





### Summary of the third quarter of 2017

- Net sales increased with 27.890 ksek to 29.354 ksek (1.464 ksek)
- Operating result increased to 33,061 ksek (–20,713 ksek)
- Result after tax amounted to -27,837 ksek (26,742 ksek)
- The solidity amounted to 61,1% (64,9%)
- Earnings per share before dilution -278.4 sek (267.4 sek)\*
- Number of apartments under zoning planning 435 (810)
- Number of apartments under production 445 (313)
- Number of occupied apartments during the period 34 (0)
- Number of apartments in the portfolio 990 (1,123)

KSEK – SEK in thousands	Jul–sep 2017	Jul-sep 2016	Jan-sep 2017	Jan–sep 2016	Jan-dec 2016
Net sales	29,354	1,464	108,347	17,752	56,381
Operating result	33,061	-20,713	51,395	165,950	162,666
Financial items, net	-48,743	44,764	-79,855	118,914	135,903
Total comprehensive income for th	ne period <i>-</i> 31,438	27,527	-30,217	260,687	270,169
Balance sheet total	2,090,578	2,075,861	2,090,578	2,075,861	2,098,346
Result after tax	-27,837	26,742	-25,885	268,893	276,530
Earnings per share	-278.4	267.4	-258.9	2,688.9	2,765.3
Operating margin, %	112.6	-1,414.8	47.4	934.8	288.5
Solidity %	61.1	64.9	61.1	64.9	65.0
Number of apartments under zon	ing planning 435	810	435	810	545
Number of apartments under pro-	duction 445	313	445	313	453
Number of occupied/completed					
apartments during the period	34	0	103	0	0
Number of apartments in the port	folio 990	1,123	990	1,123	998

### Significant events during the quarter

Project Juvelen 1 and Juvelen 2, located next to Municipal House in Norrtälje, consist of more than 300 well-designed apartments. The sale of project Juvelen 1 has been divided into two stages. Stage 1, consisting of 83 homes in stairwells one to five started in December 2016. Stage 2, consisting of the sale of 102 residences, started in March 2017. Until the 30th of September 2017, 159 of the 185 homes have been sold. Occupancy of the first two stairwells took place in March 2017 and will continue to take place until December 2017. Projection is ongoing in project Jewel 2 which consists of 127 residences.

Under the project name Norrtälje Torn, Index is developing 450 residences consisting of 5 blocks. In addition to residences, the project also contains 12 premises.

The sale of the first block, project Soltornet, in Norrtälje Torn was launched in the second half of 2016. As of September 30, 2017, 85 out of 87 houses were sold. The production of the block started in February 2017, and the residences are expected to be ready for occupation during the second quarter of 2019.

The second block, project Magasinet consists of 46 residences. Sale start for Magasinet was Q2 2017, as of September 30, 2017, thirteen of the homes were sold. The residences are expected to be ready for occupation during the second quarter of 2019.

The company's shares in the associated company Förvaltnings AB Odalen have been disposed. Consideration received was amounted to 30 msek and estimated capital gain amounts to 13,3 msek.

50 msek has been paid in dividends.

#### Market development

The housing market in Norrtälje municipality is continuously stable with a slightly lower percentage growth compared to previous period. The development of Norrtälje Harbour is proceeding as planned and the area is expected to generate 2 000 new homes, of which Index accounts for 20%. The sales of the first areas show strong demand in the area.

Pricing in Kista is stable with a smaller percentage growth compared to previous period. The work regarding the zoning plan for Kista Äng is in progress. The development of the Kista Äng area is proceeding according to plan.

### Result and position in July to September

The Group reports a quarterly result before tax of –15,682 ksek (24,051 ksek) and a result after tax of –27,837 ksek (26,742 ksek). Revenues from the percentage of completion method amount to 26,725 ksek (0 ksek) and the operating profit from the percentage of completion method amount to 14,584 ksek (0 ksek). The balance sheet amounted to 2,091 msek (2,076 msek). Net financial items amounted to –48,743 ksek (44,764 ksek). USD has developed weakly and CAD has developed strongly against the Swedish crown during the quarter. This has resulted in a currency effect of

-24 msek (13 msek). The exchange rate effect relates to lending in foreign currency for the financing of the sister group's operations in Florida, USA and Ontario, Canada.

