

Six month report 2018

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ESS, European
Spallation Source
Lund
Sweden



Six month report 2018

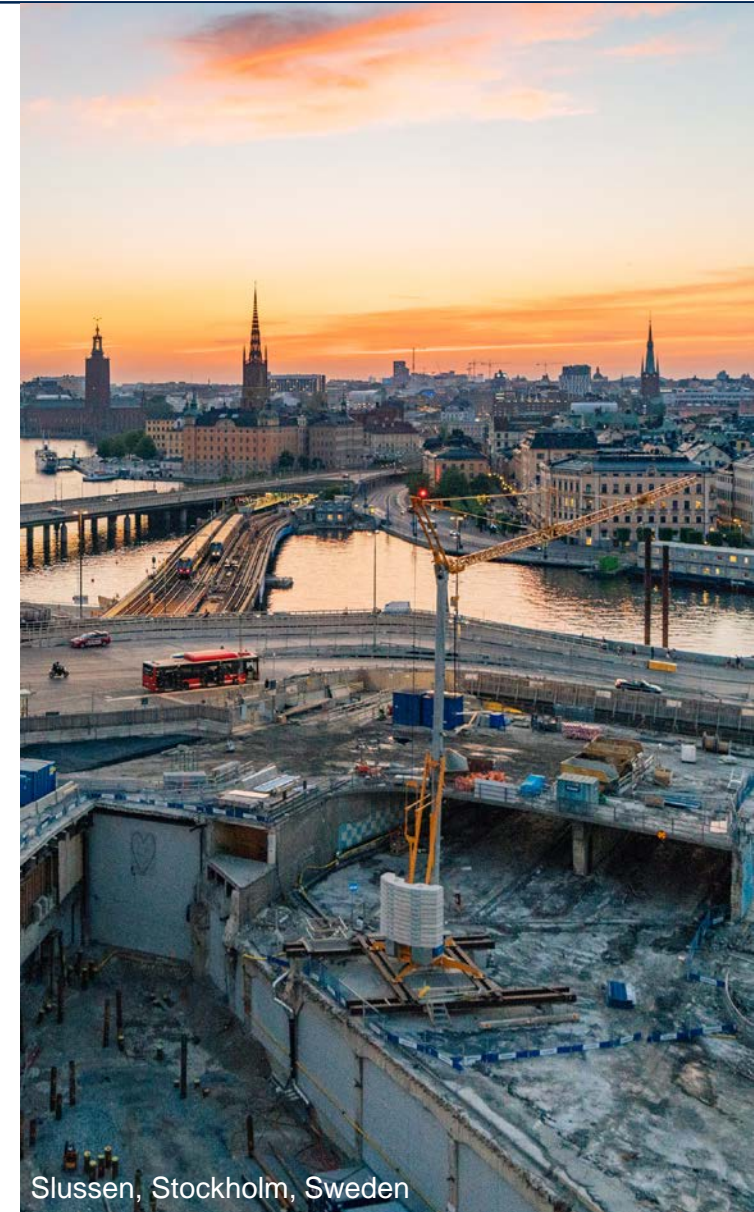
- Operating income SEK 1.9 bn (3.3 bn)
 - Write downs in US Construction SEK 520 M in Q2
 - Nordic Construction remains strong and stable
 - Continued slow residential markets in Sweden and Norway
 - High levels of divestment and project starts in Commercial Development
- Strategic initiatives progressing well
- Strong financial position maintained



K1 Knightsbridge, London, UK

Construction

- Revenue SEK 75.1 bn (70.8)
- Order bookings SEK 71.9 bn (84.5)
 - Book-to-build 90% R-12
 - Order backlog SEK 197.6 bn (202.2)
 - More disciplined bidding
- Operating income SEK 541 M (508)
 - Operating margin 0.7% (0.7)
 - Nordics strong and stable
 - Project write-downs in US during Q2



Slussen, Stockholm, Sweden

Residential Development

- Revenue SEK 4.2 bn (8.1)
 - 1,494 (2,369) homes sold
 - 1,961 (2,141) homes started
- Operating income SEK 618 M (1,103)
 - Operating margin 14.8% (13.7)
- ROCE 10.2% (19.3)
- Sales pace in Sweden and Norway still down from very high levels, long-term housing needs remain
- Continue to grow the business long-term
- Well positioned to pursue market opportunities



Älvängen, Ale, Sweden

Commercial Property Development

- Operating income SEK 1,332 M (1,257)
 - Gain on sale SEK 1.8 bn (1.6)
- ROCE 16.6% (12.2)
- 48 ongoing projects
 - SEK 31.8 bn in investment value upon completion
 - 45% occupancy rate
 - 52% completion rate
 - 12 projects started
- 428,000 sq m leased (407,000) R-12
- Strong interest from tenants and investors
- Continue to grow the business



Drydock, Boston Seaport, Boston, USA

Infrastructure Development

- Operating income SEK -75 M (910)
- Comparable period includes SEK 0.9 bn divestment gain from A1 motorway in Poland
- Project portfolio's net present value increased to SEK 3.5 bn (3.1), surplus value 1.2 bn (1.1)
- ROCE 13.1% (31.1)
- Reached financial close on Norway's Rv 3 PPP project

