



# Three Month Report 2016

Stretch & Flex during Safety Week at Sergels Torg, Stockholm, Sweden

# Three Month Report 2016

- Increased revenue
- Significant increase in operating income SEK 2.0 (0.8)
  - Strong performance in Commercial and Residential Development
  - Decreased profitability in Construction
- ROCE Project Development 15.8% (11.9)
- Net investment in Project Development SEK -1.6 bn (-0.2)
- Continued strong financial position
- Positive market outlook



400 Fairview, Seattle, U.S.

# Commercial Property Development

- Operating income SEK 1,361 M (182)
- Divestments of SEK 4.2 bn (1.1)
  - Gain SEK 1.5 bn (0.3)
- ROCE 16.4% (13.5)
- 46 ongoing projects
  - SEK 18.0 bn in investment value
  - 43% pre-leasing rate
  - 46% completion rate
  - 6 project starts in Q1
- 415,000 sq m leased R-12, all time high



Örestad City, Copenhagen, Denmark

# 101 Seaport, Boston, U.S.

## **Building Facts:**

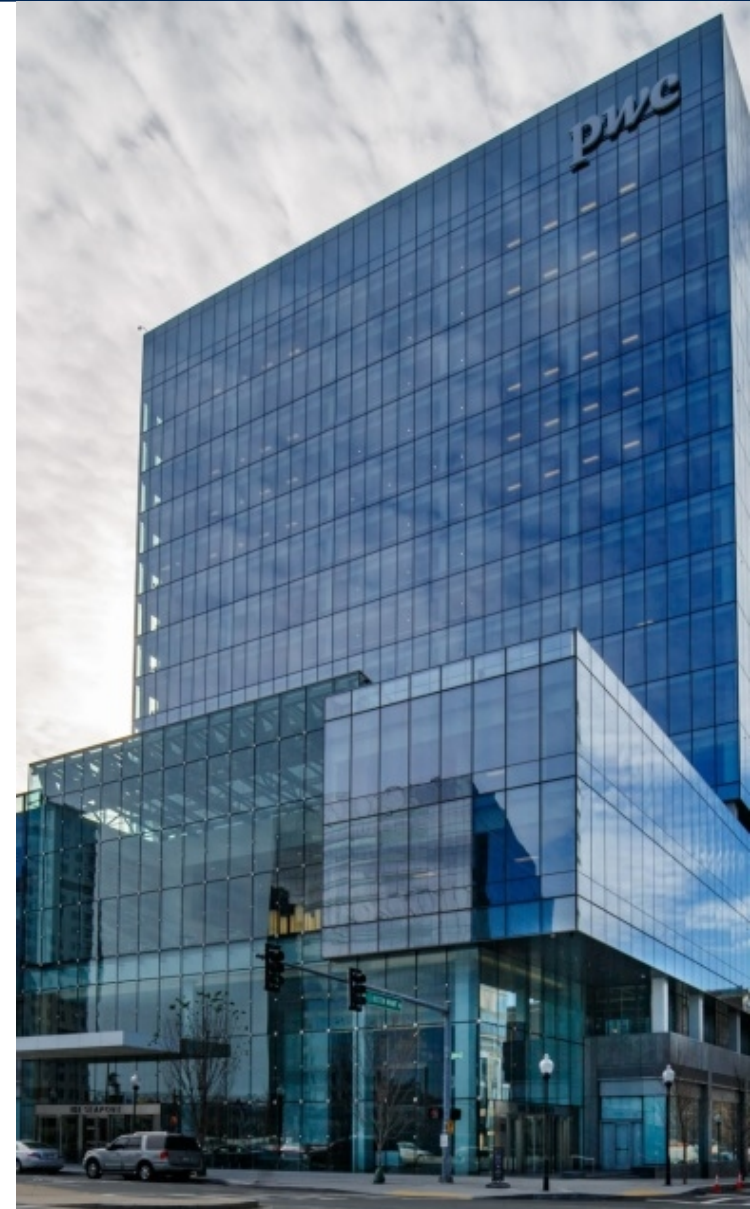
- 41,000 sq m office space and approximately 2,000 sq m of ground-floor retail
- 17 stories high
- LEED Platinum certified

## **Tenants:**

- PwC, Red Thread / Steelcase, Skanska

## **Key differentiators:**

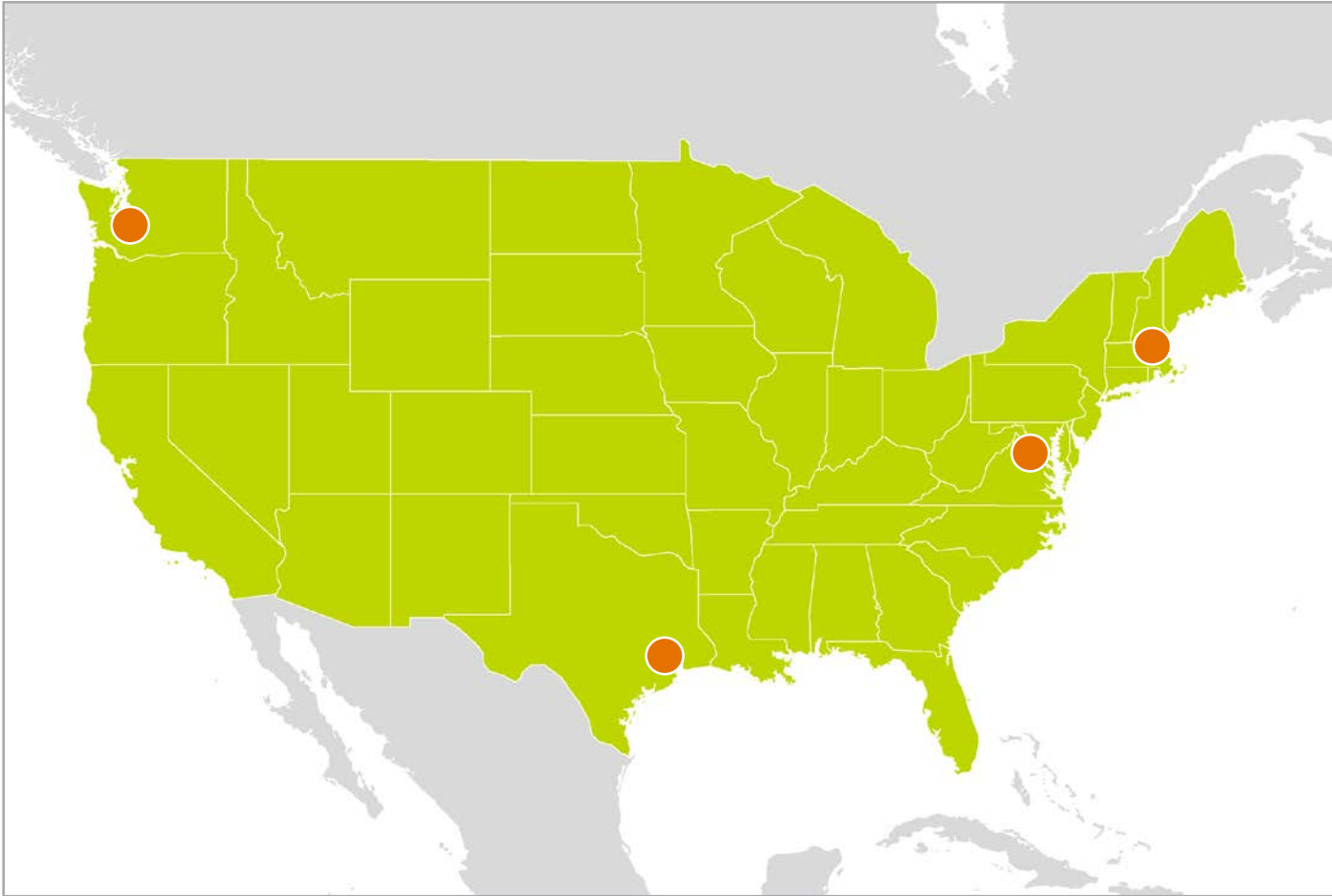
- Virtually column-free floors, elevated ceiling heights, and floor-to-ceiling vision glazing
- Triple-glazed curtainwall & chilled beam cooling
- Boutique fitness center
- Private terrace (PwC) with 270-degree views, access to three parks within one-block



