

K-FAST HOLDING AB ANNUAL REPORT 2019

*The property company that is committed
at all levels welcomes you home.*



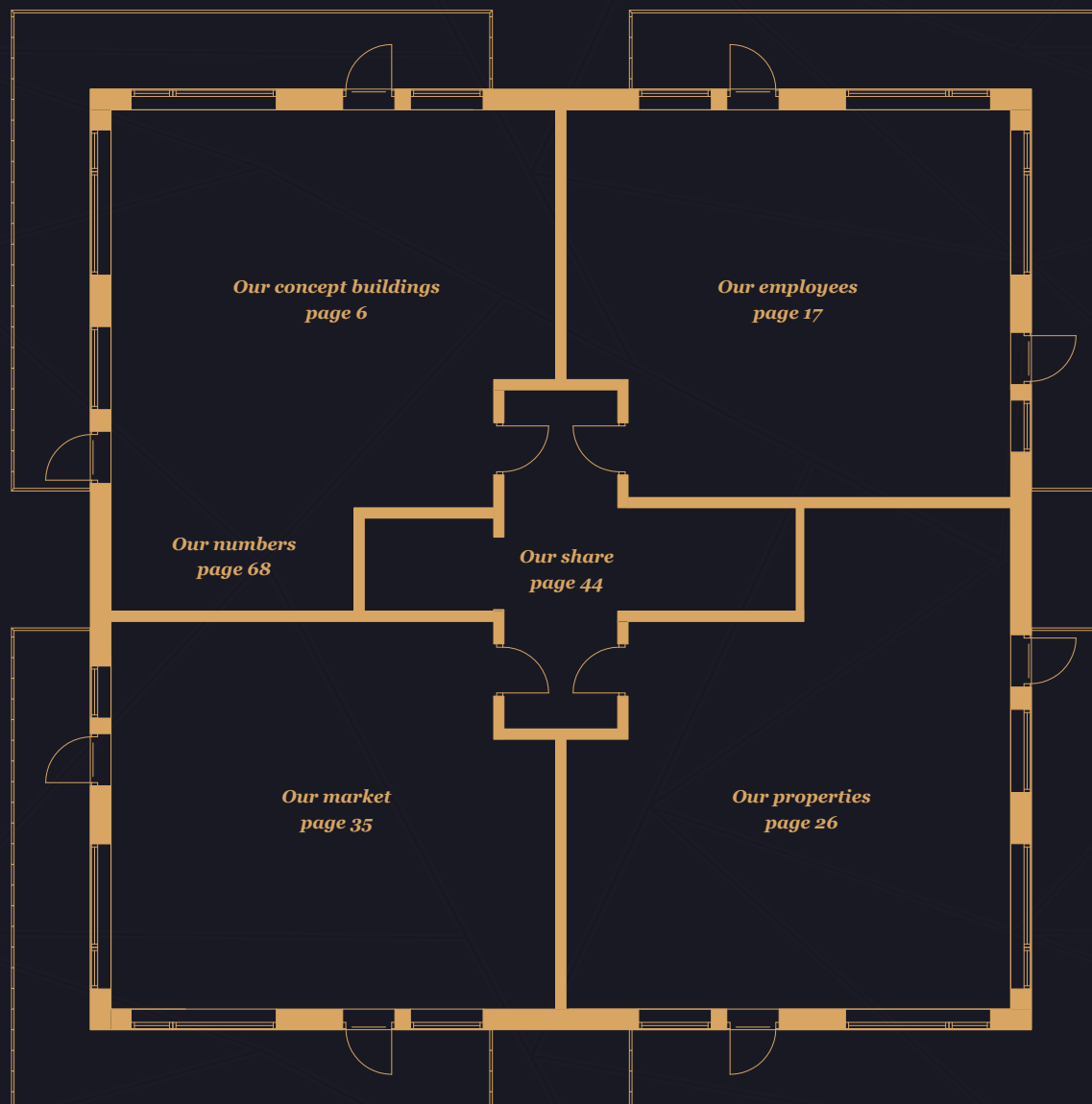
K-FASTIGHETER



K-FAST HOLDING AB – Corp. ID No.: 556827-0390

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The Annual Report of K-Fast Holding AB ("K-Fastigheter") comprises pages 68-121 (the Administration Report and appurtenant financial reports) and has been audited by Ernst & Young AB. "K-Fastigheter" and "the Group" refer to K-Fast Holding AB with or without subsidiaries and associated companies depending on the context. The Annual Report is published in Swedish and English, with the Swedish version being the original. Printed copies can be ordered via ir@k-fastigheter.se. Cover: In the popular T4-area of Hässleholm, K-Fastigheter is now building additional Apartment Blocks. In the background is the Tre Överstar Apartment Block, completed in 2019. Design: OAS Creative. Photos: K-Fastigheter, Nasdaq, OAS Creative and Oskar Gydell. The English version is a translation of the original in Swedish for information purposes only. In case of a discrepancy, the Swedish original will prevail.

K-FASTIGHETER IN ONE MINUTE

With commitment at all levels, K-Fast Holding AB ("K-Fastigheter") creates attractive homes offering a high degree of comfort. The Group has developed its own housing concepts meeting demands for high-quality housing from tenants and social planners. To increase cost efficiency and shorten construction times, the Group works with three concept buildings that are constructed solely for long-term ownership and active property management: Low-Rise, Lateral Low-Rise and Apartment Block.

The Group holds a strong position in the Öresund region and in selected towns and cities in southern and western Sweden. Our vision is to become one of the Nordic region's largest players and a leading property owner of sustainably constructed, innovative and cost-efficient concept buildings meeting the wishes and requirements of tenants seeking to establish a home for many years to come. The housing offered by the Group is to be distinguished by the best combination of high standard, home comfort and security in the market.

Responsiveness in our dialogue with customers, suppliers and employees generates conditions for continued development towards better and more efficient homes in all regards, forming the foundation of K-Fastigheter's business model. In this way, the Group's combined experience and knowledge is applied and re-used in project development, construction processes and property management alike. Standardization, implementation of smart and sustainable solutions, as well as skills and relationships with key stakeholders are crucial factors for K-Fastigheter's continued growth.

K-Fastigheter is a project development, construction and property company focused primarily on rental housing properties, which, as of 31 December 2019, accounted for 89 percent of the property value of the completed property portfolio and for 85 percent of the

contractual rent. On 31 December 2019, K-Fastigheter's property portfolio contained a total lettable area of approximately 130,000 square metres, distributed between 1,700 apartments and 110 commercial contracts, with total rental income of approximately SEK 200 million on an annual basis. The project portfolio comprises more than 2,000 apartments under construction and in project development.

Based in Hässleholm and with local offices in strategically selected locations, K-Fastigheter currently has some 70 employees. K-Fast Holding AB's class B-share has been listed on the Nasdaq Stockholm exchange since November 2019 under the ticker KFAST B. The largest shareholder is Jacob Karlsson AB, Erik Selin Fastigheter Aktiebolag and AP2.

THE YEAR 2019 IN BRIEF

- K-Fastigheter was founded in 2010. Since 29 November 2019, the company's class B shares have been traded on the Nasdaq Stockholm exchange under the ticker KFAST B
- New business plan with updated targets and strategy
- Continued expansion in growth locations including Gothenburg, Malmö and Växjö
- Rental income increased by 62 percent, to SEK 156.8 million (96.6). At the end of the year, contractual rent totalled SEK 190.5 million (132.5), of which 85 percent pertained to housing or related leasing.
- At the end of the year, 700 apartments (541) were under construction
- At the end of 2019, K-Fastigheter had 1,711 apartments (1,220) under property management
- Profit from property management increased by 29 percent to SEK 52.9 million (41.1)
- The long-term net asset value per share increased by 54 percent to SEK 74.96 (48.54)
- Earnings per share increased by 44 percent to SEK 14.14 (9.79)

NUMBER OF APARTMENTS UNDER MANAGEMENT

1,711 ITEMS 2019

NUMBER OF HOMES UNDER PROJECT DEVELOPMENT AND PRODUCTION

2,040 ITEMS 2019

NUMBER OF APARTMENTS ACQUIRED BUT YET TO BE TAKEN INTO POSSESSION

199 ITEMS 2019

Selection of key data	2019	2018
Financial		
Interest coverage ratio, multiple	2.6	3.5
Equity/assets ratio, %	41.8%	29.3%
Loan-to-value ratio, %	40.2%	60.4%
Profit from property management, SEK million	52.9	41.1
Long-term net asset value (NAV), SEK million	2,540.2	1,213.4
Share-related		
Profit from property management per share, SEK	2.05	1.64
Growth in profit from property management per share, %	24.6%	23.8%
Long-term net asset value (NAV), per share, SEK	74.96	48.54
Growth in long-term net asset value (NAV), per share, %	54.4%	29.5%

THE YEAR 2019 IN BRIEF



At the end of 2019, K-Fastigheter had six Lateral Low-Rise buildings with a total 625 apartments.



In 2019, K-Fastigheter acquired buildings with a total 199 apartments, of which the company will gradually take possession during 2020.



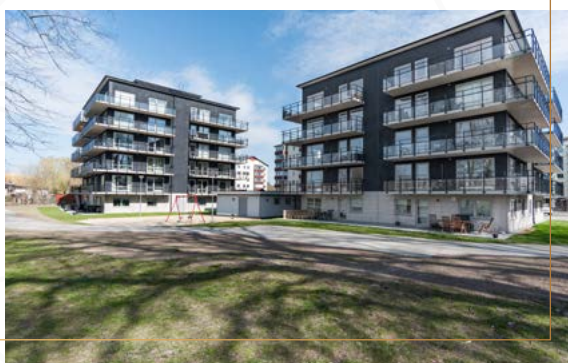
On 29 November 2019, trading of K-Fastigheter's class B shares commenced on the Nasdaq Stockholm exchange.



K-Fastigheter was founded in 2010 by Jacob Karlsson and the company's first property was the Loke 13 property in Hässleholm.



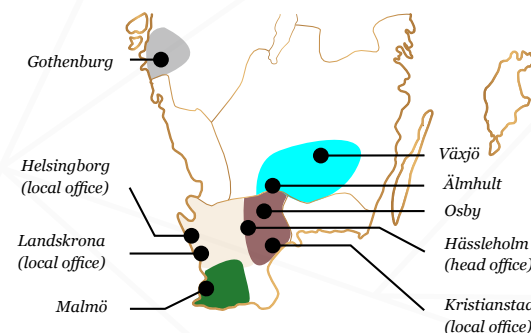
During 2019, K-Fastigheter expanded in several towns – in Växjö, the Group now has about 420 apartments under project development, construction and property management.



In 2019, one Apartment Block was completed and construction on five commenced and, by the end of the year, ten Apartment Blocks were in production.

WE HAVE NOW LAID THE FOUNDATION FOR BECOMING ONE OF THE NORDIC REGION'S LARGEST OWNERS AND MANAGERS OF RENTAL HOUSING

On 31 December 2019, K-Fastigheter's property portfolio comprised 64 properties with 1,711 apartments under property management, 700 apartments in production and 1,340 apartments in project development. The total lettable area under property management amounted to approximately 130,500 square metres. Residential properties constituted the largest property category, corresponding to approximately 89 percent of the property value, while commercial properties constituted approximately 11 percent of the property value. The geographical regions Northeastern and Northwestern Skåne were K-Fastigheter's largest markets, with approximately 45 percent and 40 percent of rental value respectively.



- Northeastern Skåne: Hässleholm, Kristianstad and Osby
- Northwestern Skåne: Höganäs, Helsingborg and Landskrona
- Southwestern Skåne: Malmö
- Southern Småland: Växjö and Älmhult
- Gothenburg: Gothenburg and Ale

SIGNIFICANT EVENTS IN 2019

First quarter:

- Rental income amounted to SEK 33.0 million.
- Construction commenced on projects in Hässleholm and Älmhult, with a total 98 apartments in five Apartment Blocks; and in Tygelsjö, south of Malmö, with 30 tenant-owned apartments.
- Completion of projects in Kristianstad and Hässleholm with a total 55 rental apartments.
- Twelve apartments were renovated in accordance with the K-Fast 2.0 programme.
- Acquisitions of land in Kävlinge with total gross area of 15,000 square metres.

Second quarter:

- Rental income amounted to SEK 38.6 million.
- Construction commenced of 21 apartments in Hässleholm.
- Completion of projects in Hässleholm and Helsingborg, with a total 69 apartments.
- Seven apartments were renovated in accordance with the K-Fast 2.0 programme.
- Acquisitions of a total 238 rental apartments in Växjö, of which 171 will be ready for tenants to move in during 2020.
- Acquisitions of building rights in Gothenburg (about 100 apartments), in Viken in the Municipality of Höganäs (about 90 apartments) and in Malmö (62 apartments).
- K-Fastigheter's associated company Novum Samhällsfastigheter AB agreed to sell the upcoming construction of a retirement home in Falkenberg.
- K-Fastigheter obtained three properties with 74 apartments and 3,000 square metres of commercial premises in Helsingborg through the distribution of the assets of Balder i Skåne AB.
- In April 2019, the Annual General Meeting of K-Fast Holding AB was held, at which Erik Selin, Jesper Mårtensson and Jacob Karlsson were re-elected as Board Members, while Sara Mindus, Christian Karlsson and Ulf Johansson were elected as new Board Members. Erik Selin was elected as Chairman of the Board.

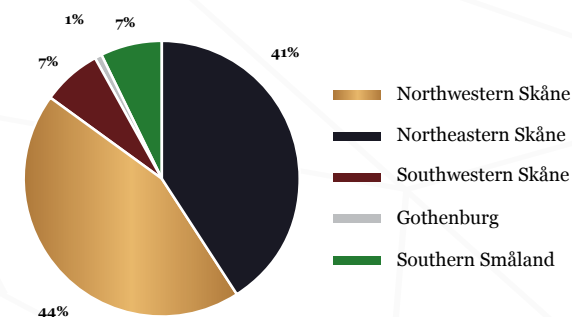
Third quarter:

- Rental income amounted to SEK 40.5 million.
- Construction commenced of projects in Malmö, Gothenburg and Hässleholm, with a total 240 apartments.
- Completion of projects in Helsingborg, Kristianstad and Landskrona, with a total 126 apartments.
- Thirteen apartments were renovated in accordance with the K-Fast 2.0 programme.
- Acquisition of an existing apartment building in Hässleholm, with about 17 apartments.
- Acquisitions of building rights in Gothenburg and Höganäs for the construction of approximately 263 apartments. K-Fastigheter will gain access to the Gothenburg property during 2020.
- Acquisition of a development property with total gross area of 29,700 square metres in Arlöv, outside Malmö.
- K-Fastigheter's associated company Novum Samhällsfastigheter divested its upcoming construction of a retirement home in Hässleholm.
- During the quarter, a private placement of 263,528 class B shares was implemented, aimed at five senior executives in K-Fastigheter.

Fourth quarter:

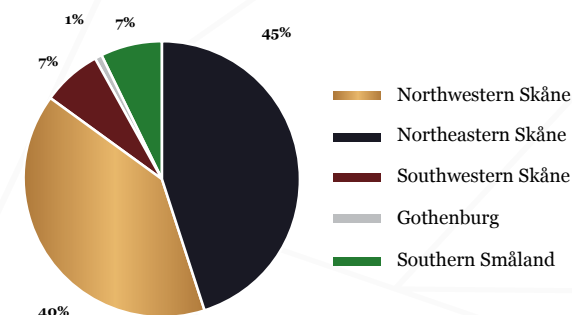
- Rental income amounted to SEK 44.7 million.
- Construction commenced of projects in Höganäs and Växjö, with a total 129 apartments.
- A total 82 apartments were completed in Kristianstad and Helsingborg.
- Acquisition of 28 rental apartments in Helsingborg. Access will be gained during 2020.
- During the quarter, renovation of eight apartments was completed in accordance with K-Fast 2.0.
- Acquisition of building rights in Kävlinge for about 70 rental apartments, in Viken with the opportunity to build up to 300 apartments and two building rights in Växjö for a total 130 apartments.
- A new share issue of 8,625,000 shares and listing of K-Fastigheter's class B shares on the Nasdaq Stockholm exchange.
- Commencement of trading in K-Fast Holding AB's class B shares on the Nasdaq Stockholm exchange.

Homes under management by geography, 31 December 2019, %



Total number of apartments under management: 1,711.

Rental value by geography, 31 December 2019, %



The rental value amounted to SEK 196.6 million.

K-FASTIGHETER'S CONCEPT BUILDINGS



Low-Rise – flexible buildings offering considerable freedom of choice

The Company's flexible one to three-storey multi-family dwellings can be constructed either as semi-detached houses, terraced houses or link houses with one or two-storey apartments. Apartments are available in four sizes: one bedroom, living room and kitchen totalling 60 square metres; two bedrooms, living room and kitchen totalling 75 square metres; three bedrooms, living room and kitchen totalling 90 square metres; as well as three bedrooms, living room and kitchen totalling 94 square metres over two storeys.

To meet demand in each market, K-Fastigheter offers a free choice of floor plans for each construction project. Low-Rise buildings are basically built using the same methods used when building a traditional single-family dwelling. The Low-Rise buildings can, however, be built either as terraced or semi-detached houses, or built partly on top of one another to create two-storey buildings with access balconies. The Low-Rise buildings offer very high functional economy, with efficient project development making it possible to completely avoid having public areas.

Structural details:

Ground level foundation plate, aerated three-layer wooden frame, delivered in prefabricated units.

Read more about the company's concept buildings and vacant apartments at www.k-fastigheter.se/en



Lateral Low-Rise – variation and space efficiency

K-Fastigheter's neighbourhood-structure multi-family dwellings can be constructed up to ten storeys in height. Lateral Low-Rise apartments are built primarily in two particularly efficient configurations with one bedroom, living room and kitchen totalling 49 square metres and two bedrooms, living room and kitchen totalling 59 square metres. It is also possible to include larger or smaller apartments options. To meet market demand and make optimum use of specific building rights, K-Fastigheter has chosen to make its Lateral Low-Rise buildings adaptable in terms of floor plans, making it possible to have commercial premises on the ground floor, for example, and to add underground garages.

In designing the Lateral Low-Rise concept, there has been considerable focus on achieving a building with considerable living space in relation to the façade area. In K-Fastigheter's assessment, the Lateral Low-Rise concept has a significantly smaller façade area in relation to living space than the average newly produced apartment in Sweden. In connection with construction, this is significant because a smaller façade entails lower consumption of materials and fewer working hours to complete the project. In a long-term management perspective, a smaller façade area results in lower maintenance costs, but above all a smaller area exposed to cold, which helps reduce the building's total energy consumption.

Structural details:

Supporting concrete structure with flooring units and concrete separating walls between apartments and lightweight external wall units.



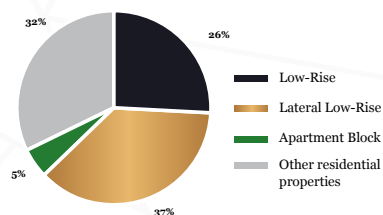
Apartment Block – the residential building for all locations

K-Fastigheter's Apartment Block is a multi-family dwelling with a square footprint and that can be built with four to ten storeys. K-Fastigheter's Apartment Block has four apartments on each floor: two with one bedroom, living room and kitchen totalling 62 square metres and two with two bedrooms, living room and kitchen totalling 71 square metres. All apartments have spacious 27 square-metre balconies facing two directions. With several different ground floor layouts, the Apartment Block is particularly well-suited for construction on difficult sites. In uneven terrain, the ground floor can be built as a semi-basement, for example. It can also be adapted to a considerable extent to meet the different requirements of different building rights in terms of, for example, storey height, any commercial premises, internal or external placement of refuse rooms and storage units. The Apartment Block is K-Fastigheter's concept building with the highest degree of prefabrication, with the structural elements already including complete electrical mains and drain vaults. The Apartment Block has also been designed specifically for cost-efficient property management in the long term, including in the wall structure, which makes all drain stacks accessible from the staircase, allowing future drain stack replacement without tenants having to move out. With its innovative design, high degree of prefabrication and a balcony design that makes scaffolding superfluous, the Apartment Block has a very time-efficient construction process. Having poured the foundation slab, it is possible to complete an eight-storey Apartment Block in just six months.

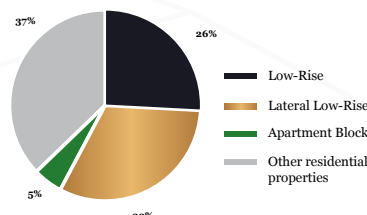
Structural details:

Entirely concrete structure with sandwich exterior walls, uniform walls separating apartments and floor units.

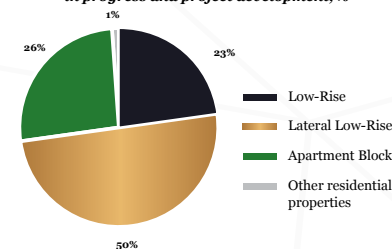
Number of apartments by completed concept buildings, 31 December 2019, %



Rental value by completed concept building, 31 December 2019, %



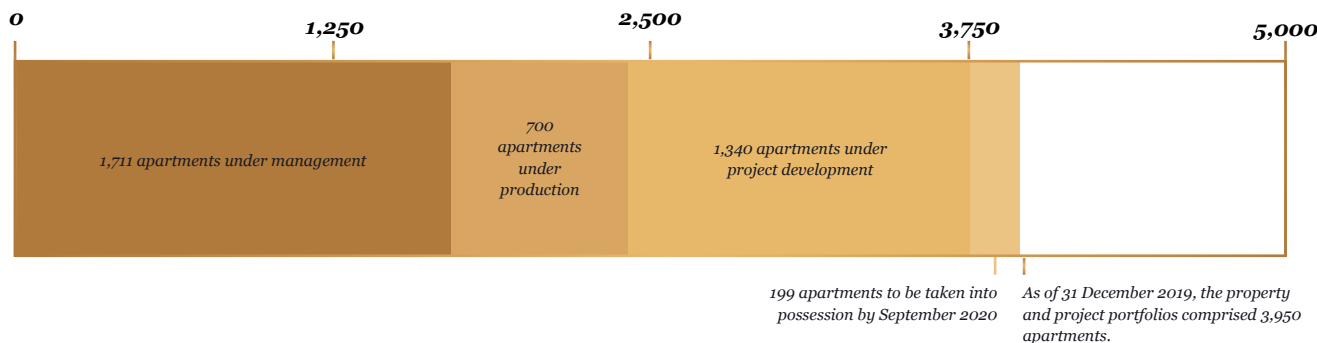
Rental value by concept building, in construction in progress and project development, %



A MESSAGE FROM THE CEO

At K-Fastigheter, we always try to build something more than just apartments. Together with our tenants, we seek to build homes, because there is definitely a difference between a home and an apartment. There is a difference between four walls and a home in which we experience well-being, security and love... Human values are part of that difference and these are also the values that set K-Fastigheter apart from many other property companies. We design the homes that we build and manage in accordance with the motto "HOMES where we ourselves want to live" – which we actually do, as about 15 percent of our employees are tenants of our property portfolio. This engenders credibility, and we live as we preach. At the same time, we always keep an ear on the ground to determine how we can improve further. Because we are never completely satisfied!

K-Fastigheter's operational targets appear realistic and achievable – these include at before 5,000 apartments under management by the end of 2023 and a project volume of 1,000 apartments commencing construction annually by that time. We enter 2020 with 1,711 apartments under management, 700 apartments currently in production, 1,340 apartments currently at the project planning stage and 199 apartments of which we will be taking possession gradually by September 2020. Consequently, our property and project portfolios amounted to a total of 3,950 apartments as of 31 December 2019. Rental income for full-year 2019 amounted to SEK 156.8 million, compared with the rolling 12-month rental value of SEK 196.6 million at the end of the year, reflecting a 25 percent increase.



In mid-March 2020, we were able to announce two major transactions of importance for K-Fastigheter in achieving its operational targets. We will be establishing operations in another growing Swedish town, Borås, and in a new country, Denmark.

In Borås, we signed an agreement to acquire the Borås Åkermynatan 5 property in the district of Bergsäter. On the approximately 47,700 square-metre site, we intend to build all three of our concept buildings, with as many as 600 apartments in total. This is our first project in Borås and affords K-Fastigheter favourable opportunities to develop a pleasant residential area. The detailed development plan for the property is currently under public consultation and we believe it could gain legal force during the summer of 2020.

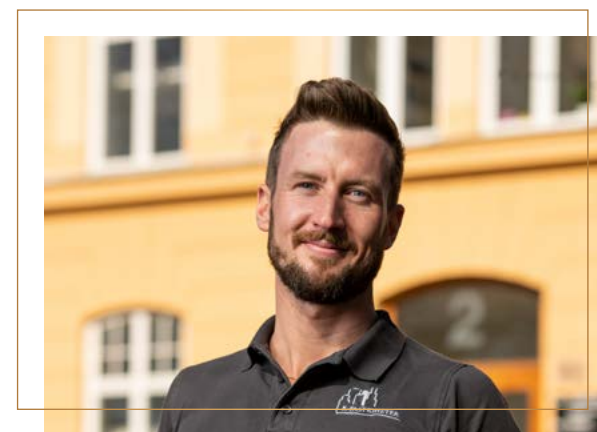
On 31 March 2020, we were able to announce the commencement of our largest individual project, Sävenäs 131:13, with an additional 192 apartments in Gothenburg. Together with our neighbouring property, by the end of 2022, we will be able to offer 295 apartments, a retail space and 201 parking spaces at the attractive address on Smörslottsgatan.

Another exciting project is the 7cq Vallensbæk property in Vallensbæk Strand, just south of Copenhagen. This will be K-Fastigheter's first construction project outside Sweden. There is a valid building permit for the property for a lettable area of 7,779 square metres distributed between 95 apartments and 92 parking spaces in the garage. K-Fastigheter differs from many of the current Swedish players active in the Danish market by implementing,

just as in Sweden, our strong business model in which we own the entire chain, from project development and construction to future property management.

We are confident in now taking this initial step into the Danish market, even though the transaction was finally agreed on the same day that Denmark closed its borders to limit transmission of the corona virus. In the event that the corona crisis is protracted, we will be able to adjust our organization, building with one-third in-house personnel and two-thirds external, affording us the flexibility necessary in this situation. Vallensbæk is located only 14 kilometres from our head office in Hässelholm. It is geographically closer than several of our other projects, so we will be managing this project through our existing Swedish organization for project development and construction. In the long term, we will also establish our own property management organization in Denmark.

Our expansion into Denmark, focusing on the Copenhagen area, is one of the more significant decisions we have made to date in K-Fastigheter's history. On the other hand, current conditions allow us to achieve better margins in cash flow and value on the other side of the Sound compared with corresponding projects in Sweden. I see this as a first step in a long-term investment in Denmark, focusing on Greater Copenhagen.



Jacob Karlsson, CEO of K-Fast Holding AB

Organizationally, we are already well-equipped to achieve an annual production volume of 1,000 apartments. By adding a new plant in Hässleholm in 2020, supplementing our existing one in Osby, we will have the internal production capacity to meet the above volumes with a margin.

” *We find ourselves at the beginning of a marathon with an eternal investment horizon. Despite the race ahead being long, I can see that we maintained a high pace in 2019 with net asset value growing by 54 percent per share, including the new shares issued in the autumn, and by 36 percent excluding them.* ”

Continuing to pursue K-Fastigheter's existing business model is crucial to achieving our targets, focusing on acquiring building rights in our priority growth locations. This is a long-term process, largely involving numerous small-scale acquisitions that are often achieved through established relationships with land and property owners. In December 2019 alone, we acquired building rights equivalent to 496 apartments with a market value of almost SEK 1 billion on completion.

The increase in volumes we aim to achieve will require geographical expansion. During the year, we commenced construction projects on Sweden's west coast, acquiring building rights for almost 300 apartments in Gothenburg, of which 103 commenced construction the third quarter of 2019, with a further 192 apartments commencing construction in the first quarter of 2020. We have several major projects in Växjö, where we have acquired building rights and completed properties, and where we already have 90 apartments under construction in the Pelikanen and Taket urban blocks.

Profit for full-year 2019 amounted to SEK 365.3 million, of which 42 percent relates to project development and construction of our own concept buildings. What I want to underscore in saying this, is that K-Fastigheter is more than merely a property company.

In addition to the above targets, we will continue to focus on increasing efficiency in the construction phase, not only during

2020, but also in the longer term. For although we can certainly build high-quality homes at an attractive cost level, the fact remains that the homes we produce ourselves are also more efficient to manage in terms of cost and the environment. Although we are pleased with a surplus ratio of 68 percent after property management expenses for a portfolio consisting predominantly of housing, it should be added that we are particularly proud that our concept buildings, produced in-house, generate even higher surpluses. At present, our concept buildings, produced in-house, show a surplus ratio of slightly more than 80 percent, compared with our portfolio of purchased properties, which reports a surplus ratio of slightly less than 60 percent. And that, my friends, is where you have the difference that makes a difference. Just think – from the concept buildings we produce in-house, we shareholders actually get to keep 20 percent more of the rent compared with the rent from our older buildings. The earnings that take five years for our older portfolio to produce we achieve in four years with our concept buildings produced in-house.

One of the reasons for the higher surplus ratio in the newly produced concept buildings is that their overall energy consumption was 32 percent lower and their water consumption 16 percent lower in 2019, compared with our purchased portfolio.

We find ourselves at the beginning of a marathon with an eternal investment horizon. Despite the race ahead being long, I can see that we maintained a high pace in 2019 with net asset value growing by 54 percent per share, including the new shares issued in the autumn, and by 36 percent excluding them. In addition, profit from property management grew by 25 percent, corresponding to our financial target of 20-percent average growth per share and year in relation to profit from property management and net asset value over an economic cycle.

At the time of writing, the ongoing corona pandemic is having a profoundly negative impact on people and businesses in large parts of the world. There is considerable uncertainty and we must be active to adapt our operations quickly to the prevailing circumstances. K-Fastigheter has taken steps to deal with the corona virus situation, prioritizing the health and safety of our

employees and tenants. We realize that many individuals and companies face a difficult period ahead and we will be taking our responsibility in helping society and the economy return to normal as soon as possible – we will achieve this, in particular, by continuing to operate as normally as possible and by being an active partner to our tenants and suppliers.

With K-Fastigheter's current financial strength we will continue, in accordance with our previously communicated strategy, to acquire building rights in attractive locations and to make supplementary acquisitions of existing properties to stand well-equipped when this serious situation has passed.

We ended 2019 with our class B shares being launched on Nasdaq Stockholm's Mid Cap list. There was tremendous interest, with more than 40,000 applications, far exceeding the number of shares we had to allocate. What was most heartwarming was that most K-Fastigheter employees chose to subscribe for the issue, joining me as shareholders alongside many others. Our team spirit and sense of belonging have never been stronger, as we now progress united towards new and more ambitious objectives. We enter 2020 with approximately 3,700 shareholders. We hope to retain the confidence of these new partners on a journey that has only just begun.



K-Fastigheter's first project in Denmark to commence during 2020. In Vallensbæk Strand, just south of Copenhagen, the Group plans to build 95 apartments and a garage with 92 parking spaces.

OPERATIONS

The listing of K-Fast Holding AB on the Nasdaq Stockholm exchange was an important step towards develop K-Fastigheter as a leading player in the rental market in the Nordic region. During the year, the company updated its business plan with clear objectives for the period until the end of 2023.

K-FASTIGHETER'S FOUR CORNERSTONES

1 **Innovation through repetition and skills bank**

Innovation is essential for progress. In our industry, innovation does not entail rethinking everything. K-Fastigheter operates in an industry where properties are produced as prototypes – no property is identical to another. In this context, K-Fastigheter contributes innovation, which for us means building proven concept buildings again and again.

Acquisitions of existing property stocks are an important complement to our newly-built concept buildings. We seek to expand strongly into selected growth locations, with a good combination of our own concept buildings and acquired, favourably-positioned older properties. The latter category may include apartments of a standard lower than we as well as our tenants find acceptable. We upgrade these continuously so that furnishings, fittings and technical installations maintain a standard similar to that offered in the properties we have developed in-house.

We call this renovation programme K-Fast 2.0. The programme reduces our technical liability while raising the standard, not only with regard to surfaces but also to wiring, plumbing and other technical aspects.

2 **Relationships with key stakeholders**

We are able to apply the experiences of tenants, as well as of production and property management personnel, to continuously advance our construction and property management operations, improving cost efficiency and quality. K-Fastigheter maintains a small and experienced Project Development organization, which facilitates initial contacts in the process with municipalities and other interest parties. We know the regulations and listen to the specific wishes for each project, enabling us to shorten lead times and streamline construction.

We strive to have our own management personnel in all towns where we own properties. During the build-up phase in a particular town, we employ local property management personnel.

We can see that various types of partnerships help improve society. K-Fastigheter works actively to develop its building rights to foster variation in architectural expressions and title formats. We are also keen for businesses to be established, ensuring the presence of residents and visitors during large parts of the day.

3 **Sustainability focus**

Another important cornerstone is our sustainability work. Our concept buildings afford us control over all parts of the production process, from early project development to the property management of the completed building. Through the repeated production of conceptual housing solutions, material waste can be almost completely eliminated, benefiting both the environment and the financing of production. By using the same materials and products both in new production projects and in K-Fast 2.0 renovations, we create larger purchasing volumes and improve our scope for negotiation. Initiatives to reduce the carbon footprint are in progress throughout the construction industry. K-Fastigheter has several clear undertakings to continuously assess solutions for

minimizing the consumption of energy and water in our property portfolio.

We also work actively to evaluate and select materials that are durable in the long term. Assuming social responsibility is an area we believe will grow in importance, both for K-Fastigheter and its stakeholders. We are working actively to be present and attentive to foster safe and secure living environments.

4 **Growing with demand**

We are seeing that our offering meets the market's demand for attractive homes at the right price.

With our housing concept, we generate cost control and financial efficiency throughout the chain, from building rights to property management over the lifetime of the building. Since early 2010, we have established, primarily through concepts developed in-house, a property company with strong positions and engagements in several selected locations. Today, we have a property, construction and project portfolio of almost 4,000 apartments.

K-Fastigheter is a project development, construction and property company that, applying a cross-functional approach, achieves profitability at each stage. For the period January to December 2019, the Group reports 55 percent of its profits in the property-related operations, meaning that as much as 45 percent is related to other operations, the most significant of which are project development and construction.

Our vision

K-Fastigheter shall be one of the Nordic region's largest players in the rental market and a leading property owner, with sustainably built, innovative and cost-efficient concept buildings distinguished by the market's best combination of high standards, homely atmosphere and security.

Our business concept

K-Fastigheter's business concept is, with great commitment and high cost-efficiency, to develop, construct, manage and own, for the long term, the market's most attractive residential properties in terms of their condition, standard and level of service. The Group shall offer rental housing, produced in-house and acquired, in locations within the Nordic countries with long-term favourable demand for rental apartments and commercial premises.

Overarching objectives

K-Fastigheter's overarching objective is to generate value for the company's shareholders. Over a business cycle, the generation of value is measured as growth in long-term net asset value per share.

Strategy

Through its business areas, the Group shall generate growth in value, building on the following fundamentals:

Growth.

The Group's development is achieved through cross-functional efforts between the three business areas.

Profitability.

To ensure high and sustained profitability, the business area's are to collaborate in areas including structure and systems support for processes (financing, bidding, etc). Read more about financial development on pages 68–85.

The brand/position.

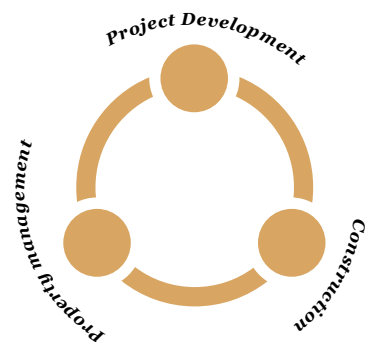
K-Fastigheter shall be a challenger in an industry that has much to gain from innovation throughout the value chain. The company's commitment at all levels should contribute to the perception of us as responsive, aware, innovative and knowledgeable.

Operational targets	Target achievement	Comment
In the long term, rental income from housing is to comprise at least 80 percent of K-Fastigheter's total rental income	85%	Rental income amounted to SEK 156.8 million (96.6) for 2019, an increase of 62 percent compared with the preceding year. Of the SEK 60.2 million increase, 40 percent is attributable to properties acquired during the full-year and completed proprietary construction projects. The remaining 60 percent is attributable to full-year effects of properties completed and acquired in 2018 and increased rents in comparable holdings.
The number of apartments to be managed by the K-Fastigheter and on which construction has commenced is to amount to 1,000 a year by the end of 2023	518	On 31 December 2019, the project portfolio consisted of more than 2,000 apartments under construction or project development.
At the end of 2023, K-Fastigheter is to manage at least 5,000 apartments in the Nordic region	1,711	At the end of 2019, K-Fastigheter had 1,711 apartments under property management, 700 apartments in production, 1,340 apartments under project development and 199 acquired apartments, totalling 3,950 apartments. In the first quarter of 2020, K-Fastigheter acquired building rights for a further approximately 710 apartments in Sweden and Denmark.
Financial targets	Target achievement	Comment
Over an economic cycle, growth in long-term net asset value per share is to average at least 20 percent annually, including any value transfers	✓	At the end of the year, the long-term net asset value (NAV) amounted to SEK 2,540.2 million (1,213.4), corresponding to SEK 74.96 per share (48.54). The long-term net asset value per share increased by 54 percent compared with 31 December 2018.
Over an economic cycle, annual growth in earnings per share from property management is to average at least 20 percent	✓	Profit from property management has been affected positively by the continued sharp increase in rental income and the stable surplus ratio, and negatively by increased central costs, impairment and reduced net interest income, with a large proportion of non-recurring central costs and impairment in connection with the preparations for the stock market listing that has been implemented. In 2019, earnings per share from property management amounted to SEK 2.05 (1.64), which is an increase of 25 percent on the preceding year.
<i>The target is for growth in net asset value and profit from property management to be generated while maintaining a stable and sound financial position and with balanced financial risk-taking, meaning that:</i>		
The equity/assets ratio at the Group level should amount to at least 25 percent	✓	As of 31 December 2019, the equity/assets ratio was 41.8 percent.
The interest coverage ratio should be a multiple of at least 1.75	✓	As of 31 December 2019, the interest coverage ratio was a multiple of 2.6.
The loan-to-value ratio may amount to at most 70 percent relative the market value of the Group's investment properties	✓	As of 31 December 2019, the loan-to-value ratio amounted to 40.2 percent.

IN 2019, WE SURPASSED ALL OF OUR FINANCIAL TARGETS.

BUSINESS MODEL

With eternity perspective comes responsibility K-Fastigheter is involved in the entire value chain, from election of establishment and the first contacts regarding land acquisition, through its own standardized and industrial production and construction for long-term ownership and property management.



The **Project Development** business area shall map the regions and locations in which K-Fastigheter's concept buildings can be built in accordance with K-Fastigheter's model and shall be responsible for acquisitions of portfolios of properties and building rights complementing the company's own production and property portfolio, primarily in grade A and B locations.

Read more about the business area on page 13.

The **Construction** business area shall construct and further develop the cost-efficient Low-Rise, Lateral Low-Rise and Apartment Block concept buildings and increase the Group's own production capacity.

Read more about the business area on page 14.

The **Property Management** business area shall develop cost-efficient local property management operations, including personal reception combined with digital assistance.

Read more about the business area on page 16.

COLLABORATION FOR PROFITABILITY

- Through its business areas, K-Fastigheter shall collaborate to create a combined offering of attractive and cost-efficient concept buildings, developed in-house, with high-quality rental apartments and occasionally also commercial premises. Through standardization and by implementing intelligent and sustainable solutions, as well as being responsive in our dialogue with customers, suppliers and employees, we foster the conditions needed for continued development towards homes that are better and more efficient in all regards. In this way, the Group's combined experience and knowledge is applied and re-used in project development, construction processes and property management alike.
- By conducting efficient project development, construction, acquisitions and long-term property management of concept buildings, K-Fastigheter shall offer space-efficient rental housing in primarily grade A and B locations in towns with sustained

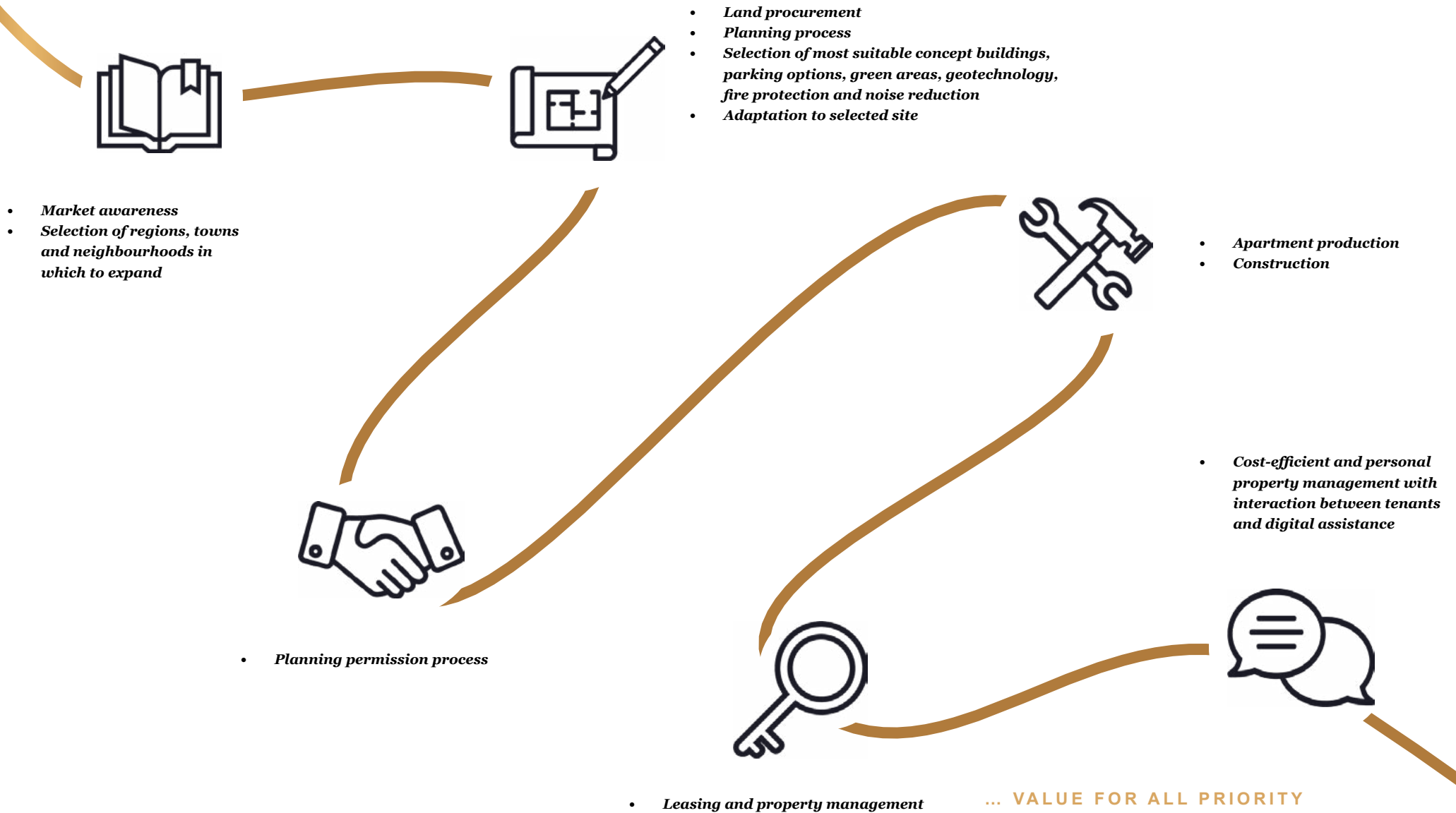
favourable demand for rental housing in Sweden and the other Nordic countries, using in-house resources or in collaboration with local partners.

- With its collective experience and expertise, and with its ongoing relations land and property owners, K-Fastigheter shall identify building rights and attractive property stocks. Through thorough groundwork, the Group shall engender conditions for utilizing building rights well-suited to K-Fastigheter's concept buildings to a high degree and for a cost-efficient industrialized construction process with standardized methods and short construction times.
- Through increasing property management of apartments with a high level of service and good availability, K-Fastigheter shall generate increasing economies of scale. Property management shall be rational and efficient but should also be perceived as personal. Digital assistance, that is, the use of digital and mobile tools and communications solutions, shall be used where technology adds value to our day-to-day efforts. By means of

standardized methods and materials in construction, any faults can quickly be identified, addressed and prevented.

- With a perpetual perspective and the capacity to generate value through the Group's apartments offering the market's best combination of high standards, comfort and safety, K-Fastigheter shall be viewed as the industry leader by priority stakeholders.
- K-Fastigheter's long-term perspective is fundamental to the Group's sustainability efforts, entailing, among other things, constructing high-quality buildings that ensure rational property management over time, preserving the surrounding environment and maintaining good relations with tenants and other key stakeholders. Value for shareholders shall be generated in compliance with applicable laws and regulations, both ethical and statutory, and with respect for the environment.

WITH ITS COMMITMENT TO COST-EFFICIENT PROCESSES, QUALITY AND GOOD PROPERTY MANAGEMENT – COMBINED WITH SATISFIED TENANTS – K-FASTIGHETER GENERATES ...



... VALUE FOR ALL PRIORITY STAKEHOLDERS.

OUR BUSINESS AREAS

K-Fastigheter develops, acquires, constructs and manages rental housing in locations with long-term favourable demand for this. Operations are conducted in three business areas.



PROJECT DEVELOPMENT

The Project Development business area, identifies and acquires building rights for new construction projects and existing properties with potential to be upgraded. Operations include customer and needs analysis, collaborations with municipalities and land procurement. K-Fastigheter's project development operations primarily feature expertise in identifying building rights suited to K-Fastigheter's concept in markets with long-term favourable demand for rental apartments. Through solid preliminary work, K-Fastigheter is creating safe homes for its tenants, favourable conditions for utilizing the various building rights at a high rate and an economically efficient construction and refinement process. The Group's processes are highly standardized and the same design drawings are used in several projects, streamlining the project development process and increasing predictability. K-Fastigheter works purposefully with continuous product development based on valuable experience, as well as ongoing feedback from tenants, managers and property managers on projects completed previously. K-Fastigheter considers its frequent contacts with tenants, to build awareness of expectations and requirements regarding future projects to be a vital part

of its operations. Accordingly, K-Fastigheter has an in-depth understanding of the materials and products best meeting tenants' current and future requirements and needs, such as the most appropriate kitchen design or what surface coverings are sought after.

In recent years, K-Fastigheter has also come to focus increasingly on establishing efficient procedures for handling planning permission applications and other permit processes. By working with standardized underlying data for applications for the various project types, K-Fastigheter has shortened its average lead times from applications for planning permission to their approval. Efficient administrative processes help shorten project lead times in general. Historically, from the time at which K-Fastigheter acquires a building right, it has taken less than 24 months until tenants can move into the completed building, which, in the company's opinion, is quicker than the industry average. However, the construction time is largely affected by the scope of the project in terms of the number of apartments and floorspace.

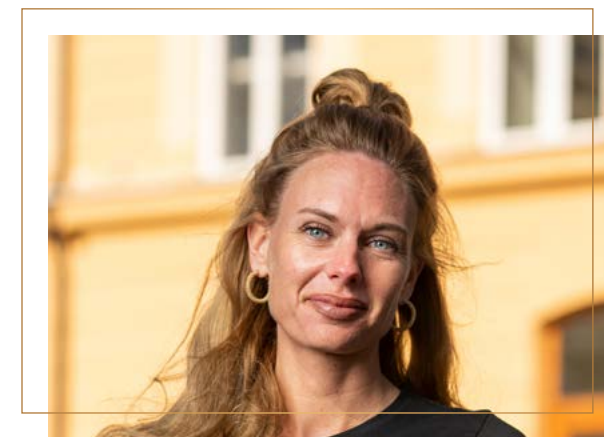
Turning an idea into a home that is ready to move into

Åsa Fredin has been employed by K-Fastigheter since 2016 and has, from the outset, been responsible for the Group's Project Development department. To a large extent, her tasks entail determining how buildings can be adapted to the plots that the company can acquire. To determine K-Fastigheter's interest, it is necessary to study which concept building would be best suited to the current detailed development plan, opportunities to secure planning permission, local market demand and K-Fastigheter's overall operations.

Åsa previously worked with planning permission at the Hässleholm Town Planning Department. This means she has useful experience from a municipal administration perspective and, in that role, she could clearly observe that the quality of the documentation and handling of additional questions from applicants determined how long the process took from application to approval. Åsa and her

colleagues prioritize ensuring that all documents are as complete as possible right from the start.

"We know what is required and seek to obtain all of the data needed at an early stage. It's a matter of placement, design, land preparation, fulfilment of project-specific requirements, parking solutions and geotechnology," says Åsa Fredin. "Because we work with concept buildings of which we have a solid knowledge, we are able focus on the details, which speeds up the process."



Åsa Fredin, Head of business area Project Development

The application for planning permission is then submitted to the municipality and then circulated so that parties entitled to comment have the opportunity to do so. After that, K-Fastigheter complements and/or adjusts the materials so that the municipality's Planning Committee is able to approve planning permission.

In parallel with the application for planning permission, Project Development works with K-Fastigheter's other business areas to plan construction and property management in a resource and cost-efficient manner.



CONSTRUCTION

The Construction business area is characterized by established construction methods with a high degree of prefabrication, repetitive processes and specialized tasks. To increase cost efficiency, shorten construction times and safeguard long-term quality, K-Fastigheter has, in its construction operations, chosen to work with only three proprietary concept buildings: Low-Rise, Lateral Low-Rise and Apartment Block K-Fastigheters construction operations are conducted almost exclusively on the Group's own account and for property management.

By concentrating on construction of a select number of concept buildings that are constructed repeatedly, K-Fastigheter has massed extensive experience and knowledge of the risks, bottlenecks and other efficiency traps in the specific construction processes and is therefore able to take proactive steps to avoid these. This also entails a limited number of materials categories, generating economies of scale in purchasing, knowledge regarding handling and minimal wastage.

K-Fastigheter works strategically and continuously with long-term improvement efforts, with lessons learned from construction projects being documented and considered by the Project Development and Construction business areas when formulating future construction projects.

K-Fastigheters apartments maintain a consistently high standard and are equipped with modern appliances, such as dishwashers, washing machines, dryers and built-in microwaves. With washing machines and dryers being provided in the apartments, tenants' living standards are raised and the need for a common laundry room is reduced, allowing more space in the building to be used for residential purposes. K-Fastigheter consistently selects materials based on the Group's experience of what tenants perceive as adding value and well-being, as well as what engenders long-term

management and cost efficiency. Many of the selected materials are exclusive and have comparatively high purchasing costs, but a longer service life. Based on K-Fastigheters long-term perspective, selecting sustainable materials is justified at all levels.

For all construction projects, groundwork and foundation contracting is purchased externally. In addition, shared subcontracting is procured for the installation of wiring and plumbing, for example. To be less limited geographically, K-Fastigheter engages subcontractors for the construction of Apartment Block and Low-Rise buildings. Only Lateral Low-Rise buildings are constructed by the Group's own employees under collective agreements, as these concept buildings are the most complex to construct in technical terms. This makes it possible, when necessary, to have employees with the skills needed to construct more complex Lateral Low-Rise buildings work temporarily on the construction of technically less complex Low-Rise or Apartment Block buildings.



Eric Johansson, Head of business area Construction.



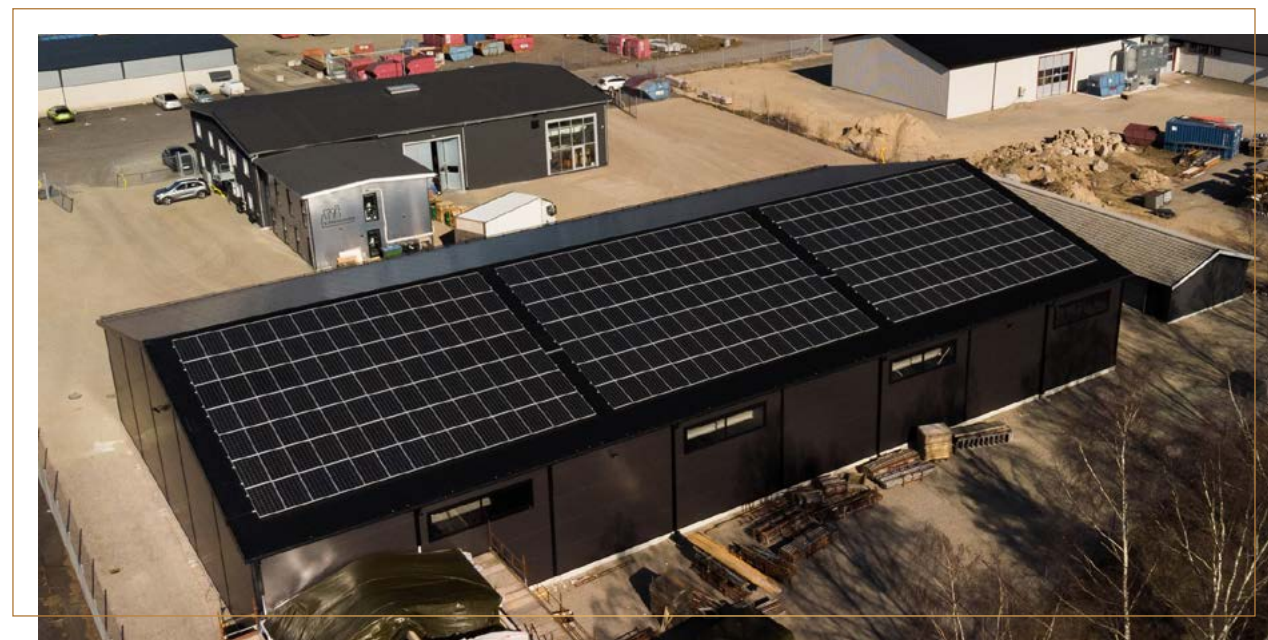
Production facilities i Osby and Hässleholm

A large proportion of the structural elements included in K-Fastigheter's three concept buildings are manufactured in-house at the facility in Osby. In 2011, production of K-Fastigheter's first concept building, the Low-Rise, commenced at the facility, under external control, and, in 2013, production of building elements for the second concept building, the Lateral Low-Rise, also commenced there.

In 2016, K-Fastigheter became majority shareholder of the Osby production facility and, in 2018, it became the sole shareholder. Today, K-Fastigheter uses the plant for the prefabrication of structural elements such as curtain wall units, balconies and concrete stairs for the company's Low-Rise and Lateral Low-Rise

buildings. Prefabrication enables better working conditions, superior cost and quality control, as well as safeguarding compatibility, production and timely delivery to projects.

In pace with K-Fastigheter's expansion, the need for structural elements is increasing. To increase productivity and production capacity while mitigating risks of interruptions to production and thereby increasing delivery reliability, K-Fastigheter has chosen to invest in an additional production facility. The new production facility is located in Hässleholm, and will initially be used for the manufacture of curtain wall units. The new plant will be equipped with photovoltaic cells and is expected to become operational in the second quarter of 2020.



In the spring of 2020, K-Fastigheter will complete its second production facility for, among other things curtain walls. The new plant is located in close proximity to the Group's head office in Hässleholm.

PROPERTY MANAGEMENT

The Property Management business area, manages the properties developed or acquired by the Project Development business area or built by the Construction business area. K-Fastigheter applies a perpetual perspective in all of its operations, with property management being a central element. The Group also has a clear ambition of building long-term relationships in relation to the individual tenants. Through close contacts with local markets and digital marketing, tenants and their wishes are identified, which is expected to minimize the number of tenants moving out and disruptions.

