RODAMCO SVERIGE AB
CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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1. CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

Consolidated statement of comprehensive income

(KSEK)	Notes	2018	2017
Gross rental income	16	1,690,517	1,685,353
Ground rents paid		(17)	(229)
Net service charge expenses	17	10	(1)
Property operating expenses	18	(125,806)	(153,722)
Net rental income		**1,564,704**	**1,531,401**
Corporate expenses		(157,177)	(134,852)
Development expenses		(7,259)	(6,190)
Administrative expenses	19	**(164,436)**	**(141,042)**
Proceeds from disposal of investment properties		62,395	(823)
Carrying value of investment properties sold		(58,625)	-
Result on disposal of investment properties	20	**3,770**	**(823)**
Proceeds from disposal of shares		(346)	260,315
Carrying value of disposed shares		-	(251,721)
Result on disposal of shares	2.5.1	**(346)**	**8,594**
Valuation gains on assets		375,210	1,848,680
Valuation losses on assets		(16,219)	(540,893)
Valuation movements on assets	21	**358,991**	**1,307,787**
NET OPERATING RESULT BEFORE FINANCING COST		**1,762,683**	**2,705,917**
Result from non-consolidated companies		25	-
Financial income		*60,256*	*59,510*
Financial expenses		*(384,313)*	*(389,441)*
Net financing costs	22	(324,057)	(329,931)
Fair value adjustments of derivatives and debt	23	(32,359)	(62,174)
RESULT BEFORE TAX		**1,406,292**	**2,313,812**
Income tax expenses	24	(91,394)	(500,537)
NET RESULT FOR THE PERIOD		**1,314,898**	**1,813,275**
Non-controlling interests		(1,172)	(3,215)
NET RESULT (Owners of the parent)		**1,316,070**	**1,816,490**

Average number of shares (undiluted)		41,206,671	41,206,671
Net result for the period (Owners of the parent)		1,316,070	1,816,490
Net result for the period per share (Owners of the parent) (SEK)		**31.94**	**44.08**
Average number of shares (diluted)		41,206,671	41,206,671
Diluted net result per share (Owners of the parent) (SEK)		**31.94**	**44.08**

NET COMPREHENSIVE INCOME (KSEK)	**Notes**	**2018**	**2017**
NET RESULT FOR THE PERIOD		**1,314,898**	**1,813,275**
Foreign currency differences on translation of financial statements of subsidiaries and net investments in these subsidiaries		183,225	55,487
Cash flow hedge		-	-
Other comprehensive income which can be reclassified to profit or loss		**183,225**	**55,487**
Other comprehensive income reclassified to profit or loss		**-**	**-**
OTHER COMPREHENSIVE INCOME		**183,225**	**55,487**
NET COMPREHENSIVE INCOME		**1,498,123**	**1,868,762**
Non-controlling interests		167	(2,543)
NET COMPREHENSIVE INCOME (OWNERS OF THE PARENT)		**1,497,955**	**1,871,305**

Consolidated statement of financial position

(KSEK)	Notes	Dec. 31, 2018	Dec. 31, 2017
NON CURRENT ASSETS		**33,595,517**	**35,313,677**
Investment properties	1	**33,578,844**	**35,066,466**
Investment properties at fair value		*33,578,844*	*35,066,466*
Investment properties at cost		-	-
Other tangible assets	2	10,149	10,518
Goodwill	3	-	196,974
Intangible assets	4	-	33
Financial assets	5	349	274
Derivatives at fair value	10	6,175	39,412
CURRENT ASSETS		**3,355,375**	**1,710,636**
Assets held for sale	3 / 2.12	**2,683,070**	**-**
Trade receivables from activity	6	**125,123**	**147,645**
Other trade receivables	7	**231,292**	**204,875**
Tax receivables		52,667	50,452
Other receivables		65,089	49,977
Prepaid expenses		113,536	104,446
Cash and cash equivalents	8	**315,890**	**1,358,116**
Cash		243,904	1,284,046
Financial assets		71,986	74,070
TOTAL ASSETS		**36,950,892**	**37,024,313**
Shareholders' equity (Owners of the parent)		**19,304,258**	**17,847,796**
Share capital		1,648,267	1,648,267
Additional paid-in capital		11,739	11,739
Consolidated reserves		15,837,214	14,062,217
Hedging and foreign currency translation reserves		490,968	309,083
Consolidated result		1,316,070	1,816,490
Non-controlling interests		**41,898**	**41,731**
TOTAL SHAREHOLDERS' EQUITY		**19,346,156**	**17,889,527**
NON CURRENT LIABILITIES		**12,399,136**	**13,980,127**
Long-term bonds and borrowings	9	**7,678,233**	**9,352,128**
Derivatives at fair value	10	10,615	21,418
Deferred tax liabilities	11	4,615,228	4,513,076
Guarantee deposits		95,060	93,505
CURRENT LIABILITIES		**5,205,600**	**5,154,659**
Amounts due to suppliers and other current debt		**947,068**	**1,035,710**
Amounts due to suppliers	14	117,994	114,778
Amounts due on investments	13	338,849	409,480
Sundry creditors	14	241,680	231,320
Other liabilities	14	248,545	280,132
Current borrowings and amounts due to credit institutions	9	**4,020,416**	**3,755,983**
Tax and social security liabilities	15	**233,288**	**349,430**
Short-term provisions	12	**4,828**	**13,536**
TOTAL LIABILITIES AND EQUITY		**36,950,892**	**37,024,313**

Consolidated statement of cash flows

(KSEK)	Notes	2018	2017
Operating activities			
Net result		**1,314,898**	**1,813,275**
Depreciation & provisions [(1)]		(226)	(26,800)
Changes in value of property assets		(358,991)	(1,307,787)
Changes in value of financial instruments		32,359	62,174
Net capital gains/losses on disposal of shares		-	(8,594)
Net capital gains/losses on sales of properties [(2)]		(3,424)	4,380
Net financing costs		324,057	329,931
Income tax charge		91,394	500,537
Cash flow before net financing costs and tax		**1,400,067**	**1,367,116**
Income tax paid		(27,573)	(104,878)
Change in working capital requirement		(135,687)	2,251,553
Total cash flow from operating activities		**1,236,807**	**3,513,791**
Investment activities			
Property activities		**(454,265)**	**323,204**
Amounts paid for works and acquisition of property assets		(516,338)	(794,011)
Repayment of property financing		24	
Disposal of shares/consolidated subsidiaries	25	(346)	1,118,038
Disposal of investment properties		62,395	(823)
Financial activities		**-**	**-**
Total cash flow from investment activities		**(454,265)**	**323,204**
Financing activities			
Change in capital from company with non controlling shareholders		-	14,645
Distribution paid to parent company shareholders		(49,236)	(1,400,000)
New borrowings and financial liabilities	9	818,109	1,002,410
Repayment of borrowings and financial liabilities	9	(2,303,536)	(1,309,767)
Financial income		61,668	56,724
Financial expenses		(377,102)	(439,413)
Total cash flow from financing activities		**(1,850,097)**	**(2,075,401)**
Change in cash and cash equivalents during the period		**(1,067,555)**	**1,761,594**
Cash at the beginning of the year		**1,349,779**	**(411,458)**
Effect of exchange rate fluctuations on cash held		**(10,408)**	**(357)**
Cash at period-end [(3)]	26	**271,816**	**1,349,779**

(1) *Includes straightlining of key money and lease incentives.*
(2) *Includes capital gains/losses on property sales, disposals of short-term investment properties and disposals of operating assets.*
(3) *Cash and equivalents include bank accounts and current accounts with terms of less than three months, less bank overdrafts.*

The financial statements are presented in KSEK, rounded to the nearest hundred and, as a result, slight differences between rounded figures could exist in the different statements.

Consolidated statement of changes in equity

(KSEK)	Share capital	Additional paid-in capital	Consolidated reserves	Consolidated net result	Hedging & foreign currency translation reserves [1]	Total Owners of the parent	Non-controlling interests	Total Shareholder's equity
Balance as at December 31, 2016	**1,648,267**	**11,739**	**12,804,630**	**2,707,233**	**254,268**	**17,426,137**	**29,939**	**17,456,076**
Profit or loss of the period	-	-	-	1,816,490	-	**1,816,490**	(3,215)	**1,813,275**
Other comprehensive income	-	-		-	54,815	**54,815**	672	**55,487**
Net comprehensive income	**-**	**-**	**-**	**1,816,490**	**54,815**	**1,871,305**	**(2,543)**	**1,868,762**
Earnings appropriation	-	-	2,707,233	(2,707,233)	-	**-**	-	**-**
Dividend related to 2017			(1,400,000)			**(1,400,000)**	-	**(1,400,000)**
Group contribution related to 2017	-	-	(49,236) [2]	-	-	**(49,236)**	-	**(49,236)**
Other movements	-	-	(410)	-	-	**(410)**	14,335	**13,925**
Balance as at December 31, 2017	**1,648,267**	**11,739**	**14,062,217**	**1,816,490**	**309,083**	**17,847,796**	**41,731**	**17,889,527**
Profit or loss of the period	-	-	-	1,316,070	-	**1,316,070**	(1,172)	**1,314,898**
Other comprehensive income	-	-		-	181,885	**181,885**	1,340	**183,225**
Net comprehensive income	**-**	**-**	**-**	**1,316,070**	**181,885**	**1,497,955**	**167**	**1,498,123**
Earnings appropriation	-	-	1,816,490	(1,816,490)	-	**-**	-	**-**
Dividend related to 2018			-	-	-	**-**	-	**-**
Group contribution related to 2018	-	-	(41,726) [2]	-	-	**(41,726)**	-	**(41,726)**
Other movements	-	-	233	-	-	**233**	-	**233**
Balance as at December 31, 2018	**1,648,267**	**11,739**	**15,837,214**	**1,316,070**	**490,968**	**19,304,258**	**41,898**	**19,346,156**

(1) *The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.*

(2) *Corresponds to the Group contribution to Rodamco Northern Europe AB, the parent company of Rodamco Sverige AB.*

Changes in share capital

The share capital consists of 41,206,671 authorised shares of which 41,206,671 shares are issued and fully paid up. The shares have a par value of SEK 40 each.

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 General information

Rodamco Sverige AB, corporate registration number 556201-8654, with headquarters in Stockholm, is parent of a group. The company is registered in Sweden and the address of the company's headquarters in Stockholm is: Rodamco Sverige AB Box 7846 103 98 Stockholm. Visit Address: Mäster Samuelsgatan 20. Rodamco Sverige AB owns directly and indirectly, shares in the company that owns and manages shopping centres. Some of the larger shopping centres are Solna, Täby Centrum and Forum Nacka. The parent company provides corporate services to other companies in Rodamco Sverige AB group.

2.2 Accounting principles and consolidation methods

In accordance with EC regulation no. 1606/2002 of July 19, 2002, on the application of international accounting standards, Rodamco Sverige AB has prepared its consolidated financial statements for the financial year ending December 31, 2018 under International Financial Reporting Standards (IFRS) as adopted in the European Union and applicable at this date.
These can be consulted on the website:
http://ec.europa.eu/finance/company-reporting/ifrs-financialstatements/index_en.htm.

2.2.1 IFRS basis adopted

The accounting principles and methods used are the same as those applied for the preparation of the annual consolidated financial statements as at December 31, 2017, except for the application of the new obligatory standards and interpretations described below.

