

# Six Month Report 2012

# Six Month Report 2012

- Order bookings increased by 36 percent in the second quarter
- Good momentum in new orders, especially in the U.S.
- Revenue growth in Construction, up 11 percent
- High level of divestments from Commercial Property Development
- Financial Close of Midtown Tunnel in the U.S.
- Residential Development business under restructuring



London Hospital, London

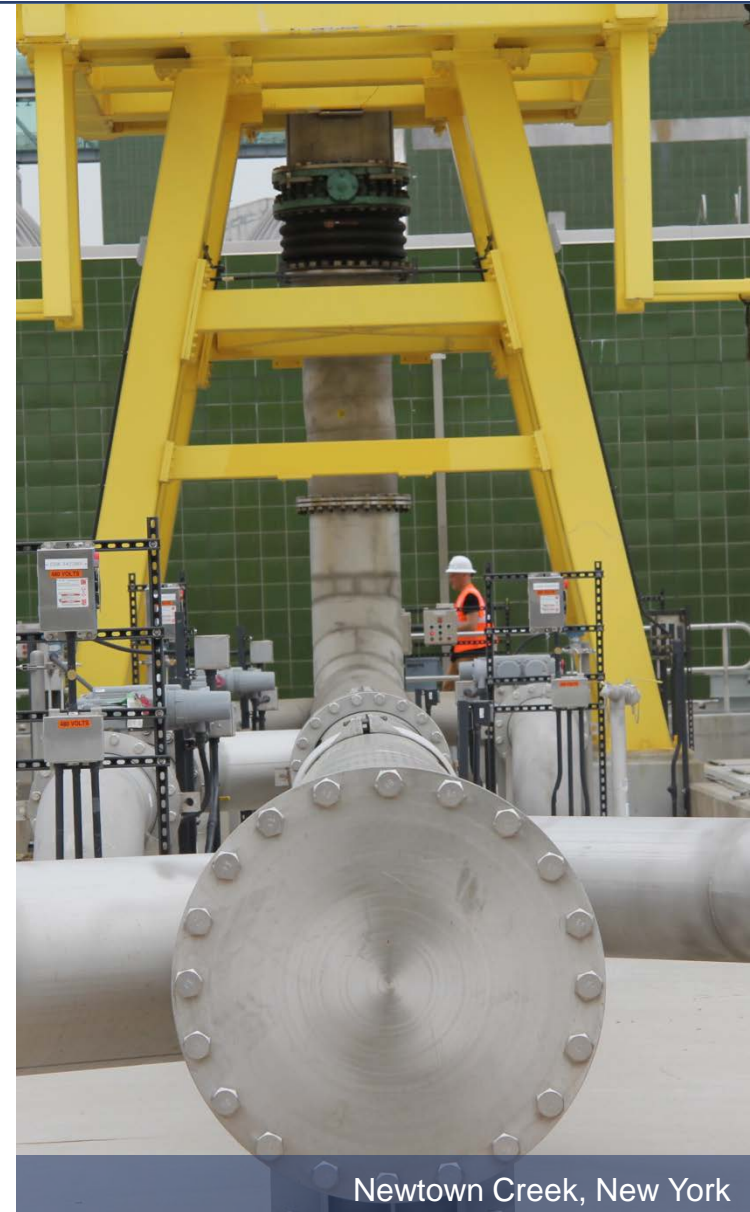
# January–June 2012 in brief

- Ongoing operating income 1.8 bn (1.6)
  - Restructuring costs and sale of the Autopista Central excluded
- Revenue in Construction SEK 57.2 bn (51.4)
  - Up 11% (8% in local currency) in Q2 2012 compared to Q2 2011
- Operating margin in Construction 2.4% (2.8%)
- Order bookings SEK 61.6 bn (48.4)
  - Up 27% in Q2 2012 compared to Q2 2011
  - 113% book-to-build ratio rolling 12 months
- Backlog of SEK 161.1 bn represents 16 (15) months of construction



# Construction

- Continued strong order situation
- Growth in revenue
  - Larger proportion of projects in early stage
- Mixed market sentiment
  - Nordic stable
  - Other European countries weak
  - The Americas strong
- Turnaround in Norway and Finland goes according to plan
- Project write-downs in Latin America of SEK 80 M in Q2



Newtown Creek, New York

# New orders in Construction in Q2

- Midtown tunnel, Virginia U.S.,  
SEK 4.4 bn
- Bus depot, Stockholm, Sweden,  
SEK 1.3 bn
- Shopping center, Oslo, Norway,  
SEK 1.1 bn
- Highway Tampa, Florida, U.S.,  
SEK 1.0 bn
- Moynihan station, New York, U.S.,  
SEK 1.0 bn
- Naval wharf, Silverdale, U.S.,  
SEK 1.0 bn



Moorgate Exchange, London

# Residential Development

- Restructuring of the Nordics
  - Restructuring costs of SEK 300 M
  - Annual savings of SEK 180 M
  - Additional efficiency improvements
- Write-down of land
  - Czech Republic and Slovakia of SEK 80 M
- Operating income SEK -310 M (286)
- Revenue SEK 4.0 bn (4.5)
  - 1,408 (1,697) homes sold
  - 1,381 (1,737) homes started

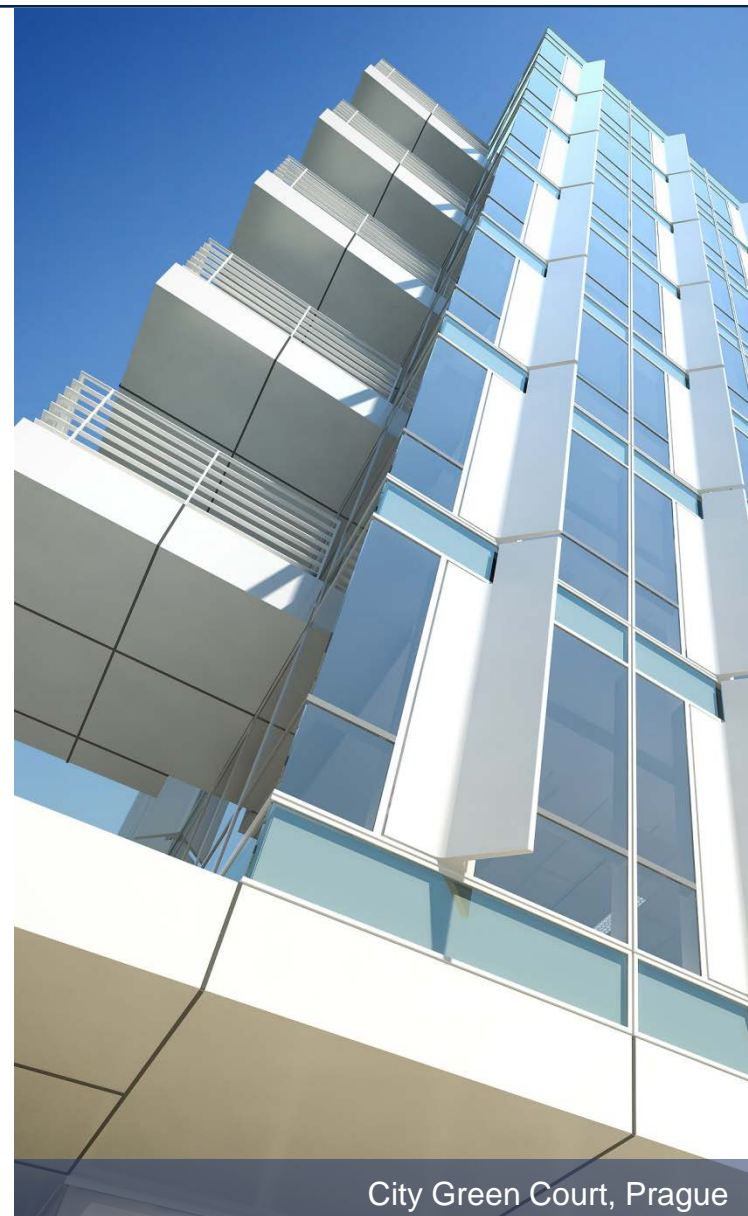


Järvastaden, Stockholm



# Commercial Property Development

- Divestments of SEK 3.2 bn (0.6)
  - Gains SEK 703 M (133)
- 3 new project start ups
- 34 ongoing projects
  - SEK 10.7 bn in investment value
  - 60% pre-leasing rate
- 121,000 sq. m leased YTD
  - 95,000 sq. m in Q2



