

Year-end Report 2016

We build for a better society.
M25, London, UK



Year-end report 2016

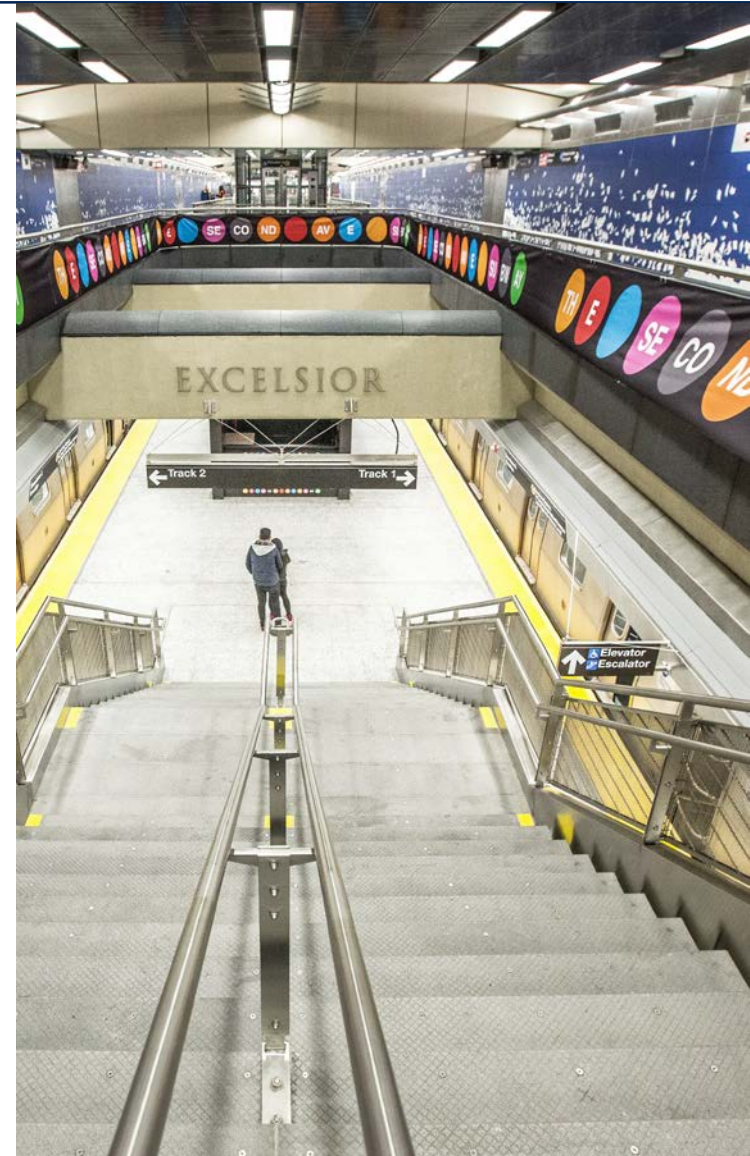
- Substantial increase in operating income SEK 8.2 bn (6.5)
 - Strong performance in Project Development
 - Construction overall stable but continued focus on restoring profitability in underperforming units
- Considerable increase in earnings per share SEK 15.89 (11.96)
- Very strong order bookings SEK 170.2 bn (122.1)
- Continued good ROCE in Project Development 18.4% (14.9)
- Increased dividend SEK 8.25 (7.50)



ESS Research Facility, Lund, Sweden

Construction

- Revenue SEK 138.0 bn (140.7)
- Order bookings SEK 170.2 bn (122.1)
 - USA, Sweden and UK strong
 - Book-to-build: 123%
 - All-time-high order backlog SEK 196.3 bn
- Operating income SEK 3.5 bn (3.9)
 - Operating margin 2.6% (2.8)
 - Turnaround in Poland
 - USA Civil still challenging
 - Stable or good performance in all other units



2nd Avenue Subway, New York, U.S.

Residential Development

- Revenue SEK 13.3 bn (12.3)
 - 4,603 (4,093) homes sold
 - 4,848 (4,000) homes started
- Operating income SEK 1.6 bn (1.2)
 - Operating margin 12.1% (9.5)
 - Sweden very strong
- ROCE 17.1% (14.4)
- Good market conditions and improved operational efficiency



Commercial Property Development

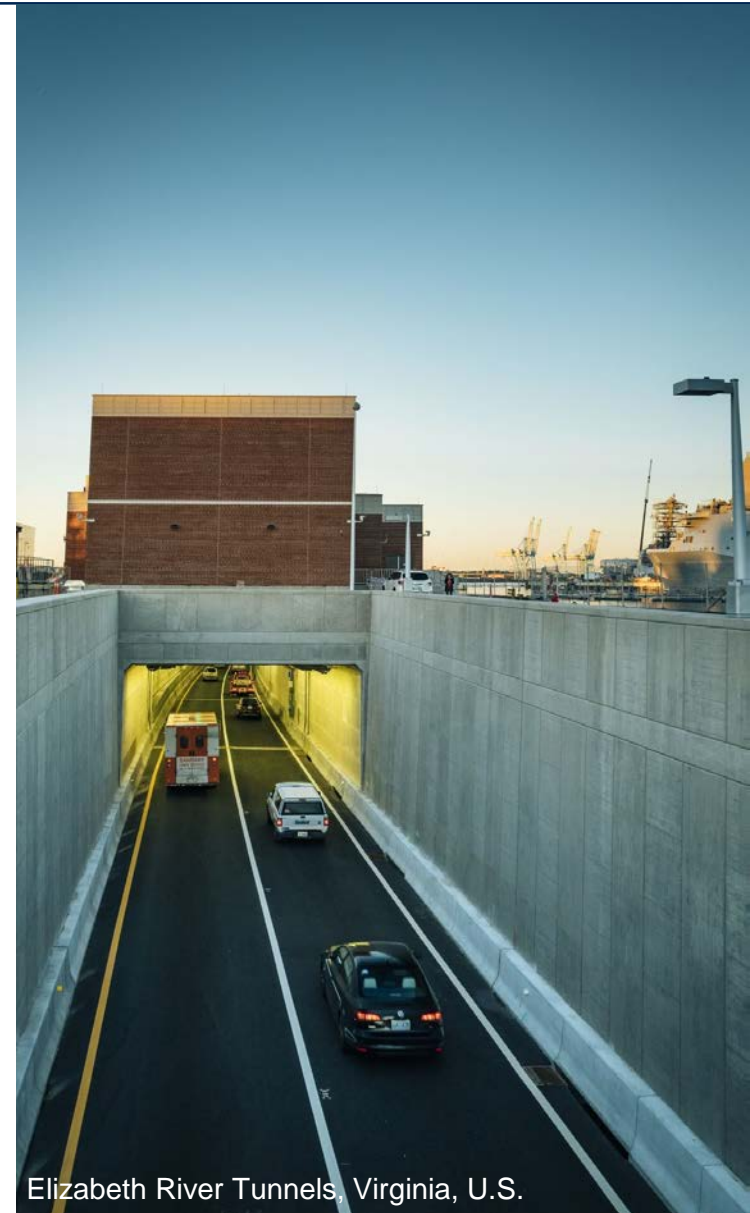
- All-time-high divestments, SEK 9.6 bn (8.5)
- Operating income SEK 2.3 bn (1.9)
 - Gain on sale SEK 3.1 bn (2.6)
 - SEK 200 M writedown in Houston energy corridor
- ROCE 14.8% (15.6)
- 47 ongoing projects
 - SEK 20.3 bn in investment value
 - 41% pre-leasing rate
 - 43% completion rate
 - 26 projects started, o/w 9 in Q4
- 379,000 sq m leased



