

SKANSKA

Nine month report 2019

**We build
for a better
society.**

Visionary,
Prague,
Czech Republic



Nine month report 2019

- Solid third quarter
 - Profitability further improved in Construction
 - Steady underlying performance in Residential Development despite a challenging market
 - Maintaining strong performance in Commercial Property Development
- Operating margin in Construction 2.3% (0.2), YTD
- ROCE in Project Development 10.6% (11.1), R-12
- Return on Equity 21.6% (9.8), R-12
- Slightly weaker but still supportive market outlook



Visionary, Prague, Czech Republic

Construction

- Revenue SEK 117.2 bn (115.3)
- Order bookings SEK 96.8 bn (102.6)
 - Book-to-build 91%, R-12
 - Order backlog SEK 183.7 bn (Jun 30, 2019: 184.0)
- Operating income SEK 2,680 M (231)
 - Operating margin 2.3% (0.2)
- Underlying profitability continues to improve
- Selective bidding



E16 Bagn-Bjørørgo, Norway

Residential Development

- Revenue SEK 7.2 bn (6.6)
 - 2,328 (2,214) homes sold
 - 1,729 (2,725) homes started
- Operating income SEK 818 M (1,122)
 - Operating margin 11.4% (17.0)
 - Stable underlying profitability around 10%
- ROCE 9.5% (11.9), R-12
- Minor improvement in the Swedish market
 - Adapting to changed buying behavior – strong balance sheet supportive



Urbani, Gothenburg, Sweden

Commercial Property Development

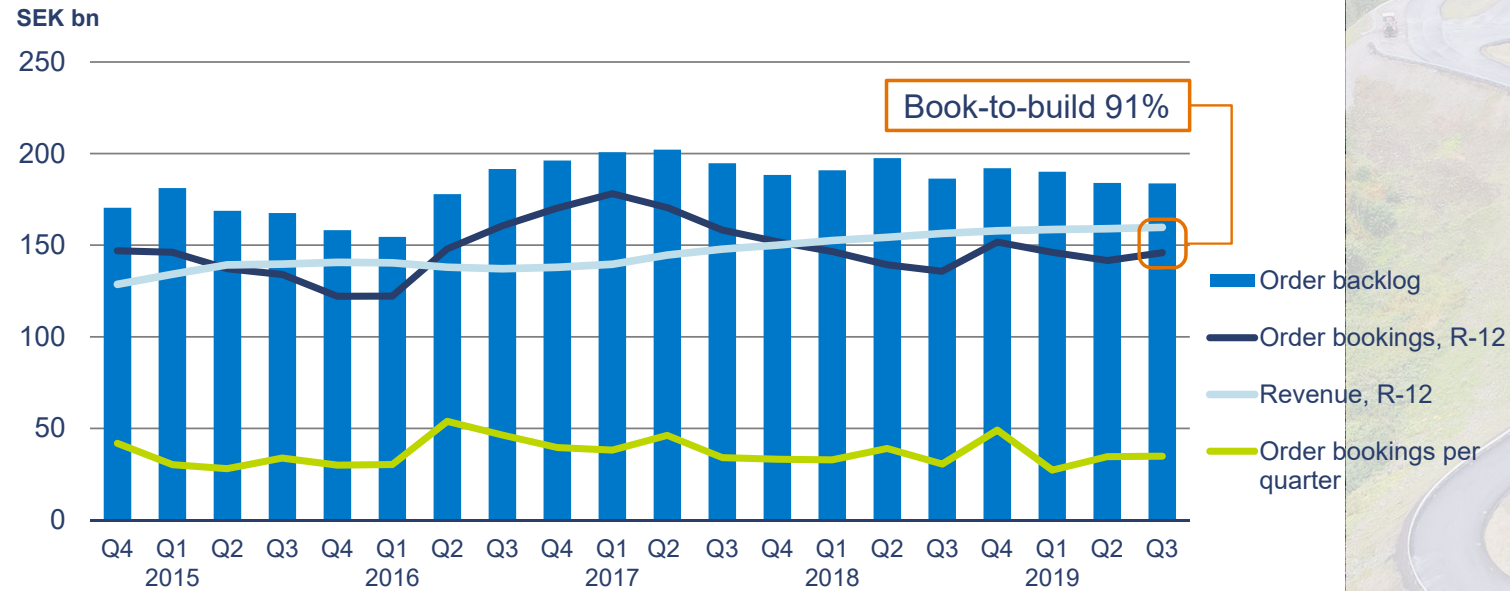
- Operating income SEK 2,020 M (1,788)
 - Gain on sale SEK 2,808 M (2,393), including JVs
- ROCE 11.1% (10.6), R-12
- 46 ongoing projects
 - SEK 31.5 bn in investment value upon completion
 - 60% occupancy rate
 - 59% completion rate
 - 10 projects started first nine months
- 261,000 sq m leased (246,000)
- High level of interest from tenants and investors



