

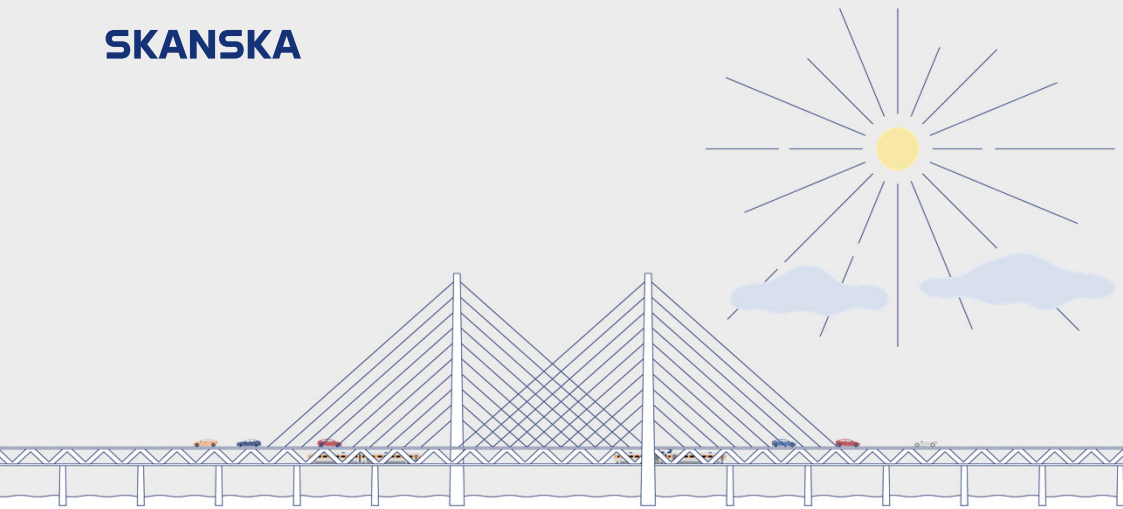
SKANSKA

Capital Market Day

December 7, 2021



SKANSKA



Agenda

Overview , performance and accomplishments

Group strategy

10min break

Market situation and Commercial direction

10min break

Group Financials and Group targets

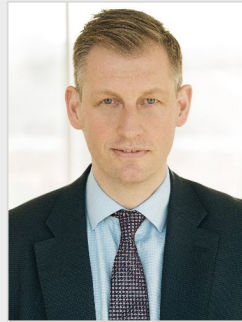
Q&A and Summary

End

Skanska Group Leadership Team



Anders Danielsson
President and
Chief Executive Officer



Magnus Persson
Executive Vice President,
Chief Financial Officer



Caroline Fellenius-Omnell
Executive Vice President,
General Counsel



Kirsi Mettälä
Executive Vice President,
Human Resources



Lena Hök
Executive Vice President
Sustainability & Innovation



Claes Larsson
Executive Vice
President



Richard Kennedy
Executive Vice
President

Skanska in brief

Nordic: 37%

Europe: 21%

USA: 42%

- One of the world's leading project development and construction groups
- 2020 revenue of SEK 159 bn
- 32,500 employees

Average revenue (2016-2020)

Our business streams

Construction

Residential
Development

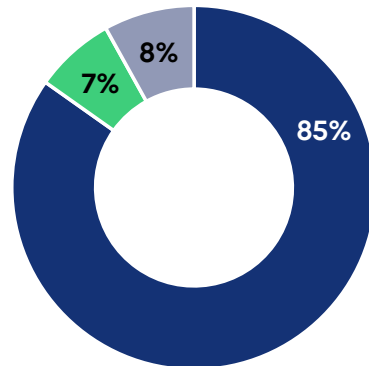
Commercial Property
Development

Investment
Properties

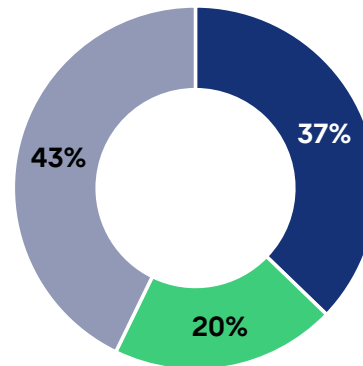


Well diversified

Revenue



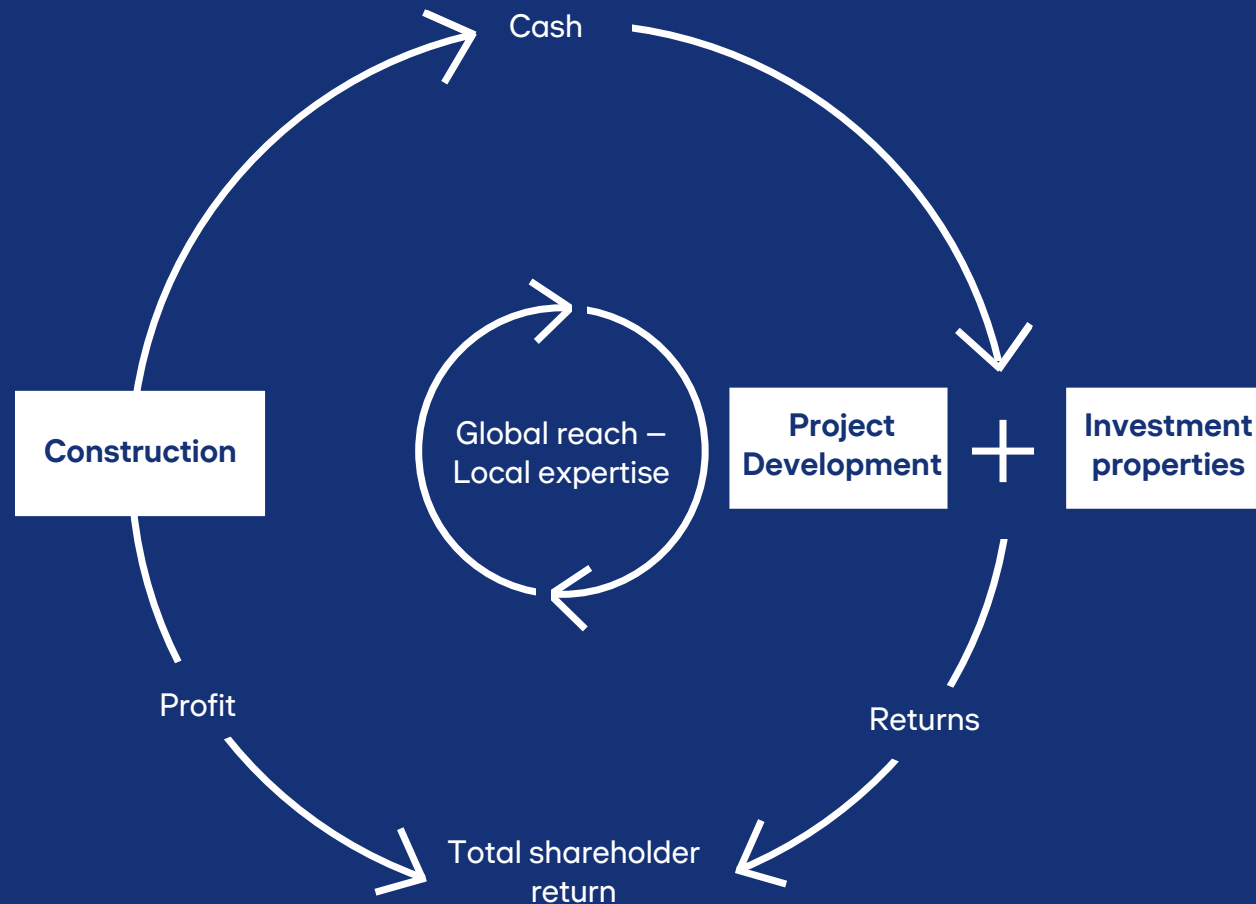
EBIT



% of total 2016-2020 average

- Construction
- Residential Development
- Commercial Property Development

One Skanska business model





Performance and accomplishments

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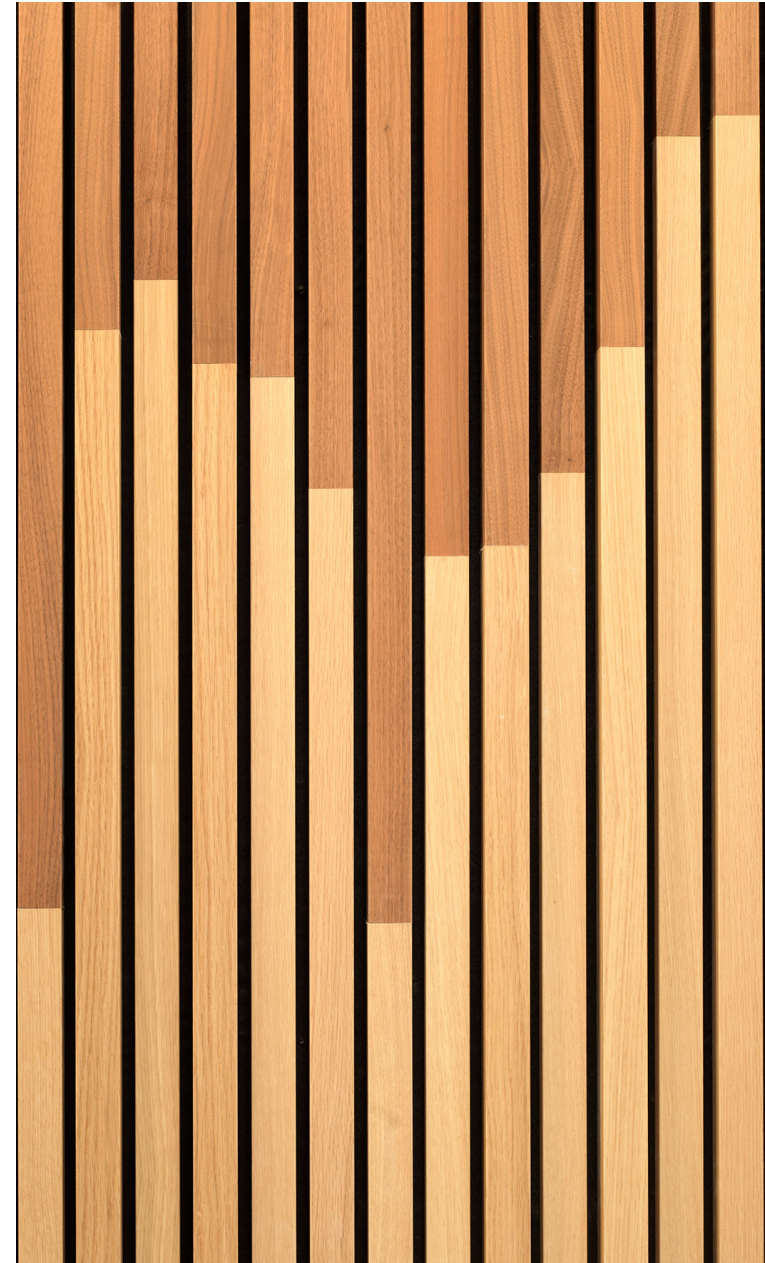
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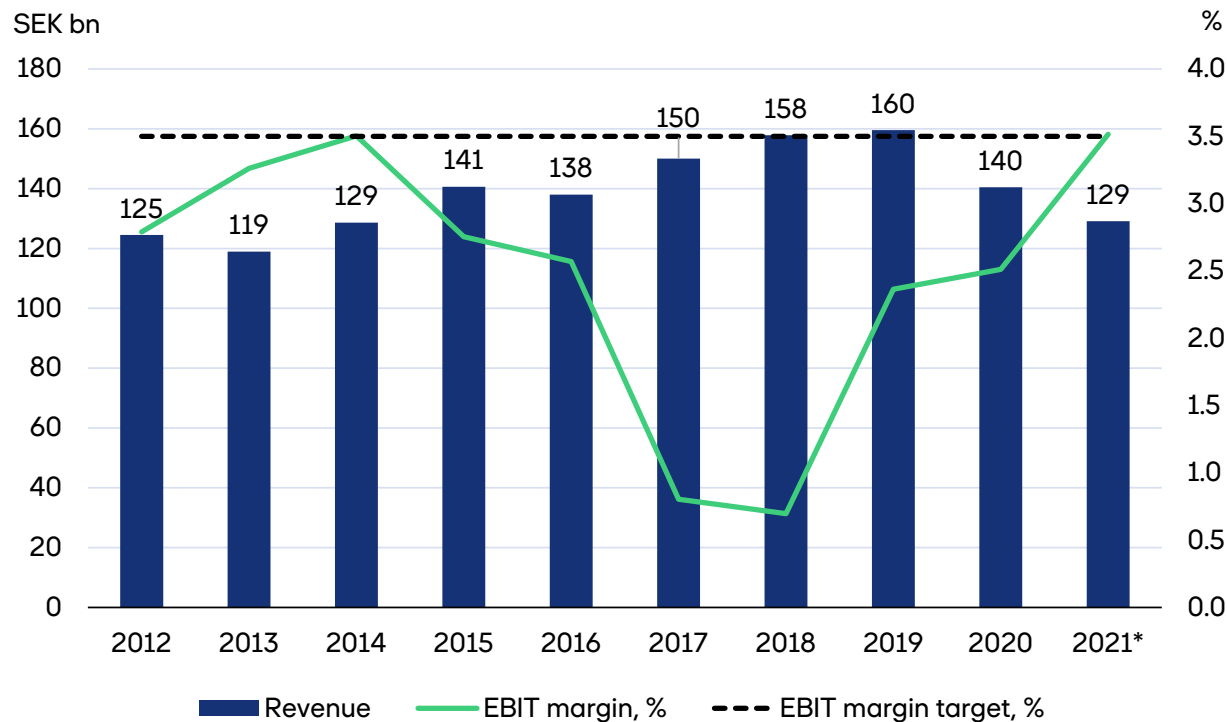
Past performance and strategic review accomplishments

2018 Strategic review

- Stabilization of our Construction business
 - Restructuring of our operations
 - Implementation of initiatives to stabilize and reduced the size of unprofitable business units
- Increased focus on cost control and risk management
- Strengthening of our organizational governance
- Strengthening our balance sheet
- Enabled Project Development operations to grow



Improve profitability in Construction

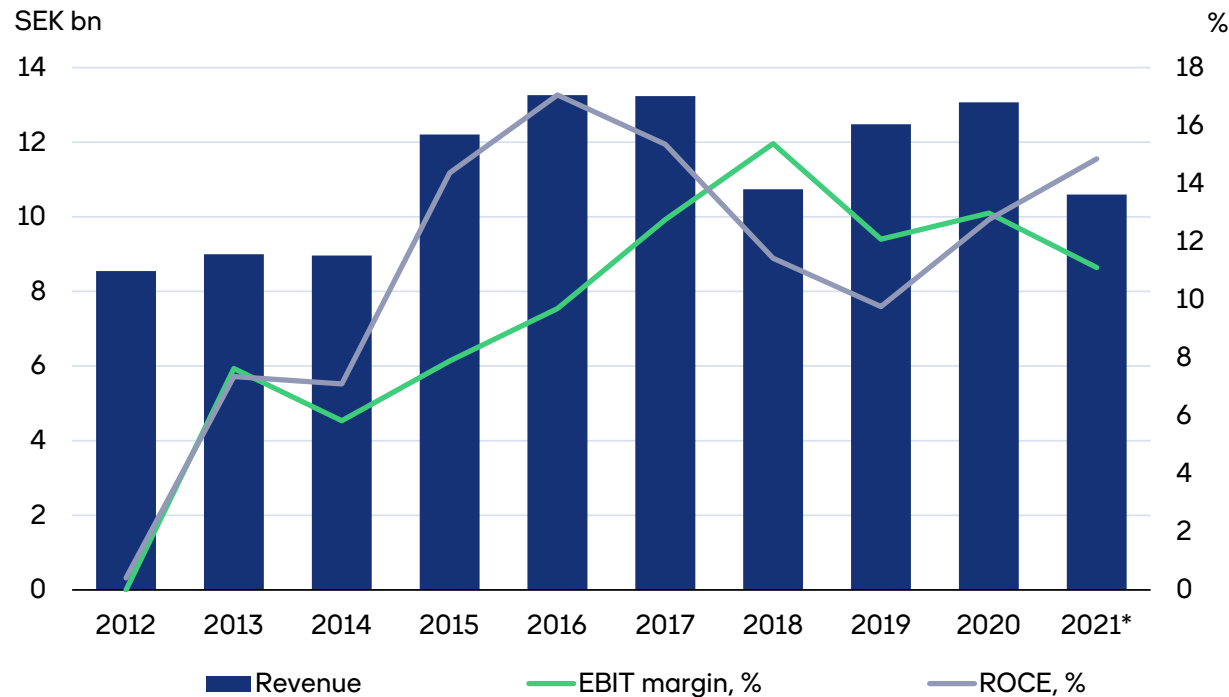


* Q3 2021 R12

2018 Strategic review

- Leave the US power sector and certain contract types
- Major restructuring in Poland
- Focus on core business in the UK and Czech Republic
- More decentralized way of working, accountability
- Reduce costs
- Selective bidding
- Risk and claims management

