



Press release

Stockholm, November 12, 2019 (07:00 CET)

Strong core – focus on rental projects and cash flow in the coming years

SSM Holding AB (publ) intends to focus on developing rental units and selected cooperative apartment projects going forward. The company will also prioritize positive cash flow to create stability and reduce SSM's net debt. The changes are the result of a comprehensive review conducted by the company. The review confirms SSM's strong core, but it has also resulted in the revaluation of certain balance sheet items for a number of project properties and joint venture assets, leading to write-downs of -312.7 MSEK. The revaluations do not affect the company's cash flow. Adjusted for revaluations and other non-recurring items, the preliminary result for the third quarter 2019 was -17.7 MSEK. Including these items, the result for the quarter was -377.7 MSEK. The cash flow from operating activities was -31.1 MSEK.

SSM will present the review, the company's strong core, the direction forward and the preliminary income statement and balance sheet for the third quarter 2019 today at a Capital Markets Day that will be held in Stockholm between 11:30 and 14:00 CET.

SSM's new President & CEO Mattias Lundgren comments on the review:

- SSM has what in the Stockholm housing market is a unique portfolio of building rights that can be developed into either rental units or cooperative apartments. During today's Capital Markets Day, I will present how SSM intends to further capitalize on the company's strong core and prioritize cash flow going forward to reduce net debt, says Mattias Lundgren, President & CEO of SSM.

Insights from the review and SSM's direction forward are summarized below:

The review stems from the company's financial performance and need for financial stability

Because of the changes in the housing market in the past two years, SSM conducted a comprehensive review of the situation and the company's operations with a view to optimize both its business model and business plan. The review considered market demand, SSM's offering, the assets in SSM's project portfolio, the capabilities of the company and SSM's financial situation and profitability.

The review confirms SSM's strong core

The conclusion is that SSM has a strong core in the form of its target group, housing concept, home market and location of building rights near rail-bound public transport. The company will build on this core to develop gradually in the coming years.

SSM's optimized business model has led to revaluations in the following areas:

1. New definition of production start, equity financing until production start and new sales strategy

Transaction volumes and price levels in the Stockholm housing market have stabilized. However, the credit market remains challenging, both for individuals who need financing to purchase homes and for developers who require project financing.

To improve profitability and increase the proportion of variable costs, SSM divested its contracting operations during the quarter and initiated a strategic cooperation with design-build contractor Mecon Bygg.

About SSM Holding AB (publ)

SSM produces functionally smart and affordable homes with attractive common areas, close to public transport and the city center for the company's target group – the urbanites of tomorrow. The company envisions a housing market that is accessible to as many people as possible. SSM is the leading property developer in its niche within the Greater Stockholm area and at end of September 2019, the company has approximately 4,500 building permits under development in its portfolio. SSM has been listed on Nasdaq Stockholm main list since April 6, 2017. www.ssmlivinggroup.com



The above-mentioned changes in external conditions and the divestment of the company's contracting operations have led SSM to change its definition of projects where production has started to include only projects where

construction has started. The company's sales strategy was also adjusted at the same time such that pre-purchase agreements will not be signed until production has started in the project. These changes will require accounting-related revaluations of -42.9 MSEK in previously capitalized project expenses. The adjustments do not affect the company's cash flow.

2. Focus on cash flow-generating business to strengthen balance sheet

To strengthen SSM's balance sheet, in the near future, the company will focus on business that generates a positive cash flow. In practice, this means prioritizing rental projects via forward funding. This will result in a change of direction in certain projects, leading to accounting-related revaluations of -40.7 MSEK in previously capitalized expenses in SSM's own projects and joint venture companies. These adjustments do not affect the company's cash flow.

In addition, seven projects were identified for further evaluation in the review and consequently removed from the portfolio of projects under development until further notice. For five of these, a more comprehensive evaluation of recognized project values was carried out based on the changed direction in the projects. These projects include Akalla City, Bromma Tracks II, East Side Spånga, Täby Market and Örjan and the estimated revaluation amounts to -94.9 MSEK. These adjustments do not affect the company's cash flow.

