

# Year-end Report 2015



# Year-end Report 2015

- Strong result on a group level
  - Improved profitability
  - Strong performance in Project Development
  - Strong cash flow and financial position
- Operating income SEK 6.5 bn (5.8)
- ROCE Project Development 14.9% (10.4)
- EPS 11.96 (9.98), 20% increase
- Increased dividend SEK 7.50 (6.75)



New Karolinska Solna, Stockholm, Sweden

# Construction

- Revenue SEK 140.6 bn (128.7)
- Order bookings SEK 122.1 bn (146.9)
  - Sweden and UK strong
  - Orders postponed in the U.S. in Q4
  - Book-to-build: 87%, majority of units above 100%
  - Continued strong pipeline
- Operating income SEK 3.9 bn (4.5)
  - Solid performance in all units except for the U.S.
  - USA Civil: No claim settlements but discussions ongoing. Projects still challenging



# Residential Development

- Revenue SEK 12.3 bn (9.6)
  - 4,093 (3,274) homes sold
  - 4,000 (2,846) homes started
- Operating income SEK 1,174 M (683)
  - Strong performance in Central Europe and Sweden, BoKlok especially
  - Operating margin 9.5% (7.1)
- ROCE 14.4% (7.1)
- Continued focus on unsold units in Norway and Finland



BoKlok Solhöjden, Huddinge, Sweden

# Commercial Property Development

- Operating income SEK 1,947 M (1,700)
- Divestments of SEK 8.5 bn (9.8)
  - Gain SEK 2.6 bn (2.0), all time high for two consecutive years
- ROCE 15.6% (11.4)
- 44 ongoing projects
  - SEK 18.8 bn in investment value
  - 38% pre-leasing rate
  - 51% completion rate
  - 6 project starts in Q4
- 375,000 sq m leased, all time high



Green Court, Bucharest, Romania

# Infrastructure Development

- Operating income SEK 863 M (463)
- Project portfolio's net present value SEK 4.8 bn, SEK 0.4 in underlying increase
- Divestment of two hospitals in UK for SEK 1 bn in Q4
- ROCE 12.7% (16.9)
- Full speed ahead financial close LaGuardia Airport



Elizabeth River Tunnels, Virginia, U.S.

# New orders in Construction in Q4

SEK M

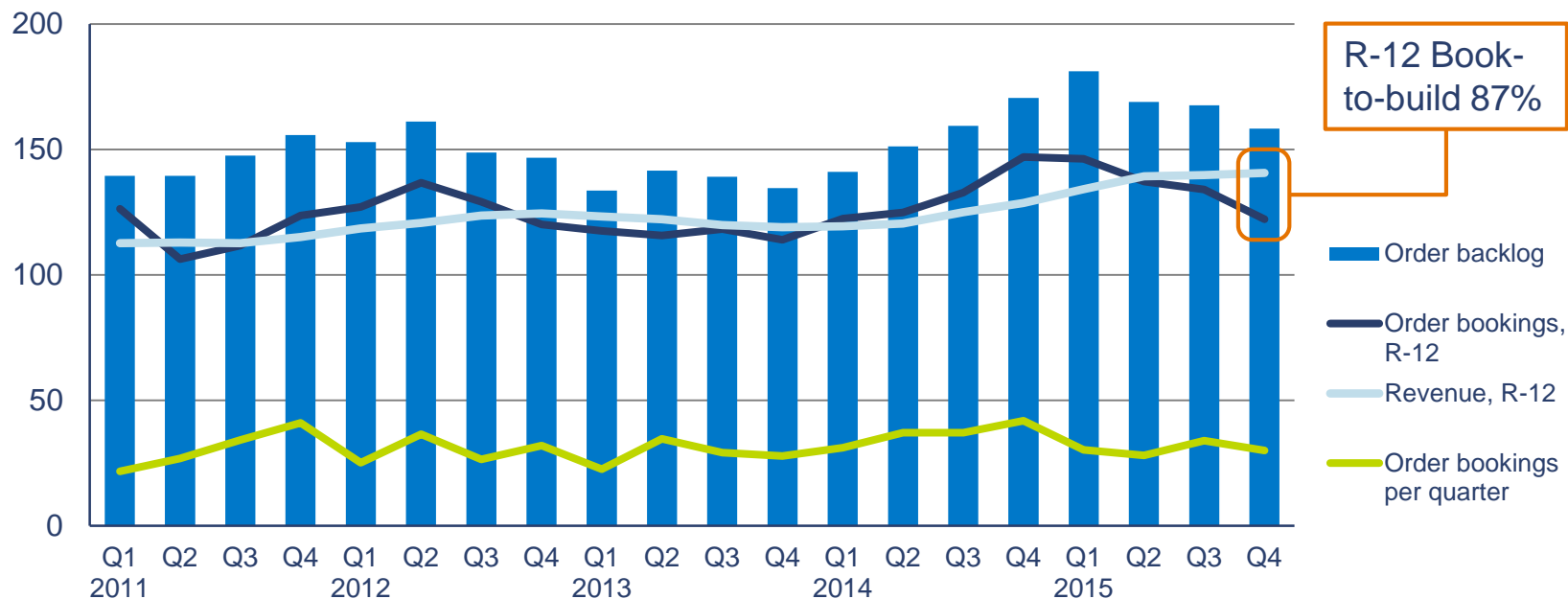
Multi-family development, U.S.	740
Apartments, Sweden	560
Boardwalk, U.S.	530
Office, U.S.	500
Commercial Building, Norway	410
Train station, Czech Republic	340
Total bookings in Q4	29,941



Oculus, World Trade Center, New York, U.S.