Leading residential developer

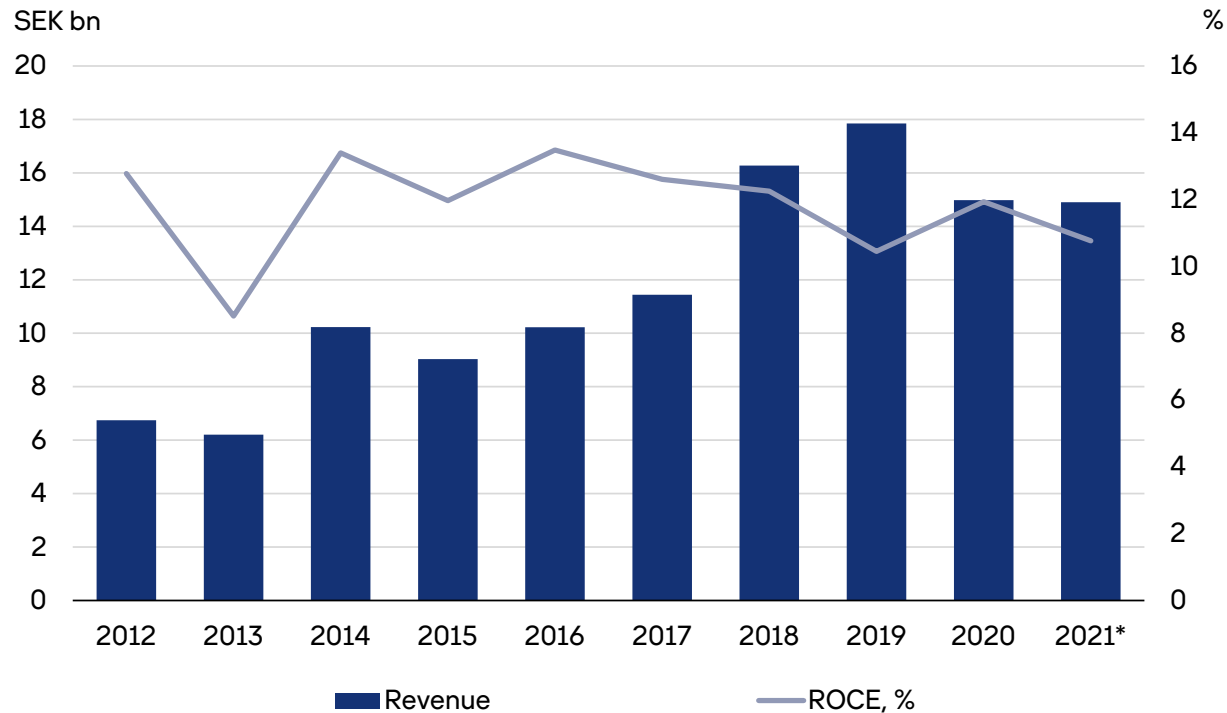


* Q3 2021 R12

2018 Strategic review

- Being the leading developer in our markets
 - Solid footprint in Sweden
 - Strengthen position in Norway and Finland
 - Expand in Central Europe
 - UK entry BoKlok
 - Grow BoKlok in Norway and Finland
- Focus on capital efficiency
- Cost efficiency focus

Expand Commercial Property Development

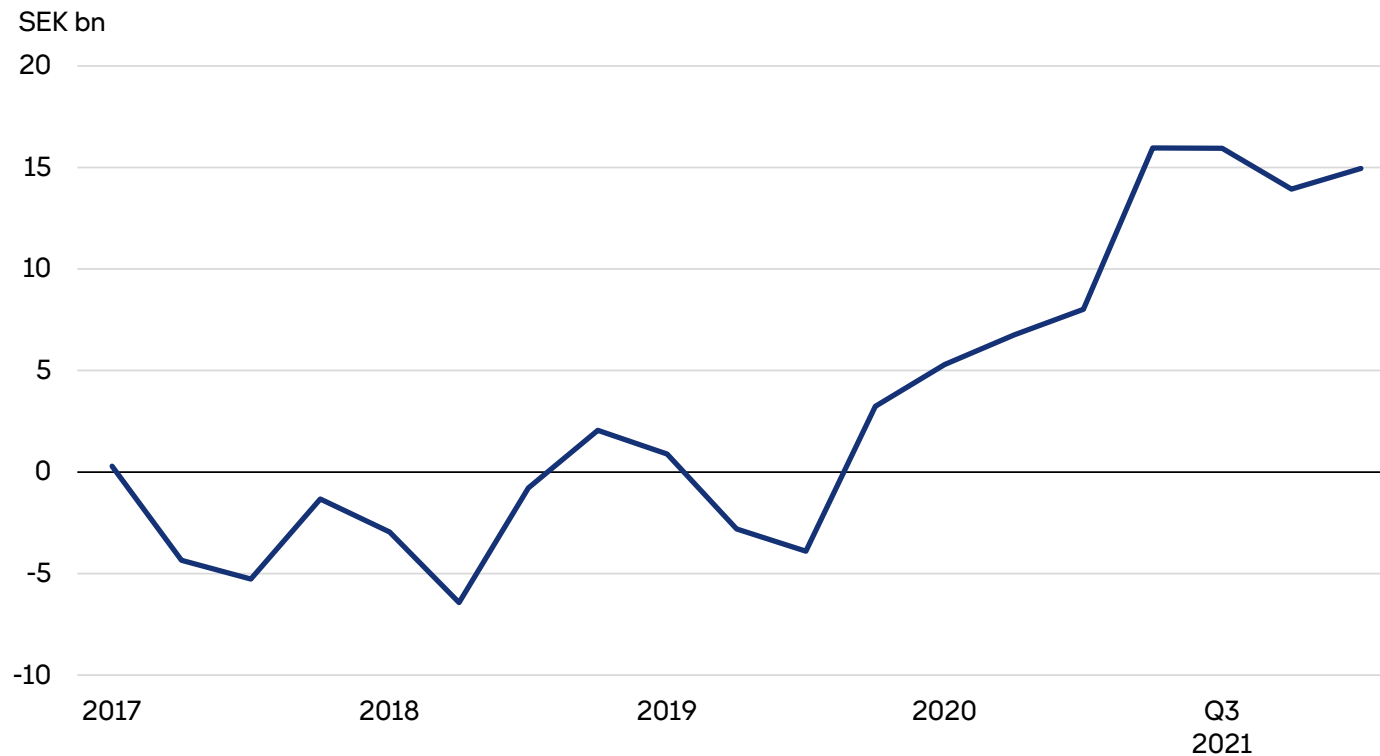


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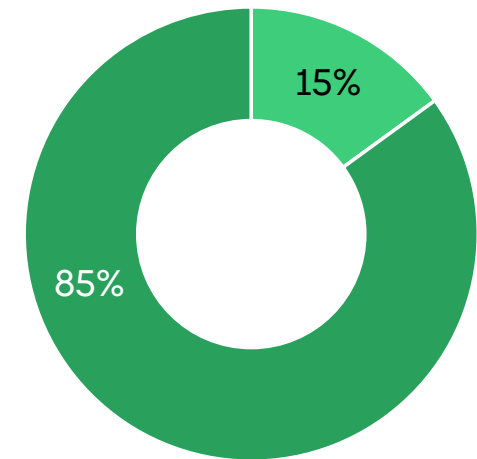
2018 Strategic review

- Increase project activity
- Increase landbank and build future pipeline
- Controlled expansion
 - Maintain strong position in Nordics and Central Europe
 - Increased activity in current US markets
 - Enter the Los Angeles market
- Focus on capital efficiency
- Cost efficiency focus

Strong financial position

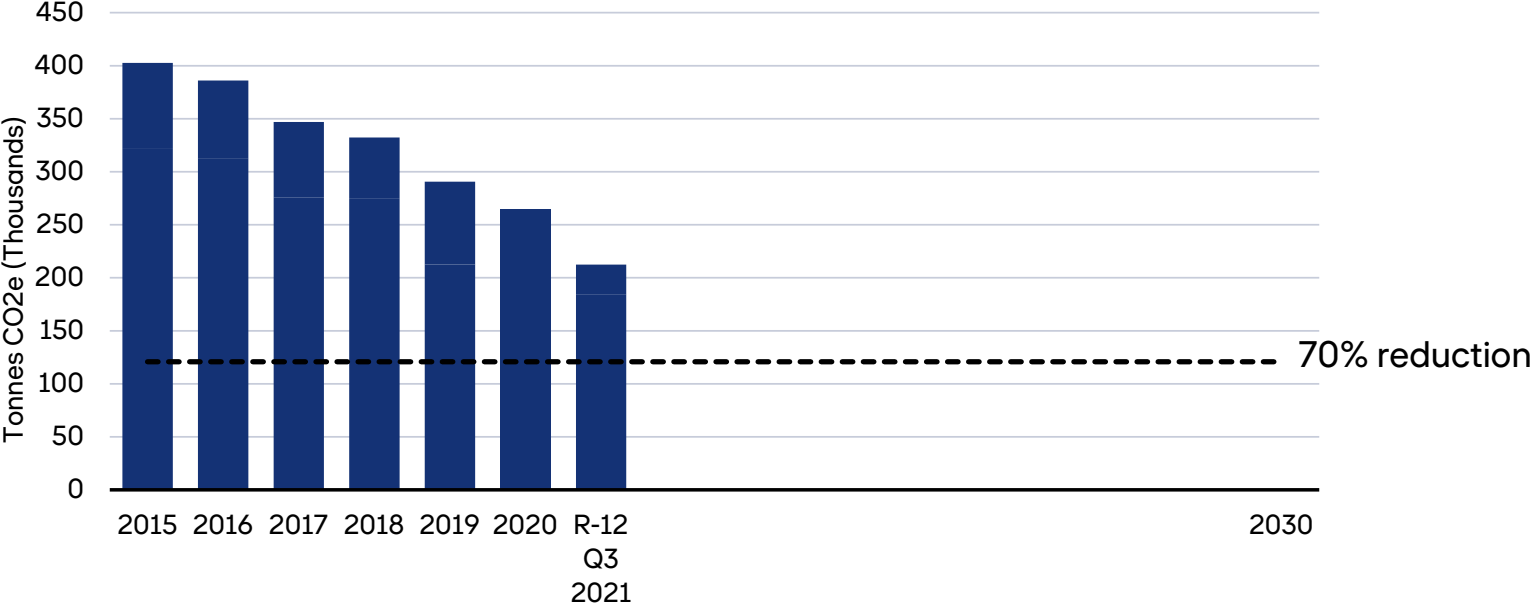


Central funding



- Bilateral loan
- Green bonds

Climate performance own emissions



-47%
Absolute carbon reduction

Health and Safety performance 2021

3.1

LTAR rate

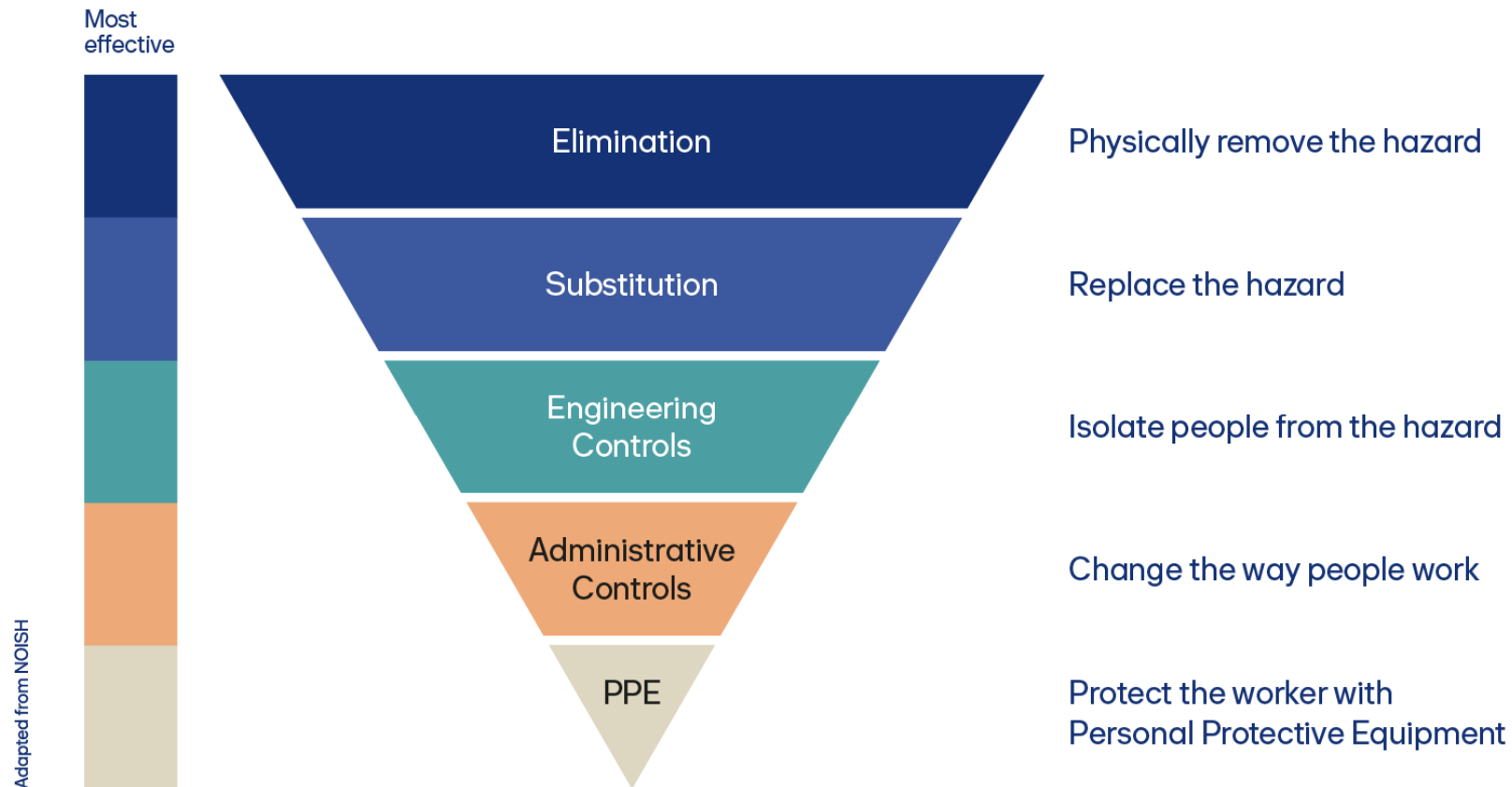
5,900

Executive Safety Site
Visits performed

>40%

Reduction of high
potential incidents

Strategic focus to reduce safety hazards





Our foundation and Global trends

Purpose and values our foundation

Care for life

Protecting people and planet

Be better together

Teaming up

Commit to customers

Having a customer-first mindset

Act ethically and transparently

Being a role model

We build for a better society



First choice employer

Employee experience and employer brand

- Learning and career possibilities
- Value based leadership
- Intangible and tangible rewards

Critical competence and workforce

- Secure and stable company
- Knowledge and experience sharing
- Inclusive working environment