3. Tellus Towers – due to formalities, the likelihood of an earnout cannot be estimated

In the third quarter 2017, SSM sold the Tellus Towers project to a joint venture company with global financial player Partners Group and today, SSM holds 50 percent of the joint venture company. The joint venture company has decided to update the project's business plan due to long lead times. As a result, formal reasons prevent the assessment of the likelihood that a receivable of -134.2 MSEK for a future earnout will be paid. This receivable, which had previously been recognized on the balance sheet, has therefore been set at zero for now. Neither the development nor progress of Tellus Towers has changed or been impacted by the above-mentioned revaluation. This adjustment does not affect the company's cash flow.

These revaluations do not affect cash flow, but will impact results for Q3 2019

Adjusted for revaluations of -312.7 MSEK and non-recurring items and including negative results mainly for Bromma Boardwalk and provisions totaling -47.3 MSEK, the preliminary result for the third quarter 2019 was -17.7 MSEK. Including these items, the result for the quarter was -377.7 MSEK. The cash flow from operating activities was -31.1 MSEK.

During the quarter, the percentage of completion method was initiated in the Täby Turf rental project that is due to be completed in 2021.

At the end of September, apartment owners began to move into the joint venture project West Side Solna, with 13 owners taking possession. Most of the owners in the West Side Solna Project, which comprises 252 cooperative apartments, will take possession in the fourth quarter 2019 and first quarter 2020. The Metronomen project, which offers 188 cooperative apartments, will be completed between the first and fourth quarters 2020. The owners will begin moving in at the end of March 2020, which will have a positive effect on cash flow and the participation from the joint venture alike.

The West Side Solna project has been subject to disputes since the fall 2017, with a number of customers seeking to terminate their pre-purchase agreements. At present, some 80 percent of pre-purchase agreements have been signed in the project. The housing association, Brf West Side Solna, has started selling the disputed homes again at prices at par with the original prices.

Several alternatives under evaluation to achieve stable long-term financing

SSM's 369.0 MSEK bond is due in May 2020, and the company is currently evaluating several alternatives to create the best possible conditions for stable long-term financing, with increasing equity or refinancing loans under discussion. Negotiations with a group of larger bondholders regarding changing the terms and conditions for today's bond are part of this. The company is of the view that a refinancing solution will be achieved in time to redeem the loans that are due in 2020.

SSM's direction forward is supported by a stabilized market and attractive projects

Given the stabilized housing market, the solid market for rental projects and the optimized business model with more balanced financial risk-taking, SSM sees a positive future for the company.

As a result of SSM's increased focus on rental projects combined with the change in accounting principles for housing development implemented earlier, the company's financial targets may be adjusted.

