

# Nine Month Report 2015

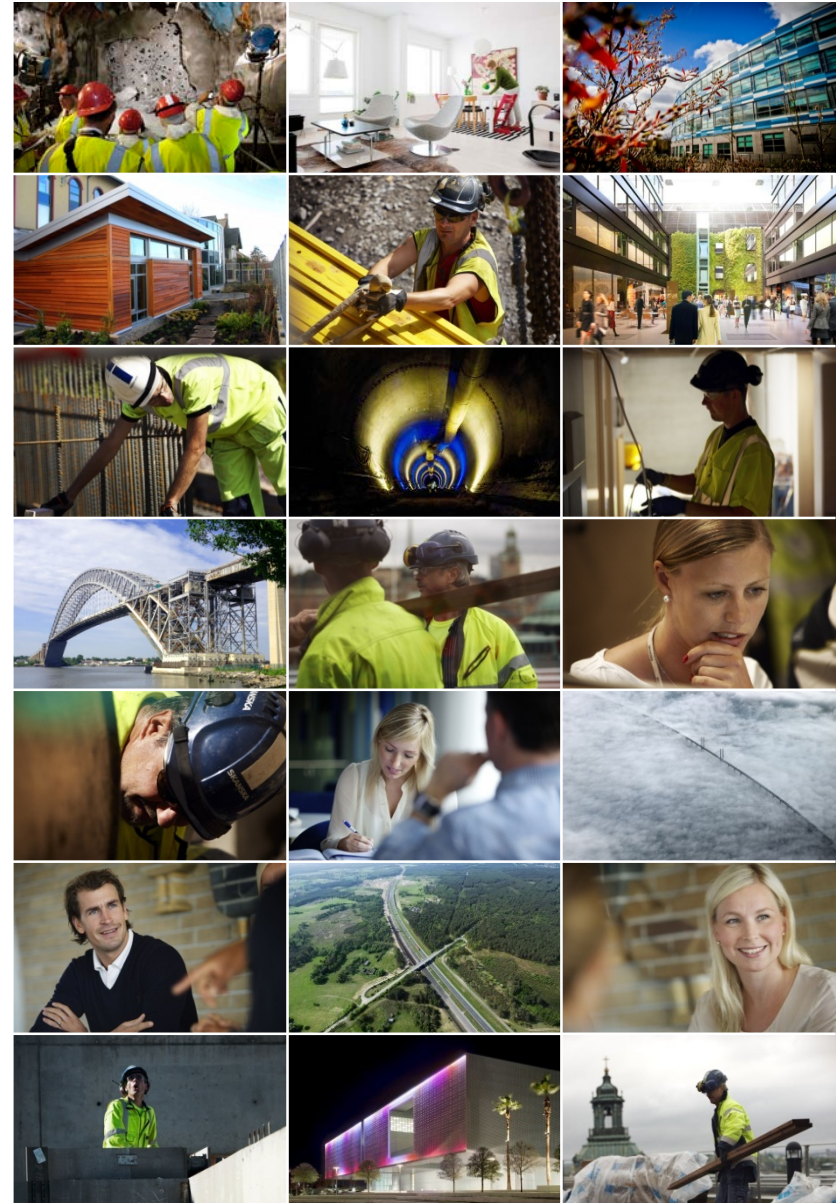


Slussen, Stockholm, Sweden



# Nine Month Report 2015

- Charges in the U.S. Construction operations
- Solid performance outside the U.S.
- Strong performance in Project Development
- All time high ongoing projects in Commercial Development
- Solid financial position
- Operating income SEK 3.4 bn (3.5)
- ROCE Project Development 14.6% (9.5)
- Continued positive market outlook



# Construction

- Revenue SEK 102.7 bn (91.6)
- Order bookings SEK 92.2 bn (105.1)
  - Sweden and UK strong
  - Book-to-build, R-12: 96%
- Operating income SEK 2.5 bn (3.1)
  - Solid performance in Sweden, Finland and Czech Republic
  - Write-downs in the U.S. affecting the profitability



# Construction

## Charges in the U.S. Q3 2015

SEK 470 M in USA Civil and SEK 160 M in USA Building mainly related to six projects with completions in 2015–2019

### Reasons

- Cost increases in projects, partly related to design changes by the client
- Tougher environment

Total expected project costs taken as soon as they are known

Recovery of costs expected, but not accounted for until commercial agreement is reached with the client

### Actions

- Slow down growth
- Strengthen organization and risk processes



# Residential Development

- Revenue SEK 9.1 bn (6.3)
  - 3,035 (2,265) homes sold
  - 3,051 (1,910) homes started
- Operating income SEK 848 M (442)
  - Good performance in Sweden and Central Europe
  - Norway mixed
  - Finland stable in a weak market
- Continued improved profitability
  - Operating margin 9.3% (7.0)
  - ROCE 12.7% (6.2)



Sollallén, Växjö, Sweden

# Commercial Property Development

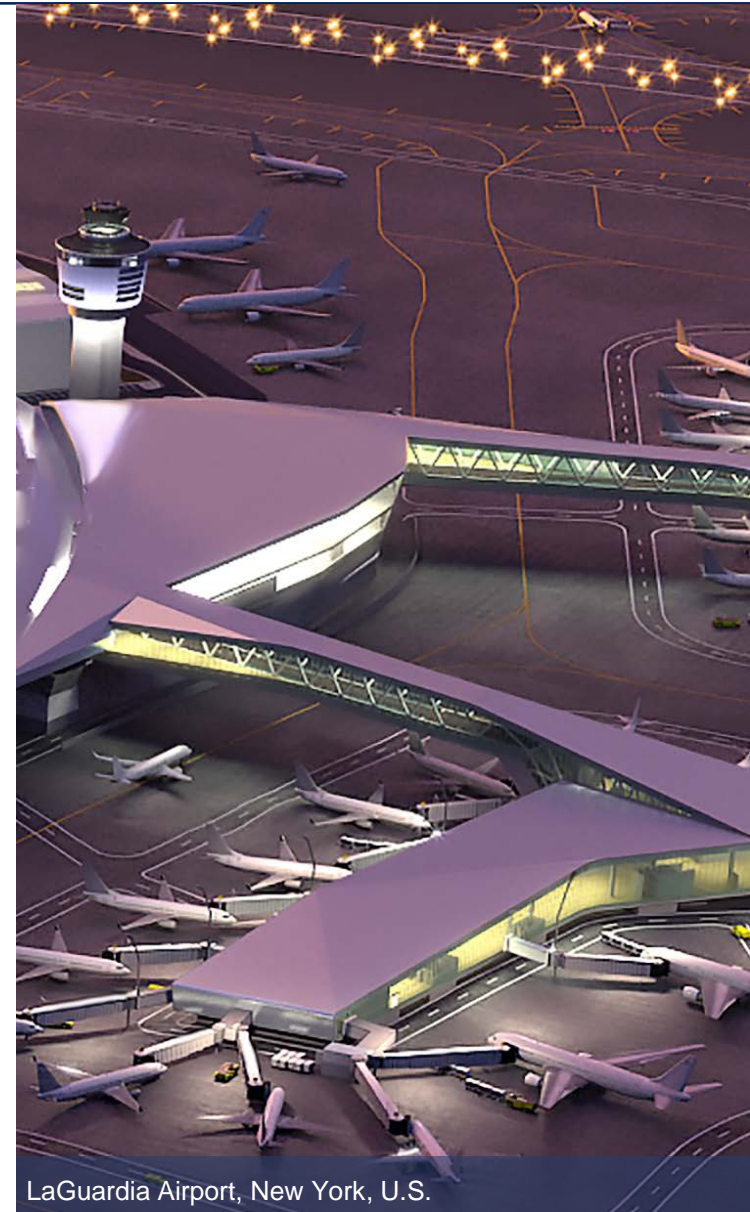
- Divestments of SEK 3.3 bn (5.3)
- Gain from divestments  
SEK 1.1 bn (1.1)
- 48 ongoing projects
  - SEK 19.3 bn in investment value
  - 45% pre-leasing rate
  - 55% completion rate
  - 7 project starts in Q3
- 241,000 sq m leased



