

SKANSKA

Year- end report 2019

**We build
for a better
society.**

Bank of America Tower
Houston, Texas, USA



Year-end report 2019

- Earnings per share SEK 15.46 (9.55)
- Operating margin in Construction 2.4% (0.7)
- ROCE in Project Development 10.3% (12.0)
- Return on Equity 21.4% (14.1)
- Significant performance improvement in the Construction operations and strong value creation in Project Development
- Strong balance sheet and supportive market outlook
- Investment opportunities in Project Development
- Proposed dividend SEK 6.25 (6.00)



Bank of America Tower, Houston, Texas, USA

Construction

- Revenue SEK 159.6 bn (157.9)
- Order bookings SEK 145.8 bn (151.7)
 - Book-to-build 91%
 - Order backlog SEK 185.4 bn (192.0)
- Operating income SEK 3,772 M (1,099)
 - Operating margin 2.4% (0.7)
- Underlying profitability improving
- Selective bidding, commercial focus and cost efficiency



Light rail extension, Shoreline – Lynnwood, USA

Residential Development

- Revenue SEK 12.5 bn (10.7)
 - 3,853 (3,653) homes sold
 - 3,407 (4,480) homes started
- Operating income SEK 1,195 M (1,505)
 - Operating margin 9.6% (14.0)
- ROCE 9.8% (11.4)
- Well-diversified portfolio in various segments and geographies
- Swedish market gradually improving



Solseglet, Malmö, Sweden

Commercial Property Development

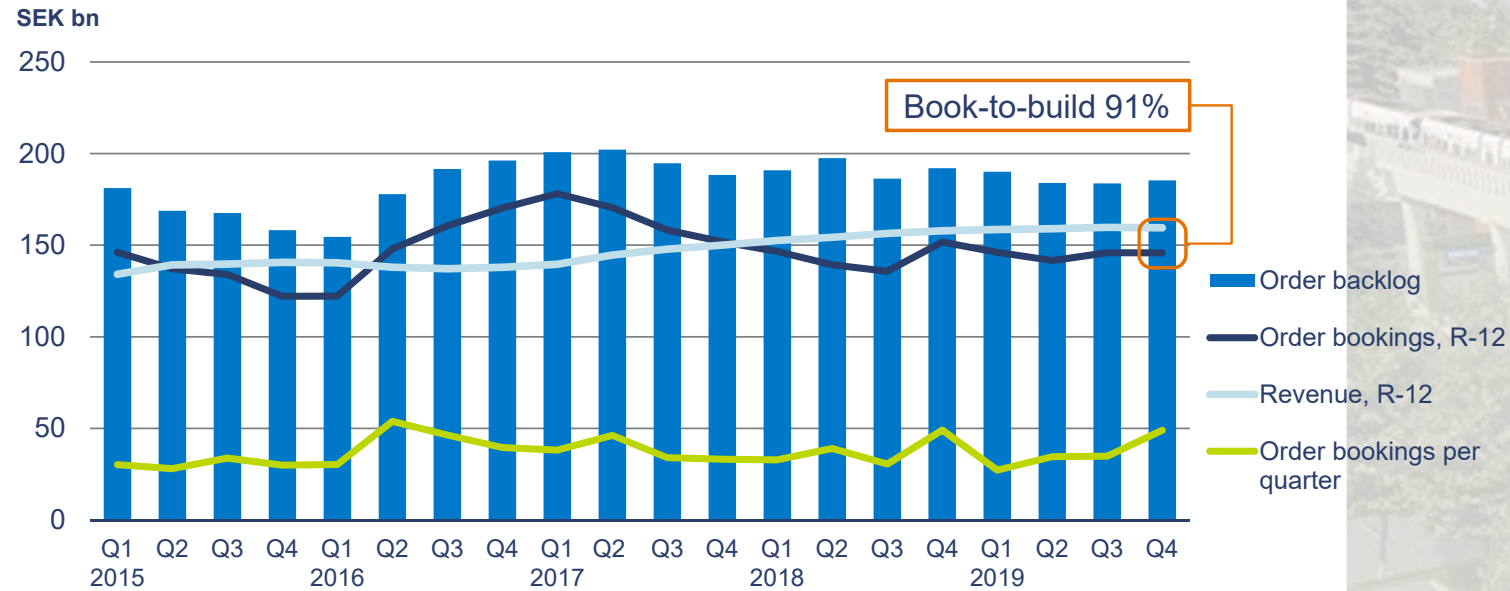
- Operating income SEK 3,287 M (3,069)
 - Gain on sale SEK 4,421 M (4,066), including JVs
 - All-time-high gain on sale
- ROCE 10.5% (12.3)
- 42 ongoing projects
 - SEK 27.7 bn in investment value upon completion
 - 59% occupancy rate
 - 56% completion rate
 - 15 projects started
- 421,000 sq m leased (511,000)
- Strong interest from tenants and investors



9000 Wilshire, Los Angeles, USA

Construction

Order situation



SEK bn	Jan-Dec 2019	Jan-Dec 2018
Revenue	159.6	157.9
Order bookings	145.8	151.7
Order backlog	185.4	192.0



