

Six month report 2019

**We build
for a better
society.**

Sthlm 01,
Stockholm,
Sweden



Six month report 2019

- Strong second quarter
 - Profitability in Construction continues to improve
 - Maintaining good profitability in Residential Development despite a challenging market
 - Very strong performance in Commercial Property Development
- Operating margin in Construction 2.0% (0.7), YTD
- ROCE in Project Development 10.9% (11.1), R-12
- Return on Equity 17.4% (13.2), R-12
- Slightly weaker but still supportive market outlook



Construction

- Revenue SEK 76.2 bn (75.1)
- Order bookings SEK 61.9 bn (71.9)
 - Book-to-build 89%, R-12
 - Order backlog SEK 184.0 bn (Mar 31, 2019: 190.1)
- Operating income SEK 1,553 M (541)
 - Operating margin 2.0% (0.7)
- Profitability improving
- Reducing risks in backlog



Residential Development

- Revenue SEK 4.8 bn (4.2)
 - 1,585 (1,494) homes sold
 - 1,140 (1,961) homes started
- Operating income SEK 594 M (618)
 - Operating margin 12.4% (14.8)
- ROCE 11.6% (10.2), R-12
- Swedish market remains slow
- Adapting starts to sales pace
- Inefficient zoning processes



BoKlok, Jordbro, Sweden

Commercial Property Development

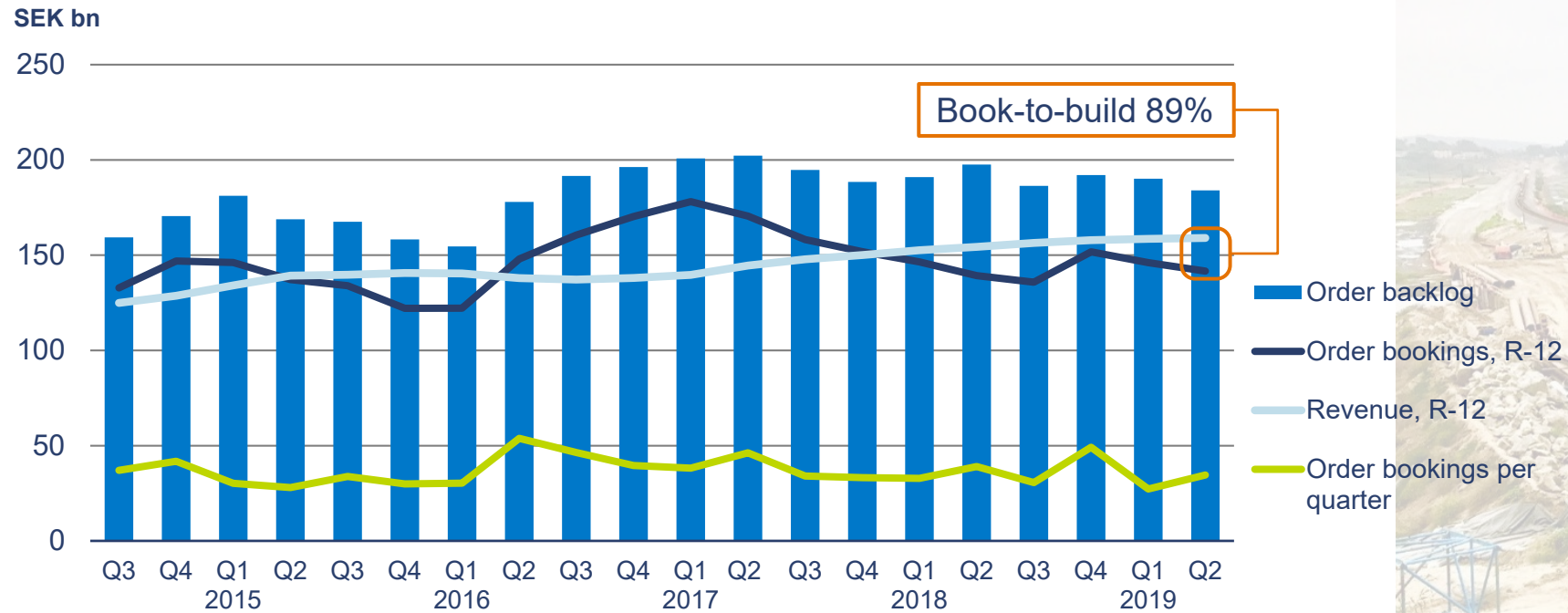
- Operating income SEK 1,155 M (1,332)
 - Gain on sale SEK 1,661 M (1,708), including JVs
- ROCE 10.5% (11.6), R-12
- 48 ongoing projects
 - SEK 31.0 bn in investment value upon completion
 - 54% occupancy rate
 - 55% completion rate
 - 8 projects started first six months
- 181,000 sq m leased (165,000)
- High level of interest from tenants and investors



Workplace 00, Oslo, Norway

Construction

Order situation



SEK bn	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Revenue	76.2	75.1	157.9
Order bookings	61.9	71.9	151.7
Order backlog	184.0	197.6	192.0



Construction

Order bookings

SEK bn	Jan–Jun 2019	Jan–Jun 2018	Book- to-build, R-12, %	Months of production
Nordics	27.3	32.8	101	13
of which Sweden	16.9	16.0	102	12
Europe	9.5	16.3	70	11
USA	25.1	22.8	89	17
Total	61.9	71.9	89	14