Standards, amendments and interpretations effective as of January 1, 2018

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9: Financial Instruments;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IAS 40 A: Transfers of Investment Property;
- IFRS 2 A: Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Annual Improvements to IFRS Standards 2014-2016 Cycle.

These standards, amendments and interpretations do not have a significant impact on the Group's accounts as at December 31, 2018.

Standards, amendments and interpretations not mandatorily applicable as of January 1, 2018

The following standards have been adopted by the European Union as at December 31, 2018, but not applied in advance by the Group:

- IFRS 9 A: Prepayment Features with Negative Compensation;
- IFRS 16: Leases;
- IFRIC 23: Uncertainty over Income Tax Treatments.

The Group has carried out an analysis of the impact of IFRS 16 which should have a limited impact on the Group's financial statements.

The following texts were published by the IASB but have not yet been adopted by the European Union:

- IFRS 17: Insurance Contracts;
- IAS 28 A: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- IAS 19 A: Plan Amendment, Curtailment or Settlement;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendment to IFRS 3 Business Combinations;
- Amendments to IAS 1 and IAS 8: Definition of Material.

The measurement of the potential impacts of these texts on the consolidated accounts of URW is on-going; no significant impact expected.

2.2.2 Estimates and assumptions

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management, particularly with regards to the fair value of investment properties and financial instruments as well as the valuation of goodwill and intangible assets.
The most significant estimates are set out in the following sections: for the valuation of investment properties in section 2.2 § 2.2.7 "Asset valuation methods" and section 2.6 note 1 "Investment properties", for the goodwill and intangible assets, respectively in section 2.2 § 2.2.5 "Business combinations" and § 2.2.7 "Asset valuation methods" and for fair value of financial instruments in section 2.6 note 10 "Hedging instruments". Actual future results or outcomes may differ from these estimates. The property portfolio and intangible assets used by the Shopping Centres and Offices segments are valued by independent appraisals.

2.2.3 Options selected under IFRS 1

When adopting IFRS for the first time, IFRS 1 grants certain exemptions with regards to the application of other IFRS. These exemptions are optionally applied.

The exemptions applied relate mainly to business combinations, where the application of IFRS 3 "Business combinations" retrospectively to business combinations which occurred prior to the transition to IFRS is optional. The Group has chosen to use this exemption.

The Group has chosen not to apply other options provided by IFRS 1.

2.2.4 Scope and methods of consolidation

The scope of consolidation includes all companies controlled by the Group and all companies in which the Group exercises joint control or significant influence.

According to IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group considers all facts and circumstances when assessing whether it controls an investee. The control over an investee is reassessed if facts and circumstances indicate that there are changes to one or more of the elements above mentioned.

The method of consolidation is determined by the type of control exercised:

- Control: the companies are fully consolidated.
- Joint control: it's the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.
    - A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Each party shall account for the assets which it has rights to, liabilities which it has obligations for, revenues and expenses relating to its interests in a joint operation.
    - A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.
- Significant influence: consolidation under the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but it's not control or joint control of those policies. It's presumed where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, unless it can be clearly demonstrated that this is not the case.

2.2.5 Business combinations

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.
Acquisition costs incurred are booked as expenses. For the companies accounted for using the equity method, acquisition costs are capitalised in the value of the shares.
At the date of acquisition and in accordance with IFRS 3 Revised, identifiable assets, liabilities and contingent liabilities of the acquired company are valued individually at their market value regardless of their purpose based upon current vest

estimates at such date. It is possible that further adjustments to initial evaluation may be recognised within twelve months of the acquisition in accordance with IFRS rules.
If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.
Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration classified as liability will be recognised in income statement.

Goodwill

Goodwill only arises upon a business combination and is initially measured as the residual cost of the business combination after recognising the acquiree's identifiable assets, liabilities, and contingent liabilities. Subsequently the goodwill is carried at cost and is subject to regular reviews by the Group and impairment tests at least once per year or whenever there is an indication of impairment. At the date of acquisition, goodwill is allocated to one or more cash-generating units expected to benefit from the acquisition. The recoverable amount of a cash-generating unit is determined using the most appropriate method, most commonly the discounted cash flows method, and is applied to the full cash-generating unit rather than each legal entity.

Goodwill may arise on acquiring an asset via a share deal, where the Group inherits the fiscal basis of the assets. As IFRS require recognition of deferred taxes on a nominal basis, while share transactions are based on market value of these taxes, a difference may appear that is reflected in the goodwill. Therefore, in this case the impairment test consists in a comparison between the accounting value of the Goodwill and the potential tax optimisation existing at the date of reporting.

Under IFRS 3 Revised, the acquisition of additional shares from non-controlling shareholders are regarded as an equity transaction and therefore no additional goodwill is recognised.

Consequently, when non-controlling shareholders have an agreement to sell, non-controlling interests are reclassified as debt at the present value of the exercise price. The difference between the latest value and the net carrying value of the non-controlling interests is recognised as equity – Owners of the parent. Any subsequent change in debt is also accounted for as equity – Owners of the parent. Income from non-controlling interests and dividends are booked in equity – Owners of the parent.

2.2.6 Foreign currency translation

Functional and presentation currency

The Group's entities can realise operations in a foreign currency which is not their own functional currency. These transactions in foreign currencies are translated into SEK at the spot exchange rate on the date of the transaction. At the closing date, monetary assets and liabilities denominated in foreign currency are translated into functional currency at the exchange rate on that date. Foreign exchange differences arising on translation or on settlement of these transactions are recognised in the income statement account, with the exception of:

- unrealised translation results on net investments;
- unrealised translation results on intercompany loans that, in substance, form part of the net investment.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognised directly in equity, whereas those relating to the ineffective portion are recognised in the income statement account

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate on the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into SEK at exchange rates on the dates the fair value was determined, and are reported as part of the fair value gain or loss.

Group companies with a functional currency different from the presentation currency

The results and financial position of all the Group entities that have a functional currency different from the presentation currency, the SEK, are translated into the presentation currency as follows:

- the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated into SEK at foreign exchange rates ruling at the accounting date;
- income and expenses are translated into SEK at rates approximating the foreign exchange rates ruling at the dates of the transactions;
- all resulting exchange rate differences are recognised as a separate component of equity (currency translation reserve);

- when a Group's company is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.2.7 Asset valuation methods

Investment properties (IAS 40 & IFRS 13)

Under the accounting treatment recommended by IAS 40, investment properties are shown at their market value. According to IFRS 13, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Expectations about future improvements or modifications to be made to the property interest to reflect its highest and best use have to be considered in the appraisal, such as the renovation of or an extension to the property interest.
Unibail-Rodamco complies with the IFRS 13 fair value measurement rule and the position paper[1] on IFRS 13 established by EPRA, the representative body of the publicly listed real estate industry in Europe.

Transaction costs incurred for an asset deal are capitalised in the value of the investment property.

Investment Properties Under Construction (IPUC) are covered by IAS 40 and are eligible to be measured at fair value. In accordance with the Group's investment properties valuation method, they are measured at fair value by an external appraiser. Projects for which the fair value is not reliably determinable are measured at cost until such time that a fair value measurement becomes reliable, or until one year before the construction completion.

According to the Group, a development project is eligible for a fair value measurement once all three of the following criteria are fulfilled:
- all administrative authorisations needed to complete the project are obtained;
- the construction has started and costs are committed toward the contractor;
- substantial uncertainty in future rental income has been eliminated.

If the time to delivery is less than one year, the project is accounted for at fair value.

For the Investment Properties Under Construction whose fair value could be reliably measured, the difference between market value and cost value is entirely recognised in the income statement.

Properties under construction carried at cost are subject to impairment tests, determined on the basis of the estimated fair value of the project. The fair value of a project is assessed by the Development & Investment teams through a market exit capitalisation rate and the targeted net rents at completion. When the fair value is lower than net book value, an impairment provision is booked.

For properties measured at fair value, the market value adopted by the Group is determined on the basis of appraisals by independent external experts, who value the Group's portfolio as at June 30 and December 31 of each year. A discount is applied to the gross value in order to reflect disposal costs and transfer taxes [2], depending on the country and on the tax situation of the property.

For the Shopping Centres and Offices portfolios, the independent appraisers determine the fair market value based on the results of two methods: the discounted cash flow methodology as well as the yield methodology. Furthermore, the resulting valuations are cross-checked against the initial yield, value per m² and the fair market values established through actual market transactions.

Appraisers have been given access to all information relevant for valuations, such as the Group's rent rolls, including information on vacancy, break options, expiry dates and lease incentives, performance indicators (e.g., footfall and sales where available), letting evidence and the Group's cash flow forecasts from annually updated detailed asset business plans. Appraisers make their independent assessments of current and forward looking cash flow profiles and usually reflect risk either in the cash flow forecasts (e.g. future rental levels, growth, investment requirements, void periods, incentives) or in the applied required returns or discount rates.

The income statement for a given year (Y) records the change in value for each property, which is determined as follows:

market value Y – [market value Y-1 + amount of works and other costs capitalised in year Y].

Capitalised expenses include capital expenditures, evictions costs, capitalised financial interests, letting fees and other internal costs related to development projects.

Capital gains on disposals of investment properties are calculated by comparison with their latest market value recorded in the closing statement of financial position for the previous financial year.

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[1] *EPRA position paper on IFRS 13 - Fair value measurement and illustrative disclosures, February 2013.*

[2] *Transfer taxes are valued on the assumption that the property is sold directly, even though the cost of these taxes can, in certain cases, be reduced by selling the property's holding company.*

Properties held for sale are identified separately in the statement of financial position.

Other tangible assets

Under the preferential method proposed by IAS 16, operating assets are valued at their historic cost, less cumulative depreciation and any decrease in value. Depreciation is calculated using the "component accounting" method, where each asset is broken down into major components based on their useful life. The four components of a property are the main structure, the facade, technical equipment and finishing fixtures and fittings, depreciated respectively over 60, 30, 20 and 15 years for Offices properties and 35, 25, 20 and 15 years for Shopping Centres assets.

If the appraisal value of a property is lower than net book value, an impairment provision is booked.

Borrowing costs generated by construction projects (IAS 23)

Borrowing costs directly attributable to the acquisition or construction of an asset are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest costs capitalised are calculated using the Group's weighted average costs of borrowing applied to the average value of the work completed during each quarter, unless specific financing exists for the project. In this case, the specific interest costs of the project are capitalised.

Capitalisation of borrowing costs starts when an Investment Property Under Construction is recognised as an asset and ends when the project is transferred to standing investment property at the delivery date to the tenant or earlier when the project is technically completed.

Intangible assets (IAS 38)/Impairment of assets (IAS 36)

An intangible asset is recognised when it is identifiable and separable and can be sold, transferred, licensed, rented, or exchanged, either individually or as part of a contract with an attached asset or a liability, or which arises from contractual or other legal rights regardless of whether those rights are transferable or separable. After initial recognition, intangible assets are recognised at cost less any amortisation charges and impairment losses.

Intangible assets with a finite life are amortised on a linear basis over the life of the asset. The useful life of an asset is reviewed each year and an impairment test is carried out whenever there is an indication of impairment.

2.2.8 Leasing

Leases are classified as finance leases when they transfer substantially all risks and rewards of ownership of the leased asset to the lessee. Otherwise they are classified as operating leases.