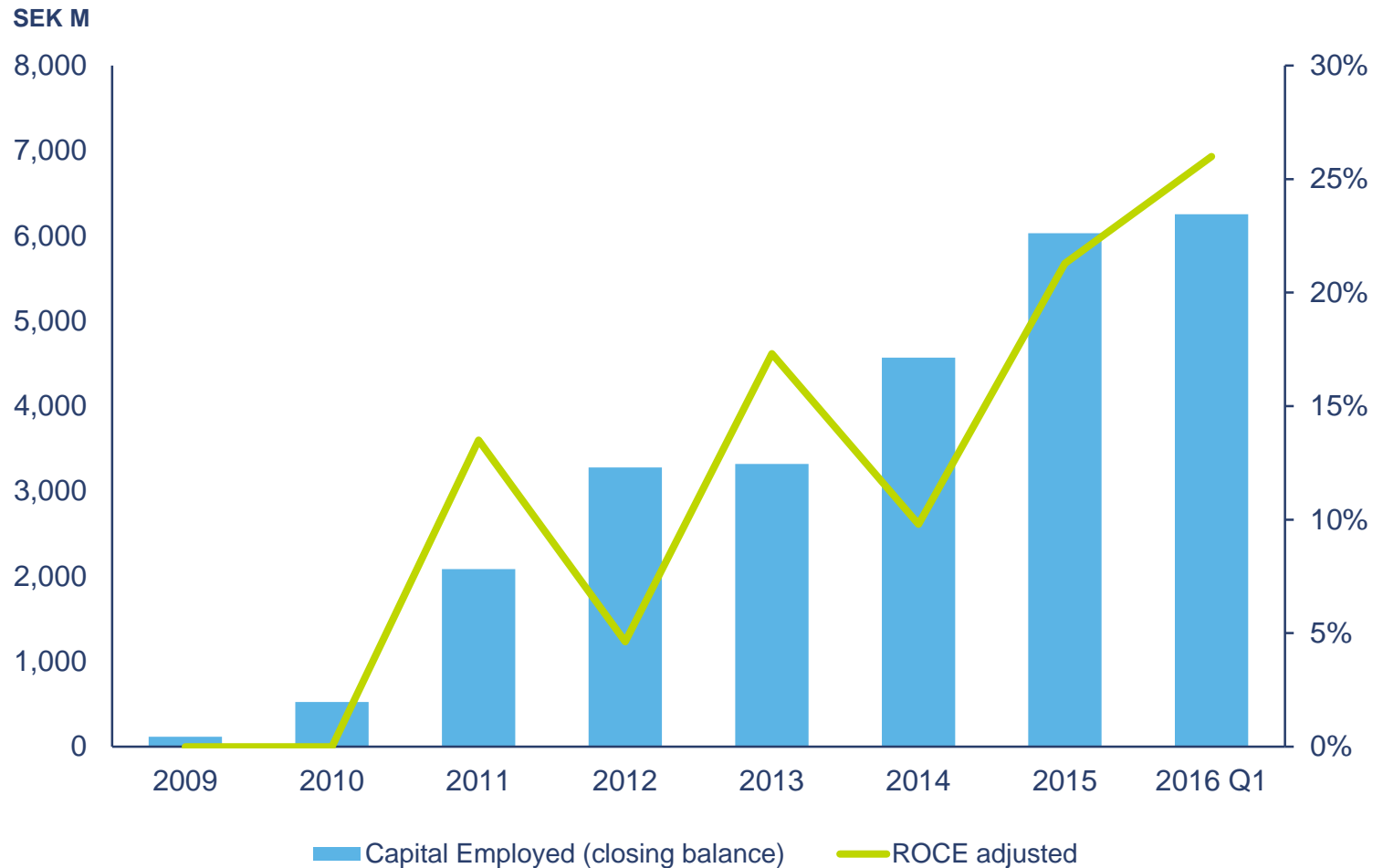
# Seaport District



# Commercial Development U.S. locations



# Commercial Development U.S. timeline

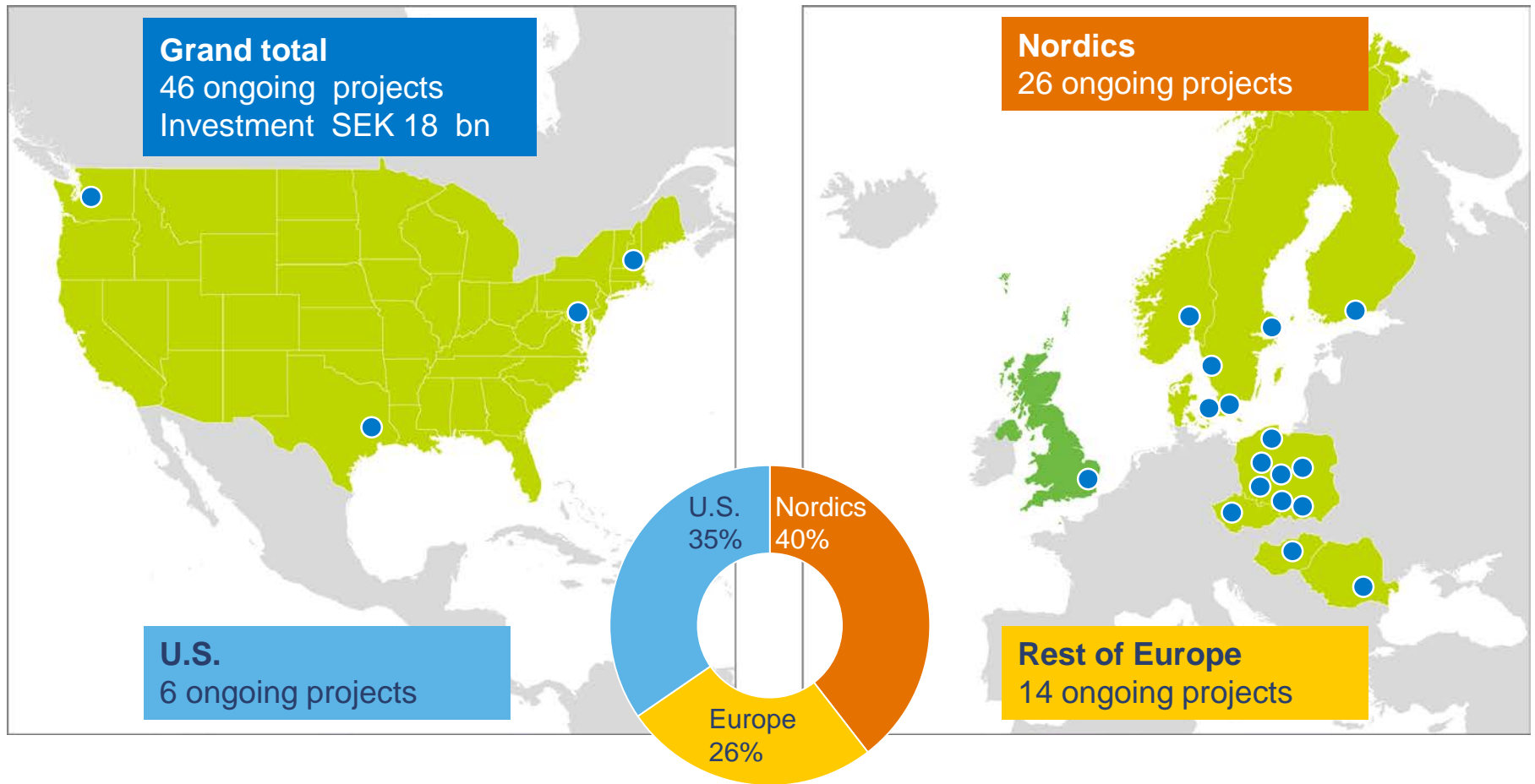


# Commercial Development U.S. performance





# Commercial Property Development



Capital employed SEK 18 bn

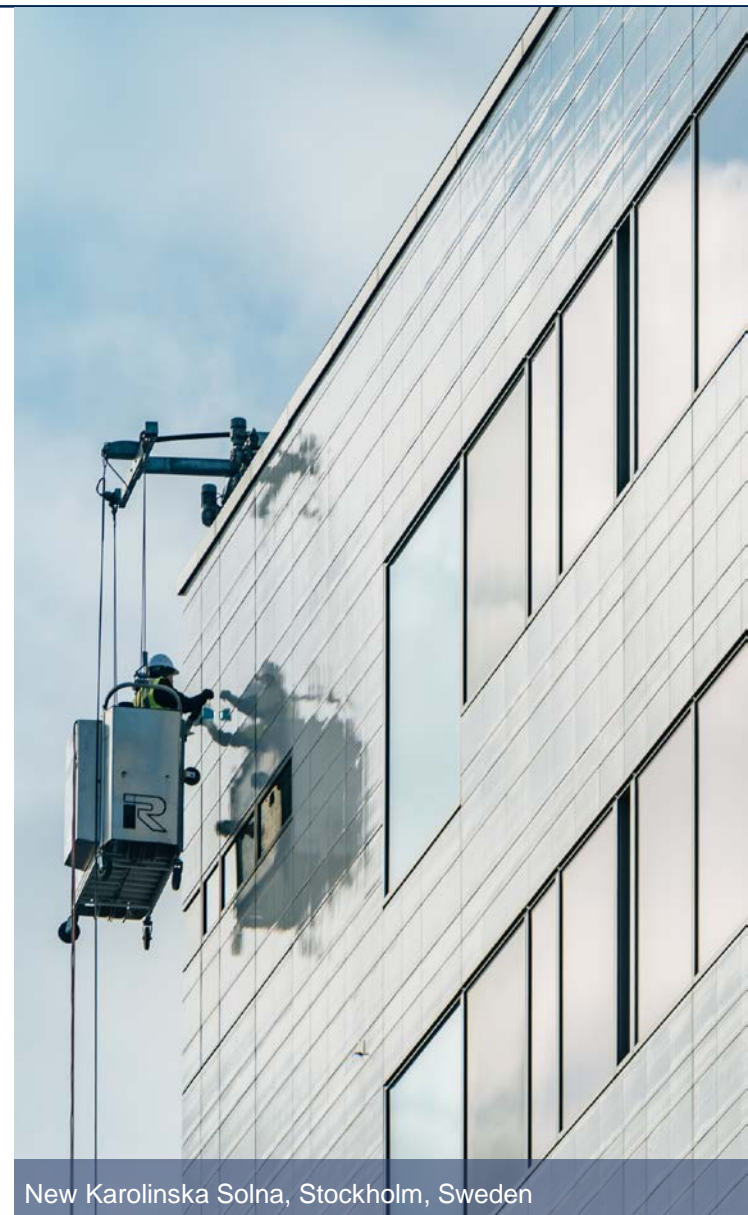
# Residential Development

- Revenue SEK 2.7 bn (3.0)
  - 1,039 (991) homes sold
  - 988 (726) homes started
- Operating income SEK 297 M (230)
  - Strong performance in Sweden and Central Europe
  - Operating margin increasing 11.2% (7.7)
- ROCE 15.0% (8.1)
- Completed unsold homes decreasing