#### Solidity

The solidity was 61.1% (64.9%).

### Cash flow, January–September

Cash flow for the Group's investments comes primarily from equity, bank loans, bond loans, income from construction contracts and divestment of real estate projects. Revenue from construction contracts is obtained on a regular basis, while results from project development of condominiums only provide a positive cashflow when occupancy occurs. The Group invests primarily in development properties in which the company is involved in the creation of the detailed development plan. The advantage of investing in projects at an early stage is that the company can thus take part in the entire value chain. This gives higher profits but longer lead times.

Cashflow from operating activities amounted to -24,943 ksek (-46,758 ksek). The change relates, among other things, to paid income taxes, increase of short-term receivables (-23,944 ksek) and a decrease of short-term liabilities (-6.123 ksek)

Cashflow from investing activities amounted to –128,981 ksek (28,669 ksek). The change mainly relates to obtaining payment for land sales 36,852 ksek (0), received payment of 30,000 ksek for the sales of shares in Förvaltnings AB Odalen and investment in Norrtälje Harbour –22,283 ksek. Of the change in other non-current receivables, the other non-current receivables on Brf Soltornet account for 143,657 ksek.

Cashflow from financing activities amounted to 191,429 ksek (–50,310 ksek). Changes relate to new loans of 102,167 ksek. Amortization of loans –37,000 ksek and repayment of claims from sister companies in North America of 180,837 ksek (MUSD 21.8) and paid dividend amounted to –50,000 ksek

### Liquidity

The Group's liquid assets amounted to, at the end of the period, 89 msek (119 msek). The company focuses strongly on liquidity monitoring. Rolling one-year forecasts as well as four-year forecasts are established on a continuous basis.

### Parent company's, earnings and position, July-September

The parent company results before tax amounted to -47,175 ksek (52,855 ksek) and a result after tax of -60,307 ksek (35,006 ksek). The balance sheet amounted to 1,533 mesk (1,794 msek). Net financial items amounted to -41,638 ksek (58,372 ksek). The securities portfolio has developed negatively during the quarter and has generated an unrealized loss of -5,099 ksek (3,810 ksek). The effects of a stronger crown against USD and weaker against CAD during the period gives an exchange rate effect of -49,662 ksek (9,308 ksek).

#### Significant risks and uncertainties in the operation

Significant risks and uncertainties are described in the latest annual report. No significant changes have occurred during the interim period.

#### **Restructuring and Acquisition**

There have been no restructuring or acquisitions in the group in the reported quarter.

#### Events after the end of the reporting period

Index Energy Mills Road Corporation has gone through a Canadian reconstruction process where the Group is the largest claimant.

Through this process, the dispute between the power plant and the construction company has been dismissed, which provides the best conditions for the power company to receive the intended production capacity. According to the preliminary timetable, the assets of another Canadian company is to be acquired in January 2018. Relating to the acquisition of the asset, the Group will determine whether any part of the existing claim needs to be depreciated. Likely there will be a depreciation requirement on parts of the claim.

#### Prospects

The Group's prospects are solid. The Swedish project portfolio amounts to 990 homes. The Group has a project portfolio of approximately 2,200 homes under development, together with the sister group's, Index Enterprise LLC, whose investments are funded by Index Residence AB (publ). This includes the sister's group's ongoing and future projects in Florida, USA.

### Transactions with related parties

Related parties to the parent company are the subsidiaries, Index Enterprise LLC Group, Index Equity Sweden AB Group and associated companies as well as joint ventures. The parent company's transactions with related companies have mainly been of financial nature. Transactions have taken place on market terms.

