Administration Report
2017

Framtiden

Content

Administration Report

The Board of Directors and CEO of Förvaltnings AB Framtiden, 556012-6012, hereby present the Annual Report and Consolidated Financial Statements for the 2017 financial year.

Operations for the year

Ownership

Förvaltnings AB Framtiden is wholly owned by Göteborgs Stadshus AB, registration number 556537-0888, which is in turn owned by the City of Gothenburg. Göteborgs Stadshus AB owns all the City's companies, directly or indirectly. Within Göteborgs Stadshus AB, the companies are arranged into different areas according to operating focus, including residential and non-residential properties. Förvaltnings AB Framtiden is the parent company for the housing group. In addition to the four public housing companies, the Group also owns companies specialising in building homes for rent and sole ownership, as well as the provision of disruption services.

Operations

The Framtiden Group works to reinforce the role of Gothenburg as a regional centre and the development of the city in general. This takes place through the construction of new homes, the renovation and development of existing areas, and a good level of maintenance of properties and facilities. There is also extensive development work, particularly in the suburbs.

The operational focus is laid down in the Ownership Charter for the Parent Company. The aims and focal areas adopted by Gothenburg City Council also form the basis for the Group's joint objectives and plans.

During the year, work continued to increase the rate of new production within Framtiden Byggutveckling AB, and continuing the work on joint processes.

Control

The work of the Framtiden Group is governed by objectives and a number of areas have been defined that describe our role in the construction of the sustainable city. In the short term and long term, we will achieve good and better results within areas such as living environment, working conditions, housing range, environmental impact, a cohesive Gothenburg and finances. Group metrics established using the owner's objectives as a starting point are followed up on an ongoing basis at scheduled reconciliation meetings with subsidiaries, and are reported in the Group system. A report is presented to the City Authority.

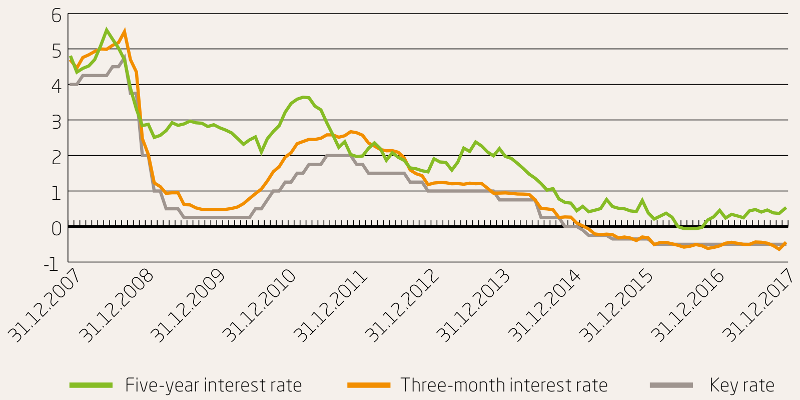
It is the opinion of the Board of Directors and the CEO that operations are being run in line with the municipal authority's reason for owning the Company and that the Company has complied with the principles set forth in the Articles of Association.

Market

Finance market

The global economy developed positively during 2017 and the stock markets rose to new record levels. Concern during the year about major political events with a number of elections in Europe, alongside the geopolitical concern in North Korea, the Middle East and other regions, had a marginal impact on the financial markets. This resulted in the central banks pursuing a slightly less expansive monetary policy. Despite a strong global economy, inflation remained low, which had a dampening effect on interest rates.

Key rate, three-month interest rate and five-month interest rate 2007–2017, %



In the USA, growth during the autumn gathered momentum after a weak start during the first half of the year and there was a fall in unemployment. The US central bank, the Federal Reserve, raised the key rate three times during 2017, following a stable period of economic growth and a strong labour market, even if inflation remained low. The Eurozone economy also developed well, with an improved labour market. The European Central bank, the ECB, continued to pursue an expansive monetary policy with a zero rate of interest and a major bond support purchase programme,

The Swedish economy also developed positively during the year, with growth driven mainly by increasing housing investment and domestic consumption. During the autumn, however, the housing market lost momentum despite several years of rapidly rising house prices, and as a result the prospects for housing investment declined. The labour market was the strongest in Europe, with the highest level of employment in over 20 years.

During the year, the krona fell against the euro, closing the year at 9.85 kronor, although it strengthened against the dollar, closing the year at 8.20 kronor. The weak krona boosted Swedish export industry This was good for the Gothenburg region, as it is highly dependent on exports, with the Eurozone and the USA among its largest markets.

The Swedish Central Bank kept the key rate at the same level – 0.50 per cent – throughout the year, despite a more stable level of inflation around the two per cent target, coupled with a weak krona and a strong economy. The three-month interest rate was negative throughout the year, whilst the more long-term interest rates rose as risk propensity increased on the market, driven by growth in the global economy. The three-month interest rate varied from around -0.3 per cent at the beginning the year to around -0.5 per cent during the latter half of the year, which had a positive impact on loans with a short fixed interest term. The five-year interest rate rose by around 0.25 percentage points during the year, and stood at 0.5 per cent at the year-end.

Property market

The Swedish property market continued to be strong despite lower transaction volumes during the autumn in the wake of, among other things, increased uncertainty following new tax rule proposals involving a reduction in tax-deductible interest costs, and what was termed the 'packaging enquiry' which relates to the tax effects in conjunction with divestment of properties. The greatest level of activity during the year was in the housing and office segments and public-sector properties.

Property investment in recent years has generated a higher yield compared with other asset categories. Interest in housing continues to be high and according to NAI Svefa, the investors are listed property companies, as well as institutional investors and pension funds. The vendors include municipal-owned housing companies. The proportion of the total transaction volume attributable to the Gothenburg market was around 8 per cent. Based on completed transactions in 2017 involving housing properties in Gothenburg, the view held by the market regarding yield requirements reveals a span of 1.5-4.0 per cent.

The high level of demand and low availability of residential properties in Gothenburg has continued to push up prices. Due to growth on the property market, the Group's yield requirements have been reduced for homes in all locations by 0.05-0.35 per cent.

Demand for homes in Gothenburg has continued to be high. More than 218,000 people were registered as applicants on the Boplats site at the end of 2017. However, the housing market slowed down during the autumn after several years of rapidly rising housing prices. During the year, the price increase for cooperative-owned homes and detached single-family dwellings in Greater Gothenburg was 6 per cent and 4 per cent law respectively compared with 12 per cent and 11 per cent respectively in 2016.

Properties

Property holdings total 4.9 million square metres, of which 4.6 million square metres are residential, and 0.3 million square metres are non-residential. There are 72,466 apartments, of which just over half are in Angered, Majorna-Linné, City Centre, Kortedala (part of East Gothenburg) and Högsbo (part of Askim-Frölunda-Högsbo). The majority of apartments are in what the market classes as B-locations. Nine out of ten apartments comprise one, two or three rooms plus a kitchen. The average apartment in the Group is 63 square metres in size with an average estimated rent for 2018 of SEK 1,094 per square metre per year. This means that for the average one-bedroom apartment with floor space of 57 square metres, the monthly rent is SEK 5,195.

Non-residential floor space is mainly a complement to the residential holdings and is owned largely by the housing companies. Non-residential properties are generally located within or close to residential properties. The Group also owns around 39,000 parking spaces, of which around 7,000 are in the city centre.

Investment in properties

During 2017, SEK 3,055 million (3,029) was invested in new construction and redevelopment, including value-preserving maintenance and acquisitions. Of this figure, SEK 721 million (421) was invested in new construction, SEK 2,001 million (1,945) in redevelopment, and SEK 333 million (663) in acquisitions, including one property in Biskopsgården that was purchased by Willhem, and the acquisition of land for new construction in areas such as Askimsviken, the Makrillen block in Gamlestaden, and Uggleberget in Billdal.

A total of 149 (139) new apartments for rent were completed during the year. Examples of current new production areas are Wadköpingsgatan in Backa, Örgryte Torp in Örgryte, Majstångsgatan in Kungsladugård, Uggleberget in Billdal, Syster Estrids gata in Guldheden, Tynnered and Tuve Centrum. Following conversion and division, there has been a net addition of 18 (38) apartments.

Sales

Properties totalling SEK 197.5 million (3.8) were sold during the year. These transactions involved three properties in Tolered and Biskopsgården to Willhem, one property in Agnesberg for conversion into cooperative-owned dwellings, and two smaller properties in Eriksberg.

Other building operations

Egnahemsbolaget completed 138 dwellings, all of which were divested during the year. At the end of December, construction was in progress on behalf of the Kryddhyllan cooperative housing association in Gårdsten, involving 34 dwellings, as well as the Prästvillan cooperative housing association in Olofstorp, involving four dwellings. Construction on behalf of the Prästvillan cooperative housing association commenced during 2017.

Property value

At the turn of the year, the Group had properties with a total yield value of SEK 87,913 million (82,010), including the fair value of current new construction and the value of the redevelopment supplement. According to the K3 rules, this value exceeds the total carrying amount of the properties and the redevelopment supplement by SEK 59,626 million (56,142). The total value of SEK 87,913 million is equivalent to SEK 17,876 per square metre (16,722).

The average yield requirement in the internal valuation was 3.9 per cent, and is made up of the weighted yield requirement between residential properties, non-residential properties and parking facilities based on revenue in the Datscha analysis tool. The yield requirement for residential properties was 2.0-5.0 per cent depending on the location. In the light of the positive growth in value for residential properties throughout the whole of Gothenburg, the yield requirements in the internal valuation have been reduced in all locations. Compared with the end of 2016, the yield requirements have fallen by 0.05-0.35 percentage points.

For non-residential premises and other floor space, the yield requirement was 5.8-9.3 per cent, which is the same as the preceding year.

The properties are valued within the framework of the Datscha analysis tool with external quality assurance of input data. Two external valuation institutes provide independent assessments of the cost of capital and yield requirements in different locations. A representative number of properties, i.e. 60 cooperative-owned properties, are valued externally each year as a means of quality-assuring the internal valuation model. The external valuation is then compared with the internal valuation. The external valuation of the properties was on average 13.0 per cent (13.5) higher than the internal valuation of the same properties. The reason for the difference in value is that the valuation institutes have lower yield requirements, mainly in the most central A-locations, where a significant proportion of the residential properties are acquired by cooperative housing associations, but also in B-locations and C-locations.

Financing

Financing instructions and risk management

Förvaltnings AB Framtiden's financial instructions have been drawn up within the framework of the City of Gothenburg Finance Policy and financial guidelines, and stipulate the authority and responsibility for handling the Group's financial risks. All financial activities and risk management are coordinated within the Group and are handled by the Parent Company. Follow-up and control of compliance with the financial guidelines takes place on a continuous basis. In line with a decision reached by the City of Gothenburg, borrowing should in the first instance take place via the City's internal bank.

Location	A	B	C
Yield requirement, residential properties, %	2.20 – 3.50	3.35 – 4.70	4.85 – 5.00
Yield requirement, non-residential premises, %	5.80 – 6.30	8.30 – 8.80	9.30

The financial instructions cover, amongst other things, the following risks:

Risks	Instructions	Outcome 2017
Refinancing risk	The Group's liquidity and capital requirements are secured by the City of Gothenburg	
Loan term		2.1 years
Interest risk		
Interest outcome within 12 months	max. 30 %	27 %
Fixed interest period	3.0–5.0 years	3.4 years
Credit and counterparty risk	The lowest credit rating for a financial counterparty A3 Moody's/A- Standard and Poor's	Satisfied
Currency risk	The currency risk must be eliminated through currency derivative agreements	Only loans in SEK

For a more detailed description of the financial risk, see Note 49.

Credit rating

The Group has a credit rating allocated by Standard & Poor's of AA-/Stable/A-1+. The credit rating is reviewed each year by Standard and Poor's.

Financial position

The reported equity of the Framtiden Group at the year-end amounted to SEK 55,893 million (51,405), which resulted in an equity ratio of 63 per cent (62). Based on estimated property values of SEK 87,913 million, and a credit portfolio of SEK 16,016 million, the loan-to-value ratio was 18 per cent (19).

Credit portfolio

The nominal loan volume at the year-end was SEK 16,016 million (15,843). During the year, investments were made in investment properties to the amount of SEK 3,055 million.

Loans via banks and the MTN market are being gradually replaced by corresponding loans from the City of Gothenburg as the old loans fall due. At the end of the year, the Group's bank loans totalled SEK 0 million (700), loans with the City of Gothenburg totalled SEK 14,916 million (11,593), and SEK 1,100 million (3,550) was outstanding on the Swedish MTN market.

In 2018, external loans totalling SEK 1,100 million will fall due and comprise loans via the MTN market. In addition, loans taken out with the City of Gothenburg totalling SEK 5,536 million will fall due. Refinancing of all loans will take place through the City of Gothenburg.

The fair value of the credit portfolio was calculated using the Swedish swap rate with the addition of a credit margin using market conditions as a starting point. Using this valuation model, the fair value of the credit portfolio as of December 31, 2017 was SEK 16,069 million (15,848), which should be put in relation to the nominal amount of the portfolio, SEK 16,016 million (15,843).

Interest rate exposure

Control of the interest rate risk is founded on the concept of net exposure, i.e. the loan volume with a deduction for cash and cash equivalents and current investments. The average term for interest rate exposure, as well as the allocation of the exposure over time, is of major significance to the Group's interest expense. At the end of 2017, the average interest term was 3.4 years (3.3) and the proportion of loans where interest was due within 12 months was 27 per cent (27). To facilitate ongoing adjustment of

Financial core indicators	2017	2016
Average financing cost, %, IFRS	0.7	2.7
Average financing costs, %, internal reporting	1.9	2.4
Interest exposure, net, SEK m	-16,011	-15,841
Credit volume, SEK m	-16,016	-15,843
Credit portfolio, fair value, SEK m	-16,069	-15,848
Derivative portfolio, fair value, SEK m	-400	-597
Interest coverage ratio, multiple	9.4	7.5
Debt-equity ratio, multiple	0.3	0.3
Equity ratio, %	63	62
Loan-to-value ratio, %	18	19

the interest rate risks, use is made of derivatives, mainly interest swaps. As the Framtiden Group's loan agreements mainly run with three months Stibor as an interest base, an extension of the fixed interest period has been made through interest swaps with terms of up to 10 years.

Net exposure at the end of 2017 was SEK 16,011 million, which is an increase of SEK 170 million. The average rate of interest on net exposure was 1.7 per cent at the end of the year, compared to 2.1 per cent at the end of 2016.

Net financial income/expense 2017

Net financial income/expense for the Framtiden Group in 2017 was SEK -100 million (-422), an improvement of SEK 322 million. The improvement can be largely attributed to the fact that the value of derivatives has changed from a decrease in value of SEK -65 million to an increase in value of SEK 196 million, which has generated a positive impact on net financial income/expense of SEK 261 million. The change in value can be ascribed mainly to higher long-term interest rates during the year. The remainder of the difference is mainly attributable to lower interest expense on loans with a variable rate of interest, as well as reduced interest expense on derivative agreements entered into, which overall has had a positive impact on net financial income/expense to the amount of SEK 57 million.

Derivative portfolio

The value of the derivative portfolio at the year-end was SEK -400 million (-597). The contracted interest levels in the derivative portfolio were higher than the interest rates applicable at the time of valuation, which is reflected in the negative figure.

Financial undertakings

At the end of 2017, SEK 0 million (700) of the credit portfolio was secured through mortgages. The majority of the Group's external financial agreements include an ownership clause. This means that the agreements are valid as long as the City of Gothenburg, directly or indirectly, holds more than 50 per cent of the shares in the Company.

Liquidity and credit pledges

The combination of a stable cash flow and a relatively long planning horizon for investments limits the need for liquidity reserves. Liquidity supply is secured by the City of Gothenburg in accordance with the City's Finance Policy and financial guidelines. As of December 31, unutilised credit facilities and credit pledges totalled SEK 467 million (540). The Group's cash and cash equivalents, including unutilised credit facilities and credit pledges, amounted to SEK 471 million (540).

Environment

The actual level of consumption of district heating for heating and hot water was 675 GWh, compared to 685 GWh the previous year. After correction for a normal year using the energy index, district heating use was the same as for 2016, 712 GWh. Normal-year correction takes place to eliminate the effects of the weather on the actual needs and use of the building, thus making it possible to compare use between the years. The computation data is produced by SMHI.

CSR Report

From 2017, the Group is subject to the new rules in the Annual Accounts Act regarding sustainability reporting. The Framtiden Group CSR Report for 2017 covers all subsidiaries. The report is available for downloading and reading at framtiden.se.

Staff

The Group had an average of 940 (921) permanent employees during the year, of whom 412 (394) are women and 528 (527) are men. Absence due to illness was 5.1 per cent (4.7).

Continued focus on internal control

In accordance with City of Gothenburg internal control guidelines, risk assessments were made during the year for each subsidiary in the Group and for the Group as a whole. The main purpose of the risk assessments is to identify and assess the risks the companies could encounter in achieving their objectives. Measures have been formulated to handle the most material risks. Where risk-mitigation measures and controls are already in place, the most material risks have been chosen as part of a follow-up to ensure the controls are working as intended.

Financial results for the year

Financial results

The Group's net operating income totalled SEK 4,488 million, compared to SEK 3,297 million for 2016, an increase of SEK 1,191 million.

Rental revenue

Rental revenue for the Group in 2017 amounted to SEK 5,283 million (5,186). Of this figure, rental revenue from dwellings accounted for 92.4 per cent, and amounted to SEK 4,881 million (4,800). The increase is the outcome of annual rent negotiations at each company, with housing rents rising by an average of 0.7 per cent in spring 2017, as well as negotiations related to new construction and redevelopment.

Revenue from non-residential premises totalled SEK 232 million (225). Other rental revenue, which derives largely from the renting out of parking spaces, increased by SEK 10 million to SEK 171 million (161).

At the end of the year, there were 55 (40) vacant apartments out of a total of 72,466. This is equivalent to a level of vacant space, expressed as a percentage of the total number of apartments, of 0.1 per cent (0.1).

The level of vacant space at the year-end for non-residential premises was 7.2 per cent (7.2), equivalent to 23,084 square metres (22,877).

Property management income

Property management income was SEK 79 million (76). Income comprises mainly property management assignments and revenue from Framtiden Broadband.

Operating costs

Operating costs amounted to SEK 2,329 million (2,281).

Tariff charges for heating, electricity, water and refuse collection account for just over 42 per cent of the operating costs. Tariff charges decreased by a total of SEK 39 million compared with 2016, due among other things to lower heating consumption. Property upkeep increased by SEK 23 million, mainly related to an increase in staff costs (salary increases etc.) and increased costs for purchased services.

Operating costs also include repairs totalling SEK 296 million, a rise of SEK 25 million on 2016. There were increases at several companies and these can be attributed to a rise in the number of damage repairs and the volume of purchased services. Operating administration increased by SEK 12 million compared with 2016. This can be explained, among other things, by higher IT costs and higher costs for staff and consultants. Other operating costs increased by SEK 27 million compared with 2016, which can be largely attributed to the increased cost of damage.

Operating costs, SEK/sq. m	2017	2016
Heating	-95	-100
Electricity and gas	-25	-26
Water and sewage	-37	-40
Refuse collection	-29	-29
Property upkeep	-112	-107
Repairs	-60	-55
Operating administration	-83	-81
Miscellaneous operating costs	-32	-27
Total operating costs	**-473**	**-465**

Property charge/property tax

The property charge/tax amounted to SEK 114 million, which is SEK 4 million higher than 2016. The majority of the Group's apartments have a standard property charge of SEK 1,315 per apartment (1,268). Property tax on other apartments and non-residential premises is linked to the taxable value. For apartments, the figure is equivalent to 0.3 per cent of the taxable value. For non-residential premises, the percentage is 1 per cent of the taxable value.

Change in value, investment properties

During the year, changes in the value of investment properties amounted to SEK 3,045 million (1,859). The change in the value is the result of reduced yield requirements for residential properties at all locations, as well as increased gross revenue from residential properties, non-residential properties and parking spaces. See Note 17, Investment properties.

Central administration costs

Central administration includes the costs for the Board of Directors, the CEO and other management personnel, the Annual Meeting, the audit of the subsidiaries, and Parent Company costs. Costs amounted to SEK 143 million (134), equivalent to SEK 29/sq. m. (27).

Construction operations

The result from construction operations was SEK 57 million, an increase of SEK 8 million compared to 2016. A further provision of SEK 18 million in respect of rendered facades was made during the year. During the year, 138 (167) homes built for sole ownership were recognised in revenue.

Net financial items

Net financial items for the Framtiden Group for 2017 amounted to SEK -100 million (-422), an improvement of SEK 322 million. The improvement is largely due to a change in the value of derivatives, from a decrease in value of SEK -65 million to an increase in value of SEK 196 million, which had a positive impact on net financial income/expense of SEK 261 million. The change in value can be attributed mainly to higher long-term interest rates during the year. The remainder of the difference is due largely to lower interest costs for loans with a variable rate of interest, as well as reduced interest costs on newly entered derivative agreements at a lower rate of interest, which together have had a positive impact on net financial income/expense to the amount of SEK 57 million.

According to internal reports, the average financing cost during the year was 1.9 per cent compared to 2.4 per cent in 2016. Calculation according to IFRS (including a change in value in the derivative portfolio) resulted in an average financing cost during the year of 0.7 per cent compared to 2.7 per cent in 2016. The average fixed interest period during the year was at its lowest 3.0 years and at its highest 3.5 years.

Tax on profit for the year

Total corporation tax for the Group is estimated at SEK 85 million (72). The deferred tax expense for the year was SEK 1,170 million (856). The total tax expense for the year was SEK 1,255 million (928).

Equity

The Group's equity at the year-end amounted to SEK 55,893 million (51,405). The equity/asset ratio was 63 per cent (62).

Pledged collateral

During the year, the Group redeemed secured loans that were then replaced by loans raised through the City of Gothenburg. Pledged collateral amounted to SEK 0 million (702).

