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Six Month Report 2014

Nationalmuseum, Stockholm, Sweden

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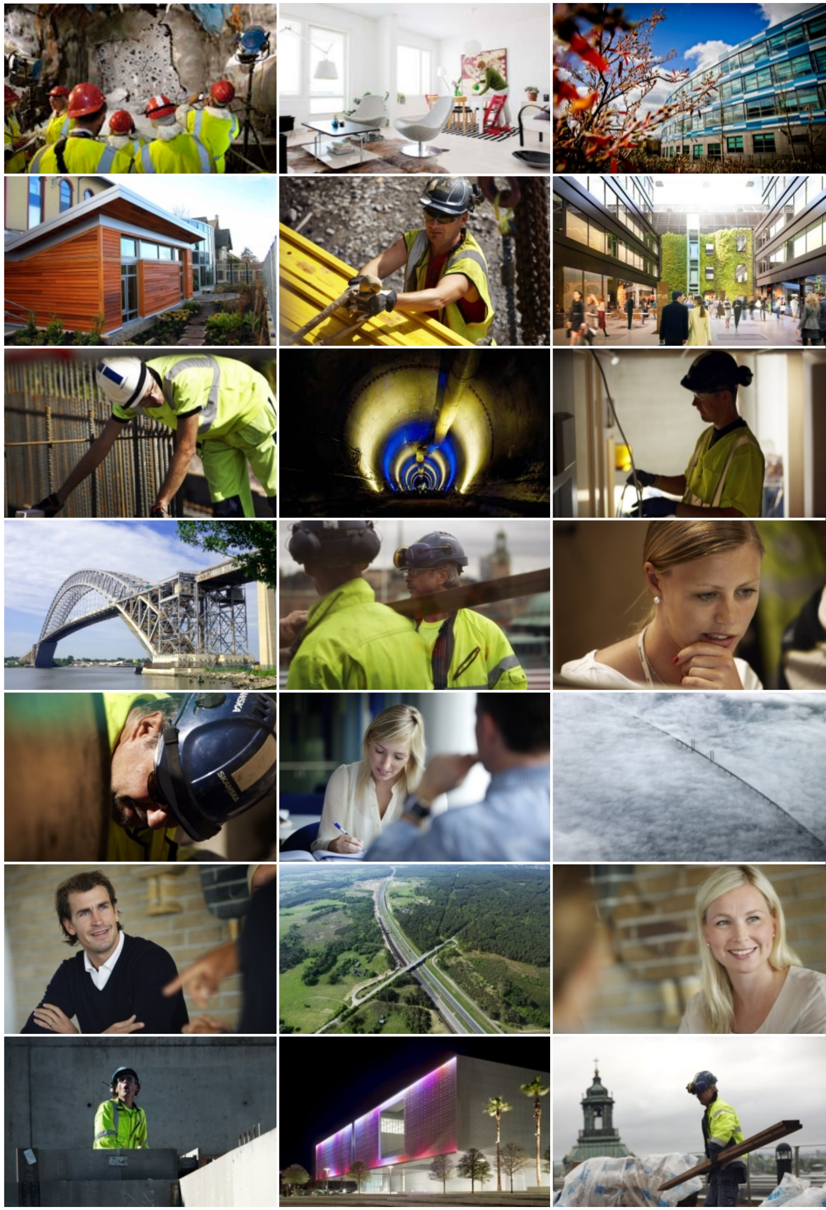
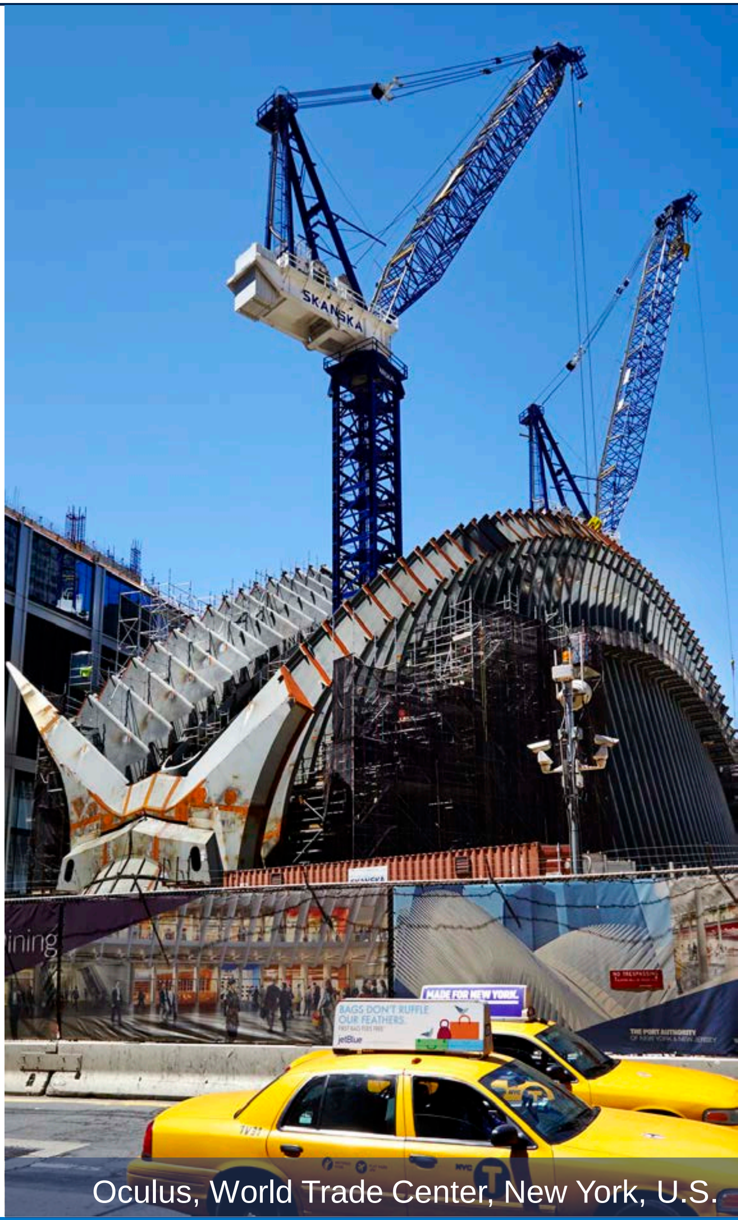
Six Month Report 2014 – Highlights

- Improvement in our home markets' underlying economies – market outlook continues to improve
- Increase in order bookings and order backlog
- Operating income SEK 1.6 bn (2.0)
- Write-downs and restructuring costs of SEK 500 M in Latin America; focus on O&M going forward



Construction

- Revenue SEK 59.4 bn (58.9)
- Order bookings SEK 70.4 bn (60.3)
  - Sweden, Finland, Poland, UK and USA Civil strong
- Operating income SEK 1.2 bn (1.6)
  - Strong performance in Swedish and Finnish operations



