

Nine Month Report 2017

We build for a better society.
Sundtkvartalet, Oslo, Norway



Nine Month Report 2017

- Operating income SEK **4.8** bn (4.9)
 - Strong performance in Project Development
 - Strong performance in Nordic Construction
 - Write downs in U.S. Construction
- Increase in earnings per share SEK **10.58** (9.30)
- Continued good ROCE in Project Development
16.3% (15.8)
- Strong financial position



Construction

- Revenue SEK 109.0 bn (99.2)
- Order bookings SEK 118.6 bn (130.6)
 - Book-to-build: 107%, R-12
 - Strong order backlog SEK 194.7 bn
- Operating income SEK 1.4 bn (2.3)
 - Operating margin 1.3% (2.3)
 - Nordics strong and Sweden especially
 - Write down of SEK 220 M in U.S. operations
 - Focus on restoring profitability continues



Olympic Stadium, Helsinki, Finland

Residential Development

- Revenue SEK 10.1 bn (8.7)
 - 3,052 (2,978) homes sold
 - 2,803 (2,926) homes started
- Operating income SEK 1.3 bn (0.9)
 - Operating margin 13.1% (10.6)
 - Strong performance in all markets
- ROCE 18.2% (14.2)
- Good market conditions in general
- Signs of a more normalized market in Sweden

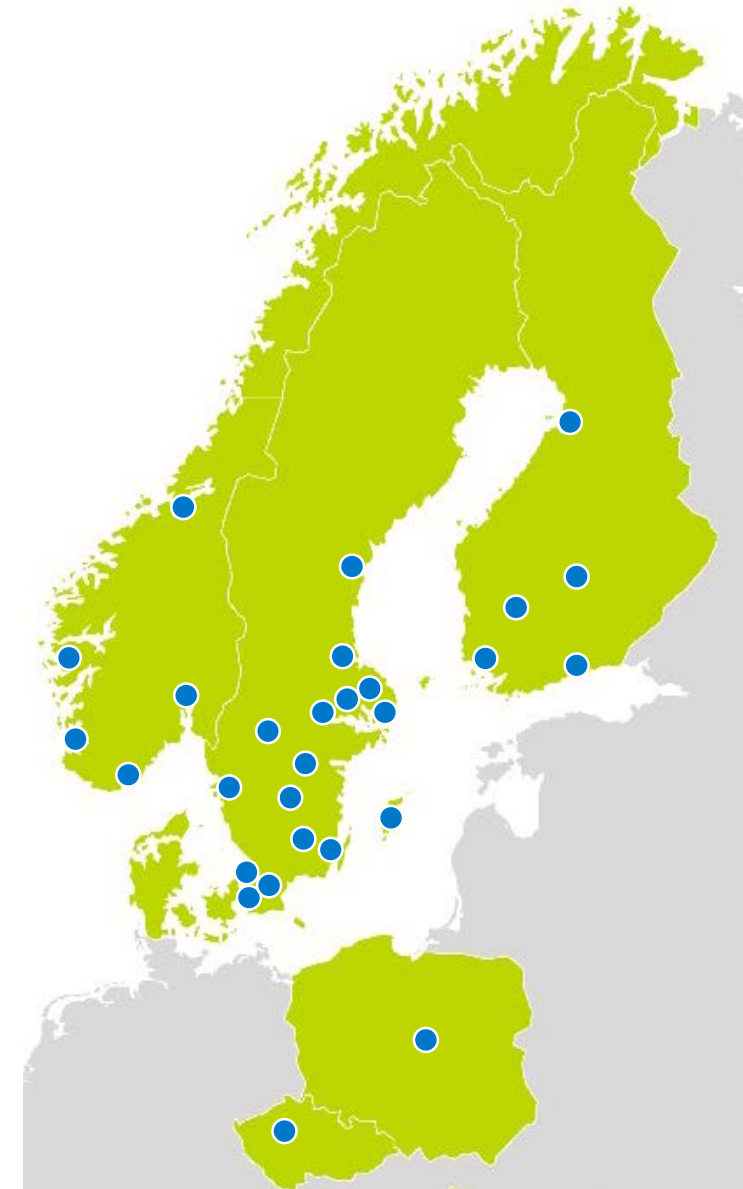


Mörttäsviken, Värmdö, Sweden

Residential Development

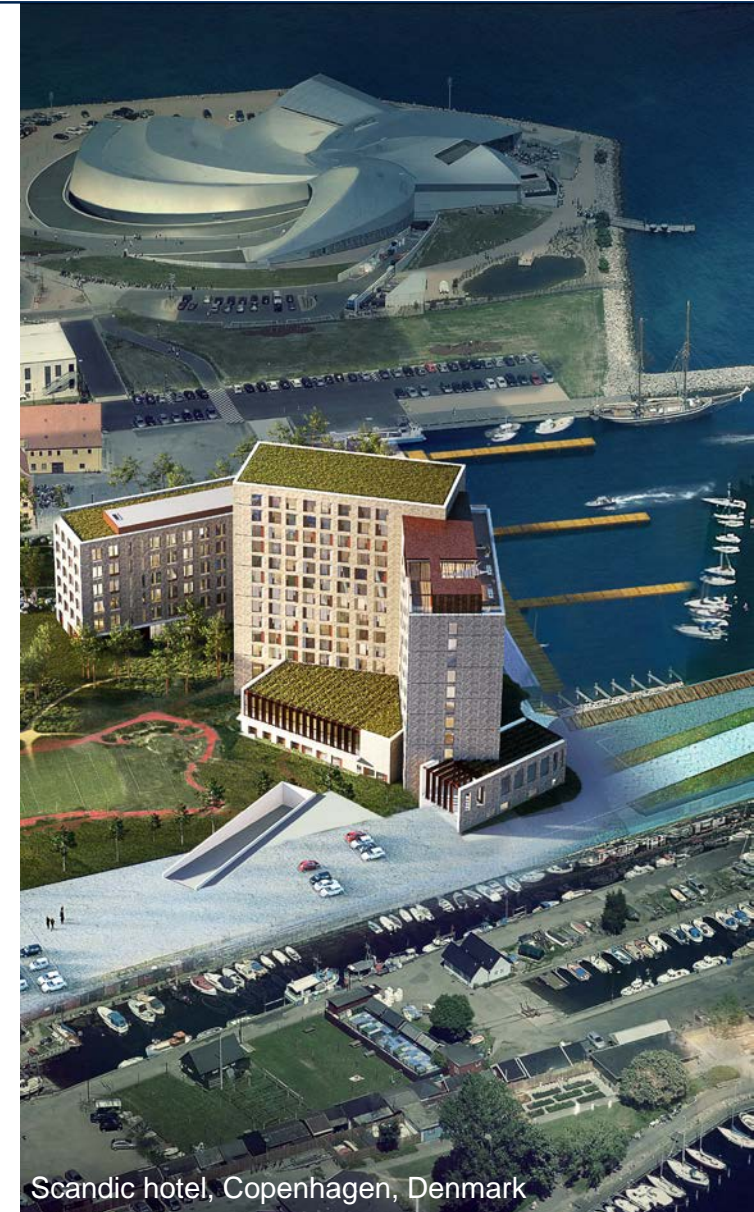
Our markets and offer

- Operations in the Nordics and Central Europe
- Well diversified in the Nordics, especially Sweden
- Majority of our product offer is in the Core to Affordable range