City Green Court, Prague

# Infrastructure Development

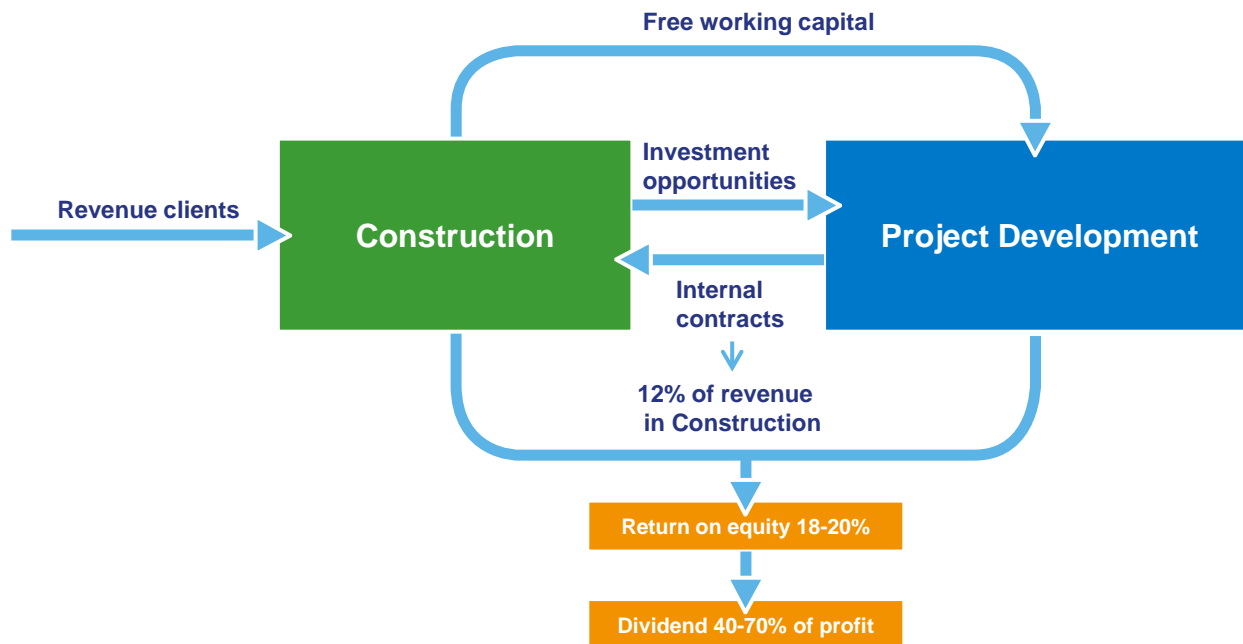
- Financial close
  - Midtown tunnel
  - SEK 0.9 bn investment  
SEK 4.4 bn order booking
- Improved possibilities in the U.S. with potential for new projects



New Karolinska, Solna, Sweden



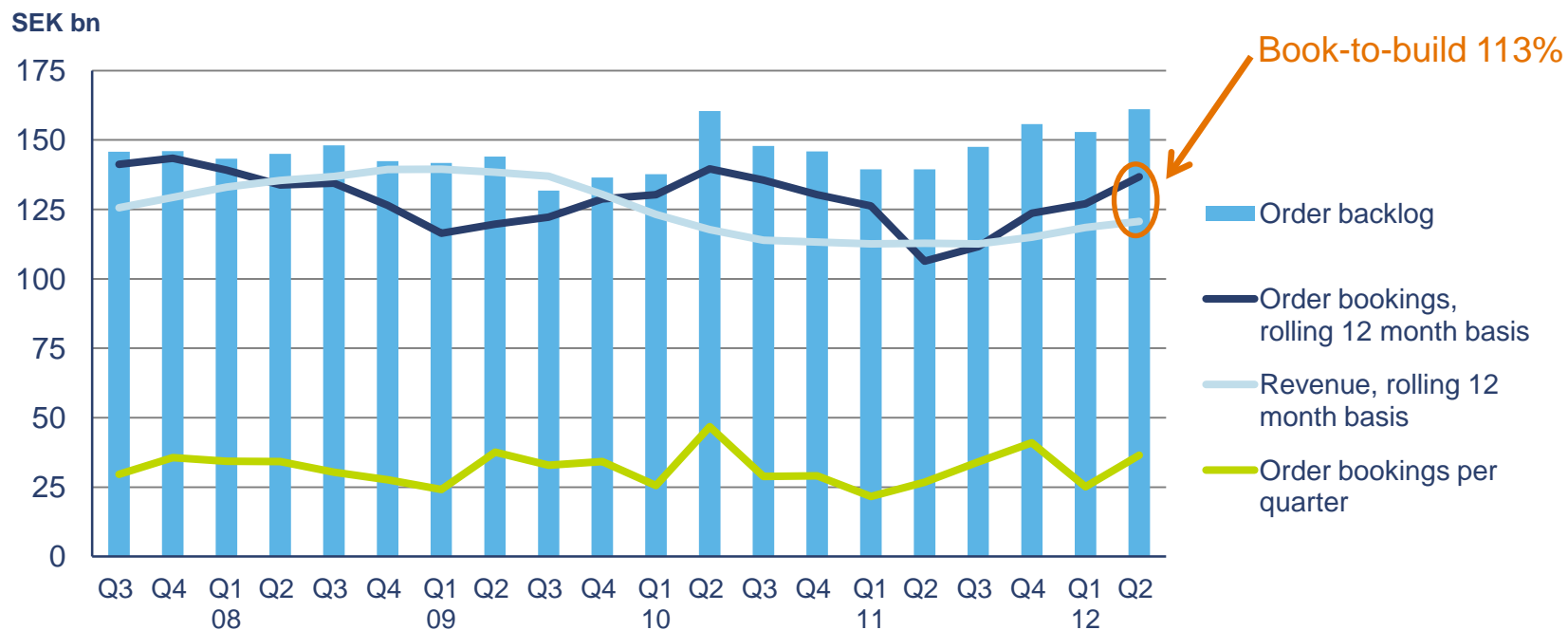
# Synergies in Skanska's business model



Internal revenue, SEK bn	Jan-Jun 2012	Jan-Jun 2011
Residential Development	2.4	2.3
Commercial Property Development	1.4	0.6
Infrastructure Development	3.3	3.6
<b>Total</b>	<b>7.1</b>	<b>6.5</b>

# Construction

## Order bookings and Order backlog



SEK bn	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Revenue	57.2	51.4	115.0
Order bookings	61.6	48.4	123.6
Order backlog	161.1	139.4	155.7

