



Year-end Report January–December 2019



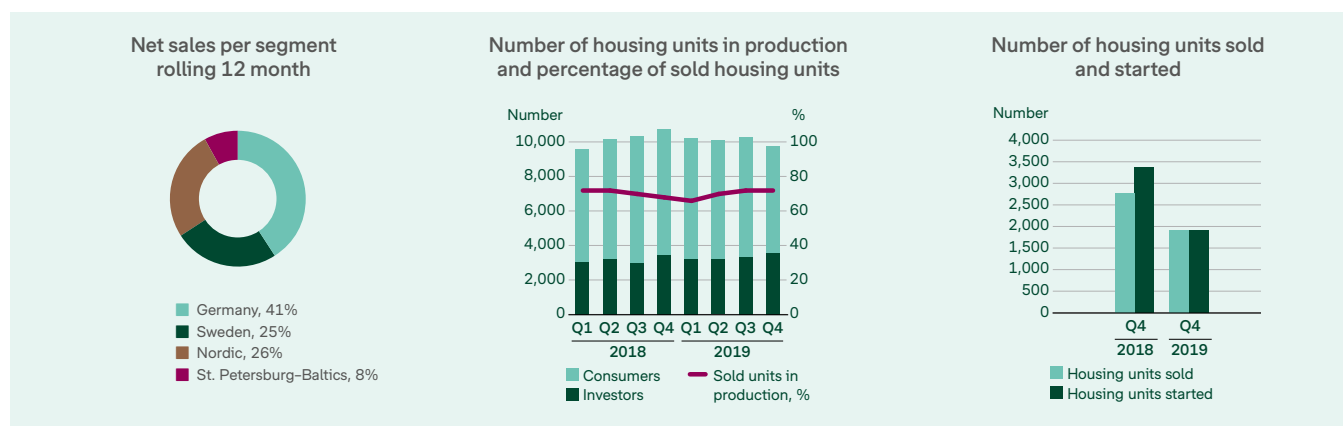
Consolidation and market adaptations create foundation for positive progress

1 OCTOBER–31 DECEMBER 2019

- Net sales amounted to SEK 6,499 M (6,206)
- Operating profit¹⁾ was SEK 693 M (899), of which profit from sale of land totalled SEK 181 M (61). The charge related to restructuring in Finland totalled SEK –159 M and was reported as an item affecting comparability.
- Operating margin¹⁾ was 10.7 per cent (14.5)
- Profit after financial items was SEK 504 M (870)
- Profit for the period after tax amounted to SEK 368 M (762)
- Cash flow before financing was SEK 969 M (956)
- Earnings per share adjusted for items affecting comparability was SEK 4.55 (7.07)²⁾
- Earnings per share was SEK 3.42 (7.07)²⁾
- Return on capital employed¹⁾ was 8.1 per cent (12.8)

1 JANUARY–31 DECEMBER 2019

- Net sales amounted to SEK 15,474 M (14,008)
- Operating profit¹⁾ was SEK 1,202 M (1,654), of which profit from sale of land totalled SEK 272 M (245). The settlement in an old legal dispute of SEK –100 M and the charge related to Finland restructuring of SEK –159 M were reported as items affecting comparability.
- Operating margin¹⁾ was 7.8 per cent (11.8)
- Profit after financial items was SEK 834 M (1,513)
- Profit for the period after tax amounted to SEK 615 M (1,265)
- Cash flow before financing was SEK –138 M (–764).
- Earnings per share adjusted for items affecting comparability was SEK 7.54 (11.74)²⁾
- Earnings per share was SEK 5.71 (11.74)²⁾
- Return on capital employed¹⁾ was 8.1 per cent (12.8)
- The Board of Directors propose a dividend of SEK 3.00 (5.20) per share



	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Net sales	6,499	6,206	15,474	14,008
Operating profit ¹⁾	693	899	1,202	1,654
Operating margin, % ¹⁾	10.7	14.5	7.8	11.8
Profit after financial items	504	870	834	1,513
Profit for the period after tax	368	762	615	1,265
Earnings per share adjusted for items affecting comparability, SEK ²⁾	4.55	7.07	7.54	11.74
Earnings per share, SEK ²⁾	3.42	7.07	5.71	11.74
Cash flow before financing	969	956	-138	-764
Net debt ³⁾	6,873	5,542	6,873	5,542
Capital employed at period end ⁴⁾	14,933	13,332	14,933	13,332
Return on capital employed, % ¹⁾	8.1	12.8	8.1	12.8
Equity/assets ratio, %	32.1	34.9	32.1	34.9
Number of housing units sold in the period	1,905	2,769	5,162	6,009
Sales value of housing units sold in the period	5,335	7,367	14,477	14,919
Number of housing starts in the period	1,909	3,368	4,451	6,478
Number of housing units in production at period end	9,732	10,712	9,732	10,712
Sales rate for ongoing production, %	72	68	72	68
Value of sold housing units, not yet recognised for profit, SEK Bn	21.1	21.1	21.1	21.1
Number of housing units recognised for profit in the period	2,220	2,471	5,511	5,225

¹⁾ Excluding items affecting comparability.

²⁾ Before and after dilution.

³⁾ Net debt as of 31 December 2019 excluding effects of IFRS 16 Leases, was SEK 6,616 M.

⁴⁾ Capital employed at period end 31 December 2019, excluding effects of IFRS 16 Leases, was SEK 14,679 M.

For definitions of key ratios, see bonava.com/en/investor-relations/financial-information

Comments from the CEO

We can conclude that 2019 was a challenging year, but also a year when we made strategically important decisions that will improve the progress ahead. The business in Germany is solid and we've worked hard to be able to increase housing starts significantly in 2020. The stabilisation on the Swedish market and a strong sales development indicate sustained good demand for our housing units. The restructuring in Finland that was announced in January was necessary, and the right conditions are now in place to eventually strengthen profitability in Finland and Denmark.

Net sales in the quarter increased due to higher average prices attributable to market and product mix, totalling SEK 6,499 M (6,206). Profit, excluding restructuring expenses in Finland, amounted to SEK 693 M (899). The decrease was due to lower project margins in housing units handed over in Nordic and Sweden, and fewer housing units for investors recognized for profit. We exceeded our equity/assets target, and cash flow before financing was SEK 969 M (956), including the acquisition of Urbanium AS of SEK -404 M.

Housing units sold amounted to 1,905 (2,769), corresponding to a sales value of SEK 5.3 Bn (7.4). We've mainly sold fewer housing units to investors, while sales to consumers were in line with the previous year. Housing units in production totalled 9,732 at the end of the quarter, with a total sales value of SEK 21.1 Bn (21.1).

The German economy slowed in the year, although the housing market remains strong with high demand. The low unemployment is positive, yet it also implies competition over resources. Bonava Germany had a good level of profitability in 2019. The lower rate of production starts this year was due to longer lead times with the authorities for processing blueprints and planning applications. We therefore proactively worked to prepare additional projects for start-up. This meant that we were able to start production of more housing units in the second half of 2019, and expect to start far more in 2020.

The Swedish housing market made positive progress in 2019. Lower house prices and increased interest from consumers generated good sales growth and decreased over-supply. Bonava Sweden's sales of housing units continued to increase in the quarter, with 216 (74) housing units sold to consumers. We've focused on increasing project starts, and despite a number of consumer projects being delayed to 2020, production starts in the quarter reached 430 (335) housing units for consumers and investors. Operating margin, excluding land sales, was down in the quarter compared to the previous year. This was due to fewer housing units for investors recognised for profit and lower project margins for consumers due to price-adjusted housing units.

The housing markets in the Nordic segment varied during the year. While the Norwegian market made strong progress, increased production costs and high supply in Finland and Denmark were challenging. We're not satisfied with Nordic's weak profit performance in the year. Last autumn, we therefore carried out a strategic review of the Finnish operations and announced a series of planned restructuring measures on 8 January, including exiting the Oulu region. The review also made it clear that we needed to finetune internal processes to improve project cost control. Having now done this, some housing units affected by the earlier issues relating to cost control still remain, which will weigh down margins when handed over in 2020. However, we expect projects started in recent times to deliver margins in line with our required rate of return. The outlook for Norway is good and with the autumn's acquisition of Urbanium AS we will grow further in Norway from 2021.

The housing markets in St. Petersburg and Baltics remained solid with good demand and increasing prices. Our progress in 2019 has



JOACHIM HALLENGREN, PRESIDENT AND CEO

been strong, and the number of housing units recognized for profit doubled. At the same time profitability improved. Lower profit in the quarter was due to a higher proportion of housing units, mainly in St. Petersburg, completed in the early part of the year. In total, there were 342 (99) housing starts in the quarter, mainly attributable to Baltics.

To summarize, we've faced some challenges during the year: lower production starts in Germany, price adjustments in Sweden and weak profitability in Denmark and Finland. This has required hard work and the implementation of active measures that, in combination with a strong continued financial position, now makes us stand stronger ahead of the coming year. And despite signals of a weakening economy, factors such as urbanisation, housing shortages, a positive interest rate climate and low unemployment all indicate continued strong demand for Bonava's housing units.

Joachim Hallengren,
President and CEO

About Bonava

Bonava develops and sells homes across 23 regions in eight countries. Bonava's selected geographical markets are Germany, Sweden, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. Bonava focuses on major city regions with pronounced growth and with stable local labour markets, which generates demand for new housing over time. Bonava develops land into affordable and sustainable neighbourhoods, where housing is adapted to customers'

wants and needs, as well as the unique circumstances of each place. Bonava provides multi-family housing and single-family housing, and develops homes for consumers and investors, such as pension funds, alongside municipalities and other stakeholders. That is how Bonava helps to create new and vibrant neighbourhoods.

Bonava has created homes and neighbourhoods since the 1930s and has been listed on Nasdaq Stockholm Large Cap since 2016.

Vision

Our vision is to create happy neighbourhoods where people have the highest quality of life. We understand that this means different things to different people and that it might vary over time. This is why we're on a constant quest to find out what makes people happy where they live.

