



SBB – Reconciliation Challenge

SBB’s cashflow is unreconcilable to its balance sheet movements. SBB admits outright material misstatement in historical financial statement notes.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 5

June 22, 2022 – Viceroy’s deeper review into SBB’s financial accounts have presented material reconciliation challenges which our team, together with various expert consultants, cannot reconcile. This challenge stems from SBB’s consolidation of acquisitions, which we believe to be incorrect and unjustly inflating asset values.

Viceroy have requested that SBB prove these reconciliations through correspondence and answer basic questions regarding non-cash entries in its statement of cash flows. SBB provided non-answer statements, including that its method of acquisition accounting is industry standard (it absolutely is not).

SBB also acknowledged material error on its presentation of Contracted Future Rental Income, which was inflated by over 100% in 2020. Unsurprisingly, this was not picked up by auditors EY, who were also presented with this error, and have made no attempt to correct its audit opinion.

A summary of these accounting issues is presented below. Greater detail can be found in annexed letters sent to SBB and their respective responses.

Acquisition Accounting – Cash Flow Reconciliation Error

A reconciliation of SBB’s balance sheet figures against reported cash flows and non-cash debt transactions is inconsistent with SBB’s own reconciliation presented in the notes to the financial report.

Note 26 of SBB’s annual report presents a start- to end-of-year reconciliation of interest-bearing liabilities. The start and end of year figures correspond to SBB’s balance sheet line items.

	01-01-2021	Cash-flow-impacting transactions	Non-cash flow transactions			31-12-2021
			Debt acquired on acquisition	Change in foreign currency	Other	
Bond loans	37,783	13,364	1,230	717	-	53,094
Liabilities to credit institutions	12,064	-1,350	12,982	37	-	23,732
Commercial papers	5,418	5,671	-	80	-	11,169
Deferred tax	2,417	-	-	-	-450	1,967
Other long-term liabilities	1,259	-1,053	86	-	-	292
Total liabilities attributable to financing activities	58,942	16,632	14,298	833	-450	90,255

Figure 1 SBB Annual Report 2021 – Note 26

Viceroy presents a year-to-year reconciliation of SBB’s interest-bearing liabilities reconciliation below against SBB’s reconciliation above.



Reconciliation analysis						
2021		CASH		NON CASH		
SBB 'NOTE 26' RECONCILIATION		Cash flow impacting transactions		Acquired debt		
	01-Jan-2021			FX delta	31-Dec-2021	
Bond Loans	37,783	13,364		717	53,094	
Liabilities to credit institutions	12,064	(1,350)		37	23,733	
Commercial paper	5,418	5,671		80	11,169	
Total interest bearing liabilities	55,265	17,685		834	87,996	
VICEROY CASH FLOW RECONCILIATION		CASH		NON CASH		
	01-Jan-2021	Borrowings	Repayments	Acquired debt	FX delta	
Total interest bearing liabilities	55,265	75,773	(43,418)	14,212	834	
					Unreconcilable difference	14,670

Figure 2 Reconciliation Analysis – Viceroy Research

Simply put, a cash reconciliation to SBB’s reported EOY balance sheet fails. Prior years present the same problem.

SBB Response Breakdown

SBB advised us that the discrepancy exists because “acquired companies’ items are reported on the respective row in the cash flow analysis instead of making a net reporting of all items as a single item”.

values is incorrect. In the Group’s cash flow analysis, SBB has applied what is interpreted to be the industry standard within real estate with regard to the reporting of acquired companies where the acquired companies’ items are reported on the respective row in the cash flow analysis instead of making a net reporting of all items as a single item. The reason for “debt acquired on acquisition”

Figure 3 SBB Response to Viceroy Research dated June 9, 2022

This interpretation is completely contrary to IFRS reporting requirements, notably IAS 7.41, which requires cash flow effects of acquisitions to specifically be recorded as single line items in order to “distinguish these cash flows from others in the Statement of Cash Flows”.