Ground leaseholds

Based on the analysis of existing contracts, IAS 17 and IAS 40, a leasehold may be classified as either an operating lease or a finance lease. The classification is made on a contract-by-contract basis and depends on the risks and rewards transferred to the Group.
For the leaseholds recognised as operating leases, rental payments are recognised as expenses in the income statement. Rental payments made at the beginning of the contract are classified as prepaid expenses and expensed over the life of the contract.
Buildings constructed on land under a lease agreement are recognised in accordance with the accounting principles described in § 2.2.7.

Revenue recognition

- **Revenue from Contracts with Customers**

As lease agreements represent the majority of the Group's contracts, the new standard IFRS 15 does not impact the Group's accounts.

- **Accounting treatment of investment property leases**

Assets leased as operating leases are recorded in the statement of financial position as investment property assets. Rental revenue is recorded on a straight-line basis over the firm duration of the lease.

- **Rents and key money**

Under IAS 17 and SIC 15, the financial impacts of terms set out in the lease agreement are spread over the fixed duration of the lease starting from the date the premises are made available to the tenant. This applies to rent-free periods, step rents, other rents incentives and key money.

- **Eviction costs**

Compensation payments to evicted tenants may be capitalised, in view of securing higher rentals through new lease agreements on improved terms and which ultimately enhance or at least maintain asset performance.

- **Delivery of an Investment Property**

In case of an Investment Property Under Construction, revenues are recognised once spaces are delivered to tenants.

2.2.9 Financial instruments (IAS 32/IFRS 9/IFRS 7/IFRS 13)

The recognition and measurement of financial assets and liabilities are mainly defined by the standard IFRS 9.

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Group performed an inventory and analysis of the differences resulting from the provisions of this new standard. The assessment of the Group's consolidated financial instruments and respective business models was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach.

According to IFRS 9, the estimated depreciation corresponds to the amount which the company does not expect to recover. Though, when collecting a tenant deposit or obtaining a bank guarantee, the Group covers the possible future losses.
The Group's depreciation policy meets the simplified model of IFRS 9:

- The estimated losses are calculated on a homogenous segment of receivables;
- The rate of estimated loss reflect the best estimation of the expected future losses, on the considered client segment: the Group respects the notion of backtesting (comparison are performed with historical rates of losses) and if needed, the rates are adjusted to take into account any new trigger event;
- Historical data are reviewed to better reflect the actual situation and integrate the best estimates for the near future.

a) Classification and measurement of non-derivative financial assets and liabilities

Under IFRS 9, on initial recognition, a financial asset is classified and measured at amortised cost, at Fair Value through Other Comprehensive Income (FVOCI) or Fair Value Through Profit and Loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets for the Group:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, which are determined by comparing the net value of the asset to an external evaluation. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value though profit or loss except in the case of an irrevocable election to classify them at fair value through other comprehensive income that cannot be reclassified.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities

Interest bearing financial liabilities are initially measured at fair value, less transaction costs directly attributable to the issue, and after initial booking at amortised cost using the effective interest rate.

Other non-derivatives financial liabilities are recognized at FVTPL.

b) Classification and measurement of financial derivatives and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to movements in interest and currency exchange rates.

All financial derivatives are recorded as financial assets or liabilities at fair value on the statement of financial position. Fair value variations of financial derivatives, apart from those designated as cash flow hedges or as net investment hedges (see below), are recognised in the income statement for the period.
Except for some currency derivatives, the Group has chosen not to use the hedge accounting proposed by IFRS 9. All such derivativesare therefore measured at their market value and any fair value variations are recorded in the income statement.

Regarding the currency derivatives, they aim at hedging the transactions done in a currency which is not the functionnal currency of the entity. They are usually designated as cash flow hedge.

Exposure to the credit risk of a particular counterparty

According to IFRS 13, valuation of derivatives has to take into account the Credit Valuation Adjustment (CVA) and the Debit Valuation Adjustment (DVA).

CVA, calculated for a given counterparty, is the product of:

a. the total mark-to-market the Group has with this counterparty, in case it is positive;
b. the probability of default of this counterparty over the average maturity, weighted by the nominal of the derivatives booked with them. This probability of default is taken from the Bloomberg model, based on market data and derived from the Credit Default Swaps of the banks;
c. and the loss given default following market standard.

DVA based on the Group's credit risk, corresponds to the loss that the Group's counterparties may face in case of the Group's default. It is the product of:

a. the total mark-to-market the Group has with a counterparty, in case it is negative;
b. the probability of default of the Group over the average maturity, weighted by the nominal of the total portfolio of derivatives. The Group's probability of default is derived from the Credit Default Swaps of the Group and taken from Bloomberg model;
c. and the loss given default following market standard.

2.2.10 Discounting of deferred payments

Long-term liabilities and receivables are discounted when this has a significant impact.

- Deferred payments on assets deals, share deals, acquisitions of lands and ground leases have been discounted up to the payment date.
- Provisions for material liabilities taken under IAS 37 are discounted over the estimated duration of the disputes they cover.
- Guarantee deposits received from tenants have not been discounted given the negligible impact of discounting.

2.2.11 Taxes

The Group companies are taxable according to the tax rules of their country. In some countries, special tax regimes for public property companies exist.

Income tax and deferred tax

Corporate income tax

Corporate income tax is calculated using appropriate local rules and rates.

Deferred tax

Deferred taxes are recognised in respect of all temporary differences between the carrying amount and tax base of assets and liabilities at each financial year-end.
Deferred tax assets or liabilities are calculated based on total temporary differences and on tax losses carried forward, using the local tax rate that will apply on the expected reversal date of the concerned differences, if this rate has been set. Otherwise, they are calculated using the applicable tax rate in effect at the financial year-end date. Within a given fiscal entity or group and for a given tax rate, debit balances are booked to assets for the amount expected to be recoverable over a foreseeable period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be used.

The main deferred tax liabilities relate to the mark-to-market of investment properties, resulting in the recognition of a deferred tax liability for non tax-exempt assets.

2.2.12 Employee benefits

Under IAS 19 Revised, a company must recognise all commitments made to its employees (i.e. current or future, formal or informal, cash payments or payments in kind). The cost of employee benefits must be recorded during the vesting period.

Post-employment benefits

Pension schemes may be defined contribution schemes.

Under defined benefit schemes, the employer makes a formal or implied commitment to an amount or level of benefits and therefore carries the medium- or long-term risk. A provision is booked to liabilities to cover all of these pension commitments. This provision is assessed regularly by independent actuaries using the projected unit credit method, which takes into account demographic assumptions, early retirements, salary increases and discount and inflation rates.

In the majority of the Group companies, pensions due under the various compulsory retirement schemes to which employers contribute are managed by specialist external organisations. Defined contributions paid into these various compulsory retirement schemes are recognised in the income statement for the period.

Long-term benefits

These are benefits paid to employees more than 12 months after the end of the financial year during which the corresponding service was provided. The same valuation method is used as for post-employment benefits.

With the exception of provision for retirement allowances, no commitments relating to long-term or post-employment benefits need to be accrued.

2.2.13 Business segment reporting

Segment information is presented in respect of the Group's divisions and geographical segments, based on the Group's management and internal reporting structure and in accordance to IFRS 8.
Contributions of affiliates are also presented according to the Group's divisions and geographical segments.

Business segments

The Group presents its result by segment: Shopping Centres and Offices.

Geographical segments

Geographical segments are determined on the basis of the Group's definition of a home region. A home region is defined as a region with more than €1 Bn in property investment, a local organisation dedicated to all three business lines: the "owner function" (asset selection and management including pipeline), Shopping Centres management, the finance function and a regional consolidated reporting.

The following are considered home regions based on specific operational and strategic factors:

- Nordics, including Sweden, Denmark and Finland;
- Spain is no more considered as a home region since the Group disposed of the shares of fully consolidated companies Proyectos Immobiliarios Time Blue SLU and Unibail-Rodamco Steam SLU in Spain on December 19, 2016.

2.2.14 Earnings Per Share

The Earnings Per Share indicator is calculated by dividing net result (Owners of the parent) by the weighted average number of ordinary shares in circulation over the period.

2.2.15 Current and non-current assets and liabilities

In accordance with IAS 1 "Presentation of Financial Statements", assets and liabilities other than consolidated shareholders' equity are classified in the statement of financial position as "current" when they are due or payable within twelve months of the accounting date.

2.3 Business segment report

Consolidated income statement by segment

(KSEK)		2018			2017		
		Recurring activities	Non recurring activities [1]	Result	Recurring activities	Non recurring activities [1]	Result
SHOPPING CENTRES	Gross rental income	1,550,206	-	1,550,206	1,540,102	-	1,540,102
	Operating expenses & net service charges	(100,503)	-	(100,503)	(128,571)	-	(128,571)
	Net rental income	**1,449,703**	**-**	**1,449,703**	**1,411,530**	**-**	**1,411,530**
	Gains on sales of properties	-	4,682	4,682	-	7,771	7,771
	Valuation movements	-	296,414	296,414	-	1,277,545	1,277,545
	TOTAL RESULT SHOPPING CENTRES	**1,449,703**	**301,095**	**1,750,798**	**1,411,530**	**1,285,316**	**2,696,846**
OFFICES	Gross rental income	140,311	-	140,311	145,251	-	145,251
	Operating expenses & net service charges	(25,310)	-	(25,310)	(25,380)	-	(25,380)
	Net rental income	**115,001**	**-**	**115,001**	**119,871**	**-**	**119,871**
	Gains on sales of properties	-	(1,258)	(1,258)	-	-	-
	Valuation movements	-	62,577	62,577	-	30,242	30,242
	TOTAL RESULT OFFICES	**115,001**	**61,319**	**176,320**	**119,871**	**30,242**	**150,113**
	Other net income	25	-	25	-	-	-
TOTAL OPERATING RESULT AND OTHER INCOME		**1,564,729**	**362,414**	**1,927,144**	**1,531,401**	**1,315,558**	**2,846,959**
	General expenses	(157,177)	-	(157,177)	(134,852)	-	(134,852)
	Development costs	(7,259)	-	(7,259)	(6,190)	-	(6,190)
	Financing result	(324,057)	(32,359)	(356,416)	(329,931)	(62,174)	(392,106)
				-			-
RESULT BEFORE TAX		**1,076,236**	**330,055**	**1,406,292**	**1,060,428**	**1,253,383**	**2,313,812**
	Income tax expenses	(23,493)	(67,901)	(91,394)	(12,888)	(487,649)	(500,537)
NET RESULT FOR THE PERIOD		**1,052,743**	**262,155**	**1,314,898**	**1,047,540**	**765,734**	**1,813,275**
	Non-controlling interests	(1,056)	(115)	(1,172)	(2,941)	(274)	(3,215)
NET RESULT - OWNERS OF THE PARENT		**1,053,800**	**262,270**	**1,316,070**	**1,050,482**	**766,008**	**1,816,490**
Average number of shares		41,206,671			41,206,671		
RECURRING RESULT PER SHARE (SEK)		**25.57**			**25.49**		

[1] *Non-recurring activities include valuation movements, disposals, mark-to-market and termination costs of financial instruments, bond tender premiums, impairment of goodwill or recognition of negative goodwill as well as costs directly incurred during a business combination and other non-recurring items.*

The income statement by segment is split between recurring and non recurring activities. The non-recurring result before tax consists of the valuation movements on investment properties, fair value adjustments on derivatives and debts, termination costs of financial instruments on the full cancelled commitment period when the maturity of the financial instrument is beyond the current period, bond tender premiums, currency gains/losses on revaluation of balance sheet items, the net result on disposals, impairment of goodwill or recognition of negative goodwill, as well as costs directly related to a business combination and other non-recurring items.

