2020 Annual Report
Annehem Fastigheter AB

Invitation to the Annual General Meeting

Annehem Fastigheter AB (publ) will hold its Annual General Meeting on 19 May 2021. Since the spread of COVID-19 continues to be widespread, Annehem's Annual General Meeting will be held in a different manner than normal. To reduce the risk of spreading the virus and taking into account the recommendations and advice of the authorities to avoid assemblies, the meeting will be held only by advance voting (postal vote) pursuant to temporary legal provisions. A meeting with attendance in person or by proxy will therefore not take place. Annehem invites you to take part in the Annual General Meeting by advance voting and encourages shareholders to ask questions in advance by mail or e-mail (IR@annehem.se) that must be received by Annehem no later than 9 May 2021.

Shareholders who wish to take part in the meeting through advance voting must be (i) listed as shareholders in the share register produced by Euroclear Sweden regarding the conditions on 10 May 2021, and (ii) register for the meeting no later than 18 May 2021 by submitting their advance vote in accordance with the instructions set out in the convening notice published no later than 21 April 2021.

The convening notice of the meeting, power of attorney forms and advance voting forms will be available on Annehem Fastigheter's website no later than 21 April 2021, www.annehem.se/investors/corporate-governance/shareholders-meetings/.

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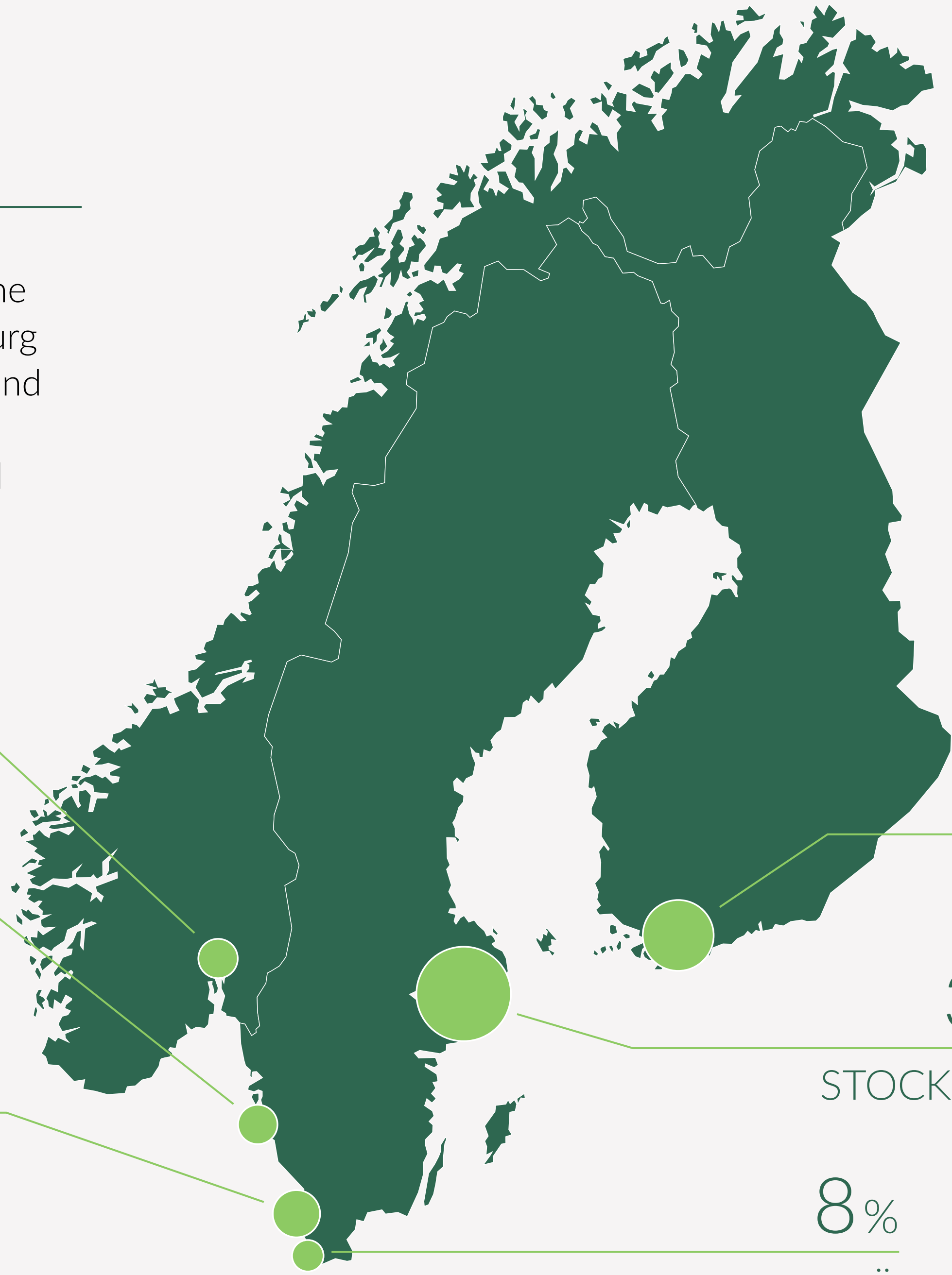
This is Annehem

We own and manage commercial properties in the Swedish growth regions of Stockholm, Gothenburg and Skåne, and also at a Nordic level in Helsinki and Oslo. The properties are largely state-of-the-art, flexible, with good access to public transport and other communications and are of high quality.



Distribution as a percentage of total property value.

Annehem's business concept, vision and mission

Business concept

Annehem shall own and manage high-quality commercial, community service and residential properties with a clear environmental profile located near good transport links in the Nordic growth areas. Annehem builds lasting relationships and value through management being close to the customers.

Vision

Annehem shall always be the number one choice for customers and employees wherever the company chooses to operate.

Mission

Annehem creates attractive meeting places and homes. Annehem believes that the workplace, meeting place and home are tools for nurturing growth and attractiveness. The positive development of Annehem's customers in turn creates growth and attractiveness in the cities in which the company operates.

The year in brief

- Annehem Fastigheter AB (Annehem) was formed on 1 January 2020 as a separate property Group within Peab. Annehem was distributed to Peab's shareholders and was listed on 11 December 2020.
- Rent revenue for the year amounted to SEK 151.5 million (96.5).
- Net operating income amounted to SEK 121.8 million (60.2). The improvement is attributable to a larger portfolio of properties and a higher occupancy rate year-on-year.
- Income from property management amounted to SEK 16.0 million (31.5) and was impacted by costs for setting up Annehem as an independent Group as well as IPO and refinancing costs of SEK –29.0 million, which yielded an adjusted income from property management of SEK 45.0 million.
- The fair value of investment properties amounted to SEK 3,317.5 million (2,437.2).
- Investments in existing properties amounted to SEK 137.3 million.
- Earnings per share amounted to SEK 1.22 (1.74).
- Acquired but not yet closed two housing projects and two commercial properties at a total underlying property value of SEK 791 million.
- Positive result in the Fastighetsbarometer survey, with Annehem placing as one of five companies that achieved a CSI of 80 or higher.
- In accordance with the company's dividend policy, no dividend is proposed for 2020.

SEK million	2020	2019
Rent revenue	151.5	96.5
Net operating income	121.8	60.2
Income from property management	16.0	31.5
Income from property management excluding items affecting comparability	45.0	31.5
Income from property management excluding items affecting comparability per share	0.76	0.53
Income for the period	71.8	102.7
Earnings per share for the period, SEK	1.22	1.74
Net loan-to-value ratio, %	33.1	58.0
Equity/assets ratio, %	54.4	37.3
Interest-coverage ratio, multiple	2.0	2.5
Economic occupancy rate, %	95.5	82.7
Surplus ratio, %	80.4	62.4

Significant events

Listing on Nasdaq Stockholm

On 11 December 2020, Annehem Fastigheter AB (publ) was listed on Nasdaq Stockholm after the distribution by Peab and became an independent company. The listing of Annehem was the first important step on a journey of growth and, due to the pandemic, was celebrated with a virtual bell-ringing ceremony in Annehem's business park, Valhall Park.

Letters of intent enable rapid growth

Annehem has entered letters of intent with Peab regarding acquisitions of a number of development rights as fully developed properties. The properties are located directly adjacent to Annehem's existing portfolio in Stockholm, Helsinki and Malmö. The possibility to acquire the future properties both strengthens the geographic position and enables more efficient property management.

Strong financial position

In conjunction with the listing of Annehem, the entire debt portfolio was refinanced. Annehem's total framework is SEK 1.9 billion, in three currencies (SEK, NOK and EUR) that can be drawn upon on three occasions. The credit has a tenor of three years. At the end of the year, SEK 1,470 million had been utilised and SEK 420 million remained for utilisation within the existing framework in addition to cash of SEK 448 million. In other words, Annehem is well prepared for its continued expansion.

Acquisitions during the year

During the year, Annehem acquired several properties from Peab. Possession was taken of two modern office properties in Solna and Malmö. A property in Oslo was acquired and possession taken in the fourth quarter of 2020. In addition, Annehem acquired two residential properties and two commercial properties from Peab but has not yet taken these into possession. The agreed underlying property value for these four properties is SEK 791 million.

CEO's comments

Annehem's CEO Jörgen Lundgren at Annehem's listing ceremony. In the background Peab's founder Mats Paulsson.

New high-quality and flexible properties create stability in challenging times

The listing of Annehem was the first important step on a journey of growth and was celebrated by bell-ringing in Annehem's business park, Valhall Park. In the process of becoming an independent company, Annehem acquired and took possession of a number of properties from Peab with a value of SEK 3,318 million. As a result, we have created a platform of high-quality, modern and flexible properties located in growing metropolitan areas in Sweden, Norway and Finland.

A solid foundation to build on

I am extremely pleased to find that we are in the upper quarter of the Fastighetsbarometer's customer satisfaction index with a score of 82 CSI, while the average for the industry is 75 CSI. This is evidence of our understanding that our tenants form a crucial pillar in our operations and that we succeeded in building up a well-functioning and stable organisation in 2020.

> "Everything will probably not be as it was before the pandemic, but the challenge for the property owner is to create meeting places for the future."

Financial position that enables growth

In conjunction with the listing, we refinanced Annehem and strengthened our opportunities for further expansion. We now have a credit framework that gives us access to a further SEK 420 million in addition to our cash balance of SEK 448 million. This creates opportunities to acquire the properties covered by letters of intent from Peab, but also to expand the portfolio through further acquisitions.

Value-generating strategic acquisitions during the year

Annehem has an explicit strategy of increasing exposure to residential homes and properties with community service tenants. We have now begun implementing this strategy. We have acquired but not yet taken into possession two housing projects and two commercial properties at a total underlying property value of SEK 791 million. In addition, letters of intent for acquisitions Annehem has signed with Peab during the year will further strengthen the company's geographic position for the coming years. Other transactions in combination with a pipeline of properties already covered by letters of intent will enable rapid growth with efficient management.

Limited impact of pandemic

The effect of the pandemic on our operations has been limited in terms of earnings. In total, concessions on rents amounted to just under SEK 0.4 million, including government subsidies. Net operating income increased by 10 percent during the fourth quarter, compared with the preceding quarter. Annehem's occupancy rate was at a reassuring level, amounting to 96 percent at the end of 2020. At the end of the year, the property value was SEK 3,318 million, which is an upward re-assessment of SEK 86 million or just under 3 percent compared with the preceding year. Accordingly, the net loan-to-value ratio amounted to 33 percent.

Minor changes in our markets

Rent levels are stable for offices in the markets in which Annehem is active. We are still offering the same rent levels as before the pandemic, which means that our market areas have not been affected to any major extent to date. We receive the largest share of our income from offices and 85 percent of the portfolio's underlying value comprises properties built in 2016 or later. This means modern, flexible premises and lease solutions with which we can meet rising demand. We have a strong customer base, with long-term tenants. At the end of the year, the average term of a lease was 5.4 years.

It is difficult to assess how GDP and the labour market will be impacted by the coronavirus pandemic. It will depend on how rapidly the global economy recovers and whether there is a further broad spread of infection. To date, the hotel, retail and restaurant sectors have been impacted to the greatest extent. To dampen the negative economic effects, countries have deployed powerful stimulus packages. The continued low interest rates has led to capital seeking low-risk returns being increasingly invested in properties.

We are looking to the future that will bring new challenges and opportunities

Much has changed for all of us in a short period of time, which is also the case for our company and our tenants' operations. Only being able to conduct virtual meetings and being unable to meet at our offices would previously have felt strange. However, I am convinced that meetings between people are important; we need to meet to create loyalty and a sense of community. A place in which energy and creativity can meet and develop companies. Everything will probably not be as it was before the pandemic, but the challenge for the property owner is to create meeting places for the future.

I hope and believe that we can work together with our tenants to develop our meeting places so that we can address the more rigorous demands of the future with regard to flexibility, sustainability and customised solutions.

I would also like to take this opportunity to thank all employees for their outstanding work in establishing Annehem in these challenging times.

Jörgen Lundgren
CEO

Introduction to the Directors' Report

The Directors' Report contains a description of Annehem's strategy and targets, financial position and risk management. The report also includes the Board's proposal for remuneration and distribution of profit, and information about Annehem's sustainability agenda, information about the share and Annehem's financial development during the year. The Directors' Report is an integrated part of the Annual Report and the various sections can be found on the pages set out below.

Strategy, targets and target achievement

Annehem is a growth-driven property company with a well-defined strategy for property acquisitions and a previously identified, highly visible acquisition portfolio.

>> More information on pages 9–11.

Sustainability

Annehem has high ambitions for meeting the environmental and sustainability requirements of today and tomorrow. Its sustainability activities, which are focused on work processes, property management and property transactions, will be further formalised in 2021 by setting goals and ensuring follow-up.

>> More information on pages 22–24.

The share

Annehem Fastigheter AB (publ) has two share classes, Class A and Class B. Annehem's shares are registered for trading on Nasdaq Stockholm, Mid Cap. As 31 December 2020, Annehem had issued a total of 58,992,548 shares, of which 6,863,991 are A shares and 52,128,557 are B shares. Each B share entitles the holder to one vote at shareholders' meetings, while each A share entitles the holder to ten votes and every shareholder has the right to cast votes according to the total number of shares they hold in Annehem.

>> More information on pages 25–26.

Risks and risk management

Annehem is aware that owning and managing properties means the business is exposed to risks, both internal and external, or uncertainties that many impact the Group's ability to achieve the overall growth target. Annehem works continuously and in a structured manner to identify and actively monitor financial and other risks that the business meets or faces.

>> More information on pages 28–32.

In addition to the abovementioned sections of the Directors' Report, refer also to the Financial developments and events during the year section on pages 42–44, Proposed distribution of profit on page 44 and Guidelines for remuneration to senior executives on pages 36–37, which form part of the Directors' Report.

Strategy, targets and target achievement

New high-quality properties
The existing portfolio primarily comprises modern, flexible and high-quality environmentally compatible properties, slightly more than 80 percent of which were constructed in the past five years. The office properties were built with a flexible floor plan, which means they can be designed for different purposes and adapted to developments in the tenants' operations. The vacancy rate is therefore low, operating costs are low and the properties are rented on long-term leases to stable customers.

Strong capital base
Annehem has a good financial position with a high equity/assets ratio and low loan-to-value ratio. This financial position enables acquisitions to grow the property portfolio in the prioritised growth regions.

Clearly defined growth plan
Annehem is a growth-driven property company with a well-defined strategy for property acquisitions and a previously identified, highly visible acquisition portfolio.

Clearly defined growth plan
Annehem has signed an agreement with Peab to acquire two commercial properties that are scheduled to be fully developed in 2021. In addition, Annehem has signed an agreement with Peab to acquire two residential properties situated in close proximity to the Annehem's existing portfolio in Gothenburg and Malmö. Annehem also intends to diversify its portfolio by acquiring community service and residential properties.

A growth-driven property company

Annehem is a property company prepared for growth with a well-defined strategy for growing and developing the portfolio. Alongside expanding the portfolio by acquiring properties, we are striving to increase the value of the existing portfolio through active management and adding value. Investing in different types of properties in the Nordic growth regions with existing portfolios enables the company to increase its diversity, at the same as property management becomes more efficient and economies of scale are generated.

Target
Average annual growth in the property portfolio of at least 20 percent, up to a total property portfolio with a fair value of SEK 7 billion by 2024.

≥20 %

UP TO SEK 7 BILLION

Capitalising on the potential of the portfolio through focused property management operations

Annehem envisages many opportunities to capitalise on the potential of its existing high-quality property portfolio. The property portfolio is divided into two regions: Capital Region and South Region. The company's geographical priorities help to identify positive structural trends and diversification and, in parallel, the company can provide tenants with focused, efficient and active management. Potential for enhancing efficiency, and thereby generating economies of scale, can be found by conducting focused property management operations. Geographical prioritisation for efficient active management.

Target
Income from property management per share shall, within 12 to 18 months, double and thereafter increase by an average of 20 percent per year over time.

12–18 months: 2x

THEREAFTER: 20 %

Favourable profitability and returns

Annehem's existing and future properties provide the conditions for long-term cash-flow generation and earnings capacity. The existing portfolio primarily comprises recently constructed office properties in attractive Nordic growth areas, which offer high direct return and revenue potential. Economies of scale will increase in Annehem's property management operations in line with the company acquiring more properties in the Nordic growth areas where the existing portfolio is concentrated, which will boost profitability.

Target

Return on equity of at least 10 percent per year over time.

≥10 %
PER YEAR OVER TIME

Continued proactive work to further strengthen our environmental profile

Annehem considers sustainability to be a natural part of its operations and has high ambitions for meeting the sustainability requirements of today and tomorrow as regards work processes, property management and transaction activities. We see the potential for creating value by applying a persistent focus on sustainability and taking action to develop the environmental profile of the properties. Sustainability work will be further formalised in 2021 by setting goals and ensuring follow-up.

Annehem has developed an environmental and sustainability strategy for both the existing portfolio and for properties that will be acquired. This plan includes proactive efforts by Annehem to secure certification for those properties that are not yet environmentally certified. To date, Peab Center Solna is certified according to BREEAM good and Peab Center Malmö is certified in accordance with Swedish Green Building Council Silver. In Helsinki, Ultimes I&II are certified according to LEED Platinum. Furthermore, demand is supported by the ongoing urbanisation and sustainability trend in the Nordics. The environmental profile will also be strengthened by Annehem taking action to optimise the existing facilities in order to minimise the share of purchased energy.

Target

Obtain environmental certificates for at least 90 percent of the property value by 2024.

90 %
BY 2024

Financial position that enables growth

Annehem's overall target is to create value for the company's shareholders. Annehem's Board of Directors has established the following financial targets and risk limitations.

Targets

Financial risk limitations:

- The equity/assets ratio shall be at least 30 percent.
- The net loan-to-value ratio shall not exceed 60 percent over time.
- The interest-coverage ratio shall, on a long-term basis, not fall below a multiple of 2.2.

≥30 %
EQUITY/ASSETS RATIO

≤60 %
NET LOAN-TO-VALUE RATIO

≥2.2 multiple
INTEREST-COVERAGE RATIO

Metric	Target	Outcome 31 Dec 2020	Comments
Average annual growth in property portfolio	At least 20 percent	36 %	Growth as planned
Income from property management, per share	Shall, within 12 to 18 months, double and thereafter increase by an average of 20 percent per year	43 %	The effects of the Oslo acquisition and future contracted acquisitions during the year will improve income from property management according to plan
Return on equity	At least 10 percent per year over time	3.5 %	Current loan-to-value ratio therefore entails limited leverage, which reduces return on equity
Equity/assets ratio	>30 %	54 %	The equity/assets ratio is low due to a substantial share of equity
Net loan-to-value ratio	<60 %	33 %	The net loan-to-value ratio is low due to a substantial share of equity
Interest-coverage ratio	Must not fall below 2.2 multipe	2 multiple	Will rise in 2021 as possession is taken of agreed properties
Dividend policy	The profits shall essentially be reinvested in order to utilise business opportunities and achieve Annehem's growth targets		In accordance with the company's dividend policy, no dividend is proposed for 2020

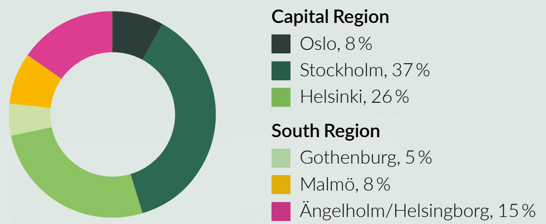
Our properties – clear focus on Nordic capitals and metropolitan regions

Annehem's portfolio mainly comprises high-quality, modern, flexible and environmentally compatible commercial properties in Nordic growth areas. Its strategy includes further diversification through the acquisition of community service and residential properties.

The property portfolio consisted of 22 investment properties at year-end. In addition, two commercial properties and two residential properties were acquired and will be taken into possession between 2021 and 2024. Letters of intent have been signed with Peab to acquire several future properties related to development rights owned by Peab. The total estimated value of the properties with letter of intent is SEK 4,900 million.

At the end of the year, the value of the investment properties amounted to SEK 3,318 million and the total lettable area to 184 thousand sqm. The total rental value on 31 December 2020 amounted to SEK 214 million, of which SEK 126 million comprised the Capital Region and SEK 88 million the South Region. The contracted economic occupancy rate for the same period was 96 percent. The average weighted remaining contract period for the property portfolio on 31 December was 5.4 years. The assessment is that the property portfolio's average weighted remaining contract period is favourable and provides a platform to continue to develop operations.

Property value by region



Capital Region

Annehem's property portfolio in the Capital Region is located in Stockholm, Helsinki and Oslo.

Stockholm

Properties in the Stockholm region are concentrated to Ulriksdal, a new district in Solna. Ulriksdal is situated in an attractive setting in close proximity to greenery and the pulse of the city. The area already includes offices, residential homes, gyms, stores, pre-schools and restaurants. Ulriksdal is an area undergoing rapid development with regard to residential homes, hotels and workplaces. Over the next few years, the area is expected to have about 15,000 workplaces and approximately 2,500 residential homes.

Peab Center Solna

Office premises with an open and flexible floor plan and a high standard of technical systems and surface finish. Peab Center Solna was completed in 2019 and comprises 12,445 sqm of modern office space across nine floors. The ground floor includes a lunch restaurant open to tenants and the general public. The restaurant also supplies catering services to the offices and conference venue. The roof has a terrace with views across Ulriksdal, Hagaparken and Brunnsviken. Peab Center Solna (Sadelplatsen 3) is certified according to BREEAM good.

Peab Center Solna

Sadelplatsen 4

The upper sections of the building consist of three floors of flexible premises including a modern gym and modern office premises totalling 2,994 sqm. The first seven floors of the building include parking spaces for 475 vehicles, and a large number of the spaces also provide charging for electric vehicles. Parking and charging are available to the general public. Completed in mid-2020 and is fully rented.


Sadelplatsen 4

Helsinki

Annehem's property portfolio in Helsinki includes a business centre comprising three high-quality and modern properties with an associated multi-storey car park. In order to strengthen the geographic position, Annehem has signed letters of intent with Peab to acquire three properties in close proximity to the existing portfolio on market terms, which are scheduled to be fully developed after 2021.


Ultimes I&II

Ultimes I&II

The properties are situated in the Pitäjänmäki district of Helsinki. An area with good transport links. Most of the properties' 17,015 sqm are intended for office operations. There is also a multi-storey car park with 475 spaces. Ultimes I&II are certified according to LEED Platinum.

Carl Berner Torg

Oslo

In the fourth quarter of 2020, Annehem acquired and took possession of a three-dimensional property, with residential homes in the same building but belonging to a separate property, of 3,640 sqm in Oslo from Peab. The property is fully rented to Coop Øst AS until 2035. The property is situated in Grünerløkka in central Oslo with good transport links via trams, buses and metro.

South Region

The South Region consists of properties in Skåne and Gothenburg. The portfolio in Gothenburg includes Partille, where Annehem owns a three-dimensional building, which is mainly let to retail business in the form of a supermarket. The property portfolio in Skåne consists of properties in Malmö and Ängelholm as well as a property in Helsingborg that has been acquired but not taken into possession. The property portfolio in this region also includes the two business parks Valhall Park in Ängelholm and Ljungbyhed Park in Ljungbyhed, which comprise a total of 13 properties.

Peab Center Malmö

The Peab Center Malmö (Stenekullen 2) property has floor space of 4,937 sqm and is located in Hyllie, just south of Malmö close to the E20 motorway. A large portion of the property is occupied by Peab's regional office. Most of the property's ten floors have extensive views towards the Öresund Bridge, Öresund strait and Denmark. Peab Center Malmö is the first of a planned collection of five buildings. The building was completed in March 2020 and is currently fully let (79 percent) including a rental guarantee of 36 months, with occupancy from March of this year. Adjacent to the office are some 150 parking spaces. Peab Center Malmö (Stenekullen 2) is certified in accordance with Swedish Green Building Council Silver.

Peab Center Malmö

Partille Port

Situated in the Partille Arena area. The property mainly comprises retail space but also includes a gym and restaurants. The property is a three-dimensional property with nursing homes, tenant-owner apartments and student accommodation in the same building but separate properties. Annehem's tenants include a supermarket, gym, pharmacy and restaurants. The building was completed in 2019 and has a lettable area of 6,344 sqm.


Partille Port

Kamaxeln 2

The building comprises 950 sqm of office and warehouse space across two floors. It was completed in 2001 and includes an associated site area of 2,901 sqm. The entire property is currently leased to Peab Anläggning. Situated just East of Malmö near to the E6 motorway.