# Construction Order situation

SEK bn



SEK bn	Jan-Dec 2015	Jan-Dec 2014
Revenue	140.6	128.7
Order bookings	122.1	146.9
Order backlog	158.2	170.5

Latin American operations excluded from 1/1 2013

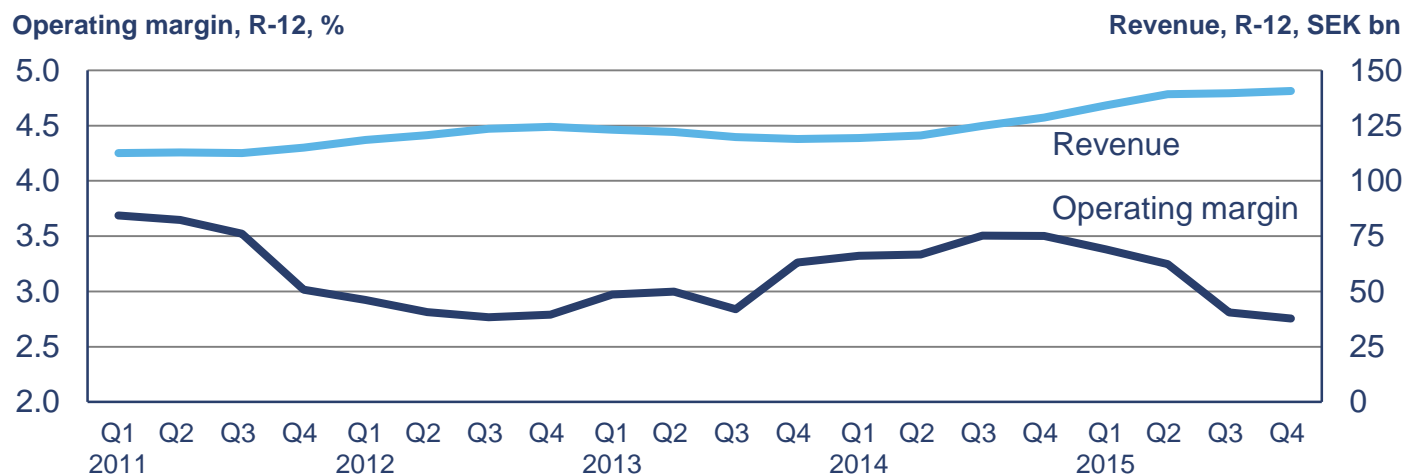


# Construction

## Order bookings

SEK bn	Jan–Dec 2015	Jan–Dec 2014	Book- to-build, R-12, %	Months of production
Sweden	33.0	31.9	105	12
Norway	13.2	14.2	111	11
Finland	7.2	6.0	114	12
Poland	9.3	10.0	94	6
Czech Republic	5.7	4.6	105	11
UK	19.3	19.0	105	19
USA Building	22.6	35.2	61	12
USA Civil	11.8	26.0	58	21
<b>Total</b>	<b>122.1</b>	<b>146.9</b>	<b>87</b>	<b>14</b>

# Construction Income statement



SEK bn	Jan–Dec 2015	Jan–Dec 2014
Revenue	140.6	128.7
<b>Gross income</b>	<b>10.0</b>	<b>10.3</b>
Selling and administrative expenses	-6.2	-5.8
<b>Operating income</b>	<b>3.9</b>	<b>4.5</b>
Gross margin, %	7.1	8.0
Selling and administrative expenses, %	-4.4	-4.5
Operating margin, %	2.8	3.5

Latin American operations excluded from 1/1 2013

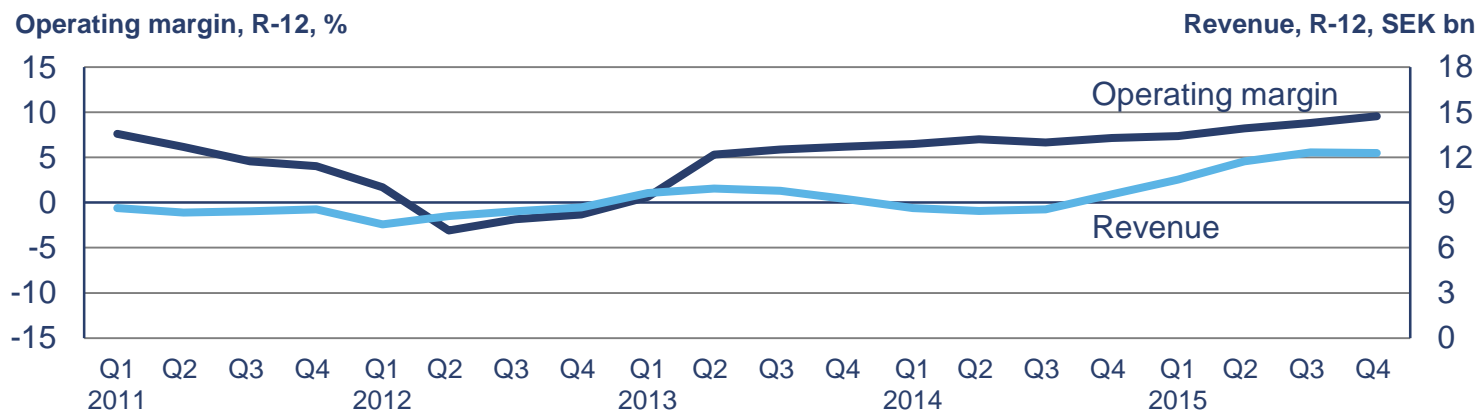
# Construction

## Income statement

	Operating income, SEK M		Operating margin, %	
	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2014
Sweden	1,425	1,327	4.6	4.5
Norway	382	414	3.2	3.0
Finland	241	241	3.8	3.6
Poland	472	468	4.8	4.5
Czech Republic	121	47	2.2	1.0
UK	443	454	2.4	3.0
USA Building	309	484	0.8	1.5
USA Civil	481	1,073	2.4	6.4
<b>Total</b>	<b>3,874</b>	<b>4,508</b>	<b>2.8</b>	<b>3.5</b>

# Residential Development

## Income statement, segment reporting



SEK M	Jan–Dec 2015	Jan–Dec 2014
Revenue	12,298	9,558
<b>Gross income</b>	<b>1,724</b>	<b>1,204</b>
Selling and administrative expenses	-550	-521
<b>Operating income</b>	<b>1,174</b>	<b>683</b>
Gross margin, %	14.0	12.6
Selling and administrative expenses, %	-4.5	-5.5
Operating margin, %	9.5	7.1
Return on capital employed, %	14.4	7.1