#### **THE GROUP**

Sales and result for the third quarter of 2017

Amounts in SEK millions	Q3 / 17	Q3 / 16
Net sales	29	1,5
Operating result	33	-21

# **Consolidated Income Statement in Summary**

Amounts in SEK thousands Note	Jul-sep 2017	Jul-sep 2016	Jan-sep 2017	Jan–sep 2016	Jan-dec 2016
Operating income 5					
Net sales	29,354	811	108,347	16,070	17,803
Other operating income	-	653	_	1,682	38,578
Total	29,354	1,464	108,347	17,752	56,381
Operating expenses					
Purchase of goods and services	-7,601	-929	-65,191	-15,471	-30,555
Other external expenses	-6,030	-4,897	-17,749	-29,960	-40,319
Personnel costs	-3,408	-3,985	-12,036	-12,354	-17,025
Depreciation/amortization of property, pla					
and equipment and intangible fixed assets		-147	-780	-667	-13,074
Change in value of properties	-6	_	629	-	
Result from participations in group compar	nies –	-14,196	-6,297	193,382	191,338
Result from participations in associates	31.005	1.077	44 472	12 260	15.020
and joint venture  Total operating expenses	21,005 <b>3,707</b>	1,977 <b>-22,177</b>	44,472 <b>-56,952</b>	13,268 <b>148,198</b>	15,920
Total operating expenses	3,707	-22,177	-30,932	140,190	106,285
Operating result	33,061	-20,713	51,395	165,950	162,666
Financial income	42,402	52,526	118,187	218,009	297,200
Financial expenses	-91,145	-7,762	-198,042	-99,095	-161,297
Net financial items	-48,743	44,764	-79,855	118,914	135,903
	10,710	,	70,000	,	
Result before tax	-15,682	24,051	-28,460	284,864	298,569
Tax	-12,155	2,691	2,575	-15,971	-22,039
Result for the period	-27,837	26,742	-25,885	268,893	276,530
Other comprehensive income					
Items that may later be reserved in the inco	ome statement:				
Exchange differences	-3,601	785	-4,332	-8,206	-6,361
Exchange differences, non-controlling inter	rests –	_	_	-	
Total items that may later be reserved					
in the income statement	-3,601	785	-4,332	-8,206	6,361
Total comprehensive income for the period	-31,438	27,527	-30,217	260,687	270,169
	31,130	27,327	30,217	200,007	270,103
Result for the period attributable	e to:				
Parent company shareholders	-27,837	26,742	-25,885	268,893	276,530
Non-controlling interests	-27,037	-	-25,665	-	-
	ributable to:				
Total comprehensive income att					270.160
Parent company shareholders	-31,438	27,527	-30,217	260,687	270,109
-		27,527	-30,217 -	260,687	270,169 -
Parent company shareholders		27,527	-30,217 -	260,687	270,169
Parent company shareholders		27,527 - 267.4	-30,217 - -258.9	2,688.9	2,765.3

# **Consolidated Balance Sheet in Summary**

Amounts in SEK thousands	Note	2017-09-30	2016-09-30	2016-12-31
ASSETS				
Non-current assets				
Intangible assets				
Balanced development expenses	5	1,389	1,814	1,707
Total Intangible assets		1,389	1,814	1,707
Property, plant and equipment				
Investment properties	5	32,182	31,928	32,607
Equipment, tools, fixtures and fittings	5	4,731	863	4,929
Total property, plant and equipment		36,913	32,791	37,536
Non-current financial assets				
Investments in associates	5	3,263	11,045	21,106
Investments in joint ventures	5	33,759	6,505	6,396
Other non-current receivables	4	1,472,332	1,462,907	1,538,655
Financial assets at fair value, through profit and loss statement	4	5,000	5,000	5,000
Total non-current financial assets		1,514,354	1,485,457	1,571,157
TOTAL NON-CURRENT ASSETS		1,552,656	1,520,062	1,610,400
Current assets				
Residential units under development		229,738	256,463	223,200
Securities		66,261	90,602	85,649
Accounts receivables		11,149	7,500	8,808
Tax assets		580	100	62
Receivables to associates		99,622	60,147	89,935
Other receivables		36,865	19,626	20,779
Prepaid expenses and accrued income		890	166	2,993
Derivatives	4	3,620	1,882	3,410
Cash and cash equivalents		89,197	119,313	53,110
TOTAL CURRENT ASSETS		537,922	555,799	487,946
TOTAL ASSETS		2,090,578	2,075,861	2,098,346