Commercial Property Development

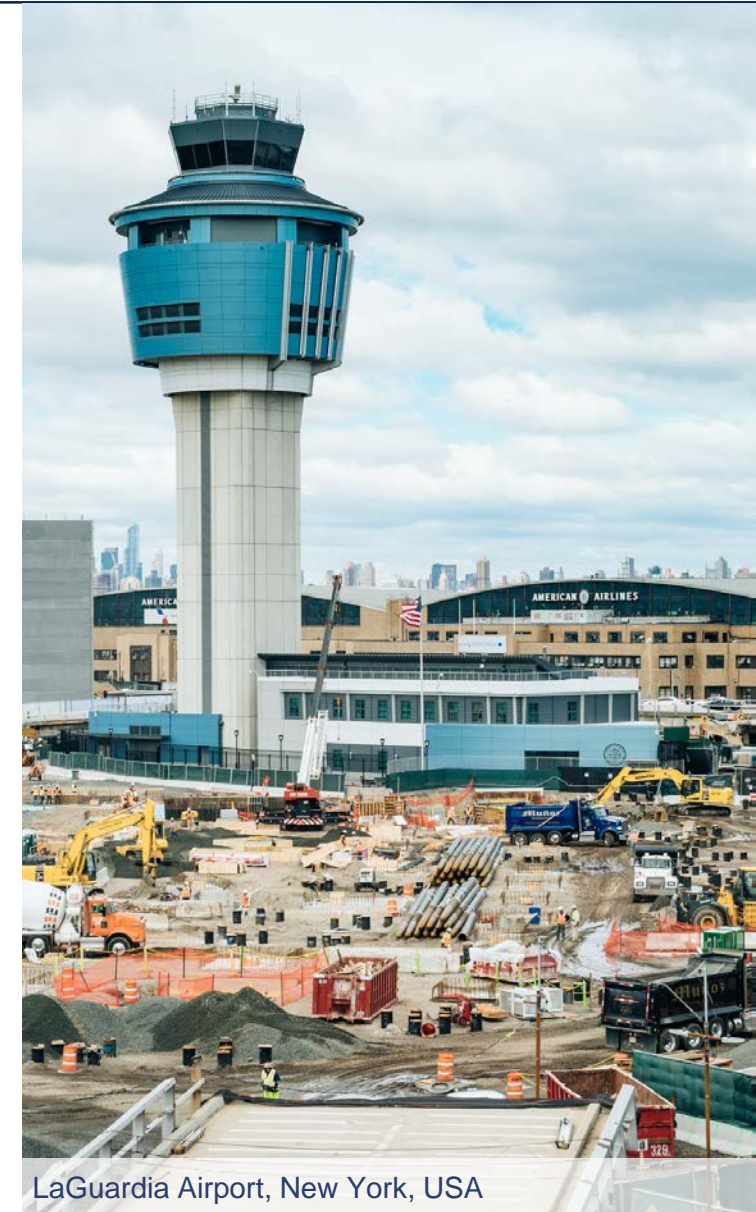
- Operating income SEK 1.9 bn (2.0)
 - Gain on sale SEK 2.0 bn (2.4)
 - JV divestment in Q3
- ROCE 13.8% (16.5)
- 53 ongoing projects
 - SEK 28.6 bn in investment value
 - 41% pre-leasing rate
 - 46% completion rate
 - 21 projects started
- 332,000 sq m leased



Scandic hotel, Copenhagen, Denmark

Infrastructure Development

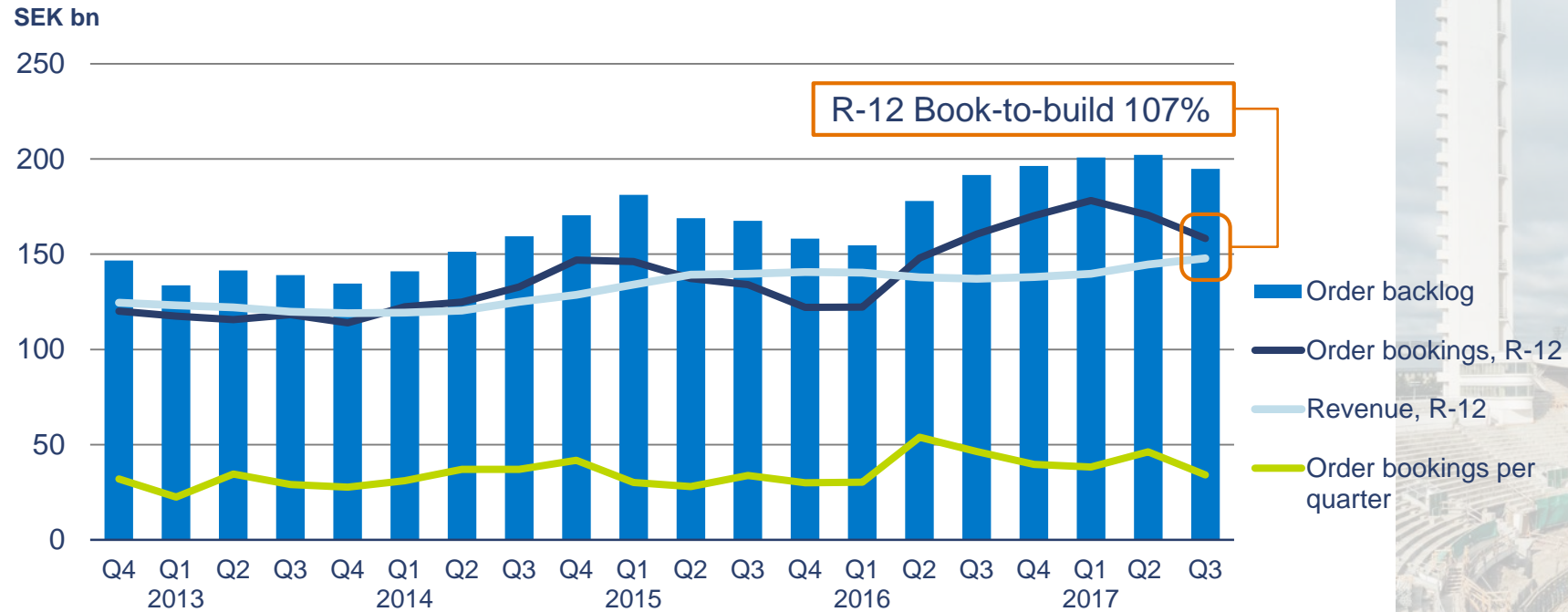
- Operating income SEK 885 M (343)
 - Divestment of A1 motorway in Poland for SEK 1.4 bn in the first quarter
- Project portfolio's net present value SEK 2.9 bn (5.7)
- Majority of projects under construction or in ramp up phase
- ROCE 25.3% (16.6)



LaGuardia Airport, New York, USA

Construction

Order situation



SEK bn	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016
Revenue	109.0	99.2	138.0
Order bookings	118.6	130.6	170.2
Order backlog	194.7	191.6	196.3



Construction

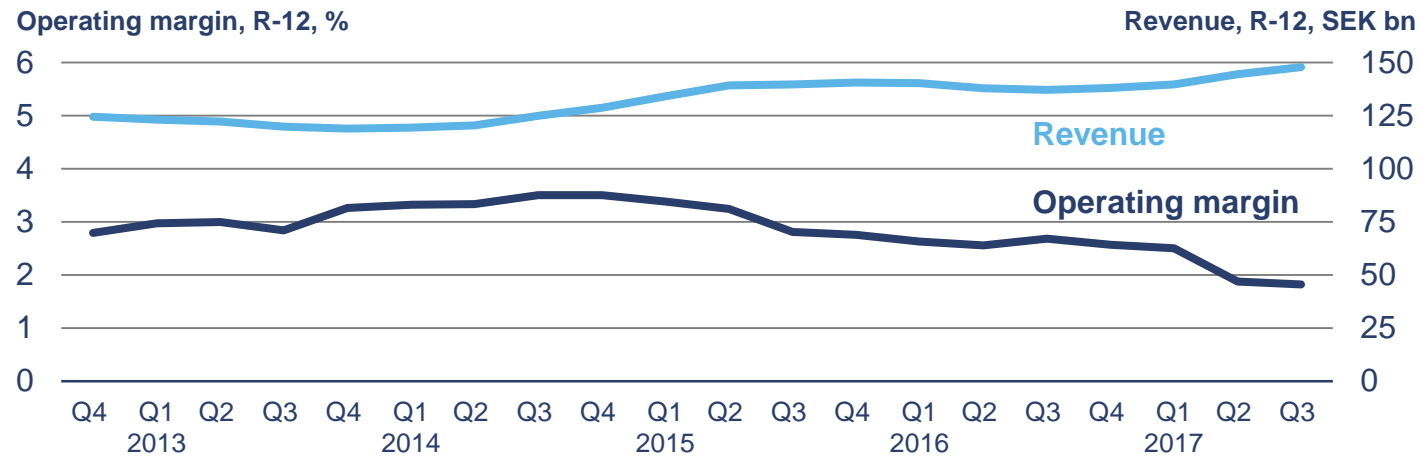
Order bookings

SEK bn	Jan–Sep 2017	Jan–Sep 2016	Book- to-build, R-12, %	Months of production
Nordics	43.8	39.6	111	13
of which Sweden	25.7	24.9	110	13
Europe	24.7	25.5	106	14
USA	50.0	65.5	104	21
Total	118.6	130.6	107	16



Construction

Income statement



SEK bn	Jan–Sep 2017	Jan–Sep 2016	Jan–Dec 2016
Revenue	109.0	99.2	138.0
Gross income	6.3	7.1	10.1
Selling and administrative expenses	-4.9	-4.8	-6.6
Operating income	1.4	2.3	3.5
Gross margin, %	5.7	7.2	7.3
Selling and administrative expenses, %	-4.5	-4.9	-4.8
Operating margin, %	1.3	2.3	2.6