# Infrastructure Development

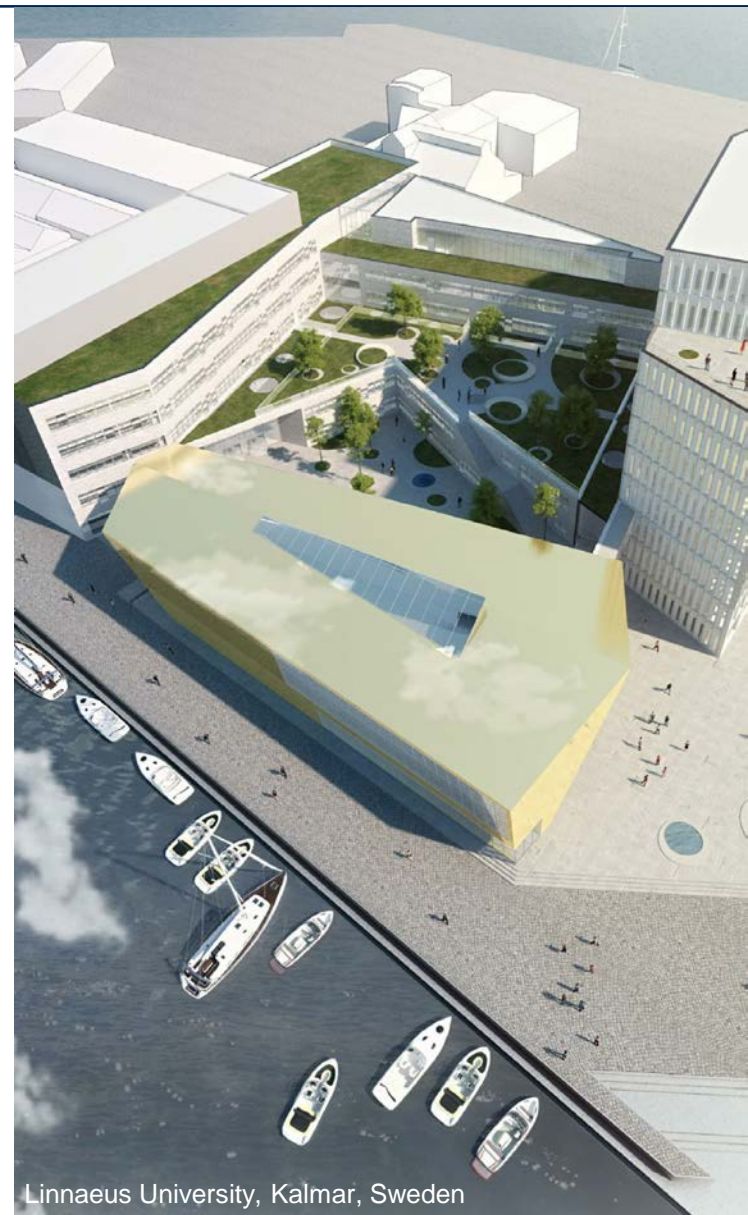
- Operating income SEK 86 M (153)
- Project portfolio's net present value SEK 4.9 bn, SEK 0.1 in underlying increase
- ROCE 15.2% (16.0)
- Financial close LaGuardia Airport expected mid-2016



New Karolinska Solna, Stockholm, Sweden

# Construction

- Revenue SEK 30.4 bn (30.7)
- Order bookings SEK 30.3 bn (30.2)
  - Sweden, Poland and USA Building strong
  - Book-to-build: 87%
  - Continued strong pipeline
- Operating income SEK 442 M (622)
  - Situation still challenging in USA Civil
  - Seasonal effects
  - Completion of large projects in the comparable period