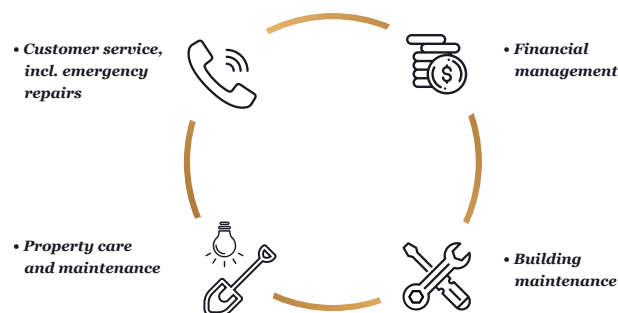
Financial management is handled almost exclusively with internal resources, while technical property management is partly purchased from external providers. The focus of K-Fastigheter's administration is on achieving satisfied tenants who feel secure in both their homes and their neighbourhoods, and in always being able to get in touch with K-Fastigheter representatives should something unforeseen occur. For this reason, K-Fastigheter works purposefully with local property management, both with proprietary and contracted personnel. In order to maintain a high level of service and accessibility, in addition to its head office in

Hässelholm, the Group has offices in Helsingborg, Landskrona and Kristianstad. At other locations, K-Fastigheter engages external property managers until a critical mass is reached.

Because K-Fastigheter has a high degree of standardization and works with a limited number of material categories, every component of the property portfolio produced in-house by the Group is well documented, bringing short lead times for repairs and high operational reliability in the properties. K-Fastigheter's properties are to be managed rationally and efficiently, but this management should also be perceived as personal. The Group employs digital assistance where such technology adds value.

For example, K-Fastigheter's concept buildings apply modern property automation enabling, among other things, tenants to regulate their own consumption of heating. To safeguard progress and product development, K-Fastigheter obtains continuous feedback from tenants and relays this information, together with employee experiences, to the Project Development and Construction business areas. K-Fastigheter is a landlord that builds its operations on stability and satisfied customers. Each year, K-Fastigheter conducts a survey to measure customer satisfaction including questions regarding indoor environment, public spaces and service.

Property management encompasses the entire chain



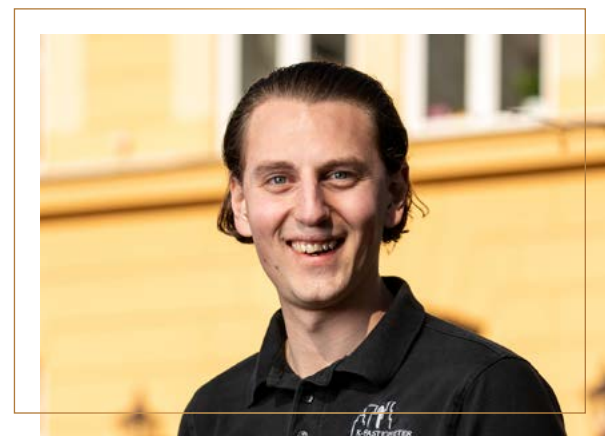
App simplifies contact

During the spring, K-Fastigheter has launched an app that makes it easier and more secure for our tenants to contact us and to obtain correct information.

The app includes apartment vacancies, rent advice slips and the opportunity to report errors. K-Fastigheter also has the possibility of distributing notices to everyone who has downloaded the app.

K-Fastigheter's app can be downloaded for free from the usual app stores, such as App Store and Google Play, by searching on "kfast".

The app is currently available in Swedish, however it will be developed continuously in consultation with our tenants.



Niklas Larsson, Head of business area Property Management.

ORGANIZATION AND EMPLOYEES

K-Fastigheter's organization shall be characterized by clarity and transparency and support the Group's strategies and objectives. Operations are organized into the three business areas Project Development, Construction and Property Management, whose Business Area Managers report to, and are part of, the Group management team. There are also Group-wide functions for Accounting and Finance, IT, Communications/IR/Marketing, and HR.

K-Fastigheter is a growing company and every day ours employees have hundreds of opportunities to strengthen its relations with tenants, partners and suppliers, municipal representatives and other important stakeholders. We will succeed on the basis of our commitment to do the right thing (and even to do it a little better than previously) and to treat people with respect and trust.

Working environment

In 2019, the number of employees increased to 68. The majority of these work with property management and construction.

K-Fastigheter strives to maintain a safe working environment, from physical, social and psychological perspectives alike. In 2019, health checks were carried out to provide each employee with information on their medical health and, where necessary, an opportunity to develop a relevant action plan to improve their health. These health checks included the statutory medical checks for relevant personnel. The results were essentially favourable and K-Fastigheter plans a status review every second year. For those seeking to change aspects of their working environment or general health, the company offers various options, such as quit-smoking bonuses and wellness benefits, including health advice.

Continuing training and personal development are important elements in retaining and motivating employees in a growing organization. Several different activities target the various employee groups within K-Fastigheter – the management team has, for example, worked with an external party to develop its leadership, including effective decision-making under stress, as well as increasing the team's ability to spread commitment to, and understanding of, the Group's operations and objectives.

As a fast-growing organization, K-Fastigheter has a continuous need for new employees and to safeguard its expansion with a strong corporate culture. Among other measures, in 2019, the company implemented a recruitment system to attract candidates and improve their experience. The Group works to identify and highlight successes and to provide feedback that strengthens responsible employees and fosters conditions for development, both for the individual in his role, as well as for his or her colleagues.



JOHANNA AXELSSON –

Designing a home

There are many factors that make an apartment a home. Most importantly, of course, are the individuals who live in the apartment, although the person designing the apartment also has substantial opportunities to exert an influence. Johanna Axelsson combines both factors very well – she both works as a building designer at K-Fastigheter and lives in one of the company's apartments. Her duties include fine-tuning both the interior and exterior of the Group's concept buildings and housing areas.

What does a building designer do?

“Put simply, you could say that my education entails becoming ‘half architect and half construction engineer’. You read many courses together with the engineers, but when they start studying construction in greater depth, we learn about architectural history and detailed planning, for example.”

What are your principal tasks?

“I prepare the initial documentation required when applying for planning permission. This documentation includes floor plans, façade drawings and cross-sections. In projects where our standard apartments are to be adapted to specific requirements, I also draw new apartments with new floor plans. Although we follow a schedule, this has to be quite flexible, as you can, at any time, receive a request for an adjustment to a higher-priority planning application because there is a deadline for submitting revised documentation.”

What gives you particular satisfaction when working on a project?

“Being able to disprove people who say something can't be done by finding unexpected solutions that have not previously been considered.”



The property manager with properties as a hobby

No workday is ordinary in the life of a property manager. The job of handling leasing and property management at K-Fastigheter's buildings is highly varied and offers considerable opportunities. Felix Josefsson, is the property manager for all of the buildings in Hässleholm, Osby and Älmhult and has properties both as his job and as his hobby. Felix previously worked at Hässleholm (Hässleholm's municipal property company) as supervisor for the property technicians. Felix's interest in properties continues even when he is not at work. In the evenings and weekends he takes care of his own properties.

What are your principal tasks?

I oversee the transition when tenants move in and out, and I make sure no apartment is left vacant. I manage contacts with tenants as well as with contractors and suppliers. My job also includes planning renovation of the older apartments.

What brings you particular satisfaction?

Seeing the happiness on the face of a tenant who has just moved in when I hand over the keys to a newly built or newly renovated apartment.

– FELIX
JOSEFSSON

PROJECTS COMPLETED IN 2019



Low-Rise building in Kristianstad

In the third quarter of 2019, K-Fastigheter completed 12 apartments at the Öllsjö 7:47 property in Kristianstad in accordance with the Group's Low-Rise concept. The property is the sixth Low-Rise project to be completed in Kristianstad, where K-Fastigheter now has a total 219 Low-Rise apartments.

Facts:

Öllsjö 7:47 was ready for tenants to move in on 1 July 2019. Combined, the 12 apartments have a lettable area of 1,128 square metres and a rental value of SEK 1.8 million.



Low-Rise in Hässleholm.

With just eight Low-Rise apartments, the Björnen urban block in Hässleholm is K-Fastigheter's smallest project to date. The decisive factor was the amazing location – mid-way along Åkargatan yet directly adjacent to the beautiful Hembygdsparken (local heritage park).

Facts:

Björnen was ready for tenants to move in on 1 March 2019. Combined, the eight apartments have a lettable area of 480 square metres and a rental value of SEK 0.8 million.



Low-Rise in Näsby

The area Självbindaren is K-Fastigheter's fourth Low-Rise project in Näsby, Kristianstad. Upon completion owns and manages K-Fastigheter 69 attractive ground apartments in Näsby.

Facts:

Självbindaren was ready for tenants to move in on 1 February 2019. Combined, the 12 apartments have a lettable area of 930 square metres and a rental value of SEK 1.4 million.

PROJECTS COMPLETED IN 2019



Lateral Low-Rise in Kristianstad

At the Hammar 9:195 property in the C4 area of Kristianstad, K-Fastigheter has constructed 123 apartments, divided between 99 apartments in accordance with our Lateral Low-Rise concept and 24 apartments in accordance with its Low-Rise concept.

Facts:

Combined, the 2019 apartments have a lettable area of 7,457 square metres and a rental value of SEK 13.3 million.

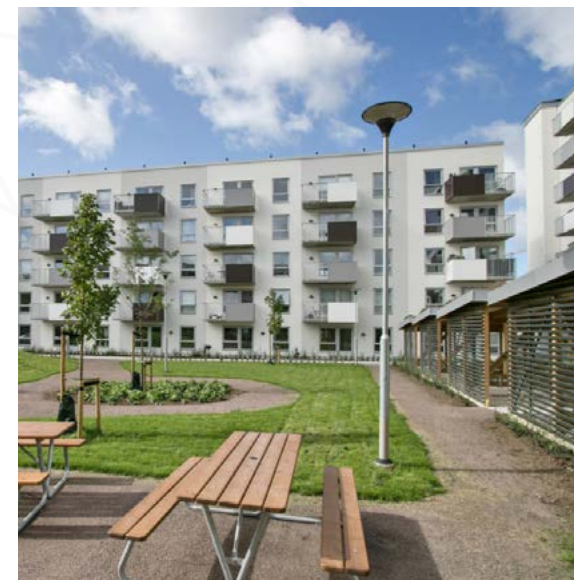


Lateral Low-Rise in Landskrona

During the quarter, K-Fastigheter completed 16 apartments at the Nimrod 30 property in Landskrona in accordance with its Lateral Low-Rise concept.

Facts:

Nimrod 30 was ready for tenants to move in on 1 September 2019. Combined, the 16 apartments have a lettable area of 904 square metres and a rental value of SEK 1.6 million.



Lateral Low-Rise in Helsingborg

K-Fastigheter has erected 179 apartments in accordance with the company's Lamellhus concept in the Fredriksdals area i Helsingborg.

Facts:

During the fourth quarter, the third of the four buildings, with a total 2019 apartments, was completed and tenants moved in. The final housing body will be completed in the third quarter of 2020 and the entire project will comprise 10,134 m² square metres 179 apartments have the total rent around 19.9 SEK million.

PROJECTS COMPLETED IN 2019



Apartment Block in Hässleholm

During the quarter, K-Fastigheter, in accordance with our Apartment Block concept, completed 29 apartments within an eight-storey building at the Tre Överstar 7 property in Hässleholm. The property is the fifth project that K-Fastigheter has completed in the attractive T4 area of Hässleholm, close proximity to both centre and the countryside.

Facts:

Tre Överstar 7 was ready for tenants to move in on 1 May 2019. Combined, the 29 apartments have a lettable area of 1,924 square metres and a rental value of SEK 3.3 million.

CONSTRUCTION PROJECTS COMMENCED DURING 2019



Low-Rise apartments in Hässleholm

In September 2019, K-Fastigheter commenced construction of 40 Low-Rise apartments at the Björksäter 5 property, adjacent to the popular Hembygdsparken (local heritage park) in central Hässleholm.

Facts:

The 40 apartments will be constructed in accordance with the Low-Rise concept with a total lettable area of 2,776 square metres. The rental value amounts to SEK 4.3 million and tenants are expected to move in during February 2021.



Low-Rise apartments in Viken

At the Stubbarp 33:27 property in picturesque Viken, just north of Helsingborg, K-Fastigheter commenced construction, in December, of 93 Low-Rise apartments close to the beach and recreation areas and at a convenient commuting distance from Helsingborg.

Facts:

The 93 apartments will be constructed in accordance with the Low-Rise concept with a total lettable area of 6,745 square metres. The rental value amounts to SEK 10.8 million and tenants are expected to move in during the third quarter of 2021.



Low-Rise apartments in the T4 area, Hässleholm

At the Intendent 4 & 5 properties in the T4 area of Hässleholm, K-Fastigheter has commenced construction of 21 attractive Low-Rise apartments in a premium location alongside the Almaån river and immediately adjacent to apartment holdings previously undertaken and completed by K-Fastigheter. The T4 area in Hässleholm is one of the areas for which K-Fastigheter receives the largest number of notices of interest.

Facts:

Combined, the ground-level apartments will have a lettable area of 1,701 square meter distributed between 21 apartments with an estimated rental value of SEK 2.7 million. Moving in is expected to take place in June 2020.



Low-Rise apartments in Växjö

In December, at the Taket 2 property in Vikaholm, Växjö, K-Fastigheter commenced construction of 36 Low-Rise apartments in collaboration with C4 Hus AB.

Facts:

The 36 apartments will be built in accordance with K-Fastigheter Low House interior concept. Total lettable area of 2,862 square meter and rental value amounts to 4.8 SEK million. Moving in is expected to take place during the fourth quarter 2021.

CONSTRUCTION PROJECTS COMMENCED DURING 2019



Lateral Low-Rise apartments in Malmö

In September, at the Höfänget 1 property in Elinegård in Malmö, K-Fastigheter commenced construction of 97 Lateral Low-Rise apartments in prime locations adjacent to Kalkbrottet (a former chalk quarry) and with views of the Öresund Bridge.

Facts:

The 97 apartments will be constructed in accordance with the Lateral Low-Rise concept, with a total lettable area of 4,840 square metres. The rental value amounts to SEK 10.0 million, with tenants expected to move in during June 2021.



Lateral Low-Rise apartments in Gothenburg

In September, K-Fastigheter commenced construction of 2019 Lateral Low-Rise apartments at the Sävenäs 131:12 property in Gothenburg, in a prime location adjacent to the Östra Sjukhuset hospital.

Facts:

The 103 apartments and one commercial premises will be constructed in accordance with the Lateral Low-Rise concept, with a total lettable area of 4,871 square metres of housing and 198 square metres of commercial premises. The rental value amounts to SEK 11.5 million and tenants are expected to move in during December 2021.

CONSTRUCTION PROJECTS COMMENCED DURING 2019



Three new Apartment Blocks in Hässleholm

Magasinet 4 started construction in March 2019 and erected in a leafy oak hill in the beautiful park environment of the attractive T4-area in Hässleholm. Moving in during December 2020.

Facts:

The three Apartment Blocks will be equipped with six floors, including the ground floor in the sutter meadow. Together, the Apartment Block comes on Magasinet 4 to get a total lettable area on 4,293 square metres which is distributed among 66 apartments. calculated rental value is 7.4 SEK million.



Apartment Block in Älmhult

Demand on housing in Älmhult is great and K-Fastigheter would like to help more people to live in the place of growth in Smaland. We are building two Apartment Blocks on Lyckan 1, adjacent to our 57 existing apartments in the Hagamo area (close to IKEA). Moving in is expected until December 2020.

Facts:

The two Apartment Blocks will be provided with four floors each. Together, the two Apartment Blocks will have one total lettable area on 2,072 square metres an estimated rental 32 apartments. calculated rental value is 3.6 SEK million.

RENOVATION PROGRAMME K-FAST 2.0

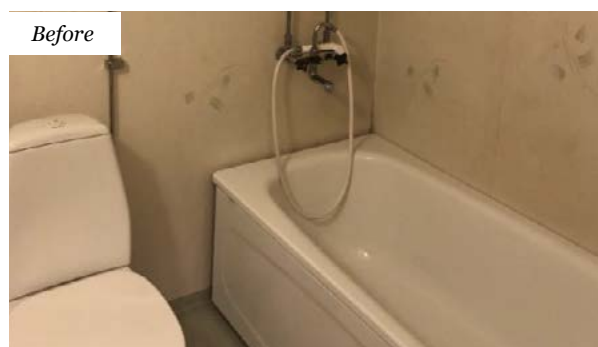


upgrading surfaces, kitchens, bathrooms, wiring and plumbing, electrical and plumbing mains and technical installations meeting the same standard that K-Fastigheter offers in its newly produced housing. K-Fast 2.0 has proven highly appreciated among our tenants. The improvements in quality help raise standards in the older apartments in the property portfolio and also help increase the service life of the Group's apartment portfolio.

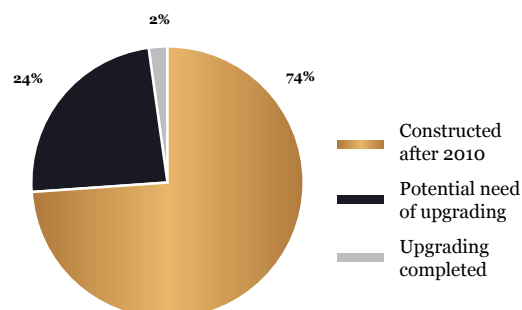
Currently, renovation within the framework of K-Fast 2.0 is conducted when the apartments become vacant. Although K-Fastigheter has the capacity to renovate about eight apartments a month, due to the low relocation rate among tenants, K-Fastigheter is currently renovating four apartments per month on average. It takes one month to complete the upgrade of an average apartment. Once renovated, the home is offered primarily to tenants already living in K-Fastigheter apartments.

A key aspect of the implementation of K-Fast 2.0 is that renovation should entail reasonable rent increases, so that existing tenants can afford to stay long term. This has been achievable because it has been possible to keep renovation costs at an average of about SEK 4,300 per square metre. Besides cutting operating costs, raising standards through K-Fast 2.0 brings an annual rental increase of approximately SEK 320 per square metre, meaning that capital invested in K-Fast 2.0 generates an average return of about 7.4 percent.

When older properties are acquired, the potential and need for an upgrade is assessed. On 31 December 2019, the Group owned some 450 older apartments, which have been added to the ongoing efforts to raise standards. Of these, 40 apartments have been renovated in accordance with K-Fast 2.0.



Distribution of K-Fastigheter's property portfolio by category, %



Cost efficient renovation and improved standard with K-Fast 2.0

To be as cost efficient as possible, we have developed our own concept that we apply in raising the standard of the older apartments in our holdings. We have chosen to call our upgrade programme K-Fast 2.0.

K-Fastigheter's upgrade programme entails apartments being renovated as they become vacant. The programme includes

K-FASTIGHETER'S PROPERTY PORTFOLIO

On 31 December 2019, the Group's property portfolio comprised 64 completed investment properties¹, as well as three out of four stages now being occupied in the Helsingborg Brigaden 7 & 8 project, distributed between a total 104,622 square metres of housing and 25,864 square metres of commercial space, and 13 ongoing construction projects, distributed between 43,897 square metres of housing and 588 square metres of commercial space. In addition, K-Fastigheter has 17 projects in progress at the project development phase at various stages of building permit application or project planning, of which eight are projects for which K-Fastigheter has yet to take possession of the land.

Of the property portfolio, 77 percent was constructed after 2010 and 99 percent is assessed by Newsec to be in category A or B locations within the communities in which the Group operates. As of 31 December 2019, the contractual rent amounted to SEK

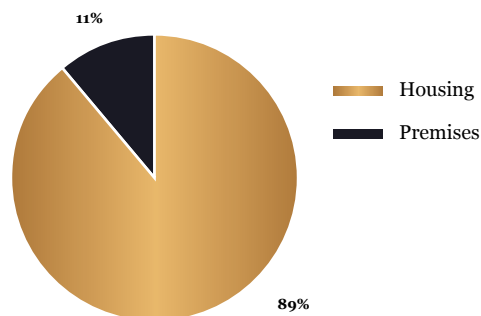
190.5 million, with an estimated operating surplus of SEK 138.6 million, corresponding to a surplus ratio of 73 percent. For our newly produced concept buildings, the corresponding surplus ratio is about 80 percent, and, for other properties in the portfolio, it is about 60 percent. Of the contractual rent, 85 percent pertains to housing or related rentals (such as parking) divided between the 1,711 apartments under property management at the end of the year. Contractual rent from commercial tenants is distributed between about 110 commercial contracts, with the largest tenant accounting for about 3 percent of the total contractual rental income.

At the end of the year, the book value of completed investment properties totalled SEK 3,606.9 million (2,404.8), with an average direct return requirement of 4.25 percent (4.46).

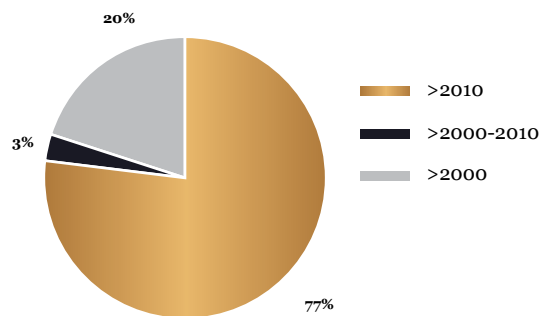
The book value of new construction projects in progress amounted to SEK 447.7 million (482.2) and of undeveloped land to SEK 335.1 million (131.1) at the end of the year. On completion, the estimated market value of the new construction projects in progress amounts to SEK 1,618.5 million and to slightly more than SEK 3,400 million for properties currently in project development.

Of the property portfolio, 92 percent of the property value is to be found in Skåne, with most of that, 43 percent, being located in Northeastern Skåne (Hässleholm, Kristianstad and Osby) with), followed by Northwestern Skåne (Helsingborg and Landskrona) at 41 percent.

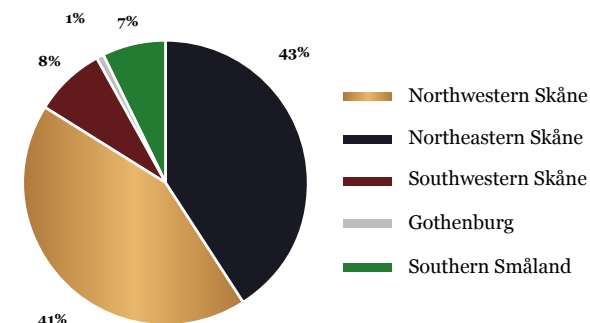
**Property value by category,
31 December 2019, %**



**Property value by year of construction,
31 December 2019, %**



**Property value by geography,
31 December 2019**



At the end of the year, the property value amounted to SEK 3,606.9 million.

¹ Investment properties are properties that are held for the purpose of generating rental income or increased value or a combination of these

PROPERTY PORTFOLIO AS OF 31 DECEMBER 2019

Completed investment properties

Distribution of concept buildings	Number		Lettable area, m ²		Property value		Rental value		Letting ratio	Contractual rent, SEK million	Property costs		Operating surplus	
	Properties	Housing	Housing	Premises	SEK million	SEK/m ²	SEK million	SEK/m ²			SEK million	SEK/m ²	SEK million	SEK/m ²
Low-Rise	23	435	32,718	0	1,060.8	32,423	51.1	1,562	98.7%	50.5	4.7	143	45.8	1,400
Lateral Low-Rise	6	625	31,564	543	1,300.4	40,503	62.0	1,931	92.3%	57.2	8.4	263	48.8	1,520
Apartment Block	3	91	5,955	0	195.6	32,846	10.5	1,760	98.9%	10.4	1.5	257	8.8	1,483
Other residential properties	23	553	34,018	2,935	644.4	17,438	44.2	1,195	99.3%	43.9	16.1	435	27.8	753
Commercial properties	9	7	367	22,386	405.7	17,831	28.8	1,267	99.1%	28.6	6.2	273	22.4	982
Total/average	64	1,711	104,622	25,864	3,606.9	29,885	196.6	1,507	96.9%	190.5	36.9	283	153.6	1,177

Geographic distribution

Northwestern Skåne	29	750	42,224	7,057	1,498.1	30,400	79.6	1,614	99.9%	78.8	16.6	337	62.1	1,261
Northeastern Skåne	38	709	47,574	18,661	1,541.7	23,276	89.1	1,346	94.3%	84.1	16.8	253	67.3	1,016
Southwestern Skåne	2	114	5,866	146	290.9	48,387	13.5	2,239	100.0%	13.5	1.6	269	11.8	1,970
Gothenburg	1	14	990	0	32.2	32,525	1.6	1,654	100.0%	1.6	0.2	159	1.5	1,495
Southern Småland	3	124	7,968	0	244.0	30,622	12.8	1,604	98.6%	12.6	1.7	219	10.9	1,362
Total/average	64	1,711	104,622	25,864	3,606.9	29,885	196.6	1,507	96.9%	190.5	36.9	283	153.6	1,177

Property administration

Total after property administration										190.5	51.9	398	138.6	1,062
Construction in progress, project properties		700	43,897	588	555.5									
Construction in progress, other					10.5									
Projects on properties in possession		630	41,267	0	178.6									
Projects on properties not in possession		710	44,709	0										
Undeveloped land					38.2									
Site leaseholds					7.0									
Total		3,751	234,495	26,452	4,396.7									

Information on completed investment properties includes assessments and assumptions. Contractual rent refers to the contract value on the balance sheet date recalculated at annual rate. Rental value refers to contractual rent plus estimated rent for vacancies and discounts recalculated at an annual rate. Property costs refer to budgeted property costs on an annual basis and are exclusive of property administration. The assessments and assumptions involve uncertainties and the disclosures above should not be viewed as a forecast.

Details of construction projects and project development in progress on this page and the next are based on assessments of the size, focus and scope of construction projects and project development in progress, and of when projects are scheduled to commence and be completed. These details are also based on assessments regarding future investments and rental value. These assessments and assumptions should not be viewed as a forecast. The assessments and assumptions entail uncertainties regarding the execution, design and scale, scheduling, project costs and future rental value of the projects. Details of projects in progress are reviewed regularly and assessments and assumptions are adjusted as a result of projects in progress being completed or new ones being added, as well as due to changes in conditions. Financing has not been secured for projects where construction has yet to commence, meaning that financing of construction investments in project development represents a source of uncertainty.

PROPERTY STOCKS AS OF 31 DECEMBER 2019

Construction projects in progress	Municipality	Category	Concept building	Construction commenced	Completed	Number of apartments	Lettable area, m²		Property value		Rental value		Investment (including land), SEK million¹		
							Housing	Premises	SEK million	SEK/m²	SEK million	SEK/m²	Estimated	Developed	Carrying amount
Hovrätten 20	Kristianstad	Housing	Rem. res. prop.	Jan 2018	May 2020	17	1,039	0	40.1	38,595	1.9	1,861	34.8	29.0	33.6
Intendenten 4 & 5	Hässleholm	Housing	Low-Rise	Apr 2019	Jun 2020	21	1,701	0	53.0	31,158	2.7	1,583	39.2	31.6	37.0
Tygelsjö	Malmö	Housing/T-O ass.	Low-Rise/T-O ass.	Feb 2019	Jul 2020	30	2,236	0							
Brigaden 7 & 8	Helsingborg	Housing	Lateral Low-Rise	Dec 2017	Sep 2020	47	2,731	0	114.4	41,879	5.0	1,816	72.8	30.2	57.0
Pelikanen 27	Växjö	Housing	Apartment Block	Dec 2018	Nov 2020	54	3,495	0	126.0	36,052	6.3	1,814	108.1	82.1	80.8
Lyckan 1	Älmhult	Housing	Apartment Block	Mar 2019	Dec 2020	32	2,072	0	60.8	29,344	3.6	1,720	51.3	18.5	12.5
Magasinet 4	Hässleholm	Housing	Apartment Block	Feb 2019	Dec 2020	66	4,293	0	134.0	31,214	7.4	1,718	110.7	42.8	60.2
Björksäter 5	Hässleholm	Housing	Low-Rise	Sep 2019	Feb 2021	40	2,776	0	85.2	30,692	4.3	1,550	75.4	35.2	30.2
Höfången 1	Malmö	Housing	Lateral Low-Rise	Sep 2019	Jun 2021	97	4,840	0	230.0	47,521	10.0	2,071	166.0	74.9	79.8
Nyponrosen 4	Helsingborg	Housing	Apartment Block	Dec 2018	Aug 2021	64	4,236	390	179.0	38,694	8.6	1,863	134.6	32.2	55.2
Stubbarp 33:27	Höganäs	Housing	Low-Rise	Dec 2019	Sep 2021	93	6,745	0	240.0	35,582	10.8	1,601	168.1	15.6	30.2
Taket 2	Växjö	Housing	Low-Rise	Dec 2019	Oct 2021	36	2,862	0	100.0	34,941	4.8	1,663	82.9	0.3	3.8
Sävenäs 131:12	Gothenburg	Housing	Lateral Low-Rise	Sep 2019	Dec 2021	103	4,871	198	256.0	50,503	11.5	2,278	157.7	45.3	75.2
Total						700	43,897	588	1,618.5	36,382	76.9	1,729	1,201.5	437.6	555.5

Construction projects and project development in progress	Number of homes	Lettable area, m²			Property value		Rental value		Investment (including land), SEK million¹		
		Housing	Premises	Total	SEK million	SEK/m²	SEK million	SEK/m²	Estimated	Developed	Carrying amount
Per concept building											
Low-Rise	455	34,226	0	34,226	1,153.9	33,713	54.5	1,593	864.1	143.6	162.0
Lateral Low-Rise	1,040	59,296	198	59,494	2,577.8	43,330	115.1	1,934	1,776.8	248.1	309.8
Apartment Block	498	33,076	390	33,466	1,235.7	36,923	60.0	1,794	924.5	195.6	228.7
Other residential property	17	1,039	0	1,039	40.1	38,595	1.9	1,861	34.8	29.0	33.6
Low-Rise/tenant-owned apartments	30	2,236	0	2,236	0.0	0	0.0	0	0.0	0.0	0.0
Total/average	2,040	129,873	588	130,461	5,007.5	38,383	231.6	1,775	3,600.2	616.2	734.1
Per geographic location											
Northwestern Skåne	384	25,818	390	26,208	977.1	37,281	44.7	1,706	701.1	110.1	174.5
Northeastern Skåne	422	29,016	0	29,016	940.9	32,427	48.1	1,658	725.8	218.0	240.4
Southwestern Skåne	675	39,330	0	39,330	1,598.1	40,634	71.2	1,810	1,102.7	121.9	126.8
Gothenburg	295	17,128	198	17,326	838.6	48,401	35.4	2,044	553.5	45.3	75.2
Southern Småland	216	14,861	0	14,861	536.6	36,108	26.1	1,757	423.4	120.9	117.1
Other	48	3,720	0	3,720	116.2	31,223	6.0	1,621	93.5	0.0	0.0
Total	2,040	129,873	588	130,461	5,007.5	38,383	231.6	1,775	3,600.2	616.2	734.1

¹ Accrued investment refers to the total costs incurred in each construction project. The carrying amount refers to the consolidated value adjusted for Group eliminations and includes the calculated change of SEK 165.4 million in the value of investment properties.
See also important information at the foot of page 27.

CURRENT EARNING CAPACITY

The table below presents the earning capacity of K-Fastigheter's property management operations on a 12-month basis as per 31 December 2019. Earning capacity is not a forecast for the current year or the next twelve months but is to be viewed solely as a theoretical snapshot and is presented for illustrative purposes only. Current earning capacity does not include an assessment of the future rent trends, vacancy rates, property costs, interest rates, changes in value, acquisitions or disposals of properties, or other factors.

Current earning capacity is based on properties held as per 31 December 2019 and their financing, meaning that current earning capacity illustrates the earnings of the management operations, on an annual basis, at that point in time. Accordingly, transactions where access to the property will be gained after 31 December 2019 are not included in the calculation.

The Income Statement for the management operations is also affected by development in the value of the property portfolio, as well as by upcoming property acquisitions and/or disposals. Additional items affecting earnings include changes in the value of derivatives. None of the above has been taken into account in current earning capacity, nor in the item Profit from participations in associated companies.

Earning capacity is based on contracted rental income from the property portfolio, estimated property costs on an annual basis based on historical outcomes for properties under management, as well as property costs and central administration costs estimated on an annual basis based on the current scale of administration. Costs for interest-bearing liabilities have been based on current interest-bearing liabilities and current interest rates (including effects of derivative instruments) at the end of the year.

Current earning capacity on an annual basis, SEK million

	2019	2018
	31 December	31 December
Rental value	196.6	133.4
Vacancy	-6.1	-0.9
Rental income	190.5	132.5
Operating costs	-27.0	-19.4
Maintenance	-7.3	-5.6
Property tax/ground rent	-2.6	-1.6
Property administration	-15.0	-12.8
Operating surplus	138.6	93.0
Central administration	-9.6	-4.3
Net interest income	-46.9	-29.0
Profit from property management	82.1	59.7

Current earning capacity is updated on an ongoing basis in the Group's quarterly reports.



FINANCING AND VALUATION

Financing

K-Fastigheter's assets consist primarily of apartments located in several larger towns in the Öresund Region and Western Sweden. The operations are characterized by long-term stable cash flows as the risk is spread over a large number of customers and relatively diversified geography. A high proportion of K-Fastigheter's apartments were newly produced within the past ten years. On the whole, this means that K-Fastigheter's assets can be leveraged to a higher degree than commercial properties, properties in smaller towns or properties in worse condition.

Finance policy

K-Fastigheter's finance policy stipulates how the financial activities are to be conducted and how the operations are regulated and followed up on the basis of clearly defined targets and risk levels with respect to currency risk, interest-rate risk, financing risk,

liquidity risk and credit risk (see Note 20 in the Directors' Report).

The finance policy serves to establish uniform guidelines and frameworks for the financial activities that arise within the Group in connection with borrowing, debt management and liquidity management. These guidelines are to form the basis for good control and the cost-efficient management of financial flows and risks, while achieving a favourable long-term development in net financial items and a positive effect on the Group's earnings.

Financial targets

At an overarching level, the Group's financial risk is limited by means of a sound capital structure and a stable and positive cash flow, which, over time, secures the Group's short and long-term capital supply. To achieve a sound capital structure and a stable and positive cash flow, the Board of Directors has set the following financial targets:

- The loan-to-value ratio may amount to at most 70 percent relative the market value of the Group's investment properties
- The equity/assets ratio at the Group level should amount to at least 25 percent
- The interest coverage ratio should be a multiple of at least 1.75

These financial targets also correspond generally to the so-called financial covenants that the Group is obliged to monitor and report under existing loan agreements.

Liability and derivative portfolio

At the end of the financial year, K-Fastigheter financed its assets exclusively through bilateral loans with Nordic banks as the counterparties. As of 31 December 2019, consolidated interest-bearing liabilities amounted to SEK 2,644.3 million (1,994.8), of which SEK 363.1 million (207.5) was classified as current interest-bearing liabilities. Interest-bearing liabilities are distributed between first mortgages for completed investment properties of SEK 2,331.9 million (1,606.6), construction credits of SEK 303.2 million (318.4), leasing liabilities of SEK 9.2 million (0.0) and operating credits of SEK 0.0 million (69.7). The loan-to-value ratio for the Group's completed investment properties amounted to 40.2 percent (60.4).

At the end of the year, the Group had contracted credit agreements of SEK 3,239.7 million (2,329.8), of which SEK 2,331.9 million (1,603.6) related to the financing of completed investment properties, of which SEK 322.0 million (176.0) mature for renegotiation within the next 12 months. Beyond the financing of completed investment properties, contracted credit agreements comprise building credits of SEK 817.8 million (636.2) and overdraft facilities and covered loans of SEK 90.0 million (90.0). At the end of the year, construction credits, and overdraft facilities and covered loans had been utilized in the amount of SEK 303.2 million (318.4) and SEK 0.0 million (69.7) respectively. On 31 December 2019, the Group's total contracted and unutilized credit facilities amounted to SEK 90.0 million (20.0), excluding construction credits.

As per 31 December 2019, the average credit term for the Group's interest-bearing liabilities, relating to completed investment properties and operational premises was 3.2 years (3.2).

	Outcome 31 Dec 2019	Financial targets	Financial covenant
Loan-to-value ratio	40.2%	< 70%	< 70–75%
Equity/assets ratio	41.8%	> 25%	> 25%
Interest coverage ratio	multiple of 2.6	> multiple of 1.75	> multiple of 1.50–1.75

Credit and interest maturity structure as of 31 December 2019 (excluding construction credits, overdraft facilities and custody account credits)

Term	Interest maturity		Credit maturity		Swap maturity		
	Amount, SEK million	Average interest, %	Credit agreements, SEK million	Utilized, SEK million	Amount, SEK million	Interest, %	Value, SEK million
0-1 years	1,124.9	1.62%	322.0	322.0	0.0		
1-2 years	7.0	3.52%	207.8	207.8	7.0	2.01%	-0.3
2-3 years	100.0	2.01%	189.8	189.8	100.0	0.50%	-0.7
3-4 years	100.0	2.20%	1,144.7	1,144.7	100.0	0.69%	-1.5
4-5 years	300.0	1.84%	467.7	467.7	300.0	0.33%	0.3
> 5 years	700.0	2.25%	0.0	0.0	700.0	0.74%	-10.6
Total	2,331.9	1.90%	2,331.9	2,331.9	1,207.0		-12.8

K-Fastigheter currently works exclusively with variable interest rate loans. Interest rate derivatives, primarily interest rate swaps, are used to adjust the period of fixed interest. Nominally, the swap portfolio totalled SEK 1,207.0 million (607.0) at the end of the year. The average period of fixed-interest on the Group's interest-bearing liabilities related to investment and business properties was 3.3 years (2.7) and the average interest rate was 1.90 percent (1.71), including the effects of interest rate derivatives, and 1.62 percent (1.31), excluding the effects of interest rate derivatives. The total proportion of variable interest rates in relation to interest-bearing liabilities related to investment and business properties was 48 percent (62) and the interest rate sensitivity in the event of a one percentage point shift in loan rates amounted to SEK 11.2 million (10.0).

Property portfolio and valuation

Property portfolio

On 31 December 2019, the Group's property portfolio comprised 64 completed investment properties, as well as three out of four stages now being occupied in the Helsingborg Brigaden 7 & 8 project, distributed between a total 104,622 square metres of housing and 25,864 square metres of commercial space, and 13 ongoing construction projects, distributed between 43,897 square metres of housing and 588 square metres of commercial space. In addition, K-Fastigheter has 17 projects in progress at the project development phase at various stages of building permit application or project planning, of which eight are projects for which K-Fastigheter has yet to take possession of the land.

Of the property portfolio, 77 percent was constructed after 2010 and 99 percent is assessed by Newsec Advise AB to be in category A or B locations within the communities in which the Group operates. As of 31 December 2019, the contractual rent amounted to SEK 190.5 million, with an estimated operating surplus of SEK 138.6 million, corresponding to a surplus ratio of 73 percent. For our newly produced concept buildings, the corresponding surplus ratio is about 80 percent, and, for other properties in the portfolio, it is about 60 percent. Of the contractual rent, 85 percent pertains

to housing or related rentals (such as parking) divided between the 1,711 apartments under property management at the end of the year. Contractual rent from commercial tenants is distributed between about 110 commercial contracts, with the largest tenant accounting for about 3 percent of the total contractual rental income.

Property-related key data	2019 31 Dec	2018 31 Dec
Opening carrying amount, investment properties	3,018.1	1,951.2
+ Acquisitions	557.7	406.7
+ New construction	499.7	436.8
– Sales	-2.3	-12.9
– Reclassification as business properties	-9.3	-7.5
Other changes	-7.0	4.3
Unrealized changes in value	339.8	239.6
Closing carrying amount	4,396.7	3,018.1
<i>of which, completed investment properties</i>	3,606.9	2,404.8
<i>of which, undeveloped land</i>	335.1	131.1
<i>of which, site leaseholds</i>	7.0	0.0
<i>of which, construction in progress</i>	447.7	482.2
Rental value, SEK million	196.6	133.4
Rental income at end of year, SEK/m ²	1,460	1,342
Direct property costs, SEK/m ²	398	441
Operating surplus, SEK/m ²	1,062	902
Financial letting ratio at end of year	96.9%	99.3%
Average financial letting ratio over year	96.8%	98.8%
Surplus ratio over year	68.4%	64.4%
Lettable area, m ²	130,486	104,843
Number of homes under management	1,711	1,220

At the end of the year, the book value of completed investment properties totalled SEK 3,606.9 million (2,404.8), with an average direct return requirement of 4.25 percent (4.46). The book value of new construction projects in progress amounted to SEK 447.7 million (482.2) and of undeveloped land to SEK 335.1 million (131.1) at the end of the year. On completion, the estimated market value of the new construction projects in progress amounts to SEK 1,618.5 million and to slightly more than SEK 3,400 million for properties currently in project development.

Of the property portfolio, 92 percent of the property value is to be found in Skåne, with most of that, 43 percent, being located in Northeast Skåne (Hässleholm, Kristianstad and Osby), followed by Northwest Skåne (Helsingborg, Landskrona) at 41 percent.

Valuation

Investment properties are reported at fair value in the Consolidated Statement of Financial Position and the change in value is reported in the Consolidated Income Statement. All investment properties have been assessed as being at level 3 in the value hierarchy in accordance with IFRS 13 Fair Value Measurement. The fair value of the properties is based on external and internal valuations by means of a combination of the yield capitalization and location price methods. Properties under construction and project properties are valued at cost with additions/deductions for expected unrealized changes in value, calculated as the estimated fair value less the estimated cost, where 20 percent of the assessed change in value is recognized when the building permit has gained legal force and a general contract has been signed, while the remaining 80 percent is recognized successively during construction in relation to the costs incurred. The fair value is the estimated amount that would be received in a single transaction at the time of valuation between knowledgeable parties who are independent of each other and who have an interest in implementing the transaction following the usual marketing measures, where both parties are presumed to have acted with insight and wisdom, and without coercion.

As of 31 December, 86 percent of the Group's completed properties have been valued by the external independent assessor, Newsec Advise AB, in accordance with the recommendations of RICS and IVSC, to reach a market value in accordance with the internationally accepted definition developed by these organizations. In all instances, the internally valued properties are located in markets where K-Fast Holding AB been active for several years and where comparable market data could be obtained from external valuations, from Newsec Advise AB and from transactions implemented in the market. The difference in value between internally performed valuation and external valuation was less than one percent of the total value. In all instances, the basis for the valuation consists of data regarding the condition of the property, leases, fixed operating costs, vacancies and planned investments, as well as an analysis of existing tenants. An assessment is made of the location, rent trend, vacancy rates and direct return requirements for relevant markets and taking normalized operation and maintenance costs into account. Data on the properties' land area, detailed development plans for undeveloped land and development properties are collected from public sources.

The value of property stocks is updated quarterly through existing values being updated with current rents, vacancies and market data from the external independent valuers, Newsec Advise AB, in terms of direct return levels and operation and maintenance costs.

The properties are inspected on an ongoing basis. All of the properties have been inspected within the past three years. The purpose is to assess the standard and condition of the properties and the attractiveness of the commercial premises.

Yield capitalization method

When valuing using the return method, each property is valued individually by calculating the present value of anticipated future cash flows, that is, future rent payments less estimated operating and maintenance payments, as well as the residual value in year ten or 15. Estimated rent payments, as well as operating and

maintenance payments have been derived from actual income and costs. Cash flow is market-adjusted by taking into account any changes in the letting ratio and letting levels, operating and maintenance payments, as well as market-based levels of the cost of capital and direct return requirements. All cash flow calculations are based on an assumed rate of inflation of 2 percent (the Riksbank's inflation target).

Rent payments

Future rent levels for housing are based on current levels and potential rent increases in connection with investments and inflation. Rent levels for commercial contracts are estimated based on the current rent level including indexation, meaning that rent levels develop at the same rate as inflation expectations. Vacancies are assessed for each property based on the current vacancy status with a gradual adaptation to market based vacancies and individual conditions.

Operation and maintenance costs

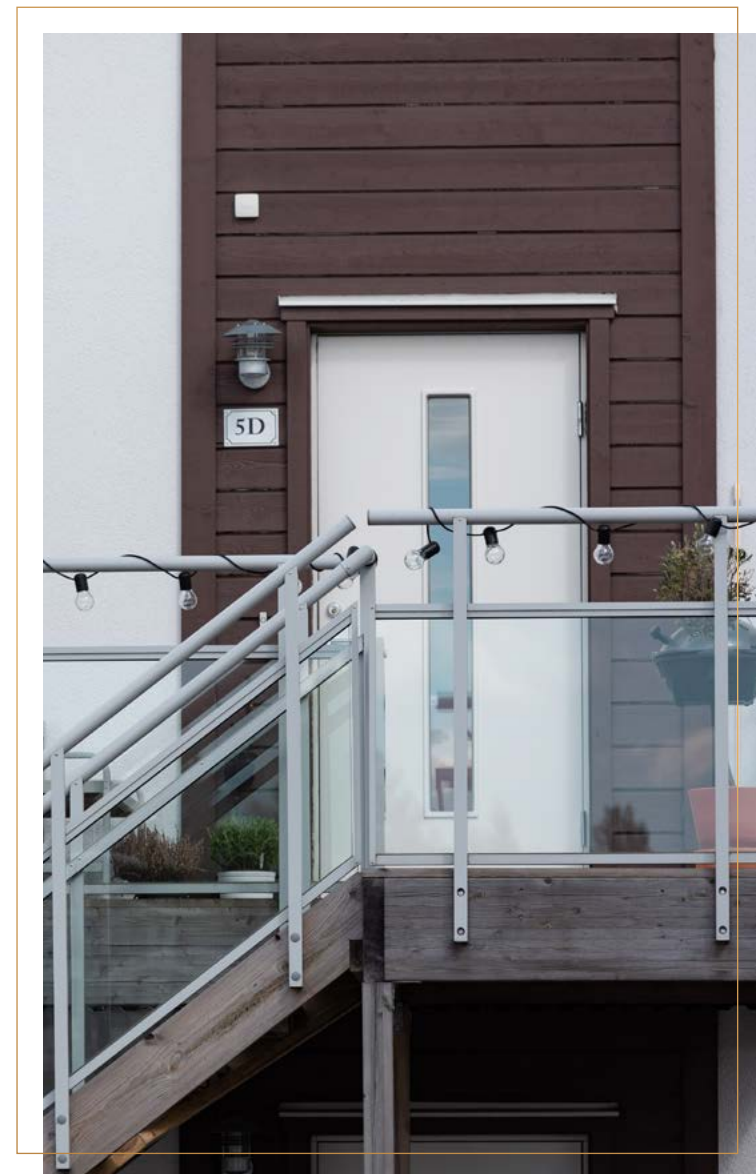
The assessment of disbursements for normal operation, maintenance and repairs, property tax, ground rent and property administration, has been made based on actual outcomes for the property concerned or for a property of similar design, as well as Newsec Advise AB's statistics and experience regarding comparable objects. The assessment has been made taking into account the properties' purpose, age and maintenance status. Disbursements for operation, administration and maintenance are expected to increase in line with assumed rate of inflation.

Investment needs

The property's investment needs are assessed based on any maintenance plans, the condition of the property and projects that are planned or in progress.

Direct return requirement and interest rate

The properties' direct return requirements have been assessed on the basis of each property's unique risk, which can be broken



down into two parts – general market risk and a specific property risk. The market risk is linked to general economic development and is influenced by, among other things, how investors prioritize between different asset classes and financing opportunities. The specific property risk is influenced by the location of the property, the type of property, the standard of the premises, the quality of the installations, the type of tenants and the nature of the contract.

Valuation assumptions, weighted average	2019 31 Dec	2018 31 Dec
Calculation period, number of years	10-15	10-15
Annual inflation, %	2.00%	2.00%
Rent trend, housing, % annually	2.00%	2.00%
Cost of capital, %	6.22%	6.37%
Direct return requirements, residual value, %		
Housing, %	4.01%	4.04%
Commercial premises, %	5.02%	5.75%
Long-term vacancy ratio, %		
Housing, %	0.29%	0.26%
Commercial premises, %	5.36%	7.12%
Rental value, SEK/m ²	1,494	1,410
Operating and maintenance costs, year 1, SEK/m ²	240	238

Average direct return requirements for assessing residual value, %	
Northwestern Skåne	3.65 – 5.00%
Northeastern Skåne	3.95 – 6.75%
Southwestern Skåne	3.67 – 3.76%
Gothenburg	3.84 – 4.35%
Southern Småland	4.07 – 4.75%

The cost of capital corresponds to the interest rate that the owner of the property is required to pay on capital tied to the property. The interest requirement is based on experiential assessments of the market's interest rate requirements for similar properties, which is, in practice, derived by adjusting the assessed direct return requirements to inflation.

For the completed investment properties, the return requirements on the valuation units included vary from 3.67 percent to 6.75 percent, with a total weighted average of 4.25 percent (4.46) and, for project properties valued in advance, from 3.67 percent to 4.75 percent, with a weighted average of 4.02 percent (4.09). It is primarily the distribution between categories of space (housing/commercial premises) and geographical aspects that cause the return requirement to vary. For completed investment properties, the average cost of capital applied for the period was 6.28 percent (6.52) and, for project properties valued in advance, it was 6.08 percent (6.14).

Residual value

The residual value comprises the operating surplus during the remaining economic lifetime, which is based on the year following the last year calculated. Residual value is calculated for each property through perpetual capitalization of the estimated market operating surplus and the estimated market operating direct return requirement for each property. The return requirement comprises the risk-free interest rate and each property's unique risk. The cost of capital/discount rate is used to discount the residual value of the properties to their present value.

The location price method

The location price method is based on market analyses of conveyances of properties that could be considered comparable. The method means that the assessment is made applying prices paid for similar properties on a free and open market. The comparison should take into account the change in value between the transfer of the property and the timing of the valuation. The location price method is used primarily to support the yield capitalization method.



ASSOCIATED COMPANIES



In Falkenberg, Novum Samhällsfastigheter is constructing a retirement home that has been sold to Altura, which owns, manages and develops public properties, focusing primarily on retirement homes in the Nordic countries.



Novum Samhällsfastigheter AB

K-Fastigheter holds 50 percent of the shares and votes in Novum Samhällsfastigheter AB, with Novum Properties AB holding the remaining shares. The company develops and manages premises for publicly funded operations. These include retirement homes, residential care homes, schools, preschools and other specialized properties. The operations housed in the premises are run by municipalities, regions, county councils, the central government or private players. The projects are usually shaped based on early needs analyses drawn up together with tenants based on the operations' future needs for premises.

Read more about Novum Samhällsfastigheter at:
<http://novumfastigheter.se/>

Pk Property AB

K-Fastigheter and Panghus AB each hold 50 percent of the company Pk Property AB. The company's operations comprise the development of a building right for about 100 apartments in Nyköping.

Käglinge Holding AB

The company Käglinge Holding AB, in which K-Fastigheter holds 50 percent, is dormant.

Tygelsjö Ängar Holding AB

K-Fastigheter and Skåne Värden Holding AB are conducting project development efforts and constructing 30 tenant-owned apartments in Tygelsjö, Malmö, applying the K-Fastigheter Low-Rise concept. The tenant-owned apartments have been sold and tenants are scheduled to move in during June 2020. K-Fastigheter holds 49 percent of the shares in the company.



HOMEstimate AB

Together with Balder and One Partner Group, K-Fastigheter has an equal holding in the company HOMEstimate AB, which commenced operations in 2019. HOMEstimate's ambition is to offer solutions in the long-stay segment, which entails leasing furnished apartments to companies as a homely and affordable alternative to long-term hotel stays.

Read more about HOMEstimate at: <https://homestate.se/en>



Fosie mark i Skåne AB

Through the subsidiary Jägersro Företagscentrum AB, the company conducts project development and is developing an industrial property in the Jägersro industrial area in Malmö. Two buildings of a total 3,456 square metres, with 32 commercial premises, will be constructed on the property. On completion, the title on the premises in these buildings will be transferred to several company with varying operations. At the end of 2019, approximately 70 percent of the premises had been sold. Construction is expected to commence in the first half of 2020, with tenants moving in during the first half of 2021. K-Fastigheter holds 31 percent of the shares in the company.

Read more about Jägersro Företagscentrum at:
<http://jagersroforetagscentrum.se/>

MARKET OVERVIEW

The global spread of covid-19 (Corona virus) which since March 11, 2020 is classified as a global pandemic by the World Health Organization (WHO), has affected the global and the Swedish economy.

The parts of the text that pertain to the prevailing market picture and forecasts are thus associated with greater uncertainty than usual and should therefore be viewed with a higher degree of caution.

Several factors, both global and domestic, influence developments in the Swedish property market. Fundamentally, there are mega-trends, defined as groundbreaking changes affecting our society and our future. Three identified mega-trends were particularly evident in 2019.

Urbanization and demographic shifts

The population of Sweden is growing rapidly – in particular, the number of older and younger people is rising sharply. At the same time, the proportion of people of working age is decreasing, resulting in fewer people providing for a growing number of people in the future. The Öresund Region is one of the fastest growing regions, meaning that the area is substantially affected by the demographic changes. This mainly involves younger and well-educated people moving to gain access to a larger labour market and greater options in their life choices. The sharp increase in urbanization places considerable demands on urban infrastructure, the education sector, services, housing and workplaces. Demand for attractive housing in good locations increases as more people seek to live in towns and cities. At the same time, sufficient housing

This section is based primarily on a report prepared by Newsec on K-Fastigheter's behalf. Other details have mainly been obtained from Statistics Sweden, the Riksbank (Swedish central bank), Svensk Mäklarstatistik (Swedish statistics service for property agents), the Swedish Public Employment Service, National Board of Housing, Building and Planning, Finance Denmark and Statbank.

needs to be available that is adapted to the needs of both the older and younger generations.

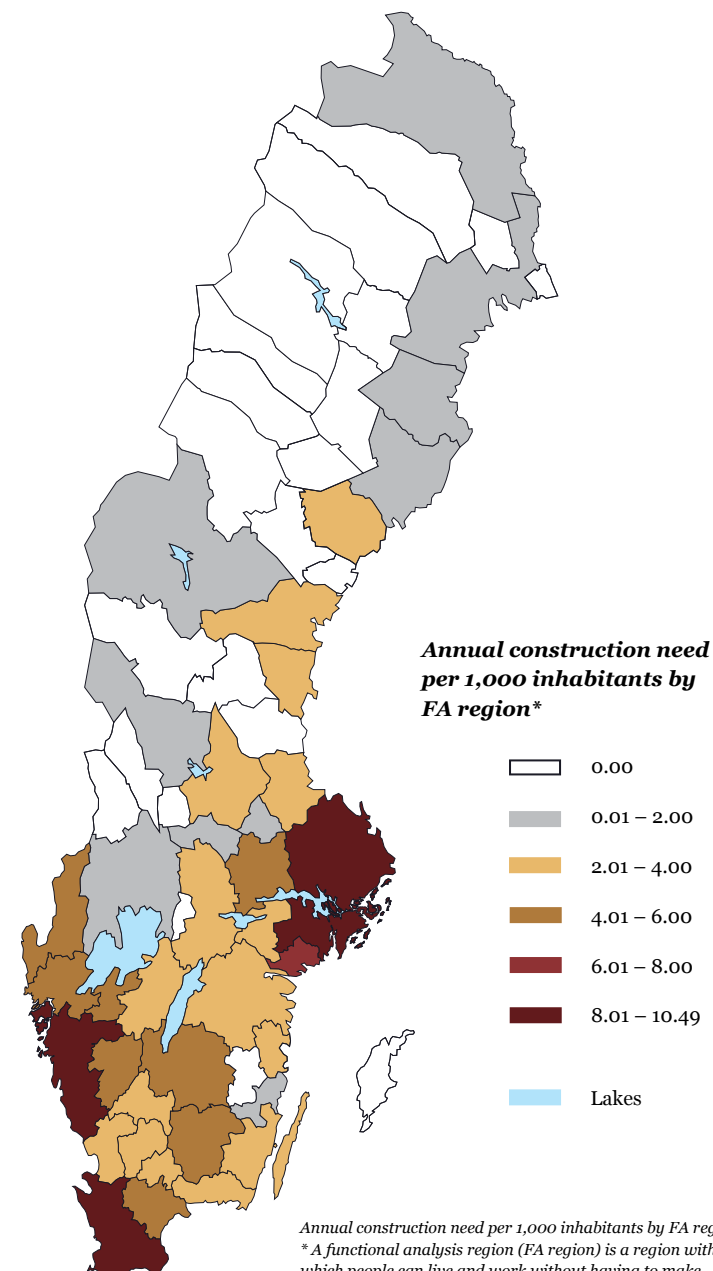
Technological development and individualization

Digital technology is changing people's behaviours, business models, communications and access to information. Our working methods are changing as new technologies become available and new generations enter the labour market, the engineering evolves and the need for networks and collaboration increases. The increasing use of artificial intelligence (AI) has already begun and will, in the future, change how we both live and work, influencing future housing and workplace formats. The need for flexible solutions is increasing, including in housing and associated services.