SSM's portfolio of building rights as at September 30, 2019

PROJECTS WHERE PRODUCTION HAS STARTED									
Project	Type of tenancy	Number of homes	Floor space (m ²)	Location	Start of production	Occupation	Sold		Sales rate on 30/9 2019, %
							During Q3 2019	Total	
West Side Solna (JV)	Co-op	252	11906	Solna	Q3 2017	Q3 2019 – Q1 2020	-	252	100,0
Metronomen (JV)	Co-op	188	7612	Telefonplan	Q1 2018	Q1 2020 – Q4 2020	-	182	96,8
Total		440	19518					434	98,6
Täby Turf	Rental	178	8713	Täby	Q3 2019	Q3 2021 – Q4 2021	n/a	178	100,0
Total		178	8713					178	100,0
PROJECTS UNDER DEVELOPMENT									
Project	Type of tenancy	Number of homes	Floor space (m ²)	Location	Status	Status of land acquisition	Earliest production start	Earliest occupation	
Platform West	Co-op	109	4901	Täby	City plan has legal force	Acquisition agreement	2020	2021	
Sollentuna Hills	Rental	94	5890	Sollentuna	Consultation	Acquisition agreement	2020	2023	
Sollentuna Quarters	Rental	94	5070	Sollentuna	Consultation	Acquisition agreement	2020	2023	
Everket Nacka (JV)	Rental	486	19019	Nacka	Consultation	Land registration	2021	2023-2024	
Kandidaten (JV)	Rental	77	2300	Bromma	Planning	Land allocation	2021	2022	
Spånga Studios	Rental	167	6440	Spånga	Consultation	Land registration	2021	2024	
The Loft (JV)	Rental	120	2968	Täby	Planning	Acquisition agreement	2021	2023	
Järla Station (JV)	Co-op	159	6644	Nacka	Start	Land registration	2022	2024	
Kosmopoliten	Co-op	204	10122	Kista	Consultation	Land allocation	2022	2024	
Tellus Towers (JV)	Co-op	911	37661	Telefonplan	Early consultation	Land reservation	2022	2025	
Urbaniten	Co-op	250	12700	Hägersten	Consultation	Acquisition agreement	2022	2025	
Tellus Towers	Rental	323	14013	Telefonplan	Early consultation	Land reservation	2022	2025	
Wiking	Rental	150	7000	Sollentuna	Planning	Land registration	2023	2025	
Järnet	Co-op	240	11550	Ulvsunda	Prestudy	Land allocation	2024	2026	
Älvsjö Quarters	Rental	516	21000	Älvsjö	Prestudy	Land registration	2024	2027	
Total		3900	103924						
Total		4518	132155						
PROJECTS UNDER EVALUATION									
Project	Type of tenancy	Number of homes	Floor space (m ²)	Location	Status	Status of land acquisition	Earliest production start	Earliest occupation	
Akalla City	Rental	190	8700	Akalla	Planning	Land registration	n/a	n/a	
Bromma Square	Co-op	355	18850	Bromma	Prestudy	Land registration	n/a	n/a	
Bromma Tracks II	Co-op	90	3900	Bromma	Prestudy	Option	n/a	n/a	
East Side Spånga	Rental	237	7500	Spånga	Prestudy	Land registration	n/a	n/a	
Tentafabriken	Co-op	72	1828	Sollentuna	Prestudy	Acquisition agreement	n/a	n/a	
Täby Market	Co-op	134	4205	Täby	City plan has legal force	Acquisition agreement	n/a	n/a	
Örjan	Rental	110	5370	Spånga	Prestudy	Land registration	n/a	n/a	



Preliminary income statement, balance sheet and cash flow statement for Q3 2019

<i>Preliminary Income Statement</i> (MSEK)	July - September		July - September	
	2019	2018	2019	2018
Net sales	140,5	47,3	176,2	594,2
Expenses for production and management	-334,1	-36,8	-359,8	-548,9
Gross profit	-193,6	10,5	-183,6	45,3
Sales and administration expenses	-19,6	-13,7	-49,3	-37,7
Earnings from joint ventures	-30,3	2,8	-49,5	70,9
Other operating income/expense	-134,2	-	-134,2	6,9
Operating profit	-377,7	-0,4	-416,5	85,4
Financial income	2,7	2,3	16,1	9,4
Financial expenses	-8,6	-10,0	-29,1	-32,5
Net financial items	-5,9	-7,6	-13,0	-23,1
Profit before income tax	-383,6	-8,0	-429,5	62,2
Income tax	2,1	0,1	2,4	-0,6
PROFIT FOR THE PERIOD	-381,6	-8,0	-427,0	61,7