# **Consolidated Balance Sheet in Summary, Continued**

Amounts in SEK thousands	Note	2017-09-30	2016-09-30	2016-12-31
EQUITY				
<b>Equity attributable to Parent company shareholders</b>				
Share capital		10,000	10,000	10,000
Reserves		136	2,623	4,468
Retained earnings including comprehensive income for the year		1,266,369	1,334,017	1,346,829
Total equity		1,276,505	1,346,640	1,361,297
LIABILITIES				
Non-current liabilities				
Borrowings	4	115,143	55,374	15,661
Bond loan	4	373,533	371,463	371,980
Derivatives	4	7,793	11,259	9,413
Other non-current liabilities		-	-	84,233
Deferred tax liabilities		55,296	60,144	64,673
Other provisions		60,044	119,524	2,753
Total long-term liabilities		611,809	617,764	548,713
Current liabilities				
Borrowings		3,570	3,617	43,885
Accounts payable		14,300	5,057	11,783
Invoiced but not earned income		86,720	-	-
Current tax liabilities		9,757	23,743	19,902
Derivatives	4	26,927	9,606	43,136
Other current liabilities		52,462	64,677	65,655
Accrued expenses and deferred income		8,528	4,757	3,975
Total current liabilities		202,264	111,457	188,336
TOTAL EQUITY AND LIABILITIES		2,090,578	2,075,861	2,098,346

For information in regards to pledged assets and contingent liabilities, see note 6–7.

# **Consolidated Statement of Changes in Equity, in Summary**

Attributable to Parent compa	ny shareholde	rs				
Amounts in SEK thousands	Share Capital	Restricted reserves	Non-restricted reserves	Total	Non- controlling interests	Total equity
Opening balance 1 january 2016	10,000	10,829	1,093,124	1,113,953	-	1,113,953
Result for the period			268,893	268,893		268,893
Other comprehensive income	-	-8,206	-	-8,206	-	-8,206
Total comprehensive income for the period	-	-8,206	268,893	260,687	_	260,687
Paid Dividend	-	-	-28,000	-28,000	-	-28,000
Closing balance 30 september 2016	10,000	2,623	1,334,017	1,346,640	-	1,346,640
Opening balance 1 januari 2017	10,000	4,468	1,346,829	1,361,297	-	1,361,297
Result for the period	_		-25,885	-25,885		-25,885
Other comprehensive income	-	-4,332	-	-4,332	-	-4,332
Total comprehensive income for the period		-4,332	25 005	20 217		20 247
Dividend	<del>-</del>	-4,332	<b>-25,885</b> -50,000	<b>-30,217</b> -50,000	<del>-</del>	<b>-30,217</b> -50 000
Disposed capital	-		-4,575	-4,575	-	-4,575
Closing balance 30 september 2017	10,000	136	1,266,369	1,276,505	-	1,276,505

# **Consolidated Cash Flow Statement in Summary**

Amounts in SEK thousands Note	2017-09-30	2016-09-30	2016-12-31
Cash flow from operating activities			
Operating result	51,395	165,950	162,666
Depreciation	780	667	918
Unrealized change in value	425	-	_
Other non-cash items	-9,730	-121,635	25,211
Result from participation in group companies	-	-	-132,361
Interest paid	-25,426	-44,467	-54,940
Interest received	3,019	26,733	28,851
Income tax	-17,464	-28,742	-32,882
Net cash flow from operating activities before changes in working capital	2,999	-1,494	-2,537
Cash flows from changes in working capital			
Change in inventories and work in progress	2,125	-3,905	-9,823
Change in current receivables	-23,944	-6,298	-16,628
Change in current liabilities	-6,123	-35,061	-34,908
Total cash flows from changes in working capital	-27,942	-45,264	-61,359
Cash flows from operating activities	-24,943	-46,758	-63,896
Cash flows from investing activities			
Investments in intangible fixed assets		-1,840	-1,839
Investments in tangible fixed assets	-22,547	_	-4,230
Sales of tangible fixed assets	36,852	_	_
Sales of associated companies	30,000	17,633	_
Sales of subsidiaries		-149,196	-135,159
Investments in associated companies and joint venture	_		-17,917
Result from associates and joint venture	_	_	28,550
Change in receivables in associated companies	-9,686	-60,147	-89,935
Change in other non-current receivables	-163,600	222,219	225,006
Total cash flows from investing activities	-128,981	28,669	4,476
Cash flows from financing activities			
Borrowings	102,167	4,881	5,260
Repayment of loan	-37,000	-27,191	-59,840
Repayment of lending	180,837	-	_
Disposed capital	-4,575	-	5,175
Dividends received/paid	-50,000	-28,000	-28,000
Total cash flow from financing activities	191,429	-50,310	-77,405
Changes in cash and cash equivalents			
Opening balance, cash and cash equivalents	53,110	186,407	186,407
Exchange effect in cash and cash equivalents	-1,418	1,305	3,528
Closing balance, cash and cash equivalents	89,197	119,313	53,110