Silesia Business Park, Katowice, Poland

# Infrastructure Development

- Project portfolio's net present value increased SEK 0.6 bn to SEK 5.9 bn year-to-date
- Continued high activity in the U.S. market
- Full speed ahead financial close LaGuardia Airport



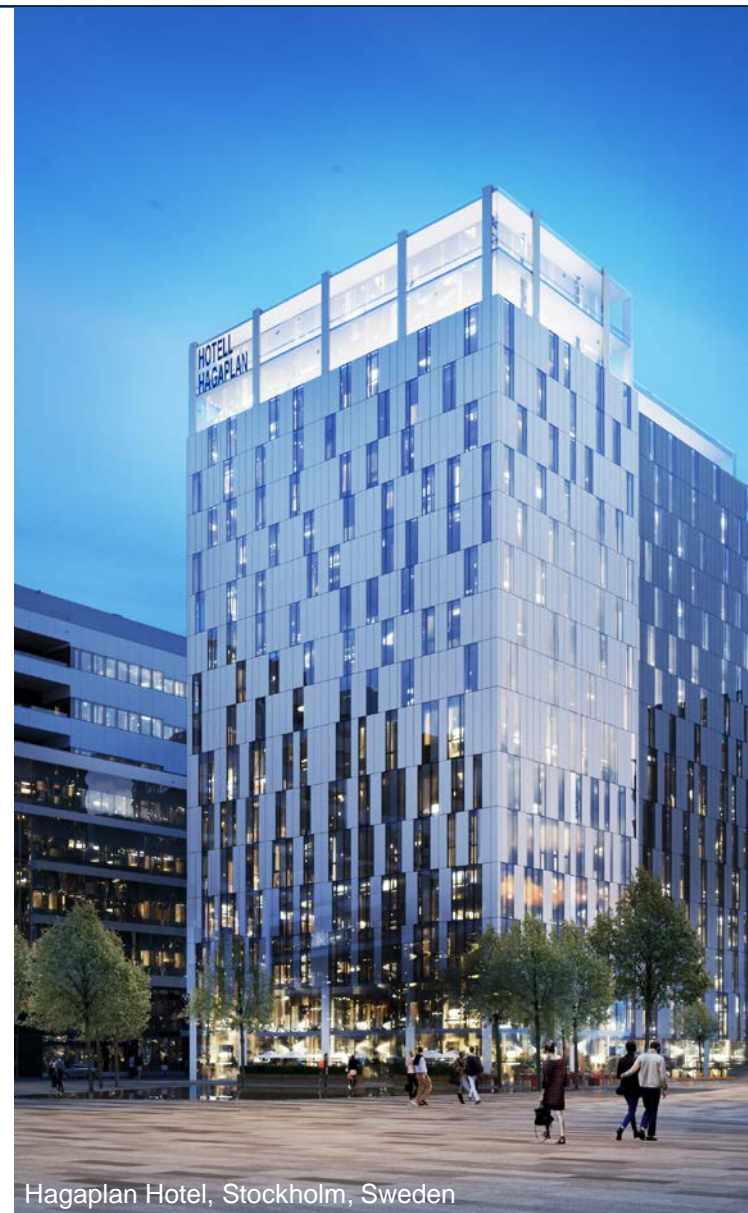
LaGuardia Airport, New York, U.S.



# New orders in Construction in Q3

SEK M

Public transport hub, Sweden	2,000
Office, U.S.	1,300
Highway, Finland	630
Tunnel, Norway	620
Research facility, U.S.	570
Office, U.S.	470
<b>Total bookings in Q3</b>	<b>33,862</b>

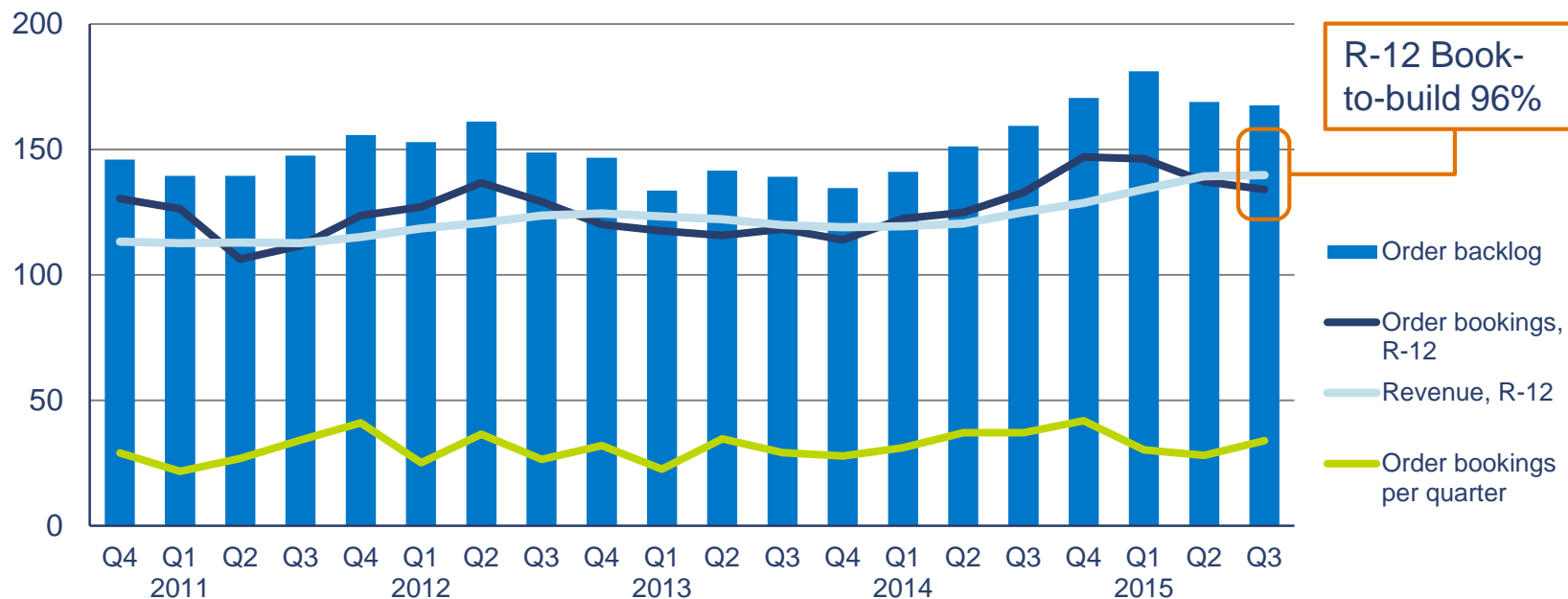


Hagaplan Hotel, Stockholm, Sweden



# Construction Order situation

SEK bn



SEK bn	Jan-Sep 2015	Jan-Sep 2014	Jan-Dec 2014
Revenue	102.7	91.6	128.7
Order bookings	92.2	105.1	146.9
Order backlog	167.5	159.3	170.5