Mission

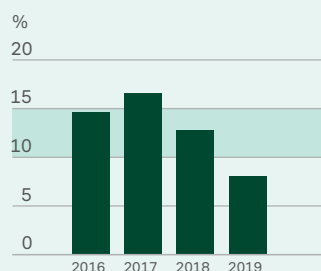
We challenge ourselves every day to change the housing game, creating better homes and lives for the many.

Strategic initiatives

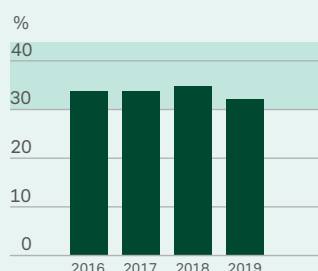
- Develop a differentiated brand and offering based on survey-driven customer insights
- Increase returns by market consolidation and growth in Germany
- Increase efficiency by taking control of and digitalising the design and production process
- Reduce costs by increased economies of scale through group-wide procurement

Financial targets

Return on capital employed¹⁾ (%), target 10–15%

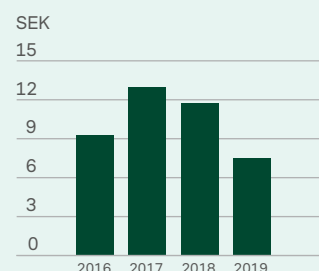


Equity/assets ratio (%), target >30%



At least 40 per cent of consolidated profit after tax should be distributed to shareholders

Earnings per share¹⁾, SEK



¹⁾ Excluding items affecting comparability.

Sustainability targets



Happy neighbourhoods for the many

By 2020, 50 per cent of Bonava's production starts of housing units shall be in the affordable segment.



Protecting our planet

By 2020 Bonava shall fight climate change through science-based targets. By 2020, 50 per cent of Bonava's production starts of housing units on markets with Nordic Swan eco-labelling or Green Zoom certification, shall be subject to environmental certification or labelling.



Passionate Workplace

The long term goal of Zero-Harm means that no person, whether an employee, subcontractor, member of the public or customer should be harmed or become ill because of Bonava's workplaces.

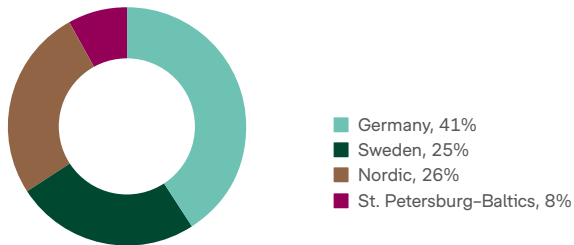


Reliable business

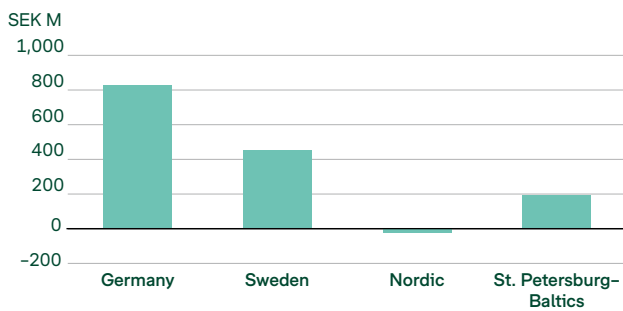
Bonava shall publish annual Sustainability Reports in accordance with GRI's guidelines and report progress to UN Global Compact.

A leading residential developer in northern Europe

Net sales per segment rolling 12 month



Operating profit/loss excluding items affecting comparability¹⁾



¹⁾ Excluding parent company and adjustments



Group performance

As of 1 January 2019, Bonava has adjusted the segment reporting (comparative numbers have been restated), refer to note 1 and 2. Bonava also applies IFRS 16 Leases as of 1 January 2019, refer to note 1 and 5 for more information. From 1 July 2019, Bonava added the line item 'items affecting comparability' to the Income Statement. Refer to note 1 and significant events after the end of the period.

OCTOBER–DECEMBER 2019

Operational performance

Net sales

Net sales in comparison with the corresponding quarter of the previous year and amounted to SEK 6,499 M (6,206).

In the quarter, 1,557 (1,555) housing units for consumers were recognised for profit, with net sales of SEK 4,748 M (4,620). The average price per housing unit was in-line with the corresponding quarter of the previous year and amounted to SEK 3.0 M (3.0).

During the quarter, the number of housing units for investors recognised for profit in Germany and Nordic was 663 (916) and net sales amounted to SEK 1,335 M (1,521). The average price per housing unit was SEK 2.0 M (1.7). The increase was due to a higher average price per housing unit in Germany.

Exchange rate fluctuations had a positive impact of SEK 162 M on consolidated net sales in year-on-year terms.

Operating profit

Operating profit before items affecting comparability in the quarter was SEK 693 M (899). Land sales made a SEK 181 M (61) profit contribution, most of which was due to the sale of the final land parcels in Ursvik, Sweden. Fewer units recognized for profit and lower margins in Sweden and Nordic reduced profit. Operating profit after items affecting comparability amounted to SEK 534 M (899). Items affecting comparability was the cost of SEK 159 M related to the planned restructuring in Finland. For more information, refer to Significant events after the end of the period.

Exchange rate fluctuations had a positive impact of SEK 13 M on operating profit in year-on-year terms.

Net financial items, tax and profit for the period

Net financial items were SEK -31 M (-30). Profit after financial items in the quarter was SEK 504 M (870).

Tax on profit for the quarter was SEK -136 M (-108), corresponding to a tax rate of 27 (12) per cent. The increased tax rate was due to a higher proportion of consolidated profit being derived from Germany, where the tax rate is higher, and the corresponding quarter last year being affected by recovered tax-deductible deficits in Germany totalling SEK 72 M.

Profit for the period after tax amounted to SEK 368 M (762).

JANUARY–DECEMBER 2019

Operational performance

Net sales

Net sales amounted to SEK 15,474 M (14,008). The increase was mainly due to higher net sales from consumers.

In the period, 4,170 (3,539) housing units for consumers were recognised for profit, with net sales of SEK 12,088 M (10,709). The average price per housing unit for consumers was SEK 2.9 M (3.0).

The number of housing units for investors recognised for profit in Germany, Sweden and Nordic was 1,341 (1,686) in the period, and net sales amounted to SEK 2,650 M (2,766). The average price per housing unit was SEK 2.0 M (1.6); the increase was due to higher average prices in both Germany and Sweden.

Exchange rate fluctuations had a positive impact of SEK 356 M on consolidated net sales in year-on-year terms.

Operating profit

Operating profit after items affecting comparability in the period was SEK 1,202 M (1,654). A higher number of delivered housing units to consumers in Germany, Nordics and St. Petersburg-Baltics was offset by a lower number of housing units delivered to investors, coupled with lower production margins. Land sales totalled SEK 272 M (245). Operating profit after items affecting comparability was SEK 943 M (1,654). Items affecting comparability was the cost of SEK 159 M related to the planned restructuring in Finland and the settlement of an old legal dispute in Germany of SEK 100 M.

Exchange rate fluctuations had a positive impact of SEK 24 M on operating profit in year-on-year terms.

Net financial items, tax and profit for the period

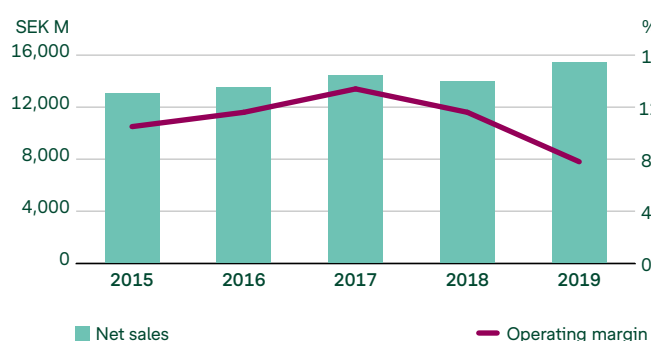
Net financial items were SEK -110 M (-141). The improvement was primarily due to decreased borrowing in roubles.

Profit after financial items in the period was SEK 834 M (1,513).

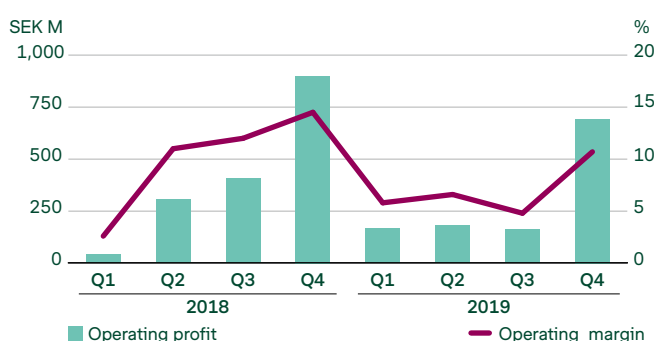
Tax on profit for the period was SEK -219 M (-249), corresponding to a tax rate of 26 (16) per cent. The tax rate for the previous year was affected by recovered tax losses in Germany.

Profit for the period after tax amounted to SEK 615 M (1,265).

Net sales and operating margin¹⁾



Operating profit and operating margin¹⁾



¹⁾ Excluding items affecting comparability.