# Residential Development

## Income statement

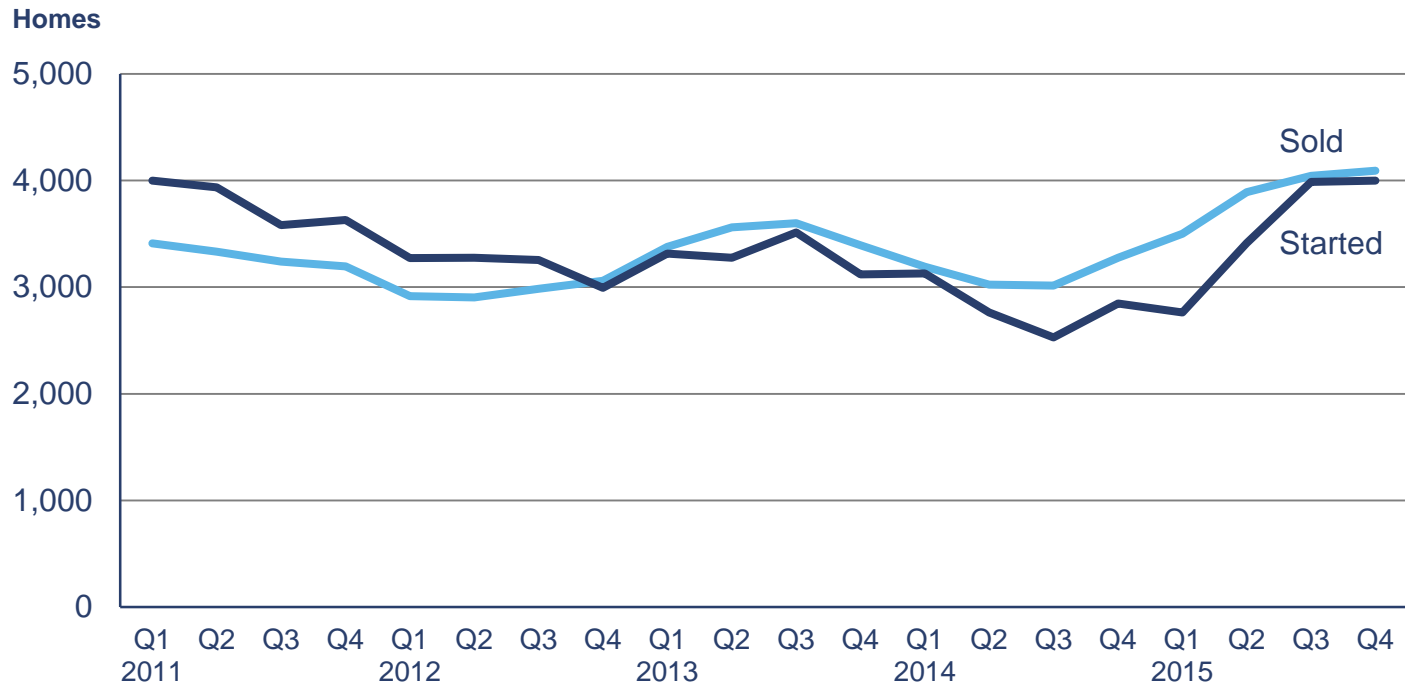
	Operating income, SEK M <sup>1</sup>		Operating margin, % <sup>1</sup>	
	Jan–Dec 2015	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2014
Sweden	799	427	10.8	8.2
Norway	143	115	7.3	8.6
Finland	122	92	5.7	4.8
<b>Nordics</b>	<b>1,064</b>	<b>634</b>	<b>9.3</b>	<b>7.5</b>
Central Europe <sup>2</sup>	110	49	13.6	4.4
<b>Total</b>	<b>1,174</b>	<b>683</b>	<b>9.5</b>	<b>7.1</b>

1 Development gain only, construction margin reported under Construction

2 Czech Republic, Poland and the UK

# Residential Development

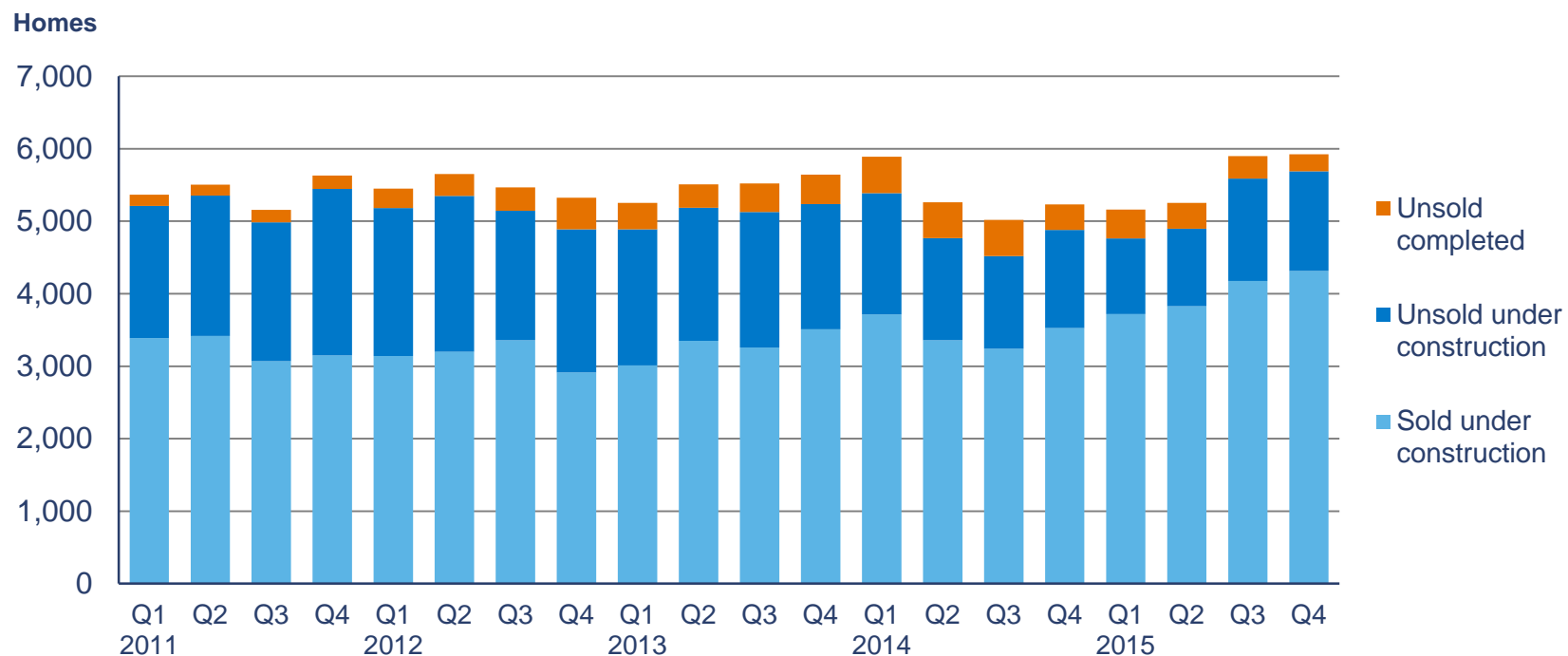
## Homes started and sold, R-12



Homes started		Homes sold	
Jan–Dec 2015	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2014
4,000	2,846	4,093	3,274