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

Residential Development

- Revenue SEK 4.5 bn (5.3)
  - 1,540 (1,907) homes sold
  - 1,308 (1,663) homes started
  - Project starts crucial

- Operating income SEK 349 M (331)
- Profitability continues to improve
  - Gross margin 13.6% (11.3)

Ranheimsfjæra, Trondheim, Norway

Commercial Property Development

- Divestments of SEK 2.3 bn (1.9)
- Income from divestments SEK 408 M (381)
- 31 ongoing projects
  - SEK 11.5 bn in investment value
  - 43% pre-leasing rate
  - 41% completion rate
  - 8 project starts
- 93,000 sq m leased
  - 326,000 sq m past 12 months

Entré Lindhagen, Stockholm, Sweden

Infrastructure Development

- Project portfolio's net present value increased SEK 0.4 bn to SEK 5.3 bn
- Preferred bidder for the I-4 Ultimate, Florida, U.S.
- Preferred bidder for the New Papworth Hospital, Cambridge, UK in Q3

Elizabeth River Tunnels, Virginia, U.S.

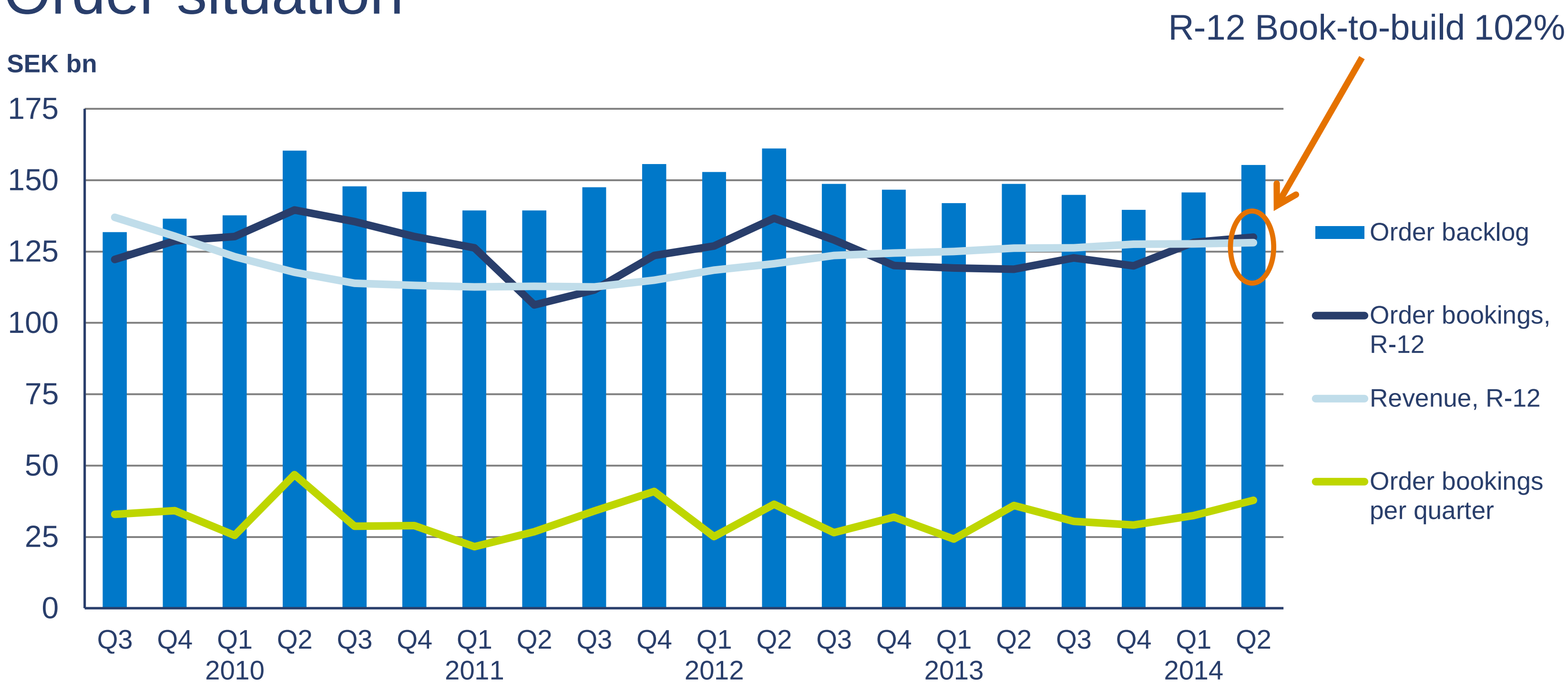
New orders in Construction in Q2

SEK M

Underground transit, CA, U.S.	3,800
Defense College, UK	2,700
Bridge, NY, U.S.	1,600
Office, UK	1,000
Office, Norway	740
Renovation, Sweden	700
Total bookings in Q2	37,894

Regional Connector, Los Angeles, U.S.

Construction
Order situation



SEK bn	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Revenue	59.4	58.9	127.6
Order bookings	70.4	60.3	120.1
Order backlog	155.4	148.7	139.6