Focus on the environment and resilience

In recent decades, increasing attention has been paid to issues of climate change, environmental damage, reduced biodiversity and over-utilization of natural resources. As with the other mega-trends, the challenges are global, although the effects can look very different at the local level. This places higher demands on planning in towns and cities around Sweden in terms of infrastructure and development. By means of efficient property management, for example, and well considered urban planning, the impact on the environment and living standards can be minimized. Circularity – from recycling to reuse and sharing services – is becoming increasingly well-established and self-evident. Circular economy is the term used to describe the recycling of unused materials and waste. Saving resources and reducing emissions is now a priority.

By 2035, the City of Gothenburg is expected to grow by approximately 120,000 inhabitants, while the City of Malmö is expected to grow by about 90,000 inhabitants. Corresponding growth in Helsingborg over the same time period is approximately 40,000 new inhabitants, in Växjö about 21,000, in Kristianstad about 10,000, in Hässleholm about 5,000, in Landskrona about 10,000 and in Älmhult about 6,000.



*Annual construction need per 1,000 inhabitants by FA region.
* A functional analysis region (FA region) is a region within which people can live and work without having to make excessively time-consuming journeys.
Source: Needs assessment for 2019 by the National Board of Housing, Building and Planning.*

Macroeconomics

The global economy showed a clear slowdown in 2019 due to political turbulence and major global risks, among other factors. The Swedish economy, which had previously shown signs of resistance to the slowdown in the global economy, experienced declining growth compared with previous years, giving some indication of a future downturn in the Swedish economy. Swedish GDP growth slowed over the year and amounted to 1.2 percent¹ for 2019, which can be compared with 2.3 percent for 2018 and 2.4 percent for 2017. Despite uncertain external conditions and falling inflation, Sweden remains in a low-interest climate, which is not expected to change over the upcoming three-year period.

Inflation in Sweden amounted to SEK 1.7 percent in 2019 and was thus slightly below the inflation target of 2.0 percent. With inflation having been close to the Riksbank's inflation target for several years, the Riksbank decided in December to raise the repo rate by 25 basis points to 0.00 percent. The forecast for the repo rate is unchanged and expected to remain at zero percent during the year.

In recent weeks, major market uncertainties have prevailed due to the Coronavirus pandemic (Covid-19). Since 11 March 2020, the Coronavirus outbreak has been classified as a global pandemic by the World Health Organization (WHO). Increased concerns that the global economy risks being crippled by the virus, resulting in an economic downturn and increased risk of recession, have led to sharp falls in prices on the world's stock exchanges.

Many industries are severely affected by the restrictions that have been introduced to reduce the spread of the virus. Restaurants and the hotel industry, for example, have been hit hard by travel restrictions and by more people staying at home to a greater extent.

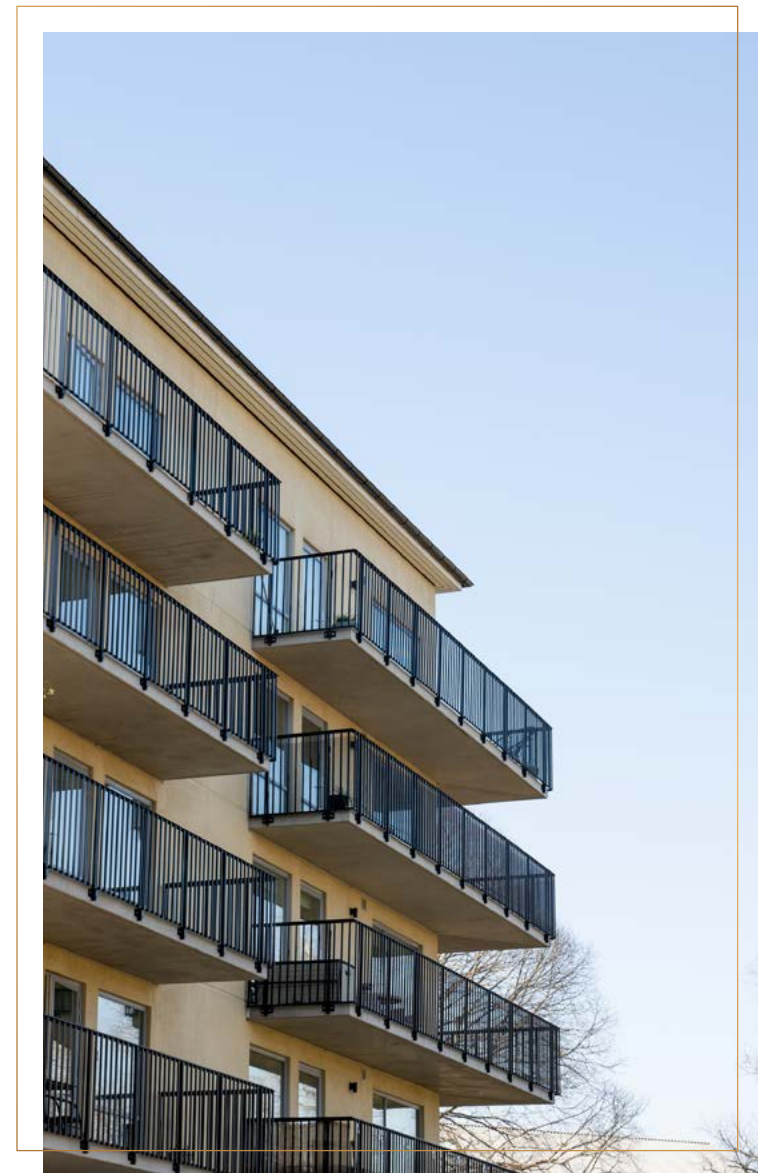
The global spread of the corona virus has had economic consequences in Sweden and is forecast to continue doing so. The macroeconomic effects of the virus are difficult to quantify and there is considerable uncertainty about how the future economic situation will be affected. Growth is expected to slow substantially in 2020 due to a lower pace of development in society, limited manufacturing and reduced imports. The spread of the virus will affect the Swedish economy in both 2020 and 2021, and beyond.

Macroeconomic factors, Sweden

Sweden	2014	2015	2016	2017	2018	2019
GDP growth, %, (annual change)	2.7	4.4	2.4	2.4	2.3	1.2
Inflation, %	-0.2	0.0	1.0	1.8	2.0	1.7
Unemployment*	7.9	7.4	6.9	6.7	6.3	6.8

* Percent of labour force, 16-64 years of age

¹ Preliminary figure



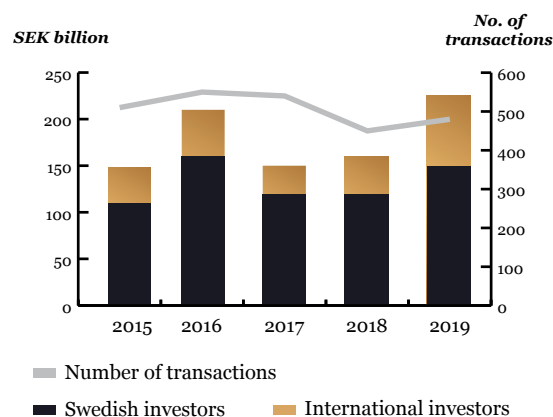
Swedish property market in 2019

Despite the weakening economy, the Swedish property market continued to develop very strongly in 2019. During the year, a historically high transaction volume was measured that, accumulated, amounted to almost SEK 218 billion².

In 2019, residential properties represented the category of premises with the highest turnover in the Swedish transaction market for the third consecutive year, with 32 percent of the total transaction volume. During the year, increased interest in investments in growth regions could be discerned, with transactions involving several rental apartment buildings occurring in the towns and cities where K-Fastigheter owns housing, such as Malmö, Helsingborg, Gothenburg, Höganäs, Kristianstad, Landskrona, Osby and Växjö.

International investors were also active in the Swedish property market and accounted for 30 percent of the total transaction volume during the year. This is the highest percentage measured since 2007.

Property transactions 2015-2019
Transactions >= SEK 40 million



Growing population

Demand and development in the housing market are driven by growth in population and income, among other factors. Regional growth is a basic prerequisite for economic development.

Regional growth 2019

In 2019, Sweden's population increased from 10,230,185 to 10,327,589, an increase equivalent to 0.95 percent. Sweden's population is expected to continue increasing in the future and, by 2029, the Swedish population is projected to exceed 11 million inhabitants.

K-Fastigheter markets in Skåne: Malmö, Helsingborg, Höganäs and Landskrona are all part of one of Sweden's largest and fastest growing regional markets, the Malmö-Lund labour market region. Kristianstad and Hässleholm are part of the Kristianstad labour market region, also reporting long-term favourable growth. K-Fastigheter's operations in Southern Småland are concentrated in Växjö and Älmhult, both of which are strong growth municipalities, partly due to the urbanization trend prevailing in Sweden. K-Fastigheter's third market region consists of Gothenburg and its municipalities, which together constitute one of the largest labour market regions in Sweden.

The Gothenburg, Helsingborg-Landskrona, Malmö-Lund and Växjö regions are local labour markets of the size category reporting the highest long-term growth rates in Sweden. Gothenburg and Malmö-Lund are two of the country's three metropolitan regions, while Kristianstad and Växjö belong to the second-largest regional group. Älmhult constitutes its own local labour market region (comprising the municipalities of Älmhult and Osby) with approximately 30,000 inhabitants in total, although it has, despite its limited size, reported favourable growth in recent years. Accordingly, the various local markets are well-positioned from a growth perspective.

In all of K-Fastigheter's local markets, the population has grown by almost 13 percent annually since 2010 which can be compared with slightly less than 10 percent in Sweden as a whole. Hässleholm has experienced the lowest growth at approximately 4 percent for the period. All municipalities enjoy favourable conditions for continued growth, with the markets benefiting from the Öresund region and the other larger regional labour markets, as well as the prevailing urbanization trend.

Municipality	Population 2019	Population trend 2005-2019/years	Population trend 2010-2019/years	Population trend 2019
Gothenburg	579,281	19%	13%	1.3%
Malmö	344,166	27%	15%	1.4%
Helsingborg	147,734	21%	14%	1.6%
Växjö	94,129	22%	13%	1.7%
Kristianstad	85,747	13%	8%	1.0%
Hässleholm	52,145	6%	4%	0.0%
Landskrona	46,090	17%	10%	0.7%
Älmhult	17,651	15%	13%	0.5%
Sweden as a whole	10,327,589	14%	10%	0.9%

² Refers to property transactions of a volume larger than, or equal to, SEK 40 million

Employment and wage trend 2019

Unemployment in Sweden remained basically unchanged during 2019, which is to be regarded as a break in the trend compared with previous years when unemployment fell. At the beginning of the year, unemployment decreased at a slowing rate, before levelling off mid-year. There are major regional differences, with unemployment decreasing in some counties and increasing in others. In all of K-Fastigheter's markets, unemployment fell or remained unchanged in 2019, except from Älmhult where unemployment increased somewhat. Landskrona experienced the greatest decline in unemployment at one percent over the year.

Household disposable income is the sum of the households' various incomes minus taxes and fees and, accordingly, measures households' total purchasing power. Over the past 20 years, the upswing has been particularly strong and on a par with what Sweden experienced during the record years of the 1950s and 1960s. Average income for all households in Sweden fell over the year by close to one percent. Among the towns and cities where K-Fastigheter operates, Växjö distinguishes itself positively where the trend in disposable income in the municipality increased instead by close to 16 percent. Landskrona and Älmhult also showed positive development, while other sub-areas followed the trend for Sweden as a whole, thereby developing slightly negatively over the year.

Disposable income and employment have a strong impact on households' willingness to pay. With high employment and increased disposable income, householders' willingness to pay also increases. This is because households have an increased amount of money to spend on housing, provided that the percentage of households willing to pay for housing reaches to the same level.

DENMARK, Zealand

Population 2019: 16,654
Forecast population 2025: 18,918
Disposable income, single adult household: DKK 255,657 p.a.
Disposable income, cohabiting couple: DKK 591,683 p.a.
Housing prices (condominium apartments) 2019: DKK 22,806 /m²

Gothenburg

Population 2019: 579,281
Forecast population 2025: 624,534
Disposable income, single adult household: SEK 259,700 p.a.
Disposable income, cohabiting couple: SEK 611,200 p.a.
Prices for tenant-owned apartments 2019: SEK 47,695 /m²

Borås

Population 2019: 113,179
Forecast population 2025: 120,214
Disposable income, single adult household: SEK 230,800 p.a.
Disposable income, cohabiting couple: SEK 542,200 p.a.
Prices for tenant-owned apartments 2019: SEK 21,505 /m²

Höganäs

Population 2019: 26,942
Forecast population 2025: 30,214
Disposable income, single adult household: SEK 276,500 p.a.
Disposable income, cohabiting couple: SEK 623,100 p.a.
Prices for tenant-owned apartments 2019: SEK 20,245 /m²

Helsingborg

Population 2019: 147,734
Forecast population 2025: 156,921
Disposable income, single adult household: SEK 284,200 p.a.
Disposable income, cohabiting couple: SEK 561,300 p.a.
Prices for tenant-owned apartments 2019: SEK 24,030 /m²

Landskrona

Population 2019: 46,090
Forecast population 2025: 47,219
Disposable income, single adult household: SEK 230,300 /m²
Disposable income, cohabiting couple: SEK 522,100 p.a.
Prices for tenant-owned apartments 2019: SEK 20,175 /m²

Malmö

Population 2019: 343,821
Forecast population 2025: 362,144
Disposable income, single adult household: SEK 244,100 p.a.
Disposable income, cohabiting couple: SEK 537,100 p.a.
Prices for tenant-owned apartments 2019: SEK 29,215 /m²

Växjö

Population 2019: 94,129
Forecast population 2025: 101,860
Disposable income, single adult household: SEK 236,000 p.a.
Disposable income, cohabiting couple: SEK 871,000 p.a.
Prices for tenant-owned apartments 2019: SEK 25,290 /m²

Älmhult

Population 2019: 17,651
Forecast population 2025: 19,487
Disposable income, single adult household: SEK 236,800 p.a.
Disposable income, cohabiting couple: SEK 532,500 p.a.
Prices for tenant-owned apartments 2019: SEK 15,450 /m²

Hässleholm

Population 2019: 52,145
Forecast population 2025: 55,212
Disposable income, single adult household: SEK 216,900 p.a.
Disposable income, cohabiting couple: SEK 518,200 p.a.
Prices for tenant-owned apartments 2019: SEK 11,080 /m²

Kristianstad

Population 2019: 85,747
Forecast population 2025: 90,119
Disposable income, single adult household: SEK 227,900 p.a.
Disposable income, cohabiting couple: SEK 535,000 p.a.
Prices for tenant-owned apartments 2019: SEK 17,690 /m²

Municipality	Unemployment 2019	Unemployment trend		Disposable income (average, all households)	Income growth
		2018–2019	2015–2019		
Malmö	13.6 %	-0.3%	-1.4 %	SEK 416,100 p.a.	-0.48 %
Helsingborg	10.1 %	-0.1%	-0.6 %	SEK 456,000 p.a.	-1.89 %
Landskrona	11.5 %	-1.0%	-3.7 %	SEK 426,800 p.a.	+0.80 %
Hässleholm	9.1 %	-0.5%	-1.6 %	SEK 422,700 p.a.	-0.66 %
Kristianstad	9.7 %	0%	-1.5 %	SEK 440,100 p.a.	-1.68 %
Älmhult	8.3 %	-0.3%	+3.2 %	SEK 470,700 p.a.	+1.07 %
Växjö	7.7 %	-0.2%	-1.2 %	SEK 538,200 p.a.	+15.89 %
Gothenburg	7.1 %	0%	-1.3 %	SEK 478,400 p.a.	-1.10 %
Sweden as a whole	7.0 %	0%	-0.8%	SEK 478,900 p.a.	-0.95 %

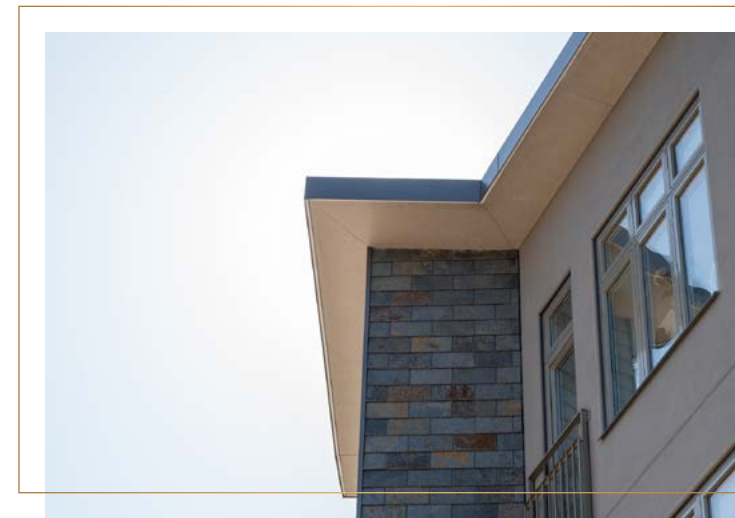
The Swedish housing market – major housing shortages throughout the country

In the National Board of Housing, Building and Planning's housing survey, 240 of Sweden 290 municipalities reported that they had a housing deficit in 2019. The greatest shortages are in rental apartments, particularly one and two-bedroom apartments with living-room and kitchen. According to the National Board of Housing, Building and Planning there is a need for slightly more than 640,000 new homes in Sweden over the upcoming ten-year period to cover the housing need generated by Sweden's strong population growth. This can be compared with the most-recent ten-year period when new production in Sweden amounted to approximately 327,000 homes. Over the same time period, population growth in Sweden amounted to approximately 100,000 individuals annually, which has resulted in a pent-up need for housing, where new production has been at significantly lower levels than the demographic need.

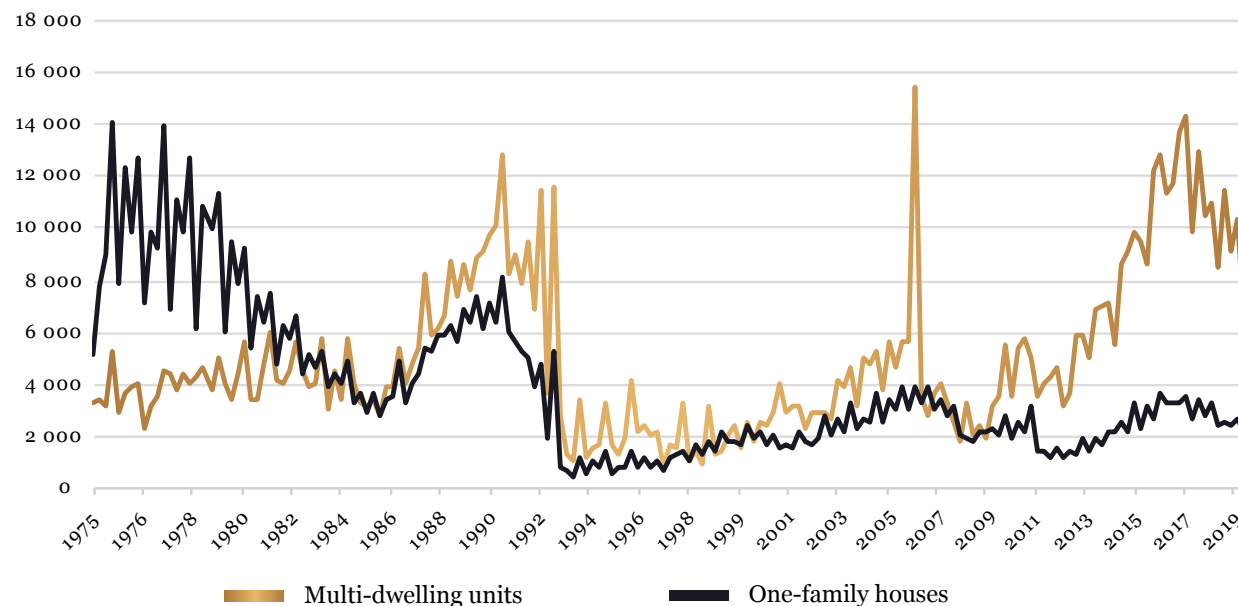
Annual construction needs in Sweden are highest in Skåne, Gothenburg and the Stockholm area. In general, housing needs are greater in southern Sweden than in the northern parts of the country, meaning that there is also high demand for housing in K-Fastigheter's other growth locations.

Increased project activity

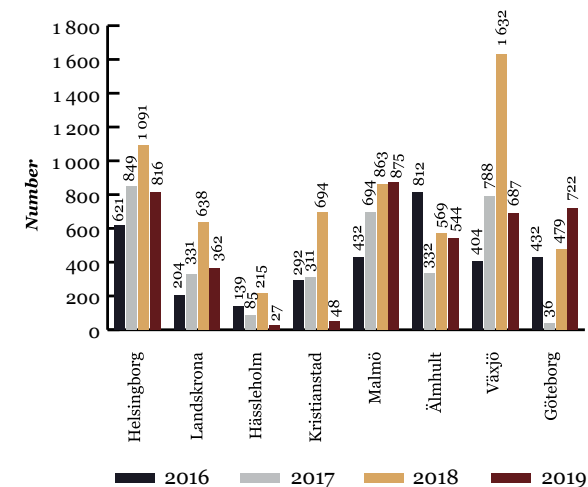
The favourable demographic trend, low interest rates and high demand for housing, combined with favourable future prospects, for example, has resulted in increased project activity in Sweden where favourable conditions for growth have resulted in a rapid increase in housing construction. In 2019, 53,500 homes were completed in Sweden, while construction of another 47,500 commenced.



Commencement of residential housing construction in Sweden - by quarter 1975-2019



Number of completed apartments, 2016-2019



Housing structure in the local markets

The structure of the housing market in K-Fastigheter's local markets differ in character. In Malmö, alongside Helsingborg, Landskrona and Växjö, rental apartments hold a dominant position. The largest proportion of tenant-owner apartments is found in the three largest municipalities: Gothenburg, Malmö and Helsingborg. In Malmö, tenant-owned apartments constitute 39 percent of the entire housing supply, which is the region's largest proportion of tenant-owner apartments. Hässleholm and Älmhult have the largest share of detached houses while Malmö has the lowest. In Malmö, small houses constitute only 15 percent of the housing stocks, while small houses are the dominant form of housing in Hässleholm, Älmhult and Kristianstad.

Statutory regulation of rent-setting for housing

Rent levels in newly-produced rental housing are not determined by the relationship between supply and demand in the same way as it pervades the markets for tenant-owned apartments and small houses. In Sweden, the freedom of contract in the rental market is regulated through the utility value rent system, meaning that rent levels may not be freely determined.

Municipality	Rental apartments	Tenant-owned apartments	Property rights / small houses
Gothenburg	54%	29%	17%
Malmö	46%	39%	15%
Helsingborg	48%	27%	26%
Växjö	47%	17%	36%
Kristianstad	40%	11%	48%
Hässleholm	33%	11%	56%
Landskrona	51%	19%	30%
Älmhult	35%	8%	57%
Sweden as a whole	38%	23%	39%

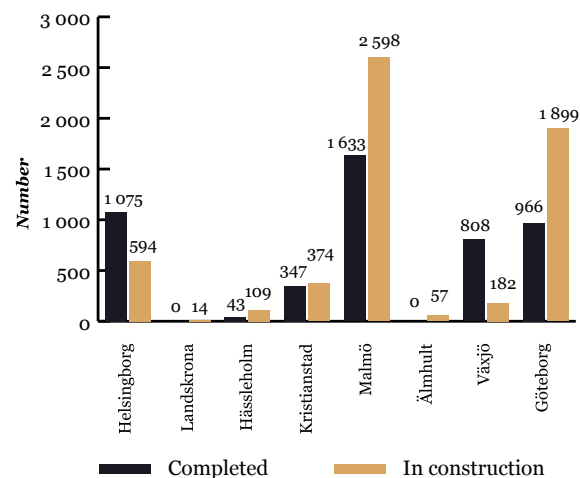
In practice, rent levels are instead determined by production costs and the return requirements that the developer and the Swedish Union of Tenants have agreed as acceptable. Normally, this results in rent levels on new production that can still entail households having to queue for a significant amount of time to be able to secure a new rental apartment.

Rent levels on new construction continued to rise at a rapid rate in 2019 and rent levels on newly-produced rental apartments is now often 50 percent higher than the rent on an apartment of the same size in the older stocks. This can also be observed in the metropolitan cities where rent levels on new production have, in many cases, begun to approach the limit of what tenants are prepared to pay when disregarding those cities' most attractive locations. This has resulted in increased relocation and temporary vacancies in newly-produced properties.

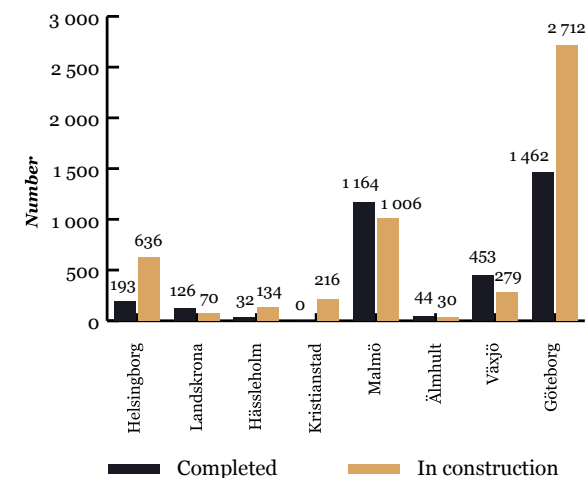
Among older properties too, rent trends were relatively strong in 2019 with several major property owners conducting ongoing renovation and upgrade programmes, facilitating greater rent increases following renovation. On average, rent levels on Sweden's rental housing rose by 2.0 percent in 2019, which was more than in previous years.

For some of the municipalities in Skåne, official data are reported on rent levels and queue times for mediated new construction. Malmö and Helsingborg report standard rents for mediated rental housing in new construction of approximately SEK 1,680 /m²/year, while data from Statistics Sweden show that the annual rent per square metre in newly constructed apartment buildings in the Greater Malmö area amounts to SEK 1,820 /m²/year. In Malmö, this rent level means that average queue times are still long while queue times at this level in Helsingborg are shorter. In Kristianstad and Hässleholm, the rent level on mediated new construction was somewhat above SEK 1,500 /m²/year.

Construction of rental apartments, 2016-2019



Construction of tenant-owned apartments, 2016-2019



Rent trends in rental housing

In 2019, the rent level in rental housing increased by an average 1.9 percent, which is the highest percentage rent increase since 2013. In 2019, the average monthly cost of an apartment with two bedrooms, living room and kitchen was SEK 7,147 a month. The corresponding amount for a one-bedroom apartment amounted to SEK 5,761 per month, although this varies by region and apartment size.

The table below shows the average rent level for rental apartments in the locations where K-Fastigheter operates. The relatively low levels are the result of older housing with lower standards. The rent levels do not reflect what tenants are willing to pay for newly-produced housing, for which the property owner should be able to charge higher levels.

Willingness to pay for new rental apartments

Households' average expenditure for rental apartments, as a percentage of total income, amounted to 28.2 percent at the end of 2017, which was unchanged since 2015. Expenditure on housing

varies according to the age of the tenants, with younger and older people generally having lower expenditure on housing. With average disposable income in Sweden amounting to SEK 478,900 p.a., this entails monthly expenditure on housing of SEK 11,255 per apartment. In regions with higher disposable income, such as Älmhult, where disposable income amounts to SEK 470,700 p.a., the willingness to pay for a rental property should amount to SEK 12,650 per month. With an average apartment size of 57 square metres, this entails an annual rent of SEK 2,665 /m².

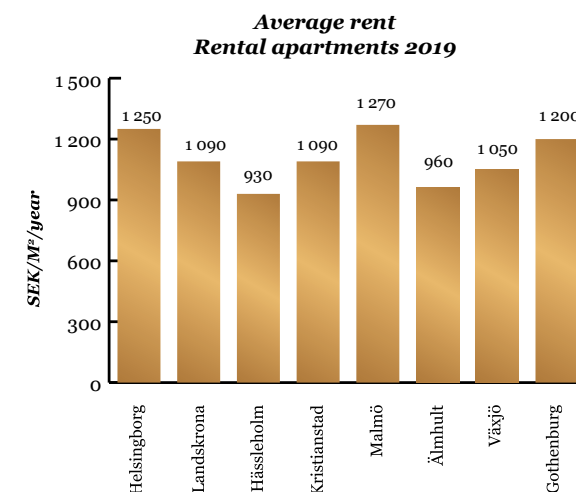
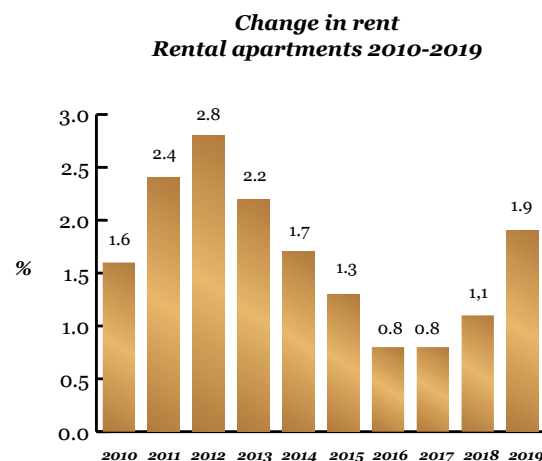
Households' willingness to pay for tenant-owned apartments is evident from the prices paid in the market for tenant-owned apartments. Accordingly, the prices in the market for tenant-owned apartments also provide useful information regarding households' willingness to pay for rental housing. The price spread within K-Fastigheter's selected regions is considerable. Gothenburg reports the highest prices for tenant-owned apartments with average prices in the succession market of approximately SEK 47,700 /m² in 2019, although there are sub-areas with higher

square metre prices. This corresponds to expenditure on housing of approximately SEK 2,170 /m²/year.³

For other markets, average price levels and expenditure on housing are lower, although the spread in pricing is considerable in these markets too. In Hässleholm, for example, average prices in the market for tenant-owned apartments are relatively low at SEK 11,800 /m², which gives an expenditure on housing of approximately SEK 1,000 /m²/years. Willingness to pay is, however, based on a constant expenditure on housing, as a percentage of disposable income in the municipality, at significantly a higher level of SEK 2,100 /m²/year.

It can be noted that households have a higher willingness to pay for features of new production that succession housing often lacks. These include modern kitchens and bathrooms, for example, as well as large balconies and choices of materials. Expressed in terms of expenditure on housing, the difference between succession housing and new construction, normally SEK 300–500 /m²/year compared with market rents for succession housing.

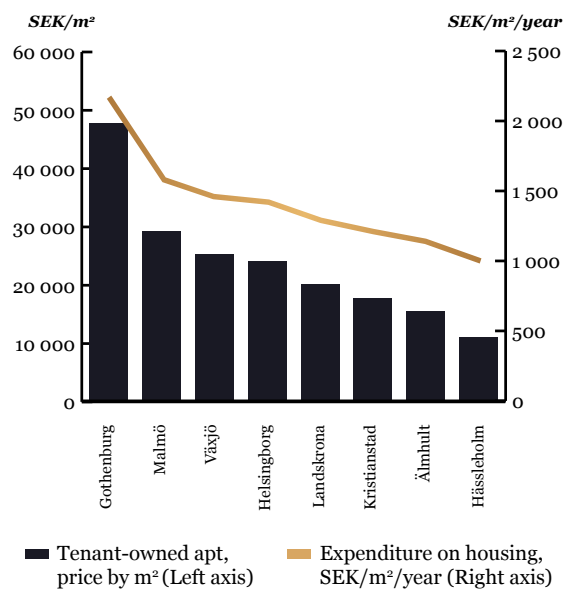
Years	Change in rent (%)
2010	1.6%
2011	2.4%
2012	2.8%
2013	2.2%
2014	1.7%
2015	1.3%
2016	0.8%
2017	0.8%
2018	1.1%
2019	1.9%



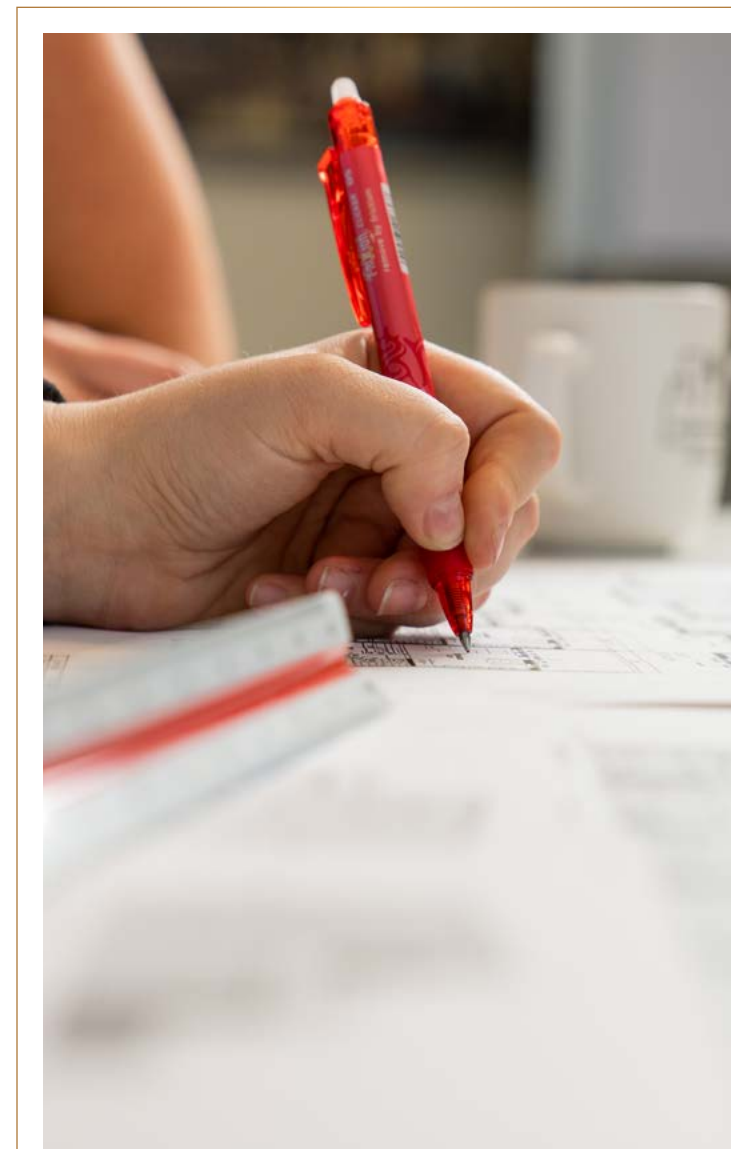
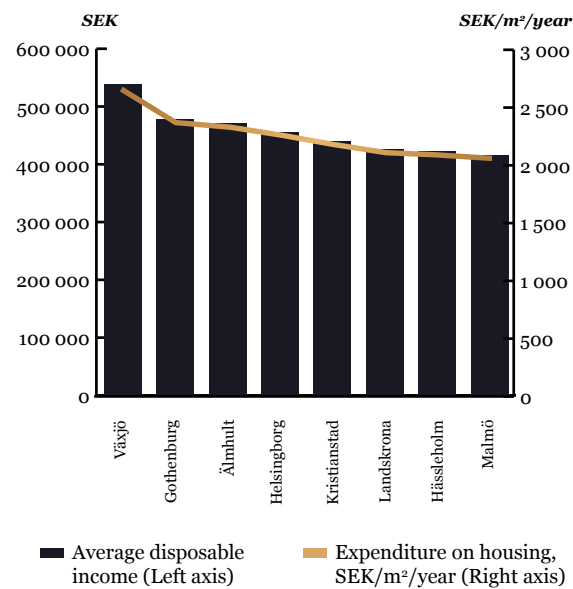
³ Based on an assumed loan-to-value ratio of 85 percent, amortization of 2 percent, a mortgage rate of 1.75 percent and fees of SEK 650 /m²/year.

Municipality	Prices for tenant-owned apartments (SEK/m ²)	Expenditure on housing, succession housing (SEK/m ² /year)	Disposable income (average SEK/m ² /year)	Expenditure on housing new production (SEK/m ² /year)
Gothenburg	47,695	2,170	478,400	2,370
Malmö	29,215	1,580	416,100	2,060
Helsingborg	24,030	1,420	456,000	2,260
Växjö	25,290	1,460	538,200	2,660
Kristianstad	17,690	1,210	440,100	2,180
Hässleholm	11,080	1,000	422,700	2,090
Landskrona	20,175	1,290	426,800	2,110
Älmhult	15,450	1,140	470,700	2,330

**Expenditure on housing
Tenant-owned apartments 2019**



**Expenditure on housing
Rental apartments 2019**



Development in the Swedish housing market

The good demographic development, the low interest rates and strong GDP growth and labor market developments in recent years have meant that housing demand in Sweden need. This has a strong impact on the condominium prices in Sweden which has increased significantly over the past decade. Between 2010 and 2017, the average square meter price increased tenant-owned apartments in Sweden from 22,990 SEK/m² and 40,000 SEK/m². In 2018 the price trend was too tenant-owned apartments for the kingdom as a whole negative, -1.9 percent, compared with 2017. In 2019, the market has once again seen a price rise tenant-owned apartments in the realm of 4.7 percent which indicates that housing demand still remains in the country.

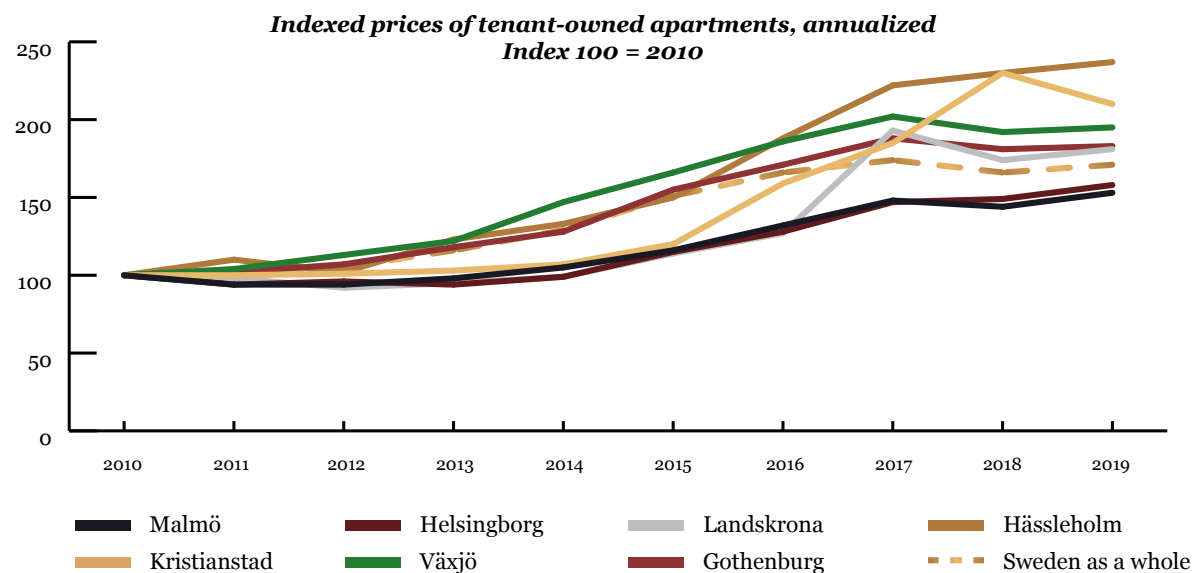
Low interest rates have strengthened purchasing power and increased the willingness to invest for consumers and investors, while new repayment requirements and loan terms have hampered the financing of housing. In many parts of the country too few have been developed housing and housing within an overly expensive segment, which in combination with urbanization and population growth created a strong demand on housing.

All K-Fastigheter markets have been positive development in condominium prices in recent years. only Malmö and Helsingborg have had a worse one development than the kingdom at large, but has handled the decline in housing prices in 2017 better than the others Sweden. Hässleholm has had the strongest development in housing prices then 2010, where the price level has more than doubled during the period.

Competitors

K-Fastigheter's competition consists of other housing options in the local housing markets, both in the form of new production of rental apartments, tenant-owned apartments and small houses with title of ownership, but also in the form of the succession market, that is, used previously used housing with various title formats.

In all of K-Fastigheter's markets, the municipal housing company is the company's largest competitor in terms of the supply of rental housing. With regard to new production, the municipalities are also active through their public housing companies. At the same time, the presence of several smaller players means that the total new production volume among private companies in several of K-Fastigheter's markets has amounted to between 40 and 100 percent of new production between 2014 and 2019.



Data are not available for Älmhult because too few sales of tenant-owned apartments have taken place.

SHARE AND SHAREHOLDERS

K-Fast Holding AB's class B share (ticker: KFAST B) has been listed on the Nasdaq Stockholm exchange, in the Real Estate sector, since 29 November 2019. On 31 December 2019, K-Fastigheter's market capitalization was approximately SEK 4.85 billion. At the end of the year, there were approximately 3,700 shareholders.

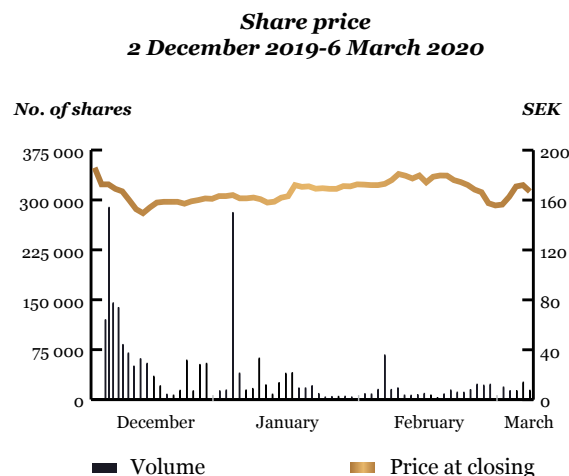
On 31 December 2019, there were a total 33,888,528 shares in K-Fast Holding, distributed between 3,750,000 class A shares and 30,138,528 class B shares respectively. The total number of votes on 31 December 2019 was 48,888,528.

Each class A share conveys five votes and each class B share conveys one vote. All shares carry equal rights to participate in the company's assets and earnings and to any surplus on liquidation. Neither class A nor class B shares are subject to any transfer restrictions.

Marketplace	Nasdaq Stockholm
Name of share	K-FAST Holding B
Ticker	KFAST B
ISIN code	SE0013382355
Segment	Nasdaq, Mid Cap
Sector	Real Estate
Currency	SEK
Total number of shares outstanding	33,888,528
Total number of class B shares listed on the Nasdaq Stockholm exchange	30,138,528
Closing price, 30 Dec 2019	SEK 161
Market value, 30 Dec 2019	SEK 5,456.1 million

Share price trend and trading

During the period 29 November–30 December 2019, approximately 2.4 million KFAST class B shares were traded on the Nasdaq Stockholm exchange, corresponding to a value of approximately SEK 377.5 million. The daily turnover of K-Fastigheter's shares on Nasdaq Stockholm averaged 125,210 shares and the average price paid was SEK 160.86. The highest price paid during the period 29 November 2019–31 December 2019 was SEK 189.94 on 2 December and the lowest price paid was SEK 136.02 on 29 November 2019, the date on which the shares were listed. On 30 December 2019, the share price was SEK 161.00 (last paid). The market capitalization, that is, the value of the company's class B shares, amounted to SEK 4,852.3 million on 31 December 2019. Market value of all shares in the company, based on the last price paid for a class B share on 31 December 2019, amounted to SEK 5,456.1 million on 31 December 2019.



Source: Nasdaq



Share capital and capital structure

K-Fast Holding AB's share capital on 31 December 2019 amounted to SEK 54,221,644.80 (50,000). The total number of shares was 33,888,528 (500). The quota value per share is SEK 1.6 (100). All shares carry equal rights to K-Fast Holding AB's assets and earnings. The company holds no treasury shares.

On 19 August 2019, K-Fast Holding AB implemented a bonus issue and a share split, whereby 1 share became 50,000. On 19 August 2019 and 16 September 2019, rights issues of 260,587 and 2,941 class B shares respectively were implemented, targeted at key executives in the company. In connection with the listing on the Nasdaq Stockholm exchange on 29 November 2019, a total of 8,625,000 new class B shares were issued. These share issues raised equity of SEK 54.2 million for the company.

Analysts monitoring K-Fastigheter regularly*

Company	Name
Carnegie	Fredric Cyon and Erik Granström
Danske Bank	Philip Hallberg

* Carnegie too Danske Bank acted as joint book runners in connection with the listing of K-Fast Holding AB's class B shares in November 2019.

Change in share capital and number of shares	Event	Change in share capital, SEK	Change in number of shares	Of which, class A shares	Of which, class B shares	Total number of shares	Of which, class A shares	Of which, class B shares	Quota value, SEK	Total share capital, SEK
23 November 2010	New formation	50,000	500	-	-	500	-	-	100	50,000
19 August 2019	Bonus issue and share split 1:50,000	39,950,000	24,999,500	3,750,000	21,250,000	25,000,000	3,750,000	21,250,000	1.6	40,000,000
19 August 2019	New share issue to key individuals	416,939.20	260,587	0	260,587	25,260,587	3,750,000	21,510,587	1.6	40,416,939.20
16 September 2019	New share issue to key individual	4,705.60	2,941	0	2,941	25,263,528	3,750,000	21,513,528	1.6	40,421,644.80
29 November 2019	New share issue in connection with listing	12,000,000	7,500,000	0	7,500,000	32,763,528	3,750,000	29,013,528	1.6	52,421,644.80
5 December 2019	Exercise of over-allotment option	1,800,000	1,125,000	0	1,125,000	33,888,528	3,750,000	30,138,528	1.6	54,221,644.80

Information on the development of share capital and on analysts monitoring K-Fastigheter regularly is published on www.k-fastigheter.se/en/investors/the-share

Shareholders

Most of the total share capital as of 31 December 2019 was owned by Swedish institutions, funds and private investors.

As of 31 December 2019, K-Fast Holding AB had some 3,700 shareholders. The ten largest shareholders accounted for 90.8 percent of the votes and 86.8 percent of the share capital. Members of K-Fast Holding AB's Board of Directors and Group management held a total 3,750,000 class A shares and 21,880,810 class B shares, corresponding to a total 40,630,810 votes in the company. The shareholdings of each of the executives are presented on pages 61 and 62.

Dividend policy

K-Fastigheter's overarching objective is to generate the best long-term total return for shareholders. This is achieved by reinvesting in the operations to generate further growth through investments in new construction, property acquisitions and investments in existing properties. Accordingly, dividends will be low or absent for the next few years.

Stock market information and insider rules

In connection with the listing on the Nasdaq Stockholm exchange, the company has prepared procedures for providing all public and stock market stakeholders simultaneous access to insider information regarding the company. The Board of Directors has also established insider rules with the aim of preventing market abuse.

Ten largest shareholders (in order of total voting power) as per 31 December 2019

Name	Number class A shares*	Number class B shares	Total number of shares	Percentage of share capital	Percentage of votes
Jacob Karlsson AB	1,875,000	10,625,000	12,500,000	36.9%	40.9%
Erik Selin Fastigheter Aktiebolag	1,875,000	10,625,000	12,500,000	36.9%	40.9%
AP2	0	857,100	857,100	2.5%	1.8%
Capital Group	0	776,620	776,620	2.3%	1.6%
AP4	0	714,200	714,200	2.1%	1.5%
Nergård families**	0	478,100	478,100	1.4%	1.0%
Handelsbanken funds	0	453,032	453,032	1.3%	0.9%
Strandkanten AB	0	434,484	434,484	1.3%	0.9%
Celox Management	0	380,900	380,900	1.1%	0.8%
Er-Ho Förvaltning AB	0	380,500	380,500	1.1%	0.8%
Ten largest shareholders	3,750,000	25,724,936	29,474,936	87.0%	91.0%
Other shareholders	0	4,413,592	4,413,592	13.0%	9.0%
Total	3,750,000	30,138,528	33,888,528	100.0%	100.0%
Of whom, Board of Directors and Group Management	3,750,000	21,880,810	25,630,810	75.6%	83.1%

* Each class A share conveys five votes and each class B share conveys one vote.

** Through Mjölåbäcks Entreprenad Holding AB and Västskustugan AB.

The ownership structure as of 31 December 2019 is based on data from Euroclear Sweden and K-Fastigheter.

The shareholder list is updated every quarter and can be found at www.k-fastigheter.se/en/investors/the-share.

Transactions by insiders and their affiliates are reported to the Swedish Financial Supervisory Authority

(<https://fi.se/en/our-registers/pdmmr-transactions/>)

The company's Board of Directors has, among other things, adopted a communications policy and an insider policy to ensure the correct and good quality of the company's information and management of insider information, both externally and internally. The company's Chairman of the Board handles general shareholder-related matters, while the CEO bears the overall responsibility for the company's external communications. Policies and guidelines regarding publication of information and insider rules, as well as updates and changes, are made accessible and known to the employees concerned and Group management reviews the regulations with employees. The company's regulations are formulated in accordance with Swedish legislation, the regulations of the Nasdaq Stockholm exchange and the Swedish Code of Corporate governance and the EU Market Abuse Regulation. All financial reports and press releases are published on the company's website in direct connection with publication.

Individuals with insider status

The individuals included in Board of Directors, Group management and the Group's chief accountant, as well as the authorized auditor hold positions deemed to entail their having access to unpublished information that could affect the share price and are registered as individuals in senior position within K-Fastigheter. These individuals are obliged to report changes in their holdings of share-related financial instruments in K-Fastigheter in accordance with the Act Concerning Reporting Obligations for Certain Holdings of Financial Instruments. K-Fastigheter maintains a logbook for each financial report or press release containing information that could affect the share price.

*Events after the end of the year, see page 76.
Corporate Governance Report, see page 49.*

Investor relations

K-Fastigheter strives to be accessible and to provide shareholders and other stakeholders with accurate information in a timely manner. Financial results and other important messages are published regularly. K-Fastigheter's website, www.k-fastigheter.se, contains a variety of materials for shareholders, including the current share price, press releases and information about the company's financial development.

K-Fastigheter maintains a quiet period of at least 30 days prior to the release of the Group's quarterly reports. During this period, the

Group's representatives do not meet representatives of the financial media, analysts or investors.

IR contact

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e-mail: martin.larsson@k-fastigheter.se.

Anders Antonsson, Head of Investor Relations,
tel.: +46 (0)709 994 970.
e-mail: anders.antonsson@k-fastigheter.se.

K-FASTIGHETER AS AN INVESTMENT

1. An attractive property portfolio exposed to the rental housing market in Swedish growth regions.
2. Proven business model generating a favourable return. Value is generated based on in-house project development, construction of concept buildings developed in-house and property management with a perpetual perspective.
3. A clear and stable positive earnings trend that has built up a net asset value that is sustainable in the long-term.
4. The Group's concept buildings respond to increasing demand for high-quality rental apartments.
5. Sustainability is integrated throughout K-Fastigheter's operations. Resource efficiency and cost-optimization, combined with an awareness of the Group's environmental footprint, provide the foundation for the Group's ongoing progress.

A COMMENT FROM THE CHAIRMAN OF THE BOARD

Chairman of the Board Erik Selin



In brief, K-Fast Holding AB's ("K-Fastigheter") business concept is to develop, build and manage properties with rental apartments with a perpetual perspective. With great commitment, the company's founder and talented employees have developed K-Fastigheter into a successful and competent player offering high-quality housing. A decade has now passed since Jacob Karlsson founded the company and 2020 heralds a new era, with favourable conditions for continued long-term growth and sustainable solutions for better housing. The perpetual perspective is central and the shareholders' assignment to K-Fastigheter's Board of Directors and management is to constantly create value by acquiring, developing and managing residential properties.

On 29 November 2019, K-Fast Holding AB's class B shares were listed on the Nasdaq Stockholm exchange. Underlying the listing was considerable work to secure and document key processes in the company. A listed environment imposes stringent demands on the composition and working methods of the Board of Directors, among other things. As part of the process of listing K-Fastigheter, the Board of Directors was supplemented with members with extensive experience from areas including the capital market, transactions and organizational development. All members are, or have been, individuals in senior management positions with good insight into, and understanding of, the challenges facing management. Within applicable legislation, regulations and practices, the Board of Directors' assignment is to work with the company's long-term development, to follow up on the management's operational activities, to ensure order and clarity in the company and that K-Fastigheter meets requirements for transparency and disclosure.

Financial accounts and risk assessment is a recurring point of discussion for the Board of Directors. This includes questions regarding the state of the economy and its impact on various parts of the construction and property industry, interest trends, personnel supply and efforts to contribute to socially and environmentally sustainable societal development. These issues are of even greater importance in a time of great concern for large parts of society.

During 2019, the Board of Directors also focused on the company's growth plans, which include questions such as how we should implement the expansion to additional towns, cities and countries, safeguard the company's culture, relations with municipalities and other land owners. K-Fastigheter's planned growth imposes increased demands on the company as an employer. It is a matter of being able to retain competent and experienced employees but also to attract highly-educated women and men.

As the Chairman of the Board, I have the pleasure of leading a Board of Directors that is not only deeply engaged but that also contributes its knowledge and experience for K-Fastigheter's continued development. My principal task on the Board of Directors is to manage and further develop the entrepreneurship that so clearly pervades K-Fastigheter and to help foster the conditions necessary for the company to achieve its objectives by leading development so that K-Fastigheter is always able to offer attractive rental apartments.

The outbreak of the new corona virus has had an extremely strong impact on society and the world's stock exchanges recently. Sweden and other countries have, for a time, implemented a number of measures to delay the spread of the virus. It is currently impossible to say when the spread will have reached its peak or when this is over. The corona virus affects all business operations, although different industries are affected to varying degrees. Although K-Fastigheter has taken steps to deal with the corona virus situation, the situation is subject to rapid changes, requiring great flexibility and preparedness for some time to come. My assessment is that K-Fastigheter has a stable financial foundation and the right leadership to navigate correctly even in these serious times.

In summary, my assessment is that the company is well-equipped to take advantage of the opportunities we see today and in the years to come. However, in line with our perpetual perspective, we must also plan for things that we cannot see clearly today. Meeting this challenge requires continued commitment from both employees and management, as well as the Board of Directors. I am absolutely convinced that this power exists and that K-Fastigheter will help many people find accommodation they call home.

CORPORATE GOVERNANCE REPORT

K-Fast Holding AB is a Swedish public limited liability company whose class B shares have been listed on the Nasdaq Stockholm exchange since 29 November 2019.

This Corporate Governance Report is not included in the formal Annual Report, but constitutes a separate report. The Corporate Governance Report has been reviewed by the company's auditor. Through great openness, K-Fast Holding AB's Board of Directors and management seek to help individual shareholders follow the company's decision-making paths and to clarify where the organization's responsibilities and authorities lie. This includes maintaining an efficient organizational structure, systems for internal control and risk management, as well as transparent internal and external reporting.