## **Parent Company Income Statement**

Amounts in SEK thousands Not	Jul-sep 2017	Jul-sep 2016	Jan-sep 2017	Jan-sep 2016	Jan-dec 2016
Operating income					
Net sales	1,655	781	2,428	1,564	1,943
Total operating income	1,655	781	2,428	1,564	1,943
Operating expenses					
Other external expenses	-5,329	-3,566	-14,492	-15,189	-20,534
Personnel costs	-1,838	-2,705	-6,591	-7,552	-10,264
Depreciation/amortization of property,					
plant and equipment	-25	-27	-119	<b>-</b> 75	-103
Total operating expenses	-7,192	-6,298	-21,202	-22,816	-30,901
Operating result	-5,537	-5,517	-18,774	-21,252	-28,958
Result from investments in group companies	_	11,847	-	11,847	11,834
Result from investments in associates	5,000	2,700	5,000	28,200	28,200
Result from other securities and receivables accounted for as fixed assets	-63,104	7,477	-124,708	62,975	104,195
Other interest income and similar result items	18,718	42,884	76,182	146,703	173,443
Interest expenses and similar result items	-2,252	-6,536	-30,871	-62,754	-118,618
Result after financial items	-47,175	52,855	-93,171	165,719	170,096
Result before tax	-47,175	52,855	-93,171	165,719	170,096
Appropriations	-13,132	-11,875	-8,092	-7,105	-48,810
Tax on earnings for the period	-	-5,974	-	-26,394	-27,308
Result for the period	-60,307	35,006	-101,263	132,220	93,978

In the parent company, there are no items reported as other comprehensive income and therefore total comprehensive income equals result for the period.

# **Parent Company Balance Sheet**

Amounts in SEK thousands	Note 201	7-09-30	2016-09-30	2016-12-31
ASSETS				
Non-current assets				
Intangible assets				
Balanced development expenses		170	219	207
Property, plant and equipment				
Equipment, tools, fixtures and fittings		675	772	757
Non-current financial assets				
Investments in Group companies	15	54,792	52,342	154,792
Receivables from Group companies	:	27,710	141,690	77,101
Investments in associates		-	817	-
Investments in joint ventures		1,532	1,532	1,532
Other non-current receivables	1,21	6,507	1,370,421	1,420,479
Total non-current financial assets	1,40	0,541	1,566,802	1,653,904
Total non-current assets	1,40	1,386	1,567,793	1,654,868
Current assets				
Current receivables				
Trade receivables		1,983	818	1,761
Receivables from group companies	2	20,629	99,063	112,275
Receivables from associates and joint venture		6,225	4,017	4,047
Other receivables	2	2,245	7,433	8,205
Prepaid expenses and accrued income		118	75	2,353
Total current receivables	5	1,200	111,406	128,641
Cash and cash equivalents	8	30,153	115,231	39,752
Total current assets	13	1,353	226,637	168,393
TOTAL ASSETS	1,53	2,739	1,794,430	1,823,261

