

JM BYGGNADS OCH FASTIGHETS AB (publ)

INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 1999

GROUP PROFIT AND OPERATIONS

SUMMARY JANUARY – SEPTEMBER 1999

- Profit after financial items amounted to MSEK 461 (250).
- Profit in construction operations rose by 88 per cent to MSEK 201 (107) and the profit margin improved to 5.7 (3.9) per cent. Net sales increased by 28 per cent to MSEK 3,513 (2,736).
- The year's property sales amounted to approx. MSEK 1,500, after which 93 per cent of the real estate portfolio is concentrated in Stockholm.

Accounting principles and definitions

For a description of accounting principles and definitions, see the 1998 annual report.

JM Byggnads och Fastighets AB

The company is a public limited company with a registered office in Stockholm.

Company registration number 556045-2103.

GROUP PROFIT

The JM Group's pre-tax profit for the period January – September 1999 amounted to MSEK 461 (250), including gains on the sale of management properties of MSEK 278 (127).

Net financial items for the period showed a deficit of MSEK 275 (-261), a deterioration of MSEK 14 of which the cost for early redemption of loans accounted for MSEK 13.

Net profit for the period amounted to MSEK 330 (175) after tax of MSEK 131 (75). The period's property tax of MSEK 30 (32) was charged to operating profit in property management.

Earnings per share after tax amounted to SEK 9.95 (5.30), of which gains on the sale of properties accounted for SEK 6.00 (2.70) per share.

Return on shareholders' equity for the past 12-month period was 14 per cent. The average return over the past five calendar years has been 12 per cent. The company's targeted return over the course of an economic cycle is 15 per cent.

CONSTRUCTION OPERATIONS

Profit

Profit in construction operations for the period January – September amounted to MSEK 201 (107) and the profit margin was 5.7 (3.9) per cent. This profit includes an operating net from project properties (income-producing development properties) of MSEK 44 (29). Net sales totalled MSEK 3,513 (2,736), an increase of 28 per cent.

MSEK	<u>January – September</u>		<u>Full year</u>	
	1999	1998	1997	1998
Net sales	3,513	2,736	2,151	3,966
Costs for production	<u>-3,096</u>	<u>-2,468</u>	<u>-1,954</u>	<u>-3,532</u>
Gross profit	417	268	197	434
Selling and administration costs	<u>-216</u>	<u>-161</u>	<u>-147</u>	<u>-249</u>
Profit in construction operations excl. net financial items	201	107	50	185

Key ratios

Margin excl. net financial items (%)	5.7	3.9	2.3	4.7
Order bookings	4,221	3,179	1,799	4,355
Order backlog (30 September)	3,769	2,964	2,136	2,950
No. of employees (30 September)	2,028	1,922	1,718	1,914

The market

In its most recent forecast the Federation of Swedish Building Contractors estimates that the number of housing will increase from 12,000 in 1998 to 15,000 in 1999. Residential building in the Swedish construction market is expected to increase, particularly in the metropolitan areas, from the historically low level.

Throughout the 90s there has been a strong population influx to the metropolitan areas and university towns. Little housing has been built in relation to population growth, above all in Stockholm, and demand for housing in attractive locations remains strong. In 1998 and the first nine months of 1999, JM acquired several large project and development properties. The projects that are scheduled to begin in 1999-2001 include a total of more than 8,000 residential units. JM has building rights for around 24,000 residential units in over 250 projects, of which 18,000 in Sweden, and thus has a highly attractive portfolio for future housing sales. Of the building rights in Sweden, two thirds are located in the greater Stockholm area.

Major acquisitions for residential construction

During the period January – September 1999, JM carried out a number of acquisitions for future project development:

- On 1 March, Solberga hospital in Älvsjö was acquired from Locum AB. This well situated property will be converted into approx. 220 residential units and 2,000 sq.m. of office space.
- On 1 April, JM acquired the Bolinder property in Järfälla, northwest of Stockholm, where 500-600 new residential units will be built on the shore of Lake Mälaren in collaboration with the municipality of Järfälla.
- In April, JM's subsidiary in Oslo, Byggholt AS, acquired the project development company Prosjektfinans with a project portfolio corresponding to around 2,500 residential units.
- JM's wholly owned subsidiary JM Construction SA in Brussels has acquired a centrally located property in Brussels for conversion into attractive office premises and a well situated site for construction of 120-150 residential units.

Establishment of operations abroad

During the period JM also established the Danish subsidiary JM Danmark A/S to develop residential projects in the Copenhagen area.