Parent Company

The Parent Company's operations comprise Group management functions. Revenue is generated by Group costs being invoiced to the subsidiaries. Invoicing during 2016 totalled SEK 55.9 million (44.1), and the operating profit amounted to SEK -0.7 million (-0.1).

Capital transfers, both paid and received, are reported as appropriations. As part of a tax allocation, where Göteborgs Stadshus AB, which has a remit within the City of Gothenburg corporate sphere to aggregate taxable results, the Parent Company makes a capital transfer of SEK 336 million to Stadshus AB. A capital transfer of SEK 262 million is received from Stadshus AB, which is equivalent to a capital transfer with a deduction for tax of 22 per cent.

Within the Group, the companies' taxable results were equalised by Poseidon, Bostadsbolaget, and Egnahemsbolaget making capital transfers to the Parent Company and then receiving a capital transfer back in accordance with the above model. The Parent Company makes a capital transfer to Familjebostäder and Gårdstensbostäder and then receives a capital transfer back, equivalent to 78 per cent of the capital transfer made. In addition, a capital transfer of SEK 3.5 million was made to Byggutveckling. The net amount of the tax allocations made within the Group is SEK 291 million. A total of SEK 2 million (13) is reported as an appropriation.

Financial income and expense includes an anticipated dividend of SEK 66.1 million (62.5). Of this amount, SEK 65.1 million (61.6) is attributable to the fiscal transactions that were made within the Group and derives from Familjebostäder and Gårdstensbostäder. The remaining SEK 1.0 million (0.9) is a capital transfer from the subsidiaries Bostadsbolaget and Familjebostäder, and is equivalent to 1.51 per cent of each company's equity.

Equity amounted to SEK 2,060 million (1,734). The change in equity during the year can be attributed to the capital transfer of SEK 262.1 million and profit for the year of SEK 64.4 million (53.6). The equity/assets ratio was 11 per cent (9).

Key events after the end of the financial year but before the signing of the Annual Report

No events of a material nature occurred after the end of the financial year. The Annual Report and the Consolidated Financial Statements will be presented at the Annual General Meeting on March 8, 2018.

Five-year summary, Group

(Amounts in SEK m unless stated otherwise)	2017	2016	2015	2014	2013
Statement of comprehensive income					
Rental revenue	5,283	5,186	5,047	4,937	5,129
Operating expenses	-2,329	-2,281	-2,139	-2,123	-2,324
of which repairs	-296	-271	-249	-243	-234
Property charge/property tax	-114	-110	-101	-97	-108
Net operating income	2,920	2,871	2,881	2,788	2,957
Change in value, investment properties	3,045	1,859	7,201	1,543	1,128
Central costs, including depreciation	-143	-134	-116	-96	-106
Net financial items	-100	-422	-197	-950	-257
Profit before tax	5,768	4,213	9,710	3,273	3,742
Statement of financial position					
Investment properties	87,913	82,010	77,141	67,587	65,926
Other non-current assets	266	282	268	260	187
Current assets	631	817	569	316	327
Equity	55,893	51,405	48,108	40,536	39,288
Provisions	14,693	13,488	12,620	10,456	10,138
Loan liabilities (interest-bearing)	16,016	15,843	15,160	14,989	15,310
Operating liabilities (non-interest-bearing)	2,208	2,373	2,090	2,182	1,827
Properties					
Residential floor space, 1,000 sq. m.	4,599	4,588	4,521	4,496	4,480
Non-residential floor space, 1,000 sq. m.	319	316	310	318	550
Apartments, number	72,466	72,338	71,345	70,942	70,641
Parking spaces, number	38,557	38,834	38,638	38,531	48,218
Property investments, SEK m	3,055	3,029	2,406	2,562	2,247
Financial					
Equity/assets ratio, %	63	62	62	59	59
Interest coverage ratio, multiple	9.4	7.5	6.9	6.0	5.6
Debt/equity ratio, multiple	0.3	0.3	0.3	0.4	0.4
Loan-to-value ratio, %	18	19	20	22	23
Average financing costs, excluding interest subsidies, %, IFRS	0.7	2.7	1.4	6.4	1.7
Average financing cost, excluding interest subsidies, % [1]	1.9	2.4	2.6	3.0	3.3
Return on capital employed, %	6.8	5.8	13.6	6.3	6.2
Return on equity, %	10.8	8.5	21.9	8.2	9.9
Personnel					
Average no. of employees	1,035	976	924	905	986
Work attendance, % [2]	53	60	67	-	-
Absence due to illness, %	5.1	4.7	5.0	5.4	4.6
Property management					
Average gross rent, residential, SEK/sq. m.	1,073	1,061	1,051	1,031	1,011
Rent shortfall, residential, SEK/sq. m.	13	14	14	12	12
Average gross rent, non-residential, SEK/sq. m.	791	786	782	773	774
Rent shortfall, non-residential, SEK/sq. m.	68	71	80	85	72
Operating expenses, SEK/sq. m.	473	465	436	442	463
of which repairs, SEK/sq. m.	60	55	52	51	47
Central costs, including depreciation, SEK/sq. m.	29	27	23	20	21
Net operating income, SEK/sq. m.	593	586	606	580	589
Vacancy rate, residential, %	0.1	0.1	0.1	0.1	0.0
Vacancy rate, non-residential, %	7.2	7.2	7.4	9.6	7.9
Core indicators					
Service Index [3]	79	79	-	78	79
Resident Influence Index [4]	72	72	-	70	-
Sustainable Employee Influence [5]	75	-	-	-	-
MMI, Motivated Employees Index [6]	-	-	-	70	69
Property result before maintenance [1]	2,880	2,831	2,805	2,712	-
Property result (excluding expanded maintenance) [7]	-	-	-	-	2,167

[1] Internal reporting, based on the Annual Accounts Act and K3. [2] New metric from 2015. [3] No measurement during 2015. [4] No measurement during 2013 and 2015. [5] New metric from 2017. [6] Metric used until 2014. [7] Internal reporting, based on the Annual Accounts Act and the recommendation of the Swedish Financial Accounting Standards Council.

Definitions

Abbreviations

AAA Annual Accounts Act

RR Recommendations of the Swedish Financial Accounting Standards Council

K3 Swedish Accounting Standards Board Guidelines BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements

Average financing cost, %, IFRS (see reconciliation)

Net financial items, corrected for interest income, costs for PRI and capitalised interest, as well as capital gains, impairments and reversed impairments in respect of shares in cooperative housing associations, divided by the average loan volume.

Average financing cost, %, internal reporting, (see reconciliation)

Net financial items, corrected for interest income, costs for PRI, capitalised interest, change in value of derivatives and profits allocated to specific periods in respect of derivatives closed prematurely, as well as capital gains, impairments and reversed impairments in respect of shares in cooperative housing associations, divided by the average loan volume.

Construction

Refers to Egnahembolaget's construction of dwellings which are subsequently sold to cooperatives and sole purchasers.

Debt/equity ratio, multiple

Interest-bearing liabilities in relation to reported equity.

Equity/assets ratio, %

Reported equity in relation to total assets.

Interest coverage ratio, multiple (IFRS)

Operating profit, reduced by changes in the value of investment properties, in relation to net financial income/expense (unrealised profits on derivatives in net financial income/expense have been excluded).

Investment properties

Completed properties plus land. land improvements and building equipment.

Loan-to-value ratio, % (see reconciliation)

Interest-bearing liabilities, excluding a pension provision, in relation to the properties' total yield value.

Management

Average rent, loss of rental revenue, operating costs, central costs and net operating income have been calculated based on the average residential and non-residential floor space.

Profit on properties according to internal reporting

Net operating income plus other income and expense reduced by central costs, excluding items affecting comparability, such as capital gains, property sales, impairments and reversed impairments. The figure applies up to and including 2013.

Profit on properties according to the Annual Accounts Act and RR (internal figure)

Net operating income plus other income and expense, reduced by central costs, excluding items affecting comparability, such as expanded maintenance, capital gains on property sales, impairments and reversed impairments. The figure applies with effect from 2014.

Residential/non-residential floor space/apartments/parking spaces

Residential floor space sq. m., non-residential floor space sq. m., number of apartments and number of parking spaces at the year-end.

Return on equity, %

Income after financial items in relation to average equity.

Return on total capital, %

Income after financial items plus financial items attributable to the Company's liabilities in relation to the average balance sheet total.

Vacancy rate, non-residential premises

Unlet, non-residential floor space as a percentage of the total non-residential floor space to let at the year-end.

Vacancy rate, residential premises

Number of unlet apartments as a percentage of the total number of apartments to let at the year-end.

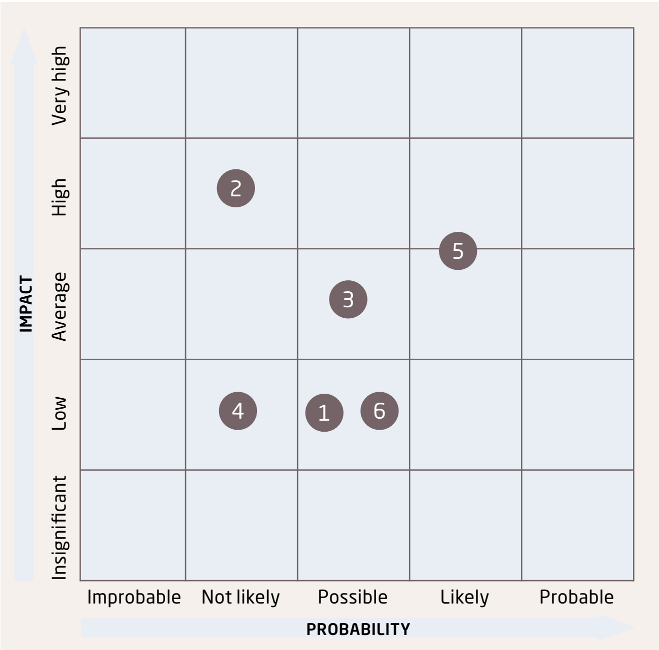
Workplace attendance, %

The number of permanent employees with a maximum of four days' absence due to illness during the past 12 months in relation to the number of permanent employees at the end of December.

Risk and sensitivity analysis

Risk analysis

Rental revenue, financial costs and the cost of operations and maintenance are some of the parameters that form the basis for the Group's result trend and the valuation of assets and liabilities. If the market, cost base or regulations were to change, this could have a considerable impact on both profit and values. Properties are still predictable assets, with contracted revenue and interest costs, and in the majority of cases they have a fixed term. Profit and loss items are ranked according to their significance to consolidated profit and are then analysed according to their level of impact and probability of change.



1 Changes in value

The properties are reported at fair value in the Consolidated Statement of Financial Position. The value of the properties is dependent primarily on the expected net operating income and the market's yield and cost of capital requirements. An apparently small correction in yield requirements could have a major impact on the value. Changes in value affect the Statement of Financial Position, which could entail significant variations in profit. The cash flow, however, is not affected by the changes in value. On the whole, the Group is only affected to a limited extent by a fall in property values.

2 Housing rents

Housing rents are the Group's largest revenue item and thus form the operating base. The Group's subsidiaries own more than half of the rented housing in Gothenburg and the risk is therefore linked to the housing market as a whole.

There are few vacant apartments and the risk of a rise in vacant space is considered to be small, as Gothenburg has had a housing shortage for many years. Vacant apartment space is avoided by applying a correct pricing system. To ensure the rent is in line with the values of the tenants, the Group's subsidiaries, working in collaboration with the Gothenburg Property Owners' Association and the Tenants' Association, have devised a model for setting rents that reflects the features of individual apartments. If, despite everything, vacant space arises, or if there is a shortfall in rent, the Group would be affected to a significant extent, although the probability of this happening is considered small.

3 Ongoing maintenance/investment

Just over 50 per cent of the Group's apartments are in buildings that have a value year between 1950 and 1975. This means that the Group will work with extensive refurbishment projects for several years to come. The subsidiaries work with long-term planned maintenance, which to a varying degree extends into the future. For several years, the cost of maintenance has almost every year increased in percentage terms more than the increase in rent. Rents for older properties could be too low to finance necessary maintenance. There is a risk that necessary rent increases in conjunction with refurbishment cannot be implemented, which could in time affect the extent of the measures undertaken and thus the attractiveness of the properties. The probability that required measures cannot be financed is considered possible and its impact on the Group is considered to be average.

4 Salary costs; property upkeep and operating administration

The cost of property upkeep and operating administration is largely driven by the organisational arrangement and salary costs. The risk of major, unexpected changes is low although there is a certain risk in the long term as for many years these costs have also increased more than rents. At the same time, operating efficiency has been gradually improved. The probability that these costs could constitute an operating risk is not considered probable and the impact is deemed to be minor.

5 Financial cost

In the case of a property company, the rent risk and financing costs are significant. The Framtiden Group has a lower financial risk than many other property companies due to the fact that the Group has a high equity/asset ratio and a low loan-to-value ratio. The Group's aim of constructing 1,400 new dwellings each year will gradually lead to an increase in indebtedness, and thus an increase in interest risk and financing costs.

The Group has a very good credit rating AA-/Stable/A-1+, which is reviewed each year by Standard and Poor's. The City of Gothenburg has decided that borrowing should in the first instance take place via the city's internal bank. The Group's liquidity and capital requirements are thus secured by the City of Gothenburg.

The Group's joint financial instructions, which are drawn up within the framework of the City of Gothenburg Finance Policy and financial guidelines, are updated and adopted each year by the Board of Directors and form the basis for financial risk management. Financial management has been centralised at the Parent Company. Handling of the interest risk in the Group's debt portfolio takes place within the risk mandate set out by the Board of Directors in the Finance Policy. The average fixed interest period at the turn of the year was 3.4 years and consequently fluctuations in market interest rates do not have an immediate impact on the debt portfolio. This allows time to adapt the costs for maintenance and investment in the property holdings to a higher rate of interest. It is considered probable that the financial costs will constitute a risk and their impact on the result is considered to be average/high.

❻ Heating costs

Heating costs account for 20 per cent of the total operating costs. Work is ongoing to reduce the level of use of district heating and thus the cost. New construction and major property renovations take place with a focus on energy efficiency in order to reduce the need for supplementary heating. Work is also taking place to influence tenants' and customers' use of heating through various information initiatives and technical measures. As regards district heating, the Group is dependent on Göteborg Energi as the sole provider, which in itself could be a risk in the event, for example, of operational disruptions, price changes, or changes in the pricing model.

Sensitivity analysis

The value of the Group's property portfolio is dependent on revenue, costs and yield requirements for property investments. A one per cent change in these parameters produces the following changes in the fair value and equity/asset ratio:

Effect on assets	Change	Effect on fair value	Effect on equity/ asset ratio
Rent, year 1	+/- 1 %	+/- 1.8 %	+/- 0.3 percentage point
Long-term level of vacant space/Rent shortfall	+ 1 percentage point	-1.8 %	- 0.3 percentage point
Operating and maintenance costs	+/- 1 %	-/+ 0.7 %	-/+ 0.1 percentage point
Yield requirement and cost of capital	+/-1 percentage point	-/+ 22.4 %	- 4.2 percentage point/ + 2.7 percentage point

The change in the yield and cost of capital requirements has the greatest impact on fair value. Rental revenue and the level of vacant space do not affect the values to the same extent unless there are major changes in the market.

The table below shows that a change in the fair value of the properties of +/-10 per cent and 25 per cent respectively only have a minor impact on the equity/assets ratio, which according to the Group's objective should in the long term be a minimum of 50 per cent.

Change in the fair value of properties

	-25 %	-10 %	+/-0	10 %	25 %
Value, SEK m	65,935	79,122	87,913	96,704	109,891
Loan-to-value ratio, %	24	20	18	17	15
Equity ratio, %	58	61	63	63	65

The Group's earnings are affected by several factors. Changes in the parameters listed below generate the following impact on earnings for the year.

Impact on earnings	Change	Impact on annual earnings
Rent	+/- 1 %	+/- SEK 54 million
Vacant space	1%	- SEK 54 million
Operating costs	+/- 1 %	-/+ SEK 23 million

Financial risks

The nature of Framtiden Group operations means that the Company is exposed to different financial risks. The Förvaltnings AB Framtiden Finance Policy has been drawn up within the framework of the City of Gothenburg Finance Policy and financial guidelines and lays down authorisation and responsibility for handling the Group's financial risks. The Group policy is updated and adopted each year by the Board of Directors. Since 2012, all financial management in the Group has been centralised at the Parent Company.

The aims behind Framtiden Group financing operations and financial risk management are to coordinate the Group's capital requirements, optimise the Group's capital costs by utilising economies of scale, and minimise financial net costs over time within the framework of the Finance Policy. There is continuous follow-up and control to ensure compliance with the Finance Policy. For more detailed information about financial risk management, see Note 49.

The Framtiden Group has a lower financial risk than many other property companies due to the fact that the Group has a high equity/assets ratio of 63 per cent (62) and a low loan-to-value ratio of 18 per cent (19). The Group has a high credit rating, AA-/Stable/A-1+, which is reviewed each year by Standard & Poor's. This has offered good access to a broad lender base on both the banking market and the capital market. In 2014, the Group's financing strategies were changed following a decision by the owner, the City of Gothenburg, that borrowing should in the first instance take place via the City's internal bank.

Loans via the MTN market as well as bank loans have been gradually replaced by corresponding loans from the City of Gothenburg as the loans fall due. The Group's total credit portfolio at the year-end amounted to SEK 16,016 million (15,843), of which SEK 0 million (700) was in the form of outstanding bank loans, SEK 14,916 million (11,593) was in the form of loans from the City of Gothenburg, and SEK 1,100 million (3,550) was outstanding on the Swedish MTN market.

The Group is working actively to keep down interest costs based on the risk mandate issued by the Board of Directors via the Finance Policy. The average interest rate maturity must be a minimum of 3.0 years and a maximum of 5.0 years. The maturity in the interest portfolio during the year varied between 3.0 and 3.5 years. The focus has been on fixing low interest rates. At the turn of the year, the average interest rate maturity was 3.4 years and consequently fluctuations in market interest rates do not have an immediate impact on the debt portfolio. This allows time to adapt the costs for maintenance and investment in the property holdings to a higher rate of interest.

The average rate of interest for the Group's financial portfolio at the end of 2017 was 1.7 per cent. It is not expected to rise significantly during 2018, as it is anticipated that the low interest rates will continue for much of the year.

Sensitivity of net financial income/expense to interest rate changes

Assuming an unchanged debt volume and unchanged duration and position composition regarding net exposure, the Group's net financial income/expense will be affected in the manner presented in the table below. The calculation is based on the interest rates and credit margins applicable at the end of 2017, and on an immediate and permanent change in the interest rate of one percentage point for the whole of the yield curve.

Sensitivity of net financial income/expense to interest rate changes, excluding market valuation, derivatives, 2018-2020, SEK m, Group

Effect on net financial income/expense	2017	2018	2019	2020
Interest level, 31-12-2017	-299	-274	-258	-237
Interest +1 percentage point		-315	-318	-316

Sensitivity of the credit and derivative portfolios to interest rate changes

The fair values reported for the credit and derivative portfolios are based on market interest rates as of December 31, 2017. To assess the portfolio's sensitivity to interest rate changes, a calculation has been made using a change in the market interest rate of one percentage point for the whole yield curve.

Sensitivity of the credit and derivative portfolio, 31-12-2017, SEK m, Group

	Credit portfolio		Derivative portfolio	
Interest rate assumption	Nominal value	Fair value	Nominal value, net	Fair value
Interest level, 31-12-2017	-16,016	-16,069	-12,650	-400
Interest +1 percentage point	-16,016	-16,047	-12,650	101

Debt portfolios, sensitivity analysis, SEK m, Group

Interest rate assumption	Change in the net interest rate during 2018	Change in the fair value of derivatives at the year-end
Interest rate +1 percentage point	-41	501

Proposed allocation of unappropriated earnings

The following unappropriated earnings in the Parent Company are available for allocation at the Annual Meeting (SEK):

Profit brought forward	1,721,221,226
Capital transfer received	262,080,000
Allocation to development cost reserve	-310,258
Profit for the year	64,389,747
TOTAL	**2,047,380,715**

The Board proposes that the above amount to be allocated as follows (SEK):

To be carried forward	**2,047,380,715**

For details of the Company's and the Group's profit and position in general, reference can be made to the following financial statements.

Statement by the Board of Directors on the proposed transfer of funds

It is the opinion of the Board of Directors that the proposed transfer of funds in the form of a capital transfer does not prevent the Company from discharging its short-term and long-term obligations, or from making necessary investments. No transfer of funds has taken place from the Company, as the capital transfer made is compensated for by a capital transfer received and lower actual tax. The proposed capital transfer can thus be justified in the light of what is stated in Chapter 17, Section 3, paragraphs 2-3 (the precautionary rule) of the Companies Act.

It is the assessment of the Board of Directors that the Company's and the Group's equity, following the proposed transfer of funds, will be sufficient in relation to the nature and scope of operations and associated risks.

Outlook for 2018

During 2018, there are expectations of stronger global growth and rising long-term interest rates as a result of a higher rate of inflation and a less expansive monetary policy on the part of the central banks. At the same time, geopolitical storm clouds remain over North Korea and the Middle East.

Growth in the Swedish economy was good during 2017, although it is anticipated that the rate will slow down slightly during 2018 in the wake of a weak housing market. The weak krona is expected to benefit the Swedish export market.

The population of Gothenburg increased during 2017 by around 7,400 and stood at around 564,000 at the year-end. The increase in the population is driven partly by a large net influx of people and a significant surplus of births over deaths. Our assessment is that this trend will continue. The demand for the Group's housing units is thus expected to remain high, and the risk of vacant space arising is considered to be very low.

Operating costs are expected to keep pace with the general price trend during 2018, and investment is predicted to increase by around SEK 900 million on the figure for 2017.

Net financial income/expense, excluding changes in the value of derivatives, is expected to fall slightly compared with the previous year, due in part to an estimated lower financing cost compared to 2017, despite the higher loan volume as a result of a higher rate of investment.