The income tax is also split between recurring taxes and non-recurring taxes.

Recurring tax is the outcome of:

- the amount of income tax effectively due on recurring income, after deduction of any tax losses;
- plus/minus changes in a deferred tax asset recognised on tax losses stemming from recurring income (excluding those caused by a change in tax rate and/or those caused by a use of such deferred tax asset by non-recurring profits);
- plus/minus changes in deferred tax assets not related to tax losses and deferred tax liabilities relating to recurring result (excluding those caused by a change in tax rate and/or those caused by a use of such deferred tax asset by non-recurring profits).

Reconciliation between the Results by segment and the income statement of the period (IFRS format) for 2018

(KSEK)	Shopping Centres	Offices	Not allocated	TOTAL 2018
Gross rental income	1,550,206	140,311	-	1,690,517
Net rental income	**1,449,703**	**115,001**	**-**	**1,564,704**
Administrative expenses	**-**	**-**	**(164,436)**	**(164,436)**
Result on disposal of investment properties and shares	**4,682**	**(1,258)**	**-**	**3,424**
Valuation movements	**296,414**	**62,577**	**-**	**358,991**
Net operating result before financing cost	**1,750,799**	**176,320**	**(164,436)**	**1,762,683**
Result from non-consolidated companies			25	25
Net financing costs			(324,057)	(324,057)
Fair value adjustments of derivatives and debt & debt discounting			(32,359)	(32,359)
Result before tax			**-**	**1,406,292**
Income tax expenses			(91,394)	(91,394)
Net result for the period				**1,314,898**

Reconciliation between the Results by segment and the income statement of the period (IFRS format) for 2017

(KSEK)	Shopping Centres	Offices	Not allocated	TOTAL 2017
Gross rental income	1,540,102	145,251	-	1,685,353
Net rental income	**1,411,530**	**119,871**	**-**	**1,531,401**
Administrative expenses	**-**	**-**	**(141,042)**	**(141,042)**
Result on disposal of investment properties and shares	**7,771**	**-**	**-**	**7,771**
Valuation movements	**1,277,545**	**30,242**	**-**	**1,307,787**
Net operating result before financing cost	**2,696,846**	**150,113**	**(141,042)**	**2,705,917**
Net financing costs			(329,931)	(329,931)
Fair value adjustments of derivatives and debt & debt discounting			(62,174)	(62,174)
Result before tax			**-**	**2,313,812**
Income tax expenses			(500,537)	(500,537)
Net result for the period				**1,813,275**

December 31, 2018

Statement of financial position by segment

(KSEK)	Shopping Centres	Offices	Not allocated [1]	Dec. 31, 2018
Investment properties at fair value	31,923,056	1,655,788	-	**33,578,844**
Investment properties at cost	-	-	-	-
Other tangible assets	-	-	10,149	**10,149**
Goodwill	-	-	-	-
Intangible assets	-	-	-	-
Shares and investments in companies under the equity method	-	-	-	-
Other non current assets	349	-	6,175	**6,524**
Total non current assets	**31,923,405**	**1,655,788**	**16,324**	**33,595,517**
Properties or shares held for sale	2,683,070	-	-	**2,683,070**
Total current assets	**3,028,501**	**10,869**	**316,005**	**3,355,375**
Total Assets	**34,951,906**	**1,666,657**	**332,329**	**36,950,892**
Total Liabilities excluding shareholders' equity	**5,847,189**	**1,278**	**11,756,269**	**17,604,736**

(1) *Relates to structure properties, furniture and equipments items.*

Investments by segment

(KSEK)	Shopping Centres	Offices	Total 2018
Investments in investment properties at fair value	424,613	19,778	**444,391**
Investment in tangible assets at cost [1]	-	-	-
Total investments	**424,613**	**19,778**	**444,391**

(1) *Before transfer between category of investment property.*

December 31, 2017

Statement of financial position by segment

(KSEK)	Shopping Centres	Offices	Not allocated (1)	Dec. 31, 2017
Investment properties at fair value	33,429,926	1,636,540	-	**35,066,466**
Investment properties at cost	-	-	-	-
Other tangible assets	-	-	10,518	**10,518**
Goodwill	196,974	-	-	**196,974**
Intangible assets	-	-	33	**33**
Shares and investments in companies under the equity method	-	-	-	-
Other non current assets	274	-	39,412	**39,686**
Total non current assets	**33,627,174**	**1,636,540**	**49,963**	**35,313,677**
Properties or shares held for sale	-	-	-	-
Total current assets	**343,699**	**3,458**	**1,363,479**	**1,710,636**
Total Assets	**33,970,873**	**1,639,998**	**1,413,442**	**37,024,313**
Total Liabilities excluding shareholders' equity	**5,991,499**	**706**	**13,142,581**	**19,134,786**

(1) *Relates to structure properties, furniture and equipments items.*

Investments by segment

(KSEK)	Shopping Centres	Offices	Total 2017
Investments in investment properties at fair value	241,299	43,521	**284,820**
Investment in tangible assets at cost (1)	-	-	-
Total investments	**241,299**	**43,521**	**284,820**

(1) *Before transfer between category of investment property.*

2.4 Scope of consolidation

2.4.1 List of the consolidated entities

List of consolidated companies	Country	Method (1)	% interest Dec. 31, 2018	% control Dec. 31, 2018	% interest Dec. 31, 2017
Rodamco Sverige AB	Sweden	FC	100.00	100.00	100.00
SHOPPING CENTRES					
Autopaikat Oy	Finland	JO	34.29	34.29	34.29
Kiinteistö Oy Vantaanportin Liikekeskus	Finland	JO	21.40	21.40	21.40
Kiinteistö Oy Vantaanportin Liiketilat	Finland	JO	60.00	60.00	60.00
Essential Whites SLU	Spain	FC	52.78	100.00	52.78
Eurostop KB	Sweden	FC	100.00	100.00	100.00
Fastighetsbolaget Anlos H AB	Sweden	FC	100.00	100.00	100.00
Fastighetsbolaget Anlos K AB	Sweden	FC	100.00	100.00	100.00
Fastighetsbolaget Anlos L AB	Sweden	FC	100.00	100.00	100.00
Rodamco Arninge Centrum KB	Sweden	FC	100.00	100.00	100.00
Rodamco Centerpool AB	Sweden	FC	100.00	100.00	100.00
Rodamco Fisketorvet AB	Sweden	FC	100.00	100.00	100.00
Rodamco Forum Nacka KB	Sweden	FC	100.00	100.00	100.00
Rodamco Garage AB	Sweden	FC	100.00	100.00	100.00
Rodamco Handel AB	Sweden	FC	100.00	100.00	100.00
Rodamco Parkering AB	Sweden	FC	100.00	100.00	100.00
Rodamco Solna Centrum AB	Sweden	FC	100.00	100.00	100.00
Rodamco Täby Centrum KB	Sweden	FC	100.00	100.00	100.00
Rodamco Väsby Centrum AB	Sweden	-	Liquidated	Liquidated	100.00
SERVICES					
Rodamco Projekt AB	Sweden	FC	100.00	100.00	100.00
HOLDINGS AND OTHER					
Rodareal Oy	Finland	FC	100.00	100.00	100.00
Anlos Fastighets AB	Sweden	FC	100.00	100.00	100.00
Eurostop AB	Sweden	FC	100.00	100.00	100.00
Eurostop Holding AB	Sweden	FC	100.00	100.00	100.00
Knölsvanen Bostads AB	Sweden	FC	100.00	100.00	100.00
Piren AB	Sweden	FC	100.00	100.00	100.00
Rodamco AB	Sweden	FC	100.00	100.00	100.00
Rodamco Anlos Holding AB	Sweden	FC	100.00	100.00	100.00
Rodamco Expand AB	Sweden	FC	100.00	100.00	100.00
Rodamco Nacka AB	Sweden	FC	100.00	100.00	100.00
Rodamco Scandinavia Holding AB	Sweden	FC	100.00	100.00	100.00
Rodamco Täby AB	Sweden	FC	100.00	100.00	100.00
New Tower Real Estate BV	The Netherlands	FC	51.11	51.11	51.11
Old Tower Real Estate BV	The Netherlands	FC	52.78	52.78	52.78

(1) *FC: full consolidation method, JO: joint operations.*

2.4.2 Assessment of the control

Jumbo

According to the governance in place, the Group is in a joint control in the companies owning the shopping centre Jumbo (Finland). Regarding the legal form of the mutual real estates companies and the terms of the contractual arrangements, the Group is in a joint arrangement on this asset under the norms IFRS 10 and 11. Hence they are consolidated as joint operations. Cf section 2.12 “Post-closing events”.

2.5 Highlights and comparability of the last two years

2.5.1 In 2018

The Group finalized the disposal of the non-core assets Eurostop Arlanda in Sweden that occurred in 2017 with the sale of Arlanda hotel.

In December 2018, Rodamco Sverige AB reimbursed SEK 2.2Bn of bonds including 2 tranches: a fixed 3.0% SEK 800Mn bond and a floating SEK 1.4Bn bond.

2.5.2 In 2017

Disposals of Shopping centres

In the second half of 2017, the Group disposed of a number of non-core assets in Sweden which are Eurostop Arlanda, Arninge Centrum and Eurostop Örebro. The share deal amounted to KSEK 260,557 total net disposal price and a net positive result of KSEK 8,836.

2.6 Notes and comments

2.6.1 Notes to the consolidated assets

Note 1 – Investment properties

In accordance with the preferred method provided under IAS 40, investment properties are stated at their market value as determined by independent appraisers.

The valuation principles of the assets by segment activity are described in section 2.2 "Accounting principles and consolidation methods" § 2.2.7 "Asset valuation methods".

As at December 31, 2018, the outstanding balances of deferred lease incentives and key monies amortised over the firm term of the lease and deducted from the appraisal value represented KSEK 114,822.

The Group complies with the IFRS 13 fair value measurement and the position paper [1] on IFRS 13 established by EPRA, the representative body of the publicly listed real estate industry in Europe.

Considering the limited public data available, the complexity of real estate asset valuations, as well as the fact that appraisers use in their valuations the non-public rent rolls of the Group's assets, the Group believes it appropriate to classify its assets under Level 3. In addition, unobservable inputs, including appraisers' assumptions on growth rates and exit yields, are used by appraisers to determine the fair value of Rodamco Sverige's assets.

The following tables provide a number of quantitative elements in order to assess the fair valuation of the Nordic's assets.

Shopping centre portfolio

All shopping centres are valued using the discounted cash flow and/or yield methodologies.

Shopping Centres - Dec. 31, 2018		Net initial yield	Rent in SEK per sqm (a)	Discount Rate (b)	Exit yield (c)	CAGR of NRI (d)
	Max	5,3%	4 802	8,3%	5,2%	3,6%
Nordics	Min	3,8%	1 888	6,2%	3,9%	2,6%
	Weighted average	4,1%	3 841	6,6%	4,2%	3,1%

Net Initial Yield, Discount Rate and Exit yield weighted by Gross Market Value (GMV). Vacant assets, assets considered at bid value and assets under restructuring are not included in Min and Max calculation. Assets under development or not controlled are not included in this table. Assets fully consolidated and in joint-control are included.
(a) Average annual rent (Minimum Guaranteed Rent + Sales Based Rent) per asset per sqm.
(b) Rate used to calculate the net present value of future cash flows.
(c) Rate used to capitalize the exit rent to determine the exit value of an asset.
(d) Compounded Annual Growth Rate of Net Rental Income determined by the appraiser (between 6 and 10 years depending on duration of DCF model used).