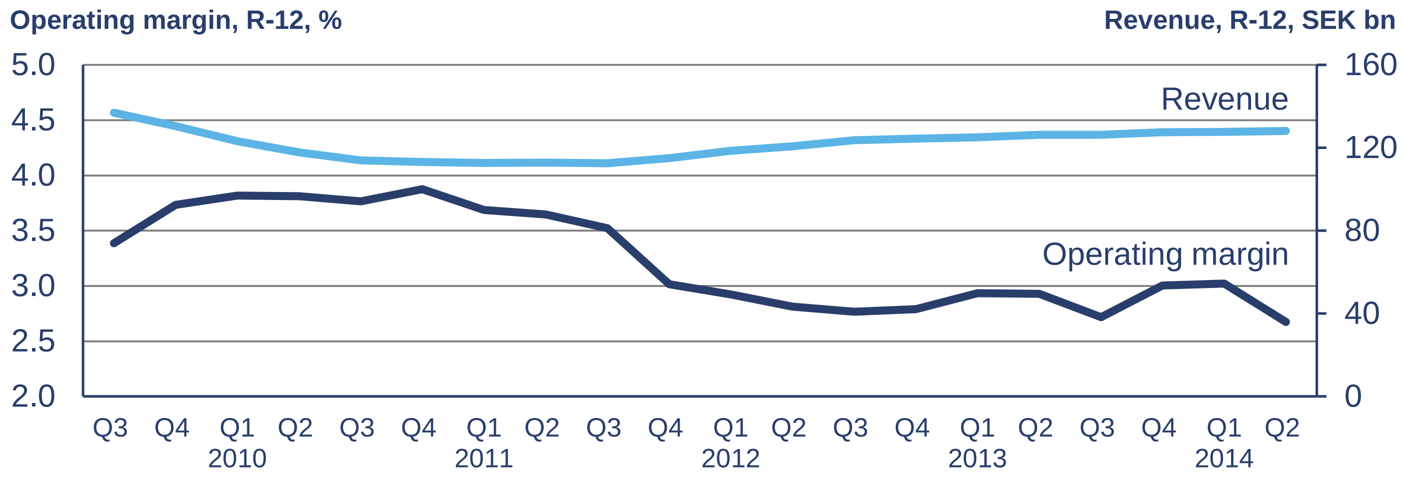
Construction

Order bookings

SEK bn	Jan–Jun 2014	Jan–Jun 2013	Book-to-build, R-12, %	Months of production
Sweden	13.4	13.9	99	11
Norway	8.4	8.6	95	10
Finland	3.7	3.3	111	12
Poland	5.1	4.5	95	10
Czech Republic	2.3	1.2	99	14
UK	9.4	4.4	109	19
USA Building	17.5	14.2	121	17
USA Civil	8.2	7.0	86	22
Latin America	2.2	2.9	70	6
Total	**70.4**	**60.3**	**102**	**14**

Construction

Income statement

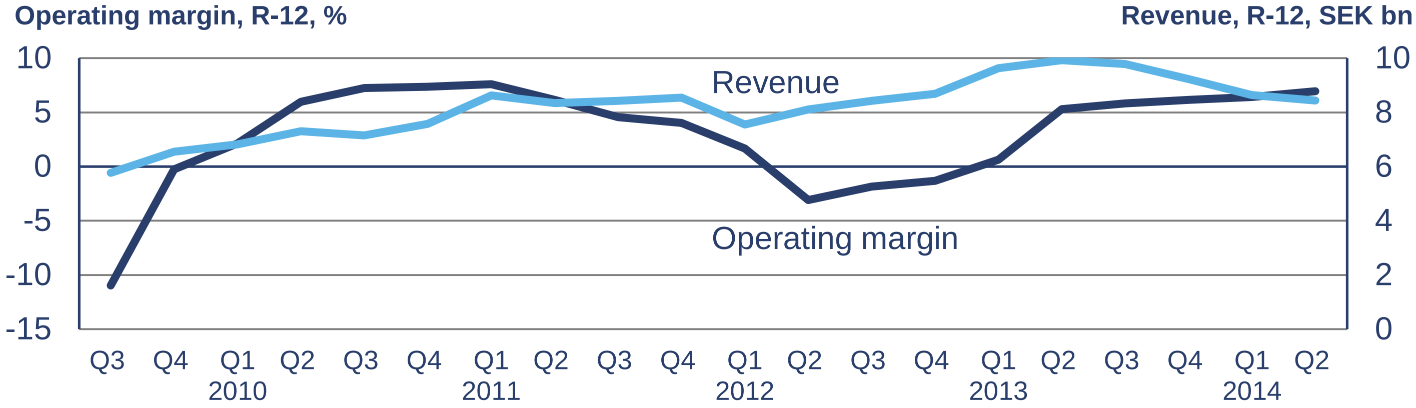


SEK bn	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Revenue	59.4	58.9	127.6
Gross income	**4.2**	**4.5**	**9.7**
Selling and administrative expenses	-3.0	-2.9	-5.9
Operating income	**1.2**	**1.6**	**3.8**
Gross margin, %	7.1	7.6	7.6
Selling and administrative expenses, %	-5.1	-4.9	-4.6
Operating margin, %	2.0	2.7	3.0

Construction
Income statement

	Operating income, SEK M		Operating margin, %	
	Jan–Jun 2014	Jan–Jun 2013	Jan–Jun 2014	Jan–Jun 2013
Sweden	500	311	3.6	2.3
Norway	171	177	2.7	2.5
Finland	109	66	3.5	2.4
Poland	92	84	3.0	3.6
Czech Republic	-11	-12	neg	neg
UK	217	175	3.1	3.2
USA Building	148	216	1.1	1.4
USA Civil	448	520	6.2	8.1
Latin America	-509	36	neg	0.9
Total	**1,167**	**1,573**	**2.0**	**2.7**

Residential Development
Income statement, segment reporting



SEK M	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Revenue	4,469	5,258	9,234
Gross income	**609**	**593**	**1,055**
Selling and administrative expenses	-262	-267	-484
Income from joint ventures	2	5	2
Operating income	**349**	**331**	**573**
Gross margin, %	13.6	11.3	11.4
Selling and administrative expenses, %	-5.9	-5.1	-5.2
Operating margin, %	7.8	6.3	6.2

Residential Development
Income statement

	Operating income, SEK M[1]		Operating margin, %[1]	
	Jan–Jun 2014	Jan–Jun 2013	Jan–Jun 2014	Jan–Jun 2013
Sweden	204	191	8.9	7.7
Norway	53	77	10.1	6.6
Finland	64	69	6.9	5.5
Nordics	**321**	**337**	**8.6**	**6.9**
Other European countries[2]	28	-6	3.9	neg
Total	**349**	**331**	**7.8**	**6.3**

1 Development gain only, construction margin reported under Construction
2 Czech Republic, Poland and the UK

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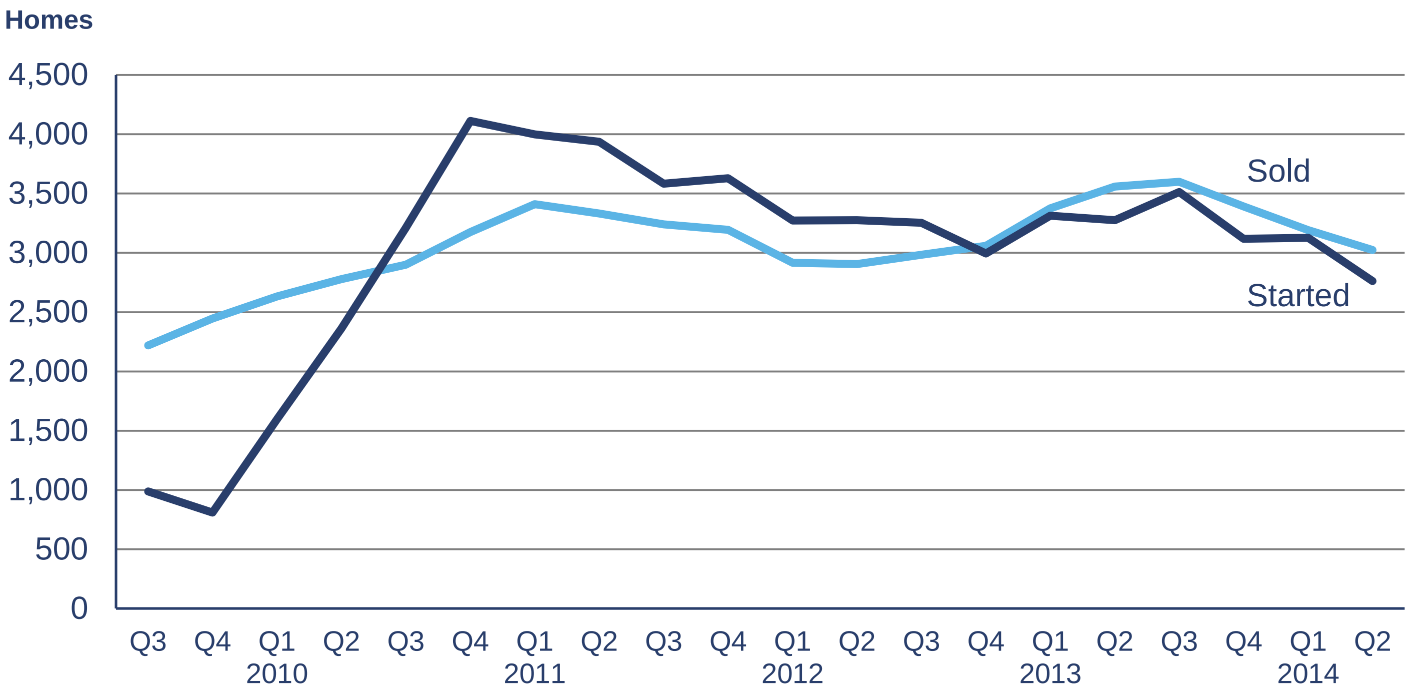
Residential Development

