



Samhällsbyggnadsbolaget

Hard to pronounce, harder to justify value

Rampant insider dealing, textbook governance problems, & a multitude of financial shenanigans.

PLEASE READ IMPORTANT DISCLAIMER ON PAGE 3.

February 21, 2022 – Viceroy Research is short Samhällsbyggnadsbolaget (STO:SBB) and listed debt instruments. SBB is a debt-fueled rollup of rent-controlled assets. Behind the veil of financial shenanigans, investors will find rampant insider dealing by the CEO, his advisors, and “independent” members of the board.

SBB is not sharp dealing: it is taking investors & bondholders for a ride.

Let's start with Governance

A rudimentary background check on SBB's board of directors and management reveals several undisclosed, intimate relationships between the board members and/or with SBB. It also reveals police raids and arrests, economic crimes investigations and unacceptable conflicts of interest.

- CEO Ilija Batljan was detained and investigated by Sweden's Economic Crimes agency for insider trading, with focus on transactions between Nyfosa and SBB. Nevertheless, investigations have been dropped.
 - Batljan was previously fired from his position as Deputy CEO of Rikshem for engaging in side-deals for personal gain - directly in conflict with Rikshem – without approval from the board. KPMG investigators also found that Batljan used Rikshem's expense account as his own piggy bank.
- SBB Chairman **Lennart Schuss** and Audit Committee member **Hans Runesten** have both engaged in **undisclosed related party transactions with SBB**.
- Most directors appear to deal in property and/or invest heavily in competitors and the BOD controls over 50% of the company's voting share. **This creates a textbook conflict of interest and precarious position for minority shareholders.**
- **SBB's legal counsel and deal advisor is also the chairman of IB Invest, the CEO's holding company.** His firm is also the contact for SBB's whistleblower hotline. This relationship and his fees remain undisclosed.
- SBB's former head auditor & EY partner, Ingemar Rindstig, appears to have retired following an **investigation by the Swedish Audit Inspectorate** that found Rindstig **negligent** in the audit of SBB competitor, Oscar Properties, **with whom SBB also transacted.**

Related Party Dealings and Systematic Overvaluation

Viceroy believes SBB's aggressive revaluations are unjustified. This is masked by SBB's fast-paced acquisition roll-up strategy.

- **Undisclosed related party transactions.** These transactions often feature extensive buyer support by SBB. Outside of rampant roll-ups (many of which are also undisclosed related party transactions), SBB's self-serving insider dealing is used **to justify their absurd asset valuations.**
 - Many deals are cut with related parties to “prove” unrealized gain values. In some cases, these properties make their way back to SBB, or SBB will acquire the buyer (equivalent round-tripping).
- Viceroy collated **financial accounts of ~800 of SBB's current and former subsidiaries** (a list of which SBB refuses to share). Analysis shows stagnant revenues, booming operating costs and immense fair value adjustments on SBB's rent-controlled property portfolio. Rental income yields at the ground level do not appear to correlate with SBB.
- SBB appears to engage in **round tripping** of revenues through its payment in-kind policy of SBB-D shares, which have a capped dividend. Owner-operators **will offload fixed assets to SBB for consideration including SBB-D shares as sweeteners in order to subsidize rent** (sometimes by >30%).
- Given significantly all SBB's properties are rent-controlled and financial accounts show limited to no rental growth beyond CPI: Viceroy believe that **substantially all of SBB's enormous unrealized gains come from acquisitions made in their respective accounting periods.**



- Transactions are not made under fire sale or hostile conditions. **We do not accept that market purchases of rent-controlled or government subsidized properties are immediately revalued by over 50%.**
- **Disclosure of transactions is extremely poor.** SBB fails to disclose related party and buyer support aspects, including purchase prices, buyers and sellers, and which assets are being sold. Investors are kept uninformed regarding assets disposals and acquisitions.

SBB Disposal Analysis - Viceroy Research (SEK m)			
Date	Buyer	Transaction Valuation	Issues
23-Dec-2019	Mälardalens Omsorgsfastigheter	842	SBB offered shareholder loans and potential subscription to equity raise for acquisition
19-Mar-2020	Alecta	460	Cancelled a year later
01-Apr-2020	Kuststaden (KlaraBo Projektutveckling AB)	470	Shareholder of buyer, financed purchase, cancelled a year later
28-Apr-2020	Amasten	1,500	Shareholder of buyer, financed purchase through equity raise participation, CFO married to SBB finance director
09-Jun-2020	Offentliga Hus	1,160	Would later purchase Offentliga Hus
10-Jun-2020	Nyfosa	4,892	Round tripped properties, SBB also purchased asset at 57% markup from Nyfosa accounting for annual rental income of sold portfolio
09-Oct-2020	Kuststaden	500	Related party transaction
13-Oct-2020	Oscar Properties	1,400	SBB financed default put option on bonds financing purchase
06-Nov-2020	Offentliga Hus	151	Purchased Offentliga Hus 2 weeks after closing
Total		11,375	

Figure 1 Viceroy Analysis

Given the seriousness and quantum of irregularities contained herein: we believe SBB has serious governance issues and will be subject to enforcement action for the foreseeable future. Investors should demand an investigation into SBB's valuation methodology and into the nature of its many transactions.

Cash is King

SBB's cash conversion is an outlier in this industry (in a bad way). Earnings and cash flow analysis support our thesis that SBB's unrealized property gains are unjustified.

- SBB's debt load is staggering. Shareholders receive continued assurances from management that Loan-To-Value (LTV) figures are rapidly decreasing based purely on a technicality.
 - **SBB has "hacked" their LTV since ~2019 by issuing hybrid bonds to refinance secured debt and bond loans.** SBB classifies hybrid bonds as equity, and therefore not included in the LTV calculation's numerator. Viceroy's adjusted LTV **sits at ~70%**, which is well **above debt covenants**.
 - Cash outflows from hybrid and D-Class dividends take the appearance of debt and should be reflected on SBB's earnings.
- **Since 2019, >80% (SEK18,960m) of Net Profit Before Tax has been attributable to unrealized gains.** We reiterate our opinion that these gains are unjustified.
- SBB's capital structure does not support cash-conversion from its earnings. You can put lipstick on debt and call it equity, but you still have to pay interest (or whatever else you want to call it).
- SBB has the worst cash conversion rate on the market. We don't believe that this will improve outside of a broad restructure.

We are aware that analysts at CFRA have expressed concerns relating to similar issues that we will raise in this report. This report aims to be more granular and explores transactions and investments at the subsidiary levels.

Viceroy are of the opinion that SBB is un-investable. Financial analysis is difficult due to rampant insider dealing, poor disclosure, and governance problems, which have **resulted in a financial mess in a complex structure**.

We do not think it is unreasonable that SBB's financial statements are retracted to reflect findings in this report and believe there is significant downside potential to both the stocks and bonds as investors adapt to the inherent risk of SBB.



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Samhällsbyggnadsbolaget, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

About Viceroy

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Let's start with Governance.....	1
Related Party Dealings and Systematic Overvaluation.....	1
Cash is King.....	2
1. Governance Issues.....	5
Management Backgrounds & Inside Ownership.....	5
Independen't.....	6
The Audit Committee.....	6
Legal.....	7
Whistleblower Policy.....	7
Share Structure.....	7
Auditors.....	8
2. Systemic overvaluation.....	9
Subsidiary Analysis.....	9
Undisclosed Related Party Transactions and Buyer Support.....	10
Cancelled Transactions & "fake" realized gains.....	11
Round Tripping of Revenues.....	12
Fair Value: Earnings Potential, CAPEX & the Long-Dated Elephant.....	12
Key Takeaways	13
3. Review of Financials.....	14
Unrealized gains and impact on Net Income.....	14
Debt-loading.....	15
Cash Conversion & Funds From Operations.....	16
Buyer Beware.....	17
4. Conclusion.....	17
ANNEXURE 1: Buyer support and related party transactions.....	18
Kuststaden	18
Mälardalens Omsorgsfastigheter	19
Offentliga Hus	20
Amasten	21
Oscar Properties	24
Alecta reversed sale	24
Nyfosa	25



1. Governance Issues

Management Backgrounds & Inside Ownership

A rudimentary background check on SBB's board of directors and shareholder reveals several undisclosed, intimate relationships between the board members and/or with SBB. Below are selected briefs we have compiled for context:

Ilija Batljan – CEO

Mr. Batljan is the founder of SBB. In May 2020, Batljan was detained and investigated by Sweden's Economic Crimes agency¹, surrounding his purchase of 1.5% of competitor, Nyfosa. The timing of these transactions coincide with deals between Nyfosa and SBB. This investigation nevertheless appears to have been dropped in late-May 2022.

He was previously fired from his position as Deputy CEO of Rikshem for engaging in side-deals for personal gain – directly in conflict with Rikshem – without approval from the board².