41 The separate presentation of the cash flow effects of obtaining or losing control of subsidiaries or other businesses as single line items, together with the separate disclosure of the amounts of assets and liabilities acquired or disposed of, helps to distinguish those cash flows from the cash flows arising from the other operating, investing and financing activities. The cash flow effects of losing control are not deducted from those of obtaining control.

Figure 4 IAS 7.41

IAS 7.39 further states that cash flows relating to acquisitions should be presented separately and classified as “investing activities”, not financing activities, and presented with additional disclosures.

39 The aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as investing activities.

Figure 5 IAS 7.39

Additional disclosures, dictated by IAS 7.40, include total consideration paid, and the composition of the consideration, and the assets & liabilities assumed through the acquisitions. None of these figures are provided by SBB.



- 40 An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period each of the following:
- (a) the total consideration paid or received;
 - (b) the portion of the consideration consisting of cash and cash equivalents;
 - (c) the amount of cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost; and
 - (d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses over which control is obtained or lost, summarised by each major category.

Figure 6 IAS 7.40

The only exception to these rules is for investment entities under IFRS 10, which does not apply to SBB.

Impact

The inclusion of non-cash items in the statement of cash flows for fully consolidated operating subsidiaries is problematic. For instance: the inclusion of non-cash transactions in the “borrowings” line – as we show is the cash in SBB – will require another non-cash transaction to negate the effect on the statement of cash flows.

Reconciliation analysis					
2021		CASH		NON CASH	
		Cash flow impacting transactions		Acquired debt	
SBB 'NOTE 26' RECONCILIATION	01-Jan-2021			FX delta	31-Dec-2021
Bond Loans	37,783	13,364		1,230	53,094
Liabilities to credit institutions	12,064	(1,350)		12,982	23,733
Commercial paper	5,418	5,671		-	11,169
Total interest bearing liabilities	55,265	17,685		14,212	87,996
		CASH		NON CASH	
		Borrowings		Acquired debt	
VICEROY CASH FLOW RECONCILIATION	01-Jan-2021		Repayments	FX delta	31-Dec-2021
Total interest bearing liabilities	55,265	75,773	(43,418)	14,212	102,666
Unreconcilable difference					14,670

Figure 7 Reconciliation Analysis – Viceroy Research

There are no other cash outflows from financing activities that are sufficient – let alone suitable – to make up this SEK 14.7b irreconcilable difference in 2021.

Viceroy believe the only account which could suitably fill the enormous quantity of non-cash “outflow” to balance SBB’s books is “Investment in Properties”, which will unjustly boost the value of acquired assets as it will create a fake physical asset.

SBB refused to outline which lines in the statement of cash flows included non-cash items, but it appears to be many.

Without prompt, SBB insisted to us that this method of acquisition accounting is industry standard. Viceroy conducted reconciliations on over a dozen of SBB’s local listed and unlisted competitors, none of which present non-cash transactions in unreconcilable statements of cash flow.

We again ask SBB to prove the reconciliation of its cash flows against balance sheet movements and identify which cash flow line items include non-cash transactions.



Contracted rental revenue – SBB Admits Error

There is a significant error in SBB’s reporting of Contracted Future Rental Income. Below snippets from 2020 and 2021 annual reports show large discrepancies in FY 2020 Contracted Future Rental Income (CFRI). There have been no changes to reporting methods, and the included text in the note is the same.