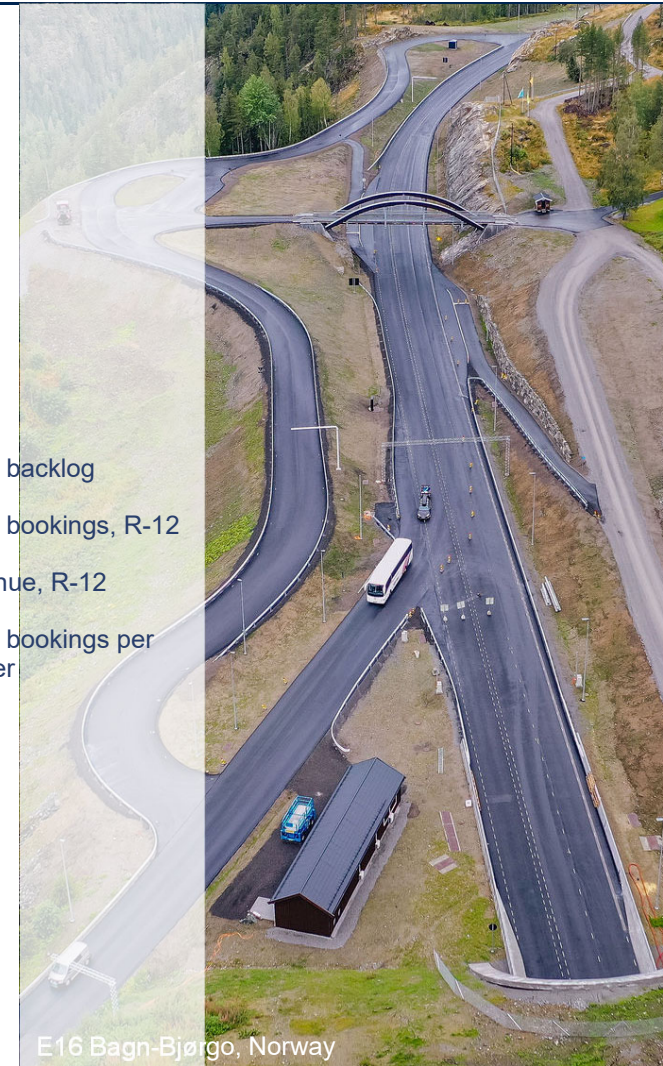
Two Drydock, Boston, USA

Construction

Order situation



SEK bn	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Revenue	117.2	115.3	157.9
Order bookings	96.8	102.6	151.7
Order backlog	183.7	186.3	192.0



Construction

Order bookings

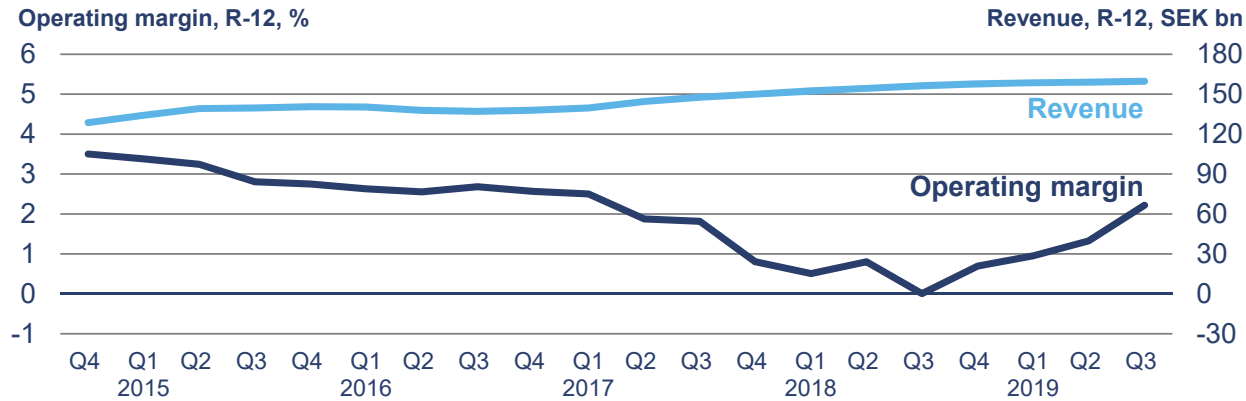
SEK bn	Jan-Sep 2019	Jan-Sep 2018	Book-to-build, R-12, %	Months of production
Nordics	43.6	45.8	106	13
of which Sweden	29.4	24.6	114	13
Europe	12.7	22.2	65	10
USA	40.5	34.6	91	16
Total	96.8	102.6	91	13



E16 Bagn-Bjørge, Norway

Construction

Income statement



SEK bn	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Revenue	117.2	115.3	157.9
Gross income	7.3	5.4	8.0
Selling and administrative expenses	-4.6	-5.2	-7.0
Operating income	2.7	0.2	1.1
Gross margin, %	6.2	4.7	5.1
Selling and administrative expenses, %	-3.9	-4.5	-4.4
Operating margin, %	2.3	0.2	0.7