Construction

Order bookings

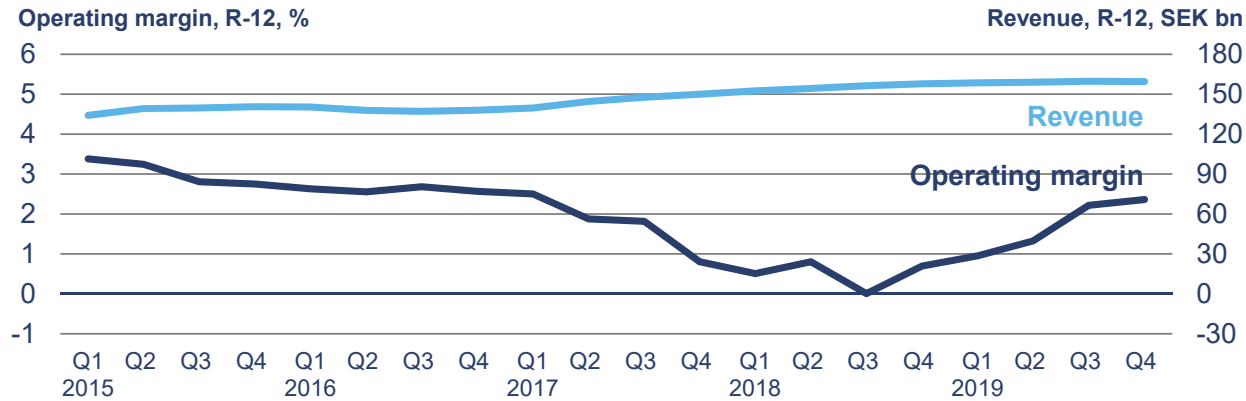
SEK bn	Jan-Dec 2019	Jan-Dec 2018	Book- to-build, %	Months of production
Nordics	59.4	65.2	100	13
of which Sweden	37.6	35.9	107	13
Europe	19.0	30.6	60	9
USA	67.4	55.9	98	17
Total	145.8	151.7	91	14



Light rail extension, Shoreline – Lynnwood, USA

Construction

Income statement



SEK bn	Jan–Dec 2019	Jan–Dec 2018
Revenue	159.6	157.9
Gross income	10.4	8.0
Selling and administrative expenses	-6.7	-7.0
Operating income	3.8	1.1
Gross margin, %	6.5	5.1
Selling and administrative expenses, %	-4.2	-4.4
Operating margin, %	2.4	0.7



Construction

Income statement

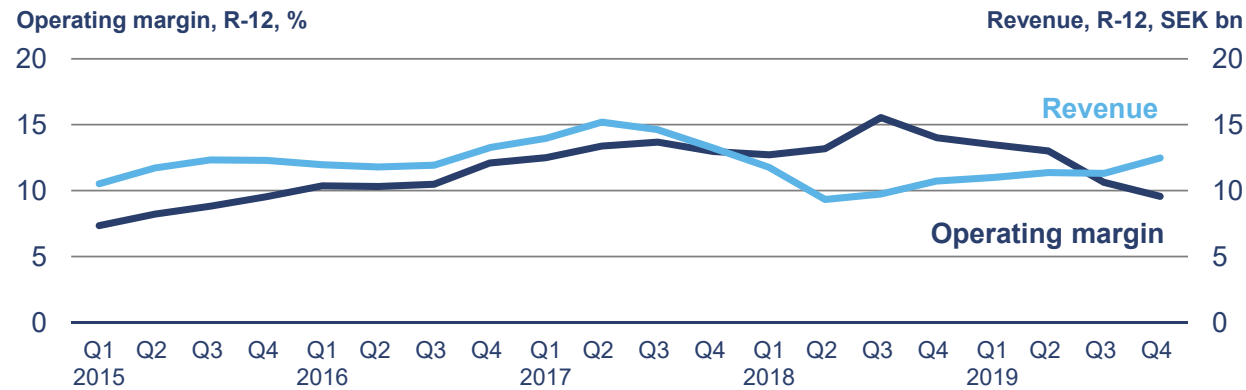
	Operating income, SEK M		Operating margin, %	
	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Nordics	2,299	2,177	3.9	3.8
of which Sweden	1,330	1,617	3.8	4.6
Europe	473	-421	1.5	neg
USA	1,000	-657	1.5	neg
Total	3,772	1,099	2.4	0.7



Light rail extension, Shoreline – Lynnwood, USA

Residential Development

Income statement, segment reporting



SEK M	Jan–Dec 2019	Jan–Dec 2018
Revenue	12,483	10,739
Gross income	1,986	2,181
Selling and administrative expenses	-791	-676
Operating income	1,195	1,505
Gross margin, %	15.9	20.3
Selling and administrative expenses, %	-6.3	-6.3
Operating margin, %	9.6	14.0



Residential Development

Income statement

	Operating income, SEK M		Operating margin, %	
	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
Nordics	1,034	1,358	9.2	14.2
of which Sweden	675	752	10.3	15.5
Europe	161	147	13.6	12.6
Total	1,195	1,505	9.6	14.0