## **Parent Company Balance Sheet, continued.**

Amounts in SEK thousands	Note 2017-09-30	2016-09-30	2016-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	10,000	10,000	10,000
Statutory reserve	2,000	2,000	2,000
Fund for development expenses	171	-	207
Total restricted equity	12,171	12,000	12,207
Non-restricted equity			
Non-restricted reserves	542,425	498,618	498,411
Result for the period	-101,263	132,220	93,978
Total non-restricted equity	441,162	630,838	592,389
Total Equity	453,333	642,838	604,596
Untaxed reserves	76,500	35,200	76,500
Provisions			
Other provisions	28,202	18,983	49,139
Non-current liabilities			
Bond loan	373,533	371,462	371,980
Liabilities to Group companies	532,671	672,280	660,653
Total non-current liabilities	906,204	1,043,742	1,032,633
Current liabilities			
Trade payables	2,541	830	1,802
Liabilities to Group companies	28,068	5,017	12,442
Tax liabilities	2,840	22,545	19,673
Other liabilities	29,330	20,230	20,950
Accrued expenses and deferred income	5,721	5,045	5,526
Total current liabilities	68,500	53,667	60,393
TOTAL EQUITY AND LIABILITIES	1,532,739	1,794,430	1,823,261

For information in regards to pledged assets and contingent liabilities, see note 6–7.

GROUP KEY RATIOS	Jul-sep 2017	Jul-sep 2016	Jan-sep 2017	Jan-sep 2016	Jan-dec 2016
Key ratios defined by IFRS					
Net sales	29,354	1,464	108,347	17,752	56,381
Result for the period	-27,837	26,742	-25,885	268,893	276,530
Earnings per share after tax, SEK	-278.4	267.4	-258.9	2,688.9	2,765.3
Key ratios not defined by IFRS					
Return on total equity in %	3.6	1.5	8.1	18.5	21.9
Return on equity in %	-1.2	1.8	-2.2	21.2	21.9
Return on total equity in % (Parent company)	0.9	3.3	3.7	12.7	15.8
Return on equity in % (Parent company)	-10.4	8.2	-20.5	24.7	25.6
EBITDA, SEK in thousands	33,314	-20,566	52,175	166,617	175,740
Operating income in SEK thousands	33,061	-20,713	51,395	165,950	162,666
Operating margin in %	113	-1,415	47	935	289
Cash liquidity in %	262	499	262	499	259
Solidity i %	61.1	64.9	61.1	64.9	64.9
Equity in SEK thousands	1,276,505	1,346,640	1,276,505	1,346,640	1,361,297
Number of share	100,000	100,000	100,000	100,000	100,000
Average number of shares	100,000	100,000	100,000	100,000	100,000
Aerage number of shares after dilution	100,000	100,000	100,000	100,000	100,000
Average number of employees	13	9	13	9	9
Operational key ratios					
Number of apartments under zoning planning	435	810	435	810	545
Number of apartments under production	445	313	445	313	453
Number of occupied apartments	34	0	103	0	0
Number of apartments in the portfolio	990	1,123	990	1,123	998

The key ratio table contains a few financial and operational key ratios that does not have been defined by IFRS. Index Residence AB consider that these key ratios give valuable information to investors because of the combination with (but not instead of)

other key ratios enable evaluation of actual trends in a valuable way. These key ratios should not be regarded as replacement for items that are calculated according to IFRS.

<b>Definition of key ratios</b>	
Number of outstanding shares	Number of registrated shares at the end of the period
Return on equity in %	Result after financial items divided by total equity
Return on total equity in %	Operating result plus financial income divided by balance sheet total
Balance sheet total	Total assets or total equity and liabilities
EBITDA	Earnings before interest, tax, depreciation and amortization
Total equity per shares	Equity that is related to the owner of the parent company divided by number of outstanding shares at the end of the period
Cash liquidity in %	Current assets divided by current liabilities
Earnings per share after tax, SEK	Result of the period attributable to Parent company divided by average number of outstanding shares
Solidity in %	Equity divided by Balance sheet total
Operating margin in %	Operating result divided by total operating income

### **Not 1 General information**

Index Residence AB (publ), corporate identity number 556561-0770 is parent company in Index-Group. Index Residence AB (publ) is headquartered in Stockholm with address Kungsträdgårdsgatan 18, Box 7744, 103 95 Stockholm, Sweden.

The operations of the Parent Company consist of group functions and organization with CEO and administrative functions. Organization of projects and management of real estate is headed by subsidiaries of the Group. No properties are owned directly by the parent company.

Index Group manages and develops real estate.