# Residential Development

## Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014	Dec 31, 2015	Dec 31, 2014
5,689	4,879	76	72	237	353

# Commercial Property Development

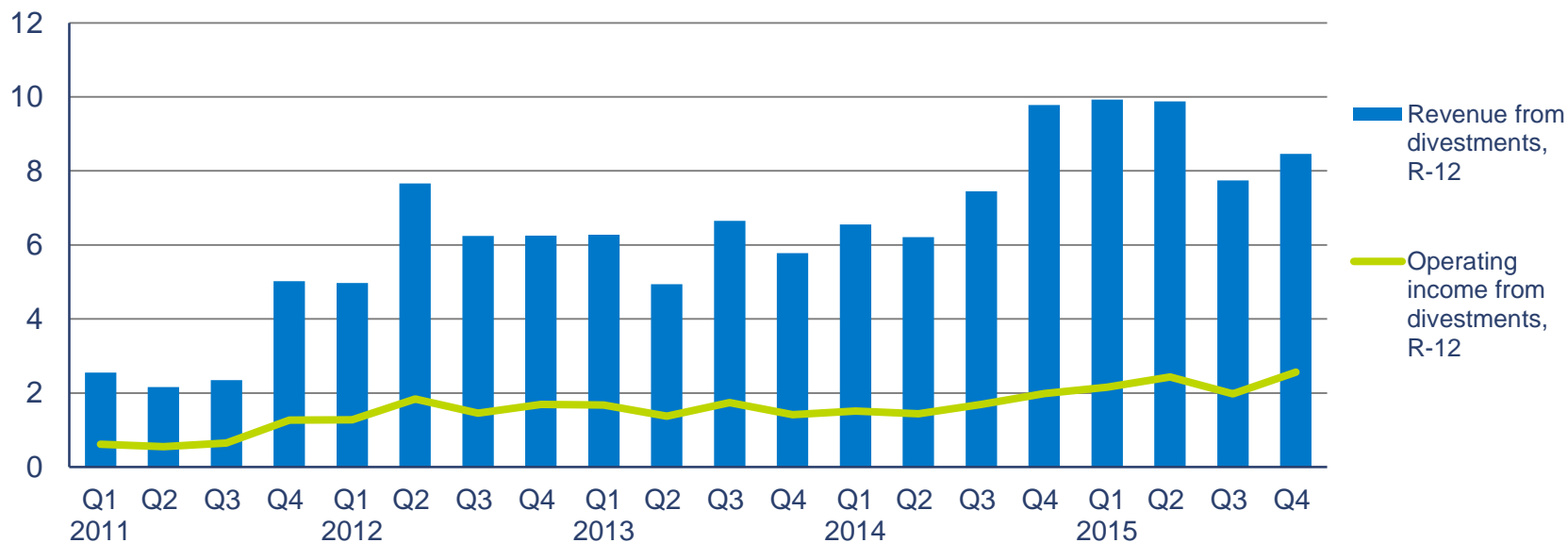
## Income statement, segment reporting

SEK M	Jan–Dec 2015	Jan–Dec 2014
Revenue	9,034	10,228
<b>Gross income</b>	<b>2,661</b>	<b>2,191</b>
Selling and administrative expenses	-677	-526
Income from joint ventures and associated companies	-37	35
<b>Operating income</b>	<b>1,947</b>	<b>1,700</b>
of which gain from divestments of properties <sup>1</sup>	2,564	1,989
of which write downs/reversal of write downs	-56	43
1 Additional gain included in eliminations	190	279
Return on capital employed, %	15.6	11.4