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Net sales per segment				
Germany	2,873	2,764	6,361	5,736
Sweden	1,272	1,158	3,861	3,976
Nordic	2,072	1,868	4,000	3,488
St. Petersburg-Baltics	282	415	1,252	808
Parent company and adjustments				
Total	6,499	6,206	15,474	14,008

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Operating profit before items affecting comparability				
Germany	457	490	829	796
Sweden	240	193	450	761
Nordic	42	204	-23	196
St. Petersburg-Baltics	33	72	194	108
Parent company and adjustments ¹⁾	-78	-60	-248	-206
Total	693	899	1,202	1,654

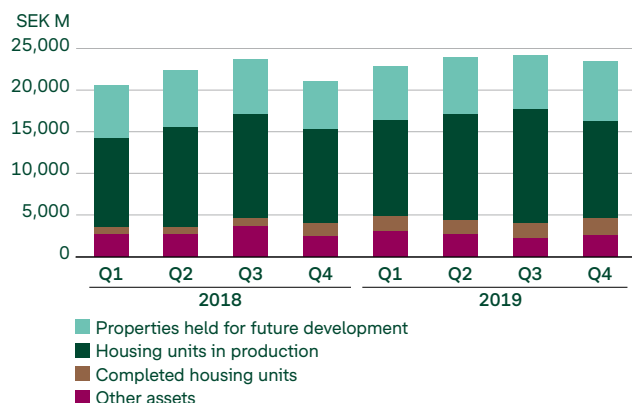
¹⁾ Acquisition related expenses amount to SEK 13.3 M and has been expensed during 2019.

Financial position, investments and cash flow

TOTAL ASSETS

Total assets were SEK 23,487 M (21,074). The increase was primarily due to a higher value of properties held for future development and a higher number of completed housing units.

Distribution of assets

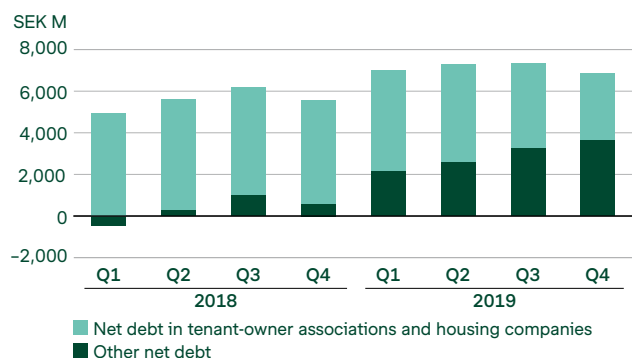


NET DEBT

Net debt amounted to SEK 6,873 M (5,542). The net debt of Swedish tenant-owner associations and Finnish housing companies totalled SEK 3,238 M (4,965), of which SEK 891 M (999) related to financing via parent company credit facilities directly attributable to Swedish tenant-owner associations.

Consolidated net debt for other operations was SEK 3,635 M (577). The increase is explained by a number of reasons; the acquisition of Urbanium AS, increased capital tied up in Germany due to delays in the building permit process and higher number of completed housing units, primarily in Sweden and Nordic. As of 30 September 2019, net debt totalled SEK 7,331 M. Net debt excluding effects from IFRS 16 Leases amounted to SEK 6,616 M. Refer to Note 1 and Note 5 for more information.

Net debt



CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED

Return on capital employed (excluding items affecting comparability) was 8.1 per cent (12.8). The decreased return was due to lower average operating profit excluding interest rate costs, and increased average capital employed totalling SEK 14,933 M (13,332) at the end of the period. Capital employed increased mainly due to a higher value of properties held for future and an increase in completed housing units. As of 30 September 2019, capital employed amounted to SEK 14,798 M. Excluding the effects of IFRS 16

Leases, capital employed was SEK 14,679 M at the end of the period, and return on capital employed was 8.3 per cent.

EQUITY/ASSETS AND DEBT/EQUITY RATIO

As of 31 December 2019, the equity/assets ratio was 32.1 per cent (34.9). Bonava's equity/assets ratio is affected by seasonal fluctuations as the company's assets normally increase in the first three quarters of the year and then decrease in the fourth quarter, when a large number of housing units are handed over to customers and recognised for profit. The debt/equity ratio was 0.9 (0.8).

CASH FLOW

OCTOBER–DECEMBER 2019

Cash flow before financing was SEK 969 M (956) in the quarter. Excluding the acquisition of Urbanium AS, which affected the investing activities by SEK 404 M, cash flow before financing amounted to SEK 1,373 M (956). The increase is mainly explained by changes in other working capital due to increased customer advances in Germany, Sweden and St. Petersburg-Baltics. Investment in housing projects increased, mainly in Germany. Sales of housing projects increased in all business areas.

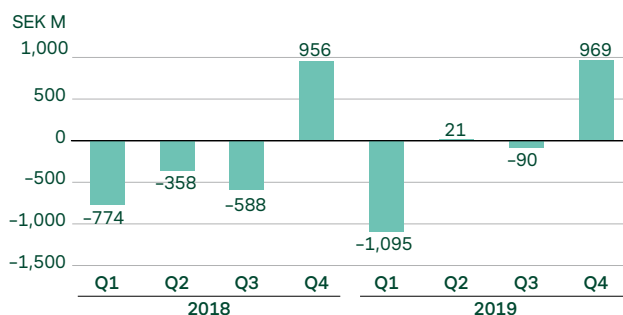
JANUARY–DECEMBER 2019

Cash flow before financing was SEK -138 M (-764). Excluding the acquisition of Urbanium AS, which affected the investing activities by SEK 404 M, cash flow before financing amounted to SEK 260 M (-764). Cash flow from operating activities before changes in working capital was down, due to lower profit after net financial items and higher taxes paid.

Sales of housing projects increased across all business areas. Investments were higher in Germany and St. Petersburg-Baltics albeit lower in Sweden.

Cash flow from other changes in working capital was higher due to increased cash flow from customer advances in Sweden.

Cash flow before financing



SEASONAL EFFECTS

Bonava recognises revenues and earnings from housing sales when sold and completed units are delivered to customers. Bonava's operations are affected by seasonal variations which means that a majority of housing units are delivered to customers in the fourth quarter. Accordingly, earnings and cash flow are usually stronger in the fourth quarter than in other quarters. As illustrated on page 10 in the figures showing estimated completions per quarter.

Housing sales, housing starts and building rights

OCTOBER–DECEMBER 2019

Housing sales and housing starts

In the quarter, 1,193 (1,386) housing units were sold to consumers and 712 (1,383) to investors. Sales to consumers increased in Sweden and St. Petersburg–Baltics but decreased in Germany and Nordic. The average price of housing units sold to consumers increased to SEK 3.2 M (2.9). The increase was due to higher average sales price across all segments coupled with a higher proportion of the Group sales made in Sweden. In the quarter, 1,000 (1,985) housing units were started for consumers and 909 (1,383) for investors. The total number of production starts increased in Sweden and St. Petersburg–Baltics but decreased in Germany and Nordic in year-on-year terms.

JANUARY–DECEMBER 2019

Housing sales and housing starts

In the period, 3,918 (3,906) housing units were sold to consumers and 1,244 (2,103) to investors. Sales to consumers mainly increased in Sweden, but decreased in Germany and St. Petersburg–Baltics compared to the corresponding period in the previous year. The average price of housing units sold to consumers increased to SEK 3.1 M (2.6). The increase was due to higher average sales price across all segments coupled with a higher proportion of the Group sales made in Sweden. In the period, 3,010 (4,375) housing units were started for consumers and 1,441 (2,103) housing units for investors. The total number of production starts decreased in all segments with the exception St. Petersburg–Baltics in year-on-year terms.

	2019 Oct–Dec	2018 Oct–Dec	2019 Jan–Dec	2018 Jan–Dec
Housing units for consumers sold in the period	1,193	1,386	3,918	3,906
Housing units for investors sold in the period	712	1,383	1,244	2,103
Total housing units sold in the period	1,905	2,769	5,162	6,009
Sales value of housing units for consumers sold in the period	3,872	3,985	12,080	10,223
Sales value of housing units for Investors sold in the period	1,464	3,382	2,397	4,696
Total sales value of housing units sold in the period	5,335	7,367	14,477	14,919
Housing starts for consumers in the period	1,000	1,985	3,010	4,375
Housing starts for investors in the period	909	1,383	1,441	2,103
Total housing starts in the period	1,909	3,368	4,451	6,478
Housing units in ongoing production for consumers at period end	6,179	7,259	6,179	7,259
Housing units in ongoing production for investors at period end	3,553	3,453	3,553	3,453
Total number of housing units in production at period end	9,732	10,712	9,732	10,712
Sales rate for ongoing production, %	72	68	72	68
Reservation rate for ongoing production, %	2	3	2	3
Total sold and reserved housing units in ongoing production, %	75	71	75	71

Housing units in production as of 31 December 2019

At the end of the period, there were 6,179 (7,259) housing units for consumers and 3,553 (3,453) housing units for investors in production. As of 31 December 2019, the sales rate was 59 per cent (52) for housing units for consumers and 94 per cent (100) for housing units for investors. At the end of the period, the completion rate was 48 per cent (46) for consumers and 33 per cent (30) for investors.

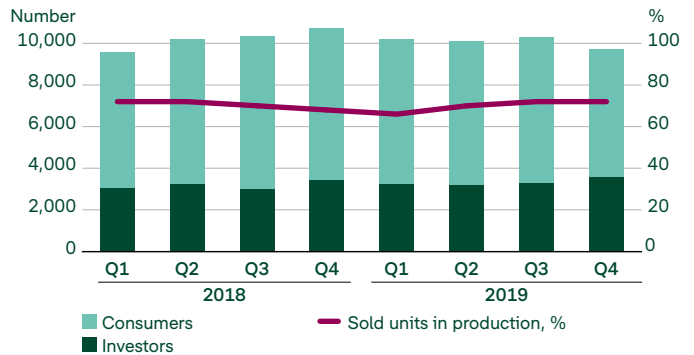
Building rights as of 31 December 2019

There were 33,300 (30,600) building rights, of which 19,300 (15,300) were recognised in the Balance Sheet.

Unsold, completed housing units at the end of the period

The number of unsold completed housing units at year end was 477 (379). All the housing units were for consumers, with Nordic providing the increase on the previous year.