Order bookings/housing starts/sales

The order backlog as per 30 September amounted to MSEK 3,769 (2,964), of which MSEK 213 pertained to the acquired AS Prosjektfinans in Norway. Order bookings during the period totalled MSEK 4,221 (3,179). More than 70 per cent of the order backlog refers to housing. A total of 62 (52) residential projects containing 2,000 (2,000) units were started during the

period, and at the end of the third quarter JM had 5,100 (4,600) residential units under construction. Housing sales have remained favourable.

JM sold 1,400 (1,400) residential units during the first nine months of 1999. One effect of the strong demand for housing and higher prices is that sales are being made closer to the move-in date than previously.

Investments

Net investments in development land and project properties during the period totalled MSEK 405 (1,316), after which the portfolio of development property amounts to MSEK 2,536 (2,044). This portfolio is a prerequisite for JM's planned production of commercial premises and housing for future sale.

Investments in construction machinery and computer equipment totalled MSEK 29 (22).

REAL ESTATE OPERATIONS

Profit

Profit in real estate operations during the period January – September 1999 totalled MSEK 596 (452), of which gains on the sale of properties accounted for MSEK 278 (127). Profit in property management after planned depreciation amounted to MSEK 318 (325) during the period. Profit was charged with depreciation of MSEK 65 (76) and property tax of MSEK 30 (32). Rental revenues for the period including interest subsidies of MSEK 25 (32) totalled 575 (602).

The vacancy rate at the end of the period corresponded to 3 (4) per cent of annual rents and 4 (6) per cent of rentable floor space.

Total rentable floor space at mid-year amounted to 592,000 (857,000) sq.m., including garage space of 44,000 (51,000) sq.m.

Real estate deals/Investments

In January 1999, JM sold its real estate portfolio in Skåne and Halmstad to Kungsleden AB for MSEK 1,240, providing a capital gain of MSEK 218. The portfolio includes 43 properties with combined floor space of approx. 225,000 sq.m. and a total rental value of MSEK 145.

In February 1999, JM acquired the Nattvakten 9 property in Sollentuna, as a complement to the existing portfolio there. The property contains 1,211 sq.m. of rentable space and was acquired for a price of MSEK 9.

The agreement with the City of Stockholm to acquire the freehold to the Kortbyrån 17 property (Vasahuset) was carried out for a purchase price of MSEK 125.

In September parts of the real estate portfolio in Gothenburg were sold to Vasakronan for MSEK 274, providing JM with a capital gain of MSEK 60. The portfolio contains four centrally located office properties with rentable space of 22,000 sq.m.

Investments in JM's existing real estate portfolio during the period amounted to MSEK 217 and included the Hilton property in Solna – partly comprising JM's new head office, the Töebacken property in Lund – a new office building, the Holar property in Solna och the Boken 16 property in Stockholm – converted office buildings.

The market

Demand for space in attractively located properties in the greater Stockholm area remains strong, with rising rents and declining vacancies. Rents in certain parts of the greater Stockholm area exceed last year's levels by 10-20 per cent. After the Kungsleden and Vasakronan transactions, over 93 per cent of JM's rental revenues come from properties in the greater Stockholm area.

Real estate operations

MSEK	<u>January – September</u>			<u>Full year</u>
	1999	1998	1997	1998
<i>Property management</i>				
Rental revenues	550	570	632	768
Interest subsidies	<u>25</u>	<u>32</u>	<u>50</u>	<u>42</u>
	575	602	682	810
Management costs	-125	-135	-140	-185
Property tax	-30	-32	-27	-43
Depreciation	<u>-65</u>	<u>-76</u>	<u>-81</u>	<u>-97</u>
Gross profit	355	359	434	485
Selling and administration costs	-37	-34	-35	-45
Shares in profit	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
Profit in property management	318	325	400	440
 Gains on the sale of properties	 <u>278</u>	 <u>127</u>	 <u>384</u>	 <u>135</u>
 Profit in property management before net financial items	 596	 452	 784	 575

Key ratios

Vacancy rate (%)				
As a % of total floor space	4	6	6	6
As a % of total possible annual rents	3	4	3	4
Rentable space (1,000 sq.m.)	592	857	891	833
No. of employees	79	87	84	87

FINANCE OPERATIONS

Net financial items and debt/equity ratio

Net financial items showed a deficit of MSEK 275 (-261), a deterioration of MSEK 14 compared with the corresponding period of the preceding year, of which the cost for early redemption of loans accounted for MSEK 13.

On 30 September 1999, JM's interest-bearing net debt amounted to MSEK 5,353 (5,270). Total interest-bearing loans at the end of the period amounted to MSEK 5,576 (5,575), of which MSEK 352 (335) was attributable to PRI pension liabilities. However, average interest-bearing loans were higher than in the corresponding period of the preceding year.