# Commercial Property Development Divestments

SEK bn



## Sale of commercial properties

SEK M

Sales price

Capital gain

Year-to-date

8,457

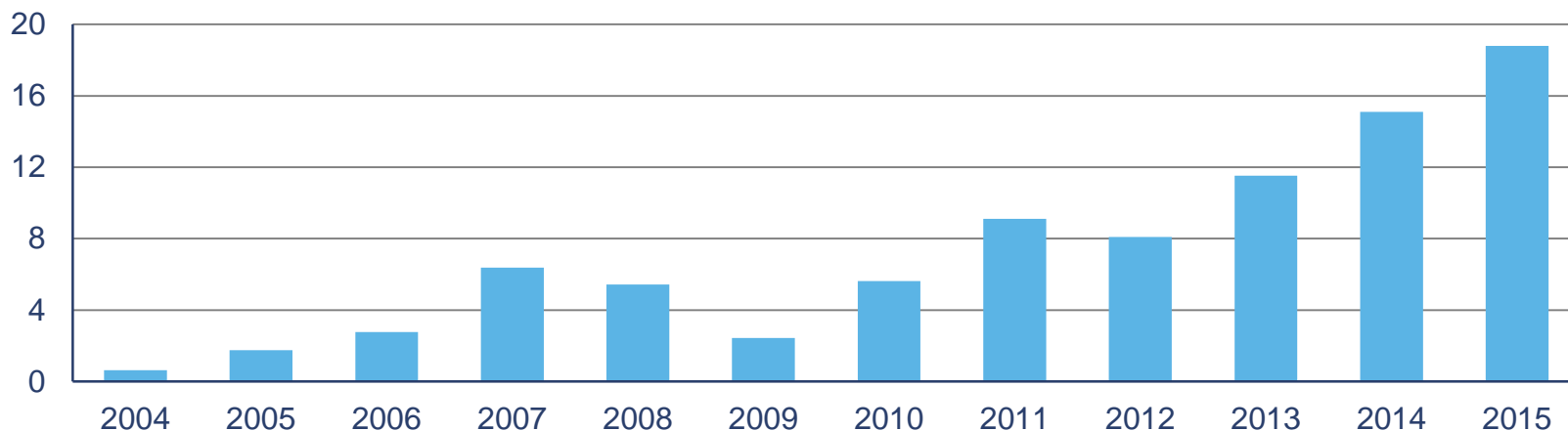
2,564

# Commercial Property Development

## Ongoing projects, including joint ventures

Ongoing projects, total investment value upon completion

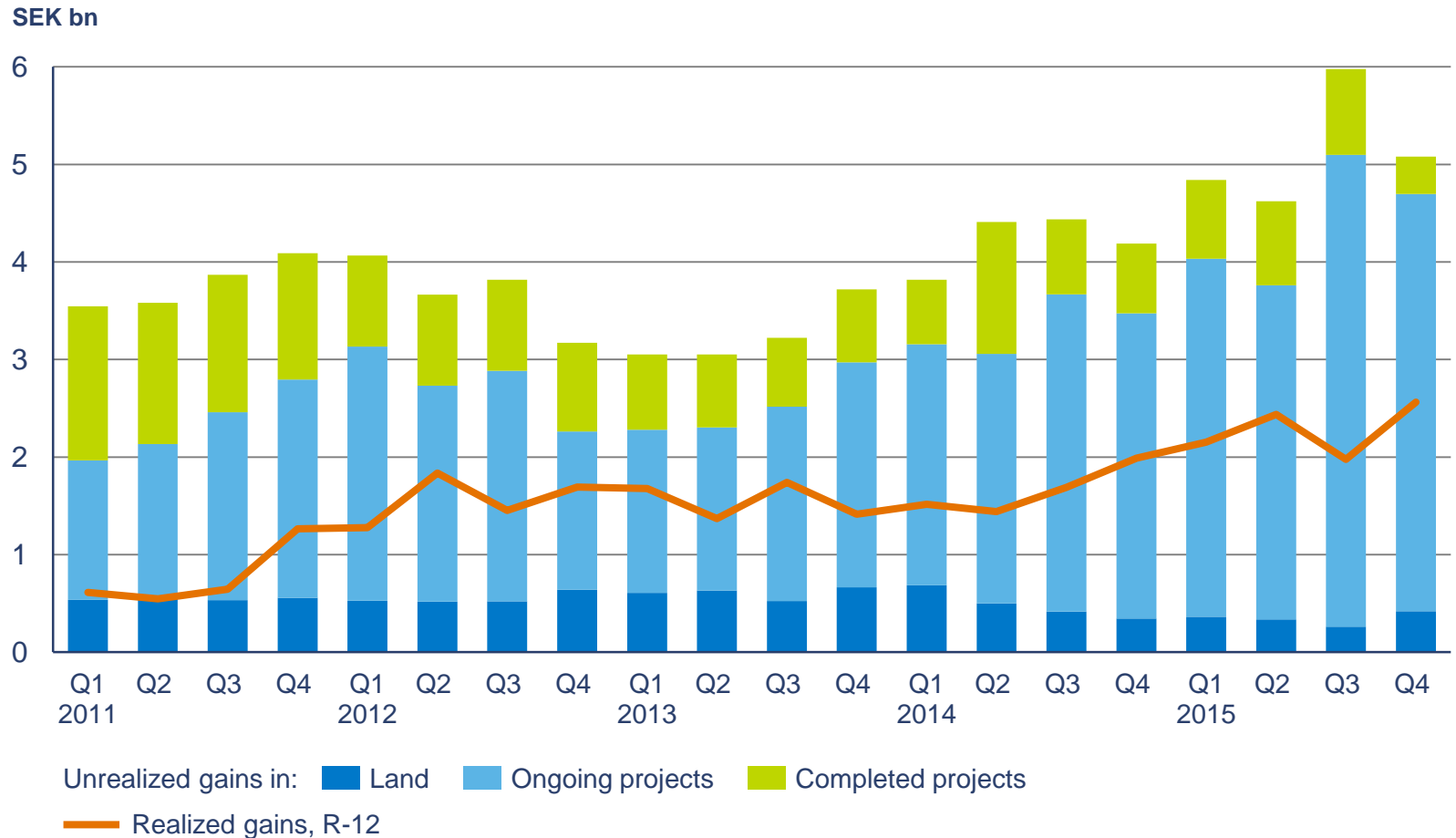
SEK bn



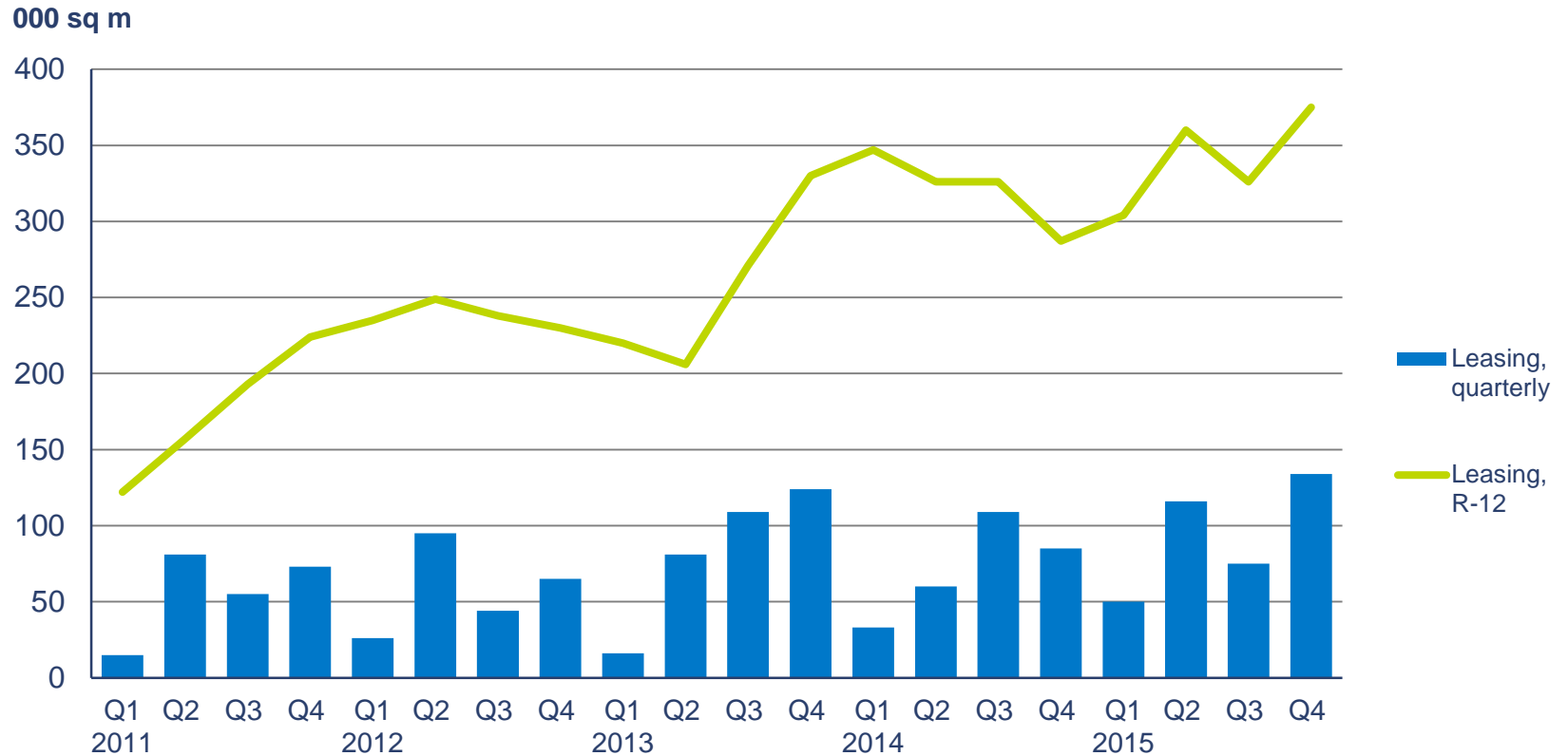
SEK bn	Investment value, end of period	Investment value, upon completion	Market value	Occupancy rate, %	Degree of completion, %
Completed projects	2.3	2.3	2.7	84	100
Undeveloped land and development properties	6.4	6.4	6.8		
Ongoing projects	8.5	17.2	22.0	39	51
Ongoing projects in JV	0.9	1.6	2.1	25	57
<b>Total</b>	<b>18.2</b>	<b>27.6</b>	<b>33.7</b>		
of which ongoing projects sold according to segment reporting	1.3	2.0	2.5		

