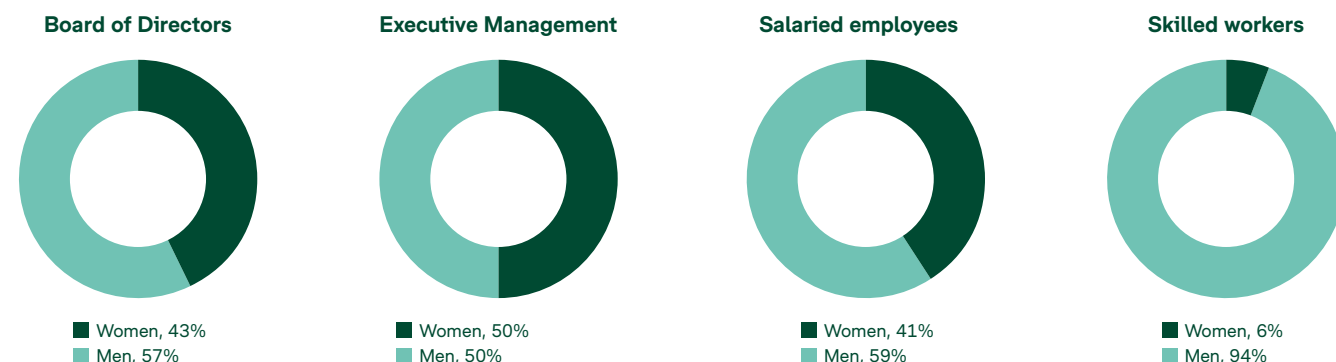
405-1 Diversity of governance bodies and employees

| Diversity (age distribution), no. at year end | <30 years | | | | 30–50 years | | | | >Age 50 | | | |
|---|-----------|------|------|------|-------------|------|------|------|---------|------|------|------|
| | Women | | Men | | Women | | Men | | Women | | Men | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Board of Directors | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 2 | 2 | 3 | 3 |
| Executive Management | 0 | 0 | 0 | 0 | 2 | 2 | 4 | 3 | 3 | 2 | 1 | 3 |
| Salaried employees | 139 | 134 | 161 | 146 | 502 | 450 | 683 | 608 | 130 | 117 | 248 | 226 |
| Skilled workers | 0 | 0 | 21 | 18 | 8 | 12 | 146 | 159 | 10 | 7 | 129 | 130 |
| Line consultants | 18 | 26 | 12 | 7 | 15 | 16 | 18 | 12 | 7 | 3 | 7 | 5 |

Comments on the results:

After last year's restructuring of the Executive Management group, Bonava has nearly achieved equality in both Executive Management and the Board of Directors. The skilled employees category still stands out as negatively uneven, with few female employees. This is slowly changing partly due to the industry structure in the geographical markets where Bonava has employed skill workers.

In order of size, these markets are: Germany, St. Petersburg, the Baltics and Finland. In Germany, where most of Bonava's skilled workers are employed, there are few skilled female workers to hire. St. Petersburg, however, includes 14 of the total 18 skilled female workers who worked for Bonava in 2019.



Reliable business

COMPLIANCE

103-1 Developing housing units and neighbourhoods involves contact with a range of stakeholders such as customers and employees, but also public authorities, suppliers as well as shareholders and banks, who are particularly important. Bonava's ability to operate in the market is dependent on the confidence of its stakeholders. Predicting risks and being proactive in preventing the realisation of risks is crucial for the company's brand and profitability.

→ Information about Bonava's most substantial risks and how they are managed is presented on page 17.

103-2 Bonava's internal regulations and processes are defined in the Code of Conduct as well as the company's policies and business management system. Bonava's Code of Conduct has been updated to clarify responsibilities in relation to Bonava's sustainability agenda and principles for human rights, fair labour conditions, environment and anti-corruption. Bonava's Our Foundation programme was established to support compliance with the Code of Conduct. It contains training modules and ethical guidelines. Each business unit has an ethics adviser with legal competence and access to a shared forum. Bonava's employees can contact these advisers any time uncertainties arise regarding the correct way to act in order to comply with Bonava's values and Code of Conduct.

Bonava's "Speak Up" system, a whistle-blower function, enables employees and individuals outside the company to report suspected breaches anonymously via the internet or by phone. Raising the alarm about potential irregularities is encouraged as a way of helping the company, and anyone who does so has the expressed support of Bonava's top management. Whistle-blower protection is established directly in the Code of Conduct. Reported deviations from the Code of Conduct and policies that come in through the whistle-blower function or other channels are investigated in accordance with an established procedure in which the investigator responsible is determined by the character of, and those involved in, the situation in question. If the investigation shows an actual

deviation, measures are also established which, depending on the degree of severity and existence of intent behind the deviation, can include everything from amended internal routines to formal warnings, termination of employment and/or a police report.

Bonava's procedures for internal control of risks and compliance are important for ensuring the application of the precautionary principle and principle of continuous improvement. Bonava manages its financial and non-financial risks using an integrated procedure with a Risk Committee that is led by Bonava's Head of Risk and Compliance Control and includes the CFO, the General Counsel, the Group Accounting and Consolidation Manager and the Head of Sustainability. The Risk Committee repeats an annual cycle in which all business units and central Group functions are involved in surveying all risks for a materiality analysis and evaluating all the Group's control functions in order to minimise the risks.

103-3 A communication initiative to increase internal awareness of Bonava's Code of Conduct and ethical guidelines in Our Foundation was introduced last year. In 2019, this initiative was followed up by an intensive week in the autumn, which the management team also participated in, with a special focus on the topic in all internal communication channels.

205-2 Communication and training about anti-corruption policies and procedures

All Bonava employees undergo web-based training in Our Foundation, which includes anti-corruption. This is followed up on a quarterly basis to ensure that new employees do not miss this step of the onboarding process. Selected groups of employees are further trained each year by the ethics advisers in each business unit and at Group level in order to enable discussions and provide practical experience in handling ethical dilemmas. The ethical guidelines are presented and communicated on the intranet. There are notice boards at all of Bonava's work sites which are used to convey the Code of Conduct and Bonava's values.

In 2019, 409 individuals completed Our Foundation in-depth course, divided into 26 training sessions.

205-3 Confirmed incidents of corruption and actions taken

206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

307-1 Non-compliance with environmental laws and regulations

419-1 Non-compliance with laws and regulations in the social and economic area

| Reported deviations | 2019 | | 2018 | |
|--|-----------|---|-----------|--|
| | No. | Comment, consequence | No. | Comment, consequence |
| Bonava SpeakUp | 7 | | 8 | |
| Other channels | 8 | | 4 | |
| Total no. of reports | 15 | | 12 | |
| Of which, significant deviations: | 5 | Four employees terminated, one formal warning | 4 | Two deviations from the internal Code of Conduct, grounds for giving notice and termination of contracts, one formal warning and one amended internal routine to avoid repeat mistakes |
| Of which, deemed groundless following investigation: | 10 | | 8 | |
| Legal action against competition-restricting practices or significant sanctions for breaches of current laws and regulations | 0 | | 0 | |

Comments on compliance:

None of the deviations identified concerned suspicions of corruption or a violation of human rights. 21 environmental incidents were reported through Bonava's Group-wide system support for risk management and reporting of incidents concerning the

environment, health and safety in the operations, all of which consisted of minor deviations from routines or accidents without lasting damage to the environment that resulted in corrections and communication measures.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

103-1 Over the course of a year, Bonava collaborates actively with approximately 10,000 different suppliers. A long-term perspective and mutual learning in relation to suppliers is crucial to Bonava's strategy and to reaching several of the targets in the sustainability agenda, in particular the climate targets.