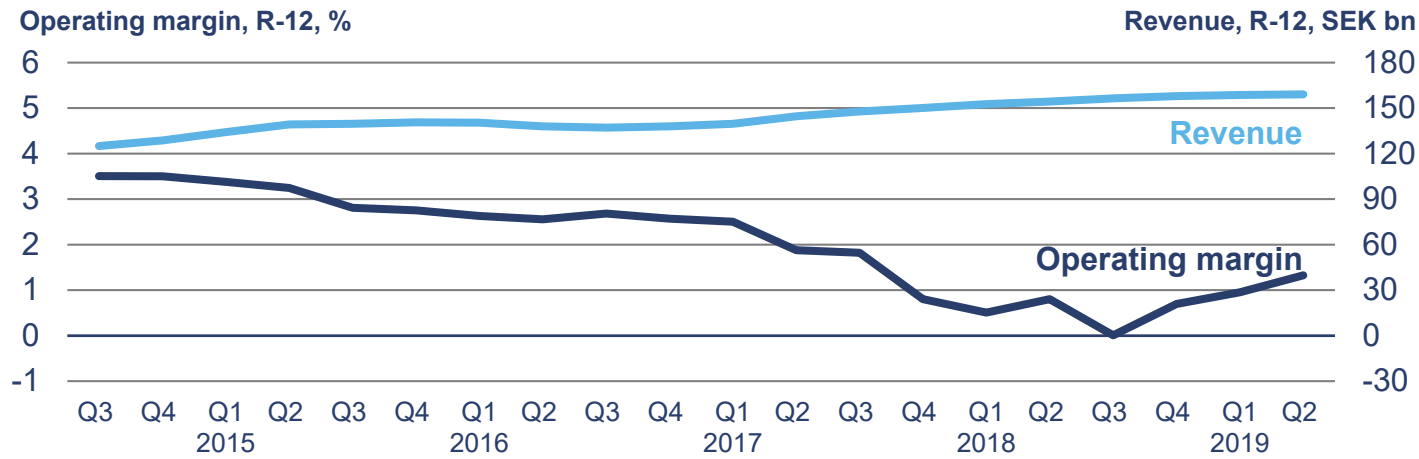
Selective bidding in Europe and the US. Order bookings for the first six months in the US decreased by 1 percent in local currency.



Phase 1 of Interstate 5 North Coast Corridor expansion project, San Diego, USA

Construction

Income statement



SEK bn	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Revenue	76.2	75.1	157.9
Gross income	4.7	3.9	8.0
Selling and administrative expenses	-3.2	-3.4	-7.0
Operating income	1.6	0.5	1.1
Gross margin, %	6.2	5.2	5.1
Selling and administrative expenses, %	-4.2	-4.5	-4.4
Operating margin, %	2.0	0.7	0.7



Phase 1 of Interstate 5 North Coast Corridor expansion project, San Diego, USA

Construction

Income statement

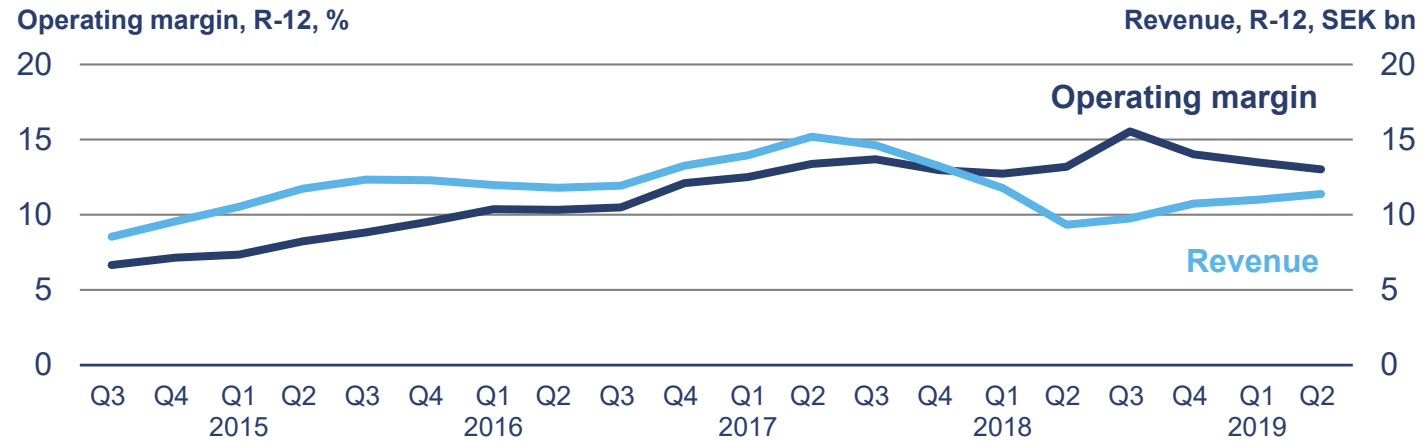
	Operating income, SEK M		Operating margin, %	
	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Nordics	1,011	1,034	3.6	3.9
of which Sweden	502	739	3.0	4.6
Europe	154	-715	1.0	neg
USA	388	222	1.2	0.7
Total	1,553	541	2.0	0.7



Phase 1 of Interstate 5 North Coast Corridor expansion project, San Diego, USA

Residential Development

Income statement, segment reporting



SEK M	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Revenue	4,807	4,166	10,739
Gross income	936	968	2,181
Selling and administrative expenses	-342	-350	-676
Operating income	594	618	1,505
Gross margin, %	19.5	23.2	20.3
Selling and administrative expenses, %	-7.1	-8.4	-6.3
Operating margin, %	12.4	14.8	14.0