Purpose

- Building for better society
- Climate, D&I, Ethics, Safety

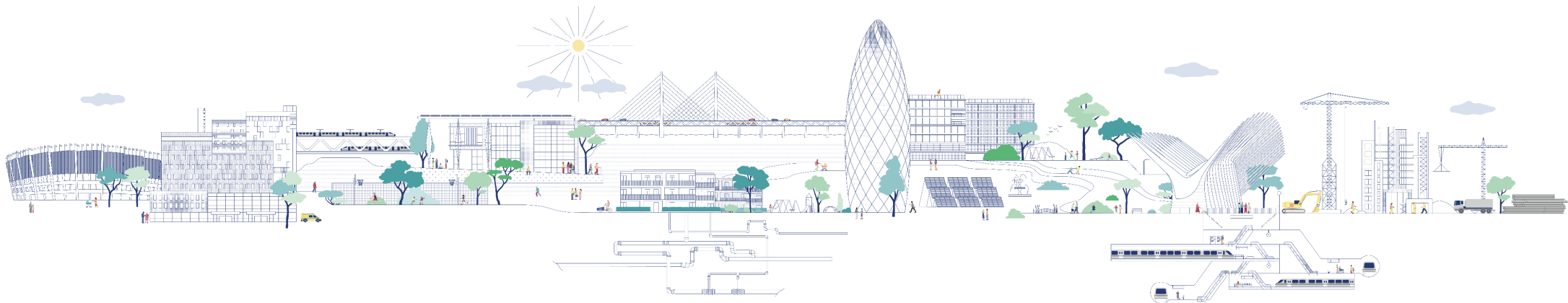


Global trends – factors that impact us

Digitalization

Urban development

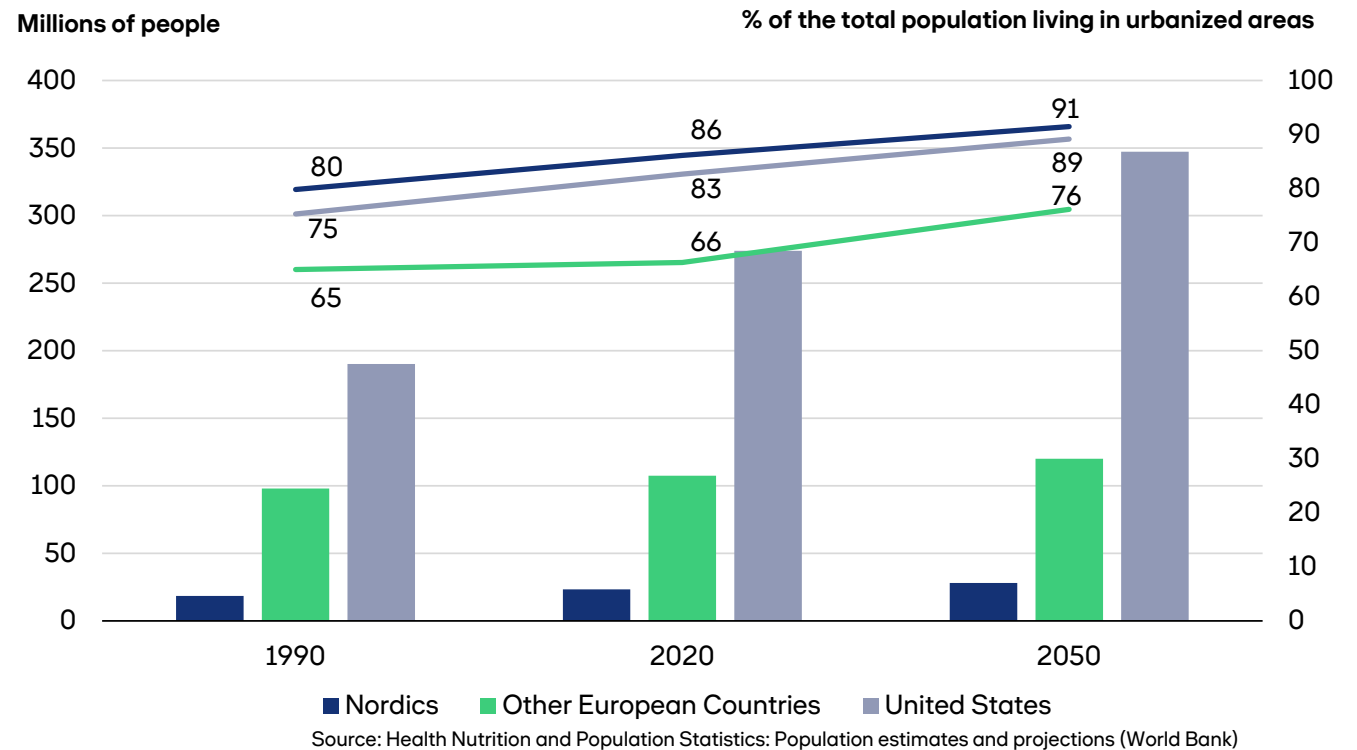
Climate change



Investment programs aim to link economic recovery with sustainability

Comprehensive investments in:

- Housing
- Offices
- Education
- Healthcare
- Transport/Transit
- Energy and water systems



Sustainability is maturing – evaluated and valued



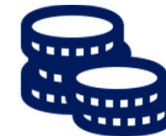
Regulatory
frameworks



Performance
& Certifications



Innovation &
Partnerships



Finance
& funding



Customers
& employees

Climate achievements

- Climate target validated as Science Based
- Climate plan ACT launched
 - Awareness
 - Customer success
 - Transformation