Valhall Park

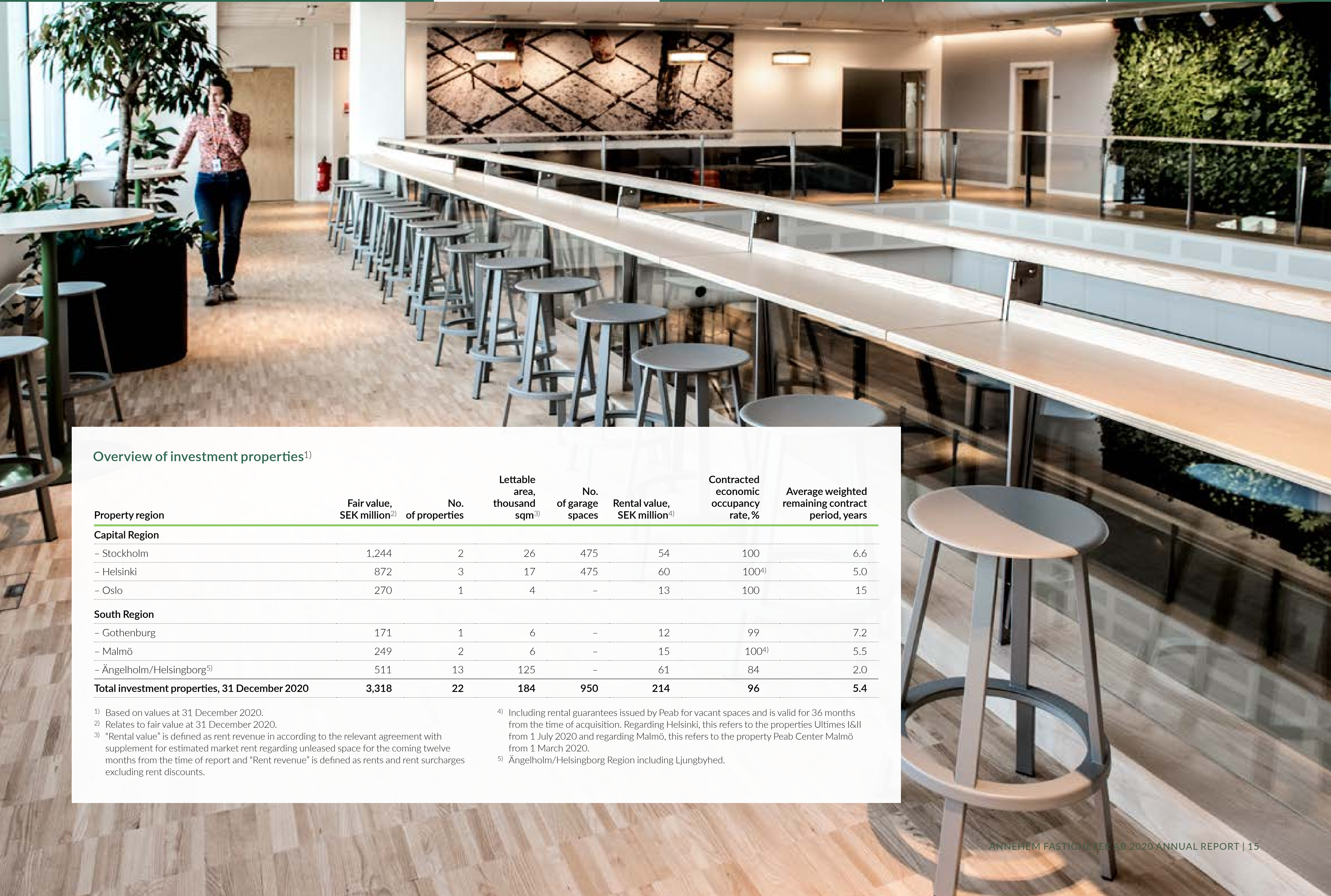
Valhall Park is a business park outside Ängelholm and located close to the sea. The business park offers flexible office premises and a wide range of activities in a beautiful setting. The park has good transport links close to the E6 motorway, rail and air services. The area includes a hotel and conference facility, gym and a padel centre. The development potential for this land is great given that it is strategically well located.


Valhall Park

Ljungbyhed Park

Ljungbyhed Park is a business park in Klippan Municipality in north-western Skåne. Since 1910, the area has been a centre for air services and training. In addition to air services, the park is now home to everything from offices, conferences and schools to engine training courses, manufacturing and light industry. The area also has a wide range of activities, with a museum, golf course and sports centre with a padel court. The development potential for this land is great given that it is strategically well located.


Ljungbyhed Park



Overview of investment properties[1]

Property region	Fair value, SEK million[2]	No. of properties	Lettable area, thousand sqm[3]	No. of garage spaces	Rental value, SEK million[4]	Contracted economic occupancy rate, %	Average weighted remaining contract period, years
Capital Region							
– Stockholm	1,244	2	26	475	54	100	6.6
– Helsinki	872	3	17	475	60	100[4]	5.0
– Oslo	270	1	4	–	13	100	15
South Region							
– Gothenburg	171	1	6	–	12	99	7.2
– Malmö	249	2	6	–	15	100[4]	5.5
– Ängelholm/Helsingborg[5]	511	13	125	–	61	84	2.0
Total investment properties, 31 December 2020	**3,318**	**22**	**184**	**950**	**214**	**96**	**5.4**

1) Based on values at 31 December 2020.
2) Relates to fair value at 31 December 2020.
3) "Rental value" is defined as rent revenue in according to the relevant agreement with supplement for estimated market rent regarding unleased space for the coming twelve months from the time of report and "Rent revenue" is defined as rents and rent surcharges excluding rent discounts.
4) Including rental guarantees issued by Peab for vacant spaces and is valid for 36 months from the time of acquisition. Regarding Helsinki, this refers to the properties Ultimes I&II from 1 July 2020 and regarding Malmö, this refers to the property Peab Center Malmö from 1 March 2020.
5) Ängelholm/Helsingborg Region including Ljungbyhed.

Acquired but not yet closed properties

Annehem has a clearly defined growth plan and as part of this plan has acquired four properties from Peab. Two of the properties are commercial and will be taken into possession during 2021 and two are residential properties that will be taken into possession during 2022 and 2024. The total underlying property value for these properties amounts to SEK 791 million and the lettable area amounts to 16 thousand sqm.

Offices

Annehem has also entered into share purchase agreements regarding the commercial properties. These two commercial properties are situated in Solna, Stockholm and in Helsingborg. The property in Solna is a five-storey office building with a contracted economic occupancy rate of 100 percent, where 90 percent consists of a medical technical company with a contract period of ten years, and the remaining 10 percent will consist of offices for Annehem. The Helsingborg property comprises office space, warehouse space and a gym and has an economic occupancy rate of 83 percent and has a rental guarantee from Peab for vacant spaces and is valid for 36 months from the time of the acquisition. This means that the contracted economic occupancy rate amount to 100 percent. The agreed underlying property value for the two commercial properties is SEK 406 million and the lettable area is 8 thousand sqm.

Residential homes

Annehem has also entered into share purchase agreements regarding the acquisition of two residential properties. These properties are situated in Partille in Gothenburg and in Malmö. The properties will be taken into possession in 2024 and 2022, respectively, and comprise a total of 8 thousand sqm. The high-quality and environmentally compatible (Nordic Swan ecolabelled) rental properties are situated in attractive areas for both tenants and Annehem. The residential properties are located in areas with high demand and close to existing properties, which means that the existing property management organisation can be used. The agreed underlying property value for the residential properties is SEK 385 million.

Overview of acquired but not yet closed properties

Property region	Taken into possession	Agreed underlying property value, SEK million	No. of properties	Lettable area, thousand sqm	Rental value, SEK million[1]	Contracted economic occupancy rate, %	Average weighted remaining contract period, years
Capital Region							
– Stockholm	Q4 2021	275	1	4	14	100[3]	10[4]
– Helsinki	–	–	–	–	–	–	–
– Oslo	–	–	–	–	–	–	–
South Region							
– Gothenburg	H1 2024	250	1	5	12	N/A	N/A
– Malmö	Q2 2022	135	1	3	6	N/A	N/A
– Ängelholm/Helsingborg[2]	Q2 2021	131	1	4	8	100[5]	10
Total acquired but not yet closed properties		**791**	**4**	**16**	**40**	**100**	**10**

1) "Rental value" is defined as rent revenue in according to the relevant agreement with supplement for estimated market rent regarding unleased space for the coming twelve months from the time of report and "Rent revenue" is defined as rents and rent surcharges excluding rent discounts.
2) Ängelholm/Helsingborg Region including Ljungbyhed.
3) 90 percent of the property is leased to a medical technical company, and the remaining 10 percent is leased to Annehem.
4) Refers to the contract period for the medical technology company.
5) Including rental guarantees issued by Peab for vacant spaces and is valid for 36 months from the time the property is expected to be taken into possession.


Ledvolten, Stockholm


Peab Center Helsingborg

Properties with letter of intent

Annehem has identified that Peab holds several outstanding development rights pertaining to future properties that would be highly suited to the existing property portfolio and strategy and that Peab plans to fully develop after 2021. The properties are expected to mainly comprise office spaces for both the private and public sector (direct or indirectly tax-funded operations). Annehem has entered letters of intent with Peab regarding acquisitions of the properties on market terms. These letters of intent are non-binding and Annehem is under no obligation to acquire, and Peab is under no obligation to sell, any of the properties. The development rights are situated in close proximity to the existing portfolio. Acquisition of the future properties would therefore both strengthen the geographic position and enable more efficient property management, thereby contributing to economies of scale. The properties with letter of intent will total 86 thousand sqm and Annehem has assigned them a total estimated underlying property value on completion of approximately SEK 4,900 million.

Overview of properties with letters of intent

Property region	Taken into possession	Estimated underlying property value upon completion[1], SEK million	No. of properties	Lettable area, thousand sqm	Rental value, SEK million[1]
Capital Region					
– Stockholm	2023–after 2024	2,700	3	40	115
– Helsinki	2023–after 2024	1,300	3	26	79
– Oslo	–	–	–	–	–
South Region					
– Gothenburg	–	–	–	–	–
– Malmö	2023–after 2024	900	4	20	51
– Ängelholm/Helsingborg[2]	–	–	–	–	–
Total properties with letters of intent	**–**	**4,900**	**10**	**86**	**245**

Note: Except for certain customary provisions, the letters of intent are non-binding and Annehem is under no obligation to acquire, and Peab is under no obligation to sell, any of the properties.

1) The property value is based on Annehem's assessment on 31 December 2020 of the underlying property value of each property as per the date of completion.

2) "Rental value" is defined as rent revenue in according to the relevant agreement with supplement for estimated market rent regarding unleased space for the coming twelve months from the time of report and "Rental revenue" is defined as rents and rent surcharges excluding rent discounts.

Our customers

Annehem has a diversified customer base with several categories of tenants in various sectors. The company had 280 commercial leases on 31 December 2020. The lease maturity structure for these leases shows that approximately 70 percent of Annehem's contracted annual rent falls due after five years.

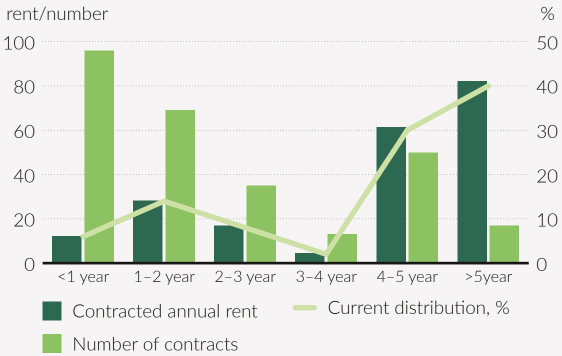
Peab is Annehem's largest tenant. Peab-related leases represented 39 percent of the rental value on 31 December 2020. The average weighted remaining contract period on these contracts amounted to 8.4 years. Except for Peab, there is no single tenant who represented more than 6 percent of the rental value. The ten largest customers (excl. Peab-related leases) represented 31 percent. The average weighted remaining contract period on 31 December 2020 amounted to 7.9 years for the ten largest tenants in terms of rental value and 5.4 years in total.

Overview of the ten largest customers on 31 December 2020

Tenant	Rental value, SEK million[1]	Percentage of total rental value, %	Number of leases
Peab-related leases	84	39	27
Coop Norway	13	6	1
ISS	12	6	5
Ängelholm's Municipality	7	3	3
Actic Sverige AB	7	3	1
Coop Väst AB	6	3	1
The Swedish Migration Agency	5	2	4
Klippan's Municipality	5	2	11
Rudus OY	5	2	1
NCC Property management	3	2	1
Total ten largest tenants	**147**	**70**	**55**
Total	**214**	**100**	**280**

1) "Rental value" is defined as rent revenue in according to the relevant agreement with supplement for estimated market rent regarding unleased space for the coming twelve months from the time of report and "Rent revenue" is defined as rents and rent surcharges excluding rent discounts.

Annehem's lease maturity structure at 31 Dec 2020



Annehem's property in Oslo was acquired and possession taken in the fourth quarter of 2020. In January 2021, Coop Mega Carl Berner Torg took over the premises.

Market

A description of the markets in which Annehem operates are presented below. The market overview addresses Sweden's economy, demographics and property market as a whole as well as the Finnish and Norwegian markets.

Annehem's perception is that the chosen markets will continue to develop better than average for the country as a whole for the following reasons:

- the trend towards urbanisation remains strong
- good transport links
- competitive rents compared with CBD
- liquid market for property transactions

Exposure to an attractive property market and robust macroeconomic environment

The Swedish economy

The economic climate in Sweden

During 2020, Sweden's GDP fell by 8.3 percent. The development of the global economy primarily affects Swedish export companies, which are also hampered by problems with global supply chains. Despite these developments, there is substantial scope to increase support actions to alleviate the economic downturn and improve conditions for the forthcoming economic recovery. Sweden's GDP is expected to recover in 2021 and then continue to grow. Naturally, this is dependent on the future development of the pandemic.

GDP growth in Sweden

Due to the comprehensive lay-offs as a result of the coronavirus pandemic, a temporary sharp increase in unemployment is expected in 2021. However, the Swedish National Institute of Economic Research's (NIER) assessment is that without the temporary lay-offs, unemployment could have been considerably higher. The Ministry of Finance estimates that unemployment will rise to 9.5 percent in 2021 and then fall back to more normal levels at 7.0 percent.

Inflation and interest rate trends in Sweden

Furthermore, NIER forecasts that there will be no increase before 2024. Annehem's assessment is that the interest rate climate offers favourable conditions in the property market.

The Riksbank has clearly communicated that it does not predict that the repo rate will be lowered to below 0.00 percent, despite a gloomy inflation outlook and the imminent economic slowdown. Instead, the interest rate is expected to remain at 0.00 percent over the next few years.

The Finnish economy

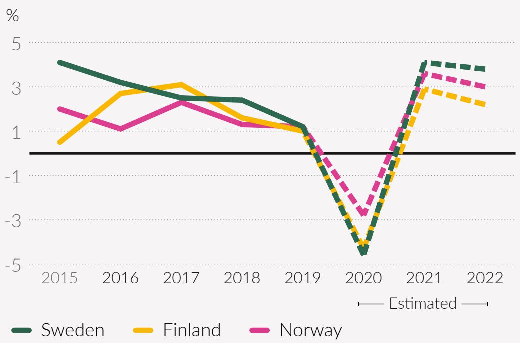
During the 2014 to 2019 period, Finland's GDP grew an average of 1.8 percent per year. According to Statistics Finland, GDP growth in 2016 (2.8 percent) and 2017 (3.3 percent) had a relatively significant effect on the average GDP growth for the period. Annual GDP growth declined from 1.5 percent in 2018 to 1.1 percent in 2019.

Unemployment in Finland has declined steadily in recent years from 9.4 percent in 2015 to 6.7 percent in 2019. On average, unemployment has decreased by 0.7 percentage points per year during the period.

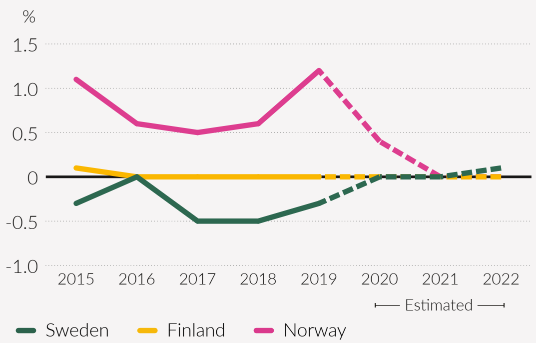
Between 2015 and 2019, annual CPI growth increased steadily with the exception of 2019, when annual CPI growth was 1.0 percent compared with 1.1 percent in the preceding year. In August 2020, the increase on a yearly basis was 0.2 percent. The rise in consumer prices from the preceding year was mainly slowed by a drop in the price of hotel rooms, fuel and international flights and by lower average mortgage interest rates.

The European Central Bank has maintained the key interest rate consistently at 0.00 percent since 2016, after lowering it from 0.05 percent in 2015.

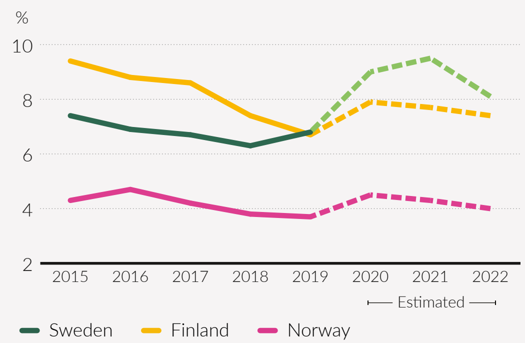
GDP growth Sweden, Finland and Norway



Key policy rate Sweden, Finland and Norway



Unemployment Sweden, Finland and Norway



The Norwegian economy
During the period 2014 to 2019, Norway's GDP grew an average of 1.6 percent. Statistics Norway (SSB) forecasts that the average growth will amount to 1.9 percent between 2019 and 2023, and GDP is expected to decline 1.9 percent in 2020 compared with 2019.

Unemployment in Norway has decreased slightly in recent years and between 2015 and 2019 fell by an average of 0.2 percent per year. However, unemployment is expected to rise in 2020 and to remain at higher levels than previously in the years ahead. According to SSB, unemployment is expected to rise from 3.7 percent in 2019 to 4.9 percent in 2020, and then fall back slightly in the subsequent years.

The change in CPI was 1.7 percent per year on 10 September 2020. Between 2015 and 2020, CPI has risen on average by over 2.5 percent per year. In 2018, Norges Bank began to raise its key policy rate, from 0.5 percent in 2018 to its highest level of 1.5 percent at the end of 2019. In 2020, Norges Bank reduced its key policy rate several times to stimulate the Norwegian economy. Since June 2020, the key policy rate has been 0.00 percent.

Urbanisation and population growth

The trend towards urbanisation is clear at both a global and Nordic level. The underlying driver for urbanisation is that a large share of a country's resources and capital are found in metropolitan regions. Today, more than half of the world's population lives in cities, and this figure is expected to rise to 70 percent by 2050. The trend is strongest in developing countries, where urbanisation is taking place much faster than in countries in the West, but it is also continuing in the Nordics. The metropolitan regions of Sweden, Finland and Norway are expected to have strong population growth in the years ahead compared to the countries as a whole.

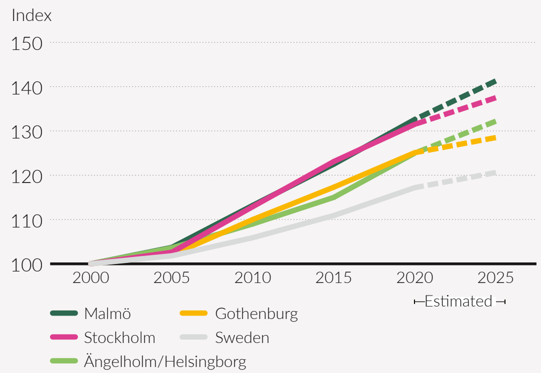
As the population grows and migration continues to urban areas in the years ahead, demand is expected to increase for residential homes and housing construction. As the population grows, there is also expected to be an increase in office workers, which will increase demand for and the need to construct offices.

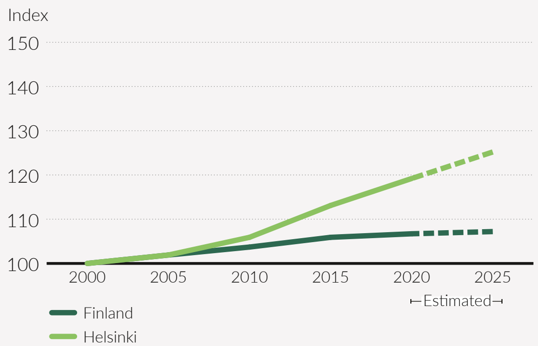
Population growth in the chosen metropolitan regions is higher than the average population growth in each country.
Annehem divides its geographic areas of operation into Capital Region and South Region. The population of the Capital Region and South Region grew between 2000 and 2019 by 27.3 percent and 26.4 percent, respectively, corresponding to an average growth rate of 1.3 percent and 1.2 percent, respectively. During the same period, Sweden, Finland and Norway grew by 14.2 percent, corresponding to an average growth rate of 0.7 percent. Accordingly, the population of these geographic areas grew faster than in Sweden, Finland and Norway as a whole. Between 2020 and 2025, the Capital Region and South Region are expected to grow by an average 1.0 percent and 0.9 percent, respectively, which is higher than the expected growth for Sweden, Finland and Norway of 0.5 percent. Annehem is of the opinion that the higher population growth makes these geographic areas of operation attractive for property management.

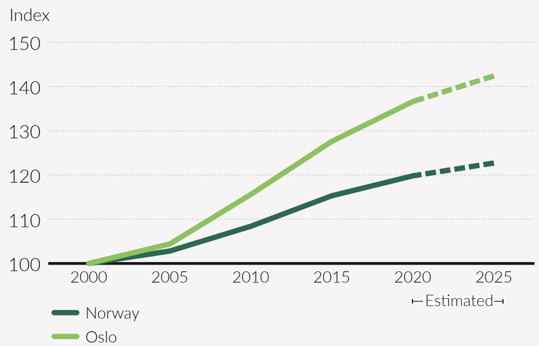
Between 2000 and 2019, the populations of Stockholm, Gothenburg, Malmö and the Ängelholm/Helsingborg region grew by 30, 24, 33 and 23 percent, respectively, while Sweden as a whole grew by 16 percent.

Between 2000 and 2019, Helsinki grew by 19 percent while Finland as a whole grew by 7 percent. According to the forecast for population growth from Statistics Finland, Helsinki is expected to grow by 1.0 percent per year and Finland as a whole by 0.1 percent per year between 2000 and 2025.

Between 2000 and 2019, Oslo grew by 34 percent while Norway as a whole grew by 19 percent. According to the population forecast from SSB, Oslo is expected to grow by 0.8 percent per year and Norway as a whole by 0.5 percent per year between 2000 and 2025.

Sweden's population growth 2000–2025


Finland's population growth 2000–2025


Norway's population growth 2000–2025


Business climate in Annehem's geographic areas

Central Business Districts ("CBD") have historically been characterised by a city's central square. As CBDs grew, business districts outside the city centre developed, often with easy accessible transport links, such as public transport or motorways.

Annehem's property portfolio is largely concentrated to attractive business districts in Sweden, Finland and Norway. In Sweden, Annehem has properties in Solna near Stockholm, Hyllie near Malmö and Partille near Gothenburg. Business leaders consider this type of area as particularly attractive. According to the Confederation of Swedish Enterprise, the general business climate in Solna is 26 percent better than in Stockholm, and in Partille it is considered 34 percent better than in Gothenburg.

The property portfolio in Helsinki and Oslo is also located, according to Annehem's assessment, in attractive business areas.

Property market

The Swedish property market

Despite the current economic prospects, the Swedish property market has remained robust in 2020. Transaction volume in 2020 totalled SEK 185 billion, approximately 17 percent lower than 2019, which was the strongest year on record. As a general rule, a higher share of professional services companies entails an increase in demand for office premises, which provides a stable rent trend.

In many of Sweden's major cities, office properties in nearby more attractive locations have a lower vacancy rate. One of the reasons for this is the limited number of newly built office premises in these areas in the past few years. In 2020, the economic vacancy rate for office properties in Stockholm was approximately 6.7 percent, while corresponding properties in business districts in close proximity to Stockholm had an economic vacancy rate of approximately 5.6 percent. In Solna for example, where Annehem has a focused portfolio, the economic vacancy rate amount to 6.0 percent, which is lower than in Stockholm in total.

Limited access to high-quality, centrally located commercial properties in combination with good access to loan financing and low interest rates have contributed to lower direct-return requirements on commercial properties in Sweden. The direct return in areas in close proximity to Stockholm is higher than in the inner city of Stockholm. In the inner city of Stockholm, the direct return amounts to 3.3–3.8 percent, while the direct return in nearby business districts exceeds 3.5–4.0 percent.

For many public-sector players, it is also better to rent premises rather than own them. The shortage of premises is currently a major challenge for many municipalities as the need for public services grows. The coronavirus pandemic has exposed the vulnerability of society and the need for investments in healthcare and care. Thus, the development of socially necessary infrastructure is expected to intensify in the years ahead.

Population growth means the current demand for residential homes in Sweden is generally high. According to a survey by the National Board of Housing, Building and Planning in 2020, 74 percent of the 286 municipalities that responded stated that there is a shortage of housing. The Swedish residential market is characterised by stable and rising rents.

The Finnish property market

In 2020, the Finnish property market reported a transaction volume of EUR 5 billion (6.6). According to Newsec, the Finnish property market is considered attractive as it is characterised by stable customers, long lease contracts and low vacancy rates. Between 2020 and 2023, office rents in Helsinki are expected to increase by 1.5 percent per year. The direct return on office properties in Helsinki amounts to between 3.5 percent and 5.8 percent.

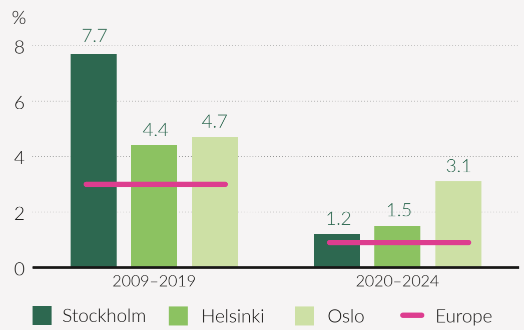
The Norwegian property market

The outlook for the Norwegian property market remained favourable in 2020 despite the coronavirus pandemic. Players in the property market with stable customers and long contracts are expected to be the best performers going forward. The transaction volume in 2020 fell by 3 percent to NOK 42 billion, which is lower than the corresponding period in 2019, when volume was NOK 43.3 billion. The difference is mainly a result of difficulties for buyers and sellers to agree on a price level due to the uncertainty in the market. The rent levels for office properties in Oslo are expected to increase by 3.1 percent per year between 2020 and 2023. The economic vacancy rate for these properties amounts to 5.0 percent but is expected to increase in the near future. The direct return for office properties in Oslo amounts to between 3.8 and 5.3 percent.

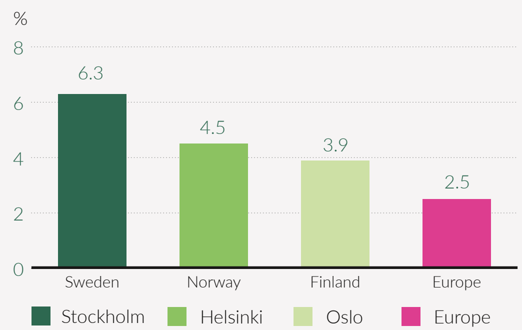
Sustainability

Rising demand for the earth's resources is increasing pressure on the ecosystem. The impact of this includes rising levels of environmental contamination, increasing greenhouse gas emissions and ultimately an unsustainable use of natural resources. In total, CO_2 emissions from the sector correspond to about 20 percent of Sweden's total CO_2 emissions. Players in the construction and property sector therefore have a major opportunity to influence CO_2 emissions in Sweden.

