RODAMCO SVERIGE AB
CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

1. CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

Consolidated statement of comprehensive income

(KSEK)	Notes	2016	2015
Gross rental income	18	1 961 732	1 627 612
Ground rents paid		(523)	(131)
Net service charge expenses	19	(3 606)	(4 346)
Property operating expenses	20	(213 592)	(224 959)
Net rental income		**1 744 010**	**1 398 176**
Corporate expenses		(130 886)	(116 608)
Development expenses		(2 907)	(2 397)
Administrative expenses	21	**(133 792)**	**(119 005)**
Proceeds from disposal of investment properties		10 020	(1 421)
Carrying value of investment properties sold		3 097	(1 597)
Result on disposal of investment properties	22	**13 117**	**(3 018)**
Proceeds from disposal of shares		4 021 354	951 507
Carrying value of disposed shares		(3 048 793)	(911 113)
Result on disposal of shares	2.5.1	**972 561**	**40 394**
Valuation gains on assets		1 811 645	4 484 507
Valuation losses on assets		(379 191)	(57 632)
Valuation movements on assets	23	**1 432 454**	**4 426 875**
NET OPERATING RESULT BEFORE FINANCING COST		**4 028 350**	**5 743 423**
Financial income		*46 911*	*44 161*
Financial expenses		*(559 014)*	*(504 436)*
Net financing costs	24	(512 103)	(460 275)
Fair value adjustments of derivatives and debt	25	49 136	(367)
Profit on disposal of associates	2.5.2	-	256 721
Share of the result of companies under the equity method		-	40 118
RESULT BEFORE TAX		**3 565 383**	**5 579 619**
Income tax expenses	26	(129 275)	(1 186 055)
NET RESULT FOR THE PERIOD		**3 436 108**	**4 393 564**
Non-controlling interests	27	728 875	377 916
NET RESULT (Owners of the parent)		**2 707 233**	**4 015 648**

Average number of shares (undiluted)		41 206 671	41 206 671
Net result for the period (Owners of the parent)		2 707 233	4 015 648
Net result for the period per share (Owners of the parent) (SEK)		**65,70**	**97,45**
Average number of shares (diluted)		41 206 671	41 206 671
Diluted net result per share (Owners of the parent) (SEK)		**65,70**	**97,45**

NET COMPREHENSIVE INCOME (KSEK)	Notes	2 016	2 015
NET RESULT FOR THE PERIOD		**3 436 108**	**4 393 564**
Foreign currency differences on translation of financial statements of subsidiaries and net investments in these subsidiaries		214 854	(40 655)
Cash flow hedge		6 364	12 302
Revaluation of shares available for sale			-
Other comprehensive income which can be reclassified to profit or loss		**221 218**	**(28 353)**
Other comprehensive income reclassified to profit or loss		**(20 025)**	**(49 319)**
Employee benefits - will not be reclassified into profit or loss		**-**	**-**
OTHER COMPREHENSIVE INCOME		**201 193**	**(77 672)**
NET COMPREHENSIVE INCOME		**3 637 301**	**4 315 892**
Non-controlling interests		740 508	366 905
NET COMPREHENSIVE INCOME (OWNERS OF THE PARENT)		**2 896 793**	**3 948 987**

Consolidated statement of financial position

(KSEK)	Notes	31.12.2016	31.12.2015
NON CURRENT ASSETS		**34 751 943**	**38 961 134**
Investment properties	1	**34 478 799**	**38 592 679**
Investment properties at fair value		*34 478 799*	*38 012 050*
Investment properties at cost		*-*	*580 629*
Other tangible assets	2	6 391	6 987
Goodwill	3	193 997	182 384
Intangible assets	4	155	283
Loans and receivables	5	-	42 908
Financial assets	6	274	275
Deferred tax assets	13	20	35 069
Derivatives at fair value	12	72 307	100 549
CURRENT ASSETS		**3 337 948**	**1 222 406**
Trade receivables from activity	8	**168 389**	**145 850**
Other trade receivables	9	**2 302 818**	**223 211**
Tax receivables		47 701	61 894
Other receivables		2 138 658	53 910
Prepaid expenses		116 459	107 407
Cash and cash equivalents	10	**866 741**	**853 346**
Cash		796 924	789 567
Financial assets		69 817	63 779
TOTAL ASSETS		**38 089 891**	**40 183 540**
Shareholders' equity (Owners of the parent)		**17 426 137**	**14 581 759**
Share capital		1 648 267	1 648 267
Additional paid-in capital		11 739	11 739
Consolidated reserves		12 804 630	8 841 398
Hedging and foreign currency translation reserves		254 268	64 708
Consolidated result		2 707 233	4 015 648
Non-controlling interests		**29 939**	**1 257 526**
TOTAL SHAREHOLDERS' EQUITY		**17 456 076**	**15 839 285**
NON CURRENT LIABILITIES		**16 388 320**	**18 498 256**
Long-term bonds and borrowings	11	**12 127 369**	**14 047 131**
Derivatives at fair value	12	20 133	-
Deferred tax liabilities	13	4 104 234	4 258 369
Guarantee deposits		87 661	144 886
Amounts due on investments	15	48 923	47 870
CURRENT LIABILITIES		**4 245 495**	**5 845 999**
Amounts due to suppliers and other current debt		**1 502 094**	**1 415 508**
Amounts due to suppliers	16	106 773	65 657
Amounts due on investments	15	858 959	809 148
Sundry creditors	16	243 564	254 591
Other liabilities	16	292 798	286 112
Current borrowings and amounts due to credit institutions	11	**2 548 864**	**4 245 375**
Tax and social security liabilities	17	**177 513**	**167 543**
Short-term provisions	14	**17 024**	**17 573**
TOTAL LIABILITIES AND EQUITY		**38 089 891**	**40 183 540**

Consolidated statement of cash flows

Consolidated statement of cash flows (in KSEK)	Notes	2016	2015
Operating activities			
Net result		**3 436 108**	**4 393 564**
Depreciation & provisions [(1)]		(36 573)	19 187
Changes in value of property assets		(1 432 454)	(4 426 875)
Changes in value of financial instruments		(49 136)	367
Net capital gains/losses on disposal of shares		(972 561)	(40 352)
Net capital gains/losses on sales of properties [(2)]		(13 117)	3 018
Net capital gains/losses on disposal of shares of associates		-	(256 721)
Income from companies under the equity method		-	(40 118)
Net financing costs		512 103	460 275
Income tax charge		129 275	1 186 055
Cash flow before net financing costs and tax		**1 573 645**	**1 298 400**
Dividend income and result from companies under equity method or non consolidated		-	3 338
Income tax paid		(14 300)	(32 571)
Change in working capital requirement [(1)]		71 827	(41 593)
Total cash flow from operating activities		**1 631 172**	**1 227 574**
Investment activities			
Property activities		**(1 076 586)**	**845 336**
Amounts paid for works and acquisition of property assets		(936 333)	(2 128 524)
Disposal of shares/consolidated subsidiaries	28	(150 273)	1 473 079
Disposal of shares of associates/non-consolidated subsidiaries	29	-	1 502 202
Disposal of investment properties		10 020	(1 421)
Financial activities		**(5 398)**	**(2 543)**
Acquisition of financial assets		(5 398)	(2 814)
Disposal of financial assets		-	271
Total cash flow from investment activities		**(1 081 984)**	**842 793**
Financing activities			
Change in capital from company with non controlling shareholders		-	28 096
Distribution paid to parent company shareholders		(52 668)	(61 557)
New borrowings and financial liabilities		2 707 866	113 598
Repayment of borrowings and financial liabilities		(2 581 654)	(690 217)
Financial income		44 393	44 161
Financial expenses		(554 301)	(500 192)
Other financing activities		-	-
Total cash flow from financing activities		**(436 364)**	**(1 066 111)**
Change in cash and cash equivalents during the period		**112 824**	**1 004 256**
Cash at the beginning of the year		**(500 738)**	**(1 513 453)**
Effect of exchange rate fluctuations on cash held		**(23 544)**	**8 459**
Cash at period-end [(3)]	30	**(411 458)**	**(500 738)**

(1) *The spread of lease incentives & key moneys have been reallocated from "Change in working capital requirement" to "Depreciation & provisions".*

(2) *Includes capital gains/losses on property sales, disposals of short-term investment properties, disposals of finance leasing and disposals of operating assets.*

(3) *Cash and equivalents include bank accounts and current accounts with terms of less than three months, less bank overdrafts.*