On 30 September 1999, the average interest rate on total interest-bearing loans was 5.8 (7.0) per cent. The average fixed interest period for the Group's combined loan stock excluding PRI pension liabilities was 1.8 (1.6) years. The debt/equity ratio on 30 September 1999 was 1.8 (1.9).

Liquidity and loan structure

The Group's disposable liquidity on 30 September 1999 amounted to MSEK 896 (664). Aside from liquid assets of MSEK 181 (256), this includes unutilised overdraft facilities and credit lines amounting to MSEK 715 (408). At year-end 1998, disposable liquid assets totalled MSEK 1,119 (671).

Year for interest rate conversion, loan amount and average interest on interest-bearing loans as per 30 September 1999:

Year	Loan amount (MSEK)	Average interest (%)
1999	1,269	4.4
2000	1,123	8.0
2001	943	5.9
2002	1,145	6.0
2003 -	<u>744</u>	<u>5.4</u>
Total (excl. PRI)	5,224	5.9
PRI 2000	<u>352</u>	<u>3.6</u>
Total (incl. PRI)	5,576	5.8

Finance operations

MSEK	<u>January – September</u>		1997	<u>Full year</u>
	1999	1998		1998
Net financial items	-275	-261	-315	-351
Administration costs	-5	-4	-4	-7
Profit in finance operations	-280	-265	-319	-358

Key ratios

Interest-bearing net debt	5,353	5,270	3,946	5,511
Interest-bearing loans	5,576	5,575	5,017	5,956
Average interest on net debt (%)	5.8	7.0	8.1	6.7
Debt/equity ratio	1.8	1.9	1.5	2.0
Equity ratio (%)	30	26	28	27
Return on equity after tax (%) *	13.7	7.0	18.1	8.9
Number of employees	5	5	5	5

*) Based on the rolling 12-month trend.

PERSONNEL

The number of employees at the end of the period was 2,167 (2,085). The number of construction workers was 1,242 (1,247) and the number of salaried employees was 925 (838).

YEAR 2000

Installation of new computer systems to secure transition to the year 2000 have been carried out according to plan and upgrading of existing systems was completed in September. The same applies to necessary modification of the technical systems in our properties. The earlier assessment of limited risk for production disruptions in construction operations still applies. The year's cost for new computer systems and development of the company's business system are reported among group-wide costs and were charged mainly in the first half of 1999.

OWNERSHIP STRUCTURE

The largest shareholders as per 26 October 1999 are listed below:

<u>As per 26 October 1999</u>	<u>% of shares</u>	<u>% of votes</u>
Skanska Invest AB	26.5	45.1
Nordbankens fonder och stiftelser	9.3	7.0
FöreningsSparbanken fonder	7.3	5.5
SEB's fonder och stiftelser		
Gamla Livförsäkrings AB SEB Trygg Liv	6.5	4.9
Allmänna Pensionsfonden, fjärde fondstyrelsen	5.4	4.1
Apotekets AB Pensionsstiftelse	4.4	3.3
Försäkringsbolaget SPP, ömsesidigt		
SPP Livförsäkring AB		
SPP fonder	4.2	3.0
Skandia Fond Småbolag Sverige		
Livförsäkrings AB Skandia	3.1	2.3
AMF Sjukförsäkrings AB		
AMF TFA Försäkrings AB		
Arbetsmarknadens Försäkrings AB	3.0	2.3
Svenska Metallindustriarbetareförbundet	2.8	2.1
Folksam ömsesidig livförsäkring		
Folksams Aktiefond Sverige	2.3	1.8
Ratos Förvaltnings AB	2.2	1.7
Länsförsäkringar Wasa Liv Försäkrings AB		
WASA fastighetsfond	2.0	1.6
Svenska Kommunalarbetareförbundet	1.7	1.3
Stiftelsen för kunskaps- och kompetensutveckling	1.4	1.0
Foreign shareholders	2.4	1.8
Other shareholders	15.5	11.2
Total	100.0	100.0

The number of shareholders on 30 September 1999 was 3,491.

Number of shares

The number of shares is 33,241,000

CPN LOAN TO THE EMPLOYEES

The company's offer of a CPN loan to the employees has been subscribed for in the amount of MSEK 77.7. In addition, MSEK 22.3 has been placed in the wholly owned subsidiary AB Garantibus so that the offer can be extended to future employees. The term of the CPN loan is 15 June 1999 – 15 June 2003, i.e. 4 years. The loan carries interest equivalent to STIBOR minus 0.8 percentage points. Conversion to class B shares may be carried out during the

period 1 June 2001 –1 June 2003 with the exception of the period from 1 January to the record date for the respective year's dividend. The exercise price is SEK 155.