# Construction

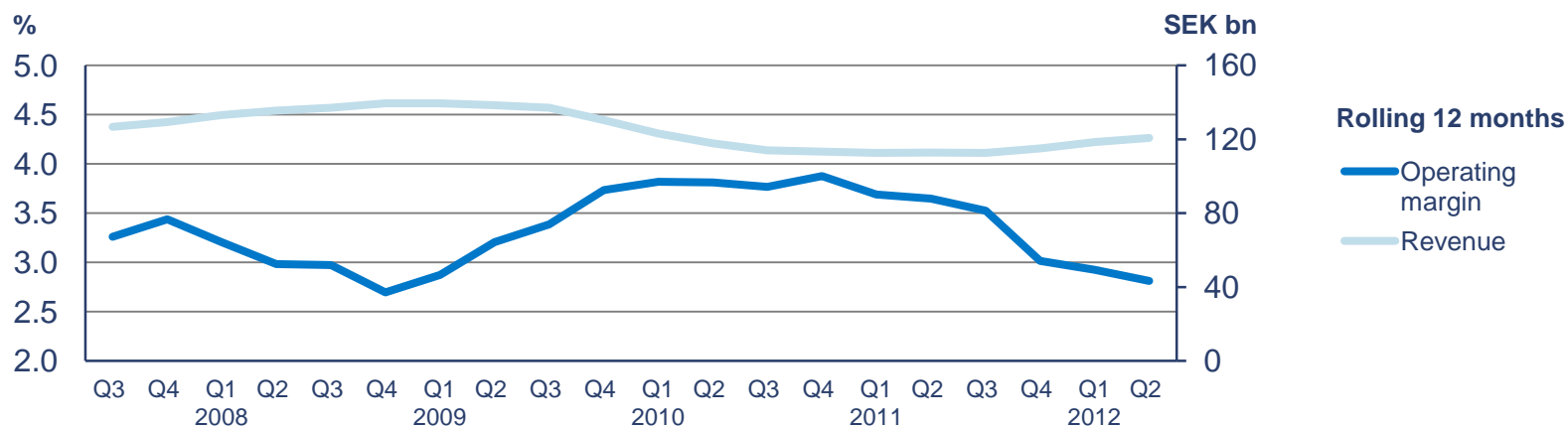
## Order bookings

SEK bn	Jan-Jun 2012	Jan-Jun 2011	Change in local currency, %	Book- to-build, R-12, %
Sweden	13.6	11.7	16	94
Norway	5.9	6.2	-5	125
Finland	3.1	3.5	-13	96
Poland	2.4	3.9	-38	75
Czech Republic	2.0	2.8	-27	84
UK	4.8	4.1	17	82
USA Building	12.3	7.7	61	132
USA Civil	12.2	6.0	103	167
Latin America	5.4	2.7	101	167
<b>Total</b>	<b>61.6</b>	<b>48.4</b>	<b>27</b>	<b>113</b>



# Construction

## Income statement



	Jan–Jun 2012	Jan–Jun 2011	Jan–Dec 2011
<b>SEK bn</b>			
Revenue	57.2	51.4	115.0
<b>Gross income</b>	<b>4.4</b>	<b>4.2</b>	<b>9.3</b>
Selling and admin. expenses	-3.1	-2.8	-5.9
<b>Operating income</b>	<b>1.3</b>	<b>1.4</b>	<b>3.5</b>
Gross margin, %	7.7	8.2	8.1
S&A expenses, %	-5.4	-5.4	-5.1
Operating margin, %	2.4	2.8	3.0

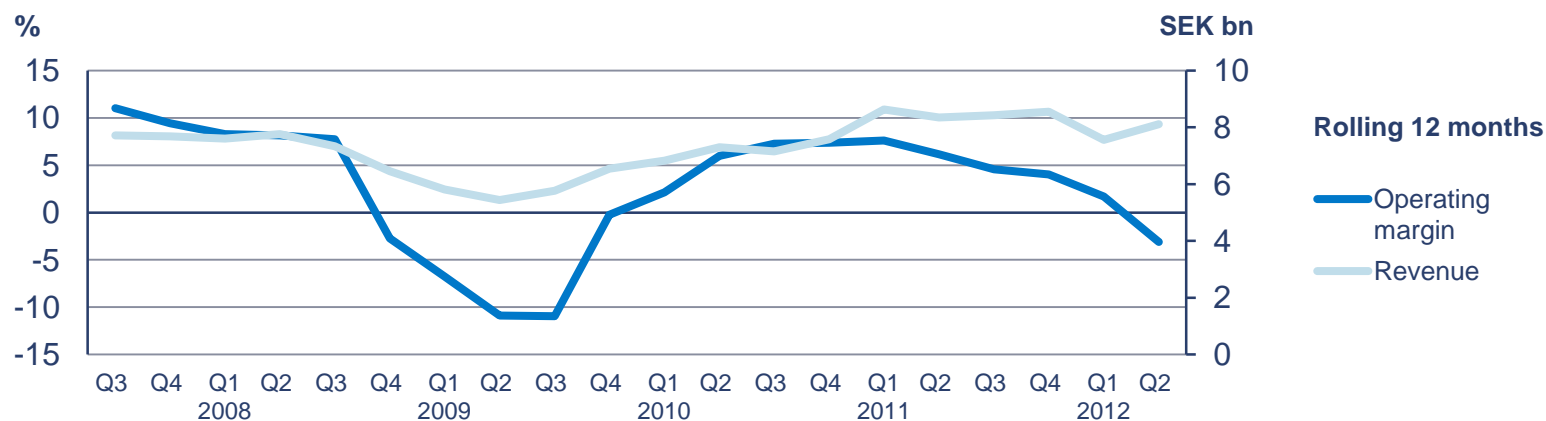
# Construction

## Income statement

	Operating income, SEK M		Operating margin, %	
	Jan–Jun 2012	Jan–Jun 2011	Jan–Jun 2012	Jan–Jun 2011
Sweden	410	458	3.1	3.7
Norway	36	-160	0.5	neg
Finland	22	-7	0.6	neg
Poland	132	382	4.2	11.4
Czech Republic	12	-33	0.5	neg
UK	218	190	3.8	2.9
USA Building	198	172	1.6	1.7
USA Civil	411	417	6.9	9.2
Latin America	-91	1	neg	0.0
<b>Total</b>	<b>1,348</b>	<b>1,420</b>	<b>2.4</b>	<b>2.8</b>

# Residential Development

## Income statement, segment reporting



SEK M	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Revenue	4,010	4,453	8,550
<b>Gross income</b>	<b>216</b>	<b>625</b>	<b>1,030</b>
Selling and admin. expenses	-526	-335	-680
Income from joint ventures	0	-4	-5
<b>Operating income</b>	<b>-310</b>	<b>286</b>	<b>345</b>
Gross margin, %	5.4	14.0	12.0
S&A expenses, %	-13.1	-7.5	-8.0
Operating margin, %	neg	6.4	4.0