Homes started and sold, R-12



Homes started			Homes sold		
Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
1,308	1,663	3,118	1,540	1,907	3,391

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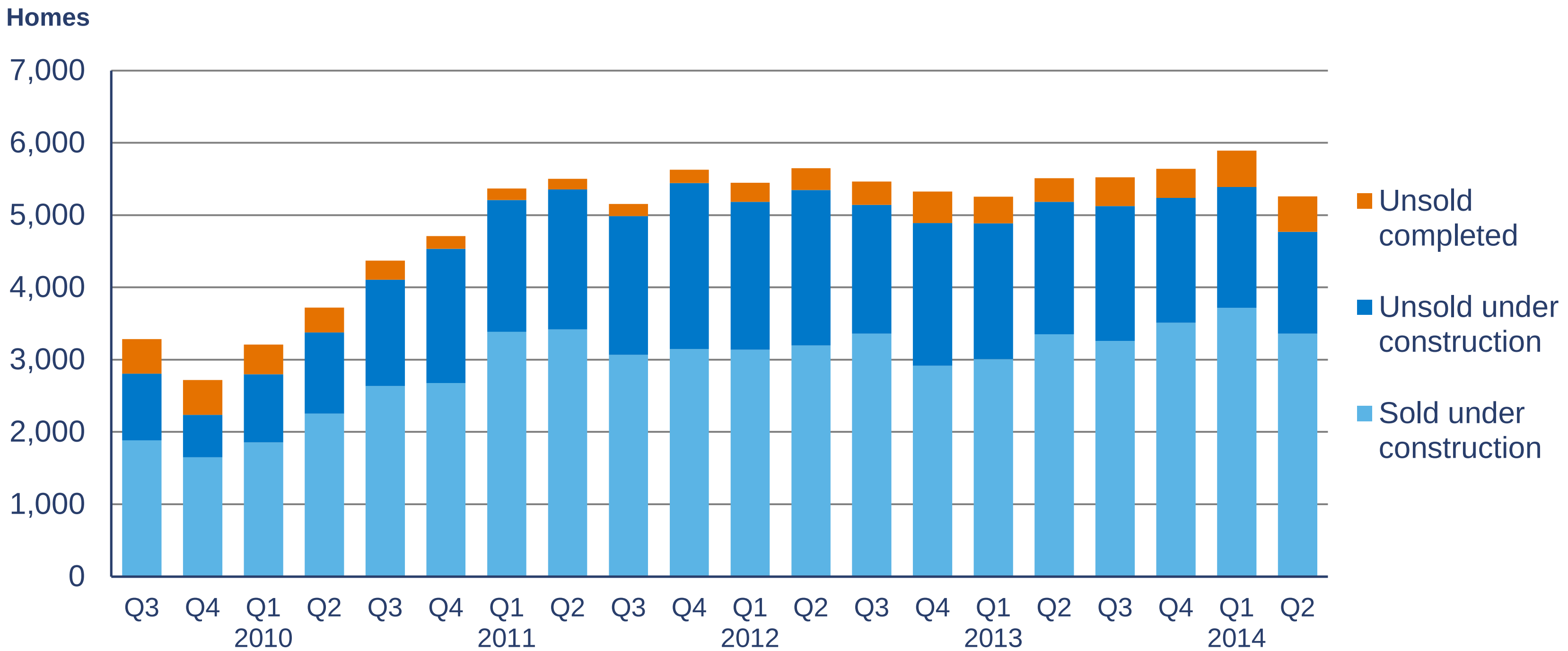
Residential Development
Homes in production



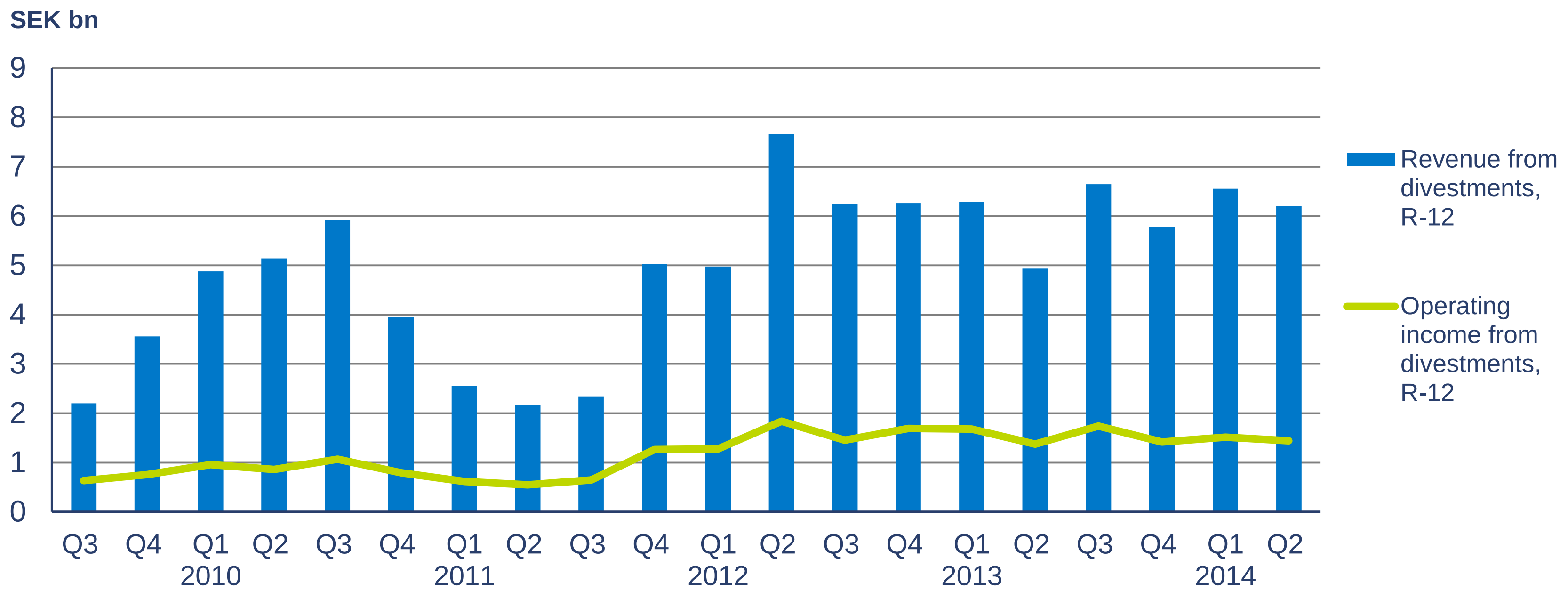
Homes in production		Of which sold, %		Unsold completed homes	
Jun 30, 2014	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013	Jun 30, 2014	Jun 30, 2013
4,768	5,185	70	65	492	325