Growth in office rents 2009–2019 and 2020–2024



Annual turnover of property stock 2009–2019



Sustainability

The basis for Annehem's sustainability agenda has been Sweden's adoption of the UN Sustainable Development Goals. We have chosen to highlight the following targets that we actively contribute towards.

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Sustainability work focuses on the long-term responsibility all societal players have for economic, environmental and social development. We believe this is a prerequisite for the long-term creation of property value. Consequently, all aspects of sustainability are a natural part of our property investments.

Most, about 67 percent of Annehem's property value, is already environmentally certified. Annehem sees this as an important issue and one that it actively pursues.

Annehem has the advantage of owning a modern portfolio of flexible and energy-efficient properties.

Environment

We are currently actively working with energy recovery and the concept of purchased energy, meaning measurement of the energy supplied to the heating and cooling systems in our buildings. Since we own many new buildings, the first measure is to ensure that these systems perform optimally. The second stage is to continuously optimise our systems. The third stage is to review whether we can invest to improve the systems further. At the present time, we have geothermal heating in one of the properties we have acquired but not yet closed. We also have solar panels installed on three properties.

Valhall Park has sold its district heating system to Peab, which will invest in an upgrade and introduce recovery from the existing data centre and accordingly, the proportion of purchased energy will be reduced in future deliveries.

Annehem purchases "green electricity".

Work environment, health and social issues

	FOCUS AREAS	HOW ANNEHEM IS MANAGING THE ISSUE	THE UN'S 17 SUSTAINABLE DEVELOPMENT GOALS
Sustainable communities and long-term economic growth	Economic performance – financial targets as resolved by the Board	Creates conditions for a sustainable economy by offering return on equity, which the owners can invest in the business, and through the properties creating value for customers, their businesses, employees and owners.	8 DECENT WORK AND ECONOMIC GROWTH
	Market presence	Contributes to employment and purchasing power.	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES
	Indirect economic impact	Creates indirect jobs through our subcontractors.	8 DECENT WORK AND ECONOMIC GROWTH
	Anti-corruption • Sustainability policy • Whistleblower function	Annehem has zero tolerance for all forms of corruption and financial irregularities, such as bribery, illegal commissions, fraud, embezzlement and money laundering.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Environment	Cities and communities • Sustainability policy	Annehem works to adjust and upgrade our technical installations. We currently own no installations that run on fossil fuel. Most of our property value is environmentally certified. The environmental certification of uncertified properties is a target and a prioritised activity.	11 SUSTAINABLE CITIES AND COMMUNITIES
	Energy • Sustainability policy	Annehem shall annually reduce the proportion of purchased energy for comparable holdings.	7 AFFORDABLE AND CLEAN ENERGY
	Emissions and waste • Sustainability policy	Annehem shall annually reduce the carbon footprint of operations for comparable holdings.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

	FOCUS AREAS	HOW ANNEHEM IS MANAGING THE ISSUE	THE UN'S 17 SUSTAINABLE DEVELOPMENT GOALS
Work environment, health and social issues	Employment • Personnel handbook	Annehem uses clear policies and guidelines that create a structure between the company and its employees.	8 DECENT WORK AND ECONOMIC GROWTH
	Health and safety at work	Annehem shall offer a good work environment. This promotes physical and social well-being and prevents work-related injuries and illnesses.	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH
	Diversity and equal opportunity • Personnel handbook • Sustainability policy	Equal opportunity is a matter of course at Annehem. It contributes to positive value growth. Annehem has been proactive in its recruitment, striving to achieve a balance between gender, age and ethnic background. The management team consisted of an equal number of men and women on 1 March 2021. Eight of Annehem's 15 employees are women and seven men.	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
	Non-discrimination • Sustainability policy • Whistleblower function	Annehem actively opposes discrimination, harassment, sexual harassment and unequal treatment.	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Sustainability overview by property

City	Property designation	Fair value. SEK million	Type of premises	Certification	Heating	Solar panels
Stockholm	Sadelplatsen 3	894	Offices	BREEAM Good	Geothermal heating and passive cooling with additional DH/DC[1]	Yes
Stockholm	Sadelplatsen 4	350	Offices/garage	Not certified	DH	No
Helsinki	Ultimes I Ultimes II	872	Offices/Parking	LEED Platinum	DH	No
Malmö	Stenekullen 2	230	Offices	Swedish Green Building Council Silver	DH	Yes
Malmö	Kamaxeln 4	19	Light industry	Not certified	DH	No
Gothenburg	Partille Port 11;60	171	Supermarket/retail	Not certified	DH	No
Oslo	Carl Berner Torg	270	Supermarket	BREEAM Very Good	DH	No
Ängelholm	Barkåkra 50:3	359	Park	Not certified	DH	No
Ljungbyhed	Sjöleden 1:5–1:17	152	Park	Not certified	DH	No

[1] DH is district heating and DC is district cooling

The Annehem share

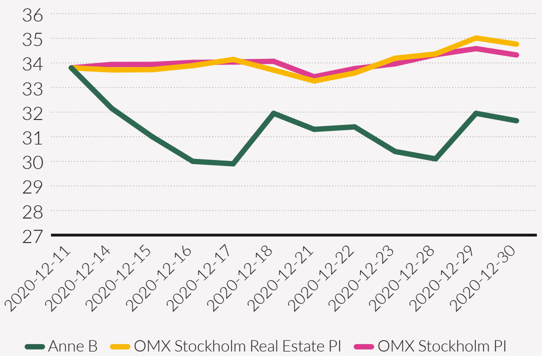
Annehem Fastigheter AB was formed on 1 January 2020 as a separate property Group within Peab. On 27 August 2020, the board of Peab announced its intention to propose to the extraordinary general meeting to resolve on a distribution of Annehem to Peab's shareholders and to list Annehem's B shares on Nasdaq Stockholm. On 12 November 2020, Peab's extraordinary general meeting resolved in accordance with the board's proposal. The first day of trading in Annehem's B shares on Nasdaq Stockholm was 11 December 2020.

Share price trend and turnover in 2020

On the first day of trading, 11 December 2020, the Annehem share opened at a price of SEK 35.0 per share and closed at a price of SEK 33.8 per share. The last price paid on 30 December was SEK 31.65 per share, which compared with the closing price on 11 December corresponded to a decrease of 6.4 percent. The Stockholm Stock Exchange as a whole, OMX Stockholm PI, grew by 1.5 percent in the corresponding period.

Between 11 December and 30 December, a total of 8.5 million shares were traded on Nasdaq Stockholm at a value of SEK 266.9 million. Trading on all marketplaces combined amounted to just over 9.5 million shares, corresponding to a value of SEK 299 million during the same period. On average, 789.4 thousand B shares were traded per day. The average turnover rate amounted to 18.2 percent on all marketplaces in total. The corresponding figure for Nasdaq Stockholm was 16.3 percent.

Share performance 2020[1]



1) Refers to the closing price on 11 December 2020 – 30 December 2020.

Data per share	2020
Share price at year end, SEK	31.65
Lowest closing price, SEK	29.9
Highest closing price, SEK	33.8
Performance Annehem B[1], %	–6.4
Market capitalisation at year end, SEK million	1,650
Turnover rate, %	18.2
Turnover rate Nasdaq Stockholm, %	16.3
Earnings per share [2], SEK	1.22
Income from property management per share[3], SEK	0.76
Long-term net asset value per share, SEK	36.3
Number of outstanding B shares at year end	52,128,557
Total number of shareholders	39,787

1) Corresponds to the development between the closing price on 11 December 2020 and 30 December 2020.
2) Before and after dilution.
3) Excluding items affecting comparability.

Shareholders and ownership structure

At 31 December 2020, Annehem Fastigheter had 39,787 shareholders, distributed across Swedish and foreign foundations, institutions and private investors. At year end, the ten largest owners held 47.3 percent of the capital and 71.8 percent of the votes. At 31 December 2020, Ekhaga Utveckling AB was the largest shareholders with 20.9 percent of the capital and 48.3 percent of the votes.

Ten largest shareholders, A and B shares, at 31 December 2020

Shareholder	Number of shares	Share of capital, %	Share of votes, %
Ekhaga Utveckling AB	12,324,067	20.9	48.3
Paulsson family	2,394,105	4.1	7.7
Volito AB	4,718,928	8.0	6.1
Peab Profit-sharing fund	2,403,800	4.1	2.0
Strandblocket Holding AB	208,432	0.4	1.6
UBS Switzerland AG	260,825	0.4	1.4
Kamprad Family Foundation	1,720,000	2.9	1.4
Carnegie Spin-off	1,500,000	2.5	1.2
Handelsbanken	1,300,000	2.2	1.1
CBNY-Norges Bank	1,092,860	1.9	0.9
Ten largest shareholders	27,923,017	47.3	71.8
Other shareholders	31,069,531	52.7	28.2
Total	**58,992,548**	**100.0**	**100.0**

Number of shares and share capital

The number of shares in Annehem at 31 December 2020 was 58,992,548, of which 6,863,991 were A share and 52,128,557 B shares. Each B share in Annehem entitles the holder to one vote at general meetings and each A share entitles the holder to ten votes. Each shareholder is entitled to vote for all shares owned or represented by the shareholder. All shares in Annehem carry equal rights to dividends, and assets and any surpluses in the event of liquidation. The rights associated with the shares, including rights under the Articles of Association, may only be amended in accordance with the procedures set out in the Swedish Companies Act (2005:551).

Dividend and dividend policy

The profits shall essentially be reinvested in order to utilise business opportunities and achieve Annehem's growth targets. Read more about the growth targets on pages 9–11 of the Annual Report.

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Coverage by analysts

Analysts who monitored Annehem in 2020:
David Flemmich, Nordea Markets

Information regarding analysts who monitor Annehem can be found on our website via the following link: www.annehem.se/investors/the-share-and-shareholders/

Financing

Access to capital is a prerequisite for growth and the successful management of properties. Owning properties is a capital-intensive business that means the company is dependent on external loans to develop the property portfolio to continue its expansion. Annehem has a solid platform with a strong balance sheet, low loan-to-value ratio and a guaranteed loan framework of SEK 1.9 billion extending for three years.

Financial policy

Annehem's financial policy aims to clarify its governance, risk limitations, division of responsibility and follow-up and control of financial management. Supported by the policy, the company endeavours to govern and manage its financial risks and ensure the management of risks through effective control.

Debt management

Debt management aims to continuously ensure that the company, through borrowing from banks and in the capital markets, has a stable, well-balanced and cost-efficient management.

Relationships with creditors is very important to the company. Annehem strives to be, in every respect, a stable and trusted counterparty by providing information to the creditors that is transparent, correct and easily accessible.

Capital structure at 31 December 2020

Annehem and its subsidiary Annehem Holding 3 AB has entered into a credit agreement with SEB, Nordea and Swedbank. The credit agreement comprises an amount of approximately SEK 1.9 billion divided into three tranches in SEK, EUR and NOK, of which the SEK tranche may be drawn upon on three different occasions. The credit agreement comprises a sum amounting to SEK 1,213 million, EUR 51 million and NOK 176 million. At the end of the year, the NOK and EUR tranches were fully exercised.

The credit agreement contains customary undertakings, commitments and financial covenants (including covenants relating to interest-coverage ratio, LTV and equity/assets ratio).

≥30 %
EQUITY/ASSETS RATIO

≤60 %
NET LOAN-TO-VALUE RATIO

≥2.2 multiple
INTEREST-COVERAGE RATIO

Risks and risk management

The Group's business operation is exposed to risks that may have an impact on the company's future operations, earnings and financial position. Annehem has a high level of risk awareness in the organisation and through active and preventive work risks are limited and managed. This section contains the risk factors and significant circumstances considered to be material to the Group's business and future development.

The risk factors relate to the Group's business, industry and markets, and also include operational risks, legal risks, regulatory risks, risks related to governance, tax risks and financial risks.

The description below is based on information available when preparing this Annual Report. The risk factors that are currently considered to be the most material are presented first in each category and the subsequent risk factors are presented in no particular order.

The risks and uncertainties described below could have a material adverse effect on the Group's operations, financial position and/or earnings.

Industry and market-related risks

Annehem's operations are affected by macroeconomic factors such as the overall economic trends, national and regional economic trends, employment, production of properties, infrastructure developments, population growth, inflation and interest rates.

Risk	Description of risk	Management
Annehem is exposed to risks related to macroeconomic factors	Annehem's operations are affected by macroeconomic factors such as the overall economic trends, national and regional economic trends, employment, production of properties, infrastructure developments, population growth, inflation and interest rates.	Annehem operates in Stockholm, Helsinki, Oslo, Malmö and Gothenburg, which are geographic markets that Annehem considers particularly attractive, based on historical data and forecasts.
Changing needs and demand for premises	The market for commercial, community service and residential properties is continuously changing as needs and demand change. In addition, the coronavirus pandemic has had an impact on social structures and behavioural patterns.	Annehem has flexible, modern and environmentally compatible premises that allow us to meet changing demands from our tenants and the market as a whole.
The coronavirus pandemic leads to changing needs in regard to space	The pandemic leads to new behavioural patterns in terms of travel, consumption and physical meetings at workplaces and in society at large.	Annehem largely owns modern flexible and adaptable premises that enable us to support our tenants and their change initiatives.

Rent revenue and management

Annehem is established in growth regions in Sweden, Norway and Finland. The locations are chosen as they have good transport links and are situated in regions that are expanding faster than the country as a whole. Most of the property value comprises high-quality, modern, flexible and environmentally compatible buildings. The properties house a large number of tenants that rent offices and other types of premises. The diversity of geographies, sectors, sizes and categories provides stability.

Risk	Description of risk	Management
Reduced or lost rent revenue	Lower rent revenue as a result of lower rent levels or a drop in the occupancy rate.	Annehem has long contracts with highly reputed and stable tenants. Continuous renegotiations of contracts produces a good spread of maturities. Annehem's holdings are situated in growing markets and attractive locations.
Bad debt losses	Annehem's risk is that the tenant fails to make payments in accordance with the lease.	Annehem's property managers have a close relationship with the tenants and this allows them to identify any problems at an early stage. When agreeing on a lease, acredit assessment is always made that may be supplemented with collateral in the form of guarantees/deposits or such like.
Significant increase in operating and maintenance costs	Increased costs, for example media costs due to extreme weather or other unforeseen occurrences, that may impact the cost of building management and insurance costs.	Annehem is actively working to keep operating expenses low, although without neglecting maintenance. Some of these costs are the responsibility of the tenant according to the lease, which reduces exposure for the company.
External managers in Norway and Finland	That external managers fail to fulfil their obligations.	Continuous follow-up and close contacts with the external managers.

Acquisitions and investments

Annehem is a growth company and has completed or plans to complete addition acquisitions, which is associated with some risk. The same applies to tenant-specific modifications in the form of rebuilding and extensions. Incorrect acquisition and investment decisions represent a risk of increased costs and therefore lower return on capital. There is limited exposure as Annehem only acquires projects where the building is taken over after the final inspection is completed or projects with a limited scope of remaining investments. Furthermore, the properties taken into possession are fully leased.

Risk	Description of risk	Management
Acquisitions and divestments	The risks include future rental losses, environmental conditions and technical deficiencies. There is also the risk of tax increases and legal disputes.	Acquisitions are completed in line with the chosen strategy. The risks taken are known and limited. A thorough due diligence is always conducted of the object.
Investments in existing properties and new-building, rebuilding and extensions	Risks in these investments include cost increases, environmental and health and safety risks. That the investment therefore fails to produce the intended return.	Investment decisions are made in accordance with the company's strategic plan and with thorough decision-making documentation. New-building, extensions and rebuilding only take place when contracts are signed with tenants. A signed construction contract, primarily at a fixed price, is also required.
Inability to fulfil the company's growth strategy in the segment for residential homes and community service properties	The risk that the company cannot find suitable objects or obtain financing for the object. Properties cannot be acquired at satisfactory or acceptable return levels.	Properties that are acquired but not taken into possession and properties with a letter of intent facilitate Annehem's growth strategy. In respect of other transactions, off-market transactions are prioritised.

Property value

Annehem's properties are valued at fair value every quarter and the changes in value are recognised through profit or loss. The value is influenced by several other factors, partly property-specific factors such as occupancy rate, rent level and operating expenses. Market-specific conditions such as direct returns (or yield) and cost of capital. The market's return requirement is one factor that the company cannot influence. The portfolio's diversification in terms of geography, choice of tenants and establishment in growth cities, to which we can add the fact that the company has properties in several Nordic countries, reduces the risk of any drastic change in property value.

Risk	Description of risk	Management
Lower market value of properties	Increased vacancies, lower net operating income, higher interest rates and higher return requirements.	Annehem works actively with each property to minimise vacancies. Raise rents in conjunction with renegotiations, and continue to develop properties.

Financing

Property acquisition and management is a capital-intensive business which exposes the company to changes in the credit market, interest rates and exchange rates. Access to financing from banks and the capital markets is highly important to the company and changes in interest rates impact the company's cash flow and earnings. Interest rates are mainly affected by the level of the applicable market rates and the creditors' margins. Annehem's financial policy manages the risks below, among others.

Risk	Description of risk	Management
Financing and refinancing risk	Risk that financing cannot be obtained or only at substantially increased costs.	In a long-term perspective, Annehem is dependent on obtaining new loans from creditors. To reduce this risk, the company works with several banks. Furthermore, Annehem has a loan maturity structure of three years.
Interest rate risk	Interest expense is a significant cost item for the company and a change in interest rates has a significant impact on earnings.	In order to limit exposure over time, Annehem will interest-rate hedge at least 60 percent of outstanding credits.
Currency risks	Exposure is currently to NOK and EUR and consists of equity and internal promissory notes.	Part of the risk is managed through borrowing and rental flows in NOK and EUR. The company will currency hedge at least 80 percent of the remaining exposure.
Covenant risk	The terms of the existing borrowing comprise covenants pertaining to loan-to-value ratio, equity/assets ratio and interest-coverage ratio. If these are not met, the borrowing costs may increase or loan agreements may be terminated.	Ensure that the covenant requirements can be met by maintaining good margins and closely monitoring operations.
Counterparty risk, banks	Counterparty risk in cash in bank, borrowing and derivatives mainly concerns the company's borrowing with commercial banks and relates to the risk that these may be unable to fulfil their commitments relating to existing and new financing of the company.	Annehem's counterparty risk is managed by not concentrating borrowing to a single bank but spreading it across several banks with a good rating.

Tax

Changes to tax legislation, such as the level of company taxation, limits to tax relief for interest expenses, property tax or other applicable taxes impact the company's earnings. Risk of incorrect interpretation or application of laws and regulations regarding VAT and tax may have an impact on earnings and financial position. Tax also influences calculations and may impact valuation calculations.

Risk	Description of risk	Management
Tax legislation	Changes to tax legislation, such as company taxation, property taxation, tax on property transactions and other applicable taxes.	Annehem has a clear approach that is uncomplicated in terms of tax. Continuous dialogue is maintained with local experts in the field.

Environmental risk

Climate change is not currently considered a material risk for the company in the near future. However, environmental risks are associated with soil pollutants at significant existing and/or acquired properties and may impact the company if remediation is required.

Risk	Description of risk	Management
Environmental risk linked to pollutants	Known pollution or new pollution is more extensive than expected or new pollution is discovered.	Another party is responsible for the known pollution present in Annehem's holding. A thorough environmental due diligence is conducted in connection with acquisitions.
Climate change	Annehem's operations and earnings could be affected by climate changes, such as higher or lower temperatures and increased precipitation.	In conjunction with the acquisition of properties, a review is conducted of the dimensions/capacity of surface water management and ventilation/air conditioning systems.

Employees and organisation

Annehem's human and structural capital is its most important asset and its development is highly dependent on the ability to retain and motivate employees. A healthy organisation and satisfied employees are important for the company's brand and developments as a whole.

Risk	Description of risk	Management
Employees	Annehem's operations comprise a relatively small organisation, which involves an increased vulnerability.	We work on the basis of established policies, processes and procedures, making us less vulnerable in the event of any personnel changes.
Bribery and corruption	Risk that an employee acts in manner that is contrary to the company's values or incorrectly abuses their position in the company.	Annehem accepts no forms of threat, bribery or unethical behaviour. Guidelines for this can be found in the company's sustainability policy, which includes a whistleblower function.
Equal opportunities	Discrimination.	Annehem actively opposes discrimination, harassment, sexual harassment and unequal treatment. Guidelines for this can be found in the company's sustainability policy.

Reporting and internal control

Annehem's financial statements are to provide a true and fair view of the company's earnings and financial position and comply with applicable laws and accounting rules. A misleading report may result in uncertainty among the company's stakeholders and could potentially have a negative impact on share prices or increase risk premiums. There is a risk that inadequate internal procedures and/or irregularities lead to disruptions or damage operations.

Risk	Description of risk	Management
Misleading reporting	Deliberate or accidental errors in the company's external or internal reporting.	Annehem has a well-functioning internal control. The reporting function consists of competent and experienced personnel who continuously monitor changes to legislation, practice and accounting rules. The company has also introduced a range of different control functions to minimise risks for deficiencies in reporting.

IT support

Today's use of new technologies means that matters concerning information and IT security are often highlighted as new risks and threats are identified and must be addressed. Work with IT security is a crucial task, the importance of which is further strengthened with the revision of relevant legislation, such as GDPR, regulatory industry standards, and requirements from the Swedish Financial Supervisory Authority. One important element of IT security is to understand different threat scenarios, address the probability of exposure to damage and to balance the cost of stronger protection against the value of that which is being protected.

Risk	Description of risk	Management
IT and information security	The risk that the company is subjected to a cyberattack, meaning an electronic attack on information systems, technical infrastructure, computer networks or personal computers. A rise in the use of mobile devices connected to the company's network has created additional entry points for a potential attack. There is a significant risk that a user accidentally or deliberately enables an attack by leaving an access point open or by clicking a malicious link.	The IT function is outsourced to an IT company that is certified in terms of IT and information security. Annehem was careful in tender documents to assess the quality of the services provided and the provider's IT security work. At the present time, the company has installed modern IT security solutions with multi-factor authentication. To limit human error, the company makes stringent demands on processes and internal control, as well as controls regarding information security.

Corporate Governance Report

At the Board meeting on 24 February 2021, the Board of Annehem Fastigheter AB (publ) adopted this Corporate Governance Report and reported on Annehem's corporate governance in 2020. Corporate governance at Annehem aims to ensure that rights and obligations are distributed between the company's bodies in accordance with applicable laws, regulations and processes. Effective and transparent corporate governance offers the owners an opportunity to assert their interests towards the company's management while clarifying the division of responsibilities between the Board and management and also within the rest of the company. Such a clear and transparent corporate governance results in effective decisions, which enables Annehem to act swiftly when business opportunities arise. The Corporate Governance Report provides an overview of Annehem's corporate governance system and includes the Board's description of internal control and risk reporting relating to financial reporting. Corporate governance in Annehem is based on law, the Articles of Association and Nasdaq Stockholm's Rule Book for Issuers, and applies the Swedish Corporate Governance Code (the "Code") together with the rules and recommendations published by relevant organisations.

Annehem applies the Code. The Code itself provides for the possibility to deviate from the rules, on the condition that any such deviations and the chosen alternative solutions are described and the reasons therefore are explained below in the corporate governance report (according to the so-called "comply or explain principle").

Other than the fact that the members of the Nomination Committee will be disclosed later than six months before the 2021 Annual General Meeting, Annehem had no deviations from the Code. This was due to the fact that the company was not listed until 11 December.

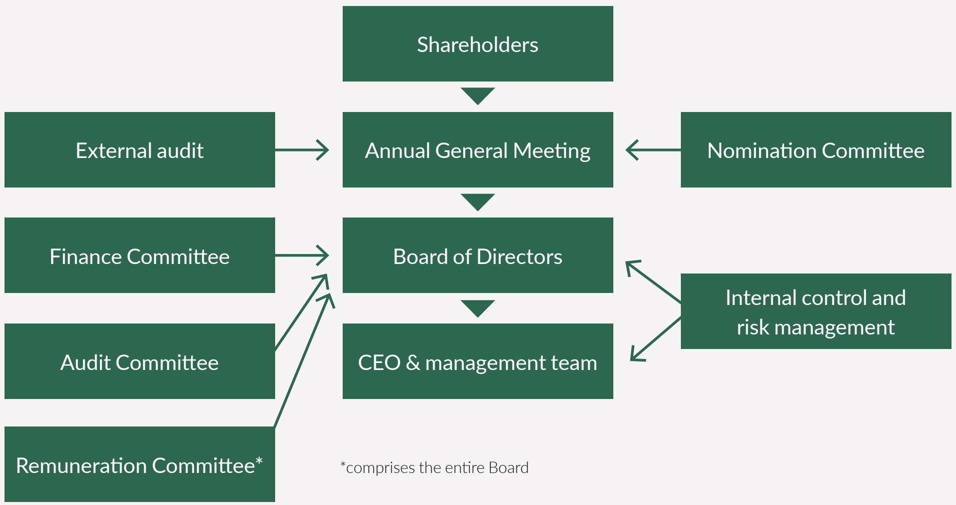
External rules;

- Swedish Companies Act
- Nasdaq Stockholm's Rule Book for Issuers
- The Swedish Corporate Governance Code
- IFRS

Key external rules

- Articles of association
- The Board's Rules of Procedure and CEO's instructions
- Signing authority, attestation order and financial handbook
- Policy for information, information security and IR, insider policy
- Finance, valuation and sustainability policy
- Policy for IT, internal control, risk management, related parties and Annehem's relationship to Peab
- Processes for internal control and risk management etc.

Corporate governance in Annehem



*comprises the entire Board

ARTICLES OF ASSOCIATION

The registered name of the company is Annehem Fastigheter AB (publ). The company's registered office is in Ängelholm. The object of the company's business is to, directly or indirectly, own, manage and develop properties and property-related assets as well as conduct activities related therewith. Changes to the Articles of Association take place in accordance with the provisions of the Swedish Companies Act. The Articles of Association, which also contain information about share capital, number of board members and auditors and provisions regarding the notice and agenda for the Annual General Meeting, are available in full on annehem.se

THE SWEDISH CORPORATE GOVERNANCE CODE

The Code is applied to all companies whose shares are trading on Nasdaq Stockholm. The Company is not obliged to comply with every rule in the Code as the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and the chosen alternative solutions are described and the reasons therefore are explained in the corporate governance report (according to the so-called "comply or explain principle"). The Board has resolved not to establish a separate Remuneration Committee. Instead, the Board as a whole fulfils the duties of such a committee. Members of the Nomination Committee will be disclosed later than six months before the 2021 Annual General Meeting, which will be held on 19 May. Otherwise, the Board is of the opinion that the company complies with the Code in all other respects.