The demand for housing is strong in Gothenburg and the city is planning to continue with its densification and expansion programme. The rate of construction of residential properties has been too low for a long time and needs to be increased as more new homes are needed. The City of Gothenburg has assigned the Group the task of building 1,400 homes per year. The Framtiden Group will step up construction during 2018 with the aim of achieving the target of 1,400 dwellings per year during 2019.

Corporate governance

In 2017, the Framtiden Group comprised the Parent Company Förvaltnings AB Framtiden, and eight subsidiaries. Corporate governance includes various systems whereby the owner, directly and indirectly, controls the Parent Company and its subsidiaries. Corporate governance is made up of both internal and external control instruments.

Owner through the Annual General Meeting

Förvaltnings AB Framtiden is wholly owned by Göteborgs Stadshus AB, which is wholly owned by the City of Gothenburg. The owner exercises control through the Ownership Charter, the Articles of Association, the City of Gothenburg budget, and other governing documents for the City of Gothenburg adopted by the City Council.

The City Council appoints boards and lay auditors for both the Parent Company and the subsidiaries, and confirms the Articles of Association and Ownership Charter.

Decisions are made at the Annual General Meeting regarding:

- Adoption of the Parent Company Income Statement and Balance Sheet, as well as the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position
- Allocation of the Company's unappropriated earnings
- Discharge from liability for members of the Board of Directors and the CEO
- Election of external auditors
- Remuneration to the Board of Directors and auditors
- Other key matters

Board of Directors

The Board of Directors of Förvaltnings AB Framtiden comprises eight ordinary members and three deputies. The employee organisations are represented on the Board of Directors and have the right to attend and make statements but have no voting rights. The composition of the Board of Directors of the Parent Company is presented on the next page. The people of Gothenburg exert an indirect influence on the composition of the politically appointed boards through elections to the City Council, which take place every four years.

In 2017, the Board of Directors of the Parent Company held eleven meetings in addition to the statutory meeting. At the Board meeting held in March, the Board of Directors adopted the rules of procedure as well as instructions regarding allocation of duties between the Board of Directors and the CEO. The annual accounts and interim accounts were adopted in February and August respectively. A decision was reached regarding the business plan at the Board meeting in August. The budget for 2018 was passed in October.

Through contact with the CEO, the Chair of the Board and the two Deputy Chairs monitor developments within the Company and the Group between the Board meetings, and ensure that the members of the Board of Directors receive the ongoing information required for them to discharge their duties.

The Board of Directors evaluates its work each year. The evaluation examines whether the Board of Directors is organised appropriately in terms of allocation of duties, whether the working methods are functioning as intended, and if the Board of Directors is lacking in any area of expertise required to discharge its duties. The Board of Directors also makes an annual evaluation of the work done by the CEO. For information regarding remuneration, see Note 10.

The CEO is not a Board member although he makes presentations to the Board and is responsible for providing the Board with a basis for reaching decisions that is necessary and is as complete as and informed as possible. The CEO is also responsible for ensuring that decisions reached by the Board are executed, and for the ongoing management of the Company.

The CEO leads operations in accordance with the instructions to the CEO issued by the Board and based on the laws and ordinances that govern operations and the control documents adopted by the owner.

Audit committee

The Board has appointed an Audit Committee in accordance with the rules set out in the Companies Act. The remit of the Audit Committee includes monitoring the Group's financial reporting procedures, providing recommendations and proposals for ensuring the reliability of the reporting procedures, remaining informed about the audit of the annual report and the consolidated financial statements, and monitoring reporting by the auditor and thus ensuring that it remains impartial. The Committee comprises three members: Claes Roxbergh, Christina Backman and Andreas Sjöö. The Committee's rules of procedure are set by the Board. The Committee held four meetings during 2017.

Back row, left to right: Endrick Schubert, Johan Svensson, Mathias Koppfeldt, Shadiye Heydari, Christina Backman, Viveca Bertelsen, Jan Jentzell and Thomas Gustavsson. Front row, left to right: Rustan Hälleby, Andreas Sjöö, Lars Johansson, Anna Jivén, Ulla Berg, Claes Roxbergh and Kjell Björkqvist. Not present: Jan-Olov Isacsson and Niclas Blomnell.

Members

Lars Johansson (S)
Chair from December 31, 2013
Born 1950
Member since 2013

Claes Roxbergh (MP)
First Deputy Chair
Born 1945
Member since 2017

Kjell Björkqvist (L)
Second Deputy Chair
Born 1941
Member since 2015

Christina Backman (M)
Born 1960
Member since 2015

Shadiye Heydari (S)
Born 1967
Member since 2015
Deputy 2012-2015

Johan Svensson (V)
Born 1982
Member since 2017

Rustan Hälleby (M)
Born 1946
Member since 2015

Endrick Schubert (S)
Born 1944
Member since 2014
Deputy 2011-2014

Deputies

Anna Jivén (S)
Born 1974
Deputy since 2017

Mathias Koppfeldt (KD)
Born 1970
Deputy since 2017

Andreas Sjöö (S)
Born 1986
Deputy since 2015

Employee representatives

Ulla Berg (PTK)
Since 2010
(Bostadsbolaget)

Thomas Gustavsson (LO)
Since 1990
(Bostadsbolaget)

Jan-Olov Isacsson (LO)
Since 2000
(Poseidon)

Deputy employee representatives

Jan Jentzell (PTK)
Since 2011
(Poseidon)

Viveka Bertelsen (PTK)
Since 2013
(Familjebostäder)

Niclas Blomnell (LO)
Since 2013
(Familjebostäder)

Standing, left to right: Ann Törnblom, Mikael Dolietis, Anders Söderman and Per-Henrik Hartmann. Sitting, left to right: Martin Blixt, Sofia Gärdsfors, Michael Pirosanto, Anna Nordén and Kicki Björklund.

Group management

The Parent Company, Förvaltnings AB Framtiden, is responsible for overall strategic issues within the Group and coordination of activities common to the whole Group. The Group Management was expanded in 2017 and comprises the CEOs of Förvaltnings AB Framtiden, Poseidon, Familjebostäder, Bostadsbolaget, Gårdstensbostäder, Egnahemsbolaget, Framtiden Byggutveckling, Störningsjouren and the Head of Staff and Communications at Förvaltnings AB Framtiden. To support the CEO, the Group Management meets every 14 days and deals with strategic, Group and Company issues as well as specific operational matters.

Within the Group, there are a number of groups that cooperate around issues that are of importance to the Group, such as environment and energy, construction, communication, marketing, HR, housing provision, finance, accounting, financial reporting, procurement, valuation, and IT.

Subsidiaries

The boards of directors of the subsidiaries Gårdstensbostäder and Störningsjouren have tenants and civil servants as members. The members of the boards of other subsidiaries are political appointments.

Auditors

Each year, Förvaltnings AB Framtiden and its subsidiaries undergo various audits. One is an audit of the annual report and the administration by the Board of Directors and the CEO based on the stipulations laid down in the Companies Act. This is conducted in compliance with the Companies Act by authorised public accountants elected at the Annual General Meeting. The present auditors are Öhrlings PricewaterhouseCoopers AB.

A second audit is carried out by lay auditors appointed by the City Council. The lay auditors examine whether the Company's operations are run in a manner suited to purpose, whether the running of the Company is satisfactory from a financial point of view, and whether internal governance and control is sufficient.

Information regarding fees to elected auditors can be found in Note 8.

Lay auditors
Hans Aronsson (S), since 2015
Claes-Göran Lans (M), since 2015, Deputy Lay Auditor 2001-2014

Deputy Lay Auditors
Vivi-Ann Nilsson (S), since 2015
Sven Andersson (M), since 2015

Authorised Public Accountants
Öhrlings PricewaterhouseCoopers AB since 2007
Lead auditor: Karin Olsson

Internal governance and control

The Board of Directors is responsible under the Companies Act and the Local Authorities Act for internal control. This means that the Company, using the operating goals as a starting point, should provide reasonable assurance that operations are effective and suited to purpose, that reporting is reliable, and that the Company is being run in compliance with applicable laws and ordinances.

Governance and control

To ensure that good morals, ethics and integrity permeate the City of Gothenburg and the Framtiden Group, an anticorruption policy is in place for the City of Gothenburg. Other governing documents that are designed to guide and support the management and employees, and contribute to shaping the governance and control environment, are City of Gothenburg and Group policies applicable to areas such as purchasing and procurement, management, employees and the working environment, accounting and investment, financing, information and communication, and internal control guidelines. Each year, the Group adopts rules of procedure for the Board, instructions to the CEO, and attestation instructions.

Risk evaluation

In accordance with the City of Gothenburg internal control guidelines, a risk evaluation is made each year at the individual Group companies and for the Group as a whole. The risk evaluation involves identifying and evaluating the most material risks using operating goals and remits as a starting point. Appropriate measures are formulated as necessary to handle these risks. Where risk mitigation measures and controls are already in place, the most material risks are selected for follow up and evaluation to determine whether the controls are functioning as intended.

Control activities

Control activities are routines and other activities that are conducted on an ongoing basis in the day-to-day work in order to pre-empt the risk of goals and remits not being achieved. They are aimed at preventing, discovering and rectifying errors and deviations. Control activities include analytical follow-ups of operations and results on different levels within the Group, as well as reconciliations, authorisation controls, and attestation and payment controls.

Information and communication

Förvaltnings AB Framtiden has information and communication channels aimed at ensuring correct and effective provision of information. This requires that all parts of the organisation communicate and exchange essential and relevant information. The Executive Management and the Board of Directors receive ongoing information about the Group. Information regarding the degree to which the subsidiaries are meeting goals and targets is communicated according to an established timetable and at the owner dialogue meetings that take place twice a year between the Parent Company and the subsidiaries.

To ensure that the provision of information is correct, there is a joint information policy and guidelines for information and communication work within the City of Gothenburg.

Follow-up and evaluation

Separate follow-ups and evaluations are conducted on a continuous basis throughout the year. This takes place on different levels within the organisation: at the Parent Company level, at the subsidiary level and at the Group level. The control activities are subjected to different tests to ensure the risk that operating goals are not achieved is addressed appropriately. Work within the City of Gothenburg on self-declarations is also part of the evaluation process applied to the internal governance and control system. These continuous and separate follow-ups and evaluations are conducted to ensure internal governance and control is functioning satisfactorily, and that deviations are identified and rectified.

The Board of Directors evaluates information provided by the Executive Management and the auditors. The Board of Directors conducts an annual follow-up of the results of internal governance and control, and decides on the risk analysis and internal control plan for the following year, along with an internal control plan and rectification plan. The Board meeting where the Company's annual accounts are approved is attended by the external auditors and lay auditors, who present reports on audits and examinations conducted during the year. These reports form the basis for the further development of internal governance and control.

Consolidated Statement of Comprehensive Income

SEK 1,000	Note	2017	2016
Rental revenue	4	5,283,134	5,186,179
Property management revenue	5	79,070	75,944
		5,362,204	5,262,123
Property management expenses			
Operating expenses	6, 11	-2,328,818	-2,280,506
Property charge/Property tax		-113,837	-110,123
		-2,442,655	-2,390,629
Net operating income/Gross profit	7	**2,919,549**	**2,871,494**
Change in value, investment properties	17	3,044,926	1,859,020
Central administration costs	8, 11	-142,674	-133,549
Construction operations	9, 11	57,311	48,815
Other operating income/expense		-11,358	-10,103
Operating profit	10, 12	**5,867,754**	**4,635,677**
Financial income		1,959	2,576
Financial expense		-101,733	-425,041
Net financial income/expense	13	-99,774	-422,465
Profit after financial items/profit before tax		**5,767,980**	**4,213,212**
Tax on profit for the year	15	-1,254,813	-927,541
Net income for the year		**4,513,167**	**3,285,671**
Other comprehensive income			
Items that should not be reversed in the Income Statement			
Actuarial gain/loss on pension commitment	32	-32,823	14,881
Tax attributable to an actuarial gain/loss	33	7,221	-3,274
Consolidated comprehensive income for the year		**4,487,565**	**3,297,278**
Comprehensive income attributable to:			
Parent Company shareholder		4,487,565	3,297,278
Holding without a controlling influence		0	0
Comprehensive income for the year		**4,487,565**	**3,297,278**

Consolidated Statement of Financial Position

SEK 1,000	Note	31-12-2017	31-12-2016
ASSETS			
Non-current assets			
Intangible non-current assets			
Other intangible non-current assets	16	33,070	29,834
		33,070	29,834
Tangible non-current assets			
Investment properties	17	87,913,011	82,010,336
Residential modules	18	63,465	70,749
Equipment	19	66,085	71,141
Other non-current assets	20	12,013	12,763
		88,054,574	82,164,989
Financial assets			
Participations in associated companies and jointly controlled companies	22	22,060	4,721
Receivables from associated companies and jointly controlled companies	23	5,600	5,600
Other investments held as non-current assets	24	4,290	4,291
Derivatives	25	46,752	68,137
Other non-current receivables	26	12,358	14,351
		91,060	97,100
Total non-current assets		88,178,704	82,291,923
Current assets			
Inventories etc.	28	172,544	225,668
Current receivables			
Accounts receivable	29	28,651	104,034
Current income tax receivables		87,612	94,581
Derivatives	25	5,390	1,750
Receivable, Parent Company		262,080	237,120
Other receivables		40,219	123,349
Prepaid expenses and accrued income	30	30,729	28,439
		454,681	589,273
Cash and bank balances	38, 47	4,264	2,481
Total current assets		631,489	817,422
TOTAL ASSETS		88,810,193	83,109,345

Consolidated Statement of Financial Position

SEK 1,000	Note	31-12-2017	31-12-2016
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the Parent Company's shareholder			
Share capital		10,000	10,000
Other contributed capital		100,000	100,000
Profit brought forward, including profit for the year		55,782,642	51,295,073
		55,892,642	51,405,073
Total equity		55,892,642	51,405,073
Non-current liabilities	35, 36		
Pension provisions	32	348,671	312,716
Provisions for deferred taxes	33	14,239,302	13,076,276
Other provisions	34	105,315	99,136
MTN programme	36, 46	-	1,099,740
Derivatives	25	428,611	642,767
Liabilities to the City of Gothenburg	38, 46	14,683,000	11,433,000
		29,804,899	26,663,635
Current liabilities	35, 36		
Liabilities to credit institutions	37, 46	-	700,000
MTN programme	36, 46	1,099,850	2,450,078
Liabilities to the City of Gothenburg	38, 46	232,702	162,272
Accounts payable	39	508,459	464,672
Current income tax liabilities		1,722	3,668
Liabilities to the Parent Company		336,000	304,000
Other non-interest-bearing liabilities		59,130	64,671
Derivatives	25	23,704	23,666
Accrued expenses and prepaid income	40	851,085	867,610
		3,112,652	5,040,637
Total liabilities		32,917,551	31,704,272
TOTAL EQUITY AND LIABILITIES		88,810,193	83,109,345

Consolidated Statement of Changes in Equity

	Attributable to the Parent Company's shareholder					
SEK 1,000	Share capital	Other contributed capital	Profit brought forward	Total	Holding without a controlling influence	Total equity
Opening balance 01-01-2016	10,000	100,000	47,997,790	48,107,790	0	48,107,790
Transactions with the shareholder						
Shareholder contribution	-	-	237,120	237,120	-	237,120
Capital transfer	-	-	-304,000	-304,000	-	-304,000
Tax effect, capital transfer	-	-	66,880	66,880	-	66,880
Total transactions with the shareholder	0	0	0	0	0	0
Comprehensive income						
Other	-	-	5	5	-	5
Comprehensive income	-	-	3,297,278	3,297,278	-	3,297,278
Total, comprehensive income	0	0	3,297,283	3,297,283	0	3,297,283
Closing balance 31-12-2016	**10,000**	**100,000**	**51,295,073**	**51,405,073**	**0**	**51,405,073**
Opening balance 01-01-2017	10,000	100,000	51,295,073	51,405,073	0	51,405,073
Transactions with the shareholder						
Shareholder contribution	-	-	262,080	262,080	-	262,080
Capital transfer	-	-	-336,000	-336,000	-	-336,000
Tax effect, capital transfer	-	-	73,920	73,920	-	73,920
Total transactions with the shareholder	0	0	0	0	0	0
Comprehensive income						
Other	-	-	5	5	-	5
Comprehensive income	-	-	4,487,565	4,487,565	-	4,487,565
Total, comprehensive income	0	0	4,487,570	4,487,570	0	4,487,570
Closing balance 31-12-2017	**10,000**	**100,000**	**55,782,643**	**55,892,643**	**0**	**55,892,643**

Consolidated Statement of Cash Flows

SEK 1,000	Note	2017	2016
Current operations			
Operating income		5,867,754	4,635,677
Adjustments for items not included in the cash flow etc.	43	-3,207,074	-1,758,656
Interest received		2,346	2,501
Interest paid	44	-326,923	-376,305
Tax paid		-8,133	-21,899
Cash flow from current operations before changes in working capital		**2,327,970**	**2,481,318**
Cash flow from changes in working capital	45	437,055	-49,571
Cash flow from current operations		**2,765,025**	**2,431,747**
Investment			
Investment in intangible non-current assets		-7,974	-15,073
Sale of subsidiaries		150	-
Investment in subsidiaries		-167,286	-318,026
Investment in financial assets		-4,344	-7,327
Sale/capital repayment of financial assets		9,055	8,785
Investments in buildings/land improvements/land/construction in progress		-2,853,030	-2,561,357
Sale of buildings/land improvements/land		197,592	4,961
Investment subsidies received		0	1,546
Change in non-current assets		-22,216	-4,609
Investments in other non-current assets		-23,416	-38,230
Sale of other non-current assets		5,769	1,924
Cash flow from investment		**-2,865,700**	**-2,927,406**
Financing			
Loans raised	46	3,322,483	2,228,651
Capital repayment of interest-bearing liabilities	46	-3,153,145	-1,716,101
Capital transfer to shareholder		237,120	69,420
Capital transfer		-304,000	-89,000
Cash flow from financing		**102,458**	**492,970**
CASH FLOW FOR THE YEAR		**1,783**	**-2,689**
Cash and cash equivalents at the start of the year	47	**2,481**	**5,170**
Change in cash and cash equivalents for the year		1,783	-2,689
Cash and cash equivalents at the year-end	47	**4,264**	**2,481**
Unutilised credit pledges	35	467,298	539,781
Total available funds		**471,562**	**542,262**
Change in interest-bearing net loan debt	48		
Interest-bearing net loan debt at the start of the year		-16,153,272	-15,478,950
Increase/decrease in interest-bearing loan debt		-172,515	-683,183
Increase in provisions		-35,956	11,550
Increase/decrease in cash and cash equivalents		1,783	-2,689
Interest-bearing net loan debt at the year-end		**-16,359,960**	**-16,153,272**

Income Statements, Parent Company

SEK 1,000	Note	2017	2016
Property management revenue	5	55,908	44,057
Gross profit		**55,908**	**44,057**
Central administration costs	8, 11	-56,655	-44,179
Operating loss	10	**-747**	**-122**
Financial income		376,241	439,931
Financial expense		-309,551	-375,647
Net financial income/expense	13	66,690	64,284
Income after financial items		**65,943**	**64,162**
Appropriations	14	-2,000	-13,000
Tax on profit for the year	15	446	2,444
Net profit for the year		**64,389**	**53,606**

Statement of Comprehensive Income, Parent Company

SEK, 1,000	Note	2017	2016
Profit for the year		64,389	53,606
COMPREHENSIVE INCOME FOR THE YEAR		64,389	53,606

Balance Sheets, Parent Company

SEK 1,000	Note	31-12-2017	31-12-2016
ASSETS			
Non-current assets			
Intangible non-current assets			
Other intangible non-current assets	16	975	664
		975	664
Tangible non-current assets			
Equipment	19	1,514	1,274
		1,514	1,274
Financial non-current assets			
Participations in Group companies	21	1,544,986	1,216,206
Receivables from Group companies		16,374,000	15,582,000
Deferred tax receivable	33	145	-
		17,919,131	16,798,206
Total non-current assets		17,921,620	16,800,144
Current assets			
Current receivables			
Accounts receivable		222	1
Receivables from Group companies		1,078,020	1,562,523
Tax receivable		682	736
Receivable, Parent Company		262,080	237,120
Other receivables		979	2,087
Prepaid expenses and accrued income	30	33,386	39,960
		1,375,369	1,842,427
Cash and bank balances		19	22
Total current assets		1,375,388	1,842,449
TOTAL ASSETS		19,297,008	18,642,593

Balance Sheets, Parent Company

SEK 1,000	Note	31-12-2017	31-12-2016
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Restricted equity			
Share capital		10,000	10,000
Statutory reserve		2,000	2,000
Development cost reserve		590	279
		12,590	12,279
Non-restricted equity			
Retained earnings		1,982,991	1,667,616
Profit for the year		64,389	53,606
		2,047,380	1,721,222
Total equity		2,059,970	1,733,501
Untaxed reserves			
Tax allocation reserve	31	9,200	9,200
		9,200	9,200
Provisions			
Deferred tax liability	33	-	412
		0	412
Non-current liabilities	35, 36		
MTN programme	36, 46	-	1,099,740
Liabilities to the City of Gothenburg	38, 46	14,683,000	11,433,000
		14,683,000	12,532,740
Current liabilities	35, 36		
Liabilities to credit institutions	37, 46	-	700,000
MTN programme	36, 46	1,099,850	2,450,078
Liabilities to the City of Gothenburg	38, 46	232,702	161,863
Accounts payable	39	5,656	5,843
Liabilities to Group companies		754,647	602,740
Liabilities to the Parent Company		336,000	304,000
Income tax liability		311	-
Other non-interest-bearing liabilities		4,532	588
Accrued expenses and prepaid income	40	111,140	141,628
		2,544,838	4,366,740
Total liabilities		17,227,838	16,899,480
TOTAL EQUITY, PROVISIONS AND LIABILITIES		19,297,008	18,642,593

Changes in Equity, Parent Company

SEK 1,000	Share capital	Statutory reserve	Development cost reserve	Non-restricted equity
Opening balance 01-01-2016	10,000	2,000	-	1,434,655
Result following consolidation	-	-	-	-3,880
Capital transfer to shareholder	-	-	-	237,120
Allocation to development cost reserve	-	-	279	-279
Profit for the year	-	-	-	53,606
Closing balance 31-12-2016	**10,000**	**2,000**	**279**	**1,721,222**
Opening balance 01-01-2017	10,000	2,000	279	1,721,222
Capital transfer to shareholder	-	-	-	262,080
Allocation to development cost reserve	-	-	311	-311
Profit for the year	-	-	-	64,389
Closing balance 31-12-2017	**10,000**	**2,000**	**590**	**2,047,380**

The share capital comprises 100,000 shares with a quota value of SEK 100.

