

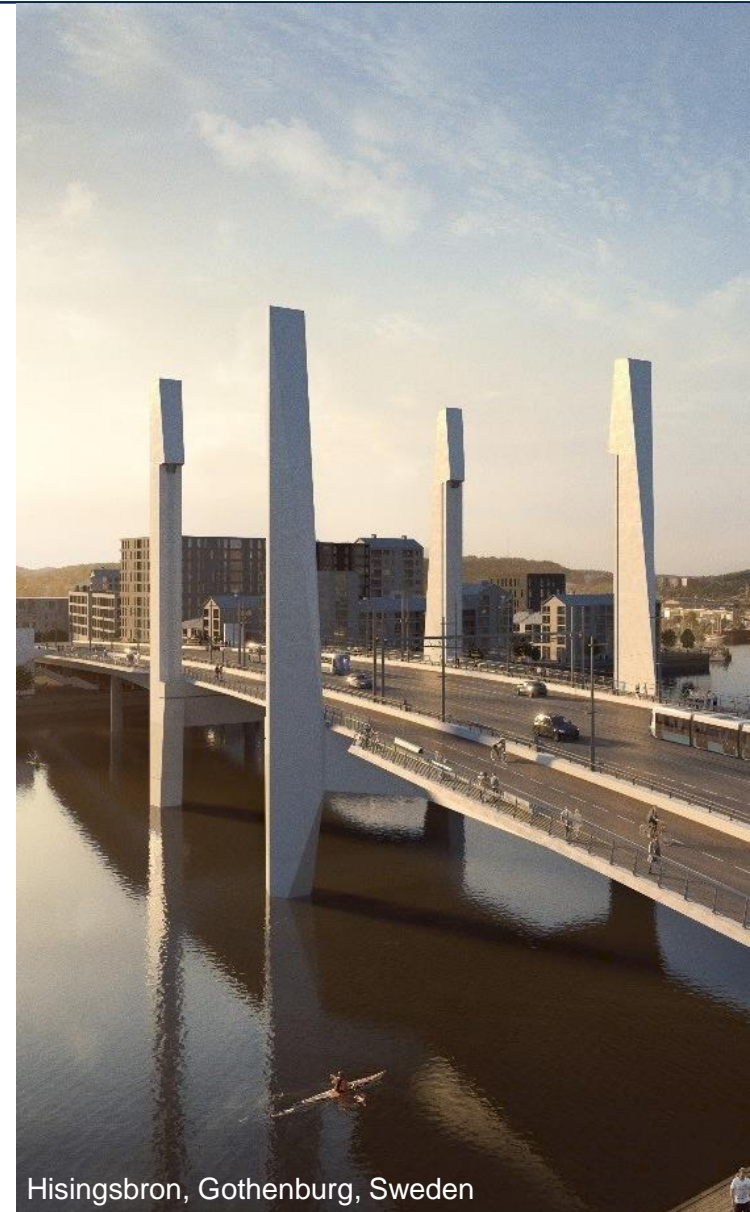


# Nine Month Report 2016

BoKlok Lingonriset, Huddinge, Sweden

# Nine month report 2016

- Flat revenue in local currency
- Significant increase in operating income SEK 4.9 bn (3.4)
  - Strong performance in Commercial and Residential Development
  - Profitability in Construction impacted by market downturn and rightsizing in Poland
- Considerable increase in earnings per share SEK 9.30 (5.81)
- Strong order bookings SEK 130.6 bn (92.2)
- Continued good ROCE in Project Development 15.8% (14.6)

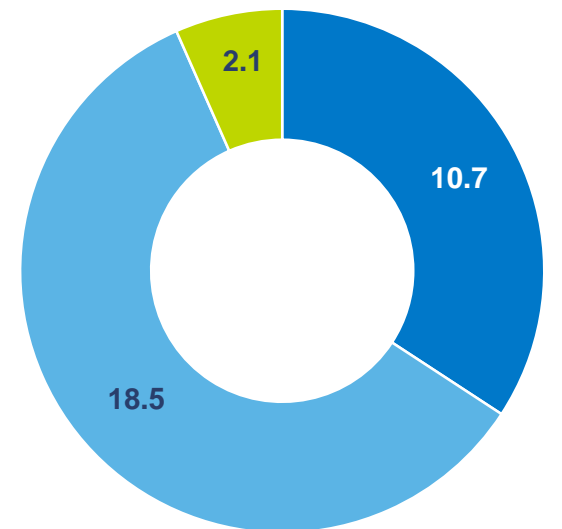


Hisingsbron, Gothenburg, Sweden

# Residential Development in depth

- Invest, develop, market, sell and aftermarket
- Operations in the Nordics, Prague and Warsaw
- Pre-sale level typically 40% before project launch
- Construction time between 10-30 months
- 3,875 homes started and 4,036 sold, R-12. 6,680 ongoing end of period
- Two product offers
  - Homes by Skanska
  - BoKlok

Allocation of Capital employed in Project Development, SEK bn



- Residential Development
- Commercial Property Development
- Infrastructure Development

# Homes by Skanska

- Modern homes in attractive areas
- “Svanen” green label certification
- Single-family and multi-family housing
- Sustainable living places
- Active in the Nordics, Prague and Warsaw
- 3,048 homes sold in 2015



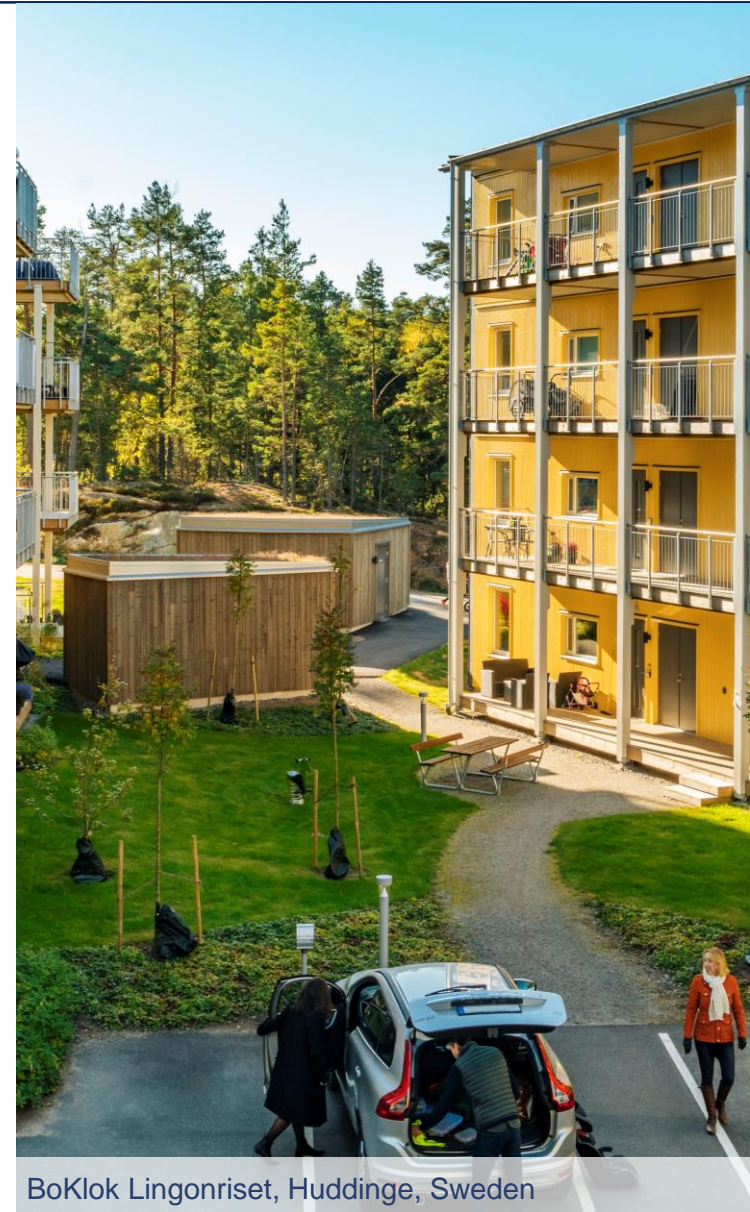
Linabergskajen, Bromma, Sweden



Västermalmsterrassen, Stockholm, Sweden

# BoKlok

- Affordable homes
- Developed by Skanska and IKEA
- Several different home offers
- Very high customer satisfaction
- Cost and time efficient production
- Regional focus in Sweden
- Start up in Norway and Finland
- 1,045 homes sold in 2015



