



Q4

Adjunkten 2, Linköping

WEBCAST PRESENTATION: SBB, YEAR-END REPORT 2019

February 2020

STRONG OPERATING PROFIT Q4 – ROLLING 12 MONTHS

Current earnings capability for the Group for 12 months



2.29
SEK per
ordinary Class
A and B share

1

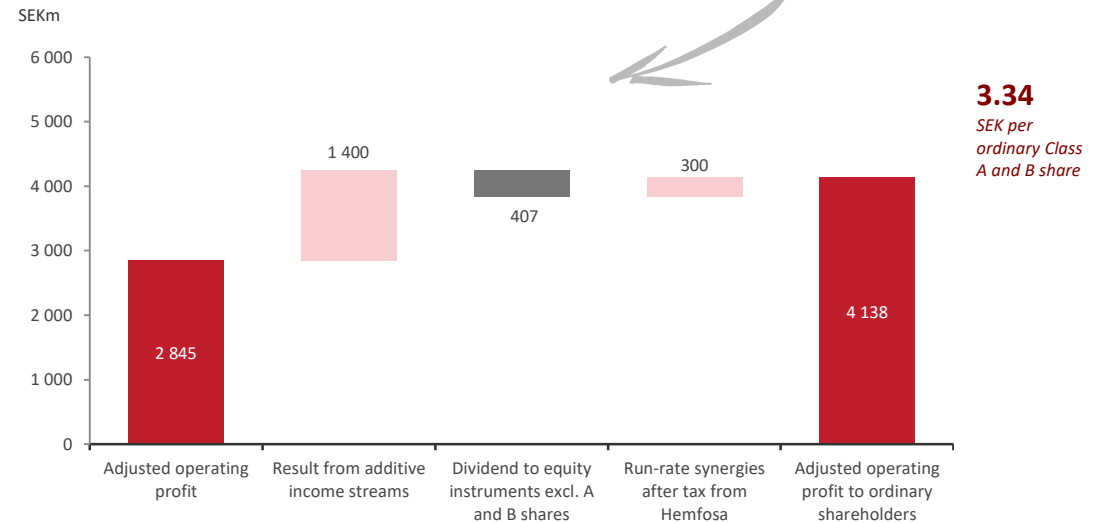
Our estimated earnings capacity adjusted for cost of cash on a rolling 12-month basis at the end of the year was SEK 2,845 million, an increase with 126 percent per ordinary Class A and B share.

2

Profit after tax was SEK 1,287m, which adjusted for non-recurring costs relating to transactions, refinancing and the repurchase of bonds, amounted to SEK 1,437m, a strong increase compared to the corresponding quarter of the previous year.

3

Our strong net operating income combined with long-term reduced financing costs enable continuing strong cash flow. Cash flow from operations before changes in working capital adjusted for non-recurring costs amounted to SEK 388m.



3.34
SEK per
ordinary Class
A and B share

LONG TERM RELIABLE PARTNER FOR MUNICIPALITIES CREATES STABLE INCOME

Income overview¹⁾

Classification	Rental Income, SEKm	% of Total
Residential	774	15
Group Housing (LSS)	315	6
Government	2,462	47
Indirect Government	1,060	20
Other	607	12
Total	5,217	100

History of acquiring from municipalities

- Long history of actively working with several municipalities in Sweden
- First transaction completed only 6 months after SBB was founded

Active ownership

- Ongoing discussions with several municipalities for collaboration projects involving development of new community service properties
- Extensive collaboration with long term care service provider, to meet municipal needs of service

Property development

- Property development portfolio includes assets in Haninge, Falkenberg, Falun, Nyköping, Nykvarn, Höganäs, Motala, Uppsala, Karlstad, Kävlinge, Luleå and Ulricehamn

Properties acquired from municipalities

Municipality and state tenants

The transactions

- Borlänge: Acquisition of residential and community service properties, for example the City Hall
- Haninge: Acquisition of Jordbro Centrum and Västerhaninge Centrum and upcoming building rights for approx. 1,500 apartments
- Huddinge: Nine school and community service properties acquired from the municipality of Huddinge in Stockholm County
- Skellefteå: Signed SPA to acquire the new community center