Construction

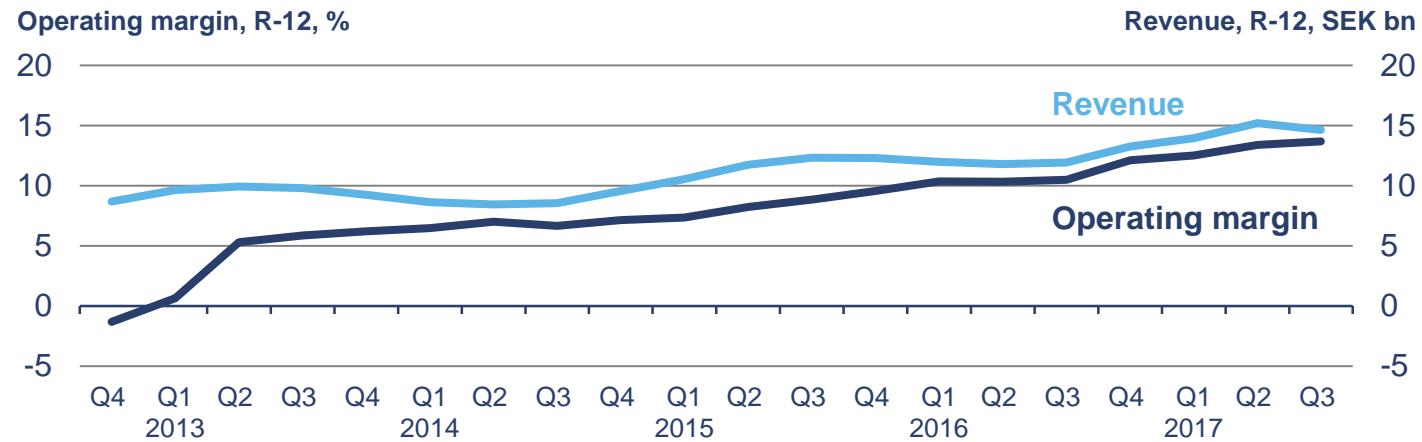
Income statement

	Operating income, SEK M		Operating margin, %	
	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Nordic	1,593	1,378	4.1	3.8
of which Sweden	1,093	924	4.5	4.2
Europe	-284	101	neg	0.4
USA	117	803	0.3	2.0
Total	1,426	2,282	1.3	2.3



Residential Development

Income statement, segment reporting



SEK M	Jan–Sep 2017	Jan–Sep 2016	Jan–Dec 2016
Revenue	10,101	8,735	13,264
Gross income	1,815	1,351	2,164
Selling and administrative expenses	-493	-426	-559
Operating income	1,322	925	1,605
Gross margin, %	18.0	15.5	16.3
Selling and administrative expenses, %	-4.9	-4.9	-4.2
Operating margin, %	13.1	10.6	12.1



Residential Development

Income statement

	Operating income, SEK M		Operating margin, %	
	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Nordics	1,244	868	13.4	10.8
of which Sweden	817	576	15.3	12.7
Europe	78	57	9.7	8.3
Total	1,322	925	13.1	10.6

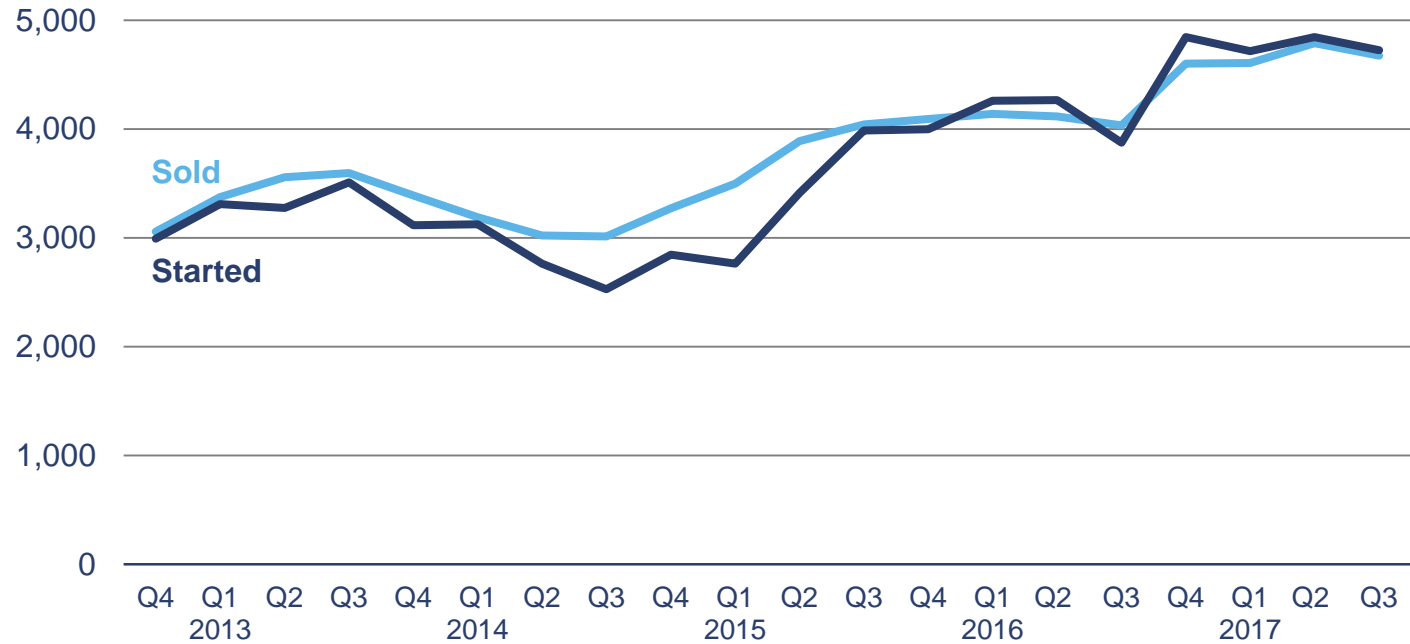
Development gain only, construction margin reported under Construction



Residential Development

Homes started and sold

Homes, R-12

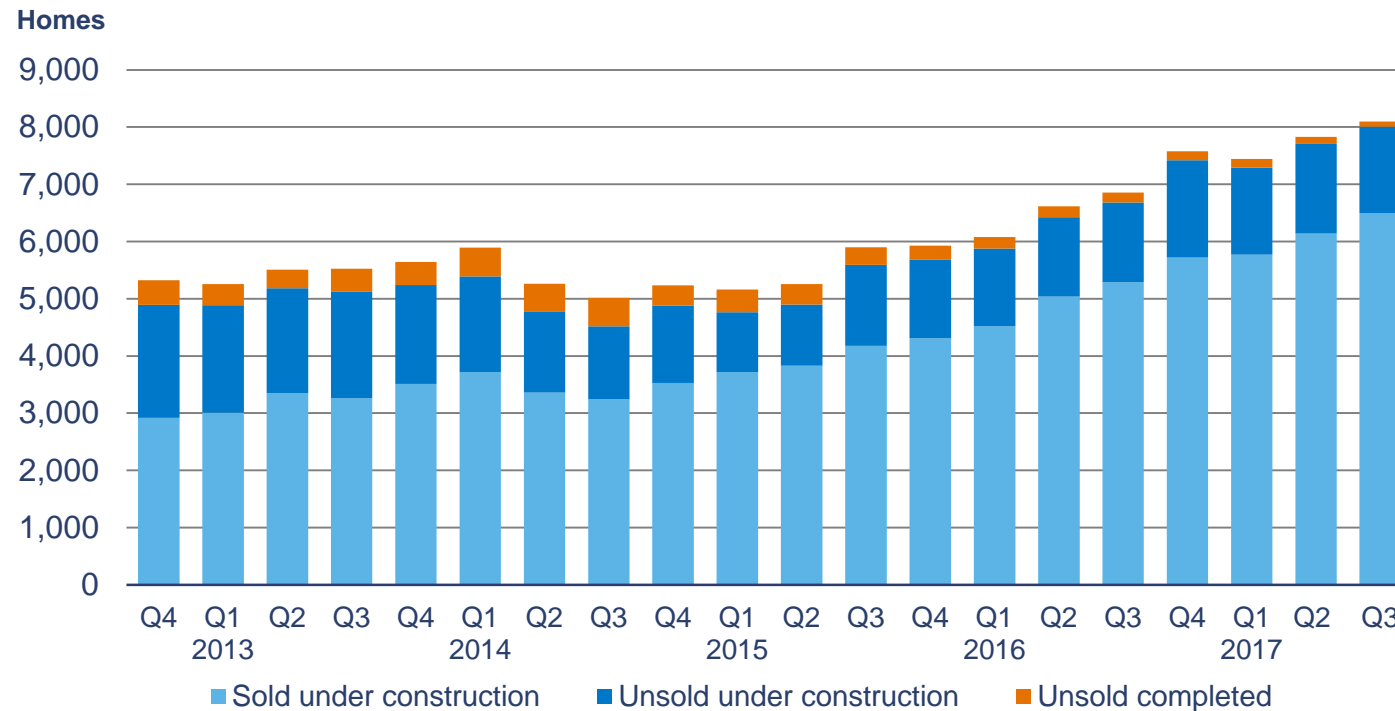


Homes started			Homes sold		
Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016
2,803	2,926	4,848	3,052	2,978	4,603