2020 Annual Report			2021 Annual Report		
<p>NOTE 5 Contracted future rental income</p> <p>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.</p>			<p>NOTE 5 Contracted future rental income</p> <p>Total rental income for the Group amounted to SEK 5,930m (5,121). 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.</p>		
Contracted future rental income	2020	2019	Contracted future rental income	2021	2020
Contracted rental income within 1 year	4,294	4,277	Contracted rental income within 1 year	5,145	4,105
Contracted rental income between 1 and 2 years	4,214	3,828	Contracted rental income between 1 and 2 years	4,408	3,098
Contracted rental income between 2 and 3 years	4,136	3,218	Contracted rental income between 2 and 3 years	3,913	3,154
Contracted rental income between 3 and 4 years	3,979	2,599	Contracted rental income between 3 and 4 years	3,429	2,649
Contracted rental income between 4 and 5 years	3,939	2,064	Contracted rental income between 4 and 5 years	3,089	2,268
Contracted rental income later than 5 years	42,868	11,898	Contracted rental income later than 5 years	28,084	39,583
Total	63,430	27,884	Total	48,068	35,516

Figures 8 & 9 –SBB 2020 & 2021 Report extracts^{1,2}

In its 2020 report, SBB claimed CFRI in 2020 totaled SEK 63b. In 2021, the CFRI for the 2020 year almost halves to SEK 35b, and the 2021 CFRI figure is lower than the previous years’ reported figures without any explanation as to why.

In their response, SBB notes that “During the work with the 2021 Annual Report, SBB noted that the contract flows for 2020 incorrectly included flows related to residential properties. The figures for 2020 were adjusted so that residential were excluded, which is correct according to Note 5”

Viceroy further states that it has “discovered inconsistencies in reporting of contracted future rental income figures between 2020 & 2021.”. During the work with the 2021 Annual Report, SBB noted that the contract flows for 2020 incorrectly included flows related to residential properties. The figures for 2020 were adjusted so that residential were excluded, which is correct according to Note 5. The adjustment does not imply an effect on future cash flows as cash flows from residential exist.

Figure 10 SBB Response to Viceroy Research dated June 9, 2022

SBB refuse to acknowledge this is problematic, as sell-side and dozens of investors will have depended on this data to forecast future earnings and thus make their own assessment on SBB’s value. This value was false and is a class-action dream given the detrimental performance of SBB’s stock and bonds.

For the sake of transparency and brevity, we attach the full correspondence between Viceroy Research and SBB which includes an in-depth analysis of our findings. Viceroy gave SBB 2 opportunities to clarify or explain the cash flow statement discrepancy, one of which was a yes/no question, and received no meaningful answer either time.

¹ <https://corporate.sbbnorden.se/en/wp-content/uploads/sites/2/2021/04/sbb-sbb-publishes-annual-and-sustainability-report-for-2020-210407.pdf>

² <https://corporate.sbbnorden.se/en/wp-content/uploads/sites/2/2020/01/sbb-ar-2021-eng.pdf>



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Samhallbyggnadsbolaget, 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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The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.



June 3, 2022

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Att: Mr. Lennart Schuss
Chairman of the Audit Committee
SBB
By email: ir@sbbnorden.se

Dear Mr. Novella & Mr. Schuss

Samhällsbyggnadsbolaget i Norden (SBB) – Reconciliation of Interest-Bearing Liabilities & CFRI

We refer to Viceroy Research's investigation into SBB's financial accounts and SBB's annual reports for the periods 2019-2021.

Viceroy Research believe SBB has made gross misstatements in its reporting of interest-bearing liabilities since at least 2019. Specifically, a reconciliation of SBB's balance sheet figures against reported cash flows and non-cash debt transactions is inconsistent with SBB's own reconciliation presented in the notes to the financial report.

This suggests to us that SBB is reporting non-cash transactions in its cash-flow statements, and has potentially inflated asset values through incorrect bookkeeping.

Viceroy has also discovered inconsistencies in reporting of contracted future rental income figures between 2020 & 2021. We suggest that these figures be retroactively amended by SBB and a notice to shareholders to this effect be published via an SBB press release. It is unfathomable that this error exists in SBB's audit environment.

In order to allow SBB to respond to the discrepancies outlined above, and in more detail in the enclosed report, Viceroy will refrain from publishing this letter and the enclosed report publicly until 5:00pm CET June 13, 2022.

We look forward to hearing from you.