Construction

Income statement

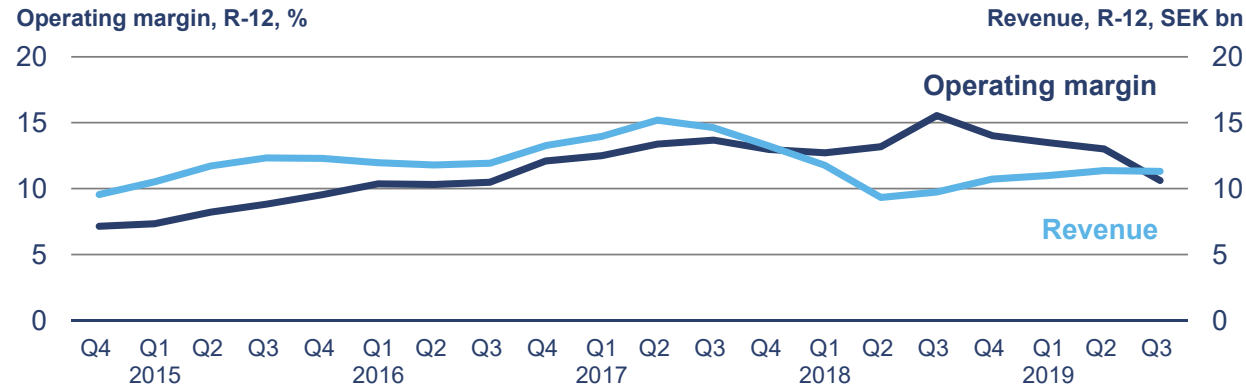
	Operating income, SEK M		Operating margin, %	
	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
Nordics	1,576	1,577	3.7	3.8
of which Sweden	846	1,192	3.4	4.8
Europe	455	-564	2.0	neg
USA	649	-782	1.3	neg
Total	2,680	231	2.3	0.2



E16 Bagn-Bjørge, Norway

Residential Development

Income statement, segment reporting



SEK M	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Revenue	7,191	6,619	10,739
Gross income	1,318	1,619	2,181
Selling and administrative expenses	-500	-497	-676
Operating income	818	1,122	1,505
Gross margin, %	18.3	24.5	20.3
Selling and administrative expenses, %	-7.0	-7.5	-6.3
Operating margin, %	11.4	17.0	14.0



Residential Development

Income statement

	Operating income, SEK M		Operating margin, %	
	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
Nordics	684	1,003	10.7	17.1
of which Sweden	353	536	10.0	17.0
Europe	134	119	17.4	15.7
Total	818	1,122	11.4	17.0