Residential Development

Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
8,006	6,680	81	79	90	174

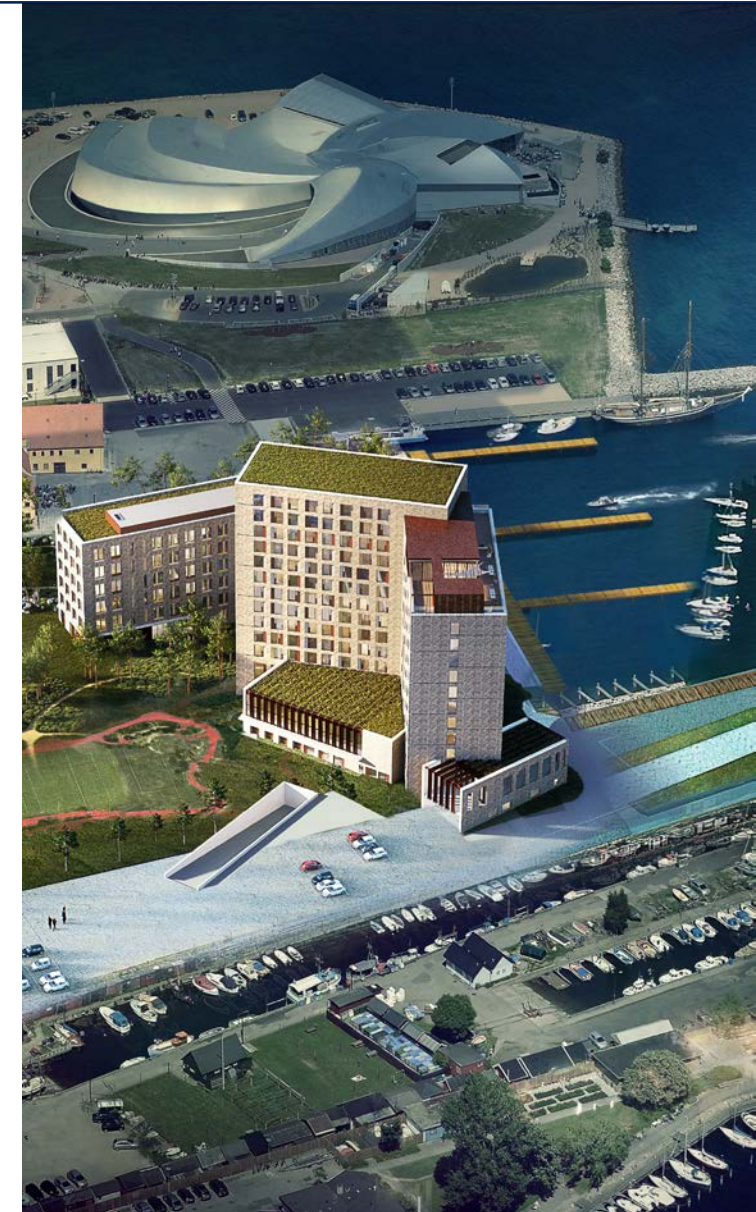


Commercial Property Development

Income statement, segment reporting

SEK M	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016
Revenue	7,755	7,553	10,226
Gross income	2,169	2,531	3,067
Selling and administrative expenses	-624	-522	-751
Income from joint ventures and associated companies	306	5	20
Operating income	1,851	2,014	2,336
of which gain from divestments of properties ¹	2,049	2,390	3,111
of which write downs/reversal of write downs	—	—	-198
1 Additional gain included in eliminations	118	130	173

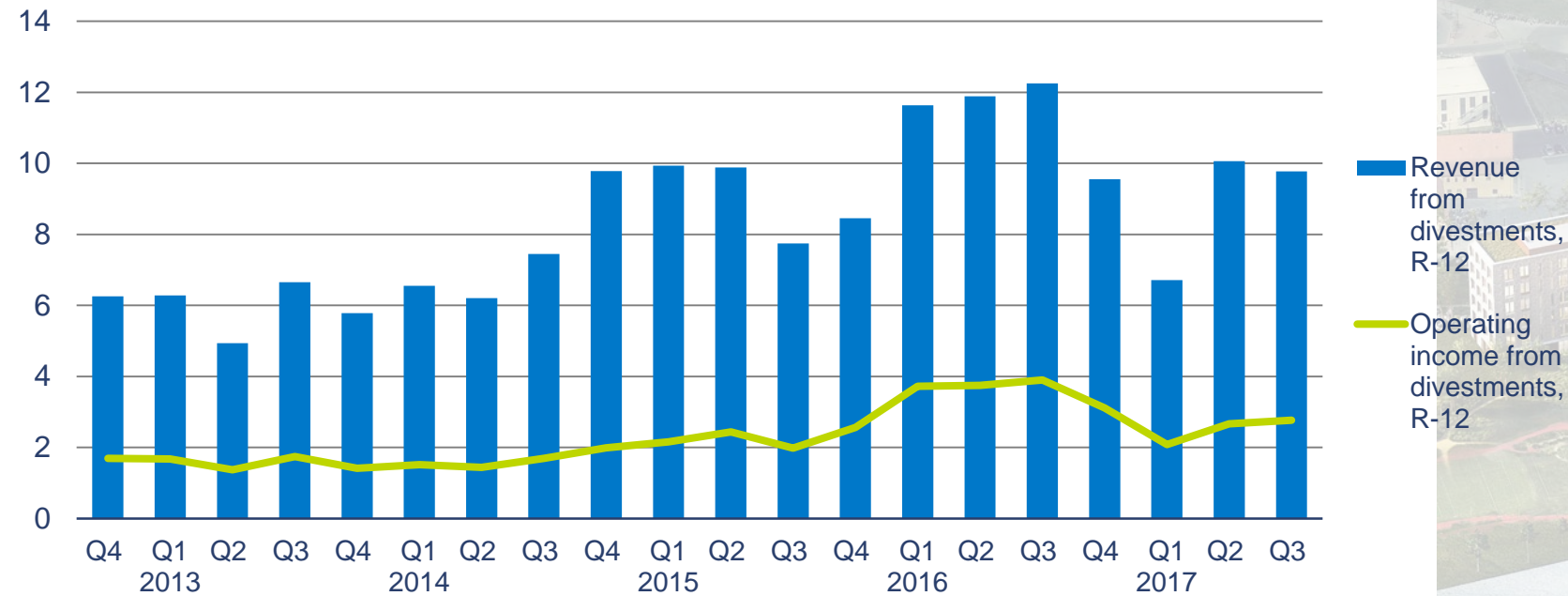
Development gain only, construction margin reported under Construction