On November 30, 2017, this Interim report was approved by the Board of directors for publication.

This report has not been reviewed by the Index Residence's auditors.

All amounts are reported in thousands of Swedish kronor (ksek) unless otherwise stated.

## Note 2 Basis for establishing of the reports

Index Residence AB applies IFRS (International Financial Reporting Standards) as adopted by the European Union. This report is prepared in accordance with IAS 34, Interim Financial Reporting. The interim report has been prepared in accordance

with Annual Accounts Act (AAA) chapter 9 and RFR 2 Accounting for Legal Entities. The interim report should be read in conjunction with the annual report for the fiscal year ended December 31, 2016.

## **Note 3 Accounting principles**

The accounting policies are consistent with the principles applied in the previous financial year. See full accounting principles described in the Annual Report for 2016.

### IFRS 15 Revenue from contract with customers

The new standard IFRS 15 Revenue from Contracts with Customers must be applied retrospectively and are required to apply for fiscal years beginning January 1, 2018 or later. The Group has started but not yet finished the evaluation of what impact the introduction of the standard will have. The Group's intention is to apply the new standard from the fiscal year beginning January 1, 2018.

## Percentage-of-completion at project development of condominiums

The Group's project in Norrtälje as regard development of condominiums is performed by the Group sign an agreement where the condominium is the end-user. The Group recognize profit successively for the condominium projects when following criteria is established (i) The condominium has an association with an independent board in place, (ii) external financing has been obtained, (iii) agreements have been signed with residential buyers in the form of binding contract for the end-user, (iv) a signed agreement with the housing cooperative about building condominiums (v) and that a signed agreement between the condominium and an external contractor or a company within the Group is in place. The contracted revenue and expenses are reported according to the construction timeline. Income and expenses are thereby allocated to the period in which the work was completed.

The completion grade is calculated based on total accrued expenses compared to the total calculated expenditures excluding land cost. By land cost we mean acquisitions cost for land from third part. Per the new accounting standard IFRS 15 the work culminates from that of the commitment of the contract. The sales rate determines the number of condominiums sold and settlement rate takes into consideration the grade of completion along with the sales rate. It must be an agreement with a condominium holder before a condominium can be counted as sold. Any reassessment of the projects expected end-result cause correction of earlier accrued result in the project. This change of forecast is included in the result for the period. Estimated losses charge the periods result directly in total.

The Group has paid attention to the effects of the new accounting standard IFRS 15 in the model for the calculation of percentage-of-completion. Reported income of the project proportionate to the company's accrued expenses to meet the commitment in the contract and the Group only report income according to the construction timeline.

The Group is currently evaluating if the completion rate shall emanate from accrued expenses regarding the construct contract or if the completion rate shall emanate from the projects total accrued expenses. The Group has for this accounting period emanate from accrued expenses regarding the construct contract. The chosen method gives a lower result effect in the beginning of a project.

### Note 4 Financial instruments - Fair value

### Information on fair value of lending and borrowing

The carrying amount and fair value of long-term borrowing and lending are as follows:

		Booked value			Fair value	
	2017-09-30	2016-09-30	2016-12-31	2017-09-30	2016-09-30	2016-12-31
Oth non-curr rec.	1,472,332	1,462,907	1,538,655	1,472,332	1,462,907	1,538,655
Borrowing	-115,143	-55,374	-15,661	-115,143	-55,374	-15,661
Bond loan	-373,533	-371,463	-371,980	-373,533	-371,463	-371,980
Total long-term lending and borrowing	983,656	1,036,070	1,151,014	983,656	1,036,070	1,151,014

The fair value of current borrowings equal to its carrying amount, as the impact of discounting is not significant. Fair value is based on discounted cash flows using a rate based on the borrowing rate of 9 % and are classified in Level 2 of the fair value hierarchy.

### **Calculating fair value**

The table below analyzes financial instruments carried at fair value, based on the classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Other observable data for the asset or liability other than quoted prices included in Level 1, either directly (ie as prices) or indirectly (ie derived from prices) (level 2).
- The value of the asset or liability are not based on observable market data, it is financial forecasts underlying the calculation of the value. Input for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The following table shows the Group's financial assets and liabilities measured at fair value as of September 30, 2017.