The Corporate Governance Report has been prepared in accordance with the provisions of the Annual Accounts Act and the Swedish Code of Corporate Governance ("the Code"). The Code applies to all Swedish companies whose shares are listed on a regulated market. The Code sets a standard for good corporate governance at a higher level of ambition than the Companies Act and minimum requirements under other regulations. The Code is based on the principle of "follow or explain". This means that K-Fastigheter does not have to comply with every rule in the Code at all times, but can choose other solutions judged to better respond to the circumstances of the individual case, provided that the company openly reports every such deviation, describes the solution instead chosen by the company and states the reasons. The company has followed the Code, the Nasdaq Stockholm exchange's Regulations

for Issuers and generally accepted stock market practices since the company's listing on the Nasdaq Stockholm exchange in 2019.

The year of birth of the members of the Board and Management is not reported as these data are of no significance in assessing expertise and experience. Education, Board assignments and work experience are reported as these are of significance in assessing expertise and experience.

Articles of Association

The company's name is K-Fast Holding AB and the company is public (publ) with the corporate ID number 556827-0390. The company's Board of Directors has its registered office in the Municipality of Hässleholm, Sweden.

The object of the company's operations shall be, directly or indirectly via subsidiaries, to own and manage properties and securities, to conduct construction operations and related operations. Amendments to the Articles of Association are to be made in accordance with the provisions of the Companies Act.

Corporate governance structure

The objective of corporate governance is to ensure that the company is managed as efficient a manner as possible for shareholders, but also to ensure that K-Fastigheter complies with applicable regulations. Corporate governance also aims to engender order and method, both for the Board of Directors and Group management. By having a clear structure and clear rules and processes, the Board of Directors is able to ensure that the focus of management and employees is on developing the business, and to thereby generate value for shareholders.

The Board of Directors and management strives for the company to live up to the requirements imposed on it by public authorities, the Nasdaq Stockholm exchange, shareholders and other stakeholder

groups. Board of Directors also follows the ongoing debate on the subject and the recommendations issued by various actors, including the Swedish Securities Council or auditors.

At K-Fastigheter, corporate governance is primarily exercised through General Meetings and Board of Directors. In a broader perspective, the issues also include Group management and its tasks, as well as the control and reporting functions within the Group.

Ultimately, the shareholders in K-Fast Holding AB make decisions regarding the Group's governance. At the Annual General Meeting, shareholders appoint the Board of Directors, the Chairman of the Board and the auditors, and determines the compensation paid to these, a decision is also made as to how the Nomination Committee shall be appointed. The Board of Directors is responsible to the owners for the Group's organization and the management of the Group's affairs. Shareholders exert their influence through Annual General Meetings and Extraordinary General Meetings. Management and responsibility is divided between the Board of Directors and the CEO in accordance with Swedish legislation, primarily the Companies Act and the Annual Accounts Act, the Nasdaq Stockholm exchange's Rules for Issuers, the Articles of Association and internal instructions and policy documents. K-Fastigheter adheres to the Code.

The auditors report on their audit at the Annual General Meeting.

Shareholders' decision-making forums

According to the Companies Act, the Annual General Meeting is the company's highest decision-making body. At the Annual General Meeting, shareholders exercise their right to vote in matters such as the adoption of Income Statements and Balance Sheets, the disposition of the company's profit, approving discharge from liability for the members of the Board and the CEO, the election

K-Fast Holding AB's Articles of Association are available at www.k-fastigheter.se/bolagsstyrning. The Code, in its current wording, can be found at http://www.bolagsstyrning.se/the-code/current-code__3724

of Board Members and auditors and the determination of fees to Board members and auditors. Board are appointed and discharged in accordance with the Companies Act, and the Articles of Association contain no specific rules for this.

General Meetings

The Annual General Meeting shall be held within six months of the end of each financial year. Beyond the Annual General Meeting, Extraordinary General Meetings may be convened if the company's Board of Directors, auditors or holders of at least 10 percent of all shares in K-Fast Holding request this.

In accordance with K-Fast Holding's Articles of Association, notice of a General Meeting shall be published by means of an advertisement in advertising in Post- och Inrikes Tidningar (official Swedish gazette) and with the notice being presented accessibly on the company's website www.k-fastigheter.se. That fact that such notice has been issued shall be advertised in Swedish financial daily Dagens Industri.

Resolutions of the Annual General Meeting are normally approved through a simple majority. In certain matters, the Swedish Companies Act stipulates that proposals must be approved by a larger proportion of the shares represented and the votes cast at the Meeting.

Entitlement to attend General Meetings

Anyone wishing to attend the Annual General Meeting must, in part, be entered as a shareholder in the register maintained by Euroclear Sweden AB five working days before the Annual General Meeting and, in part, announce their intention to participate to K-Fastigheter no later than the date specified in the notice of the Annual General Meeting. Usually it is possible for shareholders to register for the Annual General Meeting in several different ways, which are stated in the notice of the General Meeting. To attend the Meeting, besides announcing their intention to attend,

shareholders having registered their shares with a nominee must have their shares registered under their own names to be included in the register maintained by Euroclear Sweden AB on the record date. Shareholders not present in person at the Annual General Meeting may exercise their rights at the Meeting through a proxy. Shareholders who are present in person at the Annual General Meeting, or proxies for absent shareholders, may have at most two assistants.

Shareholder initiatives

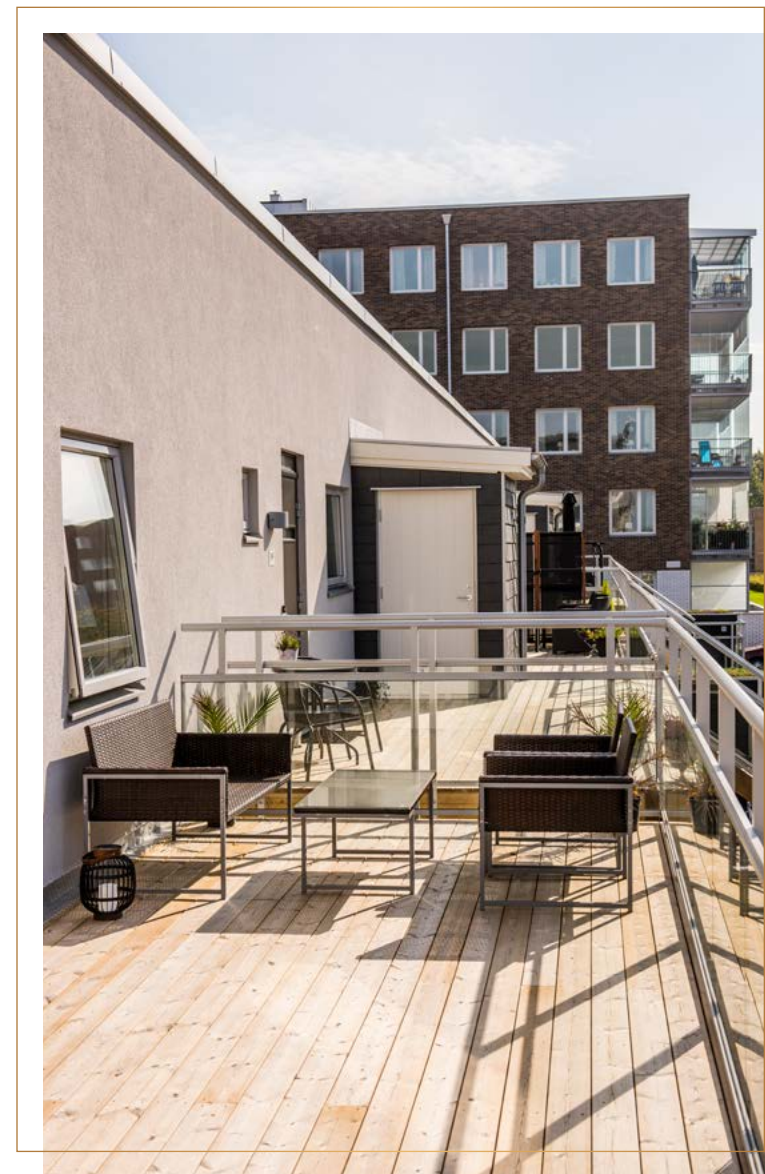
A shareholder wishing to have a matter addressed by a General Meeting must request this in writing from K-Fastigheter's Board of Directors. The matter is raised at the Annual General Meeting if the request has been received Board of Directors no later than one week before the date on which notice of the Meeting shall be issued under the Companies Act or at a later date, but in sufficient time that the matter can be included in the notice of the General Meeting.

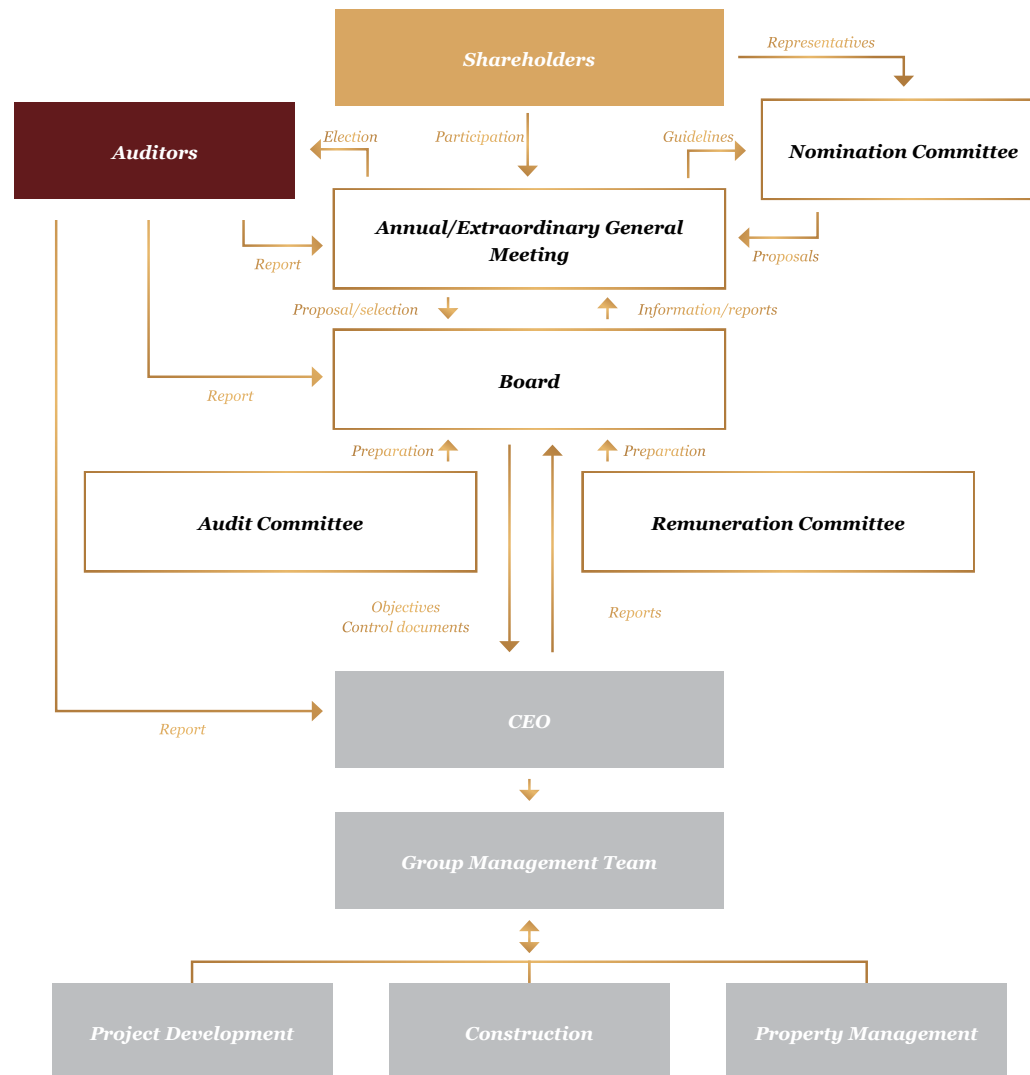
Voting rights

K-Fast Holding AB has two share series: class A shares and class B shares. A class A share entitles the holder to five votes and a class B share entitles the holder to one vote. Both class A shares and class B shares entitle the holder to an equal participation in the company's assets and earnings.

On 31 December 2019, there was a total of 33,888,528 shares, of which 3,750,000 were class A shares and 30,138,528 were class B shares. The total number of votes amounted to 48,888,528. The class B shares represented 16.4 percent of the votes and 88.9 percent of the share capital.

Additional information about the share and shareholders can be found on page 44.





External regulations

The external framework for corporate governance includes:

- The Swedish Companies Act
- Nasdaq Stockholm's Rules for Issuers
- Swedish Code of Corporate Governance (the Code)
- IFRS
- EU Audit Regulation
- Global Compact
- EU Market Abuse Regulation (MAR)

Key internal regulations

- Articles of Association
- Board of Directors' Rules of Procedure
- Decision-making procedures and authorization structure Policy regarding signing on the company's behalf, proxies and authorizations
- Communications Policy, Finance Policy, Insider Policy and Code of Conduct
- Manuals and guidelines for essential parts of the operations
- Processes for internal control and risk management

2019 Annual General Meeting

The Annual General Meeting was held on 2 April 2019 in Håssleholm, Sweden. All shareholders attended the meeting, representing 100 percent of the number of shares and votes. Present at the Meeting were Chairman of the Board Jesper Mårtensson and Board members Jacob Karlsson, Åsa Fredin and Erik Selin. At the Meeting shareholders reached resolutions regarding matters including:

- not to pay a dividend for the 2018 financial year
- the number of Board members. The Board of Directors shall comprise six members without deputies
- Re-election of Jesper Mårtensson, Jacob Karlsson and Erik Selin
- new election of Ulf Johansson, Christian Karlsson and Sara Mindus
- appointment of Erik Selin as Chairman of the Board
- re-election of Ernst & Young Aktiebolag as auditor until the end of the next Annual General Meeting with Stefan Svensson as the Authorized Public Accountant responsible
- Board fees of SEK 200,000 for the ensuing term of office for Board members not employed by K-Fastigheter. Erik Selin will not receive any Board fees.

Extraordinary General Meetings in 2019

An Extraordinary General Meeting was held on 19 August 2019 in Håssleholm. Among other things, the Meeting decided:

- amendment to the Articles of Association, change of company category from private to public limited liability company, amendment of the limits for share capital and number of shares, amendment of the provision regarding the composition of the Board
- share split, increase in share capital and authorization of the Board of Directors to issue shares in connection with stock-market listing
- guidelines for the appointment of the Nomination Committee and instructions regarding its work to be valid until a decision to amend is made by the Annual General Meeting

- guidelines for remuneration to the CEO and other members of Group management
- private placement targeting four senior executives in the company
- on one or more occasions and with or without deviation from the priority rights of existing shareholder to decide to issue a maximum of 3,700,000 new class B shares. It shall be possible to pay for subscribed shares in cash, in kind or through offsetting.

An Extraordinary General Meeting was held on 16 September 2019 in Håssleholm. Among other things, the Meeting decided:

- private placement targeting a senior executive in the company.

2020 Annual General Meeting

Shareholders in K-Fast Holding AB are invited to attend the 2020 Annual General Meeting, which will take place at Hotel Statt, Frykholmmsgatan 13 in Håssleholm, Sweden on 19 May at 5:00 p.m. CEST. Information regarding the Annual General Meeting will be published at www.k-fastigheter.se.

Ahead of the 2020 Annual General Meeting, the Board of Directors proposes that no dividend be paid for the 2019 financial year.

Nomination Committee

At the Extraordinary General Meeting on 19 August 2019, resolutions were reached regarding principles for the appointment of a Nomination Committee. K-Fastigheter's Nomination Committee was appointed in accordance with these principles after the completion of the stock exchange listing in November 2019. When the Nomination Committee was appointed in December 2019, the names of the members of the Nomination Committee were published after the date specified in the Code (at least six months before the Annual General Meeting), which thus was a deviation from the Code. The reason for the deviation was that the Nomination Committee was appointed taking into account the ownership conditions following K-Fastigheter's shares being admitted for trading on the Nasdaq Stockholm exchange.

The Extraordinary General Meeting resolved that the Nomination Committee ahead of the 2020 Annual General Meeting should be appointed as follows. Each year, the Chairman of the Board shall contact the three largest shareholders in terms of voting rights, including known shareholder groupings, who each have the right to appoint one member. If any of the shareholders chooses to waive its right to appoint a member to the Nomination Committee, that right passes to the next-largest shareholder in terms of voting rights, and so forth.

From among its number, the Nomination Committee appoints a chairman of the Committee. The Chairman of the Board shall not be the chairman of the Nomination Committee. If a member leaves the Nomination Committee before the work of the Committee has been completed, and the Nomination Committee considers there to be a need to replace this member, the replacement shall be appointed by the same shareholder loans who appointed the member who stepped down or, if the shareholder is no longer among the three largest shareholders in terms of voting rights, by a shareholder belonging to that group and that has not appointed a member of the Nomination Committee. If a shareholder having appointed a certain member substantially reduces its holding in the company, and the Nomination Committee considers it inappropriate in view of any need for continuity before the upcoming General Meeting, a member appointed by that shareholder shall step down from the Nomination Committee and the Nomination Committee shall offer the largest shareholder not having appointed a member of the Nomination Committee the opportunity to appoint a new member. The majority of the members of the Nomination Committee shall be independent in relation to the company and Group management. Neither the CEO nor any other member of Group management should be a member of the Nomination Committee. At least one of the members of the Nomination Committee shall be independent in relation to K-Fast Holding AB's largest shareholder in terms of voting rights or group of shareholders who collaborate regarding the management of the company.

Board members shall not constitute a majority of the members of the Nomination Committee. If the Nomination Committee includes more than one Board member, at most one of them may be dependent in relation to K-Fast Holding AB's major shareholders.

In other regards, the Nomination Committee shall have the composition set out in the Code and shall fulfil the duties stated there. The members of the Nomination Committee shall not receive fees from the company. Any expenses incurred in connection with the work of the Nomination Committee shall be paid by the company, provided that these have been approved by Chairman of the Board.

The composition of the Nomination Committee has been published through a separate press release on 23 December 2019, as well as on K-Fastigheter's website, where shareholders can also read about their opportunity to submit proposals to the Nomination Committee.

The Nomination Committee is tasked with preparing and submitting proposals to the next Annual General Meeting regarding the appointment of the Chairman of the Board and other Board members, as well as on remuneration to the Chairman of the Board and other members. The Nomination Committee is also tasked with assessing the Board of Directors, based primarily on the report that Chairman of the Board submits to the Nomination Committee. The Nomination Committee also proposes auditors for election and the fees to be paid to them.

For their work on K-Fast Holding AB's Board of Directors, members should have appropriate experience and skills in the operations conducted, to be able to identify and understand the risks that can arise in the operations and the regulations governing the operations conducted. The Nomination Committee must take into account K-Fastigheter's diversity policy, which agrees with item 4.1 of the Code, in its proposal regarding the election of Board members.

The Nomination Committee shall take the policy into account with the aim of achieving a suitable composition of the Board of Directors. When new Board members are elected, the suitability of the individual member shall be scrutinized to achieve a Board of Directors with a combined expertise sufficient for the company to be governed effectively.

In addition to Jacob Karlsson AB and Erik Selin Fastigheter Aktiebolag, each representing 40.9 percent of the votes, there is no other shareholder representing more than 10 percent of the votes.

Nomination Committee ahead of the 2020 Annual General Meeting

Name / representing	Percentage of votes, 31 December 2019
Stefan Alvarsson / Jacob Karlsson AB	40.9%
Shahram Rahi / Erik Selin Fastigheter AB	40.9%
Jonas Eixmann / AP2	1.8%
Erik Selin, Chairman of the Board of K-Fast Holding AB	

External auditors

In accordance with the company's Articles of Association, adopted on 19 August 2019, the Annual General Meeting of the company shall appoint one or two auditors, with or without deputy auditors, or one or two registered firms of auditors. The company's auditors are appointed for the period extending until the end of the next Annual General Meeting.

The auditor shall review K-Fastigheter's Annual Report and accounting, as well the administration of the company by the Board of Directors and the CEO. Because K-Fast Holding AB is the Parent Company in a group, K-Fastigheter's auditor shall also review the consolidated accounts, as well as the mutual relationships between the Group companies. After each financial year, the auditor shall submit an Audit Report and an Audit Report on the Consolidated Accounts to the Annual General Meeting.

The most recent election of auditor took place at the Annual General Meeting on 2 April 2019, when Ernst & Young AB was re-elected, with Stefan Svensson as the principal auditor.



Stefan Svensson

Auditor for K-Fastigheter and principal auditor since 2016.
Authorized Public Accountant and member of FAR.
Other major assignments: Bergendahl & Son, Fitness24seven and Executive Property.
Former major assignments: IKEA Centres.

Composition of the Board of Directors

Board members are normally appointed by at the Annual General Meeting for the period until the end of the ensuing Annual General Meeting. In accordance with K-Fast Holding AB's Articles of Association, the Board of Directors shall comprise at least three and at most eight members without deputies. In accordance with the Code, the Chairman of the Board shall be appointed by the Annual General Meeting. At most one Board member elected by the Annual General Meeting may be a member of K-Fastigheter's management or the management of a subsidiary. The majority of the members elected by the Annual General Meeting shall be independent in relation to K-Fastigheter and Group management. At least two of the Board members who are independent in relation to K-Fastigheter and Group management should also be independent in relation to K-Fastigheter's major shareholders. More information about the company's Board of Directors can be found on page 61.

Work and responsibilities of the Board of Directors

The Board of Directors is the company's second-highest decision-making body after the Annual General Meeting. In accordance with the Companies Act, the Board of Directors is responsible for K-Fastigheter's organization and the management of the company's affairs.

The Board of Directors shall continuously assess K-Fastigheter's financial situation. The Board of Directors shall ensure that the accounting, management of funds and financial conditions of K-Fastigheter in other regards are controlled in a satisfactory manner.

In accordance with the Code, the tasks of the Board of Directors include determining the company's overarching objectives and strategy, appointing, evaluating and where necessary dismissing the CEO, identifying how sustainability issues affect the company's risks and business opportunities, establishing required guidelines for the company's conduct in society to ensure its long-term capacity to add value, ensuring that there are appropriate systems for the evaluation and control of the company's operations and the risks associated with the company's operations, ensuring there is satisfactory control of the company's compliance with laws and other regulations that apply to the company's operations, as well as the company's compliance with internal guidelines and ensuring that the company's publication of information is characterized by openness and is correct, relevant and reliable.

Board of Directors 2019

Since the Annual General Meeting on 2 April 2019, the Board of Directors has comprised six members. The Board of Directors has a

quorum when more than half of the number of Board members are present. In the event of a tied vote, the Chairman of the Board has the casting vote.

The Board of Directors of K-Fast Holding AB consists of individuals with broad experience and expertise from the property industry, business development, sustainability issues and financing. A number of the members have experience of board work in other listed companies.

All of the Board members have undergone Nasdaq Stockholm's training for Boards of Directors and senior executives. The Board of Directors has thereafter received information on an ongoing basis regarding, for example, rule changes and issues related to operations and Board of Directors' responsibilities in a listed company.

In addition to the complete Board of Directors acting as signatory for K-Fastigheter, two Board members in unison may sign or one Board member in unison with the company's Deputy CEO and CFO.

Read more about the company's Board of Directors on page 61 and on <https://www.k-fastigheter.se/en/corporate-governance/>.

Board of Directors, composition, attendance and compensation 2019

Name	Independent in relation to:		Attendance			Fees
	The company and senior executives	Major shareholders	Board meetings	Audit Committee	Remuneration Committee	Meetings of the Board of Directors and committees
Erik Selin, Chairman of the Board	Yes	No	16 of 16	3 of 3	2 of 2	-
Åsa Fredin, member (stepped down 2 April 2019)	No	Yes	3 of 3	-	-	-
Ulf Johansson, member (elected 2 April 2019)	Yes	Yes	14 of 14	3 of 3	2 of 2	SEK 200,000
Christian Karlsson, member (elected 2 April 2019)	No	No	13 of 14	-	-	SEK 200,000
Sara Mindus, member (elected 2 April 2019)	Yes	Yes	14 of 14	3 of 3	2 of 2	SEK 200,000
Jesper Mårtensson, member	Yes	No	16 of 16	-	-	SEK 200,000
Jacob Karlsson, member	No	No	16 of 16	-	-	-

If certain tasks are delegated to one or more of Board members or to others, the Board of Directors proceed with care and continuously assess whether the delegation of responsibility can be maintained. The Chairman of the Board shall ensure that the work of the Board of Directors is performed efficiently and that the Board of Directors fulfils its duties.

Board of Directors' Rules of Procedure

In its work, the Board of Directors follows written Rules of Procedure. The Rules of Procedure are adopted annually and, among other things, regulate functions and the distribution of work between the Board members and the CEO and between the Board of Directors and its various committees, as well as certain procedural issues concerning the convening of Board meetings. The Rules of Procedure also stipulate that the Board of Directors shall have an Audit Committee and a Remuneration Committee. The Chairman of the Board is also the Chairman of the committees.

The Board of Directors meets in accordance with a schedule set annually. In addition to these regular meetings, Board of Directors convenes if the Chairman considers it necessary or if a Board Member or the CEO requests it. In accordance with the Companies Act, the Board of Directors has also established instructions for the CEO, including instructions on both internal reporting to the Board of Directors as well as on the company's external reporting to the market.

Board year 2019

First quarter

Meeting 1 – February

Upcoming and potential transactions, the listing process, the adoption of a number of policies, the adoption of the Instructions to the CEO.

Meeting 2 – March

Completed transactions and transactions under negotiation, status in the listing process.

Second quarter

Meeting 3 – April

Statutory Board meeting.

Meeting 4 – May

Listing process, interim report, completed transactions and transactions under negotiation, forecast for the financial year, market and competition situation.

Third quarter

Meeting 5 and 6 – August

Listing process, interim report, completed transactions and transactions under negotiation. Change of company category, share split, bonus issue, new Articles of Association; a proposal for a decision on authorizations to issue new shares, decision on election principles and

instructions regarding the Nomination Committee and decisions regarding guidelines for remuneration to senior executives.

Meetings 7, 8 and 9 – September

Listing process, adoption of business plan, internal control and risk management, a proposal for a decision on authorizations to issue new shares regarding private placements targeting key individuals

Fourth quarter

Meeting 10 – October

Listing process, completed and planned transactions, interim report, decision regarding Related-Parties Policy

Meetings 11, 12, 13 and 14 – November

Decision to complete the listing, agreements with anchor investors, approval and publication of prospectus, completion of listing, investment agreements, issue (listing) and allotment of shares

Meetings 15 and 16 – December

New issue and allotment of shares, budget, evaluation of the work of the Board of Directors and the CEO, evaluation of grounds for bonuses and salary review.

Audit Committee

The Board of Directors has set up an Audit Committee consisting of three members: Erik Selin (Chairman of the Board), Sara Mindus and Ulf Johansson. Erik Selin is the Chairman of the Board and Sara Mindus is the Deputy Chairman of the Committee.

The Audit Committee shall, without this affecting the Board of Directors' responsibilities and tasks in other regards, including the monitoring of the company's financial reporting, monitor the efficiency of the company's internal control, internal audit (if such a function is established in the future) and risk management, keep itself informed regarding the audit of the Annual Report and consolidated accounts and on the conclusions of the Swedish Inspectorate of Auditors' quality control. The Committee shall also review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with other services than auditing. To the extent that the Nomination Committee is not assigned this task, the Committee shall assist in the preparation of proposals for the Annual General Meeting's decision on the election of auditors.

Remuneration Committee

The Board of Directors has established a Remuneration Committee consisting of three members: Erik Selin (Chairman of the Board), Sara Mindus and Ulf Johansson. Erik Selin is the Chairman of the Committee.

The principal tasks of the Remuneration Committee are to prepare decisions by the Board of Directors on matters of compensation principles, remunerations and other terms of employment for Group management, and to follow and evaluate ongoing programmes of variable remuneration and similar programmes discontinued during the year, and to follow and evaluate the application of any guidelines for remunerations for senior executives adopted by the Annual General Meeting, as well as applicable remuneration structures and remuneration levels.

Chairman of the Board

The Board of Directors' Rules of Procedure state, among other things, that the Chairman of the Board shall ensure that the work of the Board of Directors is carried out efficiently and that the Board of Directors fulfils its obligations. This includes organizing and leading the work of the Board of Directors and fostering the best possible conditions for that work. In addition, the CEO shall ensure that Board members continuously update and deepen their knowledge of the company and that new members receive appropriate introduction and training. The Chairman of the Board shall be available as an adviser and discussion partner for the CEO, but shall also evaluate the work of the CEO and report on this assessment to the Board of Directors. In addition, the Chairman of the Board is tasked with ensuring that the work of the Board of Directors is evaluated annually and to inform the Nomination Committee regarding this evaluation.

At the Annual General Meeting on 2 April 2019, Erik Selin was elected Chairman of the Board. The Chairman of the Board does not participate in the operational management of the company.

Work of the Board of Directors

Since the Annual General Meeting on 2 April 2019, the Board of Directors held 14 minuted meetings prior to the adoption of this Corporate Governance Report. The company's CEO and/or Deputy CEO and CFO should, as a general rule, attend Board meetings in a reporting role. Company employees, the auditor or other external consultants shall be co-opted to Board meetings to participate and to present matters when necessary. Board member Christian Karlsson is the Secretary of the Board of Directors.

At its meetings, the Board of Directors addressed fixed agenda items to be included in each Board meeting in accordance with the Board of Directors' Rules of Procedure. These include the business situation, budget, interim reports and annual accounts. In other regards, work focused on further developing previously established documents, such as business plans and market strategies.

In addition to the scheduled meetings, the work of the Board of Directors includes ongoing financial review, evaluations of strategy,

recommendations regarding remuneration levels, acquisition matters, as well as accounting and auditing issues.

The Board of Directors evaluated its work during the autumn of 2019. The evaluation revealed an open and constructive Board climate and a well-functioning decision-making process. The evaluation examined, among other things, the working climate, working methods regarding the introduction of new procedures, business processes, strategic issues, evaluation and control systems, access to and the need for specific Board expertise, succession planning, and morals, ethics and communication.

The evaluation and the subsequent discussion by the Board of Directors serves as basis for the ongoing development of the Board of Directors' working methods and for ensuring that the Board of Directors can make decisions that are as well-informed as possible. The evaluation of the Board of Directors follows the guidelines for Board evaluation in the Code.

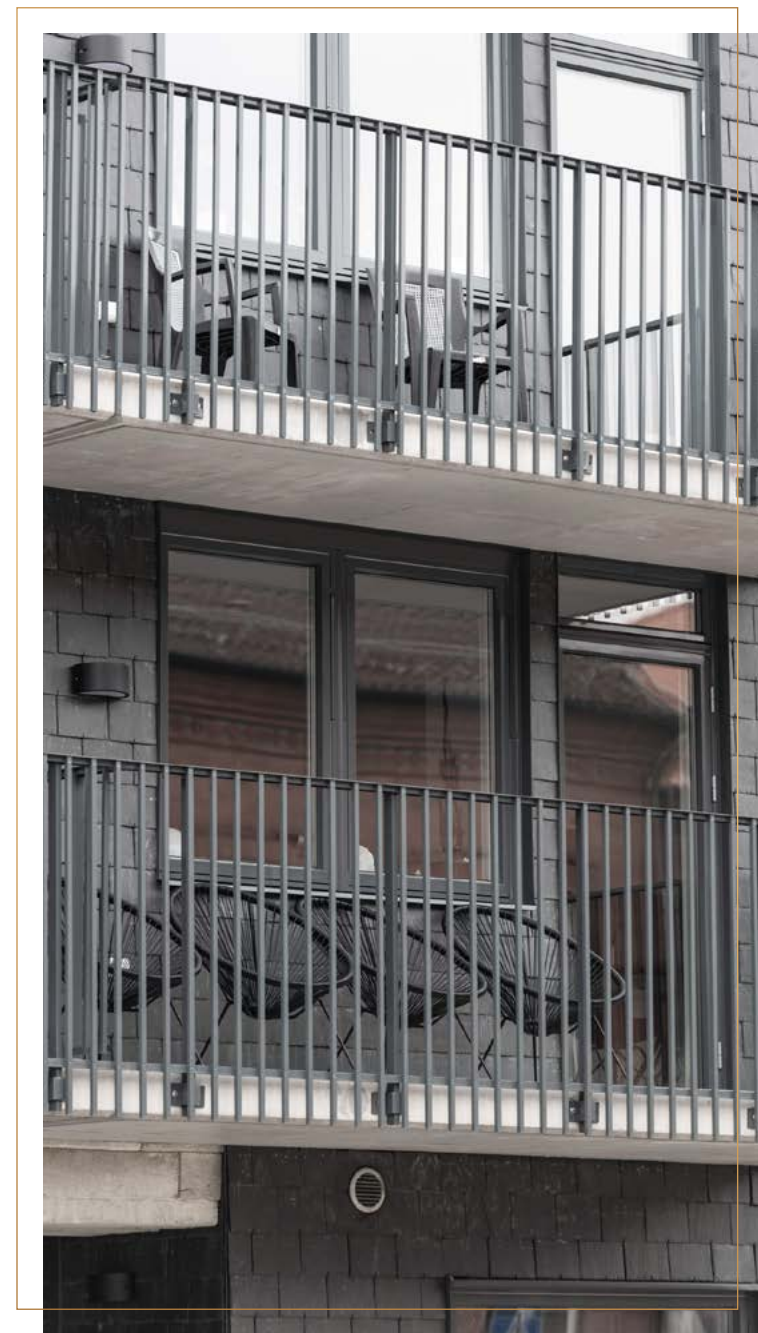
Attendance at Board meetings

See information on page 54.

CEO

In accordance with the provisions of the Companies Act, the company's CEO is responsible for the ongoing management of K-Fastigheter in accordance with the Board of Directors' guidelines and instructions. Measures that, in view of the scope and nature of the company's operations, are unusual or of great importance, fall beyond the ongoing management and should therefore, as a general rule, be prepared and presented to the Board of Directors for decision. The CEO shall also take the actions necessary for the company's bookkeeping to be performed in accordance with the law and for assets to be managed satisfactorily.

In relation to the Board of Directors, the CEO is a subordinate corporate body, and the Board of Directors itself can also determine matters included in the ongoing management. The work and role of the CEO and the division of work between the Board of Directors and the CEO is set out in written Instructions to the CEO from the Board of Directors and the Board of Directors continuously evaluates the work of the CEO.



REMUNERATIONS

Remuneration to the Board of Directors

At the Annual General Meeting on 2 April 2019, it was determined that Board fees for the period until the end of the next Annual General Meeting should be paid in the amount of SEK 200,000 to each of the members appointed by the Annual General Meeting, with the exception of the Chairman of the Board, Erik Selin, as well as Jacob Karlsson, to whom no fees are to be paid. These fees include remuneration for possible committee work.

Remuneration to external auditors

At the 2019 Annual General Meeting, Ernst & Young AB (EY) was elected as the company's external auditor for a one-year period until the 2020 Annual General Meeting. The choice of EY had been preceded by a thorough procurement process. EY issues Audit Reports for K-Fast Holding AB, the annual reports of the company's subsidiaries, the consolidated accounts and the administration of K-Fast Holding AB.

The auditors also conduct a comprehensive review of the company's financial report for the third quarter. The audit is conducted in accordance with the Annual Accounts Act, International Standards on Auditing (ISA) and generally accepted auditing practices in Sweden.

For the 2019 financial year, total remuneration to the company's auditor amounted to SEK 8.0 million (of which, SEK 6.6 million was attributable to the Parent Company). SEK 4.2 million was attributable to work prior to the listing of K-Fast Holding on the Nasdaq Stockholm exchange and SEK 3.8 million pertained to services related to the audit. See also Note 9 Remunerations to the auditors.

Guidelines for remunerations to senior executives

In these guidelines, "senior executives" refers to the CEO and other members of Group management. At the Extraordinary General Meeting on 19 August 2019, it was decided to adopt guidelines for remunerations to senior executives for the period until the end of the 2020 Annual General Meeting.

According to the guidelines, salaries and other terms of employment shall be market-based and competitive, but not wage-leading in comparison to comparable companies.

Compensation to the CEO is paid only in the form of fixed basic salary. Remuneration to other members of Group management is paid primarily in the form of fixed base salary, but can also be paid as variable salary or performance-based compensation corresponding to a maximum 50 percent of the fixed salary per calendar year. The retirement age of the CEO and other members of Group management is 65. Pension commitments are premium-based, meaning that the company has no further obligation beyond payment of the annual premiums.

CEO

For the CEO, a mutual notice period of 12 months shall apply. On termination by the company, the CEO is also entitled to severance pay amounting to six months' salary. For other members of Group management, customary, market-based termination conditions shall be sought, with no severance pay. On termination by the company, the notice period shall not exceed 12 months and, on resignation by the employee, at most six months. In other regards, the same conditions apply for members of Group management as for other Group employees, either in accordance with collective agreements or in accordance with unilateral commitments from the company to the employees.

The guidelines may be waived if there are specific reasons for doing so in an individual case.

Fees to the Board of Directors 2018-2019 (valid from respective Annual General Meeting)

SEK	2019	2018
Chairman of the Board	-	-
Member	200,000	-
Chairman of the Audit Committee	-	-
Member of the Audit Committee	-	-
Chairman of the Remuneration Committee	-	-
Member of the Remuneration Committee	-	-

Read more on page 63 about the Board of Directors' proposal for decision by the 2020 Annual General Meeting on guidelines for remuneration to the CEO and other senior executives.

Share-related incentive programme

At the Extraordinary General Meeting on 19 August 2019, a decision was made to target a private placement to the four senior executives Martin Larsson, Åsa Fredin, Niklas Larsson and Eric Johansson, or companies owned by them, amounting to at most 73,529 class B shares each. At the Extraordinary General Meeting on 16 September 2019, a decision was made to target another private placement of at most 2,941 class B shares to senior executive Tonnie Karlsson.

Within the framework of the above-mentioned new share issues, a total of five key individuals in the company, personally or through companies owned by them, have subscribed for a total 263,528 class B shares at the subscription price SEK 68 per share.

No other specific programmes currently exist for employees to acquire shares or similar instruments nor are there any share-related incentive programmes outstanding. There are currently no bonus programmes or any corresponding entitlements to variable remunerations for senior executives beyond the following.

Other benefits

The company offers others benefits for senior executives. Such benefits may include, for example, wellness allowances, a mobile phone, a work car and a travel allowance.

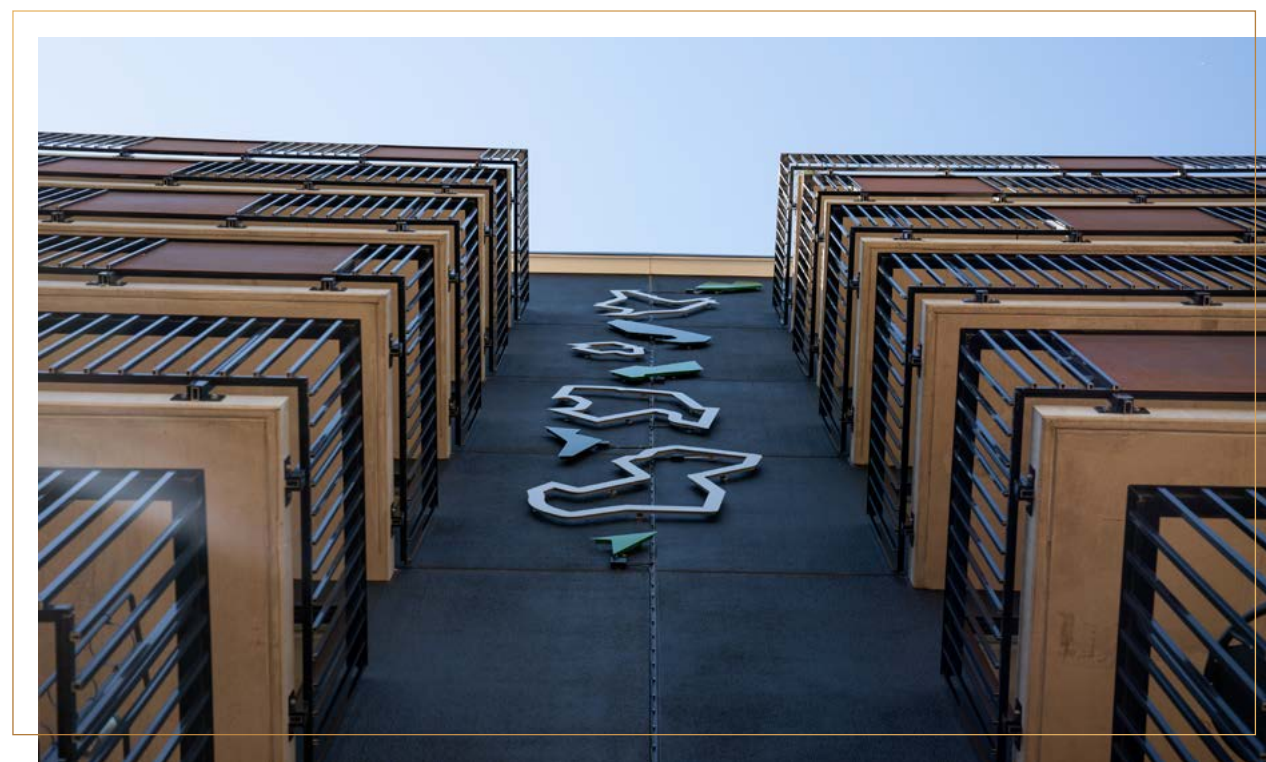
Retirement compensation agreements

The company provides compensations following retirement from employment through both defined-contribution and defined-benefit pension plans. Defined-contribution pension plans entail K-Fastigheter paying fixed fees to third-party suppliers for several insurance policies for individual employees. The company has no obligations to pay additional fees beyond the set fee, which is recognized as an expense in the period in which the relevant service is performed. Define-benefit pension plans follow the so-called ITP plan, with fees being paid to third-party providers.

In addition to what is stated above in this section, the company has not entered into agreements with any member of the Group's administrative, management or control functions entitling that individual to pension or similar benefits on retirement from employment. The company has made no provisions or accrued any amounts for pensions and similar benefits on retirement from employment or completion of assignment.

Further information on K-Fastigheter's remuneration structure can be found in Note 6 Salaries, other remunerations and social security expenses, as well as on the company's website.

SEK million	Fixed salary and other remuneration (including benefits)		Pension		Total	
	2019	2018	2019	2018	2019	2018
President and CEO	1.3	0.7	0.0	0.0	1.3	0.7
Other members of Group management	4.1	2.1	0.7	0.2	4.8	2.3
Total	5.4	2.8	0.7	0.2	6.1	3.0



INTERNAL CONTROL AND RISK MANAGEMENT

Board of Directors report on internal control

The Board of Directors' responsibility for internal control is regulated by the Companies Act, the Annual Accounts Act – which includes a requirement to provide information on the most important elements of K-Fastigheter's system for internal control and risk management in conjunction with the financial reporting to be included each year in the Corporate Governance Report – as well as by the Code. Among other things, the Board of Directors shall safeguard that K-Fastigheter has good internal control and formalized procedures ensuring that established principles for financial reporting and internal control are complied with and that appropriate systems are in place for the assessment and control of K-Fastigheter's operations and the risks with which the company and its operations are associated.

The overall purpose of internal control is to ensure, to a reasonable extent, that K-Fastigheter's operational strategies and objectives are reviewed up and that the owners' investment is protected. Internal control should further ensure that the external financial reporting is, with reasonable certainty, reliable and prepared in accordance with generally accepted accounting principles, that applicable laws and regulations are complied with and that the requirements made of listed company are complied with. The control environment constitutes the basis for internal control, which also includes risk assessment, control activities, information and communication, as well review.

Control environment

The Board of Directors bears the overall responsibility for internal control regarding financial reporting. To create and maintain a functioning control environment, the Board of Directors has adopted a number of policies and governance documents regulating financial reporting. These consist primarily of the Board of Directors' Rules of Procedure, instructions for the CEO,

instructions for the committees established by the Board of Directors and instructions for financial reporting.

The Board of Directors has also adopted a specific authorization structure and a financial policy. K-Fastigheter also maintains a finance manual containing principles, guidelines and procedural outlines for accounting and financial reporting. The Board of Directors has also established an Audit Committee tasked primarily with overseeing the company's financial reporting, monitoring the efficacy of K-Fastigheter's internal control, internal audit (if such a function has been established) and risk management, as well as with reviewing and monitoring the auditor's impartiality and independence.

The responsibility for the day-to-day work of maintaining the control environment rests primarily with K-Fastigheter's CFO and Deputy CEO, who reports to the Board of Directors via the CEO on an ongoing basis and in accordance with established instructions. The Group's finance department plays an important role with regard to reliable financial information. It is responsible for complete, accurate and timely financial reporting. The CFO reports to the company's CFO and Deputy CEO who, in turn, reports to the CEO and the Board of Directors.

In addition to internal review and reporting, K-Fastigheter's external auditors are required to report to the CEO and Board of Directors during the financial year. The auditors' reports provide the Board of Directors with a good comprehension of, and reliable data regarding, the financial reporting in the Annual Report.

Need for internal audit

The efficacy of internal auditing is largely dependent on the company's organizational structure and the size of the organization. K-Fastigheter has a relatively small organization, the administration of which is managed from the company's offices in Håssleholm. Group management reviews income statements and balance sheets monthly. Combined, this means that maintaining a specific internal audit unit is not considered to be justified.

Risk assessment and control activities

The risk assessment includes identifying and evaluating the risk of material errors in K-Fastigheter's business processes, which include accounting and reporting at the Group and subsidiary levels. Risk assessment is performed on an ongoing basis and in accordance with established guidelines, focusing on the company's essential business processes. Within the Board of Directors, the Audit Committee is primarily responsible for the continuous assessment of the company's risk situation, after which the Board of Directors conducts an annual review of the risk situation.

Control activities are aimed at identifying and limiting risks. The Board of Directors is responsible for internal control and the review by Group management. This involves both internal and external control activities, as well an analytical review of the company's policies and governance documents. Control activities are reviewed and documented at the process and role levels by means of a web application developed by the company, referred to as ICT (Internal Control Tools). ICT ensures that, in their specific roles, K-Fastigheter's employees have access to relevant information (and knowledge) at the right time to be able to conduct the stipulated control activities, and that assessment can be conducted systematically to ensure that the control system is maintained. The Group-wide guidelines for internal control are reviewed within all business areas and central units during the year, partly through an ongoing review of essential processes, partly through ICT for internal control, after which a report is presented to the Board of Directors.

Uniform accounting and reporting instructions are applied by all units within K-Fastigheter.

Information and communications

K-Fastigheter has information and communication paths aimed at promoting the accuracy of its financial reporting and enabling reporting and feedback from the operations to the Board of Directors and management, through, for example, governance documents in the form of internal policies, guidelines and instructions regarding financial reporting having been made

available and known to the employees affected. Financial reporting occurs through a Group-wide system with predefined report templates.

Internal communications to K-Fastigheter's employees take place through formal documents, as well as various policies and instructions and through emails and shared resources. K-Fastigheter ensures that all employees acquaint themselves with the policies and instructions relevant to their work in the company. Among other things, such policies include laws and regulations applicable to the company's dissemination of information and the specific requirements imposed on individuals active in a listed company regarding, for example, insider information and trading. To prevent market abuse, K-Fastigheter has established procedures for appropriate handling and limiting the dissemination of information that has yet to be made public.

The Board of Directors tasks K-Fastigheter's CEO with overall responsibility for dealing with issues of insider information and the Board of Directors has appointed the company's Deputy CEO and CFO as responsible for managing insider logging. To coordinate and determine matters involving the assessment of possible insider information, the company maintains an Insider Committee consisting of the CEO, the Deputy CEO and CFO, the Head of Investor Relations and Board Member Christian Karlsson.

K-Fastigheter's IR function is managed and supervised by the company's Deputy CEO and CFO and the company's Communications and IR Manager. The principal tasks of the IR function are to support the CEO and other senior executive in relation to various stakeholders, primarily players in the capital market. The IR function also works together with the CEO in preparing K-Fastigheter's financial reports, General Meetings, capital market presentations and other regular reporting.

The Board of Directors has adopted a Communication Policy specifying what is to be communicated, by whom and in what

manner that information is to be published, ensuring that external information is accurate and complete. Instructions have also been prepared regarding how financial information should be communicated between management and other employees. Good information security procedures are also prerequisite to the accurate dissemination of information.

Financial information is provided in the form of:

- Interim and Year-end Reports, which are published as press releases
- Annual Report
- such press releases that K-Fastigheter is required to publish under applicable laws or the Rules of the Nasdaq Stockholm exchange
- presentations and telephone conferences for financial analysts, investors and the media in connection with Year-end and Interim Reports being published
- meetings with analysts and investors.

All financial reports, presentations and press releases are published on the company's website in direct connection with publication.

Evaluation

Compliance with, and the efficacy of the internal controls are monitored on an ongoing basis through K-Fastigheter's ICT. The CEO ensures that the Board of Directors continuously receives reports on the development of the company operations, including the development of its earnings and financial position, as well as information on significant events, including the development of individual projects. The CEO also reports on these matters at each Board meeting.

The Board of Directors and the Audit Committee review the annual and quarterly reports and conduct financial assessments in accordance with and approved plan. The Audit Committee reviews the financial reporting and other related issues and discusses these regularly with the external auditors.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders of K-Fast Holding AB (publ), corporate identity number 556827-0390

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2019 on pages 49–62 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.

Malmö, 2 April 2020

Ernst & Young AB

Stefan Svensson

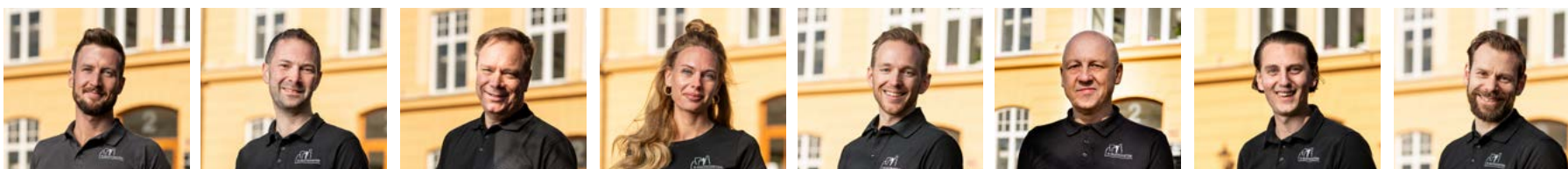
Authorized Public Accountant

BOARD OF DIRECTORS

						
Name	Erik Selin	Ulf Johansson	Christian Karlsson	Sara Mindus	Jesper Mårtensson	Jacob Karlsson
Position	Chairman of the Board since 2019. Member of the Board of Directors since 2018. Chairman of the Audit and Remuneration Committees.	Board Member since 2019. Member of the Audit and Remuneration Committees.	Board Member since 2019.	Board Member since 2019. Member of the Audit and Remuneration Committees.	Board Member since 2018.	Board Member since 2010.
Nationality	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.
Selection of other ongoing assignments	Board Member and CEO of Fastighets AB Balder. Chairman of the Board in Brinova Fastigheter AB, Board Member and Deputy Chairman of the Board in Collector Bank AB, Board Member of the West Sweden Chamber of Commerce, Hexatronic Scandinavia AB, Hedin Bil and Ernström & Co.	Board Member in Stensborg Konsult AB and GUL Förvaltning AB.	Lawyer, partner and Chairman of the Board in Advokatfirman VICI AB. Board alternate in Betongteknik i Västervik AB.	Board Member and CEO in Sara Mindus AB. Board Member in Besqab AB (publ), Dreams Nordic AB, Colibri Ventures AB and Faboss Invest AB. Deputy Board Member in several companies in the Mindustri AB Group.	Business developer in Erik Selin Fastigheter AB. Chairman of the Board in Alnova Balkongsystem AB, BOBO Fastigheter AB and Tommy Byggare AB. Board Member in several companies within Erik Selin Fastigheter AB, Swedish Logistic Property AB etc.	President and CEO of K-Fast Holding AB. Chairman of the Board in Käglinge Projekt AB, Käglinge Holding AB and Pk Property AB. Board Member in Jacob Karlsson AB, Jacob Karlsson Fastigheter AB, Beatus Projekt AB, Öllsjö Projekt AB, Invest By KÅ AB, Monlux Intl AB, Novum Samhällsfastigheter AB, HOMEstate AB, Fosie mark skåne AB and Jacob Karlsson Real Estate S.L.
Education	Upper-secondary education focusing on business administration.	MBA from Uppsala University.	Master of Laws from Lund University.	Master of Laws and Bachelor of Business Administration from Stockholm University.	MA degree in economics from University of Gothenburg.	Courses with financial orientation at Mid Sweden University, Kristianstad University and Lund University.
Dependency status	Independent in relation to the Company and its management. Not independent in relation to major shareholders.	Independent in relation to the Company, its management and major shareholders.	Not independent in relation to the Company, its management or major shareholders.	Independent in relation to the Company, its management and major shareholders.	Independent in relation to the Company and its management. Not independent in relation to major shareholders.	Not independent in relation to the Company, its management or major shareholders.
Shareholding i K-Fast Holding AB*	1,875,000 class A shares and 10,625,000 class B shares through Erik Selin Fastigheter Aktiebolag.	9,500 class B shares.	4,672 class B shares.	275,000 class B shares.	63,500 class B shares.	1,875,000 class A shares and 10,625,000 class B shares through Jacob Karlsson AB.

* Own shares and those of related parties. The above Board assignments and shareholdings in K-Fast Holding AB account for the situation as of 31 December 2019. The information is updated on www.k-fastigheter.se/en.

GROUP MANAGEMENT



Name	Jacob Karlsson	Martin Larsson	Anders Antonsson	Åsa Fredin	Eric Johansson	Tonnie Karlsson	Niklas Larsson	Ola Richard
Position	President and CEO. Board Member.	Deputy CEO and CFO.	Head of Investor Relations.	Business Area Manager, Project Development.	Business Area Manager, Construction.	Financial Manager.	Business Area Manager, Property Management.	HR Manager
Employed since	2010.	2018.	Consultant since 2019.	2016.	2017.	2015.	2014.	2019.
Nationality	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.
Education	Courses with financial orientation at Mid Sweden University, Kristianstad University and Lund University.	Bachelor's degree in international macroeconomics and a Master's degree in international financial economics from Lund University.	BA from Lund University.	Upper-secondary education in Business Administration from Linnéskolan School in Hässleholm.	Upper-secondary education in Technology & Business from Tycho Braheskolan School in Helsingborg.	Economics at Växjö University.	Degree in Property Business from Malmö University.	Officer training and further training on the Captains' programme at the Swedish Military Academy.
Other ongoing assignments	Chairman of the Board of Käglinge Projekt AB, Käglinge Holding AB and Pk Property AB. Board Member in Jacob Karlsson AB, Jacob Karlsson Fastigheter AB, Beatus Projekt AB, Öllsjö Projekt AB, Invest By KÅ AB, Monlux Intl AB, Novum Samhällsfastigheter AB, HOMEstate AB, Fosie mark skåne AB and Jacob Karlsson Real Estate S.L.	Owner and Board Member in Martin Larsson Holding AB.	Owner and CEO in circle360 communication AB.	Owner and Board Member in Åsa Fredin AB. Partner and Deputy Board Member in Invest by KÅ AB.	Owner, Board Member and CEO of AALTO Holding AB. Board Member in Senipar Entré Laröd AB.	-	Owner and Board Member in Niklas Larsson Invest AB.	Owner and CEO of Effektuera i Hässleholm AB.
Selection of previous positions	Investment Adviser at Länsförsäkringar.	Head of Danske Bank Finanscenter Malmö.	Head of Investor Relations for Cherry AB and Railcare Group AB.	Administrator, planning permission matters, Municipality of Hässleholm.	Calculation Engineer and Project Developer, Peab PGS AB.	Financial Manager at G. Larsson Starch Technology AB, LB-Hus AB and ESAB Perstorp AB.	Property Manager at K-Fastigheter.	CEO of Mårtenssons Bil i Hörby AB, MMKS Fastighet AB and Hässleholm Teknik AB.
Shareholding i K-Fast Holding AB*	1,875,000 class A shares and 10,625,000 class B shares.	78,529 class B shares.	3,000 class B shares.	73,529 class B shares.	40,000 class B shares.	4,941 class B shares.	73,629 class B shares.	2,860 class B shares.