Number of housing units in production and percentage of sold housing units

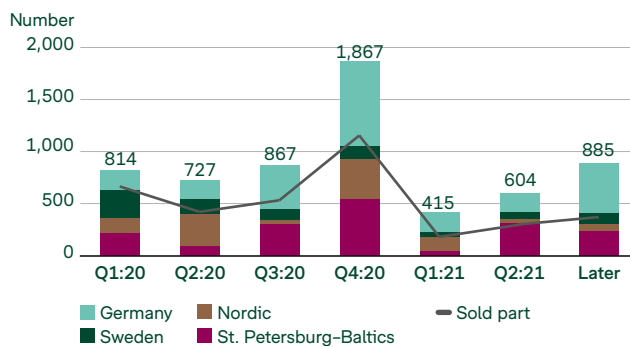


The figure illustrates the number of housing units in production per quarter and the share of housing units sold.

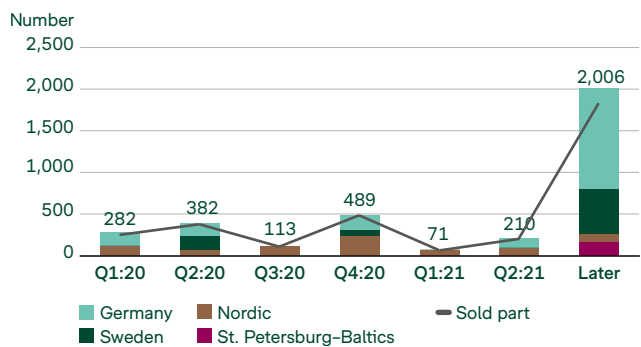
Estimated completions per quarter

The figure illustrates estimated completions of housing units for consumers and housing units for investors not yet recognised for profit. The curve illustrates the sold proportion. In year-on-year terms, there are fewer housing units to complete from the first quarter 2020 onwards. Of the total number of housing units not yet completed, 57 per cent (53) is expected to be completed in 2020.

Consumers



Investors



Other

SIGNIFICANT RISKS AND UNCERTAINTIES

Bonava's operations are exposed to several types of risk, both operational and financial. Operational risks impact the Group's daily operations. This type of risk may relate to investments in land, project development, seasonal exposure or assessment of the earnings capacity of projects.

Operational risks are managed as part of the internal corporate governance process established by Bonava. The business units assess and manage risk through operational systems as well as specific processes and procedures.

The Group's financial risks such as interest rate, currency, refinancing, liquidity and credit risks are managed centrally by the Group's Treasury Department in order to minimise and control Bonava's risk exposure in accordance with the Finance Policy.

Customer credit risk is managed by the individual business unit. A centralised insurance function is responsible for Group-wide non-life and liability insurance, primarily property and contractor's insurance. This function also conducts preventative risk management alongside the business units, implying cost-efficient and coordinated insurable risks. The risk that Bonava may fail to comply with the company's Code of Conduct is managed by the CSR Compliance function.

For more information, refer to Risks and risk management on pages 67–69 of Bonava's Annual Report 2018 at www.bonava.com.

ORGANISATION AND EMPLOYEES

The Group's average number of employees was 2,033 (1,923) in the period.

SHARES AND SHAREHOLDERS

Bonava has two share classes, class A and class B. The closing price on 30 December 2019 was SEK 102.00 per class A share and SEK 99.50 per class B share, corresponding to market capitalisation of SEK 11.0 Bn.

Bonava's share capital was SEK 434 M on the reporting date, divided between 108,435,822 shares and 215,591,586 votes. As of 31 December 2019, Bonava had 11,906,196 class A shares and 96,529,626 class B shares. Each class A share carries ten votes and each class B share one vote.

Bonava had 30,158 (30,941) shareholders at the end of the quarter. Bonava's largest shareholder was Nordstjernan AB. As of 31 December 2019, the ten largest shareholders controlled 63.0 per cent of the capital and 69.8 per cent of the votes.

LEGAL STRUCTURE

Effective 9 June 2016, NCC AB distributed all the shares in Bonava AB to shareholders. NCC AB remains a minority owner of Bonava Deutschland GmbH, but Bonava holds the option to acquire NCC AB's participations in 2021. According to a profit sharing agreement, NCC AB will waive dividend and receive an annual compensation of EUR 1.3 M until the agreement is cancelled, which may occur five years from entering the agreement at the earliest. The agreed profit share, representing a debt of SEK 27 M to NCC AB, has been reported at an amount corresponding to the fair value of two years' payments.

SIGNIFICANT EVENTS IN THE PERIOD

The acquisition of Urbanium AS was approved by the Norwegian Competition Authority on 16 October 2019. The acquisition was consolidated as of 25 October. Transaction and integration costs are estimated to amount to some SEK 15 M and SEK 20 M respectively. A majority of the transaction costs were posted to profit in the third quarter and a majority of the integration costs are expected to burden profit in 2020.

Kristina Olsen was appointed new Business Unit President for Bonava Denmark–Norway and assumed her role on 1 October. Kristina Olsen has served as interim Business Unit President for Bonava Denmark–Norway since October 2018.

SIGNIFICANT EVENTS AFTER YEAR-END

After the end of the quarter, Bonava announced its intention to restructure the Finnish operations. The cost of SEK 159 M has been reported under items affecting comparability in the fourth quarter. The planned measures include Bonava exiting the Oulo region, which implies impairment of previously accrued expenses. Bonava is also effecting impairment of previously accrued expenses relating to two properties that do not form part of the company's core operations, as well as effecting impairment of completed projects in the rest of Finland.

AMOUNTS AND DATES

Unless otherwise stated, amounts are indicated in millions of Swedish kronor (SEK M). All comparative figures in this report refer to the corresponding period of the previous year. Rounding errors may occur.

TEN LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2019

	No. of class A shares	No. of class B shares	Holding, %	Votes, %
Nordstjernan AB	9,000,000	12,323,759	19.7	47.5
AMF – Försäkring och Fonder		10,895,036	10.1	5.1
Swedbank Robur fonder	128,119	9,116,228	8.5	4.8
Lannebo fonder		6,814,447	6.3	3.2
SEB Investment Management		5,157,791	4.8	2.4
Handelsbanken fonder		4,906,982	4.5	2.3
State Street Bank and Trust Co	1,921	3,320,904	3.1	1.6
Fjärde AP-fonden	3,343	2,490,520	2.3	1.2
CBNY, Norges Bank	4,239	2,115,822	2.0	1.0
Carnegie fonder		2,000,000	1.8	0.9
Total, ten largest shareholders	9,137,622	59,141,489	63.0	69.8
Other	2,768,574	37,388,137	37.0	30.2
Total	11,906,196	96,529,626	100.0	100.0

Current projects

Germany

In Germany, Bonava is active in Berlin, Hamburg, the Baltic Sea region, Saxony, Rhine-Ruhr, Cologne/Bonn, Rhine-Main and Rhine-Neckar/Stuttgart. The offering is aimed at consumers and investors and includes single-family houses and multi-family housing.

Am Entenfang

Project start: Q4, 2019

Location: Wesseling, Germany

Housing type: Detached and terraced houses

Number of housing units: 142 housing units for consumers

In the new and growing neighbourhood of Wesseling, Bonava offers detached and terraced houses with their own small gardens in close proximity to the city centre.



Anemoneweg

Project start: Q4 2019

Location: Mannheim, Germany

Housing type: Multi-family housing

Number of housing units: 28 housing units for consumers

In Mannheim, Bonava is developing affordable homes in an area with good transport links close to shops and leisure facilities.



Sweden

In Sweden, Bonava's offering focuses on consumers and investors through multi-family and single-family housing. The consumer markets comprise Stockholm, Gothenburg, Linköping, Uppsala and Umeå. Investor activities focus on some 15 cities in Sweden.

Solkatten

Project start: Q4, 2019

Location: Lund, Sweden

Housing type: Multi-family housing

Number of housing units: 169 housing units for investors

Rental apartment project in Lund, located in a popular neighbourhood close to transport links, the University and cultural activities.



Nordic, Finland

In the Nordic, Bonava is active in Copenhagen in Denmark, Bergen in Norway, and Helsinki, Espoo, Vanda, Tampere, and Oulu in Finland. The offering is aimed at consumers and investors and includes multi-family housing and single family houses.

Helsingin Kaiku 1

Project start: Q4, 2019

Location: Helsinki, Finland

Housing type: Multi-family housing

Number of housing units: 31 homes for consumers

Project Helsingin Kaiku 1 in Helsinki includes a range of apartments of different sizes for small and large households. The property includes an outdoor area that encourages social interaction and play.



Nordic, Norway

Meieritaket

Project start: Q4, 2019

Location: Bergen, Norway

Housing type: Multi-family housing

Number of housing units: 65 housing units for consumers

In a new part of Bergen, Bonava has started production of a multi-family housing project with a shared roof terrace. The homes are close to public transport and the plans include shops and cafés.



Germany

MARKET PERFORMANCE

The German economy slowed in 2019, although the housing market continued to make solid progress. Historically low unemployment favoured private consumption which increased by just over 1.5 per cent. Public consumption also increased, and investments in housing were up by 3.8 per cent. An increase in planning applications and staff shortages at the relevant authorities delayed blueprints and planning applications in the year.

OCTOBER–DECEMBER 2019

Operational performance

Net sales

Net sales amounted to SEK 2,873 M (2,764). In the quarter, 554 (586) housing units for consumers were recognised for profit, with net sales of SEK 2,182 M (2,048). The average price per housing unit to consumers increased to SEK 3.9 (3.5) M due to a combination of increased market prices and project mix in the quarter. In the quarter, 296 (339) housing units for investors were recognised for profit, with net sales of SEK 680 M (717). The average price per housing unit for investors was SEK 2.3 M (2.1).

Operating profit

Operating profit for the quarter was SEK 457 M (490). A higher volume of housing units for investors recognised for profit was offset by fewer housing units handed over to consumers. Profit from land sales amounted to SEK 0 M (0).