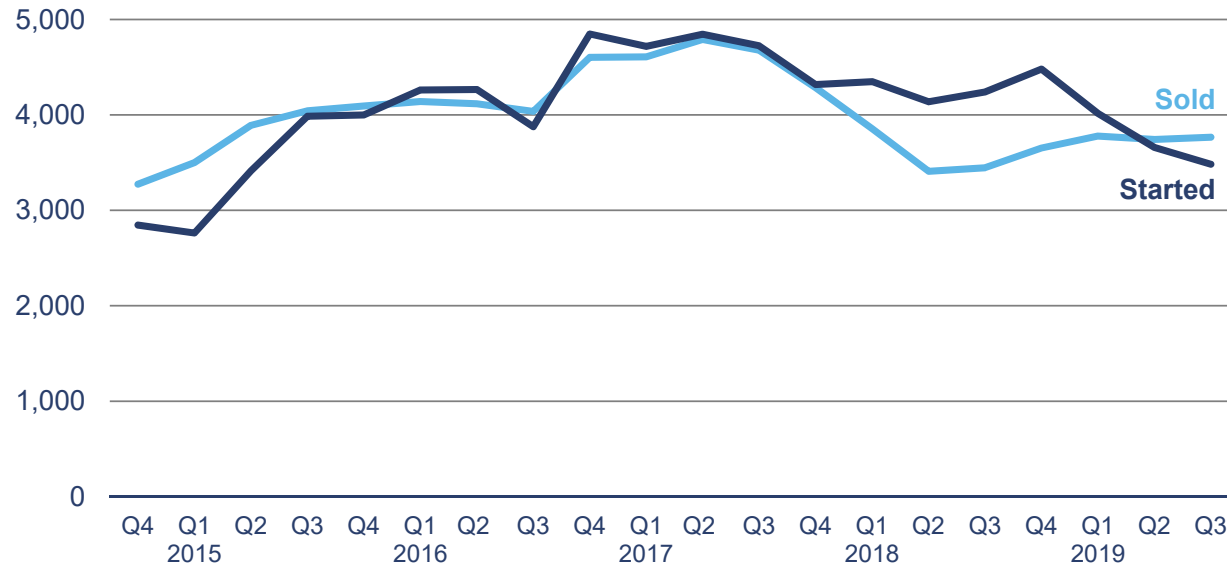


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Residential Development

Homes started and sold

Homes, R-12



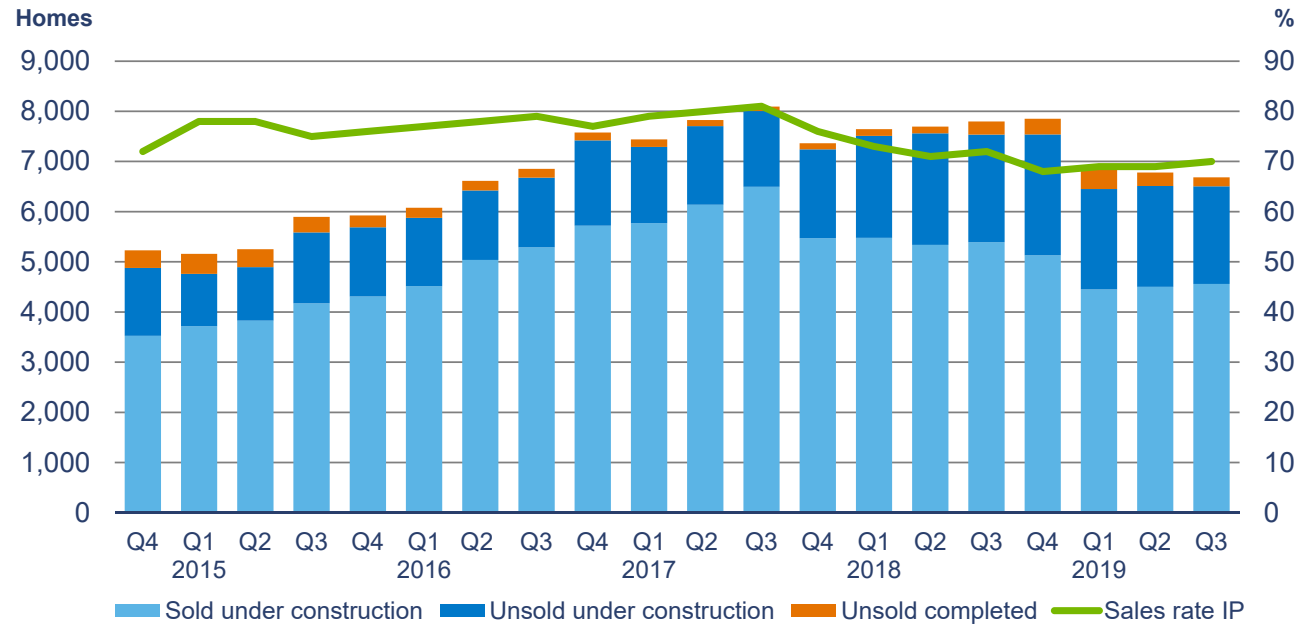
Homes started			Homes sold		
Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
1,729	2,725	4,480	2,328	2,214	3,653



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Residential Development

Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Sep 30, 2019	Dec 31, 2018	Sep 30, 2019	Dec 31, 2018	Sep 30, 2019	Dec 31, 2018
6,508	7,539	70	68	176	314



Commercial Property Development

Income statement, segment reporting

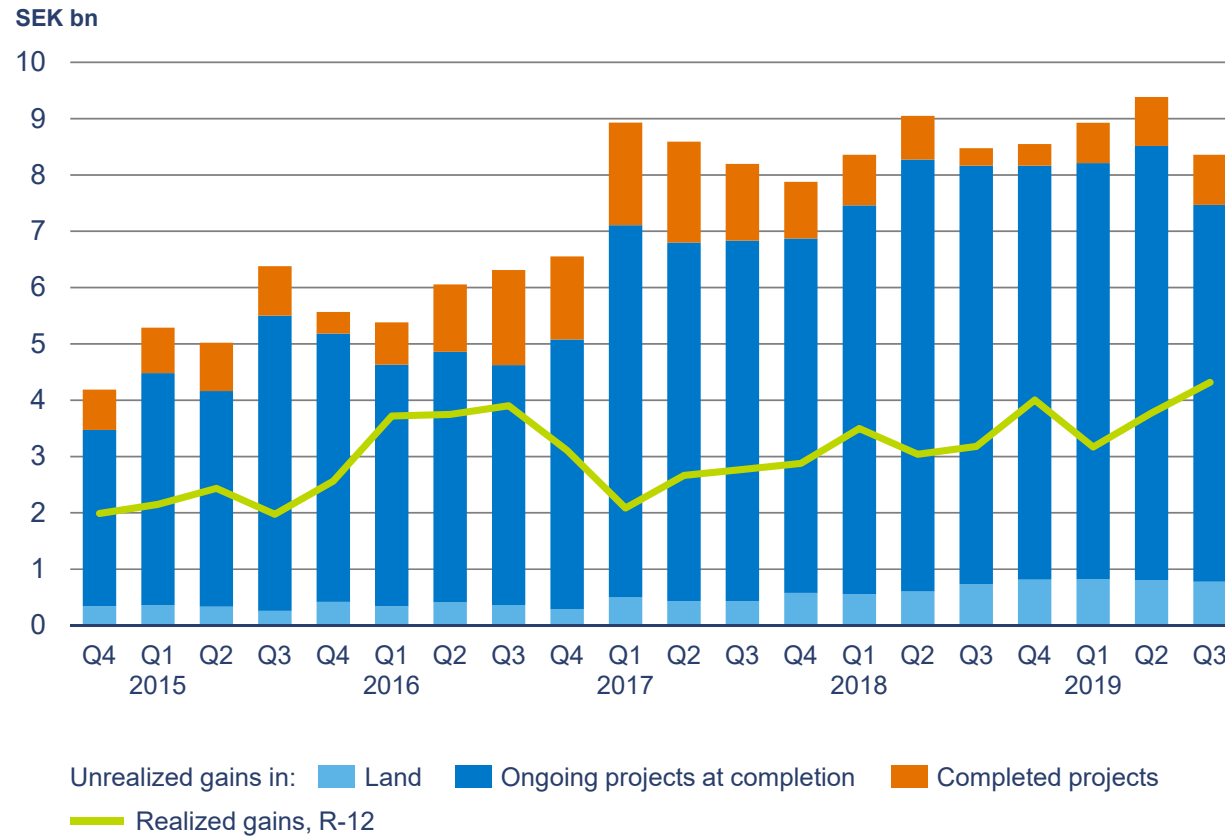
SEK M	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Revenue	10,787	9,189	16,271
Gross income	2,550	2,377	3,936
Selling and administrative expenses	-673	-630	-928
Income from joint ventures and associated companies	143	41	61
Operating income	2,020	1,788	3,069
of which gain from divestments of properties ¹	2,665	2,352	4,005
of which write downs/reversal of write downs	-70	-3	-107
1 Additional gain included in eliminations	108	184	321