# Residential Development

## Income statement

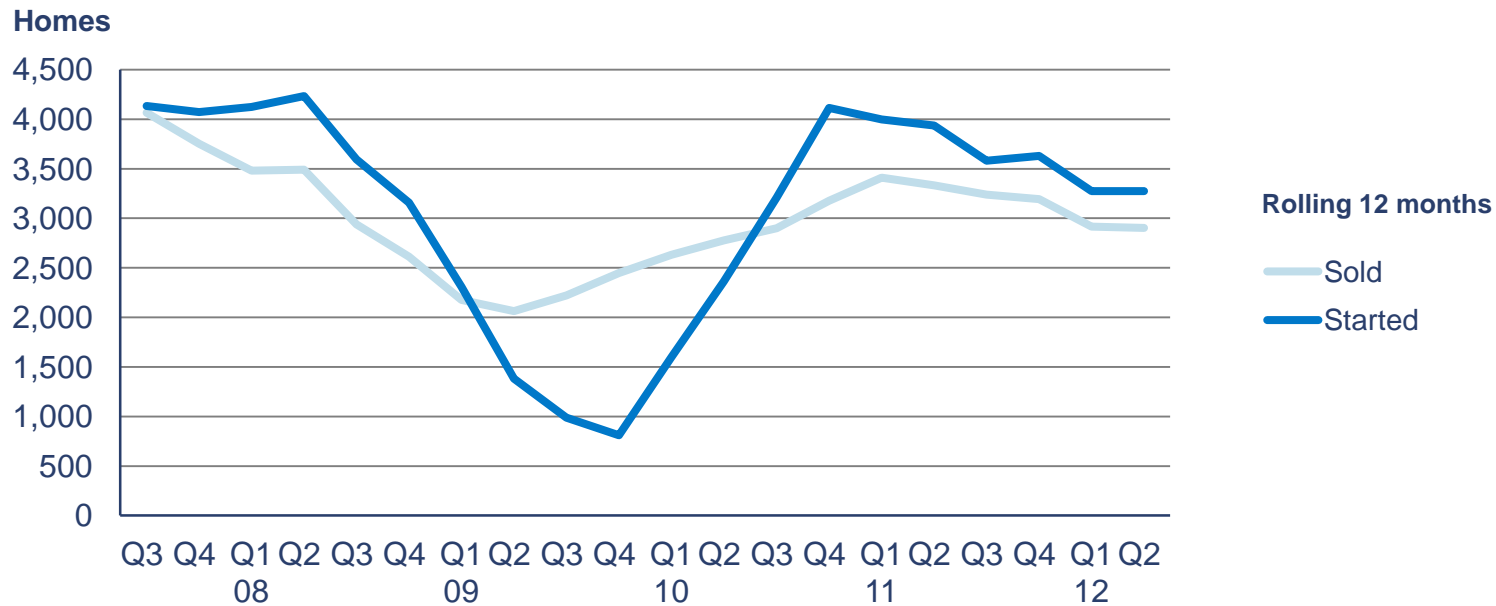
	Operating income, SEK M <sup>1</sup>		Operating margin, % <sup>1</sup>	
	Jan-Jun 2012	Jan-Jun 2011	Jan-Jun 2012	Jan-Jun 2011
Sweden	-333	144	neg	6.6
Norway	79	20	6.3	3.5
Finland	47	108	3.9	7.8
<b>Nordics</b>	<b>-207</b>	<b>272</b>	<b>neg</b>	<b>6.6</b>
Czech Republic	-72	34	neg	10.5
Other <sup>2</sup>	-31	-20	–	–
<b>Total</b>	<b>-310</b>	<b>286</b>	<b>neg</b>	<b>6.4</b>

1 Development gain only, construction margin reported under Construction

2 Start-ups in new markets

# Residential Development

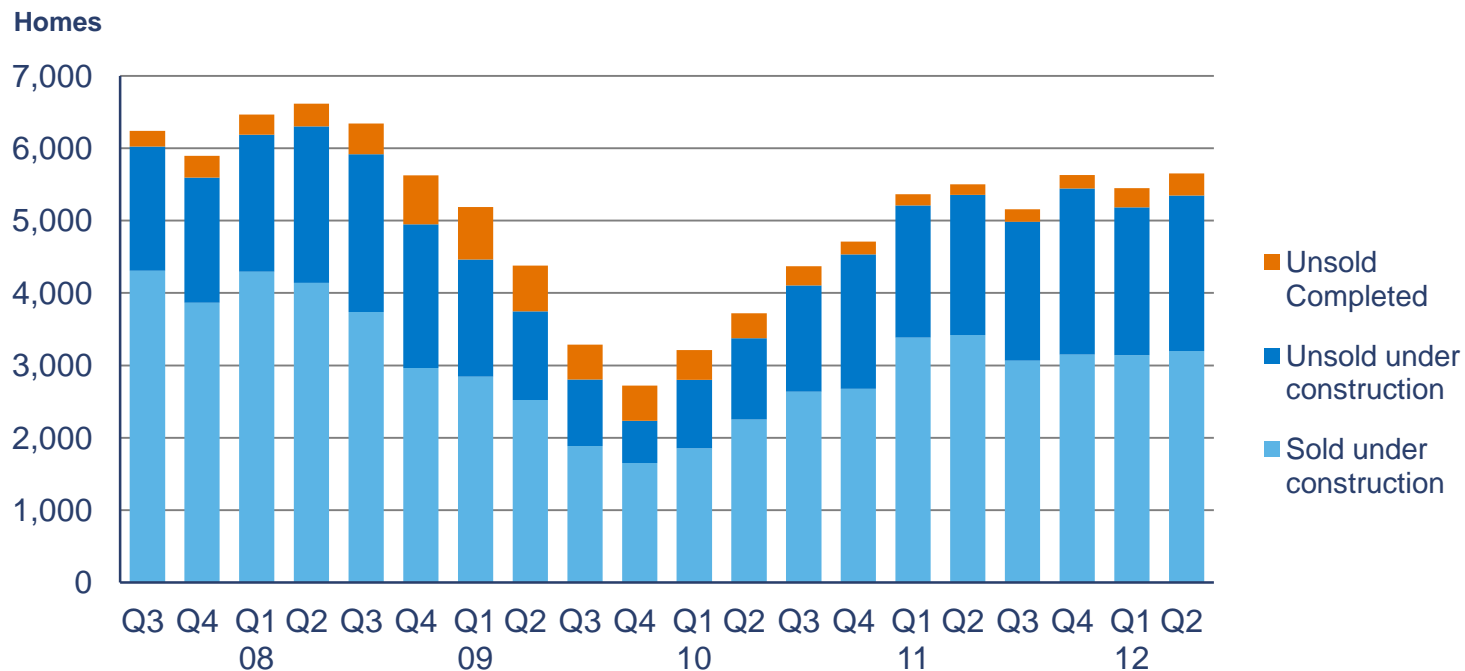
## Homes sold and started



Homes sold			Homes started		
Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
1,408	1,697	3,193	1,381	1,737	3,630

# Residential Development

## In production status



Homes in production		Of which sold, %		Unsold completed homes	
Q2, 2012	Q2, 2011	Q2, 2012	Q2, 2011	Q2, 2012	Q2, 2011
5,348	5,355	60	64	302	148