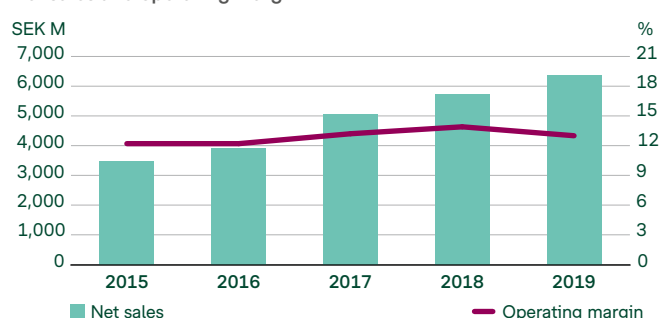
JANUARY–DECEMBER 2019

Operational performance

Net sales

Net sales amounted to SEK 6,361 M (5,736). In the period, 1,325 (1,246) housing units for consumers were recognised for profit, with net sales of SEK 5,063 M (4,371). The average price per housing unit was SEK 3.8 M (3.5), due to increased market prices.

Net sales and operating margin



In the period, 518 (648) housing units for investors were recognised for profit, with net sales of SEK 1,158 M (1,346). The average price per housing unit was SEK 2.2 M (2.1).

Operating profit

Operating profit for the period was SEK 829 M (796). The increased profit was explained by a higher number of housing units for consumers recognised for profit, and profit from land sales of SEK 33 M (10).

Capital employed and return on capital employed

Capital employed was SEK 4,814 (3,985) M. The increase was due to a higher number of ongoing housing projects which was partly offset by a higher share of interest-free financing. Return on capital employed decreased year-on-year as a result of higher average capital tied up.

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Key performance indicators				
Net sales	2,873	2,764	6,361	5,736
Operating profit before items affecting comparability	457	490	829	796
Operating margin before items affecting comparability, %	15.9	17.7	13.0	13.9
Capital employed at period end	4,814	3,985	4,814	3,985
Return on capital employed, %	17.6	21.8	17.6	21.8
Average no. of employees			877	847
Building rights				
Number of building rights at period end	8,900	7,400	8,900	7,400
of which off-balance sheet building rights	3,400	2,700	3,400	2,700
Housing development for consumers				
Number of housing units sold in the period	391	710	1,275	1,563
Sales value of housing units sold in the period	1,659	2,547	5,363	5,521
Number of housing starts in the period	338	1,061	858	2,061
Number of housing units in production at period end	2,456	2,932	2,456	2,932
Sales rate for ongoing production, %	69	59	69	59
Number of housing units recognised for profit in the period	554	586	1,325	1,246
Housing development for investors				
Number of housing units sold in the period	376	873	608	873
Sales value of housing units sold in the period	891	2,357	1,410	2,357
Number of housing starts in the period	404	873	636	873
Number of housing units in production at period end	1,822	1,704	1,822	1,704
Sales rate for ongoing production, %	98	100	98	100
Number of housing units recognised for profit in the period	296	339	518	648

Sweden

MARKET PROGRESS

The Swedish housing market stabilized in 2019 and house sales made positive progress. According to the National Board of Housing, Building and Planning, Boverket, housing starts were down by 9 per cent on the previous year, and the forecast for 2020 is slightly lower still. Price growth for new production stabilized in the year, although at lower offer prices compared to the previous year.

OCTOBER–DECEMBER 2019

Operational performance

Net sales

Net sales amounted to SEK 1,272 M (1,158). The increase was mainly due to land sales.

In the quarter, 183 (185) housing units for consumers were recognised for profit, with net sales of SEK 873 M (867). The average price per housing unit for consumers was SEK 4.8 M (4.7).

In the quarter, 0 (221) housing units for investors were recognised for profit, with net sales of SEK 0 M (269).

Operating profit

Operating profit for the quarter was SEK 240 M (193). Profit from land sales contributed SEK 181 (48) M. Operating profit was impacted by lower margins.

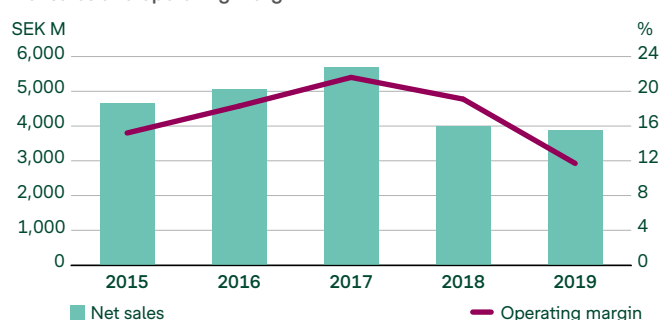
JANUARY–DECEMBER 2019

Operational performance

Net sales

Net sales amounted to SEK 3,861 M (3,976). In the period, 653 (775) housing units for consumers were recognised for profit, with net sales of SEK 2,949 M (3,130). The average price per housing unit was SEK 4.5 M (4.0). The increase was due to changes in product and market mix.

Net sales and operating margin



In the period, 192 (322) housing units for investors were recognised for profit, with net sales of SEK 434 M (416). The average price per housing unit was SEK 2.3 M (1.3), due to the regional and project mix.

Operating profit

Operating profit for the period was SEK 450 M (761). The decrease was due to a lower number of housing units handed over to consumers, and lower margins on project deliveries. Profit from land sales amounted to SEK 239 M (222).

Capital employed and return on capital employed

Capital employed decreased to SEK 4,200 M (4 516,4) due to a lower proportion of ongoing projects and investments in properties held for future development. Return on capital employed decreased year-on-year as a result of lower profit.

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Key performance indicators				
Net sales	1,272	1,158	3,861	3,976
Operating profit/loss before items affecting comparability	240	193	450	761
Operating margin before items affecting comparability, %	18.9	16.7	11.7	19.1
Capital employed at period end	4,200	5,164	4,200	5,164
Return on capital employed, %	9.3	14.8	9.3	14.8
Average no. of employees			206	189
Building rights				
Number of building rights at period end	7,300	7,400	7,300	7,400
of which off-balance sheet building rights	2,900	5,100	2,900	5,100
Housing development for consumers				
Number of housing units sold in the period	216	74	629	233
Sales value of housing units sold in the period	1,087	329	2,886	1,037
Number of housing starts in the period	99	142	164	269
Number of housing units in production at period end	890	1,342	890	1,342
Sales rate for ongoing production, %	54	39	54	39
Number of housing units recognised for profit in the period	183	185	653	775
Housing development for investors				
Number of housing units sold in the period	162	193	162	423
Sales value of housing units sold in the period	301	527	300	948
Number of housing starts in the period	331	193	331	423
Number of housing units in production at period end	778	639	778	639
Sales rate for ongoing production, %	78	100	78	100
Number of housing units recognised for profit in the period	0	221	192	322

MARKET PERFORMANCE

The Finnish housing market was characterized by intense competition and higher production costs. Housing supply was solid but declined slightly during the year. The Danish housing market was hesitant due to previously introduced tightened credit regulations, and significant volumes offered for sale. The Norwegian market was solid in the year with positive price growth. The Norwegian Financial Supervisory Authority's proposal to reduce the maximum debt-to-income ratio, from 5x to 4.5x annual income, didn't pass. Instead, the current loan-to-value ceiling will stand until 2021.

OCTOBER–DECEMBER 2019

Operational performance

Net sales

Net sales amounted to SEK 2,072 M (1,868). The increase was due to higher net sales from consumers.

In the quarter, 544 (461) housing units for consumers were recognised for profit, with net sales of SEK 1,413 M (1,296). The average price per housing unit for consumers was SEK 2.6 M (2.8).

During the quarter, the number of housing units for investors recognised for profit in Finland and Norway was 367 (356), net sales amounted to SEK 655 M (536). The average price per housing unit was SEK 1.8 M (1.5), the increase was due to project mix.

Operating profit

Operating profit before items affecting comparability in the quarter was SEK 42 M (204). The decrease was due to housing units handed over at lower project margins in Finland and Denmark. Profit from land sales amounted to SEK 0 M (13).

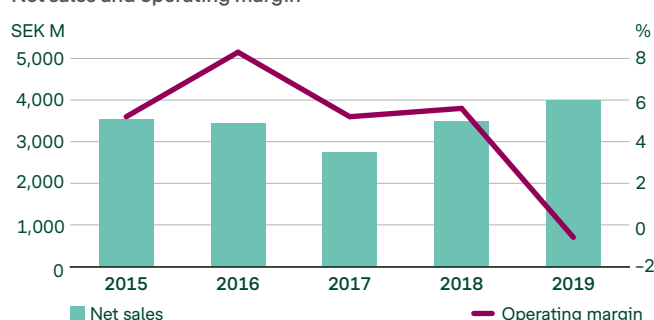
JANUARY–DECEMBER 2019

Operational performance

Net sales

Net sales amounted to SEK 4,000 M (3,488). The increase was due to higher net sales from consumers.

Net sales and operating margin



In the period, 1,015 (887) housing units for consumers were recognised for profit, with net sales of SEK 2,863 M (2,424). The average price per housing unit was SEK 2.8 M (2.7).

In the period, 631 (716) housing units for investors were recognised for profit, with net sales of SEK 1,057 M (1,003). The average price per housing unit was SEK 1.7 M (1.4). The increase was due to a higher average price per housing unit handed over in Denmark.

Operating profit

Operating profit before items affecting comparability in the period was SEK –23 M (196). The decrease was due to a lower number of housing units for investors recognised for profit and by units handed over at lower project margins in Finland and Denmark. Profit from land sales amounted to SEK 0 M (14).

Capital employed and return on capital employed

Capital employed was SEK 4,152 M (2,986). The increase was explained by the acquisition of Urbanium AS, more ongoing housing projects and completed housing units and a decrease in customer advances. Return on capital employed decreased year-on-year as a result of lower profit.