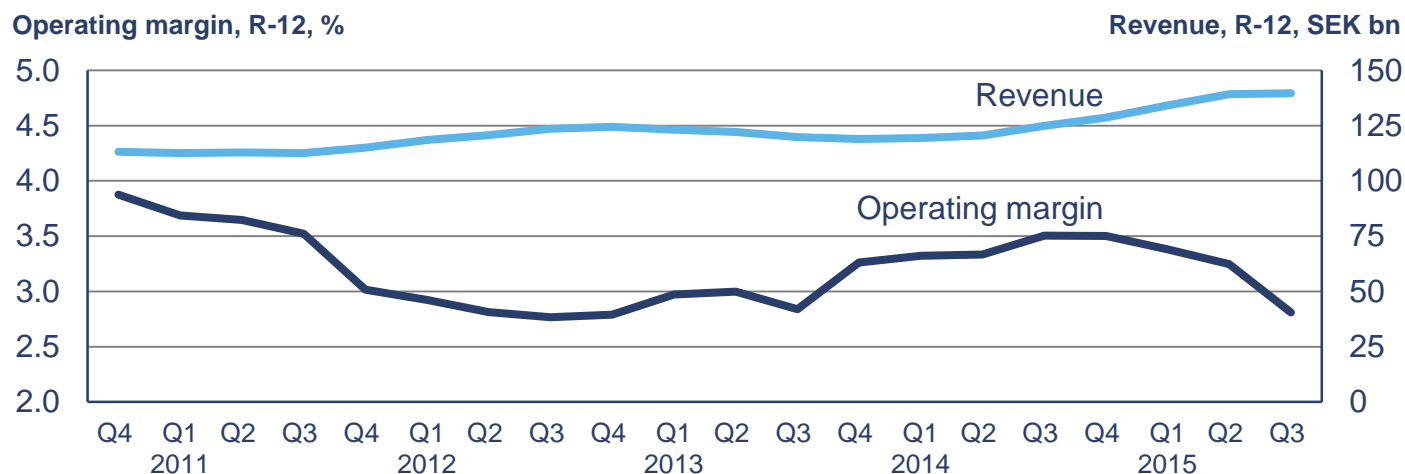
Latin American operations excluded from 1/1 2013

# Construction

## Order bookings

SEK bn	Jan–Sep 2015	Jan–Sep 2014	Book- to-build, R-12, %	Months of production
Sweden	25.0	22.0	115	13
Norway	9.5	12.1	92	10
Finland	5.8	4.5	115	13
Poland	7.3	7.6	98	8
Czech Republic	4.3	3.6	97	11
UK	16.7	13.7	127	22
USA Building	14.3	24.9	66	12
USA Civil	9.2	16.8	90	23
<b>Total</b>	<b>92.2</b>	<b>105.1</b>	<b>96</b>	<b>15</b>

# Construction Income statement



	Jan–Sep 2015	Jan–Sep 2014	Jan–Dec 2014
<b>SEK bn</b>			
Revenue	102.7	91.6	128.7
<b>Gross income</b>	<b>7.0</b>	<b>7.2</b>	<b>10.3</b>
Selling and administrative expenses	-4.5	-4.2	-5.8
<b>Operating income</b>	<b>2.5</b>	<b>3.1</b>	<b>4.5</b>
Gross margin, %	6.8	7.9	8.0
Selling and administrative expenses, %	-4.4	-4.6	-4.5
Operating margin, %	2.4	3.3	3.5

Latin American operations excluded from 1/1 2013



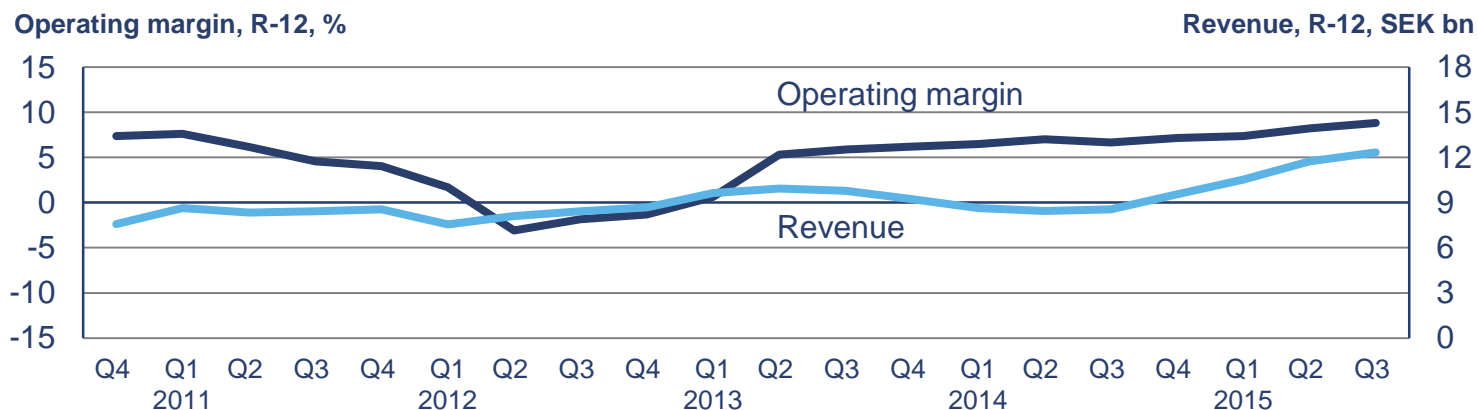
# Construction

## Income statement

	Operating income, SEK M		Operating margin, %	
	Jan-Sep 2015	Jan-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Sweden	1,062	991	4.8	4.7
Norway	265	274	2.9	2.8
Finland	161	185	3.5	3.7
Poland	225	229	3.4	3.3
Czech Republic	78	21	2.0	0.7
UK	319	343	2.4	3.1
USA Building	109	269	0.4	1.2
USA Civil	257	746	1.7	6.3
<b>Total</b>	<b>2,476</b>	<b>3,058</b>	<b>2.4</b>	<b>3.3</b>

# Residential Development

## Income statement, segment reporting



SEK M	Jan-Sep 2015	Jan-Sep 2014	Jan-Dec 2014
Revenue	9,101	6,326	9,558
<b>Gross income</b>	<b>1,271</b>	<b>834</b>	<b>1,204</b>
Selling and administrative expenses	-423	-393	-521
Income from joint ventures	0	1	0
<b>Operating income</b>	<b>848</b>	<b>442</b>	<b>683</b>
Gross margin, %	14.0	13.2	12.6
Selling and administrative expenses, %	-4.6	-6.2	-5.5
Operating margin, %	9.3	7.0	7.1

# Residential Development

## Income statement

	Operating income, SEK M <sup>1</sup>		Operating margin, % <sup>1</sup>	
	Jan-Sep 2015	Jan-Sep 2014	Jan-Sep 2015	Jan-Sep 2014
Sweden	593	273	10.8	8.4
Norway	110	89	7.1	10.0
Finland	91	71	5.8	5.3
<b>Nordics</b>	<b>794</b>	<b>433</b>	<b>9.2</b>	<b>7.9</b>
Central Europe <sup>2</sup>	54	9	10.5	1.1
<b>Total</b>	<b>848</b>	<b>442</b>	<b>9.3</b>	<b>7.0</b>