Commercial Property Development
Income statement, segment reporting

SEK M	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Revenue	2,585	2,122	6,206
Gross income	**556**	**477**	**1,547**
Selling and administrative expenses	-249	-228	-495
Income from joint ventures and associated companies	5	9	16
Operating income	**312**	**258**	**1,068**
of which gain from divestments of properties[1]	408	381	1,415
of which write downs/reversal of write downs	-11	0	-13
1 Additional gain included in eliminations	31	26	112

Development gain only, construction margin reported under Construction

Commercial Property Development
Divestments



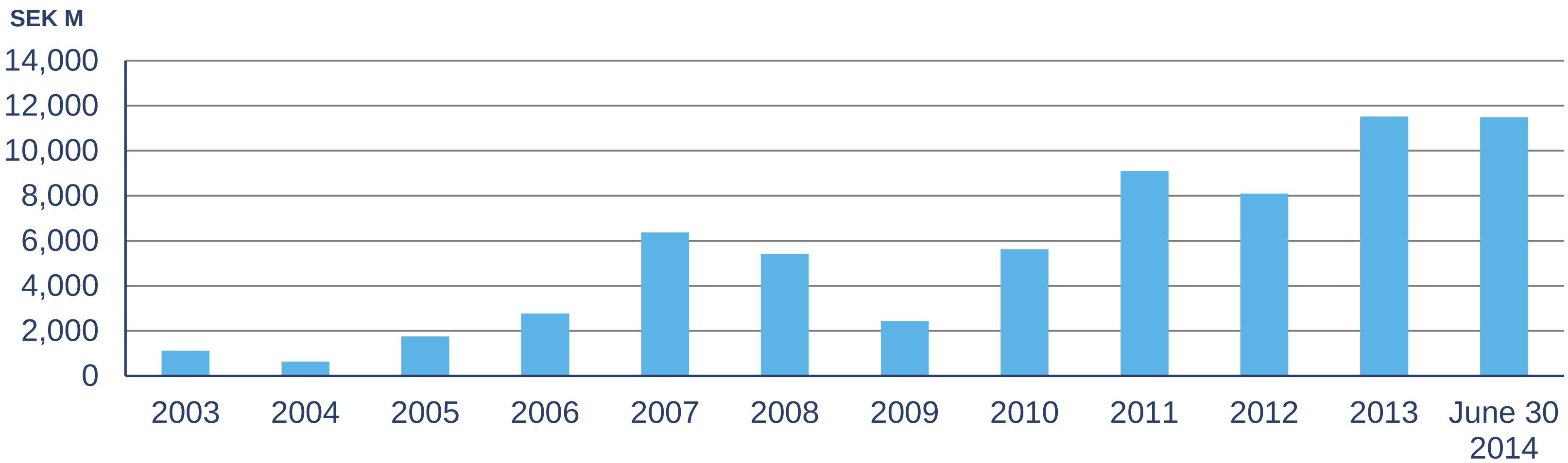
Sale of commercial properties

SEK M	Sales price	Capital gain
Year-to-date	2,333	408

Commercial Property Development

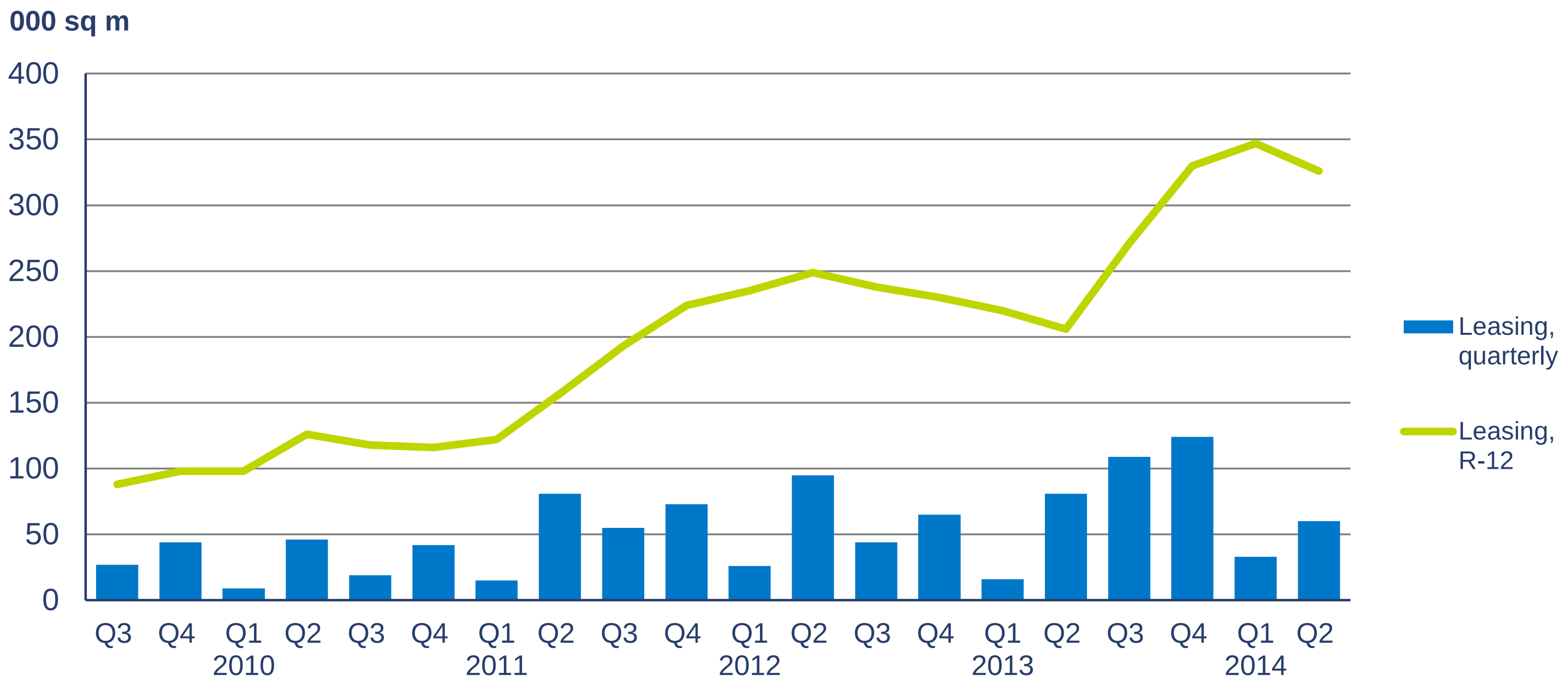
Carrying amounts and market values

Ongoing projects, carrying amount upon completion



SEK bn	Carrying amount, end of period	Carrying amount, upon completion	Market value	Occupancy rate, %	Degree of completion, %
Completed projects	4.9	4.9	6.5	92	100
Undeveloped land and development properties	4.8	4.8	5.3		
Ongoing projects	4.6	11.5	14.2	43	41
Total	**14.3**	**21.1**	**25.9**		
of which completed projects sold according to segment reporting	0.7	0.7	1.0		
of which ongoing projects sold according to segment reporting	0.5	1.0	1.2		

Commercial Property Development