A KPMG investigation found Rikshem's policies were "ambiguous" and confirmed that the CEO and the Deputy CEO's personal expenses were improperly expensed to the company.

Batljan left Rikshem and took senior staff with him, who now comprised the majority of SBB's managerial team. Batljan's daughter, Mia, is also involved with several SBB counterparties and appears in undisclosed related party transactions

Lennart Schuss – Chairman of the Board (Independent)

Mr. Schuss comes from a rich corporate background but appears to have been dealing with SBB immediately prior to its listing. SBB purchased large stakes in Gimmel, a company Schuss founded in 2016. **Schuss was the chairman of both companies at the time³.**

Schuss also valiantly defended one of Sweden's largest and most blatant frauds: Fermenta, whose CEO had fabricated all credentials, and in Theranos-like manner, imploded both industrially and financially due to fraud⁴.

Schuss is an advisor to competitors to SBB, including Genesta Fund.

Sven-Olof Johansson – Member of the Board (Independent)

Mr. Johansson made his career as a corporate "greenmailer" and hailed as the "Trump of Sweden". He is concurrently the CEO of FastPartner, which develops and manages investment properties in Sweden⁵. We don't see how this position is tenable given the obvious conflict of interest.



¹ <https://www.reuters.com/article/us-sweden-ceo-idUSKBN22H1ML> -

NB - It appears that a Nodea analyst was subsequently arrested on a similar insider trading investigation. SBB pay Nodea Markets to write about their company (frankly astounding given the size of the business that they would still have to do this). Mr Batljan's daughter also worked at Nordea's Market Equities team.

² <https://www.rikshem.se/om-oss/pressrum/2015/12/ilija-batljan-skilis-fran-sin-tjanst-som-vice-ud/>

³ <https://www.fastighetsvarlden.se/notiser/erik-paulsson-ny-storagare-sbb-och-affar-med-storre-bestand/>

⁴ <https://www.nytimes.com/1990/06/25/business/international-report-sweden-s-new-breed-of-corporate-raider.html>

⁵ <https://fastpartner.se/om-fastpartner/bolagsstyrning/styrelse-och-revisor/>



Hans Runesten – Member of the Board (Independent)

Mr Runesten is listed as an independent director of SBB but has significant corporate connections with Ilija Batljan.

Runesten's chair role in Effnetplattformen AB counts SBB as its possible largest book client. Effnetplattformen AB was more recently purchased by Tessin Nordic⁶, of which Mr Batljan is a significant shareholder⁷. Similarly, it appears that certain Effnetplattformen AB companies have indeed adopted the SBB name⁸. This does not make an independent board member.



Fredrik Svensson – Member of the Board (Independent)

Mr Svensson is the board member of competitor residential property manager, Balder AB. Mr Svensson manages over 42m A shares and 23m B shares of SBB and is not independent of the company's ownership. Svensson is the only board member who discloses a "dependency" on SBB's BOD biographies.



Independen't

There appears to be substantial conflict between members of the board in both undisclosed related party dealings and their concurrent positions at competitors. Investors should seriously consider whether the board, particularly its "independent" board members, can truly represent the best interest of SBB and all its shareholders.

It is abundantly clear in SBB's own code of conduct that these perceived interests should be avoided, and that management are responsible for keeping themselves informed of this code:

Conflicts of interest

The SBB organization is politically independent and the company's funds are not used to support political campaigns or purposes. The company's employees work in the best interests of the company and avoid actions that can be perceived as favouring particular companies, organizations, individuals or other stakeholders at the company's expense. Such conflicts of interest may include, for example, holding external positions or shareholdings in a competitor, customer, supplier, subcontractor or representative contrary to the interests of SBB; receiving gifts or hospitality where there is an expectation or perceived expectation of a return favour, a decision on employment or promotion of relatives or friends.

Figure 2 SBB Code of Conduct

We believe that these incidents mirror Mr. Batljan's behavior at Rikshem, which resulted in his termination.

The Audit Committee

The audit committee comprises six members: **Lennart Schuss** (chairman), **Sven-Olof Johansson**, **Hans Runesten**, **Eva Swartz Grimaldi**, **Anne-Grete Strøm-Erichsen** and **Fredrik Svensson**.

We note that:

- No member of the audit committee appears to have accounting qualifications or backgrounds.
- The chair and many members of the committee who are portrayed as independent are intertwined with SBB's management team and have conducted undisclosed related party transactions with SBB.
- Members of the audit committee appear to be conflicted given their relationship with competitors.

⁶ <http://www.effnetplattformen.se/pages/uk/index.php>

⁷ <https://www.ilijabatljaninvest.com/en/portfolio/investments/>

⁸ <https://corporate.sbbnorden.se/sv/effnetplattformen-ab-publ-offentliggor-utfall-av-erbjudande-till-innehavarna-av-preferensaktier-konvertibler-och-agarlan-i-sbb-i-norden-ab-publ/>



Legal

SBB's legal representation and deal advisory is handled by Wistrand⁹. We note that Wistrand partner Fredrik Rasberg is concurrently the chairman of the board of IB Invest: SBB's largest shareholder and CEO Ilija Batljan's personal investment vehicle¹⁰. He appears to be Mr Batljan's personal lawyer.

We are unsure why this relationship with Mr Rasberg is undisclosed and that fees are not reported as related party transactions. We also do not believe it is in the best interest of minority holders that SBB's counsel is delivered in possible conflict with interests of Mr Batljan.

Whistleblower Policy

Viceroy was not impressed with SBB's Whistleblower Policy (the **Policy**)¹¹.

The Policy begins its introduction by recommending that all reports of impropriety are filed with staff's immediate superiors in line with the company's code of conduct (which we have already demonstrated is not adhered to by the board). The policy is (likely intentionally) ambiguous as to whether these discussions will qualify for protection under SBB's whistleblower program.

SBB subsequently states that the Policy is only applicable to employees of the company, which we understand to be illegal. Under Swedish Law and EU Whistleblower directives, SBB must afford the protections of its Policy to any relevant natural persons, including shareholders, suppliers, contractors, journalists and even job applicants¹².

The Policy further disclaims that whistleblowers will not be protected and will consider it a "serious disciplinary violation" if SBB perceives the report to be in bad-faith, or if they do not believe that the information is accurate.

Where should a person make a report?
Anyone who has a complaint or a concern regarding impropriety in the Company's operations should primarily contact his or her superior, manager or the person in charge of the department concerned. Depending on the nature of the impropriety and the person who is suspected of improper action, the superior or manager will decide whether the issue will be forwarded to Company management. Secondly, and as a complement to the usual reporting channels and the procedures for handling serious improper actions, you can file a complaint or tip ("**the Report**") with Wistrand Law Firm ("**Wistrand**"), which accepts the Report on behalf of the Company. You can contact Wistrand either by e-mail to fredrik.rasberg@wistrand.se or by postal letter to the address Wistrand Advokatbyrå, Attn: Fredrik Räsberg, PO Box 7543, 103 93 Stockholm. If you are unable to send encrypted e-mail, you are recommended to send a regular letter.

Figure 3 SBB Whistleblower Policy

SBB's whistleblower policy is handled by Wistrand and Mr Rasberg, who is the chairman of SBB's largest holder (IB Invest) and who we believe to be Batljan's personal lawyer. This leaves the firm in a precarious conflict if whistleblowers report top-level misconduct. It is not unreasonable to suggest that this conflict is at the very least disclosed in the whistleblower policy.

Share Structure

SBB's management have retained control of the group's votes through Class A shares. Despite being entitled to only ~15% of SBB's shareholder capital SBB directors Batljan, Johansson, and Svensson control over 50% of SBB's voting power.

⁹ <https://www.wistrand.se/en/?s=SBB>

¹⁰ <https://proff.se/befattningshavare/ilija-batljan-invest-ab-publ/-/fastighetsbolag-lokaler/2KGGKJI15YDUJ/>

¹¹ <https://corporate.sbbnorden.se/en/wp-content/uploads/sites/2/2020/01/whistleblower-policy-eng.pdf>

¹² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019L1937>

Shareholders

OWNER LIST TOP 20

#	Owners	SBB A	SBB B	SBB D	SBB PREF	Capital	Votes	Δ Capital	Verified
1	Iijä Batjjan	109,053,868	22,213,171	530,000		8.0%	31.5%	-0.01%	2022-01-31
2	Arvid Svensson Invest	42,444,700	23,144,429			4.0%	12.7%		2022-01-31
3	Dragfast AB	36,163,467	67,850,000			6.3%	12.2%	0.02%	2022-01-31
4	Sven-Olof Johansson	22,315,456	31,081,315			3.2%	7.2%	-0.01%	2022-01-31

Figure 4 SBB Shareholder Register¹³

In our experience this should be considered a major red flag. SBB's current structure is a textbook fraud environment given:

- The fast-paced nature of SBB's acquisition strategy;
- Managements' history (including terminations) of side-dealing;
- Extremely poor disclosure both in the company's accounts and transactions; and
- SBB's lackluster whistleblower policy.