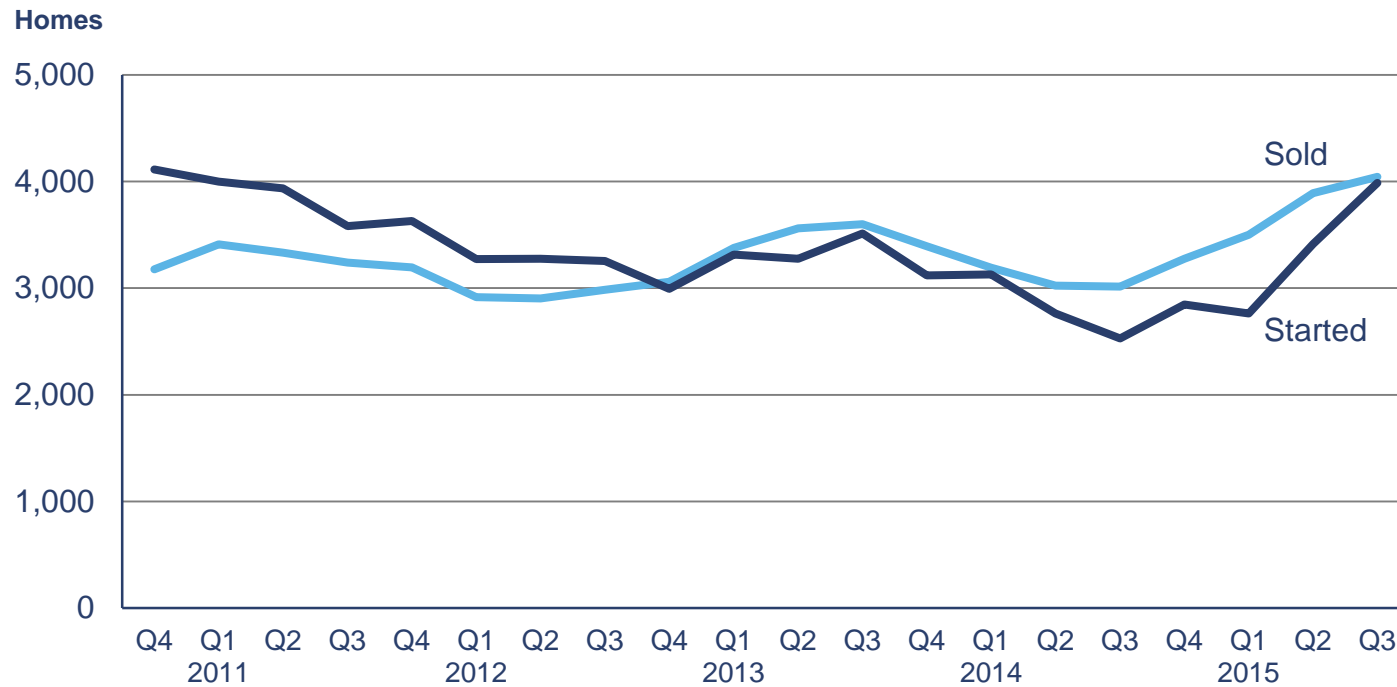
1 Development gain only, construction margin reported under Construction

2 Czech Republic, Poland and the UK



# Residential Development

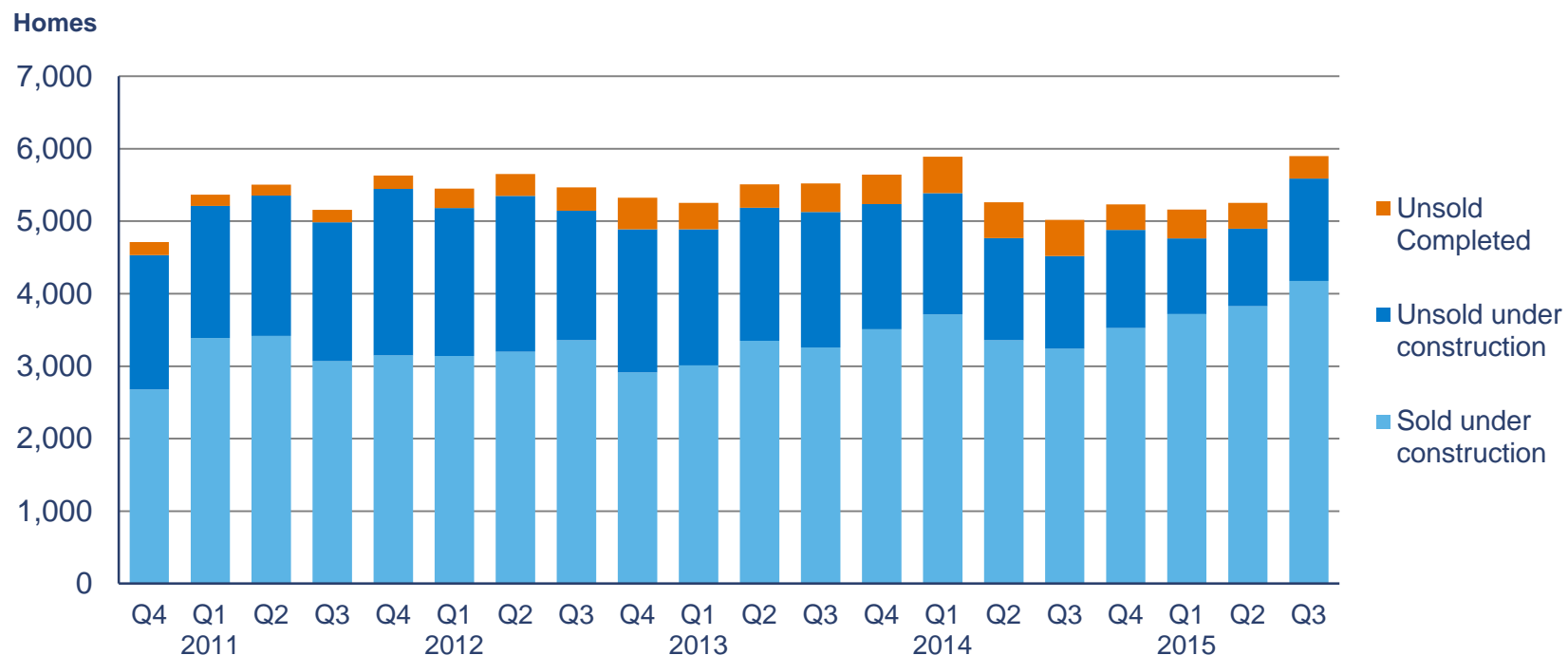
## Homes started and sold, R-12



Homes started			Homes sold		
Jan–Sep 2015	Jan–Sep 2014	Jan–Dec 2014	Jan–Sep 2015	Jan–Sep 2014	Jan–Dec 2014
3,051	1,910	2,846	3,035	2,265	3,274

# Residential Development

## Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
5,589	4,518	75	72	308	500

# Commercial Property Development

## Income statement, segment reporting

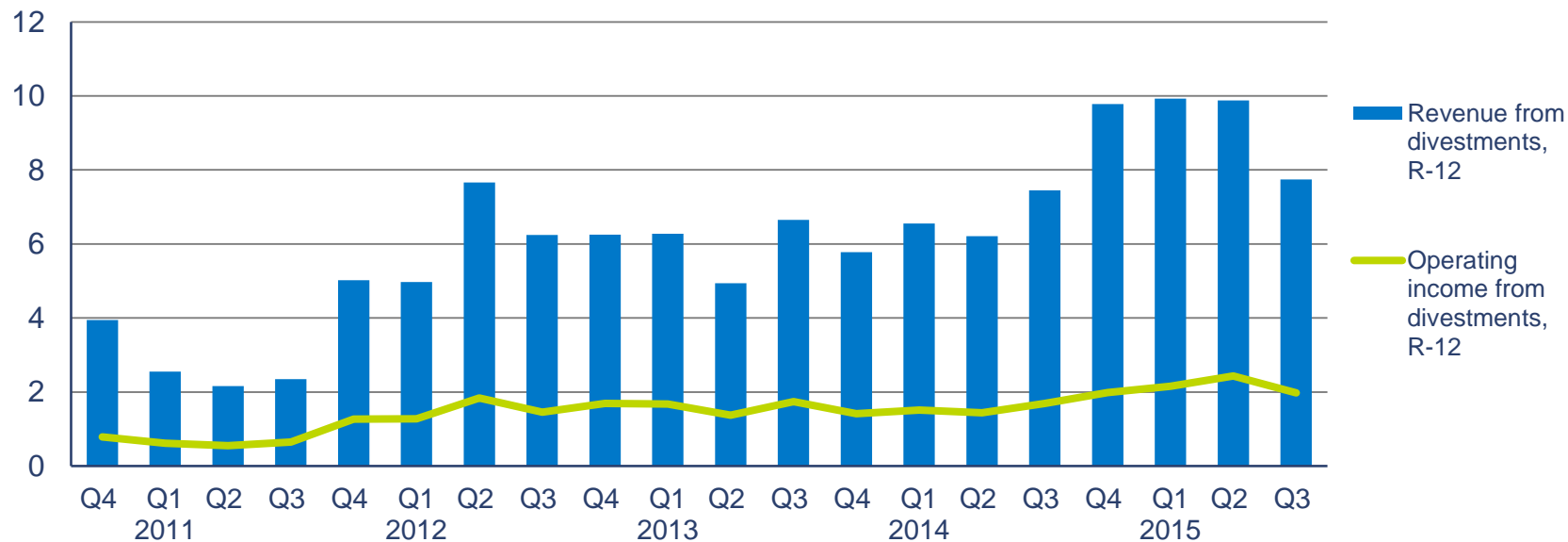
SEK M	Jan-Sep 2015	Jan-Sep 2014	Jan-Dec 2014
Revenue	3,629	5,659	10,228
<b>Gross income</b>	<b>1,138</b>	<b>1,236</b>	<b>2,191</b>
Selling and administrative expenses	-470	-364	-526
Income from joint ventures and associated companies	8	6	35
<b>Operating income</b>	<b>676</b>	<b>878</b>	<b>1,700</b>
of which gain from divestments of properties <sup>1</sup>	1,051	1,064	1,989
of which write downs/reversal of write downs	-56	-51	43
1 Additional gain included in eliminations	81	147	279