* Own shares and those of related parties. The above Board assignments and shareholdings in K-Fast Holding AB account for the situation as of 31 December 2019. The information is updated on www.k-fastigheter.se/en.

PROPOSALS TO THE 2020 ANNUAL GENERAL MEETING

Proposal by the Board of Directors of K-Fast Holding AB (Corp. ID No. 556827-0390) for approval of guidelines for remuneration for the CEO and other senior executives.

The Board of Directors proposes that the 2020 Annual General Meeting adopt the following guidelines for determining the remuneration and terms of employment of the CEO, Board Members and members of the company's Group management team ("senior executives"). The guidelines are to be applied to remunerations agreed and amendments made to previously agreed remunerations following the adoption of the guidelines by the 2020 Annual General Meeting. The guidelines do not encompass remunerations determined by the Annual General Meeting.

The guidelines are intended to promote the company's business strategy, long-term interests and sustainability

The overarching goal of the business operations is the creation of long-term value growth for the company's shareholders. Value creation is measured as growth in long-term net asset value per share over a business cycle. This takes place by developing, constructing and managing residential properties in selected locations, working locally in close collaboration with partners and tenants, by having a presence in locations where the company is active, and by collaborating with social planners and public authorities. Sustainability is a key part of the company's business concept, and the company prioritizes environmental considerations by implementing energy-efficient solutions in its properties and by being a responsible and attractive employer that provides scope for professional development. For more information about the company's business strategy, long-term interests and sustainability focus, go to the company's website www.k-fastigheter.se. In order to promote the company's business strategy, long-term interests and sustainability, and to create long-term positive value growth for its shareholders, the company offers competitive remuneration

on market terms, but is not a wage leader in relation to comparable businesses.

Remuneration formats, etc.

Market-based remuneration and terms of employment are a pre-requisite for retaining and, when required, recruiting staff to senior positions with the appropriate competences and experience. Total remuneration shall be based on factors including position, performance and individual qualifications. Remuneration may include the following components: fixed salary, variable or performance-based salary, pension entitlement and other benefits. In addition, the AGM can - independently of these guidelines - decide on share-based and share price-related remuneration.

Fixed salary

Remuneration shall be based on the nature of the relevant assignment, the competences required, previous experience, and performance. Fixed basic salary shall correspond to market-based compensation for satisfactory performance. Fixed basic salary shall be reviewed annually to ensure that it is on market terms and remains competitive.

Variable salary

Variable or performance-based salary to senior executives may correspond to a maximum of 50 percent of fixed salary per calendar year. No variable or performance-based remuneration is payable to the CEO.

Criteria for payment of variable cash remuneration, etc.

Variable cash remuneration shall be linked to pre-determined and measurable criteria that can be financial or non-financial. These may also comprise individualized quantitative or qualitative targets. The criteria shall be designed to promote the company's business strategy and long-term interests, including its

sustainability, for example by having a clear link to the business strategy or by promoting the employee's long-term progress.

When the measurement period for meeting the criteria for payment of variable cash remuneration has ended, the extent to which the criteria have been met shall be evaluated/determined. The CEO is responsible for evaluating variable cash remuneration to other executives. With regard to financial targets, the evaluation shall be based on the most recent financial information presented by the company.

Pension benefits

Pension provisions can be made for the CEO and senior executives. The pensionable age for the CEO and other members of management is 65. Pension obligations shall be premium-based, implying that the company has no further obligations once annual premiums have been paid.

Other benefits

Other benefits shall be on market terms and contribute to facilitating the senior executive's ability to carry out relevant assignments. Such benefits can be provided in the form of healthcare insurance and company vehicles, for example.

Termination of employment

For the CEO, a mutual notice period of 12 months applies. Upon termination of employment by the company, the CEO is also entitled to severance pay corresponding to six months' salary. For other senior executives, market-based and customary termination procedures shall apply and no severance pay shall be payable. Upon termination of employment by the company, the termination period shall be a maximum of 12 months, and upon termination of employment by the employee, a maximum of six months. For senior executives, the terms applied by the company to other Group employees shall apply, either through collective agreement or in the form of individual undertakings to employees.

Salary and terms of employment

When producing the proposals for these remuneration guidelines, salary and employment terms for the company's employees have been considered by including information regarding total remuneration, components of such remuneration and any increase in remuneration and the rate of increase over time in the Remuneration Committee's and Board's decision-making data when evaluating the reasonableness of the guidelines and their ensuing limitations.

Decision-making process for determining, reviewing and implementing the guidelines

The Board has established a Remuneration Committee with the primary task of preparing Board decisions on matters relating to remuneration principles, remuneration and other employment terms for the CEO and senior executives.

Accordingly, the Remuneration Committee shall propose guidelines for remuneration to Board members, the CEO and senior executives, which the Board presents to the Annual General Meeting for authorization at least every four years.

Furthermore, the Remuneration Committee shall monitor and evaluate current programs and schemes terminated in the year relating to variable remuneration payable to senior executives, and monitor and evaluate the application of the remuneration guidelines to Board members, the CEO and senior executives, as authorized by the Annual General Meeting, as well as applicable remuneration structures and remuneration levels in the company. The Chairman of the Board can serve as Chairman of the Remuneration Committee. Other members shall be non-affiliated with the company, the CEO and senior executives. If the Remuneration Committee appoints an external consultant to carry out its work, the Committee shall ensure that there is no conflict of interest regarding other assignments held in relation to the company, CEO or senior executives. The remuneration to the CEO is prepared by the Remuneration Committee and is determined by the Board at regular Board meetings. The CEO does not participate in such decisions. The Board mandates the CEO to negotiate with senior executives in accordance with these guidelines. The Remuneration Committee prepares a proposal to the Board regarding remuneration levels to senior executives on the basis of a proposal from the CEO. If Board members carry out work on behalf

of the company, in addition to their regular Board assignments, a consultancy fee and other remuneration shall be payable for such work subject to a special Board resolution. For regular Board work, no remuneration additional to the Directors' fees determined by the Annual General Meeting shall be payable.

Deviations from the guidelines

The Board may deviate from the guidelines in whole or in part if there are special reasons in individual cases. As indicated above, the Remuneration Committee's tasks include preparing Board resolutions relating to remuneration, including decisions to deviate from the guidelines. Deviations are only permissible if they are considered necessary to satisfy the company's long-term interests and sustainability, or to safeguard the company's financial viability. If the Board deviates from the guidelines for remuneration to Board members, the CEO and senior executives, this shall be reported at the next Annual General Meeting.

Hässleholm, April 2020

The Board of Directors of K-Fast Holding AB

RISKS AND RISK MANAGEMENT

The global spread of covid-19 (the corona virus), classified since 11 March 2020 as a global pandemic by the World Health Organization (WHO), has affected the global and Swedish economies.

Accordingly, the risk description is associated with greater uncertainty than usual, and should therefore be viewed with a higher degree of caution. See supplementary information in the Directors' Report on pages 74 and 75.

K-Fastigheter's operations may be affected, directly or indirectly, by a number of risks and external factors, which, individually or in combination, may have a negative impact on the Group's current and future earnings trend and financial position.

In 2018 and 2019, K-Fastigheter's management team conducted a risk-workshop, where the Group's significant risks were identified, assessed, handled and reported to the Board of Directors. The Group's significant risks have been categorized as strategic, operations, compliance-related and financial risks and are addressed through measures to reduce, export and eliminate. For risks that are considered to have a relatively high probability of occurrence combined with a relatively large impact on the Group, an individual within the Group has been assigned responsibility for these and an action plan has been drawn up. Each quarter, these action plans are reviewed by the Group's management team and a reported is submitted to the Board of Directors via its Audit Committee.

In addition, a number of governance documents and policies have been drawn up by the Board of Directors and the management team and a web-based control application has been developed, based on the COSO framework¹, to create a regulatory framework, to provide information for, and facilitate communications with, the Group's employees and to facilitate regulatory compliance to mitigate, export or, as far as possible, eliminate potential risks in the operations.

Regulatory compliance

Among other things, this encompasses the Group's compliance with ethical and legal rules, as well as with requirements regarding accounting and reporting.

In this area, the Group manages risks by, for example:

- working actively with the Group's Code of Conduct, its ethical compass
- participating actively in environmental work, to attract the most skilled employees and to have employees who are healthy on retirement
- collaborating actively with, and consulting, specialists and advisers in law, IT and financial compliance.

Strategic risks

These include, among others, operational risks in the Group's Project Development, Construction and Property Management activities, as well as in HR and IT.

In this area, the Group manages risks by, for example:

- conducting an active dialogue within the management team and between the management team and the Board of Directors
- continuously supplementing, broadening and developing employees' skills
- conducting an active dialogue with the Group's stakeholders, which include customers, suppliers, banks, the auditor and public authorities to maintain a favourable relationship with them and to understand different external trends and currents.
- focusing the operations on Project Development, Construction and Property Management of residential properties in growing towns and cities with a population of more than 50,000 inhabitants in the municipality
- actively broadening the Group's geographical market
- actively broadening the Group's housing offering through new standard buildings and by upgrading existing stocks to continue attracting customers and to broaden the customer base.

Operational risks

These include, among others, operational risks in the Group's Project Development, Construction and Property Management activities, as well as in HR and IT.

In this area, the Group manages risks by, for example:

- maintaining close collaboration between the three business areas to actively adapt K-Fastigheter's product according to customers' wishes to mitigate rent and vacancy risks and, by making active choices in the Project Development and Construction phases to foster future cost-efficiency in Property Management, both in terms of ongoing operation and future maintenance
- working proactively and on a broad front, with several projects progressing in parallel to mitigate the risk in individual projects
- working primarily with the Group's own concept buildings, developed in-house, which mitigates the risk of design defects and the risk of increased expenditure in design and construction
- working proactively in the leasing process and in close collaboration between the Construction and Property Management business areas to safeguard a smooth process when our new customers move in
- working actively to foster support for, and the conditions necessary for, K-Fastigheter's employees to be able to focus on what is essential – generating customer satisfaction (internally and externally) and thereby profitability
- working actively to maintain K-Fastigheter's company culture, which is the engine for the Group's growth.

Financial risks

These include risks involving the Group's property valuation, market risks, liquidity risks, accounting and reporting, capital structure and tax issues.

In this area, the Group manages risks by, for example:

- working actively with the financial policy, adopted by the Board of Directors, which stipulates financial targets and target figures

- for currency, interest, financing, liquidity and credit risks
- identifying, assessing and managing significant accounting and reporting processes, which are documented in the Group's financial manual
- collaborating actively with, and consulting, specialists and advisers in banking, law, valuation and the financial sector.

Some specific risks

Key individuals and corporate culture

K-Fastigheter's operations are conducted as a relatively small organization with a limited number of key individuals, with the most central individual being the founder and CEO, Jacob Karlsson. For K-Fastigheter's employees, a strong driving force has hitherto been that K-Fastigheter has successfully built a strong corporate culture based on deep commitment, drive, mutual loyalty and a long-term approach.

The Group has, however, grown rapidly in recent years with the risk that K-Fastigheter's corporate culture could be exposed to stresses and become eroded, which could have consequences for the Group's future growth.

K-Fastigheter works actively with this risk by continuously fostering the corporate culture, both in daily life and by raising it as a strategic issue in the management team and on the Board of Directors, where the issue always has a special status.

Asset to developable land

For K-Fastigheter being able to construct its concept buildings, a prerequisite is that suitable building rights are available on terms that the Group deems acceptable. In recent years, competition from players developing both rental and tenant-owned apartments has been tangible. A shortage of suitable building rights would not affect the Group's current profit trend or financial position. Future potential growth could be seriously affected, however.

In K-Fastigheter's view, opportunities to acquire suitable building rights remain at a high level. In part, K-Fastigheter has now

established operations in additional geographical markets and, in part, K-Fastigheter is now a better-known and more widely recognized actor because of the stock market listing implemented in November 2019. The Group also has good financial and organizational opportunities to handle both larger and less developed building rights, which further reduces the risks.

New construction

The new construction of a property is a complicated process, often extending over several years. During the process, several events /risks may arise cause the partial or complete revaluation of the project. Such events include political decisions, decisions in the planning and building permit process, conditions at the construction site, availability of materials and labour.

K-Fastigheter works actively with the above risks by managing several parallel projects simultaneously (as of 31 December 2019: 13 projects under construction and 17 projects under project development in 12 locations), long-term and mutual cooperation with public authorities and suppliers and by primarily constructing the Group's concept buildings developed in-house, meaning that K-Fastigheter's construction projects are repetitive and therefore time and cost-efficient. The financing of construction projects is also always secured before construction commences, either through loans having been approved or through sufficient cash and cash equivalents having been deemed to be available.

Rental income

Rental income is affected by tenants' ability to pay, the letting ratio of the properties, as well as the possibility of charging market-based rent. A reduction in the ability to pay or an increase in vacancies would entail a risk of reduced income and profit for the Group.

K-Fastigheter works with this risk actively by developing projects, constructing and actively owning and managing attractive, space-efficient apartments that attract a broad customer base, in markets experiencing economic and demographic growth. Given existing

demand for newly-produced housing and based on existing ability to pay in the markets where the Group operates, there appear to be good opportunities to continue developing the property portfolio in the future through new construction and by maintaining the agreed rent levels on existing properties.

Historically, vacancy levels in the ongoing property management operations have been very low and, given the current economic climate and the relative attractiveness of the Group's housing, there are no signs that vacancies would increase significantly in the future.

Operation and maintenance costs

Operating expenses primarily comprise tariff-linked expenses, such as expenses for electricity, cleaning, water and heating. Of K-Fastigheter's property stocks, 77 percent was constructed after 2010 and the remaining properties have been well maintained or are scheduled for renovation under the K-Fast 2.0 programme, which vouches for operating and maintenance costs remaining low.

Market value of the properties

The value of a property is primarily affected by the trend in rental income, operation and maintenance expenses, investment needs and market's return requirement for comparable items.

K-Fastigheter's stocks consist primarily of newly-constructed and attractive housing situated in good micro-locations in growing towns and cities and several geographical markets, which, combined, reduces the risk of all parameters related to a property's valuation.

Interest

Interest expenses are the largest-single current expense in K-Fastigheter's operations.

K-Fastigheter works with interest rate risk partly by maintaining a good dialogue with all Swedish commercial banks to secure market-based loan terms and partly by reducing the interest rate

risk by means of interest-rate derivatives. See above under Interest-bearing liabilities.

Financing

K-Fastigheter is dependent on the financing of existing investment properties and upcoming new construction. The risk of not securing adequate future financing is mitigated by means of a good dialogue with all Swedish commercial banks, as well as by signing longer credit agreements with a diversified maturity structure. The listing of the company's share on the Nasdaq Stockholm exchange has also entailed the capital base being further broadened.

Cash and cash equivalents

The risk of having insufficient cash and cash equivalents to meet current and future payment obligations is managed by preparing a monthly liquidity forecast, which is continuously reviewed, and by contracting the required limits and credits for the ongoing operations. Furthermore, no new projects are initiated without financing having been secured.

Credit

Credit risk arises in K-Fastigheter's operations primarily through the Group's tenants' and suppliers' ability to pay. Tenants'

creditworthiness is tested in accordance with established criteria in connection with new leases being signed. For key suppliers, a credit assessment is performed when a new collaboration is established. For key commercial tenants and suppliers alike, creditworthiness is monitored continuously through the requisite credit monitoring services.

Political risks

Property operations are, to a great extent, affected by laws and other regulations, as well as decisions by public authorities regarding, for example, taxes, subsidies and support, planning and construction measures, the environment, safety, permitted construction materials and construction standards, leasing and regulated rent-setting for rental apartments.

In part, these risks have a major impact on how K-Fastigheter conducts its operations and, in part, they are difficult to manage as they are not infrequently changed at short notice. K-Fastigheter addresses the political risks primarily by keeping the organization abreast of ongoing political trends and by engaging specialists and advisers to manage the effects of changing laws and regulations.

SENSITIVITY ANALYSIS

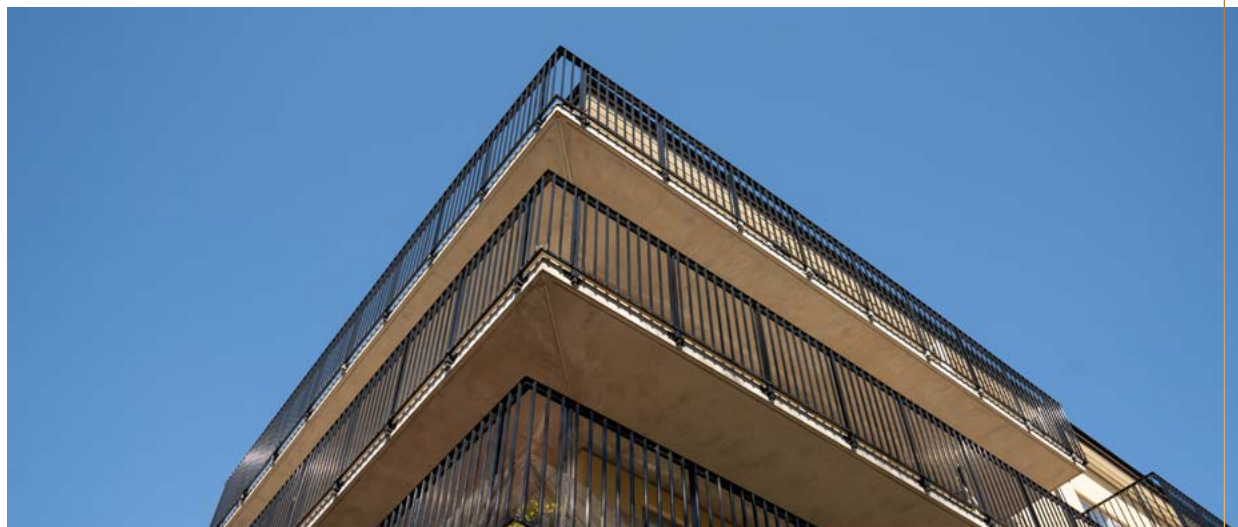
K-Fastigheter's earnings are affected by a number of factors. The table below shows a theoretical effect on cash flow and fair value based on K-Fastigheter's current earnings capacity as of 31 December 2019 given a change based on four parameters. Each variable in the table has been addressed individually and on the assumption that the other variables remain unchanged. The sensitivity analysis should be read together with the information on current earnings capacity on page 29.

	Cash flow, SEK million	Fair value, SEK million
Direct return requirement +/- 0.1%	-	91.1
Rental value +/- 1%	1.8	41.7
Operating and maintenance costs +/- 1%	0.3	7.3
Long-term vacancy ratio +/- 1%	1.8	41.7

K-Fastigheter measures its properties at fair value, recognizing changes in value in the Income Statement. This means that earnings, in particular, but also financial position can be affected both positively and negatively over time. The table below shows the theoretical change in value when increasing or decreasing the property value based on the property value as of 31 December 2019 and its effect on the loan-to-value ratio at the same time.

Change in value of completed investment properties, SEK million

	-10%	10%
Property value +/- 10%	-394.2	394.2
Loan-to-value +/- 10%	65%	54%



DIRECTORS' REPORT

The Board of Directors and CEO of K-Fast Holding AB (publ), 556827-0390, domiciled in the Municipality of Hässleholm, Sweden, hereby submit the Annual Report and consolidated accounts for 2019. Monetary amounts in the Annual Report are expressed in millions of Swedish kronor (SEK million). Numerical data in brackets refer to the corresponding value for the preceding financial year.

Operations

K-Fastigheter is a Swedish project development, construction and property management company founded in 2010. With commitment at all levels, the business concept is to create attractive homes offering a high degree of comfort. The Group has developed its own housing concepts meeting demands for high-quality housing from tenants and social planners. To increase cost efficiency and shorten construction times, the Group works with the three concept buildings, Low-Rise, Lateral Low-Rise and Apartment Block, that are constructed solely for long-term ownership and active property management.

The Group holds a strong position in the Öresund region and in selected towns and cities in southern and western Sweden. Its vision is to become one of the Nordic region's largest players and a leading property owner of sustainably constructed, innovative and cost-efficient concept buildings meeting the wishes and requirements of tenants seeking to establish a home for many years to come. The housing offered by the Group is to be distinguished by the best combination of high standard, home comfort and security in the market.

K-Fastigheter's principal property segment is housing, which, at the end of 2019, constituted 80 percent of the area under property management and 85 percent of the contractual rent.

During the financial year, K-Fastigheter commenced construction of 518 apartments and completed 332. In addition, the Group has

acquired 84 apartments and obtained a further 74 through the distribution of the assets of associated companies Balder Skåne AB in April 2019. At the end of the financial year, the Group had 1,711 apartments under management (1,221). The Group was also actively involved in 13 construction projects with a total 700 apartments, of which 670 were for the Group's own purposes. The remaining 30 apartments are tenant-owned apartments. The current construction and project portfolio encompasses some 2,040 apartments and guarantees employment for the Group's construction operations into 2022.

Overarching objectives

K-Fastigheter's overarching objective is to generate value for the company's shareholders. Over a business cycle, the generation of value is measured as growth in long-term net asset value per share.

Operational targets

- In the long term, rental income from housing is to comprise at least 80 percent of K-Fastigheter's total rental income.
- The number of apartments to be managed by the company and on which construction has commenced is to amount to 1,000 a year by the end of 2023.
- At the end of 2023, K-Fastigheter is to manage at least 5,000 apartments in the Nordic region.

Financial targets

- Over an economic cycle, growth in long-term net asset value per share is to average at least 20 percent annually, including any value transfers.
- Over an economic cycle, annual growth in profit per share from property management is to average at least 20 percent.

The target is for growth in net asset value and profit from property management to be generated while maintaining a stable and sound financial position and with balanced financial risk-taking, meaning that:

- Over time, the equity/assets ratio is not to be less than 25 percent.
- Over time, the interest coverage ratio is not to be less than a multiple of 1.75.
- Over time, the loan-to-assets ratio is not to exceed 70 percent.

Parent Company and organization

The Group's Parent Company is K-Fast Holding AB. At the end of the financial year, the Group consists of 45 wholly-owned subsidiaries and six associated company groups. The number of employees amounted to 68 (53), of whom 19 were women (12) and 49 were men (41).

Operations are organized into three business areas – Project Development, Construction and Property Management – whose Business Area Managers report to, and are part of, the Group management team.

Group-wide functions also encompass accounting and finance, IT, communications and market, legal and HR, and the Group's Heads of Treasury, Finance, IR/Communications and HR are members of the Group management team.

The head office is located in Hässleholm. There are also offices in Helsingborg, Kristianstad and Landskrona, as well as a production facility in Osby. In the spring of 2020, an additional production facility will be completed adjacent to the Group's head office in Hässleholm.

Since 29 November 2019, the company's class B shares have been listed on the Midcap list of the Nasdaq Stockholm exchange.

Multi-year comparison

SEK million	2019	2018	2017	2016	2015
Group					
Net sales	187.3	124.8	130.9	135.0	130.5
Profit for the year	365.3	244.8	372.6	175.6	96.7
Total assets	5,352.3	3,347.1	2,213.6	1,383.9	858.9
Equity/assets ratio, %	41.8%	29.3%	34.4%	28.6%	27.1%
Number of employees	68	53	34	26	10

Parent Company

Profit for the year	107.6	10.2	38.1	2.5	5.1
Total assets	2,490.7	992.8	301.3	177.7	78.4
Equity/assets ratio, %	42.2%	5.1%	16.0%	8.0%	14.9%
Number of employees	13	6	3	1	1

Consolidated comprehensive income**Income**

Net sales for full-year 2019 amounted to SEK 187.3 million (124.8). Rental income for the full-year amounted to SEK 156.8 million (96.6), an increase of 62 percent. Of the increase of SEK 60.2 million for the full-year, 40 percent was attributable to the completion of new construction projects and acquisitions, of which the distribution of the properties in Balder Skåne AB accounted for approximately SEK 10.3 million. The remaining 60 percent is attributable to full-year effects of properties completed and acquired in 2018 and increased rents in comparable holdings. The rental value of the investment properties completed as per 31 December 2019 amounted to SEK 196.6 million (133.4), an increase of 47 percent on the preceding year and of 25 percent compared with rental income of SEK 156.8 million for full-year 2019.

At the end of the year, the letting ratio was 96.9 percent (99.3) and the average letting ratio during the year was 96.8 percent (98.8).

The lower letting ratio for full-year 2019, compared with full-year 2018, is attributable to a high level of project completions in December 2018 and a sustained high level of project completions during 2019, which generally entails a somewhat lower financial letting ratio initially. In those parts of the stocks that have been under management for a longer time, the financial letting ratio remains very high.

Income from project and contracting operations amounted to SEK 301.9 million (312.1), of which SEK 273.3 million (285.3) related to construction for Group companies that has been capitalized for the Group's own purposes. Assignments for external clients accounted for SEK 28.6 million (26.8). The change between the periods was primarily due to relatively more projects being at the early construction phase in 2019, at which the rate of production is generally lower, and a couple of projects at later phases of construction being carried out by sub-contractors.

Operating costs

Property management costs totalled SEK 49.5 million (34.8) for the full-year, corresponding to an increase of 42 percent compared with the preceding year. The increase is primarily attributable to full-year effects in direct property costs for properties completed and acquired in 2018, as well as increased costs for property administration and, to a lesser extent (33 percent) to properties completed and acquired in 2019. Property administration amounted to SEK 15.0 million (12.3). The surplus ratio for the year amounted to 68.4 percent (64.4), with the improvement being driven by a high degree of completion and increased management efficiency.

The costs for the project and construction operations partly comprise direct project-related costs and partly fixed costs for the construction organization. The part of the operations involving external construction is reported in the Income Statement. Project and contracting operations for the Group's own property management activities are capitalized as work for the Group's own

purposes and are reported net in the Income Statement under the item Project and contracting costs.

Operating expenses for the year include expensed leasing fees attributable to low-value leases of a total SEK 0.1 million. Other leasing fees has been capitalized in accordance with IFRS 16 Leases. The Group has no short-term leases or variable leasing fees.

Gross profit

Consolidated gross profit for full-year 2019 amounted to SEK 111.0 million (54.7), divided into gross profit from property management of SEK 107.3 million (62.2) and a gross loss from project and contracting operations of SEK 3.7 million (7.6). Gross profit from property management was affected positively by increased rental income and an increased surplus ratio, which for the full year amounted to 68.4 percent (64.4). In turn, the surplus ratio was affected positively by increased efficiency in the management organization and a high degree of completion for the Group's concept buildings, which have a surplus ratio of slightly 80 percent, which can be compared with acquired stocks, for which the surplus ratio is approximately 60 percent.

Gross profit from project and construction operations was affected positively by increased contractual gross margin in each project and operations in 2019 not experiencing any significant complaints, as there had been previously, affecting full-year earnings for 2018.

Central administration

Central administration, which includes Group management, project development, HR, IT, IR/communications and finance, amounted to SEK 42.1 million (11.6) for the year. Administration costs include costs of SEK 13.3 million (3.4) for the stock market launch that was implemented. Excluding costs related to the implemented stock market launch, the increase is primarily attributable to the expansion of the central organization to meet future growth and the demands imposed on a listed company, costs which are partly non-recurring.

Depreciation/amortization and impairment

Depreciation/amortization and impairment for the year amounted to SEK 15.2 million (1.3) and consists of SEK 2.7 million (1.3) in depreciation on machinery, inventories and business properties and SEK 12.5 million (0.0) consists entirely of impairment of goodwill and investment properties.

Impairment includes goodwill impairment that had an impact of SEK 2.3 million (0.0) following assessment. Impairment of goodwill derives from goodwill partly arising in connection with the acquisition of E.N. Byggarna i Göinge AB (today K-Fast Produktion AB) in 2015, and partly in connection with the acquisition of K-Fast Uven AB in 2014. Impairment also includes SEK 4.3 million related to the decommissioning/demolition of the older buildings at the T4 area in Håssleholm to prepare for future construction, SEK 2.4 million related to the scrapping of building components in connection with the company's K-Fast 2.0 renovation programme and SEK 3.5 million in impairment on a project in progress in Ödåkra, Helsingborg where the planning permission has been appealed and the planned construction system has been changed.

Profit from participations in Group, associated and jointly controlled companies

Profit from participations in Group and associated companies amounted to SEK 61.0 million (27.7), of which SEK 38.0 million consisted of K-Fastigheter's participation (50 percent) in the profit of Novum Samhällsfastigheter AB, which sold two public building projects in Falkenberg and Håssleholm in the second and fourth quarters of 2019. The remaining SEK 23.0 million consists of earnings from Balder Skåne AB, the operations of which were discontinued in the first half of 2019 by distributing the assets of the company to its shareholders as per 1 April 2019. For the corresponding period in 2018, profit mainly comprised earnings from Balder Skåne AB.

Net interest income

Net interest income for the full-year amounted to SEK 35.3 million (16.8). The increase is partly due to increased interest-bearing liabilities attributable to acquisitions of investment properties and new construction, and partly due to the company having worked actively to reduce its interest rate and refinancing risks. At the end of the year, the average interest level was 1.90 percent (1.71), including the effects of interest rate derivatives. All interest related to construction projects in progress is capitalized and included in the cost of the property.

The interest coverage ratio for the full-year amounted to a multiple of 2.6 (3.5) and was adversely affected by scrappings and goodwill impairment, as well as by costs for the stock market launch, that is, non-recurring items. Excluding expenses for the stock market launch, the interest coverage ratio was a multiple of 2.8 (3.5).

Profit before changes in value and profit from property management

Profit before changes in value for full-year 2019 amounted to SEK 79.3 million (52.7), an increase of 50 percent, compared with 2018. The increase was partly due to improved gross profit, partly to improved profit from participations in Group, associated and jointly controlled companies. Increased expenses for central administration, impairment and lower net interest income has had a negative impact on earnings.

Profit from property management for full-year 2019 amounted to SEK 52.9 million (41.1). Profit from property management per share amounted to SEK 2.05 (1.64), an increase of 25 percent compared with the preceding year. Profit from property management was affected positively by the continued increase in rental income and a stable surplus ratio, while increased central expenses, a large proportion of which were non-recurring in connection with preparations for the implemented stock exchange listing and write-downs, combined with lower net interest income, had an adverse effect.

Changes in value

For full-year 2019, the unrealized changes in the values of investment properties amounted to SEK 339.8 million (243.6), distributed between SEK 153.4 million (119.5) for properties under management and SEK 186.4 million (124.1) for construction projects in progress.

Of unrealized changes in value for new construction in progress, properties completed during full-year 2019 accounted for SEK 49.6 million (20.1). The remaining SEK 136.8 million (104.0) was attributable to properties that were under construction at the end of the year. At the end of the year, the direct return requirement in the valuation of new construction in progress amounted to 4.02 percent (4.09)

Of unrealized changes in value for properties under management, SEK 62.9 million (48.4) was related to acquisitions during the year, which were primarily the properties distributed from Balder Skåne AB, which affected unrealized changes in the values of investment properties by SEK 46.3 million for the full year. Of the remaining unrealized changes in the values of investment properties, improved net operating income contributed SEK 26.5 million (17.3), while changed valuation assumptions contributed SEK 63.9 million (49.7). In total, the average direct return requirement for properties under management was 4.25 percent (4.46). The average direct return requirement for the entire property portfolio, including undeveloped land and new construction in progress, amounted to 4.18 percent (4.33) at the end of the year.

Changes in the values of derivatives and other items amounted to SEK 12.7 million (negative 8.6). The Group's derivatives consist of interest rate derivatives, intended to mitigate the Group's interest rate risk. Unrealized changes in the values of derivatives affected earnings negatively by SEK 6.6 million (5.5) over the full-year. The fair value of the Group's derivatives was negative in the amount of SEK 12.8 million (6.2) at the end of the year. Other changes in value include realized changes in the values of securities,

which amounted to SEK 19.3 million (negative 3.0) for the year, comprising disposals of securities. The Group's securities portfolio, which mainly comprised holdings in Swedish stock market-listed property companies, was wound up in the second and third quarters of 2019, with the reported value at the end of the year amounting to SEK 0.0 million (91.6).

Tax

Current tax for the year amounted to SEK 3.8 million (2.0). Deferred tax amounted to SEK 62.7 million (40.9), affected by unrealized changes of SEK 339.8 million (243.6) in the values of properties.

Tax has been calculated at 21.4 percent on current taxable profit. Deferred tax liabilities and tax receivables have been calculated at the lower tax rate of 20.6 percent, applicable from 2021, since K-Fastigheter estimates that the deferred tax will be settled in 2021 at the earliest. The tax rules also entail certain restrictions on the tax deductible for interest costs, which is expected to entail K-Fastigheter having an unutilized net interest deductible of approximately SEK 31.2 million for full-year 2019. Since this effect primarily affects the companies within the Group that had properties under construction during the year (with low or zero earnings relative to interest on construction credits) and the Parent Company, for which the costs of the stock market listing contributed to a negative tax result, and since none of these effects are expected to prevail in these companies in the future, the tax deductible for interest expenses has been booked as a deferred tax asset of SEK 6.4 million.

On 31 December 2019, K-Fastigheter's accumulated tax loss carryforwards were estimated at SEK 59.2 million (13.0), which together with interest rate derivatives of SEK 12.8 million (6.6) and the aforementioned deductions for interest expenses comprise the basis of the Group's deferred tax assets, which totalled SEK 21.4 million (2.2). The deferred tax liability relates primarily to

temporary differences between fair value and the residual tax base of the properties. On 31 December 2019, the fair value of the properties exceeded their tax base by SEK 1,864.5 million (1,237.9), of which SEK 544.7 million (302.4) is attributable to the acquisition date. The deferred tax liability amounted to SEK 310.2 million (228.2) at the end of the year.

Profit for the year

Profit after tax for full-year 2019 amounted to SEK 365.3 million (244.8) and earnings per share after tax amounted to SEK 14.14 (9.79).

The Group's financial position

Investment and business properties

Investment properties encompass properties where tenants can move in (completed investment properties), undeveloped land and land for which planning is in progress, site leaseholds (measured at fair value in accordance with IFRS 16) and construction in progress.

On 31 December 2019, the Group's property stocks comprised 64 completed investment properties, as well as three out of four stages now being occupied in the Helsingborg Brigaden 7 & 8 project, distributed between 104,622 square metres of housing and 25,864 square metres of commercial space, and 13 ongoing construction projects, distributed between 43,897 square metres of housing and 588 square metres of commercial space. The group holds 22 properties with undeveloped land and land for which planning is in progress, among which construction projects are currently in progress at ten properties.

At the end of the year, the value of the investment properties totalled SEK 4,396.7 million (3,018.1), distributed between completed investment properties at SEK 3,606.9 million (2,404.8), undeveloped land and land being developed at SEK 335.1 million (131.1), site leases at SEK 7.0 million (0.0) and construction in progress at SEK 447.7 million (482.2).

Over the full-year, SEK 505.6 million (441.9) was invested in new construction, extensions and remodelling. In total, six projects were completed, as well as three out of four stages in the construction of the Helsingborg / Brigaden 7 & 8 properties having been reclassified from construction projects in progress to completed investment properties, corresponding to a value of SEK 718.9 million (492.3). In addition, eight intra-Group projects and one tenant-owned housing project have commenced construction.

During full-year 2019, acquisitions were made for SEK 557.7 million (406.7) including distributed assets of Balder Skåne AB for SEK 224.2 million. In addition to the assets distributed by Balder Skåne AB, acquisitions primarily comprised undeveloped land and land for which planning is in progress, which increased from SEK 131.1 million at the end of 2018 to SEK 335.1 million (including value changes) at the end of 2019. Other acquisitions comprise Hässeholm/Spinnaren 1 and Växjö/Nocken 2, which were acquired for a total SEK 135.0 million. No significant disposals were conducted during the year.

In addition, the total value of investment properties was affected positively by unrealized changes in value totalling SEK 339.8 million (243.6), distributed between SEK 153.4 million (119.5) for properties under management and SEK 186.4 million (124.1) for construction projects in progress.

In connection with the end of the financial year the Osby/Osby 186:1 property, which houses the Group's Osby production facility, was reclassified as a business property, since a significant part of the operations at the property are related to K-Fastigheter's own operations. At the time of reclassification, the property was valued at SEK 9.4 million and it comprises 6,774 square meters of mixed offices space, commercial premises and industrial space with a rental value of SEK 1.5 million, including intra-Group leasing. In addition to the Osby/Osby 186:1 property, the Group's business properties consist of the Group's head office in Hässeholm.

Participations in associated and jointly controlled companies and other non-current receivables

Participations in the profits of associated and jointly controlled companies declined from SEK 116.7 million to SEK 38.3 million in 2019, which was primarily attributable to the distribution of assets by Balder Skåne AB. At the end of the year, the holding in Novum Samhällsfastigheter AB constituted SEK 38.3 million (0.0) of the total participations in associated and jointly controlled companies. Other associated and jointly controlled companies held are primarily companies that own land for which development planning is, or will be, in progress.

Among non-current receivables of SEK 5.4 million (0.1), SEK 5.3 million consists of a receivable from the Municipality of Höganäs for a cash payment for future development planning.

Operating receivables

The Group's operating receivables consist primarily of accounts receivable of SEK 43.6 million (30.0) distributed between rent receivables from the Group's tenants of about SEK 34.5 million (25.0) and receivables from external customers in the construction operations of SEK 9.1 million (5.1).

Operating receivables also include receivables from associate and jointly controlled companies of SEK 16.5 million (7.9), consisting primarily of the part-financing of projects in progress, as well as other receivables of SEK 9.0 million (3.8), current tax assets of SEK 4.1 million (3.6) and prepaid expenses and accrued income of SEK 25.5 million (5.2).

Cash and cash equivalents

At the end of the year, cash and cash equivalents amounted to SEK 779.0 million (52.8). The increase in cash and cash equivalents is primarily due to the new share issue in connection with the company's stock market listing on Nasdaq Stockholm in November 2019. In addition, there is an unutilized overdraft facility of SEK 90.0 million (20.0). In the second and third quarters of 2019, the

Group wound up its securities portfolio, which, at the end of the year, had a carrying amount of SEK 0.0 million (91.6), of which SEK 0.0 million (69.7) has been posted as collateral.

Equity and net asset value

At the end of the year, consolidated equity attributable to the Parent Company's shareholders amounted to SEK 2,238.5 million (981.2), corresponding to SEK 66.05 per share (39.25). The increase is explained by the profit for the full-year of SEK 365.3 million (244.8) and a private placement of SEK 17.9 million targeting five senior executives in the third quarter of 2019 and a new share issue of SEK 905.6 million in connection with the stock market launch on the Nasdaq Stockholm exchange in the fourth quarter, with net proceeds totalling SEK 874.1 million (0.0) after transaction expenses of SEK 31.5 million.

At the end of the year, the long-term net asset value (NAV) amounted to SEK 2,540.2 million (1,213.4), corresponding to SEK 74.96 per share (48.54). The long-term net asset value per share has increased by 54 percent compared with 31 December 2018 including new share issues implemented during the year and by 36 percent excluding those.

As of 31 December 2019, there were 33,889,528 shares outstanding, distributed between 3,750,000 class A shares and 30,138,528 class B shares. Adjusted for the bonus issue implemented in 2019, there were 25,000,000 shares outstanding as of 31 December 2018. There were an average 25,829,751 shares outstanding in 2019 (25,000,000).

Deferred tax

At the end of the year, the Group's deferred tax amounted to SEK 288.9 million (226.0), comprising a deferred tax asset of SEK 21.4 million (3.9) and a deferred tax liability of SEK 310.3 million (229.9), which are reported net in the consolidated Balance Sheet. The deferred tax liability derives primarily from temporary differences between fair value and the residual tax value for

completed properties and properties under construction. The deferred tax asset derives primarily from tax-loss carryforwards and unutilized net interest deductions that the Group expects to be able to utilize in the coming years.

Interest-bearing liabilities

At the end of the year, consolidated interest-bearing liabilities amounted to SEK 2,644.3 million (1,994.8), of which SEK 363.1 million (207.5) was classified as current interest-bearing liabilities. Interest-bearing liabilities are distributed between first mortgages for completed investment properties of SEK 2,331.9 million (1,606.6), construction credits of SEK 303.2 million (318.4), leasing liabilities of SEK 9.2 million (0.0) and operating credits of SEK 0.0 million (69.7). The loan-to-value ratio for the Group's completed investment properties amounted to 40.2 percent (60.4). The increase in interest-bearing liabilities is primarily explained by the financing of investments in new construction, extensions and remodelling during the year, as well as acquisitions of building rights for future construction. The decreased loan-to-value ratio is explained by the net proceeds of the new share issues implemented in the third and fourth quarters.

At the end of the year, the Group had contracted credit agreements of SEK 3,239.7 million (2,329.8), of which SEK 2,331.9 million (1,603.6) related to the financing of completed investment properties, of which SEK 322.0 million (176.0) mature for renegotiation within the next 12 months. Beyond the financing of completed investment properties, contracted credit agreements comprise building credits of SEK 817.8 million (636.2) and overdraft facilities and covered loans of SEK 90.0 million (90.0). At the end of the year, construction credits, and overdraft facilities and covered loans had been utilized in the amount of SEK 303.2 million (318.4) and SEK 0.0 million (69.7) respectively. On 31 December 2019, the Group's total contracted and unutilized credit facilities amounted to SEK 90.0 million (20.0), excluding construction credits.

As per 31 December 2019, the average credit term for the Group's interest-bearing liabilities, relating to completed investment properties and operational premises was 3.2 years (3.2).

K-Fastigheter currently works exclusively with variable interest rate loans. Interest rate derivatives, primarily interest rate swaps, are used to adjust the period of fixed interest. Nominally, the swap portfolio totalled SEK 1,207.0 million (607.0) at the end of the year. The average period of fixed-interest on the Group's interest-bearing liabilities related to investment and business properties was 3.3 years (2.7) and the average interest rate was 1.90 percent (1.71), including the effects of interest rate derivatives, and 1.62 percent (1.31), excluding the effects of interest rate derivatives. The total proportion of variable interest rates in relation to interest-bearing liabilities related to investment and business properties was 48 percent (62) and the interest rate sensitivity in the event of a 1 percentage point shift in loan rates amounted to SEK 11.2 million (10.0).

Interest-rate derivatives

To manage interest rate risk, the Group uses interest rate derivatives. Over time, changes in value arise in the interest rate derivative portfolio, primarily due to changed market interest rates. In the Balance Sheet, derivative instruments are reported at fair value as current or non-current assets or liabilities based on the term of the derivative, even where no amount is to be settled in cash. At the end of the year, the fair value of the derivative portfolio was negative in the amount of SEK 12.8 million (6.2).

Operating liabilities

Operating liabilities consist primarily of accounts payable of SEK 57.6 million (31.9) related to operations, current tax liabilities of SEK 5.7 million (3.2), other liabilities of SEK 23.2 million (37.6) and accrued costs and prepaid income of SEK 63.3 million (47.0). Other liabilities include the current portion of SEK 6.4 million of a non-current liability to Brinova Fastigheter AB of a total SEK 19.2 million (25.6), deriving from the acquisition of K-Fast T4 AB in 2015.

Consolidated cash flow

Consolidated cash flow from operating activities for full-year 2019 amounted to SEK 49.5 million (40.5) and was affected positively by the improved gross profit from the property management and construction operations, and negatively by increased expenses for central administration, lower net interest income and increased working capital. Cash flow from operating activities included a cash dividend of SEK 37.1 million in connection with the distribution of assets in Balder Skåne AB.

The investing activities has primarily been affected by investments of SEK 450.9 million (395.0) in properties, which also includes the non-cash portion of the distribution of assets in Balder Skåne AB, and investments of SEK 513.6 million (453.6) in construction in progress. The phasing out of the Group's securities portfolio contributed positively to consolidated cash flow by SEK 110.9 million (0.0). Cash flow from investing activities amounted to a total outflow of SEK 863.5 million (881.5).

In addition to being financed through cash flow from operating activities, the Group's investing activities in 2019 were primarily financed through increased interest-bearing liabilities of SEK 648.2 million (891.1) following amortizations of SEK 41.1 million (6.4). In addition, there are the net proceeds from the new share issues implemented during the year, which totalled SEK 892.1 million (0.0). In total, cash flow from investing activities amounted to SEK 1,540.3 million (883.5), meaning that consolidated cash and cash equivalents for the year increased by SEK 726.3 million (42.5) to SEK 779.0 million (52.8) at the end of the year.

Investments

Besides what has been reported under investment and business properties, as well as under consolidated cash flow, no significant investments were made in non-current assets during the year.

Beyond investments in non-current assets, in 2019, the Group invested primarily in developing the organization, processes, systems and functions in finance, HR, IT and project development.

Parent Company

The Parent Company holds no properties of its own. The Company maintains Group-wide functions for administration, property management and financing.

Sales in the Parent Company primarily relate to services invoiced to Group companies. The Parent Company's gross loss for full-year 2019 was SEK 43.3 million (11.6), affected by costs of SEK 13.3 million (3.4) for preparing for the stock market launch. Adjusted for the costs of preparing the stock market listing, the increase in the Parent Company's costs is primarily a consequence of strengthening the Group-wide organization to meet future growth and to meet the requirements continuously made of a listed company.

The Parent Company's profit before tax amounted to SEK 95.3 million (loss 9.7) and was affected by profit from participations in Group, associated and jointly-controlled companies of SEK 124.0 million (12.4), comprised exclusively of the distributed assets of Balder Skåne AB. The Parent Company's profit before tax was also affected by unrealized changes in the value of derivatives of a negative SEK 6.7 million (5.8), which is included in the Parent Company's net financial items.

At the Extraordinary General Meeting on 19 August 2019, a bonus issue was approved, whereby the share capital of the Parent Company was increased to SEK 40.0 million (0.1). Furthermore, a new share issue, totalling SEK 17.9 million, directed at five senior executives was completed in the third quarter and a new share issue with net proceeds totalling SEK 874.1 million was implemented in connection with the stock market listing on 29 November 2019. As of 31 December 2019, in addition to cash and cash equivalents, the Parent Company's assets consisted primarily of shares in Group companies, as well as receivables from them and liabilities towards them. At the end of the year, cash and cash equivalents in the Parent Company amounted to SEK 771.2 million (45.9).

Effects of the Covid-19 pandemic

Since the beginning of March 2020, there has been considerable uncertainty and insecurity in society, both nationally and internationally, due to the spread of the novel corona virus.

Preparing financial reports in accordance with IFRS requires Group management to make assessments, estimates and assumptions affecting how accounting principles are applied and the carrying amounts for assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors that appear reasonable under the prevailing circumstances. The results of these estimates and assumptions are then applied in estimating the carrying amounts of assets and liabilities, which would not otherwise be evident from other sources. Actual outcomes may deviate from these estimates and assessments.

On submitting this Annual Report and given that it refers to the period 1 January to 31 December 2019, the actual impact of the corona virus contagion on K-Fastigheter and the Group's operations was limited. However, preparing the Annual Report also includes assessing events occurring after the end of the reporting period and that may affect the assessments that had been made as of the balance sheet date.

It remains uncertain how the corona virus will affect K-Fastigheter in the short and long term. The Group will assess the situation on an ongoing basis and report such assessments in future interim reports and, where necessary, issue supplementary information through press releases.

Presented below are the adopted positions that, in the current assessment, have been made regarding those effects that could have a material effect on K-Fastigheter's profits and financial position in the future.

K-Fastigheter has a stable business model building on cross-functional efforts in project development, construction and

property management, which generate profitability at all stages. The Group holds a strong position in the market for rental apartments in the Öresund region and in selected towns and cities in southern and western Sweden. K-Fastigheter has an attractive property portfolio with 85 percent of contracted rental income deriving from housing and with commercial income being spread between a large number individual contracts.

K-Fastigheter's financial position was stable as of 31 December 2019, with an equity/assets ratio of 41.8 percent, a loan-to-value ratio of 40.2 percent and favourable liquidity with cash and cash equivalents of SEK 779.0 million.

The areas that K-Fastigheter currently deems as most likely to be affected by the corona virus in the future are rental income, property value, access to capital and financial expenses.

Rental income

Several of K-Fastigheter's commercial tenants are facing strained financial conditions in the future due to lack of demand. For these operators, rent often represent a significant expense. It is not possible to rule out an increased frequency of bankruptcies in the Swedish economy, which will lead to increased vacancies and rental losses for property owners. Discussions are also likely to arise regarding temporary or permanent rent reductions. On the whole, it cannot be ruled out that this will affect K-Fastigheter in the future, both in the form of increased vacancies and decreased rental income, as well as increased requirements for provisions for expected credit losses.

On submission of this Annual Report, insufficient information is available on which to revise the adopted position. K-Fastigheter will assess the situation on an ongoing basis. An important part of the assessment is that K-Fastigheter's property stocks are geographical diversified and that 85 percent of income pertains to housing, which may be considered to reduce the risk of major effects on the Group's rental income.

For more detailed information regarding how K-Fastigheter has reported accounts receivable, rent receivables and impairment of expected credit losses as of 31 December 2019, see Notes 22 and 23.

Property value

Rental income (vacancies) and direct return requirements are two important parameters in determining the fair value of investment properties. The effect on rental income of the corona virus contagion has been commented on above.

The direct return requirement is normally determined based on two parts – a general market risk and a specific property risk. The market risk is linked to general economic development and is influenced by, among other things, how investors prioritize between different asset classes and financing opportunities. The specific property risk is affected by, among other things, the location of the property, the type of property and the standard and type of tenants. It cannot be ruled out that the corona virus contagion could have effects on the market risk in particular in the future, with increased return requirement from the investors, with the consequence that the fair value of properties declines. In addition to the direct effects on profit, a change like this could also entail a weakening of the property companies' financial position and thereby also their opportunities to finance their commitments, for example.

On submission of this Annual Report, information has been obtained from independent valuation experts, among others, to confirm the positions adopted by the company regarding fair value as of 31 December 2019. On submission of this Annual Report, there were no indications that this position should be revised, although there is considerable uncertainty as to the long-term effects and, for this reason, the company will assess the situation continuously.

For more detailed information regarding how K-Fastigheter values the Group's properties, see Financing and valuation on page 30 and

Note 16 Investment properties, where a sensitivity analysis is also presented.

Access to capital and financial expenses

K-Fastigheter is dependent on bank financing, partly for financing completed properties, partly to complete properties under construction. Interest expenses are the largest-single expense in the consolidated Income Statement.

It cannot be ruled out that as the economy slows down as a result of the spread of the corona virus, credit losses will occur in the banking system, which can lead both to poorer access to financing and higher financing expenses.

Prior to the submission of this Annual Report, information was collected continuously from the banks with which K-Fastigheter cooperates to confirm the positions adopted as of 31 December 2019. On the submission of this Annual Report there were no indications that the positions needed to be revised. Access to capital remains favourable and pricing is on a par with what was reported as of 31 December 2019, with the proviso that Swedish market rates have risen in recent weeks, likely due to a shortage of USD in the banking system. Here, it can be added that a relatively large proportion of K-Fastigheter's financing of completed properties is subject to longer maturities. As of 31 December 2019, the average remaining maturity amounted to 3.2 years. In addition, K-Fastigheter currently has no financing via the capital market, a market that has shown considerable uncertainty in recent weeks.

For more detailed information on how K-Fastigheter assesses financial risks, see Note 21 Financial risks and finance policy.

Proposed guidelines for remunerations to the CEO and other senior executives

The proposal by the Board of Directors of K-Fast Holding AB for approval of guidelines for remuneration for the CEO and other senior executives is presented on pages 61 and 62.

Proposed distribution of earnings

The retained earnings of the Parent Company is at the disposal of the Annual General Meeting.

K-Fastigheter prioritizes growth above dividends. Accordingly, the Board of Directors proposes that no dividend be paid for 2019. The Board of Directors proposes that the available profits appropriated as follows:

SEK	
Retained earnings	888,731,164
Profit for the year	107,622,969
	996,354,133
Disposed so that new bill is transferred	996,354,133

Significant events during and following the financial year

Below, an account is presented of the acquired building rights and investment properties, projects where construction has commenced and completed projects and renovations in accordance with K-Fastigheter's K-Fast 2.0 renovation concept during 2019. Over the year, these were presented in K-Fastigheter's interim reports as significant events.

Significant events in 2019

- As of 1 April 2019, with effect from 1 January 2019, the assets of K-Fastigheter's associated company, Balder Skåne AB, were distributed to the owner companies K-Fast Holding AB and Fastighets AB Balder, with K-Fastigheter obtaining three properties in Helsingborg. The properties comprise 74 apartments at Maria Park, newly-constructed by K-Fastigheter in accordance with the Group's Low-Rise concept, as well as the Magasinet, a 3,000 square-metre commercial property in the Norra Hamnen district, where law firm Vinge is the largest individual tenant.
- On 2 April 2019 the Annual General Meeting of K-Fast Holding AB was held, at which Erik Selin, Jesper Mårtensson and Jacob Karlsson were re-elected as Board members, while Sara Mindus, Christian Karlsson and Ulf Johansson were elected as new members of the Parent Company's Board of Directors. Erik Selin was elected as Chairman of the Board.
- In June and December 2019, K-Fastigheter's associated company Novum Samhällsfastigheter AB agreed to sell two upcoming retirement home construction projects in Falkenberg and Hässleholm respectively. The expected income for K-Fastigheter amounts to SEK 43.0 million, of which SEK 38.0 million was recognized as income during 2019.
- During the third quarter, a cooperation agreement was signed with the Våningen & Villan chain of estate agents, whose extensive sales organization will assist K-Fastigheter in leasing newly produced apartments.
- On 19 August, 2019, K-Fast Holding AB held an Extraordinary General Meeting at which, among other things, new Articles of Association were adopted, the company's category was changed from private to public, and the company's shares were divided into two classes of shares. A bonus issue was also approved to increase the share capital to SEK 40.0 million, without new shares being issued.

- During the third quarter, a private placement of 263,528 class B shares was implemented, aimed at five senior executives in K-Fastigheter.
- On 29 November 2019, shares in K-Fast Holding AB began trading on the main list of Nasdaq Stockholm. With 8,625,000 new class B shares being issued, a large number of new shareholders were added through the stock market launch. The issue raised SEK 905.6 million for the company before expenses for the share issue.

Significant events after the end of the year

Besides the acquisitions shown in the table to the right as acquired in "Q1 2020" the following significant event is to be reported:

- On 20 March, K-Fastigheter updated the Group's assessment of the effects of the ongoing corona virus pandemic. The assessment is that the Group's stable business model and strong Balance Sheet give it a financial strength allowing the Group to confront the continuing negative effects caused by the corona virus.