Auditors

SBB's auditor until 2020 was EY's Ingemar Rindstig. In 2021 Mr Rindstig announced he was no longer "available" as signatory auditor of SBB¹⁴.

This follows an investigation by the Swedish Audit Inspectorate that found Mr Rindstig negligent in the audit of Oscar Properties, specifically in a deal where Oscar Properties bought a bankrupt entity with “air rights” to build on top of another property. The development was obviously disallowed and has led to a going concern at Oscar Properties.

Housing developer Oscar Properties' chief auditor [Ingemar Rindstig](#) is warned by the Swedish Auditing Inspectorate. It writes [Expressen](#) . Rindstig is the real estate industry's most hired and well-known accountant.

Published 2020-02-20

     Correct article

The government agency's criticism concerns a review of the tours at the sale of Biografen Penthouses.

- **We judge that he has not done a sufficient review.** That is why he gets criticism, says Philip Lagerling, lawyer at the Swedish Auditing Inspectorate to Expressen.

The Audit Inspectorate's investigation has concerned how the auditor and his team examined the transaction in the transaction with Biografen Penthouses, which is located at Ruddammsbacken 28, in the consolidated accounts. The documentation is not considered to have been sufficient.

Figure 5 Extract from Fastighetsvärlden article dated Feb 20, 2020¹⁵

We believe this audit weakness has also taken place at SBB whose fair values we believe do not reflect reality.

This failure of audit has directly impacted SBB, who was due to sell a substantial portfolio to Oscar Properties for SEK 1.4b¹⁶. SBB ended up granting each bondholder a default put option, effectively guaranteeing Oscar Properties debt used to purchase SBB assets.

¹³ <https://corporate.sbbnorden.se/en/shareholders/>

¹⁴ <https://news.cision.com/se/samhallsbyggnadsbolaget-i-norden-ab/r/andringar-i-valberedningens-forslag-till-sbb-s-arsstamma,c3335327>

¹⁵ <https://www.fastighetsvarlden.se/notiser/oscar-properties-revisor-varnas-efter-husaffaren/>

¹⁶ <https://www.fastighetsvarden.se/notiser/53c8a-properties-revisor-varnas-eter-husmanare/>
<https://nordicpropertynews.com/article/4674/sbb-makes-major-divestment-to-oscar-properties#:~:text=Sweden%20E2%80%9420SBB%20has%20entered%20into,per%20cent%20joint%20venture%20Valerum.>



2. Systemic overvaluation

Viceroy believes SBB's aggressive revaluations are unjustified. This is masked by SBB's fast-paced acquisition roll-up strategy.

This section will dive into:

- **Financial accounts of SBB's subsidiaries.** This section will focus on irregularities with yield and the possibility of outliers.
- **Undisclosed related party transactions.** These transactions often feature extensive buyer support by SBB.
- **Cancelled transactions** and "fake" realized gains.
- **Round Tripping** of revenues.
- **Fair value:** Earnings Potential, CAPEX and the **long-dated elephant** in the room.

Given the seriousness and quantum of irregularities contained herein: we believe the company will be plagued by governance issues and enforcement action for the foreseeable future. Investors should demand an investigation into SBB's valuation methodology and into the nature of its many transactions.

Subsidiary Analysis

The first red flag when looking at SBB's corporate structure was that subsidiary data was not immediately available to shareholders: it is not located anywhere in annual reports and analysts have advised that it was not provided on request.

Viceroy have collated available data for over 800 of SBB's subsidiaries in Sweden alone through local company house documents, credit agencies and data aggregators.

Our data is available upon request.

In contrast to SBB's consolidated accounts our sample data set shows the following:

- The accounting on the SPV level is incredibly simple. Expenses are largely utility and maintenance, and real estate is recorded on a cost basis in line with RFR2. SPVs record fixed asset prices on a cost basis.
- Rent growth at the subsidiary levels fall short of operating cost increases (%), and operating income has fallen or flatlined every year since ~2016.
- Rental income appears volatile. Many subsidiaries (around half of a sample we have collated) have experienced yoy *decreases* in rent.

These results are to be expected: SBB's tenant base is largely composed of long-dated rent-controlled contracts with little room for non-CPI increases regardless of Capex spend. The greater difficulty lies in explaining how SBB can record the fair value gains that it does with such flat earnings potential.

We believe SBB's current fair value valuations are grossly inflated based on the future earning potential of long-dated contracts with little room for rent increases.



Undisclosed Related Party Transactions and Buyer Support

In late 2019 SBB embarked on a campaign of disposals which we believe were to further their campaign towards a BBB credit rating and justify their inflated fair values.

To achieve this SBB relied on extensive undisclosed buyer support and related-party transactions to achieve asset disposals above book value. SBB either had a significant stake in buyers before or soon after a transaction closed or provided financing to sweeten the deal, sometimes both.

These related-party transactions are then used to “prove” the value of unrealized gains: these disposals appear to only have taken place to justify SBB’s fair values.

Below is a table of what we believe are undisclosed related party transactions and transactions with buyer support. A more in-depth view of each transaction can be found in the appendix of this report.

SBB Disposal Analysis - Viceroy Research (SEK m)				
Date	Buyer	Transaction Valuation	Asset	Issues
23-Dec-2019	Mälardalens Omsorgsfastigheter	842	43 mainly office properties	SBB offered shareholder loans and potential subscription to equity raise for acquisition
19-Mar-2020	Alecta	460	Mimer 7	Cancelled a year later
01-Apr-2020	Kuststaden (KlaraBo Projektutveckling AB)	470	545 rental apartments	Shareholder of buyer, financed purchase, cancelled a year later
28-Apr-2020	Amasten	1,500	1259 apartments	Shareholder of buyer, financed purchase through equity raise participation, CFO married to SBB finance director
09-Jun-2020	Offentliga Hus	1,160	Osterkrans 2, Sankt Nikolaus 19, Svartmunkens 1, 648 Järnet, Slottet 4, Koljan 9, Rudan 5, Vulkanus 15, Uranus 2	Would later purchase Offentliga Hus
10-Jun-2020	Nyfosa	4,892	Large office building portfolio	Round tripped properties, SBB also purchased asset at 57% markup from Nyfosa accounting for annual rental income of sold portfolio
09-Oct-2020	Kuststaden (KlaraBo Projektutveckling AB)	500	426 properties in Ronneby	Related party transaction
13-Oct-2020	Oscar Properties	1,400	2 office properties and 50% of Valerum	SBB financed default put option on bonds financing purchase
06-Nov-2020	Offentliga Hus	151	Sodertalkje Fjarilen 22	Purchased Offentliga Hus 2 weeks after closing
		Total	11,375	

Figure 6 SBB Disposal Analysis – Viceroy Research

In total we believe SEK11.375b of agreed property value asset disposals are tainted.

Due to extremely poor disclosure around asset disposals and purchases we do not consider this table comprehensive. We believe it is more likely that transactions with poor disclosure are likely to be hiding something.

You can find more detailed notes on undisclosed related party dealing in Annexure 1 of this report.



Cancelled Transactions & “fake” realized gains

Hidden in SBB’s financial reports investors will find that SBB have not realized any gains on sale of financial properties since 2018. In fact SBB has realized only LOSSES in its disposal of investment properties:

31-12-2020 Fair value	Residential properties	Community service properties	Other properties	Total	31-12-2019 Fair value	Residential properties	Community service properties	Other properties	Total
Opening carrying amount	13,230	61,547	4,765	79,542	Opening carrying amount	6,720	16,422	2,101	25,243
Acquisitions	5,146	8,947	459	14,552	Acquisitions	4,951	49,705	2,952	57,608
Investments	581	1,239	268	2,088	Investments	368	261	21	650
Sales	-2,866	-9,647	-1,009	-13,522	Sales	-18	-6,519	-380	-6,917
Unrealized changes in value	2,010	6,853	252	9,115	Unrealized changes in value	1,209	1,423	72	2,704
Reclassifications	-	-274	274	-	Reclassifications	-	-	-	-
Translation differences	0	-1,555	-35	-1,590	Translation differences		255	-1	254
Closing carrying amount	18,102	67,109	4,973	90,185	Closing carrying amount	13,230	61,547	4,765	79,542

2020 Value changes	Residential properties	Community service properties	Other properties	Total	2019 Value changes	Residential properties	Community service properties	Other properties	Total
Unrealized value changes	2,010	6,853	252	9,115	Unrealized value changes	1,209	1,423	72	2,704
Realized value changes	16	-572	-17	-573	Realized value changes	-21	-280	50	-251
Total	2,026	6,281	235	8,542	Total	1,188	1,143	122	2,453

Figure 7 SBB Annual report 2020

SBB attributes this to taxes but Viceroy believe even this loss is being propped up artificially: there appear to be divestment transactions where SBB have yet to receive funds from the buyer. As of Q2 2021, these funds amount to ~SEK 2,318m, and appear to be outstanding for over 12 months.