# Commercial Property Development

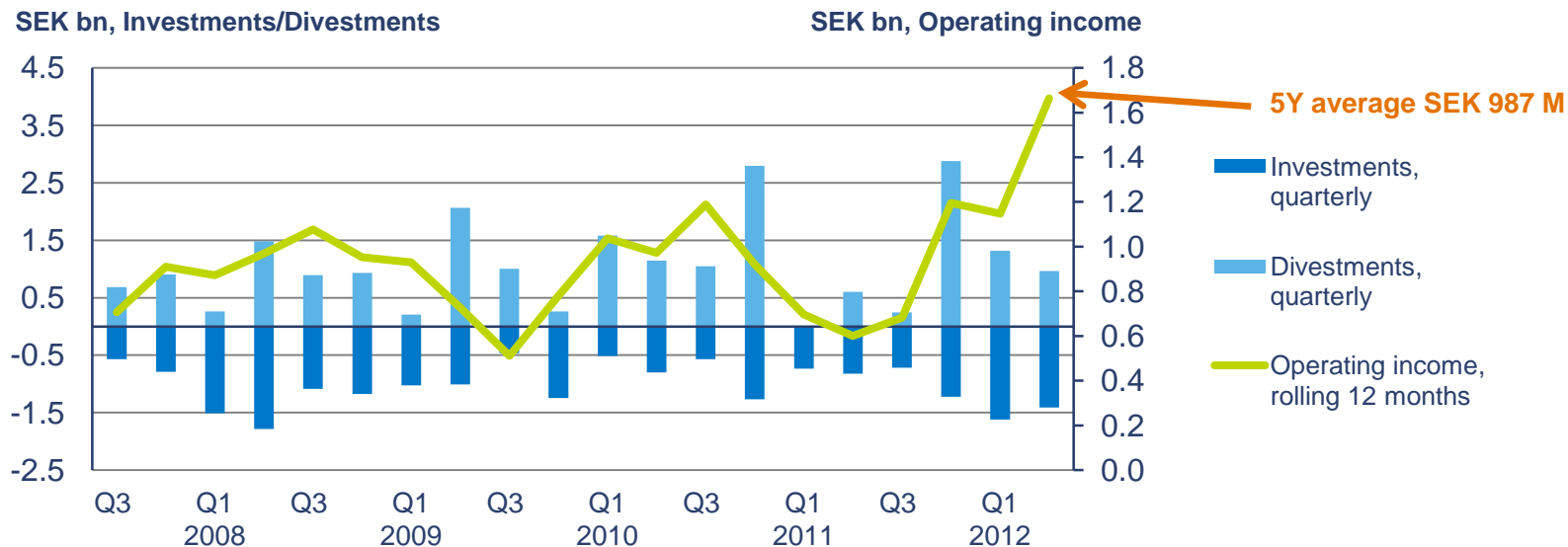
## Income statement, segment reporting

SEK M	Jan–Jun 2012	Jan–Jun 2011	Jan–Dec 2011
Revenue	3,467	897	5,633
<b>Gross income</b>	<b>823</b>	<b>334</b>	<b>1,603</b>
Selling and administrative expenses	-230	-198	-412
Income from J/V and associated companies	10	-1	5
<b>Operating income</b>	<b>603</b>	<b>135</b>	<b>1,196</b>
of which gain from divestments of properties <sup>1</sup>	703	133	1,266
of which write downs/reversal of write downs	0	-1	-47
1 Additional gain included in eliminations was	27	21	136