Cash Flow Statements, Parent Company

SEK 1,000	Note	2017	2016
Current operations			
Operating income		-747	-122
Adjustments for items not included in the cash flow etc.	43	345	218
Interest received		314,807	381,507
Interest paid	44	-337,900	-382,827
Tax paid		-57	724
Cash flow from current operations before changes in working capital		**-23,552**	**-500**
Cash flow from changes in working capital	45	-266,617	-23,486
Cash flow from current operations		**-290,169**	**-23,986**
Investment operations			
Investment in intangible non-current assets		-311	-279
Investment in equipment		-610	-1,095
Sale of equipment		25	330
Change in non-current receivables		-29,476	-692,683
Investment in subsidiaries		-400	-
Consolidation of subsidiaries		-	16,085
Cash flow from investment		**-30,772**	**-677,642**
Financing			
Loans raised	46	3,472,862	2,242,982
Capital repayment of interest-bearing liabilities	46	-3,149,968	-1,545,468
Capital transfer to shareholder		-51,480	-96,720
Capital transfer from shareholder		62,524	91,840
Capital transfers received		-13,000	9,000
Cash flow from financing		**320,938**	**701,634**
CASH FLOW FOR THE YEAR		-3	6
Cash and cash equivalents at the start of the year	47	**22**	**16**
Change in cash and cash equivalents for the year		-3	6
Cash and cash equivalents at the year-end	47	**19**	**22**
Unutilised credit pledges	35	467,298	539,781
Total available funds		**467,317**	**539,803**
Change in interest-bearing net loan debt	48		
Interest-bearing net loan debt at the start of the year		-15,953,233	-15,255,725
Decrease/increase in interest-bearing debt		-322,894	-697,514
Decrease/increase in cash and cash equivalents		-3	6
Interest-bearing net loan debt at the year-end		**-16,276,130**	**-15,953,233**

Notes (Amounts in SEK 1,000 unless stated otherwise)

Note 1 – General information

Förvaltnings AB Framtiden is a wholly owned subsidiary of Göteborgs Stadshus AB, registration number 556537-0888, which is owned in turn by the City of Gothenburg.

Förvaltnings AB Framtiden owns and manages residential properties through four subsidiaries. The Group also includes companies that carry on construction operations, as well as companies that manage and administer disruption matters.

The Parent Company is a limited liability company, registered and domiciled in Sweden. The address of the Parent Company is Sven Hultins Plats 2, 412 58 Göteborg.

The Parent Company's functional currency and the Group's reporting currency is Swedish kronor.

These consolidated financial statements were approved for publication by the Board of Directors on February 9, 2018.

Consolidated Accounting Principles

Note 2 – Summary of key accounting principles

The most important accounting principles that were applied in conjunction with the preparation of the consolidated financial statements. These principles have been applied consistently for all the years presented unless stated otherwise.

The consolidated financial statements for Förvaltnings AB Framtiden have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Rules for Groups, and the International Financial Reporting Standards (IFRS), and the IFRIC interpretations where such have been endorsed by the EU. The consolidated financial statements have been prepared according to the purchase method, apart from valuations of investment properties and financial assets and liabilities (including derivatives), which are valued at fair value through profit or loss.

The preparation of financial statements in accordance with IFRS requires use of a number of key estimates for accounting purposes. In addition, it is necessary that the management make certain assessments in conjunction with the application of the Group's accounting principles. These assessments are based on historical experience and the various assumptions that the management and the Board of Directors consider reasonable under the prevailing circumstances. The conclusions drawn from this process form the basis for decisions regarding the carrying values of assets and liabilities in those cases where the values cannot be established using information from other sources.

New and amended standards applied by the Group

None of the new standards and interpretations that became compulsory for the first time during the financial year beginning January 1, 2017 have had any material impact on the consolidated financial statements.

New standards, amendments and interpretations of existing standards that have not been applied in advance by the Group

A number of new standards and amendments to interpretations and existing standards came into effect for financial years commencing after January 1, 2017, and have not been applied in the preparation of the consolidated financial statements. None of these are expected to have any material impact on the consolidated financial statements with the exception of the following.

IFRS 9 'Financial instruments' comes into effect on January 1, 2018. IFRS 9 deals with three areas relating to financial instruments: 1. Classification and valuation; 2. Impairment of financial assets in accordance with anticipated loan losses; 3. Hedge accounting. In the matter of classification and evaluation, implementation of IFRS 9 ultimately means that the classification and valuation of financial assets will be changed. With the introduction of IFRS 9, the different categories of financial instruments that were previously used have been updated or changed. IFRS 9 states that there are three valuation categories for financial assets: accrued acquisition value, fair value in other comprehensive income, and fair value through profit or loss. As regards the holding of own capital instruments, these must be reported at their fair value through profit or loss or other comprehensive income. If the latter option is exercised, there is no reversal of these values. As regards valuation of interest-bearing assets, this is in effect an applied business model. These assets can be valued at their respective accrued acquisition values, or at their fair value either through profit or loss or other comprehensive income in accordance with the applied business model. The Framtiden Group does not hold any financial assets that would need to be revalued, although the designation of these groups of financial instruments that are held will be changed to a certain extent. In accordance with IFRS 9, impairments of financial assets will in the future take place in accordance with the model based on the expected credit loss in an asset and not historically based on actual events that have occurred. This assessment is made for the Group, mainly with regard to accounts receivable. The operating credit risk is very limited, and implementation of the impairment model based on the expected credit losses will not have any impact on the financial statements. The Group does not apply hedge accounting, and IFRS 9 will thus not give rise to any effect with regard to hedge accounting.

IFRS 15 'Revenue from Contracts with Customers' comes into effect on January 1, 2018 and this standard governs how reporting of revenue will take place. The Framtiden Group has opted to apply IFRS 15 with effect from January 1, 2018. The principles on which IFRS 15 are based will give the user of financial statements more useful information regarding the Company's revenue and the basis on which it is reported. The starting point is that all the undertakings that can be identified in the contracts signed with the Company's customers under different conditions must be reported individually. The basic principle in IFRS 15 is that a company reports revenue when

Note 2, continued

checks relating to goods or services pass to the purchaser. These can either be reported as revenue on one specific occasion or over time. This depends on the operational content and the inherent complexity. A significant part of the Group's revenue comprises rental income from private individuals, and this is reported in accordance with IAS 17. Revenue flows that will need to be handled in accordance with IFRS 15 are marginal in scale and consequently operating income (performance undertaking) separated from rental income does not need to be reported.

IFRS 16 'Leases' will be applied from January 1, 2019, and will mean that almost all lease agreements will be reported in the Statement of Financial Position. According to IFRS 16, no distinction should be made between operating and financial leases, and instead all contracts that satisfy the definition of a lease contract will, with few exceptions, be reported as an asset and liability in the Statement of Financial Position. The reporting for the lessor will essentially remain unchanged. At the year-end, the Group's non-terminable operating leases totalled SEK 85,216, see Note 12. A quick analysis of the Company's lease agreements is that a current value equivalent to the above payments should be reported in the Statement of Financial Position at the point of implementation. The Framtiden Group has not yet decided which method will be applied in conjunction with the transition, i.e. whether it will be retroactive or modified. The choice will, however, only give rise to limited differences. The Group has also commenced work on identifying lease components and different forms of agreements and does not expect this value to be material. The Group also acts as lessor and work is in progress to assess which possible flows related to the Company must be reported in accordance with IFRS 16 and which flows must be reported in accordance with IFRS 15, Revenue from Contracts with Customers. At present, it could be the case that these flows are not separated.

None of the other IFRS and IFRIC interpretations that have yet to come into effect are expected to have any material impact on the Group.

Reclassifications, capital transfers

Reclassification of capital transfers and their tax impact has changed compared with the 2016 Annual Report. Previously, it was reported under comprehensive income. Capital transfers and the effect thereof are now reported directly under equity. Comparable periods have been recalculated.

Principles for the consolidated financial statements

Subsidiaries

Subsidiaries are all the companies over which the Group has a controlling influence. The Group controls the company when it is exposed to or has the right to a variable return on its holding in the Company, and has the potential to influence the holding through its influence over the Company. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence passes to the Group, and they are excluded from the Group from the date on which the controlling influence ceases.

The purchase method is used to report the Group's acquisition of businesses. The purchase sum for the acquisition of a subsidiary comprises the fair value of transferred assets and liabilities. The purchase sum also includes the fair value of all assets or liabilities that ensue from an agreement regarding a conditional purchase sum. Acquisition-related costs are expensed as they arise. Identifiable, acquired assets and liabilities taken over as part of a business combination are valued initially at fair value on the date of acquisition. The Group decides in the case of each acquisition whether all holdings without a controlling influence in the acquired company will be reported at fair value or at the proportional share of the holding of the acquired company's net assets. The amount at which a purchase sum, possible holding without a controlling influence, and fair value on the acquisition date of previous shareholdings exceed the fair value of the Group's proportion of identifiable acquired net assets, is reported as goodwill. If the amount falls below the fair value of the acquired subsidiary's assets, the difference is reported directly in the Statement of Comprehensive Income.

When an acquisition of a subsidiary does not refer to the acquisition of business operations but rather an acquisition of net assets in the form of investment properties, the acquisition cost is divided in the acquisition analysis among the acquired net assets. An acquisition of investment properties is classified as an acquisition of net assets if the acquisition refers to properties with or without leases, but which does not include the organisation and the processes required to carry on property management operations.

Intragroup transactions and Statement of Financial Position items, income and costs, as well as unrealised profits on transactions between Group companies, are eliminated.

Transactions with shareholders without a controlling influence

The Group deals with transactions with shareholders without a controlling influence in the same way as transactions with the Group's shareholders. In the case of acquisitions from shareholders without a controlling influence, the difference between the purchase sum paid and the actual acquired proportion of the carrying amount of the subsidiary's net assets is reported in equity. Profits and losses on disposals to shareholders without a controlling influence are also reported in equity.

Sale of subsidiaries

When the Group no longer has a controlling influence or a significant influence, each remaining holding is revalued at fair value and the change in the carrying amount is reported in the Statement of Comprehensive Income. All amounts pertaining to the disposed unit that were previously reported under Other comprehensive income are reported as if the Group had disposed of the assets or liabilities in question directly. This can mean that amounts that were previously reported under Other comprehensive income are reclassified as profit.

Associated companies

Associated companies are companies in which the Group has a significant but not controlling influence, which as a rule applies to a shareholding carrying between 20 per cent and 50 per cent of the voting rights. Shareholdings in associated companies are reported according to the equity method and are valued initially at cost. The Group's proportion of profit that arose in the associated company following the acquisition is reported in the Statement of Comprehensive Income. When the Group's share of an associated company's losses amounts to or exceeds its holding in the associated company, the Group does not report further losses unless the Group has assumed obligations or has made payments on behalf of the associated company.

If the shareholding in an associated company falls but a controlling influence still remains, only a proportional share of the amount that was previously reported under Other comprehensive income is reclassified, where relevant, to profit or loss.

Note 2, continued

Alternative performance measures/internal reporting

The Group presents certain financial metrics that are not defined according to IFRS, what are known as alternative performance measures. In accordance with the guidelines from the ESMA (European Securities and Market Authority) definitions and reconciliations of alternative performance measures are reported. The key performance measures are used for internal control and follow-up of the Group's results and financial position, and provide supplementary information that facilitates evaluation of the Group's performance. The Group's internal reporting is based on the Annual Accounts Act and the Swedish accounting principles (Swedish Accounting Standards Board General Guidelines 2012:1 Annual Accounts and Consolidated Financial Statements, K3). This is also the basis on which the Group reports to the owner, the City of Gothenburg. The metrics are therefore not always comparable with metrics used by other companies, and should instead be regarded as a complement to the metrics defined according to IFRS.

For definitions and reconciliations, see also under the section "Definitions" and Note 51.

Segment report

An operating segment is reported in a manner that concurs with the internal report submitted to the highest executive decision-maker, who has been identified as the Company's CEO. The Group owns and manages residential properties and administers disruption matters and construction operations. A follow-up of the results and allocation of resources within the Group is made for each subsidiary. The Group carries on its operations within the City of Gothenburg with customers in the same geographical area. The segments are consolidated according to the same principles as the Group as a whole.

The result which the executive decision-maker follows up and uses as a basis for allocation of resources is known as the property result before maintenance. The difference between this figure and the Group's financial statements refers largely to market valuation of investment properties and financial instruments, see also Note 7.

Intangible non-current assets

These non-current assets are reported at cost, reduced by depreciation according to plan and possible impairment. Depreciation takes place on a straight-line basis over the estimated useful life of the asset. The useful life is five years.

Tangible non-current assets

Investment properties

All the Group's properties are classified as investment properties with the odd exception. The term 'investment properties' includes buildings, land and land equipment. The investment properties are held for the purpose of generating rental revenue and/or an increase in value. The properties are reported at fair value. Fair value is based on the assessed market value on the closing date. Additional expenses are added to the carrying amount of the asset only when it is probable that the future financial benefits that are associated with the asset will benefit the Group. Changes in fair value, apart from investments, are reported in the Statement of Comprehensive Income as 'change in value, investment properties'. Revenue from investment properties is reported in accordance with the revenue section.

An internal valuation is made for each property in conjunction with the final accounts. The valuation model is based on discounting of estimated payment flows with consideration given to the properties' rent level, operating costs etc. Actual operating and maintenance costs are replaced by normalised costs for each property. See also Note 17.

Property sales and property purchases are reported in conjunction with risks and benefits associated with title passing to the purchaser or vendor. The change in value of the properties up to the point of sale or disposal is reported in the Statement of Comprehensive Income as 'change in value, investment properties'.

Residential modules, equipment and other non-current assets

These non-current assets are reported at cost, reduced by depreciation according to plan and possible impairments. For equipment and other non-current assets, depreciation takes place on a straight-line basis over the expected useful life of the asset. The residual value and the expected useful life of the asset are examined on each closing date and adjusted as necessary. The value of an asset is impaired if its carrying amount exceeds its estimated recoverable value.

Profit and loss on disposal are assessed by making a comparison between the sales income and the carrying amount, and is reported under Other operating income and expense.

New construction and redevelopment in progress

New construction and redevelopment in progress, investment properties, is valued at fair value. An individual assessment is made of each project.

New construction and redevelopment in progress that do not refer to investment properties are reported at the carrying amount under the heading 'Redevelopment in progress'. Where there is a need for impairment, an impairment is made directly to the expected value according to the valuation model. Impairment is made against the non-current asset in question.

Depreciation

Depreciation of non-current assets is based on the acquisition value. Investment properties are not depreciated.

Depreciation takes place to allocate the acquisition value or revalued amount down to the estimated residual value over the estimated useful life. Depreciation takes place on a straight-line basis using the following percentages of the acquisition value:

Intangible non-current assets	20
Equipment and land equipment	5-33
Residential modules	5
Other non-current assets	20

Stock

Stock is reported at the lower of the acquisition value and the net realisable value. The net realisable value is the estimated sales price in current operations with a deduction for applicable variable sales costs.

Stock is valued at the direct manufacturing cost with a supplement for a certain proportion of indirect costs.

Stock includes properties held for resale in current operations, or which are being built or developed with the intention of being sold in that manner. Recognition of revenue from property sales takes place when the risks and benefits pass to the purchaser, which takes place in conjunction with the final inspection. The Group builds its properties in units, which are consolidated during the reporting period, which means that a number of risks and benefits have not been transferred on an ongoing basis.

Note 2, continued

Financial instruments

The principle applied in the valuation of financial instruments is that derivatives are valued at fair value whilst other financial liabilities and other financial assets are valued at the accrued cost. A financial asset or liability is entered in the Statement of Financial Position when the Group becomes a party in a contractual relationship. Accounts receivable are recorded when an invoice has been sent and the liability is recorded when there is a contractual obligation to pay, even if an invoice has not been received. Accounts payable are recorded when an invoice has been received. Financial assets are removed from the Statement of Financial Position when the right to receive cash flows from the instrument has expired or has been transferred, and the Group has transferred all risks and benefits associated with title. Financial liabilities are removed from the Statement of Financial Position when the commitment in the agreement has been discharged.

Financial assets and liabilities are set off and reported at a net amount in the Statement of Financial Position only when there is a legal right to set off the reported amounts and there is an intention to settle at a net amount or at the same time realise the asset and settle the debt.

The Group classifies its financial instruments as follows:

Financial assets and liabilities are valued at fair value through profit or loss:
These assets and liabilities are reported at fair value at the time of acquisition and are subsequently valued on an ongoing basis at fair value. The change in value is reported in the Statement of Comprehensive Income for the period in which it arises. The Group's derivatives fall into this category.

Accounts receivable and loan receivables:
Accounts receivable are financial assets that are not derivatives, have set payments and are not listed on an active market. They are included in current assets with the exception of items that fall due later than 12 months after the closing date, which are classified as non-current assets. Valuation takes place initially at fair value and then at the accrued cost with the application of the effective interest rate method. Other investments held as non-current assets and other non-current receivables are also classified under this category and are valued at cost unless there is a need for impairment.

Derivatives:
Derivatives are held to handle the Group's financial risk exposure by hedging existing interest and currency exposure against changes in interest rates and currency exchange rates. All derivatives are valued at fair value, and the effect of changes in value is reported in net interest income and expense. Interest derivatives are held to secure the desired fixed interest period in existing loan financing. Foreign exchange futures are also used to reduce risks in conjunction with losses in foreign currency. All changes in value of such derivatives are reported under net interest income and expense. Hedge accounting is not applied.

The calculation of fair value is based on market listings and generally accepted computation methods. The credit portfolio is assigned a market value using the Swedish swap rates on the valuation date as a starting point plus a credit margin in line with the market. The fair value of the derivative portfolio is based on the Swedish swap rate on the date of valuation. Interest swaps are valued by discounting future cash flows to the current value based on a listed market rate for the term in question. The value does not include accrued interest. A Forward Rate Agreement (FRA) is valued by comparing the agreed interest rate with the official market listing for each contract. The fair value of derivatives with an option element (Cap contracts, swap options and structured swaps) corresponds to the current repurchase price on the valuation date.

Borrowing:
Borrowing is reported initially at fair value with an adjustment for transaction costs, and subsequently at the accrued acquisition value with the application of the effective interest rate method. The difference between the amount received and the repayment amount is reported in the Statement of Comprehensive Income, divided over the period of the loan with the application of the effective interest rate method. Borrowings are classified as current liabilities unless the Group is entitled to defer payment of the liability for at least 12 months after the year-end. Interest costs are assigned to a specific period and are recognised in revenue over the term. A credit facility in the Group account with the City of Gothenburg is reported as a current liability to the City of Gothenburg.

Interest on projects during the construction period, which means that borrowing expense that is directly attributable to purchases, construction or production of an asset that takes a considerable length of time to complete for it to be used or sold, is capitalised as part of the acquisition value of the assets. When calculating the Group's borrowing expense that is to be capitalised, use is made of the subsidiaries' average financing cost.

Accounts payable and other liabilities:
Accounts payable and other liabilities have a short expected term and are reported at the nominal amount without discounting.

Cash and cash equivalents:
Cash and cash equivalents comprise cash and bank holdings and other current investments that fall due within three months of the date of acquisition.

Provisions

A provision is reported when the Group has a legal or informal commitment because of previous events, and where it is likely that an outflow of resources will be required to settle the commitment and the amount has been calculated reliably.

Provisions are valued at the current value of the amount that is expected to be demanded to settle the commitment. In this respect, a discount rate before tax is used, which reflects a current market assessment of the time-dependent value of money and the risks associated with the provision. The increase in the provision due to the passage of time is reported as an interest cost.

Payments to employees

The Group has different plans for remuneration following termination of employment, including defined benefit and defined contribution pension plans.

Pension commitments

A defined contribution pension plan is a pension plan according to which the Group pays fixed charges to a separate legal entity. The Group does not have any legal or informal obligations to pay further charges if this legal entity does not have sufficient assets to make all payments to employees associated with the employees' service during current or previous periods. The Group's payments in respect of defined contribution plans are reported as a cost during the period in which they arise.

Note 2, continued

A defined benefit pension plan is a pension plan that is not linked to defined contributions. A characteristic of defined benefit plans is that they state the pension amount an employee will receive following retirement, normally based on one or more factors, such as age, length of service and salary.

Provisions for commitments related to post-employment remuneration arise when the commitments are defined benefit commitments. The liability reported in the Statement of Financial Position in respect of defined benefit pension plans is the current value of the defined benefit commitment at the year-end. Pension obligations are calculated actuarially using the Projected unit credit method. Calculation takes place each year for the Group's defined benefit plans with the aid of an external actuary. The current value of the defined benefit obligation is set through discounting of estimated future cash flows using a rate of interest based on housing loan bonds that have terms comparable to the pension obligation in question. Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions are reported under Other comprehensive income during the period in which they arise.