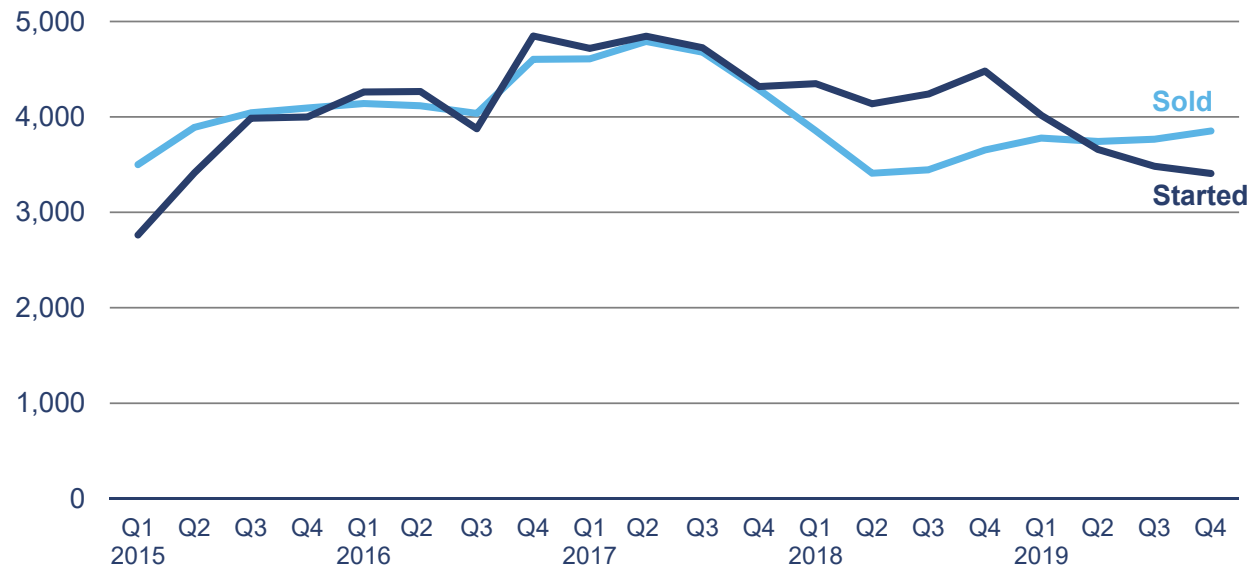


Solseglet, Malmö, Sweden

Residential Development

Homes started and sold

Homes, R-12

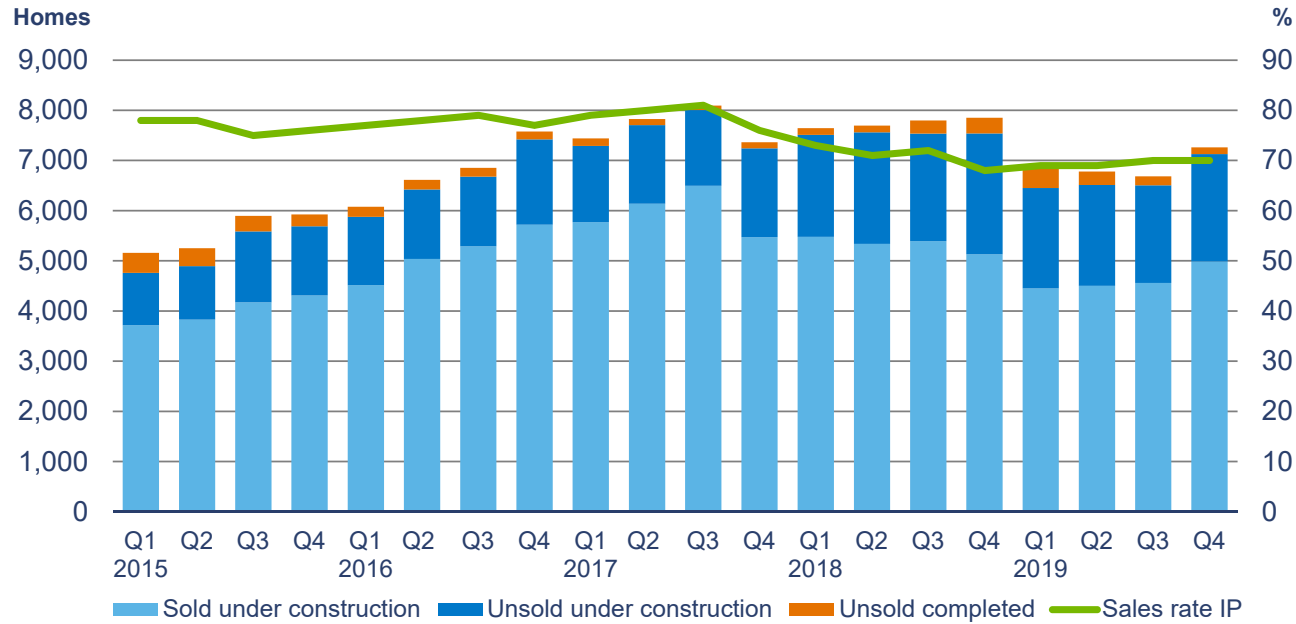


Homes started		Homes sold	
Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018
3,407	4,480	3,853	3,653