Development gain only, construction margin reported under Construction



# Commercial Property Development Divestments

SEK bn



## Sale of commercial properties

SEK M

Sales price

Capital gain

Year-to-date

3,267

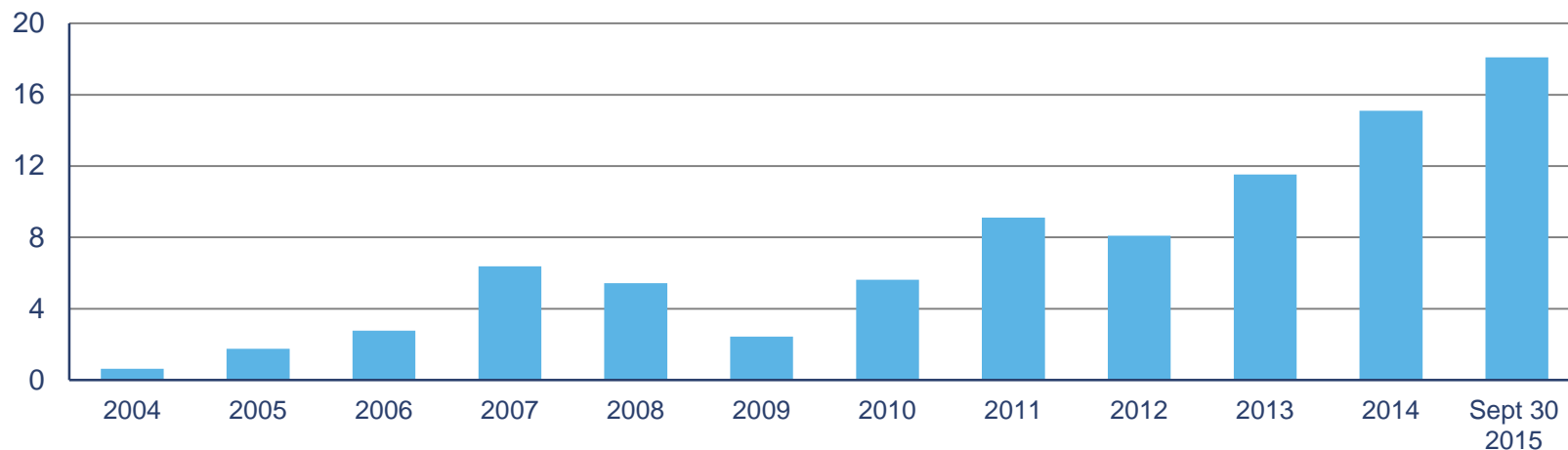
1,051

# Commercial Property Development

## Ongoing projects

Ongoing projects, total investment value upon completion

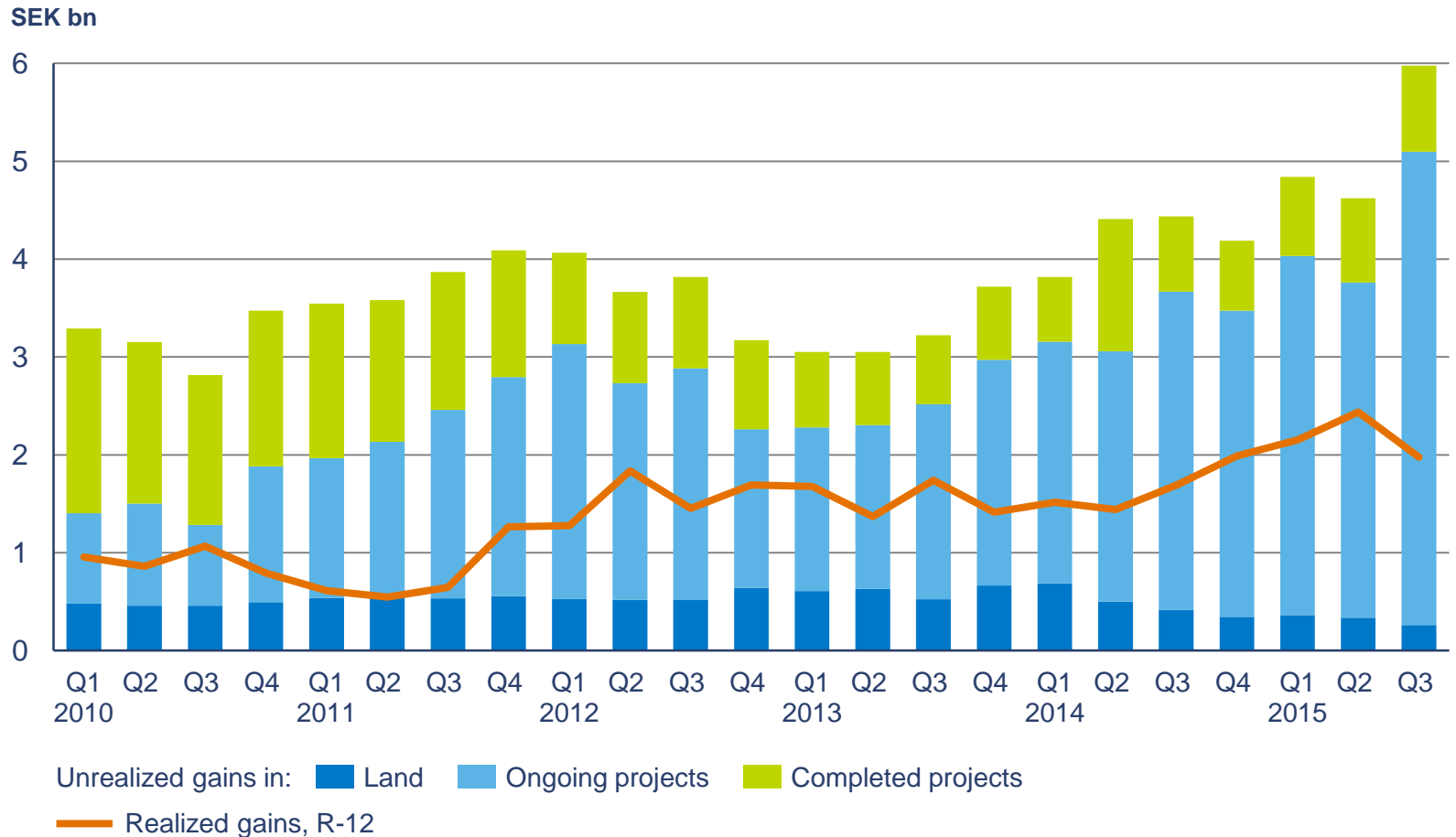
SEK bn



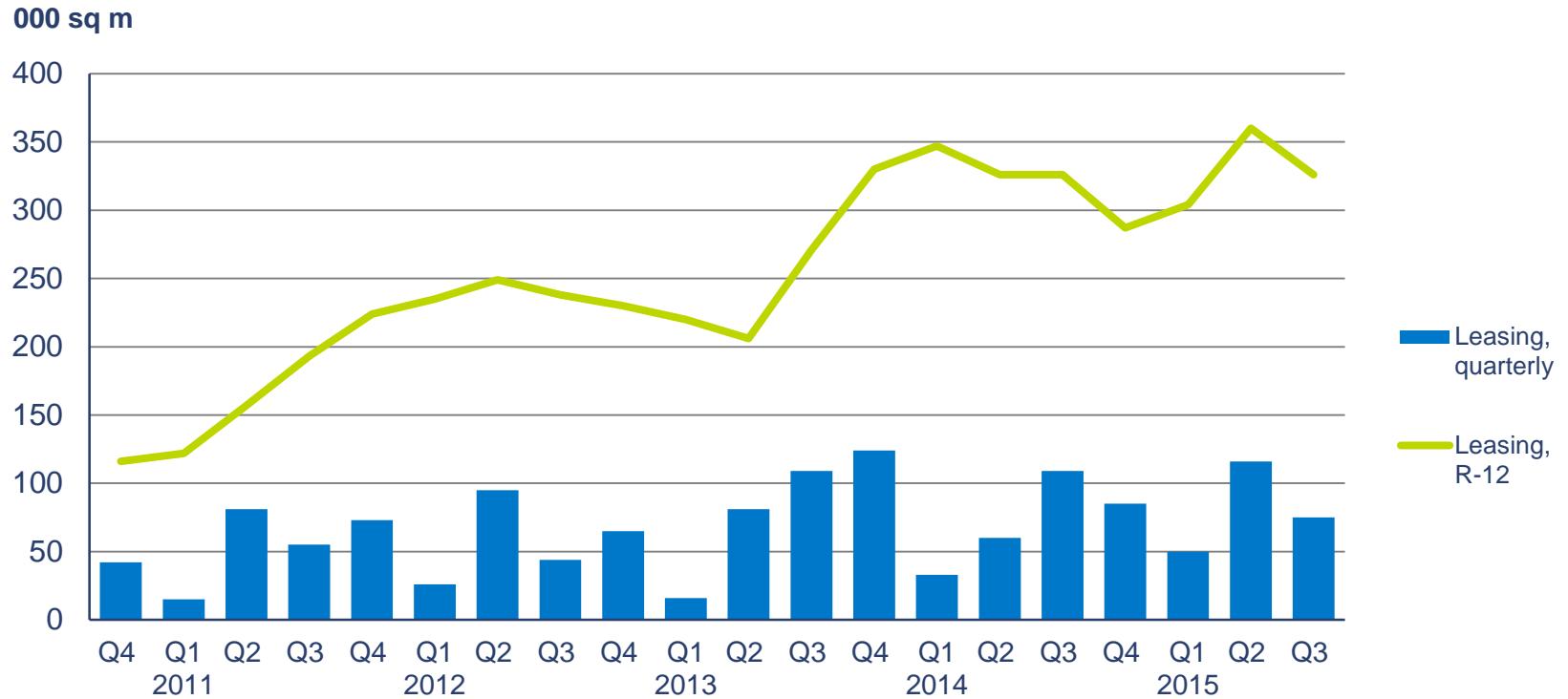
SEK bn	Carrying amount, end of period	Carrying amount, upon completion	Market value	Occupancy rate, %	Degree of completion, %
Completed projects	3.7	3.7	4.7	82	100
Undeveloped land and development properties	5.7	5.7	6.0		
Ongoing projects	9.6	18.1	23.6	46	54
<b>Total</b>	<b>19.0</b>	<b>27.4</b>	<b>34.2</b>		
of which ongoing projects sold according to segment reporting	1.7	2.4	3.1		

# Commercial Property Development

## Unrealized and realized gains



# Commercial Property Development Leasing



New leases of space were signed for 241,000 sq m year-to-date