BoKlok, Jordbro, Sweden

Residential Development

Income statement

	Operating income, SEK M		Operating margin, %	
	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
Nordics	521	548	12.3	14.9
of which Sweden	280	340	11.9	17.8
Europe	73	70	13.1	14.5
Total	594	618	12.4	14.8

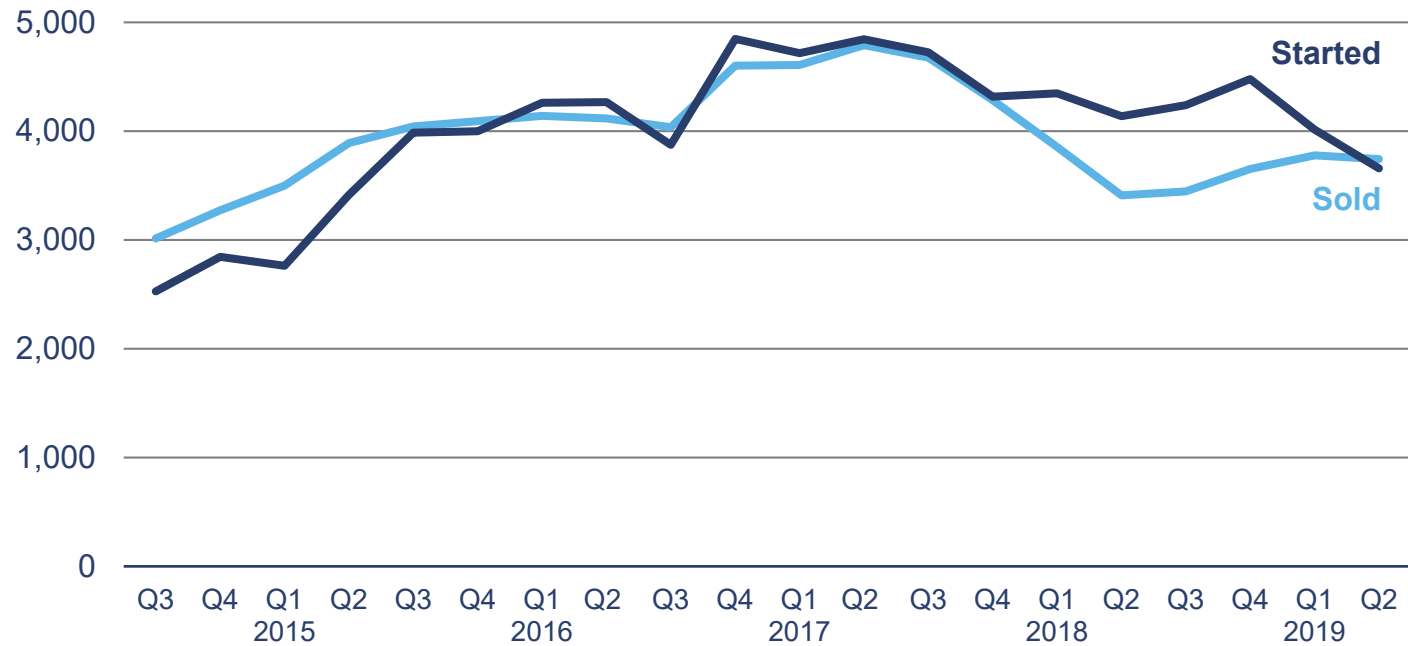


BoKlok, Jordbro, Sweden

Residential Development

Homes started and sold

Homes, R-12



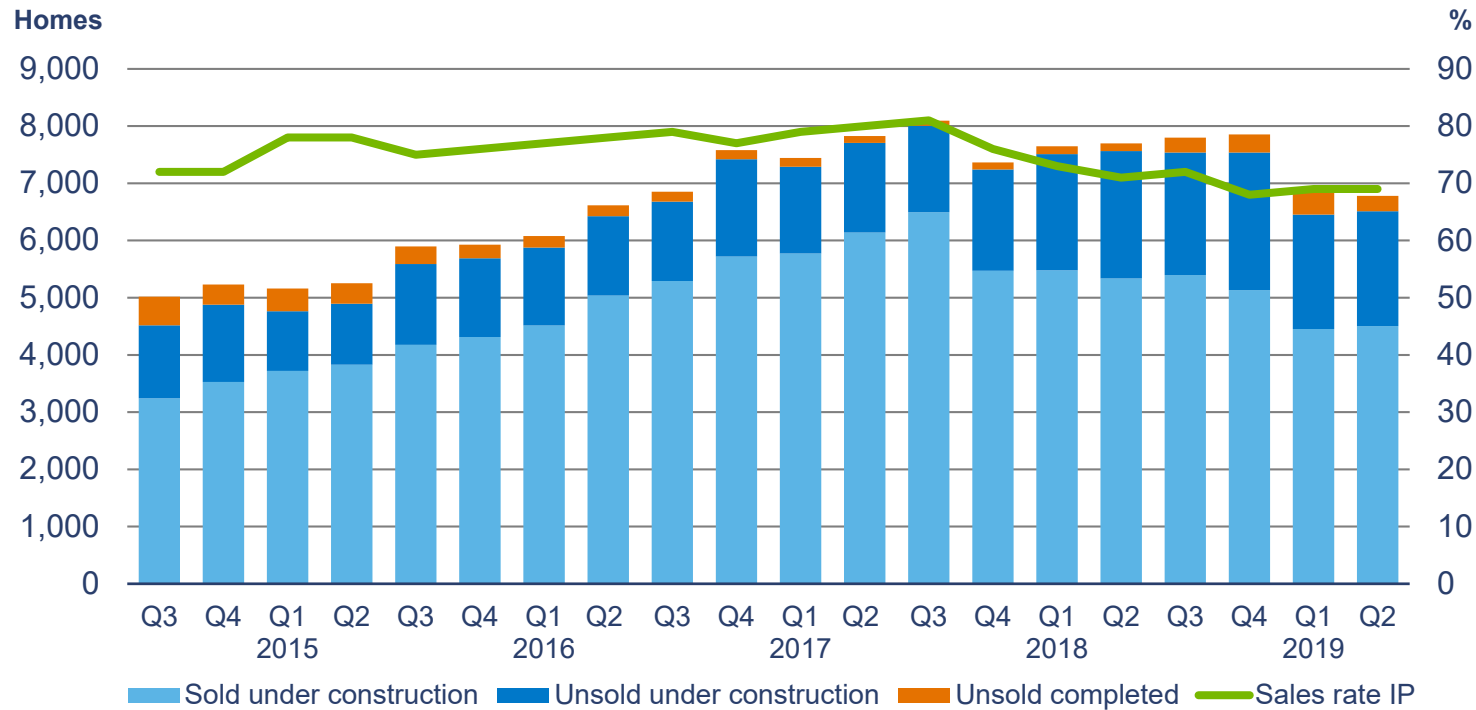
Homes started			Homes sold		
Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
1,140	1,961	4,480	1,585	1,494	3,653



BoKlok, Jordbro, Sweden

Residential Development

Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018
6,512	7,539	69	68	269	314



BoKlok, Jordbro, Sweden

Commercial Property Development

Income statement, segment reporting

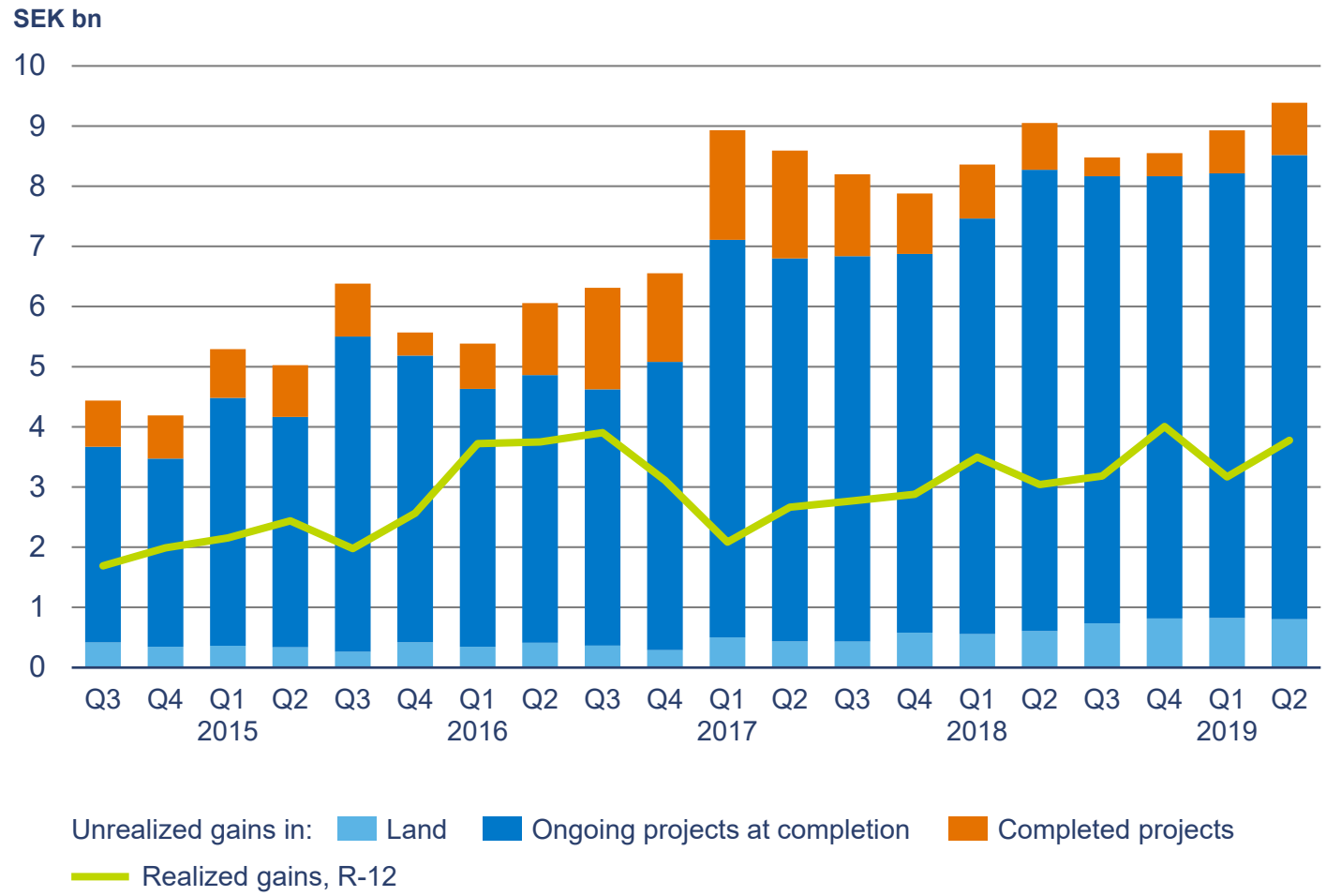
SEK M	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Revenue	6,901	7,310	16,271
Gross income	1,463	1,802	3,936
Selling and administrative expenses	-441	-421	-928
Income from joint ventures and associated companies	133	-49	61
Operating income	1,155	1,332	3,069
of which gain from divestments of properties ¹	1,528	1,757	4,005
of which write downs/reversal of write downs	-69	-3	-107
1 Additional gain included in eliminations	57	133	321