Our suppliers can be divided into three overarching categories: construction subcontractors, service providers and suppliers of materials.

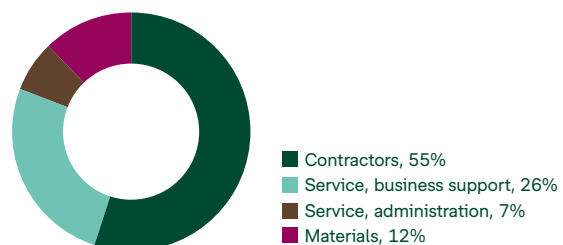
Using the principles of the UN Global Compact to create tangible requirements and gradually take more direct responsibility for purchasing creates the conditions for Bonava to contribute to the UN SDG targets:

- **17.11** Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.
- **8.7** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

103-2 Bonava applies Group-wide requirements that all suppliers must meet. To qualify as a Bonava supplier, the company's supplier

requirements must be met. This includes requirements for systematic environmental and health, safety, environment and quality (HSEQ) work and compliance with the UN Global Compact in the form of Bonava's requirements regarding acceptable salary levels, working hours and paid holiday; responsibility for human rights, anti-corruption and tax payments; and meeting Bonava's requirements regarding documentation and opportunities for inspection. Bonava's supplier requirements also encourage suppliers to raise an alarm directly with the company or through SpeakUp, our whistleblower system, if they believe Bonava or any of its employees are violating the Code of Conduct.

Distribution of Bonava's suppliers

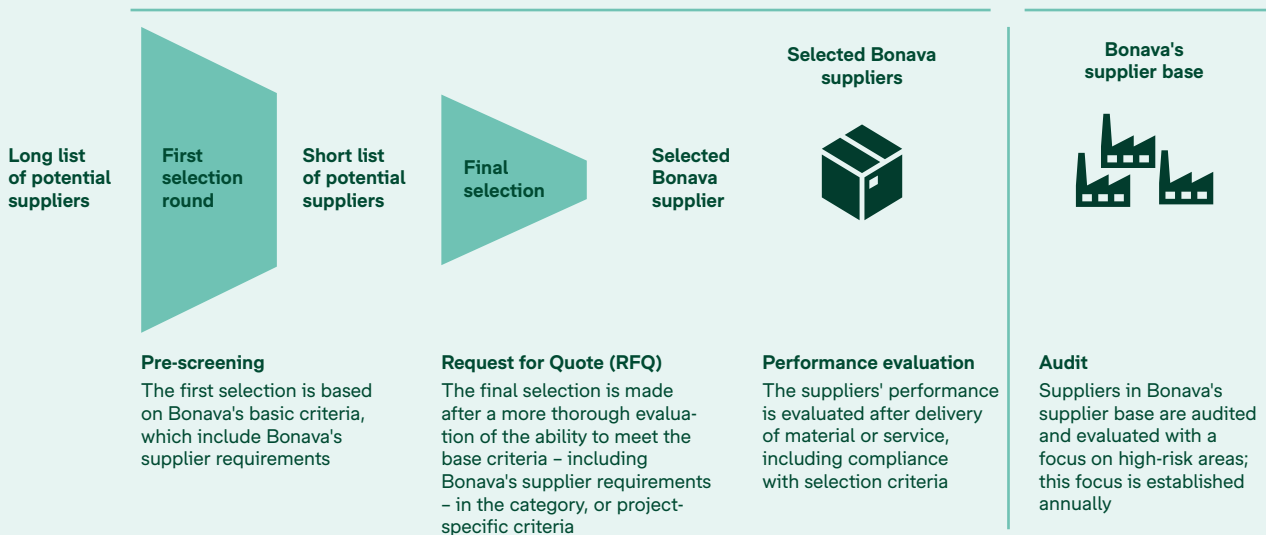


RESPONSIBLE SUPPLY CHAIN MANAGEMENT



Bonava's selection process

Ongoing



This section describes Bonava's procedure for evaluating suppliers in the selection process and how monitoring is handled. The criteria in each step are well-defined indicators, including compliance with Bonava's supplier requirements. The criteria are the same in each business unit, with potential additions of further local criteria where relevant. As a rule, suppliers who do not meet the criteria for selection are turned down. Potentially important partners can instead receive support from Bonava in order to improve. 4 per cent of the Group-wide contract suppliers in 2019 were undergoing this development.

- Suppliers are evaluated after each delivery. This is managed by the local organisation where the delivery was completed. The information is assigned a number of points and summed up in a total number of Bonava points for the supplier.
- Supplier audits are a more comprehensive evaluation conducted for ongoing supplier relationships. The focus areas for auditing and selecting the suppliers to be reviewed are based on a risk assessment.
- Bonava has a long-term strategy of working closely with selected suppliers. To achieve this, the company must develop together with previously selected Bonava suppliers, and not have short-term contracts.

103-3 Bonava continuously develops its procurement procedures and tools to improve its supplier evaluations. Particular focus during the year was placed on developing the procedure and tools for internal audits of ongoing supplier collaborations. In addition, Bonava has expanded its requirements in order to gain better control over which individuals are permitted entry into workplaces in all geographical markets, including secure enclosures and identification systems.

- Over the past few years, Bonava has identified suppliers who are now part of the selected supplier base. Suppliers in the selected supplier base who perform poorly in terms of delivery or who, during supplier audits, show they do not meet the criteria for being a Bonava supplier are given the opportunity to correct the issue or – in serious cases – are turned down. Some ten suppliers were turned down in 2019.

308-1 New suppliers that were screened using environmental criteria

414-1 New suppliers that were screened using social criteria

409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour

Comments on the results:

Bonava's routines for supplier reviews and the inclusion of Bonava's supplier requirements in all contracts has begun to work well. Going forward there will be increased focus on in-depth reviews for specific risks and follow-up during and after deliveries (e.g. the risk of forced labour). Bonava is of the opinion that the risk of forced labour is greatest in the markets where temporary immigrant labour power is frequently used. This occurs in all of Bonava's markets. Most important for Bonava when it comes to reducing this risk, apart from imposing and following up on Bonava's supplier requirements, is increasing the ability to control who is permitted entry into Bonava's workplaces. This work is carried out through as part of Bonava's health and safety initiatives, and was included in the 90-day intense focus decided on by Bonava's Executive Management for achieving total compliance with all of Bonava's health and safety instructions for construction sites.

| New contracts signed during the year, with approved Bonava supplier requirement review | 2019 | | 2018 | |
|--|-------------------|---|-------------------|---|
| | Number of reviews | Share of total value, new contracts (%) | Number of reviews | Share of total value, new contracts (%) |
| Nordics ¹⁾ | 751 | 92 | 160 | 33 |
| Germany | 1,300 | 100 | 1,498 | 100 |
| St. Petersburg and the Baltic region | 473 | 100 | 117 | 47 |

1) Sweden, Finland, Denmark and Norway.