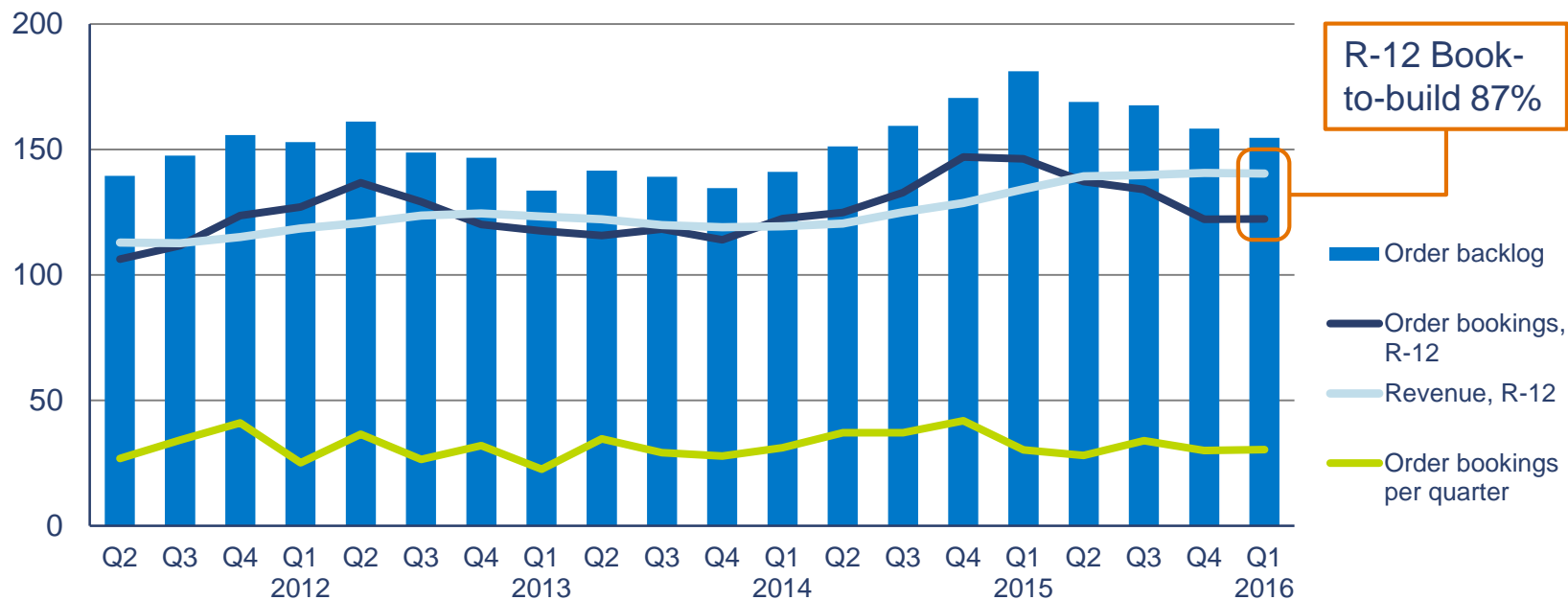


Linnaeus University, Kalmar, Sweden

# Construction

## Order situation

SEK bn



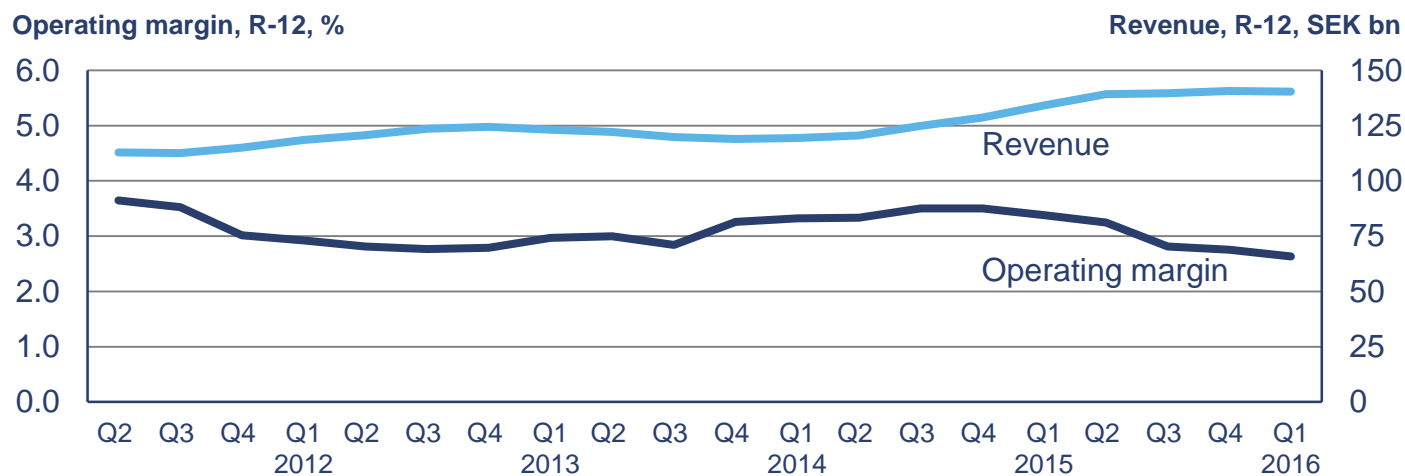
SEK bn	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Revenue	30.4	30.7	140.6
Order bookings	30.3	30.2	122.1
Order backlog	154.6	181.2	158.2

# Construction

## Order bookings

SEK bn	Jan–Mar 2016	Jan–Mar 2015	Book- to-build, R-12, %	Months of production
Sweden	8.3	6.6	109	12
Norway	3.1	3.1	117	12
Finland	1.5	1.4	112	12
Poland	2.5	1.5	108	8
Czech Republic	0.7	1.1	104	12
UK	4.6	9.6	74	17
USA Building	8.0	4.2	72	12
USA Civil	1.6	2.7	54	20
<b>Total</b>	<b>30.3</b>	<b>30.2</b>	<b>87</b>	<b>14</b>

# Construction Income statement



SEK bn	Jan–Mar 2016	Jan–Mar 2015	Jan–Dec 2015
Revenue	30.4	30.7	140.6
<b>Gross income</b>	<b>2.0</b>	<b>2.1</b>	<b>10.0</b>
Selling and administrative expenses	-1.6	-1.5	-6.2
<b>Operating income</b>	<b>0.4</b>	<b>0.6</b>	<b>3.9</b>
Gross margin, %	6.6	6.9	7.1
Selling and administrative expenses, %	-5.2	-4.9	-4.4
Operating margin, %	1.5	2.0	2.8

# Construction

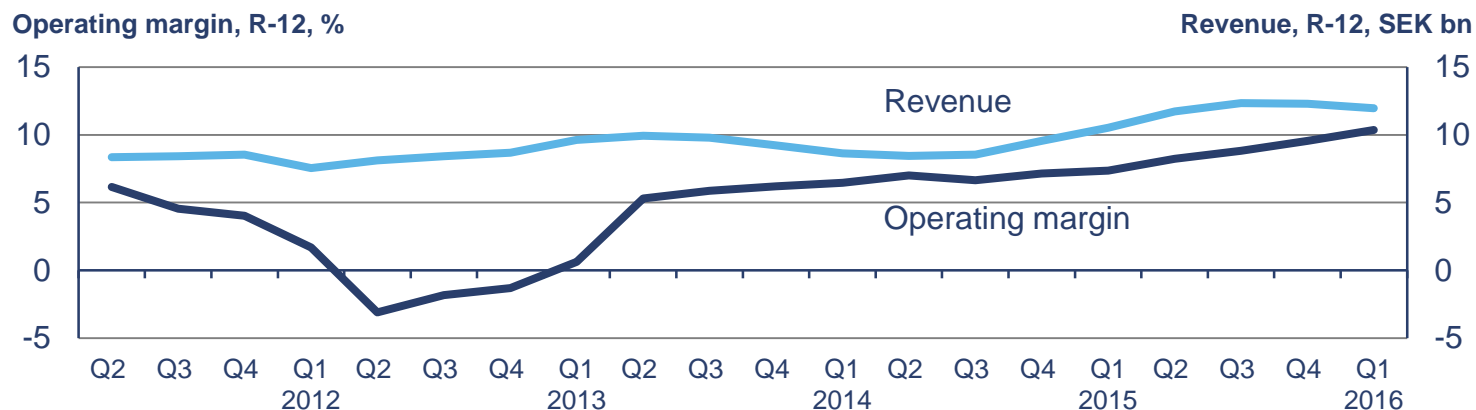
## Income statement

	Operating income, SEK M		Operating margin, %	
	Jan–Mar 2016	Jan–Mar 2015	Jan–Mar 2016	Jan–Mar 2015
Sweden	139	179	2.0	2.8
Norway	89	91	3.3	2.7
Finland	49	43	3.3	3.3
Poland	-106	-12	neg	neg
Czech Republic	-78	-37	neg	neg
UK	94	102	2.0	2.5
USA Building	107	47	1.3	0.5
USA Civil	148	209	3.3	4.4
<b>Total</b>	<b>442</b>	<b>622</b>	<b>1.5</b>	<b>2.0</b>



# Residential Development

## Income statement, segment reporting



SEK M	Jan–Mar 2016	Jan–Mar 2015	Jan–Dec 2015
Revenue	2,660	2,985	12,298
<b>Gross income</b>	<b>444</b>	<b>375</b>	<b>1,724</b>
Selling and administrative expenses	-147	-145	-550
Income from joint ventures	–	–	–
<b>Operating income</b>	<b>297</b>	<b>230</b>	<b>1,174</b>
Gross margin, %	16.7	12.6	14.0
Selling and administrative expenses, %	-5.5	-4.9	-4.5
Operating margin, %	11.2	7.7	9.5

# Residential Development

## Income statement

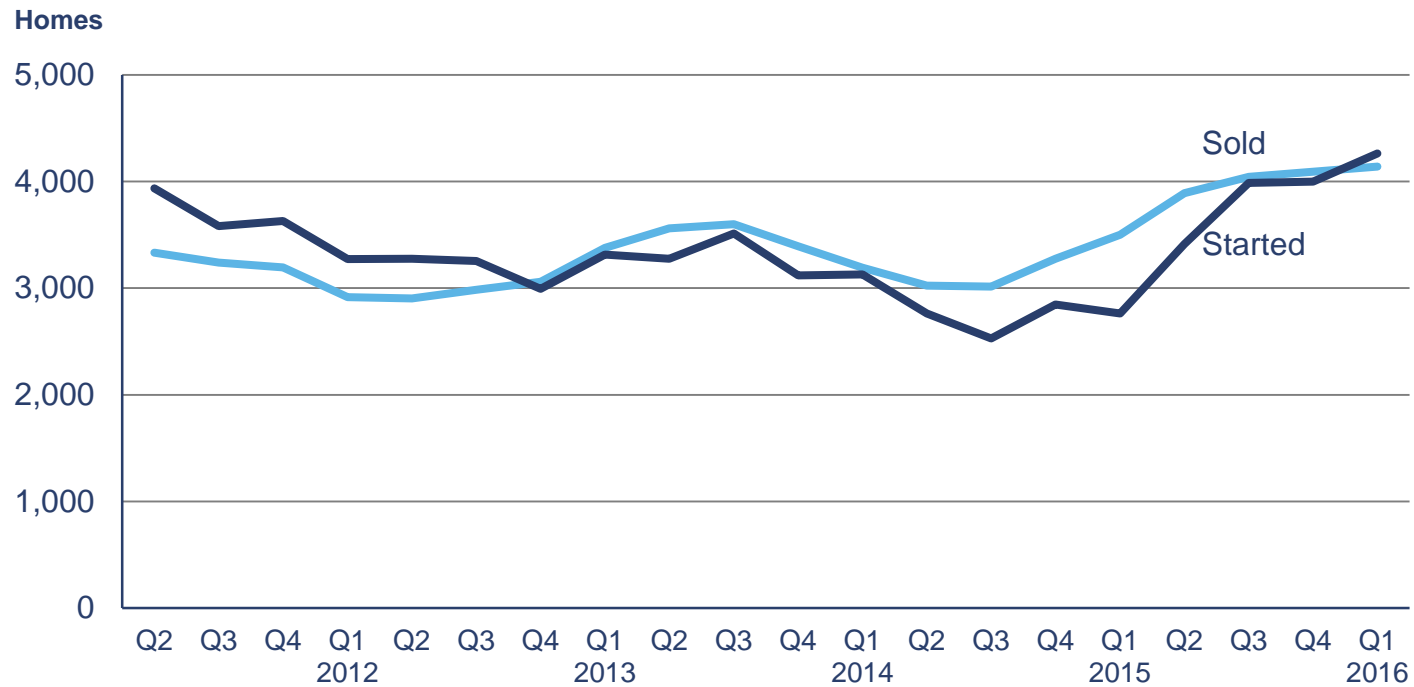
	Operating income, SEK M <sup>1</sup>		Operating margin, % <sup>1</sup>	
	Jan–Mar 2016	Jan–Mar 2015	Jan–Mar 2016	Jan–Mar 2015
Sweden	194	175	13.6	9.0
Norway	35	26	8.3	5.7
Finland	31	9	5.4	2.3
<b>Nordics</b>	<b>260</b>	<b>210</b>	<b>10.7</b>	<b>7.5</b>
Central Europe <sup>2</sup>	37	20	15.7	10.9
<b>Total</b>	<b>297</b>	<b>230</b>	<b>11.2</b>	<b>7.7</b>