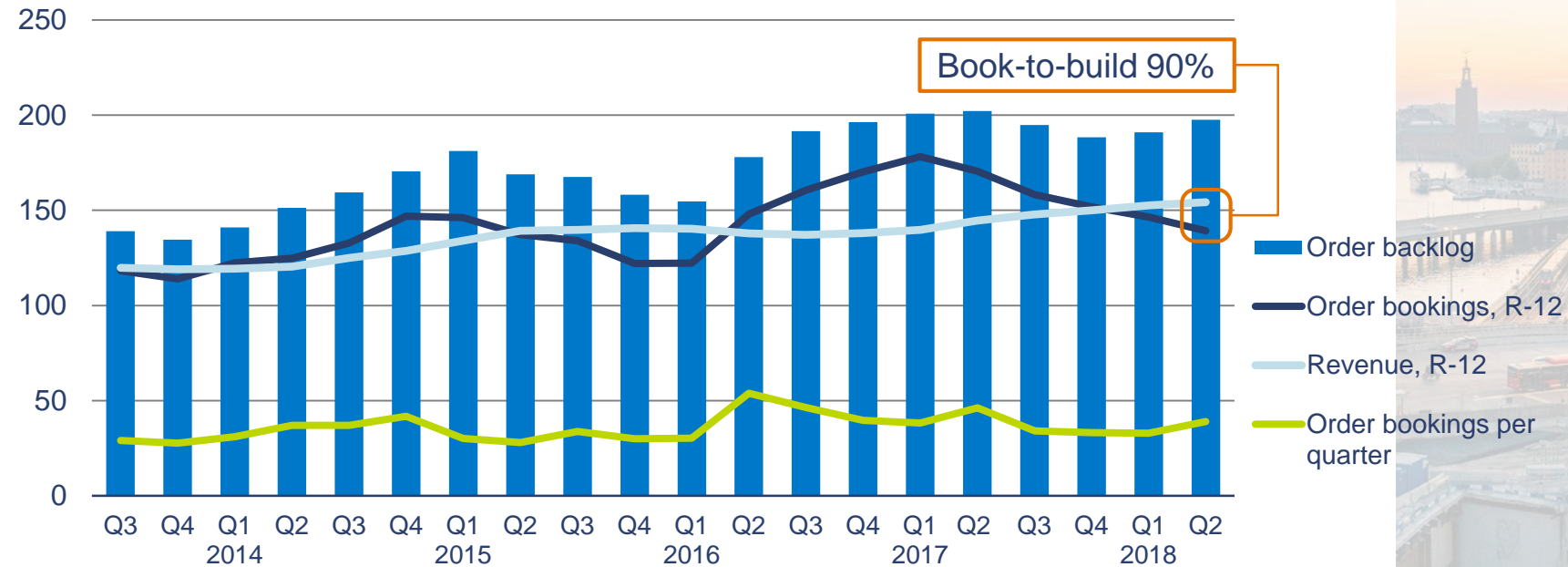


Elizabeth River Tunnels, Virginia, USA

Construction

Order situation

SEK bn



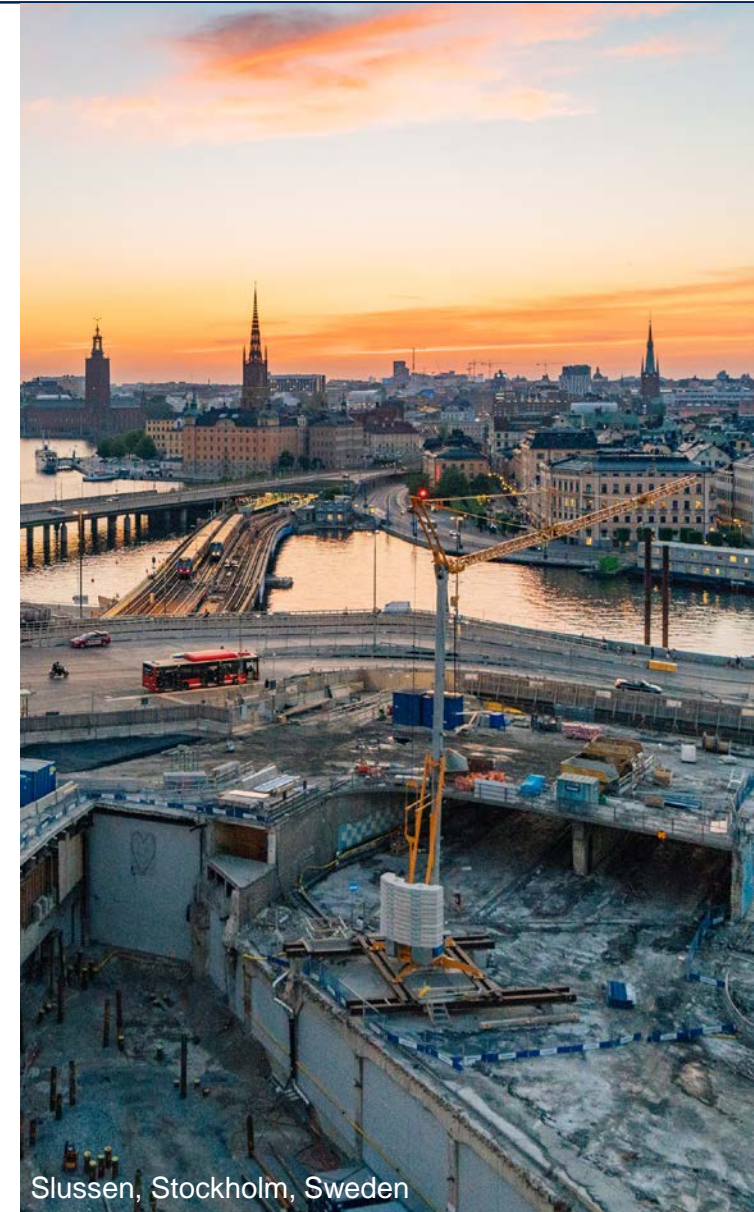
SEK bn	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
Revenue	75.1	70.8	150.1
Order bookings	71.9	84.5	151.8
Order backlog	197.6	202.2	188.4

Slussen, Stockholm, Sweden

Construction

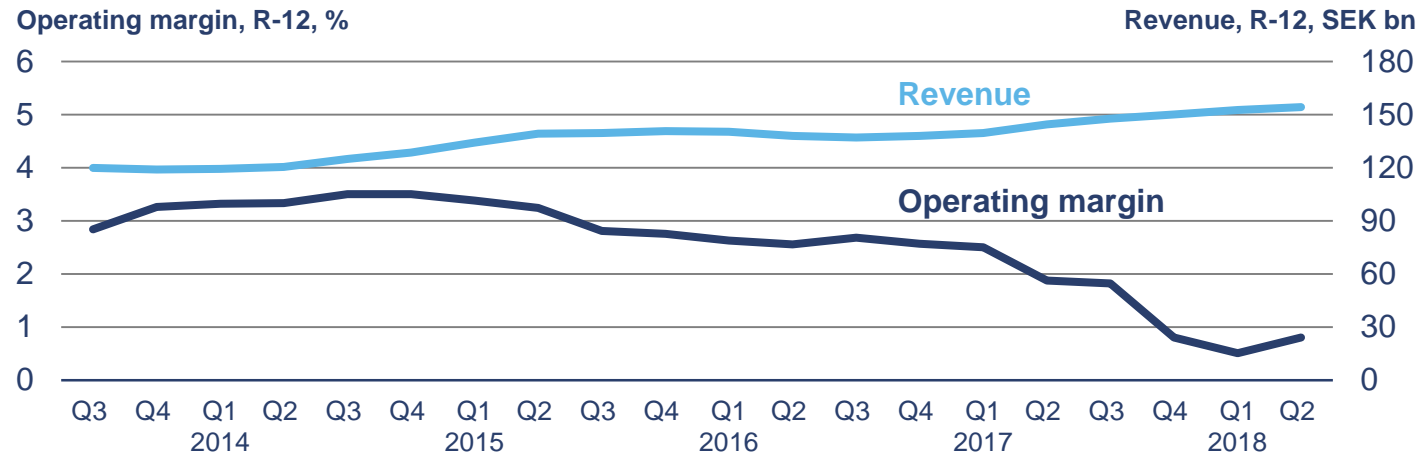
Order bookings

SEK bn	Jan-Jun 2018	Jan-Jun 2017	Book- to-build, R-12, %	Months of production
Nordics	32.8	31.8	101	13
of which Sweden	16.0	17.8	93	12
Europe	16.3	16.0	96	14
USA	22.8	36.7	78	17
Total	71.9	84.5	90	15

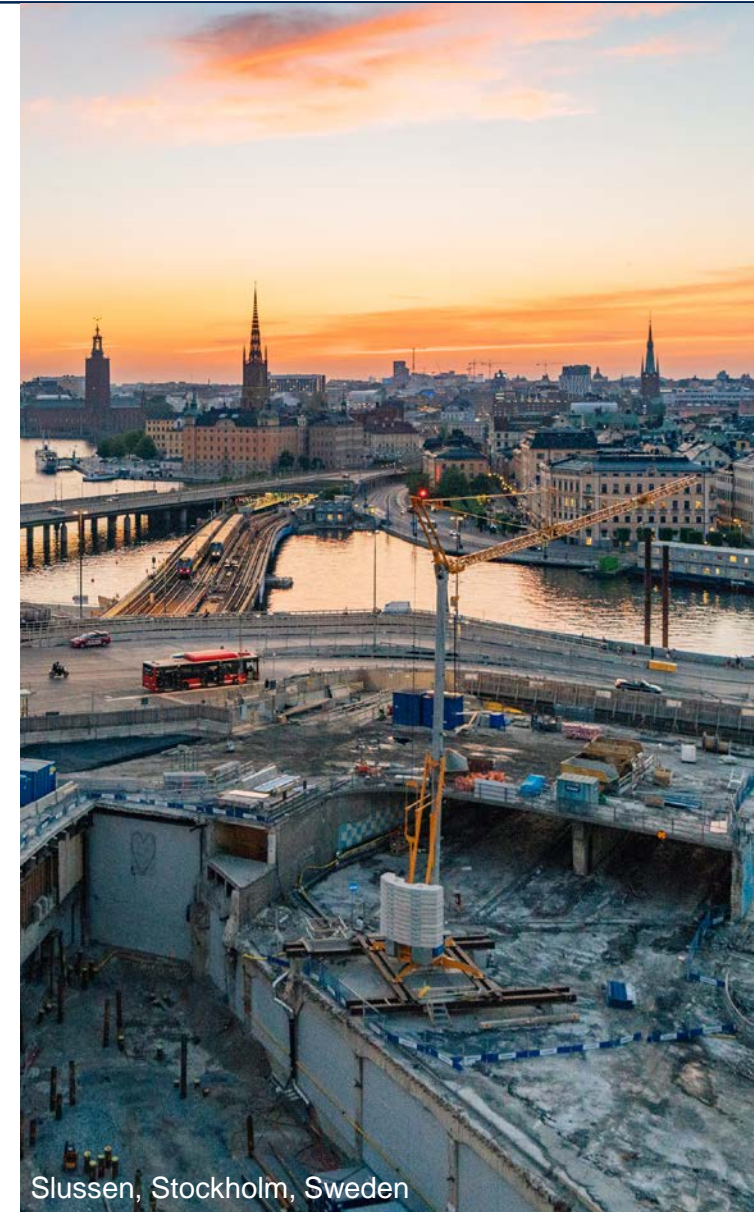


Construction

Income statement



SEK bn	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Revenue	75.1	70.8	150.1
Gross income	3.9	3.9	8.3
Selling and administrative expenses	-3.4	-3.4	-7.1
Operating income	0.5	0.5	1.2
Gross margin, %	5.2	5.5	5.5
Selling and administrative expenses, %	-4.5	-4.7	-4.8
Operating margin, %	0.7	0.7	0.8

