

Year-end report 2018

January–December 2018

- Rental revenues totalled SEK 218.3 million (187.6), up 16% year-on-year.
- Net operating income was SEK 103.2 million (83.0), up 24%.
- Income from property management was SEK 23.7 million (28.3), corresponding to SEK 2.23 per share (2.83). During the year, non-recurring costs of SEK 19.6 million linked to the planned stock exchange listing were recognised under income from property management.
- Earnings after tax for the period amounted to profit of SEK 222.3 million (profit: 233.9), corresponding to profit of SEK 20.93 per share (profit: 23.39).
- Property value totalled SEK 6,039.5 million (4,738.6).
- Investments amounted to SEK 1,091.9 million (319.2), of which SEK 804.5 million (0) pertained to acquisitions.

October–December 2018

- Rental revenues totalled SEK 61.4 million (46.9), up 31% year-on-year.
- Net operating income was SEK 27.4 million (18.0), up 52%.
- Income from property management was SEK 3.4 million (5.6), corresponding to SEK 0.30 per share (0.56). During the quarter, non-recurring costs of SEK 9.1 million linked to the planned stock exchange listing were recognised under income from property management.
- Earnings after tax for the period amounted to a loss of SEK 6.0 million (profit: 63.1), corresponding to a loss of SEK 0.54 per share (profit: 6.31).
- Investments amounted to SEK 56.5 million (102.7).

John Mattson – Goals and strategies

John Mattson is Lidingö's largest property owner with some 2,200 apartments located in Larsberg, Käppala, Baggeby and Dalén. The business was founded in 1965 by master builder John Mattson and its core values – a long-term orientation, professionalism and commitment – are as strong today as they were then.

Business idea

Our business idea revolves around the long-term ownership, management and development of residential property and attractive local communities in the Stockholm region.

Offering

We make daily life easier for everyone by offering well-managed, attractive homes and safe neighbourhoods.

Financial targets

- An average annual growth in EPRA NAV per share of not less than 10%, including value changes, over a business cycle.
- An average annual growth in income from property management per share of not less than 10% over a business cycle.
- The aim is for the property value to reach at least SEK 10 billion by 2023.

Strategies

An overall and personal approach to management

We know our properties and understand our customers. We apply an overall approach taking responsibility for the buildings and activity in the outdoor areas. We maintain our properties based on a long-term lifecycle perspective, and by optimising rental revenues together with conducting efficient operations and management we ensure a high net operating income.

Adding value

We add value to our buildings by upgrading, extending and converting space to housing.

Infill development

We are increasing the housing density of our own properties and adjacent properties, and thereby adding new attributes to local communities and creating great neighbourhoods.

Acquisitions

We strive to acquire properties with development potential in attractive market locations in the Stockholm region, which are located close to efficient infrastructure. Our acquisitions are based on a long-term approach.

Financing

We pursue a low risk approach to financing. In practice, this means that the long-term, net loan-to-value ratio should not exceed 50% and the long-term interest coverage ratio should not be less than 1.5.

Significant events

January–December 2018

- During the year, the Board decided to start preparing the company for a stock exchange listing planned for June 2019. The process has entailed non-recurring costs of SEK 19.6 million.
- In June 2018, 481 apartments were acquired at a cost of SEK 804.5 million in Käppala, in eastern Lidingö. In conjunction with the acquisition, the company acquired a new part-owner.
- The loan portfolio was restructured during the year, which resulted in a longer loan-to-maturity and improved credit terms.
- The Parkhusen project by Larsbergsparken, with 80 newly constructed apartments, welcomed its first new tenants in July 2018.
- Construction permit and construction start for U25, a block of 74 apartments for young adults, in Larsberg city centre.
- 210 apartments received base upgrades and 109 apartments total upgrades using the Larsberg model. A further 56 apartments received a total upgrade.
- Over the year, an additional 14 apartments were added through the conversion of premises.

Key metrics	2018 Oct–Dec	2017 Oct–Dec	2018 Jan–Dec	2017 Jan–Dec
Rental revenues, SEK m	61.4	46.9	218.3	187.6
Net operating income, SEK m	27.4	18.0	103.2	83.0
Income from property management, SEK m	3.4	5.6	23.7	28.3
Income from property management, SEK/share	0.30	0.56	2.23	2.83
Income from property management, SEK/share, growth, %	-45.9	-50.4	-21.0	-36.9
Adjusted income from property management, SEK/share, growth, % ¹⁾	99.3	-50.4	44.1	-36.9
Profit after tax, SEK/share	-0.54	6.31	20.93	23.39
Property value, SEK m	6,039.5	4,738.6	6,039.5	4,738.6
Economic occupancy rate, %	96.5	97.4	96.5	97.4
Loan-to-value (LTV) ratio, %	41.0	37.5	41.0	37.5
Interest coverage ratio, multiple	1.5	1.7	1.6	1.7
EPRA NAV, SEK/share	312.68	291.27	312.68	291.27
EPRA NAV, SEK/share, growth, %	7.3	10.7	7.3	10.7
EPRA NNNNAV, SEK/share	291.13	270.52	291.13	270.52

¹⁾ Adjusted income from property management pertains to income from property management after adjustment for non-recurring costs of SEK 19.6 million linked to the planned stock exchange listing.

Definitions of key metrics are provided on pages 21–22.

An eventful year – now we're upping the pace

2018 was characterised by work to complete the base upgrade of the properties in Larsberg, an increase in the property portfolio as a result of the Käppala acquisition and preparations for a stock exchange listing.

2018 was eventful year for John Mattson. The acquisition of Käppala during the summer added 481 apartments to the portfolio. At the same time as taking over the property portfolio in Käppala, tenants moved into the 80 newly constructed apartments in Parkhusen, Larsberg. During the year, we also continued to upgrade the holdings from the 1950s and 1960s, which reached an important milestone in December when we completed the base upgrades of the Larsberg apartments. Over slightly more than six years of work at Larsberg, 18 buildings have been replumbed and had their bathrooms renovated. Moreover, entrances, stairwells, laundry rooms and other shared spaces have been upgraded.

Over the next two years, we expect to completely upgrade some 200 apartments at the same time as completing base upgrades of the apartments in Käppala.

2018 was also characterised by preparations that John Mattson is undertaking ahead of a planned stock exchange listing. This entailed intensive work, whereby every part of the company was studied in detail, a process that will ultimately make us an even better company.

Profit for the period

Rental revenues for the full-year 2018 totalled SEK 218.3 million (187.6), up 16% year-on-year. Net operating income for the same period amounted to SEK 103.2 million (83.0). The increases were primarily attributable to the acquisition of Käppala and the newly constructed Parkhusen.

Income from property management for the full-year 2018 amounted to SEK 23.7 million (28.3). The decline was due largely to an increase in central administration costs, of which non-recurring costs attributable to the planned stock exchange listing accounted for SEK 19.6 million. Adjusted for these costs, income from property management for the period was SEK 43.3 million. Costs during the first half of 2019 are estimated to remain high but will thereafter return to a normal level after the listing.

Investments

Investments continue to be made in the property portfolio in the form of upgrades. We have completed the base upgrade and are now continuing with the total upgrade in Larsberg as well as base upgrades and conversions of premises in Käppala. New construction of U25 is proceeding as planned and occupancy of the 74 apartments for young people is scheduled for the fourth quarter 2019.

Life in the outdoor areas

We are continuing the important work of developing our areas with a focus on the outdoor areas. As a feature of this work, we are striving to create pleasant and welcoming surroundings, stimulating meeting places and activities that will enable our visitors and tenants to meet in the outdoor areas between the buildings and also to meet across generational divides. Planning for activities in 2019 is fully under way.