1 Development gain only, construction margin reported under Construction

2 Czech Republic, Poland and the UK

# Residential Development

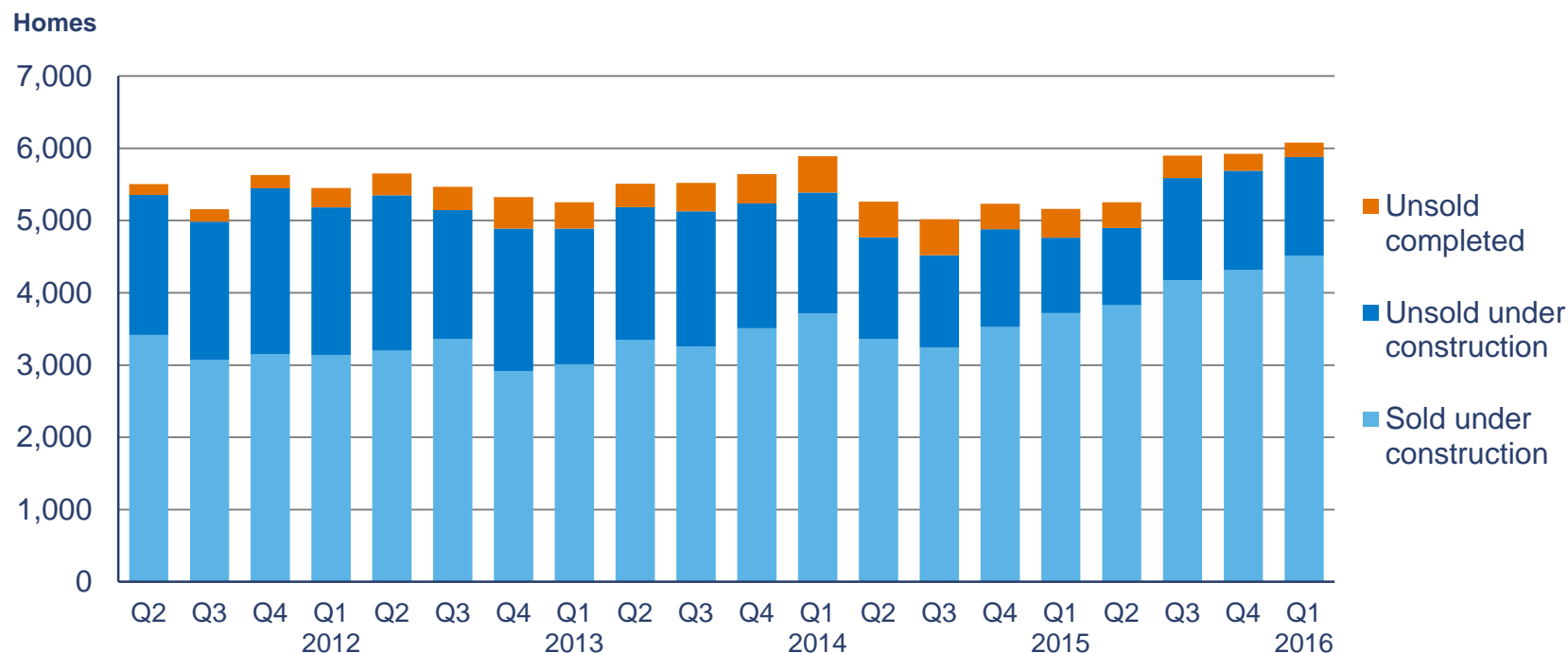
## Homes started and sold, R-12



Homes started			Homes sold		
Jan–Mar 2016	Jan–Mar 2015	Jan–Dec 2015	Jan–Mar 2016	Jan–Mar 2015	Jan–Dec 2015
988	726	4,000	1,039	991	4,093

# Residential Development

## Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Mar 31, 2016	Mar 31, 2015	Mar 31, 2016	Mar 31, 2015	Mar 31, 2016	Mar 31, 2015
5,878	4,763	77	78	200	397

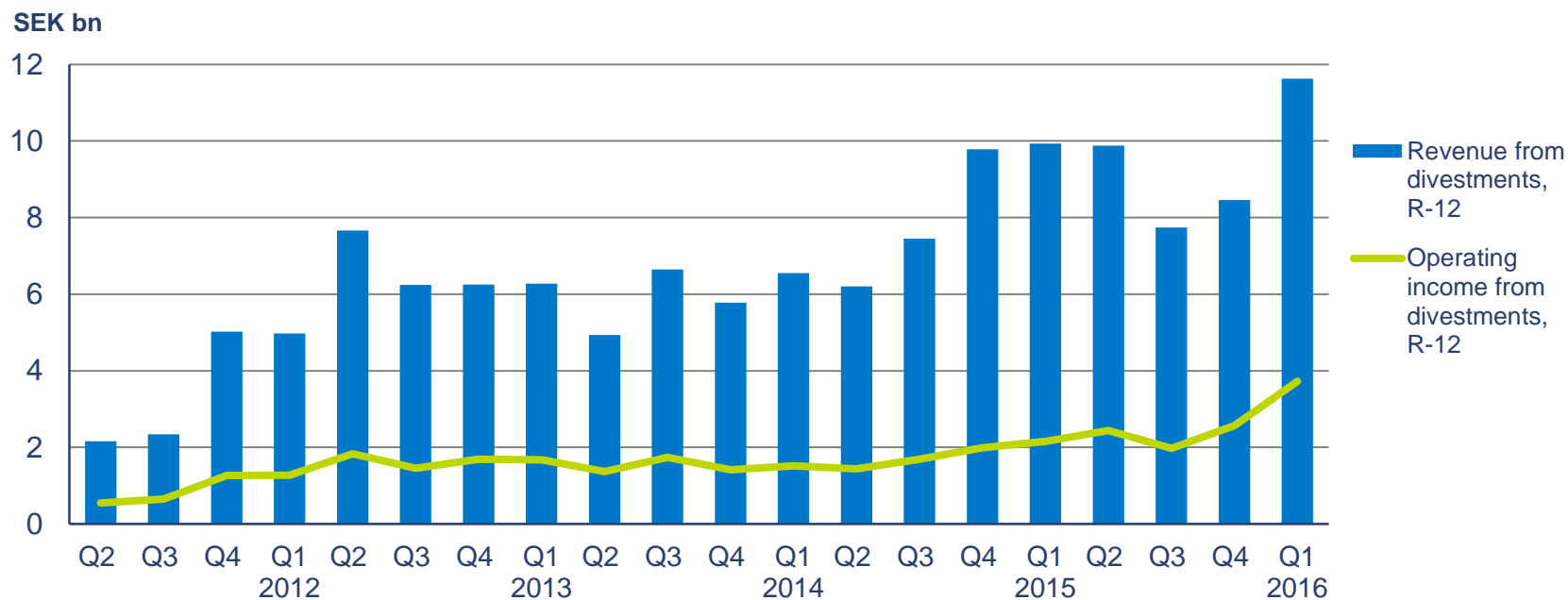
# Commercial Property Development

## Income statement, segment reporting

SEK M	Jan–Mar 2016	Jan–Mar 2015	Jan–Dec 2015
Revenue	4,420	1,165	9,034
<b>Gross income</b>	<b>1,519</b>	<b>342</b>	<b>2,661</b>
Selling and administrative expenses	-159	-161	-677
Income from joint ventures and associated companies	1	1	-37
<b>Operating income</b>	<b>1,361</b>	<b>182</b>	<b>1,947</b>
of which gain from divestments of properties <sup>1</sup>	1,457	299	2,564
of which write downs/reversal of write downs	–	–	-56
1 Additional gain included in eliminations	80	1	190