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

Consolidated statement of changes in equity

(KSEK)	Share capital	Additional paid-in capital	Consolidated reserves	Consolidated net result	Hedging & foreign currency translation reserves [1]	Total Owners of the parent	Non-controlling interests	Total Shareholder's equity
Balance as at December 31, 2014	**1,648,267**	**11,739**	**7,247,389**	**1,656,635**	**131,375**	**10,695,405**	**862,454**	**11,557,859**
Profit or loss of the period	-	-	-	4,015,648	-	**4,015,648**	377,916	**4,393,564**
Other comprehensive income	-	-	-	-	(66,667)	**(66,667)**	(11,012)	**(77,679)**
Net comprehensive income	**-**	**-**	**-**	**4,015,648**	**(66,667)**	**3,948,981**	**366,905**	**4,315,885**
Earnings appropriation	-	-	1,656,635	(1,656,635)	-	**-**	-	**-**
Group contribution related to 2015	-	-	(61,557) [2]	-	-	**(61,557)**	-	**(61,557)**
Other movements	-	-	(1,069)	-	-	**(1,069)**	28,167	**27,098**
Balance as at December 31, 2015	**1,648,267**	**11,739**	**8,841,398**	**4,015,648**	**64,708**	**14,581,759**	**1,257,526**	**15,839,285**
Profit or loss of the period	-	-	-	2,707,233	-	**2,707,233**	728,875	**3,436,108**
Other comprehensive income	-	-		-	189,560	**189,560**	11,633	**201,193**
Net comprehensive income	**-**	**-**	**-**	**2,707,233**	**189,560**	**2,896,793**	**740,508**	**3,637,301**
Earnings appropriation	-	-	4,015,648	(4,015,648)	-	**-**	-	**-**
Dividend related to 2016							(1,968,095)	**(1,968,095)**
Group contribution related to 2016	-	-	(52,668) [2]	-	-	**(52,668)**	-	**(52,668)**
Other movements	-	-	252	-	-	**252**		**252**
Balance as at December 31, 2016	**1,648,267**	**11,739**	**12,804,630**	**2,707,233**	**254,268**	**17,426,137**	**29,939**	**17,456,076**

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

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

Changes in share capital

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

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 General information

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

2.2 Accounting principles and consolidation methods

In accordance with EC regulation no. 1606/2002 of July 19, 2002, on the application of international accounting standards, Rodamco Sverige AB has prepared its consolidated financial statements for the financial year ending December 31, 2016 under International Financial Reporting Standards (IFRS) as adopted in the European Union and applicable at this date.
These can be consulted on the website http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

2.2.1 IFRS basis adopted

The accounting principles and methods used are the same as those applied for the preparation of the annual consolidated financial statements as at December 31, 2015, except for the application of the new obligatory standards and interpretations described below.

Standards, amendments and interpretations effective as of January 1, 2016

- IAS 19 A: Defined Benefit Plans – Employee contributions;
- Improvements to IFRS (2010-2012 and 2012-2014 cycles);
- IFRS 11 A: Accounting for acquisition of interests in Joint operation;
- IAS 16 A and IAS 38 A: Clarification of acceptable methods of depreciation and amortisation;
- IAS 1 A: Disclosure initiative;
- IFRS 10 A, IFRS 12 A and IAS 28 A: Investment entities: applying the consolidation exception.

These standards and amendments do not have a significant impact on the Group's accounts as at December 31, 2016.

Standards, amendments and interpretations not mandatorily applicable as of January 1, 2016

The following norms and amendments have been adopted by the European Union as at December 31, 2016 but not applied in advance by the Group:

- IFRS 9: Financial instruments;
- IFRS 15: Revenue from contracts with customers.

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

- IFRS 16: Leases;
- IAS 12 A: Recognition of Deferred Tax Assets for Unrealised Losses;
- IAS 7 A: Disclosure Initiative;
- IFRS 2 A: Classification and Measurement of share-based Payment Transactions;
- IFRS 4 A: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Improvements to IFRS (2014-2016 cycle);
- IFRIC 22: Foreign Currency Transactions and Advance Consideration;
- IAS 40 A: Transfers of Investment Property.

The measurement of the potential impacts of these texts on the consolidated accounts of the Group is on-going. On IFRS 9, IFRS 15 & IFRS 16, the Group does not expect significant impacts on the financial statements.

2.2.2 Estimates and assumptions

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management, particularly with regards to the fair value of investment properties and financial instruments as well as the valuation of goodwill and intangible assets.

The most significant estimates are set out in the following sections: for the valuation of investment properties in section 2.2 § 2.2.7 “Asset valuation methods” and section 2.6 note 1 “Investment properties”, for the goodwill and intangible assets, respectively in section 2.2 § 2.2.5 “Business combinations” and § 2.2.7 “Asset valuation methods” and for fair value of financial instruments in section 2.6 note 12 “Hedging instruments”. Actual future results or outcomes may differ from these estimates. The property portfolio and intangible assets used by the Shopping Centres and Offices segments are valued by independent appraisals.

2.2.3 Options selected under IFRS 1

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

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

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

2.2.4 Scope and methods of consolidation

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

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

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

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

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

2.2.5 Business combinations

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. The Group continues to measure the non-controlling interest at the proportionate share of the acquiree’s identifiable net assets.
Acquisition costs incurred are booked as expenses. For the companies accounted for using the equity method, acquisition costs are capitalised in the value of the shares.
At the date of acquisition and in accordance with IFRS 3 Revised, identifiable assets, liabilities and contingent liabilities of the acquired company are valued individually at their market value regardless of their purpose. The analysis and appraisals required for the initial valuation of these items, as well as any corrections based on new information, may be carried out within 12 months of the date of acquisition.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income statement.
Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration classified as liability will be recognised in income statement.

Goodwill

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

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

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

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

2.2.6 Foreign currency translation

Functional and presentation currency

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

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

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

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

Group companies with a functional currency different from the presentation currency

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

- the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated into SEK at foreign exchange rates ruling at the accounting date;
- income and expenses are translated into SEK at rates approximating the foreign exchange rates ruling at the dates of the transactions;
- all resulting exchange rate differences are recognised as a separate component of equity (currency translation reserve);
- when a Group's company is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.2.7 Asset valuation methods

Investment properties (IAS 40 & IFRS 13)

Under the accounting treatment recommended by IAS 40, investment properties are shown at their market value. According to IFRS 13, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Expectations about future improvements or modifications to be made to the property interest to reflect its highest and best use have to be considered in the appraisal, such as the renovation of or an extension to the property interest.
The valuation methods used by the external appraisers of the Group's real estate assets were not impacted by the adoption of IFRS 13.

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

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

According to the Group, a development project is eligible for a fair value measurement once all three of the following criteria are fulfilled:

- all administrative authorisations needed to complete the project are obtained;
- the construction has started and costs are committed toward the contractor;
- substantial uncertainty in future rental income has been eliminated.

If the time to delivery is less than one year, the project has to be taken at fair value.

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

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

For properties measured at fair value, the market value adopted by the Group is determined on the basis of appraisals by independent external experts, who value the Group's portfolio as at June 30 and December 31 of each year. A discount is applied to the gross value in order to reflect disposal costs and transfer taxes [1], depending on the country and on the tax situation of the property.

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

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

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

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

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

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

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

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

Other tangible assets

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

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

Borrowing costs generated by construction projects (IAS 23)

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

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

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

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

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

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

Intangible assets with an indefinite useful life are not amortised but their life span is reviewed each year. These assets are subject to impairment tests annually or whenever there is an indication of impairment, which consists of comparing the book value with the recoverable amount of the intangible. The recoverable amount of an asset or a cash-generating unit is the maximum between its fair value less disposal costs and its value in use. It is assessed on the basis of the present value of expected future cash flows from the continued use of the asset and its terminal value. Impairment tests are carried out by grouping assets together into cash-generating units. In the case of reduction in value, a corresponding impairment charge is recognised in the income statement.

2.2.8 Leasing

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

Ground leaseholds

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

Revenue recognition

- **Accounting treatment of investment properties leases**

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

- **Rents and key money**

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

- **Eviction costs**

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

- **Delivery of an Investment Property**

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

2.2.9 Financial instruments (IAS 32/IAS 39/IFRS 7/IFRS 13)

The recognition and measurement of financial assets and liabilities are mainly defined by the standard IAS 39.

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

Loans and receivables

Loans and receivables, acquired or granted, not held for the purpose of trading or sale, are recorded on the statement of financial position as “Loans and receivables”. After initial recording, they are measured at amortised cost based on the effective interest rate. They may be subject to impairment when necessary.

Financial assets

They comprise shares on non-consolidated companies. After initial recording, they are measured at amortised cost. They may be subject to impairment when necessary.

Financial assets available for sale

These are non-derivative financial assets held for an undetermined period that may be sold by the Group at any time. They are measured at their fair value at the accounting date and recorded as available for sale investments. Interest accrued or received on fixed-income securities is recorded as income based on the effective interest rate. Changes in market value other than income are recorded in other comprehensive income. Fair value variations are recorded in the income statement if the asset is sold or significantly impaired.

Non-derivative financial liabilities

Non-derivative financial liabilities are measured after initial booking at amortised cost using the effective interest rate.

In certain cases, IAS 39 permits financial liabilities to be designated at fair value upon initial recording.

b) Classification and measurement of financial derivatives and hedge accounting

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

All financial derivatives are recorded as financial assets or liabilities at fair value on the statement of financial position. Fair value variations of financial derivatives, apart from those designated as cash flow hedges are recognised in the income statement for the period.
Except for currency derivatives, the Group has chosen not to use the hedge accounting proposed by IAS 39. All such derivatives are therefore measured at their market value and any fair value variations are recorded in the income statement.

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

<u>Exposure to the credit risk of a particular counterparty</u>

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

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

a. the total mark-to-market the Group has with this counterparty, in case it is positive;
b. the probability of default of this counterparty over the average maturity, weighted by the nominal of the derivatives booked with them. This probability of default is taken from the Bloomberg model, based on market data and derived from the Credit Default Swaps of the banks;
c. and the loss given default set at 60% following market standard.