Supply chain



Construction operations

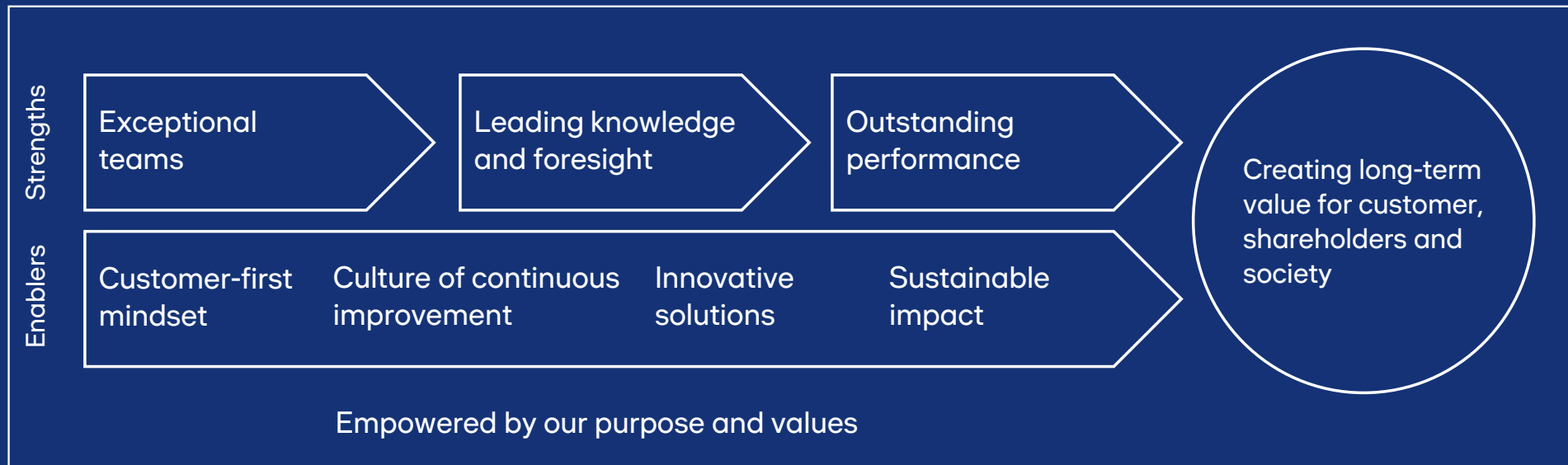


Operational phase

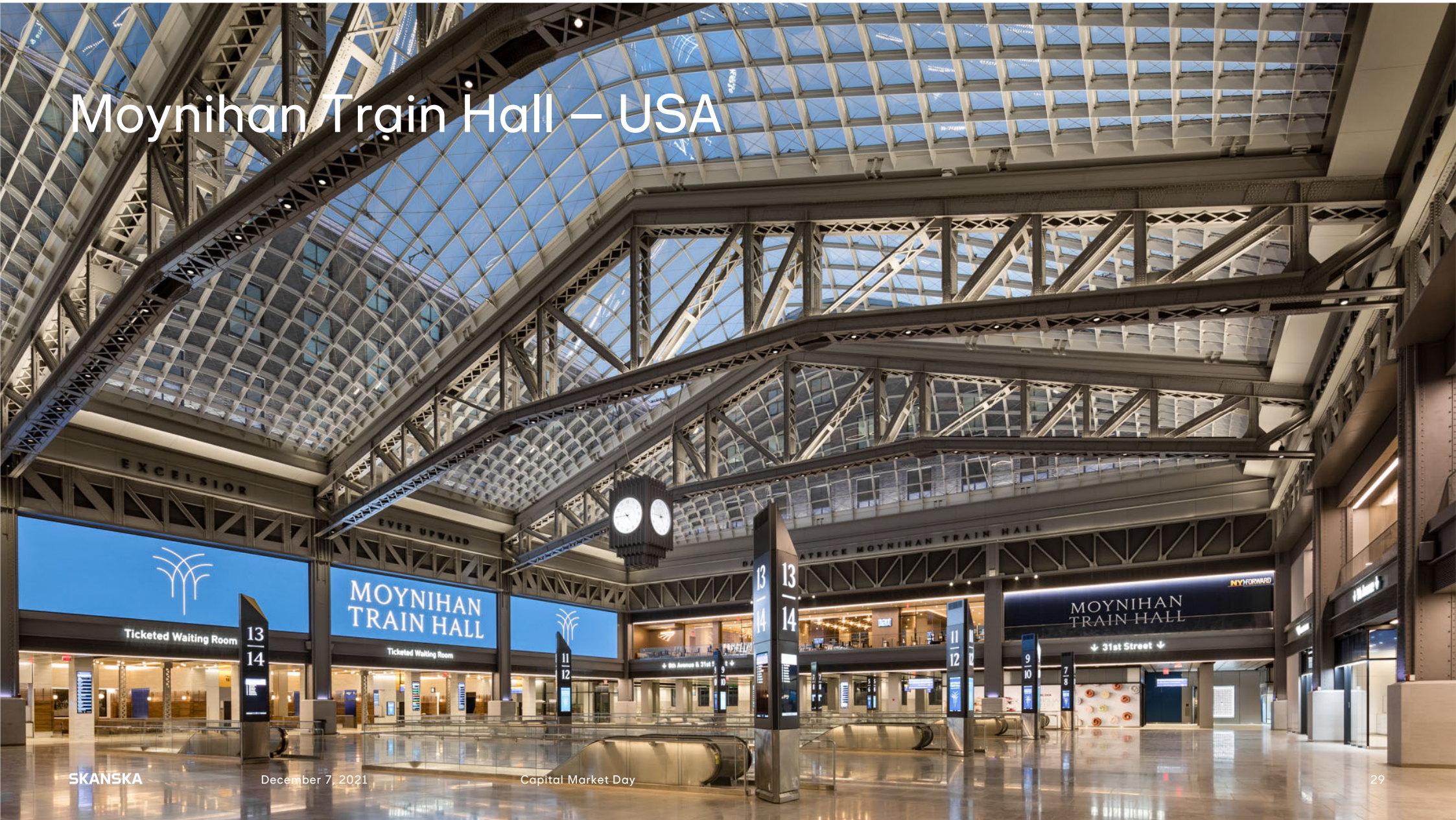


Group Strategy overview

Group Strategy overview



Moynihan Train Hall – USA





BoKlok factory – Sweden

European Spallation Source – Sweden



Sustainable impact areas

Responsibility

A responsible business
for people and planet



Climate

Transformative solutions
for a climate smart built
environment



Resilience

Healthy resilient places
for all



Responsibility

A responsible business for
people and planet

Ensure safety for all

Engage as a fair and
responsible business

Safeguard the environment

Embrace diversity



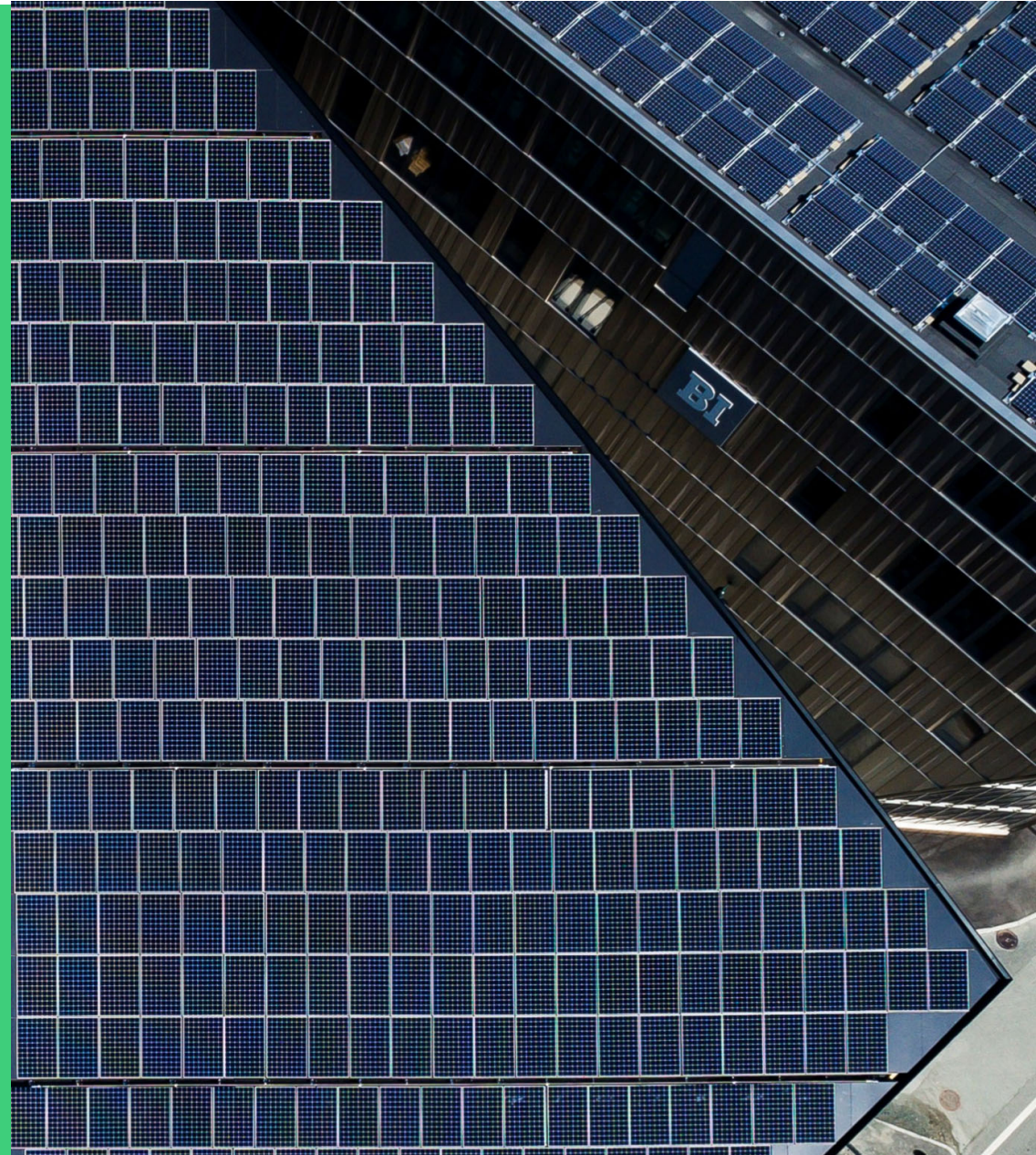
Climate

Transformative solutions for a
climate smart built environment

Develop and use insights for
climate action

Partner to innovate net zero
solutions

Transform to low-carbon
construction



Powerhouse – Norway



Resilience

Healthy resilient
places for all

Healthy, inclusive and climate
resilient spaces

Design for community needs

Partner for social value



Generation Park – Poland

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40

Hyllie Terrass – Sweden



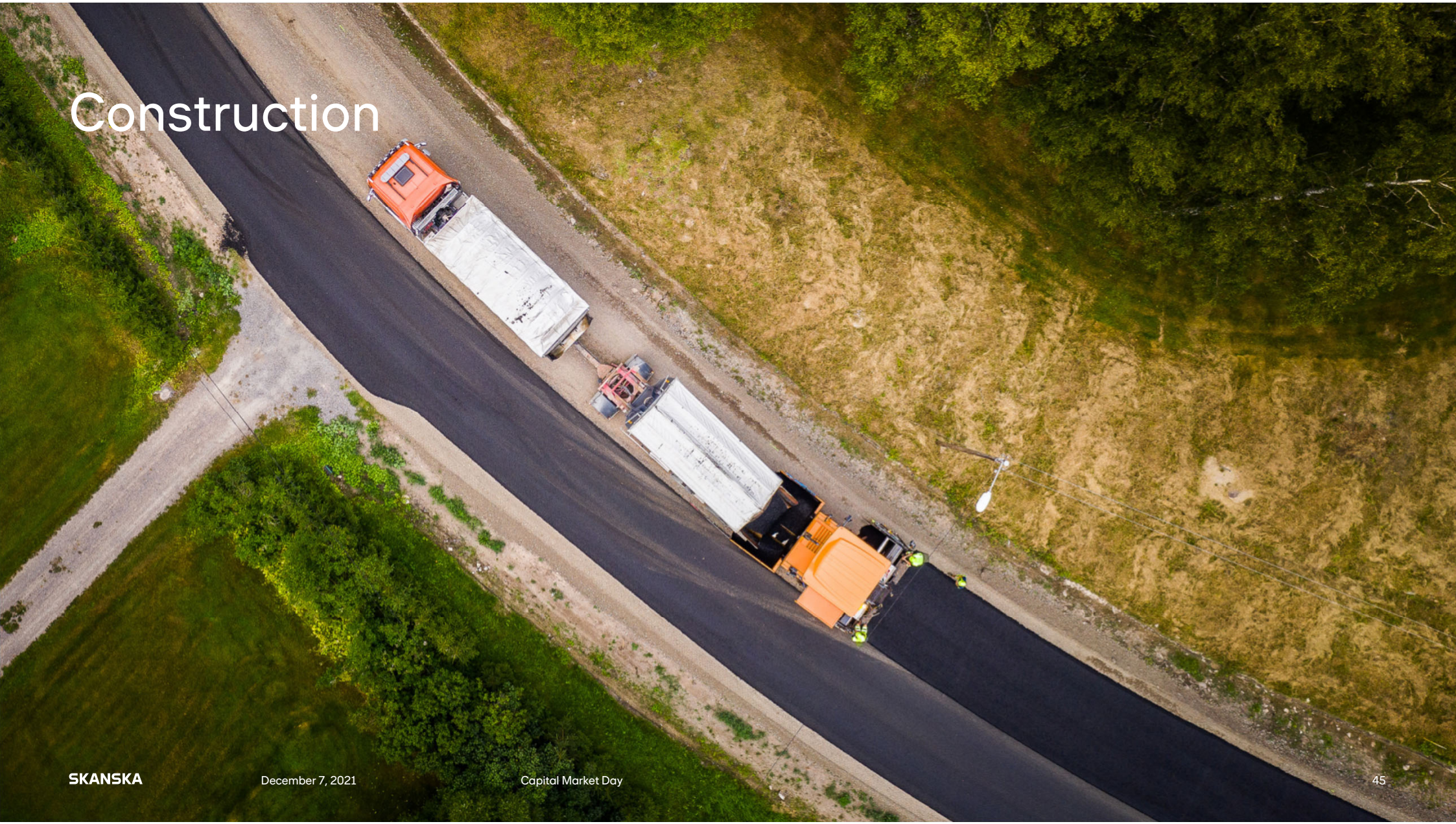
Group Strategy overview





Market situation and Commercial direction

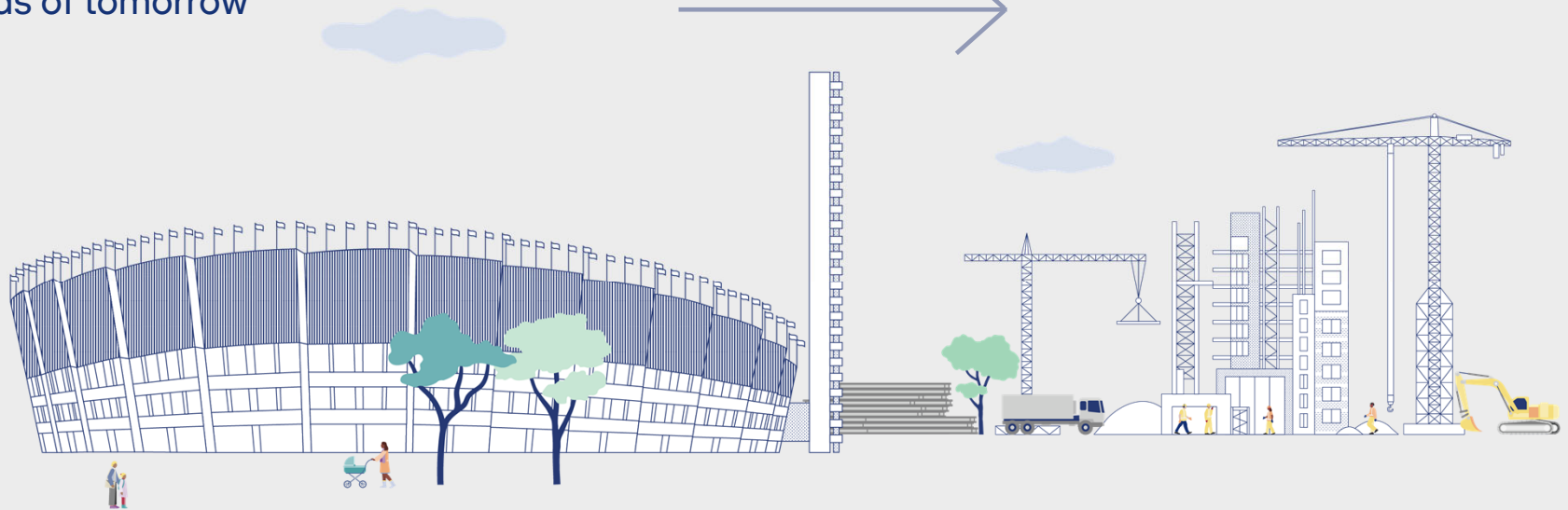
Construction



Construction

Commercial direction

- Improve profitability
- Grow volume responsibly
- Opportunities in a sustainable recovery
- Innovative solutions and digitalization to advance
- Sharpening our offering and solutions to meet the customer needs of tomorrow



Activity is increasing in our markets

- Pandemic impact still present, but activity is increasing in our markets
- Price increases for certain materials and bottlenecks in the supply chain
- Ambitious investment plans under development in many of our markets, but lead-times are expected to be long
- Increased focus on sustainability aspects
 - Increased urgency relating to carbon reduction and climate resilience
 - EU green re-start
- Political uncertainty
 - Business adaptability and social awareness

Material prices and supply chain

- Building materials price volatility
- Limited impact on ongoing projects
- Closely monitoring possible long-term effects
- Improved governance and commercial management
 - Selective bidding
 - Increased contingency in new contracts
 - Inflation indexation in contracts
 - Monitoring suppliers' financial performance
 - Secure prices before submitting final bids

Competition

Nordic countries

- Approximately three larger domestic players in each country
- International companies aiming for increased market share

UK

- Fragmented market where domestic and international companies are competing
- Many are struggling with their performance

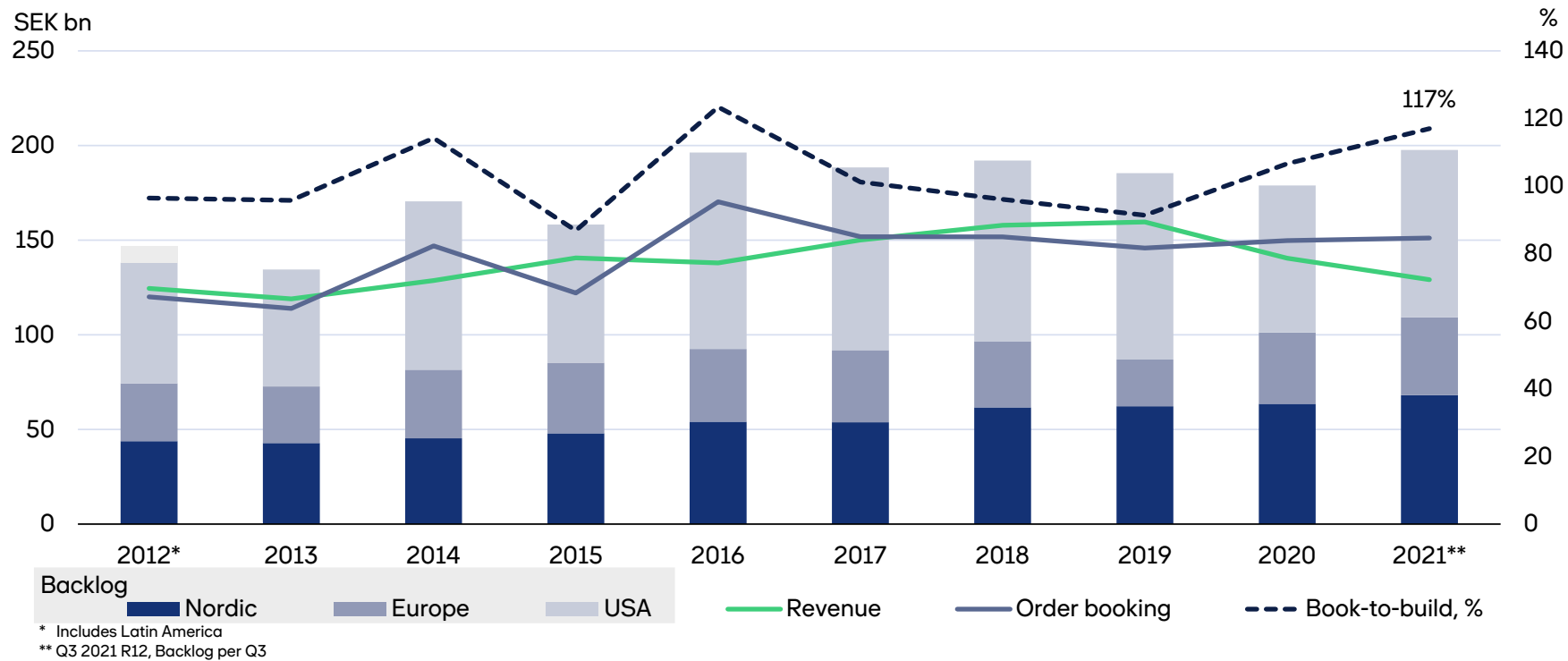
Central Europe

- Aggressive competition, especially in civil construction
- International companies have large presence

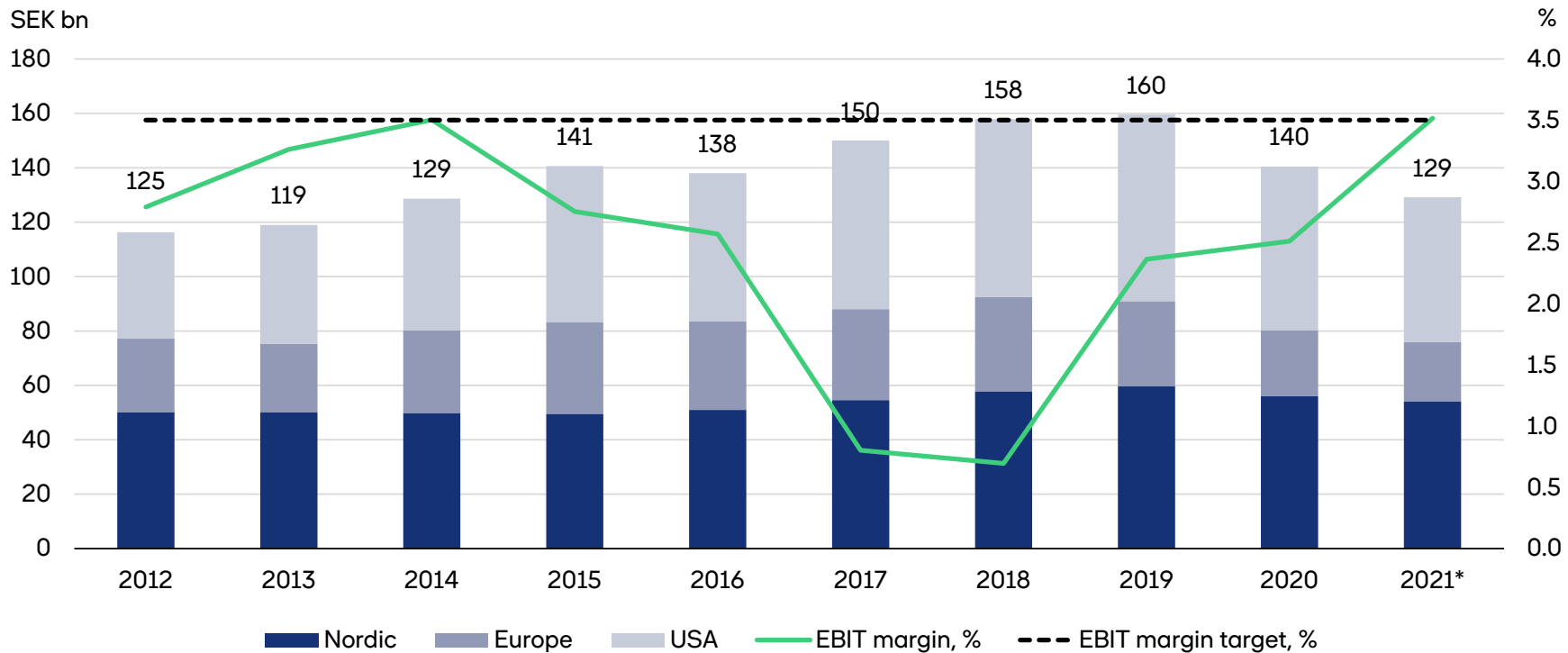
USA

- Very fragmented market with strong local and national competition
 - Building
 - D&I focus and need for climate-smart solutions increasing in importance across client base
 - Civil
 - Competitors working through challenged project portfolios
 - Significant international companies seeking to increase market share

Order situation



Revenue and EBIT margin



Slussen – Sweden



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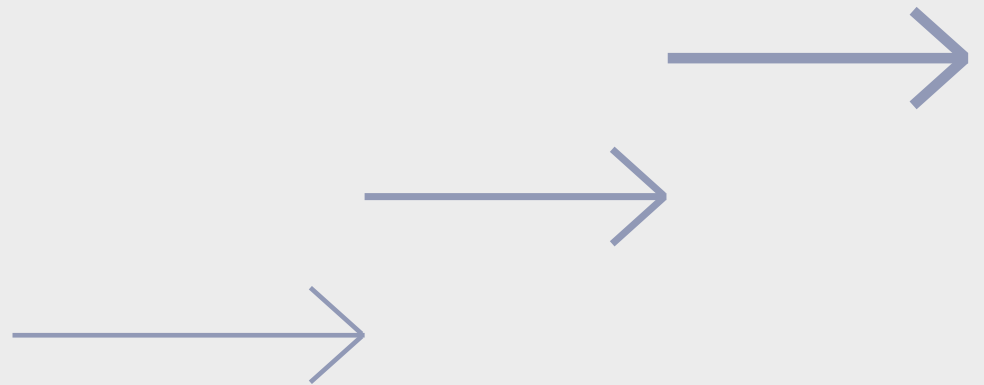
Capital Market Day

Residential Development

Residential Development

Commercial direction

- Business growth
 - Maintain or grow in selected Nordic markets
 - Expand in Central Europe
 - Grow BoKlok in Norway and Finland
 - Ramp up BoKlok in the UK
- Landbank strategy
 - Buy strategic land
 - Drive permitting and landbank management
- Improve efficiency
 - BoKlok automation