Within the Framtiden Group, there are a number of persons who have defined benefit ITP plans with continuous payments to Alecta. The ITP plan, which is financed through insurance with Alecta, is a defined benefit pension plan that covers several employers according to UFR 6. In this pension plan, the main rule is that a company should report its proportional part of the defined benefit pension commitment, as well as the managed assets and costs associated with the plan. The above account should also include information specified in the stipulations in IAS 19. As the requisite information cannot be obtained from Alecta, these pension commitments will be reported as a defined contribution pension plan according to IAS 19 until the requisite information is received from Alecta. This means that premiums paid to Alecta on an ongoing basis will continue to be reported as a cost in the future.

Payments in conjunction with termination of employment

Payments in conjunction with termination of employment are made when a person's employment is terminated by the Group before the normal retirement date, or when a person accepts voluntary redundancy in exchange for such payments. The Group reports a severance payment when it is evident that it is linked to either giving notice to an employee according to a detailed formal plan without the possibility of revocation, or making payments in conjunction with termination of employment as a result of an offer made to encourage voluntary redundancy. The benefits that fall due more than 12 months after the year-end are discounted at the current value.

Leases

Lessor

The Group's lease agreements are operational lease agreements and only comprise leasing of properties. Revenue from operational lease agreements is reported in accordance with the Revenue section.

Lessee

All the Group's lease agreements are operational lease agreements, and are expensed in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Revenue

Revenue covers the fair value of what will be received within the Group's current operations. The revenue is reported exclusive of VAT and discounts and following elimination of intragroup sales.

The Group reports revenue when the amount can be measured reliably, it is probable that financial benefits will accrue to the Company, and special criteria have been satisfied as described below. The revenue amount is not regarded as being possible to measure reliably before all commitments regarding the sale have been discharged or have fallen due. The Group bases its assessment on historical outcome, taking into account the type of customer, the type of transaction, and the specific circumstances in each individual case.

Rental revenue is notified in advance, and the allocation of rents to specific periods takes place so that only the part of the rents that refer to the period is reported as revenue.

Property sales are reported in conjunction with risks and benefits associated with title passing to the purchaser.

Revenue from cash and credit card payments in respect of parking spaces is reported during the same period the space was utilised.

Revenue from parking fines is reported during the period they were imposed.

Reporting of income taxes

Income taxes refer to taxes based on the Company's profit. The taxable result is the surplus or deficit for a period that will form the basis for calculating the current tax for the period according to current legislation.

Taxes are reported in the Statement of Comprehensive Income except in those cases where the underlying transaction is reported directly in other comprehensive income or directly in equity, whereupon the tax effect is also reported in other comprehensive income or equity.

The tax expense or tax income for the period comprises actual tax and deferred tax. Deferred tax is tax attributable to taxable or deductible temporary differences, which will give rise to or reduce tax in the future.

Current tax is the tax computed on the taxable profit for a period. The taxable profit for the year differs from the reported profit for the year in the fact that it is adjusted for non-taxable and non-deductible items. The Group's current tax liability is computed according to the tax rates prescribed or notified at the year-end.

Deferred tax receivables and liabilities are reported in the Statement of Financial Position for all taxable temporary differences between carrying amounts and fiscal values for assets and liabilities. Deferred tax receivables are reported in the Statement of Financial Position with regard to deficit deductions, and all temporary differences to the extent it is probable that the amounts can be set off against future taxable surpluses. The carrying amount of the deferred tax receivables is examined at each year-end, and is reduced up to the point that it is no longer probable that a sufficient taxable surplus will be available for utilisation.

Deferred tax is computed according to the tax rates that have been decided and are expected to apply for the period when the asset is recovered, or the liabilities are settled.

Reporting of maintenance costs

Repairs in the form of consumables and replacement of minor parts is reported through profit or loss as operating costs, whilst costs incurred for replacing parts and other planned maintenance are reported as an investment in the property.

Note 2, continued

Government support
The Group receives government support in the form of investment grants in conjunction with new construction or redevelopment.

Grants from the government are reported at fair value when there is reasonable certainty that the grant will be received and that the Group will satisfy the terms and conditions associated with the grant.

Government support related to assets is reported as a reduction in the acquisition value of the asset.

Government support related to costs is allocated to a specific period and is reported in the Statement of Comprehensive Income over the same periods as the costs for which the grants and subsidies are intended to cover. Grants and subsidies related to profit are reported under a separate heading in the Statement of Comprehensive Income.

Statement of Cash Flows
The indirect method has been used to report cash flow from current operations.

Parent Company's accounting principles
The Parent Company has prepared its annual accounts according to the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 Reporting for legal entities, as well as applicable statements from the Emerging Issues Task Force. RFR 2 means that in the annual accounts for the legal entity, the Parent Company should apply all EU-endorsed IFRS and statements as far as this is possible within the framework of the Annual Accounts Act and the Safeguarding of Pension Commitments Act, and with due consideration given to the link between accounting and taxation. The recommendation states which exceptions and addenda should be made to IFRS. The differences between the Group's and the Parent Company's accounting principles are given below. Unless stated otherwise, the principles have been applied consistently for all the years presented.

Participations, Group companies
In the Parent Company's final accounts, participations in Group companies are reported at cost with a deduction for possible impairments. All costs attributable to the acquisition of a business are expensed in the Parent Company, e.g. transaction charges. As regards conditional supplementary purchase sums, these are handled according to the rules governing provisions. Revaluations of supplementary purchase sums are reported against the acquisition value. Capital transfers received are reported as financial income.

When there is an indication that shares and participations in subsidiaries have fallen in value, a calculation is made of the recoverable value. If this is lower than the carrying amount, an impairment is made.

Financial instruments
The Parent Company uses the exception in RFR 2 regarding IAS 39, and thus reports other financial instruments at cost according to the Annual Accounts Act.

The result impact of prematurely closed derivative contracts, the purpose of which has been to secure future interest levels, is period-allocated over the remaining term of each derivative contract. In the case of a material change in financing, the effect can be taken up as income.

Payment to employees
The Parent Company pension commitments have been calculated and reported according to the Safeguarding of Pension Commitments Act. Application of this act is a prerequisite for the right to make tax deductions.

Deferred tax
The amounts allocated to untaxed reserves comprise taxable temporary differences. The link between accounting and taxation means that a deferred tax liability is not reported separately in a legal entity in respect of untaxed reserves. Untaxed reserves are reported gross in the Statement of Comprehensive Income and the Statement of Financial Position.

Capital transfers
Capital transfers received and made are reported as an appropriation. Tax on capital transfers is reported through profit or loss.

Mergers
Mergers are reported according to the consolidated value method, which means that assets and liabilities are taken over at values based on the acquisition analysis prepared in conjunction with the original acquisition of the transferring company. The merger difference is reported directly under equity.

Note 3 – Estimates and assessments
In order to prepare the accounts in accordance with IFRS and generally accepted accounting principles, it is required that assessments and assumptions are made which affect the assets, liabilities, income and costs reported in the final accounts. as well as other information. These assessments are based on historical experience and other factors that are considered reasonable under the prevailing circumstances – including expectations regarding future events. The actual outcome could differ from these assessments if other assumptions are made or other conditions exist. The estimates and assumptions that entail a significant risk of material adjustments in the reported values of assets and liabilities during the coming year are as follows:

Single-step, sealed, rendered facades
Egnahemsbolaget has a risk in approximately 350 dwellings that were built using single-step, sealed, rendered facades during the period 1997-2005. The Company has made provisions for this purpose since 2010. A further provision of SEK 18 million was made during the year. See also Note 34.

Defined benefit pension commitments
When calculating the defined benefit pension commitment, assumptions have been made regarding, among other things, the discount rate and inflation. See also Note 32.

Property valuation
The model for determining the fair value of the Group's property holdings within the housing companies is based on a ten-year cash flow calculation and an estimated residual value based on the net operating income for year 11. In order to calculate the cash flow/net operating income for year 1, use is made of assessed rents for 2018, normalised operating and maintenance costs, as well as property tax payable. To determine the net operating income trend during the calculation period, assumptions are made regarding trends for inflation, rents, long-term rent shortfall, operating and maintenance costs and property

Note 3, continued

tax. These assumptions vary depending on the market location and age of each property. The market location is also reflected in the yield requirement and cost of capital. All assumptions are based on assessments made by external valuation institutes. As a valuation should reflect expected payment implications, there is always a degree of uncertainty in the assessment. Furthermore, each property is unique, and it is difficult to predict what the price would be in the event of a sale. An assessed fair value is always associated with a certain range of uncertainty. Normally, this is between five and ten per cent. The Group's fair values are based on an assumption that the properties are sold as individual properties and not as portfolios containing several properties, which would affect the balance between supply and demand. The valuation is also based on an assumption that the properties are sold as management objects, i.e. the increase in value that could arise in conjunction with a sale to a cooperative housing association is not taken into account. Consequently, the acquisitions made by cooperative associations cannot be used as a basis in the value assessment. See also Note 17 Investment properties.

An apparently low demand for dwellings or properties in Gothenburg could have a significant impact on the value of the Group's property holdings. An effect on the parameters listed below would generate the following change in the fair value and equity/assets ratio.:

	Change	Effect on fair value	Effect on equity/ assets ratio
Rent, Year 1	+/- 1 %	+/- 1.8 %	+/- 0.3 percentage points
Long-term level of vacant space/rent shortfall	+ 1 percentage points	-1.8 %	- 0.3 percentage points
Operating and maintenance costs	+/- 1 %	-/+ 0.7 %	-/+ 0.1 percentage points
Yield requirement and cost of capital	+/-1 percentage points	-/+ 22.4 %	- 4.4 percentage points/ +2.7 percentage points

Note 4 – Rental revenue

Group	2017	2016
Residential properties	4,880,933	4,800,425
Non-residential properties	231,601	225,038
Other rental revenue	170,600	160,716
	5,283,134	5,186,179

The Group's contract portfolio largely comprises residential leases that normally have a period of notice of three months. Non-residential leases are usually taken out for 1-5 years with a period of notice that is generally 6-12 months.

Other rental revenue refers largely to the letting of parking spaces and garages. As a rule, these agreements have the same period of notice as an apartment tenancy agreement.

The nominal values of future, non-terminable leasing charges for non-residential premises are shown in the following table.

Group	2017	2016
Within one year	172,012	187,779
1-5 years	270,977	316,133
More than five years	9,539	8,150
	452,528	512,062

Note 5 – Property management revenue

Group	2017	2016
Property management assignments	5,093	4,570
Other property management revenue	73,977	71,374
	79,070	75,944

Other property management revenue largely comprises income in conjunction with the expansion of Framtiden Broadband.

Parent Company	2017	2016
Group management fee	50,000	40,250
Other	5,908	3,807
	55,908	44,057

Note 6 – Operating expenses

Group	2017	2016
Heating	-467,113	-492,274
Electricity	-122,147	-125,267
Water and sewage	-179,884	-194,896
Refuse collection	-143,951	-139,782
Property upkeep	-549,937	-526,609
Repairs	-296,220	-271,413
Operating administration	-410,292	-398,347
Other	-159,274	-131,918
	-2,328,818	-2,280,506

Note 7 – Segment reporting

A follow-up of the results and allocation of resources within the Group is presented to each subsidiary. The result figure which the executive decision-maker follows up and uses as a basis for allocation of resources is known as the property result. The executive decision-maker has been identified as the CEO of the Parent Company.

The property result according to internal reporting is defined as the net operating income, reduced by maintenance costs, plus other income and costs, excluding items affecting comparability, such as impairments, reversed impairments and property sales. A change has been made in the definition of the property result. Maintenance is no longer included. See also under 'Definitions'" in the Administration Report. A recalculation of the segment reporting has been made for 2016. The difference between the internal result figure and the Group's financial statements refers largely to the market valuation of investment properties and financial instruments. Reconciliation between the reported net operating income/gross profit and the property result before maintenance according to internal reporting takes place in the 'Definitions' section in the Administration Report.

Note 7, continued

2017 SEK m	Poseidon	Bostads- bolaget	Familje- bostäder	Other companies	Elimination	Total
Revenue	2,045	1,776	1,329	308	-96	5,362
Property management expenses	-919	-860	-632	-229	95	-2,545
Other operating revenue/expenses	2	4	2	53	1	62
Property result before maintenance according to internal reporting	**1,128**	**920**	**699**	**132**	**0**	**2,879**
Other items a)	-865	-490	-569	-59	-29	-2,012
Net financial income/expense b)	-122	-104	-66	59	-66	-299
Profit after net financial income/expense according to internal reporting	**141**	**326**	**64**	**132**	**-95**	**568**
Adjustment, investment properties c)						5,004
Adjustment, financial instruments d)						200
Other items						-4
Profit after net financial income/expense according to IFRS	**141**	**326**	**64**	**132**	**-95**	**5,768**
Total assets include						
Investment properties	**35,081**	**28,708**	**22,328**	**1,796**	**0**	**87,913**

2016 SEK m	Poseidon	Bostads- bolaget	Familje- bostäder	Other companies	Elimination	Total
Revenue	2,021	1,739	1,296	290	-84	5,262
Property management expenses	-909	-843	-610	-207	84	-2,485
Other operating revenue/expenses	2	3	1	48	0	54
Property result before maintenance according to internal reporting	**1,114**	**899**	**687**	**131**	**0**	**2,831**
Other items a)	-828	-568	-535	-68	-15	-2,014
Net financial income/expense b)	-152	-132	-77	53	-62	-370
Profit/loss after net financial income/expense according to internal reporting	**134**	**199**	**75**	**116**	**-77**	**447**
Adjustment, investment properties c)						3,823
Adjustment, financial instruments d)						-53
Other items						-4
Profit/loss after net financial income/expense according to IFRS	**134**	**199**	**75**	**116**	**-77**	**4,213**
Total assets include						
Investment properties	**33,427**	**26,621**	**20,214**	**1,748**	**0**	**82,010**

As stated in Note 2, all internal reporting within the Group is based on the Annual Accounts Act and Swedish Accounting Standards Board General Guideline 2012:1, Annual Report and Consolidated Financial Statements (K3), whilst the Annual Report is prepared according to IFRS. The different accounting principles mean that reconciliations in the segment report are made more difficult. In the reconciliations below, an explanation is provided of the most material differences.

Note 7, continued

	2017	2016
a) Other items		
Maintenance	-1,080	-1,076
Depreciation, property management	-954	-928
Other	22	-10
Other items	-2,012	-2,014
b) Net financial income/expense		
Reported net financial income/expense according to IFRS	-99	-422
Adjustment for financial instruments	-200	52
Net financial income/expense	-299	-370
c) Adjustment, investment properties		
Change in value, investment property, according to IFRS	3,045	1,859
Reversal of depreciation and impairments, investment property	1,011	891
Reversal, maintenance	1,080	1,076
Other	-132	-3
Adjustment, investment property	5,004	3,823
d) Adjustment, financial instruments		
Change in value, derivatives	196	-65
Result allocated to specific periods in respect of prematurely closed derivatives	4	12
Adjustment, financial instruments	200	-53

Note 8 – Fees to elected auditors

Group	2017	2016
Fee to PwC		
Main audit	-2,293	-2,077
Audit fee in addition to the main audit	-102	-155
Tax consulting	-95	-40
Other services	-223	-198
	-2,713	-2,470

In addition to the above fee to the elected auditing firm, a fee of KSEK 1,228 (1,121) was paid for the lay audit.

The fee for the housing companies includes VAT, which represents an operating cost for those companies.

Parent Company	2017	2016
Fee to PwC		
Main audit	-545	-410
Audit fee in addition to the main audit	-68	-76
	-613	-486

In addition to the above fee to the elected auditing firm, a fee of KSEK 116 (125) was paid for the lay audit.

Note 8, continued

Note 9 – Construction activities

Group	2017	2016
Revenue, construction activities	444,964	481,258
Costs, construction activities	-387,653	-432,443
Total, construction activities	57,311	48,815

Construction activities refer to the construction of single-family dwellings by Egnahemsbolaget, which are subsequently made available on a sole ownership or cooperative ownership basis.

Revenue recognition takes place in conjunction with the final inspection. During the year, 138 dwellings (167) were recognised in revenue.

Costs also include a provision for construction of rendered facades. See also Note 34.

Note 10 – Personnel

GROUP

	2017	2016
Average number of employees		
Women	441	412
Men	594	564
	1,035	976
Salaries and remuneration		
Board Members, Deputy Board Members, CEOs and Deputy CEOs	-11,375	-10,704
Other employees	-415,129	-384,025
	-426,504	-394,729
Pension expenses		
Board Members, Deputy Board Members, CEOs and Deputy CEOs	-2,841	-2,517
Other employees	-50,913	-46,237
	-53,754	-48,754
Other social security expenses	-141,035	-122,494
Total personnel expenses	-621,293	-565,977

Principles for remuneration to the Board, CEOs and Deputy CEOs, Group

A fee is paid to the chairs and members of the boards in accordance with a decision by the City Council. Employee representatives do not receive a Board fee.

Payment to the CEOs and Deputy CEOs comprises a basic salary, other benefits and a pension. Pension benefits and other benefits form part of the total remuneration. Remuneration to the CEOs is decided by the CEO of the Parent Company in consultation with the City of Gothenburg.

Pensions

The CEOs in the Group have a contractual right to retire at the age of 65. Other senior executives are entitled, with the odd exception, to retire at the age of 65. Pension benefits are equivalent to payment under the ITP plan.

Note 10, continued

Severance pay

CEOs in the Group have agreed mutual periods of notice of 1-6 months, and in the case of termination of employment by the company, severance pay is payable for 6-18 months. There are agreements with other senior executives within the Group regarding periods of notice of 6-12 months. The remaining senior executives are governed by central collective agreements.

Profit-sharing and bonus schemes

The Group does not have any profit-sharing or bonus schemes.

Remuneration and other benefits to senior executives, Group

2017	Basic salary/ Board fee	Other benefits	Pension cost	Total
Chairman of the Board	390	-	-	**390**
Other Board Members	1,042	3	-	**1,045**
Deputy Board Members	246	1	-	**247**
CEOs and Deputy CEOs	9,697	84	2,841	**12,622**
Other senior executives	39,620	560	8,211	**48,391**
Total	50,995	648	11,052	62,695

2016	Basic salary/ Board fee	Other benefits	Pension cost	Total
Chairman of the Board	374	-	-	374
Other Board Members	1,166	-	-	1,166
Deputy Board Members	252	-	-	252
CEOs and Deputy CEOs	8,912	108	2,517	11,537
Other senior executives	35,909	574	7,049	43,532
Total	46,613	682	9,566	56,861

Other benefits refer to car and meal benefits. The pension cost refers to the cost that has affected the profit for the year.

The Other senior executives group comprises 44 persons (44) for the whole Group.

Executive management, gender breakdown

Group, %	Women	Men
2017		
Board of Directors	38	62
CEO and other senior executives	44	56
2016		
Board of Directors	39	61
CEO and other senior executives	41	59

Note 10, continued

PARENT COMPANY

	2017	2016
Average number of employees		
Women	13	12
Men	9	3
	22	15
Salaries and remuneration		
Board members, Deputy Board Members and CEO	-1,976	-1,976
Other employees	-16,050	-10,578
	-18,026	-12,554
Pension expenses		
Board members, Deputy Board Members and CEO	-424	-459
Other employees	-4,395	-2,561
	-4,819	-3,020
Other social security expenses	-6,795	-4,661
Total personnel expenses	-29,640	-20,235

Principles for remuneration to the Board and the CEO, Parent Company

A fee is paid to the Chair and members of the Board in accordance with a decision taken by the City Council. Employee representatives do not receive a Board fee.

Remuneration to the CEO of the Parent Company comprises a basic salary, other benefits and a pension. Pension benefits and other benefits form part of the total remuneration. Remuneration to the CEO is decided by the City Director, City of Gothenburg. The CEO has been appointed on an interim basis until on October 31, 2018.

Pensions

The CEO of the Parent Company has a defined contribution pension of 30 per cent of the normal salary. The pensionable salary is limited to a maximum of 30 income base amounts. Pension benefits for other executives are equivalent to payment under the ITP plan.

Severance pay

An agreement has been reached with the CEO regarding a mutual period of notice of one month and severance pay equivalent to six months' salary. If the period of employment is longer than six years, the severance pay is 12 months' salary.

Remuneration and other benefits to senior executives, Parent Company

2017	Basic salary/ Board fee	Other benefits	Pension cost	Total
Chair	80	-	-	80
Other Board Members	239	-	-	239
Deputy Board Members	64	-	-	64
CEO	1,593	17	424	2,034
Other senior executives	7,445	112	2,063	9,620
Total	9,421	129	2,487	12,037

Note 10, continued

2016	Basic salary/ Board fee	Other benefits	Pension cost	Total
Chair	91	-	-	91
Other Board Members	275	-	-	275
Deputy Board Members	93	-	-	93
CEO	1,517	20	459	1,996
Other senior executives	3,629	47	1,380	5,056
Total	5,605	67	1,839	7,511

Other benefits refer to car and meal benefits. The pension cost refers to the cost that has affected the profit for the year. The Parent Company reports all pension plans as defined contribution plans.

The Other senior executives group comprises 7 (7) persons.

Executive management, gender distribution

Parent Company, %	Women	Men
2017		
Board of Directors	25	75
CEO and other senior executives	29	71
2016		
Board of Directors	38	62
CEO and other senior executives	50	50

Note 11 – Depreciation

Group	2017	2016
Depreciation according to plan in property management within operating costs		
Intangible non-current assets	-4,890	-7,618
Residential modules	-7,284	-7,284
Equipment	-24,305	-23,590
Other non-current assets	-750	-782
	-37,229	-39,274
Depreciation according to plan within central administration costs		
Intangible non-current assets	-35	-55
Equipment	-751	-356
	-786	-411
Depreciation according to plan within construction operations		
Equipment	-209	-227
	-209	-227
Total depreciation	-38,224	-39,912

Note 11, continued

Parent Company	2017	2016
Depreciation according to plan within central costs		
Equipment	-323	-218
	-323	-218

Note 12 – Costs divided according to category

Group	2017	2016
Cost of remuneration to employees	-625,127	-581,741
Depreciation	-38,224	-39,912
Materials/services	-2,183,176	-2,216,427
Cost of premises	-23,048	-22,689
Other costs	-149,877	-123,117
	-3,019,452	-2,983,886

Operational lease costs
Future minimum lease charges that are to be paid in respect of non-terminable lease agreements:

Group	2017	2016
Within one year	-29,537	-23,646
1-5 years	-49,436	-38,007
More than five years	-6,243	-
	-85,216	-61,653
Lease charges expensed during the period	-30,626	-25,917

Operational leases in the Group mainly comprise payment of rent for non-residential premises. The agreements are indexed and follow changes in the CPI. They normally have a term of 3-5 years. Information in this note also covers financial leasing agreements, which are reported as operational. These agreements refer to the leasing of cars and office machinery, which are normally leased for a period of 1-5 years.