Leasing



New leases of space were signed for 93,000 sq m, year-to-date

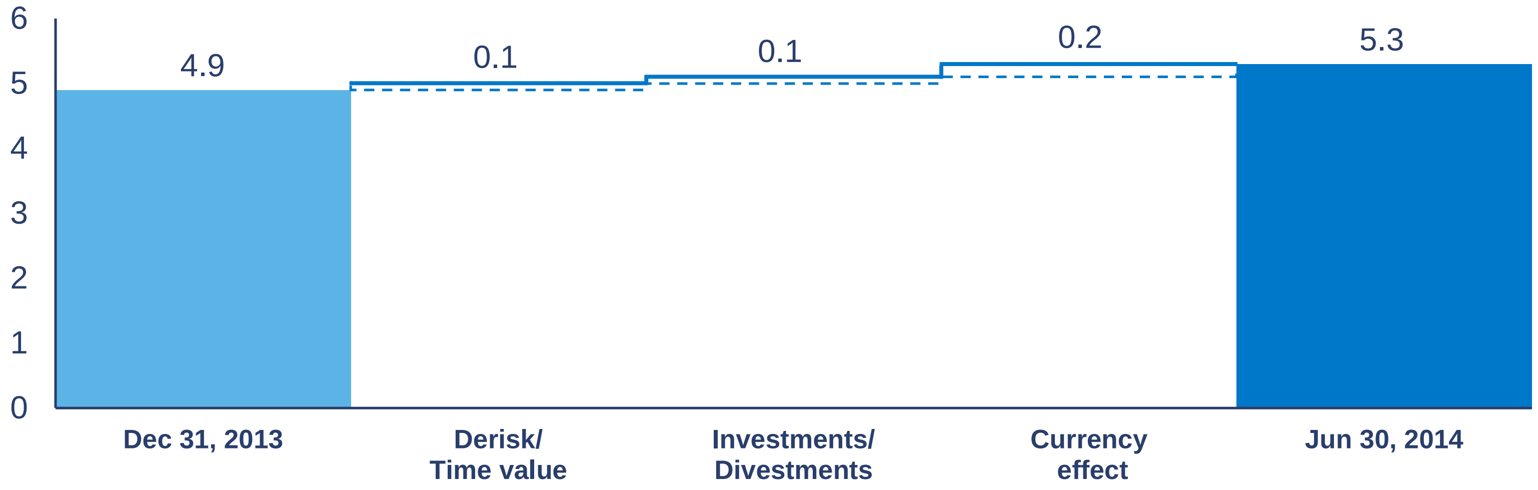
Infrastructure Development

Income statement

SEK M	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Revenue	35	46	87
Gross income	**-77**	**-64**	**-111**
Selling and administrative expenses	-66	-65	-134
Income from joint ventures	338	355	646
Operating income	**195**	**226**	**401**
of which gains from divestments of shares in projects	0	118	118

Infrastructure Development
Project portfolio

Net present value of projects, SEK bn



SEK bn	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Present value of cash flow from projects	6.1	5.3	5.7
Net present value of projects	**5.3**	**4.5**	**4.9**
Carrying amount	-3.4	-2.9	-3.1
Unrealized development gain	**1.9**	**1.6**	**1.8**
Cash flow hedge	1.3	1.1	1.0
Effect in unrealized Equity	**3.2**	**2.7**	**2.8**

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Group

Income statement

SEK M	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Operating income from business streams	2,023	2,388	5,875
Central	-394	-351	-685
Eliminations	-48	-20	-46
Operating income	**1,581**	**2,017**	**5,144**
Net financial items	**-125**	**-149**	**-241**
Income after financial items	**1,456**	**1,868**	**4,903**
Taxes	-363	-467	-1,430
Profit for the period	**1,093**	**1,401**	**3,473**
Earnings per share, SEK	2.64	3.40	8.43
Tax rate, %	25	25	29