TAX

103-1 Tax revenue is crucial for social progress in the markets where Bonava operates, and ultimately facilitates the creation of happy neighbourhoods where people have the highest quality of life. Bonava therefore regards tax as a sustainability topic and contributes to the UN SDG target:

- 17.1** Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

103-2 Bonava contributes to society by paying taxes such as corporation tax, property tax/charges and transaction tax, VAT and employer's contributions. This commitment is reflected in Bonava's mandatory tax procedures, which are established by the CEO and apply to all units in the Bonava Group. As part of these procedures, Bonava:

- Complies with applicable tax legislation in all countries where it operates
- Conducts itself in accordance with the OECD's transfer pricing guidelines
- Maintains transparent relationships with tax agencies in all countries where it operates
- Does not avoid taxation through artificial and aggressive tax schemes

103-3 For the last two years, Bonava has presented an overview of total taxes – both its own and collected – broken down by market to show how Bonava contributes to these countries' tax revenue. In December 2019, GRI published an indicator (207) for tax, in accordance with which Bonava intends to recognise tax in future but not fully for 2019.

Bonava indicator: Tax

| Own tax paid, SEK M | Total | | | Germany | | | Sweden | | | Finland | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Income tax | 296 | 62 | 147 | 175 | 40 | 31 | 81 | 0 | 48 | -6 | 17 | 18 |
| Property tax | 31 | 20 | 27 | 5 | 0 | 4 | 7 | 8 | 3 | 6 | 8 | 7 |
| Transfer tax | 126 | 11 | 112 | 91 | 70 | 87 | 30 | 27 | 9 | 1 | 12 | 8 |
| Social security contributions ¹⁾ | 220 | 196 | 177 | 99 | 90 | 80 | 86 | 79 | 76 | 2 | 1 | 1 |
| Other taxes ²⁾ | 2 | 0 | 39 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total tax paid | 674 | 289 | 502 | 370 | 200 | 202 | 204 | 114 | 136 | 3 | 38 | 34 |

| Own tax paid, SEK M | Denmark-Norway | | | St. Petersburg | | | Baltics | | |
|---|----------------|-----------|-----------|----------------|-----------|-----------|-----------|-----------|----------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Income tax | 5 | 3 | 29 | 41 | 1 | 21 | 0 | 1 | 0 |
| Property tax | 8 | 3 | 8 | 2 | 1 | 4 | 2 | 1 | 1 |
| Transfer tax | 0 | 2 | 7 | 0 | 0 | 0 | 3 | 0 | 1 |
| Social security contributions ¹⁾ | 4 | 3 | 2 | 16 | 12 | 12 | 13 | 10 | 6 |
| Other taxes ²⁾ | 0 | 0 | 4 | 0 | 0 | 34 | 1 | 0 | 0 |
| Total tax paid | 17 | 11 | 50 | 59 | 14 | 71 | 20 | 12 | 8 |

1) Paid in Germany, not as tax to the authorities but as a fee to insurance companies.

2) Consists of non-deductible VAT in Norway and tax deducted at source for dividends in St. Petersburg.

| Tax collected, SEK M | Total | | | Germany | | | Sweden | | | Finland | | |
|----------------------------|--------------|--------------|--------------|------------|------------|-----------|------------|------------|------------|------------|------------|------------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| VAT | 915 | 789 | 851 | -9 | 0 | 7 | 447 | 478 | 589 | 297 | 270 | 200 |
| Employee withholding taxes | 328 | 310 | 242 | 112 | 120 | 88 | 91 | 86 | 81 | 59 | 47 | 28 |
| Total collected tax | 1,243 | 1,099 | 1,093 | 103 | 120 | 96 | 537 | 564 | 670 | 357 | 317 | 228 |

| Tax collected, SEK M | Denmark-Norway | | | St. Petersburg | | | Baltics | | |
|----------------------------|----------------|-----------|-----------|----------------|----------|-----------|-----------|-----------|-----------|
| | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| VAT | 118 | 20 | 35 | 5 | -4 | 7 | 57 | 26 | 13 |
| Employee withholding taxes | 43 | 41 | 31 | 9 | 7 | 7 | 14 | 9 | 6 |
| Total collected tax | 160 | 61 | 67 | 14 | 3 | 13 | 71 | 35 | 19 |

Additional disclosures

In the 2018 table for own and collected taxes, there was a misprint in the summation of total tax collected, which has been corrected in this report. For more tax information, see Note 13.

TRANSPARENCY

103-1 The demand among internal and external stakeholders for relevant measures to monitor sustainable development is steadily increasing. By developing such indicators and transparently reporting them, Bonava contributes to the UN SDG target:

- **17.19** By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries.

103-2 In addition to statutory sustainability reporting, Bonava aims to annually report its progress under the GRI Standards: Core option and the UN Global Compact. Bonava also reports in accordance with OECD guidelines for multinational enterprises and the Carbon Disclosure Project (CDP). Read about Happy Index, Bonava's internal indicator for happy neighbourhoods, on page 82.

103-3 By using the systematic methods described in the principles of the GRI Standards, Bonava works continuously with follow-up and transparency in its reporting. To further ensure quality in its reporting, Bonava revises its Annual Report and Sustainability Report in accordance with the ISAE 3000 and RevR12 standards.

Bonava indicator: Transparency

| | 2019 | 2018 | 2017 |
|--|------|------|------|
| Prepared | x | x | x |
| Assured by external sustainability auditor | x | x | x |

Contact

For more information about Bonava's sustainability work and reporting, contact Anna Hamnö Wickman, Head of Sustainability: anna.wickman@bonava.com, +46 8 409 544 00.