Office building Aura, Malmö, Sweden

Infrastructure Development

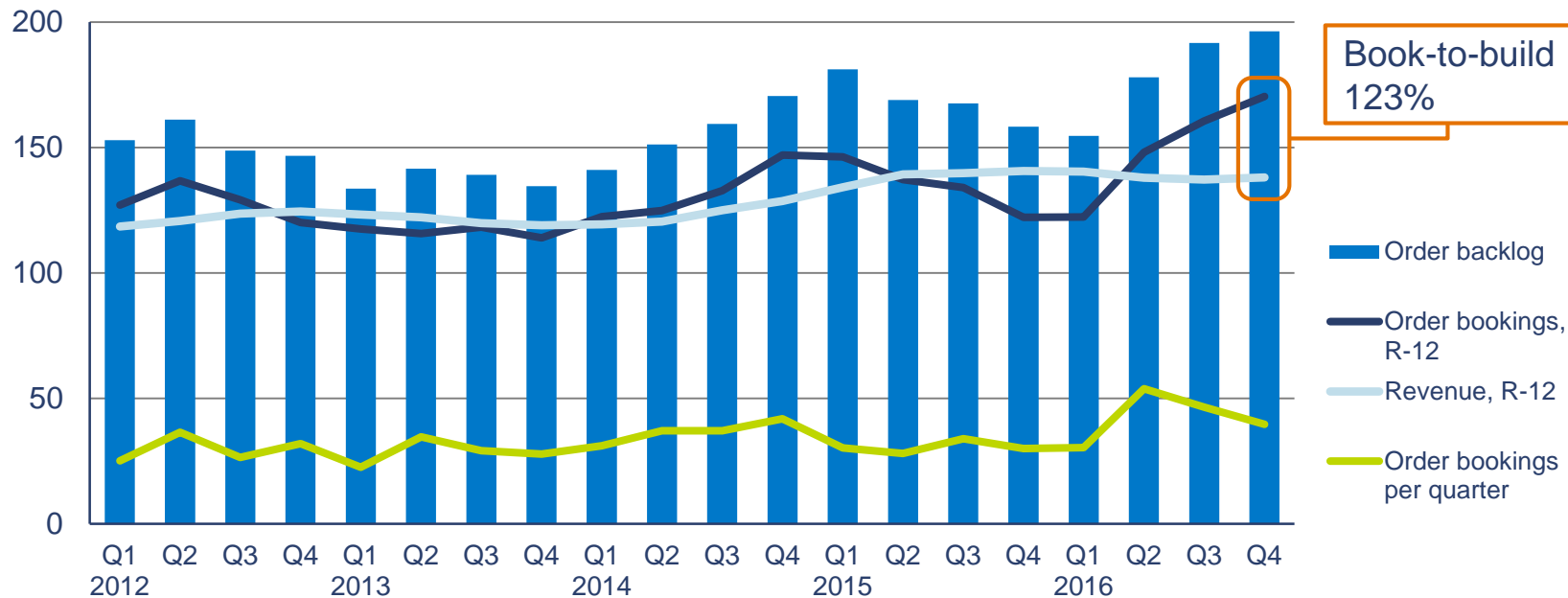
- Operating income SEK 1.8 bn (0.9)
- Project portfolio's net present value SEK 4.3 bn (4.8)
- ROCE 41.1% (12.7)
- Divestment of M25 motorway in London, UK, for SEK 3.1 bn
- Impairment of SEK 300 M in wind power projects
- Divestment of A1 highway in Poland expected to be completed in Q1 2017



Elizabeth River Tunnels, Virginia, U.S.

Construction Order situation

SEK bn



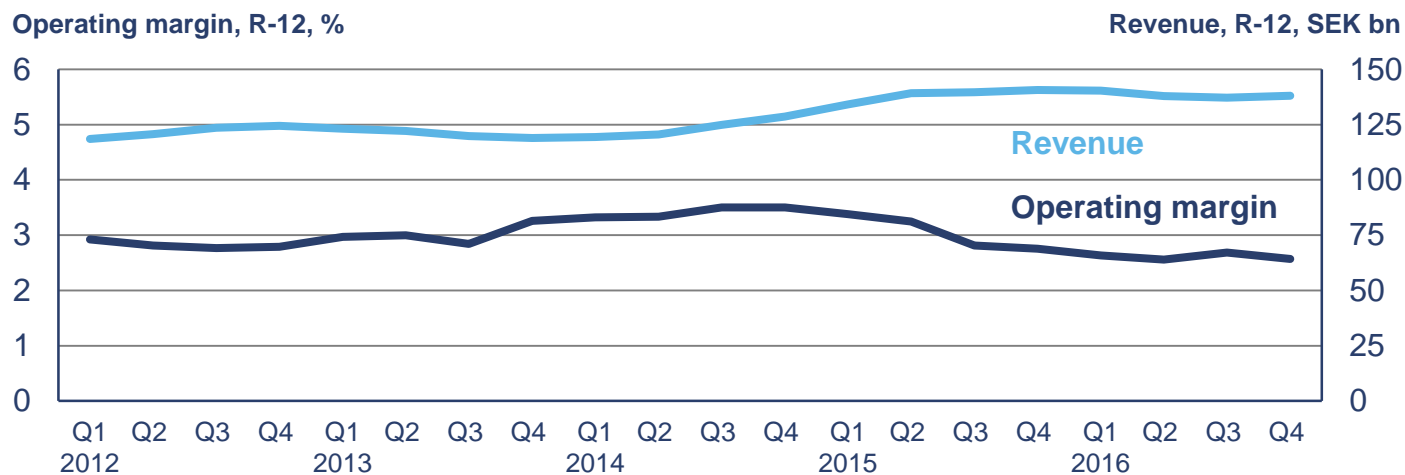
SEK bn	Jan-Dec 2016	Jan-Dec 2015
Revenue	138.0	140.6
Order bookings	170.2	122.1
Order backlog	196.3	158.2