2018 was characterised by our preparations ahead of a planned stock exchange listing.

Future assessment

Now that we have entered 2019, we do so at an unabated pace. Not least in terms of the continued upgrades of apartments, conversion of premises and work to advance the new-build processes. We see considerable potential to continue the infill development of our sites in both Larsberg and Käppala. Next in line is the construction of about 200 apartments on the Fyrtornet 5 property. The planning process for this has been initiated and I hope that we will be able to start the actual construction in 2020.

As a result of the combination of our existing portfolio, the potential for new builds that we have identified and market demand for the apartments that we offer, we as a company can look forward to a very interesting future.



Siv Malmgren
CEO, Siv Malmgren

John Mattson's property portfolio

John Mattson's property portfolio is concentrated in the south of Lidingö and mainly consists of residential property. The portfolio comprises 2,177 rental properties with a lettable area of 169,000 sq m, broken down as 91% apartments and 9% commercial premises.

Master Builder John Mattson constructed Larsberg toward the end of the 1960s. The company owns most of the land in Larsberg and has increased the area's housing density in recent years by adding a number of housing blocks. Larsberg accounts for 67% of the total number of apartments. The Barkassen and Galeasen properties, located nearby in Baggeby, have received a total upgrade and comprise a total of 83 apartments. The Parkhusen property in Larsberg, totalling 80 apartments, were completed in June 2018. Since 2015, the company has owned and managed one property with 146 apartments in the neighbouring area of Dalénium.

Acquisitions

At the end of June, John Mattson acquired 481 apartments at a cost of SEK 804.5 million in Käppala, Lidingö, with title transferred as of 29 June 2018.

Consisting of buildings raised between 1958 and 1960, 82% of the apartments in the acquired property portfolio are unrenovated, 14% have had a total upgrade and 4% are newly built.

Adding value

Over the last few years, the buildings in Larsberg and Baggeby have undergone extensive upgrades to ensure their technical viability and to generate a higher net operating income primarily through higher rent levels. Apartment renovations follow a two-step process: the initial base upgrade and the following total upgrade. Furthermore, existing space is also converted into apartments.

In the January to December period, 210 (418) apartments received a base upgrade and 165 (51) apartments received total upgrades. At the end of the period, base upgrades were ongoing for 0 (35) apartments and total upgrades for 0 (0) apartments. During the period, 14 (0) apartments were added in Larsberg when former commercial premises were converted to apartments.

Property portfolio at 31 December 2018

January–December 2018 ²⁾

	Buildings/ Apartments		Property value		Lettable area	No. of renovated apartments		Rental value		Economic occupancy rate	Tenant turnover ¹⁾	Rental revenues	Property expenses	Net operating income
	No.	No.	SEK m	SEK/ sq m	thousand sq m	Base	Total/ New build	SEK m	SEK/ sq m	%	%	SEK m	SEK m	SEK m
Housing														
Larsberg	22	1,467	4,103.6	35,813	114.6	913	554	164.5	1,436	98.9	15.0	156.5	82.7	73.8
Baggeby	2	83	237.2	41,563	5.7	–	83	9.1	1,591	98.3	8.4	7.1	6.2	0.9
Dalénium	1	146	468.0	50,759	9.2	–	146	21.5	2,330	97.5	18.5	21.3	4.9	16.5
Käppala	12	481	819.0	27,252	30.1	–	85	38.9	1,293	88.0	13.5	32.6	26.3	6.3
Total housing³⁾	37	2,177	5,627.8	35,270	159.6	913	868	233.9	1,466	97.0	–	217.5	120.0	97.5
Commercial and other premises														
Larsberg	3	–	284.2	35,708	8.0	–	–	20.4	2,567	95.8	–	20.0	3.9	16.0
Total investment properties	40	2,177	5,912.0	35,291	167.5	913	868	254.4	1,518	96.9	–	237.5	124.0	113.5
Ongoing projects	1	–	65.3	–	–	–	–	–	–	–	–	–	–	–
Development projects for identified development rights and undeveloped land	1	–	62.2	40,627	1.5	–	–	3.0	1,961	69.6	–	2.1	0.4	1.7
Total	42	2,177	6,039.5		169.1	913	868	257.4		96.5		239.6	124.4	115.2

¹⁾ In the preceding twelve-month period.

²⁾ The above compilation encompasses the properties owned by John Mattson at the close of the period and shows the properties' revenue and expenses as if they had been owned for the entire period. The discrepancy between the net operating income of SEK 115.2 million reported above and the net operating income in the income statement of SEK 103.2 million is attributable to the net operating income for properties acquired during the period and completed projects being revised upward by SEK 12.0 million as if they had been owned or completed for the entire period.

³⁾ Residential property pertains to property that primarily consists of housing, but where a portion of the lettable area may also include other premises and garages.

Apartment structure and occupancy rate

As of 31 December 2018, the total number of apartments was 2,177. Of these, 396 (210) were unrenovated, 913 (868) had undergone a base upgrade, 453 (222) had received a total upgrade and 415 (302) were newly built.

The economic occupancy rate at 31 December 2018 was 96.5% (97.4) and the occupancy rate for apartments was 98.3% (98.4). As of 31 December 2018, 47 apartments were vacant, of which 37 were attributable to the portfolio acquired in Käppala.

Object categories	No. of Apts.	Lettable area, thousand sq m	Rental value, SEK m
Unrenovated Apts.	396	24.1	26.9
Base upgrade, Apts.	913	72.3	88.9
Total upgrade, Apts.	453	32.7	50.4
New build Apts.	415	24.8	51.1
Garages and parking places	–	–	12.2
Premises and store rooms	–	15.1	28.0
Total	2,177	169.1	257.4

	No. of Apts.	Let area, thousand sq m	Contract value, SEK m
Total	2,130	163.9	248.5

	No. of Apts.	Lettable area, thousand sq m	Vacancy value, SEK m
Vacant Apts.	47	3.1	3.6
Vacant garages and parking places	–	–	2.7
Vacant premises and store rooms	–	2.1	1.5
Discounts	–	–	1.0
Total	47	5.2	8.9

The above compilation encompasses the properties owned by John Mattson at the close of the period. The rental value pertains to contracted annual rents and assessed market rents for vacant space. The vacancy value comprises a snapshot at the end of the period that is restated on an annualised basis.

Infill development

John Mattson works actively to identify undeveloped land where infill development is possible and appropriate for the existing built-up area. This work is mainly confined to our own land, and the aim is to generate growth through value adding construction that concurrently makes the area more attractive. Development is conducted in close collaboration with the municipality and local stakeholders.

Projects completed

In July, 80 new tenants moved into Parkhusen, the two newly constructed buildings by Larsbergsparken.

Ongoing projects

The construction of the 74 apartments for young adults in Larsberg, under the name U25, is progressing as planned with completion scheduled for the fourth quarter of 2019. The U25 apartments mainly consist of space-efficient studio and one-bedroom apartments as well as three apartment shares.

The detailed development plan and the construction permit process for U25 was conducted in an express project format in close collaboration with the municipality of Lidingö Stad and where the process was completed in less than one year.

Development projects

The planning process is underway for some 200 new homes in the Fyrtornet 5 property in Larsberg under the project name of Ekporten.

Project planning is ongoing for the conversion of premises and an attic extension at the Herkules 1 property in Käppala with the aim of completing the procurement at the start of 2019.

A number of additional, potential infill development projects have been identified in Larsberg and in Käppala. In total, John Mattson's development portfolio encompasses around 1,000 apartments corresponding to a lettable area of 55,000–60,000 sq m.