Current assets		Current receivables	
Current receivables		Rent receivables	17.23 91
Accounts receivable	67	Other receivables	17.18 2,398
Other receivables	2,318	Prepaid expenses and accrued income	19 243
Prepaid expenses and accrued income	512	Total current receivables	2,732
Total current receivables	2,897		

Figures 8 & 9 Extracts from SBB Q2 Financial Report and 2020 Annual report respectively

We believe it is not unreasonable to classify these transactions as high-risk, or counterparties plausibly given “favorable” payment terms given the rampant nature of undisclosed related party transactions. In any case, we would expect that the sale would classify as a “realized” value change, and thus “prove” the value of the properties.



Round Tripping of Revenues

Since 2020, SBB has purchased over 10% of all pre-school facilities in Norway from former owneroperators Laeringsverkstedet and Trygge Barnehager.

In both cases, we believe that the new rent charged by SBB to the pre-existing owner operators is substantially subsidized by dividends.

For instance: ~44m SSB D-shares were issued as part of consideration for Laeringsverkstedet's properties¹⁷, which equates to SEK 88m of dividends per annum **and makes up over one third of Laeringsverkstedet's expected rent**¹⁸.

A transaction value of NOK4,250m and rental income of NOK251m results in a gross yield of almost 6% for long-dated safe tenants who are heavily subsidized by the government. At the time this transaction was made, this was more comparable to shopping mall retail yields in the middle of a pandemic and 0% cash rate.

While details of Trygge Barnehager transaction are not yet clear, we would expect that part of this transaction will also be settled in SBB D-shares given similar yields outlined in announcements.

Round tripping this dividend revenue would allow immediate upward revaluation of these properties and provides a fake confirmation of earnings potential. Valuers will likely be coerced into adjusting the property values upwards to match the yield to the market.

Fair Value: Earnings Potential, CAPEX & the Long-Dated Elephant

SBB reports investment properties at fair value, which is derived from the current value of future cash flows and lease terms. The actual breakdown of these valuations is incredibly opaque.

90% of SBB's residential holdings are comprised of rent controlled and government subsidized housing and community service properties¹⁹. Other commercial properties include the revenue round tripping childcare facilities which we discussed above.

Total rental income for the Group amounted to SEK 5,121m. All leases are classified as operating leases. The maturity structure for the lease contracts relating to non-terminable operating leases is shown in the table below. Residential and car rental contracts, which usually run on a three-months notice, are not included in the table.

Contracted future rental income	2020	2019
Contracted rental income within 1 year	4,294	4,277
Contracted rental income between 1 and 2 years	4,214	3,828
Contracted rental income between 2 and 3 years	4,136	3,218
Contracted rental income between 3 and 4 years	3,979	2,599
Contracted rental income between 4 and 5 years	3,939	2,064
Contracted rental income later than 5 years	42,868	11,898
Total	63,430	27,884

Figure 10 Extract from SBB 2020 Annual Report

The 2020 annual report states that revenue increase in FY 2020 on a pro-rata basis was only 3.2%, and substantially derived from capex investments and new leases. Sweden's Rent Control measures ensure that rent can only be increased if tangible, and often expensive, improvements are made to the relevant properties. SBB

¹⁷ <https://news.cision.com/samhallsbyggnadsbolaget-i-norden-ab/r/sbb-has-resolved-on-a-directed-issue-of-class-d-common-shares,c3185726>

¹⁸ <https://news.cision.com/samhallsbyggnadsbolaget-i-norden-ab/r/sbb-acquires-preschool-portfolio-in-norway-with-newly-signed-35-year-triple-net-leases-for-nok-4-250,c3147842>

¹⁹ <https://corporate.sbbnorden.se/en/property-portfolio/>



appears to assess fair value of properties based on rent potential but does not immediately recognize enormous contingent investment that these will inevitably require.

Net operating income
Rental income during the period amounted to SEK 5,121m (1,996). Of the rental income, SEK 843m pertained to residential properties, SEK 4,012m to community service properties and SEK 266m to other properties. In a comparable portfolio, rental income increased by 3.2 percent compared with the corresponding period in the preceding year. The increase in revenues is primarily driven by investments and newly signed lease agreements. At

Figure 11 Extract from SBB 2020 Annual Report

It is unrealistic, given the long-term fixed nature of these contracts, that SBB still aggressively records >10% annual increases in unrealized fair value gains.

31-12-2020 Fair value	Residential properties	Community service properties	Other properties	Total	31-12-2019 Fair value	Residential properties	Community service properties	Other properties	Total
Opening carrying amount	13,230	61,547	4,765	79,542	Opening carrying amount	6,720	16,422	2,101	25,243
Acquisitions	5,146	8,947	459	14,552	Acquisitions	4,951	49,705	2,952	57,608
Investments	581	1,239	268	2,088	Investments	368	261	21	650
Sales	-2,866	-9,647	-1,009	-13,522	Sales	-18	-6,519	-380	-6,917
Unrealized changes in value	2,010	6,853	252	9,115	Unrealized changes in value	1,209	1,423	72	2,704
Reclassifications	-	-274	274	-	Reclassifications	-	-	-	-
Translation differences	0	-1,555	-35	-1,590	Translation differences		255	-1	254
Closing carrying amount	18,102	67,109	4,973	90,185	Closing carrying amount	13,230	61,547	4,765	79,542

Figure 12 Extract from SBB 2020 Annual Report

Given that substantially all SBB's contracts are long-dated and have been since inception: **we come to a logical conclusion that SBB's unrealized changes in valuation are somehow derived from acquisitions made in the same year.**

*SBB's investments were not fire-sales or hostile takeovers.
Viceroy do not accept that SBB immediately revalues on-market purchases by ~50%.*

Key Takeaways

Viceroy believe it is evident that **SBB's valuations are overstated and transactions have not been conducted at arm's length.** Governance and oversight have failed.

We believe that SBB's financials will likely come into to question. Given the quantum and size of SBB's undisclosed related party transactions it is not unreasonable to suggest that SBB's accounts will have to be retracted, and transactions investigated. **We also do not believe we have uncovered all of SBB's related party transactions, and this investigation should proceed into JV projects.**

SBB have leveraged these revaluations to borrow more money from lenders and issue payment-in-kind for some transactions with SSB D notes which have the appearance of debt. Exposure to governance issues of this magnitude will:

- Significantly hamper SBB's ability to borrow;
- Significantly increase interest rates;
- Risk debtholders recalling debt for breach of contract.



3. Review of Financials

This section provides a high-level view on SBB's financials, including:

- The impact of unrealized gains on Net Income
- SBB's debt-driven acquisition strategy
- Other receivables balances and suspicious transactions surrounding this account
- Lackluster cash conversion

Unrealized gains and impact on Net Income

Per **Section 2** above: Viceroy firmly believes that SBB's valuations are unjustified. Since 2019, >80% (SEK 18,960m) of Net Profit Before Tax has been attributable to unrealized gains.

SBB Earnings Analysis	2019	2020	HY 2021*	Total
Net Profit Before Tax	2,624	10,341	10,059	23,024
Unrealized gains on revaluation	(2,704)	(9,115)	(7,141)	(18,960)
Unrealized gains as % of NPBT	103%	88%	71%	82%
*Figure skewed by non-operating income. If excluded, unrealized gains as % of NPBT equals ~80%				

Figure 13 Viceroy Analysis

SBB also have hybrid instruments and capped dividend shares (SBB-D shares) which we believe effectively function as debt. We believe these cash outflows, recorded as dividends in SBB's accounts, should be reflected on SBB's earnings. The table below reflects the above adjustments in **blue**:

SBB Earnings Analysis	2019	2020	HY 2021
Rental Income	1,996	5,121	2,776
NB: 3.2% pro-rata increase in 2020 "primarily driven by investments and newly signed lease agreements".			
"12 mth Earnings Capacity"	5,217	4,839	6,137
COGS	(731)	(1,642)	(899)
Net Rental Income	1,265	3,479	1,877
Central Administration	(136)	(224)	(200)
Acquisition & Restructuring Costs	(83)	(52)	(29)
Results from Associates & JV	92	144	398
Profit before financial items	1,138	3,347	2,046
Net interest income (expense)	(380)	(807)	(350)
Dividend: SBB-D *	(262)	(150)	(195)
Hybrid interest	(198)	(332)	(166)
Leasing costs	(7)	(25)	(11)
Tax (excl. deferred)	(34)	(165)	(105)
Viceroy adjusted recurring income	257	1,868	1,219
Realized value changes (loss on disposal)	(251)	(573)	263
Expenses for redeemed loans in advance	(197)	(199)	(168)
Translation gains/losses	91	158	(74)
Change in value of financial instruments	39	(207)	1,221
Dissolution of goodwill upon property sale	-	(468)	(8)
Viceroy adjusted income	(61)	579	2,453
Reported NPBT	2,624	10,341	10,059
Difference	-102%	-94%	-76%
* Estimated for HY 2021 - Exact figure unclear.			