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

a. the total mark-to-market the Group has with a counterparty, in case it is negative;
b. the probability of default of the Group over the average maturity, weighted by the nominal of the total portfolio of derivatives. The Group's probability of default is derived from the Credit Default Swaps of the Group and taken from Bloomberg model;
c. and the loss given default set at 60% following market standard.

2.2.10 Discounting of deferred payments

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

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

2.2.11 Taxes

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

Income tax and deferred tax

Corporate income tax

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

Deferred tax

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

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

2.2.12 Employee benefits

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

Post-employment benefits

Pension schemes may be defined contribution schemes.

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

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

Long-term benefits

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

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

2.2.13 Business segment reporting

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

Business segments

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

Geographical segments

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

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

- Nordic, including Sweden, Denmark and Finland;
- Spain : the Group disposed of the shares of fully consolidated companies Proyectos Immobiliarios Time Blue SLU and Unibail-Rodamco Steam SLU in Spain on December 19, 2016;
- Central Europe, including the Czech Republic : the Group completed the disposal of its 75% stake in Arkady Pankrac (Prague) on June 30, 2015.

2.2.14 Earnings Per Share

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

2.2.15 Current and non-current assets and liabilities

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

2.3 Business segment report

Consolidated income statement by segment

	(KSEK)	2016			2015		
		Recurring activities	Non recurring activities [(1)]	Result	Recurring activities	Non recurring activities [(1)]	Result
SHOPPING CENTRES	Gross rental income	1,500,203	-	1,500,203	1,182,128	-	1,182,128
	Operating expenses & net service charges	(175,220)	-	(175,220)	(190,385)	-	(190,385)
	Net rental income	**1,324,983**	**-**	**1,324,983**	**991,743**	**-**	**991,743**
	Gains on sales of properties	-	(4,152)	(4,152)	-	38,676	38,676
	Valuation movements	-	1,530,510	1,530,510	-	3,309,859	3,309,859
	Result Shopping Centres Nordic	**1,324,983**	**1,526,358**	**2,851,341**	**991,743**	**3,348,535**	**4,340,278**
	Gross rental income	313,814	-	313,814	305,195	-	305,195
	Operating expenses & net service charges	(17,265)	-	(17,265)	(14,473)	-	(14,473)
	Net rental income	**296,549**	**-**	**296,549**	**290,722**	**-**	**290,722**
	Gains on sales of properties	-	989,830	989,830	-	(1,300)	(1,300)
	Valuation movements	-	-	-	-	972,078	972,078
	Result Shopping Centres Spain	**296,549**	**989,830**	**1,286,378**	**290,722**	**970,778**	**1,261,500**
	Gross rental income	-	-	-	-	-	-
	Operating expenses & net service charges	-	-	-	-	-	-
	Net rental income	**-**	**-**	**-**	**-**	**-**	**-**
	Contribution of affiliates	-	-	-	41,772	(1,655)	40,118
	Gains on sales of properties	-	-	-	-	256,721	256,721
	Valuation movements	-	-	-	-	-	-
	Result Shopping Centres Central Europe	**-**	**-**	**-**	**41,772**	**255,066**	**296,838**
	TOTAL RESULT SHOPPING CENTRES	**1,621,532**	**2,516,188**	**4,137,719**	**1,324,237**	**4,574,379**	**5,898,616**
OFFICES	Gross rental income	147,715	-	147,715	140,289	-	140,289
	Operating expenses & net service charges	(25,237)	-	(25,237)	(24,578)	-	(24,578)
	Net rental income	**122,478**	**-**	**122,478**	**115,711**	**-**	**115,711**
	Valuation movements	-	(98,056)	(98,056)	-	144,938	144,938
	TOTAL RESULT OFFICES	**122,478**	**(98,056)**	**24,422**	**115,711**	**144,938**	**260,649**
	TOTAL OPERATING RESULT AND OTHER INCOME	**1,744,010**	**2,418,132**	**4,162,141**	**1,439,948**	**4,719,317**	**6,159,265**
	General expenses	(130,886)	-	(130,886)	(116,608)	-	(116,608)
	Development costs	(2,907)	-	(2,907)	(2,397)	-	(2,397)
	Financing result	(512,103)	49,136	(462,967)	(460,275)	(367)	(460,642)
				-			-
	RESULT BEFORE TAX	**1,098,114**	**2,467,268**	**3,565,383**	**860,669**	**4,718,950**	**5,579,619**
	Income tax expenses	(20,137)	(109,137)	(129,275)	(56,030)	(1,130,025)	(1,186,055)
	NET RESULT FOR THE PERIOD	**1,077,977**	**2,358,131**	**3,436,108**	**804,639**	**3,588,925**	**4,393,564**
	Non-controlling interests	55,419	673,456	728,875	28,097	349,816	377,916
	NET RESULT - OWNERS OF THE PARENT	**1,022,558**	**1,684,675**	**2,707,233**	**776,542**	**3,239,110**	**4,015,648**
	Average number of shares	41,206,671			41,206,671		
	RECURRING RESULT PER SHARE (SEK)	**24.82**			**18.85**		

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

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

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

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

Reconciliation between the Results by segment and the income statement of the period (IFRS format) for 2016

(KSEK)	Shopping Centres			Offices	Not allocated	TOTAL 2016
	Spain	Nordic	Total Shopping Centres			
Gross rental income	313,814	1,500,203	1,814,017	147,715	-	1,961,732
Net rental income	**296,549**	**1,324,983**	**1,621,532**	**122,478**	**-**	**1,744,010**
Administrative expenses	**-**	**-**	**-**	**-**	**(133,792)**	**(133,792)**
Result on disposal of investment properties and shares	**989,830**	**(4,152)**	**985,678**	**-**	**-**	**985,678**
Valuation movements	**-**	**1,530,510**	**1,530,510**	**(98,056)**	**-**	**1,432,454**
Net operating result before financing cost	**1,286,379**	**2,851,341**	**4,137,720**	**24,422**	**(133,792)**	**4,028,350**
Net financing costs					(512,103)	(512,103)
Fair value adjustments of derivatives and debt & debt discounting					49,136	49,136
Result before tax					**-**	**3,565,383**
Income tax expenses					(129,275)	(129,275)
Net result for the period						**3,436,108**

Reconciliation between the Results by segment and the income statement of the period (IFRS format) for 2015

(KSEK)	Shopping Centres				Offices	Not allocated	TOTAL 2015
	Spain	Central Europe	Nordic	Total Shopping Centres			
Gross rental income	305,195	-	1,182,128	1,487,323	140,289	-	1,627,612
Net rental income	**290,722**	**-**	**991,743**	**1,282,465**	**115,711**	**-**	**1,398,176**
Administrative expenses	**-**	**-**	**-**	**-**	**-**	**(119,005)**	**(119,005)**
Result on disposal of investment properties and shares	**(1,300)**	**-**	**38,676**	**37,377**	**-**	**-**	**37,377**
Valuation movements	**972,078**	**-**	**3,309,859**	**4,281,937**	**144,938**	**-**	**4,426,875**
Net operating result before financing cost	**1,261,500**	**-**	**4,340,278**	**5,601,778**	**260,649**	**(119,005)**	**5,743,423**
Profit on disposal of associates	-	256,721	-	256,721	-	-	256,721
Share of the result of associates & income on financial assets	-	40,118	-	40,118	-	-	40,118
Result from non-consolidated companies						-	-
Net financing costs						(460,275)	(460,275)
Fair value adjustments of derivatives and debt & debt discounting						(367)	(367)
Result before tax						**-**	**5,579,619**
Income tax expenses						(1,186,055)	(1,186,055)
Net result for the period							**4,393,564**

December 31, 2016

Statement of financial position by segment

(KSEK)	Shopping Centres			Offices	Not allocated [(1)]	31.12.2016
	Spain	Nordic	Total Shopping Centres			
Investment properties at fair value		32,699,689	**32,699,689**	1,779,110	-	**34,478,799**
Investment properties at cost		-	-	-	-	-
Other tangible assets		-	-		6,391	**6,391**
Goodwill		193,997	**193,997**		-	**193,997**
Intangible assets		-	-		155	**155**
Shares and investments in companies under the equity method		-	-		-	-
Other non current assets		275	**275**		72,326	**72,601**
Total non current assets	**-**	**32,893,961**	**32,893,961**	**1,779,110**	**78,872**	**34,751,943**
Properties or shares held for sale	-	-	-	-	-	-
Total current assets		**2,451,017**	**2,451,017**	**17,034**	**869,897**	**3,337,948**
Total Assets	**-**	**35,344,978**	**35,344,978**	**1,796,144**	**948,769**	**38,089,891**
Total Liabilities excluding shareholders' equity		**5,926,197**	**5,926,197**	**5,416**	**14,702,202**	**20,633,815**

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

Investments by segment

(KSEK)	Shopping Centres			Offices	Total 2016
	Spain	Nordic countries	Total Shopping Centres		
Investments in investment properties at fair value		954,308	954,308	29,205	983,513
Investment in tangible assets at cost [(1)]		4,925	4,925		4,925
Total investments	**-**	**959,233**	**959,233**	**29,205**	**988,438**