Development gain only, construction margin reported under Construction

# Commercial Property Development Divestments

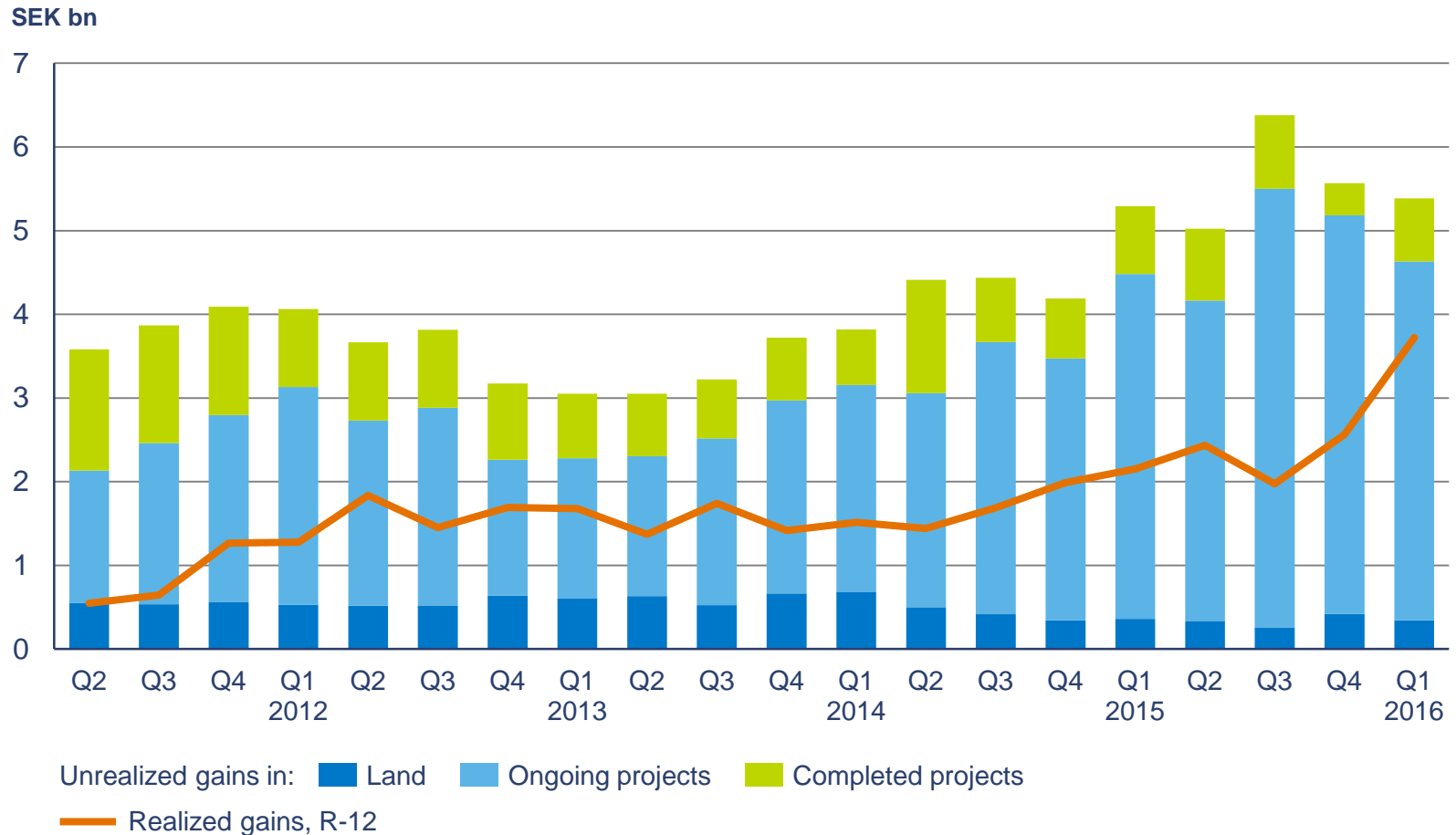


## Sale of commercial properties

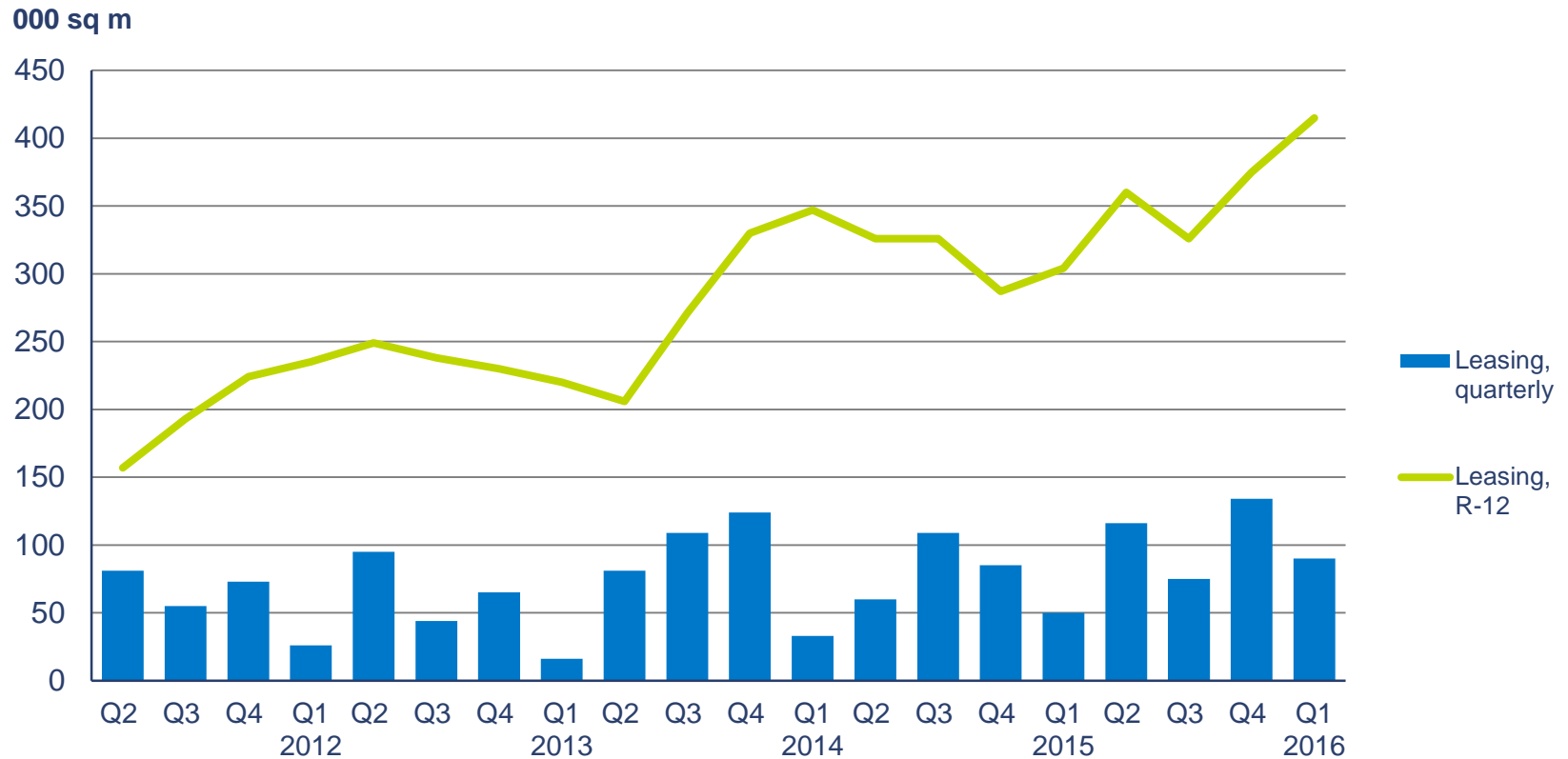
SEK M	Sales price	Capital gain
Year-to-date	4,247	1,457