Figure 14 Viceroy Analysis



Debt-loading

SBB's debt load is staggering. Shareholders receive continued assurances from management that Loan-To-Value (LTV) figures are rapidly decreasing. This decrease is based purely on a technicality.

SBB has "hacked" their LTV since ~2019 by issuing hybrid bonds in order to finance repayment of secured debt and bond loans. SBB classifies hybrid bonds as equity, and therefore does not include them in the LTV calculation's numerator.

Investors shouldn't be fooled. The dividend payments on these hybrid securities should be treated as interest. It is plainly obvious that the proceeds from the issue of hybrid securities are being used to trim debt, and as a substitute for debt:

- Hybrid securities are expensive and/or extremely dilutive.
- SBB also makes payment-in-kind for various acquisitions with the issue of SBB-D class shares which have capped dividend payments of SEK 2 per annum²⁰.

SBB Financial Liabilities Breakdown	2019	2020	HY 2021
Liabilities to credit institutions	25,985	12,064	13,308
Bond loans	25,162	37,784	52,050
Commercial papers	4,944	5,418	6,974
Other long-term liabilities	22	1,020	2,584
Derivatives	25	267	140
Account payable	131	117	208
Other current liabilities	8,822	2,098	5,408
Hybrid bond	4,676	15,096	17,659
D share capital	3,225	5,531	5,881
Total	72,992	79,395	104,212
TOTAL ASSETS (as reported)	104,203	120,231	154,106
LTV	70.0%	66.0%	67.6%

Figure 15 Viceroy Analysis

Viceroy's analysis suggests SBB's LTV is closer to 70%, and has surpassed debt covenants in bond prospectuses, which kicks in at 65%. Obviously, these covenants are placed to protect bondholders, not shareholders.

Viceroy are not the only ones with the opinion that SBB's LTV has risen/remained flat over the last 2 years. S&P's assessment of LTV also includes, at least in part, hybrid bonds in the numerator of the LTV calculation.

Key ratios for a BBB+ rating have been delivered
 At the end of the period, our pro forma net debt, adjusted for cash inflows from properties that have been sold but not yet transferred, liquid financial assets and 12 months' earnings divided by total capital, in accordance with S&P's definition of the loan-to-value ratio, amounted to 48 percent. We continue to

Figure 16 SBB Interim Report Q2 2021

S&P's assessed LTV is 11 percentage points higher than the 37% figure reported in SBB's management accounts.

²⁰ SBB-D shares also have limited voting rights.



Cash Conversion & Funds From Operations

SBB's capital structure and aggressive acquisition strategy do a good job of hiding failings in the income statement and balance sheet, but cash is king.

Issues surrounding SBB's cash conversion have already been widely discussed, including by CFRA, so we will keep this short.

- SBB's capital structure does not support cash-conversion from its earnings. You can put lipstick on debt and call it equity but you still have to pay interest (or whatever else you want to call it).
- Against competitors, SBB has close to, if not the worst cash conversion rate on the market. We don't believe that this will improve outside of a broad restructure.

SBB Cash Flow Analysis	2019	2020	HY 2021
Reported operating cash flow	9,544	(7,001)	1,132
Less: Change in other liabilities	8,543	(6,724)	3,310
Operating cash flow less change in "other liabilities"	1,001	(277)	(2,178)
Viceroy adjustments:			
Dividend: SBB-D *	(262)	(150)	(195)
Hybrid interest	(198)	(332)	(166)
Adjusted operating cash flow	541	(759)	(2,539)

Figure 17 Viceroy Analysis

Viceroy understands that independent research company CFRA has also analyzed SBB and commented on earnings conversion. CFRA suspect that cash flow variances are driven by changes in "other liabilities", which are derived from acquisitions. We concur with this assessment and have netted out other liabilities in our adjustment.

Viceroy has also adjusted for cash outflows from hybrid interest and SBB-D shares in the year, as we believe this is integral to the capital structure of the business and must be assessed.

CFRA analysis also shows competitors' cash conversion from Net Rental income (without adjustments) runs at about 70%. SBB is the only outlier.

SBB Comps Cash Flow Analysis	Net Rental Income		Operating Cash Flow		Cash Conversion	
	2019	2020	2019	2020	2019	2020
Atrium Ljungberg AB (publ)	1,767	1,565	1,350	1,246	76%	80%
Castell um AB	4,113	4,335	3,536	2,944	86%	68%
Dibs Fastigheter AB (publ)	1,187	1,219	908	713	76%	58%
Fabege AB (publ)	2,144	2,112	2,017	1,349	94%	64%
Fastighets AB Balder (publ)	5,643	6,216	3,209	6,520	57%	105%
Hufvudstaden AB (publ)	1,405	1,240	1,367	1,072	97%	86%
Kl~vern AB (publ)	2,463	2,194	768	1,278	31%	58%
Pandox AB (publ)	2,764	2,018	1,934	460	70%	23%
Platzer Fastigheter Holding AB (publ)	837	868	543	490	65%	56%
Catena AB	903	1,004	614	744	68%	74%

Figure 18 Comp Analysis: CFRA, S&P Capital IQ, Viceroy Research Analysis



Buyer Beware

SBB posts the most obscure content in its annual reports which we have ever seen.

On page 9 of its 2020 annual report, SBB feels the need to address why people are shorting their stock, then explains what a delta hedge is to its substantially sophisticated investor base.

Why is SBB on lists of the stock market's most short-sold shares?
Of all of the current short sales of 5.07 percent at 31 December 2020, only 1.14 percent constituted a traditional short sale. The other short positions arose in connection with SBB's issue of mandatory convertible notes to institutional investors in July 2020, where the convertibles will be converted to Class B shares in 2023. With the aim of neutralizing its market risk, some of the convertible holders shorted the share to protect themselves from potential declines. This is called a delta hedge and was handled by SBB's financial adviser in connection with the issue.

Figure 19 SBB Annual Report 2020

Management then provides a faux-earnings statement called "earnings capacity", which appears to be a new take on "adjusted EBITDA". **This earnings capacity breakdown appears to be forward looking and includes made up rounded numbers.** We do not know why management did not instead provide a historical comparable P&L to adjust for acquisitions.

The Group's earnings capacity						The Group's earning capacity recurring income streams via value-add strategies			
Amount in SEK, millions	Community service properties	Residential properties	Other	Total	Adjusted ¹⁾	Amount in SEK, millions	Total	Adjusted ¹⁾	
Rental income	3,815	801	223	4,839	4,839	Profit from property management attributable to ordinary shareholders	1,849	2,027	
Operating costs	-548	-253	-56	-857	-857	per Class A and B ordinary share	1.39	1.52	
Maintenance	-180	-46	-14	-240	-240	Profit from property development	1,200	1,200	
Property administration	-108	-36	-14	-155	-155	Profit from transactions	400 ²⁾	400 ²⁾	
Property tax	-68	-17	-15	-100	-100	Profit from renovations/investments	600	600	
Net operating income	2,912	451	124	3,487	3,487	Adjusted profit from property management to ordinary shareholders with recurring income streams	4,049	4,227	
Central administration				-150	-150	per Class A and B ordinary share	3.05	3.18	
Results from associated companies/joint ventures				152	152				
Financial income				98	98				
Financial costs				-729	-551				
Profit from property management before dividend				2,858	3,036				
per Class A and B ordinary share				2.15	2.28				

Figure 20 SBB Annual Report 2020

We have never come across so much posturing and distraction in annual reports before.

4. Conclusion

Viceroy are of the opinion that SBB is un-investable. Financial analysis is difficult due to rampant insider dealing, poor disclosure, and governance problems, which have **resulted in a financial mess and a complex structure.**

We do not think it is unreasonable that SBB's financial statements are retracted to reflect findings in this report and believe there is significant downside potential to both the stocks and bonds as investors adapt to the inherent risk of SBB.



ANNEXURE 1: Buyer support and related party transactions

Kuststaden

Kuststaden AB, now merged with Klarabo, is another related party SBB buyer who received significant undisclosed support to purchase assets far above their value. On April 1, 2020, SBB sold 545 rental apartments to Kuststaden Fastigheter AB at an agreed value of SEK469.5m without disclosing their related party status.