List of ongoing projects at 31 December 2018

Property/Area	Category	No. of Apts.	Additional lettable area	Carrying amount, SEK m	Total hold. incl. land, SEK m	Of which, left to invest, SEK m	Estimated rental value SEK m ¹⁾	Completion
U25, Klockbojen 4/Larsberg	New builds	74	2,396	65.3	141.5	78.9	7.3	Q4 2019
Total ongoing projects		74	2,396	65.3	141.5	78.9	7.3	

List of development projects and identified development rights

Property/Area	Category	Number of Apts. ²⁾	Additional lettable area ²⁾	Carrying amount, SEK m	Possible construction start ³⁾	Project phase
Ekporten, Fyrtornet 5/Larsberg	New builds	200	approx. 11–12,000	–	2020	Ongoing planning process
Herkules 1/Käppala	Attic extension	25	800	–	2019	Construction permit in place
Käppala	Conversion of premises	20	900	–	2019	Detailed development plan in place
Juno 2 & 3/Käppala	Attic extension	50	1,750	–	2021	Inquiry under way
Total ongoing development projects		295	14–15,450	62.2		
Larsberg	New builds	approx. 500–600	approx. 30–35,000	–	after 2022	New detailed development plan needed
Käppala	New builds	approx. 150	approx. 10,000	–	after 2022	New detailed development plan needed
Total development rights identified		approx. 650–750	approx. 40–45,000	–		
Total development portfolio		approx. 950–1,050	approx. 55–60,000	62.2		

¹⁾ Pertains to the estimated rental value when the project has been completed and is fully let.

²⁾ The number of apartments and the area have been assessed by John Mattson and are therefore only preliminary. The figures could change during the course of the project.

³⁾ The possible construction start is an estimate of when the project could start if work on the detailed development plan progresses in line with the current assessment.

Current earnings capacity

The table illustrates John Mattson's current annualised earnings capacity, after taking in to consideration the entire property portfolio on the balance-sheet date. The properties acquired and the projects completed during the period have been restated on an annualised basis.

Current earnings capacity is reported in conjunction with interim and year-end reports. The aim is to highlight the company's underlying earning capacity. It is important to note that the actual earnings capacity is not a forecast for the current year nor for the forthcoming 12 months. The earnings capacity includes no assessments of rental, vacancy or interest-rate changes. Moreover, John Mattson's earnings are impacted by changes in the values of properties and derivatives. None of the above was taken into consideration when assessing current earnings capacity. Costs linked to the stock exchange listing are not included in the assessment of earning capacity.

Rental revenues is based on contracted revenue on the balance-sheet date. Property expenses are based on LTM property expenses for properties owned for the entire period. Additions are made for completed new builds, extensions and redevelopment projects and for acquisitions carried out which are calculated at an annualised rate. Deductions are made for any disposals.

Maintenance expenses attributable to completed upgrade projects over the most recent 12-month period have been excluded and estimated maintenance expenses for upgrade projects over the next 12 months have been added.

Property administration costs are based on estimated costs on a rolling 12-month basis using the scope and extent of property administration on the balance-sheet date.

Central administration costs are based on estimated costs on a rolling 12-month basis using the scope and extent of central administration at the balance-sheet date.

Net financial items have been calculated based on net interest-bearing debt on the balance-sheet date. Any interest on cash and cash equivalents has not been taken into account and the interest on interest-bearing liabilities has been calculated using the current average interest rate at the balance-sheet date.

SEK m	31 December 2018
Rental value	257.4
Vacancies and discounts	-8.9
Rental revenues	248.5
Operating expenses	-55.7
Maintenance expenses	-22.0
Property administration	-18.3
Property tax	-4.3
Net operating income	148.1
Central administration costs	-21.8
Net financial items	-46.6
Income from property management	79.7

Condensed consolidated statement of comprehensive income

Amounts in SEK m	Note	2018 Oct–Dec	2017 Oct–Dec	2018 Jan–Dec	2017 Jan–Dec
Rental revenues	2	61.4	46.9	218.3	187.6
Operating expenses	3	-15.7	-9.3	-46.9	-38.2
Maintenance	3	-10.1	-14.7	-43.3	-48.3
Property tax	3	-1.1	-0.8	-4.0	-3.3
Property administration	3	-7.0	-4.1	-20.9	-14.8
Net operating income		27.4	18.0	103.2	83.0
Central administration costs	4	-17.0	-2.7	-37.4	-11.5
Net financial items	5	-7.1	-9.8	-42.1	-43.2
Income from property management	1	3.4	5.6	23.7	28.3
Change in property values	6	2.6	74.2	208.9	254.2
Change in the value of interest-rate derivatives	6	-6.1	-1.0	0.8	16.5
EBT		-0.2	78.7	233.4	299.0
Current tax	7	0.0	-0.1	0.0	-0.1
Deferred tax	7	-5.9	-15.5	-11.1	-65.0
Profit/loss for the period		-6.0	63.1	222.3	233.9
Other comprehensive income for the period					
Profit for the period		-6.0	63.1	222.3	233.9
Other comprehensive income		0.0	0.0	0.0	0.0
Comprehensive income for the period		-6.0	63.1	222.3	233.9
Average No. of shares, thousand		11,223	10,000	10,620	10,000
Earnings per share for the period		-0.54	6.31	20.93	23.39

Profit for the period is attributable in full to the Parent Company's shareholders. No dilution effects apply.

January to December 2018 period

The comparative figures pertain to the year-earlier period. Some amounts have been rounded off, which means that tables and calculations do not always tally. The stated SEK/sq m figures pertain to the properties owned by John Mattson at the close of the period, whereby acquired properties and completed projects have been restated at the full-year rate.

Note 1: Income from property management

Income from property management – profit excluding value changes and tax for the January–December 2018 period – was SEK 23.7 million (28.3), corresponding to SEK 2.23 per share (2.83). Non-recurring central administration costs of SEK 19.6 million, linked to the planned stock exchange listing, were charged against income from property management. Adjusted for these costs, income from property management for the period amounted to SEK 43.3 million, corresponding SEK 4.08 per share, which is equal to growth in income from property management of 44.1%.

Note 2: Revenue

The Group's revenue for the period amounted to SEK 218.3 million (187.6), corresponding to SEK 1,417 per sq m (1,400). The average economic occupancy rate over the period amounted to 97.3% (98.0) including discounts of SEK 1.0 million (0.9).

Revenue	2018	2018	2017	2017
	Jan–Dec, SEK m	31 Dec 2018 SEK/sq m	Jan–Dec SEK m	31 Dec 2017 SEK/sq m
Larsberg	173.0	1,440	160.0	1,343
Baggeby	7.1	1,244	6.5	1,145
Dalénium	21.3	2,314	21.1	2,283
Käppala	16.9	1,083	–	–
Total	218.3	1,417	187.6	1,400

Housing rental revenues totalled SEK 183.0 million (155.2), corresponding to SEK 1,363 per sq m (1,298). The average economic occupancy rate for apartments over the period amounted to 98.0% (98.9) including apartment vacancies of SEK 3.1 million (1.5) and apartment discounts of SEK 0.1 million (0.0). Apartment vacancies of SEK 0.6 million were attributable to Barkassen in Baggeby being vacated in conjunction with the total upgrade of this property, which was concluded in June 2018. Käppala accounts for SEK 0.5 million of apartment vacancies. Remaining rental revenues pertain primarily to commercial premises.

The revenue increase of SEK 30.7 million was mainly attributable to acquired and newly built properties, which increased revenue by SEK 22.0 million (0.0) for the period. The increase is also due to implemented base and total upgrades, which had an impact on revenue during the period of SEK 5.7 million (2.8). During the period, 375 (469) apartments received base or total upgrades. The general annual rent negotiations for housing in 2018 resulted in increases of 1.2–1.6% from 1 April 2018, corresponding to SEK 1.4 million of the revenue increase for the period. The remaining part of the revenue increase was attributable to commercial premises, garages and parking places.