SHAREHOLDERS' MEETINGS

According to the Swedish Companies Act (2005:551) (Sw. aktiebolagslagen), the shareholders' meeting is the company's ultimate decision-making body. At the shareholders' meeting, the shareholders exercise their voting rights in key issues, such as the adoption of income statements and balance sheets, appropriation of the company's results, discharge from liability of members of the Board of Directors and the CEO, election of members of the Board of Directors and auditors and remuneration to the Board of Directors and the auditors.

The Annual General Meeting must be held within six months from the end of the financial year. In addition to the Annual General Meeting, extraordinary general meetings may be convened. According to the Articles of Association, shareholders' meetings are convened by publication of the convening notice in the Swedish National Gazette (Sw. Post- och Inrikes Tidningar) and on the company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Svenska Dagbladet.

Right to participate in shareholders' meetings

Shareholders who wish to participate in a shareholders' meeting must be included in the share register maintained by Euroclear Sweden on the day falling six banking days prior to the meeting, and notify the company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend the shareholders' meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the shareholders' meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all company shares owned or represented by the shareholder. Due to the coronavirus pandemic, the 2020 Annual General Meeting will not be held physically, but will instead be conducted via postal voting.

Shareholder initiatives

Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the Board of Directors. Such request must normally be received by the Board of Directors no later than seven weeks prior to the shareholders' meeting.

NOMINATION COMMITTEE

The company shall have a Nomination Committee consisting of a member appointed by each of the three shareholders representing the shareholder with the largest number of votes or ownership group, together with the Chairman of the Board. The Nomination Committee shall be constituted based on shareholder statistics from Euroclear Sweden AB on 30 September each year and other reliable ownership information provided to the company at the time and the Board's Chairman who will also convene the first meeting of the Nomination Committee. Ahead of the company's 2021 Annual General Meeting, the company's Nomination Committee shall, however, be based on the company's ownership statistics from Euroclear Sweden AB as of 31 January 2021.

The Board member representing the largest shareholder shall be appointed Chairman of the Nomination Committee, unless the Nomination Committee unanimously appoints someone else. If earlier than three months prior to the Annual General Meeting, one or more of the shareholders having appointed representatives to the Nomination Committee no longer are among the three largest shareholders, representatives appointed by these shareholders shall resign and the shareholders who then are among the three largest shareholders may appoint their representatives. Should a member resign from the Nomination Committee before its work is completed and the Nomination Committee considers it necessary to replace him or her, such substitute member is to represent the same shareholder, or, if the shareholder is no longer one of the largest shareholders, the largest shareholder in turn. Shareholders who have appointed a representative to be a member of the Nomination Committee shall have the right to dismiss such member and appoint a new representative of the Nomination Committee. Changes to the composition of the Nomination Committee must be announced immediately.

The Nomination Committee shall prepare the following proposals to submit for resolution at the Annual General Meeting:

- proposal for chairman of the general meeting,
- proposal for number of Board members,
- proposal for Board members,
- proposal for Chairman of the Board,
- proposal for Board remuneration divided between the Chairman and other Board members as well as remuneration for committee work,
- proposal for auditors,
- proposal for remuneration for the company's auditors, and to the extent deemed necessary, proposal for changes in the current instruction for the Nomination Committee.

The Nomination Committee shall, in connection with its duties, meet the requirements according to the Swedish Companies Act and the Swedish Code of Corporate Governance for Nominating Committees.

The composition of the Nomination Committee for the Annual General Meeting shall normally be announced no later than six months before that meeting. Remuneration shall not be paid to the members of the Nomination Committee. The company is to pay any necessary expenses that the Nomination Committee may incur in its work, for example, costs for external consultants deemed necessary by the Nomination Committee in order for the Nomination Committee to fulfil its duties. The term of office for the Nomination Committee ends when the composition of the following Nomination Committee has been announced.

BOARD OF DIRECTORS

The Board of Directors is the second-highest decision-making body of the company after the shareholders' meeting. According to the Swedish Companies Act, the Board of Directors is responsible for the organisation of the company and the management of the company's affairs, which means that the Board of Directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The Board of Directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the Board of Directors appoints the company's CEO.

Members of the Board of Directors are normally appointed by the Annual General Meeting for the period until the end of the next Annual General Meeting. According to the company's Articles of Association, the members of the Board of Directors elected by the shareholders' meeting shall be not less than three and not more than nine members with no deputy members.

According to the Code, the Chairman of the Board of Directors is to be elected by the Annual General Meeting and have a special responsibility for leading the work of the Board of Directors and for ensuring that the work of the Board of Directors is efficiently organised.

The Board of Directors applies written rules of procedure, which are revised annually and adopted by the inaugural Board meeting every year. Among other things, the rules of procedure govern the practice of the Board of Directors, functions and the division of work between the members of the Board of Directors and the CEO. At the inaugural Board meeting, the Board of Directors also adopts instructions for the CEO and an instruction for financial reporting.

The Board of Directors meets according to an annual predetermined schedule. In addition to these meetings, additional Board meetings can be convened to address issues that cannot be postponed until the next ordinary Board meeting. In addition to the Board meetings, the Chairman of the Board of Directors and the CEO continuously discuss the management of the company.

Currently, the company's Board of Directors consists of six ordinary members elected by the shareholders' meeting.

Audit Committee

Annehem has an Audit Committee consisting of three members: Karin Ebbinghaus, Göran Grosskopf and Lars Ljungälv with Göran Grosskopf as Chairman. The Audit Committee shall, without it affecting the responsibilities and tasks of the Board of Directors, monitor the company's financial reporting, monitor the efficiency of the company's internal controls and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the company, and assist in the preparation of proposals for the shareholders' meeting's decision on election of auditors.

Remuneration Committee

The Board of Annehem carries out the duties of the Remuneration Committee in their entirety. The Board's duties in this respect consist of making decisions about remuneration principles, remuneration and other terms of employment for the senior executive team, including submitting recommendations to the Annual General Meeting on guidelines for salary and other remuneration of Board members, the CEO, Deputy CEO and other senior executives. In addition, the Board is to monitor and evaluate the variable remuneration programmes for the senior executive team that are current or have been completed during the year, to monitor and evaluate the application of guidelines for salary and other remuneration of the CEO, Deputy CEO and Board members that the Annual General Meeting will resolve on, as well as the company's current remuneration structures and levels.

Finance Committee

Annehem has a Finance Committee consisting of two members: Pia Andersson and Jesper Göransson, with Jesper Göransson as Chairman. The company's CEO presents reports to the Finance Committee.

Name	Function	Joined Board, 2020	Board meetings	Audit Committee	Finance Committee
Göran Grosskopf	Chairman	March	15/15	1/1	–
Jesper Göransson	Member	March	15/15	–	1/1
Pia Andersson	Member	March	15/15	–	1/1
Anders Hylén	Member	March	14/15	–	–
Karin Ebbinghaus	Member	August	5/6	1/1	–
Lars Ljungälv	Member	August	6/6	1/1	–

THE CEO AND OTHER SENIOR EXECUTIVES

The CEO is subordinated to the Board of Directors and is responsible for the everyday management and operations of the company. The division of work between the Board of Directors and the CEO is set out in the rules of procedure for the Board of Directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling information for the Board meetings and for presenting such materials at the Board meetings.

According to the instructions for the financial reporting, the CEO is responsible for the financial reporting in the company and consequently must ensure that the Board of Directors receives adequate information for the Board of Directors to be able to evaluate the company's financial condition.

The CEO must continuously keep the Board of Directors informed of developments in the company's operations, the development of sales, the company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the company's shareholders.

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS, CEO AND SENIOR EXECUTIVES

Remuneration to the members of the Board

Fees and other remuneration to the members of the Board of Directors, including the Chairman, are resolved by the shareholders' meeting. At the Extraordinary General Meeting held on 28 September 2020, it was resolved that the fee to the Chairman of the Board of Directors should be SEK 300,000 and that the fee to the other members should be SEK 150,000. However, pro rata fees will be paid to some Board members for the period from when the company's B shares are admitted to trading on Nasdaq Stockholm until the end of the 2021 Annual General Meeting, and for some Board members pro rata fees will be paid from the date on which they were elected to the Board until the end of the 2021 Annual General Meeting.

The members of the Board of Directors are not entitled to any benefits following termination of their assignments as members of the Board.

During the 2019 financial year, Annehem, including its subsidiaries, did not pay any remuneration, including fees, to the members of Annehem's Board of Directors.

Guidelines for remuneration to the CEO and other senior executives

The 2020 Annual General Meeting will resolve on guidelines for remuneration to the CEO and other senior executives.

Current employment agreements for the CEO and other senior executives

Decisions as to the current remuneration levels and other conditions for employment for the CEO and the other senior executives have been resolved by the Board of Directors.

During the 2019 financial year, Annehem, including its subsidiaries, did not pay any remuneration, including basic salary, to Annehem's senior executives.

In connection with the preparations of the distribution of Annehem, the company's CEO and CFO had a consultant agreement with the company during the period of November 2019 – March 2020. The consultant agreement was terminated in connection with the company's CEO and CFO being employed by the company.

Agreements concerning pensions shall, wherever possible, be based on fixed premiums and must be in accordance with the levels, practice and collective bargaining agreements applicable in Sweden.

The CEO has a period of notice of six months and the employer a period of notice of twelve months. For the other senior executives, the period of notice is either six months if the senior executive terminates the employment and nine months if the company terminates the employment, or a period of notice in accordance with applicable collective agreement, meaning a mutual notice period of one month. All senior executives shall receive unchanged salary and other employment benefits during the notice period.

INTERNAL CONTROL

The Board is responsible for the company's internal control. Operational management processes are established by business management systems. The CEO is responsible for the company's process structure.

The company's internal control includes control of the company's and the Group's organisation, procedures and support measures. The company's main area of focus in internal processes and controls is based on the company's risk assessment, which is revised annually. Processes and measures of control have been developed in close collaboration with the company's advisors but is based on Annehem's needs and current industry practice within the line of business of which the company operates. The company's objective is to ensure reliable and accurate financial reporting, that the company's and the Group's financial statements are prepared in accordance with applicable law and generally accepted accounting principles, that the company's assets are protected, and to ensure compliance with other applicable requirements, regulations and recommendations. The company's internal controls are also designed to monitor compliance with the company's and the Group's policies, principles and instructions. The company's internal controls also include risk assessment and follow-up of incorporated information and business systems. The company identifies, assesses and manages risks based on the Group's vision and targets. Strategic, compliance, operational and financial risks are assessed annually by the CFO, after which the risk assessment is presented to the Audit Committee and the Board.

Self-assessment processes and defined controls for each process are performed annually and reported to the Board. The CFO is responsible for the self-assessment process and reporting on previous deviations or assignments from the Board.

AUDITING

The auditor shall review the company's annual reports and accounting, as well as the management of the Board of Directors and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the Annual General Meeting. Pursuant to the company's Articles of Association, the company shall have not less than one and not more than two auditors and not more than two deputy auditors. The company's auditor is KPMG AB, with Peter Dahllöf as Auditor in Charge.

BOARD'S PROPOSAL FOR GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

These guidelines apply to senior executives who together constitute the company's senior executive team. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2021 Annual General Meeting. These guidelines do not apply to any remuneration decided or approved by the shareholders' meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

The company's strategy is essentially to own and manage high-quality commercial, community service and residential properties with a clear environmental profile located near good transport links in the Nordic growth areas. The company builds lasting relationships and value through management close to customers.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the senior executives a competitive total remuneration. Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.
The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the shareholders' meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 50 percent of the total fixed annual cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 50 percent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension for the CEO shall amount to not more than 35 percent of the fixed annual cash salary. For other senior executives, the retirement age is 65. Pension benefits should correspond to the ITP plan or be premium based and be capped at 35 percent of the pensionable salary. Variable cash remuneration shall qualify for pension benefits.

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company cars. Such benefits may amount in total to not more than 10 percent of the total fixed annual cash salary.

Termination of employment
Upon termination of an employment by the company, the notice period may not exceed 12 months. Fixed cash salary during the notice period may not exceed an amount corresponding to the fixed cash salary for 12 months. When termination is made by the senior executive, the notice period may not exceed six months.

Criteria for awarding variable cash remuneration, etc.
The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial, such as net operating income, or non-financial, such as employee satisfaction surveys or customer satisfaction index. They may also be individualized quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

After the end of the measurement period for fulfilment of the criteria for payment of variable cash remuneration, the level of criteria fulfilment is to be assessed and confirmed. The Board of Directors is responsible for the evaluation of variable remuneration to the senior executive unless the Board resolves that the CEO shall be responsible for the evaluation of senior executives with the exception of him/herself. For financial objectives, the starting point for the evaluation shall be the latest financial information made public by the company.

Salary and employment conditions for employees
In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase in the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to the senior executives and remuneration to other employees in Annehem Fastigheter AB (publ) will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines
The Board of Directors has not established a Remuneration Committee. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the shareholders' meeting. The Board shall also monitor and evaluate programmes for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and remuneration levels in the company. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines
The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.

Board of Directors

GÖRAN GROSSKOPF

Born 1945.
Chairman of the Board since 2020.

Education: Professor, LLd and Dr Econ.

Other current positions: Chairman of the Board of Peab AB, BrainHeart Energy AB, Stiftelsen Stefan Paulssons Cancerfond, Stefan Paulsson Invest AB and Mats Paulssons stiftelse för forskning, innovation och samhälls-byggande. Board member of Maven Wireless AB, ColoPlus AB, Permak AB, Ekhaga Utveckling AB, Stichting Polar Light, Medicon Village Fastighets AB and Mats Paulssons Stiftelse.

Shareholding in the company: Göran Grosskopf holds 164,700 A shares and 92,000 B shares in the company.

Independent in relation to the company and executive management: Yes

Independent in relation to major shareholders: No

PIA ANDERSSON

Born 1961.
Board member since 2020.

Education: MSc in Civil Engineering, Lund University Faculty of Engineering.

Other current positions: CEO Varvsstaden AB. Board member of Medicon Village Fastighets AB.

Shareholding in the company: Pia Andersson holds 6,135 B shares in the company and Pia Andersson's related parties holds 772,270 A shares and 1,615,700 B shares in the company.

Independent in relation to the company and executive management: Yes

Independent in relation to major shareholders: No

KARIN EBBINGHAUS

Born 1972.
Board member since 2020.

Education: Master of Laws from Lund University. Executive MBA, Stockholm School of Economics

Other current positions: CEO Elonroad. Chairman of the Board of Kind. Board member of Wictor Family Office.

Shareholding in the company: Karin Ebbinghaus does not currently hold any shares in the company.

Independent in relation to the company and executive management: Yes

Independent in relation to major shareholders: Yes

JESPER GÖRANSSON

Born 1971.
Board member since 2020.

Education: MSc Economics from Lund University

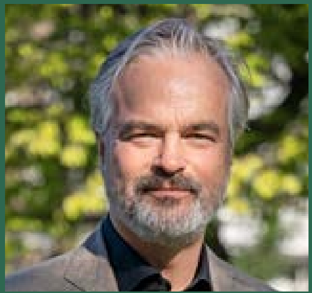
Other current positions: President and CEO of Peab AB. Board member of Fastighets AB Centur.

Shareholding in the company: Jesper Göransson holds 245,000 B shares in the company.

Independent in relation to the company and executive management: *

Independent in relation to major shareholders: No

*Independence being investigated by the Nomination Committee.



ANDERS HYLÉN

Born 1963.
Board member since 2020.

Education: MSc in Civil Engineering, Lund University Faculty of Engineering.

Other current positions: Board member of Hälsostaden Ängelholm AB, Tornet Bostadsproduktion AB, Dockan Exploatering AB.

Shareholding in the company: Anders Hylén does not currently hold any shares in the company.

Independent in relation to the company and executive management: Yes

Independent in relation to major shareholders: Yes

LARS LJUNGÄLV

Born 1969.
Board member since 2020.

Education: BSc Economics, Lund University.

Other current positions: President and CEO of Bergendahl & Son AB. Board member of Byggmax AB, IKANO Bank AB.

Shareholding in the company: Lars Ljungälv currently holds no shares in the company.

Independent in relation to the company and executive management: Yes

Independent in relation to major shareholders: Yes

Senior executives

JÖRGEN LUNDGREN

Born 1967.
CEO since 2020.

Education: MSc Business and Economics, Mid Sweden University.

Previous positions: CEO of Fastighets AB Norrporten, CEO of Solnaberg Property AB, senior positions within Danske Bank and Nordea.

Current assignments: Chairman of Mäklarhuset, Hedern Fastigheter AB and Board member of Aros Bostadsutveckling AB.

Shareholding in the company: Jörgen Lundgren holds 68,000 B shares in the company.

ADELA COLAKOVIC

Born 1988.
Head of Group accounting since 2020.

Education:BSc Business Administration, Södertörn University

Previous positions: Group accounting manager Ice Group ASA, Group accounting economist Boliden AB, financial controller Cision AB.

Board assignments: –

Shareholding in the company: Adela Colakovic holds 1,000 B shares in the company.

JAN EGENÄS

Born 1962.
CFO since 2020.

Education:MSc Business and Economics, Umeå University

Previous positions: Interim solution (Einar Matsson, SENS, JR Kvartersfastigheter, Oscar Properties), CEO Swedavia Real Estate, CFO, Deputy Head of Arlanda Airport, Telia Overseas AB.

Board assignments: Chairman Cavandium AB, Board member and owner Egenäs Consulting AB and Board member Iport AB.

Shareholding in the company: Jan Egenäs holds 4,000 B shares in the company.

VIVEKA FRANKENDAL

Born 1967.
COO as of 1 March 2021.

Education: Civil Engineering, Surveying, KTH Royal Institute of Technology

Previous positions: Head of Property Vincero, Business manager Newsec.

Board assignments: –

Shareholding in the company: Viveka Frankendal does not currently hold any shares in the company.

Annehem's Sadelplatsen 4 property

Other information about the Board of Directors and senior executives

There are no family ties between any of the members of the Board of Directors or senior executives.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the Board of Directors and senior executives of the company and their private interests and/or other undertakings.

During the last five years, none of the members of the Board of Directors or the members of the senior executives have (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, or been subject to administration under bankruptcy, (iii) been the subject to accusations and/or sanctions by any agency authorised by law or regulation (including approved professional organisations) or (iv) been prohibited by a court of law from being a member of any company's administrative, management or supervisory body or from holding a senior or overarching position of any company.

All members of the Board of Directors and senior executives are available at the company's main office at: Drottning Kristinas Esplanad 10, SE-170 67 Solna, Sweden.

Auditor

KPMG AB has been the company's auditor since 2019 and was, at the Annual General Meeting on 25 June 2020, re-elected until the end of the Annual General Meeting on 19 May 2021. Peter Dahllöf (born 1972) is the auditor in charge. Peter Dahllöf is an authorised public accountant and a member of FAR (professional institute for authorised public accountants). KPMG AB's office address is Vasagatan 16, Box 382, SE-101 27 Stockholm, Sweden.

Remuneration report

Introduction

This report contains information about remuneration of the CEO relating to 2020. The report has been prepared in accordance with the Swedish Companies Act and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes (the "Remuneration Rules") issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in Note 5 Employees, personnel costs and remuneration to senior executives on pages 61–62 of the 2020 Annual Report. The Board carries out the Remuneration Committee's work duties in their entirety and information on the work in 2020 is set out in the Corporate Governance Report available on pages 33–40 of the 2020 Annual Report.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 5 on pages 61–62 of the 2020 Annual Report.

Key developments 2020

The CEO summarises the company's overall performance in his statement on pages 4–7 of the Annual Report.

The company's remuneration structure

The company's B share was listed on Nasdaq Stockholm on 11 December 2020 and remuneration guidelines have therefore not been adopted. The company's Board will present a proposal for remuneration guidelines at the 2021 Annual General Meeting. A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability work, is that the company can recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. The remuneration to senior executives is on market terms and consists of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration is linked to predetermined and measurable criteria which are financial and non-financial. The criteria are designed so as to contribute to the company's business strategy and long-term interests, including its sustainability work, by being clearly linked to the business strategy and promoting the executive's long-term development.

Total CEO remuneration in 2020

Executive's name/position, TSEK	Fixed remuneration	Other benefits[2]	Variable remuneration		Extra-ordinary items	Pension expense[3]	Total remuneration	Share fixed/variable remuneration, respectively
			One-year	Multi-year				
Jörgen Lundgren / CEO	2,025[1]	81	1,350	N/A	N/A	751	**4,207**	68/32

1) Relates to fixed remuneration paid as of 1 April 2020.
2) Other benefits consist of company car and medical insurance. Other benefits are defined as fixed remuneration.
3) Pension costs are defined as fixed remuneration.

Share-related and share price-related incentive programmes

The company has no share-related or share price-related incentive programmes. The introduction of share-related and share price-related incentive programmes that apply to Board members or senior executives is resolved by the shareholders' meeting.

Performance of the CEO in the reported financial year: variable cash remuneration

Executive's name /position	Description of criteria relating to remuneration component	Relative weighting of performance criteria	a) Measured performance and	b) remuneration outcome
Jörgen Lundgren / CEO	Trend, net operating income	50 %	a) 100 %	b) TSEK 675
	Customer satisfaction index	25 %	a) 100 %	b) TSEK 338
	Employee satisfaction index	25 %	a) 100 %	b) TSEK 338

Application of performance criteria

The performance criteria for the CEO's variable remuneration have been selected to deliver on the company's strategy and to encourage behaviour that is in the long-term interests of the company. In the selection of performance criteria, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. Furthermore, the non-financial performance criteria contribute to adapting to sustainability issues and the company's values.

Comparative information on changes in remuneration and company performance

The company's B share was listed on Nasdaq Stockholm on 11 December 2020 and the company's first full financial year was 2020. The financial information presented below therefore pertains solely to the 2020 financial year.

Changes in remuneration and company performance over the last five reported financial years

Proift-impacting items, TSEK	Expenses 2020
Remuneration to the CEO	4,207
Consolidated profit after tax	71,800
Average remuneration based on number of full-time equivalent employees[1] in the Parent Company	759

1) 7.2 full-time equivalents for 2020, excluding members of the senior executive team.

Financial developments and events during the year

The Board of Directors and the CEO of Annehem Fastigheter AB (Publ), Corp. ID. No. 559220-9083, with its registered office in Ängelholm, hereby submit their Annual Report for the Group and Parent Company for the 2020 financial year. Annehem Fastigheter AB is also referred to as the company or Parent Company. Annehem Fastigheter AB together with its wholly owned subsidiaries are also referred to as Annehem or the Group. Numeric data in parentheses pertains to the previous financial year.

Operations

Annehem Fastigheter AB (publ) is a growth-driven company. The company shall own, develop and manage properties over the long term. Annehem focuses on commercial office premises, community service properties and residential homes. The selected markets are Helsinki, Stockholm, Oslo, Malmö, Helsingborg/Ängelholm and Gothenburg. At the present time, the property portfolio mainly comprises modern, environmentally compatible and flexible commercial premises.

Parent Company

The Parent Company Annehem Fastigheter AB (publ) has no direct holding in properties, but these are owned via wholly owned subsidiaries. The Parent Company provides administrative and technical property management and finance services to the subsidiaries and the senior executive team. The company's registered office is in Ängelholm.

Organisation

The number of employees on 31 December 2020 was 15. The organisation includes functions in property management and accounting, as well as the CEO. Functions such as HR, IT, legal and IR are provided by external suppliers. The Group also has external property management organisations for the portfolios in Finland and Norway.

Annehem's organisation comprises management consisting of the CEO, CFO, Head of Group Accounting, and also COO, who was appointed on 1 March 2021. For more information on senior executives, refer to Note 5.

Property portfolio

On 31 December 2020, Annehem Fastigheter's portfolio of fully developed properties comprised 22 properties located in Helsinki, Stockholm, Oslo, Malmö, Helsingborg/Ängelholm and Gothenburg. The properties largely comprise modern, flexible and environmentally compatible office, community service and residential properties. All properties are 100-percent owned by the company.

The property portfolio had a fair value of SEK 3,317.5 million (2,437.2) and a total floor area of 183,720 sqm (161,649). The total rental value on an annual basis amounted to SEK 214 million (149) and occupancy rate to 96 percent (83).

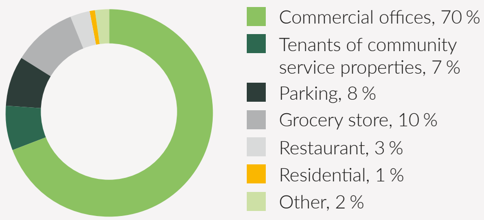
Earnings trend during the year

Rent revenue amounted to SEK 151.5 million (96.5), an increase of SEK 55.0 million. The change is largely due to the expanded property portfolio, but also higher occupancy rate.

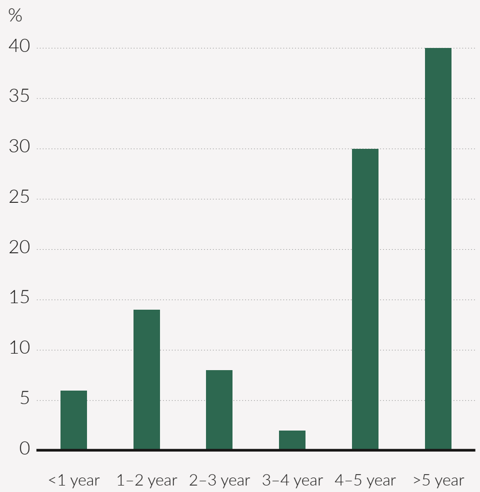
Net operating income rose to SEK 121.8 million (60.2). Property management reported a surplus ratio of 80 percent (62), which was predominantly due to the increase in rent revenue for the period. Property expenses pertain mainly to operating costs such as heating, water, electricity and property upkeep and totalled SEK –56.6 million (–49.5).

Income from property management amounted to SEK 16 million (31.5) Setting up the business has generated higher consultancy and advisory services costs, partly related to the organisation, and partly directly attributable to the company's IPO. Accumulated IPO costs for 2020 amounted to SEK –19.0 million, added to which were costs related to the refinancing process of SEK –5.1 million. The lower income from property management was attributable to higher interest expenses of SEK –43.9 million (–21.0) as a result of the larger loan portfolio, which was a consequence of the expanding property portfolio. Other financial expenses amounted to SEK –6.9 million and mainly comprised currency effects of SEK –4.9 million and costs related to the early repayment of prior financing in conjunction with the refinancing of the Group. Adjusted for items affecting comparability, the income from property management amounted to SEK 45.0 million, which is described in more detail in the Financial key figures section.