Commercial Property Development

Divestments, segment reporting

SEK bn



Sale of commercial properties

SEK M

Year-to-date

Sales price

7,280

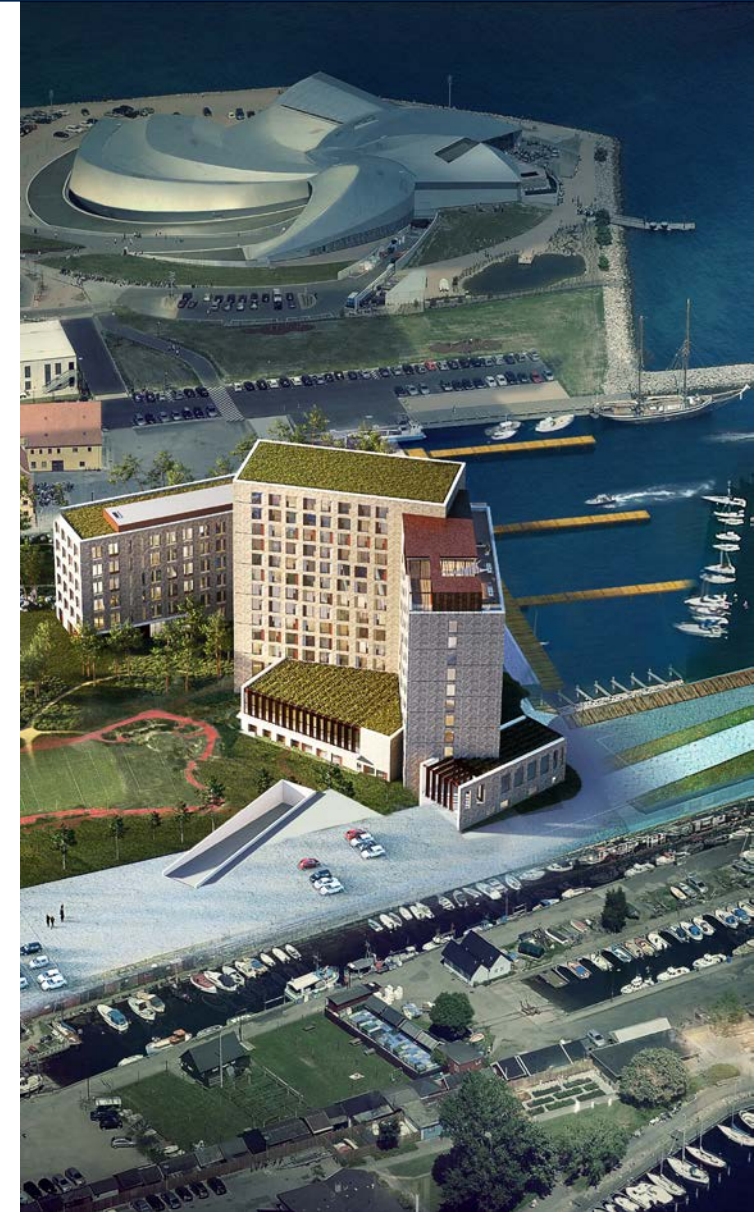
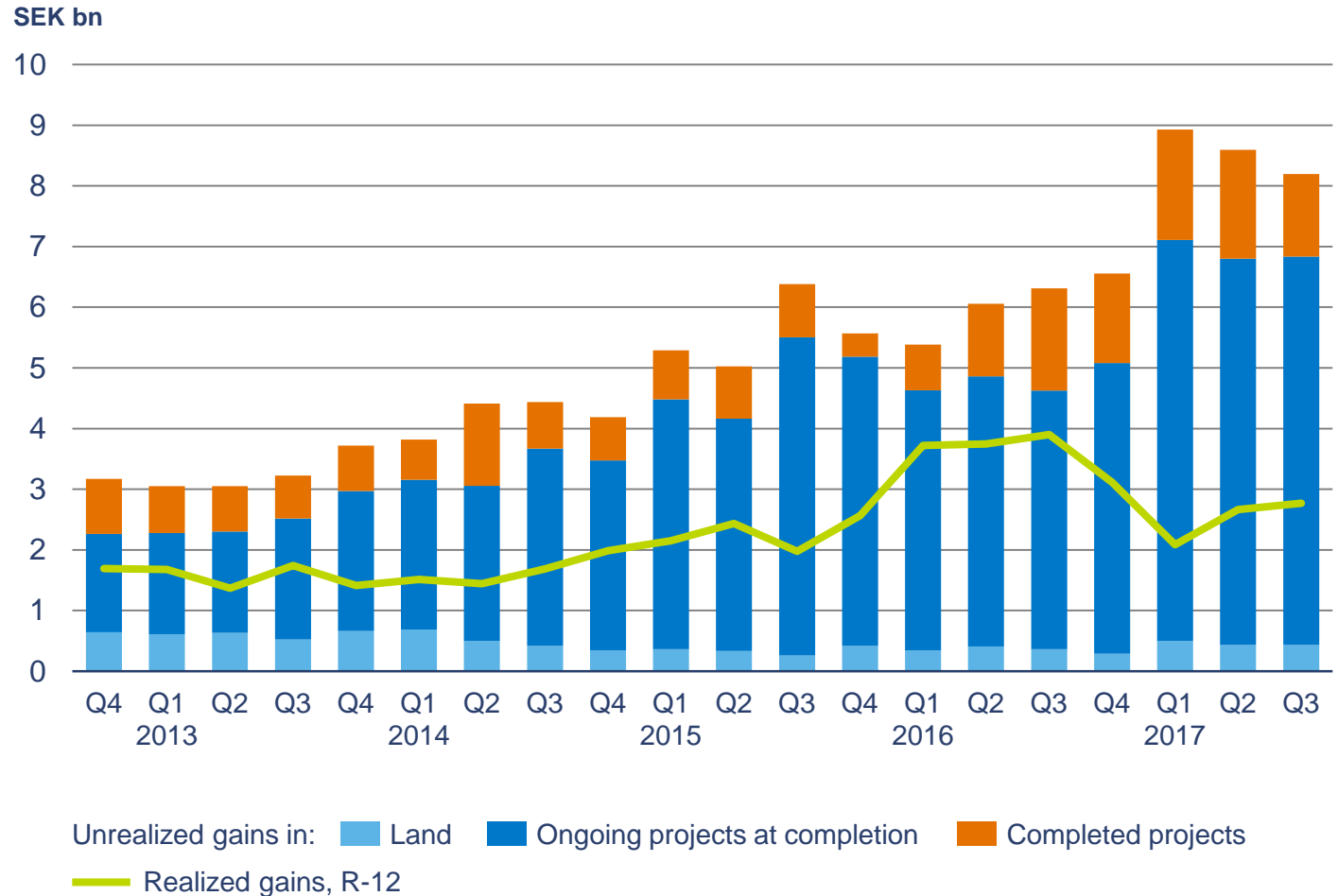
Capital gain