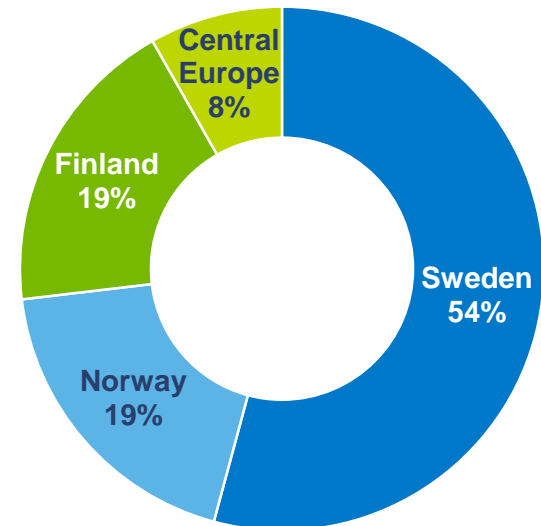
BoKlok Lingonriset, Huddinge, Sweden

# Residential Development operations

## An integrated Residential Development and Construction model

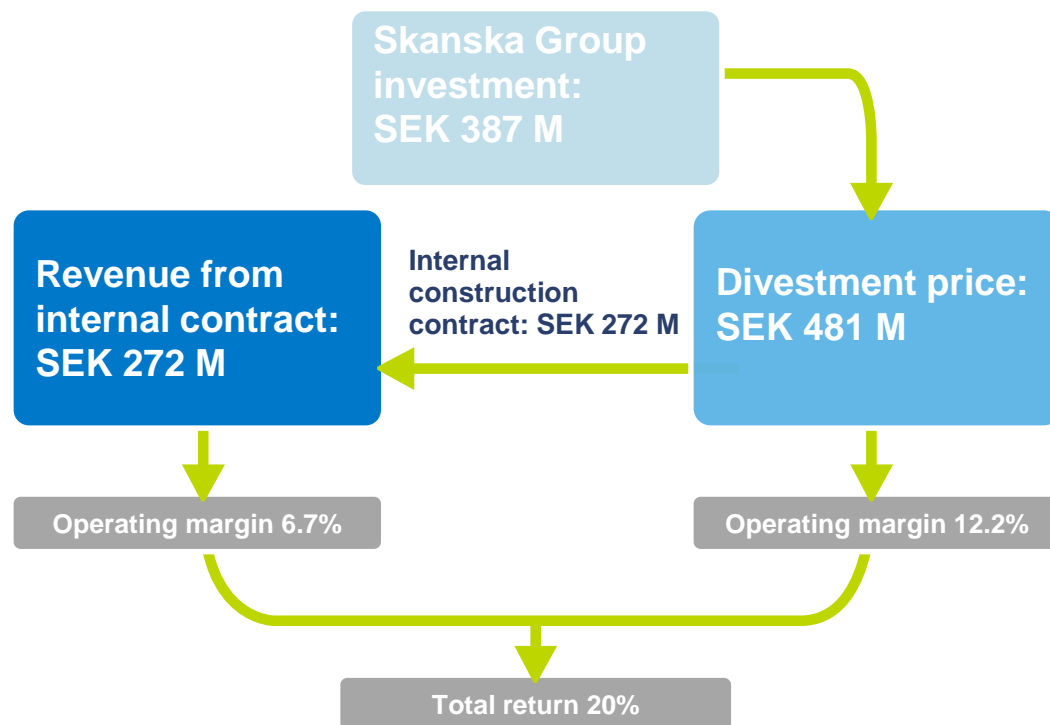
- Construction generated cash used efficiently and enhances the returns for the Group
  - Generates development profits and construction revenue
  - Close cooperation improves operational efficiency