The number of shares prior to conversion is 33,241,000. Upon full conversion of the subscribed CPNs, the number of shares will be diluted by 501,515 and the company's share capital will be increased by SEK 2,006,000, corresponding to 1.5 per cent of the share capital and 1.1 per cent of the voting rights.

PARENT COMPANY

The Parent Company's profit before appropriations and tax for the period amounted to MSEK 122 (194). The Parent Company's property investments during the period totalled MSEK 176 (404).

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CONDENSED CONSOLIDATED INCOME STATEMENT

MSEK	January – September			Full year
	1999	1998	1997	1998
Net sales	4,088	3,338	2,833	4,776
Costs for production and management	<u>-3,316</u>	<u>-2,711</u>	<u>-2,202</u>	<u>-3,857</u>
Gross profit	772	627	631	919
Selling and administration costs	-314	-243	-213	-368
Share of profit in associated companies	-	-	1	-
Gains on the sale of properties	<u>278</u>	<u>127</u>	<u>384</u>	<u>135</u>
Operating profit	736	511	803	686
Net financial items	<u>-275</u>	<u>-261</u>	<u>-315</u>	<u>-351</u>
Profit after financial items	461	250	488	335
Tax	<u>-131</u>	<u>-75</u>	<u>-142</u>	<u>-94</u>
Net profit for the period	330	175	346	241

CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	30 Sept. 99	30 Sept. 98	30 Sept. 97	31 Dec. 98
Assets				
Management properties	6,057	7,039	6,637	7,117
Other fixed assets	258	233	187	248
Development properties	2,536	2,044	650	2,020
Other current assets	1,228	808	1,656	691
Liquid assets	<u>181</u>	<u>256</u>	<u>62</u>	<u>396</u>
Total	10,260	10,380	9,192	10,472
Equity and liabilities				
Equity	3,034	2,738	2,612	2,812
Provisions	958	849	820	917
Interest-bearing liabilities	5,224	5,240	4,708	5,619
Revenues from invoicing of projects uncompleted	198	417	204	85
Other liabilities	<u>846</u>	<u>1,136</u>	<u>848</u>	<u>1,039</u>
Total	10,260	10,380	9,192	10,472

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MSEK	January – September			Full year
	1999	1998	1997	1998
Cash flow before investments	-353	257	-189	500
Property investments, etc.	-612	-1,492	-1,013	-2,446
Property sales, etc.	<u>1,184</u>	<u>244</u>	<u>752</u>	<u>685</u>
Cash flow after investments	219	-991	-450	-1,261
Interest-bearing liabilities and receivables, etc.	-326	995	72	1,404
Dividend	<u>-108</u>	<u>-106</u>	<u>-65</u>	<u>-106</u>
Financing	-434	889	7	1,298
Total cash flow for the period	-215	-102	-443	37
Liquid assets on 30 September	181	256	62	396
<i>Change in interest-bearing net debt (+) increase/(-) decrease</i>	-158	1,076	-578	1,317

CONSOLIDATED PROFIT BY BUSINESS UNIT

MSEK	January – September			Full year
	1999	1998	1997	1998
Construction operations	201	107	50	185
Real estate operations	596	452	784	575
Finance operations	-280	-265	-319	-358
Group-wide costs	<u>-56</u>	<u>-44</u>	<u>-27</u>	<u>-67</u>
Profit after financial items	461	250	488	335
Tax	<u>-131</u>	<u>-75</u>	<u>-142</u>	<u>-94</u>
Net profit for the period	330	175	346	241

INTERIM REPORT JANUARY – SEPTEMBER 1999
CONSOLIDATED EARNINGS PER SHARE

SEK	<u>January – September</u>			<u>Full year</u>
	1999	1998	1997	1998
Earnings per share after tax, total ^{a)}	9.95	5.30	10.60	7.25
Of which: Sales of management properties	6.00	2.70	8.35	2.90
<i>Earnings per share after tax and after full conversion</i>	9.90	-	-	-

^{a)} Earnings per share have been calculated on 33,241,000 shares, i.e. the number of shares prior to conversion.

President's comments

The year's development confirms JM's strategy to focus on project development of residential and commercial premises. The rising rate of sale for fully developed properties is part of this strategy.

The strong earnings trend so far this year is expected to continue into the fourth quarter. Our forecast is that profit for the full year will be significantly higher than in 1998.

Stockholm, 3 November 1999

Carl Eric Stålberg
President & CEO

FINANCIAL CALENDAR

22 February 2000: Year-end report for 1999

27 April 2000: Interim report for the period January – March 2000

17 August 2000: Interim report for the period January – June 2000

24 October 2000: Interim report for the period January – September 2000

This interim report has not been subject to special examination by the company's auditors.