Specification of income



Summary of lease terms (percentage of rental value for each year)



The changes in value for properties totalled SEK 85.9 million (98.1). The positive trend was mainly due to higher market rent for the office property in Solna and new construction of a padel hall in Valhall Park, in South Region.

Tax expense for the period amounted to SEK –30.2 million (–26.9). The increase in tax expense is due primarily to the growth in value of the property portfolio, which gave rise to deferred tax expenses. Effective tax increased due to non-deductible IPO costs, resulting in a negative tax effect of approximately SEK 3 million.

Income for the period amounted to SEK 71.8 million (102.7).

Balance sheet

The value of the company's investment properties amounted to SEK 3,317.5 million (2,437.2) on 31 December 2020. During the first quarter of 2020, Peab Center Malmö was opened and Sadelplatsen 4 in Solna during the second quarter. On 1 December 2020, possession was taken of the property in Oslo, representing the most recent addition to the property portfolio. Of the total value, SEK 89.0 million comprised the effect of lease value of ground leases in the Finnish properties and Kamaxeln 2 Malmö in accordance with IFRS 16 Leases. The fair value of properties is primarily based on external measurements conducted on 31 December 2020. During the year, Annehem also invested in existing properties with a value amounting to SEK 137.3 million at 31 December 2020. The value of the properties in Finland at 31 December 2020 was negatively impacted by the weaker EUR/SEK rate compared with 31 December 2019, yielding a total effect of SEK –34.9 million.

The company's equity amounted to SEK 2,057.9 million. During the first and second quarters of 2020, Annehem received shareholders' contributions of SEK 700.0 million and SEK 600.0 million, respectively, from the Parent Company Peab. During the third quarter, an additional contribution of SEK 700.0 million in capital was received from the Parent Company Peab. On 30 September 2020, it was decided to carry out a share issue by which Annehem's share capital increased to TSEK 500.0 from TSEK 100.0, in accordance with the regulations for public companies.

Interest-bearing liabilities totalled SEK 1,546.9 million, of which SEK 89.0 million comprised lease liability attributable to ground leases. In the fourth quarter of 2020, Annehem secured a loan facility amounting to a total of SEK 1,891 million, distributed between SEK, NOK and EUR. At 31 December 2020, Annehem had utilised SEK 1,470 million.

Cash flow

Cash flow from operating activities amounted to SEK 96.9 million for the year.

Properties were acquired with an underlying property value of SEK 692.0 million, with the acquisition of Peab Center Malmö in the first quarter at an underlying property value of SEK 187 million, Sadelplatsen 4 in Solna represented SEK 235 million and was acquired during the second quarter, and the property in Oslo amounted to SEK 270 million and was acquired in the fourth quarter. Investments in existing properties amounted to SEK 137.3million during the year. Cash flow from investing activities amounted to SEK –830.1 million.

Cash flow from financing activities for full-year 2020 amounted to SEK 2,105.9 million, net, with most of the cash flow comprising capital contributions from the former parent company, Peab.

The restructuring process that created the Annehem Group led to a legend entry called "Transactions with owners," which amounted to SEK –962.8 million for the period. This is a result of the preparation of the combined financial statement as required by the regulations, in which transactions cannot be eliminated as in normal consolidated financial statements which is why certain items are entered on the "transactions with owners" line. At 31 December 2020, the Group's financial statements were fully consolidated. Refer to Note 1 Accounting policies for more information.

Future developments

The company's overall target is to continue to grow through the acquisition of properties in all of the selected regions and in commercial properties, community service properties and residential homes.

Contracts have been signed for four acquisitions where possession has not yet been taken. Of the four properties, two are commercial premises that will be taken into possession in 2021. The two housing projects will be taken into possession in 2022 and 2024.

As an additional step in its growth strategy, Annehem has also entered letters of intent with Peab regarding acquisitions of properties on market terms. When completed, the properties will comprise 86 thousand sqm and Annehem has assigned them a total estimated underlying property value at completion of approximately SEK 4,900 million.

Coronavirus pandemic

The coronavirus pandemic has had a major global impact and it is unclear when we can return to a more stable situation. The coronavirus pandemic's impact on the future economic trend is therefore difficult to assess at the present time. To date, the pandemic has impacted a small number of our customers in the hotel, conference, some retail and restaurant sectors. There is also a risk that the lease of existing spaces may take longer and at lower rent levels than before. This could influence the value of our properties.

The coronavirus pandemic has had humanitarian and economic consequences. The Annehem management is continuously monitoring developments and considering appropriate action to protect both personnel and customers.

In 2020, Annehem granted rent concessions related to the pandemic of SEK 0.4 million, including government grants. This is partly as our exposure to hotels, restaurants and retail amounts to less than 5 percent of total rent revenue.

Significant events during the year

On 5 February 2020, the Peab Board decided to propose to the Annual General Meeting to resolve on the distribution of all shares in Annehem.

- On 23 March 2020, the Extraordinary General Meeting elected Göran Grosskopf as Chairman of the Board and Jesper Göransson, Pia Andersson and Anders Hylén as members of the Board. Jörgen Lundgren is also appointed CEO and Jan Egenäs takes up his duties as CFO.
- In June and July 2020, Annehem's organisation is in place. Certain parts of Annehem's personnel are transferred from Peab to Annehem and some recruitment takes place.

- On 28 August 2020, the Extraordinary General Meeting elects Karin Ebbinghaus and Lars Ljungälv as new members of the Board.
- On 1 September 2020, Adela Colakovic began her role as Head of Group Accounting.
- On 28 September 2020, the Extraordinary General Meeting resolves on:
  - the reverse split of shares and the introduction of A shares and B shares,
  - a new issue, after which Annehem's share capital amounts to TSEK 500,
  - adoption of new Articles of Association, and
  - that Annehem is to be a public company.
- On 6 November 2020, the Extraordinary General Meeting resolves on:
  - the division of shares to a total of 58,992,548 shares, of which 6,863,991 are A shares and 52,128,557 are B shares.
- Three properties were acquired during the year from Peab, at an underlying property value totalling SEK 692 million. The properties are situated in Stockholm, Malmö and Oslo.
- The following properties were acquired without being taken into possession:
  - On 21 October 2020, Annehem acquired commercial properties under construction in Stockholm (Solna) and Helsingborg. The property in Helsingborg is scheduled to be taken into possession in Q2 2021 and the property in Stockholm (Solna) in Q4 2021. The underlying property value was SEK 275 million for the property in Stockholm (Solna) and SEK 131 million for the property in Helsingborg.
  - On 28 October 2020, Annehem acquired two housing projects in Malmö and Partille. The properties will be taken into possession when the contract is completed, which is scheduled to be Q2 2022 for the Malmö property and H1 2024 for the Partille property. The underlying property value was SEK 135 million for the Malmö property and SEK 250 million for the Partille property.
- During 2020, Peab paid shareholders' contributions to Annehem of SEK 2 billion to create an strong capital structure in Annehem.
- Annehem has entered into a credit agreement with SEB, Nordea and Swedbank. The credit agreement comprises an amount of approximately SEK 1.9 billion divided into three tranches in SEK, EUR and NOK, of which the SEK tranche may be drawn upon on three different occasions.
- The company has entered letters of intent with Peab regarding acquisitions of properties on market terms. When completed, the properties will comprise 86 thousand sqm and Annehem has assigned them a total estimated underlying property value at completion of approximately SEK 4,900 million.

On 11 December 2020, Annehem Fastigheter AB (Publ) was listed on Mid Cap, Nasdaq, Stockholm, with the ticker ANNE B.

Proposed distribution of profit

The following amounts are at the disposal of the Annual General Meeting:	
Retained earnings	1,999,989,674 SEK
Profit for the year	–6,486,717 SEK
Total:	**1,993,502,957 SEK**

The Board of Directors proposes that earnings be appropriated as follows: To be carried forward SEK 1,993,502,957

Annehem's dividend policy is to reinvest profits in order to utilise business opportunities and achieve Annehem's growth targets.

Financial statements

Consolidated income statement

SEK million	Note	2020[1]	2019[2]
Rent revenue	3	151.5	96.5
Other property income	3	26.9	13.2
Total income		**178.4**	**109.7**
Property expenses	4		
Operating costs		–38.1	–29.2
Maintenance costs		–10.4	–12.7
Property tax		–5.7	–2.7
Property administration		–2.4	–4.9
Net operating income		**121.8**	**60.2**
Central administration	4	–58.3	–10.2
Other operating income	4	5.9	1.9
Other operating costs	4	–2.8	0.2
Interest income	13	0.2	0.5
Interest expenses	13	–43.9	–21.0
Other financial items[3]	13	–6.9	–
Income from property management		**16.0**	**31.5**
Changes in value of properties, realised		–	0.1
Changes in value of properties, unrealised		85.9	98.1
Profit before tax		**101.9**	**129.7**
Current tax	8	–4.1	3.6
Deferred tax	8	–26.1	–30.6
Net income for the year attributable to the Parent Company's shareholders		**71.8**	**102.7**
Average number of shares, before and after dilution		**58,992,548**	**58,992,548**
Earnings per share, before and after dilution, SEK		**1.22**	**1.74**

1) The financial statements for the period were prepared in accordance with a combination of the method for combined financial statements (see Note 7) and legal consolidation in accordance with IFRS 10. Annehem Group was created successively through acquisition of property companies from Peab in 2020. From the date of each legal acquisition, legal consolidation occurred in accordance with IFRS 10.
2) The financial statements for the period were prepared in accordance with the method for combined financial statements, see Note 7 for more information.
3) Other financial expenses comprise primarily non-recurring currency effects. Currency hedging will be implemented as of 2021.

Consolidated statement of profit or loss and other comprehensive income

SEK million	2020[1]	2019[2]
Profit for the year	**71.8**	**102.7**
Other comprehensive income		
Items that have been or may be reclassified to profit for the period		
Translation differences on translation of foreign operations	–7.0	3.7
Comprehensive income for the year attributable to Parent Company shareholders	**64.8**	**106.4**

Consolidated balance sheet

SEK million	Note	2020-12-31[1]	2019-12-31[2]
ASSETS			
Fixed assets			
Intangible assets		0.1	–
Investment properties	9	3,317.5	2,437.2
Machinery and equipment	10	4.3	2.9
Non-current receivables		0.3	–
Total fixed assets		**3,322.3**	**2,440.2**
Current assets			
Accounts receivable		2.8	11.4
Accounts receivable from related parties	7	2.8	1.1
Current receivables	11	4.5	2.4
Receivables from related parties, interest-bearing	7	–	68.3
Cash and cash equivalents		448.0	40.4
Total current assets		**458.1**	**123.6**
TOTAL ASSETS		**3,780.4**	**2,563.7**
EQUITY AND LIABILITIES			
Equity			
Share capital		0.5	0.1
Other contributed capital		1,786.9	749.6
Currency translation reserve		–3.3	3.7
Retained earnings including net income for the year		273.8	202.0
Total equity	**12**	**2,057.9**	**955.5**

[1] The financial statements for the period were prepared with legal consolidation in accordance with IFRS 10.
[2] The financial statements for the period were prepared in accordance with the method for combined financial statements, see Note 7 for more information.

SEK million	Note	2020-12-31[1]	2019-12-31[2]
Liabilities			
Non-current liabilities			
Liabilities to related parties, non-current	13	–	59.3
Non-current interest-bearing liabilities	13	1,546.9	353.5
Other non-current liabilities		1.6	0.1
Deferred tax liabilities	8	86.5	61.6
Pension provisions		0.4	–
Total non-current liabilities		**1,635.5**	**474.5**
Current liabilities			
Liabilities to related parties, interest-bearing	7, 11	–	727.1
Current interest-bearing liabilities	7, 11	–	313.1
Liabilities to related parties, accounts payable	7, 11	2.6	50.6
Accounts payable and other liabilities		13.7	5.3
Current tax liabilities		14.6	0.0
Other current liabilities	14	56.3	37.5
Total current liabilities		**87.1**	**1,133.8**
Total liabilities		**1,722.5**	**1,608.3**
TOTAL EQUITY AND LIABILITIES		**3,780.4**	**2,563.7**

Consolidated statement of changes in equity

2020[1], SEK million	Share capital	Other contributed capital	Currency translation reserve	Retained earnings including profit for the year	Total equity
	Equity attributable to the Parent Company's shareholders				
Opening equity, 1 January 2020	**0.1**	**749.6**	**3.7**	**202.0**	**955.5**
Profit for the year	–	–	–	71.8	71.8
Other comprehensive income for the year	–	–	–7.0	–	–7.0
Comprehensive income for the year	**–**	**–**	**–7.0**	**71.8**	**64.8**
New share issue	0.4	–	–	–	0.4
Shareholders' contributions	–	2,000.0	–	–	2,000.0
Other transactions with owners	–	–962.8	–	–	–962.8
Closing equity, 31 December 2020	**0.5**	**1,786.9**	**–3.3**	**273.8**	**2,057.9**

2019[2], SEK million	Share capital	Other contributed capital	Currency translation reserve	Retained earnings including profit for the year	Total equity
	Equity attributable to the Parent Company's shareholders				
Opening equity, 1 January 2019	**–**	**287.0**	**3.1**	**99.3**	**389.3**
Profit for the year	–	–	–	102.7	102.7
Other comprehensive income for the year	–	–	0.6	–	0.6
Comprehensive income for the year	**–**	**–**	**0.6**	**102.7**	**103.4**
Dividend to Peab	–	–13.0	–	–	–13.0
Shareholders' contributions	–	4.9	–	–	4.9
Other transactions with owners	0.1	470.7	–	–	470.8
Closing equity, 31 December 2019	**0.1**	**749.6**	**3.7**	**202.0**	**955.5**

1) The financial statements for the period were prepared with legal consolidation in accordance with IFRS 10.
2) The financial statements for the period were prepared in accordance with the method for combined financial statements, see Note 7 for more information.

Consolidated cash flow statement

SEK million	2020[3]	2019[4]
Income from property management [1]	16.0	31.5
Adjustments for non-cash items		
Depreciation [2]	0.7	0.5
Unrealised currency effects	3.9	–
Income tax paid	–1.3	3.7
	19.3	**35.7**
Changes in working capital		
Operating receivables	84.0	–45.9
Operating liabilities	–6.4	52.1
Cash flow from operating activities	**96.9**	**41.9**
Investing activities		
Investments in existing properties	–137.3	–61.1
Acquisition of investment properties	–692.0	–1,338.8
Investments in machinery and equipment	–0.7	–
Investments in intangible assets	–0.1	–1.6
Cash flow from investing activities	**–830.1**	**–1,401.5**
Financing activities		
New share issue	0.4	–
Shareholders' contributions	2,000.0	–
Borrowings	1,814.2	895.4
Repayment of loans	–1,708.7	–2.3
Cash flow from financing activities	**2,105.9**	**893.1**
Cash flow for the period	**1,372.7**	**–466.5**
Cash and cash equivalents at the beginning of the period	40.4	35.7
Exchange rate difference in cash and cash equivalents	–2.1	1.8
Transactions with shareholders	–962.8	469.3
Cash and cash equivalents at the end of the period	**448.0**	**40.4**

1) Interest received and paid is included in income from property management and corresponds to interest expense and interest income respectively for each period.
2) Non-cash items refers to depreciation on machinery and equipment, which does not affect cash flow.
3) The financial statements for the period were prepared with legal consolidation in accordance with IFRS 10.
4) The financial statements for the period were prepared in accordance with the method for combined financial statements, see Note 7 for more information.

Parent Company income statement

SEK million	Note	2020	2019
Income		30.0	–
Administrative expenses		–50.6	–
Operating profit/loss		**–20.6**	**–**
Profit from financial items			
Profit from participations in Group companies		1.0	–
Net financial items	13	16.5	–
Profit from financial items		**17.5**	**–**
Profit before tax		**–3.1**	**–**
Current tax	8	–3.3	–
Deferred tax	8	–0.1	–
Profit/loss for the period		**–6.5**	**–**

Parent Company balance sheet

SEK million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Fixed assets			
Intangible assets		0.1	–
Machinery and equipment		0.5	–
Financial fixed assets			
Participations in Group companies	15	12.5	–
Non-current receivables from Group companies	7	2,026.1	–
Other non-current receivables		0.3	–
Total financial fixed assets		**2,039.0**	**–**
Total fixed assets		**2,039.5**	**–**
Current assets			
Accounts receivable, Group companies		–	0.1
Other receivables		0.5	–
Cash and bank balances		0.4	–
Total current assets		**0.9**	**0.1**
TOTAL ASSETS		**2,040.4**	**0.1**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	12	0.5	0.1
Non-restricted equity			
Retained earnings		2,000.0	–0.2
Profit for the year		–6.5	–
Total equity		**1,994.0**	**–0.1**

SEK million	Note	31 Dec 2020	31 Dec 2019
Provisions			
Provisions for pensions and similar obligations		0.4	–
Provisions for deferred tax	8	0.1	–
Total provisions		**0.5**	**–**
Current liabilities			
Liabilities to related parties, interest-bearing	7	–	0.2
Liabilities to related parties, accounts payable	7	2.4	–
Liabilities to Group companies, accounts payable	7	15.6	–
Accounts payable		7.2	–
Other current liabilities	14	6.6	–
Accrued expenses and deferred income	14	14.1	–
Total current liabilities		**45.9**	**0.2**
TOTAL EQUITY AND LIABILITIES		**2,040.4**	**0.1**

Parent Company cash flow statement

SEK million	2020	2019
Profit/loss before tax	–3.1	–
Adjustments for non-cash items		
Depreciation	0.2	–
Income tax paid	–3.4	–
	–6.3	
Changes in working capital		
Operating receivables	0.1	–
Operating liabilities	46.5	–
Cash flow from operating activities	**40.3**	**–**
Investing activities		
Investments in machinery and equipment	–0.7	–
Investments in intangible rights	–0.1	–
Cash flow from investing activities	**–0.8**	**–**
Financing activities		
New share issue	0.4	–
Shareholders' contributions	2,000.0	–
Borrowings	362.3	–
Repayment of loans	–362.3	–
Changes interest-bearing receivables, Group companies	–2,401.3	–
Cash flow from financing activities	**–400.9**	**–**
Cash flow for the period	**–361.4**	**–**
Cash and cash equivalents at the beginning of the year	–	–
Exchange rate difference in cash and cash equivalents	–	–
Transactions with shareholders	361.8	–
Cash and cash equivalents at the end of the period	**0.4**	**–**

Parent Company statement of changes in equity

SEK million	Share capital	Retained earnings	Profit for the year	Total equity
Deposited share capital 2 October 2019	**0.1**	**–**	**–**	**0.1**
Profit for the year	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**0.1**
Closing equity, 31 December 2019	**0.1**	**–**	**–**	**0.1**
Opening equity, 1 January 2020	**0.1**	**–**	**–**	**0.1**
Profit and comprehensive income for the year	–	–	–6.5	–6.5
Comprehensive income for the year	**–**	**–**	**–6.5**	**–6.5**
New share issue	0.4	–	–	0.4
Shareholders' contributions	–	2,000.0	–	2,000.0
Closing equity, 31 December 2020	**0.5**	**2,000.0**	**–6.5**	**1,994.0**

Noter

NOTE 1

GENERAL INFORMATION AND ACCOUNTING POLICIES

GENERAL INFORMATION

Annehem Fastigheter AB, Corp. ID. No. 559220-9083, is a Swedish public limited liability company with its registered office in Ängelholm. The company's share has been listed on Nasdaq Stockholm since 11 December 2020. The annual accounts and the consolidated financial statements were approved for publication by the Board of Directors and the CEO on 30 March 2021. The consolidated statement of profit or loss and other comprehensive income and the Parent Company income statement and balance sheet will be presented for adoption at the Annual General Meeting to be held on 19 May 2021.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with a combination of the method for combined financial statements and legal consolidation in accordance with IFRS 10. Annehem Group was created successively through acquisition of property companies and properties from Peab in 2020. In 2020, the consolidated income statement has gradually transitioned into full consolidation as the legal acquisition transactions, which were part of the formation of the Group, were concluded. At 31 December 2020, the Group's financial statements were consolidated.

Basis for preparing the statements

Compliance with laws and standards

The financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU. Certain supplementary disclosures were provided in accordance with additional requirements of the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RFR 1 Supplementary Accounting Rules for Groups. The accounting policies have been consistently applied to all recognised periods and for all entities included in the combined financial statements and in the legal consolidation under IFRS 10.

The Parent Company applies the same accounting principles as the Group except in cases specified below in the section Parent Company's accounting policies.

Measurement basis

Assets and liabilities are recognised at their historical cost, except for investment properties that in the consolidated balance sheet are measured at fair value.

Functional currency and presentation currency

The Parent Company's functional currency is the Swedish krona (SEK), which is also the presentation currency for the Group. All amounts are rounded to the nearest million with one decimal point unless otherwise specified.

Combined financial statements

IFRS does not specifically address the preparation of combined financial statements. The term "combined financial statements" refers to the financial information prepared by combining the financial information for entities under common control, which does not fulfil the requirements of a group under IFRS 10 Consolidated Financial Statements. The combined financial statements are intended to present the Group's historical financial information. An important requirement for the preparation of these historical financial statements is that all entities have the same common control through Peab AB's ownership and are thereby part of Peab Group. The formation of the Group encompasses transactions between entities under the same common control that took place after the reporting period but before the publication of these financial statements. Since neither these transactions nor the combined financial statements are covered by any IFRS standard, management should in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) develop and apply an accounting policy that is, among other things, relevant and reliable. An appropriate and established method that management considers relevant and reliable is to combine the entities that make up the Group. The Group has identified the Capital Region and South Region as its reportable operating segments.

Given that not only separate legal entities were transferred as part of the formation of the Group but also parts of legal entities, the following was also taken into consideration when preparing the combined financial statements to establish the assets, liabilities, income and costs as well as cash flow included.

Distribution of income and expense items

The basis for the distribution of income and expense items for the Group was primarily each subsidiary's legal financial statements adjusted to apply IFRS. Each subsidiary was charged by other Group companies in the Peab Group with internal cost distribution for property management and certain central costs, such as property development, IT and HR functions. The cost distribution is based on actual costs incurred by the Peab Group. As a result, related costs for the formation of the Group are included in the combined financial statements. However, previous unallocated central costs in the Peab Group, primarily costs pertaining to Peab's senior executive team activities and the Project development business area's management, were not allocated to the Group. Certain less significant assets in Annehem Fastigheter AB's subsidiaries related to uncompleted commercial properties were divested. In the combined financial statements, divested assets, associated liabilities, associated income and associated costs have been excluded.

Fees and remuneration to auditors

The company's auditing costs have, until the listing date, been included in Peab's audit costs. In the annual accounts for 2020, the Group has reserved auditing costs for the annual accounts audit for 2020.

Financial expenses and capital structure

Financial expenses charged to Annehem's entities until the listing date are based on actual costs for loans and interest paid to the Peab Group's central finance function for those entities, which were separate legal entities during past periods and that are now part of the Group. The Group's historical capital structure presented in these combined financial statements is not necessarily representative of a separate entity's capital structure, as external borrowing was managed centrally as set out in Peab's financial policy. A surplus in the Group account is presented as receivables from the Peab Group and a deficit in the Group account as a liability to the Peab Group.

Current tax

In the combined financial statements, tax is recognised on the basis of taxable earnings generated by the legal entities included in the combined financial statements. Tax items related to received and granted Group contributions are recognised as transactions with shareholders after recognition of the tax effect as current tax in the income statement and with the same amount in the cash flow statement as income tax paid. For more information on tax in the Group's consolidated statements, see the section on Income tax in Note 1.

Earnings per share
In these combined financial statements, the calculation of earnings per share is based on the number of shares outstanding Annehem had on the date of this Prospectus, 11 December. This is considered more relevant than the actual average number of shares in Annehem Fastigheter AB. The calculation of earnings per share for 2019 as presented in the combined financial statements, is based on the Group's net profit attributable to the Parent Company's shareholders divided by the number of B shares when listed. In 2020, the calculation of earnings per share is based on consolidated profit for the year attributable to the owners of the Parent Company and on the weighted average number of shares outstanding during the year.

Transactions with shareholders and related parties
Capital contributions, dividends, Group contributions and other transactions, such as transfers of shares between various Group companies in the Peab Group and Annehem Fastigheter AB, were recognised in "Other transactions with shareholders" in equity and in the cash flow statement in the combined financial statements. Transactions between Group companies and balances with companies in the Peab Group as part of normal business operations were presented as transactions and balances with related parties. Refer to Note 5 for more information.

OTHER ACCOUNTING POLICIES FOR ANNEHEM

GROUP

Classification
Fixed assets comprise amounts expected to be recovered or paid more than 12 months after the balance sheet date. Non-current liabilities consist of amounts that fall due for payment first after more than 12 months after the balance sheet date and other amounts for which the company has an unconditional right to defer the payment to a date more than 12 months after the balance sheet date. Other assets and liabilities are recognised as current assets and current liabilities, respectively.

Assessments and estimations in the financial statements
The preparation of the financial statements requires assessment when applying the accounting policies and estimations when measuring assets, liabilities, income and costs. Estimations and assumptions are based on historical experience and other factors considered relevant. Estimates and assumptions are regularly reviewed and compared with actual outcomes. Significant assessments and estimations are described in more detail in Note 2.

Consolidated financial statements
Subsidiaries are companies over which Annehem Fastigheter AB has a direct or indirect controlling interest. Controlling interest is achieved when the Parent Company has direct or indirect control over the investment object, is exposed or entitled to a variable return from its holding in the investment object and can exercise control over the investment object to influence the size of its return. The subsidiary's financial statements are included in the consolidated financial statements from the date on which the controlling interest arises and are included in the consolidated financial statements until the date it ceases.

Asset acquisitions
Transactions in which the fair value of the acquired assets essentially comprises an asset or a group of similar assets are recognised as a single asset acquisition, using a simplified assessment. When acquisitions of subsidiaries entail an acquisition of net assets without significant processes, the cost is allocated to the individual identifiable assets and liabilities based on their fair value on the acquisition date. Fair value initially includes contingent considerations. Transaction expenses are added to the cost of the acquired net assets in asset acquisitions. Changes in the estimated value on contingent benefits after the acquisition are added to the cost of acquired assets. Deferred tax on temporary differences is not initially recognised. For further information, refer to the section Taxes. Annehem recognises deductions received for deferred tax as unrealised changes in value on the property directly on the date of the acquisition. Changes in value on contingent considerations are added to the cost of acquired assets.