Workplace 00, Oslo, Norway

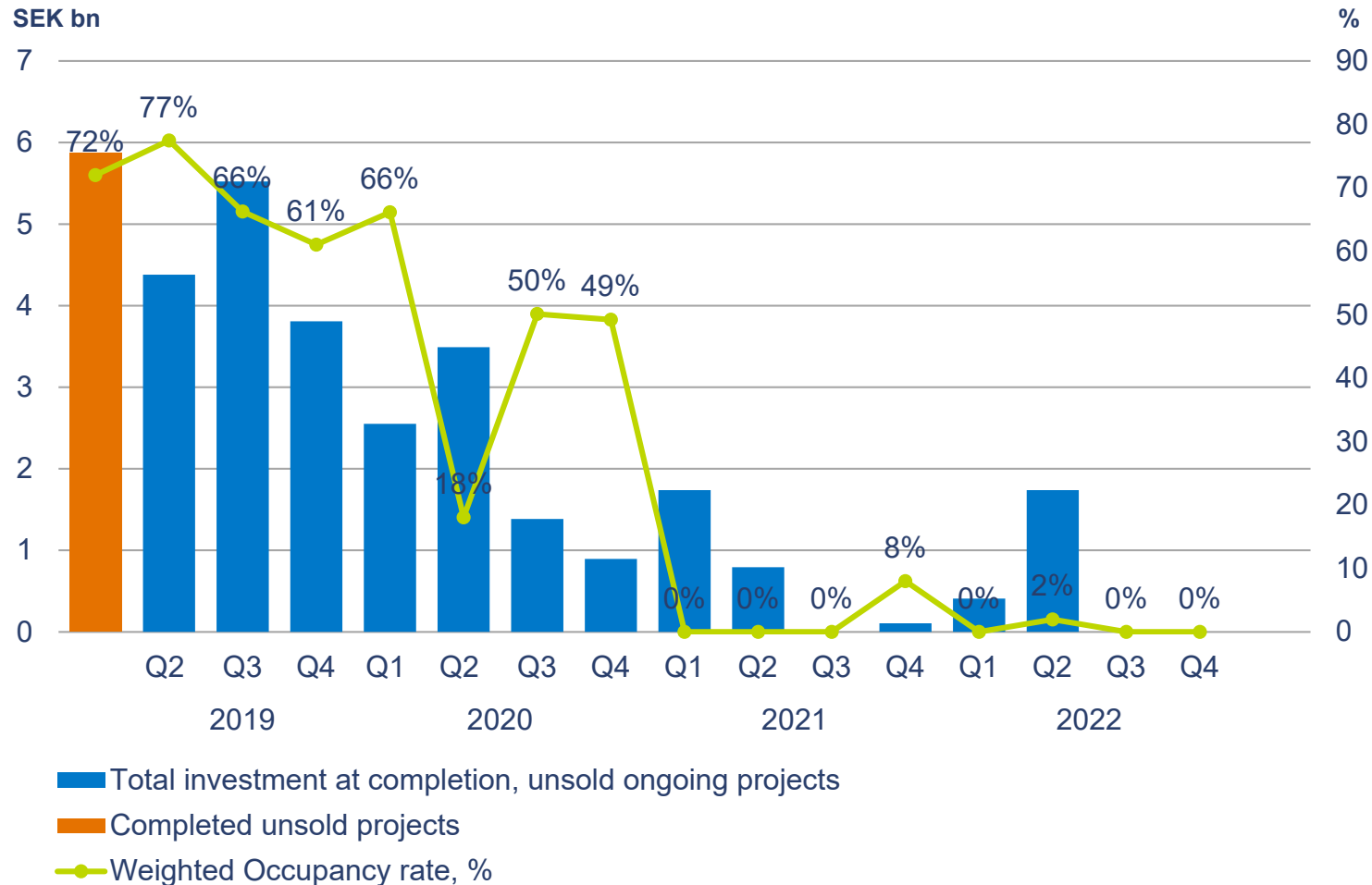
Commercial Property Development

Unrealized and realized gains, segment reporting



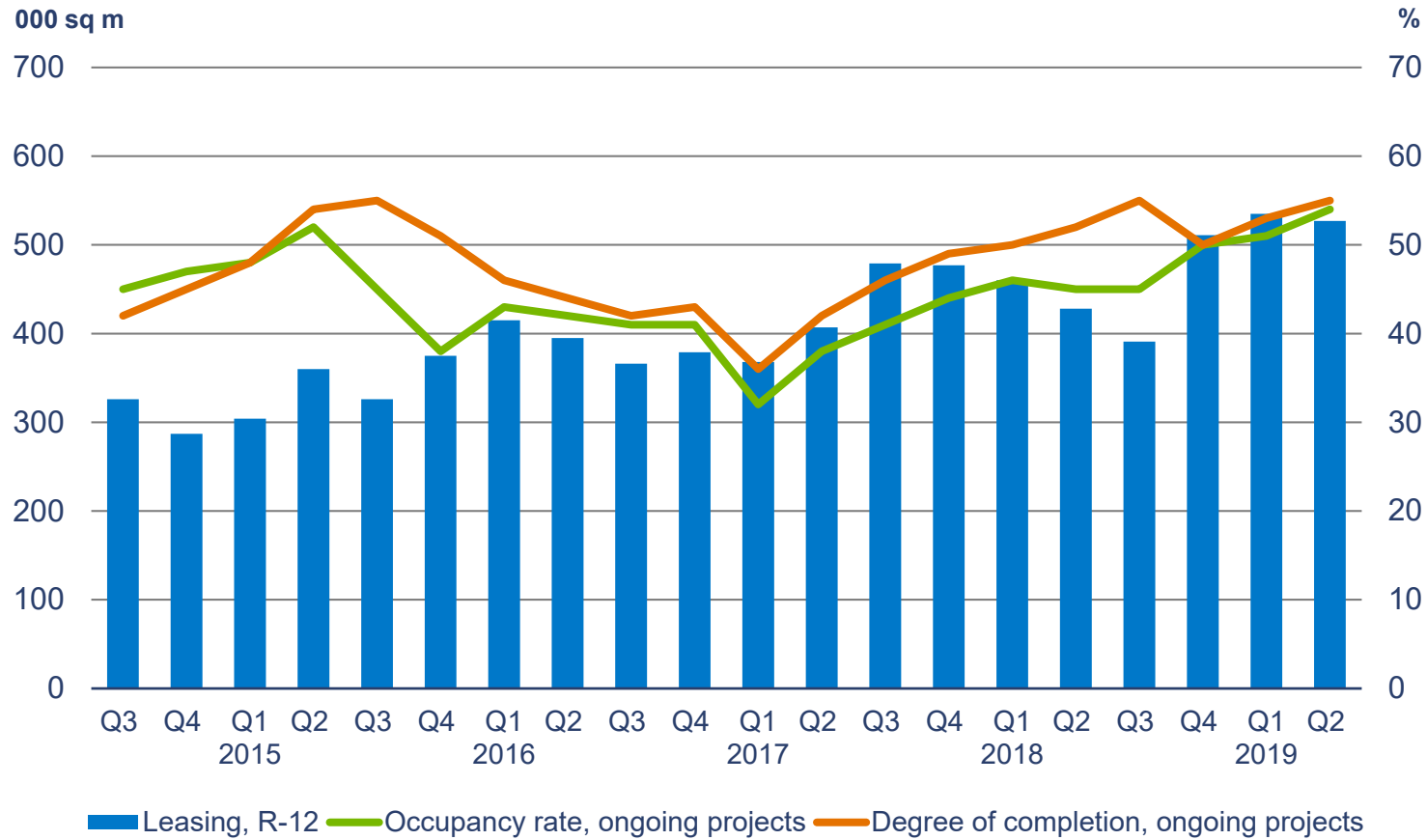
Commercial Property Development

Completion profile, unsold projects



Workplace 00, Oslo, Norway

Commercial Property Development Leasing



Workplace 00, Oslo, Norway

Group