# Commercial Property Development

## Unrealized and realized gains



# Commercial Property Development Leasing



New leases of space were signed for 415,000 sq m, R-12



# Infrastructure Development

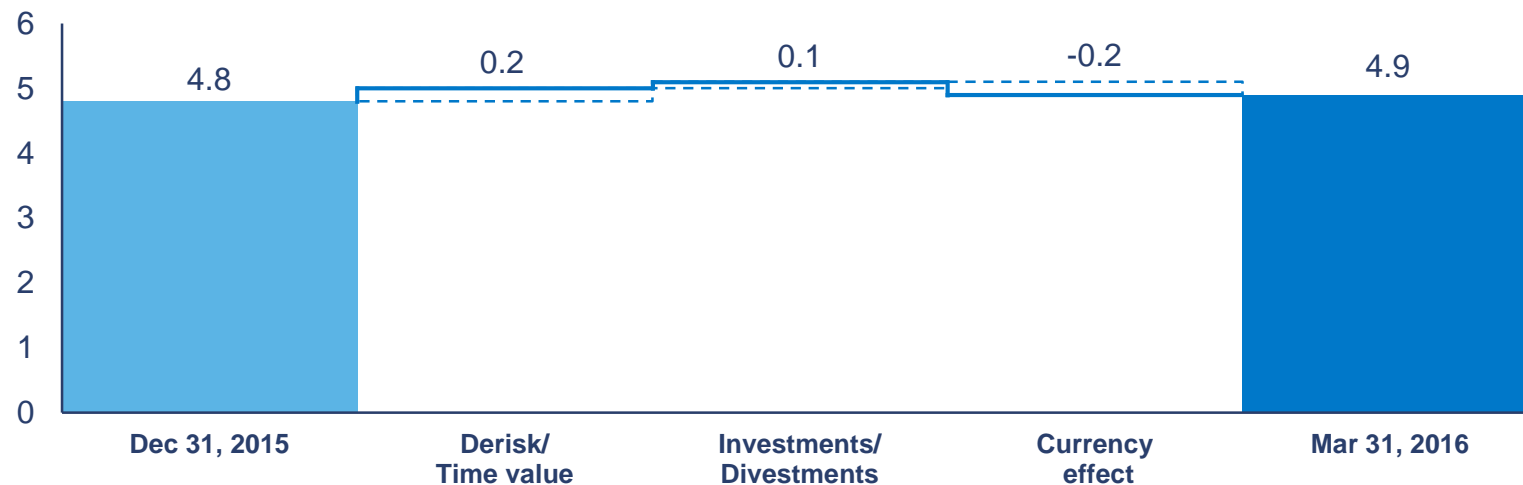
## Income statement

SEK M	Jan–Mar 2016	Jan–Mar 2015	Jan–Dec 2015
Revenue	19	32	106
<b>Gross income</b>	<b>-22</b>	<b>-19</b>	<b>-128</b>
Selling and administrative expenses	-38	-32	-156
Income from joint ventures	146	204	1,147
<b>Operating income</b>	<b>86</b>	<b>153</b>	<b>863</b>
of which gains from divestments of shares in projects	–	–	420

# Infrastructure Development

## Project portfolio

Net present value of projects, SEK bn



SEK bn	Mar 31, 2016	Dec 31, 2015
Present value of cash flow from projects	6.0	6.1
<b>Net present value of projects</b>	<b>4.9</b>	<b>4.8</b>
Carrying amount	-3.1	-3.1
<b>Unrealized development gain</b>	<b>1.8</b>	<b>1.7</b>
Cash flow hedge	1.9	1.6
<b>Effect in unrealized Equity</b>	<b>3.7</b>	<b>3.3</b>

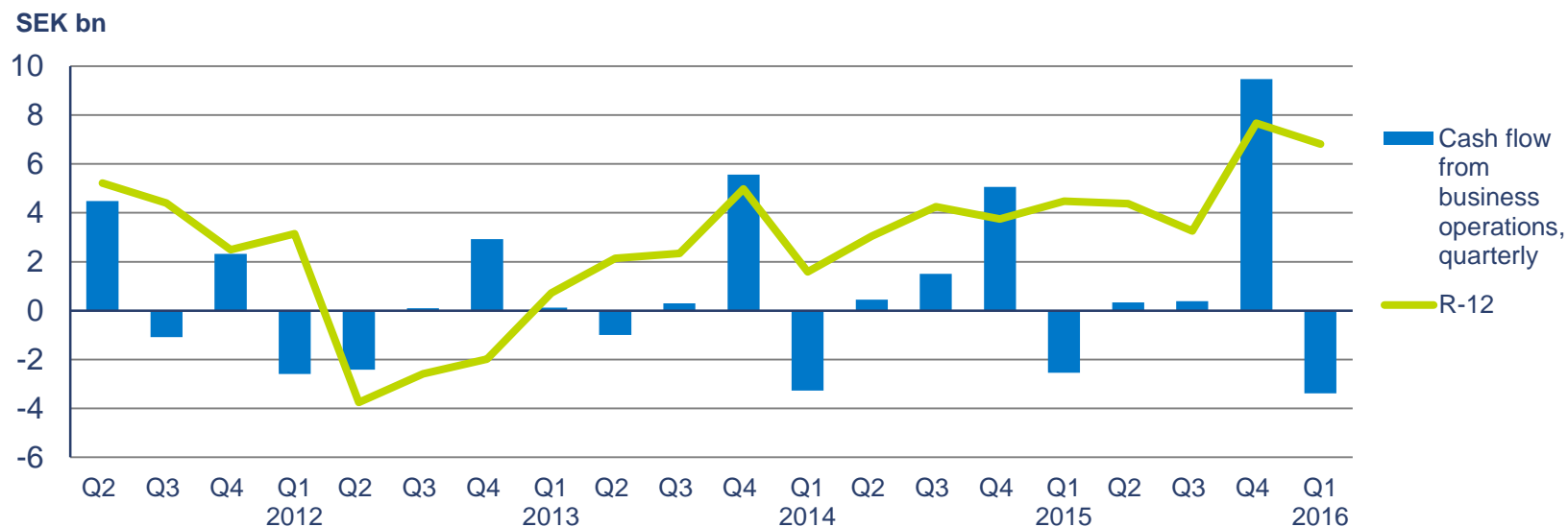
# Group

## Income statement

SEK M	Jan–Mar 2016	Jan–Mar 2015	Jan–Dec 2015
Operating income from business streams	2,186	1,187	7,858
Central <sup>1</sup>	-249	-318	-1,346
Eliminations	32	-37	-51
<b>Operating income</b>	<b>1,969</b>	<b>832</b>	<b>6,461</b>
<b>Net financial items</b>	<b>-56</b>	<b>-149</b>	<b>-313</b>
<b>Income after financial items</b>	<b>1,913</b>	<b>683</b>	<b>6,148</b>
Taxes	-394	-164	-1,219
<b>Profit for the period</b>	<b>1,519</b>	<b>519</b>	<b>4,929</b>
Earnings per share, SEK	3.69	1.26	11.96
Tax rate, %	21	24	20