Total Residential Development revenue:  
**SEK 12 bn**, R-12 2016 Q3



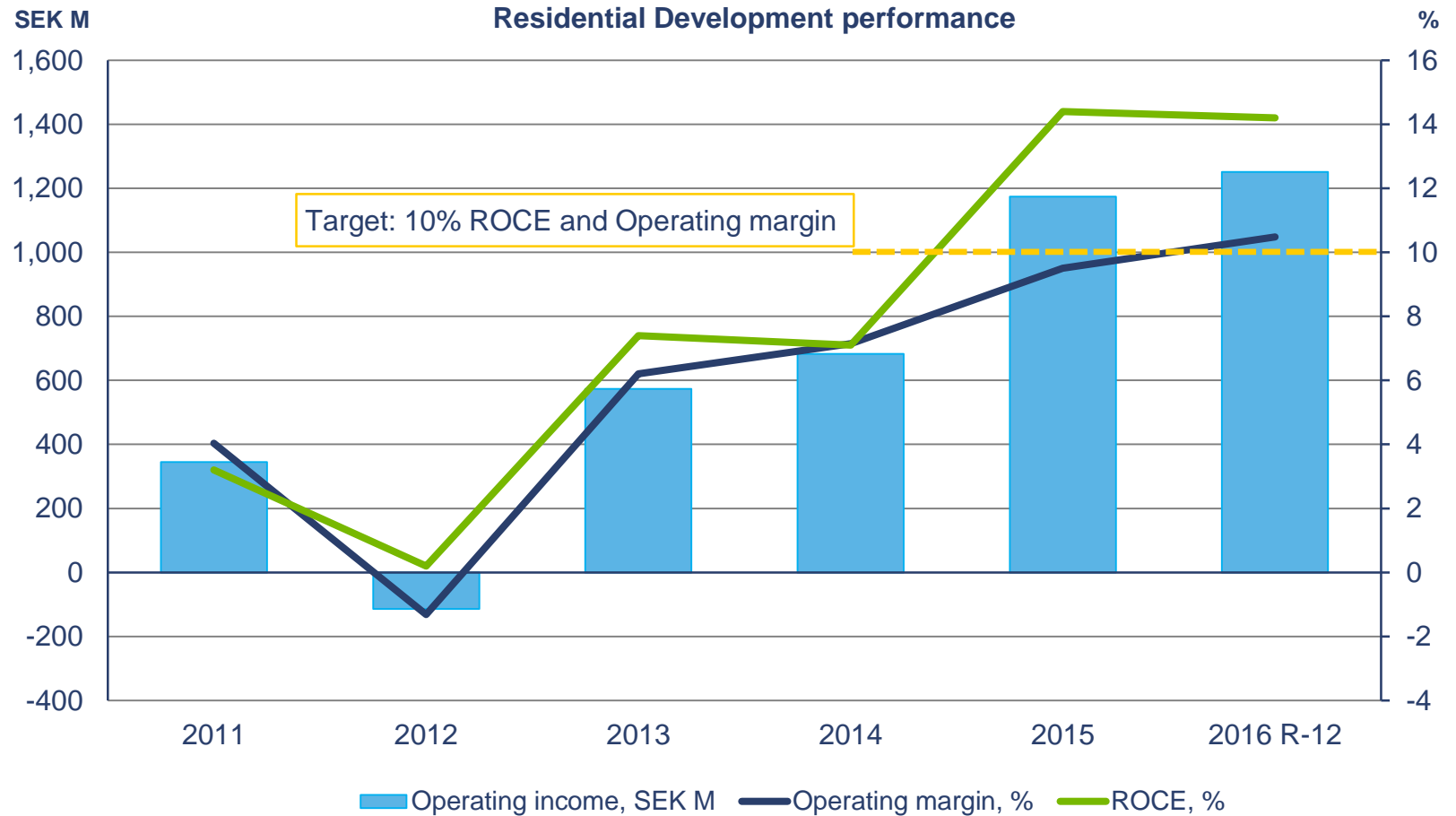
# Skanska's business model in practice

Liljekonvaljen, Stockholm, Sweden



Liljekonvaljen, Solna, Sweden

# The turn-around in Residential Development





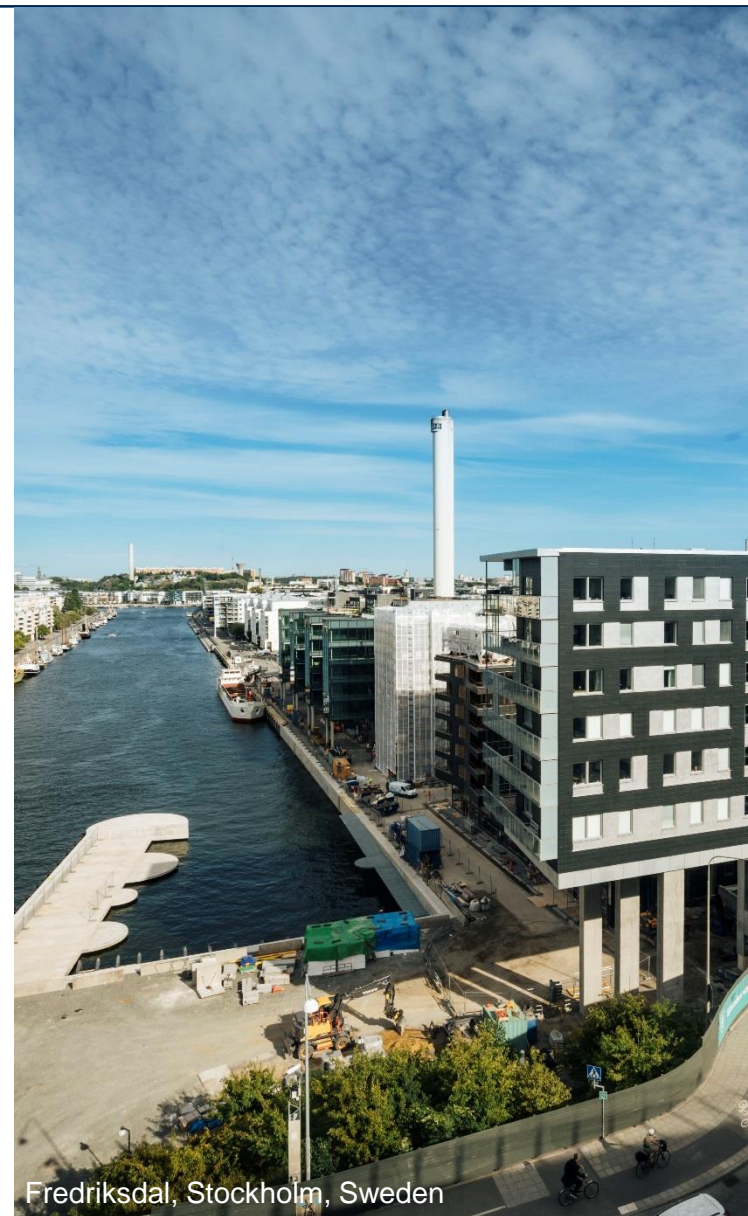
# Ambitions going forward in Residential Development

- 10% target for ROCE and operating margin
- Increase volume slightly, given current market
- Continue to design to cost
- Utilize One Skanska opportunities



# Residential Development

- Revenue SEK 8.7 bn (9.1)
  - 2,978 (3,035) homes sold
  - 2,926 (3,051) homes started
- Operating income SEK 925 M (848)
  - Operating margin 10.6% (9.3%)
- ROCE 14.2% (12.7)
- No visible impact
  - Swedish mortgage amortization requirements
  - Brexit



Fredriksdal, Stockholm, Sweden

# Commercial Property Development

- Operating income SEK 2,014 M (676)
- Divestments of SEK 7.1 bn (3.3)
  - Gain SEK 2.4 bn (1.1)
- ROCE 16.5% (13.9)
- 43 ongoing projects
  - SEK 18.7 bn in investment value
  - 41% pre-leasing rate
  - 42% completion rate
  - 17 projects started
- 366,000 sq m leased, R-12



New multi-family development in Washington D.C., U.S.

# Infrastructure Development

- Operating income SEK 343 M (405)
- Project portfolio's net present value SEK 5.7 bn, SEK 0.9 bn in underlying increase year-to-date
- ROCE 16.6% (23.1)
- Agreement for the divestment of M25 orbital motorway in London, UK for SEK 2.9 bn, Q1 2017



New Karolinska Solna, Stockholm, Sweden

# Construction

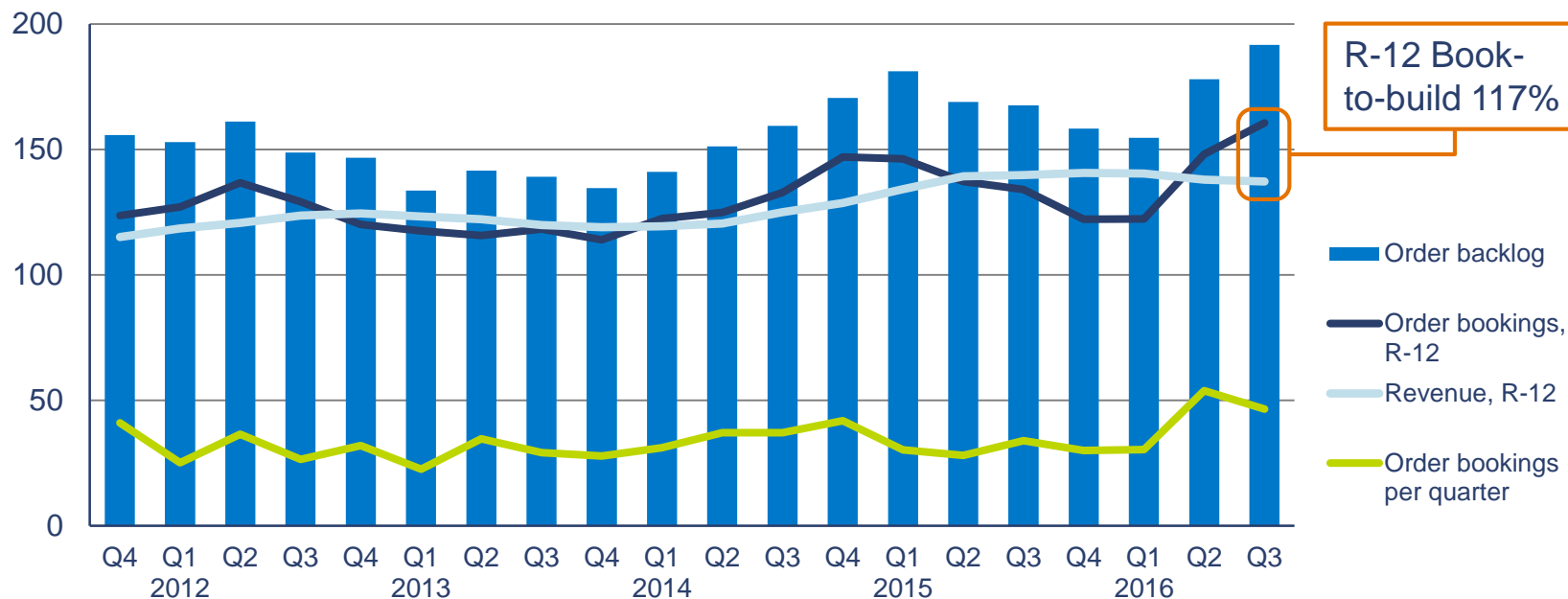
- Revenue SEK 99.2 bn (102.7)
- Order bookings SEK 130.6 bn (92.2)
  - USA strong
  - Book-to-build: 117%, R-12
  - A majority of the business units above 100%
- Operating income SEK 2,282 M (2,476)
  - Restructuring and rightsizing of Polish organization
  - USA Civil still challenging
  - Stable performance in all other units



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

# Construction Order situation

SEK bn



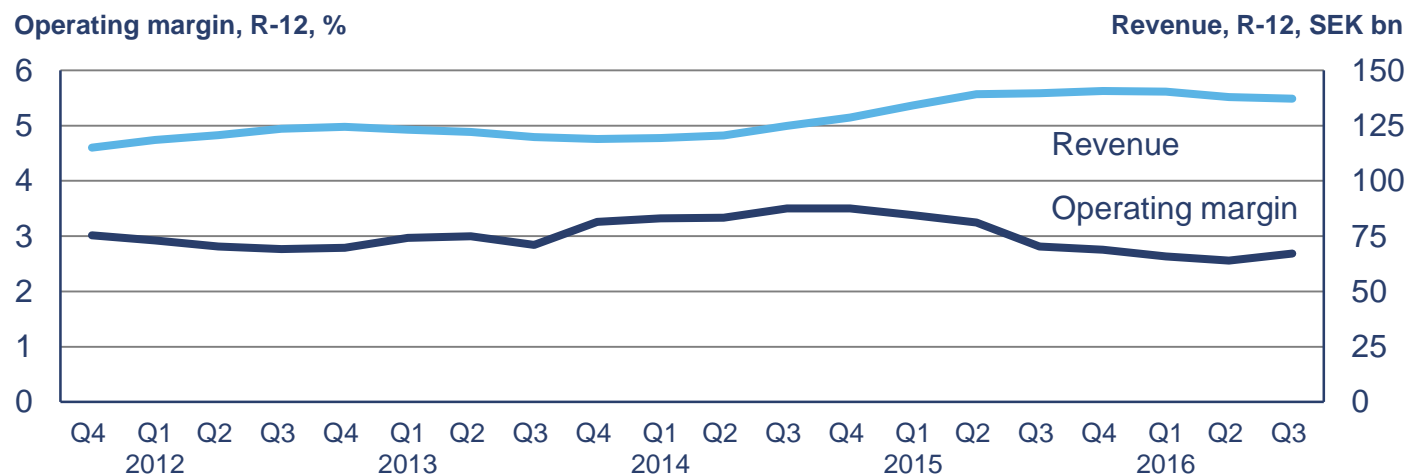
SEK bn	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Revenue	99.2	102.7	140.6
Order bookings	130.6	92.2	122.1
Order backlog	191.6	167.5	158.2