Two Drydock, Boston, USA

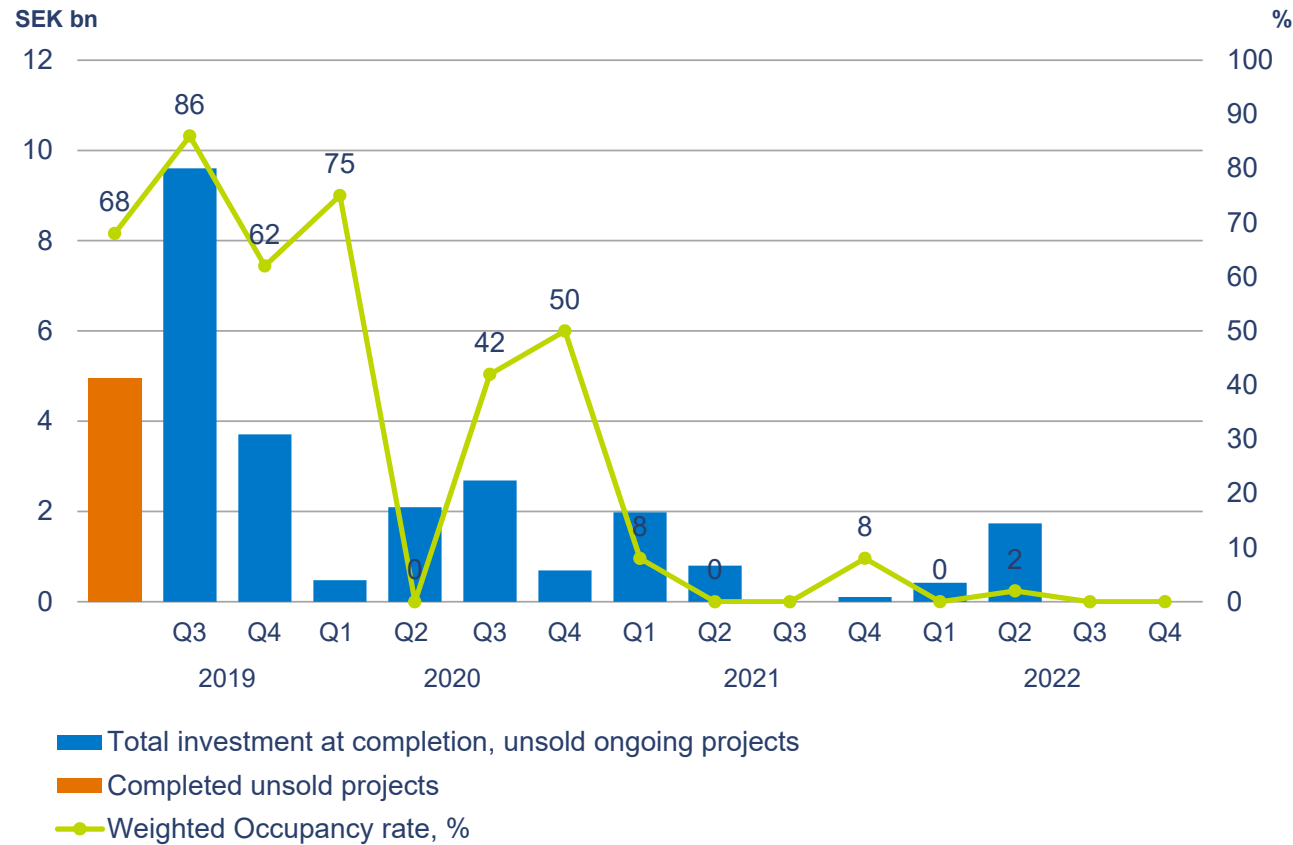
Commercial Property Development

Unrealized and realized gains, segment reporting

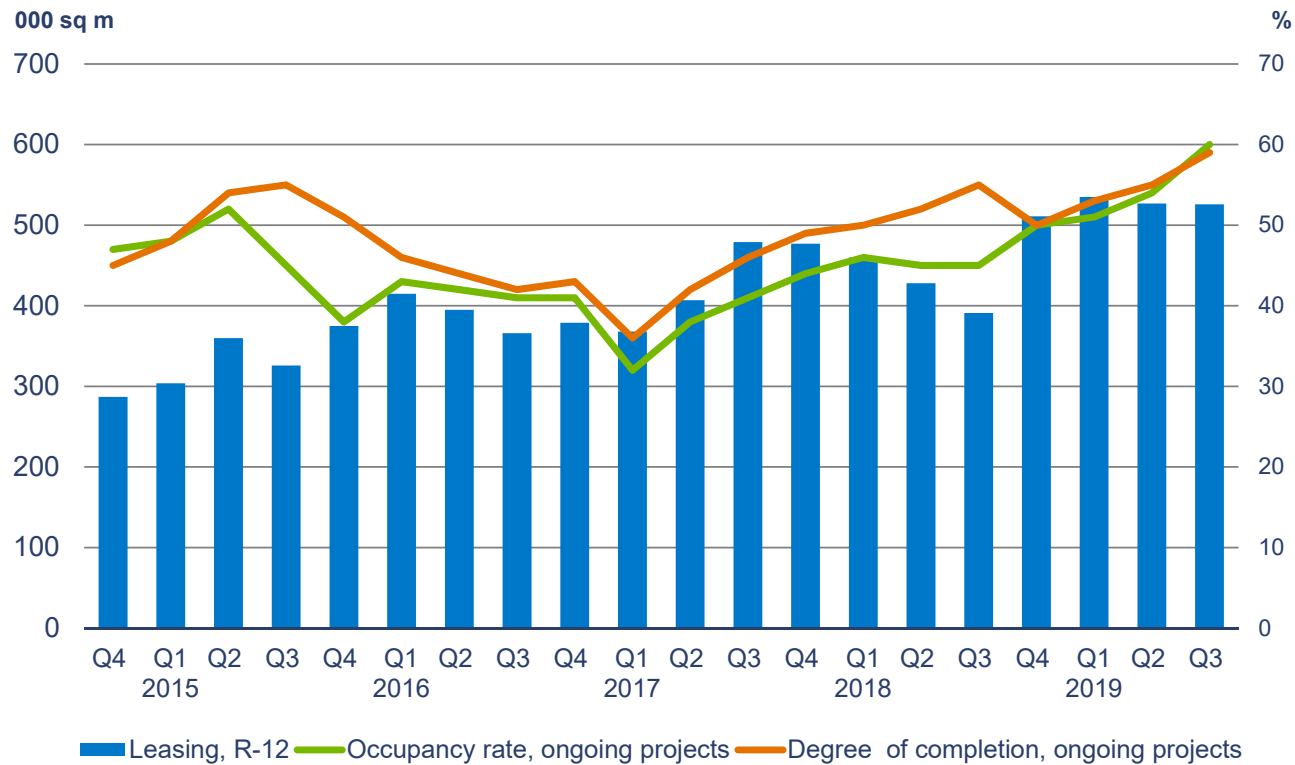


Commercial Property Development

Completion profile, unsold projects



Commercial Property Development Leasing



Two Drydock, Boston, USA

Group

Income statement

SEK M	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating income from business streams	5,518	3,141	5,704
Central	-141	-639	-811
Eliminations	-2	-58	-66
Operating income	5,375	2,444	4,827