A housing need in our markets

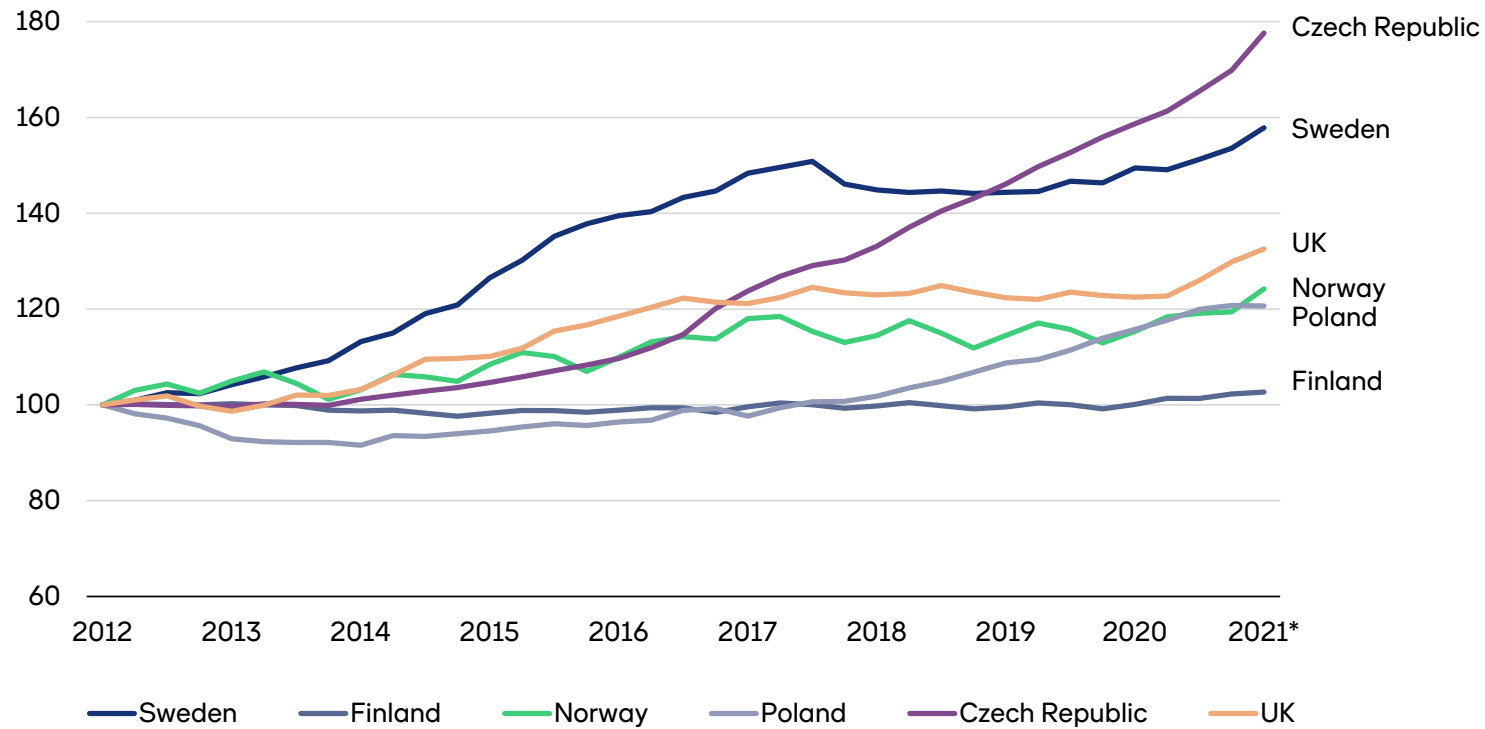
Residential Development

- Long period of increasing house prices in most of our markets
- Demand remains strong across the board
- Solid market response to the first BoKlok project in the UK



Housing prices

Index (real prices)



* Q3 2021 R12

Source: Bank of International Settlements

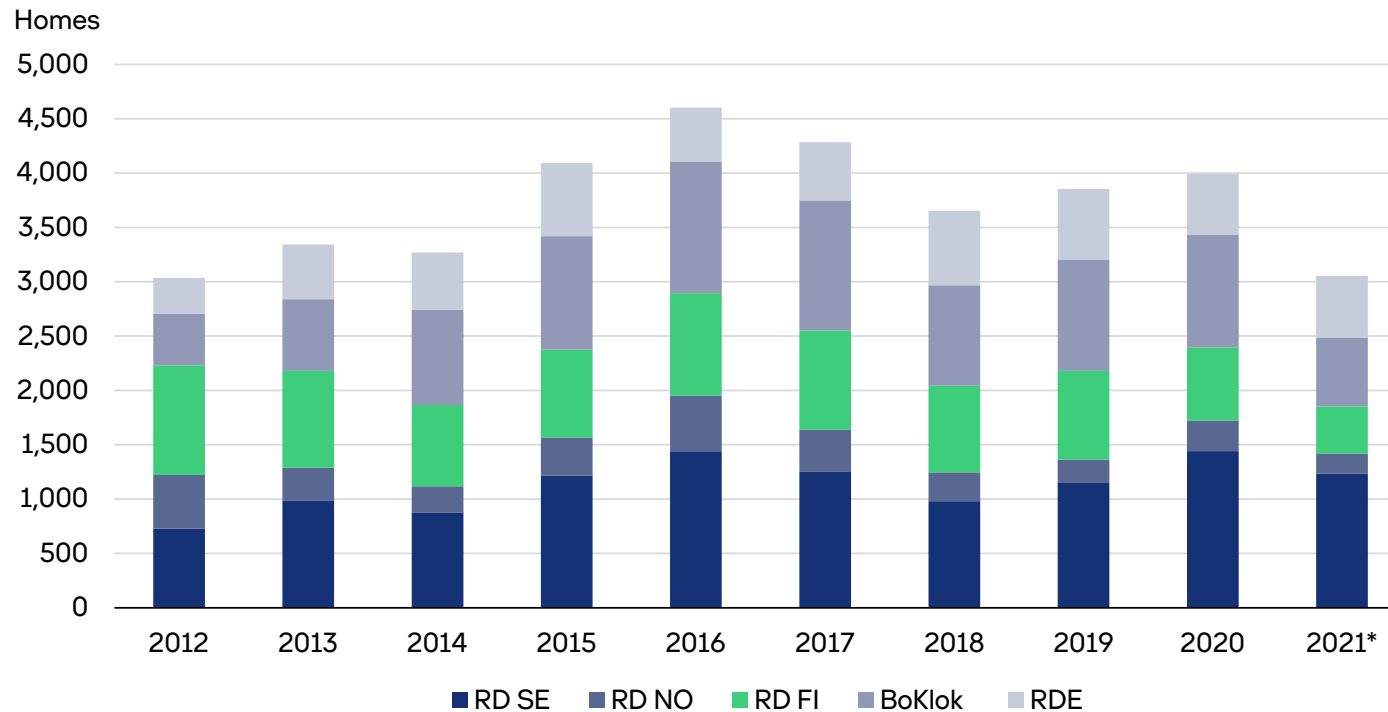
Competition

Residential Development

- Similar situation in all our markets
 - New development market dominated by approx. 3-4 larger companies
 - Many small local and opportunistic actors in our markets as well
 - Fierce competition for land in all markets



Sold homes split



* Q3 2021 R12

Key focus areas

- Drive permitting
- Increase production volume
- Step-up sales
- Backfill landbank
- Secure stable volumes

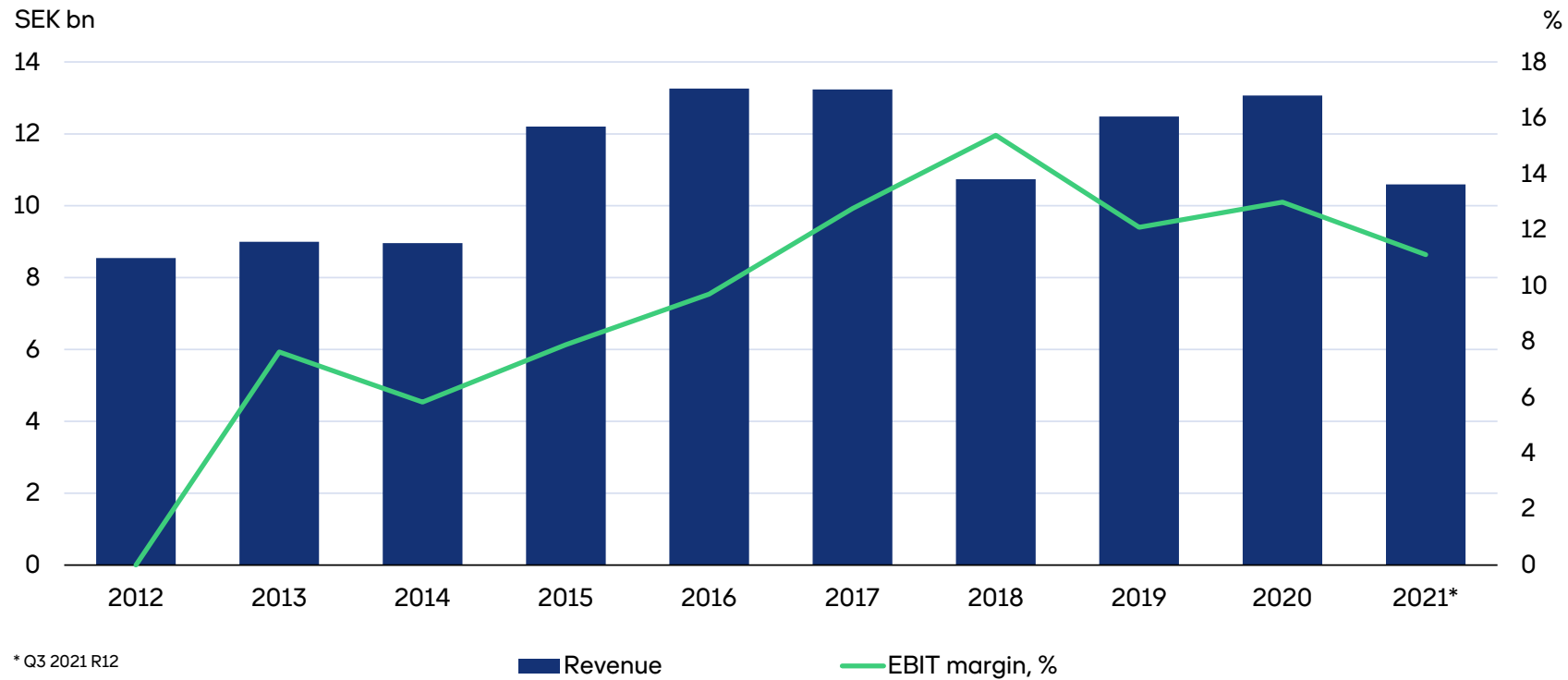
BoKlok UK entry



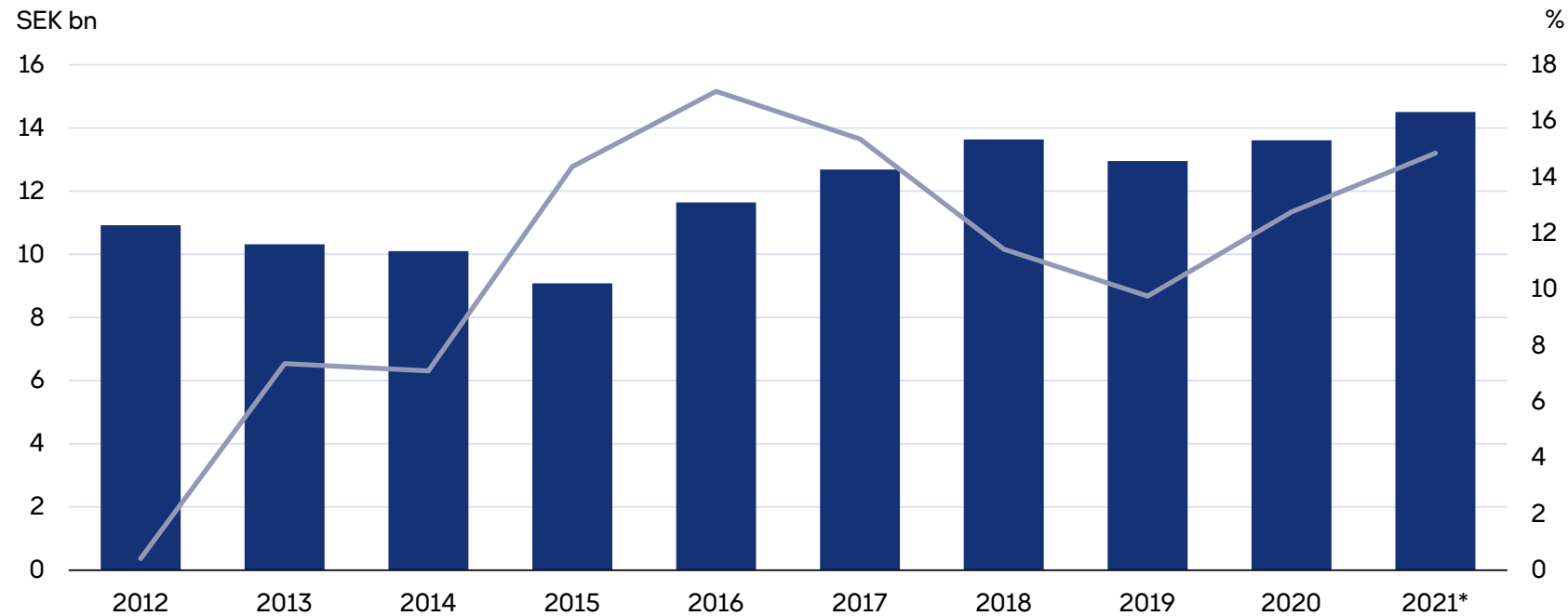
- Sold homes: 225
- Homes in production: 261
- Land secured: 1,224 homes