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Key performance indicators				
Net sales	2,072	1,868	4,000	3,488
Operating profit/loss before items affecting comparability	42	204	–23	196
Operating margin before items affecting comparability, %	2.0	10.9	–0.6	5.6
Capital employed at period end	4,152	2,986	4,152	2,986
Return on capital employed, %	–0.7	7.1	–0.7	7.1
Average no. of employees			409	338
Building rights				
Number of building rights at period end	10,600	10,000	10,600	10,000
of which off-balance sheet building rights	6,300	6,600	6,300	6,600
Housing development for consumers				
Number of housing units sold in the period	268	336	906	884
Sales value of housing units sold in the period	737	892	2,508	2,410
Number of housing starts in the period	221	683	687	1,108
Number of housing units in production at period end	1,080	1,531	1,080	1,531
Sales rate for ongoing production, %	52	46	52	46
Number of housing units recognised for profit in the period	544	461	1,015	887
Housing development for investors				
Number of housing units sold in the period	94	233	394	723
Sales value of housing units sold in the period	198	426	613	1,319
Number of housing starts in the period	94	233	394	723
Number of housing units in production at period end	789	1,026	789	1,026
Sales rate for ongoing production, %	100	100	100	100
Number of housing units recognised for profit in the period	367	356	631	716

St. Petersburg–Baltics

St. Petersburg, Estonia and Latvia

MARKET PERFORMANCE

The housing market in St. Petersburg was strong during the year with price growth and solid demand. In December, the Central Bank cut the base rate for the fifth consecutive time, from 7.75 to 6.35 per cent. Housing demand was strong in the Baltics. Demand for housing was substantial, and activity levels high. Competition was particularly intense in Estonia.

OCTOBER–DECEMBER 2019

Operational performance

Net sales

Net sales amounted to SEK 282 M (415). The decrease was due to a lower volume of housing units for consumers handed over to consumers.

In the quarter, 276 (323) housing units for consumers were recognised for profit, with net sales of SEK 279 M (410). The average price per housing unit for consumers was SEK 1.0 M (1.3). The decrease was attributable to the product mix in St. Petersburg.

Operating profit

Operating profit for the quarter was SEK 33 M (72). The decrease was due to a lower volume of housing units recognised for profit.

JANUARY–DECEMBER 2019

Operational performance

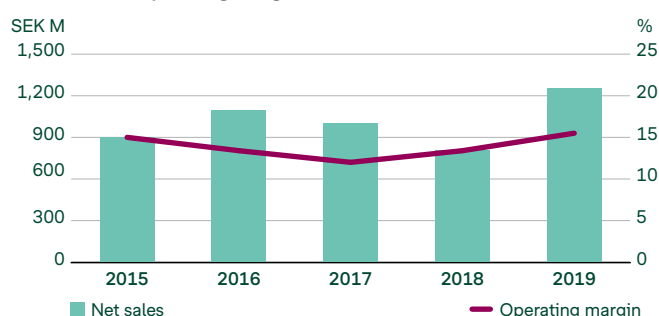
Net sales

Net sales amounted to SEK 1,252 M (808). The increase was due to higher net sales from consumers.

In the period, 1,177 (631) housing units for consumers were recognised for profit, with net sales of SEK 1,232 M (785).

Average price per housing unit was SEK 1.0 M (1.2). The decrease was attributable to a changed product mix in St. Petersburg.

Net sales and operating margin



Operating profit

Operating profit for the period was SEK 194 M (108). The increase was due to a higher volume of housing units for consumers recognised for profit.

Capital employed and return on capital employed

Capital employed was SEK 1,367 (1,173) M. The increase was due to the Baltics, with a higher proportion of ongoing projects in combination with a lower proportion of interest-free financing. Return on capital employed increased due to the improved profit.

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Key performance indicators				
Net sales	282	415	1,252	808
Operating profit before items affecting comparability	33	72	194	108
Operating margin before items affecting comparability, %	11.5	17.4	15.5	13.4
Capital employed at period end	1,367	1,118	1,367	1,118
Return on capital employed, %	15.8	8.4	15.8	8.4
Average no. of employees			473	400
Building rights				
Number of building rights at period end	6,500	5,800	6,500	5,800
of which off-balance sheet building rights	1,400	900	1,400	900
Housing development for consumers				
Number of housing units sold in the period	318	266	1,108	1,226
Sales value of housing units sold in the period	389	220	1,324	1,257
Number of housing starts in the period	342	99	1,301	937
Number of housing units in production at period end	1,753	1,454	1,753	1,454
Sales rate for ongoing production, %	53	58	53	58
Number of housing units recognised for profit in the period	276	323	1,177	631
Housing development for investors				
Number of housing units sold in the period	80	84	80	84
Sales value of housing units sold in the period	73	71	73	71
Number of housing starts in the period	80	84	80	84
Number of housing units in production at period end	164	84	164	84
Sales rate for ongoing production, %	100	100	100	100
Number of housing units recognised for profit in the period				

Consolidated Income Statement

	Note 1	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Net sales	2	6,499	6,206	15,474	14,008
Production costs		-5,569	-5,074	-13,368	-11,452
Gross profit		930	1,132	2,107	2,557
Selling and administrative expenses		-236	-232	-905	-903
Operating profit before items affecting comparability	2	693	899	1,202	1,654
Items affecting comparability		-159		-259	
Operating profit after items affecting comparability	2	534	899	943	1,654
Financial income		6	3	16	9
Financial expenses		-37	-32	-125	-150
Net financial items		-31	-30	-110	-141
Profit after financial items	2	504	870	834	1,513
Tax on profit for the period		-136	-108	-219	-249
Profit for the period		368	762	615	1,265
Attributable to:					
Bonava AB's shareholders		368	762	615	1,265
Non-controlling interest					
Profit for the period		368	762	615	1,265
Per share data before and after dilution					
Earnings before items affecting comparability, SEK		4.55	7.07	7.54	11.74
Earnings after items affecting comparability, SEK		3.42	7.07	5.71	11.74
Cash flow from operating activities, SEK		13.32	9.25	3.55	-5.84
Shareholders' equity, SEK		70.02	68.36	70.02	68.36
No. of shares at the end of the period, million ¹⁾		107.6	107.6	107.6	107.6

¹⁾ The total number of shares repurchased as of 31 December 2019 was 815,061 (815,061).

Bonava's business model and the agreement structure of housing projects mean that control is transferred to the buyer at the time of hand-over of the housing unit or project. This means that Bonava satisfies the undertaking to transfer the housing unit or project upon handover and recognises revenue and profit from sales of housing projects fully at this point. No revenue is recognised on the basis of forecast sales of housing projects. This applies to both housing units for consumers and investors.

Because Bonava appoints a majority of Board members in tenant-owner associations in Sweden and housing companies in Finland, issues guarantees and provides credit to or borrowing on behalf of tenant-owner associations and housing companies, Bonava exercises a controlling influence and therefore consolidates tenant-owner associations and housing companies in full.

Because tenant-owner associations and housing companies are consolidated in full, Bonava's net debt increases, as interest-bearing liabilities attributable to Swedish tenant-owner associations and Finnish housing companies constitute material amounts. Refer note 3 for more information.

Consolidated Statement of Comprehensive Income

	Note 1	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Profit for the period		368	762	615	1,265
<i>Items that have been or may be reclassified to profit or loss for the period</i>					
Translation differences in the period in translation of foreign operations		-61	-64	139	44
Other comprehensive income for the period		-61	-64	139	44
Comprehensive income for the period		307	698	754	1,309
<i>Attributable to:</i>					
Bonava AB's shareholders		307	698	754	1,309
Non-controlling interest					
Comprehensive income for the period		307	698	754	1,309

Condensed Consolidated Balance Sheet

	Note 1, 4, 5, 6	2019 31 Dec	2018 31 Dec
ASSETS			
Non-current assets		904	720
Current assets			
Properties held for future development		7,149	5,720
Ongoing housing projects		11,761	11,381
Completed housing units		2,013	1,510
Current receivables		1,161	1,418
Cash and cash equivalents	3	499	325
Total current assets		22,583	20,354
TOTAL ASSETS		23,487	21,074
SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to parent company shareholders		7,536	7,357
Non-controlling interest		5	4
Total Shareholders' equity		7,540	7,362
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities	3	1,378	1,625
Other non-current liabilities		334	221
Non-current provisions		712	554
Total non-current liabilities		2,424	2,400
Current liabilities			
Current interest-bearing liabilities	3	6,015	4,345
Other current liabilities		7,508	6,967
Total current liabilities		13,523	11,312
Total liabilities		15,947	13,713
TOTAL EQUITY AND LIABILITIES		23,487	21,074

Condensed Changes in Shareholders' Equity, Group

	Shareholders' equity attributable to parent company shareholders	Non-controlling interest	Total shareholders' equity
Opening shareholders' equity, 1 January 2018	6,633	5	6,638
Comprehensive income for the period	1,309		1,309
Dividend	-560	-1	-561
Purchases of treasury shares	-29		-29
Performance-based incentive program	5		5
Closing shareholders' equity, 31 December 2018	7,357	4	7,362
Comprehensive income for the period	754		754
Dividend ¹⁾	-560		-560
Performance-based incentive program	-16		-16
Closing shareholders' equity, 31 December 2019	7,536	5	7,540

¹⁾ The Annual General Meeting of the shareholders in Bonava AB decided on 9 April 2019 to distribute a total dividend of SEK 560 M to its shareholders, to be paid out in two equal parts in April and in October.

Condensed Consolidated Cash Flow Statement

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
OPERATING ACTIVITIES				
Profit after financial items	504	870	834	1,513
Adjustments for items not included in cash flow	440	99	343	-60
Tax paid	43	9	-405	-75
Cash flow from operating activities before changes in working capital	986	977	772	1,379
Cash flow from changes in working capital				
Sales of housing projects	5,510	4,659	12,902	11,082
Investments in housing projects	-4,062	-3,334	-13,919	-13,445
Other changes in working capital	-1,005	-1,305	624	354
Cash flow from changes in working capital	443	19	-393	-2,009
Cash flow from operating activities	1,429	997	379	-630
INVESTING ACTIVITIES				
Cash flow from investing activities	-460	41	-517	-135
Cash flow before financing	969	956	138	-764
FINANCING ACTIVITIES				
Dividend paid	-280	-280	-560	-561
Purchases of treasury shares				-29
Increase in interest-bearing financial liabilities			3,140	3,048
Decrease in interest-bearing financial liabilities	-408	-1,073	-2,376	-2,476
Change in interest-bearing receivables	5	-25	82	-25
Cash flow from financing activities	-683	-1,378	286	-42
CASH FLOW FOR THE PERIOD	286	422	148	-806
Cash and cash equivalents at beginning of period	207	754	325	1,122
Exchange rate difference in cash and cash equivalents	7	-6	26	10
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	499	325	499	325

Notes for the Group

NOTE 1 Accounting policies

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and recommendation RFR 1 Supplementary Accounting Rules for Groups from the Swedish Financial Reporting Board. The accounting policies applied in the preparation of this Interim Report, with the exception of IFRS 16 Leases which is described below, apply to all periods and comply with the accounting policies presented in Note 1 Significant accounting policies in Bonava's Annual Report 2018, pages 98–102. The Annual Report is available at www.bonava.com.