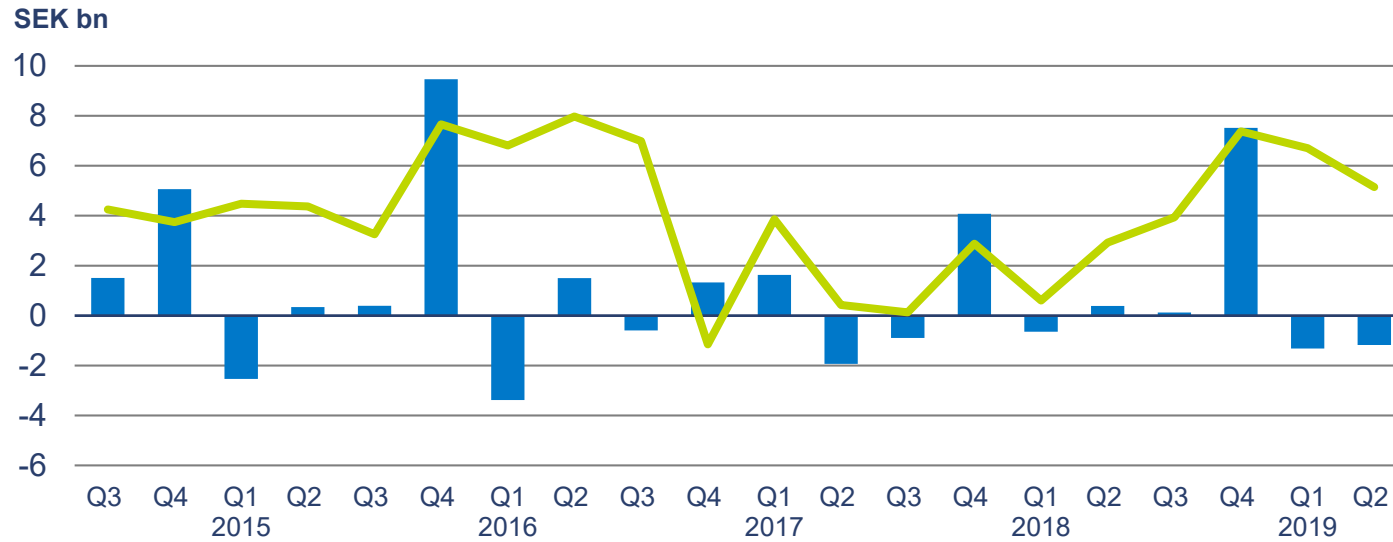
Income statement

SEK M	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Operating income from business streams	3,302	2,491	5,704
Central	-60	-529	-811
Eliminations	-17	-25	-66
Operating income	3,225	1,937	4,827
Net financial items	-100	9	36
Income after financial items	3,125	1,946	4,863
Taxes	-487	-348	-934
Profit for the period	2,638	1,598	3,929