# Construction

## Order bookings

SEK bn	Jan–Sep 2016	Jan–Sep 2015	Book- to-build, R-12, %	Months of production
Sweden	24.9	25.0	105	13
Norway	10.1	9.5	120	13
Finland	4.6	5.8	89	11
Poland	7.0	7.3	106	9
Czech Republic	4.5	4.3	117	14
UK	14.0	16.7	83	15
USA Building	41.0	14.3	139	17
USA Civil	24.5	9.2	147	31
<b>Total</b>	<b>130.6</b>	<b>92.2</b>	<b>117</b>	<b>17</b>

# Construction Income statement



SEK bn	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Revenue	99.2	102.7	140.6
<b>Gross income</b>	<b>7.1</b>	<b>7.0</b>	<b>10.0</b>
Selling and administrative expenses	-4.8	-4.5	-6.2
<b>Operating income</b>	<b>2.3</b>	<b>2.5</b>	<b>3.9</b>
Gross margin, %	7.2	6.8	7.1
Selling and administrative expenses, %	-4.9	-4.4	-4.4
Operating margin, %	2.3	2.4	2.8



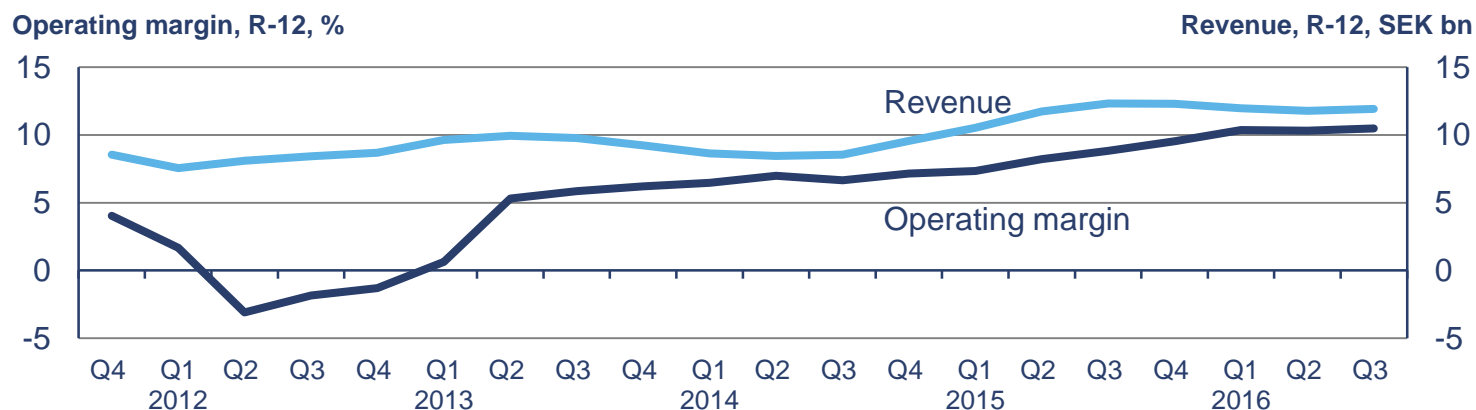
# Construction

## Income statement

	<u>Operating income, SEK M</u>		<u>Operating margin, %</u>	
	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Sweden	924	1,062	4.2	4.8
Norway	258	265	3.0	2.9
Finland	196	161	3.9	3.5
Poland	-243	225	neg	3.4
Czech Republic	53	78	1.5	2.0
UK	291	319	2.0	2.4
USA Building	384	109	1.5	0.4
USA Civil	419	257	3.1	1.7
<b>Total</b>	<b>2,282</b>	<b>2,476</b>	<b>2.3</b>	<b>2.4</b>

# Residential Development

## Income statement, segment reporting



SEK M	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Revenue	8,735	9,101	12,298
<b>Gross income</b>	<b>1,351</b>	<b>1,271</b>	<b>1,724</b>
Selling and administrative expenses	-426	-423	-550
<b>Operating income</b>	<b>925</b>	<b>848</b>	<b>1,174</b>
Gross margin, %	15.5	14.0	14.0
Selling and administrative expenses, %	-4.9	-4.6	-4.5
Operating margin, %	10.6	9.3	9.5

# Residential Development

## Income statement

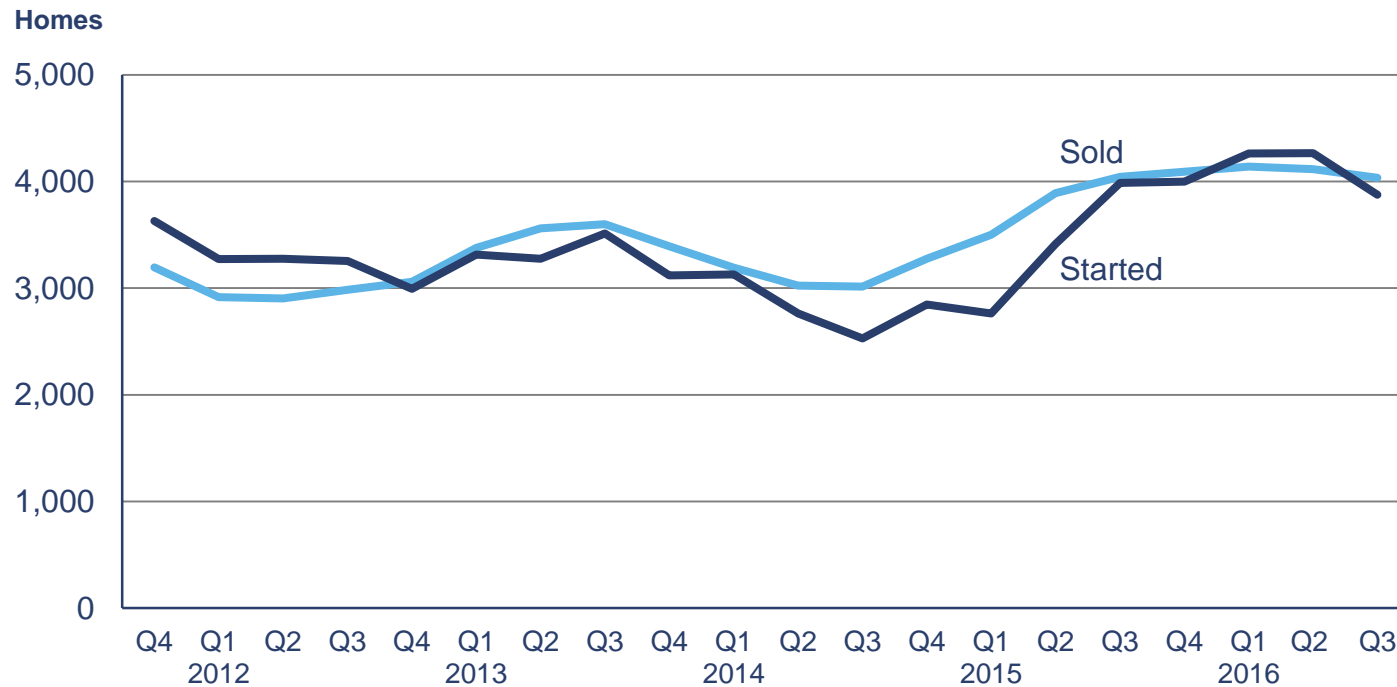
	Operating income, SEK M <sup>1</sup>		Operating margin, % <sup>1</sup>	
	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
Sweden	576	593	12.7	10.8
Norway	185	110	10.0	7.1
Finland	107	91	6.5	5.8
<b>Nordics</b>	<b>868</b>	<b>794</b>	<b>10.8</b>	<b>9.2</b>
Central Europe <sup>2</sup>	57	54	8.3	10.5
<b>Total</b>	<b>925</b>	<b>848</b>	<b>10.6</b>	<b>9.3</b>