GRI index

| Indicator | General standard disclosures | Page/Info | Sustainable Development Goals, target level |
|-------------------------------------|--|--------------|---|
| <i>GRI 102: General Disclosures</i> | | | |
| 102-1 | Name of the organisation | Bonava AB | |
| 102-2 | Activities, brands, products, and services | 3, 11-12, 77 | |
| 102-3 | Location of headquarters | 60 | |
| 102-4 | Location of operations | 3 | |
| 102-5 | Ownership and legal form | 106-108 | |
| 102-6 | Markets served | 15-16 | |
| 102-7 | Scale of the organisation | 4, 88 | |
| 102-8 | Information on employees and other workers | 88-89 | |
| 102-9 | Supply chain | 95-96 | |
| 102-10 | Significant changes to the organisation and its supply chain | 78, 96 | |
| 102-11 | Precautionary Principle or approach | 86, 94 | |
| 102-12 | External initiatives | 78 | 13.2 Integrate climate change measures into national policies, strategies and planning 17.14 Enhance policy coherence for sustainable development 17.17 Encourage effective partnerships |
| 102-13 | Membership of associations | 78 | |
| 102-14 | Statement from senior decision-maker | 7-9 | |
| 102-15 | Key impacts, risks, and opportunities | 17-19, 78-79 | |
| 102-16 | Values, principles, standards, and norms of behaviour | 78, 89, 94 | |
| 102-17 | Mechanisms for advice and concerns about ethics | 89, 94-95 | |
| 102-18 | Governance structure | 68-77 | |
| 102-40 | List of stakeholder groups | 80 | |
| 102-41 | Collective bargaining agreements | 89 | |
| 102-42 | Identifying and selecting stakeholders | 80 | |
| 102-43 | Approach to stakeholder engagement | 80-81 | |
| 102-44 | Key topics and concerns raised | 80-81 | |
| 102-45 | Entities included in the consolidated financial statements | 78 | |
| 102-46 | Defining report content and topic Boundaries | 78-79 | 12.6 Encourage Companies to Adopt Sustainable Practices and Sustainability Reporting |
| 102-47 | List of material topics | 78-79 | |
| 102-48 | Restatements of information | 78 | |
| 102-49 | Changes in reporting | 78 | |
| 102-50 | Reporting period | 78 | |
| 102-51 | Date of most recent report | 78 | |
| 102-52 | Reporting cycle | 78 | |
| 102-53 | Contact point for questions regarding the report | 97 | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 78 | |
| 102-55 | GRI content index | 98-102 | |
| 102-56 | External assurance | 103 | |

UN GLOBAL COMPACT

Human Rights

- Principle 1** (p. 94-95, 97) Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2** (p. 94-95, 97) make sure they are not complicit in human rights abuses.

Labour

- Principle 3** (p. 89) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4** (p. 95-96) the elimination of all forms of forced and compulsory labour;
- Principle 5** (p. 95-96) the effective abolition of child labour; and
- Principle 6** (p. 89, 93) the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7** (p. 86, 94) Businesses should support a precautionary approach to environmental challenges;
- Principle 8** (p. 84-86) undertake initiatives to promote greater environmental responsibility; and
- Principle 9** (p. 78, 84, 87) encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

- Principle 10** (p. 19, 94-95) Businesses should work against corruption in all its forms, including extortion and bribery.

| Indicator | Specific standard disclosures | Page/Info | Sustainable Development Goals, target level |
|--|--|-----------|--|
| HAPPY NEIGHBOURHOODS FOR THE MANY | | | |
| Affordable housing units | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 82 | 11.1 Safe and Affordable Housing |
| 103-2 | The management approach and its components | 82 | |
| 103-3 | Evaluation of the management approach | 82 | |
| | <i>GRI 203: Indirect economic impacts</i> | | |
| 203-2 | Significant indirect economic impacts | 82 | |
| Happy neighbourhoods | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 82 | 11.3 Inclusive and Sustainable Urbanization 11.7 Provide Access to Safe and Inclusive Green and Public Spaces |
| 103-2 | The management approach and its components | 82 | |
| 103-3 | Evaluation of the management approach | 83 | |
| | <i>GRI 413: Local communities</i> | | |
| 413-1 | Operations with local community engagement, impact assessments, and development programmes | 83 | |
| | <i>Happy neighbourhoods</i> | | |
| Own | Routines for customer satisfaction, including results of customer satisfaction surveys | 83 | |
| PROTECTING OUR PLANET | | | |
| Circular production model | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 84 | 12.2 Sustainable Management and Use of Natural Resources |
| 103-2 | The management approach and its components | 84 | |
| 103-3 | Evaluation of the management approach | 84 | |
| | <i>GRI 301: Materials</i> | | |
| 301-1 | Materials used by weight or volume | 84 | |
| Sustainable use of land | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 84 | 13.1 Strengthen resilience and Adaptive Capacity to Climate Related Disasters |
| 103-2 | The management approach and its components | 84 | |
| 103-3 | Evaluation of the management approach | 84 | |
| | <i>GRI 304: Biodiversity</i> | | |
| 304-4 | IUCN Red List species and national conservation list species with habitats in areas affected by operations | 84 | |
| | <i>Changed use of land</i> | | |
| Own | Sustainable use of land | 84 | |
| | <i>G4-CRE: Land degradation, contamination and remediation</i> | | |
| G4-CRE5 | Land remediation | 84 | |
| Efficient buildings | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 85 | 13.3 Build Knowledge and Capacity to Meet Climate Change |
| 103-2 | The management approach and its components | 85 | |
| 103-3 | Evaluation of the management approach | 85 | |
| | <i>GRI 302: Energy</i> | | |
| 302-3 | G4-CRE1: Building energy intensity | 85 | |

| Indicator | Specific standard disclosures | Page/Info | Sustainable Development Goals, target level |
|--|--|-----------|---|
| Sustainable and non-hazardous materials | | | |
| GRI 103: Management Approach | | | |
| 103-1 | Explanation of the material topic and its Boundary | 86 | 12.8 Promote Universal Understanding of Sustainable Lifestyles |
| 103-2 | The management approach and its components | 86 | |
| 103-3 | Evaluation of the management approach | 86 | |
| GRI 417: Marketing and Labelling | | | |
| 417-1 | Requirements for product and service information and labelling | 86 | |
| Greenhouse gases | | | |
| GRI 103: Management Approach | | | |
| 103-1 | Explanation of the material topic and its Boundary | 86 | 13.1 Strengthen resilience and Adaptive Capacity to Climate Related Disasters 13.3 Build Knowledge and Capacity to Meet Climate Change |
| 103-2 | The management approach and its components | 86 | |
| 103-3 | Evaluation of the management approach | 86 | |
| GRI 305: Emissions | | | |
| 305-1 | Direct (Scope 1) GHG emissions | 87 | |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 87 | |
| 305-3 | Other indirect (Scope 3) GHG emissions | 87 | |
| 305-4 | GHG emissions intensity | 87 | |
| | | | |
| PASSIONATE WORKPLACE | | | |
| Labour conditions that support our values | | | |
| GRI 103: Management Approach | | | |
| 103-1 | Explanation of the material topic and its Boundary | 89 | 8.5 Full Employment and Decent Work with Equal Pay |
| 103-2 | The management approach and its components | 89 | |
| 103-3 | Evaluation of the management approach | 89 | |
| GRI 401: Employment | | | |
| 401-1 | New employee hires and employee turnover | 90 | |
| GRI 404: Training and education | | | |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | 90 | |
| Passionate workplace | | | |
| Own | Commitment and loyalty | 89 | |
| Health and safety | | | |
| GRI 103: Management Approach | | | |
| 103-1 | Explanation of the material topic and its Boundary | 90 | 8.8 Protect Labour Rights and Promote Safe Working Environments |
| 103-2 | The management approach and its components | 90 | |
| 103-3 | Evaluation of the management approach | 91 | |
| GRI 403: Occupational Health and Safety 2018 | | | |
| 403-1 – 7 | All mandatory disclosures | 91–92 | |
| 403-8 | Workers covered by an occupational health and safety management system | 91 | |
| 403-9 | Work-related injuries | 92 | |