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

December 31, 2015

Statement of financial position by segment

(KSEK)	Shopping Centres				Offices	Not allocated [1]	31.12.2015
	Spain	Central Europe	Nordic	Total Shopping Centres			
Investment properties at fair value	6,333,260	-	29,830,829	**36,164,089**	1,847,961	-	**38,012,050**
Investment properties at cost	580,629	-	-	**580,629**	-	-	**580,629**
Other tangible assets	-	-	-	-	-	6,987	**6,987**
Goodwill	-	-	182,384	**182,384**	-	-	**182,384**
Intangible assets	-	-	-	-	-	283	**283**
Shares and investments in companies under the equity method	-	-	-	-	-	-	-
Other non current assets	42,908	-	275	**43,183**	-	135,618	**178,801**
Total non current assets	**6,956,796**	**-**	**30,013,488**	**36,970,285**	**1,847,961**	**142,889**	**38,961,134**
Properties or shares held for sale	-	-	-	-	-	-	-
Total current assets	**26,373**	**-**	**332,190**	**358,563**	**10,497**	**853,346**	**1,222,406**
Total Assets	**6,983,170**	**-**	**30,345,678**	**37,328,848**	**1,858,458**	**996,234**	**40,183,540**
Total Liabilities excluding shareholders' equity	**831,549**	**-**	**5,215,681**	**6,047,230**	**1,249**	**18,295,776**	**24,344,255**

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

Investments by segment

(KSEK)	Shopping Centres			Offices	Total 2015
	Spain	Nordic countries	Total Shopping Centres		
Investments in investment properties at fair value	19,186	2,103,404	2,122,589	25,669	2,148,258
Investment in tangible assets at cost [1]	10,453	-	10,453	-	10,453
Total investments	**29,639**	**2,103,404**	**2,133,042**	**25,669**	**2,158,711**

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

2.4 Scope of consolidation

2.4.1 List of the consolidated entities

List of consolidated companies	Country	Method (1)	% interest Dec. 31, 2016	% control Dec. 31, 2016	% interest Dec. 31, 2015
Rodamco Sverige AB	Sweden	FC	100.00	100.00	100.00
SHOPPING CENTRES					
Autopaikat Oy	Finland	JO	34.29	34.29	34.29
Kiinteistö Oy Vantaanportin Liikekeskus	Finland	JO	21.40	21.40	21.40
Kiinteistö Oy Vantaanportin Liiketilat	Finland	JO	60.00	60.00	60.00
Essential Whites SLU	Spain	FC	52.78	100.00	52.78
Promociones Immobiliarias Gardiner SLU	Spain	FC	52.78	100.00	52.78
Proyectos Immobiliarios Time Blue SLU	Spain	-	-	-	51.11
Unibail-Rodamco Steam SLU	Spain	-	-	-	51.11
Eurostop KB	Sweden	FC	100.00	100.00	100.00
Rodamco Arninge Centrum KB	Sweden	FC	100.00	100.00	100.00
Rodamco Centerpool AB	Sweden	FC	100.00	100.00	100.00
Rodamco Fisketorvet AB	Sweden	FC	100.00	100.00	100.00
Rodamco Forum Nacka KB	Sweden	FC	100.00	100.00	100.00
Rodamco Garage AB	Sweden	FC	100.00	100.00	100.00
Rodamco Parkering AB	Sweden	FC	100.00	100.00	100.00
Rodamco Solna Centrum AB	Sweden	FC	100.00	100.00	100.00
Rodamco Täby Centrum KB	Sweden	FC	100.00	100.00	100.00
Rodamco Väsby Centrum AB	Sweden	FC	100.00	100.00	100.00
SERVICES					
Rodamco Projekt AB	Sweden	FC	100.00	100.00	100.00
HOLDINGS AND OTHER					
Rodareal Oy	Finland	FC	100.00	100.00	100.00
Anlos Fastighets AB	Sweden	FC	100.00	100.00	100.00
Eurostop AB	Sweden	FC	100.00	100.00	100.00
Eurostop Holding AB	Sweden	FC	100.00	100.00	100.00
Fastighetsbolaget Anlos H BV	Sweden	FC	100.00	100.00	100.00
Fastighetsbolaget Anlos K BV	Sweden	FC	100.00	100.00	100.00
Fastighetsbolaget Anlos L BV	Sweden	FC	100.00	100.00	100.00
Knölsvanen Bostads AB	Sweden	FC	100.00	100.00	100.00
Piren AB	Sweden	FC	100.00	100.00	100.00
Rodamco Handel AB	Sweden	FC	100.00	100.00	100.00
Rodamco AB	Sweden	FC	100.00	100.00	100.00
Rodamco Expand AB	Sweden	FC	100.00	100.00	100.00
Rodamco Nacka AB	Sweden	FC	100.00	100.00	100.00
Rodamco Scandinavia Holding AB	Sweden	FC	100.00	100.00	100.00
Rodamco Täby AB	Sweden	FC	100.00	100.00	100.00
New Tower Real Estate BV	The Netherlands	FC	51.11	51.11	51.11
Old Tower Real Estate BV	The Netherlands	FC	52.78	52.78	52.78

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

2.4.2 Assessment of the control

Centrum Pankrac

Further to the agreement with Atrium European Real Estate entered into on January 22, 2015, the Group completed the disposal of its 75% stake in Arkady Pankrac (Prague) on June 30, 2015.

Jumbo

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

2.5 Highlights and comparability of the last two years

2.5.1 In 2016

Disposals of Shopping centres

On December 19, 2016, the Group disposed of the shares of fully consolidated companies Proyectos Immobiliarios Time Blue SLU and Unibail-Rodamco Steam SLU in Spain to its own shareholders. The share deal amounted to KSEK 4,025,506 total net disposal price and a net positive result of KSEK 976,714. The disposal price was not paid in cash, but was offset by distribution of dividend for the same amount.

Openings of shopping centres

None.

2.5.2 In 2015

Disposals of Shopping centres

During 2015, the Group disposed of fully consolidated companies in Sweden (Novalund). Share deals amounted to KSEK 951,507 total net disposal price and a net positive result of KSEK 40,394.
Arkady Pankrac (Prague), accounted for using the equity method, was disposed during the period. Result on disposal of shares of companies accounted for using the equity method amounted to KSEK 256,721.

Openings of shopping centres

The Group inaugurated the new shopping centre Mall of Scandinavia (Stockholm) on November 12, 2015.

2.6 Notes and comments

2.6.1 Notes to the consolidated assets

Note 1 – Investment properties

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

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

As at December 31, 2016, the outstanding balances of deferred lease incentives and key monies amortised over the firm term of the lease and deducted from the appraisal value represented KSEK 107,596.

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

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

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

Shopping centre portfolio

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

Shopping Centres - December 31, 2016		Net initial yield	Rent in SEK per sqm (a)	Discount Rate (b)	Exit yield (c)	CAGR of NRI (d)
	Max	12.1%	4,860	9.5%	8.3%	4.3%
Nordic	Min	3.9%	951	6.5%	4.1%	1.1%
	Weighted average	4.4%	3,367	7.0%	4.4%	3.5%

Net initial yield, discount rate and exit yield weighted by GMV.

(a) Average annual rent (minimum guaranteed rent + sales based rent) per asset per m².

(b) Rate used to calculate the net present value of future cash flows.

(c) Rate used to capitalize the exit rent to determine the exit value of an asset.

(d) Compounded Annual Growth Rate of Net Rental Income determined by the appraiser (between 6 and 10 years depending on duration of DCF model used).

Based on an asset value excluding estimated transfer taxes and transaction costs, the segment's net initial yield as at December 31, 2016 came to 4.4% vs. 4.6% at year end 2015.

A change of +25 basis points in net initial yield would result in an adjustment of -KSEK 1,840,042 (-5.4%) of the Nordic shopping centre portfolio value (excluding assets under development or consolidated under equity method), including transfer taxes and transaction costs.

Shopping Centre portfolio by region - December 31, 2016	**Valuation including transfer taxes in MSEK**	**Valuation excluding estimated transfer taxes in MSEK**	**Net inital yield Dec. 31, 2016 (a)**	**Net inital yield Dec. 31, 2015 (a)**
Nordic	34,196	33,432	4.4%	4.6%

(a) Annualized contracted rent (including indexation) and other incomes for the next 12 months, net of operating expenses, divided by the asset value net of estimated transfer taxes and transaction costs. Shopping centres under development or held by companies accounted for using the equity method are not included in the calculation.

Vacancy rate

Potential rents from vacant space in operation in Nordic shopping centres amounted to KSEK 51,141 at December 31, 2016. This represents a final vacancy rate of 3.3% at year-end.

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

Investment Properties Under Construction (IPUC)

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

No IPUC is assessed at fair value in the consolidation statement of financial position at December 31,2016.