1 Development gain only, construction margin reported under Construction

2 Czech Republic, Poland and the UK

# Residential Development

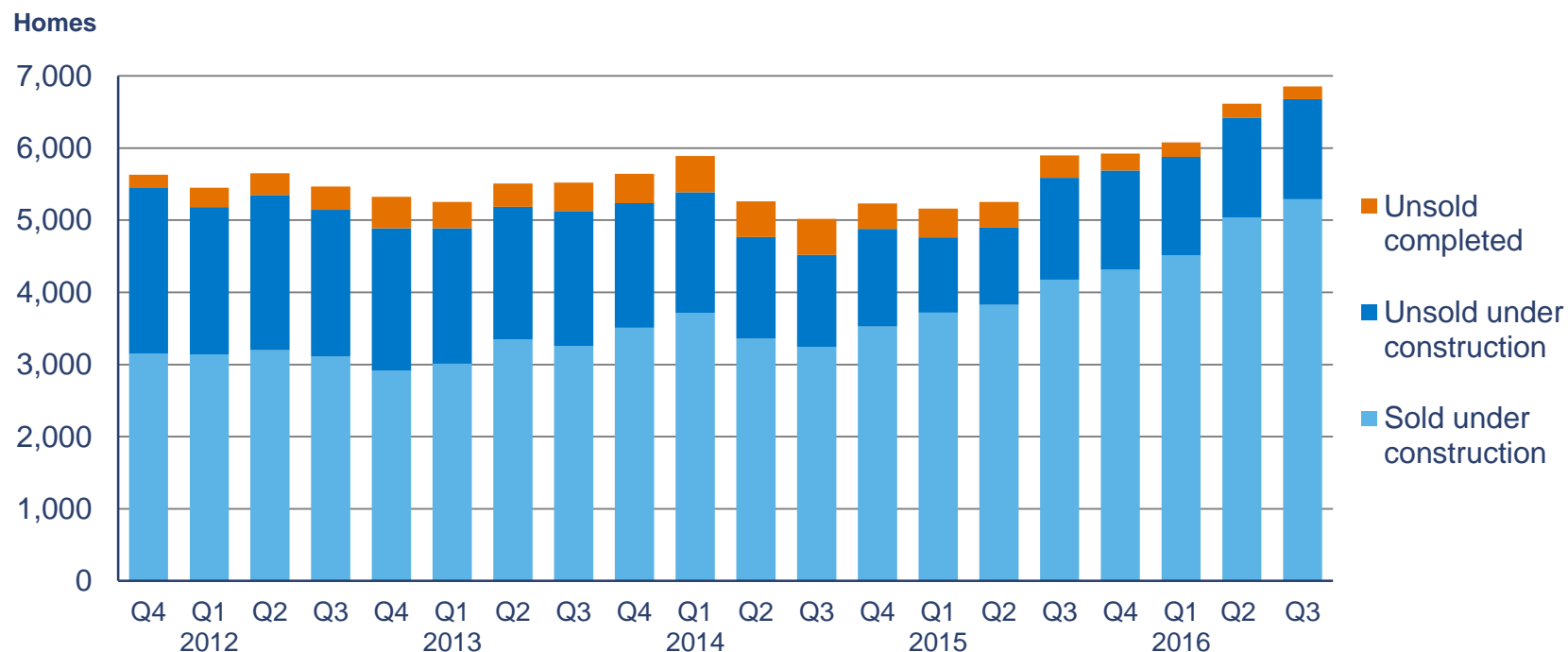
## Homes started and sold, R-12



Homes started			Homes sold		
Jan–Sep 2016	Jan–Sep 2015	Jan–Dec 2015	Jan–Sep 2016	Jan–Sep 2015	Jan–Dec 2015
2,926	3,051	4,000	2,978	3,035	4,093

# Residential Development

## Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
6,680	5,589	79	75	174	308

# Commercial Property Development

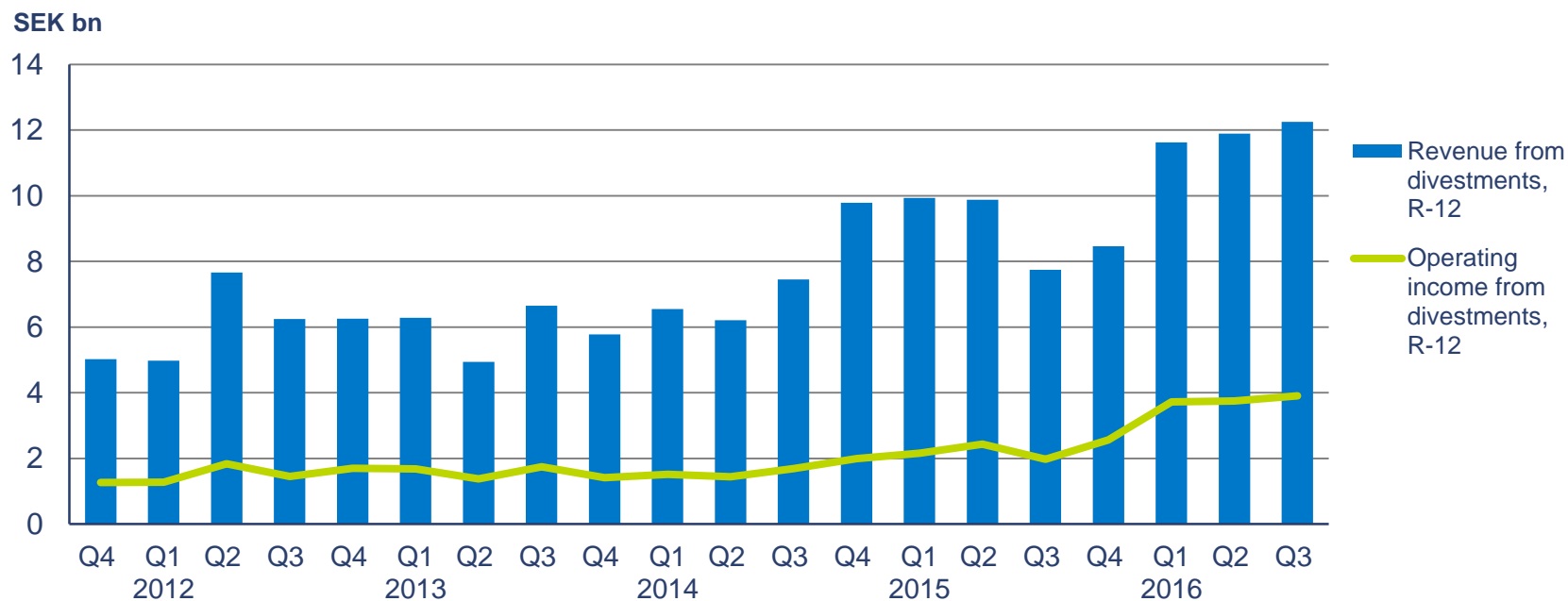
## Income statement, segment reporting

SEK M	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Revenue	7,553	3,629	9,034
<b>Gross income</b>	<b>2,531</b>	<b>1,138</b>	<b>2,661</b>
Selling and administrative expenses	-522	-470	-677
Income from joint ventures and associated companies	5	8	-37
<b>Operating income</b>	<b>2,014</b>	<b>676</b>	<b>1,947</b>
of which gain from divestments of properties <sup>1</sup>	2,390	1,051	2,564
of which write downs/reversal of write downs	—	-56	-56
1 Additional gain included in eliminations	130	81	190