# Infrastructure Development

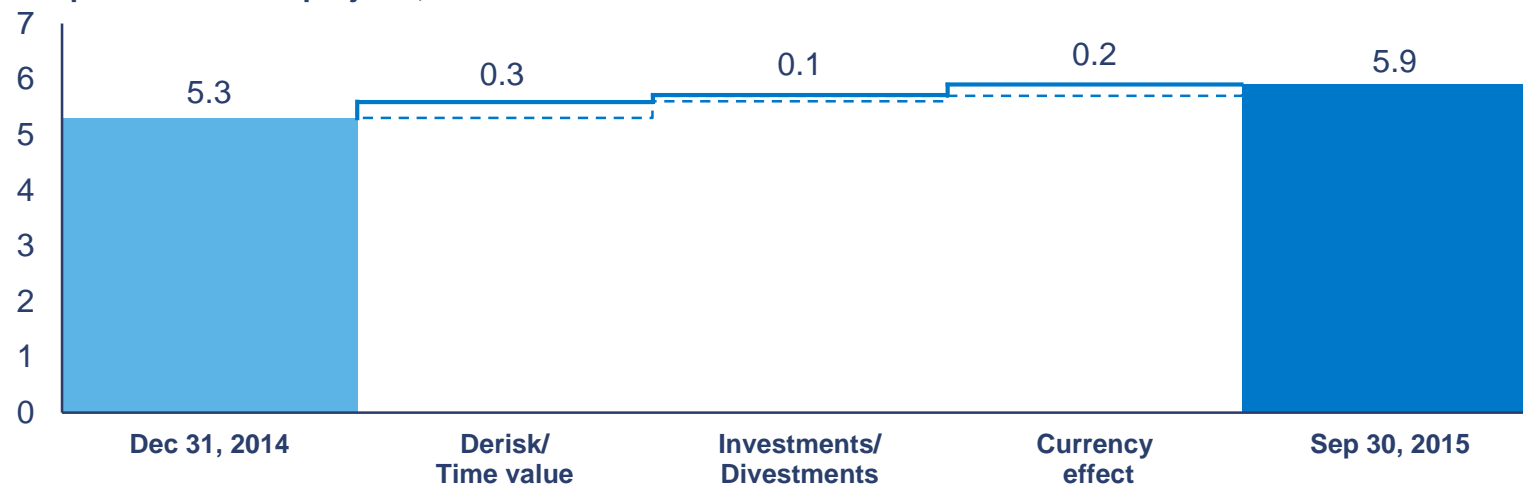
## Income statement

SEK M	Jan-Sep 2015	Jan-Sep 2014	Jan-Dec 2014
Revenue	77	134	163
<b>Gross income</b>	<b>-87</b>	<b>-39</b>	<b>-46</b>
Selling and administrative expenses	-112	-101	-128
Income from joint ventures	604	501	637
<b>Operating income</b>	<b>405</b>	<b>361</b>	<b>463</b>
of which gains from divestments of shares in projects	0	0	127



# Infrastructure Development Project portfolio

Net present value of projects, SEK bn



SEK bn	Sep 30, 2015	Sep 30, 2014	Dec 31, 2014
Present value of cash flow from projects	7.2	6.7	6.5
<b>Net present value of projects</b>	<b>5.9</b>	<b>5.5</b>	<b>5.3</b>
Carrying amount	-3.7	-3.6	-3.2
<b>Unrealized development gain</b>	<b>2.2</b>	<b>1.9</b>	<b>2.1</b>
Cash flow hedge	1.8	1.5	1.8
<b>Effect in unrealized Equity</b>	<b>4.0</b>	<b>3.4</b>	<b>3.9</b>