Yours faithfully,

Viceroy Research

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PLEASE READ IMPORTANT DISCLAIMER – PAGE 6

1. Liability Reconciliation: Done 2 Ways

Note 26 of SBB’s annual report presents a start- to end-of-year reconciliation of interest-bearing liabilities. The start and end of year figures correspond to SBB’s balance sheet line items.

	01-01-2021	Cash-flow-impacting transactions	Non-cash flow transactions			31-12-2021
			Debt acquired on acquisition	Change in foreign currency	Other	
Bond loans	37,783	13,364	1,230	717	-	53,094
Liabilities to credit institutions	12,064	-1,350	12,982	37	-	23,733
Commercial papers	5,418	5,671	-	80	-	11,169
Deferred tax	2,417	-	-	-	-450	1,967
Other long-term liabilities	1,259	-1,053	86	-	-	292
Total liabilities attributable to financing activities	58,942	16,632	14,298	833	-450	90,255

Figure 1 – SBB Annual Financial Report Note 26¹

We presume the following:

- **Cash-flow-impacting transactions** is a net account of cash repayments and borrowings of corresponding interest-bearing liability accounts (debt).
- **Debt acquired on acquisition** is, as stated, a non-cash account. Viceroy has pulled financial records of acquired entities and verified that these figures are correct.
- **Change in foreign currency** is, as stated, a non-cash account.

Viceroy recreate these reconciliations on table below, excluding deferred tax and “other long-term liabilities”, which are irrelevant for the purposes of this analysis.

2021		CASH		NON CASH		
SBB 'NOTE 26' RECONCILIATION		01-Jan-2021	Cash flow impacting transactions	Acquired debt	FX delta	31-Dec-2021
Bond Loans	37,783	13,364		1,230	717	53,094
Liabilities to credit institutions	12,064	(1,350)		12,982	37	23,733
Commercial paper	5,418	5,671		-	80	11,169
Total interest bearing liabilities	55,265	17,685		14,212	834	87,996
2020			Cash flow impacting transactions	NON CASH		
Balance Sheet Liabilities*		01-Jan-2020		Acquired debt	FX delta	31-Dec-2020
Bond Loans	25,162	11,674		-	947	37,783
Liabilities to credit institutions	25,985	(14,918)		513	484	12,064
Commercial paper	4,944	348		-	126	5,418
Total interest bearing liabilities	56,091	(2,896)		513	1,557	55,265

Figure 2 – Viceroy analysis

Viceroy see no reason why reconciliation performed with SBB’s balance sheet & statement of cash flows do not match the above, yet this is the case.

¹ <https://corporate.sbbnorden.se/en/wp-content/uploads/sites/2/2020/01/sbb-ar-2021-eng.pdf>



Cash Flow Reconciliation Attempt

Viceroy presents a year-to-year reconciliation of SBB's interest-bearing liabilities reconciliation below against SBB's reconciliation above. We presume that 'Borrowings' and 'Repayments'², which were drawn from SBB's statement of cash-flows, only represent cash transactions impacting interest-bearing liabilities.

Reconciliation analysis					
2021					
		CASH		NON CASH	
		Cash flow impacting transactions		Acquired debt	FX delta
SBB 'NOTE 26' RECONCILIATION	01-Jan-2021				31-Dec-2021
Bond Loans	37,783	13,364		1,230	53,094
Liabilities to credit institutions	12,064	(1,350)		12,982	23,733
Commercial paper	5,418	5,671		-	11,169
Total interest bearing liabilities	55,265	17,685		14,212	87,996
		CASH		NON CASH	
		Borrowings		Acquired debt	FX delta
VICEROY CASH FLOW RECONCILIATION	01-Jan-2021		Repayments		31-Dec-2021
Total interest bearing liabilities	55,265	75,773	(43,418)	14,212	102,666
				Unreconcilable difference	14,670

Figure 3 – Viceroy Analysis

Simply put, a cash reconciliation to SBB's reported EOY balance sheet fails. There are no other cash outflows from financing activities that are sufficient – let alone suitable – to make up this SEK 14.7b irreconcilable difference. Prior years present the same problem:

2020					
		CASH		NON CASH	
		Cash flow impacting transactions		Acquired debt	FX delta
Balance Sheet Liabilities*	01-Jan-2020				31-Dec-2020
Bond Loans	25,162	11,674		-	37,783
Liabilities to credit institutions	25,985	(14,918)		513	12,064
Commercial paper	4,944	348		-	5,418
Total interest bearing liabilities	56,091	(2,896)		513	55,265
		CASH		NON CASH	
		Borrowings		Acquired debt	FX delta
VICEROY CASH FLOW RECONCILIATION	01-Jan-2021		Repayments		31-Dec-2021
Total interest bearing liabilities	56,091	34,693	(34,878)	513	57,976
				Unreconcilable difference	2,711

2019					
		CASH		NON CASH	
		Cash flow impacting transactions		Acquired debt	FX delta
Balance Sheet Liabilities*	01-Jan-2019				31-Dec-2019
Bond Loans	6,925	15,161		3,085	25,162
Liabilities to credit institutions	5,909	(328)		20,391	25,985
Commercial paper	1,840	1,639		1,455	4,944
Total interest bearing liabilities	14,674	16,472		24,931	56,091
		CASH		NON CASH	
		Borrowings		Acquired debt	FX delta
VICEROY CASH FLOW RECONCILIATION	01-Jan-2021		Repayments		31-Dec-2021
Total interest bearing liabilities	14,674	53,766	(12,362)	24,931	81,023
				Unreconcilable difference	24,932

Figures 4 & 5 Viceroy Analysis

² Borrowings & Repayments sourced directly from SBB Annual Reports. 2021 report can be found as follows: <https://corporate.sbbnorden.se/en/wp-content/uploads/sites/2/2020/01/sbb-ar-2021-eng.pdf>



Comps Analysis

To back-test this calculation, Viceroy conducted the same analysis on a dozen of SBB's competitors, all of which present similar reconciliation disclosures in their notes, and all of which present no reconciliation discrepancies against cash flows. Below we demonstrate the same calculations with Dios Fastigheter AB in 2019³ (DIOS) and Balder in 2021⁴ (BALD), which we selected due to acquisition activity.

Balder 2021						
Balance Sheet Liabilities*	01-Jan-2019	Cash flow impacting transactions		Other	FX	31-Dec-2019
Total interest bearing liabilities	88,989	25,242		2,237	958	117,426
VICEROY CASH FLOW RECONCILIATION						
	01-Jan-2021	Borrowings	Repayments	Acquired debt	FX delta	31-Dec-2021
Total interest bearing liabilities	88,989	33,085	(7,843)	2,237	958	117,426
Unreconcilable difference						-
Dios Fastigheter AB 2019 - only year with meaningful acquisition						
Balance Sheet Liabilities*	01-Jan-2019	Cash flow impacting transactions		Acquired debt	Reclassification	31-Dec-2019
Non-current liabilities to credit institution:	8,681	1,071		227	(3,745)	6,234
Current portion of non-current liabilities	2,418	(252)		-	3,745	5,911
Overdraft facilities	198	8		-	-	206
Total interest bearing liabilities	11,297	25		227	-	12,351
VICEROY CASH FLOW RECONCILIATION						
	01-Jan-2021	Borrowings	Repayments	Acquired debt	FX delta	31-Dec-2021
Total interest bearing liabilities	11,297	1,071	(252)	227	-	12,343
Unreconcilable difference						(8)

Figures 6 & 7 – Viceroy Analysis

External reviews

The Viceroy team has engaged with forensic accountants, former auditors, and other chartered accountants to examine our calculations and propose possible reasons for the lack of reconciliation. Simply put, the easiest explanation was that SBB has a bookkeeping error.