A month before the acquisition, on March 3, 2020, Kuststaden AB issued 11.8m shares, subscribed by 2 existing and 2 new holders. We believe the new holders were SBB subsidiaries IB Bostad 93 and Samhall 78 AB as listed in 2020 filings.

Finansiering och kapitalisering

Den 3 mars beslutade årsstämman att emittera 11 814 346 aktier. Aktierna tecknades av två befintliga ägare samt två nya ägare. Totalt gav det bolaget ett tillskott på 140 mkr. I december genomfördes även två emissioner genom kvittning av säljarreverser om totalt 184 mkr där ytterligare 14 043 918 aktier emitterades.

"On March 3, the Annual General Meeting decided to issue 11,814,346 shares. The shares were subscribed for by two existing shareholders **and two new shareholders**. In total, that company gave an additional SEK 140 million. In December, two issues were also carried out by set-off of sales receipts totaling SEK 184 million, with a further 14,043,918 shares being issued."

Ägarförhållanden

Namn	antal aktier ¹	Ägande i %
NEEL Capital Partners AB	7 395 626	14,45%
Virbo Invest AB	5 027 843	9,83%
Skräddrabo Förvaltning AB	7 124 269	13,92%
Investment AB Spiltan	9 928 782	19,40%
Polberga AB	1 099 792	2,16%
Kvalitena AB	4 322 165	8,46%
Ljungkvist Capital Management AB	979 710	0,74%
Ulf Gelljer (dödsbo)	126 570	0,25%
Br Börjessons Bil AB:s Pensionsstiftelse	126 570	0,25%
Asara LTD	4 219 409	8,25%
Knil AB	843 882	1,65%
Samhall 78 AB (Samhällsbyggnadsbolaget i Norden AB)	3 466 772	6,77%
IB Bostad 93 AB (Samhällsbyggnadsbolaget i Norden AB)	7 110 374	13,89%
	51 172 264	100%

¹ Kapitalandel överensstämmer med röstandel.

Figures 21 & 22 Kuststaden AB Annual Report 2020

Kuststaden would reverse the acquisition exactly a year later according to filings on S&P CapIQ, just before Kuststaden merged with Klarabo²¹.

Summary

Deal Summary

Kuststaden AB agreed to acquire Portfolio of 545 Rental Apartments from Samhällsbyggnadsbolaget i Norden AB (publ) (OM:SBB B) on April 1, 2020. The apartments are located in three Swedish municipalities: Västervik, Nybro and Vaggeryd. SBB's advisor in the deal with Kuststaden has been Tango. Kuststaden AB cancelled the acquisition of Portfolio of 545 Rental Apartments from Samhällsbyggnadsbolaget i Norden AB (publ) (OM:SBB B) on April 1, 2021.

Figure 23 S&P Kuststaden Deal Announcement

On October 8, 2020, SBB sold another 426 properties in Ronneby to Kuststaden, who was unnamed in the SBB press release^{22,23}. This was another undisclosed related party transaction.

²¹ <https://www.marketscreener.com/quote/stock/SAMHALLSBYGGNADSBOLAGET-I-39435780/news/Kuststaden-AB-cancelled-the-acquisition-of-Portfolio-of-545-Rental-Apartments-from-Samhallsbyggnadsb-33452650/>

²² <https://corporate.sbbnorden.se/en/sbb-sells-22-properties-through-various-transactions-at-an-agreed-property-value-of-sek-817-million/>

²³ <https://www.fastighetsvarlden.se/notiser/sbb-saljer-22-fastigheter-for-817-miljoner/>



At December 31, 2020 Kuststaden declared shareholder loans from SBB subsidiaries SBB i Norden AB and IB Bostad 93 of SEK118.9m at 4% interest.

Skulder till närstående	2020-12-31	2019-12-31
Skräddrabo Förvaltning AB	0	50 000
SBB i Norden AB	80 724	0
IB Bostad 93 AB	38 136	0
Redovisat värde	118 860	50 000

Under året har Kuststaden Projektutveckling sålt dotterbolagen Ståvbo Fastigheter AB och KS Tranås AB (inkl. Kety Fastighets Kommanditbolag) till KPU Bostadsförvaltning AB för 1 krona. Transaktionen har redovisats direkt mot eget kapital. I samband med försäljningen tog KPU Bostadsförvaltning över dotterbolagens skuld gentemot Kuststaden Projektutveckling AB. Lånet löper med 1,5 % ränta. Skuld gentemot Skräddrabo Förvaltning AB reglerades i sin helhet i mars 2020. Skuld gentemot SBB i Norden AB och IB Bostad 93 AB förfaller båda 2023 och löper med 4 % ränta.

Figure 24 Kuststaden AB Annual Report 2020 page 26

The credit facility was not mentioned in SBB's 2020 Annual Report and Kuststaden's owners also co-own a company with SBB. Kuststaden's portfolio was also one of the real estate groups absorbed by SBB as part of its reverse listing²⁴.

Mälardalens Omsorgsfastigheter

On December 23, 2019, SBB announced the disposal of 46 properties, mainly offices, for an agreed property value of SEK842m, without disclosing the buyers. 43 properties accounting for SEK842m in agreed value were acquired by Mälardalens Omsorgsfastigheter²⁵ ("Mofast") who showed significant buyer support in their announcement of the deal.

SBB would subscribe for SEK33m in a private placement which if not fully subscribed, would be covered by a loan from SBB of up to SEK35m²⁶.

While SBB did not take part in the private placement, we believe this is the beginning of the trend of buyer support and undisclosed related party transactions²⁷.

²⁴ <https://www.fastighetsvarlden.se/notiser/sbb-tar-koksvagen-till-borsen-hus-107-mdr/>

²⁵ <https://www.mofastab.se/>

²⁶ <https://www.mofastab.se/pressmeddelande/malardalens-omsorgsfastigheter-har-ingatt-avtal-om-att-forvarva-en-portfolj-om-43-fastigheter-fran-sbb-och-avser-genomfora-en-riktad-nyemission-3524473>

²⁷ <https://www.mofastab.se/pressmeddelande/malardalens-omsorgsfastigheter-holding-ab-publ-genomfor-tidigare-kommunicerad-riktad-nyemission-om-385-miljoner-kronor-3553178>



Offentliga Hus

Offentliga Hus is another case of SBB covering its tracks by purchasing the buyer of its overpriced assets. The company would be acquired at the end of 2020, during which Offentliga Hus accounted for asset disposals of SEK1,311m in agreed property value for the year.

Office portfolio

On June 9, 2020, SBB sold a portfolio of 9 office buildings to Offentliga Hus for SEK1.16b²⁸ in cash. This portfolio was acquired a year prior in Q3 2019 as part of the Hemfosa acquisition.

SBB stated the property value of SEK1.16b exceeds Hemfosa's Q3 2019 valuation by 16%, but local filings of the acquired entities show total assets of SEK867m at FY2019. This means the properties would have had to decline in value between Q3 and FY2019 and representing a 33% premium. Below is a breakdown of the total assets of the acquired entities over time.

Offentliga Hus Acquisition Analysis - Viceroy Research						
	Total assets				Location	Holdco Name
	2020	2019	2018	2017		
OH Koljan 9 i Halmstad AB	583,288	445,343	559,891	556,755	648 Jarnet	OH Halmstad 6:48 i Halmstad AB
OH Halmstad 6:48 i Halmstad AB	168,053	110,694	107,936	108,576	Sankt Nikolaus 19	OH Koljan 9 i Halmstad AB
OH Vulkanus 15 i Borås AB	103,758	193,652	103,227	105,965	Svartmunken 1	OH Koljan 9 i Halmstad AB
OH Uranus 2 i Borås AB	87,007	59,958	593,546	57,380	Slottet 4	OH Koljan 9 i Halmstad AB
OH Andelsagare i Halmstad AB	46,418	57,664	43,771	37,758	Koljan 9	OH Koljan 9 i Halmstad AB
	988,524	867,311	1,408,371	866,434	Rudan 5	OH Koljan 9 i Halmstad AB
OH purchase price		1,160,000			Osterskans 2	OH Andelsagare i Halmstad AB through OH Österskans 2 i Halmstad HB
Premium		33.75%			Vulkanus 15	OH Vulkanus 15 i Borås AB
					Uranus 2	Uranus 2 i Borås AB

Figure 25 Offentliga Hus Acquisition Analysis

We note that balance sheet fluctuations are largely caused by changes in receivables and liabilities from group companies with the property value remaining relatively stable.