Changes in investment properties at fair value

2016 change

(KSEK)	**31/12/2015**	**Acquisitions**	**Capitalised expenses** [(1)]	**Disposals / exit from the scope of consolidation** [(2)]	**Reclassification and transfer of category**	**Valuation movements**	**Discounting impact**	**Currency translation**	**31/12/2016**
Shopping Centres	36,164,089	170	954,138	(6,528,501)	(9)	1,530,513	1,053	578,240	32,699,692
Offices	1,847,961	-	29,205	-	-	(98,059)	-	-	1,779,107
Total investment properties	**38,012,050**	**170**	**983,343**	**(6,528,501)**	**(9)**	**1,432,454**	**1,053**	**578,240**	**34,478,799**
Properties held for sale	-	-	-	-	-	-	-	-	-
Total	**38,012,050**	**170**	**983,343**	**(6,528,501)**	**(9)**	**1,432,454**	**1,053**	**578,240**	**34,478,799**

(1) *Relates mainly to shopping centres, especially Mall of Scandinavia (Stockholm) end of works.*
(2) *Relates to the disposal of a shopping centre in Spain (see section 2.5 "Highlights and comparability of the last two years", § 2.5.1).*

2015 change

(KSEK)	**31/12/2014**	**Acquisitions**	**Capitalised expenses**	**Disposals / exit from the scope of consolidation**	**Reclassification and transfer of category**	**Valuation movements**	**Discounting impact**	**Currency translation**	**31/12/2015**
Shopping Centres	29,864,206	-	2,114,606	(1,486)	(796)	4,281,938	(2,130)	(92,250)	36,164,089
Offices	1,676,558	-	25,669	-	796	144,938	-	-	1,847,961
Total investment properties	**31,540,764**	**-**	**2,140,275**	**(1,486)**	**-**	**4,426,876**	**(2,130)**	**(92,250)**	**38,012,050**
Properties held for sale	1,568,346	-	7,983	(1,576,329)	-	-	-	-	-
Total	**33,109,110**	**-**	**2,148,258**	**(1,577,815)**	**-**	**4,426,876**	**(2,130)**	**(92,250)**	**38,012,050**

Changes in investment properties at cost

2016 Change

(KSEK)	31/12/2015	Capitalised expenses	Disposals / exit from the scope of consolidation	Reclassification and transfer of category	Currency translation	31/12/2016
Gross value	580,629	4,925	(601,859)	-	16,305	(0)
Amortisation	-	-	-	-	-	-
Total investment properties at cost	**580,629**	**4,925**	**(601,859)**	-	**16,305**	**(0)**

2015 Change

(KSEK)	31/12/2014	Capitalised expenses	Disposals / exit from the scope of consolidation	Reclassification and transfer of category	Currency translation	31/12/2015
Gross value	573,686	10,453	-	-	(3,510)	580,629
Amortisation	-	-	-	-	-	-
Total investment properties at cost	**573,686**	**10,453**	-	-	**(3,510)**	**580,629**

Note 2 – Other tangible assets

2016 Change

Net value (KSEK)	31/12/2015	Acquisitions and capitalised expenses	Changes in the scope of consolidation	Currency translation	Depreciation	Other movements	31/12/2016
Gross value	28,148	645	-	204	-	(26)	28,971
Depreciation	(21,161)	-	-	(211)	(1,232)	24	(22,580)
Total	**6,987**	**645**	-	**(7)**	**(1,232)**	**(2)**	**6,391**

2015 Change

Net value (KSEK)	31/12/2014	Acquisitions and capitalised expenses	Changes in the scope of consolidation	Currency translation	Depreciation	Other movements	31/12/2015
Gross value	27,357	1,109	(58)	(23)	-	(237)	28,148
Depreciation	(19,241)	-	48	24	(2,186)	194	(21,161)
Total	**8,116**	**1,109**	**(10)**	**1**	**(2,186)**	**(43)**	**6,987**

Note 3 – Goodwill

2016 Change

(KSEK)	31/12/2015	Currency translation	31/12/2016
Gross value	182,384	11,613	193,997
Impairment	-	-	-
Total	**182,384**	**11,613**	**193,997**

The impairment test which consists of comparing the net value of this goodwill with the amounts of tax optimisation as determined at the date of reporting was carried out. No impairment was recognised as at December 31, 2016.

2015 Change

(KSEK)	31/12/2014	Currency translation	31/12/2015
Gross value	183,458	(1,074)	182,384
Impairment	-	-	-
Total	**183,458**	**(1,074)**	**182,384**

Note 4 – Intangible assets

2016 Change

Net value (KSEK)	**31/12/2015**	**Acquisitions**	**Charges**	**Currency translation**	**31/12/2016**
Gross value	8,018	-	-	7	8,025
Amortisation	(7,734)	-	(130)	(5)	(7,869)
Total	**283**	**-**	**(130)**	**2**	**155**

2015 Change

Net value (KSEK)	**31/12/2014**	**Acquisitions**	**Charges**	**Currency translation**	**31/12/2015**
Gross value	7,994	24	-	-	8,018
Amortisation	(7,605)	-	(129)	-	(7,734)
Total	**388**	**24**	**(129)**	-	**283**

Note 5 – Loans and receivables

(KSEK)		**31/12/2016**			**31/12/2015**	
	Gross	**Provision**	**Net**	**Gross**	**Provision**	**Net**
Receivables from affiliates	-	-	-	-	-	-
Deposits paid	-	-	-	42,908	-	42,908
Total	-	-	-	**42,908**	**-**	**42,908**

Note 6 – Financial assets

This item comprises the shares of non-consolidated companies.

Note 7 – Shares and investments in companies under the equity method

These shares and investments were those in the 2 companies accounted for using the equity method which were under significant influence and were disposed in 2015.

Associates

Associates are those entities in which the Group has a significant influence.

Further to the agreement with Atrium European Real Estate entered into on January 22, 2015, the Group completed the disposal of its 75% stake in Arkady Pankrac (Prague) on June 30, 2015.

The main items of the income statement of associates are presented in the tables below. These items are stated in group share including restatements for consolidation purposes.

(KSEK)	**2016**	**2015**
Net rental income	-	42,677
Change in fair value of investment properties	-	(877)
Net result	-	40,118

Note 8 – Trade receivables from activity

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

Trade related receivables (KSEK)	**31/12/2016**	**31/12/2015**
Trade receivables	56,663	63,715
Doubtful accounts	48,027	48,677
Rent-free periods and step rents	107,596	75,442
Gross value	**212,286**	**187,834**
Provisions for doubtful accounts	(43,897)	(41,984)
Net	**168,389**	**145,850**

Breakdown of trade receivables by business line (KSEK)	**31/12/2016**	**31/12/2015**
Shopping Centres	162,545	144,241
Offices	5,844	1,609
Total	**168,389**	**145,850**

Changes in provisions for doubtful accounts (KSEK)	**2016**	**2015**
As of January 1	**(41,984)**	**(34,867)**
Currency translation adjustments	(220)	(19)
Change in scope of consolidation	1,297	3,478
Additions	(6,247)	(17,223)
Use and reversal	3,256	6,648
As of December 31	**(43,897)**	**(41,984)**

Note 9 – Other trade receivables

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

Tax receivables (KSEK)	**31/12/2016**	**31/12/2015**
Value-Added Tax and other	45,909	49,572
Corporate income tax	1,792	12,322
Total	**47,701**	**61,894**

Other receivables (KSEK)	**31/12/2016**	**31/12/2015**
Receivables from suppliers	326	2,277
Other debtors	60,980	37,163
Receivables from partners	2,062,373	2,006
Accrued income receivables on caps and swaps	14,979	12,464
Gross value	**2,138,658**	**53,910**
Provisions	-	-
Net	**2,138,658**	**53,910**

Prepaid expenses (KSEK)	**31/12/2016**	**31/12/2015**
Prepaid expenses	116,459	107,407
Total	**116,459**	**107,407**

Note 10 – Cash and cash equivalents

(KSEK)	**31/12/2016**	**31/12/2015**
Available-for-sale investments (1)	69,817	63,779
Cash	38,292	194,452
Parent company cash pooling and credit facilities	758,633	595,115
Total	**866,741**	**853,346**

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

2.6.2 Notes to the consolidated liabilities

Note 11 – Current and non current financial liabilities

> Debt breakdown

Outstanding duration to maturity (KSEK)	Current	Non current		Total	Total
	Less than 1 year	1 year to 5 years	More than 5 years	31/12/2016	31/12/2015
Bonds and EMTNs	**6,423**	**5,200,000**	**-**	**5,206,423**	**3,706,994**
Principal debt	-	5,200,000	-	5,200,000	3,700,000
Accrued interest on bonds and EMTNs	15,342	-	-	15,342	13,126
Issuance costs	(8,919)	-	-	(8,919)	(6,132)
Bank borrowings	**2,293,659**	**83,324**	**-**	**2,376,983**	**3,706,147**
Principal debt	1,013,885	83,324	-	1,097,209	2,350,746
Accrued interest on borrowings	1,846	-	-	1,846	2,089
Borrowings issue fees	(271)	-	-	(271)	(771)
Bank overdrafts	1,274,349	-	-	1,274,349	586,441
Current accounts to balance out cash flow	3,850	-	-	3,850	767,642
Other financial liabilities	**248,782**	**4,918,932**	**1,925,113**	**7,092,827**	**10,879,365**
Parent company borrowings	262,891	4,899,991	1,925,113	7,087,995	8,982,352
Accrued interest on parent company borrowings	-	-	-	-	7,167
Charges and premiums on issues of parent company borrowings	(14,109)	-	-	(14,108)	(424)
Current accounts with non-controlling interests	-	18,941	-	18,940	1,890,676
Charges and premiums on current account with minority interests	-	-	-	-	(405)
Total	**2,548,864**	**10,202,256**	**1,925,113**	**14,676,233**	**18,292,506**

> Maturity of current principal debt

(KSEK)	Current			Total
	Less than 1 month	1 month to 3 months	More than 3 months	31/12/2016
Bank borrowings – principal debt	3,470	-	1,010,415	1,013,885
Parent company borrowings	-	-	262,891	262,891
Total	**3,470**	**-**	**1,273,306**	**1,276,776**

As at December 31, 2016, Rodamco Sverige's average debt maturity was 3.7 years after taking into account the confirmed unused credit lines.