Net financial items	-69	53	36
Income after financial items	5,306	2,497	4,863
Taxes	-876	-406	-934
Profit for the period	4,430	2,091	3,929
Earnings per share, SEK	10.75	5.07	9.55
Tax rate, %	17	16	19



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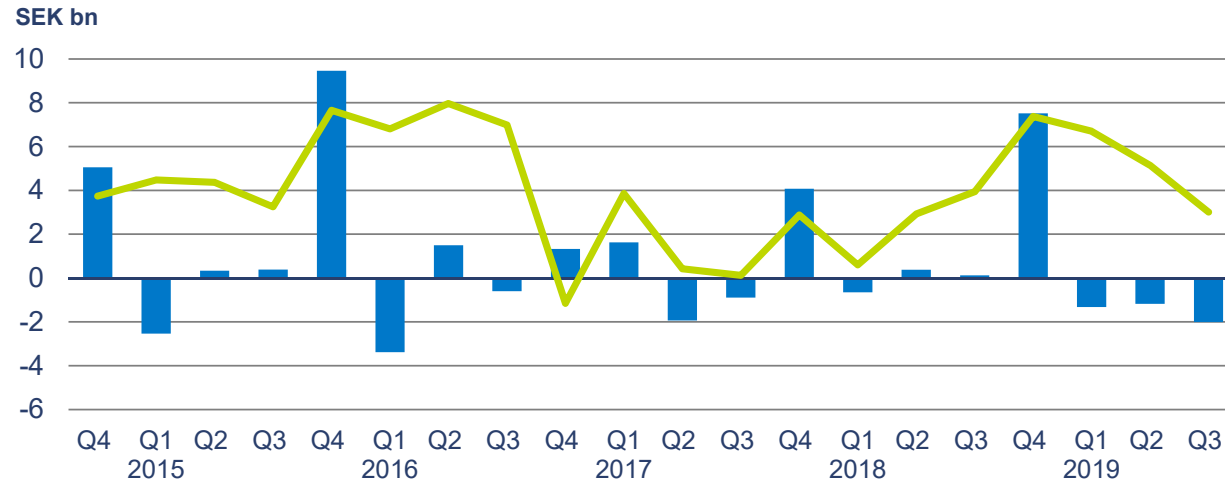
Group PPP portfolio

SEK bn	Sep 30, 2019	Dec 31, 2018
Present value of cash flow from projects	5.0	4.7
Net present value of projects	3.9	3.6
Carrying amount	-2.6	-2.5
Unrealized development gain	1.3	1.1
Cash flow hedge	0.5	0.3
Effect in unrealized Equity	1.8	1.4