Preliminary Balance Sheet (MSEK)	2019-09-30	2018-09-30
ASSETS		
Non-current assets		
Intangible assets	4,0	2,2
Property, plant and equipment	0,2	0,3
Financial assets		
Participation in joint ventures	138,0	107,5
Receivables from joint ventures	147,0	238,9
Other financial assets	40,2	-
Other non-current receivables	81,6	95,0
Total financial assets	406,7	441,4
Total non-current assets	410,9	443,9
Current assets		
Inventories		
Project properties	303,2	511,4
Completed homes	2,8	-
Total inventories	305,9	511,4
Other current assets		
Accounts receivable	67,5	16,5
Recognized, non-invoiced revenue	10,5	-
Receivables from joint ventures	17,8	74,2
Tax receivables	1,1	0,9
Other receivables	26,6	8,9
Prepaid expenses and accrued income	8,3	6,7
Cash and cash equivalents	82,8	340,1
Total current assets	520,6	958,7
TOTAL ASSETS	931,5	1,402,6
EQUITY AND LIABILITIES		
Equity		
Share capital	39,3	39,3
Other contributed capital	506,5	506,5
Reined earnings, including profit for the year	-206,1	267,3
Total equity	339,6	813,0
Non-current liabilities		
Bond issues	-	395,7
Liabilities to credit institutions	-	118,7
Other non-current liabilities	33,8	-
Provisions	6,7	10,1
Deferred tax liabilities	0,5	0,5
Total non-current liabilities	41,0	524,9
Current liabilities		
Liabilities to joint ventures	-	0,1
Bond issues	367,6	-
Liabilities to credit institutions	95,9	11,1
Advance payments from customers	7,3	-
Accounts payable - trade	11,3	18,9
Provisions	22,0	2,0
Current tax liabilities	0,9	2,9
Other liabilities	15,9	6,8
Accrued expenses and prepaid income	30,1	22,8
Total current liabilities	550,9	64,6
TOTAL EQUITY AND LIABILITIES	931,5	1,402,6

Preliminary Cash flow (MSEK)	July - September		July - September	
	2019	2018	2019	2018
Cash flows from operating activities				
Operating profit/loss	-377,7	-0,4	-416,5	85,4
Items not affecting liquidity	288,0	1,2	288,2	-9,0
Profit/loss recognized in joint venture	30,3	-2,8	49,5	-70,9
Dividend received from joint ventures	-	5,0	-	87,2
Interest received	-	0,1	-	1,7
Interest paid	-8,2	-9,4	-26,8	-32,0
Income taxes paid	1,4	0,4	0,8	-0,1
Cash flow before changes in working capital	-66,1	-6,1	-104,8	62,3
Cash flows from changes in working capital				
Decrease/increase in project properties	55,6	164,4	13,1	197,5
Decrease/increase in accounts receivables	-22,7	-0,1	-25,2	11,4
Decrease/increase in other current receivables	-28,3	16,3	6,2	10,4
Decrease/increase in accounts payable - trade	6,0	-17,6	-14,6	-47,8
Decrease/increase in current liabilities	24,3	-24,8	27,8	-58,6
Total change in working capital	35,0	138,2	7,4	112,9
Cash flows from operating activities	-31,1	132,1	-97,4	175,2
Cash flow from investing activities				
Investment in intangible assets	-0,3	-0,7	-1,2	-1,7
Investments in financial assets	-5,1	-9,2	-66,8	-59,8
Divestments of financial assets	-	-	-	86,2
Cash flow from investing activities	-5,4	-9,9	-68,0	24,7
Cash flow from financing activities				
Dividends	-	-	-	-
Increase in non-current liabilities	-	-0,3	-	0,4
Repayment of non-current liabilities	-1,6	-163,5	-4,8	-206,2
Repayment of current liabilities	-0,7	-	-21,8	-
Cash flow from financing activities	-2,3	-163,8	-26,6	-205,9
Decrease/increase in cash and cash equivalents	-38,8	-41,7	-192,0	-6,0
Cash and cash equivalents at the beginning of the period	121,6	381,8	274,8	346,1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	82,8	340,1	82,8	340,1

The review together with SSM's direction forward and the preliminary income statement and balance sheet for the third quarter 2019 will be presented today at a Capital Markets Day that will be held between 11:30 and 14:00 CET. A webcast from the event will be available on the company's website at ssmlivinggroup.com from about 17:00 CET on November 12, 2019.

The full interim report for the third quarter 2019 will be published on November 19, 2019 at 07:30 CET.

This information is such that SSM Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 07:00 CET on November 12, 2019.

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