| Indicator | Specific standard disclosures | Page/Info | Sustainable Development Goals, target level |
|--|---|-----------|--|
| Diversity | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 93 | 8.5 Full Employment and Decent Work with Equal Pay |
| 103-2 | The management approach and its components | 93 | |
| 103-3 | Evaluation of the management approach | 93 | |
| | <i>GRI 405: Diversity and Equal Opportunity</i> | | |
| 405-1 | Diversity of governance bodies and employees | 93 | |
| RELIABLE BUSINESS | | | |
| Compliance | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 94 | |
| 103-2 | The management approach and its components | 94 | |
| 103-3 | Evaluation of the management approach | 94 | |
| | <i>GRI 205: Anti-corruption</i> | | |
| 205-2 | Communication and training about anti-corruption policies and procedures | 94 | |
| 205-3 | Confirmed incidents of corruption and actions taken | 94 | |
| | <i>GRI 206: Anti-competitive Behaviour</i> | | |
| 206-1 | Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | 94 | |
| | <i>GRI 307: Environmental compliance</i> | | |
| 307-1 | Non-compliance with environmental laws and regulations | 94 | |
| | <i>GRI 419: Socioeconomic Compliance</i> | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | 94 | |
| Responsible supply chain management | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 95 | 8.7 End Modern Slavery, Trafficking and Child Labour 17.11 Increase the Exports of Developing Countries |
| 103-2 | The management approach and its components | 95 | |
| 103-3 | Evaluation of the management approach | 96 | |
| | <i>GRI 409: Forced or Compulsory Labour</i> | | |
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labour | 96 | |
| | <i>GRI 308: Supplier Environmental Assessment</i> | | |
| 308-1 | New suppliers that were screened using environmental criteria | 96 | |
| | <i>GRI 414: Supplier Social Assessment</i> | | |
| 414-1 | New suppliers that were screened using social criteria | 96 | |

| Indicator | Specific standard disclosures | Page/Info | Sustainable Development Goals, target level |
|---------------------|--|-----------|---|
| Tax | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 96 | 17.1 Mobilize Resources to Improve Domestic Revenue Collection |
| 103-2 | The management approach and its components | 96 | |
| 103-3 | Evaluation of the management approach | 96 | |
| | <i>Tax</i> | | |
| Own | Tax collected and tax paid | 97 | |
| Transparency | | | |
| | <i>GRI 103: Management Approach</i> | | |
| 103-1 | Explanation of the material topic and its Boundary | 97 | 17.19 Further Develop Measurements of Progresses |
| 103-2 | The management approach and its components | 97 | |
| 103-3 | Evaluation of the management approach | 97 | |
| | <i>Transparency</i> | | |
| Own | Transparent sustainability reporting | 97 | |

Auditor's Limited Assurance Report on the Sustainability Report and Statement on the Statutory Sustainability Report

To the annual meeting of the shareholders of Bonava AB (publ), Corp. Id 556928-0380

Introduction

We have been engaged by the Board of Directors of Bonava AB (publ) to undertake a limited assurance engagement of Bonava's Sustainability Report for the year 2019 on pages 76–100 of this document, which also constitutes the company's Statutory Sustainability Report.

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 Sustainability Report including the Statutory Sustainability Report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are defined on page 76, and consist of relevant parts of the GRI Standards, as well as the accounting and calculation principles that the company has developed. This responsibility also includes the internal control relevant to the preparation of 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 a statement on the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE3000 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, applying analytical and other limited assurance procedures. We have conducted our review regarding the Statutory Sustainability Report in accordance with RevR 12, Auditor's Opinion on the Statutory Sustainability Report, issued by FAR. 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 in Sweden.

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 Bonava 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 level of assurance that a stated conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Managing Director 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 Managing Director.

A Statutory Sustainability Report has been prepared.

Stockholm, 20 February 2020
Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant

Fredrik Ljungdahl
Sustainability Expert
Member of FAR

Capital structure and financing

Bonava's communication with the capital markets aims to increase the understanding of Bonava's business and optimise access to capital.

Residential development is a capital-intensive business, and in Bonava's balance sheet there are assets in the form of land and ongoing housing projects that require financing. In several of Bonava's markets, most payments are not received until the homes are handed over to customers. This imposes requirements on how we manage the Group's liquidity, financing and financial risks. Bonava's operations are financed in local currency with internal loans from Bonava's Treasury Department. Bonava's main source of liquidity is cash flow from operating activities and borrowing from external creditors.

The Group's financial risks are regulated by a Finance Policy and are managed centrally, largely by utilising different financial instruments. More information about financial risk management can be found on pages 17–19 and in Note 23.

LONG-TERM FINANCING

Bonava has a loan agreement with AB Svensk Exportkredit (SEK) regarding two fixed-term loans of EUR 30 M each, with maturities in 2020 and 2021 respectively. Bonava also has a revolving credit facility (RCF) with a limit of SEK 3 Bn. The facility has a maturity in December 2023 and six banks participating with equal shares. The facility can be used in SEK, EUR and NOK and primary acts as a back-up facility for Bonava's commercial paper programme. The SEK and RCF loans are subject to floating STIBOR, EURIBOR or NIBOR 3m plus a margin and are subject to covenants relating to the equity/assets ratio and interest coverage ratio.

COMMERCIAL PAPER

Bonava has a Swedish commercial paper programme of SEK 3 Bn. The programme is registered with Euroclear and can be utilised in either SEK or EUR. The issuing agents are Danske Bank, SEB, Svenska Handelsbanken and Swedbank.

In 2019, a commercial paper programme of EUR 250 M was implemented in Finland for the purpose of diversifying the Group's financing sources to include an additional capital market.

The RCF described above also functions as a back-up facility for commercial paper outstanding under both programmes, in the event that the market for commercial paper is unavailable when borrowing is needed.

More information can be found in the "Commercial paper" information brochure and in the presentation for investors in commercial paper at bonava.com.

CONSTRUCTION FINANCE FOR TENANT-OWNER ASSOCIATIONS AND HOUSING COMPANIES

In Sweden and Finland, Bonava sells housing units in the form of tenant-owner associations and housing companies respectively, which are established when the housing projects start. The funding of these projects is partly from Bonava AB and partly secured in the form of project financing from banks, wherein the loans are paid out in pace with construction. The tenant-owner associations or housing companies act as borrowers. These loans are reported in Bonava's Consolidated Balance sheet.