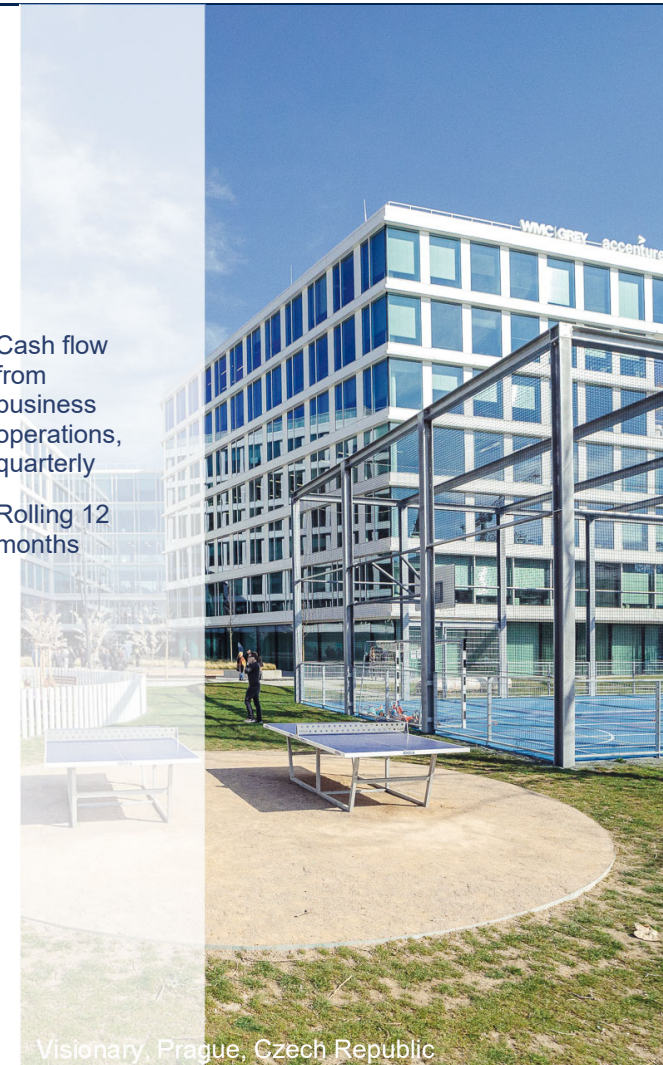
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Group Cash flow



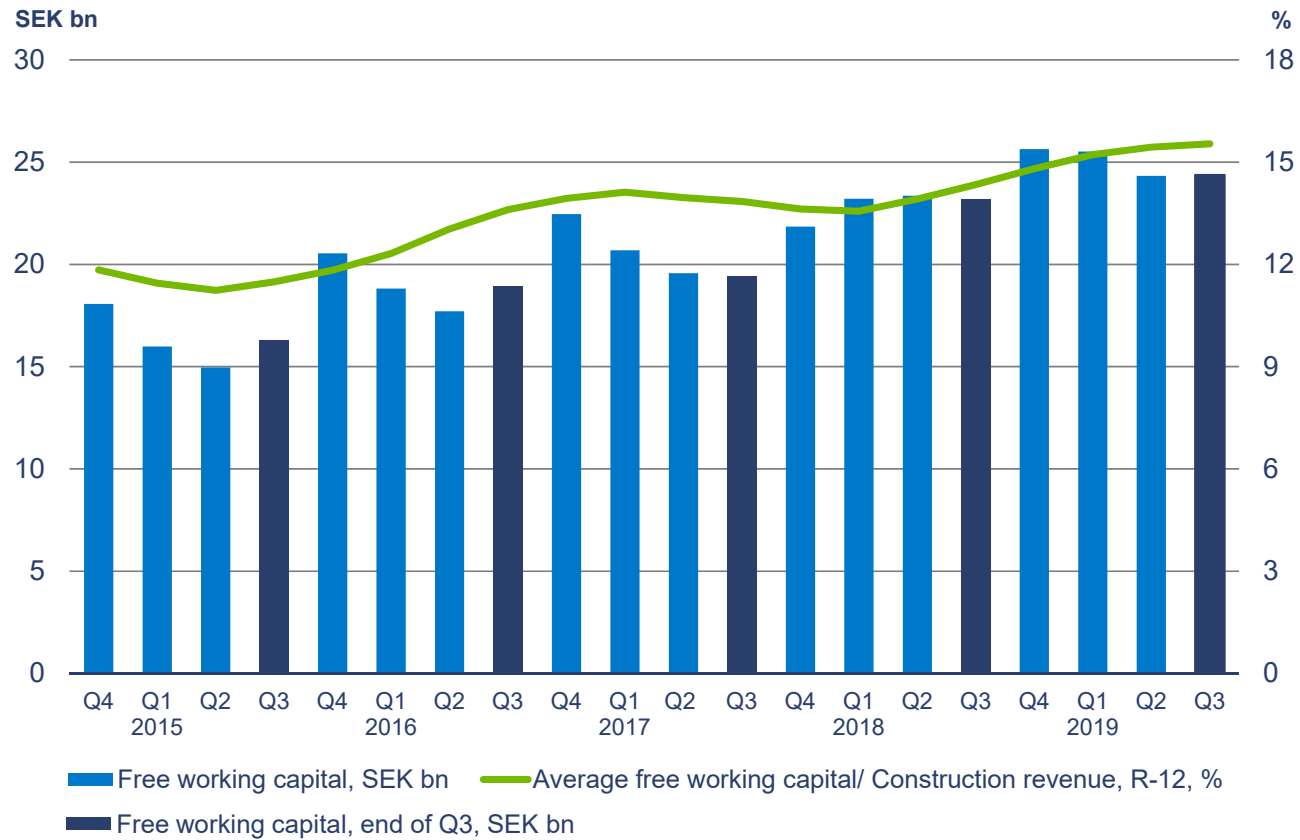
■ Cash flow from business operations, quarterly
 — Rolling 12 months