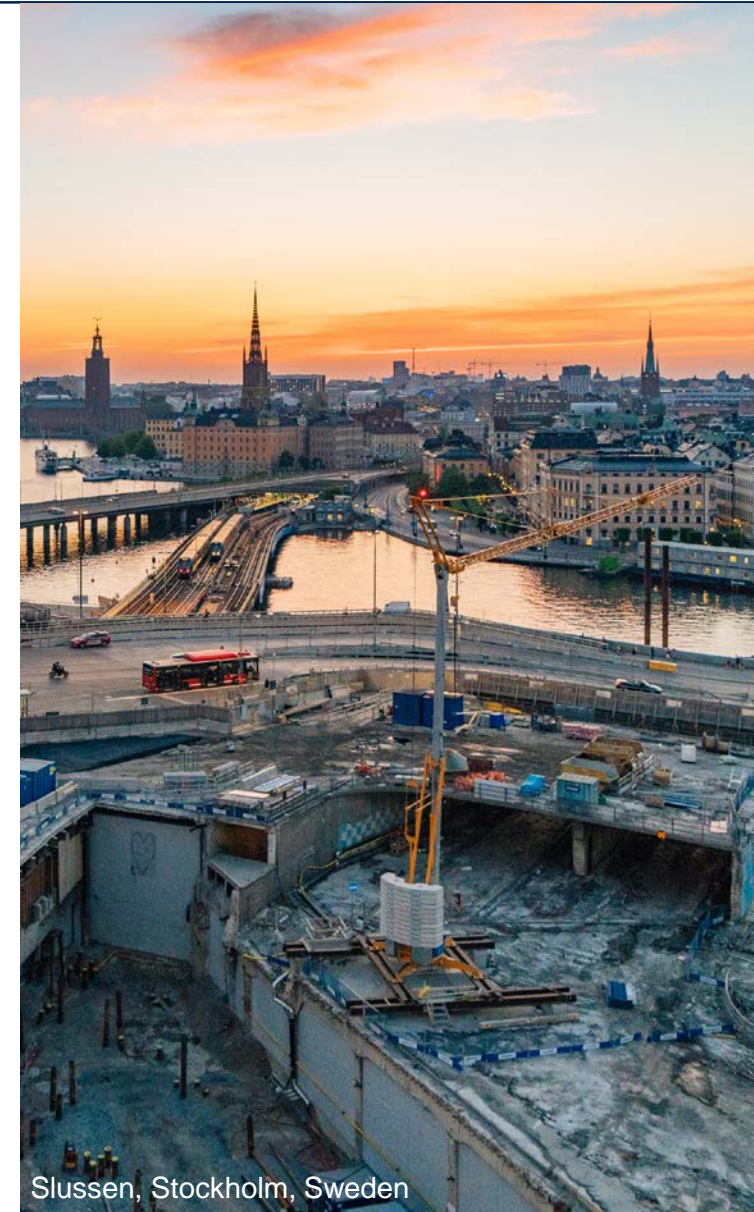


Slussen, Stockholm, Sweden

Construction

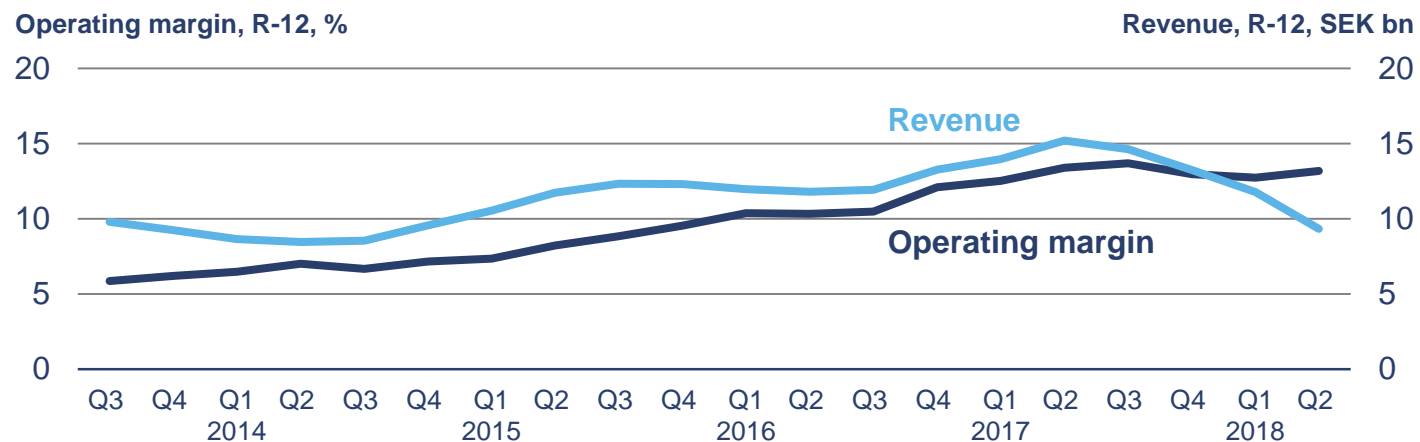
Income statement

	Operating income, SEK M		Operating margin, %	
	Jan-Jun 2018	Jan-Jun 2017	Jan-Jun 2018	Jan-Jun 2017
Nordics	1,034	921	3.9	3.5
of which Sweden	739	620	4.6	3.9
Europe	-715	-451	neg	neg
USA	222	38	0.7	0.1
Total	541	508	0.7	0.7



Residential Development

Income statement, segment reporting



SEK M	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Revenue	4,166	8,068	13,237
Gross income	968	1,431	2,382
Selling and administrative expenses	-350	-328	-666
Operating income	618	1,103	1,716
Gross margin, %	23.2	17.7	18.0
Selling and administrative expenses, %	-8.4	-4.1	-5.0
Operating margin, %	14.8	13.7	13.0