Acquired building rights

Property	Municipality	Acquired	Construction expected to commence	Number of apartments	Area, m²	Rental value, SEK million	Purchase price*, SEK million
Stora Harrie 29:96 and part of Möller 2	Kävlinge	Q1 2019	-	-	15,000	-	.*
Lille Mats**	Hässelholm	Q2 2019	2020	38	2,428	4.0	
Sävenäs 131:12	Gothenburg	Q2 2019	2019	103	5,069	11.5	40.0
Hässjan 1 and Högafln 1	Malmö	Q2 2019	2020	62	3,754	7.8	33.0
Stubbarp 33:27	Höganäs	Q2 2019	2019	93	6,745	10.8	240.0
Flora 13	Höganäs	Q3 2019	2020	71	3,857	7.1	13.0
Part of Arlöv 17:10**	Burlöv	Q3/Q4 2019	2023	+300	29,700	-	.*
Saltmästaren 2	Kävlinge	Q4 2019	2020	70	3,700	6.8	14.0
Viken 39:5	Höganäs	Q4 2019	2020	+300	25,000	-	53.0
Örnen 28 and 32	Växjö	Q4 2019	2020	94	6,432	11.4	20.0
Taket 2	Växjö	Q4 2019	2019	36	2,862	4.8	80.0***
Sävenäs 131:13	Gothenburg	Q1 2020	2020	192	12,257	28.4	80.0
Hässelholm 88:1**	Hässelholm	Q1 2020	2021	18	1,450	2.5	2.5
Åkermynatan 5**	Borås	Q1 2020	2021	+600	47,664	-	138
7cq Vallensbæk	Vallensbæk	Q1 2020	2020	95	7,779	13.9****	49****
Långeberga 4:6	Helsingborg	Q1 2020	-	650	60,000	-	60.0
Hammar 9:197	Kristianstad	Q1 2020	2020	48	3,101	5.5	7.5

*Purchase price based on final degree of development. **Properties of which possession has not been gained. ***including construction. **** DKK million.

Construction commencements

Property	Municipality	Construction commenced	Expected to be completed	Number of apartments	Area, m²	Rental value, SEK million	Property value, SEK million
Lyckan 1	Älmhult	Q1 2019	Q4 2020	32	2,072	3.6	60.8
Magasinet 4	Hässelholm	Q1 2019	Q4 2020	66	4,293	7.4	134.0
T-O ass. Tygelsjö Ängar	Malmö	Q1 2019	Q3 2020	30	2,236	-	-
Intendenten 4 & 5	Hässelholm	Q2 2019	Q2 2020	21	1,701	2.7	53.0
Höfången 1	Malmö	Q3 2019	Q2 2021	97	4,840	10.0	230.0
Sävenäs 131:12	Gothenburg	Q3 2019	Q4 2021	103	5,069	11.5	256.0
Björksätter 5	Hässelholm	Q3 2019	Q1 2021	40	2,776	4.3	85.2
Stubbarp 33:27	Höganäs	Q4 2019	Q3 2021	93	6,745	10.8	240.0
Taket 2	Växjö	Q4 2019	Q4 2021	36	2,862	4.8	100.0
Sävenäs 131:13	Gothenburg	Q1 2020	Q4 2022	192	12,257	28.4	631.0

Completed projects

Property	Municipality	Completed	Number of apartments	Area	Rental value	Property value
Hammar 9:195 stage 1	Kristianstad	Q1 2019	35	1,954	3.5	71.0
Björnen 4	Hässleholm	Q1 2019	8	480	0.8	15.9
Självbindaren 1	Kristianstad	Q1 2019	12	930	1.4	29.7
Tre Överstar 7	Hässleholm	Q2 2019	29	1,924	3.3	60.1
Brigaden 7 & 8 stage 1	Helsingborg	Q2 2019	40	2,335	4.4	97.8,
Hammar 9:195 stage 2	Kristianstad	Q3 2019	36	1,950	3.5	70.9
Öllsjö 7:47	Kristianstad	Q3 2019	12	1,128	1.8	37.7
Nimrod 30	Landskrona	Q3 2019	16	904	1.6	27.0
Brigaden 7 & 8 stage 2	Helsingborg	Q3 2019	62	3,493	7.5	146.3
Hammar 9:195 stage 3	Kristianstad	Q4 2019	52	3,553	6.3	129.1
Brigaden 7 & 8 stage 3	Helsingborg	Q4 2019	30	1,575	3.0	66.0

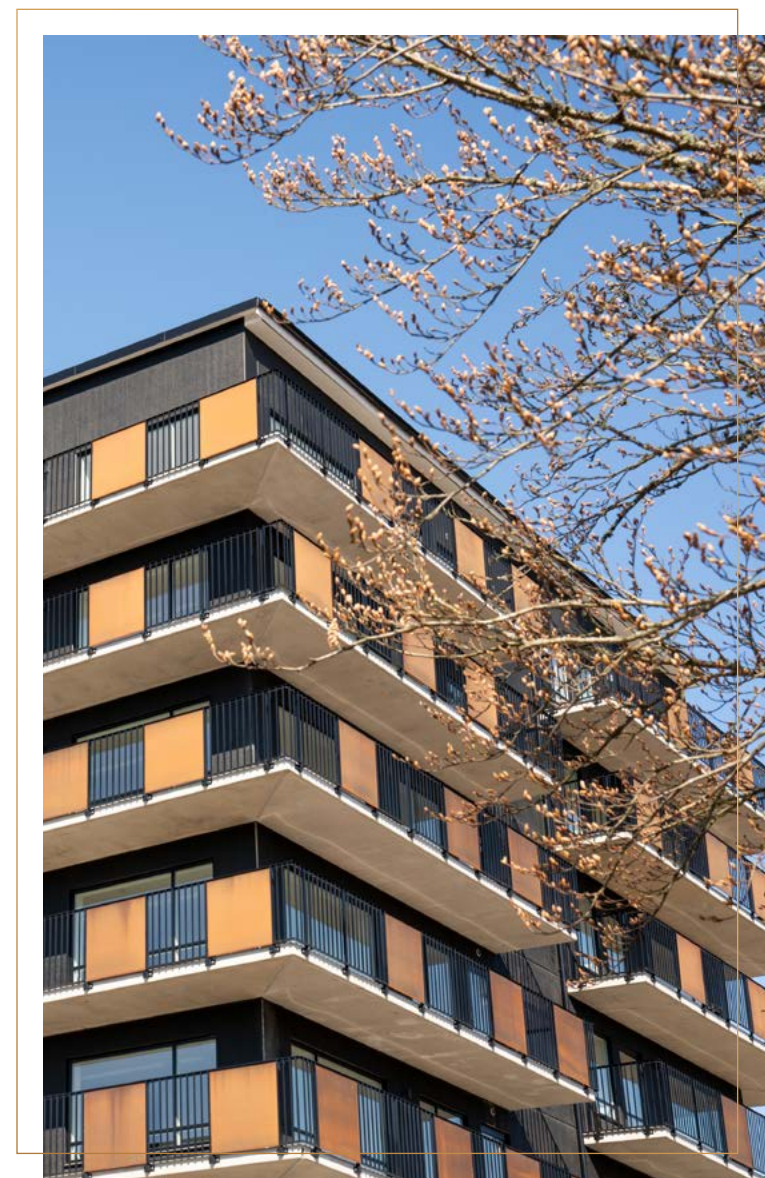
Acquired properties

Property	Municipality	Acquired	Number of apartments	Area	Rental value	Purchase price
Örnen 33 and 34	Växjö	Q2 2019*	171	13,091	23.2	484.0
Spinnaren 1	Hässleholm	Q3 2019	17	1,784**	1.9	21.0
Nocken 2	Växjö	Q4 2019	67	3,795	6.6	114.0
Amerika Norra 54	Helsingborg	Q1 2020	28	2,637**	3.7	58.0

*Transfer in January 2020 (Örnen 34) and May 2020 (Örnen 33). **Includes commercial space of 494 m² and 759 m² respectively.

K-Fast 2.0

	Q1	Q2	Q3	Q4	Total
Number of renovated apartments	12	7	13	8	40



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	2019	2018
Rental income	3, 4	156.8	96.6
Project and contracting sales		28.6	26.8
Other operating income		1.9	1.4
Net sales		187.3	124.8
Operating costs	7	-23.5	-15.4
Maintenance	7	-7.5	-4.5
Property tax	7	-3.6	-2.7
Property administration	5, 6, 7	-15.0	-12.3
Property management costs		-49.5	-34.8
Project and contracting costs	5, 6	-26.8	-35.3
Gross profit		111.0	54.7
<i>of which, gross profit from property management (operating surplus)</i>		<i>107.3</i>	<i>62.2</i>
<i>of which, gross profit from project and contracting operations</i>		<i>3.7</i>	<i>-7.6</i>
Central administration	5, 6, 7, 9	-42.1	-11.6
Depreciation/amortization and impairment	8	-15.2	-1.3
Profit from participations in Group and associated companies	10	61.0	27.7
Net interest income	11	-35.3	-16.8
Profit before changes in value		79.3	52.7
<i>of which, profit from property management</i>		<i>52.9</i>	<i>41.1</i>
Change in value of investment properties	12	339.8	243.6
Changes in value of derivatives and other	11	12.7	-8.6
Profit before tax		431.8	287.8
Tax on profit for the year	13	-66.5	-42.9
Profit for the year		365.3	244.8
Other comprehensive income		0.0	0.0
Comprehensive income for the year		365.3	244.8
Profit for the year attributable to			
Parent Company's shareholders		365.3	244.8
Non-controlling interests		0.0	0.0
Profit after tax per share, SEK/share	14	14.14	9.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK million	Note	2019 31 Dec	31 Dec 2018
ASSETS			
Intangible non-current assets			
Goodwill	15	0.0	2.3
Total intangible non-current assets		0.0	2.3
Tangible non-current assets			
Investment properties	16	4,396.7	3,018.1
Business properties	17	19.9	7.5
Equipment	18	14.0	7.3
Total tangible non-current assets		4,430.6	3,032.9
Financial non-current assets			
Profit from participations in associated and jointly controlled companies and other non-current receivables	19	43.8	116.7
Total financial non-current assets		43.8	116.7
Total non-current assets		4,474.5	3,151.9
Current assets			
Inventories		0.2	0.3
Accounts receivable	22, 23	43.6	30.0
Other receivables	23	29.6	15.4
Prepaid costs and accrued income	24	25.5	5.2
Current investments	25	0.0	91.6
Cash and cash equivalents		779.0	52.8
Total current assets		877.9	195.2
Total assets		5,352.3	3,347.1

SEK million	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity			
Share capital	26	54.2	0.1
Other capital contributions		877.9	0.0
Profit brought forward, including profit for the year		1,306.4	981.2
Total equity attributable to Parent Company shareholders		2,238.5	981.2
Capital attributable to non-controlling interests		0.0	0.0
Total equity		2,238.5	981.2
Non-current liabilities			
Deferred tax liability	20	288.9	226.0
Long-term interest-bearing liabilities	21	2,281.3	1,787.3
Derivative instruments	27	12.8	6.2
Other provisions and non-current liabilities		18.1	19.4
Total non-current liabilities		2,601.0	2,038.9
Current liabilities			
Current interest-bearing liabilities	21	363.1	207.5
Accounts payable		57.6	31.9
Current tax liabilities		5.7	3.2
Other current liabilities		23.2	37.6
Accrued costs and prepaid income	28, 29	63.3	47.0
Total current liabilities		512.9	327.1
Total liabilities		3,113.9	2,365.9
Total equity and liabilities		5,352.3	3,347.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Number of outstanding shares	Share capital	Capital contributions	Profit brought forward	Total equity
Equity, as per 1 January 2018	500	0.1		762.5	762.6
Comprehensive income for the year				244.8	244.8
Acquisitions of non-controlling interests				-18.6	-18.6
Dividend approved by Extraordinary General Meeting				-7.6	-7.6
Equity, as per 31 December 2018	500	0.1		981.1	981.2
Comprehensive income for the year				365.3	365.3
Bonus issue and share split	24,999,500	39.9		-39.9	0.0
Capital contributions less transaction costs and tax	8,888,528	14.2	877.9		892.1
Closing balance as per 31 December 2019	33,888,528	54.2	877.9	1,306.4	2,238.5

The Extraordinary General Meeting on 19 August 2019 approved a bonus issue and share split 50,000:1. Due to this disclosure, the number of shares has been recalculated.

Other capital contributions for the 2019 fiscal year are recognized net after transaction costs of SEK 31.5 million related to a new share issue in connection with the launch of the company's shares on the Nasdaq Stockholm exchange in November 2019.

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	2019	2018
Operating activities	30		
Gross profit adjusted for central administration, depreciation/amortization and impairment		53.7	41.7
Adjustment for items not affecting cash flow		15.2	1.3
Gain realized on divestment of subsidiary		0.0	10.8
Dividend received		37.1	11.7
Net interest income		-35.3	-16.8
Tax paid/received		-1.2	-0.9
Cash flow from operating activities before changes in working capital		69.4	47.9
Change in operating receivables		-47.5	18.1
Change in operating liabilities		27.6	-25.5
Cash flow from operating activities		49.5	40.5
Investing activities			
Investments in Group, associated and jointly controlled companies	18	-0.1	-14.0
Property investments	15	-450.9	-395.0
Investments in machinery and equipment	17	-6.7	-2.8
Investments in construction in progress	15	-513.6	-453.6
Current investments		0.0	-8.2
Disposals of current investments		110.9	0.0
Investments in other financial non-current assets		-5.4	-18.7
Disposals of properties		2.3	10.8
Cash flow from investing activities		-863.5	-881.5
Financing activities			
Borrowings		689.2	897.5
Loan amortizations		-41.1	-6.4
Capital contributions		892.1	0.0
Dividend paid		0.0	-7.6
Cash flow from financing activities		1,540.3	883.5
Cash flow for the year		726.3	42.5
Opening cash and cash equivalents		52.7	10.3
Closing cash and cash equivalents		779.0	52.8

Cash and cash equivalents in the cash flow statement refer in their entirety to cash and bank balances.

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2019	2018
Operating income			
Net sales		0.3	0.0
Total operating income		0.3	0.0
Operating costs			
Other external costs	5, 9	-31.8	-7.7
Personnel costs	6	-11.7	-3.9
Amortization and depreciation	8	-0.1	0.0
Total operating costs		-43.6	-11.6
Gross profit		-43.3	-11.6
Profit from financial items			
Profit from participations in Group and associated companies	10	124.0	12.4
Net financial items	11	-12.2	-5.9
Profit after financial items		68.5	-5.1
Appropriations	31	26.8	14.8
Profit before tax		95.3	9.7
Tax on profit for the year	13	12.4	0.5
Comprehensive income for the year		107.6	10.2

PARENT COMPANY BALANCE SHEET

SEK million	Note	2019	2018
ASSETS			
Tangible non-current assets			
Equipment	18	0.5	0.1
Total tangible non-current assets		0.5	0.1
Financial non-current assets			
Participations in Group companies	32	626.4	368.9
Receivables from Group companies	34	865.4	406.3
Participations in associated companies	19	0.1	15.5
Deferred tax receivables	20	13.6	1.2
Total financial non-current assets		1,505.5	791.9
Total non-current assets		1,506.0	792.0
Current assets	21		
Receivables from Group companies	34	173.5	145.0
Receivables from associated companies		16.6	8.1
Current tax receivables		0.8	0.3
Other current receivables		22.5	1.7
Cash and cash equivalents	33	771.2	45.9
Total current assets		984.7	200.9
Total assets		2,490.7	992.8

SEK million	Note	2019	2018
Equity	26		
Restricted equity		54.2	0.1
Unrestricted equity		996.4	50.8
Total equity		1,050.6	50.9
Non-current liabilities	21		
Liabilities to Group companies		0.0	26.8
Long-term interest-bearing liabilities	27	867.5	425.2
Derivative instruments		12.5	5.8
Other provisions and non-current liabilities		12.8	19.2
Total non-current liabilities		892.8	477.0
Current liabilities	21		
Current interest-bearing liabilities		17.9	8.5
Accounts payable	34	2.4	1.9
Liabilities to Group companies		514.1	428.9
Liabilities to associated companies		0.0	14.5
Other current liabilities		6.9	10.2
Accrued costs and prepaid income	29	6.0	1.0
Total current liabilities		547.3	465.0
Total liabilities		1,440.1	942.0
Total equity and liabilities	35, 36	2,490.7	992.8

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK million	Number of outstanding shares	Share capital	Profit brought forward	Profit for the year	Total equity
Opening capital as of 1 January 2018	500	0.1	10.1	38.1	48.3
Appropriation of profit			38.1	-38.1	0.0
Dividend approved by Extraordinary General Meeting			-7.6		-7.6
Profit for the year			0.0	10.2	10.2
Closing equity as of 31 December 2018	500	0.1	40.6	10.2	50.9
Appropriation of profit			10.2	-10.2	0.0
Bonus issue and share split	24,999,500	39.9	-39.9		0.0
Capital contributions after deduction of transaction costs	8,888,528	14.2	877.9		892.1
Profit for the year				107.6	107.6
Closing equity as of 31 December 2019	33,888,528	54.2	888.8	107.6	1,050.6

The Extraordinary General Meeting on 19 August 2019 approved a bonus issue and share split 50,000:1. Due to this disclosure, the number of shares has been recalculated.

Other capital contributions for the 2019 fiscal year are recognized net after transaction costs of SEK 31.5 million related to a new share issue in connection with the launch of the company's shares on the Nasdaq Stockholm exchange in November 2019.

PARENT COMPANY CASH FLOW STATEMENT

SEK million	Note	2019	2018
Operating activities	30		
Gross profit adjusted for central administration		-43.3	-11.6
Adjustment for items not affecting cash flow		0.1	0.0
Dividend received		139.4	11.7
Net interest income		-5.5	-0.1
Tax paid/received		0.0	0.0
Cash flow from operating activities before changes in working capital		90.7	0.0
Change in operating receivables		-58.5	-108.6
Change in operating liabilities		82.3	285.7
Cash flow from operating activities		114.5	177.1
Investing activities			
Acquisitions of subsidiaries		-257.5	-154.5
Investments in acquisitions of associated companies	18	0.0	-14.0
Investments in machinery and equipment	17	-0.4	0.0
Change in financial non-current assets		-459.2	-379.8
Disposals of non-current assets		0.0	3.7
Cash flow from investing activities		-717.1	-544.6
Financing activities			
Capital contributions		892.1	0.0
Borrowings		446.6	433.7
Loan amortizations		-10.9	-36.3
Group contributions paid/received		26.8	14.8
Change in non-current liabilities		-26.8	0.0
Dividend paid		0.0	-7.6
Cash flow from investing activities		1,327.8	404.6
Cash flow for the year		725.3	37.2
Opening cash and cash equivalents		45.9	8.6
Closing cash and cash equivalents		771.2	45.9

Cash and cash equivalents in the cash flow statement refer in their entirety to cash and bank balances.

SUPPLEMENTARY DISCLOSURES – NOTE 1

NOTE 1: ACCOUNTING PRINCIPLES

General information

The financial reports for K-Fast Holding AB as of 31 December 2019 were adopted by the Board of Directors on 2 April 2020 and will be submitted to the Annual General Meeting on 19 May 2020 for approval. K-Fast Holding AB, Corp. ID No. 556827-0390, is the Parent Company in a Group with subsidiaries as presented in Note 32 Participations in Group companies.

The company is a public limited liability company that was formed and has its registered offices in Sweden. The head office and principal business location is Bultvågen 7, SE-281 43 Hässleholm, Sweden. The company's business concept is, with great commitment and high cost-efficiency, to develop, construct, manage and own, for the long term, the market's most attractive properties with rental apartments in terms of their condition, standard and level of service.

Accounting principles

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as the interpretations issued by the IFRS Interpretation Committee (IFRIC), as adopted by The EU. The Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary accounting rules for groups" has also been applied.

The Annual Report of the Parent Company has been prepared in accordance with the Annual Accounts Act, recommendation RFR 2 of the Swedish Financial Reporting Board (Accounting for Legal Entities) and associated statements by the Swedish Financial Reporting Board. The Parent Company applies the same accounting principles as the Group except in the instances mentioned below in the section "Parent Company accounting principles. The deviations occurring between the principles applied by the Parent Company and the Group are caused by limited opportunities to apply IFRS in

the Parent Company as a consequence of the Annual Accounts Act. The functional currency for the Parent Company is Swedish kronor, which is also the reporting currency for the Parent Company and the Group. The financial statements are presented in Swedish kronor rounded to the nearest SEK million unless otherwise stated.

Assets and liabilities are recognized at their historical cost, with the exception of investment properties, as well as financial assets and liabilities that are measured at fair value.

Preparing financial reports in accordance with IFRS requires Group management to make assessments, estimates and assumptions affecting how the accounting principles are applied and the carrying amounts for assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors that appear to be reasonable under the prevailing circumstances. The results of these estimates and assumptions are then applied in estimating the carrying amounts of assets and liabilities, which would not otherwise be evident from other sources. Actual outcomes may deviate from these estimates and assessments. Estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Assessments made by Group management on the application of IFRS, which have a significant impact on the financial reports, and estimates made that could result in significant adjustments in subsequent years' financial reports are described in greater detail in Note 2 Key assumptions and assessments.

The stated accounting principles for Group have been applied consistently to all periods presented in the consolidated financial reports, unless stated otherwise below. The Group's accounting principles has been applied consistently to in the reporting and consolidation of subsidiaries.

Amendments to accounting principles and disclosures

New standards and interpretations applied by the Group

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 Leases replaces IAS 17 Leases and the associated interpretation statements. The new standard requires the lessee to report assets and liabilities attributable to all leases, with the exception of leases shorter than 12 months and/or that pertain to lower values (USD 5,000 or lower). Linear amortizations of the asset, and interest expenses on the liability, are reported in the Income Statement rather than as other external costs as under IAS 17. While the right-of-use asset is depreciated on a straight-line basis over the lease term or the economic lifetime, whichever is longer, the liability is adjusted by the portion of the leasing fee for the period that is not allocated as an interest cost.

The standard states that an agreement contains a lease if:

- there is an identified asset – and
- the lease conveys the right to control the use of the identified asset for a given period in exchange for compensation.

In 2018, the Group performed an analysis of what effects the new standard was expected to have on the accounting of the Group's leases. The purpose of the analysis was to identify all of the Group's leases. The leases assessed by the Group as significant were leases for cars and site leaseholds. For the lease category cars, the assets are utilized during the specified contract period and then returned without the leases being extended. Leases of the category site leases, are regarded as perpetual because the lessee cannot terminate them. Since the liability is considered perpetual, it is not amortized, and the lease payments are reported as interest expenses in their entirety. The value of the leasing liability remains unchanged until the next renegotiation of the site leasehold fee. The rights-of-use assets are measured at fair value in accordance with IAS 40. The corresponding amount has been recognized as a non-

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

current lease liability in accordance with IFRS 16. The weighted average marginal loan rate used amounts to 1.75 percent for the lease category of cars and to 1.71 percent for site leaseholds.

In addition to these agreements, the Group identified agreements regarding IT equipment, photocopiers and office equipment of lower value and that have not been assessed as significant. The Group therefore chooses to apply the simplification rule and does not report these in the Balance Sheet due to the lower value.

K-Fastigheter has applied the simplified transition method, meaning that comparison data have not been recalculated. Accordingly, the transition to IFRS 16 has had no impact on equity. At the time of the transition, the leasing liability consisted of the discounted remaining leasing fees as per 1 January 2019. For all leases, the amount of the right-of-use asset corresponded to the leasing liability adjusted for prepaid leasing fees, which are reported in the Consolidated Statement of Financial Position as per the initial date of application.

Leasing assets and leasing liabilities in Balance Sheet on the transition to IFRS 16 on 1 January 2019 amounted to SEK 1.4 million. The discrepancy between the operating lease commitments reported on 31 December 2018 and the leasing liabilities reported in accordance with IFRS 16 as of 1 January 2019 is attributable to differences in accounting principles and the application of the aforementioned relief rules.

None of the IFRS or IFRIC interpretations yet to come into effect are expected to have a significant impact on the Group.

Classification, etc.

Non-current assets and liabilities consist, essentially, of amounts expected to be recovered or paid after more than 12 months of the Balance Sheet date.

Current assets and liabilities consist, essentially, of amounts expected to be recovered or paid within 12 months of the balance-sheet date. Current liabilities to credit institutions include one year's agreed amortization, as well as credits maturing in upcoming financial years.

In the Parent Company, loans from/to Group companies are reported as non-current, as there are no established amortization plans. Group-internal borrowing in the financing activities is managed in the Parent Company's cash flow.

Consolidation principles

Subsidiaries, investment objects, are companies over which the Group has a controlling influence. A controlling influence refers to K-Fast Holding AB being exposed to, or being entitled to, variable returns on its engagement in the investment object and being able to affect that return through its influence over the investment object.

Subsidiaries are reported in accordance with the acquisition method. The method entails the acquisition of a subsidiary classified as a business combination being viewed as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The analysis determines, in part, the cost of the participations or business and, in part, the fair value on the acquisition date of the acquired identifiable assets, as well as the assumed liabilities and contingent liabilities. The purchase price also includes the fair value of all assets and liabilities resulting from an agreement on a conditional purchase price. Acquisition-related expenses are expensed as they are incurred.

Subsidiaries' financial reports are included in the consolidated accounts from the point in time at which the controlling influence arises and until the date on which the controlling influence ceases.

Group-internal receivables and liabilities, income or expenses and unrealized gains or losses arising from intra-Group transactions between Group companies are eliminated in their entirety when preparing the consolidated accounts.

For each acquisition, the Group determines whether all non-controlling interests in the acquired company are reported at fair value or at the holding's proportional share of the acquired company's net assets.

The cost of the subsidiary's shares and the cost of the business comprise their fair values on the date of transfer of the assets, the incurred or assumed liabilities and the issued equity instruments provided as consideration in exchange for the acquired net assets and transaction expenses directly attributable to the acquisition.

In connection with business combinations where the cost exceeds the net value of the acquired assets, assumed liabilities and contingent liabilities, the difference is reported as goodwill. When the difference is negative, this is reported directly in the Income Statement.

Acquisitions

In connection with an acquisition, an assessment is made as to whether the acquisition is an acquisition of a business or of assets. The transaction is considered to be an asset acquisition if it pertains to properties but does not include the organization and processes required to perform the property management operations. Although there are leases on these properties are lease, there are no employees in the company to perform the operations.

In business combinations under shared controlling interests, the acquisition is reported at historical cost, meaning that assets and liabilities are reported at the values at which they have been included in each company's balance sheet. In this way, no goodwill arises. Other acquisitions are company acquisitions.

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

All of the Group's acquisitions of subsidiaries have been classified as asset acquisition as they pertain to investment properties. For asset acquisitions, the cost, including acquisition expenses, of the acquired assets are allocated to the individual acquired assets and liabilities based on their fair value at the time of acquisition. Deferred tax is not reported on the initial temporary differences. Complete deferred tax is reported on temporary differences arising following the acquisition. On the ensuing balance sheet date, acquired investment properties are reported at fair value, which may deviate from the cost.

Changes in degree of ownership in a subsidiary with no change in controlling influence

Transactions with shareholders without a controlling influence and not resulting in a loss of control are reported as equity transactions – that is, as transactions with the owners in their role as owners. In acquisitions from shareholders without a controlling influence, the difference between the fair value of the purchase price paid and the actual acquired portion of the carrying amount of the subsidiary's net assets in equity. Gains and losses on divestments to holders without a controlling interest are also reported in equity.

Reporting of participations in associated and jointly controlled companies

Associated companies are those in which the Group has a significant but not controlling influence, which generally applies to shareholdings corresponding to between 20 and 50 percent of the votes. Holdings in associated companies are reported in accordance with the equity method. On applying the equity method, the investment is initially valued at cost, with the carrying amount then being increased or decreased to take into account the Group's share of the associated company's profit or loss after the acquisition date. In those cases where unrealized losses are eliminated, the underlying asset is also tested for impairment. The Group's carrying amount on holdings in associated companies includes goodwill, which is identified in connection with the acquisition.

Collaborative arrangements are those companies in which the Group holds a shared controlling influence over the governance of the company, which normally applies to shareholdings corresponding to 50 percent of the votes. All investments in collaborative arrangements are characterized as joint ventures, in which the Group is entitled more to a proportion of the arrangement's net assets than directly to the underlying assets and the obligations for the underlying liabilities.

Holdings in joint ventures are reported in accordance with the equity method, meaning that the consolidated book value of the holding is adjusted by the Group's participation in profit for the year and to any dividends received (that is, they are reported in the Balance Sheet at cost adjusted for changes in the Group's participation in the net assets of the joint venture less any decreases in the fair value of individual participations).

Income accounting

The basic principle of IFRS 15 is that a company recognizes income in the manner that best reflects the transfer of the promised product or service to the customer. This is reported applying a five-step model:

Step 1: identify the contract with the customer

Step 2: identify the various performance commitments in the contract

Step 3: determine the transaction price

Step 4: allocate the transaction price to the performance commitments

Step 5: report income when a performance commitment is met

According to IFRS 15, income is defined as an increase in financial benefits as a consequence of incoming payments, increases in asset values, or reductions in liability values, resulting in an increase in equity. Income represents flows into the company through its ordinary operations. At the beginning of the agreement, all goods and services promised to customers are identified, and the

distinct goods and services are reported as a separate performance commitment. Income is reported when, or as, a performance commitment is met, with goods or services being transferred to customers. Goods and services are considered to be have been transferred to the customer in connection with the transition of control. This can happen over time or at particular point in time. The income shall consist of the amount by which the company expects to be compensated in exchange for the goods or services delivered.

The standard entails a limited effect on the time at which the income of the contracting operations is reported. Since the Group is contractually bound to deliver a specific building and is, over the course of the project, entitled to payment, the assessment is that the income should be reported over time, that is, according to an input method according to which income is primarily reported on the basis of the expenses disbursed in relation to the total expected input for the fulfilment of the performance commitment. On the other hand, if the Group makes the assessment that there is no entitlement to payment, income is, instead, reported at a particular time, that is, on completion.

Combined, this means that the Group's performance creates or improves an asset (execution of the contract) that the customers controls when the asset is created or improved. To determine the time at which income is recognized, the requirements in IFRS 15 regarding control must be taken into account, as well as the indicators of the transition of control. The Group takes the view that control passes to the customers in pace with the execution of the contract. When control has passed to the customer, the Group is entitled to payment for the performance achieved at the time in question, with the income for execution being recognized over time.

Property sales are to be reported on the date on which control passes to the buyer. Since income and expenses normally accrue to the seller until and including the transfer date, the Group reports

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

property sales on the transfer date unless there are specific reasons not to do so.

Rental income

Leases are classified in their entirety as operating leases. Rental income, including supplemental charges, is charged in advance and allocated linearly, thus only rent charged for the period is reported as income. Where appropriate, recognized rental income has been reduced by the value of any rent rebates provided. In those cases where the lease includes reduced rent for a specific period, this is accrued on a linear basis across the current contract period.

Compensation paid by tenants who move out before the agreed end date is reported as income in connection with the cessation of the contractual relationship with the tenant and no commitments remaining, which normally occurs when the tenant vacates the apartment.

Since the services that the Group provides to the lessee are considered subordinate to the lease, all compensation is reported as rental income.

Income in the form of compensation for tenant-specific adaptations can be invoiced to the lessee for expenses for adaptations of the premises/apartment on an individual occasion or as income in the form of increased rent across all or part of the lease term. Regardless of the approach, the income for this comprises rent and is reported as rental income in accordance with IFRS 16.

Contracting income

Income from construction operations from agreements with customers is reported over time with reference to progress towards completion for each performance commitment. The Group's performance creates or enhances an asset (construction of a building) controlled by the customer when the asset is created or improved, upon which the income for execution shall be reported over time in accordance with the appropriate method.

Progress towards completion for each performance commitment is calculated based on the percentage of the expenses disbursed compared with the total calculated expenses for each performance commitment (input method). When the outcome of a contract cannot be reliably estimated, income is recognized to the extent expenses have been incurred that are expected to be recovered. When it is probable that the total contract expenses will exceed the total income, the expected loss is recognized immediately as an expense. When the value of the service performed for the customer corresponds directly to the right to invoice the service, income is recognized for the invoiced amount.

The Group largely conducts construction operations for its own purposes, developing rental apartments. On individual occasions, residential properties are developed and sold. Income is then reported when control of the property has been transferred to customers.

The properties normally have no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until ownership has transferred to the customer. Income is therefore reported at the time when ownership transfers to the customer. Income is recognized at the contractual transaction price. Normally, compensation falls due for payment when the title of ownership has been transferred. Although there are exceptions where payment terms may be extended, payment terms never exceed 12 months. Accordingly, the transaction price is not adjusted for the effects of significant financing components.

Financial income and costs

Financial income and expenses comprise interest income on bank funds and receivables, interest expenses on liabilities, changes in value of derivatives, as well as profit from sales of securities. Interest income on receivables and interest expenses on liabilities is calculated applying the effective interest method. The effective interest rate is the rate at which the present value of all future incoming and outgoing payments over the interest maturity are

equal to the carrying amount of the receivable or liability. Interest income and interest expenses include the accrued amounts of transaction expenses and any discounts, premiums and other differences between the original carrying amount of the receivable or liability respectively and the amount settled on maturity. The interest rate component in financial lease payments is reported in the Consolidated Statement of Comprehensive Income through the application of the effective interest method. Loan expenses directly attributable to the design or production of an asset that takes considerable time to complete for its intended use or for sales are included in the cost of the asset. Loan expenses are capitalized on the condition that it is likely that this will lead to future economic benefits and the costs can be measured reliably.

Financial instruments

Financial instruments are any kind of agreement giving rise to a financial asset in a company and a financial liability or equity instrument in another company. On the asset side, financial instruments recognized in the Balance Sheet include cash and cash equivalents, accounts receivable, receivables from associated and jointly controlled companies, other receivables and current investments. The liability side includes accounts payable, loan liabilities, interest-rate derivatives, liabilities to associated companies and other liabilities. The accounting depends on how the financial instruments have been classified.

Recognition and derecognition

A financial asset or liability is recognized in the Balance Sheet when the Group becomes a party in accordance with the contractual terms of the instruments. Rent receivables and accounts receivable are recognized in the Balance Sheet when an invoice has been sent and the Group's right to compensation is unconditional. Liabilities are addressed when the counterparty has performed its undertaking and a contractual obligation to pay exists, even if the invoice has not yet been received. Accounts payable are recognized when an invoice is received.

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

Financial assets and financial liabilities are only offset and recognized at a net amount in the Balance Sheet where there is a legal right to offset the amounts and there is an intention to settle the items at a net amount, or to realize the asset and settle the liability at the same time.

A financial asset is removed from the Balance Sheet when the rights inherent in the agreement are realized or expire, or when the company loses control of them. The same applies for part of a financial asset. A financial liability is removed from the Balance Sheet when the obligation in the agreement has been met or otherwise been extinguished. The same applies for part of a financial liability.

Gains and losses on removal from the Balance Sheet and modifications are reported in the Income Statement.

Classification and valuation

Financial assets

The classification of financial assets that are debt instruments is based on the Group's business model for the management of the asset and the nature of the asset's contractual cash flows.

The instruments are classified according to one of the following categories:

- amortized cost
- fair value via other comprehensive income, or
- fair value via the Income Statement.

The Group's debt instruments are classified at amortized cost.

Financial assets classified at amortized cost are initially valued at fair value plus transaction costs. Accounts receivable and lease receivables are initially recognized at the invoiced amount.

Following initial accounting, the assets are valued in accordance with the effective interest method. In accordance with the business model, assets classified at amortized cost are held to collect contractual cash flows, which are only payments of principal and interest on the outstanding capital amount. The assets are covered by a loss reserve for expected loan losses.

Fair value via other comprehensive income encompasses assets held, in accordance with the business model, both to be sold and to collect contractual cash flows that are only payments of principal and interest on the outstanding capital amount. On initial recognition, financial instruments in this category are measured at fair value. Changes fair value are reported in other comprehensive income until the asset is removed from the Balance Sheet, since the amounts in other comprehensive income are reclassified to the Income Statement. The assets are covered by a loss reserve for expected loan losses.

All other debt instruments not measured at amortized cost or at fair value via other comprehensive income are classified at fair value via the Income Statement. Financial instruments in this category are initially recognized at fair value. Changes in fair value are reported in the Income Statement. The Group's financial assets that are debt instruments consist of accounts receivable, financial placements and cash and cash equivalents and are all assigned to the amortized cost category.

Equity instruments

Equity instruments are classified at fair value via the Income Statement, unless not held for trade, in which case an irrevocable choice can be made to classify them at fair value via other comprehensive income without subsequent reclassification to the Income Statement. The Group currently has no such equity instruments.

Derivatives

This pertains to interest rate swap agreements classified at fair value via the Income Statement. In accordance with the IFRS valuation hierarchy, the fair value of derivatives has been measured in accordance with level 2. This level means that the valuation is based on input data other than quoted prices observable for assets or liabilities, either directly or indirectly.

The derivatives contracts include the possibility of netting commitments to the same counterparty. The Group does not apply hedge accounting.

Fair value is determined as described in Note 21 Financial risks and finance policies.

Classification and measurement of financial liabilities

Financial liabilities are classified at amortized cost with the exception of derivatives. Financial liabilities reported at amortized cost are initially valued at fair value including transaction costs. After initial accounting, they are valued at amortized cost in accordance with the effective interest method.

Fair value is determined as described in Note 21 Financial risks and finance policies.

Impairment of financial assets

With the exception of those classified at fair value through the Income Statement or as equity instruments measured at fair value via other comprehensive income, the Group's financial assets are subject to impairment for expected credit losses. In accordance with IFRS 9, impairment for credit losses is forward-looking and a loss reserve is made when there is an exposure to credit risk, usually in connection with initial accounting. Expected credit losses reflect the present value of all cash flow deficits attributable to default, either for the subsequent 12 months or for the expected remaining term of the financial instrument, depending on the asset

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

class and on credit deterioration since the initial accounting date. Expected credit losses reflect an objective, probability-weighted outcome that takes several scenarios into account based on reasonable and verifiable forecasts.

The valuation of expected credit losses is based on various methods. The method for accounts receivable, contract assets and rent receivables is based on historical customer losses combined with forward-looking factors in accordance with a loss-sharing method. In the simplified model, a loss provision is made for the expected remaining maturity of the receivable or asset, which is expected to be less than one year for all of these claims. The Group's customers are a homogeneous group with a similar risk profile, which is why credit risk is initially assessed collectively for all customers. Any major individual receivables are assessed per counterparty. The Group writes off a receivable when there is no longer any expectation of receiving payment and when active measures to obtain payment have been discontinued.

Other receivables and assets are impaired in accordance with a rating-based method through external credit rating for calculating expected loan losses on the basis of the probability of default, expected losses and exposure on default. Even on initial recognition, a loss provision is reported based on what can be expected statistically for the ensuing 12 months (stage 1). In cases where a significant increase in credit risk has occurred, the loss reserve for the entire remaining expected maturity is calculated instead (stage 2 or, if the exposure is considered credit impaired, stage 3).

In summary:

Stage 1 encompasses financial instruments where no significant increase in credit risk has occurred since initial recognition and counterparties covered by the Group's assessment of low credit risk at the time of reporting.

Stage 2 includes financial instruments where a significant increase in credit risk has occurred since initial recognition, but where there

is no objective evidence on the reporting date that the claim is uncertain.

Stage 3 includes financial instruments for which objective evidence has been identified that the claim is uncertain.

The Group has defined default as when payment of the claim is 90 days late or more, or if other factors indicate that payment is in default. Per the Balance Sheet date, no material increase in credit risk has been deemed to prevail for any receivables or assets. Such an assessment is based on whether payment is 30 days delayed or more, or, if a significant deterioration in rating occurs, entailing a rating below investment grade, meaning credit impairment on the receivables or assets. In cases where the amounts are not deemed insignificant, a provision is made for expected credit losses for these financial instruments too.

For assets and receivables with deteriorated credit, an individual assessment is made, taking into account historical, current and forward-looking data. If there has been an essential increase in credit risk since initial accounting, a loss reserve is reported for the remaining term of the asset (stage 2). For assets deemed to be impaired, reserves continue to be made for expected credit losses over the remaining term (stage 3). For assets and receivables with deteriorated credit, the calculation of interest income is based on the carrying amount of the assets, net following loss reserves, unlike the gross amount as in the previous stages.

The valuation of expected credit losses takes into account any collateral and other credit enhancements in the form of guarantees. The financial assets are reported in the Balance Sheet at amortized cost, that is, net of gross value and loss reserves. Changes in the loss reserve are reported in the Income Statement.

For other items subject to expected credit losses, a three-stage impairment model is applied. Initially, as well as on each Balance Sheet date, a loss reserve is reported for the next 12 months or for a shorter period depending on the remaining term (stage 1). The

Group's assets have been assessed as being in stage 1, that is, there has been no significant increase in credit risk.

If there has been an essential increase in credit risk since initial accounting, entailing a rating below investment grade, a loss reserve is reported for the remaining term of the asset (stage 2). For assets deemed to be impaired, reserves continue to be made for expected credit losses over the remaining term (stage 3). For assets and receivables with deteriorated credit, the calculation of interest income is based on the carrying amount of the assets, net of loss reserves, unlike the gross amount as in the previous stages.

Cash and cash equivalents

Cash and cash equivalents comprise cash and immediately availability balances at banks and corresponding institutions, and current liquid investments with a term of less than three months from the date of acquisition. Cash and cash equivalents are covered by the requirement for loss reserves for expected credit losses. All cash and cash equivalents and bank balances are attributed to stage 1, that is, there has been no significant deterioration in credit.

The Group's cash and cash equivalents and other bank balances are placed only in Swedish and Danish banking and credit institutions with the highest credit rating, meaning that the risk of credit losses is assumed to be largely non-existent and the Group has therefore chosen not to make any provisions for expected credit losses on cash and cash equivalents and bank balances.

Other financial liabilities

Non-current liabilities have an expected maturity longer than one year, while current ones have a maturity shorter than one year.

Borrowing

Borrowing is initially reported at the amount received less transaction expenses. After the acquisition date, the loans are valued at amortized cost in accordance with the effective interest method.

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

Accounts payable

Accounts payable are commitments to pay for goods or services acquired from suppliers in the operating activities. Accounts payable are classified as current liabilities if they fall within a years or earlier (or during a normal business cycle if this is longer). If not, they are recognized as non-current liabilities. Accounts payable are initially reported at fair value and subsequently at amortized cost applying the effective interest rate method.

Dividends

Dividends paid are recognized as a liability after the approval of the dividend by the Annual General Meeting.

Earnings per share

The calculation of earnings per share is based on consolidated profit for the year attributable to the shareholders of the Parent Company and on the weighted average number shares outstanding during the year.

Inventories

Raw materials and consumables

Inventories are valued at the lowest of cost and net realizable value. For raw materials, all expenses are included that are directly attributable to the procurement of the goods in the cost. Borrowing costs are not included.

Goodwill

Goodwill represents future economic benefits arising from business combinations, but that have not been identified individually and recognized separately. Goodwill is allocated to cash-generating units and tested at least annually for impairment and as soon as there are any indications that the asset in question has decreased in value. Goodwill is reported at cost less accumulated impairment losses. No individual unit is significant.

Tangible non-current assets

In the Group, tangible non-current assets are reported at cost less

accumulated depreciation and any write-downs. The cost includes the purchase price and expenses directly attributable to the asset to put it in place and in condition to be used in accordance with the purpose of the procurement. Loan expenses directly attributable to the purchasing, design or production of assets that take considerable time to complete for their intended use or for sales are included in the cost.

Machinery and equipment are recognized at cost after deductions for accumulated depreciation and any impairment.

The carrying amount for a tangible fixed asset is removed from the Statement of Financial Position in the event of scrapping or disposal or when no future economic benefits are expected from the use or scrapping/disposal of the asset.

Profit or loss arising from the disposal or scrapping of an asset comprises the difference between the sale price and the asset's carrying amount less direct selling costs. Gains and losses are reported as other operating income/expense.

Depreciation on machinery and equipment is expensed so that the asset's value is amortized on a straight-line basis over its estimated useful life.

Additional expenses are added to the cost only if it is probable that the future financial benefits associated with the asset will benefit the Group and if the cost can be reliably calculated. All other additional expenses are reported as expenses in the period in which they are incurred.

An additional expense is added to the cost if the expense pertains to exchanges of identified components or parts thereof. Even in cases where a new component is created, the expense is added to the cost. Any non-amortized carrying amount on exchanged components, or parts of components, are scrapped and expensed in connection with the exchange.

A linear depreciation method is used for all types of property assets, except land.

	New building	Old building	K-Fast 2.0
Tillage	100	100	NA
Frame and foundation	100	100	NA
Body completions / interior walls	100	100	NA
Heating and sanitation (VS)	25	15	15
Power lines	60	60	60
Inner surface area	20	15	15
Ventilation	50	50	NA
Gabled	60	60	NA
Roof	60	40	NA
Kitchen fittings and appliances	20	20	20
Average depreciation time	72	61	19
Capitalized interest	72	61	19

For machinery and equipment, a depreciation period of 3-10 years is applied.

Investment properties

Investment properties are properties that are held for the purpose of collecting rental income or increased value or a combination of these. Investment properties are initially reported at cost, which includes expenses directly attributable to the acquisition and loan expenses. Investment properties are recognized in accordance with the fair value method.

The fair value of the investment properties is based primarily on external valuations made by valuation institutes and valuation experts accredited by Samhällsbyggarna and, in exceptional cases, on internal valuations based on the market knowledge amassed by

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

company executives, as well as on detailed analyses of equivalent completed transactions in the same market.

Fair value is based on market value, which is the estimated amount that would be received in a single transaction at the time of valuation between knowledgeable parties who are independent of each other and who have an interest in implementing the transaction following the usual marketing measures, where both parties are presumed to have acted with insight and wisdom, and without coercion. Both unrealized and realized changes in value are recognized in the Income Statement.

For more information on the valuation of investment properties, see Note 16 Investment properties.

Income from property sales is normally reported on the transfer date unless the risks and benefits have passed to the buyer on an earlier occasion. Control of the asset may have been transferred at an earlier time than the transfer date and, if this was the case, the property sale will be reported at this earlier date. When assessing the income recognition date, what has been agreed between the parties regarding risks, benefits and commitment has been taken into account in the ongoing administration. Additionally, circumstances beyond the control of the seller and/or buyer and that could affect the outcome of the transaction are taken into account.

If the Group initiates remodelling of an existing investment property for continued use as investment property, the property continues to be reported as an investment property. The property is recognized in accordance with the fair value method and are not reclassified to tangible fixed assets while remodelling is in progress. Additional expenses in connection with renovations and extensions are added to the carrying amount only if it is probable that the future financial benefits associated with the asset will benefit the Group and if the cost can be reliably calculated. Other additional expenses are reported as expenses in the period in which they are

incurred. Decisive for the assessment when an additional expense is added to the carrying amount is whether it pertains to exchanges of identified components or parts thereof, in connection with which such expenses are capitalized. Even in cases where a new component is created, the expense is added to the carrying amount.

The Group reclassifies a property from an investment properties only when there is a change in the area of use. A change in the area of use occurs when the property meets or ceases to meet the definition of an investment property and there is evidence of the change in area of use.

Business properties

Business properties are properties held for production, warehousing or administrative purposes. For properties of mixed use, since part of the property is held for the purpose of generating rental income or increased value while another part is used in the business, the Group makes an assessment of whether the parts can be sold individually. If this is the case, the property is divided into an investment property and a business property. If the assessment is that the parts cannot be sold individually, the property is classified as a investment property if the part used in the business amounts to at most 25 percent of the total property, otherwise the whole property is classified as a business property. All of the Group's property stocks are, in their entirety, classified as investment properties, except the Skruven 4 property in Hässleholm and the Osby 186:1 property in Osby, which are classified as business properties.

Loan expenses

Loan expenses directly attributable to the design or production of an asset that takes considerable time to complete for its intended use or for sales are included in the cost of the asset. Loan expenses are capitalized on the condition that it is likely that this will lead to future economic benefits and the costs can be measured reliably. All loan expenses on building credit are capitalized.

Impairments

The Group's recognized assets are assessed on each balance sheet date to determine whether there are any indications of impairment. IAS 36 is applied regarding impairments of assets other than financial assets, which are reported in accordance with IFRS 9, assets for sale and divestment groups are recognized in accordance with IFRS 5, inventories and deferred tax receivables.

If any such indication exists, the asset's recoverable amount is calculated. For exempted assets in accordance with the above, the valuation is tested in accordance with the relevant standard.

If it is not possible to assign significant independent cash flows to an individual asset when assessing impairment needs, the assets are grouped at the lowest level at which it is possible to identify significant independent cash flows, a so-called cash-generating unit. Impairment is recognized when the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. Impairments are charged to the Income Statement.

The recoverable value of assets belonging to the category of loan receivables and accounts receivable, which are reported to amortized cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied on the initial recognition of the asset.

Short-maturity assets are not discounted. The recoverable value of other assets is the highest of fair value less sales expenses and value in use. On calculating the value in use, future cash flows are discounted applying a discount factor that takes into account risk-free interest and the risk associated with the specific asset. For an asset that does not generate cash flows that are substantially independent of other assets, the recoverable value is calculated of the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment of assets included in the scope of IAS 36 is reversed

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

if there is both an indication that the need for impairment no longer prevails and if there has been a change in the assumptions on which the calculation of the recoverable amount was based. Goodwill impairment is, however, never reversed. A reversal is made only to the extent that the carrying amount of the asset, following reversal, does not exceed the carrying amount that would have been recognized, less depreciation where applicable, if no impairment had been applied. Impairments of loan receivables and accounts receivable recognized at amortized cost are reversed if a subsequent increase in the recoverable amount can objectively be attributed to an event occurring following the application of the impairment.

Cash flow statement

The cash flow statement has been prepared in accordance with the indirect method, meaning that profit is adjusted for transactions not entailing incoming or outgoing payments during the period and for any income or expenses attributed to the investing or financing activities.

Employee benefits

Current employee benefits are calculated without discounting and are recognized as expenses when the associated services are received.

Remunerations to employees consist of salaries, paid vacation, paid absence due to illness and other remunerations, as well as pensions. The Group's pension plans are, in their entirety, defined-contribution plans.

For defined-contribution pension plans, the Group pays fees to publicly or privately managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment commitments once the fees have been paid. When they fall due for payment, the fees are reported as personnel expenses. Prepaid fees are reported as an asset to the extent that cash repayments or reductions of future payments may benefit the Group.

Provisions

A provision is reported in the Balance Sheet when the Group has an existing legal or informal commitment as a consequence of an event that has occurred and it is likely that an outflow of financial resources will be required to settle the commitment and that a reliable estimate of the amount can be made. Where the effect of when payment is made is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax reflecting current market assessments of the time value of money and, if applicable, the risks associated with the liability.

Taxes

Income tax comprises current and deferred tax. Income tax is reported in the Income Statement except when the underlying transaction is reported in other comprehensive income or directly against equity, upon which the associated tax effect is reported in other comprehensive income or in equity. Current tax is tax to be paid or received for the present year, applying the tax rates determined, or in practice determined, on the balance sheet date. This also includes adjustment of current tax attributable to earlier periods.

Deferred tax is calculated in accordance with the balance sheet method based on temporary differences between the recognized and taxable values of assets and liabilities. The following temporary differences are not taken into account: initial recognition of assets and liabilities that are not business combinations and that do not, at the time of the transaction, affect recognized or taxable profit.

Nor are temporary differences taken into account that are attributable to participations in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future. The assessment of deferred tax is based on how carrying amounts of assets or liabilities are expected to be realized or regulated. The book value of the Group's investment properties is assumed to be realized through the disposal of the properties at the end of their useful life. The tax rate on the gains is the same as would apply in a direct sale of the property as recognized in

the Consolidated Statement of Financial Position, regardless of whether the Group would structure the sale as the disposal of a subsidiary, which would entail a different tax rate. The deferred tax is then calculated based on the temporary differences and tax consequences deriving arising from recovery through sales. Deferred tax is calculated applying the tax rates and tax regulations approved or in practice approved as of the balance sheet date.

Deferred tax receivables and tax liabilities are reported net if the tax authority is the same. Deferred tax receivables regarding deductible temporary differences and tax-loss carryforwards are reported only to the extent that it is probable that they will be utilized. The value of deferred tax receivables is reduced when it is no longer considered likely that they can be utilized.

When a company is acquired, the acquisition constitutes either a business combination or an asset acquisition. An asset acquisition is identified if the acquired company only owns one or more properties. Although there are leases on these properties are lease, there are no employees in the company to perform the operations. When recognized as an asset acquisition, no deferred tax is recognized. All of the transactions conducted by the Group have been classified as asset acquisitions, which is why no deferred tax is initially recognized attributable to properties with regard to these acquisitions.

Contingent liabilities

A contingent liability is recognized when there is a possible commitment stemming from events and whose occurrence is confirmed only by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision because an outflow of resources is unlikely to be required.

Segment reporting

In accordance with IFRS 8 Operating Segments, operating segments must be reported in a manner consistent with the internal reporting submitted to the highest executive decision maker. An operating segment is a part of group that conducts operations

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

from which it can generate income and incur expenses and for which standalone financial information is available. An operating segment's profit is also reviewed by the Company's highest executive decision-maker to assess profit and to be able to allocate resources to the operating segment. In the Group, the Board of Directors and Group management have been identified as the highest executive decision maker. See Note 3 for further description of the division and presentation of operating segments.

The Group has identified three operating segments: *Project Development, Construction and Property Management*.

The Group's income derives solely from customers in Sweden. No individual customer accounts for more than 10 percent of sales. When identifying operating segments, the Board of Directors and Group management usually follow the Group's business areas, which correspond to the principal products and services offered by the Group.

Each of the operating segments is managed separately as each requires different technologies and other resources, as well as marketing methods. All transactions between segments are conducted on a professional basis and are based on prices charged to customers that are not related parties in connection with standalone sales of identical goods or services (that is, transactions between parties that are independent of one another, that are well-informed and that have an interest in conducting the transactions).

The Group applies the same valuation principles in its segment reporting in accordance with IFRS 8 as in its financial reports.

The Group's operations are organized in line with how the Board of Directors and Group management monitor the profit, return and cash flow generated by the Group's different services. Each operating segment has a manager (business area manager) who is responsible for the day-to-day operations and who reports the outcome of the operating segment's performance and resources

requirements regularly for the Board of Directors and Group management. Since the Board of Directors and Group management review the operations' profits and allocate resources on the basis of the products manufactured and sold by the Group, these constitute the Group's operating segments.

In the operating segments' profits, assets and liabilities have included directly attributable items and items that can be allocated to the segments in a reasonable and reliable manner. The items recognized in the operating segments' profits, assets and liabilities are valued in accordance with the profit, assets and liabilities monitored by the company's highest executive decision makers, the Board of Directors and the management team.

The segment reporting builds on the following position regarding the business areas:

Project development

The value and profit attributable to value changes on newly-developed properties, sales gains in a newly-constructed property if this is sold with title as tenant-owned apartments or an investment property, value generation by refining land or converting existing properties. In addition, there is profit from associated companies and divested tenant-owner association projects.

Construction

Profit generated in any of the Group's construction companies.

Property management

Profit from property management of rental properties, profit from sales of investment properties, profit from associated companies active within property management, as well as value changes in investment properties are reported in this segment.

Parent Company accounting principles

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the Swedish

Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The recommendation means that the Parent Company, in the Annual Report for the legal entity, shall apply all IFRS and statements approved by the EU as far as possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation. IFRS 16 is not currently applied by the Parent Company. The recommendation states which exceptions and additions apply in relation to IFRS.

Differences between the Group's and the Parent Company's accounting policies

The stated accounting principles for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial reports.

Classification and presentation

The Parent Company's Income Statement and Balance Sheet are arranged in accordance with the diagrams presented in the Annual Accounts Act. The difference compared with IAS 1, Presentation of Financial Statements, which is applied in the design of the consolidated financial accounts consists primarily of how financial income and expenses, as well as equity, are recognized.

Subsidiaries

Participations in subsidiaries and associated companies are reported in Parent Company in accordance with the cost method.

Income

The Parent Company's net sales consist of rental income and property management services for subsidiaries. This income is recognized in the Income Statement in the period to which it relates.

Anticipated dividends

Anticipated dividends from subsidiaries are reported in cases where the Parent Company alone is entitled to determine the size of dividends and the Parent Company has determined the size of

SUPPLEMENTARY DISCLOSURES – NOTE 1, CONT.

the dividend prior to the Parent Company publishing its financial reports.