Residential Development

Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
7,130	7,539	70	68	134	314



Commercial Property Development

Income statement, segment reporting

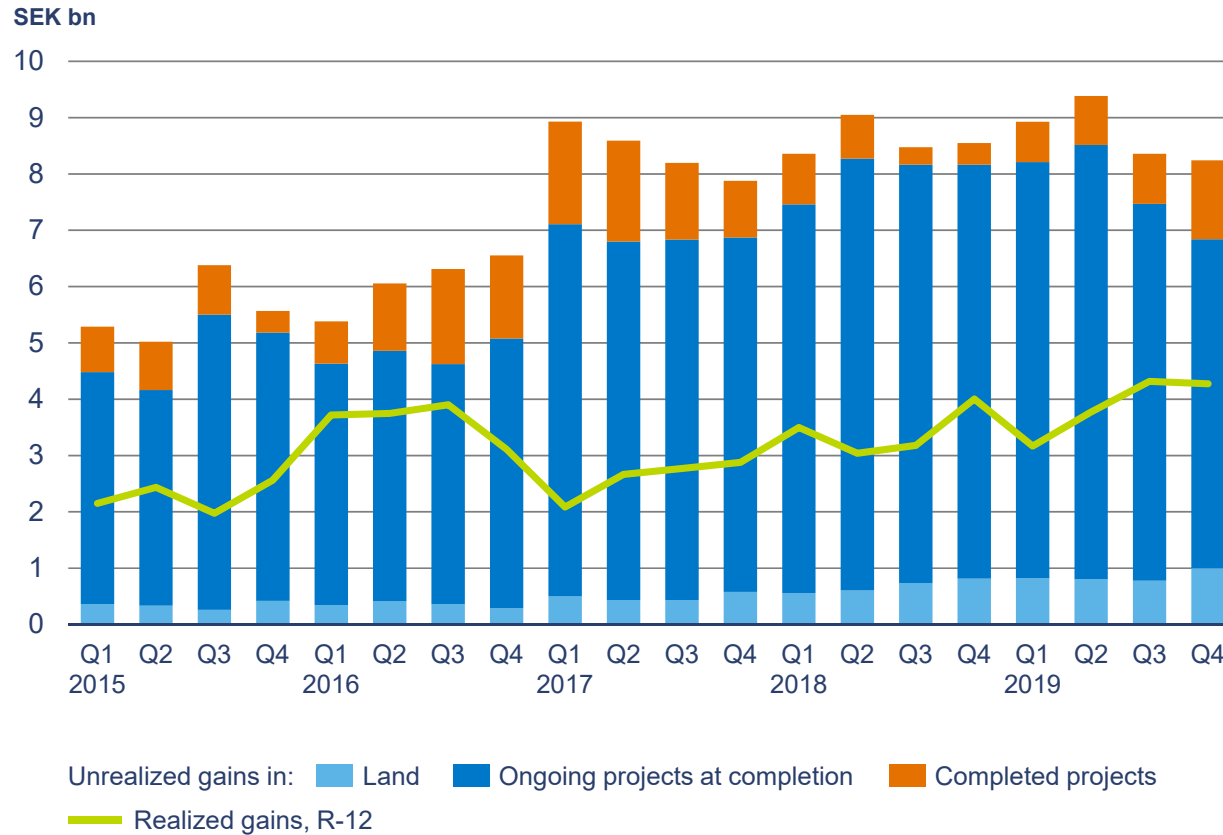
SEK M	Jan–Dec 2019	Jan–Dec 2018
Revenue	17,850	16,271
Gross income	4,101	3,936
Selling and administrative expenses	-960	-928
Income from joint ventures and associated companies	146	61
Operating income	3,287	3,069
of which gain from divestments of properties ¹	4,275	4,005
of which write downs/reversal of write downs	-89	-107
¹ Additional gain included in eliminations	240	321