- Land secured
- Homes in production

Revenue and EBIT



Capital Employed and RoCE

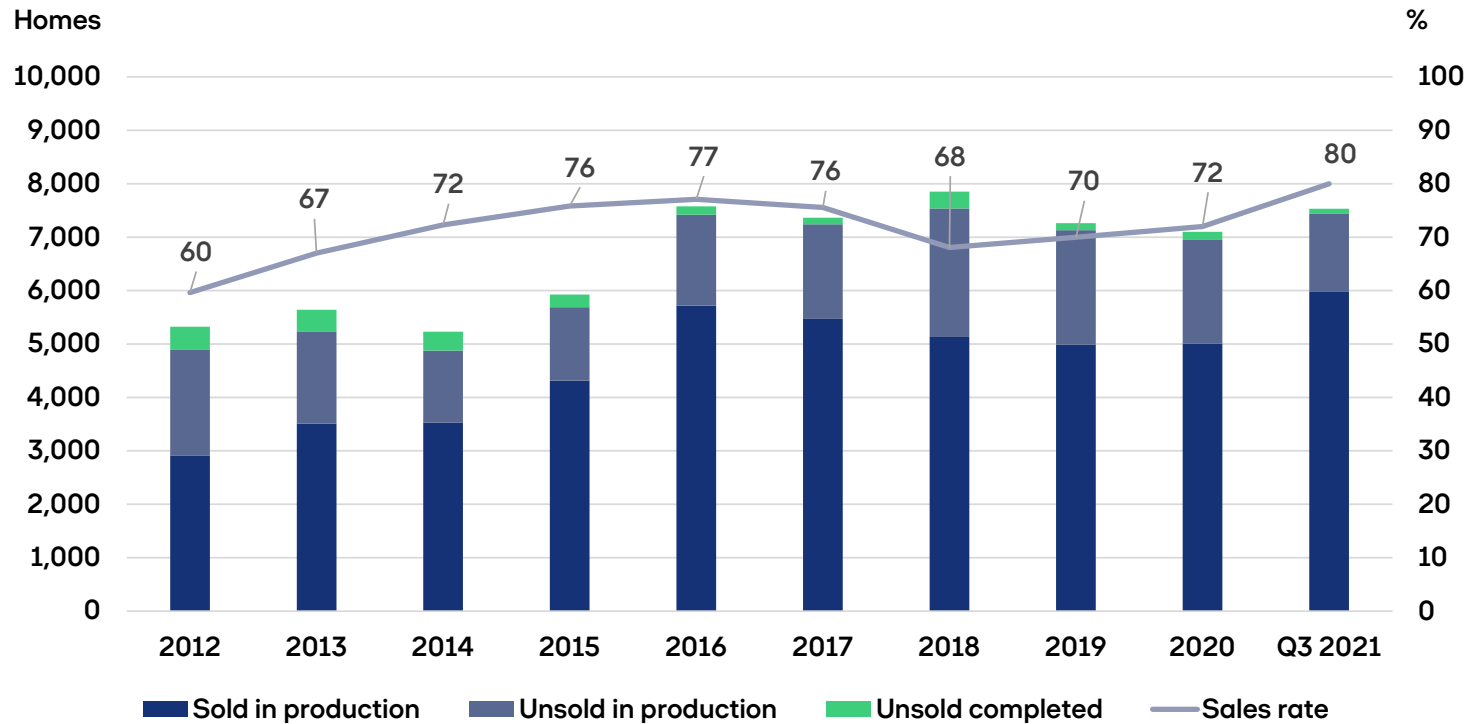


* Q3 2021 R12

■ Capital employed

— ROCE, %

Homes in production and sales rate



- Stable volumes
- Very strong demand
- High sales pace despite increased prices

Gottorps hage – Sweden



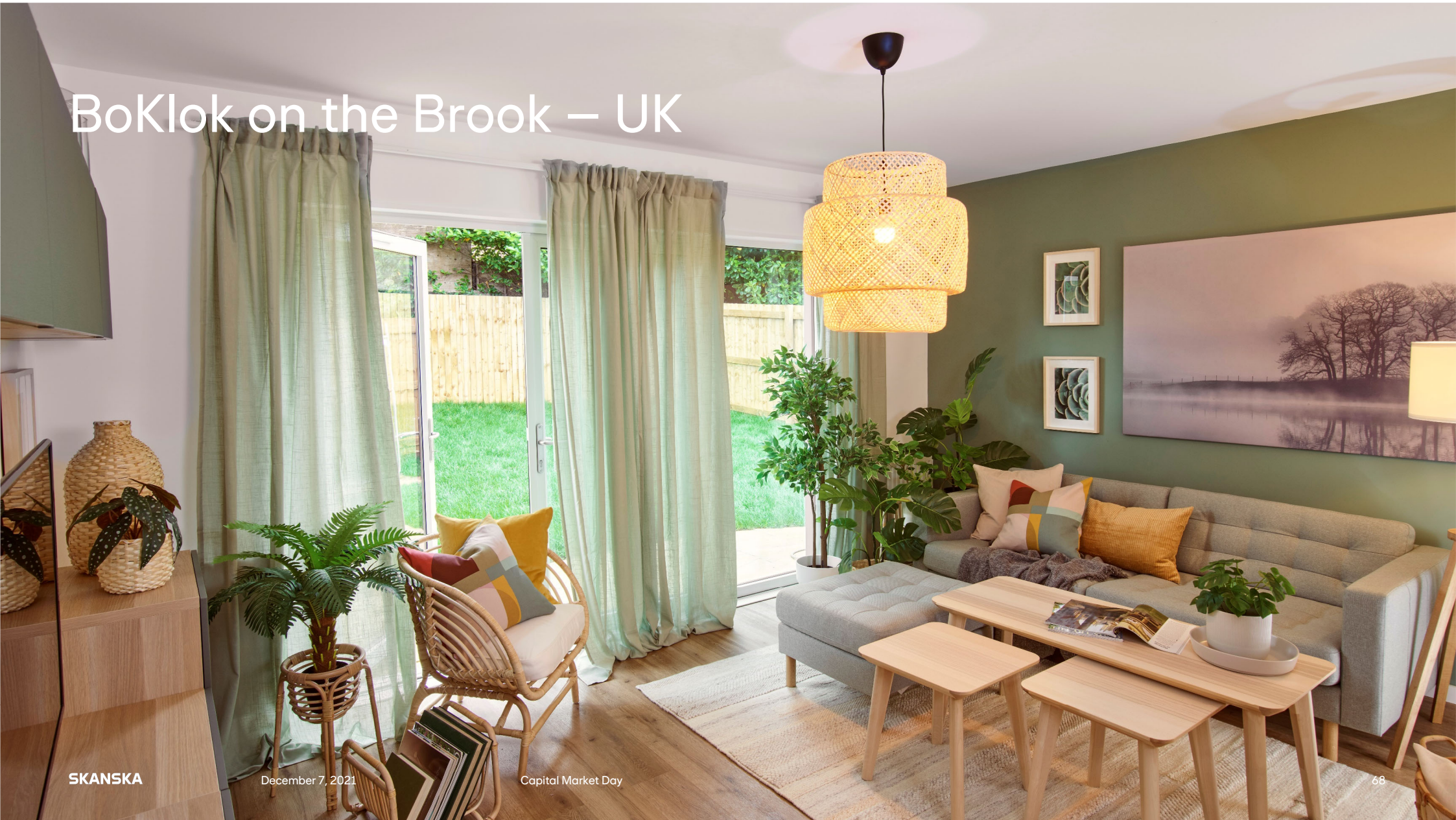
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67

BoKlok on the Brook – UK

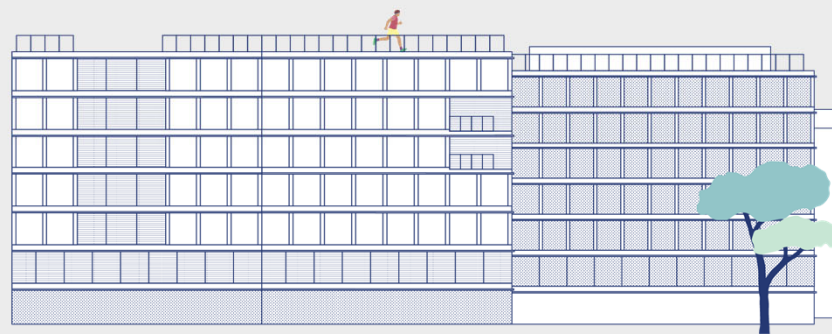


Commercial Property Development

Commercial Property Development

Commercial direction

- Significant increase in investments compared to 2016-2020
 - Expand in US, Finland and Norway
- Develop pipeline, backfill landbank and progress zoning
- Opportunities in logistics, multifamily and life science
- Strong sustainability focus
- Tenant focus
 - Future proof office concept and pandemic secure design to boost leasing
 - Synergies with Investment Properties



Solid property investor appetite, flight to quality

Market outlook – Investor market

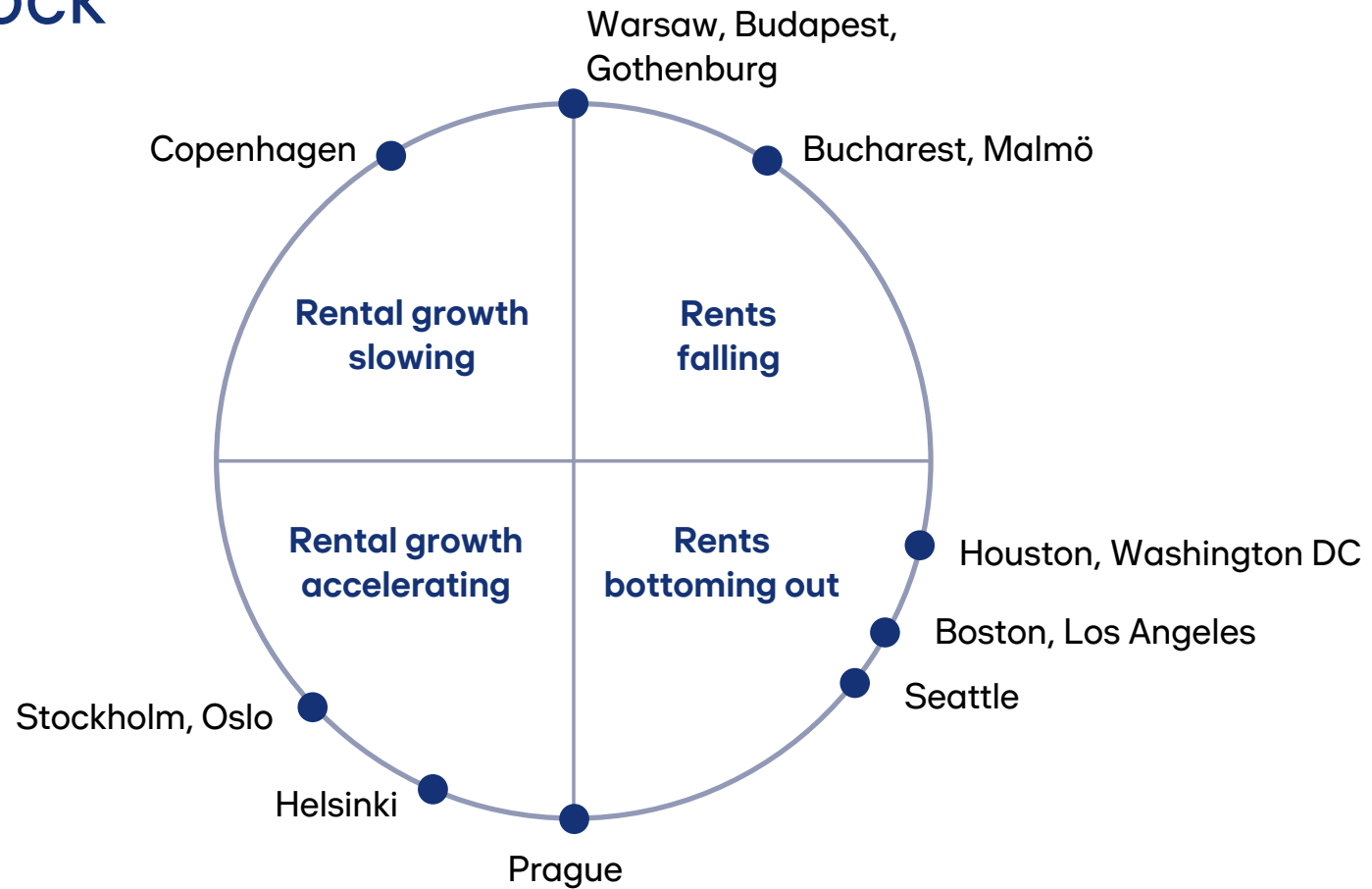
- Very strong markets
- Stable yields at historically low levels

Market outlook – Leasing market

- Weak market until Q2 2021
- Interest picking up in Q3 2021
- Solid recovery so far in Q4
- Long term impact of flex work still uncertain



Property clock



Source: JLL

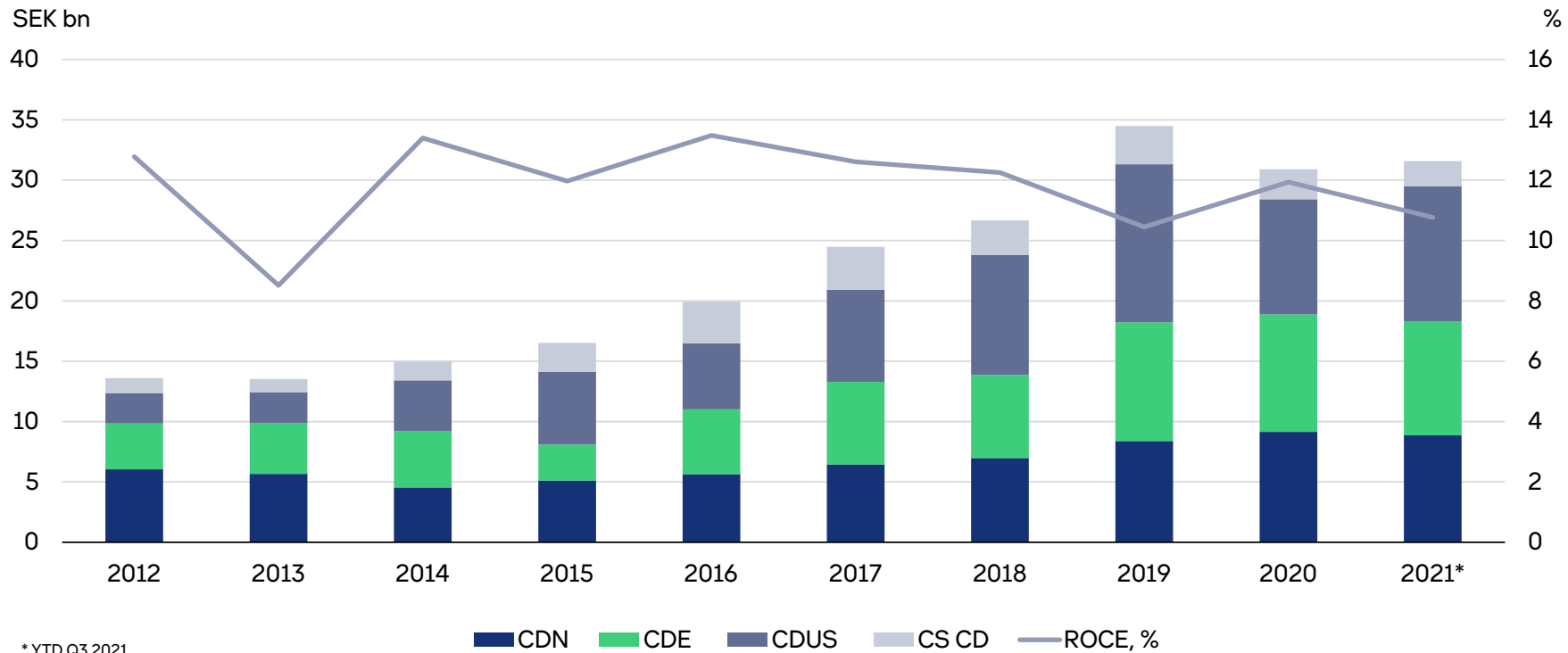
Competition

Commercial Property Development

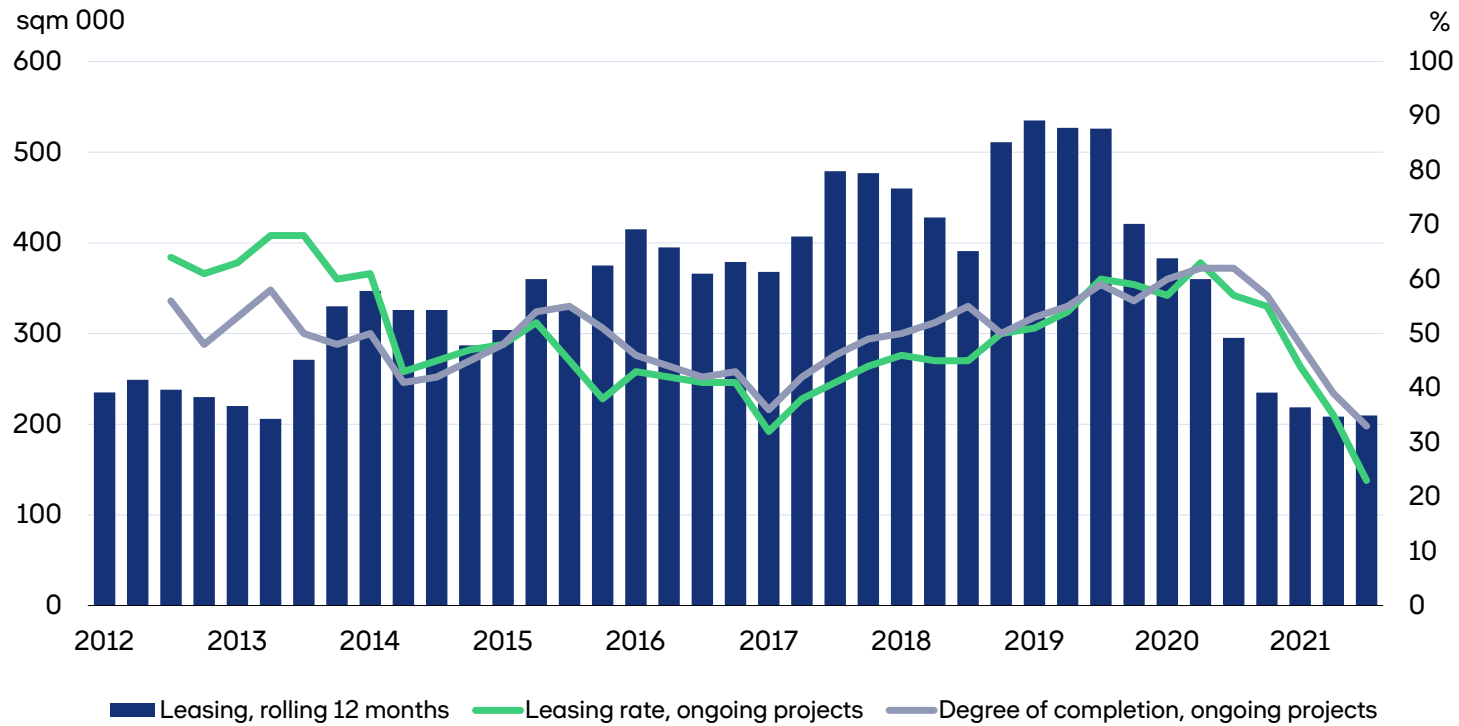
- Many actors competing for tenants in our markets, both newly built and old stock
- Supply of new developments more limited currently
- Increased development activity amongst traditional real estate owners, increasing competition for tenants
- Fierce competition for land
- Competition for investors more limited as the demand for top class assets outweighs the supply