2,049

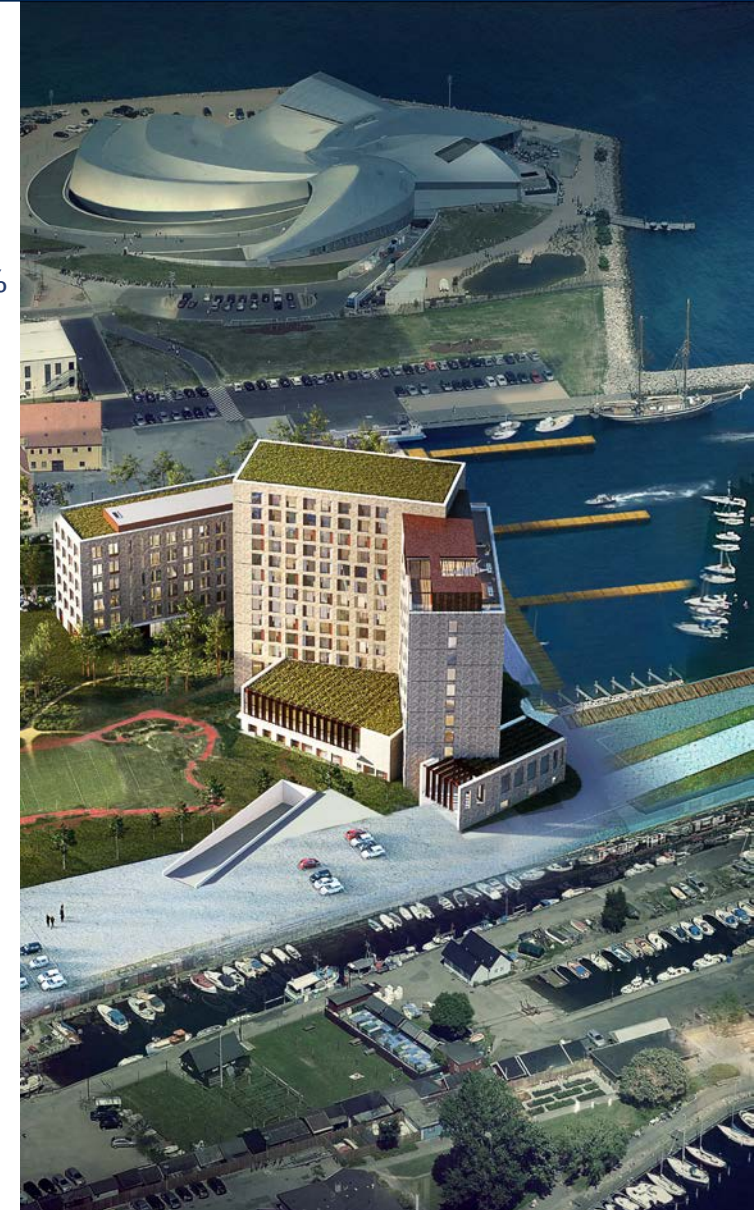
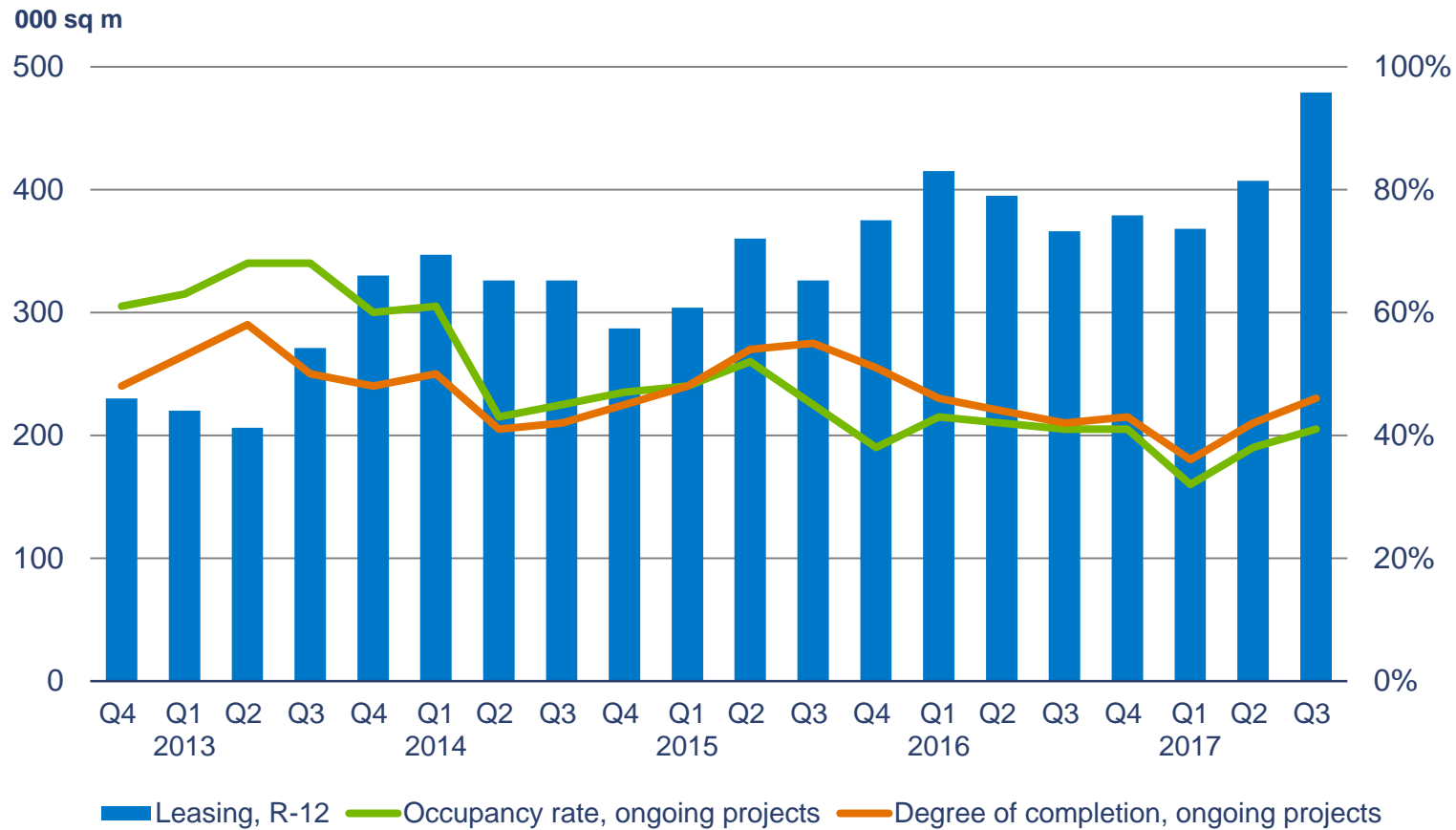


Commercial Property Development

Unrealized and realized gains, segment reporting



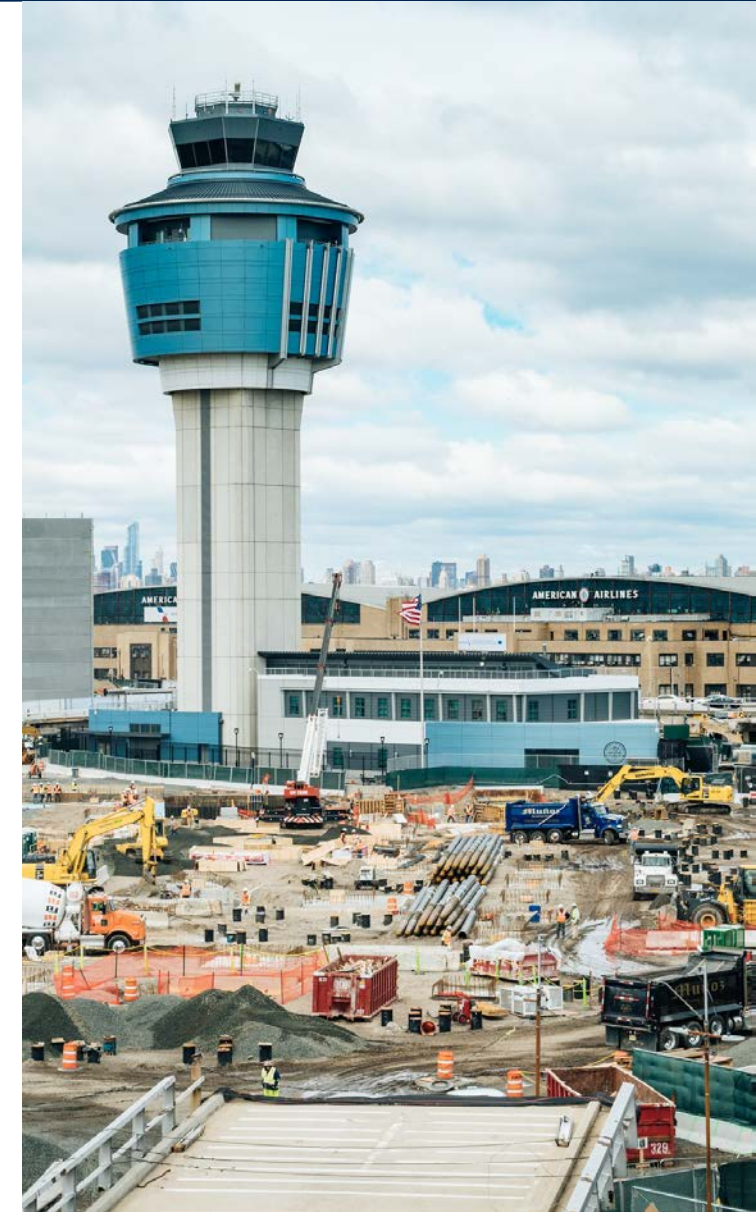
Commercial Property Development Leasing



Infrastructure Development

Income statement

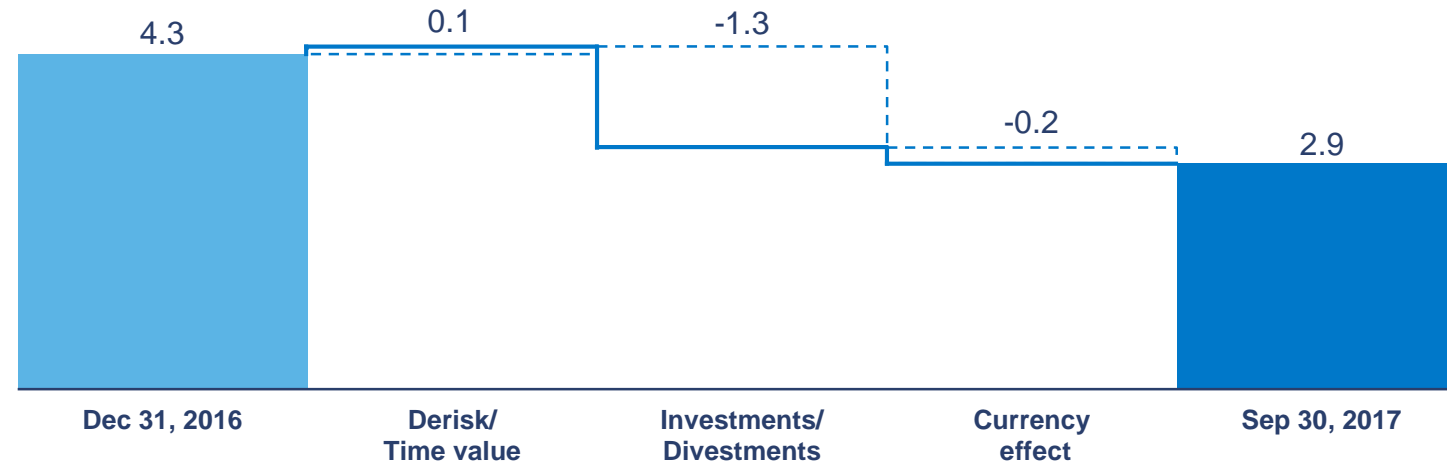
SEK M	Jan–Sep 2017	Jan–Sep 2016	Jan–Dec 2016
Revenue	59	202	237
Gross income	-80	55	56
Selling and administrative expenses	-97	-113	-147
Income from joint ventures	1,062	401	1,909
Operating income	885	343	1,818
of which gains from divestments of shares in projects	912	–	1,729