> Characteristics of bonds and EMTNs

Issue date	Rate	Amount at 31/12/2016 (KSEK)	Maturity
December 2013	Fixed rate 3 % SEK	800,000	December 2018
December 2013	Float rate SEK (Stib3M + 100bps)	1,400,000	December 2018
June 2014	Fixed rate 2.25 % SEK	850,000	June 2019
June 2014	Float rate SEK (Stib3M + 78bps)	650,000	June 2019
October 2016	Fixed rate 0.85 % SEK swapped to STIBOR3M+87.5bp	1,500,000	Octobre 2021
Total		**5,200,000**	

> *Covenants*

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

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

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

> *Market value*

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

(KSEK)	**31/12/2016**		**31/12/2015**	
	Carrying value	**Market value**	**Carrying value**	**Market value**
Long term debt				
Fixed-rate & index-linked borrowings, interbank instruments and negotiable market instruments	7,043,795	7,613,867	9,008,526	9,609,519

<u>Note 12 – Hedging instruments</u>

Derivative instruments owned by the Group are stated at fair value and were recorded in the statement of financial position as at December 31, 2016, for a net amount of KSEK 52,174.

Derivatives are valued by discounted estimated future cash flows based on the interest rate curve at the end of December 2016. The valuation has been cross-checked against valuations by banks.

		Amounts recognised in the Statement of Comprehensive Income				
(KSEK)	**31/12/2015**	**Net financing costs**	**Fair value adjustments of derivatives**	**Other comprehen-sive income**	**Acquisitions /Disposals**	**31/12/2016**
<u>Assets</u>						
Derivatives at fair value	**100,549**	**(14,906)**	**(19,701)**	**6,364**	**-**	**72,307**
- Cash-flow hedge	*8,541*	*(14,906)*	-	*6,364*	-	-
- Without a hedging relationship	*92,008*	-	*(19,701)*	-	-	*72,307*
<u>Liabilities</u>						
Derivatives at fair value	**-**	**-**	**(20,142)**	**-**	**9**	**(20,133)**
- Without a hedging relationship	-	-	*(20,142)*	-	*9*	*(20,133)*
Net	**100,549**	**(14,906)**	**(39,843)**	**6,364**	**9**	**52,174**

Due to its use of derivatives to minimise its interest rate and currency risks, the Group is exposed to potential counterparty defaults. The counterparty risk is the risk of replacing the derivative transactions at current market rates in the case of default. In accordance with IFRS 13, the derivatives' valuations have been corrected of the Credit Valuation Adjustment (CVA) on derivatives with a positive fair value and of the Debit Valuation Adjustment (DVA) on derivatives with a negative fair value. As at December 31, 2016, CVA amounted to -KSEK 985. The impact of the change in fair value of CVA on the non-recurring net result of the period amounted to +KSEK 1,132.

Note 13 – Deferred tax

2016 Change

(KSEK)	31/12/2015	Increase	Decrease	Currency translation	Change in scope of consolidation	31/12/2016
Deferred tax liabilities						
Deferred tax on investment properties	(4,359,378)	(471,076)	417,023	(77,131)	310,868	(4,179,694)
Deferred tax assets						
Tax loss carry-forward [1]	101,009	-	(25,549)	-	-	75,460
Total Deferred tax liabilities	**(4,258,369)**	**(471,076)**	**391,474**	**(77,131)**	**310,868**	**(4,104,234)**
Deferred tax assets						
Tax loss carry-forward	35,069	(35,373)	-	1,006	(682)	20
Total Deferred tax assets	**35,069**	**(35,373)**	**-**	**1,006**	**(682)**	**20**

[1] *Deferred tax assets and liabilities within a same tax group are offset.*

2015 Change

(KSEK)	31/12/2014	Increase	Decrease	Currency translation	Change in scope of consolidation	31/12/2015
Deferred tax liabilities						
Deferred tax on investment properties	(3,366,310)	(1,114,913)	108,215	13,630	-	(4,359,378)
Deferred tax assets						
Tax loss carry-forward [1]	124,768	-	(23,759)	-	-	101,009
Total Deferred tax liabilities	**(3,241,543)**	**(1,114,913)**	**84,457**	**13,630**	**-**	**(4,258,369)**
Deferred tax assets						
Tax loss carry-forward	37,898	1,507	(19)	(185)	(4,132)	35,069
Total Deferred tax assets	**37,898**	**1,507**	**(19)**	**(185)**	**(4,132)**	**35,069**

[1] *Deferred tax assets and liabilities within a same tax group are offset.*

Unrecognised deferred tax assets

As at December 31, 2016, there is no unrecognised deferred tax assets which was unchanged from December 31, 2015.

Note 14 – Provisions

2016 Change

(KSEK)	31/12/2015	Allocations	Reversals used	Reversals not used	Change in scope of consolidation	Other movements	31/12/2015
Short term provisions	**17,573**	**800**	**(1,799)**	**(500)**	**-**	**950**	**17,024**
Provisions for litigation	17,573	800	(1,799)	(500)	-	950	17,024
Total	**17,573**	**800**	**(1,799)**	**(500)**	**-**	**950**	**17,024**

2015 Change

(KSEK)	31/12/2014	Allocations	Reversals used	Reversals not used	Change in scope of consolidation	Other movements	31/12/2015
Short term provisions	**9,540**	**6,500**	**-**	**(200)**	**(66)**	**1,799**	**17,573**
Provisions for litigation	9,540	6,500	-	(200)	(66)	1,799	17,573
Total	**9,540**	**6,500**	**-**	**(200)**	**(66)**	**1,799**	**17,573**

Note 15 – Amounts due on investments

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

Note 16 – Amounts due to suppliers and other current debt

Trade payables by segment (KSEK)	31/12/2016	31/12/2015
Shopping Centres	101,291	55,209
Others	5,482	10,448
Total	**106,773**	**65,657**

Sundry creditors[(1)] (KSEK)	31/12/2016	31/12/2015
Due to customers	86,456	87,278
Due to partners	157,108	167,313
Total	**243,564**	**254,591**

(1) *This item includes eviction costs.*

Other liabilities (KSEK)	31/12/2016	31/12/2015
Prepaid income [(1)]	292,798	286,112
Total	**292,798**	**286,112**

(1) *Mainly rents received in advance.*

Note 17 – Tax and social security liabilities

(KSEK)	31/12/2016	31/12/2015
Social security liabilities	19,050	21,186
Value-added tax	102,241	100,704
Income tax due	4,066	42,998
Other tax liabilities	52,156	2,655
Total current	**177,513**	**167,543**

2.6.3 Notes to the consolidated statement of comprehensive income

Note 18 – Gross rental income

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

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

Note 19 – Net service charge expenses

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

(KSEK)	**2016**	**2015**
Service charge income	476,199	377,609
Service charge expenses	(479,806)	(381,955)
Total	**(3,606)**	**(4,346)**

Note 20 – Property operating expenses

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

Note 21 – Administrative expenses

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

Audit fees

(KSEK)	**2016**	**2015**
Ernst & Young, revision	(3,290)	(2,727)
Deloitte, revision	(195)	(178)
Ernst & Young, other	(295)	(85)
Total	**(3,780)**	**(2,990)**

Note 22 – Result on disposal of investment properties

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

Note 23 – Valuation movements on assets

This item reflects changes in market valuation of investment properties.

(KSEK)	**2016**	**2015**
Shopping Centres	1,530,510	4,281,937
Offices	(98,056)	144,938
Total	**1,432,454**	**4,426,875**

Note 24 – Net financing costs

(KSEK)	**2016**	**2015**
Other financial interest	1,031	796
Interest income on caps and swaps	45,880	43,365
Subtotal financial income	**46,911**	**44,161**
Interest on bonds	(59,035)	(64,951)
Interest and expenses on borrowings	(386,494)	(423,494)
Interest on partners' advances	(79,770)	(90,310)
Other financial interest	(19,402)	(12,752)
Interest expenses on caps and swaps	(14,313)	(24,844)
Financial expenses before capitalised financial expenses	**(559,014)**	**(616,351)**
Capitalised financial expenses	-	111,915
Subtotal financial expenses	**(559,014)**	**(504,436)**
Total net financial expenses	**(512,103)**	**(460,275)**

Note 25 – Fair value adjustments of derivatives and debt

During 2016, fair value adjustments of derivatives and debt mainly comprised:

- changes in fair value of derivatives (caps and swaps) which generated a loss of -KSEK 39,843;
- and the non recurring currency result following the translation into functional currency of monetary assets and liabilities denominated in foreign currency, at the exchange rate at the closing date, for a positive amount of KSEK 88,979.