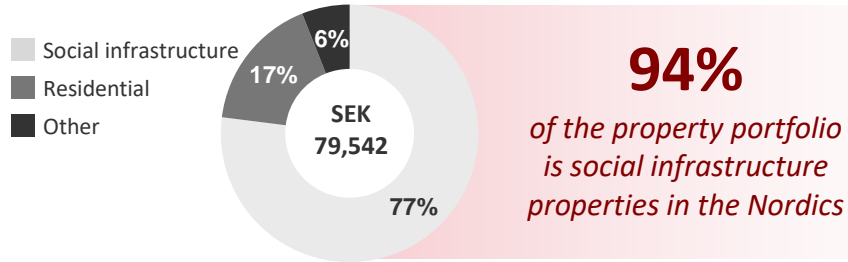
FINANCIAL PERFORMANCE

	2019	2018	2019	2018
	Q4	Q4	Jan-Dec	Jan-Dec
Rental income, SEKm	596	453	1,996	1,680
Net operating income, SEKm	362	274	1,265	1,071
Surplus ratio, %	61	60	63	64
Interim profit, SEKm	1,287	691	2,624	1,690
Yield, %	4.8	4.7	4.8	4.7
Cash flow from current operations, SEKm	238	-7	745	248
Property value (market value), SEKm	79,542	25,243	79,542	25,243
EPRA NAV (long-term net asset value), SEKm	24,855	8,736	24,855	8,736
Earnings capacity, 12 months rolling	2,845	770	2,845	770
Loan-to-value ratio %	41	53	41	53
Equity ratio, %	30	41	30	41
Adjusted Equity ratio, %	33	44	33	44
Earnings per ordinary share, SEK	1.51	0.83	2.97	2.07