SEK bn	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Cash flow from operations	-4.5	-0.1	7.4
Dividend etc.	-2.5	-3.5	-3.5
Cash flow before change in interest-bearing receivables and liabilities	-7.0	-3.6	3.9



Construction

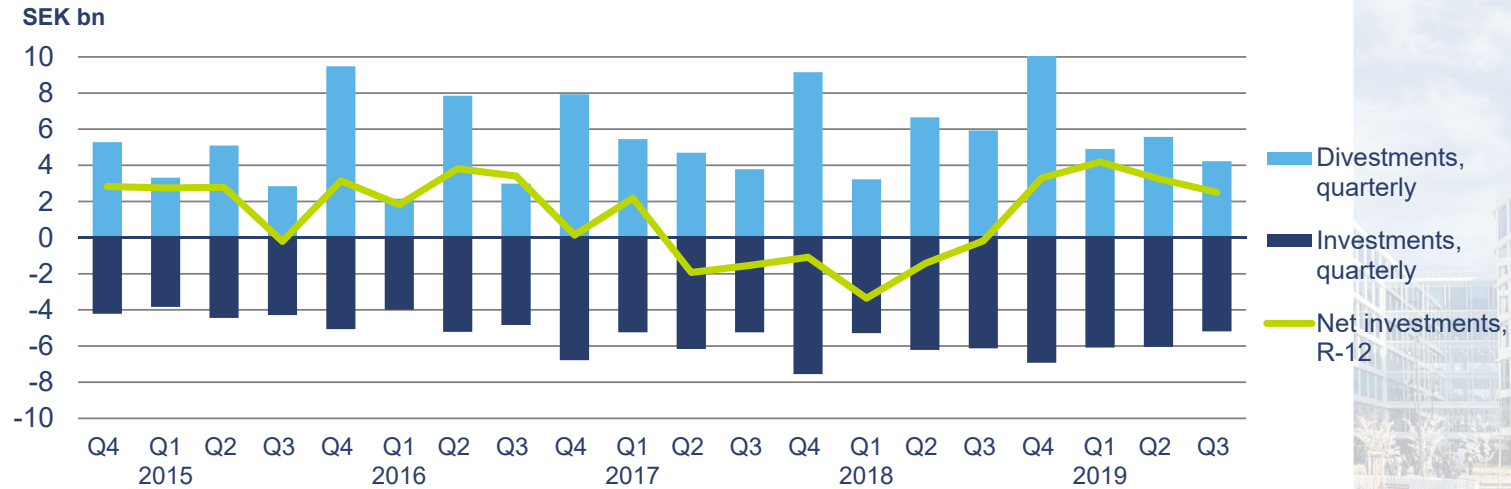
Free working capital



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Group

Investments, divestments and capital employed



SEK bn	Sep 30 2019	Sep 30 2018	Dec 31 2018
Capital employed in:			
Residential Development	13.4	14.7	13.6
Commercial Property Development	36.7	27.1	26.7
Total in Project Development	50.2	41.8	40.3



Group Financial position

Adjusted interest-bearing net receivables (+)/net debt (-), SEK bn



SEK bn	Sep 30 2019	Sep 30 2018	Dec 31 2018
Total assets	128.4	116.9	116.3
Equity attributable to equity holders	30.3	27.9	29.3
Interest-bearing net receivables (+)/net debt (-)	-14.4	-3.7	3.2
Adj. interest-bearing net receivables (+)/net debt (-)	-3.9	-5.8	2.1
Capital employed, closing balance	55.6	45.6	46.2
Equity/assets ratio, %	23.6	24.0	25.2



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Market outlook

Construction

Slightly weaker but still high activity in our markets

- ◀ Nordics
 - Mixed building market and strong civil market in Sweden and Norway
 - Finland stable, but slowdown in residential building market
- ◀ Europe
 - Brexit impacts the UK non-residential and civil market
 - Central Europe stable, civil market in Czech Republic improving
 - Cost escalation in Central Europe
- ◀ USA
 - The US continues to be a good market, but with fierce competition
 - Funding at state level healthy in our markets

Outlook compared to previous quarter ● Weaker ● Unchanged ● Improved



Market outlook

Residential Development

Increasing construction costs in all our markets



Nordics

- Slow Swedish market for new development, long recovery expected
- Stable market in Norway
- Slowdown in Finland



Europe

- Central Europe slowed down after a period of strong growth

Outlook compared to previous quarter ● Weaker ● Unchanged ● Improved



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Market outlook

Commercial Property Development

Increasing construction costs in all our markets

- ◀ Nordics
 - Investor appetite remains strong, but more selective
 - Low vacancy rates and high rents in Sweden
- ◀ Europe
 - Strong demand from tenants and investors in Central Europe
- ◀ USA
 - Investor appetite remains strong but yields likely bottoming out
 - Good tenant demand

Outlook compared to previous quarter ● Weaker ● Unchanged ● Improved



Two Drydock, Boston, USA

Group Summary

- Underlying profitability in Construction improving
- Strong balance sheet an advantage in current Residential Development market
- Attractive Commercial Property Development portfolio
- High market activity in many of our geographies and segments, but fierce competition in Construction
- Project Development challenged by cost escalation in the construction market
- Execution continues in line with our strategic plan



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