Note 26 – Income tax expenses

(KSEK)	2016	2015
Income tax expense recurring	(13,297)	(33,712)
Income tax expense non-recurring	(1,004)	(123,374)
Deferred tax expense	(114,974)	(1,028,969)
Total tax	**(129,275)**	**(1,186,055)**

Reconciliation of effective tax rate	%	**2016**
Profit before tax, impairment of goodwill and result of associates		**3,565,383**
Income tax using the average tax rate	22.8%	(814,160)
Tax exempt profits	(4.9%)	175,557
Non deductible costs	0.9%	(30,371)
Effect of non-recognized tax losses	(2.2%)	79,268
Effect of change in tax rates	(13.2%)	470,634
Effect of currency translation in tax	0.0%	(616)
Other	0.3%	(9,587)
	3.6%	**(129,275)**

Note 27 – Non-controlling interests

For 2016, this item mainly comprised non-controlling interests in shopping centre in Spain.

2.6.4 Notes to the consolidated statement of cash flows

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

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

Interests received on loans granted to companies accounted for using the equity method are classified in cash flow from operating activities.

Note 28 – Disposal of shares/consolidated subsidiaries

(€Mn)	2016	2015
Net price of shares sold	(4,153)	1,076,111
Cash and current accounts (1)	(146,120)	396,968
Disposal of shares/consolidated subsidiaries	**(150,273)**	**1,473,079**

(1) *In 2016, corresponds to the cash of the disposed entities Proyectos Immobiliarios Time Blue SLU and Unibail-Rodamco Steam SLU in Spain. The disposal price was not paid in cash but was offset by distribution of dividend (see note 2.5.1.).*

Note 29 – Disposal of shares of associates/non-consolidated subsidiaries

(€Mn)	2016	2015
Net price of shares sold	-	1,184,373
Current accounts	-	317,829
Disposal of shares of associates/non-consolidated subsidiaries (1)	-	**1,502,202**

(1) *In 2015, refers to the disposal of the Group's 75% stake in Arkady Pankrac (Prague).*

Note 30 – Reconciliation of cash at period-end on the statement of cash flows and cash on the statement of financial position

(KSEK)	2016	2015
Available-for-sale investments	69,817	63,779
Parent company cash pooling and credit facilities	758,633	595,115
Cash	38,292	194,452
Current accounts to balance out cash flow	(3,850)	(767,642)
Bank overdrafts	(1,274,349)	(586,441)
Cash at period-end	**(411,458)**	**(500,738)**

2.7 Financial instruments

2.7.1 Carrying value of financial instruments per category in accordance with IAS 39 standard

L&R: Loans and Receivables
AfS: Available for Sale financial assets
FAFVPL: Financial Assets at Fair Value through Profit and Loss
FLAC: Financial Liabilities measured At Cost
FLFVPL: Financial Liabilities at Fair Value through Profit and Loss

31/12/2016			**Amounts recognised in statement of financial position according to IAS 39**			
(KSEK)	**Categories in accordance with IAS 39**	**Carrying Amount 31/12/2016**	**Amortised Cost**	**Fair value recognised in equity**	**Fair value recognised in profit & loss**	**Fair value**
Assets						
Loans	L&R	-	-	-	-	-
Financial assets	L&R	274	274	-	-	274
Derivatives at fair value	FLFVPL	72,307	-	-	72,307	72,307
Trade receivables from activity [(1)]	L&R	60,793	60,793	-	-	60,793
Other receivables [(2)]	L&R	2,138,658	2,138,658	-	-	2,138,658
Cash and cash equivalents	FAFVPL	866,741	-	-	866,741	866,741
		3,138,773	**2,199,725**	**-**	**939,048**	**3,138,773**
Liabilities						
Financial debts	FLAC	14,676,233	14,676,233	-	-	15,246,305
Guarantee deposits	FLAC	87,661	87,661	-	-	87,661
Non current amounts due on investments	FLAC	48,923	48,923	-	-	48,923
Amounts due to suppliers and other current debt [(3)]	FLAC	1,210,680	1,210,680	-	-	1,210,680
		16,023,497	**16,023,497**	**-**	**-**	**16,593,569**

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

31/12/2015 (KSEK)	**Categories in accordance with IAS 39**	**Carrying Amount 31/12/2015**	**Amounts recognised in statement of financial position according to IAS 39**			**Fair value**
			Amortised Cost	**Fair value recognised in equity**	**Fair value recognised in profit & loss**	
Assets						
Loans	L&R	42,908	42,908	-	-	42,908
Financial assets	L&R	275	275	-	-	275
Derivatives at fair value	FLFVPL	100,549	-	(6,365)	106,914	100,549
Trade receivables from activity [(1)]	L&R	70,408	70,408	-	-	70,408
Other receivables [(2)]	L&R	53,910	53,910	-	-	53,910
Cash and cash equivalents	FAFVPL	853,346	-	-	853,346	853,346
		1,121,395	**167,500**	**(6,365)**	**960,260**	**1,121,395**
Liabilities						
Financial debts	FLAC	18,292,505	18,292,505	-	-	18,893,498
Guarantee deposits	FLAC	144,886	144,886	-	-	144,886
Non current amounts due on investments	FLAC	47,870	47,870	-	-	47,870
Amounts due to suppliers and other current debt [(3)]	FLAC	1,129,920	1,129,920	-	-	1,129,920
		19,615,181	**19,615,181**	**-**	**-**	**20,216,174**

(4) *Excluding rent-free periods and step rents.*
(5) *Excluding prepaid expenses, service charges due and tax receivables.*
(6) *Excluding prepaid income, service charges billed and tax liabilities.*

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

2.7.2 Fair value hierarchy of financial instruments

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

(KSEK)	Fair value measurement at 31/12/2016			
	Total	Level 1	Level 2	Level 3
Assets				
Fair value through profit or loss				
Derivatives	72,307	-	72,307	-
Available-for-sale investments	69,817	69,817	-	-
Fair value through equity				
Derivatives	-	-	-	-
Total	**142,124**	**69,817**	**72,307**	**-**
Liabilities				
Fair value through profit or loss				
Derivatives	20,133	-	20,133	-
Total	**20,133**	**-**	**20,133**	**-**

Net gain/loss by category

2016 (KSEK)	**From interest**	**Net gain/loss**
Financial instruments held for trading	31,567	31,567
Financial liabilities at amortised cost	(543,670)	(543,670)
	(512,103)	**(512,103)**
Capitalised expenses		-
Net financial expenses		**(512,103)**

2015 (KSEK)	**From interest**	**Net gain/loss**
Financial instruments held for trading	18,521	18,521
Financial liabilities at amortised cost	(590,711)	(590,711)
	(572,190)	**(572,190)**
Capitalised expenses		111,915
Net financial expenses		**(460,275)**

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

2.7.3 Credit risk

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

- 50 % of receivables due for more than three months (calculation after preliminary deduction of deposits and bank guarantee);
- 100 % of receivables due for more than six months.

2.7.4 Market risk

a. Liquidity risk

The following table shows the Group's contractually agreed interest payments and repayments of the non derivative financial liabilities and the derivatives with positive and negative fair values. Amounts in foreign currency were translated at the closing rate at the reporting date. The payments of the floating-rate interests have been calculated on the basis of the last interests rates published on December 31, 2016. Lines drawn as at December 31, 2016 are considered as drawn until maturity.

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

(KSEK)	**Carrying amount** (1)	**Less than 1 year**		**1 year to 5 years**		**More than 5 years**	
	31/12/2016	Interest	Redemption	Interest	Redemption	Interest	Redemption
Bonds, borrowings and amounts due to credit institutions							
Bonds and EMTNs	(5,200,000)	(62,830)	-	(105,294)	(5,200,000)	-	-
Bank borrowings and other financial liabilities (2)	(8,185,204)	(274,414)	(1,276,776)	(535,767)	(4,983,315)	(240,351)	(1,925,113)
Financial derivatives							
Derivative financial liabilities							
Interest rate derivatives without a hedging relationship	(20,133)	(8,490)	-	(32,262)	-	-	-
Derivative financial assets							
Interest rate derivatives without a hedging relationship	72,307	38,247	-	44,361	-	-	-

(1) *Corresponds to the amount of principal debt (see section 2.6.2 note 11 "Current and non current financial liabilities").*
(2) *Excludes current accounts with non-controlling interests.*

As at December 31, 2016, the total amount of undrawn credit lines came to KSEK 1,750,000.

b. Counterparty risk

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

c. Interest rate risk management

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

> Average cost of Debt

Rodamco Sverige's average cost of debt in 2016 stands at 2.9 %.

> Interest rate hedging transactions

The outstanding debt as at December 31, 2016 was hedged at 45% against an increase in variable rates.
The Group's interest policy is covered by a macro hedging policy at the level of the shareholder, Unibail-Rodamco SE.