# Group

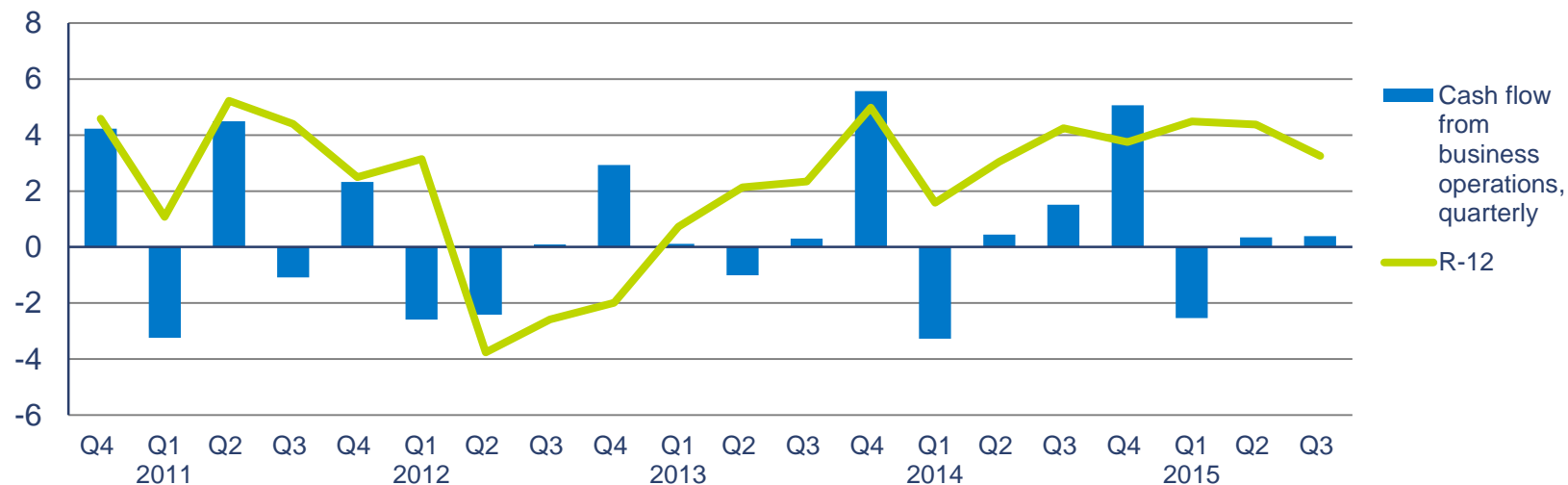
## Income statement

SEK M	Jan-Sep 2015	Jan-Sep 2014	Jan-Dec 2014
Operating income from business streams	4,405	4,739	7,354
Central <sup>1</sup>	-955	-1,261	-1,604
Eliminations	-49	-24	16
<b>Operating income</b>	<b>3,401</b>	<b>3,454</b>	<b>5,766</b>
<b>Net financial items</b>	<b>-371</b>	<b>-196</b>	<b>-293</b>
<b>Income after financial items</b>	<b>3,030</b>	<b>3,258</b>	<b>5,473</b>
Taxes	-635	-846	-1,365
<b>Profit for the period</b>	<b>2,395</b>	<b>2,412</b>	<b>4,108</b>
Earnings per share, SEK	5.81	5.85	9.98
Tax rate, %	21	26	25

1 Latin American operations included from 1/1 2013

# Group Cash flow

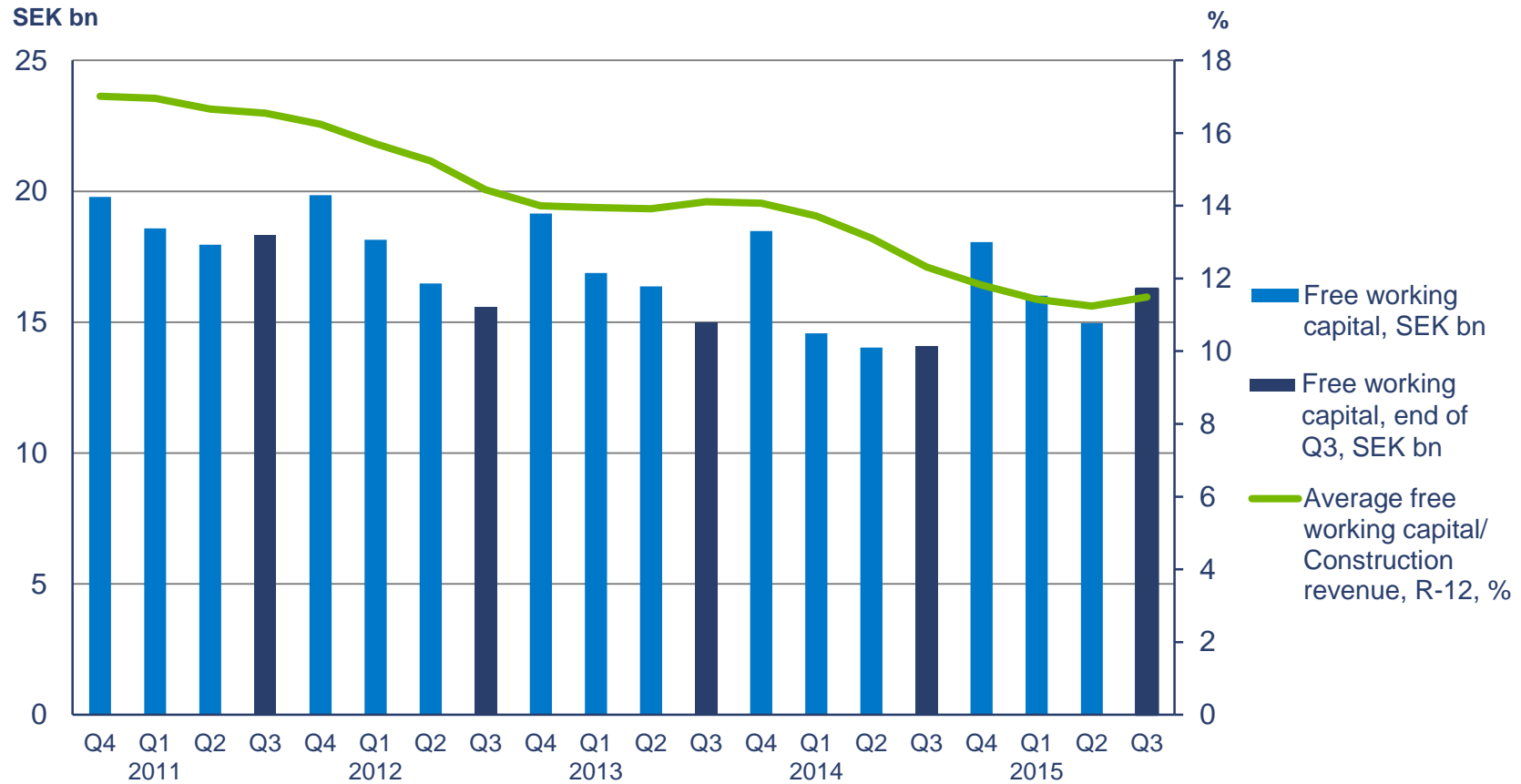
SEK bn



SEK bn	Jan–Sep 2015	Jan–Sep 2014	Jan–Dec 2014
Cash flow from operations	-1.8	-1.3	3.7
Net strategic divestments	0.4	0.1	0.1
Dividend etc.	-3.1	-2.8	-2.9
Cash flow before change in interest-bearing receivables and liabilities	-4.6	-4.1	0.9