From 1 July 2019, Bonava added the line item 'items affecting comparability' to the Income Statement. This heading describes events and transactions with significant profit impact on comparability, such as material disputes and other material non-recurring income or expenses. Tax on items affecting comparability and tax items that are automatically classified as items affecting comparability have been reported under Tax in the Consolidated Income Statement. Items that have been reported under Items affecting comparability for a period are consistently reported so that reversals of such items are also reported under Items affecting comparability in future periods.

The items reported under Items affecting comparability as of 31 December 2019 relate partly to settlement of a legal dispute regarding operations that Bonava terminated several years ago. The total cost of SEK 100 M was charged to profit for the third quarter and reported as an item affecting comparability under 'Parent Company and adjustments' as the item was not attributable to Bonava's current operations. In the fourth quarter, Bonava also posted total expenses of SEK 159 M relating to a strategic review of the Finnish operations under Items affecting comparability for the Nordic business area. The restructuring also includes impairment of accrued expenses. For more information, refer to Significant events after the end of the period.

IFRS 16 Leases applies from 1 January 2019 and regulates the reporting of lease contracts. All contracts are reported as lease contracts in the consolidated accounts where Bonava essentially has the right to all the economic benefits from the leased asset and where Bonava has the right to control the leased asset.

Lease contracts are reported in the Balance Sheet. The right of use of a leased asset is reported either as non-current assets (property, plant and equipment) or current assets (ongoing housing projects) depending on how the leased asset would have been classified if it had been owned. Bonava reports rental agreements for land (ongoing housing projects) as lease contracts when a detailed blueprint has been produced or building rights can no longer be appealed. Before such time, Bonava does not have control of the land and therefore has no rights or obligations relating to the land.

The obligation to pay lease charges is reported as a non-current or current financial liability depending on the duration of the contract. Leasing expenses are reported as depreciation and interest expenses in the Income Statement.

With regard to completed unsold housing units, Bonava has certain commitments to Swedish tenant-owner associations, Finnish housing companies and other parties relating to payment of membership fees and rent. The intention is to divest these completed unsold housing units immediately, which means that these commitments are not reported as lease contracts.

Bonava uses the implied interest rate for land lease contracts; for remaining lease contracts Bonava uses the marginal borrowing rate determined by factors such as geographical market and maturity. In connection with the transition to IFRS 16 leases, the non-weighted average marginal borrowing rate was 3.80 per cent.

The term of the contracts is determined in contractual start and end dates. Bonava has essentially chosen not to consider the possibility of extending lease contracts as this is not financially beneficial because the assets are not business-critical or specialised, and other suitable alternatives are judged to be available. In addition, the costs associated with not extending contracts, such as costs of negotiation, re-localization and identifying other appropriate measures are deemed to be immaterial.

Bonava is not party to any financial lease contracts in the capacity of lessor.

Refer to Note 5 and Annual Report for 2018 for more information about the effect of the transition to IFRS 16 leases.

As previously, operating segments in Bonava are based on geographical areas, the nature of the products and services as well as similar revenue streams. The prior segments Germany and Sweden are unchanged while a decision has been made as from 1 January 2019 to consolidate the segments Denmark-Norway and Finland to a new segment called Nordic. In addition, operations in Estonia and Latvia have been merged with St. Petersburg in the new St. Petersburg-Baltics segment. Comparable figures are available at www.bonava.com.

No other changes to IFRS or IFRIC interpretations are expected to have any material impact on Bonava.

NOTE 2 Reporting by operating segments

Oct-Dec 2019	Germany	Sweden	Nordic	St. Petersburg-Baltics	Parent company and adjustments ¹⁾	Total
Net sales, consumers	2,182	873	1,413	279		4,748
Net sales, investors	680		655			1,335
Net sales, land	7	400	2			408
Net sales, other	4		1	3		8
Operating profit/loss before items affecting comparability	457	240	42	33	-78	693
Items affecting comparability			-159			-159
Operating profit/loss after items affecting comparability	457	240	-117	33	-78	534
Net financial items						-31
Profit after financial items						504
Capital employed	4,814	4,200	4,152	1,367	399	14,933
Oct-Dec 2018	Germany	Sweden	Nordic	St. Petersburg-Baltics	Parent company and adjustments	Total
Net sales, consumers	2,048	867	1,296	410		4,620
Net sales, investors	716	269	536			1,522
Net sales, land	1	22	35			58
Net sales, other			2	5		7
Operating profit/loss	490	193	204	72	-59	899
Net financial items						-30
Profit after financial items						870
Capital employed	3,985	5,164	2,986	1,118	80	13,332
Jan-Dec 2019	Germany	Sweden	Nordic	St. Petersburg-Baltics	Parent company and adjustments ¹⁾	Total
Net sales, consumers	5,063	2,949	2,844	1,232		12,088
Net sales, investors	1,158	434	1,057			2,650
Net sales, land	136	473	92			700
Net sales, other	3	5	7	20		36
Operating profit/loss before items affecting comparability	829	450	-23	194	-248	1,202
Items affecting comparability			-159		-100	-259
Operating profit/loss after items affecting comparability	829	450	-182	194	-348	943
Net financial items						-110
Profit after financial items						834
Capital employed	4,814	4,200	4,152	1,367	399	14,933
Jan-Dec 2018	Germany	Sweden	Nordic	St. Petersburg-Baltics	Parent company and adjustments	Total
Net sales, consumers	4,371	3,130	2,424	785		10,709
Net sales, investors	1,346	416	1,003			2,766
Net sales, land	18	422	55			496
Net sales, other		8	7	23		38
Operating profit/loss	796	761	196	108	-206	1,654
Net financial items						-141
Profit after financial items						1,513
Capital employed	3,985	5,164	2,986	1,118	80	13,332

¹⁾ Acquisition related expenses amounted to SEK 13.3 M and has been expenseed in 2019.

NOTE 3 Specification of net debt

	2019 31 Dec	2018 31 Dec
Non-current interest-bearing receivables	2	8
Current interest-bearing receivables	19	95
Cash and cash equivalents	499	325
Interest bearing receivables	520	428
Non-current interest-bearing liabilities	1,378	1,625
Current interest-bearing liabilities	6,015	4,345
Interest-bearing liabilities	7,393	5,970
Net debt	6,873	5,542
<i>of which attributable to Swedish tenant-owner associations and Finnish housing companies¹⁾</i>		
Cash and cash equivalents	17	106
Interest-bearing liabilities, external project financing	2,364	4,072
Interest-bearing liabilities, project financing ²⁾	891	999
Net debt in tenant-owner associations and housing companies	3,238	4,965
<i>of which other operations³⁾</i>		
Cash and cash equivalents	482	219
Interest bearing receivables	19	103
Interest-bearing lease liabilities, IFRS 16	257	
Other interest-bearing liabilities	3,880	899
Net debt, other operations	3,635	577

¹⁾ As a consequence of that the tenant-owners associations and the housing companies are consolidated, the interest bearing liabilities in the Swedish tenant-owners associations and Finnish housing companies are included in the net debt of Bonava.

²⁾ Relates to financing via parent company credit facilities directly attributable to Swedish tenant-owner associations.

³⁾ Relates to financing of the operations in all segments excluding the consumer business in Sweden and Finland. The change during 2019 is primarily explained by the acquisition of Urbanum AS, increased tied up capital in Germany due to the delay in the building permit process and more completed housing units in Sweden and Nordic.

NOTE 4 Fair value of financial instruments

The following table presents disclosures about the measurement of fair value for financial instruments that are continuously measured at fair value in Bonava's Balance Sheet. The fair value measurement divides assets into three levels. No transfers between levels were made in the period.

Bonava has no financial instruments in levels 1 and 3. Derivatives in level 2 comprise currency forwards where the measurement at fair value of currency-forward contracts is based on published forward rates on an active market.

	2019 31 Dec	2018 31 Dec
Derivatives	47	49
Total assets	47	49
Derivatives	11	1
Total liabilities	11	1

The fair value of non-current and current interest-bearing liabilities does not differ from the carrying amount. For financial instruments recognised at amortised cost; accounts receivables, other receivables, cash and cash equivalents, accounts payable and other interest-free liabilities, fair value is considered equal to carrying amount.

NOTE 5 Leasing

As of 31 December 2018, operating lease commitments amounted to SEK 582 M according to the Annual Report. Bonava does not apply the exemption relating to short-term lease contracts, and the longest contracts have a term of 30 years, which means that an average term of 17 years has been applied to the calculation for the settlement of present value of operating lease expenses according to the Annual Report 2018 and the opening balance of lease liabilities according to IFRS 16, leases. The marginal borrowing rate is determined on the basis of geographical market and term; the average interest rate was 3.80 per cent as of 1 January 2019. Bonava's financial lease liabilities as of 31 December 2018 were of minor value. As indicated in the accounting principles, there are no renewal options that can be exercised with reasonable certainty or materially variable index- or price-linked lease payments. The discounted amount thereby amounts to SEK 427 M, corresponding to the lease liability of SEK 427 M reported as of 1 January 2019.