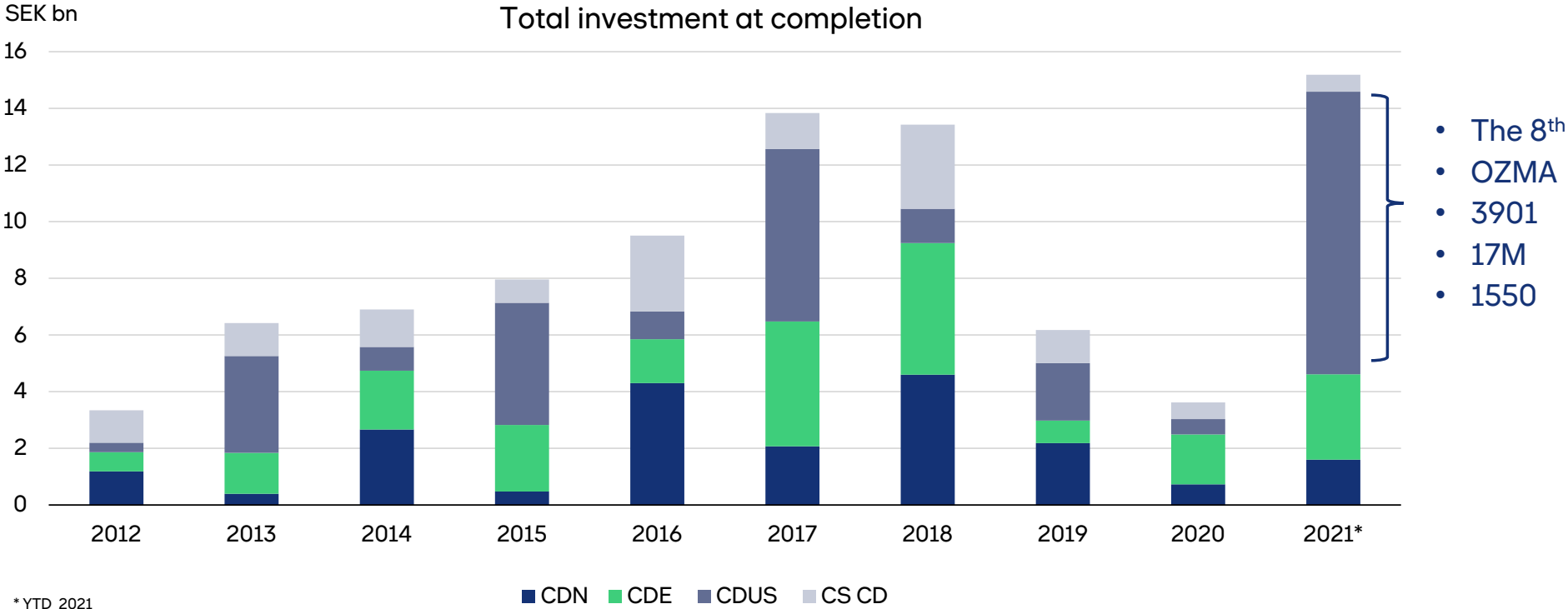
Capital employed and RoCE



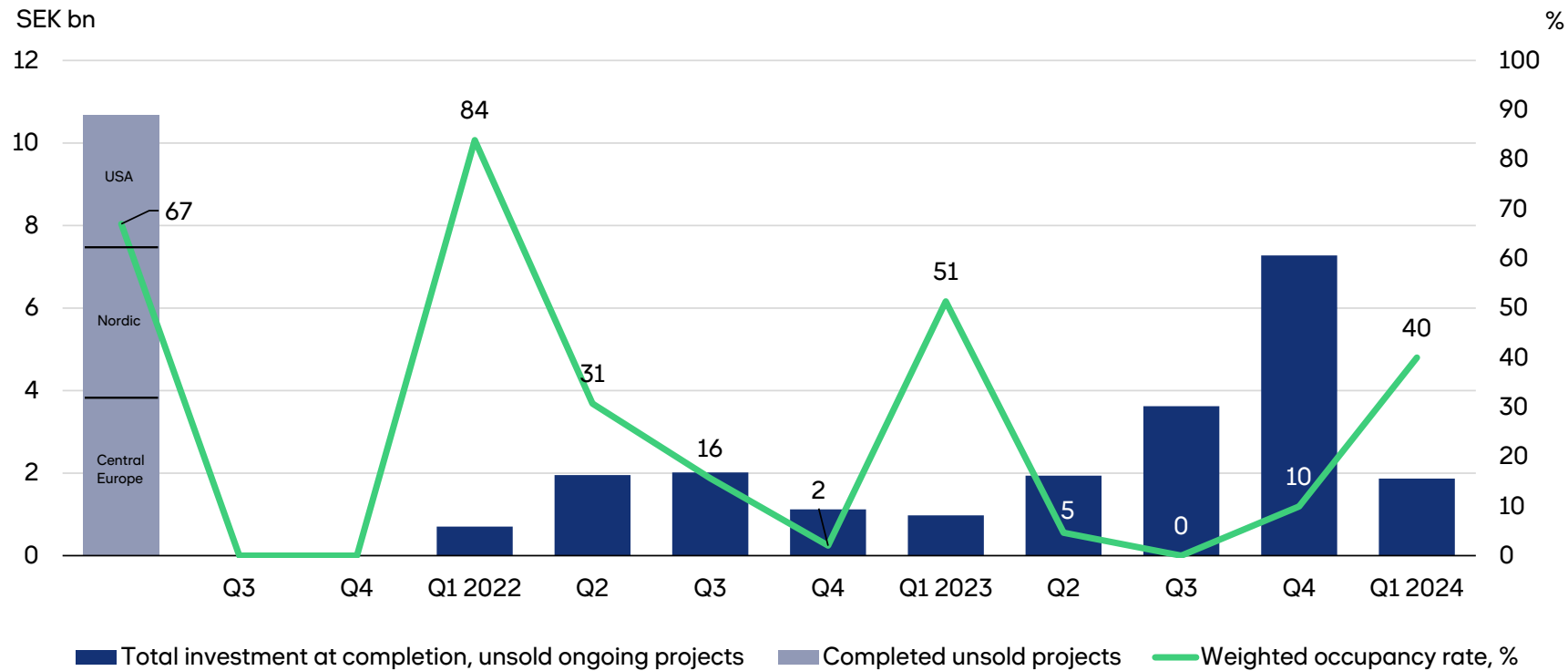
Leasing



Increase investments in new projects



Completion profile, unsold projects



Port 7 – Czech Republic



Nest45 – Denmark



9000 Wilshire – USA

9000 Wilshire.



Investment Properties – New business stream

Attractive investment

- Attractive investment for Skanska
 - Top class assets
 - Strong stable cash flow
 - Value increase potential



Strengthened stakeholder relations

- Long term presence in core locations
- Strengthened tenant relations
- Larger business scope attracts talent



Development opportunities

- Stronger presence increases business interfaces
- Opportunities arising from tenant needs
- Presence in the whole value chain



Value generation

- Captured value generation from multi-phased projects
- Placemaking in new locations
- Controlled project execution

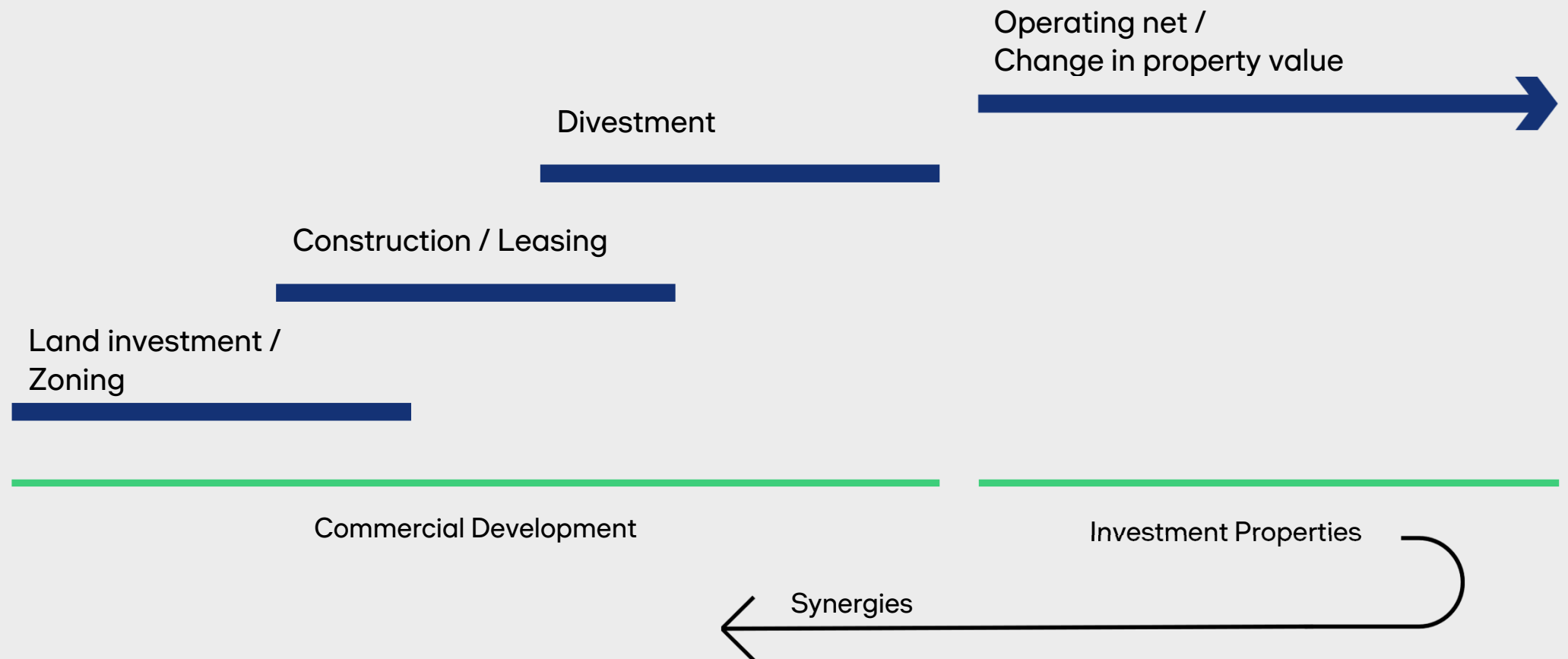


Innovation

- Testbed for innovation
- Fine tune and improve
- Data and analytics
- Sustainability



Value creation



Portfolio criteria

- Office properties in Sweden
- Strong locations today or in the future
- Multi-phased projects offer extra value potential
- Preferably multi-tenant buildings
- Leasing at least 80% at transfer
- Geographical clusters, provides synergies in property management



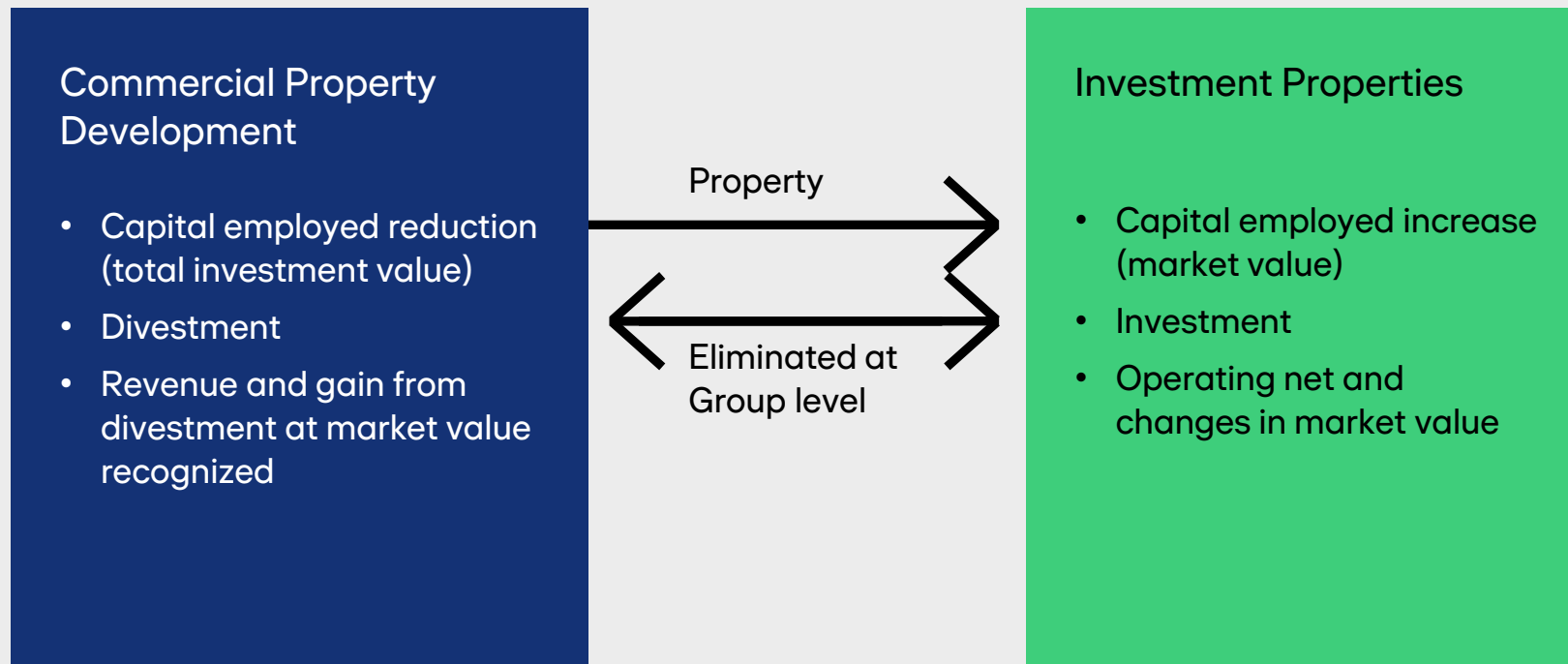
Portfolio ramp-up

Portfolio ramp up to reach full potential in operational synergies



- Market value SEK 12-18 bn
- Total size 250,000 – 350,000 sqm

Impact on P&L and Balance sheet



External reporting

Investment Properties reported as a separate stream

Revenue and earnings
Revenue
Operating net
Selling and administration expenses
Operating income before changes in market value
Changes in market values
Operating income
Net leasing
Surplus ratio
Investments
Divestments
Net divestments(+)/investments(-)
Capital employed, SEK bn
Market value, SEK bn
Return on capital employed
Employees

Property specification to be included

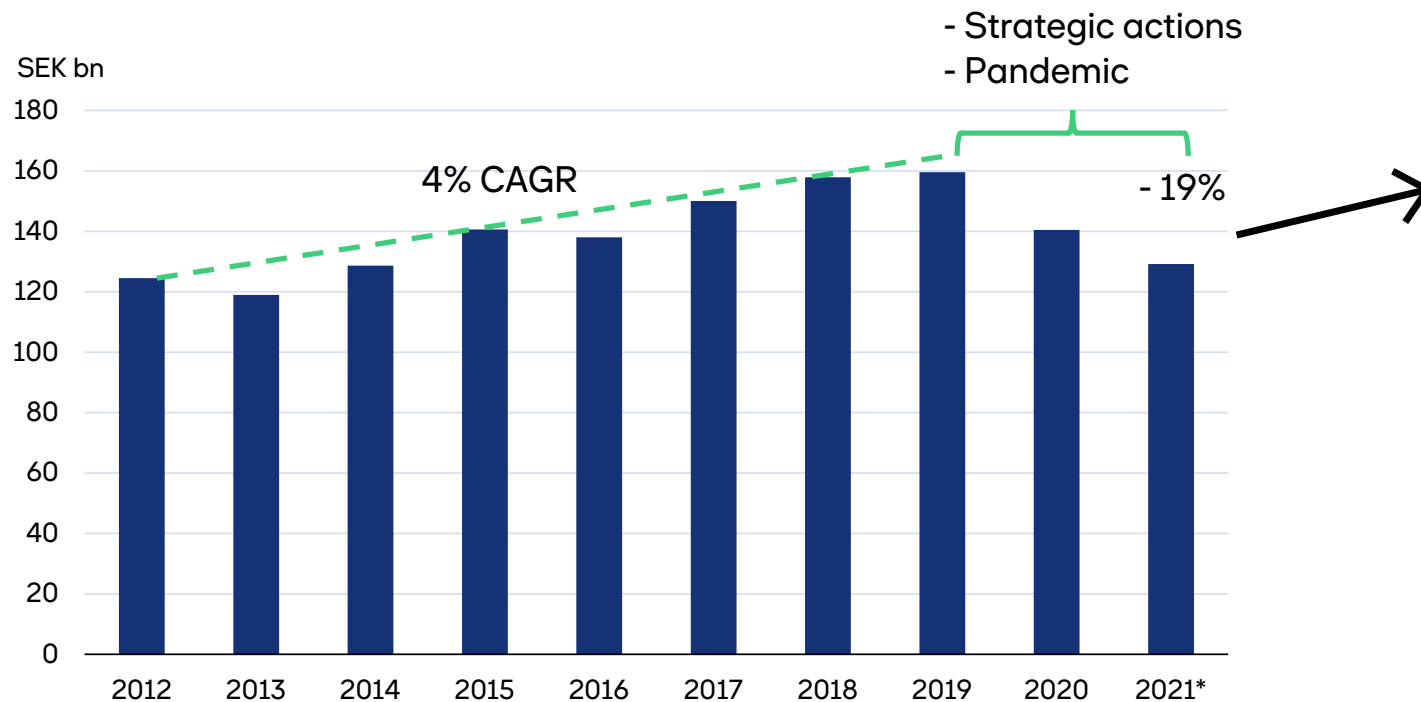
Properties						
Name	Location	Leasable area	Rental value	Occupancy rate	Market value	Environmental certification