Development gain only, construction margin reported under Construction

# Commercial Property Development

## Investments and divestments

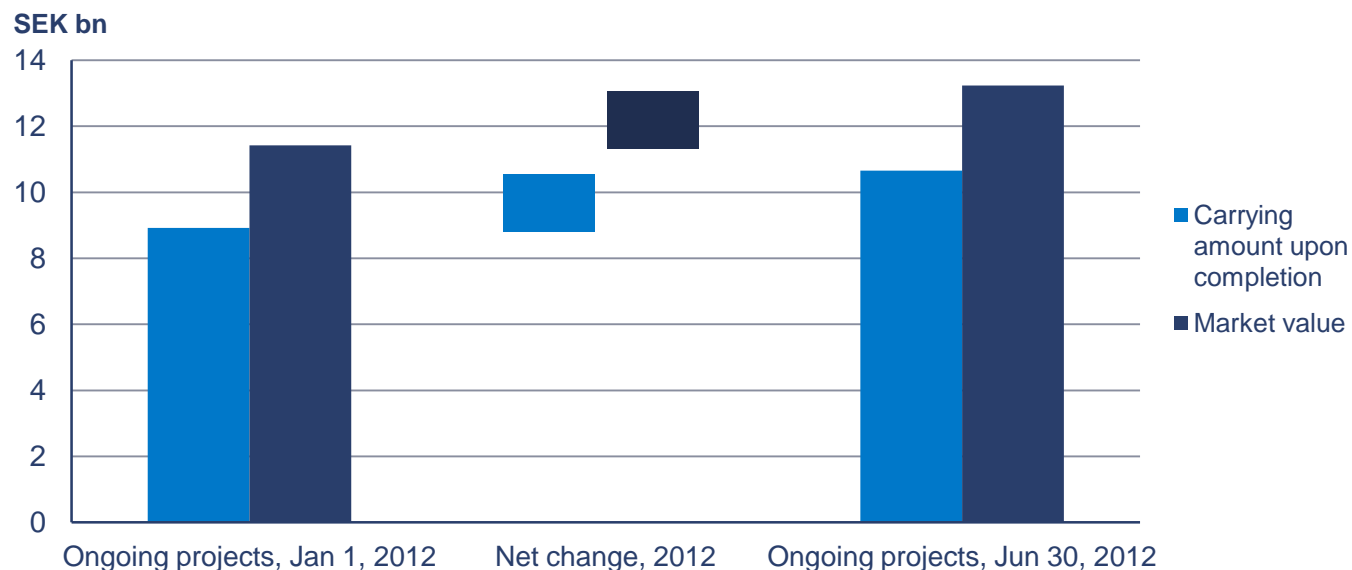


### Sale of commercial properties

SEK M	Sales price	Capital gain
Q1	126	51
Q2	3,089	652

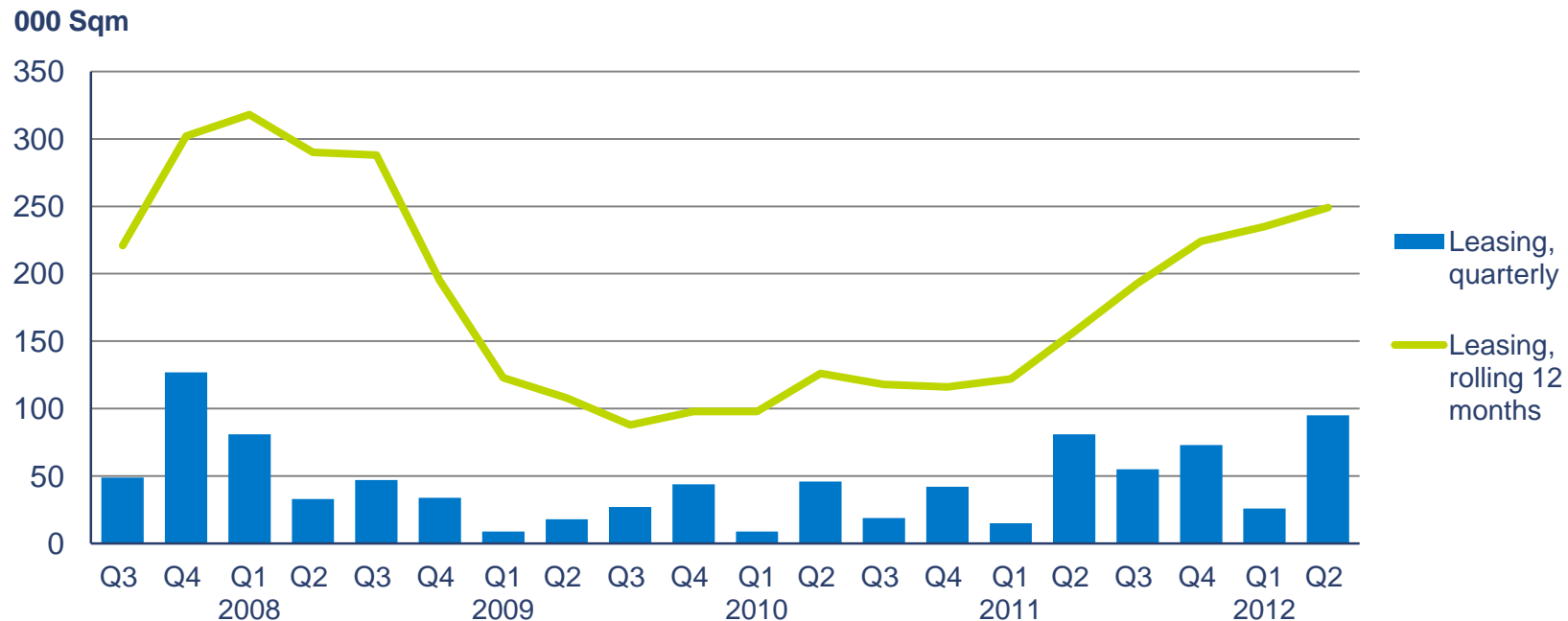
# Commercial Property Development

## Carrying amounts and market values



SEK bn	Carrying amount, end of period	Carrying amount, upon completion	Market value	Occupancy rate, %	Degree of completion%
Completed projects	2.5	2.5	3.4	84	100
Undeveloped land and development properties	4.7	4.7	5.2		
Ongoing projects	5.2	10.7	13.2	60	50
<b>Total</b>	<b>12.3</b>	<b>17.8</b>	<b>21.8</b>		
of which ongoing projects sold according to segment reporting	0.9	1.9	2.2		

# Commercial Property Development Leasing



New leases of space were signed for 95,000 sq. m in Q2

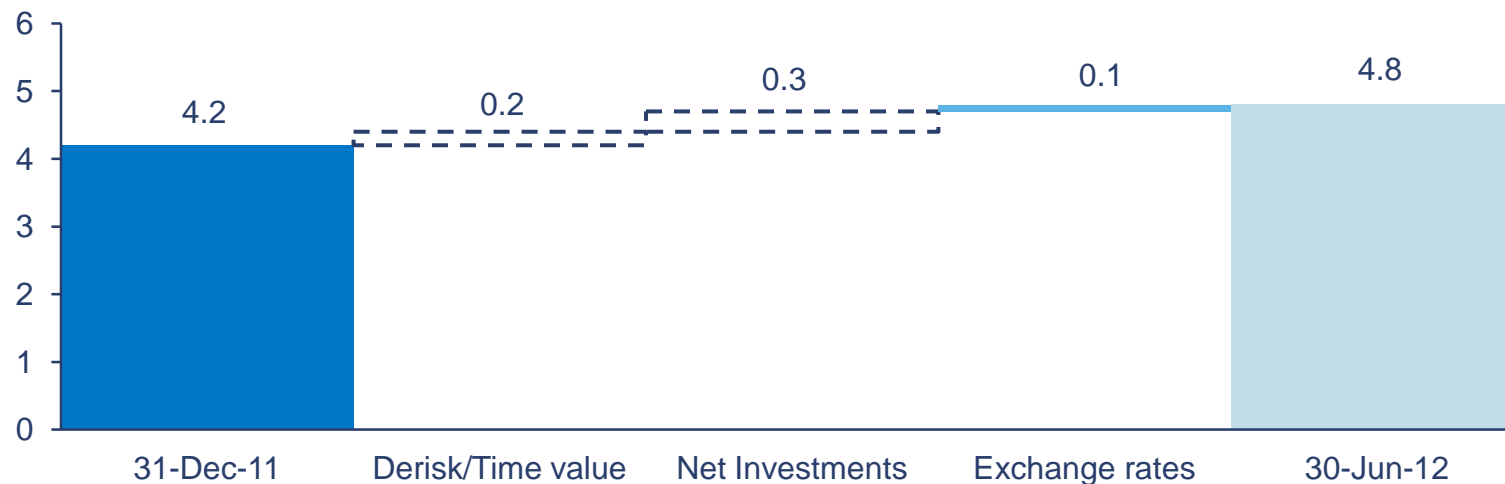
# Infrastructure Development

## Income statement

SEK M	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Revenue	158	233	286
<b>Gross income</b>	<b>44</b>	<b>-64</b>	<b>-57</b>
Selling and admin. expenses	-70	-74	-132
Income from joint ventures	215	4,699	4,915
<b>Operating income</b>	<b>189</b>	<b>4,561</b>	<b>4,726</b>
of which gains from divestments of shares in projects	0	4,500	4,600

# Infrastructure Development Project portfolio

Net present value of projects, SEK bn



SEK bn	Jun 30, 2012	Mar 31, 2012	Dec 31, 2011
Present value of cash flow from projects	5.8	5.1	5.0
<b>Net present value of projects</b>	<b>4.8</b>	<b>4.4</b>	<b>4.2</b>
Carrying amount	-3.3	-3.1	-3.0
<b>Unrealized development gain</b>	<b>1.5</b>	<b>1.3</b>	<b>1.2</b>
Cash flow hedge	1.5	1.4	1.6
<b>Effect in unrealized Equity</b>	<b>3.0</b>	<b>2.7</b>	<b>2.8</b>

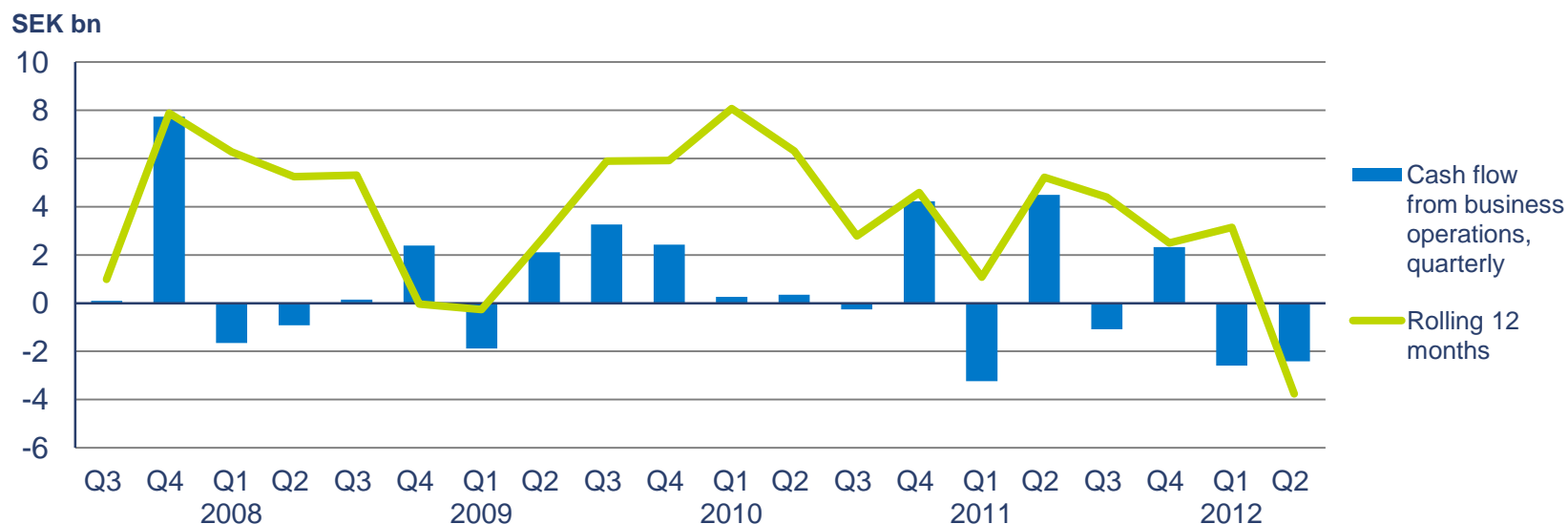


# Group

## Income statement

SEK M	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Operating income from business streams	1,830	6,402	9,734
Central	-333	-305	-699
Eliminations	-50	5	52
<b>Operating income</b>	<b>1,447</b>	<b>6,102</b>	<b>9,087</b>
<b>Net financial items</b>	<b>-69</b>	<b>10</b>	<b>12</b>
<b>Income after financial items</b>	<b>1,378</b>	<b>6,112</b>	<b>9,099</b>
Taxes	-371	-339	-970
<b>Profit for the period</b>	<b>1,007</b>	<b>5,773</b>	<b>8,129</b>
Earnings per share, SEK	2.44	14.02	19.72
<i>Tax rate, %</i>	27	5.5	11