Development gain only, construction margin reported under Construction

# Commercial Property Development

## Divestments, segment reporting

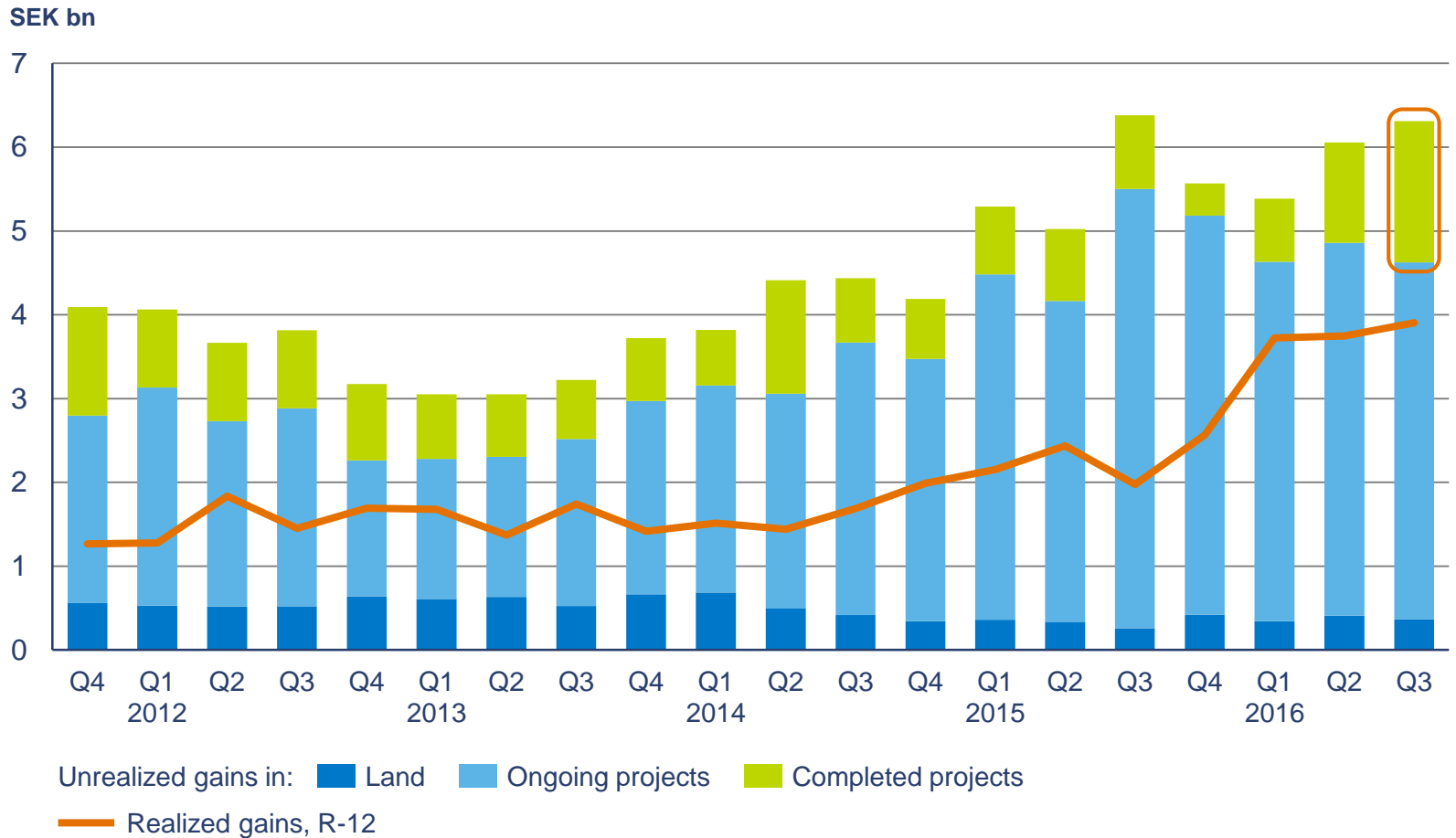


### Sale of commercial properties

SEK M	Sales price	Capital gain
Year-to-date	7,060	2,390

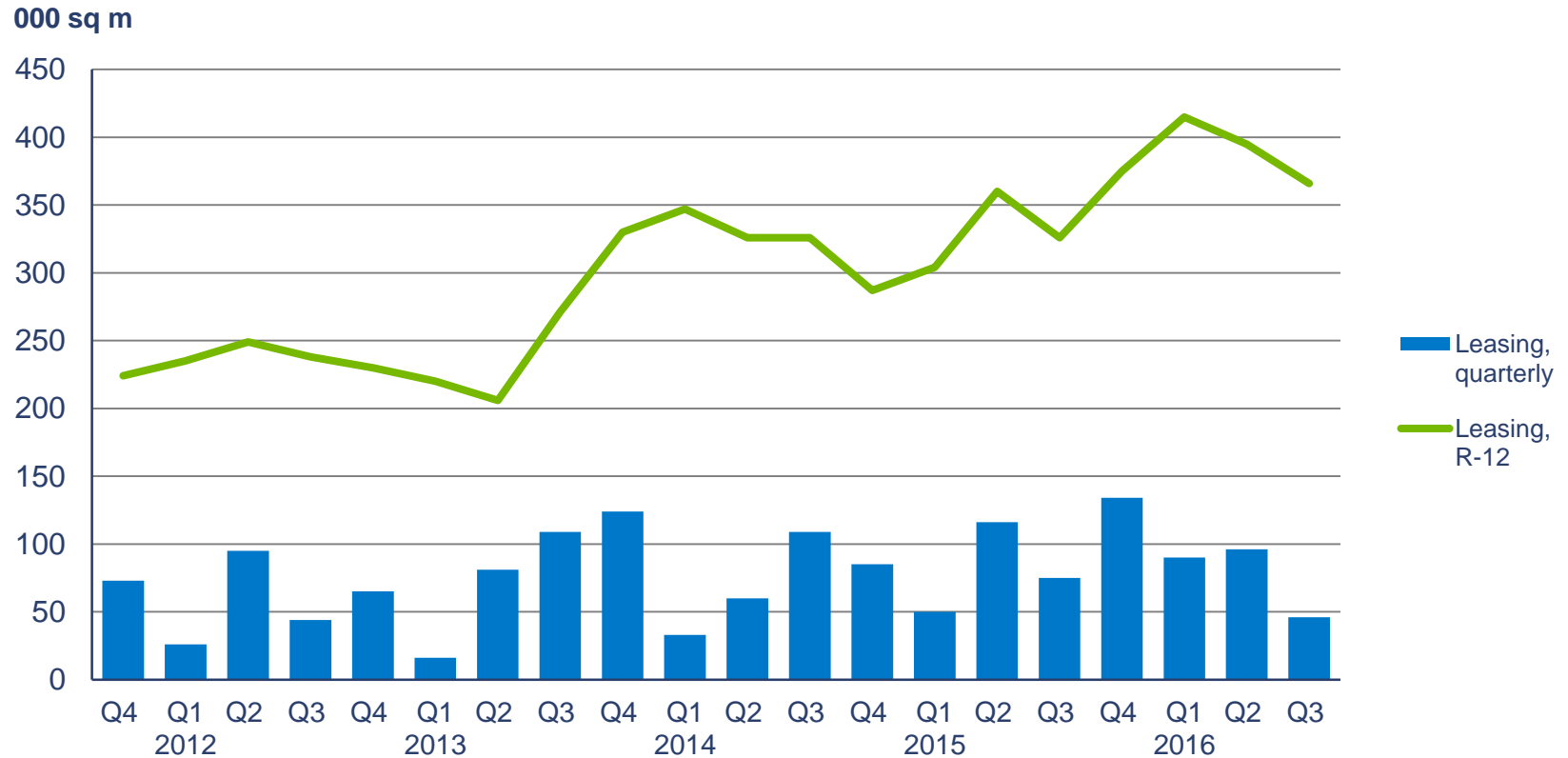
# Commercial Property Development

## Unrealized and realized gains, segment reporting





# Commercial Property Development Leasing



New leases of space were signed for 366,000 sq m, R-12

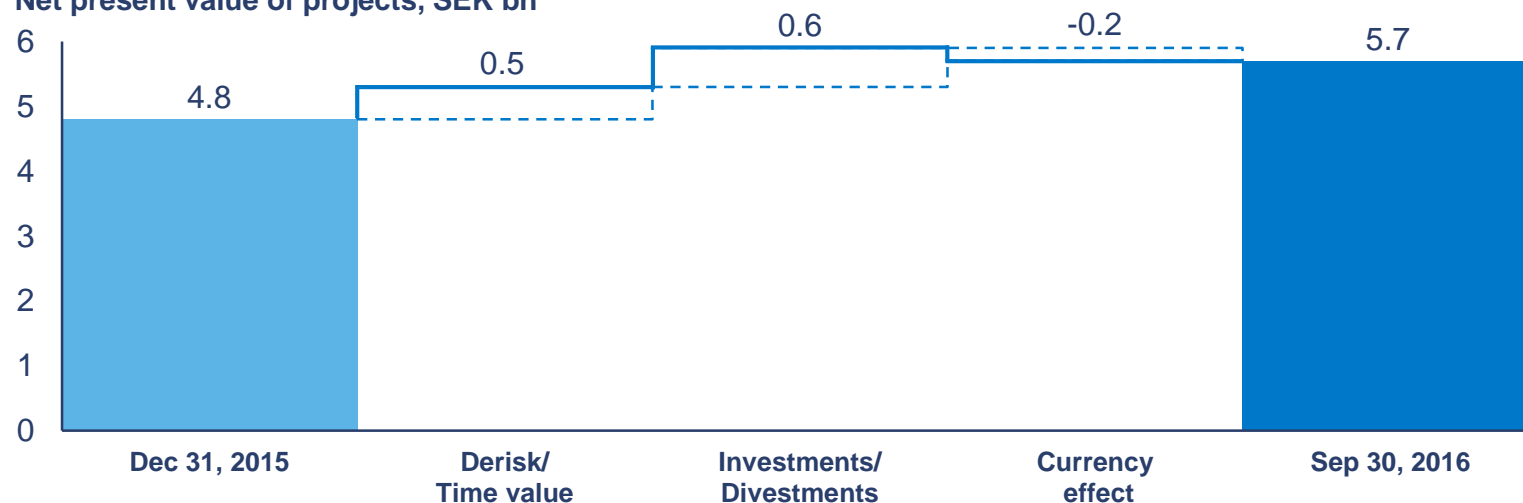
# Infrastructure Development

## Income statement

SEK M	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Revenue	202	77	106
<b>Gross income</b>	<b>55</b>	<b>-87</b>	<b>-128</b>
Selling and administrative expenses	-113	-112	-156
Income from joint ventures	401	604	1,147
<b>Operating income</b>	<b>343</b>	<b>405</b>	<b>863</b>
of which gains from divestments of shares in projects	–	0	420

# Infrastructure Development Project portfolio

Net present value of projects, SEK bn