Transactions eliminated on consolidation
Intra-Group receivables and liabilities, income or costs and unrealised gains or losses arising from intra-Group transactions among Group companies are eliminated in their entirety when preparing the consolidated financial statements.

Transactions in foreign currency
Transactions in foreign currency are translated into the functional currency at the exchange rate that prevails on the transaction date. Functional currency is the currency of the primary economic environment in which the entity operates. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate prevailing at the end of the reporting period.

Exchange differences that arise on translation are recognised in profit or loss for the year. Non-monetary assets and liabilities recognised at historical costs are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities reported at fair values are translated to the functional currency at the rate that prevails on the date of fair value measurement.

Financial statements of foreign operations
The assets and liabilities of foreign operations, including consolidated surplus and deficit values, are translated from the foreign operation's functional currency to the Group's reporting currency, Swedish kronor, using the exchange rate at the balance sheet date. Income and expenses in a foreign operation are translated into Swedish kronor at an average rate that comprises an approximation of the exchange rates applying on each transaction date. Translation differences that arise in currency translations of foreign operations are recognised in other comprehensive income and accrued in a separate component in equity, called the currency translation reserve. When controlling influence over a foreign operation ceases, they are realised to accumulated translation differences attributable to the operation, whereby they are reclassified from translation reserve in equity to profit or loss for the year.

Segment reporting
An operating segment is a part of the Group that conducts operations from which it can generate income and incur costs and for which independent financial information is available. The Group's operations are divided into two operating segments: Capital Region (Stockholm, Oslo), Helsinki) and South Region (Malmö, Gothenburg, Ängelholm). Operating segments are reported in the Group's external financial statements in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the function that is responsible for allocating resources and assessing the result of the operating segments. In Annehem, the chief operating decision maker is the CEO, as the CEO has the main responsibility for allocating resources and evaluating the result.

Rent revenue and property income
Rent revenue is notified in advance and accrued in earnings on a straight-line basis during the lease period. All leases are classified

as operating leases. In addition to rental charges, rent revenue includes supplementary billing, mainly property tax. Income that is classified as property income includes supplementary billing, for example electricity, heating, water and property upkeep. Property income is recognised in the period when the service is rendered and delivered to the tenant. Rental charges and property income are paid in advance and advance rent is recognised as prepaid rent revenue. In cases where a lease is granted a time-limited rent reduction and charged a higher rent in another period, the respective underpayment or overpayment is accrued over the term of the lease. Discounts, such as a reduction for phased occupancy, are charged to the period in which they arise.

Income from the sale of property

Income from the sale of property is recognised on the date the property is vacated, provided there are no specific terms or conditions in the purchasing contract that entail the controlling interest, risk and benefits are transferred earlier to the purchaser. Gains/losses from the sale of properties are recognised as changes in value and correspond to the difference between the obtained selling price less selling expenses, calculated tax and the carrying amount on the most recent date of valuation, plus investments implemented following the latest date of valuation.

Government assistance

Government assistance is recognised in the balance sheet as accrued income when there is reasonable assurance that the subsidy will be received and the Group will fulfil the conditions associated with the subsidy. Assistance is recognised on a systematic basis in profit for the year in the same way and over the same periods in which the expenses which the grants are intended to offset are recognised, unless the conditions for receiving the assistance are not fulfilled after recognition of the related costs. In these cases, the company recognises a receivable on the government assistance for the period during which the company received the assistance.

Property expenses

Property expenses comprise both direct and indirect expenses to manage a property and consist of costs for operation, upkeep, leasing, administration, property tax and maintenance of the property portfolio.

Central administration

Costs for central administration comprise costs for Group-wide functions and ownership of the Group's subsidiaries. The Parent Company's costs for, among other things, the senior executive team, personnel administration, IT, marketing activities, investor relations, audit fees and financial statements are included in central administration. The item central administration also includes depreciation of other tangible assets.

Employee benefits

Short-term remuneration

Short-term remuneration to employees is reported as an expense when the related services are performed. The expected costs of bonus payments are recognised as an accrued cost when the Group has a valid legal or informal obligation to make such payments for services rendered and the obligations can be reliably estimated.

The company had no employees in 2019 and therefore no remuneration of employees. The company has paid a management fee for services performed by Peab.

Pensions

Defined contribution pension plans

Pension plans are only classified as defined contribution pension plans when the Group's obligations are limited to the contributions the Group has undertaken to pay to an insurance group or to another independent legal entity. In such cases, the size of an employee's pension depends on the size of the contributions the Group pays to this legal entity and the yield it generates on the capital. The Group's obligations concerning contributions to defined contribution plans are expensed in profit/loss for the year as they are earned by the employee performing work for the Group during the period. Unpaid contributions are recognised as liabilities.

Defined benefit pension plans

A few employees have defined benefit ITP plans with regular payments to Alecta. These are recognised as defined contribution plans since Alecta does not provide the required information, and consequently information is not available to recognise the plan as a defined benefit plan. However, there are no indications of any material obligations that exceed the payments to Alecta.

For salaried employees in Sweden, defined benefit pension obligations for retirement and family pensions (or alternately family pensions) under the ITP 2 plan are secured through an insurance policy with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, Recognition of ITP 2 pension plan financed through insurance with Alecta, this is a multi-employer defined-benefit plan. For the 2020 financial year, the company did not have access to information to enable it to recognise its proportional share of the plan's commitments, plan assets and costs. As a result, the company was unable to recognise it as a defined benefit plan. Accordingly, the ITP 2 Pension Plan secured via insurance with Alecta was recognised as a defined contribution plan. The premium for the defined-benefit retirement and family pension is calculated individually on the basis of such factors as salary, previously earned pension entitlement and estimated remaining period of employment. Expected fees in the next reporting period for ITP 2 insurance policies with Alecta are SEK 1.1 million (0.6). The Group's share of the total contributions for the plan, and the Group's share of the total number of active members in the plan, amount to 0.00204 percent and 0.00289 percent, respectively (0 and 0, respectively).

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance commitments, calculated according to Alecta's actuarial methods and assumptions, which do not correspond to IAS 19. Normally, the collective consolidation is permitted to vary between 125 and 175 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 175 percent, action is to be taken to create the conditions for returning the consolidation level to within the normal range. In the case of low consolidation, one step can be to increase the price of new, and extending existing, benefits. In the case of high consolidation, one alternative can be to reduce premiums. At year-end 2020, Alecta's surpluses in the form of the collective consolidation level was 148 percent (148).

Pension agreements with endowment insurance

Pension agreements have been entered into whereby the Group has acquired endowment insurance secured for the benefit of employees through pledges. The beneficiary of the endowment insurance is only entitled to remuneration corresponding to the value of the endowment insurance at redemption. The endowment insurance is continuously measured at fair value while the pension liability is revalued to the corresponding value of the endowment insurance. Provisions for special employer's contributions are reserved based on the endowment insurance's fair value.

Leases – lessee

The Group has a small number of leases as lessee in the form of four ground leases. Annehem has chosen to recognise all leases with full retrospective application. When signing an agreement, Annehem determines whether the agreement is, or contains, a leasing agreement based on the substance of the agreement. An agreement is, or contains, a leasing agreement if the agreement transfers during a certain period the right to decide over the use of an identified asset in exchange for compensation. Annehem applies the practical exceptions pertaining to current leasing and leases for which the underlying asset is of low value. Current leasing is defined as a lease with an initial lease term of up to 12 months after taking into account any option to extend the lease. The Group has defined contracts where the underlying asset could be purchased for up to SEK 50,000 and within the Group comprises, for example, office inventory, as leases where the underlying asset is of low value. Lease payments for current leasing and leases for which the underlying asset is of low value are expensed on a straight-line basis over the lease term in central administration.

Ground leases

The Group has four ground leases that meet the definition of a lease. The lease liability is initially measured based on the established size of the ground rents on the commencement date discounted by the rate implicit in the contract, i.e. the ground rent rate. The right-of-use asset's value is considered to be equal to the lease liability adjusted for any prepaid ground rents. Since the ground lease is deemed to entail a perpetual commitment to the lessor at the same time as the site has a perpetual useful life, the right-of-use asset is not depreciated and the lease liability is not amortised. Ground rents paid are presented in full as an interest expense. The lease liability is remeasured when the ground rents are renegotiated, to reflect the change in size of the ground rents. In the event of such revaluation of the lease liability, the right-of-use asset is adjusted by the corresponding amount. Following the initial valuation according to IFRS 16, the Group measures right-of-use assets relating to ground lease at fair value as part of investment properties in accordance with IAS 40.

The Group as lessor

As landlord, the Group has operating leases with customers, see Note 9. Accounting policies for recognition of rent revenue and property income are stated in the paragraph concerning income above.

Investment properties

Investment properties are properties classified as fixed assets held to earn rent revenue or for capital appreciation, or a combination of both. Investment properties include buildings, land, land improvements and fixtures and fittings in buildings. Even properties under development and redevelopments which are intended to be used as investment properties when fully developed are classified as investment properties.

Investment properties are measured at fair value in accordance with the accounting standard IAS 40. Initially, investment properties are recognised at cost, which includes expenses directly attributable to the acquisition. Fair value is the amount estimated to be received in a transaction on the valuation date between well-informed and independent parties acting in an orderly market. The valuation is based on discounted future cash flows where uncertainty exists as regards the assessment of future rent revenue, vacancy rates, operating costs, interest rate trends and direct-return requirements.

At least once every year, all properties are valued by external, independent appraisal institutes. The Group conducts internal regular valuations of the entire property portfolio. The external valuations are used as reconciliation data for the internal valuations. The external valuations take priority when there are differences between the internal and external valuations. All property valuations are carried out by an appraiser with adequate expertise for each type of property and geographic market. The properties are valued according to valuation principles pursuant to IPD's guidelines. These state that all properties must be inspected on each valuation date, with an in-depth inspection every three years. Internal valuations are prepared using the valuation policy prevailing at any given time. Fair value has been determined through a combination of applying the location/price method and the yield method. The yield method is based on the preparation of a cash flow statement for each property. The cash flow statement comprises an assessment of the present value of the property's future net operating income during the calculation period and the present value of the property's residual value at the end of the calculation period. The calculation period is either five or ten years, and the residual value has been assessed using a perpetual capitalisation of an estimated market-based net operating income the year following the end of the calculation period. The perpetual capitalisation is effected using a direct-return requirement derived from the prevailing transaction market for comparable properties, and both direct and indirect (properties sold as a company) transactions were taken into account. Cash flow for operating, maintenance and administrative expenses is based on commercial and standardised payments for operation, maintenance and property administration after which corrections are made for discrepancies. Investments are calculated using the investment needs that are deemed to exist. Classification is conducted at level 3 in accordance with IFRS 13 Fair Value Measurement. Development rights may be included in fair value for investment properties. Both unrealised and realised changes in value are recognised in net profit for the year. Realised changes in value pertain to value changes from the most recent interim report until the divestment date for properties sold during the period, after taking into account capitalised investment expenditure for the period. Unrealised changes in value pertain to other value changes that do not arise from acquisitions, sales or capitalised investment expenditure.

Additional expenses are added to recognised value of investment properties only if it is likely that the future economic benefits associated with the expenditure will accrue to the company and the acquisition cost can be reliably calculated. All other subsequent costs are expensed in the period in which they arise. Expenditure on the replacement of identified components plus entirely new components is also added to the carrying amount, when these satisfy the above criteria. Repairs and maintenance are expensed when the expenditure arises.

Tangible assets

Tangible assets consist of machinery and equipment. Tangible assets are recognised at cost less accumulated amortisation and any impairment. Additional expenses that meet the criterion for classification as an asset are included in the asset's carrying amount. Expenses for ongoing maintenance and repairs are recognised as costs when they arise. Depreciation of tangible assets is expensed so the cost of the item, less any estimated residual values at the end of the useful life, is depreciated straight-line over its estimated useful life. If an item has been divided into different components, each component is depreciated separately over its useful life. Depreciation begins when the tangible asset can be used. The useful life of tangible assets is estimated at:

- Vehicles and construction machinery 5–10 years
- Other machinery and equipment 3–10 years

Financial instruments

Recognition and initial measurement

Accounts receivable and issued debt instruments are recognised when they are issued. Other financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

A financial asset or financial liability is measured on initial recognition at fair value plus, in case of financial instruments that are not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue.

Classification and subsequent measurement

Financial assets in Annehem, with the exception of derivative assets, are classified at amortised cost as:

- the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial liabilities in Annehem, with the exception of derivatives, are measured at amortised cost as they are not held for trading or have been identified as valued at fair value on initial recognition. Derivatives are measured at fair value in profit and loss, unless they are identified as hedging instruments. Annehem has no derivatives, and does not apply hedge accounting as of the date of these financial statements. Annehem has no financial items measured at fair value as of the date of these financial statements.

All financial assets classified as measured at amortised cost are valued using the effective interest method. Amortised cost is the amount at which a financial asset or financial liability is valued after initial recognition less repayments, plus or minus accumulated allocations when using the effective interest method on any difference between the original amount and the amount on the due date and, for financial assets, adjusted taking into account any loss reserve. The effective interest rate for a financial asset or financial liability is determined on initial recognition. The effective interest rate is the exact discount rate for estimated future payments and disbursements during the expected life of the financial instrument at the recognised gross value of the financial asset or the accrued acquisition value of the financial liability.

For financial assets recognised at amortised cost, interest income, exchange gains and losses as well as impairment are recognised in profit or loss. Gains or losses arising from derecognition are reported in profit or loss.

For other liabilities, net gains and losses, including interest expenses, are recognised in profit or loss. Interest expenses and exchange gains and losses are recognised in profit or loss. Gains or losses upon removal from the statements is also recognised in profit or loss.

Impairment – anticipated credit losses

The Group recognises loss reserves for anticipated credit losses on all financial assets measured at amortised cost The Group values the loss reserve at an amount corresponding to anticipated credit losses for the remaining time to maturity, with the exception of the following which are valued at 12 months anticipated credit losses: investments i debt instruments with low credit risk on the balance sheet day; and other debt instruments and bank balances for which the credit risk (meaning risk of default during the expected life of the financial asset) has not increased significantly since initial recognition.

The loss reserve for accounts receivable, contract assets and lease receivables is always at an amount corresponding to anticipated credit losses during the receivables' remaining time to maturity. The Group uses a matrix to calculate the loss reserve with anticipated loss percentages divided into the number of days a receivable is overdue and the receivable's customer category. The loss percentages are based on historical experience and specific conditions and expectations at the end of the reporting period.

The decision on whether the credit risk of a financial asset has increased significantly since initial recognition and when calculating anticipated credit losses, the Group uses reasonable and supportable information that is relevant and available without unnecessary costs or effort. This includes quantitative and qualitative information and analysis based on the Group's historical experience and credit assessments and includes forward-looking information.

The Group considers that the credit risk for a financial asset has increased significantly if it is past due by more than 30 days. The Group considers that a financial asset has defaulted when: it is unlikely that the borrower will pay the entire credit commitment to the Group, when the Group has no right of recourse to realise collateral (if such is held); or the financial asset is past due by more than 90 days. The Group considers a debt instrument to be of low credit risk when its credit rating corresponds to the global definition of "investment grade," which is considered Baa3 or higher for Moody's or BBB- or higher for Fitch Ratings and Standard & Poor's.

Anticipated credit losses for the entire term is an anticipated credit loss arising from all potential defaults during the expected life of a financial instrument. 12-months anticipated credit losses comprise credit losses that arise from a default that may occur within 12 months of the balance sheet date (or a shorter period if the anticipated life of the instrument is shorter than 12 months). The maximum period considered when calculating anticipated credit losses is the maximum contract period during which the Group is exposed to credit risk. Anticipated credit losses comprise a probability-weighted estimate of credit losses. Credit losses are measured as the current value of all deficits in cash flows (i.e. the difference between the company's cash flow according to a contract and the cash flow the Group anticipates receiving). Anticipated credit losses are discounted with the effective interest rate on the financial asset.

On every balance sheet date, the Group assesses whether financial assets recognised at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events occur that have a negative impact on the estimated future cash flows for the financial asset.

Loss reserves for financial assets at amortised cost are deducted from the asset's gross value.

Write-off

The gross value of a financial asset is written off when the Group no longer has any feasible expectations of recovering part of or the entirety of a financial asset.

Derecognition from the statement of financial position

The Group derecognises a financial asset from its statement of financial position when the contractual rights to the cash flows from the asset expire or if it transfers the rights to receive the contractual cash flows through a transaction in which essentially all risks and rewards of ownership have been transferred or in which the Group does not transfer or retain essentially all the risks and rewards of ownership and does not retain control of the financial asset. The Group derecognises a financial liability from its statement of financial position when the obligations specified in the agreement are discharged, cancelled or expire.

The Group also derecognises a financial liability when the contractual terms are modified and cash flows from the modified liability are materially different. In such a case, a new financial liability isrecognised at fair value based on the modified terms. As of the date of these financial statements, no modification has taken place of financial liabilities. When a financial liability is derecognised, the difference between the carrying amount allocated to the derecognised component and the consideration paid is recognised in profit or loss.

Financial income

Financial income comprises interest income and is recognised in the period in which it arises. Group contributions received and received and anticipated dividends are also recognised in financial income. The effective interest method is used when calculating financial income.

Financial expenses

Financial expenses comprise interest expenses, which consist of interest and other expenses linked to financing of the company, as well as lease expenses and ground rents. Costs for taking out mortgage deeds are not regarded as a financial expense but rather capitalised as value-raising property investments. Financial expenses are recognised in the period in which they occur.

Borrowing costs

In the Group, borrowing costs are charged to profit or loss for the period to which they are attributable. No borrowing costs are capitalised as assets.

Provisions

A provision is recognised in the balance sheet when the Group has a formal or informal commitment as a result of an occurred event, and it is likely that an outflow of financial resources is required to settle the commitment and a reliable estimate of the amount can be made. A present-value calculation is carried out to take into account material time values pertaining to future payments.

Contingent liabilities

Contingent liabilities are provided when there is a possible obligation attributable to events that have occurred, the occurrence of which can only be confirmed by one or more uncertain future events out of the control of the Group, or when there is an undertaking not recognised as a liability or provision because it is not likely that the use of resources will be required or the amount cannot be calculated with sufficient reliability.

Income tax

Income tax is allocated in the income statement as current and deferred tax. Income tax is charged to the income statement except in those cases where it is attributable to transactions that are recognised directly against equity when the tax effect is also recognised directly against equity. Current tax is calculated using the applicable tax rate of 21.4 percent, while deferred tax is calculated using a tax rate of 20.6 percent that is applicable in Sweden from 2021. For Norway and Finland, current and deferred tax is calculated using 22 percent and 20 percent, respectively.

Deferred tax

Deferred tax on temporary differences, arising between the carrying amount of an asset or liability and its tax value, is recognised in Annehem in accordance with the balance sheet method. Accordingly, there is a tax liability or tax asset that is realised on the date the asset or liability is divested. Exceptions are made for temporary differences that arise on initial recognition of assets and liabilities in asset acquisitions. Annehem has two items above all where temporary differences exist – properties and untaxed reserves. Deferred tax liabilities are calculated on the difference between the properties' carrying amount and their tax value, and likewise on untaxed reserves. Changes to the abovementioned items thus change the deferred tax liability/asset, which is recognised in the income statement as deferred tax. This year's acquisitions were recognised as asset acquisitions, which means the deferred tax at the date of acquisition is not included in the balance sheet.

Current tax

Current tax recognised in the income statement corresponds to the tax the company is obliged to pay based on the year's taxable earnings, adjusted for any current tax pertaining to previous periods.

Parent Company accounting policies

The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for legal entities. RFR 2 means that the Parent Company in the annual accounts for a legal entity must apply all EU endorsed IFRS and statements as far as this is possible within the framework of the Annual Accounts Act, the Income Security Act and taking into account the correlation between accounting and taxation. The recommendation states what exemptions and additions should be made to IFRS.

Differences between the accounting policies of the Group and the Parent Company

The differences between the Group's and the Parent Company's accounting policies are stated below. The accounting policies for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent Company.

Classification and presentation

The income statement and balance sheet for the Parent Company are prepared according to the stipulations of the Annual Accounts while and the statement of profit and other comprehensive income, statement of changes in equity and cash-flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows, respectively. The differences between the consolidated financial statements which apply in the Parent Company's income statement and balance sheet mainly comprise recognition of financial income and expenses, fixed assets, equity and the occurrence of provisions as a separate heading in the balance sheet.

Subsidiaries

Investments in subsidiaries are recognised in the Parent Company according to the cost method. This means that transaction costs are included in the carrying amount for holdings in subsidiaries. Contingent considerations are measured on the basis of the probability that the consideration will be paid. Possible changes to the provision/receivable are added/deducted from the cost.

The carrying amount is checked regularly against the Group companies' consolidated equity. If the carrying amount falls below the Group companies' consolidated value, impairment is carried out via the income statement. If there is an indication that an earlier impairment is no longer justified, it is reversed.

Financial instruments

The Parent Company has chosen to apply IFRS 9 for financial instruments. The Parent Company therefore follows the same principles as the Group for the recognition of financial instruments.

Anticipated dividends

Anticipated dividends from a subsidiary are recognised in cases where the Parent Company alone is entitled to decide on the size of the dividend and the Parent Company has made a decision about the size of the dividend before the Parent Company published its financial statements.

Tangible assets

In the Parent Company, tangible assets are recognised at cost less accumulated depreciation.

Leased assets

The Parent Company does not apply IFRS 16, in accordance with the exception in RFR 2. As lessee, lease payments are recognised on a straight-line basis as a cost over the lease term and therefore not recognised as right-of-use assets and lease liabilities in the balance sheet.

NOTE 2

ESTIMATIONS AND ASSESSMENTS

The preparation of Annehem's financial statements requires management to make assessments, estimations and assumptions that affect the application of accounting policies and the recognised amounts of assets, liabilities, income and expenses. The final outcome can deviate from the results of these estimations and assessments.

Valuation of investment properties

Annehem's portfolio of investment properties is measured on the balance sheet at fair value and changes in value are recognised in the income statement. The fair value is based on internal measurements that are performed regularly and the properties are also valued each year by external independent appraisers, in accordance with the Group's valuation policy. The value of properties is not only affected by the supply and demand in the market but by several other factors, partly property-specific factors such as leasing rate, rent level and operating costs, partly market-specific factors such as direct-return requirement and cost of capital derived from comparable transactions in the property market. A deterioration in property or market-specific conditions can lead to drop in the value of properties, which could have an adverse impact on Annehem's operations, financial position and earnings.

The valuation requires an assessment of and assumptions on future cash flows and determination of the discount factor (return requirement). As a means of reflecting this uncertainty in assumptions made and assessments, the property value is normally stated in an uncertainty range of +/– 5–10 percent.

Classification of acquisitions as asset acquisitions and deferred tax

Acquisitions of companies is classified either as business combinations or as asset acquisitions according to IFRS 3. An individual assessment is required for each transaction. Should the corporate acquisition essentially only comprise properties and not significant processes, the acquisition is classified as an asset acquisition. Other corporate acquisitions are classified as business combinations. Annehem's company acquisitions in 2020 and also prior to this date solely encompass properties and no material processes, which is why the transactions are considered to be asset acquisitions.

When an asset is acquired, deferred tax is not recognised separately at the time of acquisition. Instead the asset is recognised at a purchase value corresponding to the asset's fair value after deductions for a discount received for deferred tax. Deferred tax is only recognised for changes in the carrying amount and changes in the fiscal value arising after the acquisition date.

NOTE 3

OPERATING SEGMENTS

	Capital Region		South Region		Group staff		Group	
SEK million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Rent revenue	89.9	44.5	61.6	52.0	–	–	151.5	96.5
Other property income	8.7	0.6	18.1	12.6	–	–	26.9	13.2
Property expenses	–15.0	–11.4	–41.2	–38.2	–0.4	–	–56.6	–49.6
Net operating income	**83.6**	**33.7**	**38.6**	**26.4**	**–0.4**	**–**	**121.8**	**60.1**
Central administration	–2.7	–0.5	–5.3	–9.6	–50.2	–0.1	–58.3	–10.2
Other operating income	–19.2	0.1	–13.2	1.8	38.2	–	5.9	1.9
Other operating costs	–	–	–2.8	0.2	–	–	–2.8	0.2
Interest income	–	0.5	0.1	–	0.1	–	0.2	0.5
Interest expenses	–22.9	–11.6	–11.6	–9.5	–9.4	–	–43.9	–21.1
Other financial expenses	–2.1	–	–	–	–4.8	–	–6.9	–
Income from property management	**36.8**	**22.2**	**5.8**	**9.3**	**–26.5**	**–0.1**	**16.0**	**31.5**
Changes in value of properties, unrealised	38.4	44.4	47.5	53.7	–	–	85.9	98.1
Changes in value of properties, realised	–	–	–	0.1	–	–	–	0.1
Profit/loss before tax	**75.2**	**66.6**	**53.3**	**63.1**	**–26.5**	**–0.1**	**101.9**	**129.7**

An operating segment is a part of the Group that conducts operations from which it can generate income and incur costs and for which independent financial information is available. The Group's operations are divided into two operating segments: Capital Region (Stockholm, Oslo, Helsinki) and South Region (Malmö, Gothenburg, Ängelholm, Ljungbyhed). Group staff includes the Parent Company and holding company within the Group, which are not operational companies. Transactions within Group staff include management fees and other administrative expenses.

Rent revenue related to leases for the rental of Annehem Group's investment properties.

Other property income largely comprises reinvoiced media costs (electricity, heating, water) to tenants, reinvoiced property tax, and income from leasing ad hoc housing.

Information per country

	Sweden		Finland		Norway	
SEK million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
External income	129.3	70.4	49.1	39.3	–	–
Investment properties	2,175.4	1,539.8	872.1	897.4	270.0	–
of which, investments for the year	555.0	1,029.6	4.3	370.2	270.0	–
Machinery and equipment	4.3	2.9	–	–	–	–
of which, investments for the year	0.7	1.6	–	–	–	–

In 2020, the Group recognised income from a customer (Group) totalling SEK 83.8 million, of which SEK 23.4 million was recognised in Finland and SEK 60.4 million in Sweden.