Viceroy have also examined sell-side analyst research models to see how these figures were reconciled internally. Unsurprisingly, these models used “plugs”, or hard coded numbers, to fill their tables. No analysts that we know of have examined this issue.

Key Takeaways

Viceroy believe SBB have included non-cash items in its statement of cash flows.

- Acquired debt figures appear to be correct from Viceroy's checks of acquired businesses, which were also **audited externally**. Viceroy reasonably assume that these figures are accurate.
- We believe an error stems from “cash flow impacting transactions”, which does not reconcile against the net of cash borrowings and repayments.

Ahead of making any analysis on this as to the impact of this error, we engage with SBB directly to prove the reconciliation of these accounts.

In any case, disclosures into borrowings and acquisitions are amongst the most opaque that we have seen from any publicly listed company. SBB is heavy on press releases, and light on details.

³ <https://investors.dios.se/English/press-releases/news-details/2020/Dis-Fastigheter-publishes-Annual-Report-for-2019/default.aspx>

⁴ <https://en.balder.se/about-balder/press/reports/08-april-2022/fastighets-ab-balders-annual-report-2021-published>

2. Misreported Contracted Future Rental Income

There is a significant error in SBB's reporting of Contracted Future Rental Income. Below snippets from 2020 and 2021 annual reports show large discrepancies in FY 2020 Contracted Future Rental Income (CFRI). There have been no changes to reporting methods, and the included text in the note is the same.

2020 Annual Report			2021 Annual Report		
<p>NOTE 5 Contracted future rental income</p> <p>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.</p>			<p>NOTE 5 Contracted future rental income</p> <p>Total rental income for the Group amounted to SEK 5,930m (5,121). 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.</p>		
Contracted future rental income	2020	2019	Contracted future rental income	2021	2020
Contracted rental income within 1 year	4,294	4,277	Contracted rental income within 1 year	5,145	4,103
Contracted rental income between 1 and 2 years	4,214	3,828	Contracted rental income between 1 and 2 years	4,408	3,098
Contracted rental income between 2 and 3 years	4,136	3,218	Contracted rental income between 2 and 3 years	3,913	3,154
Contracted rental income between 3 and 4 years	3,979	2,599	Contracted rental income between 3 and 4 years	3,429	2,049
Contracted rental income between 4 and 5 years	3,939	2,064	Contracted rental income between 4 and 5 years	3,089	2,268
Contracted rental income later than 5 years	42,868	11,898	Contracted rental income later than 5 years	28,084	39,583
Total	63,430	27,884	Total	48,068	35,516

Figures 9 & 10 – SBB 2020 & 2021 Report extracts^{5,6}

In its 2020 report, SBB claimed CFRI in 2020 totaled SEK 63b. In 2021, the CFRI for the 2020 year almost halves to SEK 35b, and the 2021 CFRI figure is lower than the previous years' reported figures without any explanation as to why. An analysis of peers with comparable figures shows no other group had such discrepancies.

We presume that SBB included its residential leases in its CFRI, despite it running on a 3-month notice and not to be included in this analysis.

It is unfathomable that this was not checked by auditors, who claim to have thoroughly reviewed SBB's financial accounts and accompanying notes.

SBB should retroactively disclose this error and make necessary amendments to historical financial reports (or current report, depending where the error lies).

⁵ <https://corporate.sbbnorden.se/en/wp-content/uploads/sites/2/2021/04/sbb-sbb-publishes-annual-and-sustainability-report-for-2020-210407.pdf>

⁶ <https://corporate.sbbnorden.se/en/wp-content/uploads/sites/2/2020/01/sbb-ar-2021-eng.pdf>



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.

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Viceroy Research

With reference to the letter sent by Viceroy Research to Mr. Lennart Schuss on 3 June 2022, Samhällsbyggnadsbolaget i Norden AB ("SBB") would like to clarify the following.

According to Viceroy Research, SBB has made "misstatements in its reporting of interest-bearing liabilities". Viceroy Research further states that "a reconciliation of SBB's balance sheet figures against reported cash flows and non-cash debt transactions is inconsistent with SBB's own reconciliation presented in the notes to the financial report".