Note 3: Property expenses

Property expenses totalled SEK 115.1 million (104.6), corresponding to SEK 736 per sq m (780), which is a cost reduction of SEK 45 per sq m or 6%. Operating expenses amounted to SEK 46.9 million (38.2). The increase for the period was mainly due to additional operating expenses arising from acquired properties and new-build projects completed during the year, which impacted earnings as of the third quarter of 2018. The largest cost item was tariff-based costs, which corresponded to around 40% of operating expenses.

Property expenses	2018	2018	2017	2017
	Jan–Dec, SEK m	31 Dec 2018 SEK/sq m	Jan–Dec SEK m	31 Dec 2017 SEK/sq m
Larsberg	86.2	702	94.2	791
Baggeby	6.2	1,078	5.6	976
Dalénium	4.9	528	4.9	528
Käppala	17.9	874	–	–
Total	115.1	736	104.6	780

Maintenance expenses amounted to SEK 43.3 million (48.3), of which SEK 18.5 million (26.8) was attributable to base and total upgrades carried out during the period.

Property expenses/ per sq m, annualised	Larsberg	Baggeby	Dalénium	Käppala	Total
Operating expenses	295	283	370	453	327
Maintenance	263	600	50	250	260
of which, upgrades	127	487	0	0	110
Property tax	27	15	20	24	26
Property administration	118	181	88	146	123
Total	702	1,078	528	874	736

Note 4: Central administration costs

Central administration costs, which consist of costs for company management and central support functions, totalled SEK 37.4 million (11.5). During the period, non-recurring costs of SEK 19.6 million (0.0) linked to the planned stock exchange listing were recognised under central administration costs.

Note 5: Net financial items

Net financial items amounted to a negative SEK 42.1 million (negative: 43.2). Capitalised financial expense on ongoing projects amounted to SEK 2.8 million (2.9). The average interest rate, including the effects of interest-rate derivatives, was 1.88% (2.37) at the end of the period. The main reason for the lower level of interest rates and the reduced interest expense was that borrowing terms were renegotiated in 2018 in connection with extension of the borrowing agreements.

Note 6: Changes in value

In 2018, the property market in general remained positive with stable prices. Unrealised changes in the value of properties amounted to SEK 208.9 million (254.2). Value changes were mainly attributable to an improved net operating income, primarily linked to measures to raise rents in the form of upgrades.

Unrealised changes in value	2018	2017
	Jan–Dec, SEK m	Jan–Dec, SEK m
Change in net operating income	131.9	73.0
Ongoing projects/development rights	68.4	169.3
Yield requirement	0.0	12.0
Acquired properties	8.5	–
Total	208.9	254.2
<i>In relation to market value, OB, %</i>	<i>4.4</i>	<i>6.1</i>

Unrealised changes in interest derivatives amounted to SEK 0.8 million (16.5), as a result of rising market interest rates, which resulted in a decline in the interest-rate derivatives' deficit values.

Note 7: Tax

Current tax for the period was SEK 0.0 million (expense: 0.1). Deferred tax amounted to an expense of SEK 11.1 million (expense: 65.0) and was mainly impacted by unrealised changes in property and interest-rate derivative values amounting to a negative SEK 46.1 million (negative: 59.6) as well as by the effect of the lowered tax rate from 22.0% to 20.6%, amounting to SEK 46.2 million.

The revaluation of deferred tax was due to a decision being taken to lower corporation tax in Sweden in two stages, from 2019 to 21.4% and from 2021 to 20.6%. John Mattson has elected to calculate deferred tax at the lower rate, since no significant amounts for any tax liabilities or assets are expected to be reversed in the period up to 2021. The limitations on tax deductions for interest payments that are being introduced are not expected to have any material effect on the tax paid by the Group over the next few years.

SEK m	Tax base, current tax	Tax base, deferred tax
Income from property management	23.7	–
Tax deductible		
Depreciation	-32.5	32.5
New builds and redevelopments	-144.4	144.4
Other fiscal adjustments	26.3	0.8
Taxable income from property management	-126.9	177.7
Changes in property values	–	208.9
Changes in derivative values	–	0.8
Taxable earnings before loss carryforwards	-126.9	387.3
Loss carryforwards, opening balance	-374.0	374.0
Loss carryforwards, closing balance	500.9	-500.9
Taxable profit	0.0	260.4
Tax for the period, 22%	–	-57.3
Revaluation of deferred tax	–	46.2
Tax recognised in profit or loss	–	-11.1

The Group's loss carryforwards are estimated at SEK 500.9 million (374.0), and comprised the basis for the Group's deferred tax assets. Deferred tax pertains primarily to temporary differences between the fair values and the fiscal residual values for properties. The properties' fair value exceeds their fiscal values by SEK 4,455.9 million (3,512.6). The full nominal tax rate of 20.6% is recognised as deferred tax, less deferred tax pertaining to historical asset acquisitions

SEK m	Tax base	Nominal tax liability	Actual tax liability/asset
Properties	-4,455.9	-917.9	-267.4
Derivatives	73.5	15.1	14.0
Loss carryforwards	500.9	103.2	63.2
Untaxed reserves	-0.3	-0.1	-0.1
Total	-3,881.8	-799.7	-168.3
Property, asset acquisitions	581.8	119.9	–
According to balance sheet	–	-679.8	–

A tax rate of 6% has been assumed for the estimated, actual deferred tax on the Group's properties, based on a discount interest rate of 3%. This estimation was conducted with regard to the applicable tax legislation, which means that properties can be sold in a corporate wrapper with no tax consequences. The assumption underlying this assessment is that the properties will be divested on an ongoing basis over a 50-year period and where 90% of the properties will be sold using a corporate wrapper and 10% will be divested through direct property transfers. Tax deductions for the indirect transactions have been estimated at 5.5%. In respect of loss carryforwards and derivatives, the estimated actual tax liability was calculated based on a discount interest rate of 3%, whereby the assessment is that the loss carryforwards will be realised over a ten-year period and the derivatives will be realised over a five-year period. This means that the estimated actual tax is 17% for loss carryforwards and 19% for derivatives.

Condensed consolidated balance sheet

Amounts in SEK m	Note	31 December 2018	31 December 2017
ASSETS			
Investment properties	8	6,039.5	4,738.6
Other non-current receivables		9.4	10.4
Total non-current assets		6,048.9	4,749.0
Other current receivables		25.8	11.1
Cash and cash equivalents		2.8	9.6
Total current assets		28.7	20.7
TOTAL ASSETS		6,077.6	4,769.7
EQUITY AND LIABILITIES			
Equity	9	2,756.0	2,169.7
Other provisions		0.6	0.7
Non-current interest-bearing liabilities	9	2,479.4	–
Deferred tax liabilities	7	679.8	668.7
Interest-rate derivatives	9	73.5	74.4
Current interest-bearing liabilities	9	–	1,784.9
Other liabilities		88.3	71.3
Total liabilities		3,321.6	2,600.0
TOTAL EQUITY AND LIABILITIES		6,077.6	4,769.7

Condensed consolidated statement of changes in equity

Amounts in SEK m	Total shares outstanding, thousand ¹⁾	Share capital	Other contributed capital	Retained earnings	Total equity
Equity at 31 Dec 2016	10,000	10.0	–	1,925.8	1,935.8
Comprehensive income for the year	–	–	–	233.9	233.9
Equity at 31 Dec 2017	10,000	10.0	–	2,159.7	2,169.7
Comprehensive income for the year	–	–	–	222.3	222.3
Offset issue	1,223	1.2	362.8	–	364.0
Equity at 31 Dec 2018	11,223	11.2	362.8	2,382.0	2,756.0

The quotient value of the shares is SEK 1 per share (SEK 10,000).