Älvängen, Ale, Sweden

Residential Development

Income statement

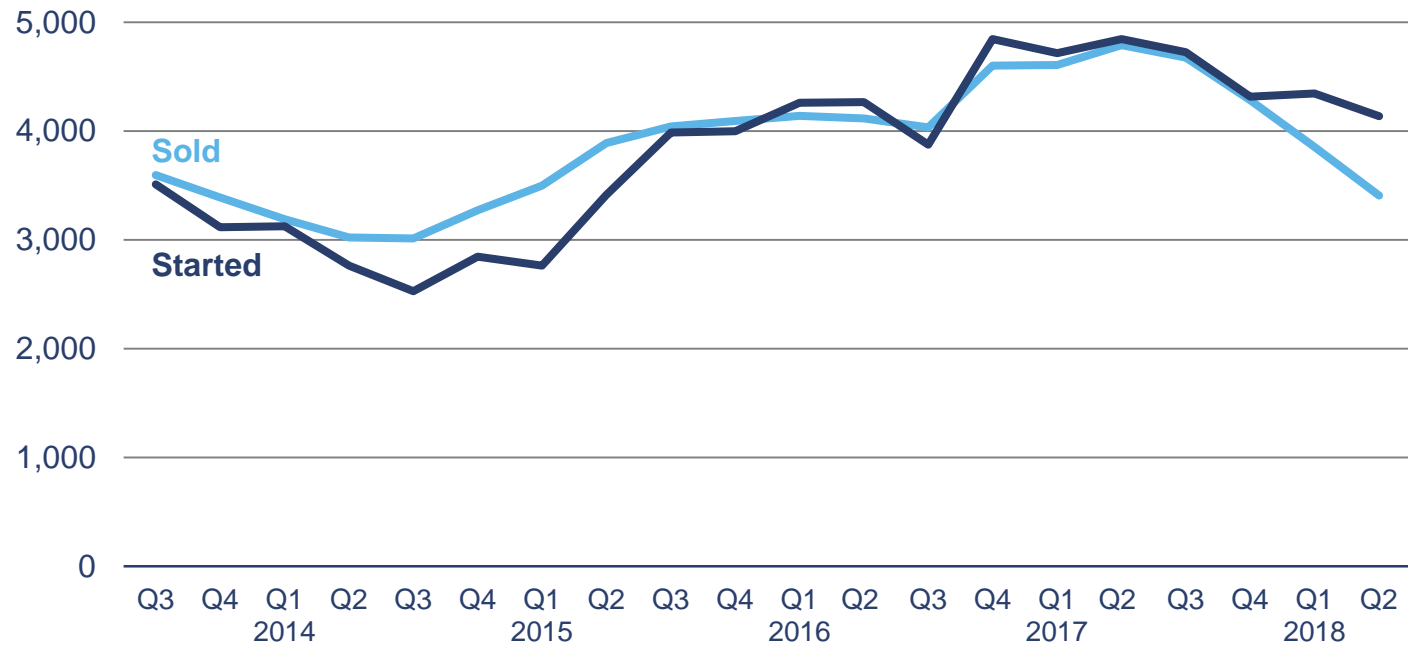
	Operating income, SEK M		Operating margin, %	
	Jan–Jun 2018	Jan–Jun 2017	Jan–Jun 2018	Jan–Jun 2017
Nordics	548	1,054	14.9	13.7
of which Sweden	340	702	17.8	16.1
Europe	70	49	14.5	13.2
Total	618	1,103	14.8	13.7



Residential Development

Homes started and sold

Homes, R-12



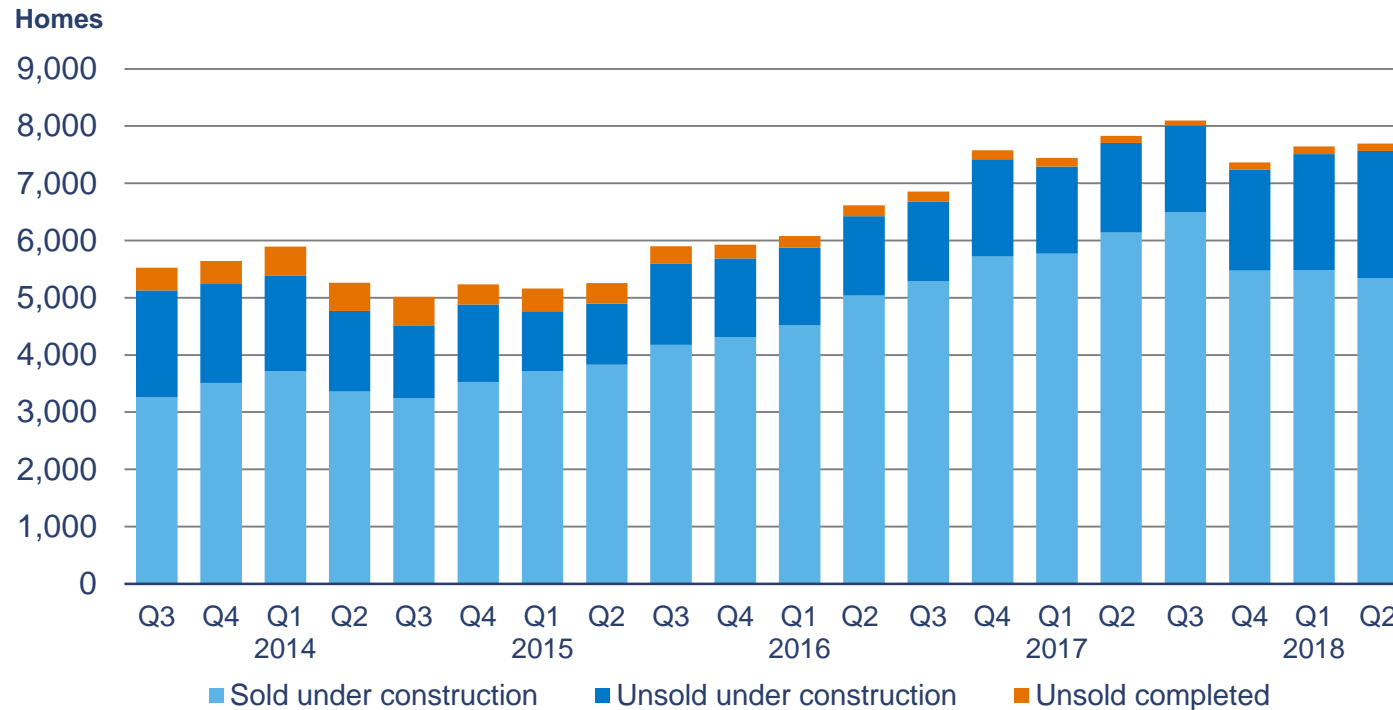
Homes started			Homes sold		
Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
1,961	2,141	4,318	1,494	2,369	4,285



Älvängen, Ale, Sweden

Residential Development

Homes in production



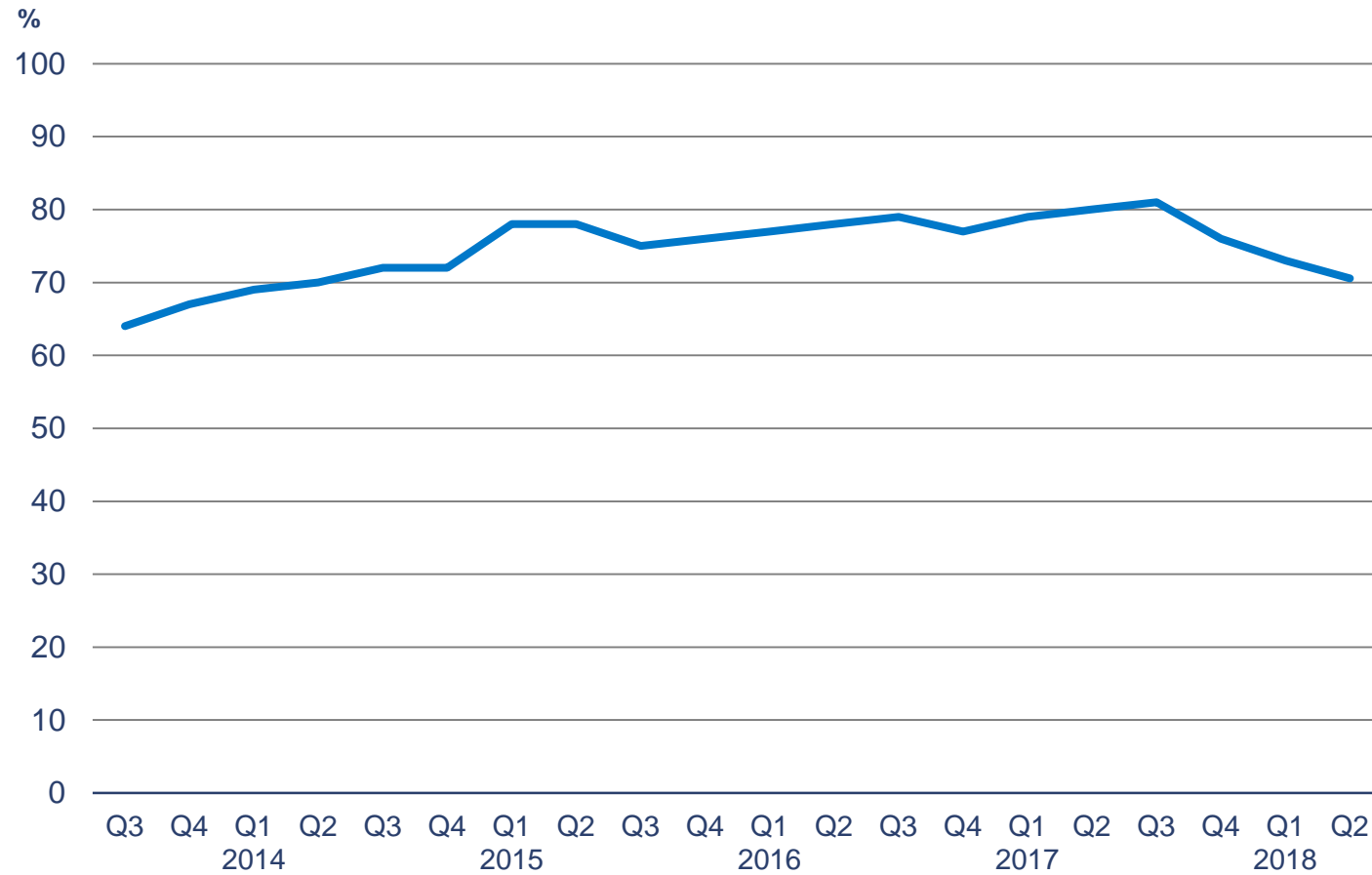
Homes in production		Of which sold, %		Unsold completed homes	
Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
7,564	7,705	71	80	133	122