Based on an asset value excluding estimated transfer taxes and transaction costs, the segment's net initial yield as at December 31, 2018 came to 4.1% vs. 4.3% at year end 2017.

A change of +25 basis points in net initial yield would result in an adjustment of -KSEK 2,049,542 (-5,7%) of the Nordic shopping centre portfolio value, including transfer taxes and transaction costs.

Shopping Centre portfolio by region - Dec. 31, 2018	**Valuation including transfer taxes in MSEK**	**Valuation excluding estimated transfer taxes in MSEK**	**Net inital yield Dec. 31, 2018 (a)**	**Net inital yield Dec. 31, 2017 (a)**
Nordics	35 974	35 210	4,1%	4,3%

(a) Annualized contracted rent (including indexation) and other incomes for the next 12 months, net of operating expenses, divided by the asset value net of estimated transfer taxes and transaction costs. Shopping centres under development or not controlled, are not included in the calculation. Assets fully consolidated and in joint-control are included

[1] EPRA position paper on IFRS 13 - Fair value measurement and illustrative disclosures, February 2013.

Vacancy rate

Potential rents from vacant space in operation in Nordics shopping centres amounted to KSEK 48,223 at December 31, 2018. This represents a final vacancy rate of 3.1% at year-end.

Investment Properties Under Construction (IPUC)

IPUC are eligible for revaluation except for those for which the fair value is not reliably determinable.

No IPUC is assessed at fair value in the consolidated statement of financial position at December 31,2018.

Changes in investment properties at fair value

2018 change

(KSEK)	**Dec. 31, 2017**	**Acquisitions**	**Capitalised expenses**	**Disposals / exit from the scope of consolidation** (1)	**Reclassifi-cation and transfer of category**	**Valuation movements**	**Discounting impact**	**Currency translation**	**Dec. 31, 2018**
Shopping Centres	33,429,926	-	424,613	96	(2,479,251)	296,414	-	251,258	31,923,056
Offices	1,636,540	-	19,778	(58,718)	(4,388)	62,577	-	-	1,655,788
Total investment properties	**35,066,466**	**-**	**444,391**	**(58,622)**	**(2,483,639)**	**358,991**	**-**	**251,258**	**33,578,844**
Assets held for sale	**-**	**-**	**-**	**-**	**2,478,754**	**-**	**-**	**-**	**2,478,754**
Total	**35,066,466**	**-**	**444,391**	**(58,622)**	**(4,885)**	**358,991**	**-**	**251,258**	**36,057,598**

(1) Relates to the disposal of Arlanda hotel.

2017 change

(KSEK)	**Dec. 31, 2016**	**Acquisitions**	**Capitalised expenses**	**Disposals / exit from the scope of consolidation** (1)	**Reclassifi-cation and transfer of category**	**Valuation movements**	**Discounting impact**	**Currency translation**	**Dec. 31, 2017**
Shopping Centres	32,699,692	-	241,299	(899,005)	-	1,277,545	1,076	109,319	33,429,926
Offices	1,779,107	-	43,521	(216,330)	-	30,242	-	-	1,636,540
Total investment properties	**34,478,799**	**-**	**284,820**	**(1,115,335)**	**-**	**1,307,787**	**1,076**	**109,309**	**35,066,466**

(1) Relates to the disposal of several non-core assets (Eurostop Arlanda, Arninge Centrum and Eurostop Örebro).

Changes in investment properties at cost

None.

Note 2 – Other tangible assets

2018 Change

Net value (KSEK)	**Dec. 31, 2017**	**Acquisitions and capitalised expenses**	**Disposals/ exits from the scope of consolidation**	**Currency translation**	**Depreciation**	**Other movements**	**Dec. 31, 2018**
Gross value	26,859	1,318	(341)	119	-	481	28,436
Depreciation	(16,341)	-	341	(114)	(2,173)	-	(18,287)
Total	**10,518**	**1,318**	**-**	**5**	**(2,173)**	481	**10,149**

2017 Change

Net value (KSEK)	**Dec. 31, 2016**	**Acquisitions and capitalised expenses**	**Disposals/ exits from the scope of consolidation**	**Currency translation**	**Depreciation**	**Other movements**	**Dec. 31, 2017**
Gross value	28,971	9,312	(11,474)	50	-	-	26,859
Depreciation	(22,580)	-	7,917	(49)	(1,629)	-	(16,341)
Total	**6,391**	**9,312**	**(3,557)**	**1**	**(1,629)**	**-**	**10,518**

Note 3 – Goodwill

2018 Change

(KSEK)	**Dec. 31, 2017**	**Currency translation**	**Reclassifi-cation to assets held for sale**	**Dec. 31, 2018**
Gross value	196,974	7,342	(204,316)	-
Impairment	-	-	-	-
Total	**196,974**	**7,342**	**(204,316)**	**-**

The impairment test which consists of comparing the net value of this goodwill with the amounts of tax optimisation as determined at the date of reporting was carried out. No impairment was recognised as at December 31, 2018.

The goodwill related to Jumbo shopping centre in Helsinki is reclassified on the line “Assets held for sale” in the Consolidated statement of financial position as at December 31, 2018 (cf section 2.12 “Post-closing events”).

2017 Change

(KSEK)	Dec. 31, 2016	Currency translation	Dec. 31, 2017
Gross value	193,997	2,977	196,974
Impairment	-	-	-
Total	**193,997**	**2,977**	**196,974**

Note 4 – Intangible assets

2018 Change

Net value (KSEK)	Dec. 31, 2017	Acquisitions	Disposals/ exits from the scope of consolidation	Charges	Currency translation	Dec. 31, 2018
Gross value	7,384	-	-	-	4	7,388
Amortisation	(7,350)	-	-	(33)	(4)	(7,387)
Total	**33**	**-**	**-**	**(33)**	**0**	**0**

2017 Change

Net value (KSEK)	Dec. 31, 2016	Acquisitions	Disposals/ exits from the scope of consolidation	Charges	Currency translation	Dec. 31, 2017
Gross value	8,025	-	(643)	-	2	7,384
Amortisation	(7,869)	-	643	(123)	(1)	(7,350)
Total	**155**	**-**	**-**	**(123)**	**1**	**33**

Note 5 – Financial assets

This item comprises the shares of non-consolidated companies.

Note 6 – Trade receivables from activity

All of these receivables are due within one year, except rent-free periods and step rents amortised over the firm term of the lease.

Trade related receivables (KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Trade receivables	2,863	4,868
Doubtful accounts	39,549	57,702
Rent-free periods and step rents	114,822	127,670
Gross value	**157,234**	**190,240**
Provisions for doubtful accounts	(32,111)	(42,595)
Net	**125,123**	**147,645**

Breakdown of trade receivables by business line (KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Shopping Centres	123,808	144,565
Offices	1,315	3,080
Total	**125,123**	**147,645**

Changes in provisions for doubtful accounts (KSEK)	**2018**	**2017**
As of January 1	**(42,595)**	**(43,897)**
Currency translation adjustments	(40)	-
Change in scope of consolidation	-	-
Additions	-	(305)
Use and reversal	10,524	1,607
As of December 31	**(32,111)**	**(42,595)**

Note 7 – Other trade receivables

All of these receivables are due within one year, except leaseholds.

Tax receivables (KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Value-Added Tax and other	46,786	50,452
Corporate income tax	5,881	-
Total	**52,667**	**50,452**

Other receivables (KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Receivables from suppliers	-	-
Other debtors	48,733	32,127
Receivables from partners	6	86
Accrued income receivables on caps and swaps	16,350	17,764
Gross value	**65,089**	**49,977**
Provisions	-	-
Net	**65,089**	**49,977**

Prepaid expenses (KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Prepaid expenses	113,536	104,446
Total	**113,536**	**104,446**

Note 8 – Cash and cash equivalents

(KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Marketable securities (1)	71,986	74,070
Cash	40,586	41,625
Parent company cash pooling and credit facilities	203,318	1,242,421
Total	**315,890**	**1,358,116**

(1) *This item comprises investments in money-market SICAV (marketable securities). There were no unrealised capital gains or losses on the portfolio.*

2.6.2 Notes to the consolidated liabilities

Note 9 – Current and non current financial liabilities

> Debt breakdown

Outstanding duration to maturity (KSEK)	**Current**	**Non current**		**Total**	**Total**
	Less than 1 year	**1 year to 5 years**	**More than 5 years**	**Dec. 31, 2018**	**Dec. 31, 2017**
Bonds and EMTNs	**1,509,503**	**2,500,000**	**-**	**4,009,503**	**6,206,968**
Principal debt	1,500,000	2,500,000	-	4,000,000	6,200,000
Accrued interest on bonds and EMTNs	16,615	-	-	16,615	18,144
Issuance costs	(7,112)	-	-	(7,112)	(11,176)
Bank borrowings	**39,262**	**-**	**-**	**39,262**	**87,080**
Principal debt	-	-	-	-	84,594
Accrued interest on borrowings	42	-	-	42	274
Borrowings issue fees	(4,854)	-	-	(4,854)	(6,125)
Bank overdrafts	44,061	-	-	44,061	8,337
Current accounts to balance out cash flow	13	-	-	13	-
Other financial liabilities	**2,471,651**	**3,233,363**	**1,944,870**	**7,649,884**	**6,814,063**
Parent company borrowings	2,480,000	3,227,636	1,944,870	7,652,506	6,822,034
Accrued interest on parent company borrowings	-	-	-	-	-
Charges and premiums on issues of parent company borrowings	(8,349)	-	-	(8,349)	(13,065)
Current accounts with non-controlling interests	-	5,727	-	5,727	5,094
Charges and premiums on current account with minority interests	-	-	-	-	-
Total	**4,020,416**	**5,733,363**	**1,944,870**	**11,698,649**	**13,108,111**

The variation of financial debt by flows breaks down as follows:

	Dec. 31, 2017	**Cash flows** (1)		**Variation of accrued interests** (3)	**Non-cash flows**				**Dec. 31, 2018**
		Increase (2)	Decrease		Scope movements	Currency translation	Fair value impact	Others (4)	
Bonds and EMTNs	**6,206,968**	-	(2,200,000)	(1,529)	-	-	-	4,064	**4,009,503**
Bank borrowings	**87,080**		(87,243)	(238)	-	23,675	-	15,988	**39,262**
Other financial liabilities	**6,814,063**	800,944	-	-	-	30,069	-	4,808	**7,649,884**
Total	**13,108,111**	**800,944**	**(2,287,243)**	**(1,767)**	**-**	**53,744**	**-**	**24,860**	**11,698,649**

(1) *The cash flows differ from those in the Consolidated statement of cash flows mainly due to the variation of guarantee deposits received.*
(2) *Net of issuance costs and issue fees.*
(3) *The variation of accrued interest is included in lines Financial income / Financial expenses of the Consolidated statement of cash flows.*
(4) *Mainly variation of bank overdrafts and amortization of issuance costs and fees*

> Maturity of current principal debt

(KSEK)	**Current**			**Total**
	Less than 1 month	**1 month to 3 months**	**More than 3 months**	**Dec. 31, 2018**
Bonds and EMTNs – principal debt	-	-	1,500,000	1,500,000
Bank borrowings – principal debt	-	-	-	-
Parent company borrowings	-	2,480,000	-	2,480,000
Total	**-**	**2,480,000**	**1,500,000**	**3,980,000**

As at December 31, 2018, Rodamco Sverige's average debt maturity was 3.7 years after taking into account the confirmed unused credit lines.