# Construction

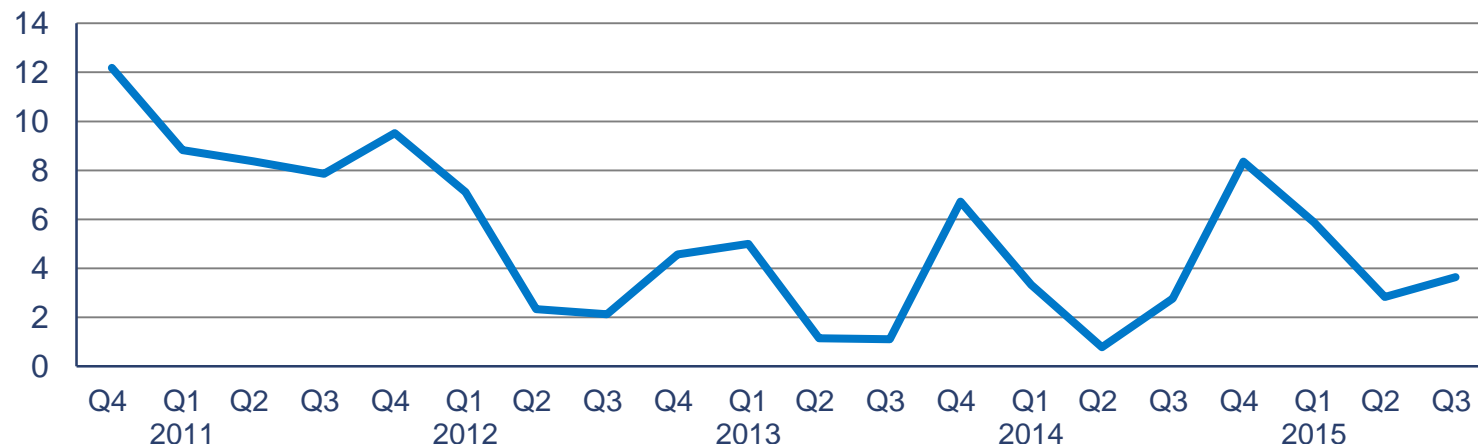
## Free working capital



Latin American operations excluded from 1/1 2013

# Group Financial position

Operating net financial assets/liabilities, SEK bn



SEK bn	Sep 30 2015	Sep 30 2014	Dec 31 2014
Total assets	94.5	91.5	92.8
Equity attributable to equity holders	21.4	20.3	21.4
Interest-bearing net receivables (+)/net debt (-)	-3.4	-4.2	0.7
Operating net financial assets/liabilities	3.6	2.8	8.4
Capital employed, closing balance	36.3	36.7	36.8
Equity/assets ratio, %	22.7	22.2	23.1



# Group

## Change in financial position

SEK bn	Jan-Sep 2015	Jan-Sep 2014	Jan-Dec 2014
<b>Opening balance interest-bearing net receivables</b>	<b>0.7</b>	<b>1.0</b>	<b>1.0</b>
Cash flow before change in interest-bearing receivables and liabilities	-4.6	-4.1	0.9
Change in pension liability	0.2	-1.6	-2.0
Other changes	0.3	0.5	0.8
<b>Change in interest-bearing net receivables</b>	<b>-4.1</b>	<b>-5.2</b>	<b>-0.3</b>
<b>Closing balance interest-bearing net receivables/net debt</b>	<b>-3.4</b>	<b>-4.2</b>	<b>0.7</b>
Pension liability, net	4.1	3.9	4.4
Interest-bearing debt co-ops	2.9	3.0	3.2
<b>Operating net financial assets/liabilities</b>	<b>3.6</b>	<b>2.8</b>	<b>8.4</b>

# Group

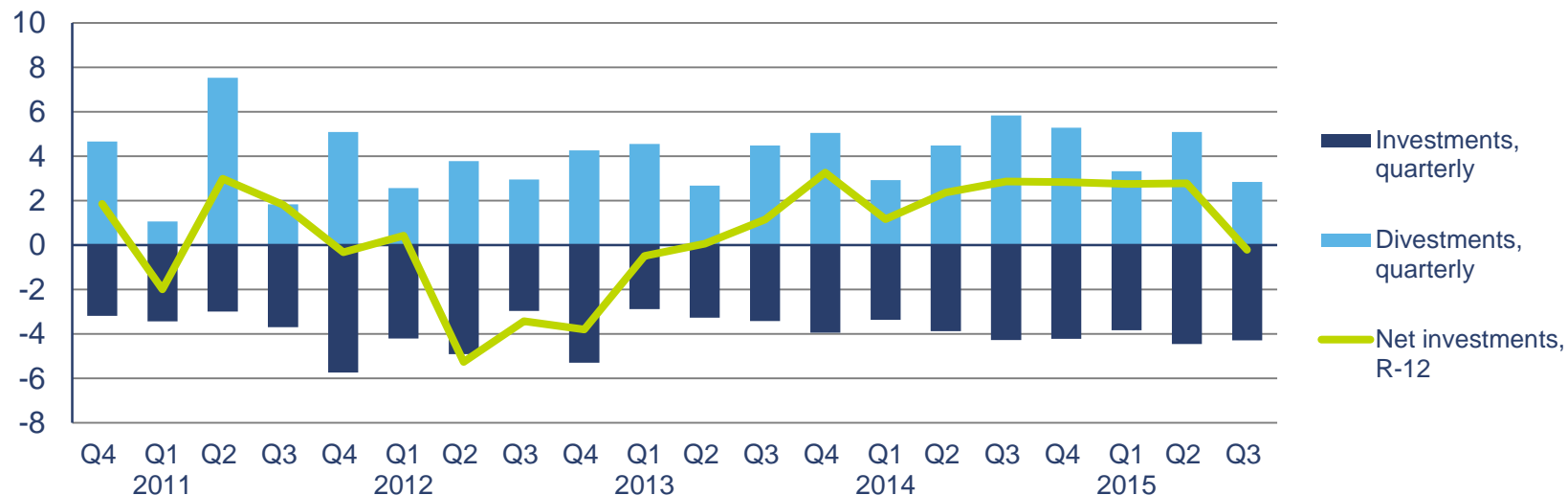
## Change in equity

SEK bn	Jan–Sep 2015	Jan–Sep 2014	Jan–Dec 2014
<b>Opening balance</b>	<b>21.4</b>	<b>21.4</b>	<b>21.4</b>
Dividend to shareholders	-2.8	-2.6	-2.6
Other changes in equity not included in total comprehensive income for the year	-0.2	-0.1	-0.1
Profit for the period	2.2	2.6	3.9
<b>Other comprehensive income</b>			
Translation differences	0.4	1.0	1.5
Effects of remeasurements of pensions	0.2	-1.4	-1.8
Effects of cash flow hedges	0.1	-0.5	-0.8
<b>Closing balance</b>	<b>21.4</b>	<b>20.3</b>	<b>21.4</b>

# Group

## Investments and capital employed

SEK bn



SEK bn	Jan–Sep 2015	Jan–Sep 2014	Jan–Dec 2014
<b>Capital employed in:</b>			
Residential Development	8.7	11.1	10.4
Commercial Property Development	18.5	13.7	15.0
Infrastructure Development	2.1	2.2	1.9
<b>Total in Development Streams</b>	<b>29.3</b>	<b>27.0</b>	<b>27.3</b>

# Market outlook

## Construction

Overall a positive market outlook



### Nordic countries

- Strong building market in Sweden, mixed 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



Alderwood Middle School, Lynnwood, U.S.

# 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



Uppsala Entré, Sweden



# 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



### Central Europe

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



### North America

- Strong investor appetite and good tenant demand



Axis, Kraków, Poland

# Market outlook

## Infrastructure Development



### All countries

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



New Karolinska Solna, Stockholm, Sweden