Älvängen, Ale, Sweden

Residential Development

Homes in production, sales rate



Älvängen, Ale, Sweden

Commercial Property Development

Income statement, segment reporting

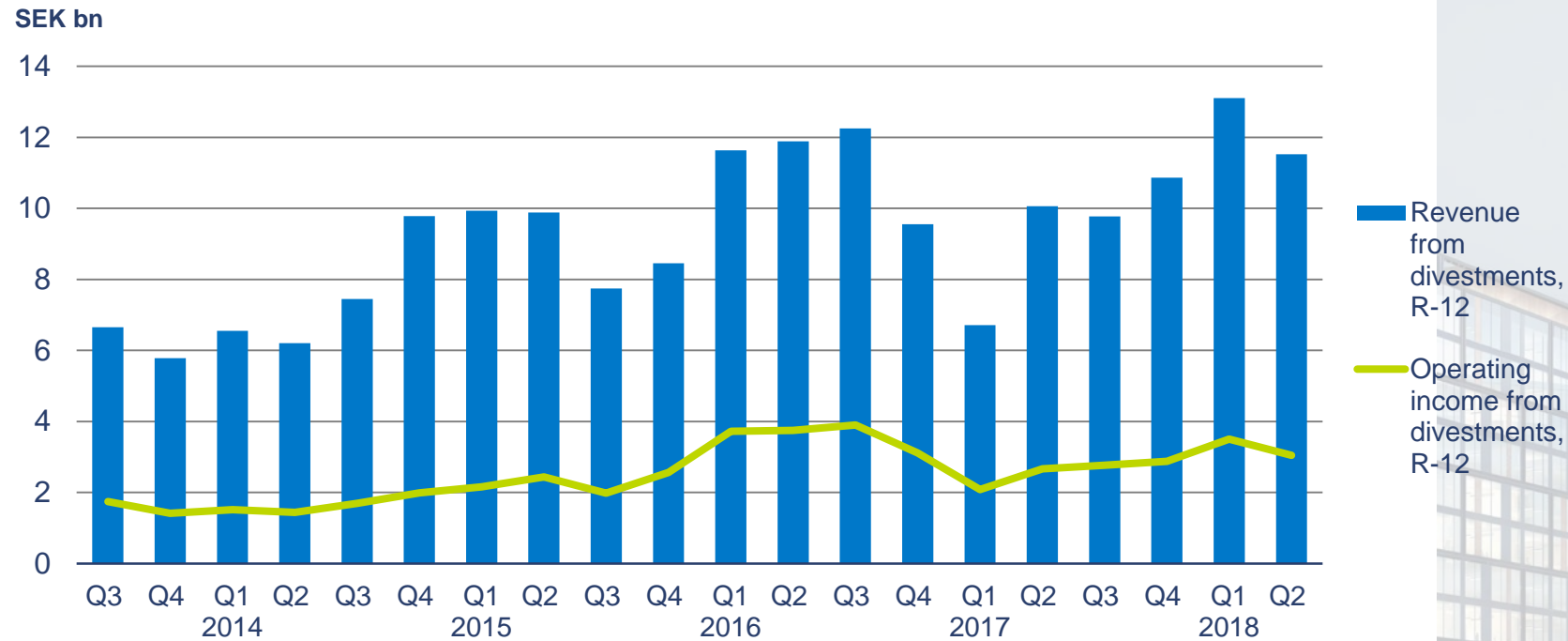
SEK M	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Revenue	7,310	6,681	11,440
Gross income	1,802	1,684	2,989
Selling and administrative expenses	-421	-425	-899
Income from joint ventures and associated companies	-49	-2	624
Operating income	1,332	1,257	2,714
of which gain from divestments of properties ¹	1,757	1,595	2,879
of which write downs/reversal of write downs	-3	-7	-6
¹ Additional gain included in eliminations	133	75	197



