



Samhällsbyggnadsbolaget

MANAGEMENT RESPONSE TO VICEROY RESEARCH REPORT

PLEASE READ IMPORTANT DISCLAIMER ON PAGE 4

February 23, 2022 – Earlier today, SBB published a blanket and uninformative response to Viceroy's Report: *Hard to Pronounce, Harder to Justify Value*, dated February 21, 2022. Readers can access this report here:

<https://viceroyresearch.org/samhallsbyggnadsbolaget-research/>

SBB's response can be found below:

<https://corporate.sbbnorden.se/en/update-on-viceroy-report-on-samhallsbyggnadsbolaget-i-norden-ab-publ/>

SBB have not provided any material response to Viceroy's arguments, including SBB's revenue and transactional round tripping. Instead, SBB have pushed half-baked strawman arguments and relied on verbose, subjective loopholes to try and clear their name.

Like today's earnings results: this response was completely uninformative for investors. Our rebuttal to each of SBB's points is as follows:

1. Viceroy has stated to media representatives that it has spent 2,400 hours to produce the Report but has not reached out to SBB to verify any information.[1] The Report contains numerous and material errors, misleading assumptions and makes unsubstantiated claims;

Correct. We did not engage with SBB. We are not required to, and don't believe voicing perceived management improprieties directly to management is particularly fruitful for investors or for price discovery.

2. Viceroy has ignored or does not understand the reporting regulations that SBB is obliged to observe locally and internationally (in particular, IFRS);

SBB's reporting obligations are quite straightforward. The disclosure of related party transactions is basic and, in our view, problematic. The remainder of our report and analysis is not hinged on SBB's reporting obligations.

3. Viceroy's analysis of publicly available information ignores basic accounting principles and also includes false statements with regards to, for example, SBB's cash flow and cash conversion. Viceroy states that SBB's operating cash flow for first half of 2021 was negative SEK 2.178 billion; the actual number on the contrary was a positive cash flow of SEK 3.418 billion;

Viceroy's analysis of SBB's financials is not "false". We clearly state adjustments we make against SBB's figures to present relevant analysis. All bullish SBB sell-side analysts adjust figures for the purposes of analysis. This is a particularly important step of due diligence to ensure you do not become entangled in a scam.

4. Viceroy suggests that SBB has "hacked" its LTV by issuing hybrid bonds to repay some secured debt and bond loans. Given its subordinated nature, it is neither surprising nor controversial to treat hybrid debt as 100% equity (this has been clearly disclosed in SBB's reports). In addition, it is notable to point out that hybrid bonds are not unusual in the real estate market. Finally, it should also be noted that rating agencies do take hybrid debt into account in their assessment of debt ratios. Hybrid debt is subordinated to senior bonds;

There is no point of discussion here. It is semantics. Viceroy clearly states its reasoning for recognizing hybrids as debt in our analysis. We have high conviction of our analysis and leave readers to form their own opinions on the nature of hybrid bonds.

What makes SBB special in this aspect is the quantum of hybrid bonds issued and the quantum of SBB D shares (which we also believe take the appearance of preference shares or debt).



5. Viceroy has made multiple claims based on incorrect translations of Swedish documents. As an example, Viceroy claims that transactions have been cancelled whereas the correct translation is that the transactions have been closed (which have been confirmed by both Alecta and Kuststaden[2]);

Thank you for the correction. We will endeavor to inform S&P that the translations on both transactions are incorrect.

This correction has no impact on our assessment of Kuststaden. In fact, the deal having carried through completes the round tripping of cash between SBB and its transactional undisclosed related party counterparts.

We will make amendments to Alecta accordingly. This is not material to the substance of our report and we do not adjust our conviction.

6. Viceroy has ignored the fact that SBB is using well-established and internationally recognized independent valuers and that SBB has never valued a property by itself for a quarterly or annual report (which can be confirmed by the valuers). In this context, it should be noted that SBB over the last three years has sold properties for SEK 40 billion at book value or at a premium to book values;

The crux of the problem is that these disposals are to undisclosed related parties and to JVs. We have provided detailed examples of round-tripping of cash for these transactions which are extensively referenced.

Every public company has auditors and every real estate holding has valuers. This extends to frauds also. We are happy to provide data rooms to your consultants.

7. Viceroy has ignored important characteristics of the Nordic real estate sector and in particular the different focuses for different real estate companies, hence making faulty conclusions about competitors and misleading assumptions about the independence of SBB's well-known and highly reputable board members. Furthermore, and in line with a sanctioned market practice in Sweden, SBB follows the Swedish Code of Corporate Governance and its definition of board members' independence towards the Company and major shareholders. As publicly reported in SBB's annual report, all board members except for Ilija Batljan are independent in relation to the Company, and all board members except for Ilija Batljan and Fredrik Svensson are independent in relation to major shareholders;

The Swedish Code of Corporate Governance's assessment of independence is **subjective** and includes (but is not limited to) whether directors have dealt with the company in recent years and whether directors can be perceived to be in conflict through associations with competitors.

We are not going to debate materiality and have no doubt SBB will conjure a myriad of bush-league reasons to define their directors as independent. We simply don't believe SBB, and we have opined as much.

IAS 24 is much more objective in the disclosure of related party transactions, which we believe would apply to the majority of SBB's "independent" directors during their tenure. This would also apply to the chairman of IB invest, who advises on SBB's deals, provides legal services to SBB, and is the contact for SBB's whistleblower hotline. This is absurd.

8. Viceroy's comments regarding Ilija Batljan ignore all of SBB's public disclosure from 2020 regarding the investigation of insider dealing in Hemfosa which was dropped by authorities, as well as publicly known information based on a KPMG report stating that Ilija Batljan did not violate any internal rules during his time at Rikshem. Viceroy makes false claims that the investigation regarding insider dealing was ongoing for two years, whereas it was finished one month after it was announced by Swedish authorities, dropping all allegations. It is important noting that all allegations were dropped within a couple of weeks, as it shows the suspicion was clearly unjustified.

We do not recall having made any statement about the length of the SBB's investigation into Mr Batljan. We further stated that this investigation was dropped.

The KPMG investigation cleared Mr Batljan on wrongdoing is a reflection on the policies of Rikshem, and does not make up for the fact that Mr Batljan did not inform Rikshem that he was conducting side deals in ambiguity.



9. While Viceroy states that the Report has been prepared for "educational purposes only", and that the Report and any statements made within it are "not statements of fact", it is clear that the issuance of the Report by Viceroy seeks to materially impact SBB and its stakeholders. Notably, having a short position in SBB's shares, the grounds for publishing the report are to be considered statement made in self-interest. Furthermore, the Swedish Economic Crime Authority has stated that it cannot be excluded that the Report by Viceroy constitutes unlawful market manipulation.[3] SBB's stakeholders are accordingly advised to consider the Company's response to the Report as contained in this announcement and act prudently when reacting to the allegations set out in the Report.

In addition, SBB believes that the Swedish Financial Supervisory Authority (the "SFSA") must review Viceroy's Report and any short selling in SBB's financial instruments that preceded Viceroy's Report. Accordingly, SBB has today filed a request to the SFSA to initiate such a review and coordinate the review with the Economic Crime Authority as appropriate.

We appreciate SBB bringing this matter to the attention of regulators and are happy to assist with any investigation, as we have done with regulators globally since our inception in 2016.

We are not going to debate disclaimers. SBB has very similar disclaimers about forward looking statements.

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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

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

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