Financing as of 31 December 2019

| Type of borrowing | Currency | Limit | Maturity | Interest | Utilised amount | Unutilised amount |
|---|----------|-------|-------------|----------|-----------------|-------------------|
| Commercial paper | SEK M | 3,000 | <1 year | Floating | 2,566 | 434 |
| Revolving credit facility (RCF) ¹⁾ | SEK M | 3,000 | 12 Dec 2023 | Floating | 0 ¹⁾ | 434 |
| Loan | EUR M | 30 | 9 Jun 2020 | Floating | 30 | 0 |
| Loan | SEK M | 200 | 31 Dec 2020 | Floating | 200 | 0 |
| Loan | EUR M | 60 | 31 Dec 2020 | Floating | 60 | 0 |
| Loan | EUR M | 30 | 9 Jun 2021 | Floating | 30 | 0 |
| Loan | NOK M | 500 | 30 Sep 2021 | Floating | 500 | 0 |

1) There was no amount utilised under the RCF. The difference between the framework amount and the unutilised amount corresponds to the outstanding commercial paper, for which the RCF comprises a back-up facility.

| Project financing | Currency | Tied-up capital | Interest | Utilised amount |
|--|----------|-----------------|----------|-----------------|
| Tenant-owner associations in Sweden and Housing companies in Finland | SEK M | 10 months | Floating | 2,364 |

WORKING CAPITAL FINANCING

Bonava has credit limits with banks in the form of committed 364-day overdraft facilities totalling SEK 1,130 M and a possibility to raise money market loans, wherein the banks are not obliged to grant credit. As of 31 December 2019, SEK 0 M of the overdraft facilities has been utilised.

GUARANTEES

Bonava's customers receive security for the completion of their home, and pay advances at various points of the process and to varying degrees depending on the market. Advance payments provide an advantage because some of the construction can be financed with these cash flows. Regulations for consumer contracts vary depending on the country. Apart from collateral requirements for advance payments, some markets also require collateral for completion, wherein guarantees may be issued by banks or credit insurers which creates high demand for credit limits for this purpose. Collateral can also take the form of guarantees issued by a Group company.

TOTAL ASSETS

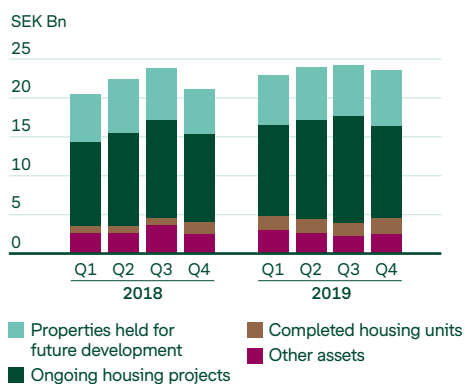
Total assets were SEK 23,487 M (21,074). The increase was primarily due to a higher volume of housing units in ongoing housing projects, an increased volume of properties held for future development and an increased number of completed units in the balance sheet.

SEASONAL VARIATIONS AFFECT NET DEBT

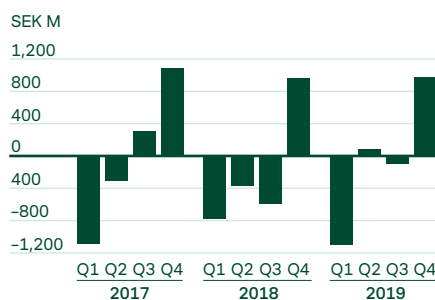
Bonava's operations exhibit significant seasonal variations, which is also reflected in its net debt. In the first three quarters of the year, borrowing usually increases as many projects are started and there are many housing units in production. In the fourth quarter, many housing units are handed over to customers, generating substantial cash flows which are used to reduce debt.

The diagrams illustrate how cash flow and net debt progress between quarters, and the proportion of borrowing comprising financing of tenant-owner associations and housing companies. Net debt amounted to SEK 6,873 M (5,542). Swedish tenant-owner associations and Finnish housing companies had total net debt of SEK 3,238 M (4,965), of which SEK 2,364 M (4,072) pertained to financing from banks and SEK 891 M (999) to financing via Parent Company credit facilities directly attributable to Swedish housing associations. Total cash in hand for the Group was SEK 499 M (325). Net debt for the Group relating to other operations was SEK 3,635 M (577). Net debt was higher year-on-year primarily as a result of the acquisition of Urbanium AS, increased tied-up capital in Germany owing to delays in the building permit process, and an increase in completed housing units in the Sweden and Nordic segments in the balance sheet.

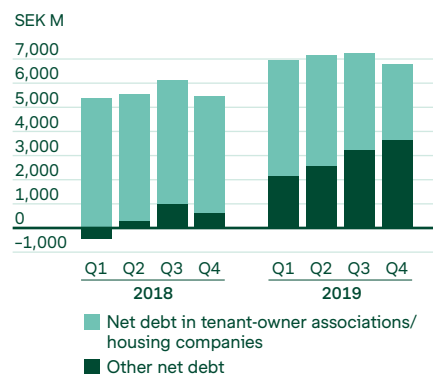
Allocation of assets in the balance sheet



Cash flow before financing



Net debt



Bonava's owners and the share

The Bonava share has been listed on Nasdaq Stockholm Large Cap since 9 June 2016. Bonava has two share classes, Class A and Class B, which both trade on Nasdaq Stockholm. Each Class A share in the company entitles the holder to ten votes and each Class B share in the company entitles the holder to one vote. The total number of shares as of 31 December 2019 was 108,435,822, of which 11,906,196 were Class A shares and 96,529,626 were Class B shares, corresponding to a total of 215,591,586 votes.

OWNERS AND OWNERSHIP STRUCTURE

As of 31 December 2019, Swedish ownership accounted for 85.4 per cent of the share capital. Foreign ownership amounted to 13.4 per cent. The number of shareholders amounted to 30,158 (30,941).

| Largest shareholders | No. of Class A shares | No. of Class B shares | Holding, % | Votes, % |
|---|-----------------------|-----------------------|------------|------------|
| Nordstjernan AB | 9,000,000 | 12,323,759 | 19.7 | 47.5 |
| AMF – Försäkring och Fonder | 0 | 10,895,036 | 10.1 | 5.1 |
| Swedbank Robur fonder | 128,119 | 9,116,228 | 8.5 | 4.8 |
| Lannebo Fonder | 0 | 6,814,447 | 6.3 | 3.2 |
| SEB Investment Management | 0 | 5,157,791 | 4.8 | 2.4 |
| Handelsbanken Fonder | 0 | 4,906,982 | 4.5 | 2.3 |
| State Street Bank and Trust CO, W9 | 1,921 | 3,320,904 | 3.1 | 1.6 |
| The Fourth Swedish National Pension Fund (Fjärde AP-fonden) | 3,343 | 2,490,520 | 2.3 | 1.2 |
| CBNY, Norges Bank | 4,239 | 2,115,822 | 2.0 | 1.0 |
| Carnegie fonder | 0 | 2,000,000 | 1.8 | 0.9 |
| Subtotal, ten largest shareholders | 9,137,622 | 59,141,489 | 63.0 | 69.8 |
| Other | 2,768,574 | 37,388,137 | 37.0 | 30.2 |
| Total no. of shares | 11,906,196 | 96,529,626 | 100 | 100 |

Source: Euroclear Sweden as of 31 December 2019.