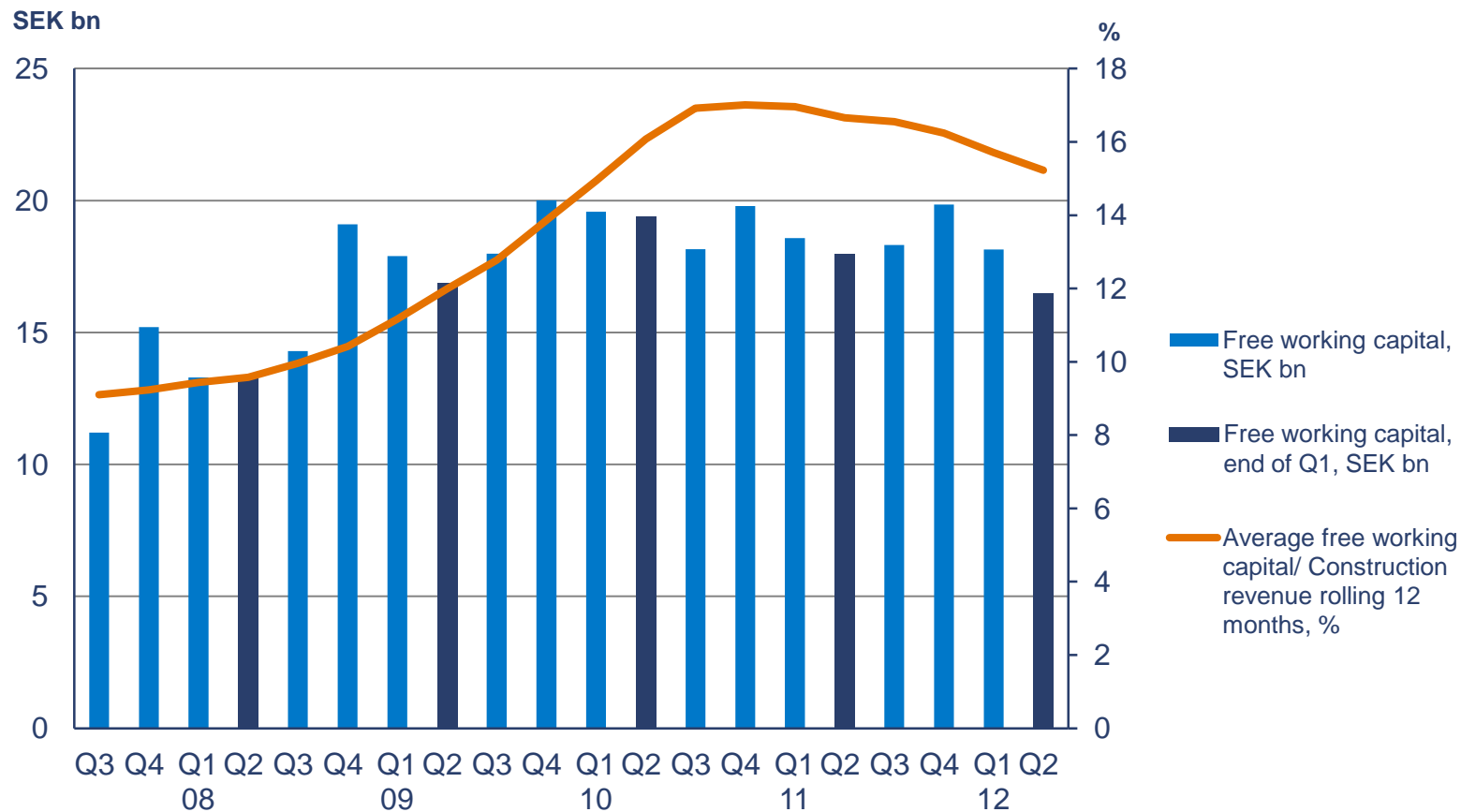
# Group Cash flow



SEK bn	Jan–Jun 2012	Jan–Jun 2011	Jan–Dec 2011
Cash flow from operations	-5.0	1.2	2.5
Net strategic investments	0	-0.3	-1.4
Dividend etc.	-2.6	-5.0	-5.1
Cash flow before change in interest-bearing receivables and liabilities	-7.6	-4.0	-4.0

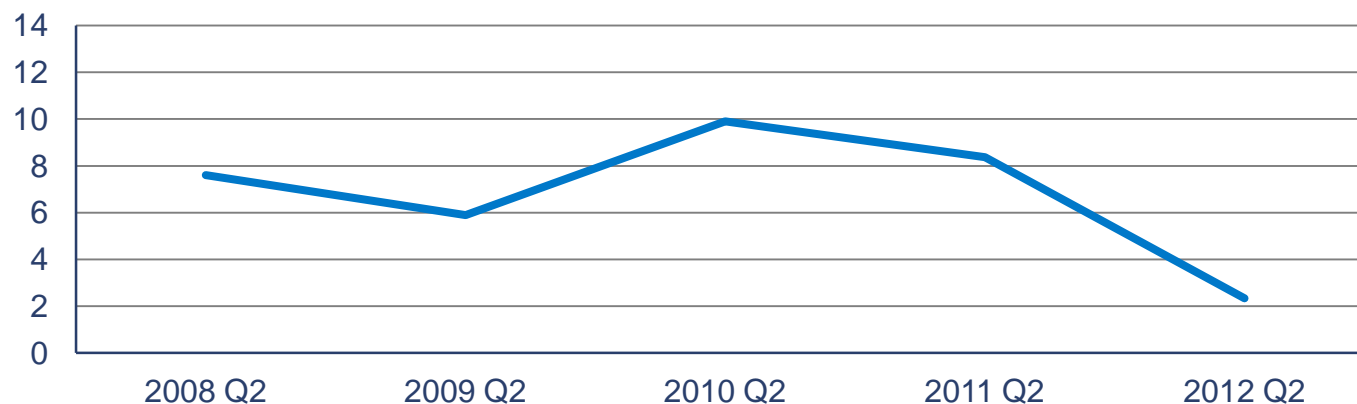
# Construction

## Free working capital



# Group Financial position

Operating net financial assets/liabilities  
SEK bn



SEK bn	Jun 30 2012	Jun 30 2011	Dec 31 2011
Total assets	85.7	79.4	82.8
Equity attributable to equity holders	17.8	20.5	19.6
Interest-bearing net receivables (+)/net debt (-)	-5.0	4.5	2.9
Operating net financial assets/liabilities	2.3	8.4	9.5
Capital employed, closing balance	33.0	28.9	30.2
Equity/assets ratio, %	20.7	25.8	23.7