# Commercial Property Development

## Unrealized and realized gains



# Commercial Property Development Leasing



New leases of space were signed for 375,000 sq m in 2015

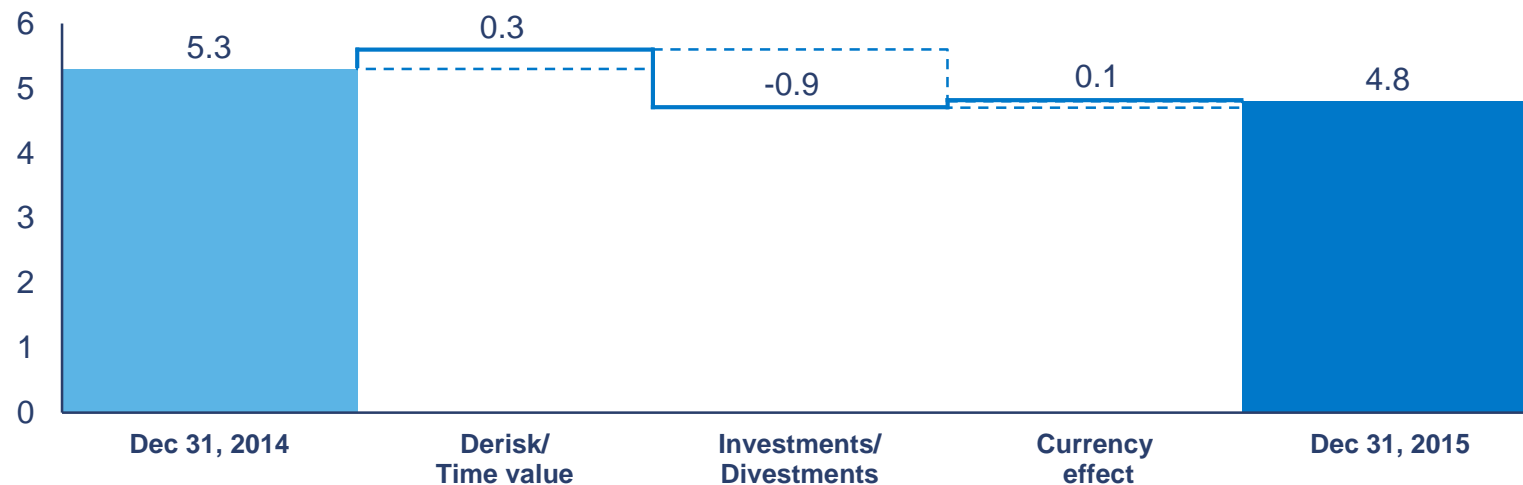
# Infrastructure Development

## Income statement

SEK M	Jan–Dec 2015	Jan–Dec 2014
Revenue	106	163
<b>Gross income</b>	<b>-128</b>	<b>-46</b>
Selling and administrative expenses	-156	-128
Income from joint ventures	1,147	637
<b>Operating income</b>	<b>863</b>	<b>463</b>
of which gains from divestments of shares in projects	420	127
Return on capital employed, %	12.7	16.9

# Infrastructure Development Project portfolio

Net present value of projects, SEK bn



SEK bn	Dec 31, 2015	Dec 31, 2014
Present value of cash flow from projects	6.1	6.5
<b>Net present value of projects</b>	<b>4.8</b>	<b>5.3</b>
Carrying amount	-3.1	-3.2
<b>Unrealized development gain</b>	<b>1.7</b>	<b>2.1</b>
Cash flow hedge	1.6	1.8
<b>Effect in unrealized Equity</b>	<b>3.3</b>	<b>3.9</b>