> Characteristics of bonds and EMTNs

Issue date	Rate	Amount at Dec. 31, 2018 (KSEK)	Maturity
June 2014	Float rate SEK (Stib3M + 78bps)	650,000	June 2019
June 2014	Fixed rate 2.25 % SEK	850,000	June 2019
October 2016	Fixed rate 0.850% SEK swapped to Stim3M + 87.5bps)	1,500,000	October 2021
June 2017	Float rate SEK (Stib3M + 80bps)	400,000	June 2022
June 2017	Fixed rate 0.875% SEK	600,000	June 2022
Total		**4,000,000**	

> Covenants

Bonds issued are not restricted by any covenant based on financial ratios which could lead to early repayment of the debt. Green bonds must be used to finance projects or assets that meet certain criteria.

No bank loans were subject to prepayment clauses linked to the Group's ratings, barring exceptional circumstances such as change in control.
There are no financial covenants in the EMTN program.

The majority of bank loans and credit facilities contains financial covenants such as LTV (Loan-to-Value) and ICR (Interest Coverage Ratio) ratios, as well as a prepayment clause in case of occurrence of a material adverse change.

> Market value

The market value of Rodamco Sverige's fixed-rate and index-linked debt is presented in the table below. The remainder of the Group's outstanding debt is variable-rate debt, which has its carrying value on the statement of financial position as the sum of the nominal amount and coupon accruals.

(KSEK)	**Dec. 31, 2018**		**Dec. 31, 2017**	
	Carrying value	**Market value**	**Carrying value**	**Market value**
Long term debt Fixed-rate & index-linked borrowings, interbank instruments and negotiable market instruments	10,073,294	13,285,018	10,033,478	10,524,252

<u>*Note 10 – Hedging instruments*</u>

Derivative instruments owned by the Group are stated at fair value and were recorded in the statement of financial position as at December 31, 2018, for a net amount of -KSEK 4,440.

Derivatives are valued by discounted estimated future cash flows based on the interest rate curve at the end of December 2018. The valuation has been cross-checked against valuations by banks.

		Amounts recognised in the Statement of Comprehensive Income				
(KSEK)	**Dec. 31, 2017**	**Net financing costs**	**Fair value adjustments of derivatives**	**Other comprehen-sive income**	**Acquisitions /Disposals**	**Dec. 31, 2018**
<u>**Assets**</u>						
Derivatives at fair value	**39,412**	**-**	**(33,237)**	**-**	**-**	**6,175**
- Without a hedging relationship	*39,412*	-	*(33,237)*	-	-	*6,175*
<u>**Liabilities**</u>						
Derivatives at fair value	**(21,418)**	**-**	**10,803**	**-**	**-**	**(10,615)**
- Without a hedging relationship	*(21,418)*	-	*10,803*	-	-	*(10,615)*
Net	**17,994**	**-**	**(22,434)**	**-**	**-**	**(4,440)**

Due to its use of derivatives to minimise its interest rate and currency risks, the Group is exposed to potential counterparty defaults. The counterparty risk is the risk of replacing the derivative transactions at current market rates in the case of default. In accordance with IFRS 13, the derivatives' valuations have been corrected of the Credit Valuation

Adjustment (CVA) on derivatives with a positive fair value and of the Debit Valuation Adjustment (DVA) on derivatives with a negative fair value. As at December 31, 2018, CVA amounted to -KSEK 16 and DVA to +KSEK 75. The impact of the change in fair value of CVA on the non-recurring net result of the period amounted to +KSEK 341 and the one of DVA to +KSEK 75.

Note 11 – Deferred tax

2018 Change

(KSEK)	Dec. 31, 2017	Increase	Decrease	Currency translation	Change in scope of consolidation	Dec. 31, 2018
Deferred tax liabilities						
Deferred tax on investment properties	(4,545,526)	(55,000)	23,629	(38,331)	-	(4,615,228)
Deferred tax assets						
Tax loss carry-forward (1)	32,450	-	(32,450)	-	-	-
Total Deferred tax liabilities	**(4,513,076)**	**(55,000)**	**(8,821)**	**(38,331)**	**-**	**(4,615,228)**
Deferred tax assets						
Tax loss carry-forward	-	-	-	-	-	-
Total Deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**

(1) *Deferred tax assets and liabilities within a same tax group are offset.*

2017 Change

(KSEK)	Dec. 31, 2016	Increase	Decrease	Currency translation	Change in scope of consolidation	Dec 31, 2017
Deferred tax liabilities						
Deferred tax on investment properties	(4,179,694)	(365,157)	16,400	(17,075)	-	(4,545,526)
Deferred tax assets						
Tax loss carry-forward (1)	75,460	-	(43,010)	-	-	32,450
Total Deferred tax liabilities	**(4,104,234)**	**(365,157)**	**(26,610)**	**(17,075)**	**-**	**(4,513,076)**
Deferred tax assets						
Tax loss carry-forward	20	(20)	-	-	-	-
Total Deferred tax assets	**20**	**(20)**	**-**	**-**	**-**	**-**

(1) *Deferred tax assets and liabilities within a same tax group are offset.*

Unrecognised deferred tax assets

As at December 31, 2018, there is no unrecognised deferred tax assets which was unchanged from December 31, 2017.

Note 12 – Provisions

2018 Change

(KSEK)	**Dec. 31, 2017**	**Allocations**	**Reversals used**	**Reversals not used**	**Change in scope of consolidation**	**Other movements**	**Dec. 31, 2018**
Short term provisions	**13,536**	**-**	**-**	**(4,818)**	**-**	**(3,890)**	**4,828**
Provisions for litigation	13,536	-	-	(4,818)	-	(3,890)	4,828
Total	**13,536**	**-**	**-**	**(4,818)**	**-**	**(3,890)**	**4,828**

2017 Change

(KSEK)	**Dec. 31, 2016**	**Allocations**	**Reversals used**	**Reversals not used**	**Change in scope of consolidation**	**Other movements**	**Dec. 31, 2017**
Short term provisions	**17,024**	**3,972**	**(1,626)**	**(5,674)**	**-**	**(160)**	**13,536**
Provisions for litigation	17,024	3,972	(1,626)	(5,674)	-	(160)	13,536
Total	**17,024**	**3,972**	**(1,626)**	**(5,674)**	**-**	**(160)**	**13,536**

Note 13 – Amounts due on investments

The amounts due on investments correspond mainly to amounts due on invesments on development pipeline projects.

Note 14 – Amounts due to suppliers and other current debt

Trade payables by segment (KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Shopping Centres	110,754	109,049
Others	7,240	5,729
Total	**117,994**	**114,778**

Sundry creditors[1] (KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Due to customers	101,770	75,805
Due to partners	139,910	155,515
Total	**241,680**	**231,320**

(1) *This item includes eviction costs.*

Other liabilities (KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Prepaid income [1]	248,545	280,132
Total	**248,545**	**280,132**

(1) *Mainly rents received in advance.*

Note 15 – Tax and social security liabilities

(KSEK)	**Dec. 31, 2018**	**Dec. 31, 2017**
Social security liabilities	25,350	19,111
Value-added tax	96,837	192,312
Income tax due	97,700	93,849
Other tax liabilities	13,401	44,158
Total current	**233,288**	**349,430**

2.6.3 Notes to the consolidated statement of comprehensive income

Note 16 – Gross rental income

Gross rental income consists of rents and similar income (e.g. occupancy compensation, key money, parking revenues) invoiced for Shopping Centres and Offices properties over the period.
Under IAS 17 and SIC 15, the effects of rent-free periods, step rents, other rents incentives and key monies are spread over the fixed term of the lease.
The property management fees re-invoiced to the tenants are classified in gross rental income.

Charges invoiced to tenants are not included in rental income but deducted from net service charge expenses.

Note 17 – Net service charge expenses

In 2018, the charges invoiced to tenants for the entities fully consolidated and deducted from net service charge expenses amount to 431,838 KSEK.

These expenses are net of charges re-invoiced to tenants and relate mainly to vacant premises.

(KSEK)	**2018**	**2017**
Service charge income	431,838	448,765
Service charge expenses	(431,828)	(448,766)
Total	**(10)**	**(1)**

Note 18 – Property operating expenses

These expenses comprise service charges borne by the owner, works-related expenses, litigation expenses, charges relating to doubtful accounts and expenses relating to property management.

Note 19 – Administrative expenses

This item comprises Group administrative expenses and expenses relating to development projects.

Audit fees

(KSEK)	**2018**	**2017**
Ernst & Young, audit	(2,751)	(2,311)
Deloitte, audit	(51)	(48)
Total	**(2,802)**	**(2,359)**

Note 20 – Result on disposal of investment properties

Proceeds from the disposal of investment properties correspond to the disposal price received net of disposal costs. The carrying value of disposed assets corresponds to the market value recorded on the closing statement of financial position for the previous financial year, plus works costs and capitalised expenses for the period and adjusted for reversals of remaining amounts of rent-free periods and step rents straightlined.

Note 21 – Valuation movements on assets

This item reflects changes in market valuation of investment properties.

(KSEK)	2018	2017
Shopping Centres	296,414	1,277,545
Offices	62,577	30,242
Total	**358,991**	**1,307,787**

Note 22 – Net financing costs

(KSEK)	2018	2017
Other financial interest	305	610
Interest income on caps and swaps	59,951	58,900
Subtotal financial income	**60,256**	**59,510**
Interest on bonds	(74,843)	(71 656)
Interest and expenses on borrowings	(278,249)	(290 337)
Interest on partners' advances	(451)	(978)
Other financial interest	(15,044)	(13 814)
Interest expenses on caps and swaps	(15,726)	(12 656)
Financial expenses before capitalised financial expenses	**(384,313)**	**(389,441)**
Capitalised financial expenses	-	-
Subtotal financial expenses	**(384,313)**	**(389,441)**
Total net financial expenses	**(324,057)**	**(329,931)**

Note 23 – Fair value adjustments of derivatives and debt

During 2018, fair value adjustments of derivatives and debt mainly comprised:

- changes in fair value of derivatives (caps and swaps) which generated a loss of -KSEK 22,434;
- and the non recurring currency result following the translation into functional currency of monetary assets and liabilities denominated in foreign currency, at the exchange rate at the closing date, for a negative amount of -KSEK 9,925.

Note 24 – Income tax expenses

(KSEK)	2018	2017
Income tax expense recurring	**(20,754)**	**(19,637)**
- Allocation / reversal of provision concerning tax issues	-	(3,872)
- Other recurring results	(20,754)	(15,765)
Deferred tax expense / tax income recurring	**(2,739)**	**6,749**
Total recurring tax	**(23,493)**	**(12,888)**
Income tax expense non-recurring	**(6,819)**	**(89,113)**
Deferred tax expense / tax income non-recurring	**(61,082)**	**(398,536)**
Total non-recurring tax	**(67,901)**	**(487,649)**
Total tax (1)	**(91,394)**	**(500,537)**

(1) In 2017, related to the disposal of non-core assets in Sweden (Eurostop Arlanda, Arninge Centrum and Eurostop Örebro).