NOTE 6 Pledged assets, contingent liabilities and guarantee obligations

	2019 31 Dec	2018 31 Dec
Assets pledged		
<i>For own liabilities:</i>		
Property mortgages	4,837	4,049
Restricted bank funds	1	11
Other assets pledged	4	3
Total assets pledged	4,842	4,063
Contingent and guarantee liabilities		
<i>Own contingent liabilities:</i>		
Deposits and concession fees ¹⁾	3,361	2,879
Other contingent liabilities	111	
Total guarantees and guarantee obligations	3,471	2,879

¹⁾ Deposit guarantees constitute collateral for investments and concession fees paid to tenant-owner associations formed by Bonava Sverige AB. The guarantee is to be restored one year after the final acquisition cost of the tenant-owner association's building has been established.

NOTE 7 Business acquisition

On 25 October 2019, Bonava acquired 100 per cent of the shares in housing developer Urbanium AS, a group comprising five companies with an attractive land bank with the potential to complete close to 1,000 housing units over the next seven years. The acquisition price was NOK 495 M. Urbanium's operations mainly comprise a land bank in Oslo and surrounding areas. The acquisition strengthens Bonava's position on the Norwegian market.

In the period from the acquisition to 31 December 2019, Urbanium contributed SEK 0 M to net sales and SEK -5 M to net profit after tax. If the acquisition had been effective as of 1 January 2019, Bonava's net sales would have increased by an estimated SEK 0 M and net profit after tax decreased by an estimated SEK 29 M. Because Bonava's intention is to integrate the company's existing organisation and develop housing units within the framework of Bonava's operations, no existing net sales have been reported. This means that net profit refers to the estimated cost of conducting operations in the Oslo region. The acquisition analysis is preliminary.

Acquired operations' net assets valued at fair value at the time of acquisition	SEK M
Current assets	
Properties held for future development	650
Ongoing housing projects	52
Deferred tax assets	5
Current receivables	3
Cash and cash equivalents	10
Non-current liabilities	
Non-current interest-bearing liabilities	193
Current liabilities	
Current interest-bearing liabilities	72
Current non interest-bearing liabilities	46
Deferred tax liabilities	6
Net identified assets and liabilities	402
Overstated properties held for future development	191
Deferred tax	74
Acquisition price	519

Acquisition-related costs of SEK 13.3 M were recognised in the Income Statement in 2019.

Acquisition price	SEK M
Cash and cash equivalents	414
Current liabilities	105
	519

Acquired cash and cash equivalent totalled SEK 10 M.

Parent Company in summary

JANUARY–DECEMBER 2019

The parent company comprises the operations of Bonava AB (publ). The company's net sales amounted to SEK 266 M (267). Profit after financial items was SEK 679 M (1,618).

	Note 1	2019 Jan–Dec	2018 Jan–Dec
INCOME STATEMENT			
Net sales		266	267
Selling and administrative expenses		-501	-455
Operating loss		-235	-187
Profit from participations in Group companies		793	1,722
Financial income		170	150
Financial expenses		-50	-66
Profit after financial items		679	1,618
Appropriations		227	730
Profit before tax		905	2,348
Tax on profit for the period		-21	-142
Profit for the period		884	2,206

	Note 1, 2	2019 31 Dec	2018 31 Dec
BALANCE SHEET			
Assets			
Non-current assets		2,411	2,423
Current assets		9,471	6,389
Total assets		11,882	8,812
Shareholders' equity and liabilities			
Shareholders' equity		7,139	6,830
Untaxed reserves		32	
Provisions		4	3
Non-current liabilities		844	617
Current liabilities		3,863	1,362
Total shareholders' equity and liabilities		11,882	8,812

Parent Company Notes

NOTE 1 Accounting policies

The company has prepared its Interim Report pursuant to the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

The accounting policies applied in the preparation of this Interim Report apply to all periods and comply with the accounting policies presented in Note 1 Significant accounting policies in Bonava's Annual Report 2018, pages 98–102, and page 123. The Annual Report is available at www.bonava.com.

NOTE 2 Pledged assets and contingent liabilities

	Utilized amount	
	2019 31 Dec	2018 31 Dec
Deposits and concession fees	3,971	3,516
Construction loans, tenant-owner associations	1,470	3,225
Counter-guarantee to external guarantors	8,648	8,018
Other guarantee commitments	4,988	4,539
Other assets pledged	3	3
Total	19,079	19,301

Sector-related key figures for the Group

No. unless otherwise stated	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Building rights at period end	33,300	30,600	33,300	30,600
of which off-balance-sheet building rights	14,000	15,300	14,000	15,300
Housing development for consumers				
Housing units sold in the period	1,193	1,386	3,918	3,906
Sales value of housing units sold in the period, SEK M	3,872	3,985	12,080	10,223
Housing starts in the period	1,000	1,985	3,010	4,375
Housing units in production at period end	6,179	7,259	6,179	7,259
Sales rate for ongoing production, %	59	52	59	52
Reservation rate for ongoing production, %	4	4	4	4
Completion rate for ongoing production, %	48	46	48	46
Completed housing units, not recognised for profit, at period end	714	718	714	718
Housing units for sale (ongoing and completed), at period end	3,001	3,833	3,001	3,833
Housing units recognised for profit in the period	1,557	1,555	4,170	3,539
Value of sold housing units, not yet recognised for profit, SEK Bn	13.8	14.0	13.8	14.0
Housing development for investors				
Housing units sold in the period	712	1,383	1,244	2,103
Sales value of housing units sold in the period, SEK M	1,464	3,382	2,397	4,696
Housing starts in the period	909	1,383	1,441	2,103
Housing units in production at period end	3,553	3,453	3,553	3,453
Sales rate for ongoing production, %	94	100	94	100
Completion rate for ongoing production, %	33	30	33	30
Housing units recognised for profit in the period	663	916	1,341	1,686
Value of sold housing units, not yet recognised for profit, SEK Bn	7.3	7.1	7.3	7.1

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Housing units in production for consumers, no.				
Housing units in ongoing production at beginning of period	6,994	7,343	7,259	6,844
Resumed starts in the period ¹⁾			76	
Housing starts in the period	1,000	1,985	3,010	4,375
Housing units recognised for profit in the period	-1,557	1,555	-4,170	-3,539
Decrease (+)/increase (-) in completed housing units, not recognised for profit at period end	-258	-514	4	-421
Housing units in ongoing production at period end	6,179	7,259	6,179	7,259
Housing units in production for investors, no.				
Housing units in ongoing production at beginning of period	3,307	2,986	3,453	3,036
Housing starts in the period	909	1,383	1,441	2,103
Housing units recognised for profit in the period	-663	916	-1,341	-1,686
Housing units in ongoing production at period end	3,553	3,453	3,553	3,453

¹⁾ Projects are recognised under housing starts as of the initial starting date. In the event of potential delays due to appeals against planning rulings, projects are excluded from housing units in ongoing production. In Sweden, one project was resumed following a delay due to an appeal against a planning decision.

Key performance indicators at period end

	2019 31 Dec	2018 31 Dec
Return on capital employed, % ^{1) 2) 3)}	8.1	12.8
Interest coverage ratio, multiple ¹⁾	7.7	11.1
Equity/assets ratio, %	32.1	34.9
Interest-bearing liabilities/total assets, %	31.5	28.3
Net debt ⁴⁾	6,873	5,542
Debt/equity ratio, multiple	0.9	0.8
Capital employed at period end ⁵⁾	14,933	13,332
Capital employed, average ⁶⁾	14,579	12,683
Capital turnover rate, multiple ¹⁾	1.1	1.1
Share of risk-bearing capital, %	32.7	35.0
Dividend, SEK per share ⁷⁾	3.00	5.20
Average interest rate at period-end, % ⁸⁾	1.12	1.41
Average period of fixed interest, years ⁸⁾	0.1	0.2
Average interest rate at period-end, % ⁹⁾	1.23	1.30
Average period of fixed interest, years ⁹⁾	0.3	0.2

1) Calculated on rolling 12-month basis.

2) Return on capital employed, excluding effects of IFRS 16 Leases, was 8.3 per cent.

3) Excluding items affecting comparability.

4) Net debt as of 31 December 2019 excluding effects of IFRS 16 Leases, was SEK 6,616 M.

5) Capital employed at period end 31 December 2019, excluding effects of IFRS 16 Leases, was SEK 14,679 M.

6) Average capital employed as of 31 December 2019, excluding effects of IFRS 16 Leases, was SEK 14,312 M.

7) Dividend for 2019 is the Board of Director's proposal to the Annual General Meeting.

8) Excluding loans in Swedish tenant-owner associations, Finnish housing companies and effects of IFRS 16 Leases.

9) Loans in Swedish tenant-owner associations and Finnish housing companies.

SIGNATURE

Stockholm, Sweden, 23 January 2020

On behalf of the Board of Directors of Bonava AB (publ)

Joachim Hallengren
President and CEO

This report has not been reviewed by the company's auditors.

For more information
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FINANCIAL CALENDAR

- Annual General Meeting 2020: 31 March 2020
- Q1 Interim Report Jan–Mar: 23 April 2020
- Q2 Interim Report Jan–Jun: 15 July 2020
- Q3 Interim Report Jan–Sep: 23 October 2020

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PUBLICATION

This information is such that Bonava AB (publ) is obliged to disclose pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person above on 23 January 2020 at 07.30 CET.

INVITATION TO PRESENTATION OF THE YEAR-END REPORT

Joachim Hallengren, CEO and Ann-Sofi Danielsson, CFO, will present the Interim Report. The presentation will be concluded with a Q&A session.

Time: 23 January 2020, 10:00–11:00 a.m. CET.

To participate in the telephone conference and ask questions, please call one of the following telephone numbers:

SE: +46 856 642 651

DE: +49 691 380 34 30

UK: +44 333 300 08 04

US: +16 319 131 422

To participate, register with code: 73694087#

The presentation will also be streamed live at bonava.com/audiocastQ4. The presentation will be available for download from the website ahead of the presentation.