Tangible non-current assets

Tangible non-current assets are reported at cost less depreciation. Expenditure on improvements, beyond the original level, increases the carrying amount of the asset. Expenditure for repairs and maintenance is reported as expenses.

Interest on capital in connection with the financing of major new construction projects, extensions and remodelling projects are capitalized. Other interest is expensed in the period to which it is allocated.

Tangible non-current assets are depreciated systematically over the asset's estimated useful life. When determining the depreciable amount of the assets, the residual value of the asset is taken into account where necessary.

A linear depreciation method is used for all types of tangible assets, except land. The following depreciation periods are applied:

	Number of years
Equipment	3-10

In those cases where an asset's carrying amount exceeds its estimated recoverable amount, the asset is immediately impaired to its recoverable value.

Financial instruments

Due to the connection between accounting and taxation, the rules regarding financial instruments in accordance with IFRS 9 are not applied in the Parent Company as a legal entity, and the Parent Company applies instead the cost method in accordance with the Annual Accounts Act. Accordingly, in the Parent Company, financial non-current assets are valued at cost and financial current

assets in accordance with the principle of lowest value, applying impairment for expected loan losses in accordance with IFRS 9 regarding assets that are debt instruments. For other financial assets, impairment is based on market value.

The Parent Company applies a rating-based method for calculating expected credit losses on Group-internal receivables based on the probability of default, expected loss and exposure on default. The Parent Company has defined default as when payment of the claim is 90 days late or more, or if other factors indicate that payment is in default. Per the Balance Sheet date, no material increase in credit risk has been deemed to prevail. Such an assessment is based on whether payment is 30 days delayed or more, or, if a significant deterioration in rating occurs, entailing a rating below investment grade, meaning credit impairment on the receivables or assets.

The Parent Company's receivables from the subsidiary are subordinated to external lenders' receivables. The Parent Company applies the general method to the intra-Group receivables. The Parent Company's expected loss in the event of default takes into account the average of the subsidiaries' loan-to-value ratios and the expected market value of the subsidiaries' properties in the event of a forced sale. Based on the Parent Company's assessments in accordance with the aforementioned method, taking other known information and forward-looking factors into account, it is estimated that expected loan losses will not be significant and no provision has therefore been reported.

The Parent Company applies the exemption to not value financial guarantee agreements benefiting subsidiaries, associated companies and joint ventures in accordance with the rules in IFRS 9, applying instead the valuation principles in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Financial guarantees

The Parent Company's financial guarantee agreements consist primarily of guarantee commitments to the benefit of subsidiaries. Financial guarantees mean that the company has a commitment to compensate the holder of a debt instrument for losses that the holder incurs due to a specific debtor failing to pay on maturity in accordance with the terms of the agreement. In its accounting of financial guarantee agreements, the company applies RFR 2 p 72, a relief provision compared with the regulations in IFRS 9 with regard to financial guarantee agreements issued for the benefit of subsidiaries and associated companies. The Parent Company reports financial guarantee agreements as a provision in the Balance Sheet when the company has an obligation for which payment is likely to be required to settle the obligation.

Taxes

In the Parent Company, untaxed reserves are reported inclusive of a deferred tax liability. In the consolidated accounts, however, untaxed reserves are broken down into deferred tax liability and equity.

Group contributions and shareholder contributions

The Parent Company recognizes Group contributions and shareholder contributions in accordance with RFR 2. Shareholder contributions are posted directly against equity for the recipient and are capitalized in shares and participations for the donor, to the extent that impairment is not required. Group contributions are reported as year-end allocations in the Income Statement. The tax effect is reported in accordance with IAS 12 in the Income Statement.

Segment reporting

The Parent Company does not report segments in accordance with the same distribution and to the same extent as the Group, without disclosing the distribution of net sales between the Parent Company's branches of operation.

SUPPLEMENTARY DISCLOSURES – NOTES 2–3

NOTE 2: KEY ASSUMPTIONS AND ASSESSMENTS

Group management has discussed the developments with the Board of Directors, the choice and disclosures regarding the Group's important accounting principles and estimates and their application.

Investment properties

For key assumptions and assessments in connection with valuations of investment properties, see Note 16 Investment properties. K-Fast Holding AB recognizes its properties in accordance with the fair value method as stated in IFRS 13 Fair Value Measurement, meaning that changes in value are reported in the Income Statement, and profit can therefore be significantly affected.

New construction in progress

For key assumptions and assessments in connection with the valuation of ongoing new construction, see Note 16 Investment properties. Properties under construction and project properties are valued at cost with additions/deductions for expected unrealized changes in value, calculated as the estimated fair value less the estimated cost in accordance with IAS 40, where 20 percent of the assessed change in value is recognized when the building permit has gained legal force and a general contract has been signed, while the remaining 80 percent is recognized successively during construction in relation to the costs incurred. The change in value is reported in the Income Statement and profit can therefore be significantly affected.

Classification of acquisitions

Accounting standard IFRS 3's rule regarding the classification of acquisitions as business combinations or asset acquisitions proceeds from an individual assessment having to be made for each individual transaction. For all of the year's acquisitions, the assessment has entailed the transactions being classified as asset acquisitions. Note 16 Investment properties.

Valuation deferred tax liability/receivable

Deferred tax receivables regarding tax-loss carryforwards or other future tax deductions are recognized to the extent that it is probable that the deduction can be deducted against surpluses in connection with future taxation. Deferred tax liabilities pertaining to temporary differences attributable to investments in subsidiaries are not reported in the consolidated accounts because the Parent Company can control the timing of the reversal of the temporary differences and it is not considered likely that a reversal will occur within the foreseeable period.

NOTE 3: SEGMENT REPORTING

Group management currently identifies the following three business areas as its operating segments: Project Development, Construction and Property Management. The operating segments are monitored by the Group's CEO, the Board of Directors and the management team.

SUPPLEMENTARY DISCLOSURES – NOTE 3, CONT.

Note 3: Segment reporting, cont.

1 January – 31 December 2019

Income Statement, SEK million	Project development	Construction	Property management	Unallocated items and eliminations	Group
Rental income	0.0	0.0	156.8	0.0	156.8
Other operating income	0.0	30.5	0.0	0.0	30.5
Operating costs	0.0	-26.8	-49.5	0.0	-76.3
Gross profit	0.0	3.7	107.3	0.0	111.0
Central administration costs	-14.0	-14.0	-14.0	0.0	-42.1
Depreciation/amortization and impairment	-5.1	-5.1	-5.1	0.0	-15.2
Profit from participations in associated companies*	0.0	0.0	0.0	61.0	61.0
Net interest income	0.0	0.0	-35.3	0.0	-35.3
Profit before changes in value	-19.1	-15.4	52.9	61.0	79.3
Value change, properties	186.4	0.0	153.4	0.0	339.8
Changes in value of derivatives and other	0.0	0.0	-6.6	19.3	12.7
Profit before tax	167.3	-15.4	199.7	80.3	431.8
Tax	0.0	0.0	0.0	-66.5	-66.5
Profit for the year	167.3	-15.4	199.7	13.7	365.3

31 December 2019

Balance Sheet, SEK million	Project development	Construction	Property management	Unallocated items and eliminations	Group
Non-current assets	447.7	17.3	4,001.6	29.4	4,495.9
Current assets	0.0	13.8	53.0	811.1	877.9
Total assets	447.7	31.0	4,054.6	840.5	5,373.7
Non-current liabilities	303.2	8.5	2,280.8	29.9	2,622.4
Current liabilities	0.0	63.5	421.7	27.7	512.9
Total liabilities	303.2	72.0	2,702.5	57.6	3,135.3

* Profit from participations in Group, associated and jointly controlled companies

1 January – 31 December 2018

Income Statement, SEK million	Project development	Construction	Property management	Unallocated items and eliminations	Group
Rental income	0.0	0.0	96.6	0.0	96.6
Other operating income	0.0	27.8	0.4	0.0	28.2
Operating costs	0.0	-35.3	-34.8	0.0	-70.2
Gross profit	0.0	-7.6	62.2	0.0	54.7
Central administration costs	-3.9	-3.9	-3.9	0.0	-11.6
Depreciation/amortization and impairment	-0.4	-0.4	-0.4	0.0	-1.3
Profit from participations in associated companies*	0.0	0.0	0.0	27.7	27.7
Net interest income	0.0	0.0	-16.8	0.0	-16.8
Profit before changes in value	-4.3	-11.9	41.1	27.7	52.7
Value change, properties	124.1	0.3	119.2	0.0	243.6
Changes in value of derivatives and other	0.0	0.0	0.0	-8.6	-8.6
Profit before tax	119.8	-11.6	160.3	19.1	287.7
Tax	0.0	0.0	0.0	-42.9	-42.9
Profit for the year	119.8	-11.6	160.3	-23.8	244.8

31 December 2018

Balance Sheet, SEK million	Project development	Construction	Property management	Unallocated items and eliminations	Group
Non-current assets	482.2	17.0	2,638.2	16.8	3,154.1
Current assets	0.0	11.3	36.5	147.5	195.2
Total assets	482.2	28.2	2,674.6	164.3	3,349.4
Non-current liabilities	318.4	1.6	1,127.4	549.9	1,997.2
Current liabilities	0.0	43.7	71.3	27.5	142.6
Total liabilities	318.4	45.3	1,198.7	577.4	2,139.7

SUPPLEMENTARY DISCLOSURES – NOTES 4–5

NOTE 4: INCOME

Development in rental income

SEK million	2019	2018
Properties owned at start of year	133.0	68.9
Completed properties	12.9	6.0
Acquired properties	10.9	21.7
Sold properties	0.0	0.0
Rental income	156.8	96.6

All leases are classified as operational leases. Rental income, including supplemental charges, is charged in advance and allocated linearly, thus only rent charged for the period is reported as income. Since the services that the Group provides to the tenant are considered subordinate to the lease, all compensation is reported as rental income.

As per 31 December 2019, the contractual rental income amounted to SEK 190.5 million (132.5), of which commercial premises accounted for SEK 31.4 million (24.3). The largest individual contract, for which the largest individual tenant is responsible, accounts for approximately 3 percent of consolidated rental income.

Future minimum lease fees for non-cancellable leases

The Group has entered into a lease agreement regarding commercial premises, housing and parking spaces, which are reported as operational leases. The lease regarding housing, parking spaces and certain commercial premises is currently running with a notice period of three to nine months. Annual rental income for these contracts amounted to SEK 159.7 million (116.9).

The Group has a rental agreement with an annual rental income of SEK 20.5 million, where the agreements have a remaining maturity of between one and five years. The Group has annual rental income of SEK 10.3 million (7.4), where the agreements have a remaining maturity of more than five years.

Contractual income

Only the Construction segment has income from contracts with customers, these constitute the entire sales item of SEK 28.6 million (26.8) for projects and contracting operations. All sales have been made in Sweden. Income is recognized over time. The Parent Company and has no contract revenue.

NOTE 5: LEASES

SEK million	Right-of-use assets			Leasing liabilities
	Site leaseholds	Vehicles	Total	
As per 1 January 2019	0.0	1.4	1.4	1.4
Additional agreements	7.0	1.9	8.9	8.9
Amortization and depreciation	0.0	-1.0	-1.0	0.0
Terminated agreements	0.0	-0.2	-0.2	-0.5
Revaluations of agreements	0.0	0.0	0.0	0.0
Interest costs	0.0	0.0	0.0	-0.1
Leasing fees	0.0	0.0	0.0	-0.6
As per 31 December 2019	7.0	2.1	9.2	9.2

K-Fastigheter applies IFRS 16 Leases, which is to be applied for financial years commencing 1 January 2019 or later. The Group has applied the simplified transition method, meaning that comparison data have not been recalculated. For more information, see Note 1 Accounting principles.

During full-year 2019, the Group expensed total leasing fees of SEK 1.1 million, of which SEK 0.1 million was attributable to low-value leases. The Group has no short-term leases or variable leasing fees.

Maturity analysis

SEK million	Leasing fees	Leasehold agreements
2020	1.2	0.1
2021	0.8	0.1
2022	0.3	0.1
2023	0.0	0.1
2024	0.0	0.1
> 2025	0.0	1.8
	2.3	2.4

SUPPLEMENTARY DISCLOSURES – NOTE 6

NOTE 6: SALARIES, OTHER REMUNERATIONS AND SOCIAL SECURITY EXPENSES

At the end of the year, the Group had 68 employees (53), of whom 19 were women (12) and 49 were men (41). At the end of the year, there were 13 (6) employees in the Parent Company, of whom 9 were women (4) and 4 were men (2). Including the Chairman of the Board, K-Fast Holding AB had 6 Board Members (4) in 2019, of whom 1 was a woman (1) and 3 were men. Including the CEO, the Group had 8 senior executives (4), of whom 1 was a woman (1) and 7 were men (7).

Average number of employees

	Group		Parent Company	
	2019	2018	2019	2018
Women	19	12	9	4
Men	55	41	4	2
Total	73	53	13	6

Salaries, fees and benefits

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Board of Directors	0.8	0.0	0.8	0.0
CEO				
Base salary	1.2	0.6	1.2	0.0
Benefits	0.1	0.2	0.1	0.0
Other senior executives				
Base salary	3.8	1.9	2.5	0.6
Benefits	0.3	0.2	0.1	0.0
Other employees				
Base salary	26.6	18.1	4.2	1.8
Benefits	0.4	0.3	0.1	0.0
Total	33.1	21.3	9.0	2.4

Statutory social security expenses, including payroll tax

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Board of Directors	0.2	0.0	0.2	0.0
CEO	0.4	0.2	0.4	0.0
Other senior executives	1.3	0.6	0.9	0.2
Other employees	8.2	6.0	1.4	0.6
Total	10.1	6.8	3.0	0.8

Contractual pension expenses

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Board of Directors	0.0	0.0	0.0	0.0
CEO	0.0	0.0	0.0	0.0
Other senior executives	0.7	0.2	0.5	0.0
Other employees	1.3	1.1	0.3	0.3
Total	2.0	1.3	0.8	0.3

The remuneration of the CEO, as well as other members of Group management, complies with the guidelines adopted by the Extraordinary General Meeting on 19 August 2019. Salaries and other terms of employment shall be market-based and competitive, but not wage-leading in comparison to comparable companies. The CEO's remuneration is proposed by the Remuneration Committee and is determined by the Board of Directors. The remuneration of other members of Group management proposed by the CEO and approved by the Remuneration Committee. Compensation to the CEO is paid only in the form of fixed basic salary. Remuneration to other members of Group management is paid primarily in the form of fixed base salary, but can also be paid as variable salary or performance-based compensation corresponding to a maximum 50 percent of the fixed salary per calendar year.

Senior executive's compensation and other benefits during the year

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Chairman of the Board Erik Selin	0.0	0.0	0.0	0.0
Board Member Sara Mindus (from April 2019)	0.2	-	0.2	-
Board Member Ulf Johansson (from April 2019)	0.2	-	0.2	-
Board Member Jesper Mårtensson	0.2	0.0	0.2	0.0
Board Member Christian Karlsson (from April 2019)	0.2	-	0.2	-
Board Member Åsa Fredin (until April 2019)	0.0	0.0	0.0	0.0
CEO Jacob Karlsson	1.4	0.7	1.4	0.0
Other senior executives (7 individuals)*	4.7	2.3	3.2	0.6
Total	6.9	3.0	5.3	0.6

*including Åsa Fredin.

The retirement age of the CEO and other members of Group management shall be 65. Pension commitments shall be premium-based, meaning that the company has no further obligations once the annual premiums have been paid.

For the CEO, a mutual notice period of 12 months applies. On termination by the company, the CEO is also entitled to severance pay amounting to six months' salary.

SUPPLEMENTARY DISCLOSURES – NOTES 7–10

NOTE 7: EXPENSES

Property costs trend

SEK million	2019	2018
Properties owned at start of year	-29.7	-15.1
Completed properties	-3.1	-1.2
Acquired properties	-1.8	-6.2
Sold properties	0.0	0.0
Direct property costs	-34.5	-22.5
Property administration	-15.0	-12.3
Property management costs	-49.5	-34.8

Central administration

SEK million	2019	2018
Other external costs	-31.8	-7.7
Personnel costs	-11.7	-3.9
Other operating costs	0.0	0.0
Reversal of financial leasing	1.2	0.0
Total	-42.3	-11.6

Central administration comprises expenses in K-Fast Holding AB.

NOTE 8: DEPRECIATION/ AMORTIZATION AND IMPAIRMENT

Depreciation/amortization and impairment

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Depreciation equipment, tools, fixtures and fittings	-2.5	-1.2	-0.1	0.0
Depreciation business properties	-0.2	-0.1	0.0	0.0
Impairment of goodwill	-2.3	0.0	0.0	0.0
Impairment of investment properties	-3.5	0.0	0.0	0.0
Scrapping of investment properties	-6.7	0.0	0.0	0.0
Total depreciation/amortization and impairment	-15.2	-1.3	-0.1	0.0

NOTE 9: REMUNERATIONS TO THE AUDITORS

The audit engagement refers to the review of the Annual Report and the accounting, as well as the administration by the Board of Directors. Other duties are also included that the company's auditors are expected to perform, as well as advice or other assistance necessitated by observations in connection with such review or the execution of other such work tasks. Everything else is consultation.

Ernst & Young AB

	Group		Parent Company	
	2019	2018	2019	2018
Audit engagement	3.9	0.6	3.2	0.5
Tax consultancy	0.8	0.1	0.8	0.1
Other services	3.4	2.9	2.7	2.6
Total	8.0	3.6	6.6	3.2

NOTE 10: PROFIT FROM PARTICIPATIONS IN GROUP, ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

Profit from participations in Group companies

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Gain on sale	0.0	10.8	0.0	0.7
Total	0.0	10.8	0.0	0.7

Profit from participations in associated and jointly controlled companies

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Dividends	0.0	0.0	139.4	11.7
Gain on sales	0.0	0.3	0.0	0.0
Impairments	-15.4	0.0	-15.4	0.0
Reversal of impairment	0.0	0.0	0.0	0.0
Participations in profits of associated companies	76.3	16.6	0.0	0.0
Total	61.0	16.9	124.0	11.7

Impairment of shares in associated and jointly controlled companies are performed in conjunction with the payment of dividends.

SUPPLEMENTARY DISCLOSURES – NOTES 11–12

NOTE 11: INTEREST- AND NET FINANCIAL ITEMS, AS WELL AS CHANGE IN VALUE IN OF DERIVATIVES AND OTHER

The Group's net interest income comprises interest income and interest expenses. The Parent Company's net financial items also includes changes in value of non-current derivative instruments.

Interest income and similar Income Statement items

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Interest income from Group companies	0.0	0.0	12.4	1.8
Other interest income	0.3	0.0	0.3	0.0
Total	0.3	0.0	12.6	1.8

Interest costs and similar Income Statement items

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Interest expenses to Group companies	0.0	0.0	-3.2	-1.3
Other interest expenses and similar Income Statement items	-35.6	-16.8	-14.9	-0.6
Total	-35.6	-16.8	-18.1	-1.9

Changes in value of derivatives and other

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Unrealized change in value of non-current derivative instruments	-6.6	-5.5	-6.7	-5.8
Unrealized change in value of current securities holdings	0.0	-3.0	0.0	0.0
Realized value change in current securities holdings	19.3	0.0	0.0	0.0
Total	12.7	-8.6	-6.7	-5.8

NOTE 12: CHANGE IN VALUE OF INVESTMENT PROPERTIES

Change in value of investment properties

SEK million	2019	2018
Change in net operating income	26.5	17.3
Construction projects in progress	186.4	124.1
Building rights	12.7	34.4
Change in return requirement	51.2	15.3
Acquisitions	62.9	48.4
Sales	0.0	4.1
Total	339.8	243.6

SUPPLEMENTARY DISCLOSURES – NOTES 13–15

NOTE 13: TAX ON PROFIT FOR THE YEAR

The tax cost in the Income Statement consists of current and deferred tax (see Note 20 Deferred tax). The current tax has been calculated in accordance with the applicable tax rate in Sweden, 21.4 percent. The deferred tax has been assessed at 20.6 percent, the tax rate applicable on the date on which the tax is expected to be realized. Current tax refers tax to be paid or received in respect of the taxable earnings for the year in question. Taxable profit for the year differs from the reported profit for the year in that it has been adjusted for non-taxable and non-deductible items.

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Current tax	-3.8	-2.0	0.0	-0.7
Deferred tax	-62.8	-40.9	12.4	1.2
Total	-66.5	-42.9	12.4	0.5
Reported profit before tax	431.8	287.8	95.3	9.7
Tax rate, %	21.4%	22.0%	21.4%	22.0%
Tax in accordance with applicable tax rate	-92.4	-63.3	-20.4	-2.1
Tax attributable to previous years	-1.1	0.0	0.0	0.0
Effect of changed tax rates	0.6	14.4	0.8	0.0
Non-taxable income	17.2	2.6	28.7	2.6
Non-deductible costs	0.0	-0.3	-3.2	-0.1
Other unrecognized income and expenses	9.3	3.8	6.5	0.2
Reported tax cost	-66.5	-42.9	12.4	0.5

The tax cost comprises the following components:

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Current tax				
– On profit for the year	-3.8	-2.0	0.0	-0.7
Deferred tax cost/income				
– Untaxed reserves	0.1	-0.4	0.0	0.0
– Tax-loss carryforwards	9.5	-0.3	9.8	0.0
– Net interest income	6.4	0.0	1.1	0.0
– Interest-rate derivatives	1.4	1.1	1.4	1.2
– Properties, completed	-79.1	-36.9	0.0	0.0
– Properties, under construction	2.4	-7.0	0.0	0.0
– Other items	-3.4	2.5	0.0	0.0
Reported tax in the Income Statement	-66.5	-42.9	12.4	0.5
Average tax rate	15.4%	14.9%	13.0%	5.1%

NOTE 14: EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year after tax attributable to Parent Company shareholders of SEK 365.3 million (244.8) in relation to the average number of shares during the year of 25,829,751 shares (25,000,000).

The number of shares outstanding as of 31 December 2018 has been adjusted for the bonus issue of August 2019.

As of 31 December 2019, no incentive programmes existed and no dilution has occurred during the year.

NOTE 15: GOODWILL

SEK million	Group	
	2019	2018
Opening cost	2.3	2.3
Impairment	-2.3	0.0
Closing amortized cost	0.0	2.3

Goodwill is reported at cost less impairment.

The year's impairment testing resulted in the opening cost for the year being written down to 0. Of the year's opening cost, SEK 1.2 million pertained to an investment properties where there was a need for impairment since the property is measured at fair value. The remaining cost was related partly to the acquisition of E.N.Byggarna i Göinge AB 2015, whose operations have been restructured within the Group in 2019, and partly the acquisition of K-Fast Skruven AB which owns the Group's head office and which was reclassified as a business property as per 31 December 2018. During 2019, the Group utilized its building rights that the goodwill in the company was previously considered to pertain to. The Group's second production facility is currently being erected at the site. The cost is thus judged to be a part of the future carrying amount for the business property.

SUPPLEMENTARY DISCLOSURES – NOTE 16

NOTE 16: INVESTMENT PROPERTIES

As of 31 December 2019, K-Fast Holding AB's property stocks comprised 64 completed investment properties, as well as three out of four stages now being occupied in the Helsingborg Brigaden 7 & 8 project, distributed between a total 104,622 square metres of housing and 25,864 square metres of commercial space, and 13 ongoing construction projects, distributed between 43,897 square metres of housing and 588 square metres of commercial space. In addition, K-Fastigheter has 17 projects in progress at the project development phase at various stages of building permit application and project planning, of which eight are projects for which K-Fastigheter has yet to take possession of the land.

Completed investment properties are properties where tenants can move in, and construction projects in progress and projects include all construction projects in progress and projects that are not completed. All of the properties are located in Sweden and are held to generate income in the form of rental income or value increases or a combination of these.

Investment properties

SEK million	2019	2018
Opening carrying amount	2,535.9	1,543.9
Acquisitions	543.9	389.9
Investments	5.9	5.1
Sales and scrappings	-8.9	-10.8
Reclassifications	718.9	492.3
Unrealized changes in value	153.4	115.5
Closing carrying amount	3,949.1	2,535.9

Construction in progress

SEK million	2019	2018
Opening carrying amount	482.2	407.3
Investments	499.7	436.8
Sales and scrappings	-6.3	-2.1
Acquisitions	13.9	16.8
Reclassification as completed investment properties	-728.2	-500.6
Unrealized changes in value	186.4	124.1
Closing carrying amount	447.7	482.2

Change in investment properties

SEK million	2019	2018
Opening carrying amount	3,018.1	1,951.2
<i>of which, investment properties</i>	<i>2,404.8</i>	<i>1,441.2</i>
<i>of which, building rights</i>	<i>131.1</i>	<i>102.7</i>
<i>of which, construction in progress</i>	<i>482.2</i>	<i>407.3</i>
+ Acquisitions	557.7	406.7
+ New construction	499.7	436.8
+ Extensions and remodelling	5.9	5.1
– Sales	-2.3	-12.9
– Reclassification as business properties	-9.3	-7.5
– Other reclassifications	-12.9	-0.8
+/- Unrealized changes in value	339.8	239.6
<i>of which, investment properties</i>	<i>140.7</i>	<i>81.1</i>
<i>of which, building rights</i>	<i>12.7</i>	<i>34.4</i>
<i>of which, construction in progress</i>	<i>186.4</i>	<i>124.1</i>
Closing carrying amount	4,396.7	3,018.1
<i>of which, completed investment properties</i>	<i>3,606.9</i>	<i>2,404.8</i>
<i>of which, undeveloped land</i>	<i>335.1</i>	<i>131.1</i>
<i>of which, site leaseholds</i>	<i>7.0</i>	<i>0.0</i>
<i>of which, construction in progress</i>	<i>447.7</i>	<i>482.2</i>

Valuation

Investment properties are reported at fair value in the Consolidated Statement of Financial Position and the change in value is reported in the Consolidated Income Statement. All investment properties have been assessed as being at level 3 in the value hierarchy in accordance with IFRS 13 Fair Value Measurement. The fair value of the properties is based on external and internal valuations by means of a combination of the yield capitalization and location price methods. Properties under construction and project properties are valued at cost with additions/deductions for expected unrealized changes in value, calculated as the estimated fair value less the estimated cost, where 20 percent of the assessed change in value is recognized when the building permit has gained legal force and a general contract has been signed, while the remaining 80 percent is recognized successively during construction in relation to the costs incurred. The fair value is the estimated amount that would be received in a single transaction at the time of valuation between knowledgeable parties who are independent of each other and who have an interest in implementing the transaction following the usual marketing measures, where both parties are presumed to have acted with insight and wisdom, and without coercion.

As of 31 December, 86 percent of the Group's completed properties have been valued by the external independent assessor, Newsec Advise AB, in accordance with the recommendations of RICS and IVSC, to reach a market value in accordance with the internationally accepted definition developed by these organizations. In all instances, the internally valued properties are located in markets where K-Fast Holding AB been active for several years and where comparable market data could be obtained from external valuations, Newsec Advise AB and from transactions implemented in the market. The difference in value between internally performed valuation and external valuation was less than one percent of the total value. In all instances, the basis for the valuation consists of data regarding the condition of the property,

SUPPLEMENTARY DISCLOSURES – NOTE 16, CONT.

leases, fixed operating costs, vacancies and planned investments, as well as an analysis of existing tenants. An assessment is made of the location, rent trend, vacancy rates and direct return requirements for relevant markets and taking normalized operation and maintenance costs into account. Data on the properties' land area, detailed development plans for undeveloped land and development properties are collected from public sources.

The value of property stocks is updated quarterly through existing values being updated with current rents, vacancies and market data from the external independent valuers, Newsec Advise AB, in terms of direct return levels and operation and maintenance costs.

The properties are inspected on an ongoing basis. All of the properties have been inspected within the past three years. The purpose is to assess the standard and condition of the properties and the attractiveness of the commercial premises.

Yield capitalization method

When valuing in accordance with the return method, each property is valued individually by calculating the present value of anticipated future cash flows, that is, future rent payments less estimated operating and maintenance payments, as well as the residual value in year ten or 15. Estimated rent payments, as well as operating and maintenance payments have been derived from actual income and costs. Cash flow is market-adjusted by taking into account any changes in the letting ratio and letting levels, operating and maintenance payments, as well as market-based levels of the cost of capital and direct return requirements. All cash flow calculations are based on an assumed rate of inflation of 2 percent (the Riksbank's inflation target).

Rent payments

Future rent levels for housing are based on current levels and potential rent increases in connection with investments and inflation. Rent levels for commercial contracts are estimated based on the current rent level including indexation, meaning that rent levels develop at the same rate as inflation expectations. Vacancies are assessed for each property based on the current vacancy status with a gradual adaptation to market based vacancies and individual conditions.

Operation and maintenance payments

The assessment of disbursements for normal operation, maintenance and repairs, property tax, ground rent and property administration, has been made based on actual outcomes for the property concerned or for a property of similar design, as well as Newsec Advise AB's statistics and experience regarding comparable objects. The assessment has been made taking into account the properties' purpose, age and maintenance status. Disbursements for operation, administration and maintenance are expected to increase in line with assumed rate of inflation.

Investment needs

The property's investment needs are assessed based on any maintenance plans, the condition of the property and projects that are planned or in progress.

Direct return requirement and interest rate

The properties' direct return requirements have been assessed on the basis of each property's unique risk, which can be broken down into two parts – general market risk and a specific property risk. The market risk is linked to general economic development

and is influenced by, among other things, how investors prioritize between different asset classes and financing opportunities. The specific property risk is influenced by the location of the property, the type of property, the standard of the premises, the quality of the installations, the type of tenants and the nature of the contract.

The cost of capital corresponds to the interest rate that the owner of the property expects of the capital tied up in the property. The interest requirement is based on experiential assessments of the market's interest rate requirements for similar properties, which is, in practice, derived by adjusting the assessed direct return requirements to inflation.

For the completed investment properties, the return requirements on the valuation units included vary from 3.67 percent to 6.75 percent, with a total weighted average of 4.25 percent (4.46) and, for project properties valued in advance, from 3.67 percent to 4.75 percent, with a weighted average of 4.02 percent (4.09). It is primarily the distribution between categories of space (housing/commercial premises) and geographical aspects that cause the return requirement to vary. For completed investment properties, the average cost of capital applied for the period was 6.28 percent (6.52) and, for project properties valued in advance, it was 6.08 percent (6.14).

SUPPLEMENTARY DISCLOSURES – NOTE 16, CONT.

Residual value

The residual value comprises the operating surplus during the remaining economic lifetime, which is based on the year following the last year calculated. Residual value is calculated for each property through perpetual capitalization of the estimated market operating surplus and the estimated market operating direct return requirement for each property. The return requirement comprises the risk-free interest rate and each property's unique risk. The cost of capital/discount rate is used to discount the residual value of the properties to their present value.

The location price method

The location price method is based on market analyses of conveyances of properties that could be considered comparable. The method means that the assessment is made applying prices paid for similar properties on a free and open market. The comparison should take into account the change in value between the transfer of the property and the timing of the valuation. The location price method is used primarily to support the yield capitalization method.

Valuation assumptions, weighted average

SEK million	2019	2018
Calculation period, number of years	10-15	10-15
Annual inflation, %	2.00%	2.00%
Rent trend, housing, % annually	2.00%	2.00%
Cost of capital, %	6.22%	6.37%
Direct return requirements, residual value, %		
Housing, %	4.01%	4.04%
Commercial, %	5.02%	5.75%
Long-term vacancy ratio, %		
Housing, %	0.29%	0.26%
Commercial, %	5.36%	7.12%
Rental value, SEK/m ²	1,494	1,410
Operating and maintenance costs, year 1, SEK/m ²	240	238

Sensitivity analysis

All property valuations are estimates of the value an external investor is willing to pay for the property or the portfolio of properties at a given time. The values of the properties can only be ascertained with certainty in connection with a transaction between two independent parties.

Other

The completed investment properties and investment properties under construction are generally posted as collateral for loans and construction credits for financing those.

Sensitivity analysis

	Cash flow, SEK million	Fair value, SEK million
Direct return requirement +/- 0.1%	-	91.1
Rental value +/- 1%	1.8	41.7
Operating and maintenance costs +/- 1%	0.3	7.3
Long-term vacancy ratio +/- 1%	1.8	41.7

Change in value of completed investment properties, SEK million

	-10%	10%
Property value +/- 10%	-394.2	394.2
Loan-to-value +/- 10%	65%	54%

During 2019, interest expenses on construction credits of SEK 12.5 million (10.8) was capitalized on investment properties. The average interest rate on capitalized interest expenses has been holding at about 2.00 percent.

As of 31 December 2019, the Group had investment commitments for the completion of construction projects in progress of SEK 763.9 million (516.3). For further specification of major ongoing construction projects, see pages 28 and 76-77.

There is no restriction to the right to sell any investment properties or to appropriate rental income and compensation in connection with divestment.

K-Fast Holding AB has no contractual obligations to purchase, construct or exploit an investment property or to perform repairs, maintenance or improvements.

SUPPLEMENTARY DISCLOSURES – NOTES 17–18

NOTE 17: BUSINESS PROPERTIES

In 2019, the Osby Osby 186:1 property was reclassified from an investment property to a business property, since the assessment has been made that more than 50 percent of the total space is used for operations in proprietary premises and the area used is thus considered to constitute more than a negligible part of the total area of the building. As a result of the reclassification, the property is reported in accordance with IAS 16 Tangible non-current assets, based on an assessment of the cost.

SEK million	2019	2018
Opening amortized cost	7.9	0.0
Purchasing	2.8	0.0
Reclassifications	12.0	7.9
Closing amortized cost	22.8	7.9
Opening accumulated depreciation	-0.4	0.0
Depreciation for the year	-0.2	-0.1
Reclassifications	-2.2	-0.3
Closing accumulated depreciation	-2.9	-0.4
Closing residual value according to plan	19.9	7.5

NOTE 18: MACHINERY AND EQUIPMENT

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Opening cost	11.7	7.4	0.2	0.1
Purchasing	8.7	3.0	0.4	0.0
Sales and scrapping	0.0	0.0	0.0	0.0
Through acquisitions of subsidiaries	0.6	1.2	0.0	0.0
Closing amortized cost	21.0	11.7	0.6	0.2
Opening depreciation	-4.4	-3.2	-0.1	-0.1
Sales and scrappings	-0.2	0.0	0.0	0.0
Through acquisitions of subsidiaries	0.0	0.0	0.0	0.0
Depreciation for the year	-2.5	-1.2	0.0	0.0
Closing accumulated depreciation	-7.1	-4.4	-0.1	-0.1
Closing residual value according to plan	14.0	7.3	0.5	0.1

Right-of-use assets

The item machinery and equipment includes leasing items held by the Group in accordance with financial leases with the following amounts:

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Cost	3.3	1.4	0.0	0.0
Accumulated depreciation	-1.0	0.0	0.0	0.0
Carrying amount	2.3	1.4	0.0	0.0

SUPPLEMENTARY DISCLOSURES – NOTES 19–20

NOTE 19: PARTICIPATIONS IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

	Corp. ID No.	Reg. office	Share of capital	Share of voting rights	No. of participations	Carrying amount in the Parent Company (SEK million)	Carrying amount in the Group (SEK million)
Novum Samhällsfastigheter AB	559177-8542	Helsingborg	50%	50%	250	0.1	38.3
Käglinge Holding AB	559030-5305	Hässleholm	50%	50%	250	0.0	0.0
Pk Property AB	559144-8666	Hässleholm	50%	50%	250	0.0	0.0
Tygelsjö Ängar Holding AB	559085-3445	Malmö	49%	49%	245	0.0	0.0
HOMEstate AB	559179-2253	Jönköping	33%	33%	166	0.0	0.0
Fosie mark skåne AB	559196-0173	Malmö	31%	31%	310	0.0	0.0
						0.1	38.3

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Opening carrying amount	116.7	97.5	15.5	1.5
Acquisitions	0.0	0.0	0.0	0.0
Shareholder contributions	0.0	14.0	0.0	14.0
Sales/scrapping	-15.4	0.3	-15.4	0.0
Participation in associated companies' profit after tax	38.0	16.6	0.0	0.0
Dividend received	-101.0	-11.7	0.0	0.0
Reclassification	0.0	0.0	0.0	0.0
Closing carrying amount	38.3	116.7	0.1	15.5

NOTE 20: DEFERRED TAX

The tax expense in the Income Statement consists primarily of current tax (see Note 13 Tax on profit for the year) and deferred tax. The current tax has been calculated in accordance with the applicable tax rate in Sweden, 21.4 percent. In June 2018, the Riksdag (Swedish parliament) decided to reduce the corporate tax rate from 22 percent in two stages. The corporate tax rate was first lowered to 22 percent and then to 21.4 percent and this applies to financial years commencing 1 January 2019 or later. In step two, the corporate tax rate will be lowered to 20.6 percent as of the financial year commencing 1 January 2021. The Group has made an assessment of the period in which the deferred tax will be settled and has applied the tax rate applicable for that period. In essence, the tax is expected to be settled in 2021 or at some point thereafter, which is why the deferred tax has been assessed at 20.6 percent. As of 31 December 2019, deferred tax pertaining to properties has been reassessed, resulting in one-off positive effect of SEK 0.6 million (14.4).

Deferred tax receivables (+) and liabilities (-) pertain to:

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Deferred tax on untaxed reserves	-0.7	-0.8	0.0	0.0
Deferred tax receivables regarding tax-loss carryforwards	12.2	2.7	9.8	0.0
Deferred tax receivables regarding net interest income	6.4	0.0	1.1	0.0
Deferred tax receivables regarding interest-rate derivatives	2.6	1.3	2.6	1.2
Deferred tax liability regarding properties, completed	-271.8	-192.7	0.0	0.0
Deferred tax liability regarding properties, under construction	-34.1	-36.5	0.0	0.0
Deferred tax asset/liability, other items	-3.6	0.0	0.0	0.0
Total	-288.9	-226.0	13.6	1.2

Opening deferred tax (-) / receivable (+)	-226.0	-182.6	1.2	0.0
– Untaxed reserves	0.1	-0.4	0.0	0.0
– Tax-loss carryforwards	9.5	-0.3	9.8	0.0
– Net interest income	6.4	0.0	1.1	0.0
– Interest-rate derivatives	1.4	1.1	1.4	1.2
– Properties, completed	-79.1	-36.9	0.0	0.0
– Properties, under construction	2.4	-7.0	0.0	0.0
– Other items	-3.6	0.0	0.0	0.0
Closing deferred tax (-) / receivable (+)	-288.9	-226.0	13.6	1.2

Deferred tax receivables on tax-loss carryforwards corresponding SEK 2.3 million pertain to blocked deficits.

SUPPLEMENTARY DISCLOSURES – NOTE 21

NOTE 21: FINANCIAL RISKS AND FINANCE POLICIES

Financial policy

K-Fastigheter's finance policies stipulates how the financial activities are to be conducted, with the operations are regulated and followed up on the basis of clearly defined targets and risk levels with respect to currency risk, interest-rate risk, financing risk, liquidity risk and credit risk.

The finance policy serves to define uniform guidelines and frameworks for the financial activities arising within the Group in connection with borrowing, debt management and liquidity management. These guidelines are to form the basis for good control and the cost-efficient management of financial flows and risks, while achieving a favourable long-term development in net financial items and a positive effect on the Group's earnings.

the Group's finance policy shall be revised and approved annually and any deviations from the financial policy guidelines shall be decided by Board of Directors.

Financial targets

At an overarching level, the Group's financial risk is limited by means of a sound capital structure and a stable and positive cash flow, which, over time, secures the Group's short and long-term capital supply.

To achieve a sound capital structure and a stable and positive cash flow, the Board of Directors has set the following financial targets:

- The loan-to-value ratio may amount to at most 70 percent relative the market value of the Group's investment properties
- The equity/assets ratio should amount to at least 25 percent
- The interest coverage ratio should be a multiple of at least 1.75

These financial targets also correspond generally to the financial covenants that the Group is obliged to monitor and report under the loan agreements entered into by the Group.

SEK million	2019	2018	Financial targets	Financial covenant
Interest-bearing liabilities at the end of the year in accordance with the Balance Sheet	2,371.9	1,606.6	< 70%	< 70-75%
Cash and cash equivalents and net value of current investments at the end of the period in accordance with the Balance Sheet	779.0	74.7		
Investment and business properties at the end of the period in accordance with the Balance Sheet	3,962.0	2,535.9		
Loan-to-value ratio at the end of the year (%)	40.2%	60.4%		
Equity at the end of the year in accordance with the Balance Sheet	2,238.5	981.2	> 25%	> 25%
Equity and liabilities at the end of the year in accordance with the Balance Sheet	5,352.3	3,347.1		
Equity/assets ratio at year-end (%)	41.8%	29.3%		
Profit from property management for the year in accordance with the Income Statement	52.9	41.1	> multiple of 1.75	> multiple of 1.50
Depreciation and impairment during the year according to the Income Statement	-5.1	-0.4		
Net interest income for the year in accordance with the Income Statement	-35.3	-16.8		
Interest coverage ratio during the year (multiple)	2.6	3.5		

Currency risk

Currency risk refers to the risk of negative impacts on the Group's cash flow, Income Statement and Balance Sheet as a result of changes in exchange rates.

The Group's operations are conducted in Sweden and use SEK as their functional currency. In its operations in 2019, the Group had a negligible exposure to currency risks.

SUPPLEMENTARY DISCLOSURES – NOTE 21, CONT.

Interest-rate risk

Interest-rate risk refers to the risk that changes in market value will have negative effects on net interest expenses and profit, and the risk of locking-in interest expenses that are too high relative to the market for long periods, thus reducing the possibility of compensating for adverse events in profit and tax.

The Group manages interest-rate risk by setting target levels for average fixed interest and for the share of variable interest in the loan portfolio as a whole. Interest rate derivatives are used to adjust the period of fixed interest. Furthermore, ongoing dialogue is conducted primarily with the banks' interest analysts to monitor the interest market.

At the end of the year, the average period of fixed interest was 3.3 years (2.7) and the interest rate sensitivity in the event of a 1 percentage point shift in the loan rates amounted to SEK 11.2 million (10.0). As a percentage of the total debt portfolio, variable interest accounted for 48 percent (62). At the end of the year, the average interest rate amounted to 1.90 percent (1.71) including interest-rate derivatives and to 1.62 percent (1.31) excluding interest-rate derivatives.

Financing and refinancing risk

(Re)financing means the risk that the Group will not be able to refinance its loans when desired, will not be able to secure new financing in the market when needs arise (at any given time) or that refinancing would entail a significant increase in the Group's borrowing expenses.

The (re)financing risk is managed through diversification of the total debt portfolio with financially stable counterparties and with varying maturities. Target levels are set for the minimum number of banks, maximum size and minimum rating per bank, maximum percentage with a maturity of less than 12 months and average capital tied up.

Credit and interest maturity structure, 31 December 2019 (excluding construction credits, overdraft facilities and custody account credits)

Term	Interest maturity		Credit maturity		Swap maturity		
	Amount, SEK million	Average interest, %	Credit agreements, SEK million	Utilized, SEK million	Amount, SEK million	Interest, %	Value, SEK million
0-1 years	1,124.9	1.62%	322.0	322.0	0.0		
1-2 years	7.0	3.52%	207.8	207.8	7.0	2.01%	-0.3
2-3 years	100.0	2.01%	189.8	189.8	100.0	0.50%	-0.7
3-4 years	100.0	2.20%	1,144.7	1,144.7	100.0	0.69%	-1.5
4-5 years	300.0	1.84%	467.7	467.7	300.0	0.33%	0.3
> 5 years	700.0	2.25%	0.0	0.0	700.0	0.74%	-10.6
Total	2,331.9	1.90%	2,331.9	2,331.9	1,207.0		-12.8

At the end of the year, the average capital tied up was 3.2 years (3.2) and 9 percent (11) of the loans matured within 12 months.

At the end of the year, the Group had loan agreements to credit institutions totalling SEK 3,239.7 million (2,329.7), of which SEK 90.0 million constituted overdraft facilities and covered loans and SEK 817.8 million (636.2) constituted construction credits. The remaining credit agreement, for SEK 2,331.9 million (1,603.6), consists of bilateral agreements with Swedish banks with the aim of financing the Group's completed investment and business properties. Of credit agreements for financing of the Group's completed investment and business properties, credits for a total SEK 322.0 million (176.0) expire during 2020. Despite prevailing uncertainty and insecurity due to the spread of the so-called corona virus, K-Fastigheter believes it will be possible to renegotiate or extend credits due to the current market situation and the Group's solid relations with its banks. Net interest-bearing liabilities relating to completed investment and business properties amounted to SEK 1,593.0 million (1,513.9) at the end of the year.

SUPPLEMENTARY DISCLOSURES – NOTE 21, CONT.

Existing loan agreements with credit institutions contain financial conditions (so-called covenants) stipulating maximum loan-to-value ratio, minimum equity/assets ratio and minimum interest coverage ratio. K-Fastigheter has fulfilled these conditions at all follow-up events in 2019.

Future liquidity flows

Future liquidity attributable to credit is shown below. When calculating credits, as well as the variable legs in the interest rate swaps, the Stibor rate as of the balance sheet date has been applied. Outstanding loan debt and credit margin have been assumed to be the same as of the balance sheet date up to the respectively maturity, when they are assumed to be finalized.

Future liquidity maturity credits

SEK million	Maturity credits	Interest credits	Interest derivatives	Total
2020	322.0	37.8	6.4	366.2
2021	207.8	32.8	6.4	247.0
2022	189.8	29.2	6.3	225.3
2023	1,144.7	17.2	5.9	1,167.8
2024	467.7	7.3	5.3	480.3
> 2025	0.0	0.0	14.2	14.2
Total	2,331.9	124.4	44.4	2,500.8

Liquidity risk

Liquidity risk refers to the risk of not being able to fulfil payment commitments on maturity, without expenses for securing liquidity increasing significantly.

The liquidity risk is managed through appropriate payment flow systems and credit facilities and loan pledges from the partner banks, and by setting a target level for the minimum level in the liquidity reserve. In addition, a monthly cash flow forecast is prepared and reported.

At the end of the year, the Group's cash reserves amounted to SEK 779.0 million (52.8). In addition, there is an unutilized overdraft facility of SEK 90.0 million

Credit risk

Credit risk refers to the risk that a counterparty or issuer is unable to fulfil its commitments to the Group. The Group is exposed to credit risk through holdings of derivative instruments (if these have a positive value) and surplus liquidity that is invested. Credit risk also occurs in relation to rent receivables and accounts receivable, as well as other receivables.

Credit risk is managed by setting a minimum creditworthiness for the Group's counterparties (ascribed rating or credit control), which is done when signing an agreement and then on an ongoing basis for larger commitments.

Regarding the long-term liabilities, K-Fastigheter makes the assessment that there is no significant difference between real values and carrying amounts.

Maturity analysis for financial liabilities

For the maturity structure of interest-bearing liabilities see under "Interest-rate risk" above. Other operating liabilities fall due for payment as below. Liabilities to Group and associated companies are recognized as non-current unless it has a fixed repayment plan.

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Matures within 1 year	149.8	81.6	15.3	8.7
Matures after 1 year	18.1	33.7	526.9	489.4
Total	167.9	115.3	542.2	498.1

SUPPLEMENTARY DISCLOSURES – NOTE 21, CONT.

Valuation of financial assets and liabilities as of 31 December 2019

Group SEK million	Financial assets/ liabilities measured at fair value through the Income Statement	Financial assets/ liabilities measured at amortized cost	Total carrying amount	Fair value
Accounts receivable	0.0	43.6	43.6	43.6
Receivables from associated companies	0.0	16.5	16.5	16.5
Other current receivables	0.0	13.3	13.3	13.3
Prepaid costs and accrued income	0.0	25.5	25.5	25.5
Current investments	0.0	0.0	0.0	0.0
Cash and cash equivalents	0.0	779.0	779.0	779.0
Total receivables	0.0	877.9	877.9	877.9
Long-term interest-bearing liabilities	0.0	2,281.3	2,281.3	2,281.3
Other non-current liabilities	0.0	18.1	18.1	18.1
Derivative instruments	12.8	0.0	12.8	12.8
Current interest-bearing liabilities	0.0	363.1	363.1	363.1
Advances from customers	0.0	1.5	1.5	1.5
Accounts payable	0.0	57.6	57.6	57.6
Liabilities to associated companies	0.0	0.0	0.0	0.0
Other current liabilities	0.0	27.4	27.4	27.4
Accrued costs and prepaid income	0.0	63.3	63.3	63.3
Total liabilities	12.8	2,812.2	2,825.0	2,825.0

Valuation of financial assets and liabilities as of 31 December 2018

Group SEK million	Financial assets/ liabilities measured at fair value through the Income Statement	Financial assets/ liabilities measured at amortized cost	Total carrying amount	Fair value
Accounts receivable	0.0	30.0	30.0	30.0
Receivables from associated companies	0.0	7.9	7.9	7.9
Other current receivables	0.0	3.8	3.8	3.8
Prepaid costs and accrued income	0.0	5.2	5.2	5.2
Current investments	91.6	0.0	91.6	91.6
Cash and cash equivalents	0.0	52.8	52.8	52.8
Total receivables	91.6	99.8	191.4	191.4
Long-term interest-bearing liabilities	0.0	1,963.3	1,963.3	1,963.3
Other non-current liabilities	0.0	19.2	19.2	19.2
Derivative instruments	6.2	0.0	6.2	6.2
Current interest-bearing liabilities	0.0	31.5	31.5	31.5
Advances from customers	0.0	0.2	0.2	0.2
Accounts payable	0.0	31.9	31.9	31.9
Liabilities to associated companies	0.0	14.5	14.5	14.5
Other current liabilities	0.0	6.4	6.4	6.4
Accrued costs and prepaid income	0.0	43.1	43.1	43.1
Total liabilities	6.2	2,110.0	2,116.2	2,116.2

SUPPLEMENTARY DISCLOSURES – NOTE 21, CONT.

Valuation of financial assets and liabilities as of 31 December 2019

Parent Company SEK million	Financial assets/ liabilities measured at fair value through the Income Statement	Financial assets/ liabilities measured at amortized cost	Total carrying amount	Fair value
Accounts receivable	0.0	0.0	0.0	0.0
Receivables from Group companies	0.0	1,038.9	1,038.9	1,038.9
Receivables from associated companies	0.0	16.6	16.6	16.6
Other current receivables	0.0	2.9	2.9	2.9
Prepaid costs and accrued income	0.0	20.5	20.5	20.5
Cash and cash equivalents	0.0	771.2	771.2	771.2
Total receivables	0.0	1,850.1	1,850.1	1,850.1
Long-term interest-bearing liabilities	0.0	867.5	867.5	867.5
Derivative instruments	12.5	0.0	12.5	12.5
Other non-current liabilities	0.0	12.8	12.8	12.8
Current interest-bearing liabilities	0.0	17.9	17.9	17.9
Liabilities to Group companies	0.0	514.1	514.1	514.1
Accounts payable	0.0	2.4	2.4	2.4
Liabilities to associated companies	0.0	0.0	0.0	0.0
Other current liabilities	0.0	6.9	6.9	6.9
Accrued costs and prepaid income	0.0	6.0	6.0	6.0
Total liabilities	12.5	1,427.6	1,440.1	1,440.1

Valuation of financial assets and liabilities as of 31 December 2018

Parent Company SEK million	Financial assets/ liabilities measured at fair value through the Income Statement	Financial assets/ liabilities measured at amortized cost	Total carrying amount	Fair value
Accounts receivable	0.0	0.0	0.0	0.0
Receivables from Group companies	0.0	551.2	551.2	551.2
Receivables from associated companies	0.0	8.1	8.1	8.1
Other current receivables	0.0	1.7	1.7	1.7
Prepaid costs and accrued income	0.0	0.0	0.0	0.0
Cash and cash equivalents	0.0	45.9	45.9	45.9
Total receivables	0.0	606.9	606.9	606.9
Long-term interest-bearing liabilities	0.0	425.2	425.2	425.2
Derivative instruments	5.8	0.0	5.8	5.8
Other non-current liabilities	0.0	19.2	19.2	19.2
Current interest-bearing liabilities	0.0	8.5	8.5	8.5
Liabilities to Group companies	0.0	455.7	455.7	455.7
Accounts payable	0.0	1.9	1.9	1.9
Liabilities to associated companies	0.0	14.5	14.5	14.5
Other current liabilities	0.0	6.4	6.4	6.4
Accrued costs and prepaid income	0.0	0.4	0.4	0.4
Total liabilities	5.8	931.8	937.6	937.6

SUPPLEMENTARY DISCLOSURES – NOTES 22–23

NOTE 22: ACCOUNTS RECEIVABLE

Accounts receivable are recognized at the amount expected to be received. All overdue accounts receivable exceeding 30 days have been assessed individually in terms of loss risk. Impairments are applied for uncertain accounts receivable.

SEK million	Group	
	2019	2018
Within 90 days	37.9	29.1
91-120 days	0.5	0.1
More than 120 days	5.9	2.0
Doubtful accounts receivable <90 days	-0.2	-0.1
Doubtful accounts receivable >90 days	-0.5	-1.1
Accounts receivable, net	43.6	30.0

the Group's profit for 2019 has been burdened by SEK 0.3 million (0.7) for confirmed customer losses. The receivables are current in nature, which is why the reported amount corresponds to fair value.

NOTE 23: IMPAIRMENT EXPECTED CREDIT LOSSES

Group has written down in accordance with IFRS 9 assets value through amortized cost for expected credit losses.

Impairment has been done according to the two methods defined in IFRS 9, the simplified method and the general method respectively. Both of these methods specify the stages used to classify the assets based on credit risk. The choice of method depends on which type of financing asset Article of.

Financial instruments which is covered by simplified method

The simplified method is used for accounts receivable and rental claims. Customers- and rental claims due 0-90 days are classified as stage 2, while accounts receivable overdue by over 90 days are classified as a stage 3. Expected loan losses are calculated on the asset term.

For the simplified method, a loss-sharing model is used based on historical data on all claims in the stage 2. An average value has been calculated on customer losses recorded during the past three years).

This percentage has then been adjusted for known future invoices in the form of management's assessment of increased risk for future credit losses. The adjustment has taken into account the impact due to the deterioration in the business cycle, region actively in construction- and the rental business as well as a larger proportion of the elderly apartments in property stocks.

This has resulted in one total reserve if 0.2 SEK million As per 31 December 2019.

the accounts receivable in progress 3 (overdue over 90 days) individual tests have been made for each claim. This has resulted in one total reserve if 0.5 SEK million As per 31 December 2019.

Financial instruments which is covered by the general method

The general method is used for other financial assets (receivables from associated and jointly controlled companies well cash and cash equivalents). For the general method, one is used rating model. Expected loan losses have been calculated over 12 months for stage 1 receivables and on assets term for claims in stage 2 and stage 3.

Receivables from associated and jointly controlled companies regarding receivables from associated and jointly controlled companies credit rating cannot be determined because there is no required information regarding the companies. Group has therefore judged that they should have the lowest possible S&P. Loss given Default is assumed to be 45 percent in line with Basel II:t non exposure guidelines-financial companies. This has resulted in one reserve if 0.2 SEK million).

Cash and cash equivalents

regarding cash and cash equivalents credit rating is obtained from the respective bank's website. Default rates are taken from S&P. Loss given Default is assumed to be 45 percent in line with Basel II:t non exposure guidelines-financial companies. This has resulted in one reserve if 0.0 SEK million).