Note 13 – Income from financial items

Group	2017	2016
Financial income		
Result from other securities and receivables reported as non-current assets		
Capital transfer	4	4
Dividend	4	4
Other interest income and similar profit/loss items		
Interest income	1,955	2,572
	1,955	2,572
Total financial income	1,959	2,576

Note 13, continued

Group	2017	2016
Financial expense		
Other interest expense and similar profit/ loss items		
Interest expense	-314,148	-371,019
Change in value, derivatives, net	196,373	-64,503
Other financial expense	-989	-1,535
	-118,764	-437,057
Capitalised interest in projects	17,031	12,016
Total financial expense	-101,733	-425,041
Net financial income/expense	-99,774	-422,465

The rate of interest used during the year for capitalised interest was 2.3 per cent (2.3).

Financing expense
The Group's average financing expense for 2017 was 1.92 per cent (2.36) according to internal reporting. The average financing expense for 2017, including the change in value of the derivative portfolio, was 0.69 per cent (2.69).

Parent Company	2017	2016
Financial income		
Result from participations in Group companies		
Anticipated capitals transfers	66,149	62,524
	66,149	62,524
Other interest income and similar profit/ loss items, Group companies		
Interest income	310,092	377,400
	310,092	377,400
Other interest income and similar profit/ loss items		
Interest income	-	7
	0	7
Total financial income	376,241	439,931
Financial expense		
Interest expense and similar profit/loss items, Group companies		
Interest expense	-	-1
	0	-1
Other interest expense and similar profit/ loss items		
Interest expense	-301,074	-366,778
Other financial expense	-8,477	-8,868
	-309,551	-375,646
Total financial expense	-309,551	-375,647
Net financial income/expense	66,690	64,284

Note 14 – Appropriations

Parent Company	2017	2016
Capital transfers received	499,350	494,582
Capital transfers made	-501,350	-507,582
	-2,000	-13,000
Capital transfers received		
Poseidon	280,000	205,000
Familjebostäder	-	124,582
Bostadsbolaget	183,350	132,000
Egnahemsbolaget	36,000	31,000
Gårdstensbostäder	-	2,000
	499,350	494,582
Capital transfers made		
Göteborgs Stadshus AB	336,000	304,000
Poseidon	78,350	51,191
Familjebostäder	78,000	79,000
Bostadsbolaget	-	73,391
Framtiden Byggutveckling	3,500	-
Gårdstensbostäder	5,500	-
	501,350	507,582

Note 15 – Tax on profit for the year

Group	2017	2016
Current tax expense	-84,566	-4,819
Deferred tax	-1,170,247	-855,842
	-1,254,813	-860,661

Deferred tax reported in the Income Statement/Statement of Comprehensive Income

Group	2017	2016
Untaxed reserves	6,810	2,553
Deficit	645	0
Financial instruments	-43,275	14,159
Investment properties	-1,136,028	-875,135
Provisions	8,065	883
Actuarial result	-7,221	-3,274
Other	757	4,972
	-1,170,247	-855,842

Note 15, continued

Difference between the tax expense/income for the year and the tax expense/income based on the current tax rate

Group	2017	2016
Profit before tax	5,767,980	3,905,199
Tax at the current tax rate, 22 per cent	-1,268,951	-859,144
Tax effect of costs/income that are not tax-deductible/taxable		
Taxable income not included in profit	0	-2
Deductible expenses not included in profit	65	326
Non-taxable income	22,360	123
Non-deductible expenses	-6,492	-1,184
Standard income, tax allocation reserve	-181	-287
Adjustment in respect of an earlier period	-1,614	-493
Reported tax for the year	**-1,254,813**	**-860,661**

The weighted average tax rate for the Group was 21.8 per cent (22.0).

Parent Company	2017	2016
Current tax expense	-111	-34
Deferred tax	557	2,478
	446	**2,444**

Deferred tax, reported through profit and loss

Parent Company	2017	2016
Financial instruments	557	2,478
	557	**2,478**

Difference between the tax expense/income for the year and tax expense/income based on the current tax rate

Parent Company	2017	2016
Profit before tax	63,943	51,162
Tax at the current tax rate, 22 per cent	-14,066	-11,256
Tax effect of expense/income that is not tax-deductible/taxable		
Non-taxable income	14,553	13,757
Non-deductible expenses	-25	-47
Standard income, tax allocation reserve	-7	-10
Adjustment in respect of a previous period	-9	-
Reported tax for the year	**446**	**2,444**

Note 16 – Other intangible non-current assets

Group	2017	2016
Opening acquisition value	86,628	71,761
Purchases	8,162	15,073
Sales/disposals	-	-206
Reclassifications	-1	-
Closing accumulated acquisition value	**94,789**	**86,628**
Opening depreciation	-56,794	-49,281
Sales/disposals	-	160
Depreciation for the year	-4,925	-7,673
Closing accumulated depreciation	**-61,719**	**-56,794**
Closing residual value according to plan	**33,070**	**29,834**

The intangible non-current assets refer to joint Group property systems, the intranet and registration/task management systems.

Parent Company	2017	2016
Opening acquisition value	664	385
Purchases	311	279
Closing accumulated acquisition value	**975**	**664**
Opening depreciation	-	-
Depreciation for the year	-	-
Closing accumulated depreciation	**0**	**0**
Closing residual value according to plan	**975**	**664**

The intangible non-current assets refer to a joint Group intranet and registration/task management systems.

Note 17 – Investment properties

Fair value (KSEK)	2017	2016
Opening balance, January 1	82,010,336	77,140,911
Investments, including value-preserving maintenance and acquisitions	3,055,252	3,028,990
Property sales	-197,503	-3,827
Other unrealised increase in value	3,044,926	1,844,262
Closing balance, December 31	**87,913,011**	**82,010,336**

At each year-end and as of June 30, an internal valuation is made of the Group's property holdings, and each property is assigned a fair value (market value). The values are estimated using the Datscha valuation tool and should reflect the most probable price in the event of a sale of each property on the open market. All property valuations in the Group are regarded as being on level 3 according to IFRS 13 as no input data is observable to external parties.

A representative selection of the Group's properties is valued each year by external valuation institutes. The externally valued properties in the Group make up 5.0 per cent of the properties and 8.0 per cent of the fair value.

Note 17, continued

Internal valuation technique

The Datscha valuation tool has been used in the internal valuation of the residential properties and replace the internal valuation model used in previous years. The basic valuation methodology in Datscha and the internal valuation model are similar. The Datscha valuation tool is based on a cash flow method which is based on each property's expected cash flow during the forthcoming ten-year period and an estimated residual value based on net operating income for year 11. The cash flow includes contracted income and assessed expenses. The contracted rent is reduced by normalised operation and maintenance and property tax. To calculate the net operating income trend for the calculation period, an assumption is made regarding the rate of inflation, rents, loss of rental income, operating and maintenance costs and property tax. A residual value is calculated for the last year in the calculation period, which is equivalent to the fair value at this point in time. The net operating income and residual value are expressed in nominal terms, and are discounted using a cost of capital that is based on the market's yield requirement.

Yield requirements and cost of capital are governed by the location of each property. All the Group's properties are categorised as A, B or C with sub-groups A1-A5, B1-B5 and C1-C3 depending on the location and attractiveness. Both the tenants' and investors' assessments are taken into account. A1 locations are in greatest demand whilst C3 locations are in least demand. The division into locations also governs the operating and maintenance costs, together with the value year of each property. The properties are divided into groups according to the value year. The value year is the year in which the properties were constructed with years added for major investments and maintenance.

Cost of capital and yield requirements are determined using the transactions noted on the market. This takes place partly with the aid of in-house analyses based on information in the location price system, in newsletters and from property valuation experts, and with the aid of the assessments made by external valuation institutes. Each property is unique and properties that are normally turned around within one year are not compared directly with the properties that have been valued here. It is also difficult to draw general conclusions from completed transactions, and the yield requirements that are based on Framtiden's internal location division are associated with a certain degree of uncertainty. This uncertainty is highlighted, for example, in the fact that the external valuation institutes apply different interest requirements for the same type of property, which explains the different value assessments.

Exceptions to the valuation model

For certain properties, adjustments are made that deviate from the normal valuation procedure. Single-family dwellings are valued using a location price method. The properties where the property owner has a greater or lesser undertaking than what is normal for the type of property are adjusted for above-normal cash flow effects. Project properties are valued according to a separate procedure, where the value is estimated as if the building had been completed at the time of valuation, after which remaining costs are deducted. Properties for which planned capitalisations amount to at least 10 per cent of the property's fair value are valued according to the project valuation principle.

Limitations

The properties have been valued individually without taking into account the portfolio effects or other circumstances that would deviate from a normal sales process. Assumptions that are made in the internal model are based on assessments made by the external valuation institutes. As a valuation should reflect the expected payment consequences, there is always a degree of uncertainty in the assessment. Each property has unique features that cannot always be taken into account in a standardised model, and it is difficult to predict what the price will be in the event of a sale. An assessed fair value is always associated with a certain range of uncertainty. In normal cases, the range is 5-10 per cent.

Assumptions

The valuation date is December 31, 2017, which means that all assumptions that form the basis for the value assessment reflect the market conditions that are known as of this date.

Yield requirements and cost of capital

The yield requirements that have been applied for residential properties have been reduced in all locations. Compared to the turn of the year 2016, the yield requirements have been reduced by 0.05-0.35 percentage points.

The average yield requirement was 3.9 per cent and comprised the weighted yield requirement for residential properties, non-residential properties and parking spaces based on revenue in the Datscha valuation tool. The yield requirement for residential properties varied between 2.20 and 5.00 per cent depending on the location. In the case of non-residential premises and other floor space, the yield requirement varied between 5.80 and 9.30 per cent.

Note 17, continued

Input data 2017	Main source of information	Location A	Location B	Location C	Total
Gross revenue, SEK/sq. m.	Based on leases as of 31-12-2017	1,249	1,128	932	**1,124**
Operation and maintenance, SEK/sq. m.	Standard figure according to the valuation year and location	448	461	502	**466**
Property tax, SEK/sq. m.	Based on property tax payable 2018	25	23	20	**23**
Net operating income, SEK/sq. m.	Difference between revenue and costs	776	642	397	**631**
Yield, %	Ratio between the net operating income and fair value	2,9	4,0	5,1	**3,5**
Fair value, SEK/sq. m.	Calculated in the valuation model on the net operating income in the 10-year statements of cash flows	26,754	16,135	7,762	**17,876**
Fair value, SEK m	Calculated in the valuation model on the net operating income in the 10-year statements of cash flows	46,543	32,181	9,189	**87,913**

Input data 2016	Main source of information	Location A	Location B	Location C	Total
Gross revenue, SEK/sq. m.	Based on leases as of 31-12-2016	1,219	1,102	915	**1,099**
Operation and maintenance, SEK/sq. m.	Standard figure according to the valuation year and location	441	455	498	**461**
Property tax, SEK/sq. m.	Based on property tax payable 2017	26	24	20	**24**
Net operating income, SEK/sq. m.	Difference between revenue and costs	743	594	377	**595**
Yield, %	Ratio between the net operating income and fair value	3,0	4,0	5,2	**3,6**
Fair value, SEK/sq. m.	Calculated in the valuation model on the net operating income in the 10-year statements of cash flows	25,071	15,024	7,273	**16,722**
Fair value, SEK m	Calculated in the valuation model on the net operating income in the 10-year statements of cash flows	43,382	30,128	8,500	**82,010**

All calculations in the table refer to the average for each input item and location.

CPI

The inflation rate (CPI) that forms the basis for the majority of future assessments in the cash flows is estimated at 2 per cent per year.

Rent and rent trends

Incoming gross rents for residential properties have increased by 2.2 per cent in the holdings as a whole since the value assessment the previous year. This also includes redeveloped and newly constructed properties. With effect from 2018, the assumption is that residential rents will be increased by 1.5 per cent. Gross rents for non-residential properties increased by 5.5 per cent, and rents for parking spaces increased by 5.2 per cent. For non-residential premises, it is assumed that current leases will run throughout 2018, and thereafter the rent will follow the CPI by 70 per cent.

Operating and maintenance costs

In the valuation, these costs have been based on standardised costs for the property type, value year and location. For residential properties, these costs are between SEK 380 and SEK 515/sq. m. The lowest cost is for centrally located, newly constructed properties, such as the dwellings at Kärralund. Non-residential properties located beside residential properties are assumed to have a slightly lower operating and maintenance cost. The average assumed operating and maintenance cost for the Group's properties is SEK 466/sq. m. The cost has increased by 2.4 per cent on the previous year. Operating and maintenance costs are assumed to follow the CPI with a cost increase supplement of 0.25 per cent.

Property charge/property tax

The property charge/property tax is charged to net operating income in accordance with the property charge/property tax rules that came into effect in December 2007. This means that the majority of the Group's properties have been charged with a standard amount of SEK 1,337 per apartment.

The fair value of mortgaged properties was SEK 0 million (2,163). Loans with mortgage deeds as security were repaid during the year. Borrowing instead takes place via the City of Gothenburg.

Group	2017	2016
Taxable value, land	25,212,163	25,047,057
Taxable value, buildings	37,533,135	37,194,251
	62,745,298	62,241,308

Note 18 – Residential modules

Group	2017	2016
Opening acquisition value	119,490	119,490
Purchases	-	-
Closing accumulated acquisition value	**119,490**	**119,490**
Opening depreciation	-48,741	-41,457
Depreciation for the year	-7,284	-7,284
Closing accumulated depreciation	**-56,025**	**-48,741**
Closing residual value according to plan	**63,465**	**70,749**

Note 19 – Equipment

Group	2017	2016
Opening acquisition value	273,938	262,850
Purchases	23,417	38,608
Sales/disposals	-36,409	-27,272
Reclassifications	-	-248
Closing accumulated acquisition value	**260,946**	**273,938**
Opening depreciation	-202,797	-205,156
Sales/disposals	33,201	26,516
Reclassifications	-	16
Depreciation for the year	-25,265	-24,173
Closing accumulated depreciation	**-194,861**	**-202,797**
Closing residual value according to plan	**66,085**	**71,141**

Parent Company	2017	2016
Opening acquisition value	1,836	3,284
Purchases	610	1,095
Disposals/sales	-306	-2,543
Closing accumulated acquisition value	**2,140**	**1,836**
Opening depreciation	-562	-2,557
Depreciation for the year	-323	-218
Disposals/sales	259	2,213
Closing accumulated depreciation	**-626**	**-562**
Closing residual value according to plan	**1,514**	**1,274**

Note 20 – Other non-current assets

Group	2017	2016
Opening acquisition value	154,930	154,651
Purchases	-	32
Disposals/sales	-	-1
Reclassifications	-	248
Closing accumulated acquisition value	**154,930**	**154,930**
Opening depreciation	-142,167	-141,370
Depreciation for the year	-750	-782
Reclassification	-	-16
Disposals/sales	-	1
Closing accumulated depreciation	**-142,917**	**-142,167**
Closing residual value according to plan	**12,013**	**12,763**

Other non-current assets mainly refer to investment in properties belonging to another party.

Note 21 – Participations in Group companies

Parent Company	2017	2016
Opening carrying amount	1,216,206	943,271
Purchase	400	-
Merger	-	-15,665
Capital transfer	328,380	288,600
Closing carrying amount	**1,544,986**	**1,216,206**

Group Company	Company registration number	Number of participations	Book value
Bostads AB Poseidon	556120-3398	13,600	620,208
Göteborgs stads bostadsaktiebolag	556046-8562	400,000	395,088
Familjebostäder i Göteborg AB	556114-3941	27,500	268,710
Gårdstensbostäder AB	556536-0277	10,000	138,784
Göteborgs Egnahems AB	556095-3829	160,000	120,796
Bygga Hem i Göteborg AB	556643-7934	4,000	400
Framtiden Byggutveckling AB	556731-5170	5,000	500
Störningsjouren i Göteborg AB	556657-1443	5,000	500
			1,544,986

All subsidiaries and second-tier subsidiaries are wholly owned. All companies have their registered offices in Gothenburg.

During the year, all the shares in Bygga Hem i Göteborg AB were purchased by Göteborgs Egnahem AB for a nominal amount, TSEK 400.

During 2016, the wholly owned subsidiary Rysåsen Fastighets AB, 556711-1520, was merged with the Parent Company. The Parent Company income statement for 2016 includes KSEK 0 in net revenue and KSEK 0 in operating profit attributable to the Company's income statement for the period prior to the merger. The consolidated value of the assets taken over by the Parent Company was KSEK 3 at the time of the merger. Debts totalled KSEK 0.

Note 22 – Participations in associated companies and jointly owned companies

Group	2017	2016
Opening acquisition value	7,551	3,179
Purchases	17,385	4,382
Sales	-46	-
Reclassification	-	-10
Closing accumulated acquisition value	24,890	7,551
Opening impairments	-2,830	-2,840
Reclassification	-	10
Closing accumulated impairments	-2,830	-2,830
Closing residual value according to plan	22,060	4,721

Indirectly owned	Number of shares	Share of capital, %	Book value
Ellesbokomplementären AB	340	33	34
Boplats Göteborg AB	210	30	210
Gärdsås Utvecklings AB	490	49	49
Gärdsås Torgbolag KB	1	56	0
KB Ellesbo 2	-	33	0
Berguven Joint Ownership Association	1	63	21,767
Total shares and participations			22,060

Indirectly owned	Company registration number	Profit for the year	Equity
Ellesbokomplementären AB	556432-9810	-	102
Boplats Göteborg AB	556467-7390	273	4 869
Gärdsås Utvecklings AB	556599-9694	-	111
Gärdsås Torgbolag KB	969673-5233	-619	3 674
KB Ellesbo 2	916844-6442	-67	5 903
Berguven Joint Ownership Association	717917-1355	-	-

All associated companies and jointly controlled companies have their registered office in Gothenburg.

Not 23 – Receivables from associated companies

Group	2017	2016
Opening acquisition value	5,600	5,600
Closing accumulated acquisition value	5,600	5,600
Closing residual value according to plan	5,600	5,600

Note 24 – Other non-current securities

Group	2017	2016
Opening acquisition value	5,790	5,490
Reclassification	-	300
Sales	-	-
Closing accumulated acquisition value	5,790	5,790
Opening impairments	-1,499	-1,499
Reclassification	-1	-
Sales	-	-
Closing accumulated impairments	-1,500	-1,499
Closing residual value according to plan	4,290	4,291

Other non-current securities mainly comprise shares in cooperative housing associations.

Note 25 – Derivatives

Derivatives are used to reduce interest rate risk exposure. The Group's risk management is presented in Note 48 Financial risk management.

The carrying amount is as follows:

	31-12-2017		31-12-2016	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Independent derivatives				
- interest derivatives	46,752	-428,611	68,137	-642,767
Current				
Independent derivatives				
- interest derivatives	5,390	-23,704	1,750	-23,666

The fair value is equivalent to the carrying amount in the table above.

Note 26 – Other non-current receivables

Group	2017	2016
Opening receivables	14,351	9,380
Reclassification	-1,258	-793
Additional/divested shares	-735	5,764
Closing receivables	12,358	14,351

Note 27 – Financial instruments per category

The accounting principles for financial instruments have been applied to the following items, Group:

31-12-2017	Assets valued at fair value through profit or loss	Other financial assets	Total assets
Assets in the Statement of Financial Position			
Derivatives	52,142	-	52,142
Accounts receivable and other receivables	-	330,950	330,950
Other non-current securities and other non-current receivables	-	22,248	22,248
Cash and cash equivalents	-	4,264	4,264
	52,142	357,462	409,604

31-12-2017	Liabilities valued at fair value through profit or loss	Other financial liabilities	Total liabilities
Liabilities in the Statement of Financial Position			
Borrowings	-	-16,015,552	-16,015,552
Derivatives	-452,315	-	-452,315
Accounts payable	-	-508,459	-508,459
Other liabilities	-	-395,130	-395,130
	-452,315	-16,919,141	-17,371,456

31-12-2016	Assets valued at fair value through profit or loss	Other financial assets	Total assets
Assets in the Statement of Financial Position			
Derivatives	69,887	-	69,887
Accounts receivable and other receivables	-	464,503	464,503
Other non-current securities and other non-current receivables	-	24,242	24,242
Cash and cash equivalents	-	2,481	2,481
	69,887	491,226	561,113

31-12-2016	Liabilities valued at fair value through profit or loss	Other financial liabilities	Total liabilities
Liabilities in the Statement of Financial Position			
Borrowings	-	-15,843,037	-15,843,037
Derivatives	-666,433	-	-666,433
Accounts payable	-	-464,672	-464,672
Other liabilities	-	-312,319	-312,319
	-666,433	-16,620,028	-17,286,461

Note 27, continued

Information regarding fair value

Information is required regarding valuation at fair value for each level in the following fair value hierarchy:

Level 1 –Listed prices on an active market for identical assets or liabilities.

Level 2 – Other observable data for the asset or liability other than listed prices included in Level 1, either directly (i.e. as price listings) or indirectly (i.e. received from price listings).

Level 3 – Data for the asset or the liability that is not based on observable market data.

All the Group's financial instruments that are valued at fair value are classified as Level 2.

Note 28 – Stocks etc.