Reconciliation of effective tax rate	%	**2018**
Profit before tax, impairment of goodwill and result of associates		**1,406,292**
Income tax using the average tax rate	22.0%	(310,005)
Tax exempt profits	(0.8%)	10,905
Non deductible costs	(0.3%)	3,905
Effect of change in tax rates (1)	(15.5%)	218,567
Other	1.0%	(14,765)
	6.5%	**(91,394)**

(1) In 2018, the Swedish parliament passed a bill decreasing the corporate income tax rate in two steps until 2021 from 22 % in 2018 to 21.4 % from 2019 to 2020 and down to 20.6 % from 2021.

2.6.4 Notes to the consolidated statement of cash flows

The income tax is classified under cash flow from operating activities.

Net financial interest payments as well as cash flow relating to the purchase or sale of derivative instruments are classified as cash flow from financing activities.

Note 25 – Disposal of shares/consolidated subsidiaries

(€Mn)	**2018**	**2017**
Net price of shares sold	(346)	260,315
Cash and current accounts (1)	-	857,723
Disposal of shares/consolidated subsidiaries	**(346)**	**1,118,038**

(1) In 2017, relates to the current accounts of the disposed entities (see section 2.5 "Highlights and comparability of the last two years", § 2.5.1.).

Note 26 – Reconciliation of cash at period-end on the statement of cash flows and cash on the statement of financial position

(KSEK)	**2018**	**2017**
Marketable securities	71,986	74,070
Parent company cash pooling and credit facilities	203,318	1,242,421
Cash	40,586	41,625
Current accounts to balance out cash flow	-	-
Bank overdrafts	(44,074)	(8,337)
Cash at period-end	**271,816**	**1,349,779**

2.7 Financial instruments

2.7.1 Carrying value of financial instruments per category in accordance with IFRS 9 standard

FAAC: Financial Asset at Amortised Cost
FAFVOCI: Financial Asset at Fair Value through Other Comprehensive Income
FAFVTPL: Financial Asset at Fair Value Through Profit or Loss
FLAC: Financial Liabilities at Amortised Cost
FLFVTPL: Financial Liabilities at Fair Value Through Profit or Loss

Dec. 31, 2018			**Amounts recognised in statement of financial position according to IFRS 9**			
(KSEK)	**Categories in accordance with IFRS 9**	**Carrying Amount Dec. 31, 2018**	**Amortised Cost**	**Fair value recognised in equity**	**Fair value recognised in profit & loss**	**Fair value**
Assets						
Financial assets	FAAC	349	349	-	-	349
Derivatives at fair value	FAFVTPL	6,175	-	-	6,175	6,175
Trade receivables from activity [1]	FAAC	10,301	10,301	-	-	10,301
Other receivables [2]	FAAC	65,089	65,089	-	-	65,089
Cash and cash equivalents	FAFVTPL	315,890	-	-	315,890	315,890
		397,804	**75,739**	**-**	**322,065**	**397,804**
Liabilities						
Financial debts	FLAC	11,698,649	11,698,649	-	-	14,910,373
Derivatives at fair value	FLFVTPL	10,615	-	-	10,615	10,615
Non current amounts due on investments	FLAC	-	-	-	-	-
Amounts due to suppliers and other current debt [3]	FLAC	658,266	658,266	-	-	658,266
		12,367,530	**12,356,915**	**-**	**10,615**	**15,579,254**

(1) *Excluding rent-free periods and step rents.*
(2) *Excluding prepaid expenses, service charges due and tax receivables.*
(3) *Excluding prepaid income, service charges billed and tax liabilities.*

Dec. 31, 2017 restated (KSEK)	Categories in accordance with IFRS 9	Carrying Amount Dec. 31, 2017	Amounts recognised in statement of financial position according to IFRS 9			Fair value
			Amortised Cost	Fair value recognised in equity	Fair value recognised in profit & loss	
Assets						
Financial assets	FAAC	274	274			274
Derivatives at fair value	FAFVTPL	39,412			39,412	39,412
Trade receivables from activity [(1)]	FAAC	19,975	19,975			19,975
Other receivables [(2)]	FAAC	49,977	49,977			49,977
Cash and cash equivalents	FAFVTPL	1,358,116			1,358,116	1,358,116
		1,467,754	**70,226**	**-**	**1,397,528**	**1,467,754**
Liabilities						
Financial debts	FLAC	13,108,111	13,108,111			13,598,885
Derivatives at fair value	FLFVTPL	21,418			21,418	21,418
Non current amounts due on investments	FLAC	-			-	-
Amounts due to suppliers and other current debt [(3)]	FLAC	756,903	756,903			756,903
		13,886,432	**13,865,014**	**-**	**21,418**	**14,377,206**

(1) *Excluding rent-free periods and step rents.*
(2) *Excluding prepaid expenses, service charges due and tax receivables.*
(3) *Excluding prepaid income, service charges billed and tax liabilities.*

“Trade receivables from activity”, “Other receivables”, “Cash and cash equivalents” and “Amounts due to suppliers and other current debt” mainly have short term maturity. Consequently, their carrying amounts at the reporting date approximate the fair value.

2.7.2 Fair value hierarchy of financial instruments

This table splits the financial instruments in assets or liabilities into three levels:
- Level 1: financial instruments quoted in an active market;
- Level 2: financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets;
- Level 3: financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data.

(KSEK)	Fair value measurement at Dec. 31, 2018			
	Total	Level 1	Level 2	Level 3
Assets				
Fair value through profit or loss				
Derivatives	6,175	-	6,175	-
Marketable securities	71,986	71,986	-	-
Fair value through equity				
Derivatives	-	-	-	-
Total	**78,161**	**71,986**	**6,175**	-
Liabilities				
Fair value through profit or loss				
Derivatives	10,615	-	10,615	-
Total	**10,615**	**-**	**10,615**	-

Net gain/loss by category

2018 (KSEK)	**From interest**	**Net gain/loss**
Financial instruments held for trading	44,225	44,225
Financial liabilities at amortised cost	(368,282)	(368,282)
	(324,057)	**(329,931)**
Capitalised expenses		-
Net financial expenses		**(324,057)**

2017 (KSEK)	**From interest**	**Net gain/loss**
Financial instruments held for trading	46,244	46,244
Financial liabilities at amortised cost	(376,175)	(376,175)
	(329,931)	**(329,931)**
Capitalised expenses		-
Net financial expenses		**(329,931)**

The Group closely monitors its financial risk linked to its activity and the financial instruments it uses. The Group identifies and evaluates regularly its different risk exposures (liquidity, interest rates, currency exchange rates) in order to implement the adapted strategy when necessary.

2.7.3 Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures with respect to rental customers. Credit risk is managed on a Group level. The Group structures the level of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to at least an annual review, and often more frequently. The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit story.
In the Shopping Centres segment, the risk of insolvency is spread widely across a large number of tenants.
When tenants sign their lease agreements, they are required to provide financial guarantees, such as a deposit, first-demand guarantee or a surety bond amounting to between three and six months' rent.
Payments for ancillary services provided by the Convention & Exhibition segment are generally received in advance, thereby reducing the risk of unpaid debt.
Late payment reminders are automatically issued in respect of late payments and penalties are applied. Such late payments are monitored by a special "default" Committee in each business segment which decides on the pre-litigation or litigation action to be taken.

2.7.4 Market risk

a. Liquidity risk

The following table shows the Group's contractually agreed interest payments and repayments of the non derivative financial liabilities and the derivatives with positive and negative fair values. Amounts in foreign currency were translated at the closing rate at the reporting date. The payments of the floating-rate interests have been calculated on the basis of the last interests rates published on December 31, 2018. Lines drawn as at December 31, 2018 are considered as drawn until maturity.

Commercial paper has been allocated at the earliest period of redemption even if they are rolled over. All other borrowings have been allocated by date of maturity.

(KSEK)	**Carrying amount** (1)	**Less than 1 year**		**1 year to 5 years**		**More than 5 years**	
	Dec. 31, 2018	Interest	Redemp-tion	Interest	Redemp-tion	Interest	Redemp-tion
Bonds, borrowings and amounts due to credit institutions							
Bonds and EMTNs	(4,000,000)	(42)	(1,500,000)	(48)	(2,500,000)	-	-
Bank borrowings and other financial liabilities (2)	(7,652,506)	(259)	(2,480,000)	(494)	(3,227,636)	(125)	(1,944,870)
Financial derivatives							
Derivative financial liabilities							
Interest rate derivatives without a hedging relationship	(10,615)	21	-	-	-	-	-
Derivative financial assets							
Interest rate derivatives without a hedging relationship	6,175	-	-	-	-	-	-

(1) *Corresponds to the amount of principal debt (see section 2.6.2 note 9 "Current and non current financial liabilities").*
(2) *Excludes current accounts with non-controlling interests.*

As at December 31, 2018, the total amount of undrawn credit lines came to KSEK 1,750,000.

b. Counterparty risk

Due to its use of derivatives to minimise its interest and exchange rate risk, the Group is exposed to potential counterparty defaults. The counterparty risk is the risk of replacing the derivative transactions at current market rates in the case of default. To limit counterparty risk, the Group relies solely on major international banks for its hedging operations.

c. Interest rate risk management

Rodamco Sverige AB is exposed to interest rate fluctuations on its variable rate loans. Group's strategy regarding interest rate risk is to minimise the impact that changes in rates could have on earnings and cash flow and optimise the overall cost of financing in the medium term. In order to implement this strategy, the Group uses notably derivatives (mainly caps and swaps) to hedge its interest rate exposure. The Group's market transactions are confined exclusively to those interest hedging activities.

> Average cost of Debt

Rodamco Sverige's average cost of debt in 2018 stands at 2.3 %.

> Interest rate hedging transactions

The outstanding debt as at December 31, 2018 was hedged at 61% against an increase in variable rates.
The Group's interest policy is covered by a macro hedging policy at the level of the shareholder, Unibail-Rodamco SE.

> Measuring interest rate risk

(KSEK)	**Outstanding total at Dec. 31, 2018**	
	Fixed rate	**Variable rate** (1)
Financial liabilities	(10,137,682)	(1,558,898)
Financial assets	243,904	71,986
Net financial liabilities before hedging programme	**(9,893,778)**	**(1,486,912)**
Micro-hedging	2,950,000	(2,950,000)
Net financial liabilities after micro-hedging (2)	**(6,943,778)**	**(4,436,912)**
Swap rate hedging (3)		-
Net debt not covered by swaps		**(4,436,912)**
Cap and floor hedging		-
Hedging balance	**-**	**(4,436,912)**

(1) *Including index-linked debt.*
(2) *Partners' current accounts are not included in variable-rate debt.*
(3) *Forward hedging instruments are not accounted for in this table.*

Interest rate sensitivity is not calculated at level of Rodamco Sverige AB but at Unibail-Rodamco SE, the parent company.

d. Currency exchange rate risk management

Regarding exchange rate risk, the Group aims to limit its net exposure to an acceptable level by taking up debt in the same currency, by using derivatives and by buying or selling foreign currencies at spot or forward rates.

> Measuring currency exchange rate exposure

The Group has activities and investments in countries inside the euro-zone (e.g. in Finland). When converted into SEK, the income and value of the Group's net investment may be influenced by fluctuations in exchange rates against the SEK. For these entities, all the transactions are done into euro reducing the exchange effects on earnings volatility and net valuation of the investment.
The Group's currency risk exposure is covered at the level of the shareholder Unibail-Rodamco SE for which euro is the Group presentation currency.