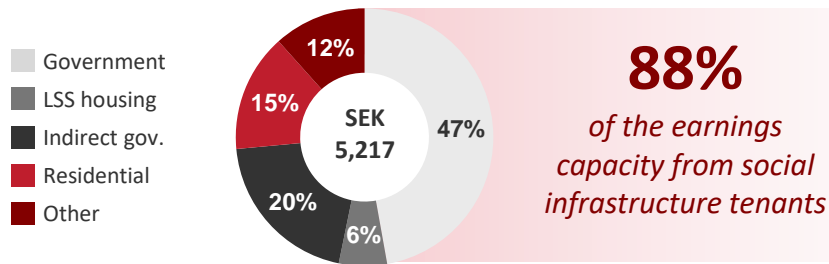
SBB HAS ASSEMBLED A UNIQUE PORTFOLIO ACROSS TIER 1 LOCATIONS

High quality property portfolio with attractive underlying exposures

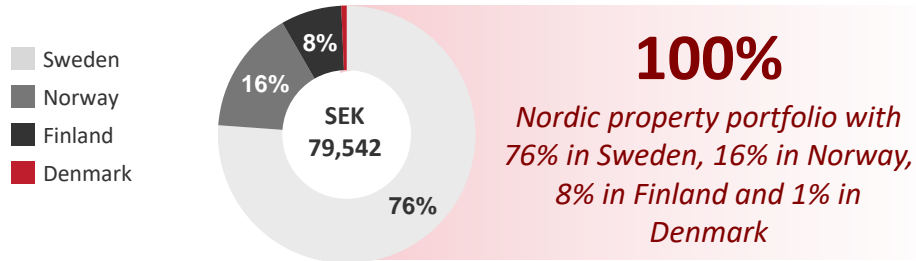
Property value by property type



R12 Earnings capacity by tenant type

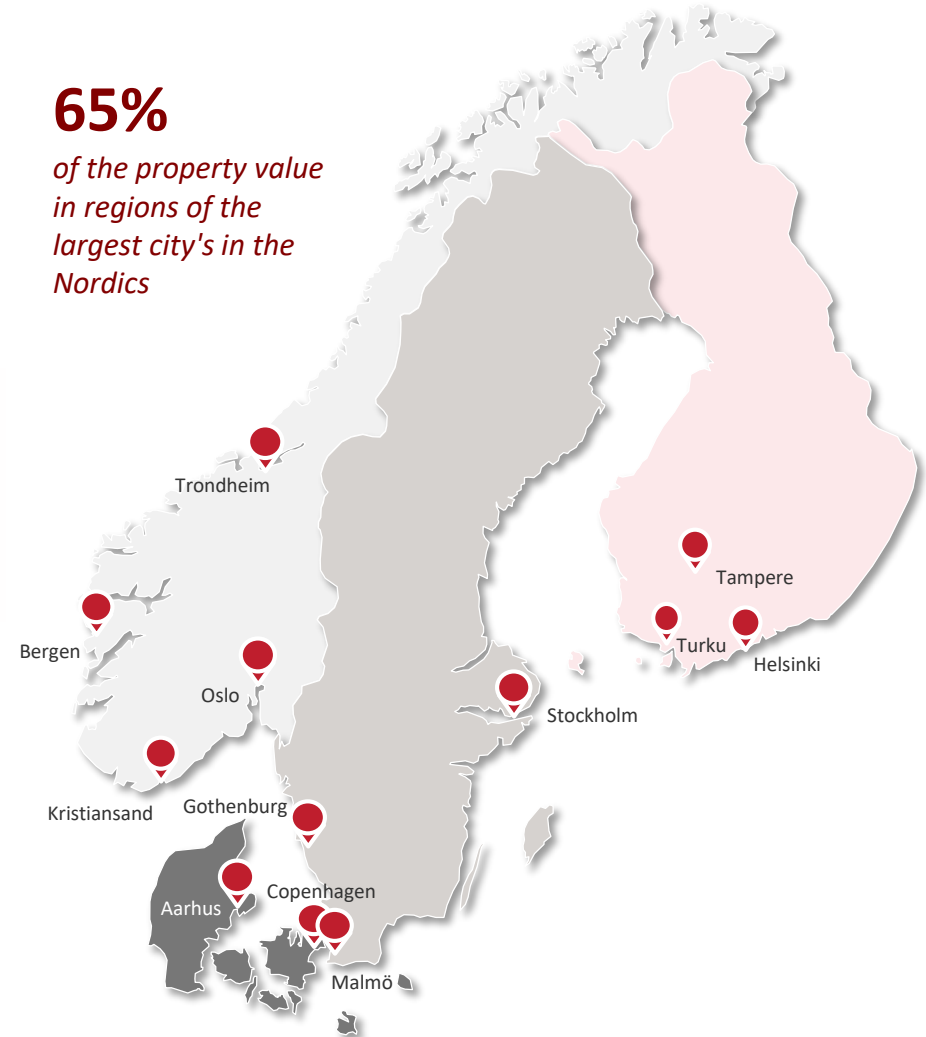


Property value by location



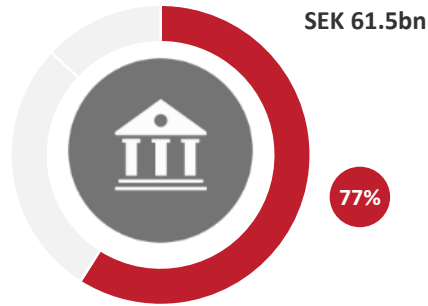
Geographical diversification

65% of the property value in regions of the largest city's in the Nordics



LOW-RISK COMMUNITY SERVICE AND RESIDENTIAL PROPERTIES COMPLEMENTED BY RESIDENTIAL DEVELOPMENT POTENTIAL

Social infrastructure properties

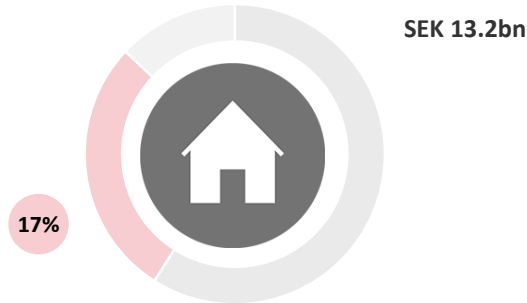


Includes schools, elderly care, LSS-housing and municipal/governmental agencies

- Nordic focus
- Publicly financed tenants
- Low tenant turnover and long contracts
- High demand, limited supply



Residential properties



Mainly constitutes of rental apartments in multi-tenant houses but also includes rental terraced houses

- Swedish focus
- Low tenant dependency and high occupancy rate
- Value creation through renovations



Other / building rights development



Commercial properties held in order to create future residential development plans