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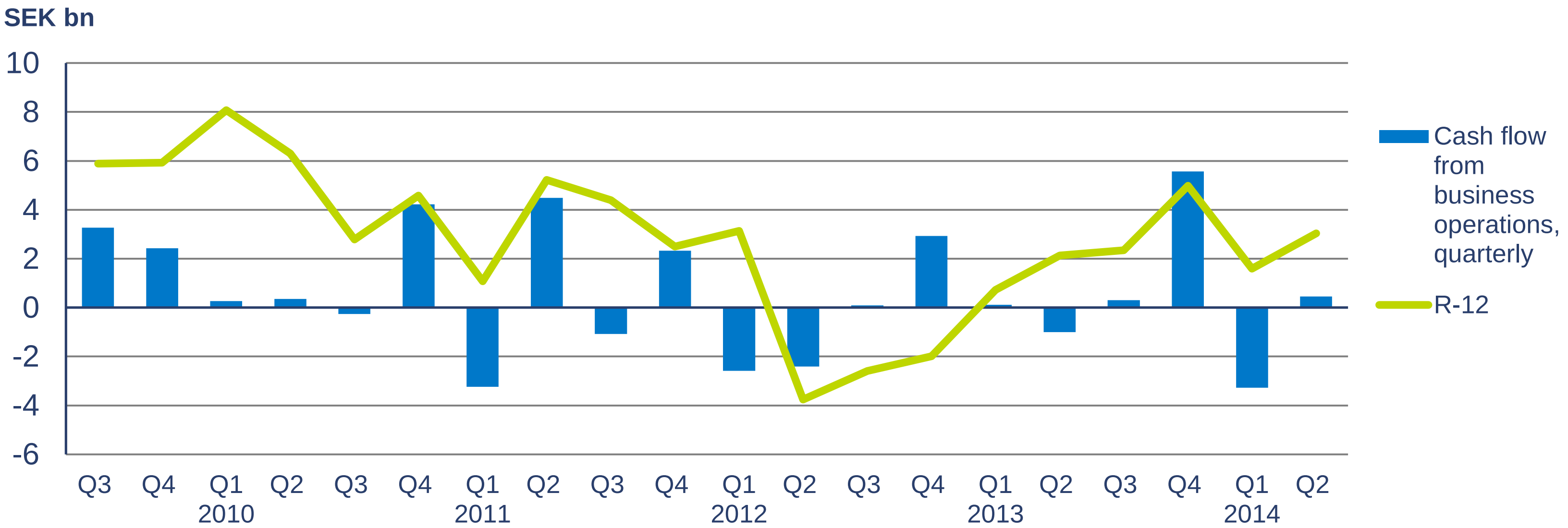
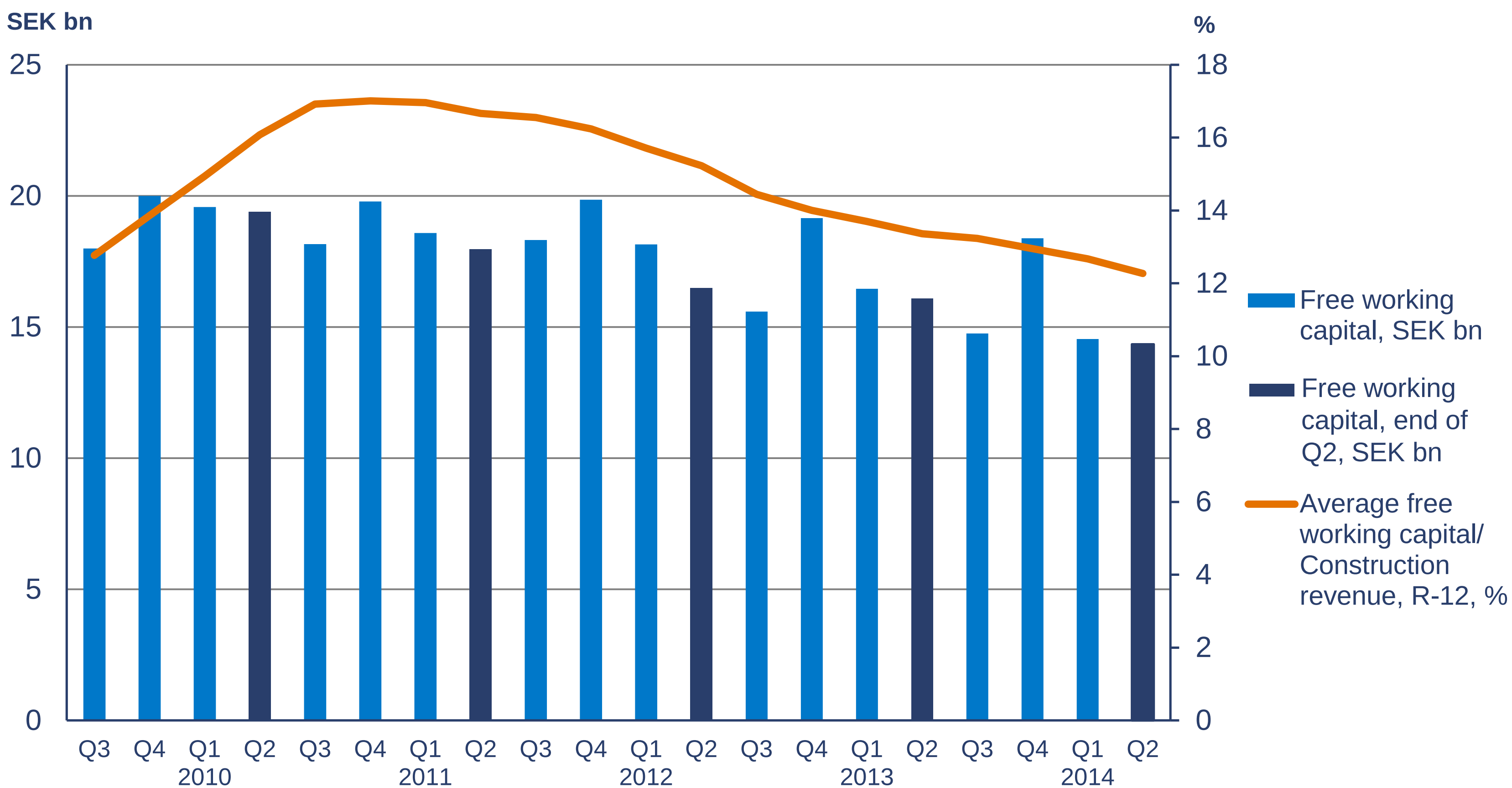
Group
Cash flow



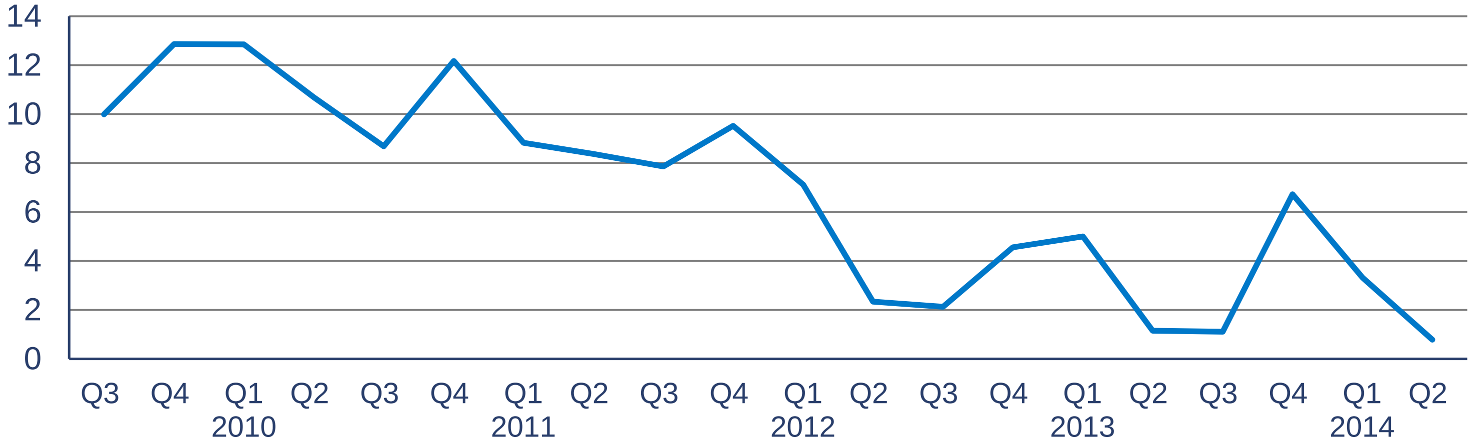
SEK bn	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Cash flow from operations	-2.8	-0.9	5.0
Net strategic investments	0.1	0.0	-0.2
Dividend etc.	-2.7	-2.6	-2.8
Cash flow before change in interest-bearing receivables and liabilities	-5.5	-3.5	2.0