Group	2017	2016
Stocks	-	8,222
Work in progress for another party	172,544	217,446
	172,544	225,668

Note 29 – Accounts receivable

Group	2017	2016
Accounts receivable	49,825	125,935
Minus doubtful receivables	-21,174	-21,901
Accounts receivable, net	28,651	104,034
of which accounts receivable within City of Gothenburg committees and companies	9,759	8,039

As of December 31, 2017, accounts receivable totalling KSEK 10,562 (8,522) had fallen due without any impairment requirements considered necessary. The age analysis of these accounts receivable is as follows:

Group	2017	2016
Less than 3 months	8,348	6,987
3-6 months	505	306
More than 6 months	1,709	1,229
	10,562	8,522

As of December 31, 2017, the Group had accounts receivable totalling KSEK 21,174 (21,901) where there was a need for impairment. The age analysis of these doubtful receivables is as follows:

Group	2017	2016
Less than 3 months	-1,333	-1,148
3-6 months	-1,779	-1,603
More than 6 months	-18,062	-19,150
Total, doubtful receivables	-21,174	-21,901

Note 29, continued

The change in the reserve for doubtful receivables is as follows:

Group	2017	2016
Opening balance, January 1	-21,901	-18,448
Provision for doubtful receivables	-6,365	-12,688
Receivables eliminated during the year	7,135	9,550
Net change, purchased companies	-43	-315
Closing balance, December 31	**-21,174**	**-21,901**

Provisions and reversals of provisions for doubtful receivables are included in the item Operating costs in the Statement of Comprehensive Income. The maximum credit risk exposure on the closing date is the fair value of the above items.

Note 30 – Prepaid expenses and accrued income

Group	2017	2016
Prepaid rental expenses	2,784	3,889
Prepaid insurance premiums	32	249
Prepaid PRI expenses	3,211	3,212
Prepaid licences	2,462	3,248
Prepaid lease expenses	1,716	1,590
Accrued rental revenue	2,184	1,260
Prepaid financial expenses	119	672
Other	18,221	14,319
	30,729	**28,439**

Parent Company	2017	2016
Prepaid rental expenses	1,117	1,084
Prepaid financial expenses	119	672
Accrued interest income, Group companies	23,667	28,383
Capitalised interest, derivatives	5,316	9,355
Other	3,167	466
	33,386	**39,960**

Note 31 – Untaxed reserves

Parent Company	2017	2016
Tax allocation reserve, tax assessment 2013	3,700	3,700
Tax allocation reserve, tax assessment 2014	1,200	1,200
Tax allocation reserve, tax assessment 2015	4,300	4,300
	9,200	**9,200**

Note 32 – Pension provisions

Defined benefit plans

The Group's defined benefit plan is an ITP plan for white-collar workers. Defined benefit plans cover mainly retirement pensions, and each employer normally has an undertaking to pay a lifelong pension. Earnings are based on the number of years of employment and the employee must be a member of the plan for a certain number of years for full entitlement to a retirement

Note 32, continued

pension. For each year worked, the employee earns an increased pension entitlement, which is reported as pension earned during the period and as an increase in the pension commitment.

Through its defined benefit pension plans, the Group is exposed to a number of risks. The most material risks are as follows:

- Change in bond yields. If the discount rate of interest changes, an actuarial gain or loss arises. An increase means that the calculated value of the commitment falls, and an actuarial profit arises. A decrease means that the opposite occurs.
- Inflation risk. A higher rate of inflation leads to higher liabilities.
- Life expectancy assumptions. Pension obligations mean that the employees covered by the plan must receive benefits for their entire life, which means that increased life expectancy assumptions result in higher pension liabilities.

The duration of the commitment, which is used as a basis to set the discount rate, is 16 years.

The remaining life expectancy for a 65-year-old woman is estimated at 24 years and for a man 22 years.

The actuarial calculation of pension obligations and pension expenses is based on the following assumptions:

Group, %	2017	2016
Discount rate, January 1	3.00	3.25
Discount rate, December 31	2.50	3.00
Future annual salary increases	3.00	3.00
Future annual pension increases	3.00	3.00
Staff turnover	2.00-6.00	2.00-10.00
Inflation	2.00	2.00

All the Group's pension commitments are unfunded. The following provision for pension commitments has been made in the Statement of Financial Position:

Group	2017	2016
Current value of the obligation as of December 31	323,555	294,827
Employer's contribution	25,116	17,889
Liability reported in the Statement of Financial Position, December 31	**348,671**	**312,716**

The following table shows the change in the pension liability, excluding the employer's contribution:

Group	2017	2016
Current value of the obligation at the beginning of the year	294,827	304,255
Earnings during the year	8,324	7,784
Pension payments	-14,874	-15,129
Interest	8,916	9,875
Actuarial gain (-)/loss (+)	26,362	-11,958
Current value of the pension liability at the year-end	**323,555**	**294,827**

Note 32, continued

Reconciliation of the change in the pension liability:

Group	2017	2016
Net liability in the Statement of Financial Position at the beginning of the year	312,716	324,266
Actuarial gain (-)/loss (+) to be reported in other comprehensive income	34,990	-14,881
Pension expense for the period	15,839	18,460
Pension payments	-14,874	-15,129
Net liability at the year-end	**348,671**	**312,716**

The actuarial profit of KSEK 34,990 comprises:
- loss due to experience-based adjustments of KSEK 5,336
- loss of KSEK 28,938 due to the effects of changes in financial assumptions
- loss of KSEK 716 due to a change in the demographic assumptions.

Pension costs for the period in respect of defined benefit plans:

Group	2017	2016
Costs in respect of service during the current year	8,324	7,784
Interest on the commitment	9,452	10,323
Adjustment item, employer's contribution	-1,937	353
Pension costs for defined benefit plans	**15,839**	**18,460**

The Group is expected to pay KSEK 14,510 into the defined benefit plan during the forthcoming financial year.

Sensitivity analysis

The assumptions that have the greatest impact on the Group's pension obligation are the discount rate, salary, inflation and life expectancy.

Discount rate, +/-0.5 percentage points :	2.00 %	**2.50 %**	3.00 %
Current value of the obligation at the period-end	381,478	**348,671**	319,635

Salary, +/-0.5 percentage points	2.50 %	**3.00 %**	3.50 %
Current value of the obligation at the period-end	337,998	**348,671**	360,871

Inflation, +/-0.5 percentage points	1.50 %	**2.00 %**	2.50 %
Current value of the obligation at the period-end	325,112	**348,671**	374,559

Life expectancy, +/- 1 year	- 1 year	**DUS 14**	+ 1 year
Current value of the obligation at the period-end	331,621	**348,671**	365,917

Defined contribution plans

The plans mainly retirement pension, sickness pension and family pension plans. The premiums are paid continuously during the year by each Group company to separate legal entities, such as insurance companies. The size of the premium is based on salary. The pension costs for the period are included in the Statement of Comprehensive Income and total KSEK 34,736 (29,807).

For a number of the Group companies, commitments for retirement pensions and sickness pensions for white-collar workers are secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a defined benefit plan, which covers several employers. For the 2017 financial year, the Group did not have access to information that makes it possible to report these plans as a defined benefit plan. Alecta does not have information about the earnings breakdown between employers for the majority of the earned pension benefits. In addition, there is a total absence of an established set of rules for how any surplus or deficit that could arise should be handled. In the first instance, losses are covered by Alecta's collective consolidation capital. Pension plans according to ITP, which are secured through insurance with Alecta, are therefore reported as a defined contribution plan.

At the end of 2017, Alecta's collective consolidation level for defined benefit insurances was preliminarily 154 per cent (149). The collective consolidation level measures the distributable assets in relation to the insurance obligation, calculated according to Alecta's insurance computation methods and assumptions, which do not concur with IAS 19.

The charges for the year for pension insurance taken out with Alecta total KSEK 13,216 (10,790). Premiums for 2018 are estimated at KSEK 9,852.

The Group's proportion of total savings premiums for ITP 2 in Alecta for 2017 was 0.063 per cent. The Group's proportion of the total active persons insured in ITP 2 as of December 31, 2017 was 0.070 per cent.

Note 33 – Deferred tax

Deferred tax reported in the Statement of Financial Position

Group	2017	2016
Deferred tax liabilities		
- Difference between the carrying amount and tax value, properties	14,264,559	13,128,531
- Untaxed reserves	90,275	97,085
- Other temporary differences	1,311	2,069
Deferred tax assets		
- Financial instruments	-87,976	-131,251
- Provisions	-28,223	-20,158
- Loss carry-forward	-645	-
- Other temporary differences	-	-
Closing balance	14 239 301	13 076 276

Parent Company	2017	2016
Deferred tax liabilities		
- Financial instruments	-	412
Deferred tax assets		
- Financial instruments	-145	-
Closing balance	-145	412

Note 33, continued

Change in deferred tax, Group

2017	Untaxed reserves	Investment properties	Deficit	Financial instruments	Provisions	Other	Total
Opening balance	97,085	13,128,531	-	-131,251	-20,158	2,069	13,076,276
Deferred tax recognised in profit or loss	-6,810	1,136,028	-645	43,275	-844	-758	1,170,246
Deferred tax recognised in comprehensive income	-	-	-	-	-7,221	-	-7,221
Deferred tax reported in equity	-	-	-	-	-	-	0
Closing balance	**90,275**	**14,264,559**	**-645**	**-87,976**	**-28,223**	**1,311**	**14,239,301**

2016							
Opening balance	99,638	12,253,396	-	-117,092	-22,549	-247	12,213,146
Deferred tax recognised in profit or loss	-2,553	875,135	-	-14,159	-883	2,316	859,856
Deferred tax recognised in comprehensive income	-	-	-	-	3,274	-	3,274
Deferred tax reported in equity	-	-	-	-	-	-	0
Closing balance	97,085	13,128,531	0	-131,251	-20,158	2,069	13,076,276

Change in deferred tax, Parent Company

2017	Untaxed reserves	Investment properties	Deficit	Financial instruments	Provisions	Other	Total
Opening balance	-	-	-	412	-	-	412
Deferred tax recognised in comprehensive income	-	-	-	-557	-	-	-557
Closing balance	**0**	**0**	**0**	**-145**	**0**	**0**	**-145**

2016							
Opening balance	-	-	-	2,890	-	-	2,890
Deferred tax recognised in comprehensive income	-	-	-	-2,478	-	-	-2,478
Closing balance	0	0	0	412	0	0	412

Note 34 – Other provisions

Group

2017	Guarantee commit-ments	Other	Total
Opening balance	99,136	-	99,136
Provisions during the year	22,573	-	22,573
Provisions utilised	-16,678	-	-16,678
Reclassification/Other	284	-	284
Closing balance	105,315	0	105,315

2016			
Opening balance	83,056	-	83,056
Provisions during the year	21,959	-	21,959
Provisions utilised	-6,586	-	-6,586
Reclassification/Other	707	-	707
Closing balance	99,136	0	99,136

Guarantee commitments refer, among other things, to commitments in construction projects recognised in revenue, of which the majority are expected to be settled within two years. The guarantee commitments also include costs for assessed undertakings for dwellings constructed with a single-step, sealed, rendered facade. Egnahemsbolaget has built around 350 dwellings with this type of facade. A further provision was made during the year totalling KSEK 18,000.

Note 35 – Liability maturity

Group	Within one year	Within 1-2 years	Within 2-5 years	More than five years	Total
December 31, 2017					
MTN programme, due	1,099,850	-	-	-	1,099,850
MTN programme, interest	8,638	-	-	-	8,638
Liabilities to the City of Gothenburg, due	232,702	-	-	14,683,000	14,915,702
Liabilities to the City of Gothenburg, interest	5,706	2,445	8,448	1,405	18,004
Liabilities to the Parent Company	336,000	-	-	-	336,000
Accounts payable	508,459	-	-	-	508,459
Other operating liabilities	60,852	-	-	-	60,852
Interim liabilities	851,085	-	-	-	851,085
Derivatives	23,704	73,158	259,356	96,097	452,315
Total liabilities	3,126,996	75,603	267,804	14,780,502	18,250,905

Parent Company	Within one year	Within 1-2 years	Within 2-5 years	More than five years	Total
December 31, 2017					
MTN programme, due	1,099,850	-	-	-	1,099,850
MTN programme, interest	8,638	-	-	-	8,638
Liabilities to the City of Gothenburg, due	232,702	-	-	14,683,000	14,915,702
Liabilities to the City of Gothenburg, interest	5,706	2,445	8,448	1,405	18,004
Liabilities to Group companies	754,647	-	-	-	754,647
Liabilities to the Parent Company	336,000	-	-	-	336,000
Accounts payable	5,656	-	-	-	5,656
Other operating liabilities	4,843	-	-	-	4,843
Interim liabilities	105,164	-	-	-	105,164
Total liabilities	2,553,206	2,445	8,448	14,684,405	17,248,504

The Group/Parent Company have received binding credit pledges amounting to KSEK 467,299 (539,781). The amount includes credit pledges from the City of Gothenburg amounting to KSEK 467,299 (539,781).

Note 36 – Financial liabilities

The City of Gothenburg has decided that borrowing should in the first instance take place via the City's internal bank. Loans via the MTN market as well as bank loans have therefore been gradually replaced by corresponding loans from the City of Gothenburg as they fall due.

Interest-bearing liabilities, SEK m

	Group/Parent Company			
	2017		2016	
	Nominal/ carrying amount	Fair value	Nominal/ carrying amount	Fair value
MTN programme	1,100	1,107	3,550	3,582
Liabilities to credit institutions	0	0	700	701
Liabilities to the City of Gothenburg	14,916	14,962	11,593	11,565
Total	16,016	16,069	15,843	15,848

Special contractual conditions

The MTN programme includes a clause that the issuing institutions are entitled to premature redemption of the outstanding MTN if Förvaltnings AB Framtiden ceases to satisfy the criteria for a subsidiary in relation to the City of Gothenburg according to the stipulations laid down in Chapter 1, Section 11 of the Companies Act (2005:551), and which would have applied if the City of Gothenburg had been a limited liability company.

The majority of the Group's financial agreements contain ownership clauses, which means that the agreements are valid as long as the City of Gothenburg holds 50 per cent of the shares in the Company.

Credit portfolio maturity structure (including credit pledges) 31-12-2017

	Group/Parent Company	
Year	Amount, SEK m	Proportion %
2018	7,103	43
2019	2,050	12
2020	2,250	14
2021	2,230	14
2022	1,850	11
2023	1,000	6
Total	16,483	100

The Group's refinancing requirements are secured by the City of Gothenburg's binding credit pledge and liquidity reserve in accordance with the City's Finance Policy and Financial Guidelines, and consequently the Group's current loans, or loans that fall due within 12 months, are deemed to be non-current. The actual maturity structure of the portfolio is shown in the table above.

The Group's credit portfolio at the end of 2017 had an average repayment period of 2.1 years (1.9). Including credit pledges, the equivalent figure is 2.1 years (1.9). Credit pledges refer to the unutilised part of the internal credit facility, SEK 467 million, within the City of Gothenburg group account.

The Parent Company's credit portfolio at the end of 2017 had an average repayment period of 2.1 years (1.9). Including credit pledges, the equivalent figure was 2.1 years (1.9). Credit pledges refer to the unutilised part of the internal credit facility, SEK 467 million, within the City of Gothenburg group account.

Note 37 – Liabilities to credit institutions

Group/Parent Company	2017	2016
Other loans	0	700,000
	0	700,000
Amount granted, credit facility	0	0

Note 38 – Liabilities to the City of Gothenburg

Group/Parent Company	2017	2016
Non-current loan from the City of Gothenburg	14,683,000	11,433,000
Current loan from the City of Gothenburg	232,702	162,272
	14,915,702	11,595,272
Amount granted, credit facility	700,000	700,000

Note 39 – Accounts payable

Group	2017	2016
Accounts payable, City of Gothenburg, committees and companies	82,113	73,277
Accounts payable, other	426,346	391,395
	508,459	464,672

Parent Company	2017	2016
Accounts payable, City of Gothenburg, committees and companies	1,048	3,528
Accounts payable, other	4,608	2,315
	5,656	5,843

Note 40 – Accrued expenses and prepaid income

Group	2017	2016
Accrued interest expenses	103,484	131,903
Accrued social security expenses	22,447	21,302
Accrued personnel expenses	42,730	40,304
Accrued maintenance expenses	50,555	36,974
Accrued expenses for electricity, heating, etc.	125,411	125,880
Prepaid rental revenue	426,103	425,172
Accrued redevelopment expenses	20,774	33,100
Accrued property upkeep expenses	23,660	20,847
Other	35,921	32,128
	851,085	867,610

Parent Company	2017	2016
Accrued interest expenses	101,904	130,253
Accrued social security expenses	761	772
Accrued personnel expenses	2,071	1,765
Interest brought forward, derivatives	5,976	7,485
Other	428	1,353
	111,140	141,628

Note 41 – Pledged assets

Group	2017	2016
For own liabilities and provisions		
For liabilities to credit institutions		
- Property mortgages	-	702,120
Total pledged assets	0	702,120

Parent Company	2017	2016
For subsidiaries' liabilities		
- Pledged receivables, subsidiaries	-	700,000
	0	700,000

Note 42 – Contingent liabilities

Group	2017	2016
Contingent liability, PRI	4,408	4,422
Contingent liability, Fastigo	7,926	7,389
Deferment of stamp duty in conjunction with property acquisitions	51,246	10,226
Other contingent liabilities	861	861
	64,441	22,898

The Group has been granted respite with payment of stamp duty in conjunction with internal property sales. The stamp duty will be paid when a property is sold externally.

Parent Company	2017	2016
Guarantee commitments, Group companies	220,386	221,088
Contingent liability, Fastigo	249	289
	220,635	221,377

The Parent Company has acted as guarantor for Group companies in respect of pension liabilities.

Note 43 – Adjustments for items not included in the cash flow etc.

Group	2017	2016
Depreciation, impairments and reversed impairments relating to intangible and tangible non-current assets and financial assets	32,091	31,990
Change in value, investment properties	-3,044,926	-1,859,020
Change in value, financial instruments	-199,714	52,896
Capital gain/loss on sale of tangible assets	-	-
Provisions	5,476	15,399
Other	-1	79
	-3,207,074	-1,758,656

Parent Company	2017	2016
Depreciation, impairments and reversals relating to tangible and financial assets	323	218
Capital gain/loss on sale of tangible assets	22	-
	345	218

Note 44 – Interest paid

Group	2017	2016
Interest expense in current operations	-326,923	-376,505
Capitalised interest in investment operations	-17,031	-12,016
	-343,954	-388,521

Parent Company	2017	2016
Interest expense in current operations	-337,900	-382,827
	-337,900	-382,827

Note 45 – Specification of the cash flow from changes in working capital

Group	2017	2016
Change in inventories	53,124	-3,629
Change in current receivables	151,347	-89,363
Change in operating liabilities	232,584	43,421
	437,055	-49,571

Parent Company	2017	2016
Change in current receivables	-29,708	55,565
Change in operating liabilities	-236,909	-79,051
	-266,617	-23,486

Note 46 – Change, liabilities in financing

Group

2017	Liabilities to the City of Gothenburg	MTN programme	Liabilities to credit institutions	Total
Opening balance	11,596,396	3,549,818	700,000	15,846,214
Loans raised	3,322,483	-	-	3,322,483
Capital repayments	-3,177	-2,449,968	-700,000	-3,153,145
Closing balance	14,915,702	1,099,850	0	16,015,552

2016				
Opening balance	9,538,378	4,595,286	1,200,000	15,333,664
Loans raised	2,228,651	-	-	2,228,651
Capital repayments	-170,633	-1,045,468	-500,000	-1,716,101
Closing balance	11,596,396	3,549,818	700,000	15,846,214

Parent Company

2017	Liabilities to the City of Gothenburg	MTN programme	Liabilities to credit institutions	Liabilities to Group companies	Total
Opening balance	11,593,219	3,549,818	700,000	110,218	15,953,255
Loans raised	3,322,483	-	-	150,379	3,472,862
Capital repayments	-	-2,449,968	-700,000		-3,149,968
Closing balance	14,915,702	1,099,850	0	260,597	16,276,149

2016					
Opening balance	9,367,745	4,595,286	1,200,000	95,887	15,258,918
Loans raised	2,228,651	-	-	14,331	2,242,982
Capital repayments	-	-1,045,468	-500,000		-1,545,468
Closing balance	11,596,396	3,549,818	700,000	110,218	15,956,432

Note 47 – Cash and cash equivalents

Cash and cash equivalents comprise the Statement of Financial Position items cash and bank balances. Of these, KSEK 0 (0) comprises blocked funds.

Note 48 – Net loan debt

The net loan debt comprises interest-bearing loan debt and provisions for pensions/PRI with a deduction for cash and cash equivalents.

Note 49 – Financial risk management

The Framtiden Group has a centralised financial organisation. All financial operations and risk management in the Group are co-ordinated and handled by the Parent Company. In its operations, the Framtiden Group is exposed to different financial risks. Förvaltnings AB Framtiden's Finance Policy has been prepared within the framework of the City of Gothenburg Finance Policy and Financial Guidelines, and sets out authorisation and responsibility for handling the Group's financial risks. Group instructions are updated and adopted each year by the Board of Directors. Reporting of the Group's financial positions takes place on an ongoing basis to the City of Gothenburg, the Board of Directors, the CEO and the CEOs of the subsidiaries.

The aims of the Framtiden Group financing operations and financial risk management are to coordinate the Group' capital requirements, optimise the Group's capital expense by taking advantage of economies of scale, and minimise the net financial costs over time within the framework of the Finance Policy. There is ongoing follow-up and control to ensure compliance with the Finance Policy. Following a decision by the owner, the City of Gothenburg, borrowing place in the first instance takes via the City's internal bank.

Interest risk

Interest risk refers to the risk that a change in market interest rates will have a negative impact on the Group's financial results and/or cash flow. As the interest cost is one of the largest individual cost items, the Framtiden Group's control of interest risk in the form of an average interest term for net exposure and the division of the exposure over time are very important.