¹⁾ A share split was decided in 2018 that entailed each share being split into 10,000 new shares (split 10,000:1). The share split was completed in the second quarter. Dividend and earnings per share data for periods prior to the split have been restated in this report based on the number of shares after the split was completed. In conjunction with the acquisition of Käppala, where title was transferred on 29 June 2018, an issue offsetting debt was conducted of a further 1,223,344 shares, which were registered with the Swedish Companies Registration Office on 8 August 2018. In the table, shares outstanding have been adjusted to take into account the offset issue and the split. The number of shares at 31 December 2018 was 11,233,344.

Balance sheet at 31 December 2018

Note 8: Investment properties

John Mattson's property portfolio is concentrated on Lidingö in Stockholm and mainly consists of residential property located in the Larsberg, Baggeby, Dalén and Käppala districts. At the end of the period, the property value was SEK 6,039.5 million (4,738.6) with a lettable area of 169,100 sq m (134,100), broken down as 91% apartments and 9% commercial premises, with an annual rental value of SEK 257.4 million (193.7). The portfolio comprises 2,177 apartments (1,602). The properties in Käppala encompassing 481 apartments were acquired and taken possession of on 29 June 2018.

Investments

During the period, total investments amounted to SEK 1,091.9 million (319.2), of which SEK 804.5 million (0.0) pertained to acquiring properties through the acquisition of Käppala. Investments in new builds totalled SEK 115.0 million (132.2) and essentially pertained to the completion of the Parkhusen property with 80 new apartments and the construction start of U25 with 74 apartments for young adults. Investments in implemented base and total upgrades amounted to SEK 170.1 million (191.9) and encompassed 375 apartments (469). The number of ongoing base and/or total upgrades at the end of the period was 0 (35).

Property value

The Group's properties are recognised at fair value in line with level 3 under IFRS 13. As of 31 December 2018, external valuations had been carried out for all of the Group's properties by Cushman & Wakefield. After being checked, the valuations were adopted by the Board. The valuations use a cash-flow model with an individual assessment for each property covering its future earnings potential and the market's yield requirement.

The estimates are normally conducted using a calculation period of 10 years, the period from January 2019 to December 2028. For the assessment of the residual value at the end of the calculation horizon, net operating income for 2029 has been calculated. A couple of the valuation objects comprise new build projects that are not liable for property tax for a period of 15 years from completion. For these properties, the calculation horizon has been extended to take this into account. In addition to assumed inflation of 2.0%, the assessment of a property's future earnings capacity has also taken into consideration any changes in rent levels, occupancy rates and property expenses. Yield requirements are individual for each property and depend on the analysis of completed transactions and the property's market position.

Change in property value	SEK m
Property value, opening balance at 1 Jan 2018	4,738.6
+ Acquisitions	804.5
+ Investments in new builds	115.0
+ Investments in base upgrades	93.5
+ Investments in total upgrades	76.6
+ Other investments	2.3
– Sales	–
+/- Unrealised changes in value	208.9
Property value, closing balance at 31 Dec 2018	6,039.5

Property-related key metrics	Jan-Dec 2018	Jan-Dec 2017
Rental value SEK/sq m	1,522	1,445
Economic occupancy rate, %	96.5	97.4
Property expenses, SEK/sq m	736	780
Net operating income, SEK/sq m	682	619
Property value, SEK/sq m	35,339	33,902
Number of buildings	42	30
Lettable area at the end of the period, thousand sq m	169.1	134.1
Average valuation yield	3.1	3.1

Financing

Note 9 Financing

John Mattson strives to keep financial risk low with a long-term LTV ratio that is not permitted to exceed 50% and a long-term interest coverage ratio of not less than 1.5.

Equity and net asset value

As of 31 December 2018, equity totalled SEK 2,756.0 million (2,169.7), which corresponds to SEK 245.56 (216.97) per share. During the period, equity increased with profit for the period of SEK 222.3 million (233.9) and through an offset issue that raised SEK 364.0 million as part payment for the acquisition of Käppala.

EPRA NAV amounted to SEK 312.68 per share (291.27) and had increased 7.3% compared with 31 December 2017. EPRA NNNAV amounted to SEK 3,267.4 million (2,705.2) or SEK 291.13 per share (270.52) following deductions for the estimated actual deferred tax liability.

	31 Dec 2018		31 Dec 2017	
	SEK m	SEK/share	SEK m	SEK/share ¹⁾
Equity according to balance sheet	2,756.0	245.56	2,169.7	216.97
Add back:				
Derivatives according to balance sheet	73.5	6.55	74.4	7.44
Deferred tax liability in balance sheet	679.8	60.57	668.7	66.87
Deferred tax assets in balance sheet	–	–	–	–
EPRA NAV	3,509.3	312.68	2,912.7	291.27
Less:				
Derivatives according to balance sheet	-73.5	-6.55	-74.4	-7.44
Estimated actual deferred tax liability	-168.3	-15.00	-133.2	-13.31
EPRA NNNAV	3,267.4	291.13	2,705.2	270.52

¹⁾ The share split that was completed during the period, after which the total number of shares amounted to 10,000,000, was adjusted in the calculation.

Interest-bearing liabilities

John Mattson conducts its borrowing through banks using mortgage deeds as collateral. At the end of the period, John Mattson had credit agreements for SEK 2,589.4 million (1,794.9). The loan volumes utilised at the end of the period amounted to SEK 2,479.4 million (1,784.9), of which SEK 2,479.4 million (0.0) was a non-current liability and SEK 0.0 million (1,784.9) was current.

Interest-bearing liabilities, net of cash and cash equivalents of SEK 2.8 million (9.6), amounted to SEK 2,476.6 million (1,775.4), corresponding to an LTV ratio of 41.0% (37.5).

New borrowing in conjunction with the acquisition of Käppala was completed by taking over credits of SEK 429 million with an average credit maturity of 3.3 years, a fixed-interest tenor of 3.3 years and an average interest rate of 1.78%. Moreover, new borrowing was conducted during the period that amounted to SEK 265 million, as well as an additional SEK 100 million in unutilised credit facilities, to finance completed and ongoing new build projects and upgrades.

The average credit maturity was 3.3 years (0.6) at the end of the period.

Fixed-interest and loan-to-maturity periods on 31 December 2018

Maturity	Fixed-interest period			Loan-to-maturity			Derivatives	
	Volume (SEK m)	Average interest rate (%) ¹⁾	Share (%)	Credit agreement volume (SEK m)	Utilised, SEK m	Share (%)	Volume (SEK m)	Average interest rate (%) ²⁾
0–1 year	775	2.08	31	110	0	4	0	–
1–2 years	259	2.50	10	448	448	17	186	–
2–3 years	0	0.00	0	554	554	21	0	–
3–4 years	506	1.59	20	527	527	20	154	–
4–5 years	171	1.21	7	475	475	18	171	–
→ 5 years	768	1.82	31	475	475	18	768	–
Total	2,479	1.88	100	2,589	2,479	100	1,279	2.10

¹⁾ Average interest rate at the end of the period including derivatives.

²⁾ Volume-weighted average interest for interest-rate derivatives.

Fixed interest and interest-rate derivatives

The interest-rate structure is allocated over time to ensure the stability of net financial items. Interest-rate derivatives in the form of interest-rate swaps are used to attain the desired interest-maturity structure. In accordance with the accounting rules in IFRS 9, these derivatives must be marked to market. Irrespective of the credit margin, if the agreed interest rate for a derivative deviates from the market interest rate, a theoretical surplus or deficit value arises for the interest-rate derivative, and this non-cash item is recognised in profit or loss. On expiry, the derivative contract's market value dissolves entirely and, accordingly, the value change over time has had no impact on equity.