SUPPLEMENTARY DISCLOSURES – NOTES 23–25

Analysis of financial instruments covered by the simplified method

SEK million	Stage 1 (0–3 days)	Stage 2 (0–90 days)	Stage 3 (>90 days)
OB Customer and rent receivables		29.1	2.1
Change in accounts receivable		8.8	4.3
CB Customer and rent receivables		37.9	6.4
OB receivables from associated companies	8.0		
Change in receivables from associated companies	8.7		
CB receivables from associated companies	16.7		
OB Provision for expected credit losses	-0.1	-0.1	-1.1
Change in provision for expected credit losses	-0.1	-0.1	0.6
CB Provision for expected credit losses	-0.2	-0.2	-0.5
Recognized net value	16.5	37.7	5.9

NOTE 24: PREPAID COSTS AND ACCRUED INCOME

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Prepaid leases	0.0	0.1	0.0	0.0
Other items	25.4	5.2	20.5	0.0
Total	25.5	5.2	20.5	0.0

NOTE 25: CURRENT INVESTMENTS

SEK million	Group	
	2019	2018
Carrying amount, total	0.0	91.6
Of which, listed shares		
Cost	0.0	91.2
Market capitalization or equivalent	0.0	91.6

SUPPLEMENTARY DISCLOSURES – NOTES 26–27

NOTE 26: SHARE CAPITAL

The share capital of the Parent Company, K-Fast Holding AB, amounts to SEK 54.2 million (0.1) and is distributed between 33,888,528 shares (500). The shares have a quota value of SEK 1.6 per share (100). The shares are divided between 3,750,000 class A shares that each convey five votes and 30,138,528 class B shares that each convey one vote. All shares registered as of the balance sheet date are fully paid-up. Other capital contributions consist of the surplus capital raised in connection with new share issues.

The specification of changes in equity are included in the Consolidated Statement of Changes in Equity.

At the Extraordinary General Meeting of 19 August 2019, a bonus issue of SEK 39,500,000 and a 1:50,000, share split were approved, whereby the number shares increased to 25,000,000 and the quota value amounted to 1.6 SEK per share.

No dividend has been proposed for the 2019 financial year (SEK 0.30 per share).

Development in share capital

Date	Event	Change in number of shares	Total number of shares	Total number of shares outstanding	Quota value per share, SEK	Change in share capital, SEK m	Total share capital, SEK m
2 November 2010	Company founded		500	500	100.0		0.1
19 August 2019	Bonus issue and share split	24,999,500	25,000,000	25,000,000	1.6	39.9	40.0
19 August 2019	Private placement	260,587	25,260,587	25,260,587	1.6	0.4	40.4
16 September 2019	Private placement	2,941	25,263,528	25,263,528	1.6	0.0	40.4
29 November 2019	New share issue	8,625,000	33,888,528	33,888,528	1.6	13.8	54.2
31 December 2019			33,888,528	33,888,528	1.6		54.2

	Quota value, SEK		No. of shares	
	2019	2018	2019	2018
Shares	1.6	100	33,888,528	500

	Outstanding number of shares at the end of the year*		Average number of shares outstanding*	
	2019	2018	2019	2018
Shares	33,888,528	25,000,000	25,829,751	25,000,000

*Recalculation of the number of shares based on bonus issue approved by the Extraordinary General Meeting on 19 August 2019

NOTE 27: DERIVATIVE INSTRUMENTS

To manage the interest rate risk (see Note 21 Financial risks and finance policies) the Group utilizes interest-rate derivatives. Over time, changes in value arise in the interest rate derivative portfolio, primarily due to changed market interest rates. In the Balance Sheet, derivative instruments are reported at fair value as current or non-current assets or liabilities based on the term of the derivative, even where no amount is to be settled in cash.

On the closing date, the fair value of the derivative portfolio was negative in the amount of SEK 12.8 million (6.2).

SEK million	Group	
	2019	2018
Opening negative amount	6.2	0.7
Development for the period	6.6	5.5
Closing negative amount	12.8	6.2

Distribution derivatives portfolio		
Less than 1 year	0.0	0.0
1-2 years	7.0	0.0
2-3 years	100.0	0.0
3-4 years	100.0	7.0
4-5 years	300.0	100.0
More than 5 years	700.0	500.0
Total derivatives portfolio	1,207.0	607.0

SUPPLEMENTARY DISCLOSURES – NOTES 28–31

NOTE 28: INCOME INVOICED BUT NOT VESTED

	<i>Group</i>	
	2019	2018
Vested income	28.6	0.0
Less partly invoiced	31.3	0.0
Total	2.6	0.0

NOTE 29: ACCRUED COSTS AND PREPAID INCOME

SEK million	<i>Group</i>		<i>Parent Company</i>	
	2019	2018	2019	2018
Accrued personnel-related expenses	5.9	3.9	1.4	0.5
Accrued interest	0.4	1.0	0.0	0.1
Prepaid rental income	42.9	31.2	0.0	0.0
Other items	11.4	11.0	4.6	0.4
Total	60.6	47.0	6.0	1.0

NOTE 30: CASH FLOW STATEMENT

SEK million	<i>Group</i>		<i>Parent Company</i>	
	2019	2018	2019	2018
Cash and cash equivalents	The following sub-components are included in cash and cash equivalents			
Cash and bank balances	779.0	52.8	771.2	45.9
Total in accordance with the Balance Sheet	779.0	52.8	771.2	45.9
Total in accordance with the cash flow statement	779.0	52.8	771.2	45.9

Interest received and paid

Interest received	0.3	0.0	9.4	1.8
Interest paid	-35.6	-16.8	-14.9	-1.9
Total	-35.3	-16.8	-5.5	-0.1

Adjustments for non-cash items

Depreciation of tangible assets	8.6	1.3	0.1	0.0
Impairment of current assets in addition to normal impairments	6.6	0.0	0.0	0.0
Total	15.2	1.3	0.1	0.0

NOTE 31: APPROPRIATIONS

SEK million	2019	2018
Change in accelerated depreciation	0.0	0.0
Group contributions received	36.5	29.3
Group contributions paid	-9.8	-14.5
Total	26.8	14.8

SUPPLEMENTARY DISCLOSURES – NOTE 32

NOTE 32: PARTICIPATIONS IN GROUP COMPANIES

Company	Corp. ID No.	Reg. office	Proportion of equity, %	Share of votes, %	Cost
Karlssons Fastigheter i Hässleholm AB	556827-7569	Hässleholm	100%	100%	1.0
Maglegårdens Fastigheter AB	556772-6384	Hässleholm	100%	100%	4.4
T4 Fastighets AB	556824-2969	Hässleholm	100%	100%	4.9
Påltua AB	556846-9703	Hässleholm	100%	100%	0.1
K-Fast Helsingborg AB	556915-0393	Hässleholm	100%	100%	14.7
K-Fast Malmö AB	556980-3553	Hässleholm	100%	100%	1.4
K-Fast Bygg Holding AB	559008-8950	Hässleholm	100%	100%	0.1
K-Fast Torget AB	559027-5334	Hässleholm	100%	100%	8.9
K-Fast Landskrona 1 AB	556837-4754	Hässleholm	100%	100%	47.1
K-Fast Landskrona 2 AB	556837-4747	Hässleholm	100%	100%	31.3
K-Fast Parkerings AB	559077-1316	Hässleholm	100%	100%	0.1
K-Fast Kullavägen AB	556995-9587	Hässleholm	100%	100%	3.5
K-Fast Projektutveckling AB	559103-8160	Hässleholm	100%	100%	0.1
K-Fast Värdepapper AB	559096-4671	Hässleholm	100%	100%	0.1
K-Fast Fredriksdal AB	559076-5888	Hässleholm	100%	100%	17.7
K-Fast T4 AB	556040-3957	Hässleholm	100%	100%	33.1
K-Fast Stortorget i Hässleholm AB	556419-6201	Hässleholm	100%	100%	46.3

Company	Corp. ID No.	Reg. office	Proportion of equity, %	Share of votes, %	Cost
K-Fast Rådhuset AB	556532-9173	Hässleholm	100%	100%	79.9
Nyponfastigheter AB	556876-2909	Hässleholm	100%	100%	25.3
K-Fast Elinegård AB	559094-9144	Hässleholm	100%	100%	18.7
K-Fast Älmhult AB	556977-8664	Hässleholm	100%	100%	14.9
K-Fast Skruven AB	556817-5557	Hässleholm	100%	100%	1.3
K-Fast Surte AB	556922-6466	Hässleholm	100%	100%	14.3
K-Fast Växjö AB	559150-8725	Hässleholm	100%	100%	0.1
K-Fast Flora AB	556750-0979	Hässleholm	100%	100%	14.5
K-Fast Kävlunge 1 AB	559178-4490	Hässleholm	100%	100%	1.6
K-Fast Kävlunge 2 AB	559178-4433	Hässleholm	100%	100%	0.6
K-Fast Mariehäll AB	556978-7848	Hässleholm	100%	100%	78.8
K-Fast Magasinet AB	556978-8259	Hässleholm	100%	100%	23.5
K-Fast Göteborg AB	559114-1568	Hässleholm	100%	100%	23.3
K-Fast Viken AB	556995-8779	Hässleholm	100%	100%	12.3
K-Fast Hässjan AB	559023-2913	Hässleholm	100%	100%	7.0
K-Fast Högafln AB	559023-2921	Hässleholm	100%	100%	6.6
K-Fast Nocken AB	559093-6232	Hässleholm	100%	100%	7.6
K-Fast Örn AB	556806-8471	Hässleholm	100%	100%	20.5
K-Fast Viken 2 AB	556806-0791	Hässleholm	100%	100%	53.1
K-Fast Kävlunge 3 AB	559081-9693	Hässleholm	100%	100%	8.1
K-Fast Växjö 3 AB	559225-7967	Kristianstad	100%	100%	0.1
					626.4

SUPPLEMENTARY DISCLOSURES – NOTES 32–36

NOTE 32: PARTICIPATIONS IN GROUP COMPANIES, CONT.

	2019	2018
Opening cost	368.9	222.4
– Acquired participations	257.5	154.5
– Divested participations	0.0	-8.0
– Reclassifications	0.0	0.0
Closing amortized cost	626.4	368.9
Opening impairment	0.0	-5.0
– Reversal impairment	0.0	5.0
Closing accumulated impairment	0.0	0.0
Closing carrying amount	626.4	368.9

NOTE 33: RECEIVABLES AND LIABILITIES

As of 31 December 2019, the Parent Company had an outgoing receivable from a subsidiary of SEK 1,038.9 million (551.3), of which SEK 173.5 million (145.0) pertains to current receivables. In 2019, the Parent Company loaned SEK 470.0 million (428.4) to subsidiaries for credit restructuring in the Group. In addition, the Parent Company has receivables from Group companies regarding the Parent Company's balances towards Group companies in the Group account.

For receivables from the Group companies, there are no established amortization plans.

The Parent Company's liabilities to Group companies, which, as per 31 December 2019, amounted to SEK 514.1 million (455.7), of which SEK 514.1 million (428.9) pertains to current liabilities, pertains to the Group companies' balances towards the Parent Company on the group account.

NOTE 34: GROUP ACCOUNT

Most of the Group companies are linked to a so-called Group account that K-Fast Holding AB holds at the Company's bank, meaning that the Group companies' balances with the bank have been reported as a receivable from the Group company and utilized credit is classified as a liability to the Group company. K-Fast Holding AB is legally responsible towards the bank for the Group's transactions on the Group account.

SEK million	2019	2018
Credit utilized by K-Fast Holding AB	-148.4	-132.7
Amount available at K-Fast Holding AB	90.0	20.0
Amounts available at Group companies	919.5	178.1
Group's total bank balance on Group account, including unexercised credit	861.2	65.4

NOTE 35: CONTINGENT LIABILITIES

	Group		Parent Company	
	2019	2018	2019	2018
Guarantee for the benefit of Group companies	0.0	0.0	1,782.8	1,021.4
Other contingent liabilities	40.1	0.0	14.1	0.0
Total contingent liabilities	40.1	0.0	1,796.9	1,021.4

NOTE 36: PLEDGED ASSETS

SEK million	Group		Parent Company	
	2019	2018	2019	2018
For own provisions and liabilities				
<i>Pertaining to liabilities to credit institutions</i>				
Mortgages	3,214.9	2,233.8	0.0	0.0
Chattel mortgages	0.0	1.2	0.0	0.0
For the benefit of Group companies				
Other pledged assets	491.6	396.6	196.8	144.7
Total pledged assets	3,706.5	2,613.5	196.8	144.7

Information relating to other assets pledged for the benefit of Group companies in the Group and Parent Company refers to pledging of shares in subsidiary.

SUPPLEMENTARY DISCLOSURES – NOTE 37

NOTE 37: RELATED-PARTY TRANSACTIONS

Related parties

Related parties refers to:

- CEO
- Board Members
- other individuals in the management of the Company or significant subsidiaries and who control or exercise substantial influence over financial and operational decisions in the company or subsidiary
- legal persons controlled by the aforementioned individuals
- shareholders controlling more than 10 percent of shares or votes in the Company.

Transactions with related parties conducted under non-market conditions

No transactions with related parties have been conducted under non-market conditions No guarantees have been pledged or received. Outstanding balances are normally regulated with cash and cash equivalents.

Remunerations to key individuals in leading positions.

Remunerations to key individuals in leading positions include the following:

Current benefits to employees	2019	2018
Salaries including bonus	5.0	2.5
Social security fees	1.7	0.8
Company car benefit	0.4	0.3
	7.1	3.7

Group

SEK million	2019		31 December 2019		
Affiliate relation	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties	Contingent liabilities to related parties
Associated company	31.2	0.0	17.5	0.0	14.1
Jointly controlled companies	0.0	0.0	1.3	0.0	0.0
Other related parties	0.1	6.8	0.0	0.0	0.0
Total	31.3	6.8	18.8	0.0	14.1

SEK million	2018		31 December 2018		
Affiliate relation	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties	Contingent liabilities to related parties
Associated company	0.0	0.0	7.5	0.0	0.0
Jointly controlled companies	0.0	0.0	2.3	14.5	0.0
Other related parties	0.0	0.5	0.0	0.0	0.0
Total	0.1	0.5	9.8	14.5	0.0

Parent Company

SEK million	2019		31 December 2019		
Affiliate relation	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties	Contingent liabilities to related parties
Associated company	0.0	0.0	13.4	0.0	14.1
Jointly controlled companies	0.0	0.0	1.3	0.0	0.0
Other related parties	0.0	5.9	0.0	0.0	0.0
Total	0.0	5.9	14.6	0.0	14.1

SEK million	2018		31 December 2018		
Affiliate relation	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties	Contingent liabilities to related parties
Associated company	0.0	0.0	7.5	0.0	0.0
Jointly controlled companies	0.0	0.0	2.3	14.5	0.0
Other related parties	0.0	0.3	0.0	0.0	0.0
Total	0.0	0.3	9.8	14.5	0.0

SUPPLEMENTARY DISCLOSURES – NOTE 37, CONT. AND NOTES 38–39

NOTE 37: PARTICIPATIONS IN GROUP COMPANIES, CONT.

Ongoing agreements, 2018–2019

In the period 1 January 2018 to 31 December 2019, ongoing agreements with related parties encompassed:

- Lease between Jacob Karlsson and K-Fast Holding AB regarding an apartment in central Stockholm. Monthly rent SEK 13,500. Total purchases in 2019: SEK 0.2 million (0.2).
- Agreement between Jacob Karlsson AB, Jacob Karlsson Fastigheter AB and Åsa Fredin AB, K-Fast Holding AB and K-Fast Bygg Holding AB regarding purchases of administrative services (ongoing bookkeeping, preparation of financial statements, etc.). Total invoicing in 2019: SEK 0.1 million (0.0).
- Agreement between law firm VICI AB, in which Board Member Christian Karlsson is a partner, and K-Fast Holding AB regarding various legal consultations including general corporate law, transactions and preparations for the completed listing of the Company. Total purchases in 2019: SEK 4.3 million.
- Consultancy agreement between Eric Johansson AB/AALTO Holding AB, Åsa Fredin AB, Effektuera i Hässleholm AB (Ola Richard), RHR/CC AB and circle360 communication AB (Anders Antonsson) and K-Fast Holding AB regarding various role-specific consultations. Total purchases 2019: SEK 2.3 million (0.3).
- Contracting agreement signed between Tygelsjö Projekt AB and K-Fast Bygg Syd AB regarding construction of 30 Low-Rise buildings in Tygelsjö. Total sales in 2019: SEK 31.2 million (0.0).
- Ongoing maintenance work for Balder Mariehäll AB (previously owned jointly by K-Fastigheter and Fastighets AB Balder) performed by K-Fast Bygg Syd AB. Total sales in 2019: 0.0 (0.0).

Transactions, 2018–2019

Related-party transactions during the period 1 January 2018 to 31 December 2019:

- In September 2018, K-Fast Holding AB acquired all shares in K-Fast Surte AB from Group company K-Fast Väst Holding AB, in which Erik Selin Fastigheter AB had a direct shareholding at the time. Purchase price, SEK 14.3 million.
- In February 2019, K-Fast Holding AB acquired all shares in K-Fast Göteborg AB from a company controlled by Erik Selin. The company holds the building rights for the Göteborg Sävenäs 131:12 property. Purchase price, SEK 23.1 million.
- In February 2019, K-Fast Holding AB entered an agreement with Erik Selin Fastigheter AB through which the Company transferred its receivable from Croisette AB to Erik Selin Fastigheter AB. The transfer was paid for by offsetting a receivable that Erik Selin Fastigheter AB had from K-Fast Holding AB.
- In July 2019, K-Fast Holding AB agreed to acquire all shares in Sävenäs rondellen AB from a company controlled by Erik Selin. The company holds the building rights for the Göteborg Sävenäs 131:13 property. K-Fast Holding AB is to take possession of the property during the first quarter of 2020. Purchase price, SEK 80.0 million.
- In August 2019, in connection with the liquidation of K-Fastigheter's securities portfolio, K-Fast Värdepapper AB transferred shares in the unlisted company SHH Bostad AB to Jacob Karlsson AB, which subsequently transferred the shares to Fastighets AB Balder. In both transfers, the price amounted to approximately SEK 6.1 million, corresponding to the price paid by K-Fast Värdepapper AB for the shares when they were acquired in late 2018 and early 2019.
- In September 2019, K-Fastigheter implemented a private placement aimed at five senior executives: Martin Larsson through companies, Åsa Fredin through companies, Niklas Larsson through companies, Eric Johansson through companies and Tonnie Karlsson. New shares were issued for a total of SEK 17.9 million.

NOTE 38: EVENTS AFTER THE END OF THE FINANCIAL YEAR

No significant events have occurred since the end of the financial year beyond those accounted for in the Directors' Report.

NOTE 39: PROPOSED APPROPRIATION OF ACCUMULATED PROFIT

The unrestricted equity of the Parent Company is at the disposal of the Annual General Meeting.

K-Fastigheter prioritizes growth above dividends. The Board of Directors therefore proposes that no dividend be paid for the 2019 financial year. The Board of Directors proposes that the available profits appropriated as follows:

SEK	
Retained earnings	888,731,156
Profit for the year	107,622,977
	996,354,133
To be appropriated such that the following is carried forward to a new account	996,354,133
	996,354,133

SIGNATURES OF BOARD OF DIRECTORS AND AUDITOR

The Board of Directors and CEO hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19

July 2002 on the application of international accounting standards. The Annual Report and the consolidated accounts present a true and fair picture of the position and earnings of the Parent Company and the Group. The Directors' Report for the Group and the Parent Company provides a true and fair view of development in the operations, financial position and profit of the Group and the

Parent Company, describing the significant risks and uncertainties faced by the Parent Company and the companies within the Group.

The Income Statement and Balance Sheet of the Group and of the Parent Company are subject to approval by the Annual General Meeting on 19 May 2020.

Hässelholm, 2 April 2020

Erik Selin
Chairman of the Board

Ulf Johansson
Board Member

Christian Karlsson
Board Member

Sara Mindus
Board Member

Jesper Mårtensson
Board Member

Jacob Karlsson
Board Member and CEO

Our audit report was submitted on 2 April 2020

Ernst & Young AB

Stefan Svensson
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of K-Fast Holding AB (publ), Corp. ID No. 556827-0390.

REPORT ON THE ANNUAL AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of K-Fast Holding AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 68-122 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31st of 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 31st of 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 Director's 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 the 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.

Particularly significant areas

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Description

The fair value of the Group's investment properties reported in the Statement of Financial Position per 31 December 2018 amounted to SEK 72,329 million. The valuations are made through a combination of local price analyses and discounted future cash flows. The properties were valued externally and internally per 31 December 2019. The properties' direct return requirements are assessed on the basis of each property's unique risk and transactions made in the market for objects of a similar nature. In view of the many assumptions and assessments made in connection with the valuation of investment properties, we believe that this area is to be considered of particular importance in our audit. A description of the valuation of the property holdings is shown in the Annual Report under Note 1 page 92-93, Note 2 page 97 and Note 16 page 104-106.

How our audit addressed this key audit matter

In our audit, we have evaluated and examined the internal and external property valuation by, among other things, evaluating the valuation method and input for the valuations. With the support of our internal property valuation specialists, we have examined the property valuations and assessed the reasonableness of assumptions made, such as direct return requirements, vacancy rates, rental income and operating costs. For a selection of investment properties, we have examined inputs and calculations in the external valuations at the property level. We have evaluated the external valuers' competence and objectivity. We have reviewed supplementary disclosures made in the Annual Report.

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 1-68 and 126-137. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for

the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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.

Auditors' responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of K-Fast Holding 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 (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditors' 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, P.O. Box 7850, SE-103 99 Stockholm, Sweden, was appointed auditor of K-Fast Holding AB (publ) by the general meeting of the shareholders on the 2nd of April 2019 and has been the company's auditor since the 4th of January 2017.

Malmö, 2 April 2020

Ernst & Young AB

Stefan Svensson

Authorized Public Accountant

SUSTAINABILITY AND GENERATING VALUE

While all of the UN's 17 sustainability goals are important, as an individual company, K-Fastigheter is not able to resolve all of the challenges that the UN describes as critical in achieving sustainable development. K-Fastigheter can contribute, and seeks to, in those areas where we believe we get the best results, and the Group's management has chosen to focus on those objectives where K-Fastigheter can today generate the greatest impact and be relevant to the Group's stakeholders.

Although K-Fastigheter is not covered by the requirement to prepare a Sustainability Report for the 2019 financial year, the Group nonetheless intends to include further information in the 2020 Annual report on ongoing and planned activities in the area of sustainability to meet the requirements of the Annual Accounts Act.

The areas judged most relevant based on both stakeholders' and K-Fastigheter's perspective is compliance with laws and regulations, including the regulations for accurate market communications, anti-corruption, customer satisfaction, employees' terms of employment and energy consumption.



Goal 3, stating that good health is a fundamental prerequisite for people's ability to reach their full potential and contribute to society's development, is crucial for all of K-Fastigheter's employees. The Group has clear regulations and efforts to ensure that all workplaces are secure from both a physical and psychological perspective. Among other things, the Group offers occupational healthcare, contributions for wellness activities, as well as efforts to prevent and treat drug abuse, including narcotics and harmful alcohol abuse.



Goal 5 involves achieving equality between women and men as a prerequisite for sustainability and peaceful development. The construction industry has done a great deal to get more women to consider the opportunities it offers, but there are still areas in the everyday working environment that must change. For K-Fastigheter, this goal primarily means that we want to create a working environment providing equal terms and opportunities for leadership at all decision levels.



Goal 7 regarding sustainability energy for all assumes that a large proportion of mankind's greenhouse gas emissions derive from how we extract, transform and use fossil energy. K-Fastigheter has a clear ambition to increase the proportion of renewable and recycled energy, which includes purchasing, both for our tenants and our production facilities.



Goal 8, which addresses decent working conditions and financial growth is the basis for all of K-Fastigheter's operations. Our most important task as an employer is to foster a safe and secure working environment for our employees. Regardless of whether they work in offices, production facilities or in our properties, we will continuously safeguard a working environment that is as favourable as possible. This is because we are convinced that skills development, safety and good working conditions are crucial for job satisfaction and commitment, which is of benefit to our tenants.

By working continuously with improvements and building long-term relationships with our tenants and our strategic partners, we obtain a safe and effective working environment throughout the value chain.



Goal 11 includes sustainable urban development with sustainable construction and planning of housing, infrastructure, public spaces, transports, recycling and more secure handling of chemicals, which, in turn, requires new technologies and collaboration between several sectors. Inclusive and innovative urban planning is needed to make cities safe, secure and sustainable for the future. This is the essence of K-Fastigheter, and something we work on every day to achieve. We build secure, safe and cost-efficient housing to foster freedom of choice and opportunities for more people.



Goal 12 summarizes sustainable consumption not only entailing environmental benefits but also social and economic benefits, such as increased competitiveness, growth in both the local and global markets, increased employment, improved health and reduced poverty. Several of the sub-goals form natural elements in K-Fastigheter's day-to-day operations and are included at all stages of production. Managing and reducing the amount of waste and inputs, such as chemicals, is a continuous process that makes us more cost-effective and competitive.

SIGNIFICANT SUSTAINABILITY ISSUES

- Customer satisfaction and business ethics
- Long-term approach and development
- Growth and profitability
- Health and safety
- Leadership and education
- Diversity and strong values

K-Fastigheter strives to build sustainably and circularly. For us, the sustainability of a building entails so much more than energy efficiency. It must also function economically and socially, both now and in the future. Our operations should be long-term, cost-efficient and attractive, meaning we must manage our shared resources and, at the same time, dare to make decisions that support our long-term development.

It shall be possible to use our concept buildings, and for them to remain functional, for many generations. The estimated life is about 100 years, meaning that the architecture, materials and construction methods we use today should be well-liked and should last for a very long time. In addition, even at the planning stage, we are already considering how it should be easy to conduct future renovations and that the buildings can be adapted to shifting future needs.

For K-Fastigheter, sustainability involves partly the economic aspect and partly the social. The first part is a matter of housekeeping and selecting resources, both during construction and throughout the lifetime of the building. But it is also about what land we use, how it can be used most efficiently and how construction can contribute to the environment in different ways. The choice of concept building is the basis for a long-term sustainable economy. Although each site is unique, we can reuse drawings from previous projects, the processes are well-known and functioning and, combined with established choices of materials, construction is faster and safer than the average project. Waste quantities are minimized and the property management of completed buildings is optimized through our familiarity with all of the details of the building's infrastructure.

The social aspect is equally important. We want our tenants to be able to create a safe and secure home, to thrive and to develop. It takes our own buildings and the whole area, with workplaces, traffic solutions and the natural environment, to join forces, creating a pleasant and inclusive living environment. We believe

in relationships and partnerships and, for us, our dialogue with tenants and other stakeholders is important for K-Fastigheter to develop as a company and to be able to build more sustainably and circularly.

ENVIRONMENT



Construction and construction materials

The fact that K-Fastigheter constructs concept buildings provides the conditions for optimal resource utilization and safeguards both a high level of quality, as well as a favourable working environment. By using standardized process at proprietary production facilities, consumption of materials, logistics and other resources can be planned in detail, reducing waste, emissions and warehousing; streamlining flows and lowering costs in areas that do not generate value.

K-Fastigheter's construction uses quality materials that are sustainable in the long term. The core of all of the concept buildings is constructed of concrete, a proven material that is durable and safe, with favourable climate traits, but that consists largely of cement, which is energy intensive in its production. Efforts are in progress to reduce the environmental impact of cement production, including reusing concrete from demolished buildings.

By building prefabricated construction elements of concrete and wood from its own production facilities, K-Fastigheter is able to control the process. Building indoors frees the process from interruptions caused by weather. Another advantage of prefabricated manufacturing methods is more optimized products requiring smaller quantities of materials, helping reduce the number of shipments of building materials, while making it easier to handle the waste that always arises during production. The production time can also be reduced by half compared with cores molded on-site, which also means that the first tenants can move

into their new homes significantly earlier than with comparable site-built structures.

Indoor environment

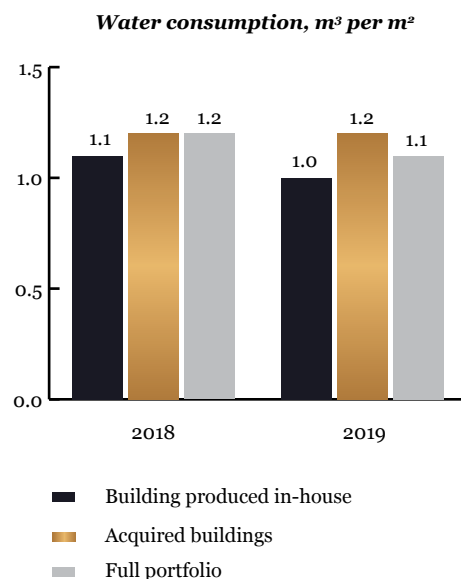
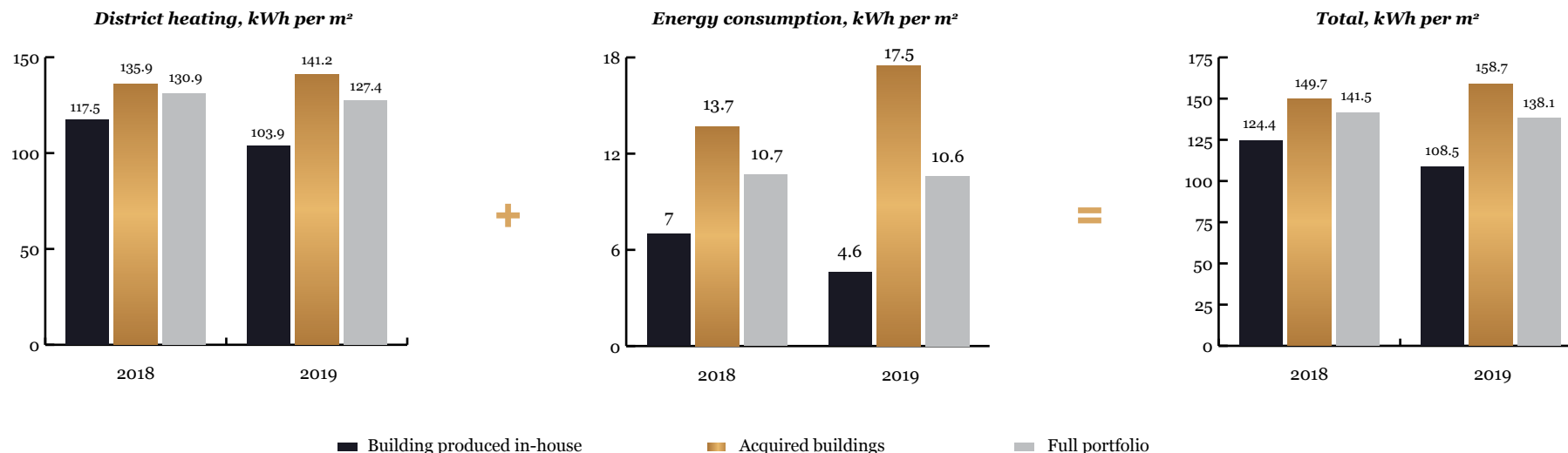
All three of K-Fastigheter's concept buildings, as well as apartments upgraded in accordance with K-Fast 2.0, are constructed with an attractive and sustainable selection of material and surfaces to create pleasant and sustainable living environments. All of the homes are, for example, equipped with kitchen worktops and window sills in stone and with energy-efficient appliances, including a washing machine, dryer, dishwasher and built-in microwave as standard.

Cost efficient renovation and improved standard with K-Fast 2.0

K-Fastigheter has developed a proprietary concept that the Group applies in raising the standard of the older apartments in its holdings. Fundamental for K-Fast 2.0 is safeguarding quality and durability in vital parts, such as wiring, plumbing and other types of technical installations. Surfaces and equipment are also adapted so that the long-term operating costs can be minimized in a way that meets the tenants' expectations of a modern living environment.

By using the same selection of materials as in our newly-produced buildings, we also generate larger volumes and better negotiating conditions for our procurement organization.

K-Fastigheter's long-term perspective is fundamental to the Group's sustainability efforts, entailing, among other things, constructing high-quality buildings that ensure rational property management over time, preserving the surrounding environment and maintaining good relations with tenants and other key stakeholders. Value for shareholders shall be generated in compliance with applicable laws and regulations, both ethical and statutory, and with respect for the environment.



Environmental classification

We construct the concept buildings we have developed in-house ourselves with the ambition of meeting requirements corresponding to those set by the Swedish Miljöbyggnad Silver certification system with regard to energy, interior environment and chemical substances.

Energy consumption

Demand for fossil-free energy is increasing and K-Fastigheter is participating in this trend by, among other things, installing solar cells on suitable properties. One example is K-Fastigheter's new production facility in Hässleholm, which is to be self-sufficient in energy from renewable sources.

To limit K-Fastigheter's long-term environmental impact and to keep property management costs down, the concept buildings have been designed with a focus on achieving minimal energy consumption. The concept buildings are included in the A and

B energy classes and K-Fastigheter's concept buildings have, on average, 32 percent lower energy consumption than the Group's acquired properties.

In procuring electricity, the Group chooses, as far as possible, suppliers offering electricity from renewable sources, primarily wind and hydropower.

To encourage multiple tenants to opt to pay their rents via more environmentally friendly direct debit, K-Fastigheter decided to contribute by planting a tree for each additional autogiro.

Water consumption

Water consumption in K-Fastigheter's total property stocks decreased by 6 percent in 2019 compared with the preceding year. In the buildings that K-Fastigheter produces in-house, water consumption was 16 percent lower than in the properties the Group has acquired. This is mainly explained by the use of low-flush tap nozzles and toilets.

Read more about Sweden Green Building Council (SGBC) and the organization's environmental certification:
<https://www.sgbc.se/certifiering/miljobyggnad/certifiera-med-miljobyggnad/>

SOCIETY



Continued employee development

K-Fastigheter targets developing each employee in the long term, on the basis of the individual, the operations and in line with future market needs. Employees who enjoy going to work every day are fundamental to the Group's success and health, wellness and continued training also play an important role in the terms of employment.

Working environment

It is K-Fastigheter's objective that no workplace accidents should occur and the Group works preventively to minimize risks in and around the working environment.

Transparency and ethics

An important part of K-Fastigheter's sustainability work is to encourage employees and other representatives, both internally and externally, behaving in a manner compatible with K-Fastigheter's fundamental values. Accordingly, K-Fastigheter has implemented several control documents, including a Code of Conduct that addresses aspects including sustainability, anti-corruption work, business ethics and a Whistleblower Policy.

Our employees play an important role in sounding the alarm if they suspect any illegal activities or activities in violation of other demands or running contrary to K-Fastigheter's ethical guidelines. This gives us an opportunity to prevent such behaviours and to make corrections if something has gone awry. Our employees (including contracted personnel) can report potential deviations confidentially by means of a whistleblower channel that is independent of the Group's.

Diversity

K-Fastigheter believes that everyone, regardless of gender, ethnic background, religion or other beliefs, sexual orientation, age,

cross-gender identity or functional disability should be able to participate in working life on equal terms. It is important that the equal value of the individual be respected. K-Fastigheter does not see the difference but the person, and their results are what count. Accordingly, K-Fastigheter has adopted a gender equality policy with an associated plan of action for achieving equal rights and opportunities among employees.

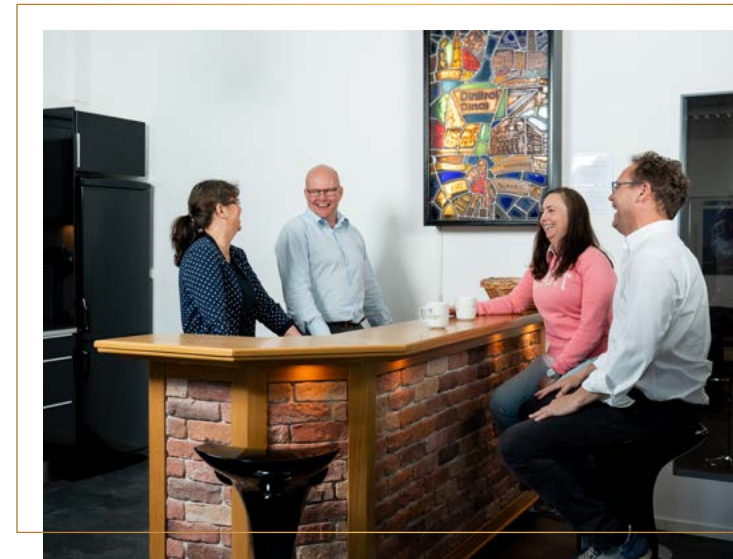
Sponsorship and community commitment

K-Fastigheter collaborates with various players to foster the conditions necessary for tenants to feel at home. This includes providing clear information about agreements and other terms, rapid feedback in the event of any faults in the home or its surroundings, and cooperation with parties such as the municipality, other property companies or local associations to increase engagement, service and security in the area.

We attach great importance to safety and well-being in and around our properties and therefore sponsor youth activities and safety-building initiatives where we can find common ground for objectives and implementation. On this basis, K-Fastigheter contributes financially or with other resources.

A few examples are K-Fastigheter's partnership with OV Helsingborg HK in a Handball School for all (HFA), a partnership that includes handball training, homework help and other social actively for children aged 7–10 and living in vulnerable areas of Helsingborg. More information about HFA: <https://ovhelsingborg.myclub.se/menu/pages/15594>

We believe that community and an understanding of other people's circumstances are important prerequisites for generating security and respect for oneself and the surrounding community. Through a partnership with Dandelion, K-Fastigheter participates in a project for under-privileged children in South Africa - "Chickenrace 2019 featuring gardening". More information about Dandelion: <http://www.dandelionchild.nu/?lang=en>



A favourable working environment that fosters development promotes K-Fastigheter's skills development of the Group's employees.



K-Fastigheter is one of Dandelion's partners for education projects in South Africa.

KEY DATA

In the Annual Report, K-Fastigheter presents certain financial measures that are not defined in accordance with IFRS. K-Fastigheter believes that these measures provide valuable additional information to investors and management as they enable assessment of the Company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be considered as a replacement for measures defined in accordance with IFRS. The table below presents financial measures that are not defined in accordance with IFRS.

Compared with the 2018 Annual Report, the definitions of the alternative key data Interest coverage ratio, Loan-to-value ratio, Surplus ratio and Long-term net asset value have changed and the comparative figures for full-year 2018 have therefore been recalculated in accordance with the new definitions. For the former definitions, please refer to the 2018 Annual Report.

	2019 Jan-Dec	2018 Jan-Dec
Property-related		
Rental value, SEK million	196.6	133.4
Average financial letting ratio, %	96.8%	98.8%
Surplus ratio, %	68.4%	64.4%
Lettable area, m ²	130,486	104,843
Number of apartments under management	1,711	1,220
Number of apartments under construction	700	541
Number of apartments under project development	1,340	688
Financial		
Interest coverage ratio, multiple	2.6	3.5
<i>excl. listing costs</i>	2.8	3.5
Equity/assets ratio, %	41.8%	29.3%
Loan-to-value ratio, %	40.2%	60.4%
Period for which capital is tied up, years	3.2	3.2
Period of fixed-interest, years	3.3	2.7
Average interest, %	1.90%	1.71%
Net investments, SEK million	1,061.1	835.7
Profit from property management, SEK million	53.0	41.1
Long-term net asset value (NAV), SEK million	2,540.2	1,213.4
Share-related		
Profit from property management per share, SEK	2.05	1.64
Growth in profit from property management per share, %	24.6%	23.8%
Profit after tax per share for the year, SEK	14.14	9.79
Long-term net asset value (NAV), SEK	74.96	48.54
Growth in long-term net asset value (NAV), per share, %	54.4%	29.5%
Equity per share, SEK	66.05	39.25
Number of shares outstanding at the end of the year, thousands	33,889	25,000
Average number of shares outstanding, thousands	25,830	25,000

RECONCILIATION TABLE AND DEFINITIONS

Property-related key data

Rental value, SEK million	2019	2018	Definition	Motivation
A Contract value on an annual basis at end of the year, SEK million	190.5	132.5	Closing annual rent plus estimated market rent for vacant space.	Rental value is used to illustrate the Group's earnings potential.
B Vacancy value on an annual basis at the end of the year, SEK million	6.1	0.9		
A+B Rental value at the end of the year, SEK million	196.6	133.4		

Financial letting ratio, %

A Contract value on an annual basis at the end of the year, SEK million	190.5	132.5	Contractual annual rent for leases valid at the end of the year, in relation to rental value.	Illustrates the financial degree of utilization of K-Fastigheter's properties.
B Vacancy value on an annual basis at the end of the year, SEK million	6.1	0.9		
A/(A+B) Financial letting ratio at the end of the year, %	96.9%	99.3%		

Average financial letting ratio, %

A Rental income for the year, SEK million	156.8	96.6	Rental income during the year in relation to the rental value during the year.	This key figure illustrates the financial degree of utilization of K-Fastigheter's properties.
B Rental value for the year, SEK million	161.9	97.8		
A/B Average financial letting ratio at the end of the year, %	96.8%	98.8%		

Surplus ratio, %

A Gross profit from property management for the year in accordance with the Income Statement, SEK million	107.3	62.2	Operating surplus in relation to rental income.	This key figure illustrates the profitability of the property management operations.
B Rental income for the year in accordance with the Income Statement, SEK million	156.8	96.6		
A/B Surplus ratio over year, %	68.4%	64.4%		

Lettable area at the end of the year, m ²	130,486	104,843	Total area available for lease.	Key figure to illustrate K-Fastigheter's capacity to achieve operational targets.
Number of apartments under management at the end of the year	1,711	1,220	Total number of apartments under management at the end of the year	
Number of apartments under construction at the end of the year	700	541	Total number of apartments under construction at the end of the year	
Total number of apartments in project development at the end of the year	1,340	688	Total number of apartments in project development at the end of the year	

Financial key data

Interest coverage ratio, multiple	2019	2018	Definition	Motivation
A Profit from property management for the year in accordance with the Income Statement, SEK million	52.9	41.1	Profit from property management with reversal of depreciation/ amortization and impairment and net interest income and divided by net interest income (incl. realized change in value of current derivative instruments).	This key figure illustrates financial risk by highlighting the sensitivity of the Company's performance to interest rate fluctuations.
B Depreciation/amortization and impairment	-5.1	-0.4		
C Net interest income for the year in accordance with the Income Statement, SEK million	-35.3	-16.8		
(A-B-C)/-B Interest coverage ratio for the year, multiple	2.6	3.3		
D Expenses attributable to stock market listing for the year in accordance with the Income Statement, SEK million	-13.3	-3.4		
(A-B-C-D/3)/B Adjusted interest coverage ratio for the year, multiple	2.8	3.5	Interest coverage ratio adjusted for costs attributable to stock exchange listing included in central administration.	
Equity/assets ratio, %				
A Equity at the end of the year in accordance with the Balance Sheet, SEK million	2,238.5	981.2	Equity as a percentage of total assets at the end of the year.	The key figure highlights financial risk by illustrating the scale of equity in relation to total assets.
B Total equity and liabilities at the end of the year in accordance with the Balance Sheet, SEK million	5,352.3	3,347.1		
A/B Equity/assets ratio at the end of the year, %	41.8%	29.3%		
Loan-to-value ratio, %				
A Interest-bearing liabilities at the end of the year in accordance with the Balance Sheet, SEK million*	2,371.9	1,606.6	Net liabilities related to investment and business properties in relation to the fair value of investment and business properties.	The loan-to-value ratio is used to illustrate K-Fastigheter's financial risk.
B Cash and cash equivalents and net value of current investments at the end of the year in accordance with the Balance Sheet, SEK million	779	74.7		
C Investment and business properties at the end of the year in accordance with the Balance Sheet, SEK million	3,962.0	2,535.9		
(A-B)/C Loan-to-value ratio at the end of the year, %	40.2%	60.4%		
Average interest, %				
A Interest expense calculated at annual rate at the end of the year, SEK million	44.3	27.5	Estimated annual interest on liabilities to credit institutions pertaining to investment and business properties, based on current loan agreements, in relation to total liabilities to credit institutions pertaining to investment and business properties.	Average interest is used to illustrate the interest rate risk for K-Fastigheter's interest-bearing liabilities.
B Interest-bearing liabilities at the end of the year in accordance with the Balance Sheet, SEK million	2,331.9	1,606.6		
A/B Average interest rate at the end of the year, %	1.90%	1.71%		
Net investments, SEK million				
A Acquisitions during the year, SEK million	557.7	406.7	Total net investments in investment and business properties and new construction projects in progress during the year.	Key figure to illustrate K-Fastigheter's capacity to achieve operational targets.
B New construction projects during the year, SEK million	499.7	436.8		
C Extensions and remodelling during the year, SEK million	5.9	5.1		
D Sales during the year, SEK million	-2.3	-12.9		
A+B+C-D Net investments during the year, SEK million	1,061.1	835.7		

*Adjusted for stage 3 of Helsingborg / Brigaden 7 & 8's share of existing construction credits (SEK 40.0 million), which, as per 31 December 2019 were not refinanced and were not, accordingly, included in interest-bearing liabilities related to investment and business properties. Stages 1 and 2 of Helsingborg/Brigaden 7 & 8 have been refinanced and were included in interest-bearing liabilities related to investment and business properties as per 31 December 2019.

Financial key data, cont.

Profit from property management, SEK million	2019	2018	Definition	Motivation
A Gross profit from property management for the year in accordance with the Income Statement, SEK million	107.3	62.2	Gross profit from property management less central administration costs and depreciation/amortization and impairment attributable to the Property Management business area and net interest income.	This key figure illustrates the profitability of the property management operations.
B Central administration attributable to property management during the year in accordance with the Income Statement, SEK million	-14.0	-3.9		
C Depreciation/amortization and impairment attributable to property management during the year in accordance with the income statement, SEK million	-5.1	-0.4		
D Net interest income for the year in accordance with the Income Statement, SEK million	-35.3	-16.8		
A+B+C+D Profit from property management during the year, SEK million	52.9	41.1		
Long-term net asset value (NAV), SEK million				
A Equity at the end of the year in accordance with the Balance Sheet, SEK million	2,238.5	981.2	Reported equity with reversal of deferred tax, interest rate derivatives and non-controlling interests.	An established measure of K-Fastigheter's and other listed companies' long-term net asset value, facilitating analyses and comparisons.
B Derivatives at the end of the year in accordance with the Balance Sheet, SEK million	12.8	6.2		
C Deferred tax liability at the end of the year in accordance with the Balance Sheet, SEK million	310.3	228.2		
D Deferred tax asset at the end of the year in accordance with the Balance Sheet, SEK million	-21.4	-2.2		
B Non-controlling interests at the end of the year in accordance with the Balance Sheet, SEK million	0.0	0.0		
A+B+C-D-E Long-term net asset value at the end of the year (NAV), SEK million	2,540.2	1,213.4		
Period for which capital was tied-up at the end of the year, years	3.2	3.2	The period for which capital is tied up with regard to liabilities to credit institutions pertaining to investment and business properties at the end of the year.	This key figure is used to illustrate the (re-)financing risk related to K-Fastigheter's interest-bearing liabilities.
Period of fixed-interest at the end of the year, years	3.3	2.7	The fixed interest term on liabilities to credit institutions pertaining to completed investment properties at the end of the year.	This key figure is used to illustrate the interest rate risk for K-Fastigheter's interest-bearing liabilities.

Share-related key data

Long-term net asset value (NAV), SEK	2019	2018	Definition	Motivation
A Long-term net asset value (NAV) at the end of the year in accordance with the Balance Sheet, SEK million	2,540.2	1,213.4	Long-term net asset value (NAV) in relation to the number of shares outstanding at the end of the year.	Used to illustrate K-Fastigheter's long-term net asset value (NAV) per share in a manner that is uniform for listed companies.
B Number of shares outstanding at the end of the year, thousands	33,889	25,000		
A/B Long-term net asset value (NAV) per share at the end of the year, SEK	74.96	48.54		
Growth in long-term net asset value (NAV) per share, %				
A Long-term net asset value (NAV) per share at the end of the year in accordance with the Balance Sheet, SEK	74.96	48.54	Percentage change in long-term net asset value (NAV) per share over the year.	Used to illustrate growth in K-Fastigheter's long-term net asset value per share in a manner that is uniform for listed companies.
B Long-term net asset value (NAV) per share at the end of the preceding year in accordance with the Balance Sheet, SEK	48.54	37.49		
A/B-1 Growth in long-term net asset value (NAV) per share for the year, %	54.4%	29.5%		
Equity per share, SEK				
A Equity attributable to Parent Company shareholders at the end of the year in accordance with the Balance Sheet, SEK million	2,238.5	981.2	Equity less minority share of equity, in relation to number of shares outstanding at the end of the year.	Used to illustrate K-Fastigheter's equity per share in a manner that is uniform for listed companies.
B Number of shares outstanding at the end of the year, thousands	33,889	25,000		
A/B Equity per share at the end of the year, SEK	66.05	39.25		
Profit from property management per share, SEK				
A Profit from property management for the year in accordance with the Income Statement, SEK million	52.9	41.1	Profit from property management in relation to the average number of shares outstanding during the year.	Used to illustrate K-Fastigheter's profit from property management per share in a manner that is uniform for listed companies.
B Average number of shares outstanding during the year, thousands	25,830	25,000		
A/B Profit from property management per share for the year, SEK	2.05	1.64		
Growth in profit from property management per share, %				
A Profit from property management per share for the year, SEK	2.05	1.64	Percentage change in profit from property management per share for the year.	Used to illustrate growth in K-Fastigheter's profit from property management per share in a manner that is uniform for listed companies.
B Profit from property management per share for the preceding year, SEK	1.64	1.33		
A/B-1 Growth in profit from property management per share over the year, %	24.6%	23.8%		
Profit after tax per share for the year, SEK				
A Profit after tax for the year in accordance with the Income Statement, SEK million	365.3	244.8	Profit for the year in relation to the average number of shares outstanding during the year.	Used to illustrate K-Fastigheter's profit per share in a manner that is uniform for listed companies.
B Average number of shares outstanding during the year, thousands	25,830	25,000		
A/B Profit after tax per share for the year, SEK	14.14	9.79		
Number of shares outstanding at the end of the year, thousands*	33,889	25,000		
Average number of shares outstanding during the year, thousands*	25,830	25,000		

* Includes shares in new share issue approved and subscribed as of 30 September 2019 and registered in October 2019.

GLOSSARY

Industry-related definitions

Living area (BOA)

Living area is primarily used by property owners to denote the space for which payment can be received on leasing. Living area or living space refers to the space in a building that can be used as housing. Combined, living area and secondary space comprise the total space in the building.

Apartments under production

Refers to the time from the commencement of construction until the completion of the building. An apartment is considered completed once a final inspection has been conducted.

Gross floor area (GFA)

Gross floor area is used in many contexts, in planning provisions, for example, property valuations or fee calculations. The gross floor area is the sum area of all of the floors in the building and is limited by the outer side of the building components.

Building rights

A building right is the maximum degree of development permitted on an area of land in accordance with a detailed development plan. In housing, a building right corresponds either to an apartment, a townhouse or detached small house. To control a building right, ownership of the land is required or an option to own the land.

Commencement of construction

K-Fastigheter defines the commencement of construction as the time at which the Group obtained planning permission having gained legal force and signed a general contract.

Development properties

Refers to K-Fastigheter's holdings of land and building rights for future housing development and activated project development properties.

Property

Property held with title or site leasehold.

Property costs

The item includes both direct property costs, as well as expenses for the operation, maintenance, ground rent and property tax, as indirect property expenses in the form of leasing and property administration.

Completed apartments

Refers to apartments where final inspection has taken place and tenants have moved in.

Degree of completion

Booked expenses in relation to calculated total expenses in housing projects in progress.

Rental income

Invoiced rent plus surcharges, as compensation for heating and property tax.

Public properties

Properties with directly or indirectly tax-financed tenants accounting for the least 70 percent of rental income.

Lettable area

Total area available for leasing.



INFORMATION FOR SHAREHOLDERS

2020 ANNUAL GENERAL MEETING

19 May 2020

CALENDAR 2020

19 May	Interim report January – March
19 May	Annual General Meeting
18 August	Interim report January – June
11 November	Interim report January – September

2020 Annual General Meeting

The 2020 Annual General Meeting of K-Fast Holding AB will be held on 19 May 2020 at 5:00 p.m. CET at Hotel Statt, Frykholmmsgatan 13, Hässleholm, Sweden.

Notice of the Annual General Meeting is to be communicated within the statutory period through an advertisement in Post- och Inrikes Tidningar (Swedish official gazette) and on the company's website. That fact that such notice has been issued shall be advertised in Swedish financial newspaper Dagens industri.

The notice will contain instructions on what shareholders should do to attend the Annual General Meeting or submit a power of attorney. Shareholders who have chosen to register their shares with a proxy must temporarily have Euroclear Sweden AB re-register the shares in the shareholder's own name to be entitled to attend the Meeting.

Notices of general meetings, minutes and communications from General Meetings are kept availability at www.k-fastigheter.se

Communications from K-Fastigheter

Our communications with the financial market shall be characterized by open, relevant and accurate information to shareholders, investors and investors and analysts, thereby increasing knowledge about the Group's operations and shares. Information in the form of press releases (regulatory as well as non-regulatory), quarterly reports, Annual Report and in-depth information is available on our IR pages at the Group's website, www.k-fastigheter.se. Shareholders and others who are interested may subscribe for press releases and financial reports. The general information on the IR pages of the website, such as shareholder listings, is normally updated in connection with the quarterly reports. In the event of any major changes, the website is updated immediately.

For 30 days prior to the publication of a financial report, K-Fastigheter observes a silent period, meaning that the Group's representatives do not meet the financial media, analysts or investors during this period.

More information about K-Fastigheter's operations, financial reporting and press releases can be found at www.k-fastigheter.se

Follow the Group via social media

Our social media channels serve as a complement to press releases and financial reports. Through these channels, we seek to provide better insight and complementary perspective on what is happening in the Company and to communicate with our most important stakeholders. Since we use the channels in slightly different ways, you can select those that are best suited to your needs.

Facebook – www.facebook.com/kfastigheter/

On our Facebook page, you will find information about all of our vacancies, ideas for your home, short company news with fun facts and events that we think may be of interest to many.

LinkedIn – www.linkedin.com/company/12603996

Our LinkedIn page provides financial news, longer texts about our development and available services.

Instagram – www.instagram.com/k_fastigheter/

On the Group's Instagram account we publish pictures and texts about current events, brief reflections, vacancies and where there are opportunities to move in and establish a home.

K-Fast Holding AB is a public company. Corp. ID No.: 556827-0390. LEI number: 549300VTOUXKWES37P59. Domiciled in Hässleholm, Sweden.

The Annual Report is published in Swedish and English. The Swedish version is the original version and takes precedence over the English should the translation differ from the original. All values are expressed in Swedish kronor (SEK). "Kronor" is shortened SEK and millions of kronor to "SEK million". Because amounts and values have been rounded, tables/diagrams do not always add up precisely. Figures in parentheses refer to the preceding year unless otherwise stated.

This report contains forward-looking information based on K-Fastigheter's current expectations. Although management believes the expectations reflected in such forward-looking information to be reasonable, no guarantee can be provided that these expectations will prove correct. Consequently, future outcomes may vary considerably compared to what is presented in the forward-looking information based on, among other things, changing economic, market and competition conditions, changes in legal requirements and other policy measures, fluctuations in exchange rates and other factors.

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As a property company, K-Fastigheter's objective is to add value for tenants by creating attractive homes with superior comfort. The Group's operations encompass active property management, project development and proprietary construction operations. To enhance cost efficiency and cut construction times, K-Fastigheter has chosen to work with three concept buildings, developed in-house and constructed for proprietary management. K-Fastigheter provides some 1,700 homes in several locations in the Öresund region, in the province of Småland and in western Sweden, and is assessing new markets as production capacity increases. The Group's property portfolio has a book value of SEK 4.4 billion, with an annual rental value of about SEK 200 million. Since November 2019, the company's class B shares have been traded on Nasdaq Stockholm (ticker: KFAST B).

Read more at k-fastigheter.se/en



K-FASTIGHETER