Finance Policy

The average interest term can vary between 3.0 years (3.0) and 5.0 years (5.0). A maximum of 30 per cent (30) of the exposure is permitted to occur in the forthcoming 12-month period. If the desired interest structure/fixed interest period cannot be achieved in conjunction with the raising or renewal of loans, the permitted derivatives used to change the interest structure or interest term are interest swaps, interest futures, including FRA contracts, and interest options. The issuing of options requires consent from the Group's CEO.

As of December 31, 2017, the average fixed interest period for the Group's net exposure was 3.4 years (3.3) with 27 per cent (27) of the exposure within the forthcoming 12-month period. The interest period during the year varied between 3.0 and 3.5 years.

The average fixed interest period for the Parent Company's net exposure was 3.4 years, with 27 per cent of the exposure within the forthcoming 12-month period.

The table below shows the interest rate renewal structure for net exposure and the average rate of interest.

Net exposure in respect of loans, investments and derivatives, 31-12-2017, Group/Parent Company

	Amount, SEK m	Nominal interest rate, %
2018:1	-3,112	2.1
2018:2	-2,150	2.1
2018:3	-800	1.7
2018:4	-800	2.6
2019	-800	2.6
2020	-1,600	1.7
2021	-1,300	2.6
2022	-1,900	1.0
2023	-1,750	1.3
2024	-1,600	1.0
2025	-1,300	0.9
2026-	-300	0.9
Total	-17,411	1.7

The average APR for the credit portfolio, including derivatives, is 1.7 per cent (2.1).

Currency risk

A currency risk is the risk that changes in the exchange rate will have a negative impact on the Group's financial results and/or cash flow. A currency risk arises in conjunction with investment or borrowing in a foreign currency.

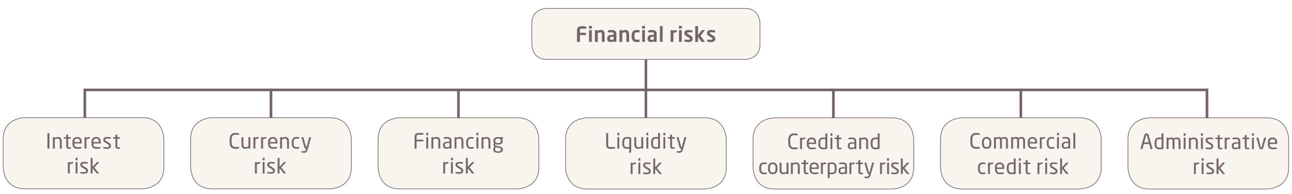
Finance Policy

The Company's exposure should be exclusively in Swedish kronor. In conjunction with investment or borrowing in a currency other than Swedish kronor, the currency risk should be eliminated by entering into currency derivative contracts. The instruments permitted are currency swaps, forward rate agreements and currency options.

As of December 31, 2017, there was no currency exposure.

Financing risk

A financing risk is the risk that the potential for financing is limited when loans are due to be renewed or new loans are to be raised.



Note 49, continued

Finance Policy
The City of Gothenburg has decided that borrowing must in the first instance take place via the City's internal bank. The Group's refinancing requirements are secured by the City of Gothenburg's binding credit pledge and liquidity reserve in accordance with the City's Finance Policy and Financial Guidelines.

As of December 31, 2017, the average credit term was 2.1 years (1.9). Including credit pledges, the figure was 2.1 years (1.9).

Liquidity risk

A liquidity risk is the risk that payment obligations cannot be discharged because of insufficient liquidity.

Finance Policy
The Group's liquidity requirements are assured via the City of Gothenburg binding credit pledge and liquidity reserve in accordance with the City's Finance Policy and financial guidelines.

As of December 31, 2017, the Group's cash and cash equivalents totalled SEK 4 million (2). As of December 31, 2017, credit agreements and unutilised credit amounted to SEK 467 million (540). Outstanding credit agreements refer to an unutilised internal credit facility in the City of Gothenburg group account.

The Parent Company's cash and cash equivalents at the end of 2017 totalled SEK 0 million (0). Credit agreements and unutilised credit totalled SEK 467 million (540) as of December 31, 2017. Outstanding credit agreements refer to an unutilised internal credit facility in the City of Gothenburg group account.

The future liquidity requirements that can be foreseen by the Group are limited to the liquidity required for future management of existing property holdings and the construction of new homes. The cash flow from current operations is positive, is expected to remain so, and will be evenly distributed during the year. A combination of this cash flow and a relatively long planning horizon for investments limits the need for liquidity reserves. In the light of the cash flow, unutilised credit and access to the City of Gothenburg's binding credit pledge and liquidity reserve in accordance with the City's Finance Policy and Financial Guidelines, the Group considers the liquidity risk to be very limited.

Credit and counterparty risk

A credit or counterparty risk refers to the risk of a loss if the counterparty fails to meet its obligations. Exposure can arise in conjunction with investment of surplus liquidity and in conjunction with trade in derivatives. To mitigate the counterparty risk in derivatives, internationally standardised netting agreements, known as ISDA agreements, have been signed.

Finance Policy
Only financial counterparties with a good credit rating are accepted. All financial counterparties must have a long-term credit rating of at least A3 from Moody's and/or A- from Standard & Poor's. In the case of investments and derivative exposure, there is also a maximum credit limit of SEK 500 million per counterparty. The estimated counterparty risk regarding derivative transactions can be set off against loans from the counterparty. Any cash surplus must be invested with a bank or in current interest-bearing instruments according to set limits.

As of December 31, 2017, the Group's collective counterparty exposure in derivatives amounted to SEK 0 million (0), including accrued interest, calculated as the net receivable per counterparty. For an individual counterparty, the maximum net receivable totalled SEK 0 million (0). When calculating, what is termed 'netting' according to current ISDA agreements has been applied. Förvaltnings AB Framtiden has ISDA agreements with all external financial counterparties. For the Parent Company, the collective counterparty exposure amounted to SEK 0 million (0).

The following table shows the term-weighted volumes with regard to derivative exposure, divided according to credit rating as of December 31, 2017.

Financial counterparties with a long rating	Term-weighted derivative volume, %
AAA/Aaa	-
AA+/Aa1	-
AA-/Aa3	56
A+/A1	12
A/A2	30
A-/A3	2

Commercial credit risk

The Group's rent receivables are spread over a large number of tenants. Rent losses in relation to the Group's net turnover totalled 0.1 per cent (0.1).

Administrative risk

The Finance Function works continuously on reviewing and developing the administrative systems and internal controls. The Group works within the finance area, mainly with standard systems that are considered to be of high quality.

Finance Policy
The administrative risk is handled by stipulating strict frameworks for reporting, risk control, allocation of responsibility, decision-making rules, and attestation routines.

Fair value, financial instruments

The calculation of fair value is based on market listings and generally accepted computation methods. The credit portfolio is assigned a fair value using the Swedish swap interest rate on the valuation date as a starting point, with the addition of a general, average credit margin. Using this valuation method, the credit portfolio's fair value was SEK 16,069 million as of December 31, 2017, which should be put in relation to the portfolio's nominal value of SEK 16,016 million. A corresponding valuation on December 31, 2016 revealed that the fair value was SEK 5 million above the nominal value.

Interest swaps are valued by discounting future cash flows to a current value based on the listed market interest rate for the term in question. FRAs are valued by comparing the agreed interest rate with the official market listing for each contract. A fair value for derivatives with an option element is equivalent to the current repurchase price on the valuation date.

Note 49, continued

Nominal amounts and fair value, derivative portfolio, SEK m, Group/Parent Company

	31-12-2017		31-12-2016	
	Nominal amount	Fair value	Nominal amount	Fair value
Interest swaps, net	-12,650	-400	-12,100	-597
FRAs, net	0	0	0	0
Structured swap agreements	0	0	0	0
CAPs, net	0	0	0	0
Total	-12,650	-400	-12,100	-597

Interest sensitivity of net financial items
Assuming an unchanged loan volume and unchanged term and position composition regarding net exposure, the Group's net interest income and expense will be affected according to the table below. The computation is based on the interest level at the end of 2017, and an immediate and permanent change in interest of one percentage point for the whole yield curve.

Interest sensitivity of net interest income and expense, excluding market valuation derivatives, 2018-2020, SEK m, Group

	2017	2018	2019	2020
Interest level 31-12-2017	-299	-274	-258	-237
Interest +1 percentage point		-315	-318	-316

Interest sensitivity of net financial items 2018-2020, SEK m, Parent Company

	2017	2018	2019	2020
Interest level 31-12-2017	1	0.2	0.3	0.3
Interest +1 percentage point		6	6	7

Interest sensitivity of the credit and derivative portfolios
The fair values reported for the credit and derivative portfolios are based on prevailing market interest rates as of December 31, 2017. To assess the interest sensitivity of the portfolios, a calculation has been made using a change in the market interest rates of one percentage point.

Interest sensitivity of the credit and derivative portfolios, 31-12-2017, SEK m, Group/Parent Company

	Credit portfolio		Derivative portfolio	
Interest assumption	Nominal value	Fair value	Nominal value, net	Fair value
Interest level 31-12-2017	-16,016	-16,069	-12,650	-400
Interest +1 percentage point	-16,016	-16,047	-12,650	101

Note 50 – Information regarding related party and intra-Group transactions

The Group is under the controlling influence of its owner, the City of Gothenburg. Apart from salary and other remuneration, there have been no transactions with persons in leading positions or other key persons, see Note 10.

Income from and expenses to other Group companies etc

Group	2017	2016
Revenue, %		
City of Gothenburg committees and companies	4	3
Expenses, %		
City of Gothenburg committees and companies	29	32
Purchase of real estate or other assets, KSEK		
City of Gothenburg committees and companies	220,016	62,796
Sale of real estate or other assets, KSEK		
City of Gothenburg committees and companies	490	30

Parent Company	2017	2016
Revenue, %		
Companies within the Framtiden Group	100	98
Expenses, %		
Companies within the Framtiden Group	1.9	2.0
City of Gothenburg committees and companies	17.6	34.6
Purchase of real estate or other assets, KSEK		
Companies within the Framtiden Group	-	-
City of Gothenburg committees and companies	-	-
Sale of real estate or other assets, KSEK		
Companies within the Framtiden Group	-	305
City of Gothenburg committees and companies	-	25

When purchases and sales take place between Framtiden Group companies, the same pricing principles are applied as for external parties. Purchases and sales of properties take place at the residual tax value. Purchases and sales of other non-current assets normally take place at the book value.

For information regarding loans from the City of Gothenburg, see Note 38.

Note 51 – Reconciliations

Group	2017	2016
Loan to value ratio		
MTN programme, non-current part	-	-1,099,740
MTN programme, current part	-1,099,850	-2,450,078
Liabilities to the City of Gothenburg, non-current part	-14,683,000	-11,433,000
Liabilities to the City of Gothenburg, current part	-232,702	-162,272
Liabilities to credit institutions, current part	-	-700,000
Interest-bearing liabilities, excluding pension provision	**-16,015,552**	**-15,845,090**
Fair value, investment properties	87,913,011	82,010,336
Loan to value ratio, %	**18**	**19**
Average financing cost, %, IFRS		
Net financial income/expense, IFRS	-99,774	-422,465
Interest income	-1,959	-2,572
Financial expense, pension provision, PRI	7,888	7,958
Capitalised interest	-17,031	-12,016
Adjusted net financial income/expense	**-110,876**	**-429,095**
Average loan volume	16,143,000	15,946,000
Average financing cost, %, IFRS	**0.69**	**2.69**
Average financing cost, % internal reporting		
Net financial income/expense, IFRS	-99,774	-422,465
Interest income	-1,959	-2,572
Financial expense, pension provision, PRI	7,888	7,958
Capitalised interest	-17,031	-12,016
Change in value, derivatives	-196,373	64,503
Result allocated to specific periods in respect of prematurely closed derivatives	-3,341	-11,607
Adjusted financial income/expense	**-310,590**	**-376,199**
Average loan volume	16,143,000	15,946,000
Average financing cost, per cent, internal reporting	**1.92**	**2.36**
Property result before maintenance, internal reporting		
Net operating income/gross profit, IFRS	2,919,549	2,871,494
Central costs	-142,674	-133,549
Construction operations	57,311	48,815
Other operating income/expense	-11,358	-10,103
Other adjustment items	56,704	54,099
Property result before maintenance, internal reporting	**2,879,532**	**2,830,756**

Note 52 – Proposed allocation of unappropriated earnings

Unappropriated earnings available for allocation at the Parent Company Annual General Meeting

Profit brought forward	1,721,222
Capital transfer received	262,080
Allocation to development cost reserve	-310
Profit for the year	64,389
Total	2,047,381

The Board of Directors proposes that the above amount be allocated as follows	
To be brought forward	2,047,381

Note 53 – Events after the year-end

There were no events of any material significance to report after the end of the financial year.

Signing of the Annual Report

The Board of Directors and the CEO hereby certify that the Annual Report has been prepared in accordance with the Annual Accounts Act and RFR 2 and provides a true picture of the Company's position and results, and that the Administration Report provides a true overview of the development of the Group's operations, position and results and describes material risks and uncertainties facing the Company.

The Board of Directors and the CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the EU, and provide a true picture of the Group's position and results, and that the Administration Report for the Group provides a true overview of the development of the Group's operations, position and results and describes the material risks and uncertainties facing the companies that form part of the Group.

Gothenburg February 9, 2018

Lars Johansson
Chair

Claes Roxbergh
First Deputy Chair

Kjell Björkqvist
Second Deputy Chair

Christina Backman
Member

Endrick Schubert
Member

Shadiye Heydari
Member

Rustan Hälleby
Member

Johan Svensson
Member

Martin Blixt
Acting CEO

Our Auditor's Report on this Annual Report was submitted on February 13, 2018.

Öhrlings PricewaterhouseCoopers AB

Karin Olsson
Authorised Public Accountant

Our Auditor's Report was submitted on February 9, 2018

Hans Aronsson
Lay Auditor appointed by the City Council

Claes-Göran Lans
Lay Auditor appointed by the City Council

This version of the Auditor's Report has been translated from the Swedish version.

Auditor's Report

To the general meeting of the shareholders of Förvaltnings AB Framtiden (publ), corporate identity number 556012-6012

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Förvaltnings AB Framtiden (publ) for 2017, with the exception of the Corporate Governance Report on pages 46-50*. The annual accounts and consolidated accounts of the Company are included on pages 26-97** 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 December 31, 2017 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 December 31, 2017 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as endorsed by the EU, and the Annual Accounts Act. Our opinions do not cover the Corporate Governance Report on pages 46-50*. 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 the shareholders adopts the Income Statement and Balance Sheet for the Parent Company and the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position for the Group.

Statements in this report regarding the annual accounts and consolidated accounts are compatible with the content of the supplementary report submitted to the Audit Committee of the Parent Company and the Group 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 Responsibility section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden, and we have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

This means, to the best of our knowledge and conviction, that no prohibited services, as 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 companies controlled within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered areas in which the Board of Directors and the CEO made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is divided into four public housing companies: Göteborgs Stads Bostadsaktiebolag, Familjebostäder i Göteborg AB, Bostadsaktiebolaget Poseidon, and Gårdsstenbostäder AB. In addition to Framtiden Byggutveckling AB, the Group also includes Göteborgs Egnahems AB, Störningsjouren i Göteborg AB and Bygga Hem AB. All the companies have been audited as a basis for the Group audit. Together with the audit of the Parent Company and consolidation, this supporting documentation forms the basis for our Group audit and Auditor's Report.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

We chose assets as the target for our overall assessment of the materiality of the financial statements as a whole in the light of the fact that the value of the investment properties has a material impact on and is of material significance to the Group's financial position, and is a particularly important audit area. We have defined specific materiality for the audit of the results from property management in the subsidiaries.

Key audit matters

Key audit matters in the audit are those matters which, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts for the current period. These matters were addressed in the context of our audit of the annual accounts and consolidated accounts as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

*, **, *** Page references refer to the official Swedish Annual Report.

Key audit matter	How our audit addressed the Key audit matter
Valuation of investment properties *For details of the Company's description of the valuation, reference can be made to Note 3 Estimates and assessments, the Property valuation section, and Note 17 Investment properties.* The Group's property holdings are reported at fair value and mainly comprise residential properties. These properties are reported at fair value. The reported value of the Group's property holdings as of December 31, 2017 was SEK 87,913 million. The fair value of the Group's property holdings is calculated using an internal valuation model, described in Note 17. Reference valuations conducted by external valuation institutes are made for selected properties as supporting documentation and as part of the quality assurance of assumptions made in the internal valuation. The Group's valuation model is based on assumptions that include a considerable degree of assessment and uncertainty, which makes valuation an essential yet complex matter. Individual assumptions, and in particular assumptions regarding yield requirements and cost of capital, have a material impact on valuation.	Prior to the year-end, we held a meeting with the Company where we examined and assessed supporting documents and routines for the revaluation for the year. We also discussed models and assumptions for the valuation for the year. We allowed our specialists to examine the assumptions and outcomes in the form of a computation model, as well as external reference valuations and other documentation, in order to assess the reasonableness of the assumptions made. Our audit includes, but is not limited to, the following audit measures. • Random assessment of the mathematical computations in the model, as well as follow-up of unexpected items for specific explanations with the aid of our specialists • Random reconciliation of property data and rent levels against the rent information in the companies' systems in order to confirm the correctness and completeness of the input data. • Reconciliation of reporting on the Group level against the valuation model to ensure the valuation result has been reported correctly. Finally, we analysed and assessed valuation outcomes and particular sensitivities in the assumptions made to ensure these sensitivities are presented correctly in the annual accounts, and are in compliance with the stipulations in IFRS.

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts. This information can be found on pages 1-25***. In addition to other information in this document, the Company reports to the owner in the Förvaltnings AB Framtiden Annual Report for 2017, which we obtain prior to the date of this auditor's report and in addition prepare an annual report for publication which we expect to have access to after that date. The Board of Directors and the CEO are responsible for this 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 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 other knowledge that we obtained in conjunction with the audit, and assess whether the information in other respects appears to be materially misstated.

If, based on the work related to this information, we conclude that there is a material misstatement of this other information, we are required to report this. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO 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, with regard to the consolidated accounts, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. The Board of Directors and the CEO are also responsible for internal controls they deem necessary to enable 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 CEO 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 a going concern and using the going concern basis of accounting. The going concern basis of accounting is not applied if the Board of Directors and the CEO intend to liquidate the Company, to cease operations, or have 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 total, they could reasonably be expected to influence the economic decisions of users made on the basis of these annual accounts and consolidated accounts.

*, **, *** Page references refer to the official Swedish Annual Report.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the website of the Supervisory Board of Public Accountants: www.revisorsinspektionen.se/revisornsansvar. This description is part of the Auditor's Report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Förvaltnings AB Framtiden (publ) for 2017, and the proposed allocation of the Company's unappropriated earnings.

We recommend to the general meeting of shareholders that the profit be allocated in accordance with the proposal in the statutory administration report, and that the members of the Board of Directors and the CEO 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 Responsibility 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 CEO

The Board of Directors is responsible for the proposal for allocation of the Company's unappropriated earnings. When proposing a capital transfer, this includes an assessment of whether the capital transfer 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 organisation and the administration of the Company's affairs. This includes continuous assessment of the Company's and the Group's financial situation, and ensuring that the Company's organisation is designed so that the accounting, management of assets and the Company's financial affairs in other respects are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other things, take measures that are necessary to fulfil the Company's statutory accounting obligations and deal with the management of the Company's assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion on 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 CEO 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 examination of the proposed allocation of the Company's unappropriated earnings, and thereby our opinion on this, is to assess with a reasonable degree of assurance whether the proposal is in compliance 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 allocation of the Company's unappropriated earnings is not in compliance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the website of the Supervisory Board of Public Accountants: https://www.revisorsinspektionen.se/revisornsansvar. This description is part of the Auditor's Report.

Auditor's report on the Corporate Governance Report

It is the Board of Directors who are responsible for the Corporate Governance Report on pages 46-50* and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 Auditor's examination of the Corporate Governance Report. This means that our examination of the Corporate Governance Report is different and substantially more restricted 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 a sufficient basis for our opinions.

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6 Section 6, second paragraph, points 2-6 of the Annual Accounts Act, and Chapter 7, Section 31, second paragraph of the same act, are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, Gothenburg, was elected as the auditing firm for Förvaltnings AB Framtiden at the annual meeting held on March 16, 2015, and has been the company's auditing firm since March 19, 2007. Förvaltnings AB Framtiden became a company of public interest in 2010.

Gothenburg, February 13, 2018
Öhrlings PricewaterhouseCoopers AB

Karin Olsson
Authorised Public Accountant

*, **, *** Page references refer to the official Swedish Annual Report.

Lay Auditors' Report for 2017

To the Annual Meeting of Förvaltnings AB Framtiden
To Gothenburg City Council for information

Company reg. no. 556012-6012

In our capacity as lay auditors appointed by Gothenburg City Council, we have examined the operations of Förvaltnings AB Framtiden for 2017.

The Board of Directors and the CEO are responsible for ensuring that operations are conducted in compliance with laws and regulations, the Articles of Association, and the Ownership Charter.

It is the responsibility of the Lay Auditors to examine and assess whether the operations of the Company have been managed in a purposeful and financially satisfactory manner, and that the Company's internal controls have been adequate.

The examination was performed in accordance with the Swedish Companies Act, the Local Government Act, municipal auditing rules, and generally accepted auditing standards within municipal operations, with due observance of the resolutions of the City Council and the Annual Meeting. A summary of the examination that has been conducted has been submitted to the Board of Directors and CEO of the Company in an examination report. The examination was conducted with the requisite focus and scope to provide a reasonable basis for our assessment.

It is our opinion that the operations of the Company have been carried on in a purposeful and financially satisfactory manner, and that Company's internal controls have been adequate.

Gothenburg February 9, 2018

Hans Aronsson
Lay auditor appointed by the City Council

Claes-Göran Lans
Lay auditor appointed by the City Council

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Framtiden

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The Framtiden Group is part of the City of Gothenburg