Drydock, Boston Seaport, Boston, USA

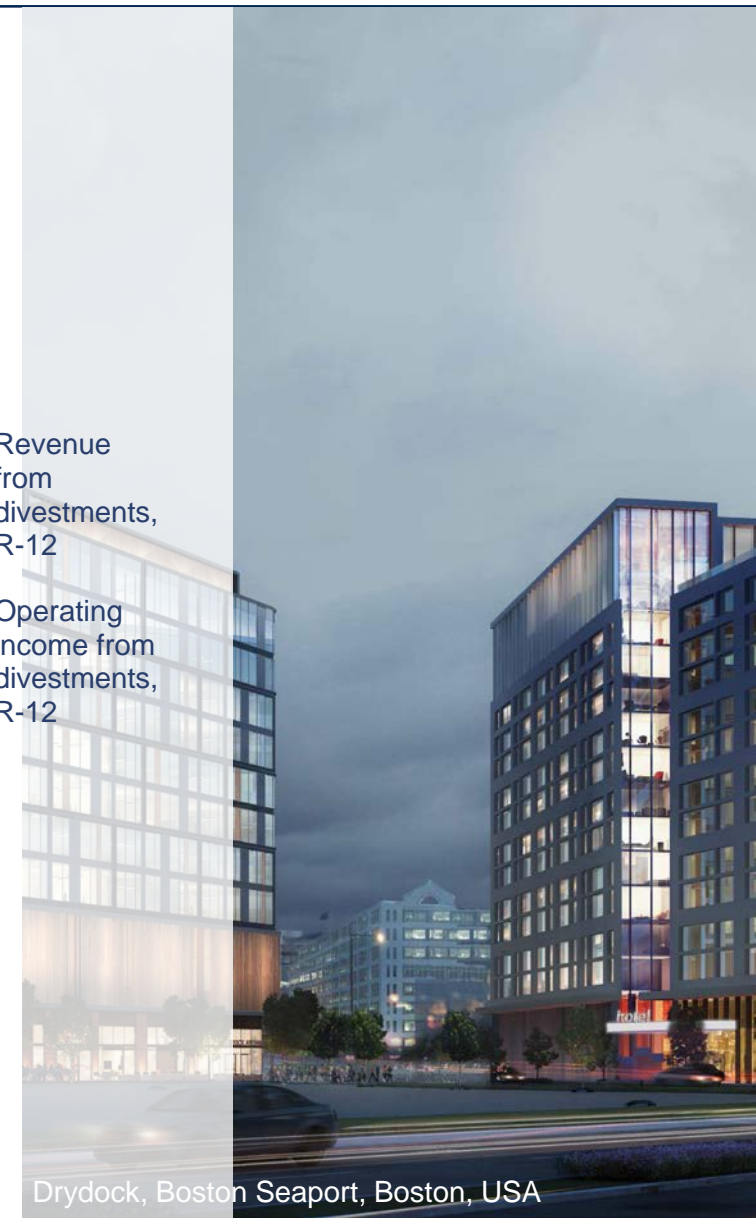
Commercial Property Development

Divestments, segment reporting



Sale of commercial properties

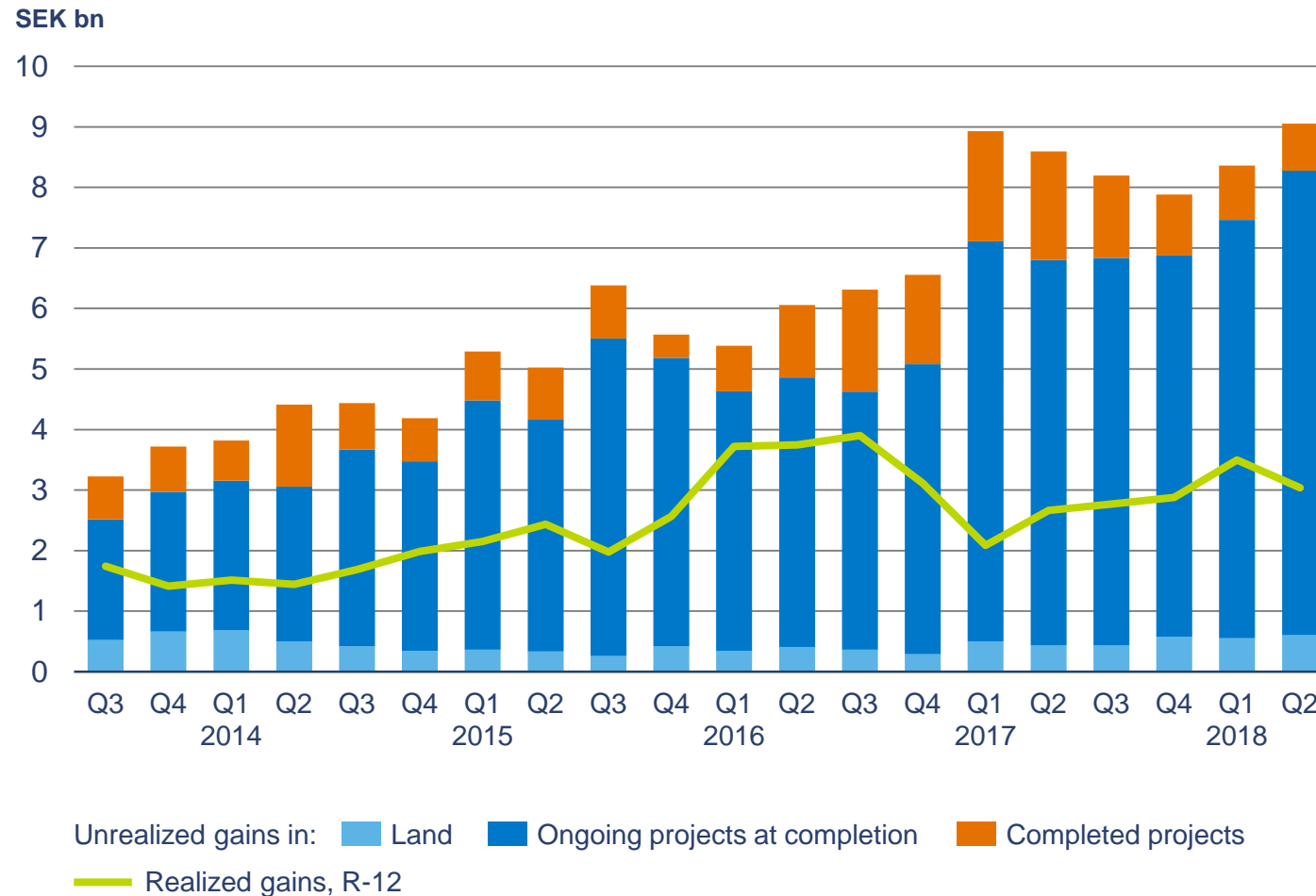
SEK M	Sales price	Capital gain
Year-to-date	7,020	1,757



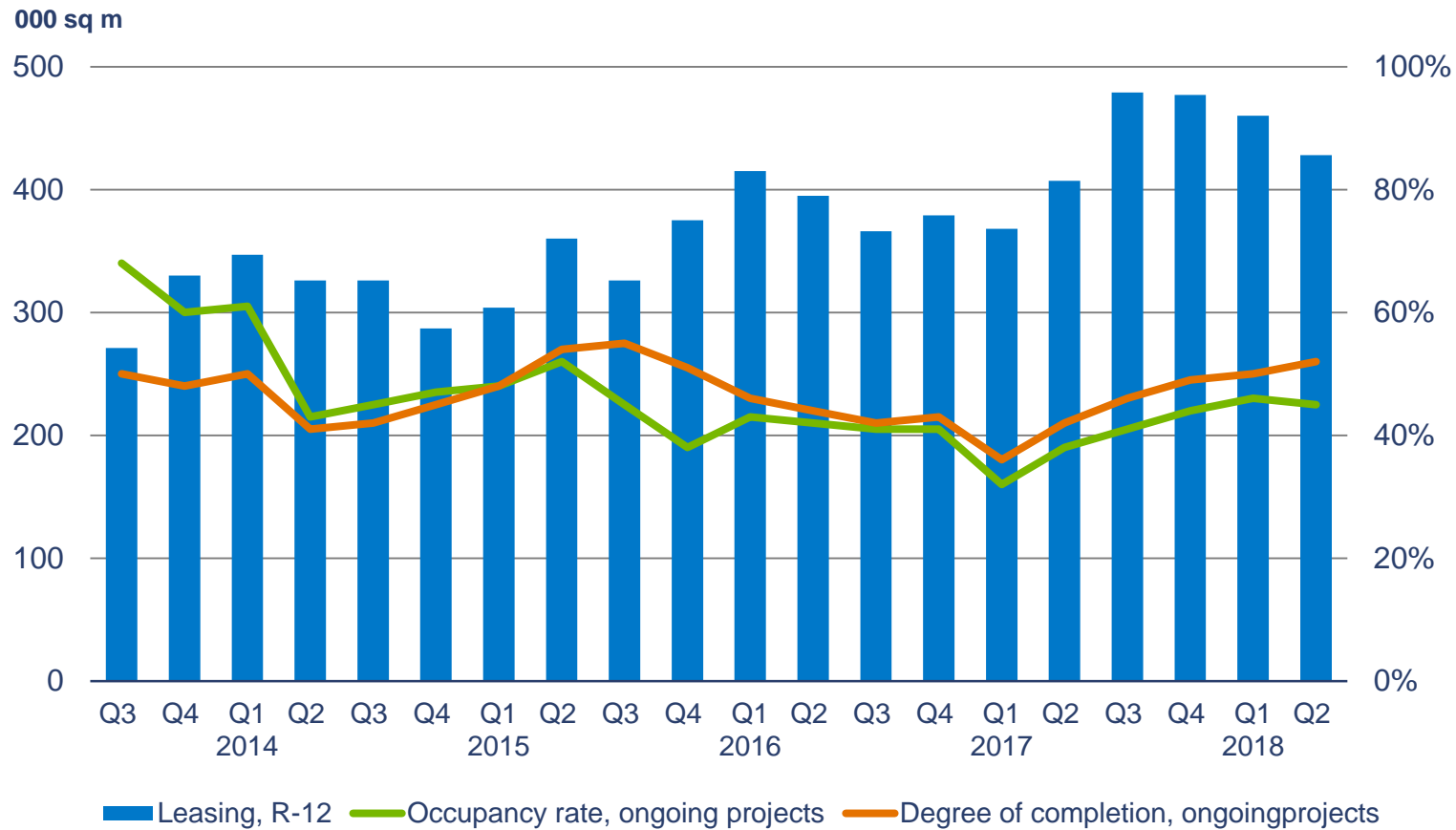
Drydock, Boston Seaport, Boston, USA

Commercial Property Development

Unrealized and realized gains, segment reporting



Commercial Property Development Leasing



Drydock, Boston Seaport, Boston, USA

Infrastructure Development

Income statement

SEK M	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Revenue	34	39	81
Gross income	-63	-56	-96
Selling and administrative expenses	-100	-69	-121
Income from joint ventures	88	1,035	1,142
Operating income	-75	910	925
of which gains from divestments of shares in projects	23	913	985