2.8 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

2.9 Financial commitments and guarantees

All significant commitments are shown below. The Group does not have any complex commitment.

2.9.1 Commitments given

Commitments given (KSEK)	Description	Maturities	Dec. 31, 2018	Dec. 31, 2017
1) Commitments related to the scope of the consolidated Group			**702**	**677**
Commitments given as part of specific transactions	- Warranties and bank letters given in the course of the ordinary business	2019+	702	677
2) Commitments related to Group financing			**-**	**84,594**
Financial guarantees given	- Mortgages and first lien lenders (1)	-	-	84,594
3) Commitments related to Group operational activities			**172,499**	**178,084**
Commitments related to development activities	- Commitments subject to conditions precedent	2019 to 2021	160,800	160,800
Commitments related to operating contracts	- Rental of premises and equipment	2019 to 2022	11,699	17,284
Total commitments given			**173,201**	**263,354**

(1) Discloses the outstanding balances at the reporting date of the debts and credit lines which are guaranteed by mortgages. The gross amount of mortgages contracted, before taking into account subsequent debt reimbursement and unused credit lines, was KSEK 140,993 as at December 31, 2017.

2.9.2 Commitments received

Commitments received (KSEK)	Description	Maturities	Dec. 31, 2018	Dec. 31, 2017
1) Commitments related to Group financing			**5,750,000**	**7,950,000**
Financial guarantees received	- Bank loans guaranteed by Rodamco Sverige AB's shareholder, Unibail-Rodamco SE (1)	2019 to 2022	4,000,000	6,200,000
	- Refinancing agreements obtained but not used	2019+	1,750,000	1,750,000
2) Commitments related to Group operational activities			**1,098,603**	**1,081,753**
Other contractual commitments received related to operations	- Other	2019 to 2020	662,286	662,286
Assets received as security, mortgage or pledge, as well as guarantees received	- Guarantees received from tenants	2019+	436,317	419,467
Total commitments received			**6,848,603**	**9,031,753**

(1) These agreements are concluded in coordination with Rodamco Sverige AB's ultimate shareholder, Unibail-Rodamco SE. They are usually accompanied by a requirement for Unibail-Rodamco SE to meet specific target ratios based on revalued shareholders' equity, Group portfolio valuation and debt. Certain credit lines are also subject to an early prepayment clause (in full or in part) in the event of a change in ownership or a series of disposals reducing portfolio assets below a given threshold. Based on current forecasts, excluding exceptional circumstances, these thresholds on target ratios are not expected to be attained during the current year.

Commitments relating to operating leases

General overview of the main provisions of lease agreements

In Sweden, commercial lease agreements are covered by Chapter 12 of the Code of Land Laws. There is no minimum term of the lease, however three to five years is standard practice with a right to prolong the lease. Rents are usually received quarterly in advance and exclude services charges which are invoiced separately, such as tax and costs for the operation of the shopping centre. However, some old leases historically still include all charges.

Minimum guaranteed rents under leases

As at December 31, 2018, minimum future rents due under leases until the next possible termination date break down as follows:

Minimum future rents per year (KSEK)			
Year	Shopping Centres	Offices	Total
2019	1,225,148	106,562	1,331,710
2020	917,719	70,596	988,315
2021	730,349	45,483	775,833
2022	612,526	28,160	640,686
2023	450,966	20,832	471,799
2024	425,773	19,173	444,947
2025	363,079	16,985	380,064
2026	336,649	13,286	349,934
2027	313,857	10,909	324,765
2028	283,840	9,679	293,519
2029	283,840	9,679	293,519
Total	**5,943,745**	**351,345**	**6,295,090**

2.9.3 Contingent liabilities

The Group is involved in an arbitration procedure with PEAB involving claims regarding the development of Mall of Scandinavia. The process involves claims by both sides and is expected to take time to resolve.
Based on the risk analysis as of December 31, 2018, no provision was recorded in the consolidated accounts.

2.10 Employee remuneration and benefits

2.10.1 Salaries and remuneration

(KSEK)	2018	2017
Payment and benefits	77,078	70,287
Social contributions	22,541	20,552
Pension expenses	13,326	12,542
Total	**113,945**	**103,381**

	2018			2017		
Salaries and renumeration by contry	**Board, MD and senior executives**	**Other employee**	**Total**	**Board, MD and senior executives**	**Other employee**	**Total**
Sweden						
Parent Company	13,131	74,697	**87,828**	15,436	69,251	**84,687**
Subsidiaries	2,374	17,342	**19,716**	451	12,273	**12,724**
Sweden, Total	**15,505**	**92,039**	**107,544**	**15,887**	**81,524**	**97,411**
Subsidiaries abroad						
Denmark	-	6,401	**6,401**	-	5,970	**5,970**
Subsidiaries abroad, total	**0**	**6,401**	**6,401**	**0**	**5,970**	**5,970**
Group Total	**15,505**	**98,440**	**113,945**	**15,887**	**87,494**	**103,381**

			2018			
Salaries and renumeration Senior executives	**Salaries/ Directors fee**	**Variable compen-sation**	**Other benefits**	**Pensions expenses**	**Other compensations**	**Total**
Chairman	-	-	-	-	-	0
Board	-	-	-	-	-	0
Manager Director	4,031	1,800		1,083		**6,914**
Other senior executives	5,795	1,400		1,396		**8,591**
Total	**9,826**	**3,200**	-	**2,479**	-	**15,505**

			2017			
Salaries and renumeration Senior executives	**Salaries/ Directors fee**	**Variable compen-sation**	**Other benefits**	**Pensions expenses**	**Other compensations**	**Total**
Chairman	-	-	-	-	-	**0**
Board	-	-	-	-	-	0
Manager Director	3,370	1,800		994		**6,164**
Other senior executives	6,817	1,300		1,606		**9,723**
Total	**10,187**	**3,100**	-	**2,600**	-	**15,887**

2.10.2 Number of employees

The average number of employees of the Group's companies breaks down as follows:

Regions	2018	2017
Sweden	101	103
Of which women	*63*	*72*
Denmark	8	7
Of which women	*7*	*5*
Total	**109**	**110**

Number of people in the Management Board	2018	2017
Board	3	3
Of which women	-	-
Senior executives incl. MD	4	5
Of which women	*2*	*1*

2.10.3 Employee benefits

Pension Plan

The Group has only defined contribution plans. The Pension expense related to the cost that affected net income statement. The retirement age for employees of the company is 65 years.

Stock option plans

Members of the Board of Directors and other senior staff are granted stock-options and performance shares, whose plans are set up at Unibail-Rodamco's level.

The total expense recognized in the profit & loss account for share based payments in 2018 amounts to KSEK 4,924 compared to KSEK 4,624 in 2017.

2.11 Related party disclosures

The consolidated financial statements include all of the companies in the Group's scope of consolidation (see section 2.4 "Scope of consolidation").

The parent company is Rodamco Sverige AB.

Rodamco Sverige AB has a related party relationship with its shareholder Unibail-Rodamco SE and some of its subsidiaries.

Transactions with the major shareholder Unibail-Rodamco SE and its subsidiaries

The relation between Rodamco Sverige AB and its shareholder Unibail-Rodamco SE involves transactions including cost charges that are common practice and at arm's length. These cost charges include cost charges for management and stock option schemes among other cost charges.

The main related party transactions with Unibail-Rodamco SE and its subsidiaries are detailed below:

(KSEK)	Dec. 31, 2018	Dec. 31, 2017
Parent company borrowings [(1)]	7,652,506	6,822,034
Charges and premiums on issues of parent company borrowings	(8,349)	(13,065)
Accrued interests on parent company borrowings	-	-
Current accounts to balance out cash flows	-	-
Amounts due to suppliers and other current debt	98,490	156,584
Total liabilities	**7,742,647**	**6,965,554**
Trade receivables and other receivables	13	86
Current accounts receivables (cash-pooling)	203,318	1,242,421
Others	60	
Total assets	**203,391**	**1,242,507**
Costs charges reinvoiced	(83,094)	(85,741)
Stock-option cost charges	(4,964)	(4,624)
Financial expenses	(273,024)	(279,589)
Net result	**(361,081)**	**(369,953)**

(1) *Correspond to the loans provided by the parent company Unibail Rodamco SE to the Rodamco Europe subsidiaries. All these loans were concluded at market conditions.*

Based on the financial performance of the parent company Unibail-Rodamco SE, no provision for doubtful accounts is needed.

All transactions between the Group and its related parties are done on an arm’s length basis.

2.12 Post closing events

On February 28, 2019, the Group completed the disposal of its 34% stake in the Jumbo shopping centre in Helsinki, to current co-owner Elo Mutual Pension Insurance Company. The net disposal price of €248.6 Mn represents a premium to the December 31, 2018, book value and implies a net initial yield of almost 5%. Jumbo is one of the leading shopping centres in the Helsinki region with more than 85,000 sqm GLA and over 12 Mn visitors per year.

This asset is presented on the line “Assets held for sale” in the Consolidated statement of financial position as at December 31, 2018.

Independent auditor's report

To the shareholders of Rodamco Sverige AB, org nr 556201-8654

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rodamco Sverige AB (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of, in all material respects, of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Sweden, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements

Valuation of investment properties

Description	*How our audit addressed this key audit matter*
The fair value of the Groups investment properties amounted to SEK 33 578 million on 31 December 2018. At the balance sheet date that ended 31 December 2018, all of the properties in the portfolio have been valued by external valuation experts. The valuations are prepared in accordance with the discounted cash flow model, whereby the future cash flows are forecast. The required yields for the properties are assessed on each property´s unique risk profile and observable transactions in the market for properties with a similar nature. Changes in non-observable inputs used in the property valuations are analyzed by the company's management against internally available information, completed or planned transactions, and information from the external valuation experts. Based on the high degree of assumptions and assessments which are made in connection with the property valuations, we believe that this area is a particularly important area in our audit. A description of the valuation of the property portfolio is stated in the section on accounting principles and in note 1.	In our audit we have evaluated the company´s process for property valuation by evaluating the valuation methodology, and input data in the external prepared valuations. We have evaluated the skills and objectivity of the external experts. We have made comparisons to known market information. We have engaged our valuation expert to review the model used for the property valuation. We have also reviewed the reasonability of the adopted assumptions such as yield requirements, vacancy rates, rental income and operating costs with support of our valuation experts. We have reviewed the appropriateness of the disclosures provided in the annual accounts.

Claims and litigations

Description	*How our audit addressed this key audit matter*
As outlined in Note 12 Short Term Provisions and section 2.3.1 Contingent Liabilities the Company is exposed to potential claims, disputes and involved arbitrations. Claims, disputes and arbitrations are a key audit matter to our audit because management judgement is required. The assessment process is complex and entails assessing future developments. We gained an understanding of the claims, litigation and arbitrations facing the Company through discussions with responsible personnel at the company	We have read the internal position papers prepared by the Company and obtained lawyers' letters to the extent considered necessary for our audit. For all potentially material claims we tested the underlying facts and circumstances considered relevant for the legal advisors to reach their conclusions and assessed the best estimate of outflows as determined by the Company. We have reviewed the appropriateness of the disclosures provided in the annual accounts.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Stockholm 7 may 2019

Ernst & Young AB

Signed by Fredric Hävrén

Authorised Public Accountant