- Identified development potential in current portfolio corresponding to 1,756k sqm
- Only opportunities with a high risk adjusted return is undertaken



UNDERLYING MEGATRENDS SUPPORT CONTINUED GROWTH



Demographic change



Sustainability and energy efficiency



Urbanization

SUSTAINABILITY VISION 2030

SBB owns public sector properties in the Nordic region and rental apartments in growing cities in Sweden with the basic concept of long-term ownership and management. Through the company's extensive social involvement, municipalities and other stakeholders will find a long-term partner in the company. At the UN summit in September 2015, the world's national leaders adopted 17 global sustainable development goals. The countries of the world have committed to lead the world to a sustainable and fair future from 1 January 2016 until 2030. The 2030 Agenda for Sustainable Development covers the three dimensions of sustainability: social, economic and environmental – Eradicating extreme poverty, reducing inequality and injustice, solving the climate crisis. Sustainability is a natural part of our business model and we strive to be the most sustainable property company in the world.

OVERALL OBJECTIVES

- Govern the company's operations in line with the UN global sustainable development goals: (5), (7), (8), (11), (13), (15)
- 100 percent climate neutral by 2030
- Minimizing the risks to the company's assets by continuously reviewing the climate risks in the property portfolio
- Regularly improving, following up and reporting the company's sustainability work
- The company's Code of Conduct, which is based on the UN Global Compact, must be followed and understood by all employees and cooperative partners.

Ecological sustainability

The climate issue is one of humanity's greatest challenges and we have a responsibility to future generations to contribute solutions and reduce our own climate impact. We want to act strongly in the climate transformation and SBB has therefore adopted the goal of climate neutrality by 2030 in the entire value chain, as an important part of our promise to build a better society. And we want to do it together with our tenants, customers, suppliers and other stakeholders.

Goals:

- 100 percent renewable electricity in the entire property portfolio and minimizing carbon dioxide emissions by reducing the emissions by at least 5 percent per year
- Continuing to contribute to innovations in environmental technology
- Responsibly and effectively using natural resources and building and managing with a life-cycle mind-set (among other things by promoting construction with wood)
- Promoting renovation instead of demolition of buildings in the management portfolio. All properties held for more than three years must be environmentally inventoried and these inventories are to be done at least every ten years
- At least 50 percent of SBB's new production is to be comprised of buildings built of wood
- Continuing to contribute to reduced water consumption in our properties with the goal of 1 percent water savings per year
- Managing and creating housing in locations close to public transport, which contributes to reducing the transport sector's environmental impact
- Contributing to greater biodiversity and limiting the use and spread of environmentally hazardous products
- Responsible management of waste by acting for the minimization of waste, preventing pollution and viewing waste as a resource for re-use and recycling.

Social sustainability

Social sustainability is an important part of our promise to build a better society. The growing gaps in health and living conditions between different groups of society and residential areas are one of our major challenges in Sweden today. The property industry has a major impact and extensive potential to contribute solutions for greater cohesion, belief in the future, health and trust. We consider it to be crucial that our business and industry understand and can address social challenges today.

Goals:

- Continuing to be a member of Public Housing Sweden and participating in the residential social work of the municipalities
- Continuing to contribute to young people's occupation by offering at least 100 summer jobs every year to young people who live in our residential areas
- Offering adapted apartments for people with disabilities in inclusive environments and owning and managing apartments that can also be rented by people with fewer financial resources
- Annually contributing at least 10 Better Shelter refugee homes and 100 tents through the UNHCR to help improve the housing situation for refugees
- Continuing to support organizations, such as Mentor and Låxhjälp (homework help), that contribute to giving young people a better start in life
- Being an attractive and inclusive employer for the best and most professional employees, regardless of gender or background
- Actively working to create environments where tenants and employees feel safe

Economic sustainability

Our goal is to have good financial growth without it entailing consequences to the climate and the social environment. By being profitable, we create conditions for driving and developing sustainable management and construction. Through low financial and operational risk, SBB shall provide a strong, risk-adjusted growth in value with increasing cash flows and a growing dividend to its shareholders.