Construction

Order bookings

SEK bn	Jan–Dec 2016	Jan–Dec 2015	Book- to-build, %	Months of production
Sweden	36.0	33.0	114	13
Norway	13.4	13.2	110	12
Finland	6.5	7.2	93	10
Poland	9.8	9.3	120	9
Czech Republic	5.6	5.7	113	13
UK	20.9	19.3	107	17
USA Building	51.0	22.6	142	18
USA Civil	26.9	11.8	145	29
Total	170.2	122.1	123	17

Construction Income statement



SEK bn	Jan–Dec 2016	Jan–Dec 2015
Revenue	138.0	140.6
Gross income	10.1	10.0
Selling and administrative expenses	-6.6	-6.2
Operating income	3.5	3.9
Gross margin, %	7.3	7.1
Selling and administrative expenses, %	-4.8	-4.4
Operating margin, %	2.6	2.8

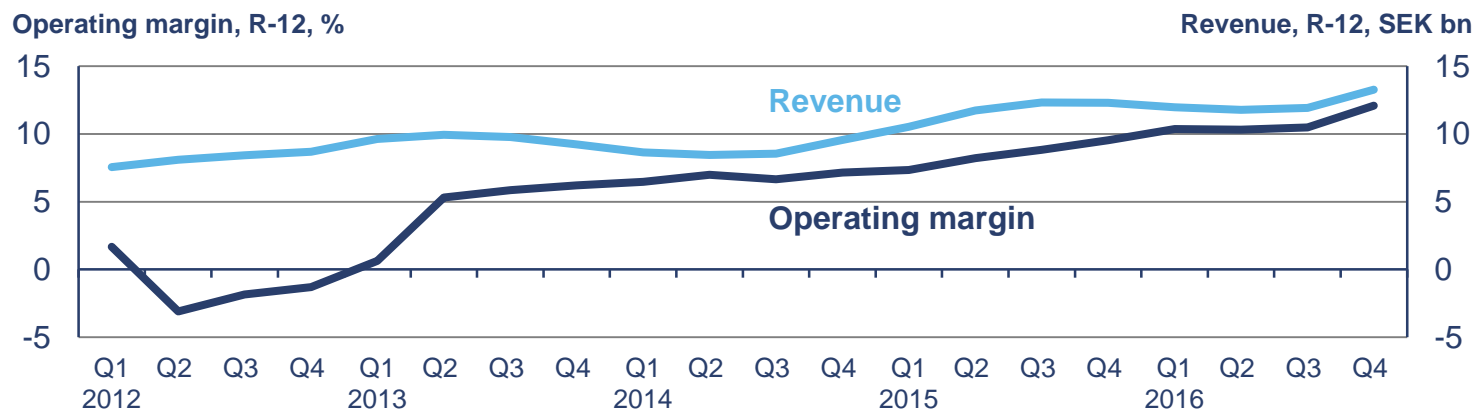
Construction

Income statement

	<u>Operating income, SEK M</u>		<u>Operating margin, %</u>	
	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Sweden	1,482	1,425	4.7	4.6
Norway	383	382	3.1	3.2
Finland	265	241	3.8	3.8
Poland	-293	472	neg	4.8
Czech Republic	134	121	2.7	2.2
UK	406	443	2.1	2.4
USA Building	649	309	1.8	0.8
USA Civil	520	481	2.8	2.4
Total	3,546	3,874	2.6	2.8

Residential Development

Income statement, segment reporting



SEK M	Jan–Dec 2016	Jan–Dec 2015
Revenue	13,264	12,298
Gross income	2,164	1,724
Selling and administrative expenses	-559	-550
Operating income	1,605	1,174
Gross margin, %	16.3	14.0
Selling and administrative expenses, %	-4.2	-4.5
Operating margin, %	12.1	9.5

Residential Development

Income statement

	Operating income, SEK M ¹		Operating margin, % ¹	
	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Sweden	1,060	799	15.0	10.8
Norway	279	143	11.1	7.3
Finland	170	122	6.3	5.7
Nordics	1,509	1,064	12.3	9.3
Central Europe ²	96	110	9.8	13.6
Total	1,605	1,174	12.1	9.5

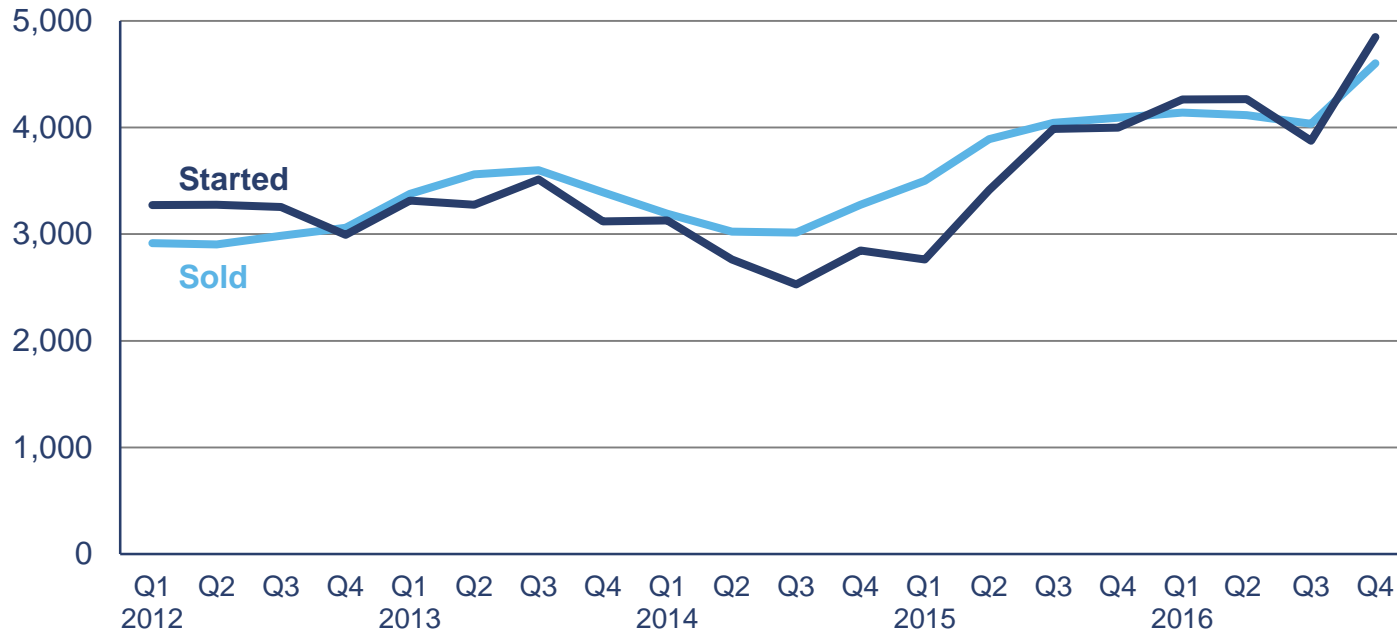
1 Development gain only, construction margin reported under Construction