John Mattson has contractual interest-rate swaps to a nominal value of SEK 1,279.0 million (1,279.0), corresponding to 51.6% (71.7) of interest-bearing liabilities. The company also has contractual interest-rate swaps of SEK 400.0 million with a

start date of 2020, which will become effective in conjunction with the expiry of derivative agreements of SEK 586 million. The interest-rate swaps expire between 2020 and 2028. The market value of interest-rate derivatives at the end of the period was a negative SEK 73.5 million (negative: 74.4). The related reserve of SEK 73.5 million will be gradually reversed and recognised in profit or loss up to the end date of the derivatives, regardless of the interest-rate level. No hedge accounting is applied. The fair value of non-current interest-bearing liabilities does not deviate from their carrying amounts, since the discounting effect is not material.

John Mattson's average fixed-interest tenor, including interest-rate swaps, was 3.5 years (4.5) at the end of the period.

The average interest rate for the Group's total interest-bearing liability, including the effect of interest-rate swaps, was 1.88% (2.37) at the end of the period.

Condensed consolidated cash-flow statement

Amounts in SEK m	2018 Oct–Dec	2017 Oct–Dec	2018 Jan–Dec	2017 Jan–Dec
Operating activities				
EBT	-0.1	78.7	233.4	299.0
<i>Adjustment for non-cash items</i>				
Change in value of investment properties	-2.6	-74.2	-208.9	-254.2
Change in value of interest-rate derivatives	6.1	1.0	-0.8	-16.5
Depreciation and disposals	0.3	0.5	1.6	1.5
Other non-cash items, etc.	0.0	0.2	-0.1	0.1
Taxes paid	0.0	0.0	0.0	-0.1
Cash flow from operating activities before changes in working capital	3.8	6.2	25.2	29.8
<i>Cash flow from changes in working capital</i>				
Change in operating receivables	-17.2	-2.1	-14.8	-3.9
Change in operating liabilities	0.6	31.6	11.5	11.8
Cash flow from operating activities	-12.8	35.6	21.9	37.6
<i>Investing activities</i>				
Investments in equipment	-0.0	-0.4	-0.1	-0.7
Acquisition of investment properties ¹⁾	-2.6	–	-5.6	–
Investments in investment properties	-56.5	-117.1	-287.5	-319.4
Investments in financial assets	0.0	-6.7	0.0	0.0
Cash flow from investing activities	-59.1	-124.3	-293.2	-320.1
<i>Financing activities</i>				
Borrowings	24.3	82.5	264.5	277.5
Cash flow from financing activities	24.3	82.5	264.5	277.5
Cash flow for the period	-47.6	-6.1	-6.8	-5.0
Opening balance, cash and cash equivalents	50.4	15.7	9.6	14.6
Closing balance, cash and cash equivalents	2.8	9.6	2.8	9.6
Additional cash-flow statement disclosures				
¹⁾ Acquisition of investment properties in corporate wrappers:				
Investment properties	2.6	–	804.5	–
Operating receivables	–	–	0.5	–
Cash and cash equivalents	–	–	2.1	–
Acquired borrowings	–	–	-430.0	–
Operating liabilities	–	–	-5.4	–
Net assets acquired	2.6	–	371.7	–
Offset issue	–	–	-364.0	–
Purchase price paid	2.6	–	7.7	–
Less: Cash and cash equivalents in acquired operations	–	–	-2.1	–
Net impact on cash and cash equivalents (positive = decrease)	2.6	–	5.6	–

Parent Company

The operations of the Parent Company, John Mattson Fastighetsföretagen AB with company registration number 556802-2858, primarily encompass shared Group services pertaining to strategy, communication, business development and accounting/finance.

Condensed Parent Company income statement

Amounts in SEK m	2018 Oct–Dec	2017 Oct–Dec	2018 Jan–Dec	2017 Jan–Dec
Revenue	60.5	1.9	64.3	5.8
Central administration costs	-17.9	-5.6	-41.2	-16.7
EBIT	42.6	-3.7	23.1	-10.9
Net interest	-0.7	-1.6	-2.9	-6.4
Profit/loss after financial items	41.9	-5.3	20.2	-17.3
Appropriations	-28.8	17.2	-28.8	17.2
EBT	13.1	11.9	-8.6	-0.1
Tax	-2.2	0.0	-2.4	0.0
Profit for the period	10.9	11.9	-11.0	-0.1

Condensed Parent Company balance sheet

Amounts in SEK m	31 Dec 2018	31 Dec 2017
Assets		
Participations in Group companies	1,668.6	1,294.8
Deferred tax assets	0.0	2.4
Receivables from Group companies	97.1	77.3
Other current receivables	0.1	1.0
Cash and cash equivalents	2.5	9.3
Total assets	1,768.3	1,384.8
Equity and liabilities		
Equity	1,254.3	901.3
Liabilities to Group companies	492.9	482.0
Other current liabilities	21.1	1.5
Total equity and liabilities	1,768.3	1,384.8

During the year, a new issue in an amount of SEK 364 million was completed.

Opportunities and risks in the Group and Parent Company

Opportunities and risks in cash flow

Of John Mattson's total rental revenues, 84% is generated by residential tenants. The vacancy rate is extremely low and rents are relatively secure and predictable. All of John Mattson's properties are located in Lidingö, in attractive areas with healthy demand.

The main operating expenses for John Mattson are for media, which include electricity, heat and water. Electricity and heating costs vary slightly from year to year due to municipal tariffs, prices and consumption.

Interest expenses are one of John Mattson's single largest expenses and are impacted by changes in market interest rates, whereby rising market interest rates over time are normally an effect of economic growth and rising inflation. Accordingly, the interest-bearing borrowing means that John Mattson is exposed to interest-rate risk, among other risks.

Full-year effect, next 12 months, SEK m	Change +/-	Impact on income from property management
Rent level	SEK 100 per sq m	+/-16.9
Economic occupancy rate	1 percentage point	+/-2.6
Property expenses	5%	+/-5.0
Underlying market interest rate	1%	+/-7.8

Opportunities and risks with property values

John Mattson initially recognises its properties at fair value with changes in value recognised in profit or loss. This entails increased volatility, primarily for earnings, but also for the financial position. The market value of properties is determined by market supply and demand. The properties' fundamental values depend on their profitability, growth and yield requirements. A higher net operating income or lower yield requirement has a positive impact on the value. A lower net operating income or higher yield requirement has a negative impact on the value. How a percentage change in property value impacts the LTV ratio is illustrated below.

	-20%	-10%	0%	+10%	+20%
Change in value, SEK m	-1,208	-604	0	604	1,208
Loan-to-value (LTV) ratio, %	51.2	45.5	41.0	37.3	34.2

Financial risk

Access to funds is one of the largest risks that the company has to manage. This risk is kept in check through a low LTV ratio and a high level of disposable liquidity. At year-end, disposable liquidity amounted to SEK 112.8 million (19.6), including an agreed bank overdraft facility of SEK 110 million (10). During the year, the company's volume-weighted average loan-to-maturity increased and amounted to 3.3 years (0.6) at the end of the period. To limit the company's exposure to increasing interest rates, agreements concerning interest-rate swaps have been concluded with banks.