Viceroy Research' statement that SBB through its method to report the cash flow has inflated asset values is incorrect. In the Group's cash flow analysis, SBB has applied what is interpreted to be the industry standard within real estate with regard to the reporting of acquired companies where the acquired companies' items are reported on the respective row in the cash flow analysis instead of making a net reporting of all items as a single item. The reason for "debt acquired on acquisition" being reported as a non-cash item in Note 26 is to clarify that it does not have a direct impact on the cash flow as it has been added indirectly through the acquisition of a subsidiary. It should be noted that neither of the methods of accounting have an effect on the total cash flow and that it is only a matter of location between different rows in the cash flow statement.

Viceroy further states that it has "discovered inconsistencies in reporting of contracted future rental income figures between 2020 & 2021.". During the work with the 2021 Annual Report, SBB noted that the contract flows for 2020 incorrectly included flows related to residential properties. The figures for 2020 were adjusted so that residentials were excluded, which is correct according to Note 5. The adjustment does not imply an effect on future cash flows as cash flows from residentials exist. SBB believes that readers of the Annual Report through the adjustment now have accurate information through the 2021 Annual Report, and also from the other information on rental income that is included in the Annual Report through among other things the rental income in the earnings capacity and the reporting of average remaining lease duration for community service properties.

To summarise the above, SBB has reported interest-bearing liabilities and carried out the cash flow analysis in accordance with what is interpreted as the real estate industry standard. SBB has also adjusted contract flows from 2020 to provide accurate information and comparison figures to its readers of the Annual Report, but the adjustment does not in any way have an impact on SBB's future rental income.

Yours faithfully

Samhällsbyggnadsbolaget i Norden AB



June 14, 2022

Mr. Lennart Schuss
Chairman of the Audit Committee
SBB
By email: lr@sbbnorden.se

Dear Mr. Schuss

RE: Samhällsbyggnadsbolaget i Norden (SBB) – Reconciliation of Interest-Bearing Liabilities & CFRI

We refer to our letter dated June 3, 2022, and your subsequent response on June 9, 2022. Thank you for your prompt response.

We note the following statements from your response to our highlighted reconciliation error:

“In the Group’s cash flow analysis, SBB has applied what is interpreted to be the industry standard within real estate with regard to the reporting of acquired companies where the acquired companies’ items are reported on the respective row in the cash flow analysis instead of making a net reporting of all items as a single item”

“It should be noted that neither of the methods of accounting have an effect on the total cash flow and that it is only a matter of location between different rows in the cash flow statement.”

To elaborate on the above, and so we can better understand SBB’s cash-flow accounting methodology, can you please confirm that SBB records non-cash “debt acquired from acquisitions” in the “Borrowings” line in the statement of cash flow.

Could you please also disclose all accounts in the statement of cash flows impacted by non-cash entries.

Thank you for addressing our concerns related to contracted future income.

To allow SBB to respond to the questions outlined above, and in more detail in the enclosed report, Viceroy will refrain from publishing this letter and the enclosed report publicly until 5:00pm CET June 15, 2022.

We look forward to hearing from you.

Yours faithfully,

Viceroy Research



Viceroy Research

With reference to the letter sent by Viceroy Research to Mr. Lennart Schuss on 14 June 2022, Samhällsbyggnadsbolaget i Norden AB ("SBB") would like to clarify the following regarding the Group's statement of cash flow.

Instead of reporting an acquired company's net assets on one line in the statement of cash flow, SBB has applied what is interpreted to be industry standard for the real estate industry where the items in the acquired company have affected several lines in the statement of cash flow based on the balance sheet items taken over in the acquired company, for example properties, loans, short-term receivables etc. These items have affected the price paid for the acquired company and are thus indirectly affecting cash flow.

Yours faithfully

Samhällsbyggnadsbolaget i Norden AB