Goal:

- SBB has the goal of achieving an investment grade rating of BBB+ in the short term and A- in the long term



PROJECT DEVELOPMENT POTENTIAL

Current development portfolio (31 December 2019)

Planning phase	GFA building rights (sq.m.)	Book value (SEKm)	per sq.m.
Phase 1 – Project ideas	603,052	722	1,279
Phase 2 – Pending planning decision	70,000	119	1,705
Phase 3 – Formal planning process	690,029	884	1,280
Phase 4 – Zoning plan granted	392,462	1,118	2,849
Total	1,755,543	2,893	1,648

Sales status	GFA building rights (sq.m.)	Value (SEKm)	per sq.m.
Sold, but not closed building rights	444,350	1,546	3,479
Unsold building rights	1,311,193	4,411	3,364
Total	1,755,543	5,957	3,393

In connection with the acquisition of Hemfosa, SBB's portfolio with building rights under development increased by around 700,000 sq.m. GFA to a total of 1.8 million sq.m. GFA.

Converted to potential for new construction, these correspond to approximately 20,000 - 24,000 homes.

- SBB had per 2019-12-31 ongoing development projects with a total of 1,756,000 sqm GFA. The table above contains information regarding SBB's current planning projects along with estimated volumes

Example projects

Västerhaninge (Haninge)

Zoning plan process



Västerhaninge centrum, Haninge
The area is located right by Västerhaninge station, a station for the Stockholm commuter train. The entire community centre is to be demolished to enable a new residential area of 110,000 sqm GLA with a mixture of shops and other services at street level.

Raspen 1, 2 & 3 (Nyköping)

Zoning plan process



Nöthagen, Nyköping
An urban development project of an existing industrial area in a very central location in Nyköping, right next to the new station for the high-speed railway Ostlänken. The project will enable the development of 156,000 sqm GLA residential property mixed and community service properties.

IN SUMMARY

“SBB is now the social infrastructure champion in the Nordics”

1

- SBB's 12-month rolling earning capacity from the management operations amounted to SEK 2,723 million (770) at the end of 2019. Considering a theoretical cost because the company had a liquid position (available liquidity less deposited payment for the cash component of the Hemfosa deal) of SEK 6,930 million, an adjusted earning capacity would end up at SEK 2,845 million, corresponding to an increase of 126 per cent per ordinary A and B share since the end of 2018.

2

- In the past 12 months, the net asset value increased by SEK 16,1 billion, corresponding to 73 per cent per ordinary A and B shares. Net asset value EPRA NAV was SEK 20.04 per ordinary A and B share at the end of the fourth quarter.
- Profit before tax was SEK 3,137 million and profit after tax was SEK 2,624 million. Adjusted for non-recurring costs for repayment of expensive loans and deductions for profit attributable to preference shares, D shares and hybrid bonds, earnings for the year were SEK 3.36 per ordinary A and B share.

3

- We continue to build a cash-flow machine through SBB's scalable platform staffed with some of the Nordic region's most experienced employees in the senior positions. Cash flow from operating activities before changes in working capital increased by 201 percent to SEK 745 million (248). Adjusted for non-recurring effects for the buyback of expensive loans, cash flow for the year ends up at SEK 942 million (375).
- In connection with the acquisition of Hemfosa, SBB's portfolio with building rights under development increased by around 700,000 sq.m. GFA to a total of 1.8 million sq.m. GFA. Converted to potential for new construction, these correspond to approximately 20,000 - 24,000 homes.

4

- Sustainability is a natural part of SBB's business model and SBB strives to be the most sustainable property company in the world. In order to achieve this, SBB launched Vision 2030 which sets out clear goals. The overall goals presented in Vision 2030 are:
 - Manage the company in accordance with the UN's global sustainability goals; (5), (7), (8), (11), (13), (15)
 - Minimise the climate risks for its assets
 - The company Code of Conduct, which is based on the UN Global Compact, must be followed and understood by all employees and partners
 - 100 per cent climate neutral by 2030
 - Regularly improve, follow up and report its sustainability efforts

5

- We are focusing on achieving a BBB+ rating in the next 12 months, which is a prerequisite for strong growth. In the long term, the goal is to achieve an A- rating.

6

- We previously communicated that “For 2019-2021, our assessment is that we will be able to deliver the highest annual increase in net worth among all Swedish listed property companies”. We now have the outcome for 2019 and it is a high 73 percent per ordinary A and B share.

THANK YOU!



Samhällsbyggnadsbolaget