NOTE 4

OPERATING COSTS

Property expenses

	2020				2019		
Group, SEK million	**Capital Region**	**South Region**	**Group staff**	**Total**	**Capital Region**	**South Region**	**Total**
Operating costs	11.6	26.1	–	37.7	10.0	19.2	29.2
Maintenance	–	10.4	–	10.4	–	12.7	12.7
Property tax	3.4	2.3	0.4	6.1	1.4	1.3	2.7
Direct property expenses	**15.0**	**38.9**	**0.4**	**54.2**	**11.4**	**33.2**	**44.6**
Property administration	–	2.3	–	2.4	–	4.9	4.9
Total property expenses	**15.0**	**41.2**	**0.4**	**56.6**	**11.4**	**38.1**	**49.5**

Distribution per type of cost

Group, SEK million	2020	2019
Personnel costs	15.4	–
Audit fees	0.6	–
Temporary employees	3.0	–
Other external expenses	38.6	9.7
Depreciation	0.7	0.5
Total	**58.3**	**10.2**

Other external expenses includes costs for consultant fees and other external services relating to the listing process and the creation of Annehem as a separate group.

Personnel costs were not paid in 2019 as the Group had no employees. Instead, services for management and administration were provided by Peab, which invoiced a management fee to Annehem Group. No auditing costs are included in the Group for 2019 as these costs were managed centrally by Peab.

Depreciation is related to machinery and equipment.

NOTE 5

EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES

Number of employees	2020	2019
Average number of employees	9	–
of whom women	5	–

All personnel are employed in Sweden through the Parent Company Annehem Fastigheter AB. This means figures given for the number of employees and salaries in this note apply to both the Group and Parent Company.

Gender distribution in management

Number of	2020	2019
Parent Company		
Board of Directors	6	–
of whom women	2	–
Other senior executives	3	–
of whom women	1	–
Group, total		
Board of Directors	9	–
of whom women	3	–
Other senior executives	3	–
of whom women	1	–

Salaries, fees and benefits

At 31 December 2020, the Group had 15 employees, all of whom were employed in the Parent Company.

In 2020, the Parent Company had six (0) members of the Board, of whom two (0) women. The Group's total number of members of the Board amounted to nine, of whom three women.
Fees are only paid to the Parent Company's Board. On 31 December 2020, the Group had three senior executives, of whom one woman.

In 2019, the Group had no employees, and thus no remuneration or other benefits for the period.

	Salaries and remuneration		Social security costs		Pension costs		Total	
TSEK	2020	2019	2020	2019	2020	2019	2020	2019
Group	10,187.0	–	3,595.0	–	1,564.0	–	**15,346.0**	**–**

Remuneration of the Board of Directors and senior executives

Principles

The Chairman of the Board and members are paid fees in accordance with the decision of the shareholders' meeting. The CEO receives no Board fees. Remuneration of the CEO and other senior executives consists of basic salary, variable remuneration, other benefits and pension. Senior executives refers to individuals who during the year were members of the senior executive team. At the end of the year, the senior executive team comprised three individuals, including the CEO. All members of the senior executive team are employed in Sweden. The balance between basic salary and variable remuneration shall be proportionate to the executive's responsibility and authority. For the CEO, variable remuneration is subject to a ceiling of 50 percent of basic salary. For other senior executives, variable remuneration is subject to a ceiling of 42 percent of basic salary. Pension benefits and other benefits to the CEO and other senior executives are taken into account when determining fixed and variable remuneration.

Remuneration and other benefits during the year

Specification of remuneration of the Board's members and senior executives.

Variable remuneration

Variable remuneration of the CEO in 2020 is based on the Group's net operating income, the Customer Satisfaction Index (CSI) and the Employee Index. Variable remuneration of the CFO is based on the same criteria as for the CEO. Other benefits refer to company cars and health insurance.

	Board fee/basic salary		Variable remuneration		Other benefits		Pension cost	
TSEK	2020	2019	2020	2019	2020	2019	2020	2019
Board of Directors								
Göran Grosskopf [1]	16.4	–	–	–	–	–	–	–
Jesper Göransson[1]	8.2	–	–	–	–	–	–	–
Pia Andersson[1]	8.2	–	–	–	–	–	–	–
Anders Hylén[1]	8.2	–	–	–	–	–	–	–
Karin Ebbinghaus[2]	51.8	–	–	–	–	–	–	–
Lars Ljungälv[2]	51.8	–	–	–	–	–	–	–
Senior executive team								
Jörgen Lundgren, CEO[3]	2,025.0	–	1,350.0	–	81.1	–	750.9	–
Other members of the senior executive team[4]	1,180.0	–	550.0	–	6.7	–	343.7	–

1) Remuneration paid for 2020 from the listing date, 11 December 2020.
2) Remuneration paid for 2020 from 27 August 2020.
3) The CEO has been employed by the company since 1 April 2020.
4) The CFO has been employed by the company since 1 April 2020. Head of Group Accounting has been employed since 1 September 2020.

Pensions

The CEO has a contribution-based pension plan based on ITP with an allocation of 30 percent of 12.2 times the monthly salary, added to which are premiums for ITPK own pension and ITP basic health insurance ("ground plate"). The retirement age for the CEO is 65.

The CFO has an ITP2 solution while the Head of Group Accounting has an ITP1 solution.

Severance pay

For the CEO, the employee has a period of notice of six months and the employer a period of notice of twelve months. For the other senior executives, the period of notice is either six months if the senior executive terminates the employment and 12 months if the company terminates the employment. All senior executives shall receive unchanged salary and other employment benefits during the notice period.

Preparation and decision-making process

Information is provided in the Corporate Governance Report.

Remuneration of the Board of Directors and senior executives

Fees and other remuneration to the members of the Board of Directors, including the Chairman, are resolved by the shareholders' meeting. At the Extraordinary General Meeting held on 28 September 2020, it was resolved that the fee to the Chairman of the Board of Directors should be SEK 300,000 and that the fee to the other members should be SEK 150,000. However, pro rata fees will be paid to some Board members for the period from when the company's B shares are admitted to trading on Nasdaq Stockholm until the end of the 2021 Annual General Meeting, and for some Board members pro rata fees will be paid from the date on which they were elected to the Board until the end of the 2021 Annual General Meeting.

The members of the Board of Directors are not entitled to any benefits following termination of their assignments as members of the Board.

Pensions for other employees

Other employees of Annehem have defined contribution pensions, with no other obligations from the company other than the payment of an annual premium during the period of employment. This means when the employee's employment is terminated at Annehem, he or she is entitled to decide the time during which the earlier defined contribution payments and subsequent returns are taken as pension.

Sick leave

Sick leave for the year was 1.5 percent (–). No long-term sick leave was reported during the year. Sick leave for women and men amounted to 1.6 percent and 1.4 percent, respectively. Sick leave of the 30–49 age group was 0.9 percent and for the 50 and older age group sick leave was 1.8 percent. The figures refer to both the Parent Company and the Group as a whole.

NOTE 6

AUDIT FEES

Group, SEK million	2020	2019
KPMG		
Audit assignment	0.6	–
Audit-related activities in addition to audit assignment	–	–
Other services	2.4	–
Total	**3.0**	**–**

Audit fees and other remuneration to audit firms were paid solely to KPMG, which is the company's lead auditor.

Parent Company, SEK million	2020	2019
KPMG		
Audit assignment	0.5	–
Audit-related activities in addition to audit assignment	–	–
Other services	2.4	–
Total	**2.9**	**–**

NOTE 7

TRANSACTIONS WITH RELATED PARTIES

Group, SEK million	2020	2019
Transactions with Peab		
Income statement		
Costs for property and central administration	–6.3	–5.1
Financial expenses	–26.4	–11.5
Total	**–32.7**	**–16.1**
Balance sheet		
Current receivables	2.8	69.3
Total	**2.8**	**69.3**
Non-current interest-bearing liabilities	–	59.3
Current interest-bearing liabilities	–	7.4
Group account	–	719.9
Other current liabilities	2.6	51.0
Total	**2.6**	**837.6**
Transactions with shareholders recognised in equity		
Property acquisitions/Acquired equity	692.0	454.8
New share issue	0.4	–
Shareholders' contributions	2,000.0	5.1
Cash dividends	–	–13.0
Group contributions, net	–	22.3
Other	–	–6.4
Total	**2,692.4**	**462.8**

Annehem's property portfolio was part of Peab, until the distribution of Annehem on 11 December 2020, and the individual properties legally belonged to various parts of the Group. During these years, transaction intensity with Peab was substantial for Annehem's companies, mainly regarding financing operations through loans but also concerning property management operations. Annehem's profit was therefore impacted by interest expenses and management fees for services performed related to property management and central administration, since the Group had no employees. The pricing for the services performed by Peab for Annehem Group followed the principles applied in Peab, which match market terms.

Parent Company, SEK million	2020	2019
Transactions with Group companies		
Income statement		
Management fee	29.6	–
Interest income	17.8	–
Interest expenses	–1.3	–
Total	**46.1**	**–**
Balance sheet		
Non-current receivables	2,026.1	–
Current receivables	0.0	0.1
Total	**2,026.1**	**0.1**
Non-current interest-bearing liabilities	–	–
Current interest-bearing liabilities	–	–
Accounts payable, Peab	2.4	–
Accounts payable	15.6	–
Total	**18.0**	**–**

Transactions with related parties are priced on market terms. For information about remuneration of senior executives, refer to the Group's Note 5 Employees, personnel costs and remuneration to senior executives Non-current receivables for Group companies pertain to loans to subsidiaries. The loans carry interest at a fixed rate of 2.2 percent.

NOTE 8

TAXES

Tax recognised in income statement

Group, SEK million	2020	2019
Current tax expenses (–)/tax income (+)		
Current tax	–4.1	3.6
Deferred tax expenses (–)/tax income (+)		
Deferred tax pertaining to temporary differences	–26.1	–30.6
Total recognised tax expense	**–30.1**	**–27.0**

Current tax for 2019 comprises the tax effect on Group contributions received from the Peab AB Group.

Parent Company, SEK million	2020	2019
Current tax expenses (–)/tax income (+)		
Current tax	–3.4	–
Deferred tax expenses (–)/tax income (+)		
Deferred tax pertaining to temporary differences	–0.1	–
Total recognised tax expense	**–3.5**	**–**

Deferred tax liabilities in the balance sheet

Group, SEK million	2020	2019
Deferred tax liabilities, net	86.5	61.6
Change, net	24.9	37.1

Deferred tax liabilities relate to investment properties.

Parent Company, SEK million	2020	2019
Deferred tax liabilities, net	0.1	–
Change, net	0.1	–

Specification of change in deferred tax liabilities, net

Group, SEK million	2020	2019
Change through income statement	–26.1	–30.6
Translation differences through other comprehensive income	–	–0.1
Transactions with owners through equity	1.2	–6.5
Total net change in deferred tax liabilities	**–24.9**	**–37.1**

The tax deductible temporary differences do not fall due according to current tax rules.

There were no opening loss carryforwards in 2020. On 31 December 2020, the Group had loss carryforwards of approximately SEK 11 million.

Deferred tax assets were not recognised for these items, since it was not probable that the Group will be able to utilise them to offset future taxable profits.

Parent Company, SEK million	2020	2019
Change through income statement	–0.1	–
Total net change in deferred tax liabilities	**0.1**	**–**

Unrecognised deferred tax assets

Tax deductible temporary differences and tax loss carryforwards for which deferred tax assets have not been recognised in the statement of financial position [balance sheet]:

Changed tax rates

In 2020, the tax rate in Sweden was 21.4 percent. The tax rate will be reduced to 20.6 percent for reporting periods beginning on or after 1 January 2021.

Reconciliation of effective tax

Group, SEK million	2020	2019
Profit before tax	**101.9**	**129.7**
Tax in accordance with tax rate for the Parent Company	–21.8	–27.8
Effect of other tax rates for foreign subsidiaries	0.2	0.7
Non-deductible expenses	–3.3	–2.0
Tax attributable to previous years	–	–
Impact from changed tax rates/and tax rules	–	1.0
Unrecognised tax on temporary differences[1]	–	1.2
Other tax adjustments	–5.3	–
Recognised effective tax	**–30.1**	**–26.9**

[1] Change in temporary differences investment properties without a corresponding tax effect due to rules on recognition of tax when an asset is acquired.

Parent Company, SEK million	2020	2019
Profit before tax	**–3.1**	**–**
Tax in accordance with tax rate for the Parent Company	0.7	–
Non-deductible expenses	–3.3	–
Other tax adjustments	–0.8	–
Recognised effective tax	**–3.4**	**–**

[1] Change in temporary differences investment properties without a corresponding tax effect due to rules on recognition of tax when an asset is acquired.

NOTE 9

INVESTMENT PROPERTIES

Specification of change for the year

SEK million	2020	2019
Fair value at the beginning of the year	2,437.2	938.8
Cost of investment properties, asset acquisition	692.0	1,339.1
Investments in existing properties	137.3	61.2
Unrealised changes in value	85.9	84.5
Translation difference	–34.9	13.6
Fair value at the end of the year	**3,317.5**	**2,437.2**

Changes for the year per segment

	Capital		South	
SEK million	2020	2019	2020	2019
Fair value at the beginning of the year	1,704.5	454.0	732.8	484.8
Cost of investment properties, asset acquisition	505.7	1,183.8	186.3	155.0
Investments in existing properties	77.9	21.8	59.4	39.3
Unrealised changes in value	133.3	31.3	–47.5	53.7
Currency translations portfolio abroad	–34.9	13.5	–	–
Fair value at the end of the year	**2,386.5**	**1,704.4**	**931.0**	**732.8**
Of which, business parks			510.8	530.0

Calculation assumptions per segment

	Capital		South		Of which, business parks in South	
SEK million	2020	2019	2020	2019	2020	2019
Net operating income	99.6	70.5	49.3	56.8	28.1	45.5
Vacancy rate, %	1,0–5,0	0,0–5,0	1,3–22,3	0,0–23,0	5,1–22,3	16,0–23,0
Direct return, weighted, %	4.3	4.4	6.1	6.9	6.7	7.5
Interval, direct return, %	3.8–5.0	3.9–5.0	4.8–7.6	5.0–11.2	5.8–7.6	6.2–11.2
Discount rate, %	5.8–7.1	6.0–7.0	6.8–9.7	7.2–13.2	7.8–9.7	8.2–13.2
Discount rate residual value, %	5.8–7.1	6.0–7.0	6.8–9.7	7.2–13.2	7.8–9.7	8.2–13.2
Discount rate, weighted, %	6.4	6.5	8.2	9.0	8.4	9.5
Discount rate residual value, weighted, %	6.4	6.5	8.2	9.0	8.4	9.5

Sensitivity analysis – impact on fair value and profit

SEK million	Change, %	2020	2019
Change in net operating income	+/–5	+ 102 / –102	+122 / –121
Change in direct-return requirement	+/–0.5	–309 / + 388	–213 / +258
Change in discount interest rate	+/–0.5	–309 / + 388	–158 / +181
Change in discount interest rate, residual value	+/–0.5	–309 / + 388	–158 / +181

Taxable residual values	31 Dec 2020	31 Dec 2019
Investment properties	1,920.0	1,466.4

Significant obligations, SEK million	Total investments	Remaining
Peab Center Helsingborg, offices	131	131
Ledvolten, offices	275	275
Carl Florman, residential homes	135	135
Partille port, residential homes	250	250
Total	**791**	**791**

Realised and unrealised changes in value are recognised after income from property management in profit or loss. The measurement of fair values for all investment properties are classified on level 3 in the fair value hierarchy in IFRS 13.

Valuation techniques

The value of the properties has been assessed based on a market-adapted cash-flow estimate. The direct-return requirement used in the estimate derives from sales of comparable properties. The valuation used a combined location/price method, based on recognised comparable purchases and the yield method, meaning a transaction-based method. Significant factors when selecting required returns include an assessment of the object's future rent trend, changes in value and any development potential, as well as the maintenance condition of the property. Key value parameters are location and rent level, as well as vacancy rates. For each property, a cash flow forecast is prepared that extends at five or ten years into the future. The expected receipts match the terms of prevailing leases. For vacant spaces, an estimate is performed by individually assessing each property. The expected disbursements are estimated on the basis of historical property expenses. The inflation assumption in the valuation model on 31 December 2020 was 1.5–2.0 percent for 2021 and thereafter. The valuation is based on a present-value calculation of the estimated cash flow and the present value of the market value at the end of the calculation period.

Leases

Rent revenue is based on leases that are to be regarded as operating leases, where the Group is the lessor.

Contracted annual rent	2020	2019
<1 year	172.4	65.8
1–2 years	166.0	65.2
2–3 years	152.2	–
3–4 years	129.6	–
1–5 years	111.6	–
>5 years	429.4	19.3
Total	**1,161.3**	**150.3**

NOTE 10

MACHINERY AND EQUIPMENT

Group, SEK million	2020	2019
Purchases		
Opening balance	*19.1*	*17.5*
Investments for the year	0.5	1.8
Reclassification	1.5	–
Closing balance	*21.2*	*19.1*
Depreciation		
Opening balance	*-16.2*	*-15.6*
Depreciation for the year	-0.7	-0.5
Closing balance	*-16.9*	*-16.2*
Carrying amount	**4.3**	**2.9**

NOTE 11

CURRENT RECEIVABLES

Group, SEK million	2020	2019
Other current receivables	2.8	0.9
Prepaid insurance	0.4	–
Prepaid rent expenses	0.6	–
Prepaid expenses and accrued income, other	0.7	1.5
Total	**4.5**	**2.4**

Other current liabilities mainly comprise the tax account and VAT receivables.

Prepaid expenses and accrued income mainly comprise property tax.

NOTE 12

EQUITY

Changes in share capital	Number of shares	Share capital, SEK million
Number of shares, 1 January 2020	1,000	0.1
New share issue	4,000	0.4
Reverse split of shares 2:5,000	-4,998	–
Split of shares (2:58,992,548)	58,992,546	–
Closing number of shares	**58,992,548**	**0.5**

The shares are distributed between 6,863,991 A shares and 52,128,557 B shares. A shares entitle the holder to ten votes at shareholders' meetings and B shares entitle the holder to one vote at shareholders' meetings. The quotient value per share is approximately SEK 0.00848.

Proposed distribution of profit

The following amounts are at the disposal of the Annual General Meeting:	
Retained earnings	1,999,989,674 kr
Profit for the year	-6,486,717 kr
Total:	**1,993,502,957 kr**

The Board of Directors proposes that earnings be appropriated as follows: To be carried forward SEK 1,993,502,957

Annehem's dividend policy is to reinvest profits in order to utilise business opportunities and achieve Annehem's growth targets.

NOTE 13

FINANCIAL INSTRUMENTS

Group, SEK million	2020 Financial assets at amortised cost	2020 Financial liabilities at amortised cost	2019 Financial assets at amortised cost	2019 Financial liabilities at amortised cost
Financial assets not recognised at fair value				
Accounts receivable	2.8	–	11.4	–
Accounts receivable, related parties	2.8	–	1.1	–
Current receivables	1.7	–	2.4	–
Other receivables from related parties	–	–	68.3	–
Cash and cash equivalents	448.0	–	40.4	–
Total	**455.3**	**–**	**123.6**	**–**
Financial liabilities not recognised at fair value				
Liabilities to related parties, non-current	–	–	–	59.3
Non-current interest-bearing liabilities	–	1,546.9	–	353.5
Liabilities to related parties, interest-bearing	–	–	–	7.4
Group account	–	–	–	719.7
Current interest-bearing liabilities	–	–	–	313.1
Liabilities to related parties, accounts payable	–	2.6	–	50.6
Accounts payable and other liabilities	–	13.7	–	5.3
Other current liabilities	–	50.8	–	37.5
Total	**–**	**1,614.0**	**–**	**1,546.5**

Parent Company, SEK million	2020 Financial assets at amortised cost	2020 Financial liabilities at amortised cost	2019 Financial assets at amortised cost	2019 Financial liabilities at amortised cost
Financial assets not recognised at fair value				
Other non-current receivables	0.3			
Receivables from Group companies	2,026.1	–	2,365.5	–
Current receivables	0.5	–	0.3	–
Cash and cash equivalents	0.4	–	–	–
Total	**2,027.4**	**–**	**2,365.8**	**–**
Financial liabilities not recognised at fair value				
Other non-current liabilities	–	0.4	–	–
Liabilities to related parties, interest-bearing	–	–	–	0.2
Liabilities to Group companies, accounts payable	–	18.0	–	–
Accounts payable and other liabilities	–	7.2	–	–
Other current liabilities	–	16.2	–	–
Total	**–**	**41.8**	**–**	**0.2**

The carrying amount of accounts receivable, other receivables, cash and cash equivalents, accounts payable, borrowing and other liabilities is a reasonable approximation of fair value. The assessment is based on, for example, the fact that the Group's financial liabilities carry a variable interest rate and the short interest rate terms.

The Group is exposed to various types of financial risks through its operations.

- Credit risk
- Liquidity risk
- Market risk

Framework for financial risk management

During 2020, Annehem drew up a Finance Policy, which was adopted by Annehem Fastigheter AB's Board of Directors on 14 April 2020. The Group's Finance Policy for managing financial risks was established by the Board of Directors and creates a framework of guidelines and regulations in the form of a risk mandate and limitations in finance and treasury. Responsibility for the Group's financial transactions and risks is managed centrally by the CFO and the Group's Finance Department in the Parent Company. The overall objective of the finance function is to provide cost-effective funding and to minimise the negative effects on Group profit/loss from market risks. The CFO regularly reports to the CEO and to the Group's Finance Committee.

Annehem's financial risks for 2019 were managed in line with the risk management strategy applied by Peab. The risk management has also been administered by Peab. Peab's risk management is governed by the Finance Policy established by Peab's Board of Directors. The policy is a framework of guidelines and regulations in the form of a risk mandate and limitations in finance and treasury.

Liquidity risk

Liquidity risk is the risk that the Group may experience difficulties in meeting its obligations associated with financial liabilities. A liquidity forecast in the short and long-term is regularly prepared. A liquidity forecast for the next three months is prepared on a weekly basis and a liquidity forecast for the next 12 months is prepared on a monthly basis. The forecast is to include all inflows and outflows as well as major investment needs and temporary working capital requirements as soon as these are identified. The consolidated liquidity forecast forms the basis of Annehem's borrowing or investment needs and control of Annehem's total liquidity situation. Liquidity needs in a longer perspective are calculated on an annual basis when the financial long-term forecast is updated.

A liquidity reserve for operations is to be available at any given time to guarantee Annehem's short-term solvency. The liquidity reserve includes short-term cash in bank, the market value of investments that can be freed up within three banking days along with the unutilised portion of confirmed credit facilities with a remaining lease term of at least three months. Surplus liquidity is defined as all liquidity in addition to the liquidity reserve. In cases when it is deemed financially advantageous, the surplus liquidity may be invested to address a known future financing need, as an alternative to amortisation of interest-bearing external liabilities. Funds from borrowing paid in advance for later financing needs may also be invested.

Liquidity risk is closely related to financing risk. Financing and refinancing risk refers to the risk that Annehem, from time to time, is unable to obtain necessary financing or that financing cannot be renewed at the end of its duration, or that it can only be obtained or renewed at significantly higher cost or disadvantageous terms for Annehem.

Annehem's credit agreements with credit institutions contain the customary cancellation terms. If the company or other companies in Annehem breaches its obligations or other financial commitments in a credit agreement, it could lead to the credit being cancelled with a requirement for immediate payment and collateral could be used. According to Annehem's credit agreement, Annehem has, for example, committed to the company's equity/assets ratio not being less than a certain level. If a credit is cancelled for immediate payment it may, in accordance with cross default provisions, involve other obligations falling due for immediate payment as well. Furthermore, a decline in the general economic climate or disruptions in the capital or credit markets could lead to a limit to Annehem's access to financing and that Annehem's opportunities to refinance its credits disappear. If Annehem fails in the future to obtain the necessary financing, does not have adequate liquidity to fulfil its obligations or the possibility to refinance its credits or can only refinance its credits at significantly higher costs or on terms that are disadvantageous to Annehem, this could have a material negative impact on Annehem's operations and financial position. The company met all loan conditions during the current periods.

Some of Annehem's agreements, primarily Annehem's credit agreements with credit institutions, may contain provisions that become relevant in connection with a change in control over the company or another company in Annehem. Such a provision could, for example, give a credit institution the option of cancelling agreements if one or more of the company's largest shareholders and some closely related parties to this shareholder, who act jointly, become owners, directly or indirectly, of shares or votes in the company in excess of a certain percentage threshold value. In the event of such changes in control, certain rights for the counterparty or obligations for Annehem could come into effect, the results of which could include an impact on Annehem's continued financing. If Annehem's financing is impacted, it could lead to Annehem being compelled to divest properties at unfavourable prices and – over time – could have a negative impact on Annehem's income, which could lead to a material negative impact on the company's financial position.

Available liquidity, SEK million	31 Dec 2020	31 Dec 2019
Available cash and cash equivalents	448.0	40.4
Unutilised loan framework	420.0	–
Liquidity reserve	**868.0**	**40.4**

At year-end, the company's financial liabilities amounted to SEK 1,614.0 million, including lease liability, and the maturity structure of the debt, plus interest maturity, is presented in the table below. The balance sheet includes borrowing fees in interest-bearing liabilities.

Maturity structure, financial liabilities – undiscounted cash flow

Group, SEK million	Currency	Nominal amount original currency	Total	Outflow <1 year	1–2 years	2–3 years	3–5 years	>5 years
		2020						
Bank loans	SEK	792.0	843.3	17.4	17.4	808.5	–	–
Bank loans	EUR	50.8	543.5	11.2	11.2	521.0	–	–
Bank loans	NOK	176.0	178.9	3.7	3.7	171.5	–	–
Accounts payable	EUR	1.0	0.1	0.1	–	–	–	–
Accounts payable	SEK	5.3	5.3	5.3	–	–	–	–
Accounts payable	NOK	–	0.1	0.1	–	–	–	–
Other current liabilities	SEK	–	56.3	56.3	–	–	–	–
Total		**–**	**1,627.5**	**94.1**	**32.3**	**1,501.0**	**–**	**–**

Group, SEK million	Currency	Nominal amount original currency	Total	Outflow <1 year	1–2 years	2–3 years	3–5 years	>5 years
		2019						
Bank loans	EUR	55.2	582.0	318.0	264.1	–	–	–
Liabilities to related parties	EUR	6.4	67.8	0.5	67.3	–	–	–
Liabilities to related parties – Group account Peab	SEK	719.7	731.3	731.3	–	–	–	–
Accounts payable – related parties	SEK	50.6	50.6	50.6	–	–	–	–
Accounts payable	EUR	0.0	0.1	0.1	–	–	–	–
Accounts payable	SEK	5.3	5.3	5.3	–	–	–	–
Other current liabilities	EUR	–	2.7	2.7	–	–	–	–
Other current liabilities	SEK	–	34.8	34.8	–	–	–	–
Total		**–**	**1,474.6**	**1,143.3**	**331.4**	**–**	**–**	**–**

In addition to the financial liabilities with undiscounted cash flow presented in the table above, the Group holds four ground leases with undiscounted annual ground rents of SEK 4.5 million. These leases are regarded as perpetual from the Group's perspective since the Group has no right to terminate the agreements. All ground leases will be renegotiated within one year, which will impact the size of the ground rents.