Construction
Free working capital



Group
Financial position

Operating net financial assets/liabilities, SEK bn



SEK bn	Jun 30 2014	Jun 30 2013	Dec 31 2013
Total assets	86.6	86.4	87.7
Equity attributable to equity holders	19.3	19.5	21.4
Interest-bearing net receivables (+)/net debt (-)	-5.3	-4.6	1.0
Operating net financial assets/liabilities	0.8	1.1	6.7
Capital employed, closing balance	34.9	35.3	35.4
Equity/assets ratio, %	22.4	22.5	24.4

Group
Change in financial position

SEK bn	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Opening balance interest-bearing net receivables	**1.0**	**-2.0**	**-2.0**
Cash flow before change in interest-bearing receivables and liabilities	-5.5	-3.5	2.0
Change in pension liability	-0.8	0.5	0.6
Other changes	0.0	0.4	0.4
Change in interest-bearing net receivables	**-6.3**	**-2.6**	**3.0**
Closing balance interest-bearing net receivables/net debt	**-5.3**	**-4.6**	**1.0**
Pension liability, net	3.2	3.0	2.9
Interest-bearing debt co-ops	2.9	2.7	2.8
Operating net financial assets/liabilities	**0.8**	**1.1**	**6.7**

Group
Change in equity

SEK bn	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Opening balance	**21.4**	**19.4**	**19.4**
Dividend to shareholders	-2.6	-2.5	-2.5
Other changes in equity not included in total comprehensive income for the year	-0.1	0.0	0.0
Profit for the period	1.2	1.8	3.8
Other comprehensive income			
Translation differences	0.4	-0.2	-0.4
Effects of remeasurements of pensions	-0.8	0.4	0.5
Effects of cash flow hedges	-0.2	0.5	0.5
Closing balance	**19.3**	**19.5**	**21.4**

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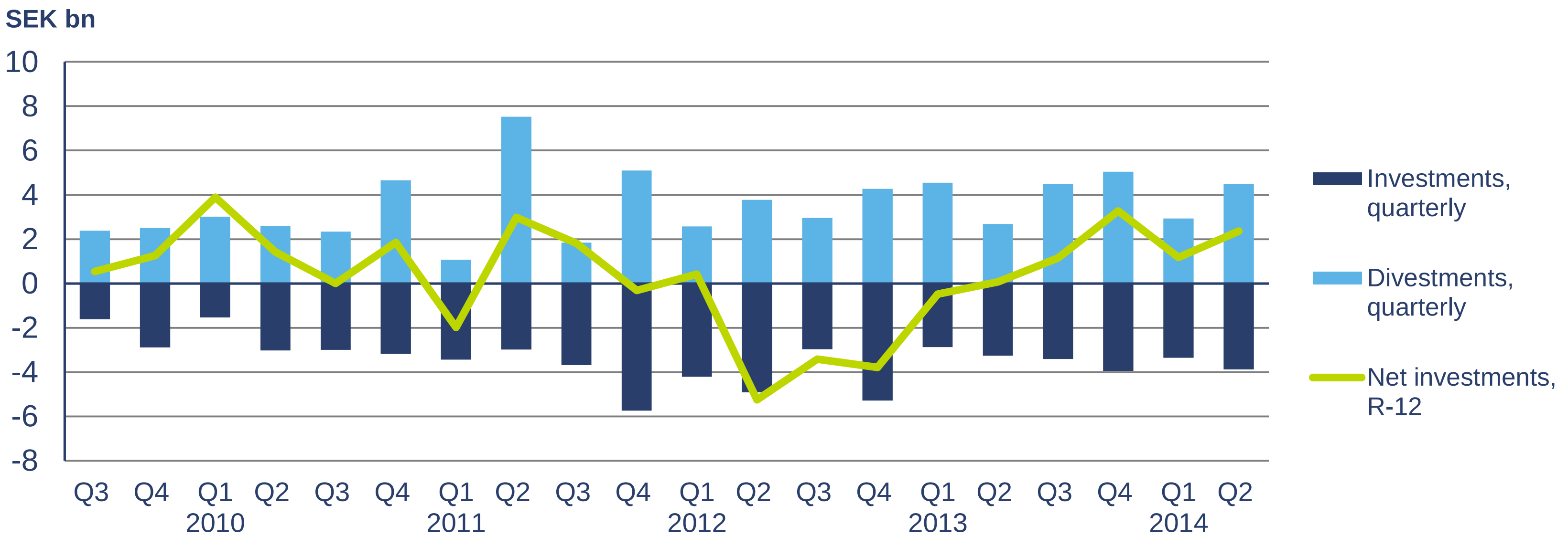
Group
Investments and capital employed



SEK bn	Jun 30 2014	Jun 30 2013	Dec 31 2013
Capital employed in:			
Residential Development	11.1	10.9	10.8
Commercial Property Development	13.9	13.8	13.5
Infrastructure Development	2.1	1.7	2.0
Total in Development Streams	**27.1**	**26.5**	**26.3**

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Market outlook
Construction

- Overall market continues to improve
  - Nordic countries
    - Residential building market improving in Sweden
    - Civil market stable. Norway strong, Sweden stable, Finland weaker
  - Other European countries
    - Commercial building market improving and civil market remains strong in UK
    - Czech Republic civil market shows early signs of improvement
  - The Americas
    - The U.S. continues to be a good market, but with fierce competition
    - Latin American market weak

Malmö Live, Sweden

Market outlook
Residential Development

- Nordic countries
  - Sweden strong
  - Norway stabilizing
  - Finland weak
- Other European countries
  - Poland relatively stable
  - Czech Republic stabilized at a low level

Liljekonvaljen, Järvastaden, Sweden

Market outlook
Commercial Property Development

- General
  - Tenants: Stable vacancy rates
  - Investors: Demand for green properties with stable tenants, valuations attractive
- Nordic countries
  - High interest from investors and tenants in Sweden
- Other European countries
  - High demand in Poland and improving in other parts of Central Europe
- Vacancy rates continue to decline in our U.S. markets

1776 Wilson Boulevard, Washington, D.C., U.S.

Market outlook
Infrastructure Development

- All countries
  - The potential for PPPs in the U.S. continues to improve, but competition is fierce
  - Thin pipeline in Europe


New Karolinska Solna, Stockholm, Sweden