Key metrics

	2018 Oct–Dec	2017 Oct–Dec	2018 Jan–Dec	2017 Jan–Dec
Property-related key metrics				
Surplus ratio, %	44.7	38.4	47.3	44.2
Economic occupancy rate at the end of the period, %	96.5	97.4	96.5	97.4
Rental value at the end of the period, SEK m	257.4	193.7	257.4	193.7
Rental value, apartments, at the end of the period, SEK/sq m	1,411	1,346	1,411	1,346
Lettable area at the end of the period, thousand sq m	169.1	134.1	169.1	134.1
Investments in new builds, extensions and redevelopments, SEK m	56.5	102.7	287.5	319.2
Property value at the end of the period, SEK m	6,039.5	4,738.6	6,039.5	4,738.6
Property value, at the end of the period, SEK/sq m	35,339	33,902	35,339	33,902
Total number of apartments	2,177	1,602	2,177	1,602
No. of upgraded apartments during the period	111	144	375	469
No. of upgraded apartments at the end of the period	1,366	1,091	1,366	1,091
No. of unrenovated apartments at the end of the period	396	210	396	210

Key financial metrics

Rental revenues, SEK m	61.4	46.9	218.3	187.6
Net operating income, SEK m	27.4	18.0	103.2	83.0
Income from property management, SEK m	3.4	5.6	23.7	28.3
Earnings after tax for the period	-6.0	63.1	222.3	233.9
LTV ratio at the end of the period, %	41.0	37.5	41.0	37.5
Average interest rate at the end of the period, %	1.9	2.4	1.9	2.4
Interest coverage multiple during the period	1.5	1.7	1.6	1.7
Fixed-interest tenor, at the end of the period, years	3.5	4.5	3.5	4.5
Credit maturity at the end of the period, years	3.3	0.6	3.3	0.6
EPRA NAV, SEK m	3,509.3	2,912.7	3,509.3	2,912.7
EPRA NNNNAV, SEK m	3,267.4	2,705.2	3,267.4	2,705.2

Share-related key metrics

Income from property management, SEK/share	0.30	0.56	2.23	2.83
Income from property management, SEK/share, growth, %	-45.9	-50.4	-21.0	-36.9
Adjusted income from property management, SEK/share, growth, % ¹⁾	99.3	-50.4	44.1	-36.9
Profit after tax, SEK/share	-0.54	6.31	20.93	23.39
EPRA NAV, SEK/share	312.68	291.27	312.68	291.27
EPRA NAV, SEK/share, growth, %	7.3	10.7	7.3	10.7
EPRA NNNNAV, SEK/share	291.13	270.52	291.13	270.52
Equity, SEK/share	245.56	216.97	245.56	216.97

¹⁾ Adjusted income from property management pertains to income from property management after adjustment for non-recurring costs of SEK 19.6 million linked to the planned stock exchange listing.

Accounting policies

The condensed year-end report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting together with the appropriate provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has prepared in conformity with the Annual Accounts Act and the Recommendations of the Swedish Financial Reporting Board in RFR 2 Accounting for Legal Entities. The Parent Company applies the same accounting policies as the Group with the exceptions and supplements stipulated in RFR 2.

2018 is the first year for which John Mattson presents its financial statements in accordance with IFRS. In conjunction with the transition, John Mattson has applied IFRS 1 First time adoption. This standard has also been used as the basis for preparing these financial statements. The transition to IFRS is described in more detail in the Group's 2018 Annual Report.

Lidingö, 25 February 2019

Anders Nylander
Chairman of the Board

Håkan Blixt
Board member

Ulrika Danielsson
Board member

Johan Ljungberg
Board member

Christer Olofsson
Board member

Anna Sander
Board member

This year-end report has not been reviewed by the company's auditors.

Events after year end

No significant events have taken place after the end of the year.

The share

John Mattson Fastighetsföretagen AB is a privately-owned limited company with its registered office in Lidingö. At the end of the period, the Group's Parent Company had two major shareholders. In the third quarter, the management group acquired shares corresponding to a total holding of 0.17%.

The extraordinary general meeting on 29 June 2018 resolved to conduct a share split that entailed each share being split into 10,000 new shares (split 10,000:1). The share split was completed in the second quarter. Dividend and earnings per share data for periods prior to the split have been restated in this report based on the new number of shares.

The extraordinary general meeting also resolved to carry out an offset issue resulting in an increase in equity of SEK 364,000,000, of which SEK 1,223,344 pertained to an increase in share capital and the remaining SEK 362,776,656 was attributable to the company's share premium reserve. The new issue was registered with the Swedish Companies Registration Office on 8 August 2018. Following the new issue and the above split, the total number of shares outstanding is 11,223,344 allocated over a share capital of SEK 11,223,344.

Definitions

John Mattson Fastighetsföretagen AB applies the European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures (APMs). Under these Guidelines, an APM is a financial measure of historic or projected earnings trends, financial position, financial performance or cash flows that are neither defined nor specified in applicable rules for financial reporting, such as IFRS and the Swedish Annual Accounts Act.

Key metrics	Definition	Objective
EPRA NNNAV, SEK/share	EPRA NAV (European Public Real Estate Association (EPRA) net asset value (NAV)) excluding interest-rate derivatives and estimated actual tax liability at the end of the period divided by shares outstanding on the balance sheet date.	Used to illustrate John Mattson's current net asset value per share in a manner compatible with other listed companies.
EPRA NNNAV, SEK m	EPRA NAV excluding interest-rate derivatives and estimated actual tax liability at the end of the period.	An established metric for the Group's net asset value that facilitates analyses and comparison.
LTV ratio at the end of the period, %	Interest-bearing liabilities less cash and cash equivalents as a percentage of the carrying amount for the properties at the end of the period.	Used to illustrate John Mattson's financial risk and shows how large a share of the operations is mortgaged with interest-bearing liabilities. This metric facilitates comparability with other property companies.
Equity, SEK/share	Recognised equity divided by the number of shares outstanding on the balance-sheet date.	This metric shows how large a share of the company's recognised shareholders' equity that each share represents.
Economic occupancy rate at the end of the period, %	Annualised contracted rents in relation to contracted rents plus annualised discounts and vacancies at the end of the period.	This metric facilitates assessment of John Mattson's efficiency at using the floor area in its investment properties.
Property expenses, SEK m	This item includes direct property expenses, such as costs for operations, maintenance and property taxes, as well as indirect property expenses in the form of lettings and property administration.	Not an alternative performance measure.
Property value, at the end of the period, SEK/sq m	The fair value of properties excluding ongoing projects divided by lettable area for properties owned at the end of the period.	Used to illustrate John Mattson's average property value per sq m.
Income from property management	Profit excluding value changes and tax.	This metric facilitates increased understanding of the company's profit generation.
Income from property management, SEK/share	Earnings excluding value changes and tax divided by the average number of shares outstanding during the period.	This metric facilitates increased understanding of the trend in income from property management taking shares outstanding into account.
Average economic occupancy rate, %	Rental revenues for the period in relation to the period's gross rents.	This metric is used to measure John Mattson's efficiency during the period at using the floor area in its investment properties.
Average economic occupancy rate, apartments, %	Residential rental revenues for the period in relation to the period's gross rents during the period.	This metric is used to measure John Mattson's efficiency during the period at using the residential floor area in its investment properties.
Average interest rate at the end of the period, %	Weighted average contracted interest rate for all credits in the debt portfolio, including interest-rate derivatives.	Used to illustrate John Mattson's financial risk.
Rental value, apartments, at the end of the period, SEK/sq m	Annualised contracted residential floor area plus the value of vacancies and discounts at the end of the period divided by lettable residential floor area for properties owned at the end of the period.	Used to illustrate John Mattson's revenue potential in respect of housing, per square metre.
Rental value at the end of the period, SEK m	Annualised contracted rent plus the annualised value of vacancies and discounts at the end of the period.	Used to illustrate John Mattson's revenue potential.