(SEK in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through income statement	-	-	-	_
- Financial assets held for sale:				
Currency Option	-	3,620	-	3,620
Real Estate projects	-	-	5,000	5,000
Total assets	-	3,620	5,000	8,620
Liabilities				
Financial liabilities at fair value through income statement				
- Derivatives held for trading:				
Currency Option	-	26,927	-	26,927
Interest Rate Swap	-	7,793	-	7,793
Total liabilities	-	34,720	-	34,720

The following table shows the Group's financial assets and liabilities measured at fair value as of September 30, 2016.

(SEK in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through income statement				
- Derivatives held for trading:				
Currency Option		1,882	-	1,882
– Financial assets held for sale	-	-	5,000	5,000
Total assets	-	1,882	5,000	6,882
Liabilities				
Financial liabilities at fair value through income statement				
- Derivatives held for trading:	-	-	-	_
Currency Option	-	9,606	-	9,606
Interest Rate Swap	-	11,259	-	11,259
Total liabilities	-	20,865	-	20,865

Fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices from an exchange, broker, industry group, pricing service or regulatory agency are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. The Group has no financial instruments classified in Level 1.

Fair value of financial instruments not traded in an active market (such as OTC derivatives) is determined using valuation

specialists. The Group uses (as far as possible) market data where it is available and company-specific information is used as little as possible. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Consolidated financial instruments are included in level 2 consists of currency options.

In cases where one or more significant inputs not based on observable market data, the instrument is classified in level 3. Following table shows the changes in fair value of financial assets held for sale:

(SEK in thousands)	2017-09-30	2016-09-30	2016-12-31
Opening balance	5,000	22,500	22,500
Transfer to level 3	-	-22,500	-22,500
Gains and losses recognized in the income statement	-	5,000	5,000
Closing balance	5,000	5,000	5,000

The real value in the table is based on the forecast net profit of fixed revenues from sales of newly built condominiums (to the condominium association), the costs of the works in construc-

tion projects. Forecasts of projects based largely on fixed income, and expenses, resulting in a minimal margin of error for its results.

## Not 5 Segment information

A breakdown of income for all products and services looks as follows:

(SEK in thousands)	2017-01-01 2017-09-30	2016-01-01 2016-09-30	2016-01-01 2016-12-31
Analysis of income per revenue:			
- Sales of goods	-	7,942	7,948
- Property revenue	106,834	8,179	45,918
- Income from services	1,513	1,631	2,515
Total income	108,347	17,752	56,381
Income from external customers			
- Sweden	106,391	6,908	44,203
- Canada	1,956	10,328	11,653
- USA	-	516	525
Total income	108,347	17,752	56,381
Total fixed assets other than financial instruments and de	eferred tax assets which are located	in:	
- Sweden	43,547	20,937	34,545
– Canada	31,777	31,218	32,201
Total	75,324	52,155	66,476

## Note 6 Pledged assets

Group	2017-09-30	2016-09-30	2016-12-31
Real estate mortgages	15,143	15,589	15,975
Pledged receivables	172,050	-	_
Pledged shares	-	2,312	2,409
Total Group	187,193	17,901	18,384
Parent company	2017-09-30	2016-06-30	2016-12-31
Pledged shares	-	1,040	1,040
Total parent company	-	1,040	1,040

 $Real\ estate\ mortgages\ and\ share\ pledges\ are\ pledged\ as\ collateral\ for\ the\ Group's\ interest-bearing\ liabilities.$ 

## **Note 7 Contingent liabilities**

Parent company	2017-09-30	2016-09-30	2016-12-31
General guarantees for subsidiary loans	100,000	128,217	60,000
General guarantees for other company loans	405,469	11,287	411,332
Total parent company	505,469	139,504	471,332

## Note 8 Events post reporting date

## **Upcoming reporting dates**

• February 28, 2018 Interim report for period January – December 2017

• April 29, 2018 Annual report 2017

## Stockholm, 30th of November 2017

Bjarne Borg

Chairman of the Board

**Rickard Haraldsson** 

CEO

Arne Weinz

Member of the Board

Marie-Louise Alama

Member of the board