SEK bn	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Present value of cash flow from projects	6.5	7.2	6.1
<b>Net present value of projects</b>	<b>5.7</b>	<b>5.9</b>	<b>4.8</b>
Carrying amount	-3.8	-3.7	-3.1
<b>Unrealized development gain</b>	<b>1.9</b>	<b>2.2</b>	<b>1.7</b>
Cash flow hedge	2.1	1.8	1.6
<b>Effect in unrealized Equity</b>	<b>4.0</b>	<b>4.0</b>	<b>3.3</b>

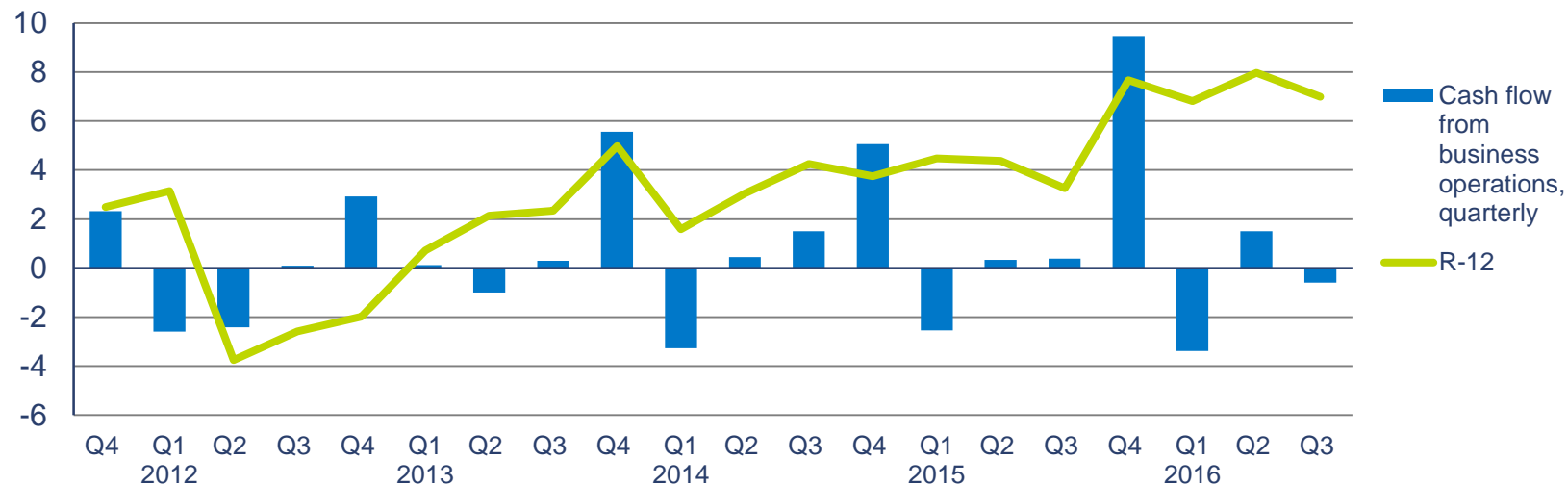
# Group

## Income statement

SEK M	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Operating income from business streams	5,564	4,405	7,858
Central	-709	-955	-1,346
Eliminations	44	-49	-51
<b>Operating income</b>	<b>4,899</b>	<b>3,401</b>	<b>6,461</b>
<b>Net financial items</b>	<b>-58</b>	<b>-371</b>	<b>-313</b>
<b>Income after financial items</b>	<b>4,841</b>	<b>3,030</b>	<b>6,148</b>
Taxes	-1,018	-635	-1,219
<b>Profit for the period</b>	<b>3,823</b>	<b>2,395</b>	<b>4,929</b>
Earnings per share, SEK	9.30	5.81	11.96
Tax rate, %	21	21	20