Share capital performance

| Date | Event | Change in share capital, SEK | Change in no. of shares | Share capital after change, SEK | No. of shares after change |
|-------------|--------------------------------|------------------------------|-------------------------|---------------------------------|----------------------------|
| 8 Apr 2013 | New formation | N/A | N/A | 50,000 | 1,000 |
| 3 Feb 2016 | New share issue | 450,000 | 9,000 | 500,000 | 10,000 |
| | Reverse share split (10,000:1) | N/A | -9,999 | 500,000 | 1 |
| | Share split (1:108,435,822) | N/A | 108,435,821 | 500,000 | 108,435,822 |
| 26 Apr 2016 | Bonus issue | 409,500,000 | N/A | 410,000,000 | 108,435,822 |
| 18 May 2016 | Bonus issue | 23,743,288 | N/A | 433,743,288 | 108,435,822 |

QUICK FACTS

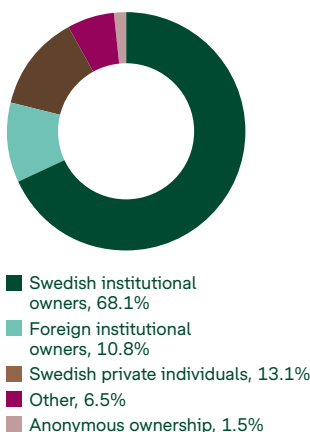
Marketplace: Nasdaq Stockholm
 Segment/sector: Financials/Real Estates
 Share class: Class A and Class B
 No. of shares: 108,435,822
 of which, Class A: 11,906,196
 of which, Class B: 96,529,626

Market cap
 as of 31 December 2019: SEK 11.0 Bn
 ISIN code, Class B share: SE0008091581
 ISIN code, Class A share: SE0008091573

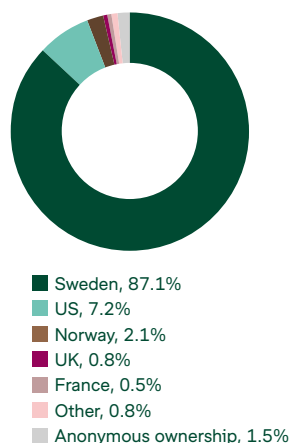
Ticker symbols

Nasdaq: BONAV B
 Bloomberg: BONAVA:SS
 Reuters: BONAVb.ST

Ownership categories¹⁾



Ownership by country¹⁾



1) Source: Euroclear Sweden as of 31 December 2019.

PROGRESS DURING THE YEAR

During the year, Bonava's Class B share decreased by 12.9 per cent compared to OMXSPI, which increased by 29.6 per cent in the same period. From the date of the IPO on 9 June 2016, Bonava's Class B share has decreased by 6.6 per cent compared to OMXSPI, which rose by 41.5 per cent over the same period. The closing price on 30 December 2019 was SEK 102.00 per Class A share and SEK 99.50 per Class B share, corresponding to a market capitalisation of SEK 11.0 Bn.

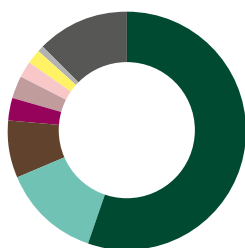
SHARE TURNOVER AND TRADING

The average daily turnover for the Class B share for the year was 228,535 shares. Bonava's Class B shares were traded on more than 20 different market places, of which Nasdaq Stockholm represented 60 per cent of turnover.

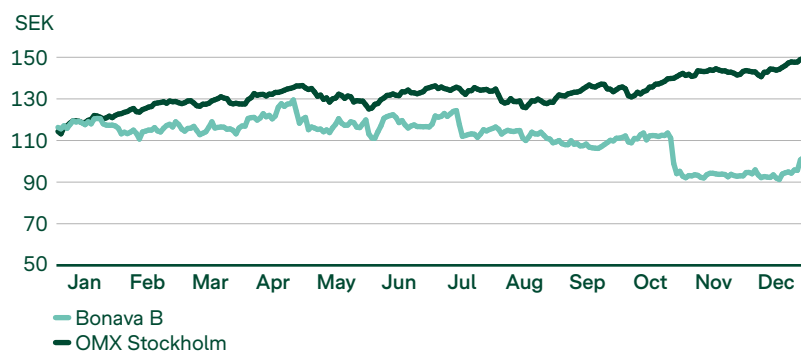
| | |
|--|------------|
| Average daily turnover (no. of shares) | 2019 |
| Class A shares | 2,576 |
| Class B shares | 228,535 |
| Trading in Class B shares | 2019 |
| Share turnover, million | 57.1 |
| Value of share turnover, as of 31 December | SEK 6.2 Bn |
| Average daily turnover | SEK 24.6 M |

RETURN

The total return in the year was -9.0 per cent. From the date of the IPO, Bonava has delivered a total return of 5.5 per cent. As of 31 December, the dividend yield was 3.0 per cent based on a dividend of SEK 3.00 per share for 2019 as proposed by the Board of Directors.

Market share (trading)

| | |
|---------------|--------|
| Stockholm | 60.17% |
| Cboe BXE | 14.31% |
| Cboe APA | 8.45% |
| CAPA | 3.50% |
| Cboe CXE | 3.14% |
| LSE | 2.44% |
| Aquis | 1.99% |
| Cboe Periodic | 1.00% |
| Other | 13.45% |

Share price performance

DIVIDEND AND DIVIDEND POLICY

Bonava's dividend policy is to distribute a minimum of 40 per cent of profit after tax for the year. The Board of Directors proposes a dividend of SEK 3.00 per share, divided into two payments, totalling 53 per cent of profit after tax for the year. The first payment of SEK 1.50 per share is proposed for disbursement on 7 April 2020 and the second payment of SEK 1.50 per share on 6 October 2020.

REPURCHASE OF TREASURY SHARES

The 2019 AGM resolved that the company will have the right to repurchase Class B shares in the company for the purpose of covering the costs that could arise as a result of the 2019 incentive programme. The company has not exercised this right. In total, Bonava has repurchased 815,061 shares.