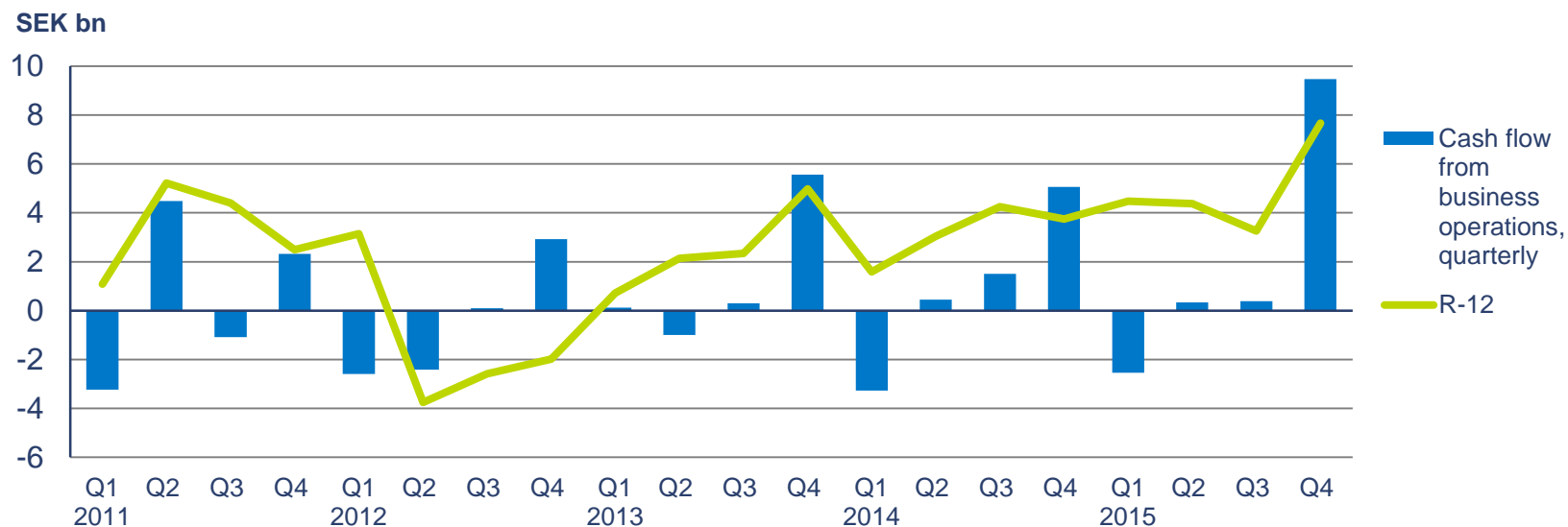
# Group

## Income statement

SEK M	Jan–Dec 2015	Jan–Dec 2014
Operating income from business streams	7,858	7,354
Central <sup>1</sup>	-1,346	-1,604
Eliminations	-51	16
<b>Operating income</b>	<b>6,461</b>	<b>5,766</b>
<b>Net financial items</b>	<b>-313</b>	<b>-293</b>
<b>Income after financial items</b>	<b>6,148</b>	<b>5,473</b>
Taxes	-1,219	-1,365
<b>Profit for the period</b>	<b>4,929</b>	<b>4,108</b>
Earnings per share, SEK	11.96	9.98
Tax rate, %	20	25

<sup>1</sup> Latin American operations included from 1/1 2013

# Group Cash flow

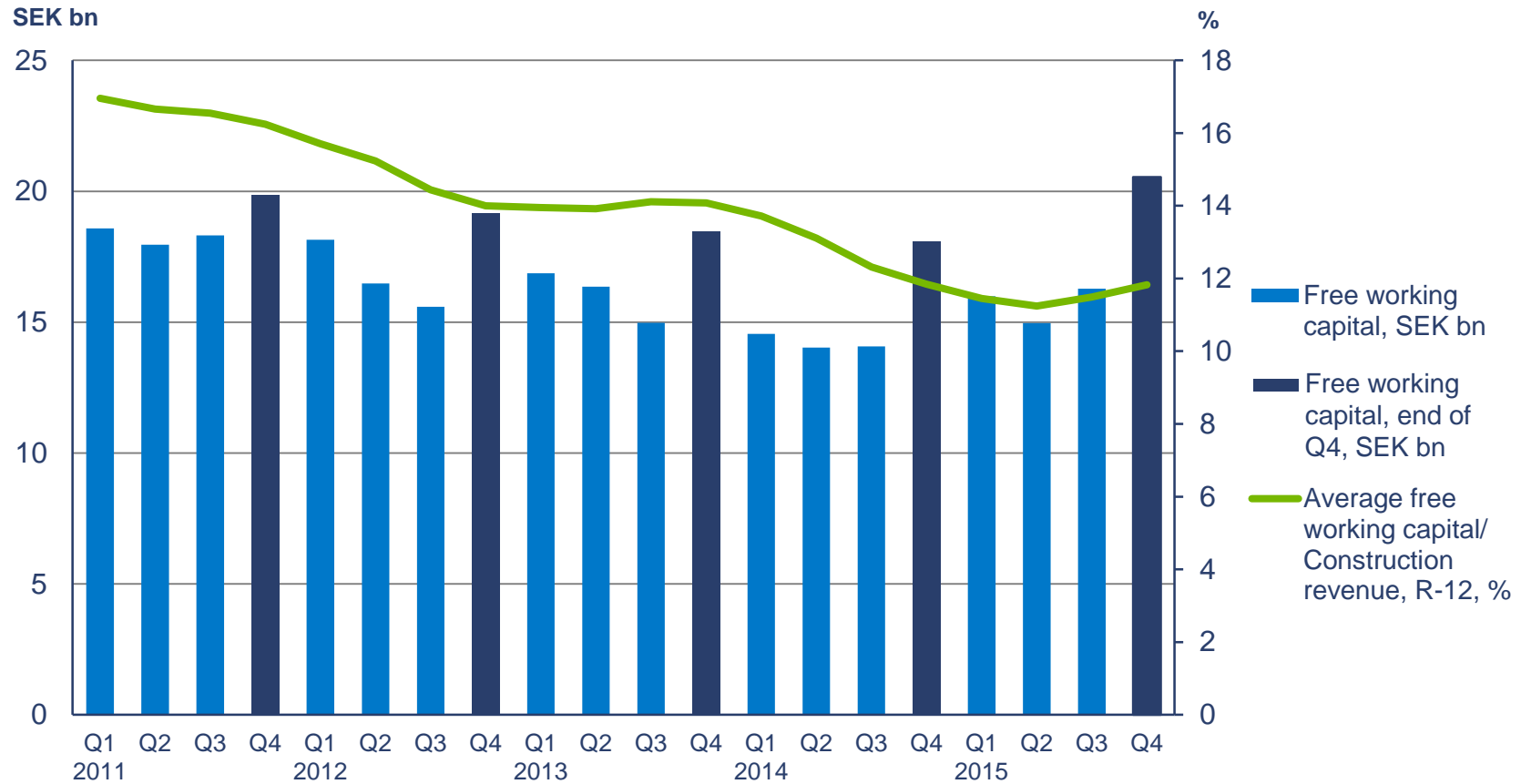


SEK bn	Jan–Dec 2015	Jan–Dec 2014
Cash flow from operations	7.7	3.7
Net strategic divestments	0.5	0.1
Dividend etc.	-3.2	-2.9
Cash flow before change in interest-bearing receivables and liabilities	4.9	0.9