Key metrics	Definition	Objective
Contract value at the end of the period, SEK m	This item pertains to contracted annual rents for properties owned at the end of the period.	Not an alternative performance measure.
EPRA NAV, SEK m	Recognised equity, adding back interest-rate derivatives and deferred tax. EPRA NAV is a metric that has been defined by the European Public Real Estate Association.	An established metric for the Group's net asset value that facilitates analyses and comparison.
EPRA NAV, SEK/share	Recognised equity, adding back interest-rate derivatives and deferred tax, and divided by the number of shares outstanding on the balance-sheet date.	Used to illustrate John Mattson's long-term net asset value per share in a manner compatible with other listed companies.
Interest coverage ratio during the period, multiple	Earnings before value changes with the addition of interest expenses in relation to interest expenses.	This metric is used to illustrate how sensitive John Mattson's earnings are to changes in interest rates; i.e. it shows how many times the company could pay the interest it incurs using profit from business operations.
Surplus ratio, %	Net operating income for the period as a percentage of recognised rental revenues.	Used to illustrate the proportion of John Mattson's revenue that remains after deducting property expenses. This metric is an efficiency ratio that is comparable over time and also between property companies.

Reconciliation tables

EPRA NNNNAV, SEK/share		2018	2017
A	EPRA NNNNAV at the end of the period, SEK m	3,267.4	2,705.2
B	Number of shares outstanding at the end of period, thousands	11,223	10,000
A/B	EPRA NNNNAV, SEK/share	291.13	270.52
LTV ratio at the end of the period, %		2018	2017
A	Interest-bearing debt at the end of the period according to balance sheet, SEK m	2,479.4	1,784.9
B	Cash and cash equivalents at the end of the period according to balance sheet, SEK m	2.8	9.6
C	Investment properties according to balance sheet at the end of the period, SEK m	6,039.5	4,738.6
(A-B)/C	LTV ratio at the end of the period, %	41.0	37.5
Equity, SEK/share		2018	2017
A	Equity according to balance sheet at the end of the period, SEK m	2,756.0	2,169.7
B	Number of shares outstanding at the end of period, thousands	11,223	10,000
A/B	Equity, SEK/share	245.56	216.97
Economic occupancy rate at the end of the period, %		2018	2017
A	Annualised contract value at the end of the period, SEK m	248.5	188.7
B	Annualised vacancy value at the end of the period, SEK m	8.9	5.0
A/(A+B)	Economic occupancy rate during the period, %	96.5	97.4
Property value, at the end of the period, SEK/sq m		2018	2017
A	Investment properties according to balance sheet at the end of the period, SEK m	6,039.5	4,738.6
B	Carrying amount of ongoing projects at the end of the period, SEK m	65.3	194.0
C	Lettable area at the end of the period, thousand sq m	169.1	134.1
(A-B)/C	Property value, at the end of the period, SEK/sq m	35,339	33,902
Income from property management, SEK/share		2018	2017
A	Income from property management during the period, SEK m	23.73	28.29
B	Average number of shares outstanding during the period, thousands	10,620	10,000
A/B	Income from property management, SEK/share	2.23	2.83
Income from property management, SEK m		2018	2017
A	Profit for the year, SEK m	222.3	233.9
B	Current and deferred tax, SEK m	11.1	65.1
C	Change in value of investment properties and interest-rate derivatives, SEK m	209.7	270.7
A+B-C	Income from property management, SEK m	23.7	28.3
Average economic occupancy rate, %		2018	2017
A	Rental revenues during the period, SEK m	218.3	187.6
B	Gross rent during the period, SEK m	224.4	191.4
A/B	Average economic occupancy rate, %	97.3	98.0
Average economic occupancy rate, apartments, %		2018	2017
A	Rental revenues during the period, apartments, SEK m	183.0	155.2
B	Gross rent during the period, apartments, SEK m	186.7	156.9

EPRA NNNNAV, SEK/share		2018	2017
A/B	Average economic occupancy rate, apartments, %	98.0	98.9
Average interest rate at the end of the period, %		2018	2017
A	Annualised interest expense at the end of the period, SEK m	46.6	42.2
B	Interest-bearing debt at the end of the period, SEK m	2,479.4	1,784.9
A/B	Average interest rate at the end of the period, %	1.9	2.4
Rental value at the end of the period, SEK m		2018	2017
A	Annualised contract value at the end of the period, SEK m	248.5	188.7
B	Annualised vacancy value at the end of the period, SEK m	8.9	5.0
A+B	Rental value at the end of the period, SEK m	257.4	193.7
Rental value, apartments, at the end of the period, SEK/sq m		2018	2017
A	Annualised contract value, apartments, at the end of the period, SEK m	213.5	158.5
B	Annualised vacancy value, apartments, at the end of the period, SEK m	3.7	2.5
C	Lettable area, apartments, at the end of the period, thousand sq m	154.0	119.6
(A+B)/C	Rental value, apartments, at the end of the period, SEK/sq m	1,411	1,346
Adjusted growth in income from property management, SEK/share, %		2018	2017
A	Adjusted income from property management, SEK/share during the period	4.08	2.83
B	Income from property management, SEK/share during the preceding period	2.83	4.48
A/B-1	Adjusted growth in income from property management, SEK/share, %	44.1	-36.9
EPRA NAV, SEK/share		2018	2017
A	EPRA NAV at the end of the period, SEK m	3,509.3	2,912.7
B	Number of shares outstanding at the end of period, thousands	11,223	10,000
A/B	EPRA NAV, SEK/share	312.68	291.27
EPRA NAV and current EPRA NNNNAV, SEK m		2018	2017
A	Equity according to balance sheet at the end of the period, SEK m	2,756.0	2,169.7
B	Derivatives according to the balance sheet at the end of the period, SEK m	73.5	74.4
C	Deferred tax liabilities according to the balance sheet at the end of the period, SEK m	679.8	668.7
A+B+C=D	EPRA NAV, SEK m	3,509.3	2,912.7
B	Derivatives according to the balance sheet at the end of the period, SEK m	-73.5	-74.4
E	Estimated actual deferred tax liability at the end of the period, SEK m	-168.3	-133.2
D-B-E	EPRA NNNNAV, SEK m	3,267.4	2,705.2
Interest coverage ratio during the period, multiple		2018	2017
A	Income from property management during the period according to income statement, SEK m	23.7	28.3
B	Financial expense during the period, SEK m	42.1	39.5
(A-B)/-B	Interest coverage ratio during the period, multiple	1.6	1.7
Growth in income from property management, SEK/share, %		2018	2017
A	Income from property management, SEK/share during the period	2.23	2.83
B	Income from property management, SEK/share during the preceding period	2.83	4.48
A/B-1	Growth in income from property management, SEK/share, %	-21.0	-36.9

EPRA NNNAV, SEK/share		2018	2017
Growth in EPRA NAV, SEK/share, %		2018	2017
A	EPRA NAV at the end of the period, SEK/share	312.68	291.27
B	EPRA NAV at the end of preceding 12-month period, SEK/share	291.27	263.03
A/B-1	Growth in EPRA NAV, SEK/share, %	7.3	10.7
Surplus ratio, %		2018	2017
A	Net operating income during the period according to income statement, SEK m	103.2	83.0
B	Rental revenues during the period according to income statement, SEK m	218.3	187.6
A/B	Surplus ratio, %	47.3	44.2

Contact information, calendar

Financial calendar

Annual report 2018	25 February 2019
Annual General Meeting 2019	11 March 2019
Interim report January–March 2019	26 April 2019
Interim Report January–June 2019	23 August 2019
Interim report January–September	21 November 2019

Information

You can download and subscribe to press releases and interim reports on John Mattson's website.

www.johnmattson.se

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