Sodertalje

Another property acquired through the Hemfosa acquisition, SBB sold Sodertalje Fjarilen 22 on November 6, 2020 to Offentliga Hus at an agreed value of SEK151m for a preliminary purchase price of SEK49.7m. The transaction was due to close on December 1, 2020. Just over 2 weeks after this date, SBB acquired a controlling stake in Offentliga Hus in shares and cash for a total of SEK2.1b. Effectively they sold the property to themselves.

²⁸ <https://corporate.sbbnorden.se/en/sbb-sells-public-office-buildings-for-sek-1160m/>



Amasten

Amasten is a Swedish property developer “captured” by SBB into being counterparty to its asset disposals. Its CEO Jan-Erik Hojvall and SBB’s CEO Ilija Batljan were both at Rikshem where they were both fired after the investigation into conflicts of interest, undisclosed related party transactions and improper expensing of personal expenses.

We believe this relationship led to a parasitic cycle wherein Amasten entered transactions with SBB.

In 2 years Amasten shareholders experienced significant share dilution, with the number of shares increasing from 175.7m shares at the beginning of 2019 to 679.4m (+287%) at the end of 2020. Amasten’s net debt increased 61% between 2019 and 2020, from SEK 3.4 bn in 2019 to 5.4 bn in 2020. Both are largely due to acquisitions from SBB. More damningly, Jan-Erik Hojvall announced his stepping down as CEO in August 2020²⁹.

The October sale

On October 2, 2019, SBB announced the acquisition of 1,560 residential properties from Amasten and the sale of 50k sqm of building rights³⁰: no purchase price was disclosed but Amasten reported a cash inflow of SEK1,423m in Q4 2019 with no other major transactions. The transaction was expected to close on December 15, 2019.

Six days later, October 8, SBB announced the acquisition of 20% of Amasten for SEK711m as well as the sale of 50ksqm of building rights in Nyköping to a JV with Amasten for SEK150m³¹, a stake it had built from October 4. SBB also acquired an option on another 10.18% from Nordika III Fastigheter expiring April 30, 2020, which will be relevant later.

Consequently, at the closure of the sale in December Amasten would have been a related party. 2 days after the transaction closed, SBB announced its intent to sell its entire Amasten stake and did so within a day^{32,33}. Note that SBB did not mention the 10.18% option from Nordika.

Absent any major price fluctuations or developments at Amasten, we believe SBB held these shares just long enough for the company to force through the sale.

²⁹ <https://ir.amasten.se/pressmeddelanden?page=/press/perma/1836374>

³⁰ <https://corporate.sbbnorden.se/en/sbb-acquires-1-560-apartments-and-sells-50-000-sqm-building-rights-to-jv-with-amasten/>

³¹ <https://corporate.sbbnorden.se/en/sbb-acquires-shares-and-a-call-option-concerning-shares-in-amasten/>

³² <https://corporate.sbbnorden.se/en/sbb-intends-to-divest-its-holding-in-amasten-and-has-received-acquisition-commitments-from-investors/>

³³ <https://corporate.sbbnorden.se/en/sbb-has-divested-shares-in-amasten/>



The April disposals

Another undisclosed related party transaction was announced April 28, 2020, with the sale of 1259 apartments to Amasten for SEK1,500m. The sale was “conditional on buyer acquiring necessary financing”, in this case the issuance of 90m Amasten shares with SBB and other Amasten shareholders subscribing³⁴: Amasten’s press release clearly identifies SBB as an existing shareholder.

Som en del i att finansiera Förvärvet och för att uppfylla villkoren i avtalet avser Amasten att genomföra en riktad nyemission om totalt 90 miljoner stamaktier ("Nyemissionen"). Nyemissionen är på förhand fulltecknad genom teckningsåtaganden från ett antal befintliga aktieägare inklusive Eiendomsspar AS, Helene Sundt AS, ICA-handlarnas Förbund, Länsförsäkringar Fastighetsfond, Odin Eiendom och SBB. Ingen ersättning eller

“As part of financing the Acquisition and to fulfill the terms of the agreement, Amasten intends to carry out a directed new issue of a total of 90 million ordinary shares (the "New Issue"). The new share issue is fully subscribed in advance through subscription commitments from a number of existing shareholders, including Eiendomsspar AS, Helene Sundt AS, the ICA Traders' Association, Länsförsäkringar Fastighetsfond, Odin Eiendom and SBB.”

Figure 26 Amasten press release dated April 28 2020

Both the buyer support and the related-party nature of the transaction were absent from SBB’s press release about the transaction³⁵.

We believe SBB exercised the Nordika III option sometime between March 31 and April 30, a belief backed up by the announcement by Nordika on May 8, 2020, that they had divested their entire stake in Amasten: local filings confirm SBB was the buyer of the holdco for the Amasten stake^{36,37}.

As a result of its participation in the share issuance and execution of the Nordika option **neither of which was communicated to shareholders by SBB**, at the closing of the transaction on July 1, 2020, Amasten would have been an undisclosed related party to SBB.

Ägarstruktur per 2020-06-30					
	Stamaktier	Preferensaktier	Totalt	Kapital	Röster
ICA-handlarnas Förbund Finans AB	219 100 000	-	219 100 000	40,06%	40,11%
Samhällsbyggnadsbolaget i Norden AB	60 068 263	-	60 068 263	10,98%	11,00%
Länsförsäkringar Fastighetsfond	54 410 430	-	54 410 430	9,95%	9,96%
Eiendomsspar AS	34 300 000	-	34 300 000	6,27%	6,28%
Ålandsbanken i ägares ställe	25 541 704	3 898	25 545 602	4,67%	4,68%
Swedbank Försäkring	21 996 530	9 840	22 006 370	4,02%	4,03%
Helene Sundt AS	15 450 000	-	15 450 000	2,82%	2,83%
Handelsbanken Svenska, Smabolagsfond	12 404 083	-	12 404 083	2,27%	2,27%
Verdipapirfond Odin Ejendom	10 594 472	-	10 594 472	1,94%	1,94%
Expassum Invest AB	10 000 000	-	10 000 000	1,83%	1,83%
Summa 10 största aktieägarna	463 865 482	13 738	463 879 220	84,8%	84,9%
Övriga	82 257 126	786 262	83 043 388	15,2%	15,1%
Total	546 122 608	800 000	546 922 608	100,0%	100,0%

Figure 27 Amasten Ownership Structure dated Q2 2020

There are deeper connections between the 2 companies. From April 2018 to February 2021 Amasten’s CFO was Hans Ragnarsson, the husband of Rosel Ragnarsson, SBB’s finance director^{38,39}. Hans Ragnarsson was previously at Rikshem during the tenure of both Batljan and Hojvall. During this period SBB and Amasten conducted several transaction, including the purchase of a controlling stake in Amasten by SBB. Shareholders were kept in the dark, as usual.

³⁴ <https://ir.amasten.se/pressmeddelanden?page=/press/perma/1805096>

³⁵ <https://corporate.sbbnorden.se/en/sbb-sells-1259-apartments-for-sek-1500m/>

³⁶ <https://proff.se/foretag/apylonen-holding-ab/-/-/2KH8XH4I0000/>

³⁷ https://www.nordika.se/latest_news/nordika-successfully-divest-all-its-shares-in-amasten-fastighets-ab-publ/

³⁸ <https://news.cision.com/se/amasten-fastighets-ab/r/amasten-rekryterar-hans-ragnarsson-som-ny-cfo,c2335817>

³⁹ <https://corporate.sbbnorden.se/en/management-corporate-governance/>



Acquisition of Amasten

By December 2020 SBB held 16% of Amasten and sometime prior to May 2021 Amasten appointed SBB CEO Ilija Batljan's daughter, Mia Batljan, as a board member.

Ägarstruktur per 31 december 2020					
Aktieägare	Stamaktier	Preferensaktier	Totalt	Kapital	Röster
ICA-handlarnas Förbund Finans AB	240 900 000	-	240 900 000	35,46%	35,50%
Samhällsbyggnadsbolaget i Norden AB	108 348 263	-	108 348 263	15,95%	15,97%
Länsförsäkringar Fastighetsfond	65 270 837	-	65 270 837	9,61%	9,62%
Eiendomsspar AS	52 982 373	-	52 982 373	7,80%	7,81%
Ålandsbanken i ägares ställe	27 901 926	5 153	27 907 079	4,11%	4,11%
Verdipapirfondet Odin Eiendom	19 770 761	-	19 770 761	2,91%	2,91%
Nordnet pensionsförsäkring AB	18 806 484	49 651	18 856 135	2,78%	2,77%
Helene Sundt AS	17 050 000	-	17 050 000	2,51%	2,51%
Weland AB	16 240 000	-	16 240 000	2,39%	2,39%
Expassum Invest AB	10 000 000	18 000	10 018 000	1,47%	1,47%
Delsumma	577 270 644	72 804	577 343 448	85,0%	85,1%
Övriga	101 305 955	727 196	102 033 151	15,0%	14,9%
Summa	678 576 599	800 000	679 376 599	100,0%	100,0%

Figure 28 Amasten Annual Report 2020

§ 3. Beslutade stämman att företrädare för aktieägaren Länsförsäkringar Fondförvaltning, Johannes Wingborg, och företrädare för aktieägaren Samhällsbyggnadsbolaget i Norden AB, Mia Batljan, skulle justera protokollet.