CONVERSION OF SHARES

Under Bonava's Articles of Association, owners of Class A shares are entitled to conversion to Class B shares. In 2019, a total of 1,213,519 Class A shares were converted to 1,213,519 Class B shares.

| Analysts who cover the Bonava share ¹⁾ | Name | E-mail address |
|---|------------------|------------------------------|
| ABG Sundal Collier | Tobias Kaj | tobias.kaj@abgsc.se |
| Carnegie Investment | Erik Granström | erik.granstrom@carnegie.se |
| DNB Markets | Simen Mortensen | mattias.montgomery@dnb.se |
| Handelsbanken Capital Markets | David Flemmich | daf106@handelsbanken.se |
| Nordea Markets | Niclas Höglund | niclas.hoglund@nordea.com |
| SEB Equities | Stefan Andersson | stefan.e.andersson@seb.se |
| Kepler Cheuvreux | Jan Ihrfelt | jihrfelt@keplercheuvreux.com |

| Per share data ¹⁾ | 2019 | 2018 |
|--|--------------------|-------------|
| Share price, Class A, SEK | 102.00 | 109.00 |
| Share price, Class B, SEK | 99.50 | 114.20 |
| High, Class B, SEK | 129.50 | 132.50 |
| Low, Class B, SEK | 90.70 | 98.50 |
| Share price performance, % | -14.4 | -0.3 |
| Shareholders' equity per share, SEK | 70.02 | 68.36 |
| Dividend, SEK | 3.00 ²⁾ | 5.20 |
| Total return, % | -9.0 | 3.1 |
| Dividend yield, % | 3.0 ³⁾ | 4.6 |
| Earnings per share ⁴⁾ , SEK | 5.71 | 11.74 |
| Cash flow, SEK per share | 3.55 | -5.84 |
| P/E ratio | 17.4 | 9.7 |
| No. of shares | 108,435,822 | 108,435,822 |
| No. of shareholders | 30,158 | 30,941 |

1) At year end, 31 December.

2) Proposed by the Board.

3) Based on proposed dividend.

4) Before and after dilution.

LTIP 2019

Bonava has three previously existing share-based incentive programmes, covering approximately 50 people. The AGM on 10 April 2019 authorised the introduction of an additional share-based incentive programme consisting of Executive Management and certain key executives, a total of some 50 individuals. For more information, refer to Note 4.

Definitions

Bonava uses measurements including the following alternative key performance indicators: return on capital employed, net debt and equity/assets ratio. The Group considers that these key performance indicators provide complementary information to readers of its financial reports that contributes to assessing the Group's capacity to pay dividends, make strategic investments and meet its financial commitments and to evaluate its profitability. Calculations and more information about the alternative key performance indicators are available at bonava.com. The Group defines the key performance indicators as shown below. The definitions are unchanged compared with earlier periods.

Sector-related definitions

Housing units under construction

Refers to the period from production start to completion of a building. A housing unit is considered complete on receipt of inspection documentation.

Building right

Estimated possibility of developing a site. With respect to housing units, a building right corresponds to an apartment or a semi-detached or detached house. Either ownership of a site or an option on ownership of the site is a prerequisite for being granted access to a building right.

Production start

The time when Bonava starts production of a building. At this time, capitalised expenditure for land and development expenses is transferred to ongoing housing projects.

Properties held for future development

Refers to Bonava's holdings of land and building rights for future residential development and capitalised property development costs.

Completed housing units

Refers to housing units for which inspection documents have been received, but the unit has not yet been sold, or units that have been sold but not handed over to the customer.

Completion rate

Recognised expenses in relation to the calculated total costs of ongoing housing projects.

Sales rate

Number of housing units sold in production in relation to the total number of housing units in production.

Number of housing units recognised in profit

Number of housing units sold that have been occupied by the purchaser. Once the purchaser has taken over occupancy, the purchase consideration is recognised as net sales, and expenses incurred for the housing unit are recognised as production costs.

Reservation rate

Number of reserved housing units under construction in relation to the total number of housing units in production.

Housing units sold

Number of housing units for which binding sales agreements have been signed with the customer and production of the housing unit has started.

Financial key performance indicators

Share of risk-bearing capital

Total shareholders' equity and deferred tax liabilities as a percentage of total assets.

Return on capital employed

Profit after financial items on a rolling 12-month basis following the reversal of interest expense as a percentage of average capital employed.

Total assets

Total assets or liabilities and shareholders' equity.

Dividend yield

The dividend as a percentage of the market price at year end.

Average interest rate

Nominal interest rate weighted by interest-bearing liabilities outstanding on the balance sheet date.

Average fixed-rate term

The remaining fixed-rate term weighted by interest-bearing liabilities outstanding.

Average shareholders' equity

Average reported shareholders' equity as of the last five quarters.

Average capital employed

Average capital employed as of the five last quarters.

Items affecting comparability

Material one-off items in operating profit, the profit effect of which is important to note when the financial performance for the period is compared with earlier periods.

Capital turnover rate

Net sales on a rolling 12-month basis divided by average capital employed.

Production costs

Costs incurred for land, development expenses for architects and other contractor-related costs, utility connection fees and building construction.

Net debt

Interest-bearing liabilities and provisions less interest-bearing assets including cash and cash equivalents.

Net sales

Net sales are recognised when the housing unit is delivered to the end customer. Property sales are recognised on the date when control is transferred to the buyer, which normally coincides with transfer of ownership. Net income is subject to the same definition.

Operating margin

Operating profit as a percentage of net sales.

Interest coverage ratio

Profit/loss after financial items plus financial expense divided by financial expense, calculated on a rolling 12-month basis.

Debt/equity ratio

Net debt divided by shareholders' equity.

Equity/assets ratio

Shareholders' equity as a percentage of total assets.

Capital employed

Total assets less non-interest bearing liabilities including deferred tax liabilities.

Share-related key performance indicators

Earnings per share

Net profit/loss for the period attributable to Bonava's shareholders divided by the weighted average number of shares in the year.

Earnings per share adjusted for items affecting comparability

Net profit/loss for the period, excluding items affecting comparability and tax on items affecting comparability, attributable to Bonava's shareholders divided by the weighted average number of shares in the year.

2020 Annual General Meeting

The Annual General Meeting will be held on Tuesday, 31 March 2020 at 3:00 p.m. at Bygget, Norrlandsgatan 11 in Stockholm, Sweden.

Participation

Shareholders wishing to participate in the AGM must:

- be included in the share register kept by Euroclear Sweden AB by no later than Wednesday, 25 March 2020
- notify the company of their intention to participate by no later than Wednesday, 25 March 2020, at which point any assistants must be registered

Registration

Registration can be completed:

- on Bonava's website, bonava.com/en/general-meeting/annual-general-meeting-2020
- by telephone at +46 (0)8 402 92 26 on weekdays between 9:00 a.m. and 4:00 p.m.
- by post at the following address:
Bonava AB,
c/o Euroclear Sweden AB
Box 191
SE-101 23 Stockholm, Sweden

When registering their intention to attend, shareholders should provide their name, personal or corporate identity number, address, telephone number, registered holdings and number of assistants.

If participation is registered through a power of attorney, the documentation should be submitted well in advance of the AGM.

A power of attorney template is available for download on our website, bonava.com.

Nominee-registered holdings

In addition to registering their participation in the AGM with the company, shareholders with nominee-registered holdings must temporarily re-register their shares in their own name in the share register (voting right registration) to be entitled to participate in the AGM. In order for such registration to be complete by Wednesday, 25 March 2020, shareholders should contact their bank or fund manager in good time before that date.

Proposed dividend

The Board of Directors proposes a dividend of SEK 3.00 per share, paid in two disbursements. The first payment of SEK 1.50 per share is proposed for disbursement on 7 April 2020 and the second payment of SEK 1.50 per share on 6 October 2020.

For more information: ir@bonava.com, bonava.com