Earnings per share, SEK	6.41	3.89	9.55
Tax rate, %	16	18	19



Sthlm 01 – Stockholm, Sweden

Group Cash flow



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

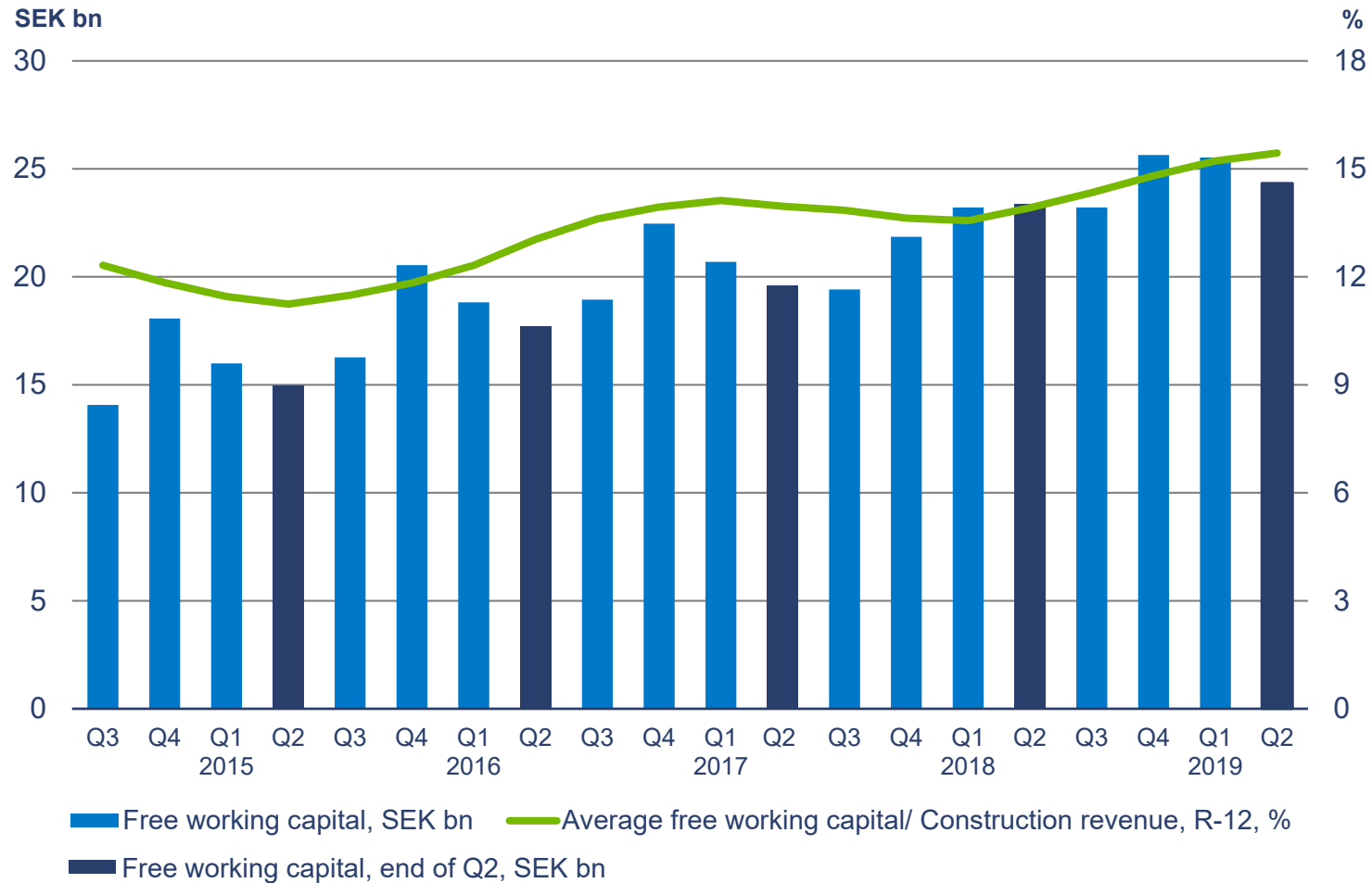
SEK bn	Jan–Jun 2019	Jan–Jun 2018	Jan–Dec 2018
Cash flow from operations	-2.5	-0.3	7.4
Dividend etc.	-2.5	-3.5	-3.5
Cash flow before change in interest-bearing receivables and liabilities	-5.0	-3.7	3.9