9000 Wilshire, Los Angeles, USA

Commercial Property Development

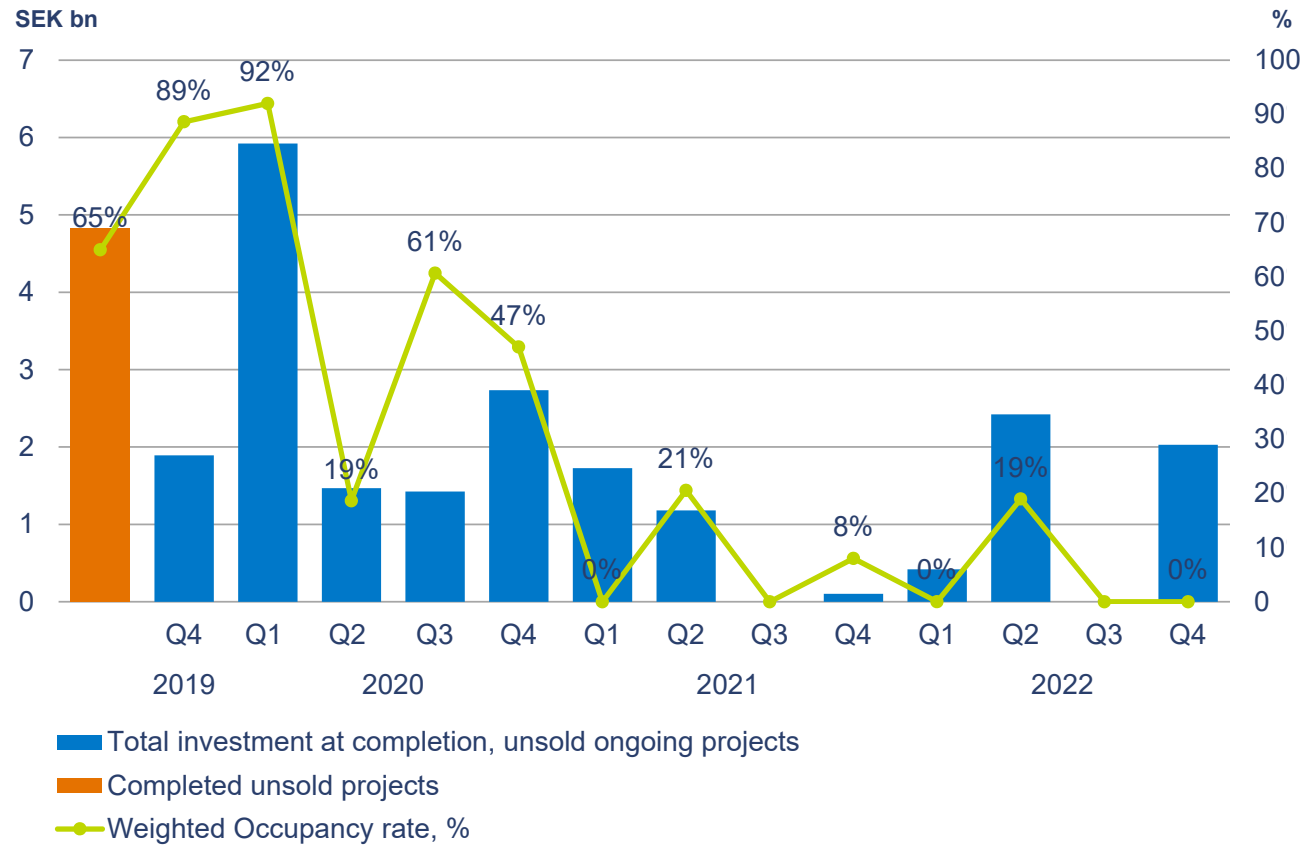
Unrealized and realized gains, segment reporting



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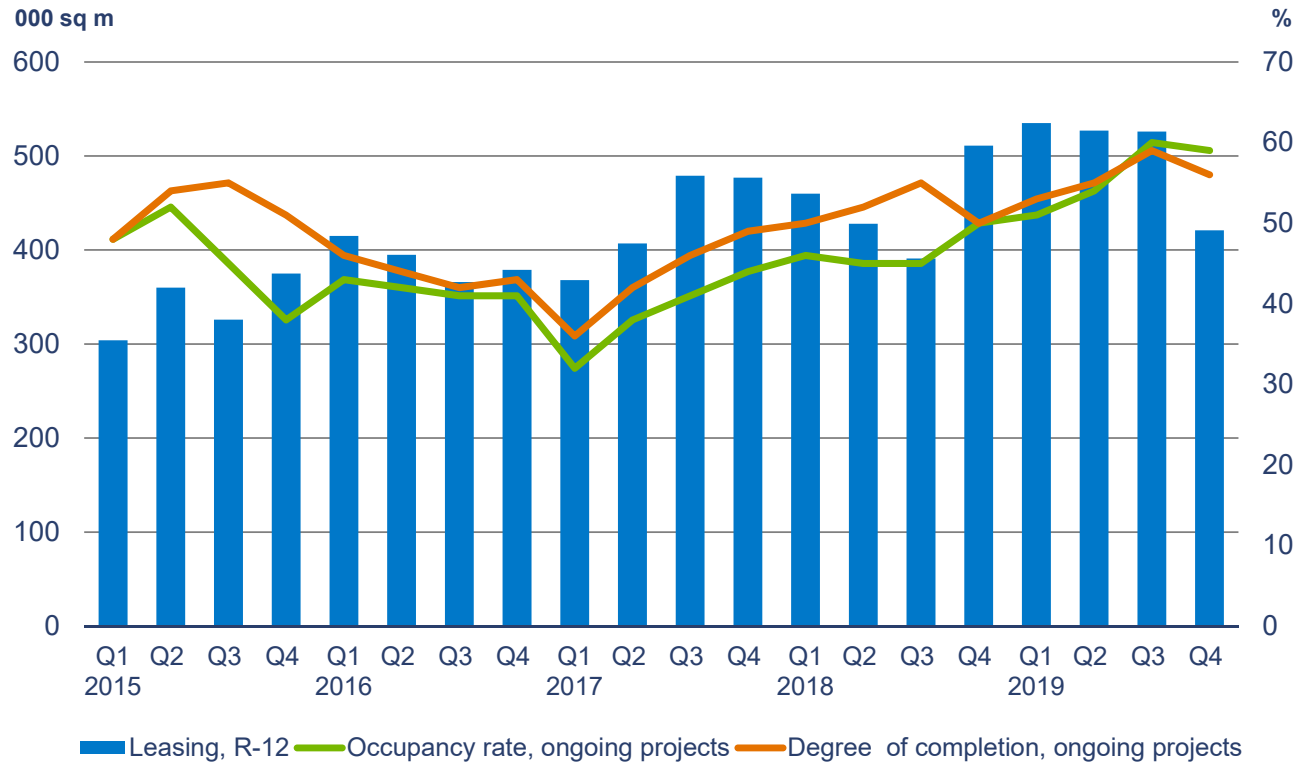
Commercial Property Development