2 Czech Republic, Poland and the UK

Residential Development

Homes started and sold

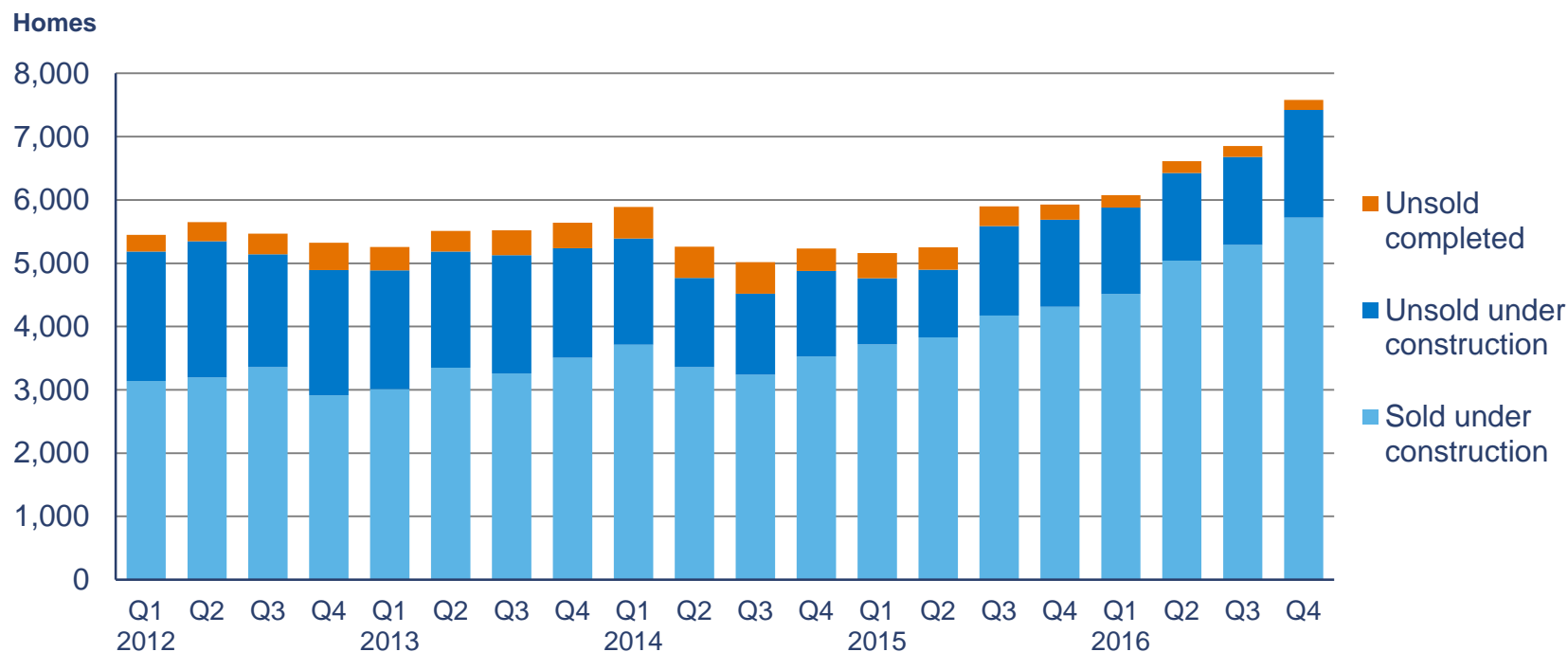
Homes, R-12



Homes started		Homes sold	
Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
4,848	4,000	4,603	4,093

Residential Development

Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
7,421	5,689	77	76	158	237

Commercial Property Development

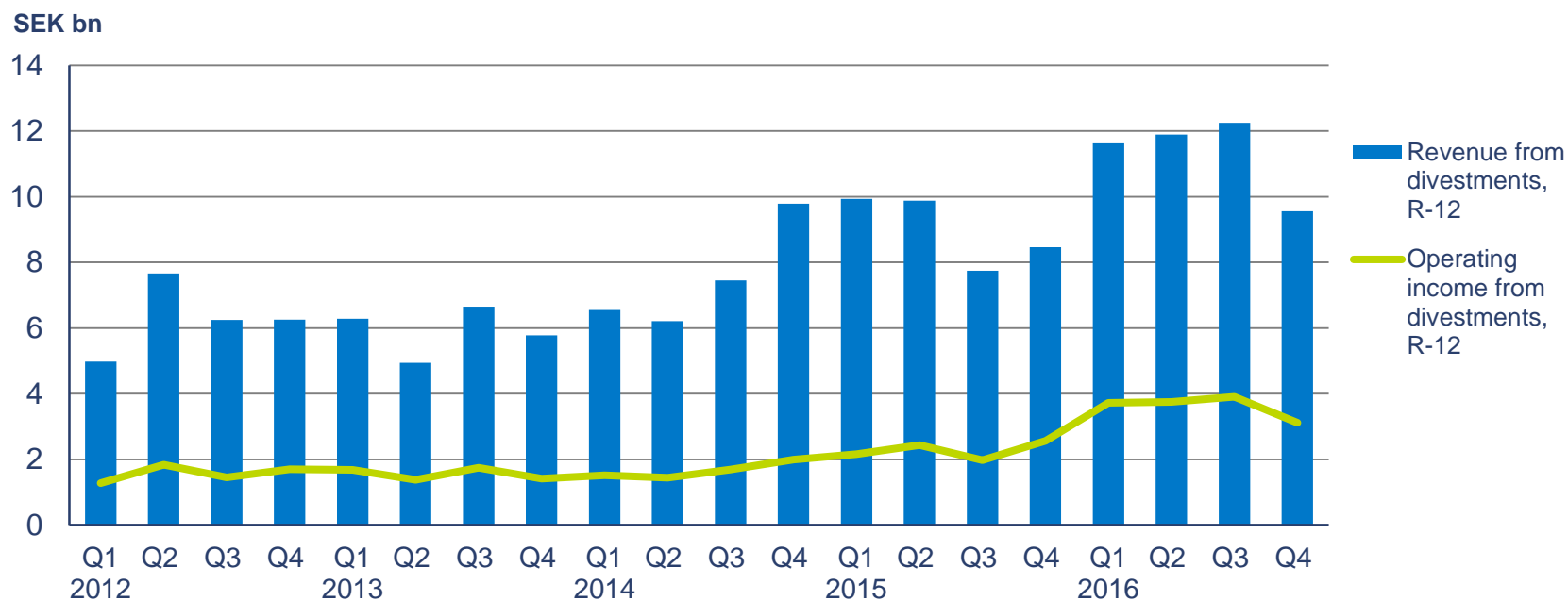
Income statement, segment reporting

SEK M	Jan–Dec 2016	Jan–Dec 2015
Revenue	10,226	9,034
Gross income	3,067	2,661
Selling and administrative expenses	-751	-677
Income from joint ventures and associated companies	20	-37
Operating income	2,336	1,947
of which gain from divestments of properties ¹	3,111	2,564
of which write downs/reversal of write downs	-198	-56
1 Additional gain included in eliminations	173	190