# Group Cash flow

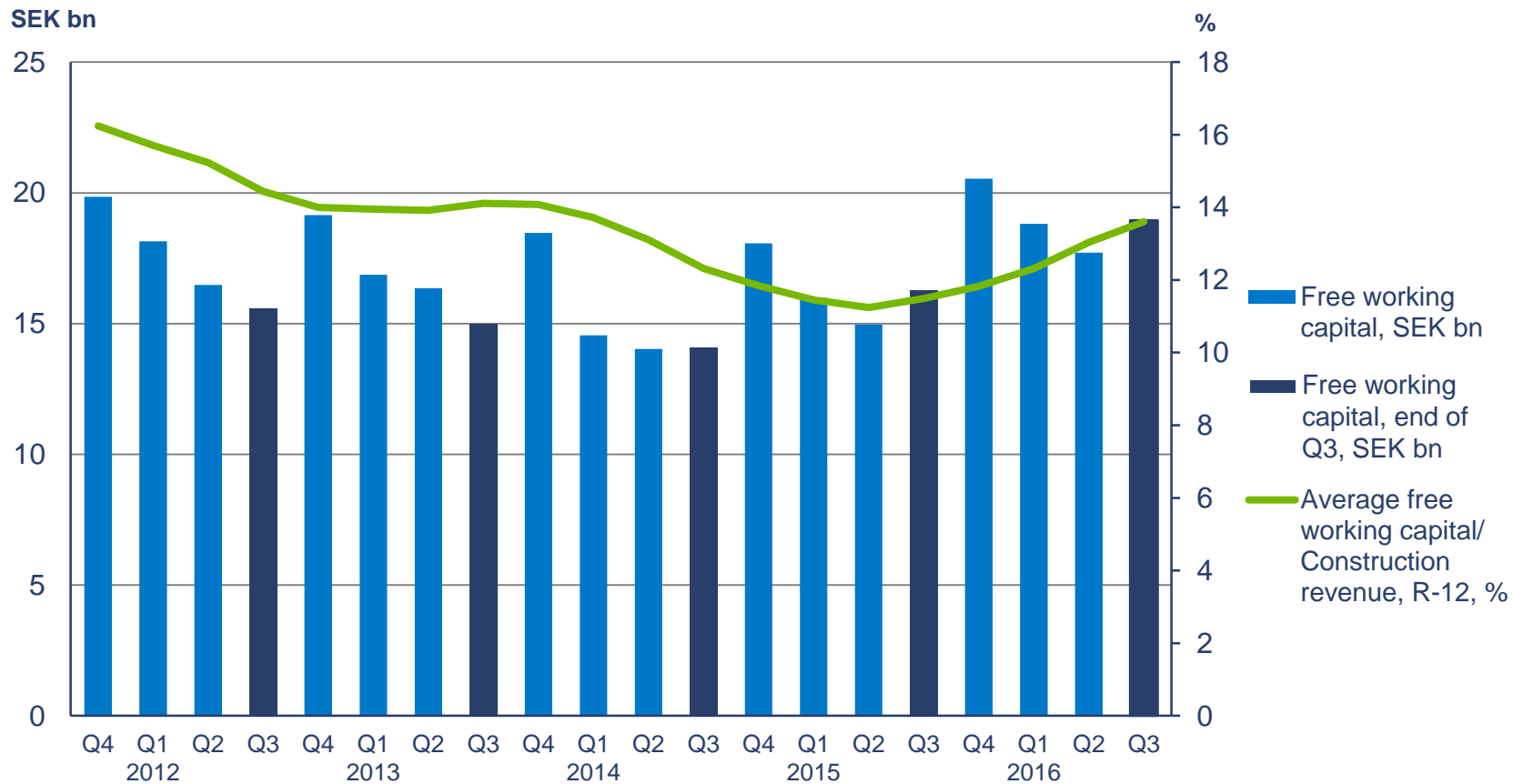
SEK bn



SEK bn	Jan–Sep 2016	Jan–Sep 2015	Jan–Dec 2015
Cash flow from operations	-2.5	-1.8	7.7
Net strategic investments	0.3	0.4	0.5
Dividend etc.	-3.7	-3.1	-3.2
Cash flow before change in interest-bearing receivables and liabilities	-5.9	-4.6	4.9

# Construction

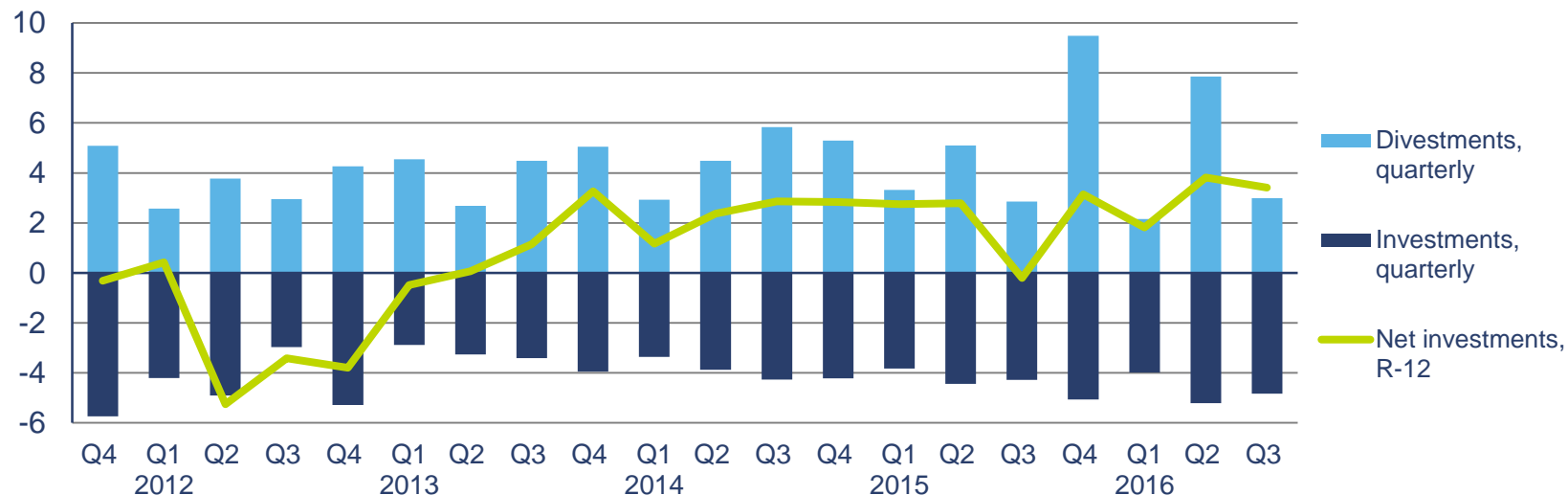
## Free working capital



# Group

## Investments, divestments and capital employed

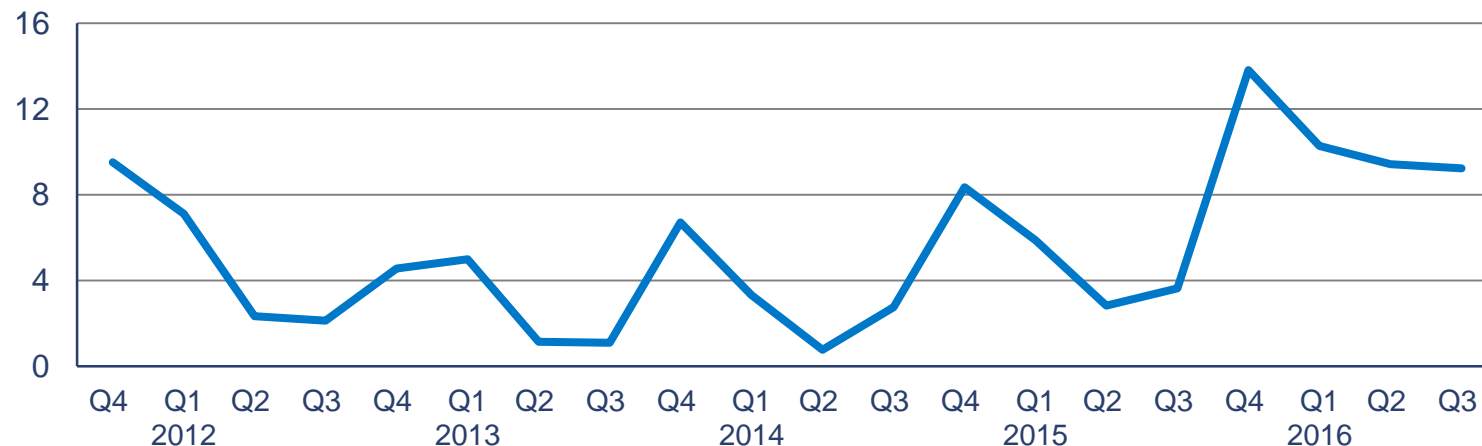
SEK bn



SEK bn	Sep 2016	Sep 2015	Dec 2015
<b>Capital employed in:</b>			
Residential Development	10.7	8.7	9.3
Commercial Property Development	18.5	18.5	16.5
Infrastructure Development	2.1	2.1	1.8
<b>Total in Development Streams</b>	<b>31.3</b>	<b>29.3</b>	<b>27.6</b>

# Group Financial position

Operating net financial assets/liabilities, SEK bn



SEK bn	Sep 30 2016	Sep 30 2015	Dec 31 2015
Total assets	99.0	94.5	97.7
Equity attributable to equity holders	21.2	21.4	24.2
Interest-bearing net receivables (+)/net debt (-)	-3.2	-3.4	6.3
Operating net financial assets/liabilities	9.2	3.6	13.8
Capital employed, closing balance	38.7	36.3	38.4
Equity/assets ratio, %	21.4	22.7	24.8



# Market outlook

## Construction

Overall construction market continues to be positive



### Nordic countries

- Strong building market in Sweden, stable in Norway, mixed in Finland
- Strong civil market with fierce competition in Norway and Sweden, Finland weak



### Other European countries

- Central European civil market impacted by delays in EU funded project



### North America

- The U.S. continues to be a good market, but with fierce competition



Hospital building,  
Karolinska University Hospital, Huddinge, Sweden

# Market outlook

## Residential Development

### General

- Challenge to acquire land in all home markets except for Finland



### Nordic countries

- Sweden very strong. A more balanced market with mortgage amortization requirements
- Norway mixed
- Finland stable



### Central Europe

- Prices continue to increase



Gjønneshagen, Oslo, Norway

# Market outlook

## Commercial Property Development

### General

- Tenants and investors: Strong demand, vacancy rates low



### Nordic countries

- High interest from investors and low vacancy rates in Sweden especially



### Central Europe

- High demand in Poland and improving in other parts of Central Europe



### North America

- Strong investor appetite and good tenant demand



Hotel Hagaplan, Stockholm, Sweden

# Market outlook

## Infrastructure Development



### All countries

- Strong market for PPPs in the U.S., but competition is considerable
- Norwegian market improving
- Thin pipeline in the other markets



LaGuardia, New York, U.S.