Completion profile, unsold projects



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Commercial Property Development Leasing

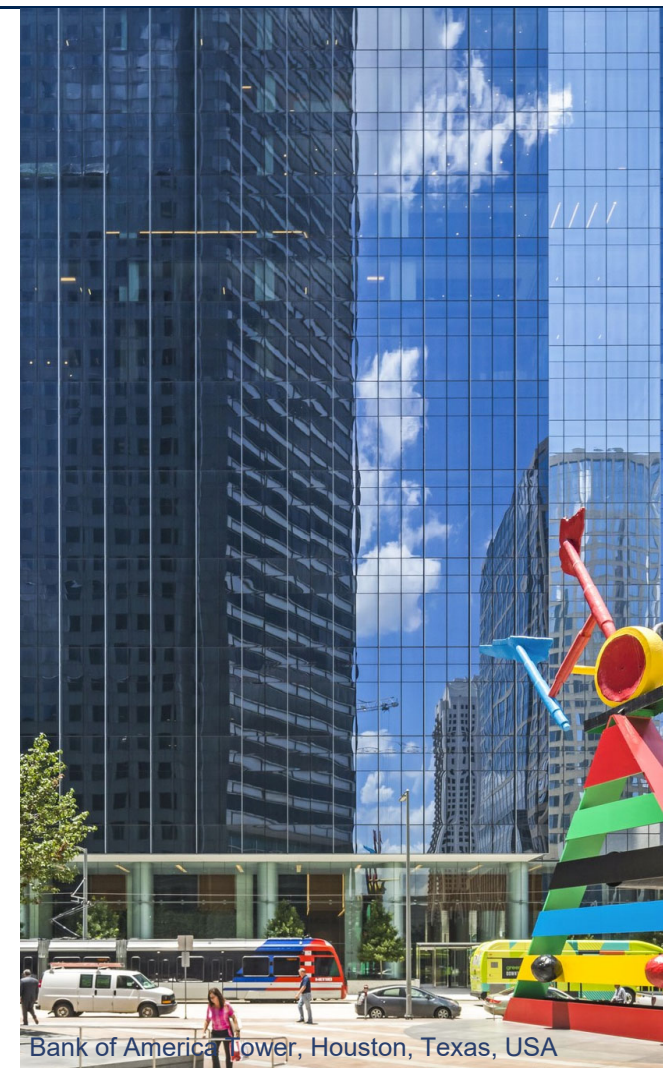


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Group

Income statement

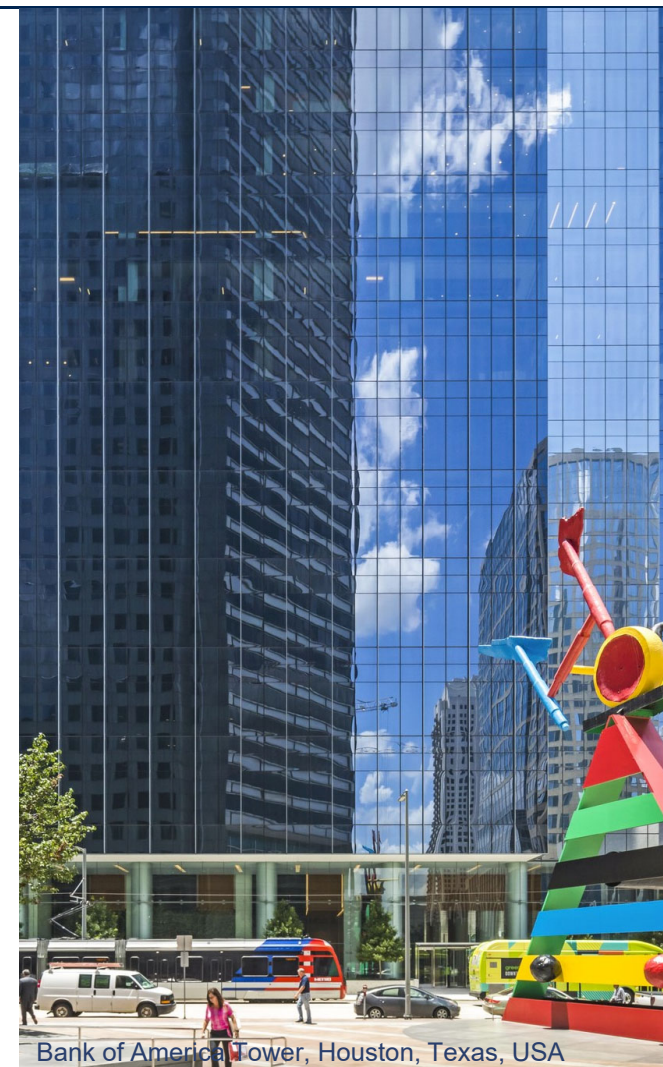
SEK M	Jan–Dec 2019	Jan–Dec 2018
Operating income from business streams	8,254	5,673
Central	-388	-780
Eliminations	-38	-66
Operating income	7,828	4,827
Net financial items	-103	36
Income after financial items	7,725	4,863
Taxes	-1,353	-934
Profit for the period	6,372	3,929
Earnings per share, SEK	15.46	9.55
Tax rate, %	18	19