Development gain only, construction margin reported under Construction

Commercial Property Development

Divestments, segment reporting

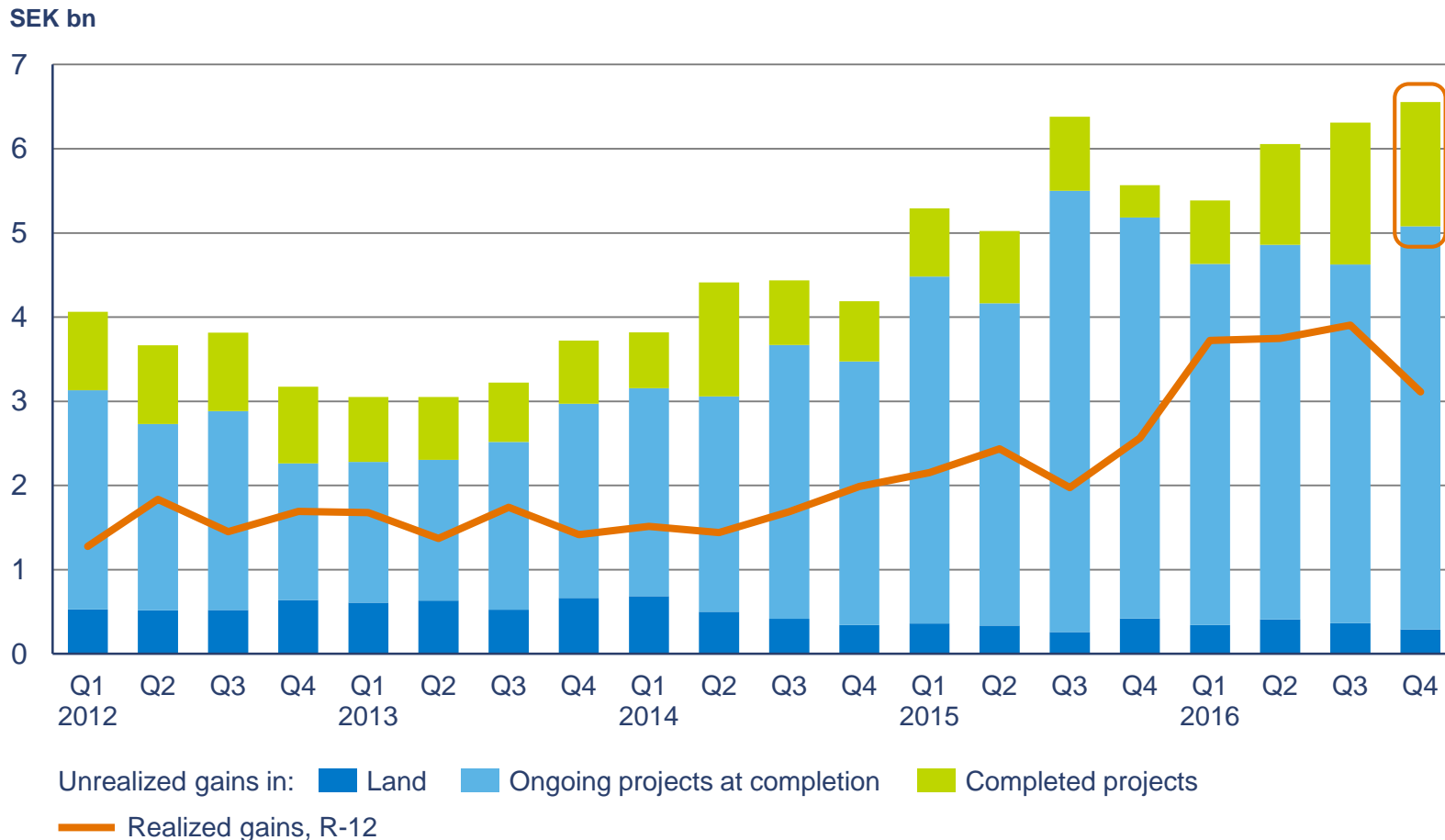


Sale of commercial properties

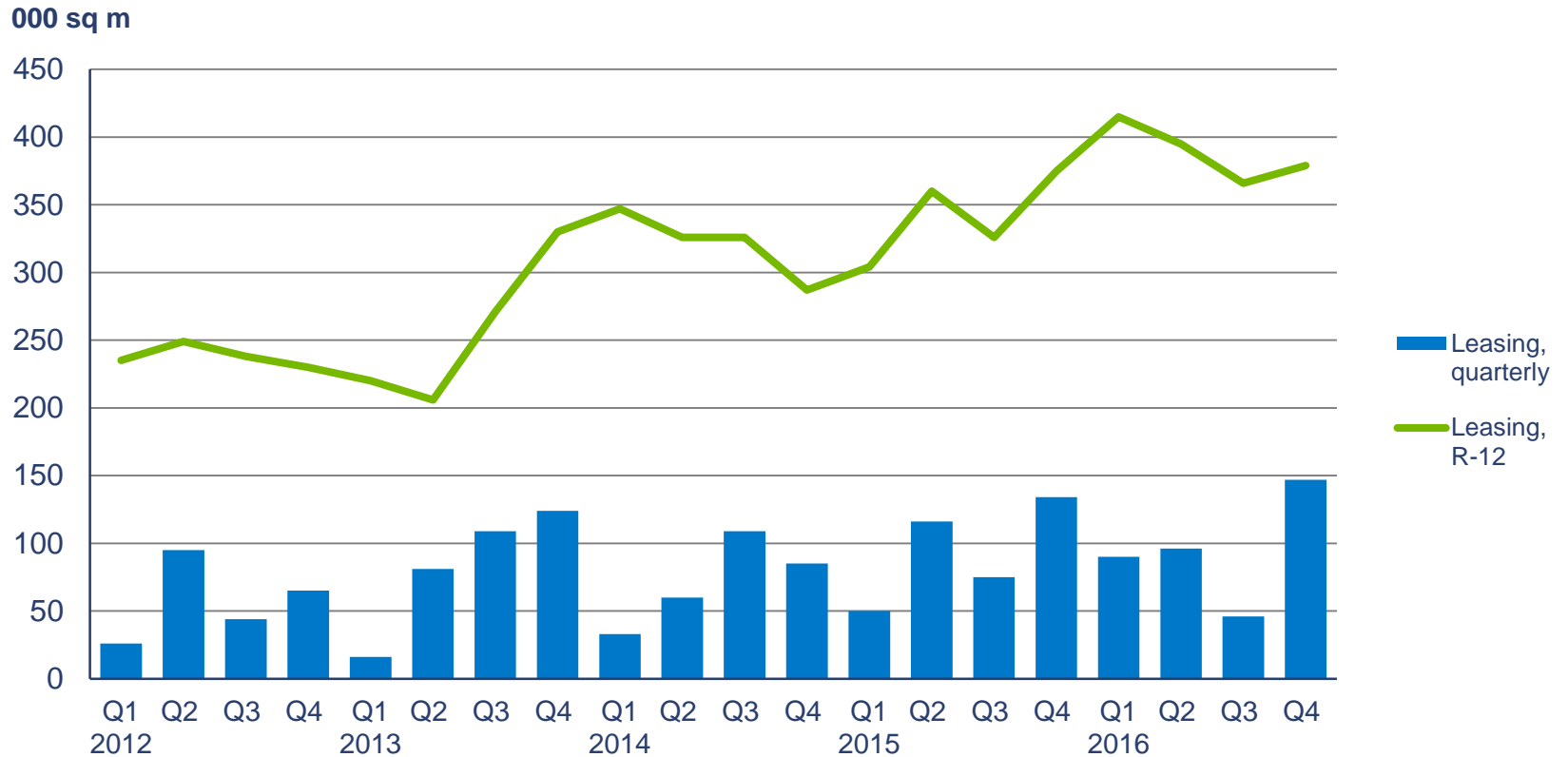
SEK M	Sales price	Capital gain
Year-to-date	9,555	3,111

Commercial Property Development

Unrealized and realized gains, segment reporting



Commercial Property Development Leasing



New leases of space were signed for 379,000 sq m in 2016

Infrastructure Development

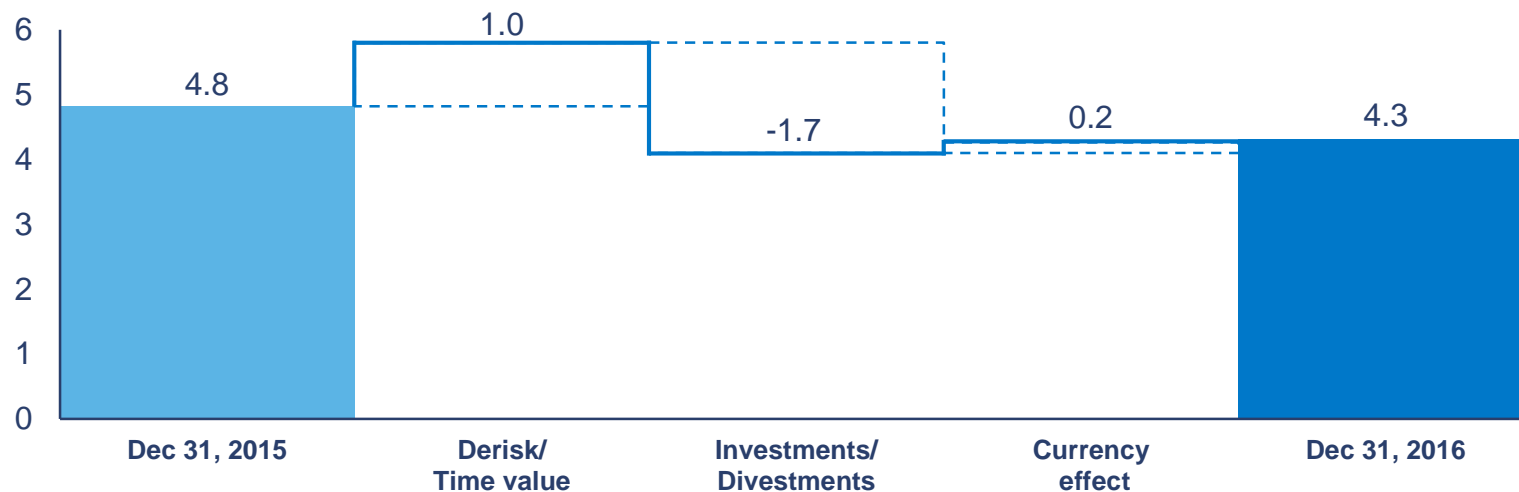
Income statement

SEK M	Jan–Dec 2016	Jan–Dec 2015
Revenue	237	106