<sup>1</sup> Latin American operations included from 1/1 2013

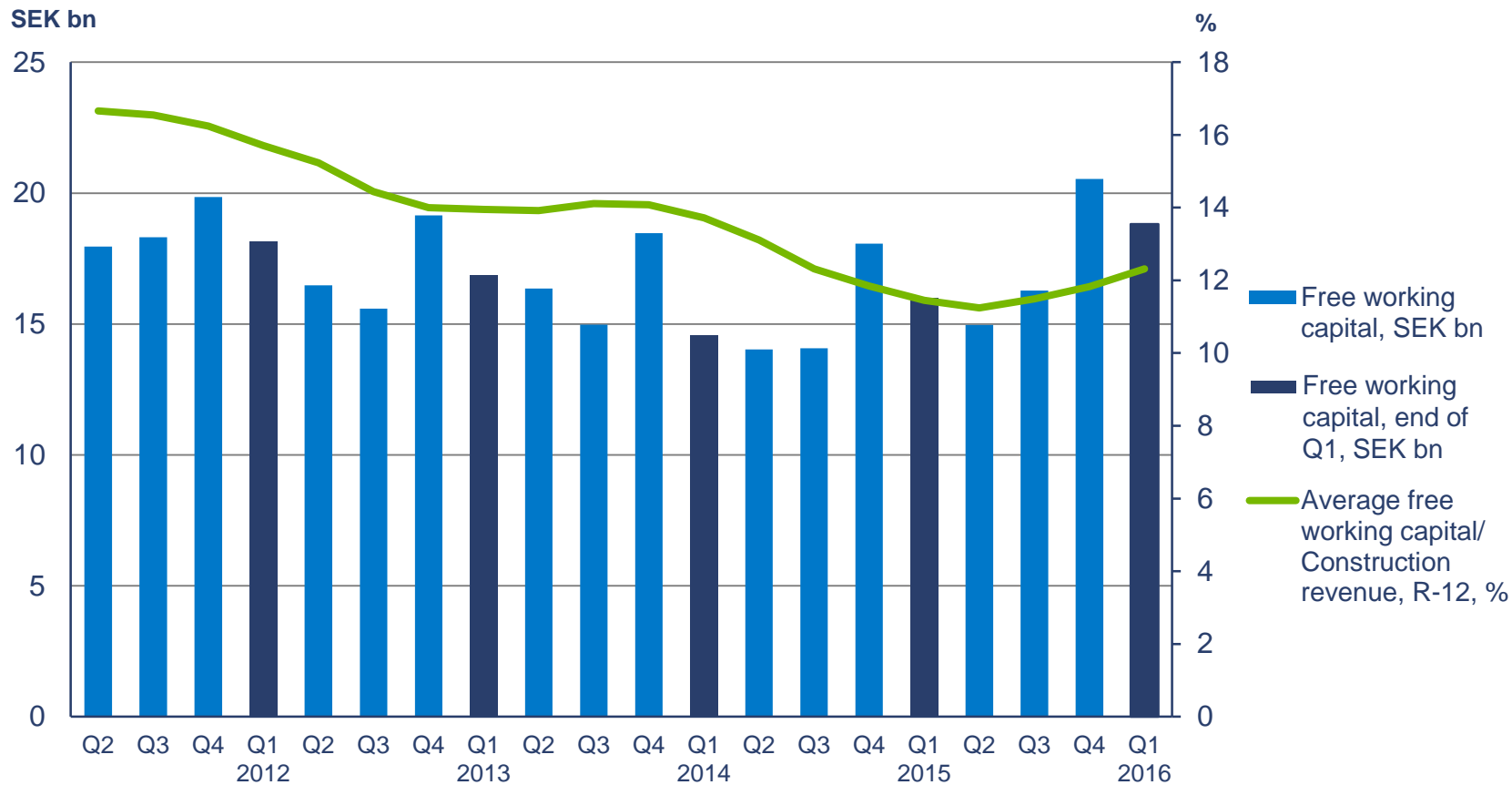
# Group Cash flow



SEK bn	Jan–Mar 2016	Jan–Mar 2015	Jan–Dec 2015
Cash flow from operations	-3.4	-2.5	7.7
Net strategic investments	0.1	–	0.5
Dividend etc.	-0.3	-0.1	-3.2
Cash flow before change in interest-bearing receivables and liabilities	-3.5	-2.6	4.9

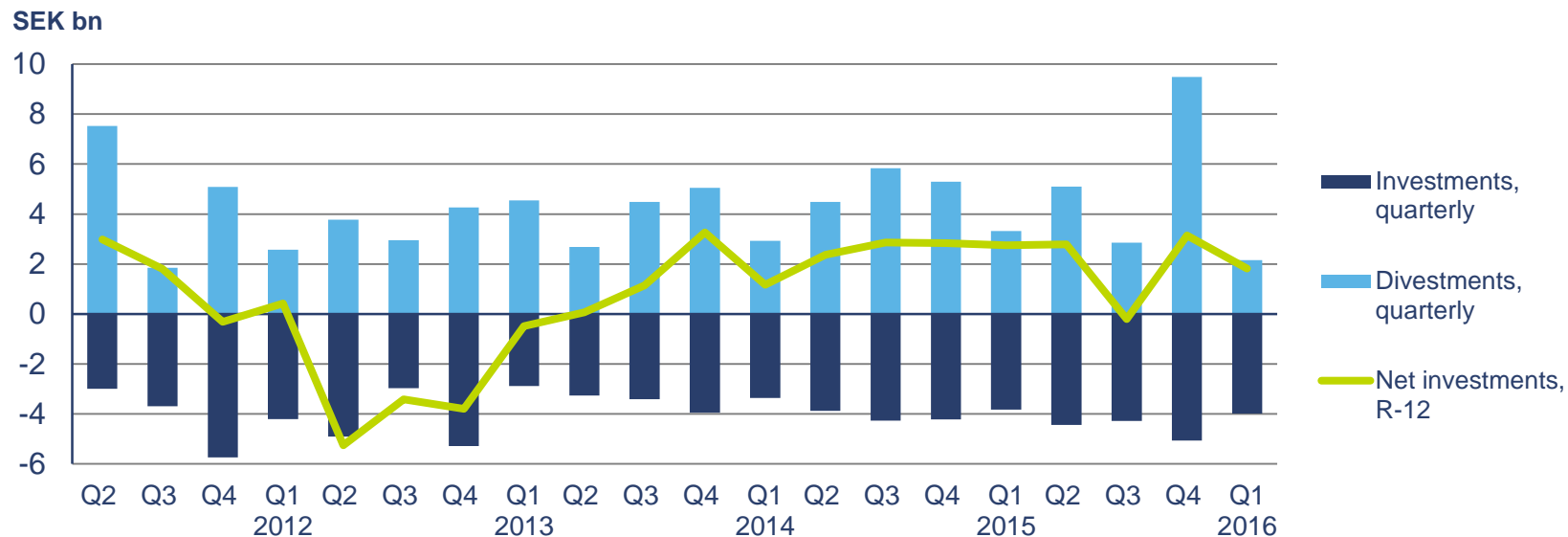
# Construction

## Free working capital



# Group

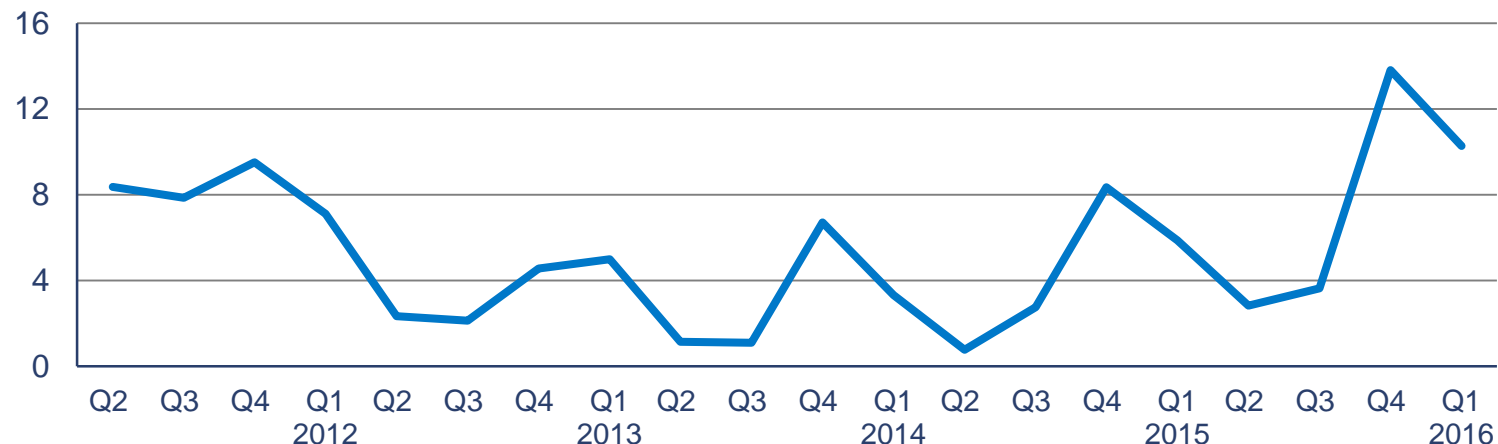
## Investments, divestments and capital employed



SEK bn	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
<b>Capital employed in:</b>			
Residential Development	9.3	9.6	9.3
Commercial Property Development	18.1	16.3	16.5
Infrastructure Development	1.5	1.6	1.8
<b>Total in Development Streams</b>	<b>28.9</b>	<b>27.5</b>	<b>27.6</b>

# Group Financial position

Operating net financial assets/liabilities, SEK bn



SEK bn	Mar 31 2016	Mar 31 2015	Dec 31 2015
Total assets	92.6	95.3	97.7
Equity attributable to equity holders	23.5	22.6	24.2
Interest-bearing net receivables (+)/net debt (-)	2.4	-1.3	6.3
Operating net financial assets/liabilities	10.3	5.9	13.8
Capital employed, closing balance	36.8	37.5	38.4
Equity/assets ratio, %	25.4	23.7	24.8

# Market outlook

## Construction

Overall a positive market outlook



### Nordic countries

- Strong building market in Sweden, stable in Norway
- Strong civil market with fierce competition in Norway and Sweden, Finland weak



### Other European countries

- UK and Polish market strong
- Czech Republic and Slovakia continue to improve



### North America

- The U.S. continues to be a good market, but with fierce competition



Copyright Building, London, UK



# Market outlook

## Residential Development

### General

- Challenge to acquire land in all home markets except for Finland



### Nordic countries

- Sweden very strong
- Norway mixed
- Finland weak



### Central Europe

- Volumes and prices continue to increase



# Market outlook

## Commercial Property Development

### General

- Tenants: Strong demand, vacancy rates low
- Investors: Strong demand, valuations attractive



### Nordic countries

- High interest from investors and low vacancy rates in Sweden especially



### Central Europe

- High demand in Poland and improving in other parts of Central Europe



### North America

- Strong investor appetite and good tenant demand



High Five, Krakow, Poland

# Market outlook

## Infrastructure Development



### All countries

- Strong market for PPPs in the U.S., but competition is considerable
- Norwegian market improving
- Thin pipeline in the other markets