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Group PPP portfolio

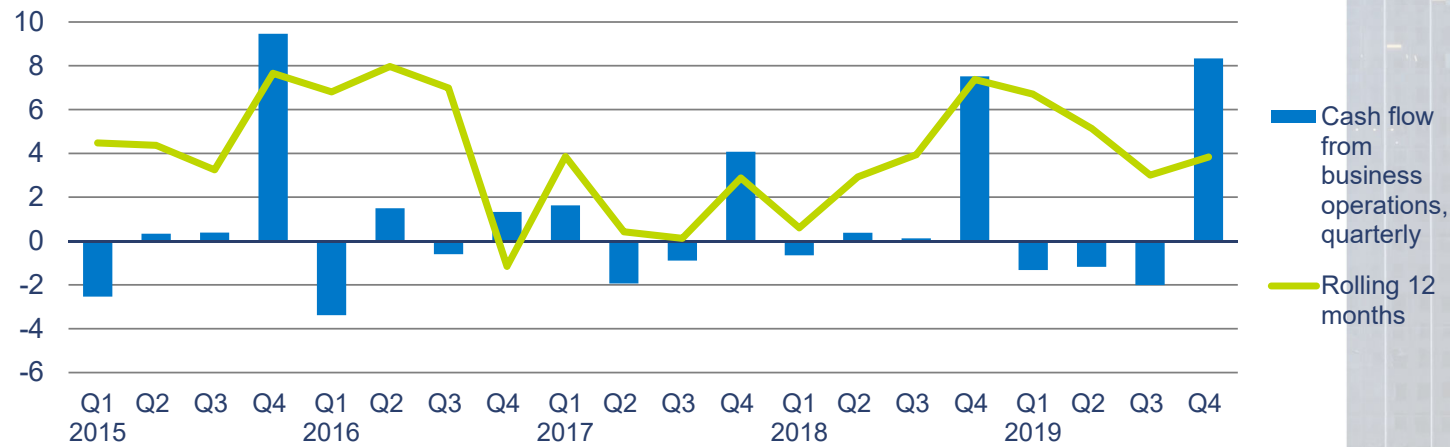
SEK bn	Dec 31, 2019	Dec 31, 2018
Present value of cash flow from projects	4.9	4.7
Net present value of projects	3.8	3.6
Carrying amount	-2.5	-2.5
Unrealized development gain	1.3	1.1
Cash flow hedge	0.3	0.3
Effect in unrealized Equity	1.6	1.4



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Group Cash flow

SEK bn



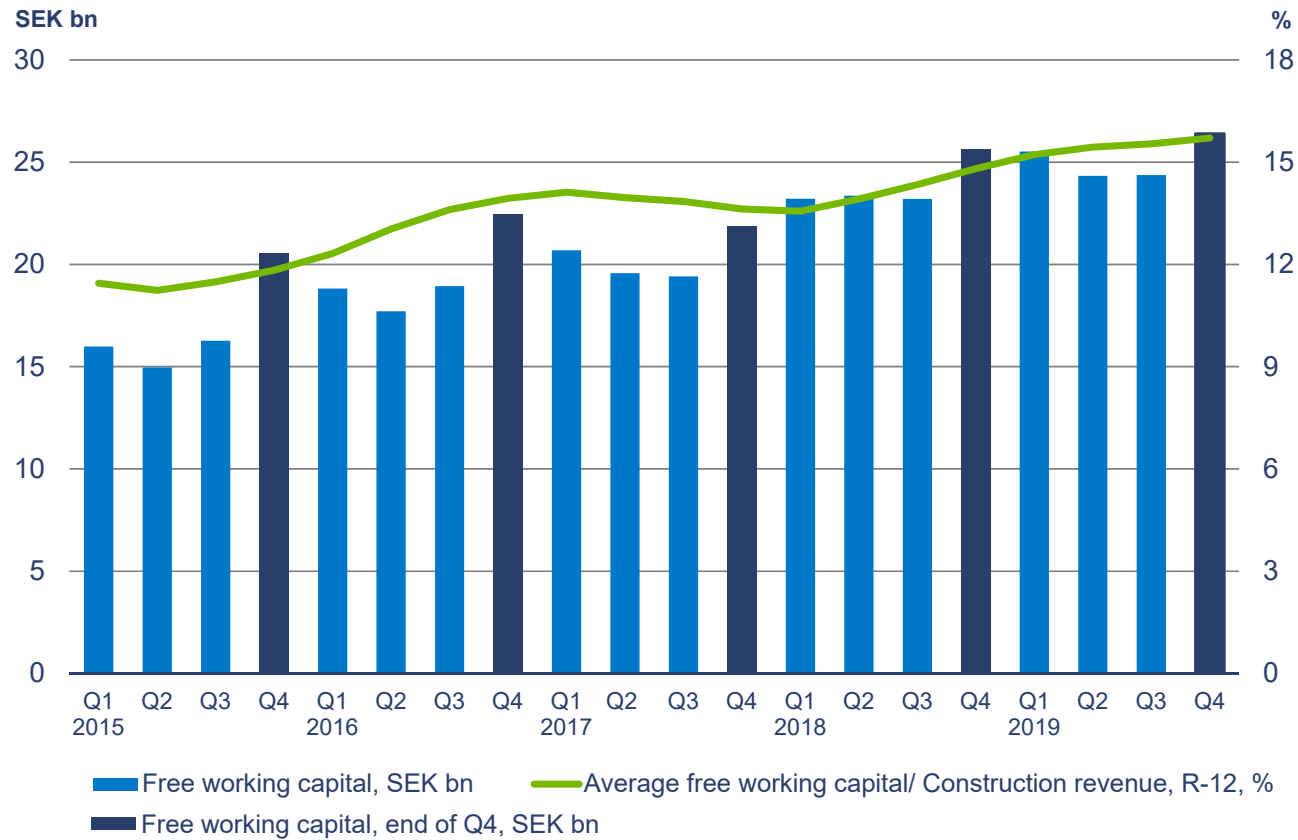
SEK bn	Jan–Dec 2019	Jan–Dec 2018
Cash flow from operations	3.8	7.4
Dividend etc.	-2.5	-3.5
Cash flow before change in interest-bearing receivables and liabilities	1.3	3.9