Sthlm 01 Stockholm, Sweden

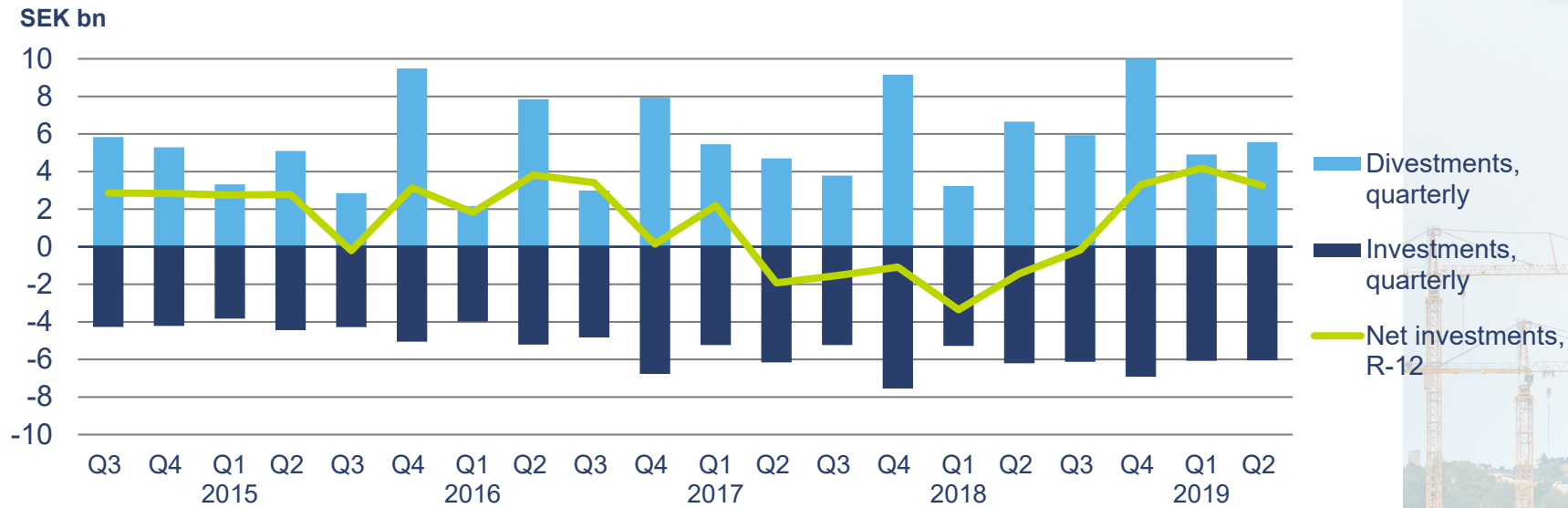
Construction

Free working capital



Group

Investments, divestments and capital employed



SEK bn	Jun 30 2019	Jun 30 2018	Dec 31 2018
Capital employed in:			
Residential Development	12.9	14.1	13.6
Commercial Property Development	34.6	26.7	26.7
Total in Project Development	47.5	40.8	40.3



Group Financial position

Adjusted interest-bearing net receivables (+)/net debt (-), SEK bn



SEK bn	Jun 30 2019	Jun 30 2018	Dec 31 2018
Total assets	125.5	116.0	116.3
Equity attributable to equity holders	29.6	27.2	29.3
Interest-bearing net receivables (+)/net debt (-)	-11.3	-4.0	3.2
Adj. interest-bearing net receivables (+)/net debt (-)	-2.8	-6.4	2.1
Capital employed, closing balance	53.2	44.5	46.2
Equity/assets ratio, %	23.6	23.4	25.2



Group PPP portfolio

SEK bn	Jun 30, 2019	Dec 31, 2018
Present value of cash flow from projects	4.8	4.7
Net present value of projects	3.7	3.6
Carrying amount	-2.4	-2.5
Unrealized development gain	1.3	1.1
Cash flow hedge	0.4	0.3
Effect in unrealized Equity	1.7	1.4



Market outlook

Construction

Slightly weaker but still high activity in our markets



Nordics

- Mixed building market and strong civil market in Sweden
- Stable building market and strong civil market in Norway
- Finland stable



Europe

- Brexit impacts the UK non-residential and civil market
- Poland stable
- Stable building market but weak civil market in Czech Republic
- Cost escalation in Central Europe



USA

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

Outlook compared to previous quarter ● Weaker ● Unchanged ● Improved



Phase 1 of Interstate 5 North Coast Corridor expansion project, San Diego, USA

Market outlook

Residential Development

- ◀ Nordics
 - Slow Swedish market, long recovery expected
 - Norway and Finland stable
- ➡ Europe
 - Central Europe slowed down after a period of strong growth

Outlook compared to previous quarter ● Weaker ● Unchanged ● Improved



BoKlok, Jordbro, Sweden

Market outlook

Commercial Property Development

- Nordics
 - Investor appetite remains strong, but more selective
 - Low vacancy rates and high rents in Sweden
- Europe
 - Strong demand from tenants and investors in Central Europe
- USA
 - Investor appetite remains strong but yields likely bottoming out
 - Good tenant demand

Outlook compared to previous quarter ● Weaker ● Unchanged ● Improved



Workplace 00, Oslo, Norway

Group Summary

- Construction gradually improving
- Adapting to slower sales pace in Residential Development
- Build-up of unrealized gains in Commercial Property Development to harvest in coming years
- High market activity in many of our geographies and segments, but fierce competition