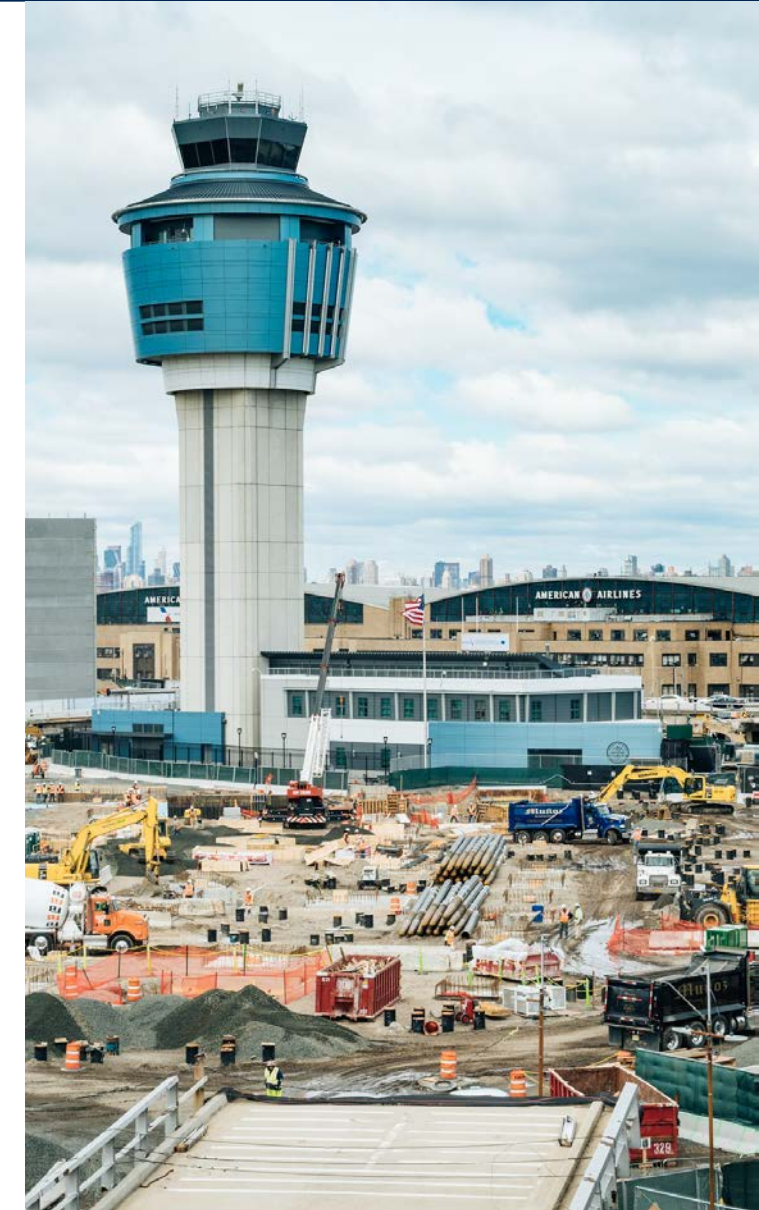
Infrastructure Development

Project portfolio

Net present value of projects, SEK bn



SEK bn	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Present value of cash flow from projects	3.8	6.5	5.2
Net present value of projects	2.9	5.7	4.3
Carrying amount	-2.6	-3.8	-2.9
Unrealized development gain	0.3	1.9	1.4
Cash flow hedge	0.6	2.1	0.6
Effect in unrealized Equity	0.9	4.0	2.0



Group

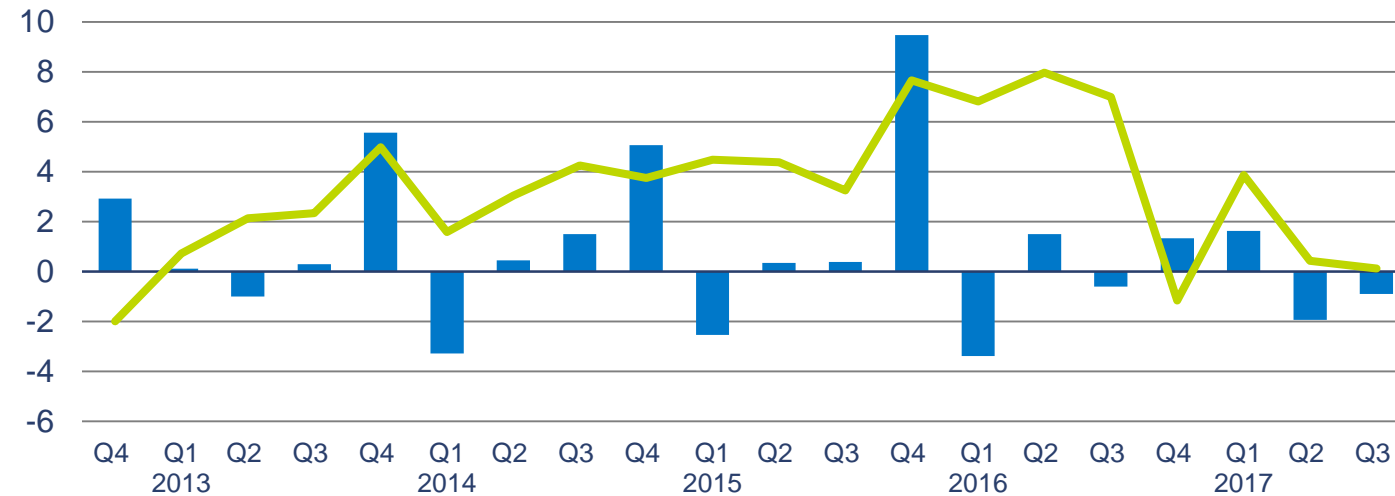
Income statement

SEK M	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016
Operating income from business streams	5,484	5,564	9,305
Central	-616	-709	-1,140
Eliminations	-102	44	34
Operating income	4,766	4,899	8,199
Net financial items	32	-58	-118
Income after financial items	4,798	4,841	8,081
Taxes	-452	-1,018	-1,555
Profit for the period	4,346	3,823	6,526
Earnings per share, SEK	10.58	9.30	15.89
Tax rate, %	9	21	19



Group Cash flow

SEK bn



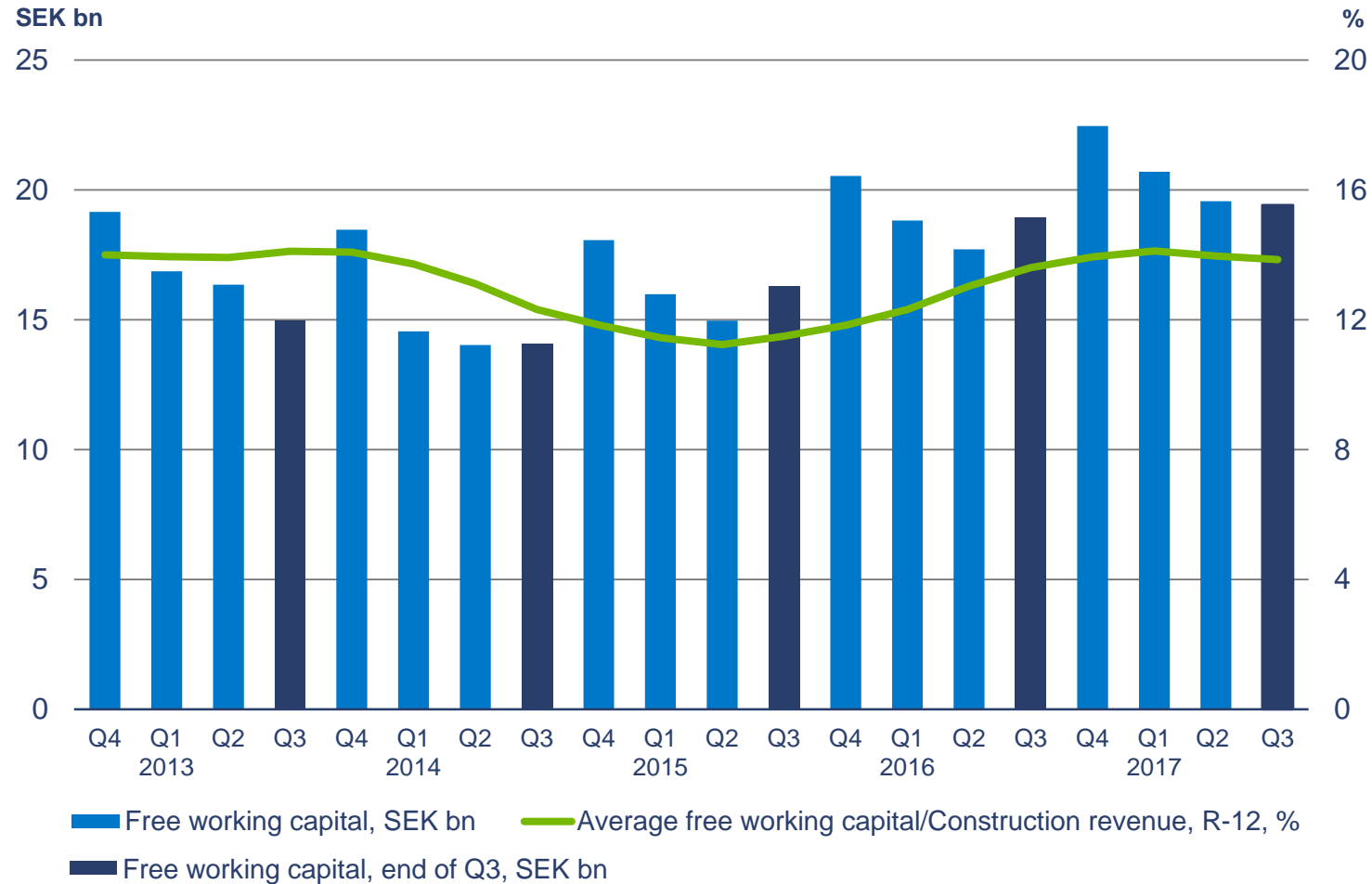
■ Cash flow from business operations, quarterly
— R-12