# Construction

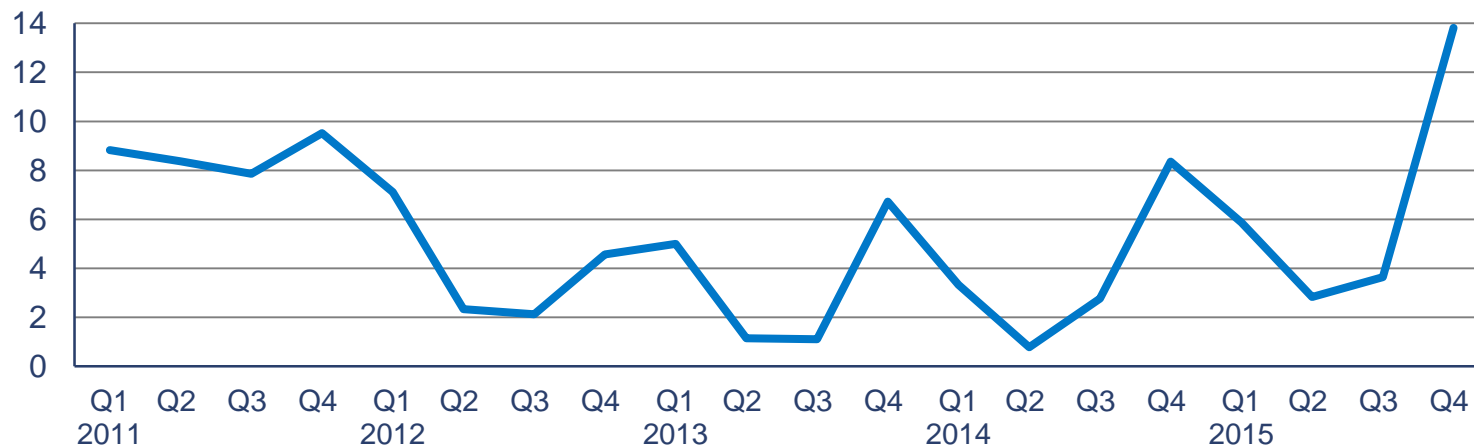
## Free working capital



Latin American operations excluded from 1/1 2013

# Group Financial position

Operating net financial assets/liabilities, SEK bn



SEK bn	Dec 31 2015	Dec 31 2014
Total assets	97.7	92.8
Equity attributable to equity holders	24.2	21.4
Interest-bearing net receivables (+)/net debt (-)	6.3	0.7
Operating net financial assets/liabilities	13.8	8.4
Capital employed, closing balance	38.4	36.8
Equity/assets ratio, %	24.8	23.1

# Group

## Change in financial position

SEK bn	Jan–Dec 2015	Jan–Dec 2014
<b>Opening balance interest-bearing net receivables</b>	<b>0.7</b>	<b>1.0</b>
Cash flow before change in interest-bearing receivables and liabilities	4.9	0.9
Change in pension liability	0.6	-2.0
Other changes	0.1	0.8
<b>Change in interest-bearing net receivables</b>	<b>5.6</b>	<b>-0.3</b>
<b>Closing balance interest-bearing net receivables/net debt</b>	<b>6.3</b>	<b>0.7</b>
Pension liability, net	3.7	4.4
Interest-bearing debt co-ops	3.8	3.2
<b>Operating net financial assets/liabilities</b>	<b>13.8</b>	<b>8.4</b>

# Group

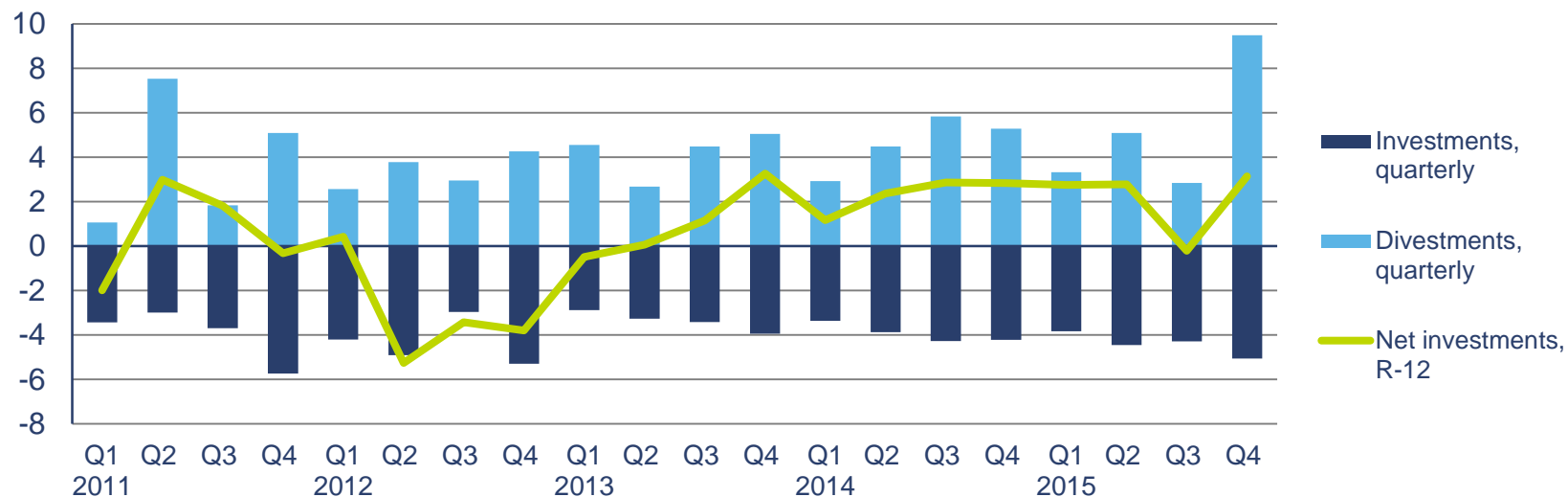
## Change in equity

SEK bn	Jan–Dec 2015	Jan–Dec 2014
<b>Opening balance</b>	<b>21.4</b>	<b>21.4</b>
Dividend to shareholders	-2.8	-2.6
Other changes in equity not included in total comprehensive income for the year	-0.2	-0.1
Profit for the period	4.8	3.9
<b>Other comprehensive income</b>		
Translation differences	0.0	1.5
Effects of remeasurements of pensions	0.6	-1.8
Effects of cash flow hedges	0.3	-0.8
<b>Closing balance</b>	<b>24.2</b>	<b>21.4</b>

# Group

## Investments, divestments and capital employed

SEK bn



SEK bn	Dec 31 2015	Dec 31 2014
<b>Capital employed in:</b>		
Residential Development	9.3	10.4
Commercial Property Development	16.5	15.0
Infrastructure Development	1.8	1.9
<b>Total in Development Streams</b>	<b>27.6</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



# 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



Sopranen, Malmö Live, 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 especially



### Central Europe

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



### North America

- Strong investor appetite and good tenant demand



2112 Pennsylvania Avenue, Washington DC, U.S.



# 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



Interstate 4, Orlando, Florida, U.S.