Gross income	56	-128
Selling and administrative expenses	-147	-156
Income from joint ventures	1,909	1,147
Operating income	1,818	863
of which gains from divestments of shares in projects	1,729	420

Impairments in wind power projects, SEK 300 M in Q4 2016

Infrastructure Development Project portfolio

Net present value of projects, SEK bn



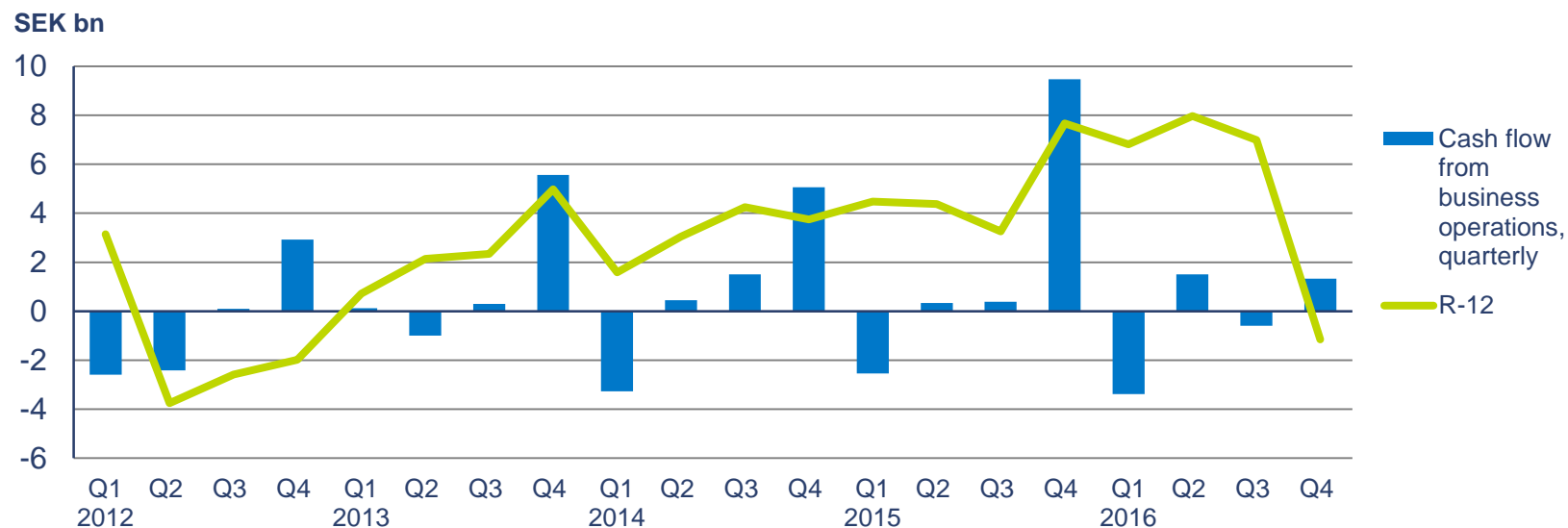
SEK bn	Dec 31, 2016	Dec 31, 2015
Present value of cash flow from projects	5.2	6.1
Net present value of projects	4.3	4.8
Carrying amount	-2.9	-3.1
Unrealized development gain	1.4	1.7
Cash flow hedge	0.6	1.6
Effect in unrealized Equity	2.0	3.3