SEK bn	Jan–Sep 2017	Jan–Sep 2016	Jan–Dec 2016
Cash flow from operations	-1.2	-2.5	-1.2
Net strategic investments	–	0.3	0.9
Dividend etc.	-3.8	-3.7	-3.9
Cash flow before change in interest-bearing receivables and liabilities	-5.0	-5.9	-4.2



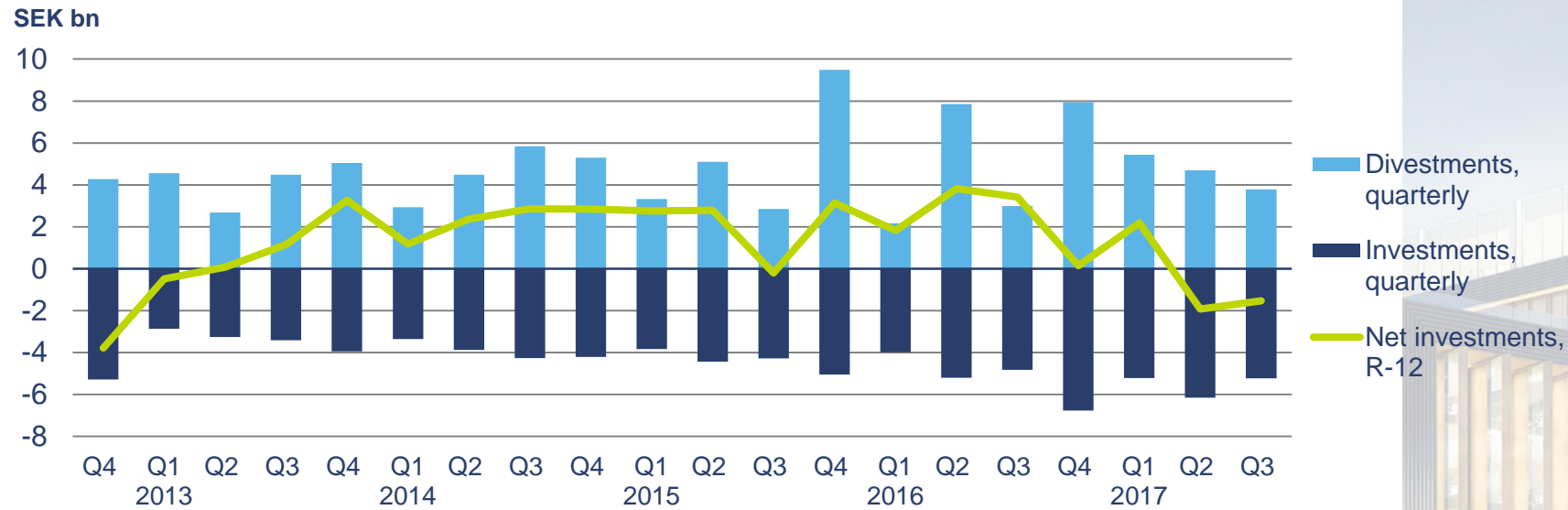
Construction

Free working capital



Group

Investments, divestments and capital employed

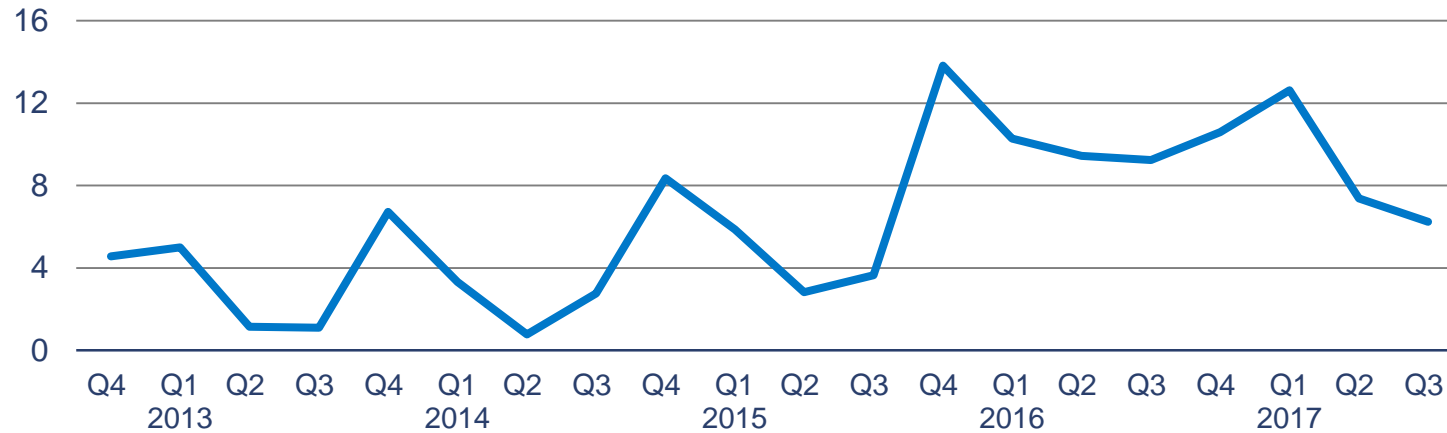


SEK bn	Sep 30 2017	Sep 30 2016	Dec 31 2016
Capital employed in:			
Residential Development	12.0	10.7	11.6
Commercial Property Development	23.6	18.5	19.9
Infrastructure Development	2.2	2.1	5.4
Total in Project Development	37.8	31.3	37.0



Group Financial position

Operating net financial assets/liabilities, SEK bn



SEK bn	Sep 30 2017	Sep 30 2016	Dec 31 2016
Total assets	107.4	99.0	106.5
Equity attributable to equity holders	25.3	21.2	27.5
Interest-bearing net receivables (+)/net debt (-)	-5.6	-3.2	1.2
Operating net financial assets/liabilities	6.2	9.2	10.6
Capital employed, closing balance	42.6	38.7	42.6
Equity/assets ratio, %	23.6	21.4	25.8



Market outlook

Construction

Continued positive overall market outlook

➤ Nordics

- 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 stable

➤ Europe

- Poland building market stable, Brexit continues to impact UK non-residential
- Stable civil market in UK and Poland
- Weaker building and civil market in Czech Republic

➤ USA

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



George Washington Bridge, New York, USA

Market outlook

Residential Development

General

- Challenge to acquire land in all home markets
- Signs of a more normalized market in Sweden

Nordics

- Sweden strong
- Norway mixed
- Finland stable

Europe

- Increasing prices and high volumes in Central Europe



Kruunuvuorenranta, Helsinki, Finland

Market outlook

Commercial Property Development

General

- Tenants and investors:
Strong demand, vacancy rates low



Nordics

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



Europe

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



USA

- Strong investor appetite and good tenant demand



Market outlook

Infrastructure Development

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



New Karolinska Solna, Stockholm, Sweden