> Measuring interest rate risk

(KSEK)	**Outstanding total at 31/12/2016**	
	Fixed rate	**Variable rate** (1)
Financial liabilities	(10,216,821)	(4,446,582)
Financial assets	789,925	69,817
Net financial liabilities before hedging programme	**(9,419,896)**	**(4,376,765)**
Micro-hedging	-	-
Net financial liabilities after micro-hedging (2)	**(9,419,896)**	**(4,376,765)**
Swap rate hedging (3)		(3,150,000)
Net debt not covered by swaps		**(7,526,765)**
Cap and floor hedging		-
Hedging balance	**-**	**(7,526,765)**

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

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

d. Currency exchange rate risk management

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

> Measuring currency exchange rate exposure

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

2.8 Capital risk management

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

2.9 Financial commitments and guarantees

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

2.9.1 Commitments given

Commitments given (KSEK)	Description	Maturities	31/12/2016	31/12/2015
1) Commitments related to the scope of the consolidated Group			**-**	**3,224**
Commitments given as part of specific transactions	- Warranties and bank letters given in the course of the ordinary business	-	-	3,224
2) Commitments related to Group financing			**1,097,209**	**2,350,745**
Financial guarantees given	- Mortgages and first lien lenders (1)	2017 to 2018	1,097,209	2,350,745
3) Commitments related to Group operational activities			**23,400**	**281,249**
Commitments related to development activities	- Properties under construction: residual commitments for works contracts and forward purchase agreements (2)	-	-	268,302
Commitments related to operating contracts	- Rental of premises and equipment	2017 to 2021	23,400	9,014
	- Other	-	-	3,933
Total commitments given			**1,120,609**	**2,635,219**

(1) Discloses the outstanding balances at the reporting date of the debts and credit lines which are guaranteed by mortgages. The gross amount of mortgages contracted, before taking into account subsequent debt reimbursement and unused credit lines, was KSEK 1,138,862 as at December 31, 2016 (KSEK 2,378,427 as at December 31, 2015).

(2) In 2015, mainly included commitments related to the construction of new or extension of existing shopping centres and offices, particularly Mall of Scandinavia and Täby Centrum in Stockholm.

2.9.2 Commitments received

Commitments received (KSEK)	Description	Maturities	31/12/2016	31/12/2015
1) Commitments related to Group financing			**5,450,000**	**8,445,906**
Financial guarantees received	- Bank loans guaranteed by Rodamco Sverige AB's shareholder, Unibail-Rodamco SE (1)	2018	3,700,000	6,695,906
	- Refinancing agreements obtained but not used	2017+	1,750,000	1,750,000
2) Commitments related to Group operational activities			**406,614**	**341,554**
Other contractual commitments received related to operations	- Bank guarantees on works and others	-	-	1,548
Assets received as security, mortgage or pledge, as well as guarantees received	- Guarantees received from tenants	2017+	406,614	340,006
Total commitments received			**5,856,614**	**8,787,460**

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

Commitments relating to operating leases

General overview of the main provisions of lease agreements

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

Minimum guaranteed rents under leases

As at December 31, 2016, minimum future rents due under leases until the next possible termination date break down as follows:

Minimum future rents per year (KSEK)			
Year	Shopping Centres	Offices	Total
2017	1,266,131	107,465	1,373,596
2018	1,061,608	77,886	1,139,494
2019	875,998	47,402	923,400
2020	612,826	25,540	638,365
2021	485,822	20,433	506,255
2022	425,754	17,521	443,275
2023	358,500	17,306	375,806
2024	334,132	17,306	351,438
2025	274,100	14,835	288,934
2026	247,445	11,958	259,404
2027	240,879	11,849	252,728
Total	**6,183,196**	**369,499**	**6,552,695**

2.10 Employee remuneration and benefits

2.10.1 Salaries and remuneration

(KSEK)	2016	2015
Payment and benefits	65,713	64,962
Social contributions	19,284	18,744
Pension expenses	12,170	10,611
Total	**97,167**	**94,317**

	2016			2015		
Salaries and renumeration by contry	**Board, MD and senior executives**	**Other employee**	**Total**	**Board, MD and senior executives**	**Other employee**	**Total**
Sweden						
Parent Company	11,169	68,328	**79,497**	13,809	60,801	**74,610**
Subsidiaries	-	12,493	**12,493**	-	14,022	**14,022**
Sweden, Total	**11,169**	**80,821**	**91,990**	**13,809**	**74,823**	**88,632**
Subsidiaries abroad						
Denmark	-	5,177	**5,177**	-	5,685	**5,685**
Czech republic	-	-	**0**	-	-	**0**
Subsidiaries abroad, total	**0**	**5,177**	**5,177**	**0**	**5,685**	**5,685**
Group Total	**11,169**	**85,998**	**97,167**	**13,809**	**80,508**	**94,317**

			2016			
Salaries and renumeration Senior executives	**Salaries/ Directors fee**	**Variable compen-sation**	**Other benefits**	**Pensions expenses**	**Other compensations**	**Total**
Chairman	-	-	-	-	-	0
Board	-	-	-	-	-	0
Manager Director	3,446	1,205		996		**5,647**
Other senior executives	3,528	850		1,144		**5,522**
Total	**6,974**	**2,055**	-	**2,140**	-	**11,169**

			2015			
Salaries and renumeration Senior executives	**Salaries/ Directors fee**	**Variable compen-sation**	**Other benefits**	**Pensions expenses**	**Other compensations**	**Total**
Chairman	-	-	-	-	-	**0**
Board	-	-	-	-	-	0
Manager Director	2,911	1,787		631		**5,329**
Other senior executives	5,671	1,135		1,674		**8,480**
Total	**8,582**	**2,922**	-	**2,305**	-	**13,809**

2.10.2 Number of employees

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

Regions	**2016**	**2015**
Sweden	99	93
Of which women	*65*	*55*
Denmark	7	7
Of which women	*5*	*4*
Total	**106**	**100**

Number of people in the Management Board	**2016**	**2015**
Board	3	3
Of which women	-	-
Senior executives incl. MD	5	7
Of which women	*1*	*2*

2.10.3 Employee benefits

Pension Plan

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

Stock option plans

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

The total expense recognized in the profit & loss account for share based payments in 2016 amounts to KSEK 6,022 compared to KSEK 5,181 in 2015.

2.11 Related party disclosures

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

The parent company is Rodamco Sverige AB.

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

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

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

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

(KSEK)	31/12/2016	31/12/2015
Parent company borrowings [1]	7,087,995	8,982,352
Charges and premiums on issues of parent company borrowings	(14,108)	(424)
Accrued interests on parent company borrowings	-	7,167
Current accounts to balance out cash flows [2]	3,850	767,642
Amounts due to suppliers and other current debt	157,111	167,306
Total liabilities	**7,234,848**	**9,924,043**
Trade receivables and other receivables	2,062,373	2,005
Current accounts receivables (cash-pooling)	758,633	595,115
Total assets	**2,821,006**	**597,120**
Costs charges reinvoiced	(89,398)	(91,378)
Stock-option cost charges	(6,022)	(5,181)
Financial expenses	(374,802)	(383,961)
Net result	**(470,223)**	**(480,520)**

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

(2) *Current accounts (cash pooling) with an average interest rate Euribor 3M on which a margin is applied and with an immediate maturity.*

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

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

2.12 Post closing events

In the first half of 2017, a sales agreement was signed for Eurostop Arlanda and the retail part of Eurostop Örebro. Latest by October 1 2017, these shall be divested.
This is a part of the Unibail Group´s strategy of streamlining the portfolio by focusing on larger Shopping centers.

Rodamco Sverige issued on June 13, 2017 two new 5-year benchmark SEK bonds under the EMTN programme guaranteed by Unibail-Rodamco SE:

- ✓ SEK 600 Mn with a 5-year maturity and a coupon of 0.875%,
- ✓ SEK 400 Mn with a 5-year maturity and a coupon of 80 bps above 3-months Stibor.

Hired contractor regarding the construction of the mall “Mall of Scandinavia” applied for arbitration as of May 31 2017.

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Auditor's report

To the general meeting of the shareholders of Rodamco Sverige AB, corporate identity number 556201-8654

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Rodamco Sverige AB for the year 2016.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

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

Valuation of investment properties

The fair value of the Groups investment properties amounted to SEK 34 478 million on 31 December 2016. At the balance sheet date that ended 31 December 2016, all of the properties in the portfolio have been valued by external valuation experts.

The valuations are prepared in accordance with the discounted cash flow model, whereby the future cash flows are forecast. The required yields for the properties are assessed on each property´s unique risk profile and observable transactions in the market for properties with a similar nature. Changes in non-observable inputs used in the property valuations are analyzed by the company's management against internally available information, completed or planned transactions, and information from the external valuation experts. Based on the high degree of assumptions and assessments which are made in connection with the property valuations, we believe that this area is a particularly important area in our audit. A description of the valuation of the property portfolio is stated in the section on accounting principles in note 1.

In our audit we have evaluated the company´s process for property valuation by evaluating the valuation methodology, and input data in the external prepared valuations. We have evaluated the skills and objectivity of the external experts. We have made comparisons to known market information. We have engaged our valuation expert to review the model used for the property valuation. We have also reviewed the reasonability of the adopted assumptions such as yield requirements, vacancy rates, rental income and operating costs with support of our valuation experts. We have reviewed the appropriateness of the disclosures provided in the annual accounts.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated

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accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Rodamco Sverige AB for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm 30 June 2016

Ernst & Young AB

Fredric Hävrén
Authorized Public Accountant