Group

Income statement

SEK M	Jan–Dec 2016	Jan–Dec 2015
Operating income from business streams	9,305	7,858
Central	-1,140	-1,346
Eliminations	34	-51
Operating income	8,199	6,461
Net financial items	-118	-313
Income after financial items	8,081	6,148
Taxes	-1,555	-1,219
Profit for the period	6,526	4,929
Earnings per share, SEK	15.89	11.96
Tax rate, %	19	20

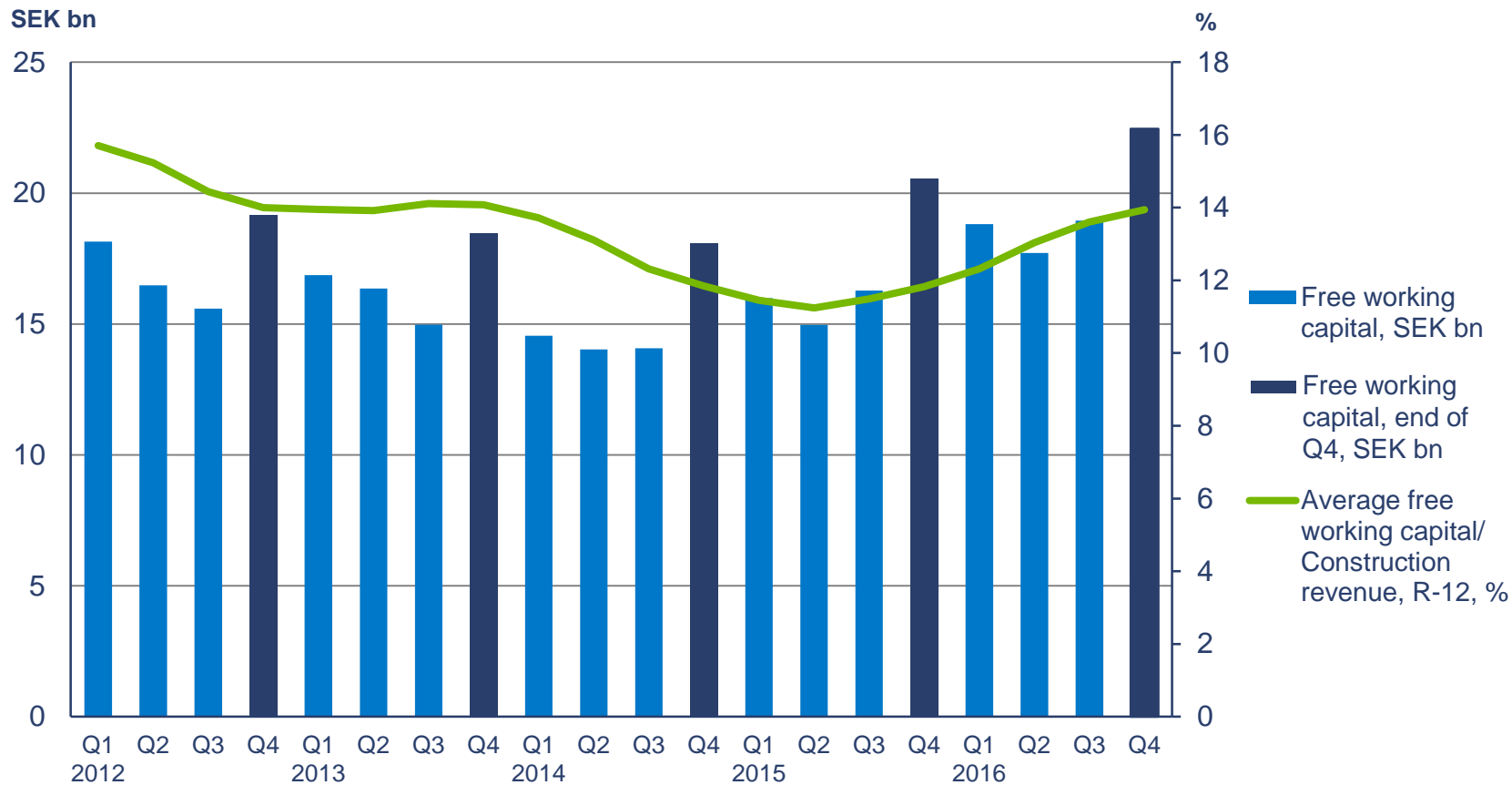
Group Cash flow



SEK bn	Jan–Dec 2016	Jan–Dec 2015
Cash flow from operations	-1.2	7.7
Net strategic investments	0.9	0.5
Dividend etc.	-3.9	-3.2
Cash flow before change in interest-bearing receivables and liabilities	-4.2	4.9