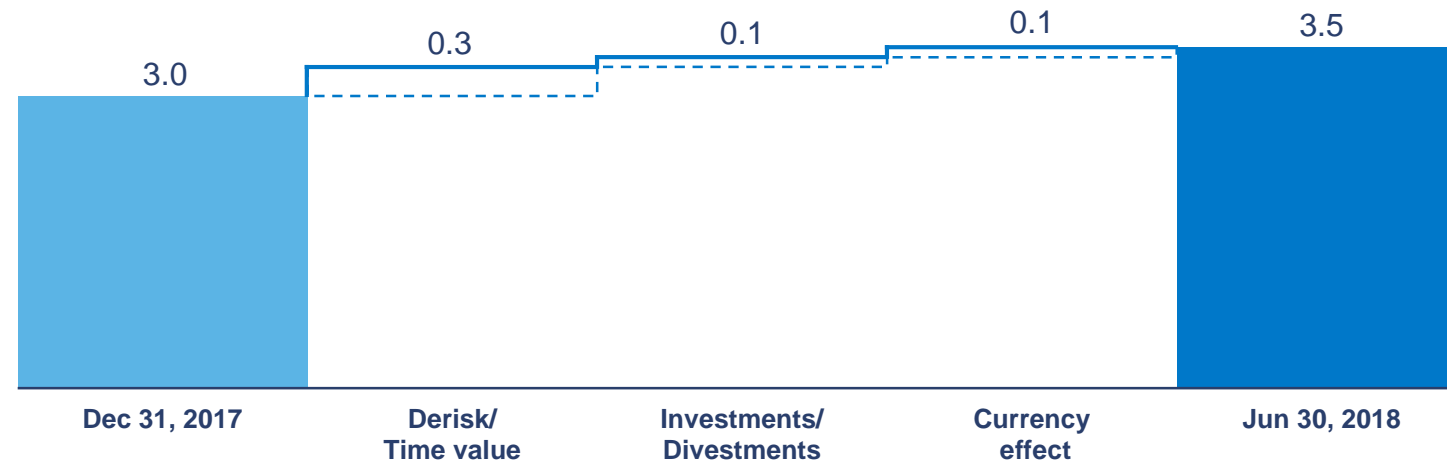


Elizabeth River Tunnels, Virginia, USA

Infrastructure Development

Project portfolio

Net present value of projects, SEK bn



SEK bn	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
Present value of cash flow from projects	4.5	4.0	3.8
Net present value of projects	3.5	3.1	3.0
Carrying amount	-2.6	-2.6	-2.5
Unrealized development gain	0.9	0.5	0.5
Cash flow hedge	0.3	0.6	0.6
Effect in unrealized Equity	1.2	1.1	1.1



Elizabeth River Tunnels, Virginia, USA

Group

Income statement

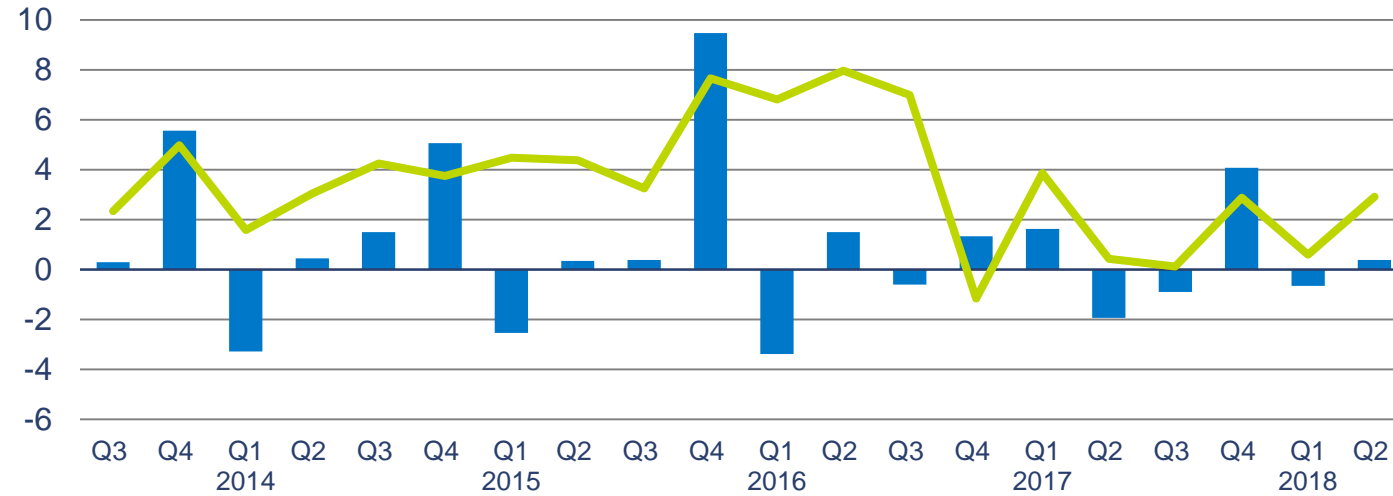
SEK M	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Operating income from business streams	2,416	3,778	6,560
Central	-454	-417	-944
Eliminations	-25	-61	-112
Operating income	1,937	3,300	5,504
Net financial items	9	30	45
Income after financial items	1,946	3,330	5,549
Taxes	-348	-313	-615
Profit for the period	1,598	3,017	4,934
Earnings per share, SEK	3.89	7.35	12.01
Tax rate, %	18	9	11



K1 Knightsbridge, London, UK

Group Cash flow

SEK bn



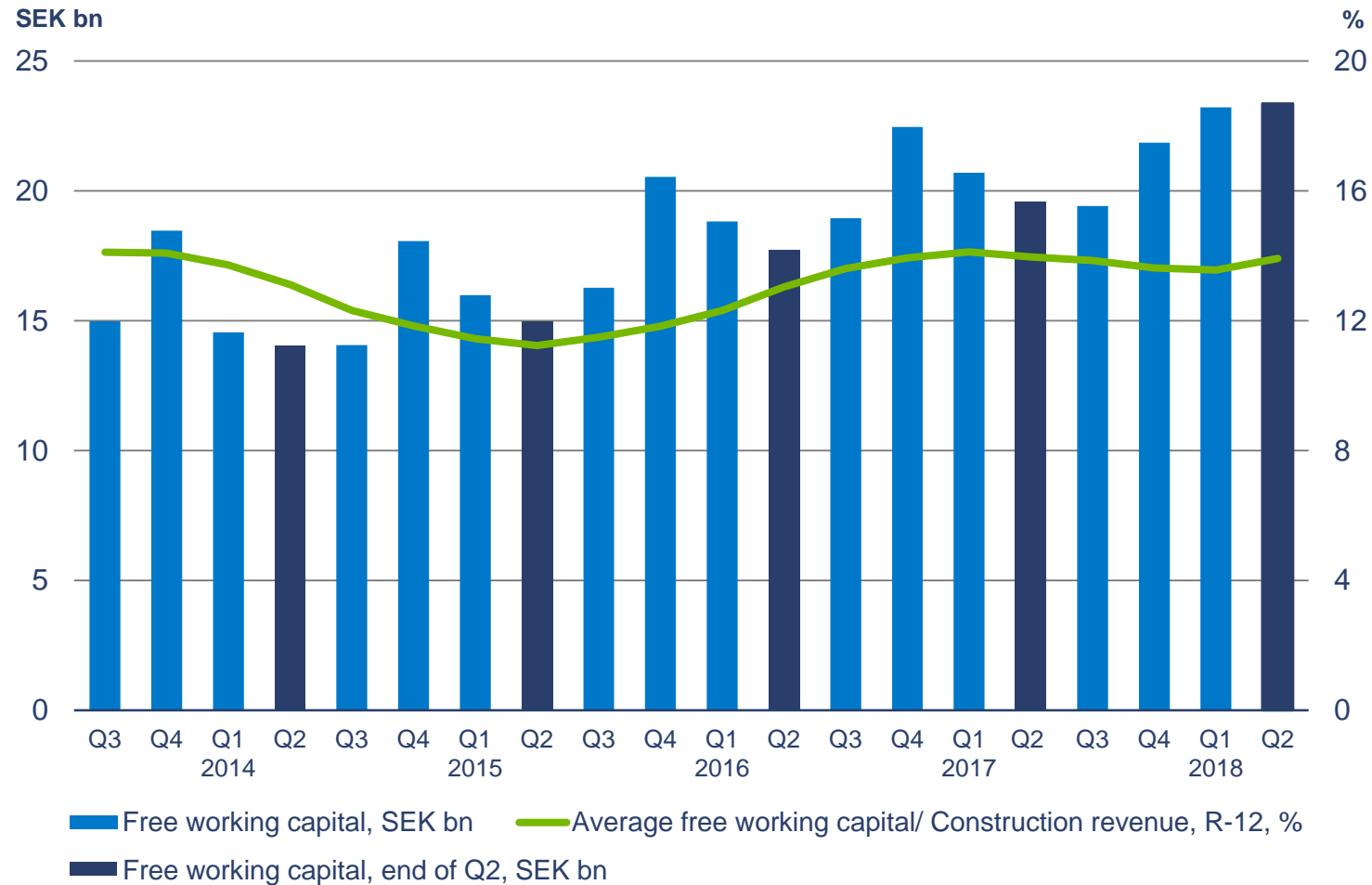
■ Cash flow from business operations, quarterly
— R-12