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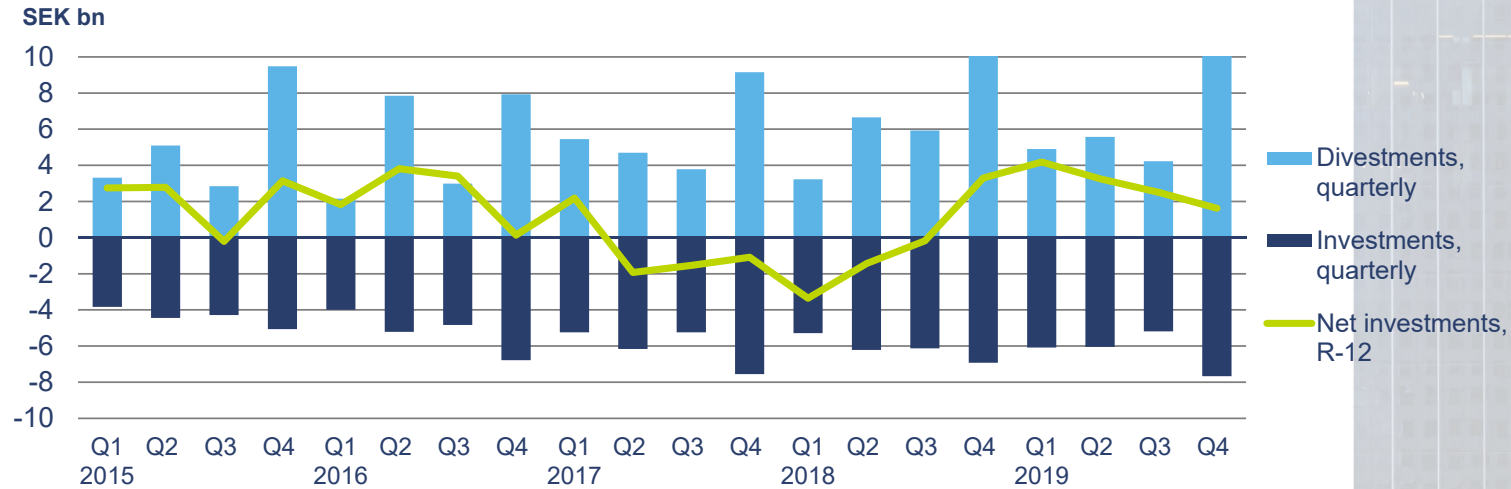
Construction

Free working capital



Group

Investments, divestments and capital employed



SEK bn	Dec 31 2019	Dec 31 2018
Capital employed in:		
Residential Development	13.0	13.6
Commercial Property Development	34.5	26.7
Total in Project Development	47.4	40.3



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Group Financial position

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



SEK bn	Dec 31 2019	Dec 31 2018
Total assets	126.0	116.3
Equity attributable to equity holders	32.9	29.3
Interest-bearing net receivables (+)/net debt (-)	-4.9	3.2
Adj. interest-bearing net receivables (+)/net debt (-)	3.2	2.1
Capital employed, closing balance	55.9	46.2
Equity/assets ratio, %	26.2	25.2



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Market outlook

Construction

High activity in our markets but fierce competition

- 📍 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, cost escalation causing postponement of new projects
- 📍 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



Light rail extension, Shoreline – Lynnwood, USA

Market outlook

Residential Development

High construction costs and long zoning processes in all our markets



Nordics

- Slightly improving Swedish market
- Stable market in Norway
- Slowdown in Finland



Europe

- Stable markets in Warsaw, Prague and Cracow

Outlook compared to previous quarter ● Weaker ● Unchanged ● Improved



Market outlook

Commercial Property Development

High construction costs and long zoning processes 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



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Group Summary

- Significant performance improvements in Construction, and potential to improve even further
- High market activity in many of our geographies and segments, but fierce competition
- Underlying operating margin in Residential Development at a solid 10% and a well-diversified portfolio
- Attractive Commercial Property Development portfolio
- Strong balance sheet
- Significant opportunities for investments in Project Development



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