The AGM resolved that a representative of the shareholder Länsförsäkringar Fondförvaltning, Johannes Wingborg, and a representative of the shareholder Samhällsbyggnadsbolaget i Norden AB, Mia Batljan, would adjust the minutes.

Figure 29 Amasten 2020 AGM minutes⁴⁰

On November 18, 2021, SBB announced an offer for Amasten at a ~10% premium to the share price at the announcement date, valuing the equity at SEK 10bn. By January 2022, SBB controlled 97.5% of Amasten effectively taking back the properties they sold to them to justify their fair value.

⁴⁰ https://ir.amasten.se/sites/amasten-ir/files/Amasten_Stammoprotokoll_20210520.pdf



Oscar Properties

In Q4 2020 sold SEK1.4b of office properties and 50% in JV Valerum Fastighets AB to Oscar Properties AB: this sale represented 10% of their 2020 property sales⁴¹. There was significant buyer support provided by SBB in this transaction. Unmentioned by SBB and hidden in an SEK710m Valerum prospectus was a default put option agreement wherein in case of default, SBB would be obliged to purchase the outstanding bonds.

9.6 Default Put Option

- (a) Pursuant to the Default Put Option Agreement, upon the occurrence of an Event of Default, each Bondholder shall have the right to sell (and SBB shall have an obligation to purchase) Bonds held by such Bondholder to SBB at a price of 100.00% of the Nominal Amount (plus accrued and unpaid interest) during a period of 30 calendar days following the notice of such Event of Default (such notice shall include instructions about the actions that a Bondholder needs to take if it wants Bonds held by it to be repurchased). The settlement date of the put option pursuant to this Clause 9.6 (*Default Put Option*) shall occur within 20 Business Days after the ending of the exercise period (provided that if SBB exercises its Default Call Option pursuant to (b) below, the settlement date for all Bonds shall be the settlement date elected by SBB in accordance with (b) below).

Figure 30 Oscar Properties Bond Prospectus⁴²

Oscar Properties and SBB also shared an auditor, EY's Ingemar Rindstig, who has come under scrutiny due to his negligence in an Oscar Properties purchase

Alecta reversed sale

In a similar vein to the reversed Kuststaden transaction, Alecta acquired the Mimer 7 asset from SBB for SEK460m only to reverse the acquisition exactly a year later⁴³.

Alecta Pensionsförsäkring, ömsesidigt cancelled the acquisition of Mimer 7 in Stockholm from Samhällsbyggnadsbolaget i Norden AB (OM:SBB B).

03/19/2021 EST



Alecta Pensionsförsäkring, ömsesidigt agreed to acquire Mimer 7 in Stockholm from Samhällsbyggnadsbolaget i Norden AB (publ) (OM:SBB B) for SEK 460 million on March 19, 2020. In 2019, Mimer 7 reported a rental income of SEK 14.6 million. The closing will take place on March 31, 2020. Alecta Pensionsförsäkring, ömsesidigt cancelled the acquisition of Mimer 7 in Stockholm from Samhällsbyggnadsbolaget i Norden AB (publ) (OM:SBB B) on March 19, 2021.

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Figure 31 Alecta cancels acquisition of Mimer 7

Neither company informed their shareholders of this development.

⁴¹ <https://news.cision.com/samhallsbyggnadsbolaget-i-norden-ab/r/sbb-has-entered-into-an-agreement-with-oscar-properties-holding-ab-to-sell-a-sek-1-4bn-property-port.c3214716>

⁴² <http://www.valerum.se/wp-content/uploads/2020/12/Amended-Terms-and-Conditions-30-december-2020.pdf>

⁴³ <https://www.marketscreener.com/quote/stock/SAMHALLSBYGGNADSBOLAGET-I-39435780/news/Alecta-Pensionsforsakring-omsesidigt-cancelled-the-acquisition-of-Mimer-7-in-Stockholm-from-Samhall-33474574/>



Nyfosa

On April 18, 2018, Hemfosa announced the possibility of splitting the company into 2 listed companies: Hemfosa would keep community service properties, and the new entity Nyfosa would take everything else⁴⁴. SBB would make an ultimately successful bid for Hemfosa on November 15, 2019, through which it would acquire the assets round-tripped to Nyfosa.

Office portfolio and Gamlestaden

On January 17, 2020, SBB announced the intention to sell SEK11b in property with SEK10b in letters of intent, with the proceeds intended to repay bank loans. The portfolio was largely offices with the sale price to exceed the latest valuation by 15%. Nyfosa accounted for SEK8b of that total⁴⁵. The snag was that Nyfosa didn't have the required funds, announcing on March 31, 2020, that the sale was postponed⁴⁶.

The final sale, announced July 9, 2020, was only for SEK4.9b, and included the purchase by SBB of Gamlestaden 2:8 for SEK400m. There are several red flags about the final transaction showing SBB providing significant buyer support:

- Local media reported that most of the properties were familiar to Nyfosa CEO Jens Engwall and SBB COO Lars Thagesson: "several were part of Kungsleden when they worked there together and have since ended up at Hemfosa"⁴⁷.
- SBB CEO Ilija Batljan purchased almost 1.5% of Nyfosa's outstanding shares in April, with local media estimating a purchase price of SEK165m⁴⁸. SBB failed to disclose this relationship.
- The SEK400m Gamlestaden price was strangely equivalent to the SEK402m annual rental income of the portfolio purchase from SBB by Nyfosa⁴⁹.
- Holdco filings for Gamlestaden 2:8 showed a fair value of the property at SEK254m in 2019.

Not 10	Förvaltningsfastigheter	2019-12-31	2018-12-31
	Ingående anskaffningsvärden	170 889	170 837
	Investeringar	954	52
	Utgående ackumulerade anskaffningsvärden	171 843	170 889
	Ingående avskrivningar	-17 633	-14 410
	Årets avskrivningar	-3 222	-3 223
	Utgående ackumulerade avskrivningar	-20 855	-17 633
	Redovisat värde	150 988	153 256
Förvaltningsfastigheternas verkliga värde uppgår till 254 000 tkr (254 000 tkr). Det verkliga värdet har bedömts av externa, oberoende fastighetsvärderare, med relevanta, professionella kvalifikationer och med erfarenhet av området samt kategori av fastigheter som värderats. Värdet			

Figure 32 Nyfosa Gamlestaden 2 :8 Fastighets AB 2019 Annual Report

- The major tenant of Gamlestaden 2:8, SKF, had moved out of the property prior to the sale⁵⁰, with the move announced in January 2019. The property remains empty as of November 2021⁵¹.

⁴⁴ <https://news.cision.com/hemfosa-fastigheter-ab/r/hemfosa-appoints-board-of-directors-and-names-new-subsiary---nyfosa-ab,c2498394>

⁴⁵ <https://nyfosa.se/en/nyfosa-ab-nyfosa-signs-a-letter-of-intent-regarding-acquisition-of-properties-for-approximately-sek-8-billion/>

⁴⁶ <https://nyfosa.se/en/nyfosa-ab-nyfosa-to-postpone-acquisition-of-portfolios-from-sbb-i-norden-ab/>

⁴⁷ <https://www.fastighetsvarlden.se/notiser/nyfosa-koper-for-8-miljarder-sbb-saljer-for-11-miljarder/>

⁴⁸ <https://www.aktiespararna.se/analysguiden/nyheter/nyfosa-ilija-batljan-kopt-aktier-ca-165-mln-kr-i-april>

⁴⁹ <https://nyfosa.se/en/nyfosa-ab-nyfosa-acquires-property-portfolio-for-sek-4-9-billion-and-divests-project-property-for-msek-400/>

⁵⁰ <https://www.fastighetsvarlden.se/notiser/skf-flyttar-huvudkontoret/>

⁵¹ <https://www.fastighetsvarlden.se/notiser/aspelin-ramm-koper-skfs-gamla-hk-fran-sbb/>



Our belief is that the portfolio was effectively round tripped from Hemfosa to SBB then back to Nyfosa with the understanding that SBB would provide considerable buyer support.

After Nyfosa were unable to secure financing, the purchase was downsized and SBB “fronted” a year’s worth of rental income and extra funds through the overpriced Gamlestaden purchase. The tenantless Gamlestaden would later be sold by SBB to a JV with Aspelin Ramm for SEK450m in November 2021.