Construction

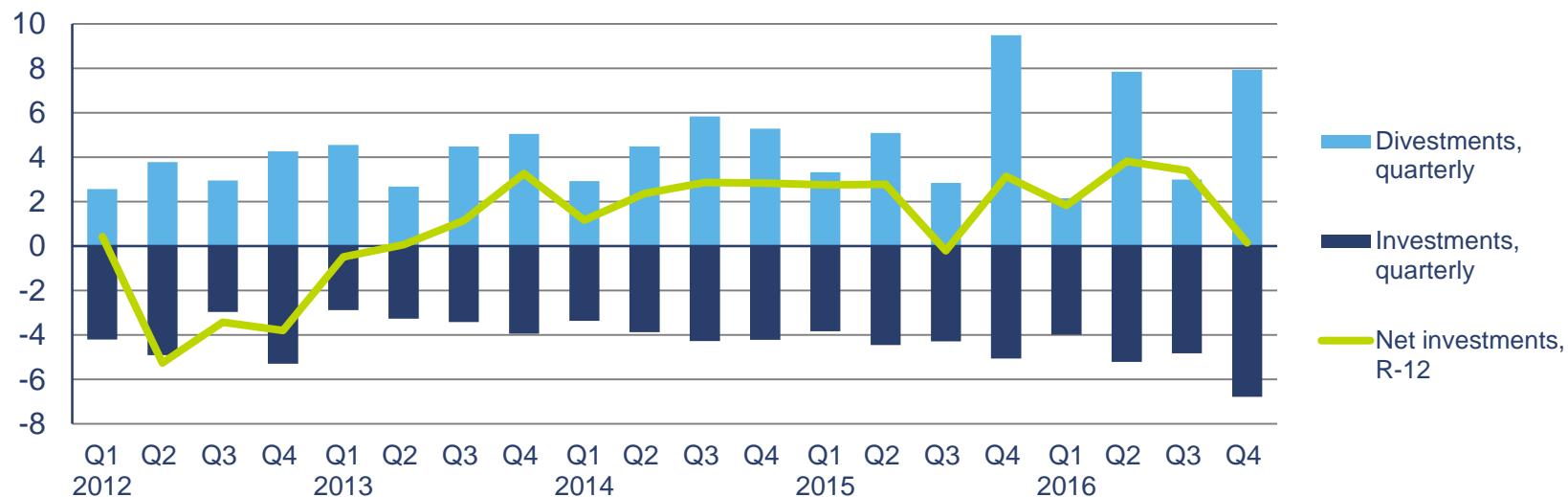
Free working capital



Group

Investments, divestments and capital employed

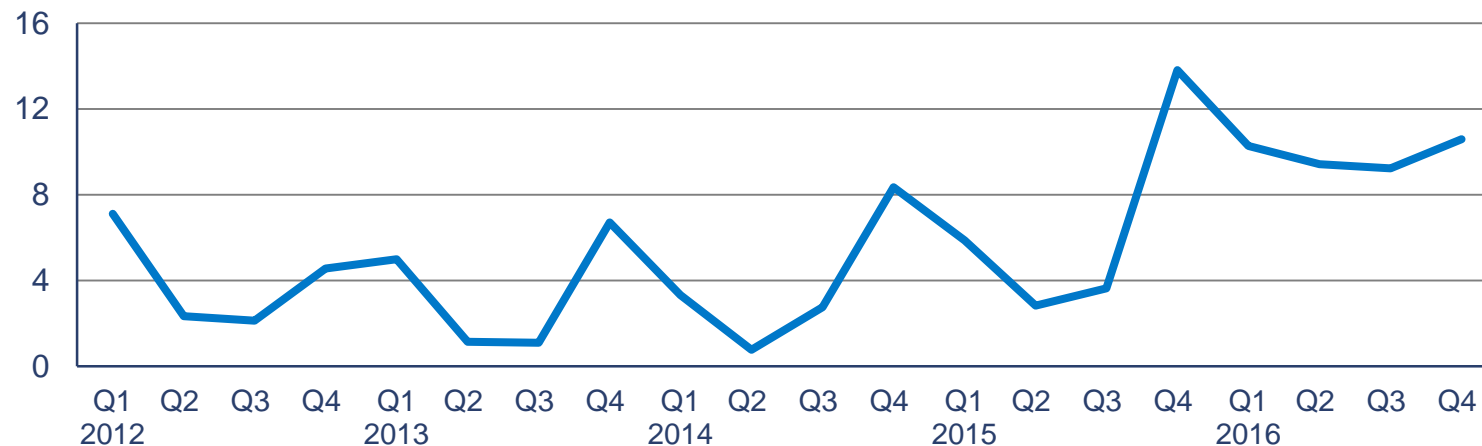
SEK bn



SEK bn	Dec 31 2016	Dec 31 2015
Capital employed in:		
Residential Development	11.6	9.3
Commercial Property Development	19.9	16.5
Infrastructure Development	5.4	1.8
Total in Development Streams	36.9	27.6

Group Financial position

Operating net financial assets/liabilities, SEK bn



SEK bn	Dec 31 2016	Dec 31 2015
Total assets	106.5	97.7
Equity attributable to equity holders	27.5	24.2
Interest-bearing net receivables (+)/net debt (-)	1.2	6.3
Operating net financial assets/liabilities	10.6	13.8
Capital employed, closing balance	42.6	38.4
Equity/assets ratio, %	25.8	24.8

Group

Change in financial position

SEK bn	Jan–Dec 2016	Jan–Dec 2015
Opening balance interest-bearing net receivables	6.3	0.7
Cash flow before change in interest-bearing receivables and liabilities	-4.2	4.9
Change in pension liability	-1.0	0.6
Other changes	0.1	0.1
Change in interest-bearing net receivables	-5.1	5.6
Closing balance interest-bearing net receivables/net debt	1.2	6.3
Pension liability, net	4.5	3.7
Interest-bearing debt co-ops	4.8	3.8
Operating net financial assets/liabilities	10.6	13.8

Group

Change in equity

SEK bn	Jan–Dec 2016	Jan–Dec 2015
Opening balance	24.2	21.4
Dividend to shareholders	-3.1	-2.8
Other changes in equity not included in total comprehensive income for the year	-0.5	-0.2
Profit for the period	5.7	4.8
Other comprehensive income		
Translation differences	1.2	0.0
Effects of remeasurements of pensions	-0.9	0.6
Effects of cash flow hedges	0.9	0.3
Closing balance	27.5	24.2

Market outlook

Construction

Slightly improved market conditions in construction



Nordic countries

- Very strong building market in Sweden, stable in Norway and Finland
- Very strong civil market in Sweden and strong market in Norway but with fierce competition, Finland weak



Other European countries

- Central European civil market impacted by delays in EU funded project



North America

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



Waterloo and South West Upgrade, UK

Market outlook

Residential Development

General

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



Nordic countries

- Sweden very strong. A more balanced market with mortgage amortization requirements
- Norway mixed
- Finland stable



Central Europe

- Stable price development and volumes



The View, Nacka Strand, Sweden

Market outlook

Commercial Property Development

General

- Tenants and investors:
Strong demand, vacancy rates low



Nordic countries

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



Central Europe

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



North America

- Strong investor appetite and good tenant demand



Atrium 2, Warsaw, 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



A1 Motorway, Poland