Parent Company, SEK million	Currency	Nominal amount original currency	Total	Outflow <1 year	1–2 years	2–3 years	3–5 years	>5 years
		2020						
Liabilities to related parties, accounts payable	SEK	–	2.4	2.4	–	–	–	–
Liabilities to Group companies, accounts payable	SEK	–	15.6	15.6	–	–	–	–
Accounts payable	SEK	–	7.2	7.2	–	–	–	–
Total		**–**	**25.2**	**25.2**	**–**	**–**	**–**	**–**

Parent Company, SEK million	Currency	Nominal amount original currency	Total	Outflow <1 year	1–2 years	2–3 years	3–5 years	>5 years
		2019						
Liabilities to related parties, interest-bearing	SEK	–	0.2	0.2	0.2	–	–	–
Total		**–**	**0.2**	**0.2**	**0.2**	**–**	**–**	**–**

Market risk
Market risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market prices. IFRS divides market risks into three types: currency risk, interest-rate risk and other price risks. The market risks that mainly impact the Group comprise interest rate risk and currency risk.

The Group aims to manage and control market risk within established parameters while optimising the result of risk-taking within a given framework. The parameters are established with the aim that market risks in the short term (6–12 months) will only have a marginal impact on the Group's profits and position. In the longer term, however, permanent changes to exchange rates and interest will impact consolidated earnings.

Interest rate risk
The interest rate risk is the risk that the value of financial instruments may vary due to changes in market interest rates. The interest rate risk can result in changes in fair values and cash flows. Interest rate risk impacts Annehem through running interest expenses for loans and derivatives and also through changes in the market values of the derivatives. The aim of interest-rate risk management is to achieve the desired stability in Annehem's combined cash flows. Stable cash flows are important to promote property investments and to fulfil the requirements and expectations that lenders and other external parties have of Annehem. Annehem is primarily exposed to interest rate risk through the Group's borrowing. The interest-rate risk strategy comprises a balanced combination of floating rates and fixed rates. See also the Risk and risk management section in this Annual Report for more information about interest-bearing liabilities.

Sensitivity analysis – interest rate risk
The impact of interest income and interest expenses during the coming twelve-month period in the event of a increase/decrease in interest rates of 1 percentage point on the balance sheet day amounts to +/– SEK 14.5 million (+/– SEK 5.6 million) – given the interest-bearing assets and liabilities on the balance sheet date.

Currency risk
Currency risk is the risk that fair values and cash flows of financial instruments may fluctuate with changes in the value of foreign currencies. The Group is exposed to currency risk on transaction as there is a mix of currencies used for sales, purchases, receivables and liabilities listed and the respective functional currency in the Group companies. The functional currency for Group companies is primarily SEK and EUR. Transactions are mainly conducted in SEK and EUR.

Annehem invests in properties outside of Sweden through foreign subsidiaries. Investments in foreign currencies are exposed to currency risk when they are not financed in local currency. The investments are, as far as possible, to be financed locally in the subsidiaries.

Sensitivity analysis – currency risk
A 10-percent strengthening of the Swedish krona against other currencies on 31 December 2020 would entail a change in equity by SEK 21.3 million (SEK 20.0 million) and in earnings by SEK 1.4 million (SEK 3.7 million). The sensitivity analysis assumes that all other factors (such as interest rates) remain constant. The same conditions were applied to the year-earlier period.

Credit risk
Credit risk is the risk that a customer or counterparty in a financial instrument is unable to fulfil their commitments and thereby gives rise to a financial loss for the Group and it primary occurs from the Group's accounts receivable, lease receivables and investments in debt instruments.

The carrying amount of financial assets represents the maximum credit exposure.

In the Parent Company, no provision for credit losses was made for receivables from Group companies since the credit risk is considered insignificant.

Impairment of financial assets and lease receivables are recognised in profit/loss as follows.

Group, SEK million	2020	2019
Impairment of accounts receivable and lease receivables	–0.3	–
Impairment of debt instruments at amortised cost	–	–
Total	**–0.3**	**–**

A summary of the Group's credit risk exposure for accounts receivable and lease receivables is presented below
Credit risk in accounts receivable and lease receivables

The Group has drawn up a credit policy under which every new customer is individually analysed in terms of creditworthiness before offering the Group's general payment and delivery terms. The Group's examination encompasses external credit assessments, if available, financial reports, information from credit rating agencies, industry information and in some cases bank references.

Annehem has a diversified customer base with several categories of tenants in various sectors. Peab is Annehem's largest tenant and represented 36 percent of the rental value on 31 December 2020. Furthermore, no single tenant represented more than 8 percent of the rental value. The ten largest customers (excl. Peab) represented 30 percent. Annehem uses advanced invoicing with respect to its rent receivables.

Annehem applies the simplified approach in IFRS 9 for calculating anticipated credit losses. The Group's credit losses have been very low. The Group's reserve for anticipated credit losses was SEK 0.4 million.

Credit exposure for accounts receivable and lease receivables per geographic region for each year is presented below.

	Carrying amount	
Group, SEK million	**2020**	**2019**
Sweden	5.6	10.6
Finland	–	1.9
Norway	–	–
Total	**5.6**	**12.5**

Credit risk in cash and cash equivalents
As regards cash and cash equivalents, the counterparties are Scandinavian banks and financial institutions with a rating of either at least A- (S&P) or at least A3 (Moody's) or other counterparty with a rating of either at least A (S&P) or at least A2 (Moody's).

The Group believes cash and cash equivalents have a low credit risk based on the counterparties' external credit assessment. The expected credit losses for cash and cash equivalents are considered negligible and were therefore not reported.

Capital management
According to the Board's policy, the Group's financial aim is to have a good financial position, which helps to maintain the confidence of investors, creditors and the market and forms a platform for the continued development of business activities, at the same time as generating satisfactory long-term returns for shareholders. A balance between high equity returns, which benefits from a low level of equity interests, and the need for financial stability, which is achieved through a high level of equity interests. This is considered an optimum level, taking into account the risks in the Group's

business operations. Adapting to this target constitutes part of the strategic planning and the level of the net debt/equity ratio is continuously monitored in internal reporting to the management team, the Board of Directors and its Risk Committee.

Capital is defined as total equity.

Capital

Group, SEK million	2020	2019
Total equity	2,057.9	955.5

Net debt/equity ratio

Group, SEK million	2020	2019
Interest-bearing liabilities	1,546.9	1,453.1
Less cash and cash equivalents and current investments	–448.0	–40.4
Net debt	1,098.9	1,412.7
Net debt/equity ratio (Net debt / Total equity), %	**53.4**	**147.9**

The decrease in net debt/equity ratio is due to an increase in net debt by 106 percent and an increase in equity by 215 percent. The increase in net debt is a result of growth in the property portfolio during the year and the additional interest-bearing liabilities. The increase in equity is also a result of the growth in the property portfolio, which contributed with positive earnings for the period. The largest share of the increase in equity in 2020 is due to the receipt of a capital contribution from the former Parent Company Peab, amounting to SEK 2,000.0 million.

Cash flow from current operations is primarily to be reinvested in the business to capitalise on business opportunities and achieve the growth target for the property portfolio of SEK 7 billion. Thereafter, a significant share of earnings is intended to be distributed to the owners in the form of dividends, redemption and/or repurchase of shares.

Financial income and expenses

Group, SEK million	2020	2019
Interest income	0.2	–
Interest expenses	–43.9	–21.1
Exchange-rate effects	–4.9	–
Borrowing fees	–2.0	–
Total	**–50.8**	**–21.1**

All interest income and expenses pertain to financial assets that are recognised at amortised cost and financial liabilities not measured at fair value through profit or loss.

Parent Company, SEK million	2020	2019
Interest income, from Group companies	17.8	–
Interest expenses, to related parties	–1.2	–
Interest expenses, to Group companies	–0.1	–
Total	**16.5**	**–**

Interest expenses to related parties pertain to interest-bearing liabilities the Parent Company had to Peab prior to the separate listing.

Interest-bearing liabilities

The following presents information on the company's contractual terms regarding interest-bearing liabilities. For more information on the company's exposure to interest-rate risk and the risk of exchange rate fluctuations, refer to the Risk and risk management section in this Annual Report.

Group, SEK million	2020	2019
Interest-bearing liabilities, related parties	–	719.8
Lease liabilities, non-current	88.8	90.6
Loans from related parties	–	66.7
Loans from credit institutions	1,458.0	575.9
of which, current interest-bearing liabilities	*–*	*320.4*
Total	**1,546.9**	**1,453.1**

On 31 December 2020, the Group's interest-bearing liabilities comprised an external credit facility in three currencies; SEK, EUR and NOK. The credit facility runs three years from 11 December 2020, with an interest rate of 2.2 percent + 3m Stibor, Nibor and Euribor, respectively.

The Group's interest-bearing liabilities on 31 December 2019 comprised external EUR loans in the Finnish companies with OP Bank in Finland, and related-party loans with Peab and liabilities in the Group account with Peab. The external interest-bearing liabilities with OP Bank carried an interest of between 0.70 percent + 6m Euribor and 2.5 percent + 4m Euribor, and fall due in 2020–2021. The related-party loans carry an interest of 2.5 percent + 3m Stibor and 0.70 percent + 6m Euribor.

Change in loan structure during the period

Group, SEK million	2020	2019
Interest-bearing liabilities at start of period	**1,453.1**	**558.2**
Repayment of loans from related parties	–1,122.5	–
Loans raised with related parties	344.5	650
Repayment of external bank loans	–586.2	–
External bank loans raised	1,458.0	244.9
Interest-bearing liabilities at end of period	**1,546.9**	**1,453.1**

Non-cash items in the table above consist of exchange-rate effects on foreign currency borrowings. Borrowing fees of SEK –11.7 million in 2020 were paid in full in 2020 and will be expensed until the loans expire in 2023.

NOTE 14

OTHER CURRENT LIABILITIES, ACCRUED EXPENSES AND DEFERRED INCOME

Group, SEK million	2020	2019
Prepaid rent revenue	29.0	–
External services	9.7	–
Accrued personnel costs	5.5	–
Other current liabilities	12.1	4.2
Total	**56.3**	**37.5**

Other current liabilities for the Group mainly include accrued expenses related to advanced rent revenue.

Parent Company, SEK million	2020	2019
External services	9.6	–
Accrued personnel costs	4.5	–
Other current liabilities	6.6	–
Total	**20.7**	**–**

NOTE 15

PARTICIPATIONS IN GROUP COMPANIES

Companies that are part of the Group

Company name	Corp. ID. No.	Registered office	%
Annehem Fastigheter AB	559220-9083	Ängelholm, Sweden	100
Directly owned			
Annehem Holding 3 AB	559262-8506	Ängelholm, Sweden	100
Annehem Holding 4 AB	559262-8548	Ängelholm, Sweden	100
Indirectly owned			
Annehem Holding 2 AB	559230-7028	Ängelholm, Sweden	100
Annehem Sadelplats Fastigheter 3 AB	556895-0116	Ängelholm, Sweden	100
Annehem Sadelplats Fastigheter 4 AB	556916-2596	Ängelholm, Sweden	100
CBT Nering AS	921682298	Oslo, Norway	100
Annehem Invest Oy	1773022-9	Helsinki, Finland	100
Ultimes I Ky	2568845-4	Helsinki, Finland	100
Ultimes II Ky	2850052-5	Helsinki, Finland	100
Ultimes Parking Ky	2568844-6	Helsinki, Finland	100
Property Gardener Oy	2558819-7	Helsinki, Finland	100
Annehem Syd Holding 1 Fastigheter AB	559220-9752	Ängelholm, Sweden	100
Annehems Kamaxeln 2 Fastighets AB	559230-6889	Ängelholm, Sweden	100
Annehem Partille Port 4 Fastigheter AB	556960-0280	Ängelholm, Sweden	100
Annehem Stenekull 2 Fastigheter AB	559034-8917	Ängelholm, Sweden	100
Annehem Syd Parker Holding Fastigheter AB	559230-6897	Ängelholm, Sweden	100
Annehems Valhall Park AB	556107-0003	Ängelholm, Sweden	100
Ljungbyhed Park AB	556545-4294	Ängelholm, Sweden	100

NOTE 16

LEASES

Leasing contracts where the company is lessee

Non-cancellable lease payments

Group, SEK million	31 Dec 2020	31 Dec 2019
Within one year	–4.3	–4.5
Between one and five years	–17.1	–17.9
Later than five years	–67.5	–68.3
Total	**–88.8**	**–90.6**

Total lease expenses

Group, SEK million	31 Dec 2020	31 Dec 2019
Total lease expenses – interest	–4.3	–4.5
Total	**–4.3**	**–4.5**

Lease expenses are recognised in their entirety as interest expenses for each year.

Cash outflow pertaining to leases corresponds to the total of lease expenses for each year.

Total lease liability (included as part of non-current interest-bearing liabilities)

Group, SEK million	31 Dec 2020	31 Dec 2019
Opening balance	90.6	49.7
New right-of-use assets	–	40.9
Change in lease liability	–1.8	–
Closing balance	**88.8**	**90.6**

Total cash outflow related to lease liability amounted to SEK 4.3 million (4.5) for 2020.

No new leaseholds in 2020. New leaseholds in 2019 pertain to Ultimes in Finland. Changes in the lease liability for 2020 pertain to translation effects on the lease liability in EUR.

Annehem Group has a small number of leases in the form of four ground leases. The ground leases are perpetual (or very long-term). The company has chosen to recognise all leases with full retrospective application under the main rule of IFRS 1.7 (meaning the exceptions in IFRS 1.D9 are not applied). The right-of-use assets from the ground leases are recognised as investment properties at fair value but as the ground leases affects the measurement of the buildings, no separate remeasurement of the ground leases is carried out, rather the remeasurement of the buildings is considered to take into account the remeasurement of the ground leases. Buildings and ground leases are presented in the balance sheet and notes as one item and accordingly a breakdown/split is not needed but disclosures are given in accordance with IFRS 16 as lessee.

NOTE 17

PLEDGED ASSETS AND CONTINGENT LIABILITIES

For own liabilities and assets, SEK million	31 Dec 2020	31 Dec 2019
Real estate mortgages	1,979.2	543.7
Total	**1,979.2**	**543.7**

The property mortgages above refer to the Group. The Parent Company has no such pledged assets or contingent liabilities.

NOTE 18

EVENTS AFTER THE BALANCE SHEET DATE

Significant events after the end of the period

- On 29 January 2021, Annehem signed a swap agreement and forward contract to hedge interest rates and exchange rates, respectively, in accordance with the company's finance policy.

Financial key figures

Number of shares	2020	2019
Class A shares	6,863,991	6,863,991
Class B shares	52,128,557	52,128,557
Total average number of shares	**58,992,548**	**58,992,548**

Income from property management

Annehem's operations focus on growth in cash flow from day-to-day administration, meaning growth in income from property management. The target is that income from property management per share will double within 12 to 18 months and then increase over time by an average of 20 percent per year. Shown below is the income from property management, excluding items affecting comparability, which are related to Annehem's listing and refinancing processes.

Income from property management excluding items affecting comparability

SEK million	2020	2019
Profit before tax	101.9	129.7
Reversal		
Changes in value of properties	–85.9	–98.2
Expense for the listing	19.0	–
Refinancing costs	5.1	–
Exchange-rate effects	4.9	–
Income from property management excl. items affecting comparability	**45.0**	**31.5**

Income from property management excluding items affecting comparability, SEK per share

SEK million	2020	2019
Income from property management	16.0	31.5
Items affecting comparability	29.0	–
Income from property management excl. items affecting comparability	45.0	31.5
Number of shares	58,992,548	58,992,548
Income from property management excl. items affecting comparability, SEK per share	**0.76**	**0.53**

Long-term net asset value

Net asset value is the accumulated capital managed by the company on behalf of its owners. Using this capital, the company aims to generate return and growth at a low level of risk. Net asset value can be determined in various ways, with the main influence from a time perspective and the turnover rate of the property portfolio. The long-term net asset value is based on the balance sheet and adjusted for items that do not require payment in the near future, such as in the company's case deferred tax liabilities.

SEK million	31 Dec 2020	SEK per share	31 Dec 2019	SEK per share
Equity according to the balance sheet	2,057.9	34.9	955.5	16.2
Reversal				
Deferred tax according to the balance sheet	86.5	–	61.6	–
Long-term net asset value	**2,144.4**	**36.3**	**1,017.1**	**17.2**

Interest-coverage ratio excluding items affecting comparability

SEK million	2020	2019
Income from property management	16.0	31.5
Reversal		
Net interest income	43.7	20.5
Interest-coverage ratio, multiple	**1.4**	**2.5**
Reversal		
Items affecting comparability	29.0	–
Income from property management excluding items affecting comparability and net interest income	88.7	52.0
Interest-coverage ratio excluding items affecting comparability, multiple	**2.0**	**2.5**

Net loan-to-value ratio

SEK million	2020	2019
Interest-bearing liabilities	1,546.9	1,453.0
Cash and cash equivalents	–448.0	–40.4
Interest-bearing liabilities, net	**1,098.9**	**1,412.7**
Investment properties	3,317.5	2,437.2
Net loan-to-value ratio, %	**33.1**	**58.0**

Surplus ratio

SEK million	2020	2019
Income from property management	16.0	31.5
Reversal		
Management costs	98.9	28.7
Net operating income	121.8	60.2
Rent revenue	151.5	96.5
Surplus ratio, %	**80.4**	**62.4**

Items affecting comparability

Annehem regards items of a non-recurring nature as items affecting comparability. For 2020, these comprised costs related to the listing process, as well as costs and exchange-rate effects related to the refinancing process. The intention is to hedge exchange-rate effects from 2021 using currency futures.

SEK million	2020	2019
Expense for the listing	19.0	–
Refinancing costs	5.1	–
Exchange-rate effects	4.9	–
Items affecting comparability	**29.0**	**–**

Return on equity, %

SEK million	2020	2019
Net income for the period attributable to the Parent Company's shareholders	71.8	102.7
Equity attributable to the Parent Company's shareholders	2,057.9	955.5
Return on equity, %	**3.5**	**10.8**

Earnings per share, SEK

	2020	2019
Net income for the period attributable to the Parent Company's shareholders, TSEK	71,779.0	102,748.0
Weighted average number of outstanding ordinary shares, thousand	58,992.5	58,992.5
Earnings per share, before and after dilution, SEK	**1.22**	**1.74**

The Board of Directors and the CEO hereby certify that the annual accounts have been prepared in accordance with generally accepted accounting practice in Sweden and that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards as 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 accounts and the consolidated accounts provide a true and fair view of the financial position and results of the Parent Company and the Group. The Directors' Report for the Parent Company and the Group provides a true and fair view of the development of the operations, financial position and performance of the Parent Company and the Group and also describes the material risks and uncertainties facing the Parent Company and the other companies in the Group.

Ängelholm, 30 March 2021

Göran Grosskopf
Chairman of the Board

Anders Hylén
Board member

Jesper Göransson
Board member

Karin Ebbinghaus
Board member

Lars Ljungälv
Board member

Pia Andersson
Board member

Jörgen Lundgren
CEO

As stated above, the annual accounts and the consolidated financial statements were approved for publication by the Board and CEO on 30 March 2021. The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting for adoption on 19 May 2021.

Our Auditor's Report was submitted on 30 March 2021
KPMG AB

Peter Dahllöf
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Annehem Fastigheter AB (publ), corp. id 559220-9083.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Annehem Fastigheter AB (publ) for the year 2020, except for the corporate governance statement on pages 33–40, and the remuneration report on page 41. The annual accounts and consolidated accounts of the company are included on pages 8–11, 22–32, and 42–73 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 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 33–40, and the remuneration report on page 41. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matter

Key audit matter of the audit are the matter that, in our professional judgment, was of most significance in our audit of the annual accounts and consolidated accounts of the current period. This matter was 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.

Valuation of investment properties

See disclosure 9 and accounting principles on page 56 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

- Investment properties are reported in the consolidated accounts at fair value. The Group's investment properties comprise approximately 88 percent of the Group's total assets.
- In connection with the company's listing process, external valuations for all properties were obtained from independent external valuers.
- In order to value the properties as of December 31, 2020, the company has proceeded from the externally established valuations and supplemented them with an internal valuation.
- Given the investment properties' significant share of the Group's total assets and the element of assessments that are included in the valuation process, this constitutes a particularly important area in our audit.
- The risk is that the book value of investment properties may be overestimated or underestimated and that any adjustment of the value directly affects the profit for the period.

Response in the audit

- We have considered whether the applied valuation methodology is reasonable by comparing it with our experience of how other real estate companies and valuers work and what assumptions are normal when valuing comparable objects.
- We have assessed the competence of the internal valuation function.
- We have assessed the competence and independence of the external valuers.
- We have tested the controls that the company has established to ensure that the input data used in the valuations are correct and complete.
- We have examined in detail the established property valuations. In doing so, we have used current market data from external sources, in particular assumptions about yield requirements, discount rates, rental levels and vacancies.

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 1–7, 12–21, 33–41, and 77–79. 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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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, measures that have been taken to eliminate the threats or 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 Annehem Fastigheter AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 33–40 has been prepared in accordance with the Annual Accounts Act.

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

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

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Annehem Fastigheter AB (publ) by the general meeting of the shareholders on the 23 March 2020. KPMG AB have been the company's auditor since 2019.

Stockholm 30 March 2021
KPMG AB

Peter Dahllöf
Authorized Public Accountant

Glossary and definitions

Return on equity	Profit for a rolling 12-month period in relation to the average equity during the interim period. **Purpose:** The key figure shows the return generated on the capital attributable to the shareholders.
Gross rent	Gross rent is defined as rent revenue at a yearly basis excluding supplements and discounts.
Yield	Net operating income for a rolling 12-month period in relation to the properties' carrying amount, adjusted for the properties' holding period for the period. The key figure shows the return from operational activities in relation to the value of the properties. **Purpose:** The key figure shows the return from operational activities in relation to the value of the properties.
Net operating income	Net operating income includes the revenue and expenses that are directly linked to the property, that is to say, rent revenue and the expenses required for running the property, such as operating costs and maintenance costs. **Purpose:** The metric is used to provide comparability with other property companies and also to show the performance of the business.
Economic occupancy rate[1)]	Vacancy rent as a percentage of the gross rent at the end of the period. **Purpose:** The key figure facilitates the assessment of estimated rent for vacant spaces in relation to the total value of the rented and unrented floor space.
Property	Property held with property rights or ground lease.
Fair value of properties	Property value recognised according to balance sheet at the end of the period. **Purpose:** The key figure provides greater understanding of the value growth in the property portfolio and the company's balance sheet.

Income from property management	Income from property management is comprised of net operating income plus property management and administrative expenses and financial income and expenses. The earnings measure does not include the effects of changes in value of the investment properties and derivatives.
Income from property management, excluding items affecting comparability	Income from property management is comprised of net operating income excluding items affecting comparability, plus property management and administrative expenses and financial income and expenses. The earnings measure does not include the effects of changes in value of the investment properties and derivatives.
Rent revenue	Rent revenue less vacancies, rent discount and lost rent.
Rental value[1)]	Rent revenue with deductions for rent discount, plus rent surcharges and property tax for the rented space, as well as an estimate of market rent for vacant space. **Purpose:** The key figure enables an assessment of the total potential rent revenue as surcharges are added to the charged rent revenues with an estimated market rent for vacant spaces.
Items affecting comparability	Annehem regards items of a non-recurring nature as items affecting comparability.
Long-term net asset value	Equity per share with the reversal of fixed-interest derivatives and deferred tax according to balance sheet. **Purpose:** Long-term net asset value is a metric that reflects the long-term value of a property portfolio, instead of equity.
Net loan-to-value ratio	Interest-bearing liabilities, including lease liabilities, less cash and cash equivalents as a percentage of the carrying amount of the properties. **Purpose:** Net loan-to-value ratio is a measure of risk that indicates the degree to which the operations are encumbered with interest-bearing liabilities.
Net letting	New letting taken out during the period less terminations with notice of vacancy.

Interest-bearing liabilities	Interest-bearing liabilities mean all liabilities on which Annehem pays interest. These items in the balance sheet are: non-current and current liabilities to related parties, non-current and current interest-bearing liabilities (including lease liabilities) and Group account.
Interest-coverage ratio	Income from property management, including reversal of financial income and expenses, and depreciation/amortisation as a percentage of financial income and expenses. The interest-coverage ratio is a financial target that shows how many times the company can pay its interest charges with its profit from operational activities. **Purpose:** The interest-coverage ratio is a measure of financial risk that shows how many times the company can pay its interest charges with its profit from operational activities.
Debt/equity ratio	Interest-bearing liabilities in relation to equity. **Purpose:** The debt/equity ratio is a measure of financial risk financial that shows the company's capital structure and sensitivity to interest rate changes.
Equity/assets ratio	Equity in relation to total assets. **Purpose:** Shows how large a share of company's assets are financed with equity and has been included to enable investors to assess the company's capital structure.
Underlying property value	Agreed transaction price for the property.
Lettable area	The total floor area that can be rented out. **Purpose:** Reflects the total area the company can rent out.
Vacancy rent	Estimated market rent for vacant spaces. **Purpose:** The key figure specifies the potential rent revenue for fully leased spaces.
Surplus ratio	Net operating income for the period as a percentage of rent revenue. **Purpose:** The surplus ratio shows the percentage of each Swedish krona earned that the company can keep. The key figure is a measure of efficiency that is comparable over time.

Abbreviations

Annehem, the company or the Group	Annehem Fastigheter AB (publ), the Group in which Annehem Fastigheter AB (publ) is the Parent Company or a subsidiary in the Group, depending on the context.
CBD	Central Business Districts.
EUR	Euro.
Euroclear Sweden	Euroclear Sweden AB.
The Code	The Swedish Corporate Governance Code.
SEK	Swedish kronor.
TSEK	Thousands of Swedish kronor.
SEK billion	Billions of Swedish kronor.
EUR million	Millions of euro.
SEK million	Millions of Swedish kronor.
NOK million	Millions of Norwegian kronor.
Nasdaq Stockholm	The regulated market operated by Nasdaq Stockholm AB.
Peab	Peab AB (publ), the Group in which Peab AB (publ) is the Parent Company or a subsidiary of the Peab Group, depending on the context.
Peab Group	Peab AB (publ) and its subsidiaries.
Thousand sqm	Thousand square metres.