SEK bn	Jan–Jun 2018	Jan–Jun 2017	Jan–Dec 2017
Cash flow from operations	-0.3	-0.3	2.9
Net strategic investments	–	–	–
Dividend etc.	-3.5	-3.5	-3.9
Cash flow before change in interest-bearing receivables and liabilities	-3.7	-3.8	-1.0

K1 Knightsbridge, London, UK

Construction

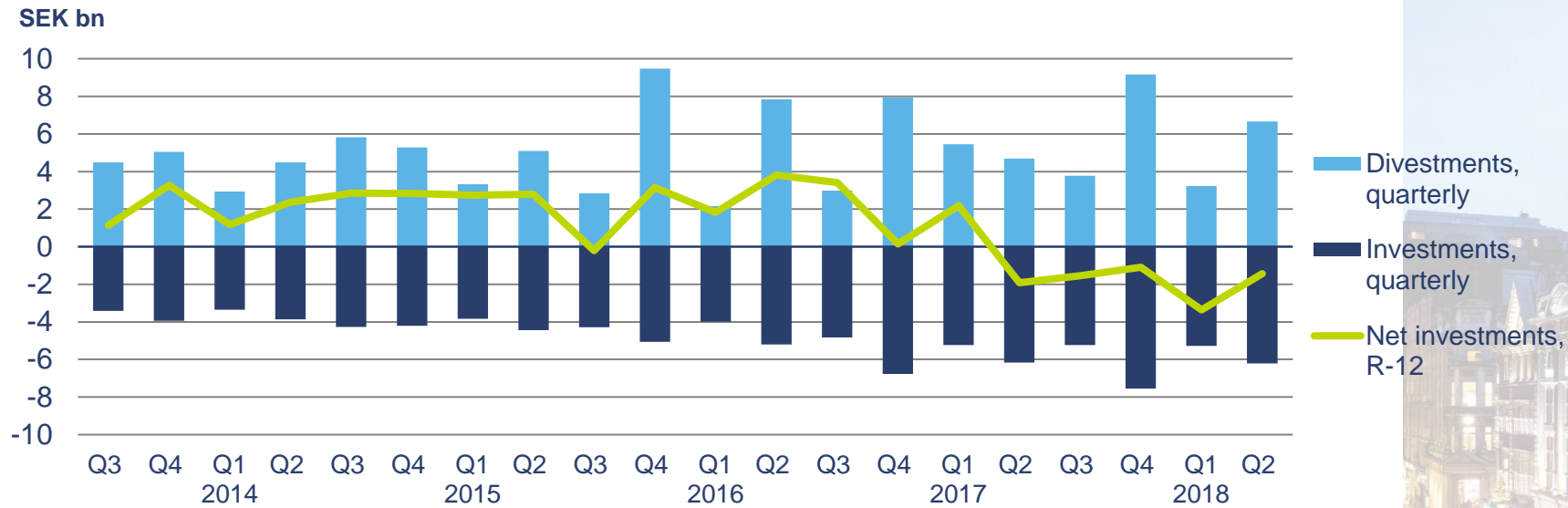
Free working capital



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Group

Investments, divestments and capital employed



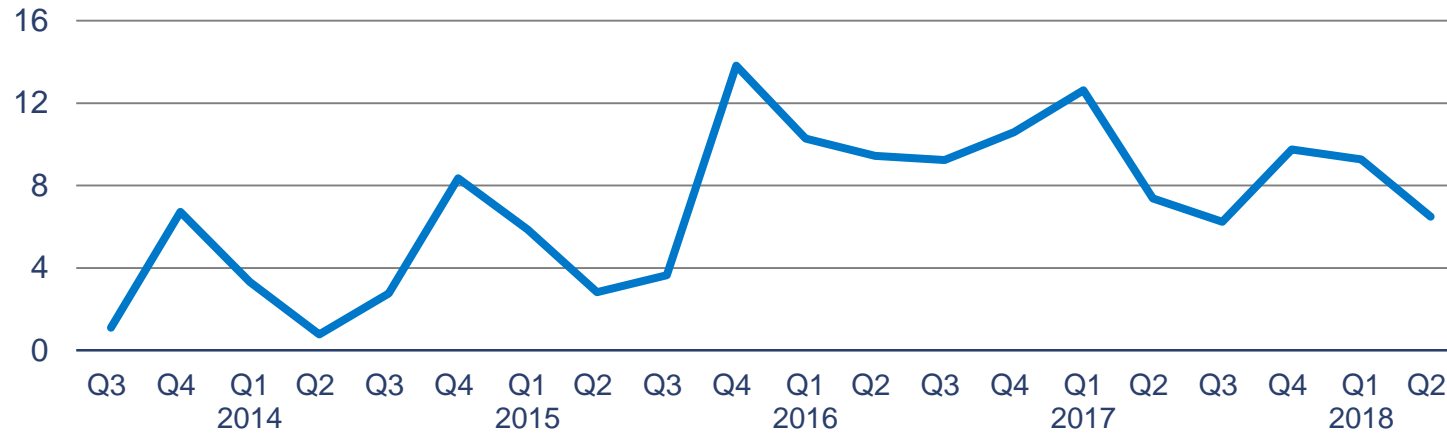
SEK bn	June 30 2018	June 30 2017	Dec 31 2017
Capital employed in:			
Residential Development	14.1	11.7	12.7
Commercial Property Development	26.7	22.0	24.5
Infrastructure Development	2.2	2.2	1.8
Total in Project Development	43.0	35.9	38.9



K1 Knightsbridge, London, UK

Group Financial position

Operating net financial assets/liabilities, SEK bn



SEK bn	Jun 30 2018	Jun 30 2017	Dec 31 2017
Total assets	116.0	106.1	109.4
Equity attributable to equity holders	27.2	24.4	27.2
Interest-bearing net receivables (+)/net debt (-)	-4.0	-4.3	-1.1
Operating net financial assets/liabilities	6.5	7.4	9.7
Capital employed, closing balance	44.5	41.6	44.1
Equity/assets ratio, %	23.4	23.0	24.8



K1 Knightsbridge, London, UK

Market outlook

Construction



Nordics

- Mixed building market in Sweden
- Stable building market 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 the UK non-residential market
- Stable civil market in the UK and Poland, weak in Czech Republic
- Rapid cost escalation in Poland and Czech Republic



USA

- The US continues to be a good market, but with fierce competition



Acute care hospital building, Hollywood, US

Market outlook

Residential Development



Nordics

- Continued uncertainty in Sweden and Norway
- Slow sales pace in Stockholm
- Finland steadily improving



Europe

- Robust market in Central Europe



Lappeenrannan Loiste, Lappeenranta, 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



2+U, Seattle, USA

Market outlook

Infrastructure Development

- ➔ All countries
 - Good market for PPPs in the US, but competition is considerable
 - Thin pipeline in the other markets



Inauguration of New Karolinska Solna, Stockholm, Sweden