# Group

## Change in financial position

SEK bn	Jan–Jun 2012	Jan–Jun 2011	Jan–Dec 2011
<b>Opening balance interest-bearing net receivables</b>	<b>2.9</b>	<b>9.9</b>	<b>9.9</b>
Cash flow before change in interest-bearing receivables and liabilities	-7.6	-4.0	-4.0
Change in pension liability	-0.5	-0.6	-2.6
Other changes	0.2	-0.8	-0.4
<b>Change in interest-bearing net receivables</b>	<b>-8.0</b>	<b>-5.4</b>	<b>-7.0</b>
<b>Closing balance interest-bearing net receivables/net debt</b>	<b>-5.0</b>	<b>4.5</b>	<b>2.9</b>
Pension liability, net	4.1	1.6	3.6
Interest-bearing debt co-ops	3.3	2.2	3.0
<b>Operating net financial assets/liabilities</b>	<b>2.3</b>	<b>8.4</b>	<b>9.5</b>

# Group

## Change in equity

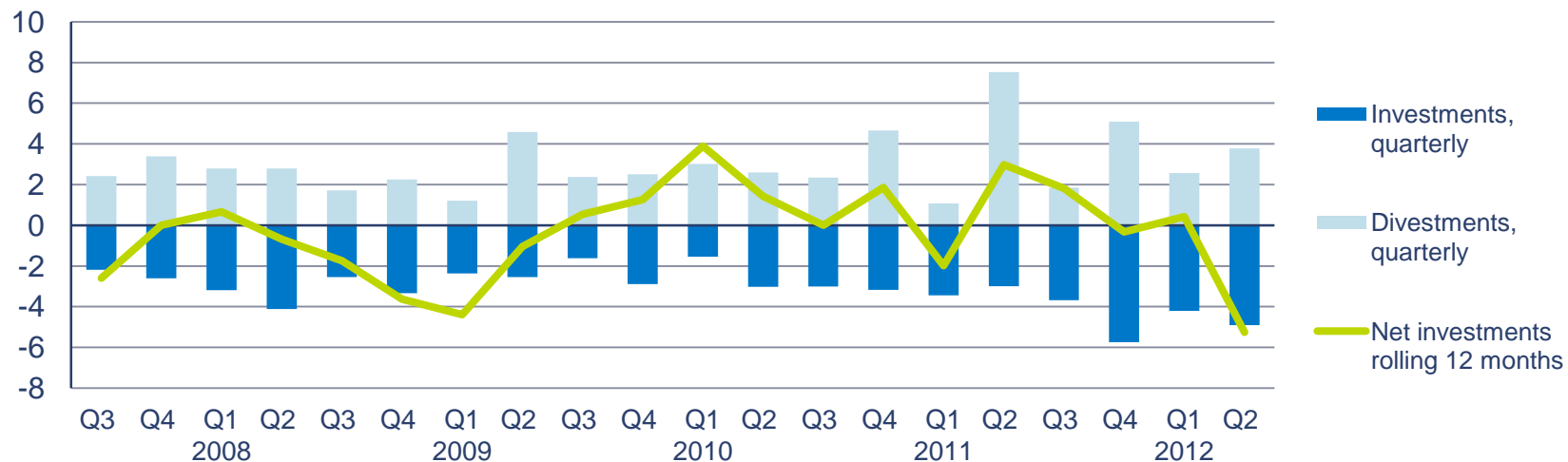
SEK bn	Jan–Jun 2012	Jan–Jun 2011	Jan–Dec 2011
<b>Opening balance</b>	<b>19.6</b>	<b>20.8</b>	<b>20.8</b>
Dividend to shareholders	-2.5	-4.9	-4.9
Other changes in equity not included in total comprehensive income for the year	0	-0.1	0.1
Profit for the period	1.0	5.5	7.6
<b>Other comprehensive income</b>			
Translation differences	0	-0.1	-0.4
Effects of actuarial gains and losses on pensions	-0.6	-0.7	-2.3
Effects of cash flow hedges	0.1	-0.3	-1.3
Other	0.2	0.3	0
<b>Closing balance</b>	<b>17.8</b>	<b>20.5</b>	<b>19.6</b>



# Group

## Investments and capital employed

SEK bn



SEK bn	Jun 30, 2012	Jun 30, 2011	Dec 31, 2011
<b>Capital employed in:</b>			
Residential Development	12.8	11.0	12.7
Commercial Property Development	12.2	11.0	11.0
Infrastructure Development	1.7	1.9 <sup>1</sup>	1.4
<b>Total in Development Streams</b>	<b>26.7</b>	<b>23.9</b>	<b>25.1</b>

<sup>1</sup> Gain on sale from Autopista Central excluded



# Market outlook

## Construction

- General
  - Stable but large local differences
  - Fierce competition



- USA Civil
  - Especially large and complex civil construction projects



- USA Building
  - Healthcare
  - High tech buildings



- Nordics and Poland



- Czech Republic and U.K.



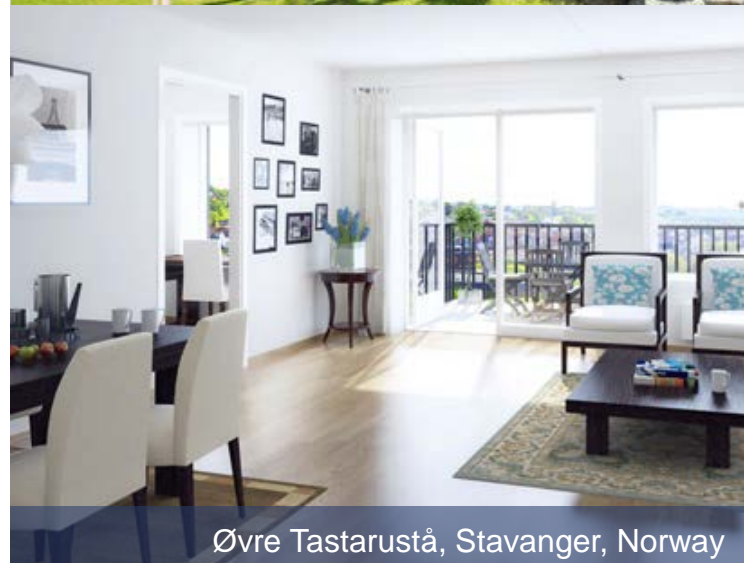
Weymouth Relief Road, U.K.



# Market outlook

## Residential Development

- General
  - Uncertainty in the market
-  - Norway
  - Good demand and rising prices
-  - Poland, U.K.
  - Our part of the U.K. market
-  - Sweden, Finland
  - Relatively stable
-  - Czech Republic



Øvre Tastarustå, Stavanger, Norway



Q2

# Market outlook

## Commercial Property Development

- General
  - Tenants: Stable vacancy rates, longer decision processes
  - Investors: Demand for green properties with stable tenants, valuations attractive
-  - Nordics
  - Finnish market more uncertain
-  - Other European countries
  - Higher demand in Poland
-  - The U.S.



Bassängkajen, Malmö, Sweden





# Market outlook

## Infrastructure Development

- Increased potential for PPP in the U.S.
- Good potential for new projects in Latin America



Midtown Tunnel, Virginia, USA

# Going forward

	Construction	Project Development		
		Residential	Commercial Property	Infrastructure
<b>Opportunities</b>	– USA	– Poland and UK	– Project portfolio	– The Americas
<b>Challenges</b>	– Norway and Finland	– Sweden	– Land in the Nordics	– Long processes
<b>Actions</b>	– Continue to improve turnarounds	– Implementation of restructured Residential business	– Leasing – Divestments	– Prepare new bids



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first 125 years