No difference in accounting between Segment & IFRS



Group financials

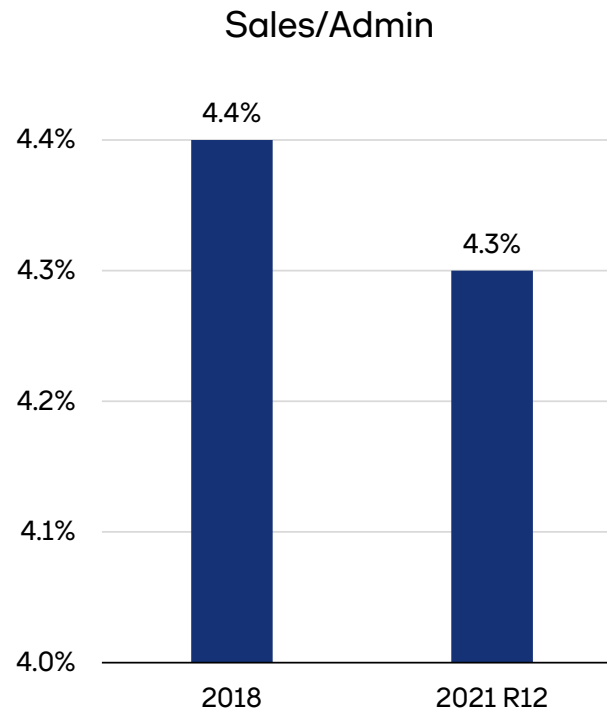
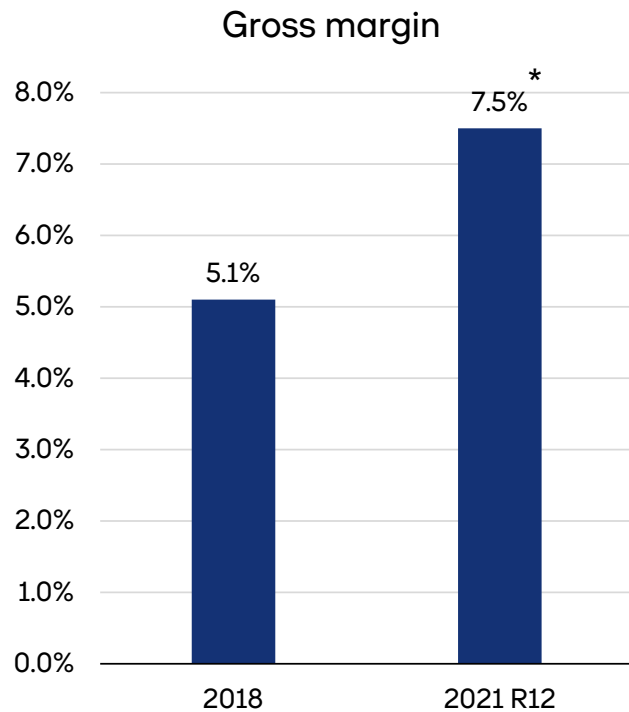
Construction revenue



* Q3 2021 R12

- Responsible growth ambitions
- Licence to grow based on profitability and stability in Business Units

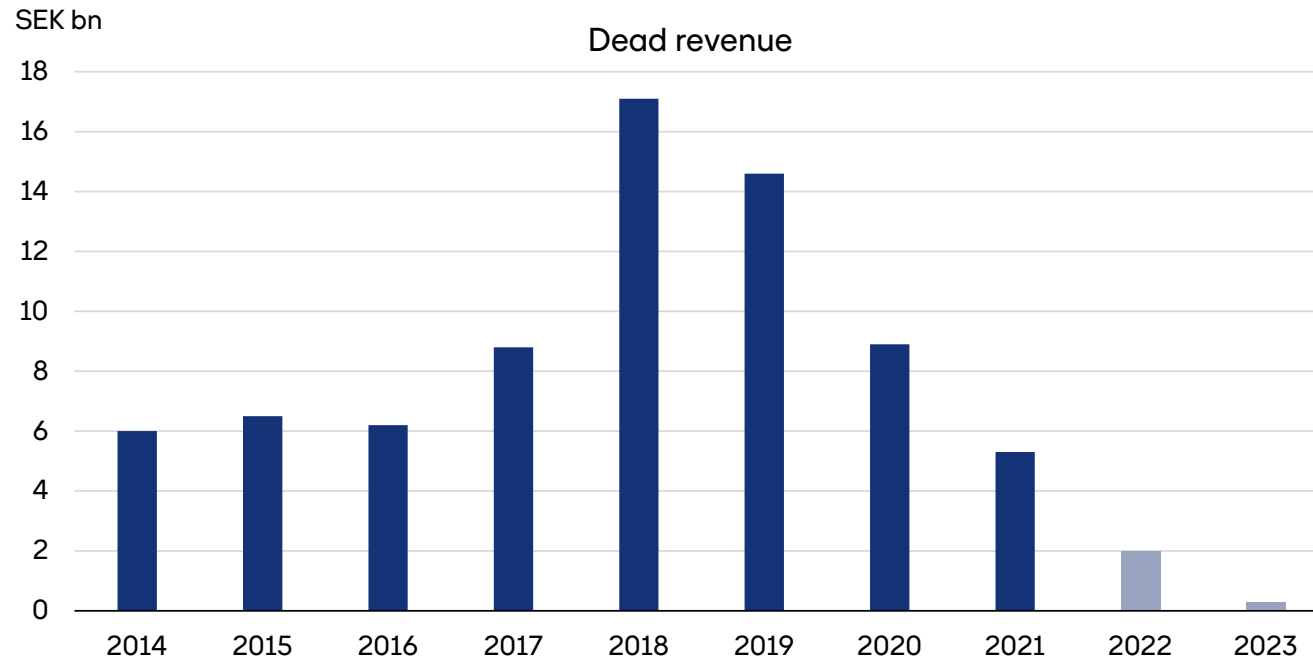
Construction performance improvement



- Project selection
- Bid controls
- Cost focus

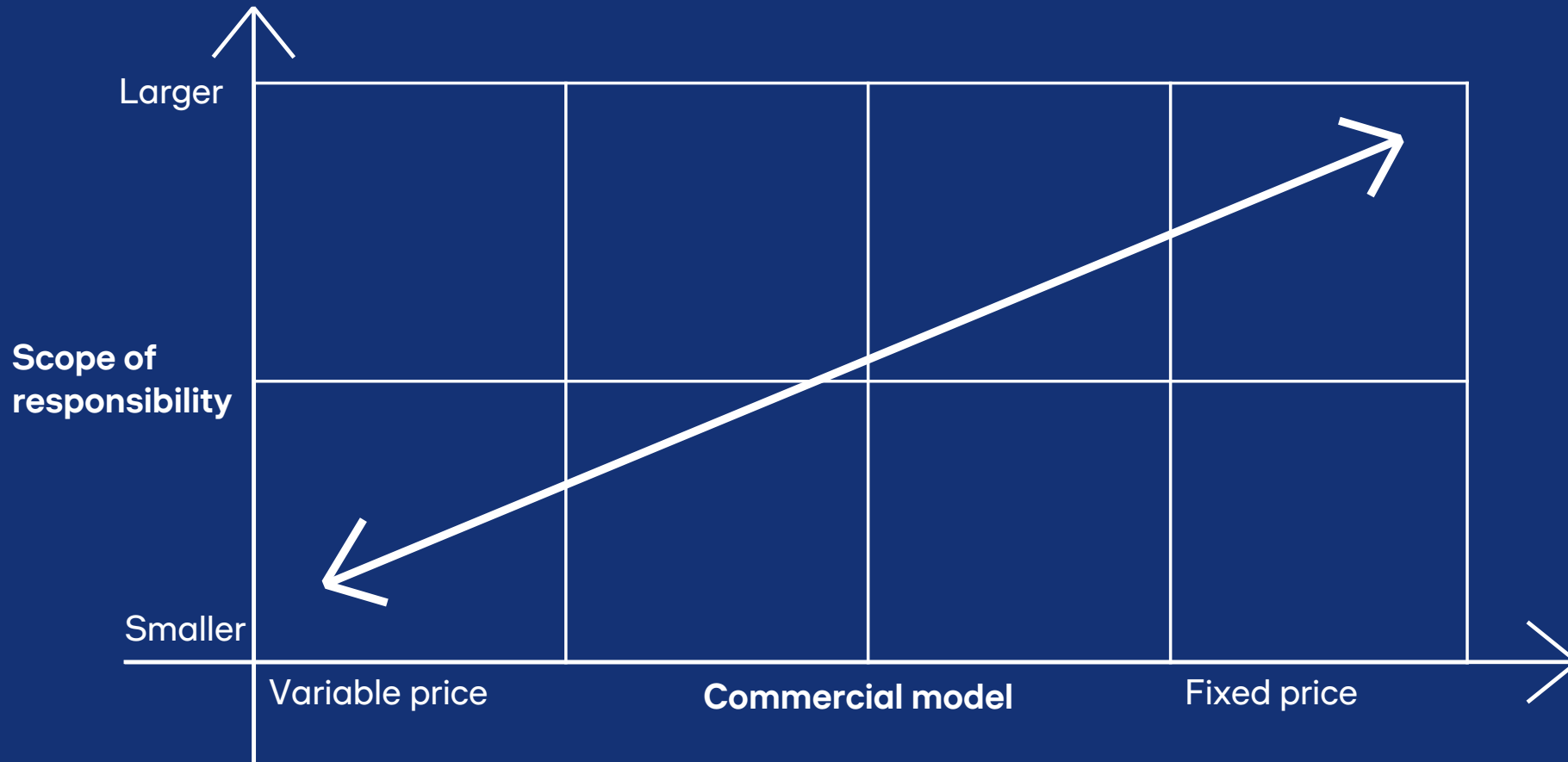
* Excludes the gain from the UK Infrastructure Services divestment

Construction – Improved portfolio stability

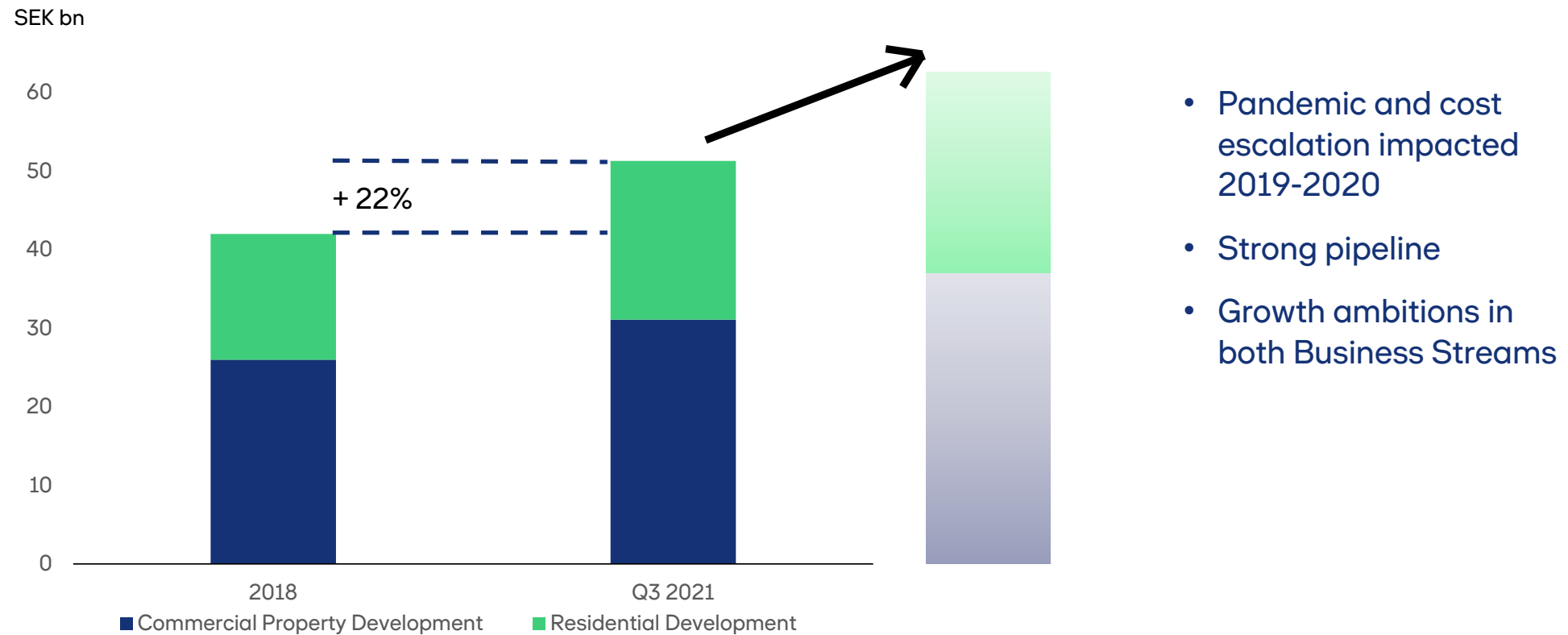


- Lower margin dilution
- Smaller impact of write-downs
- Less management attention required

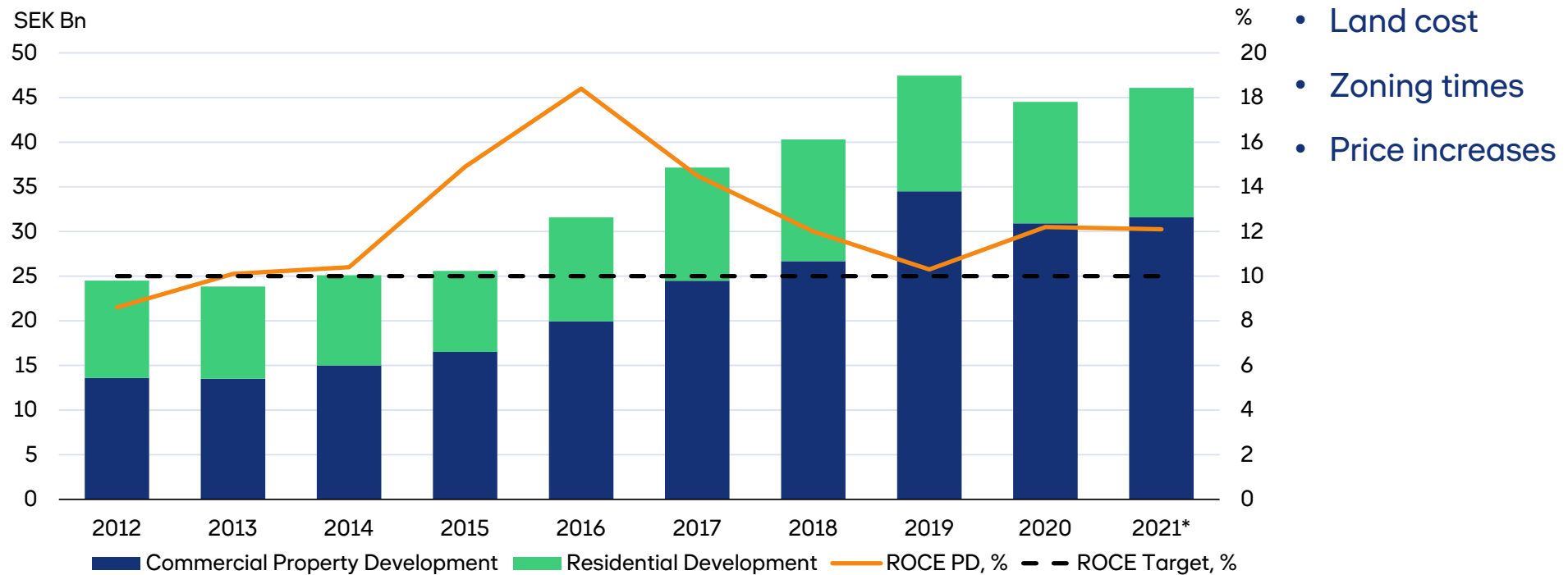
Construction – Sound risk control and pricing



Project Development – Property assets

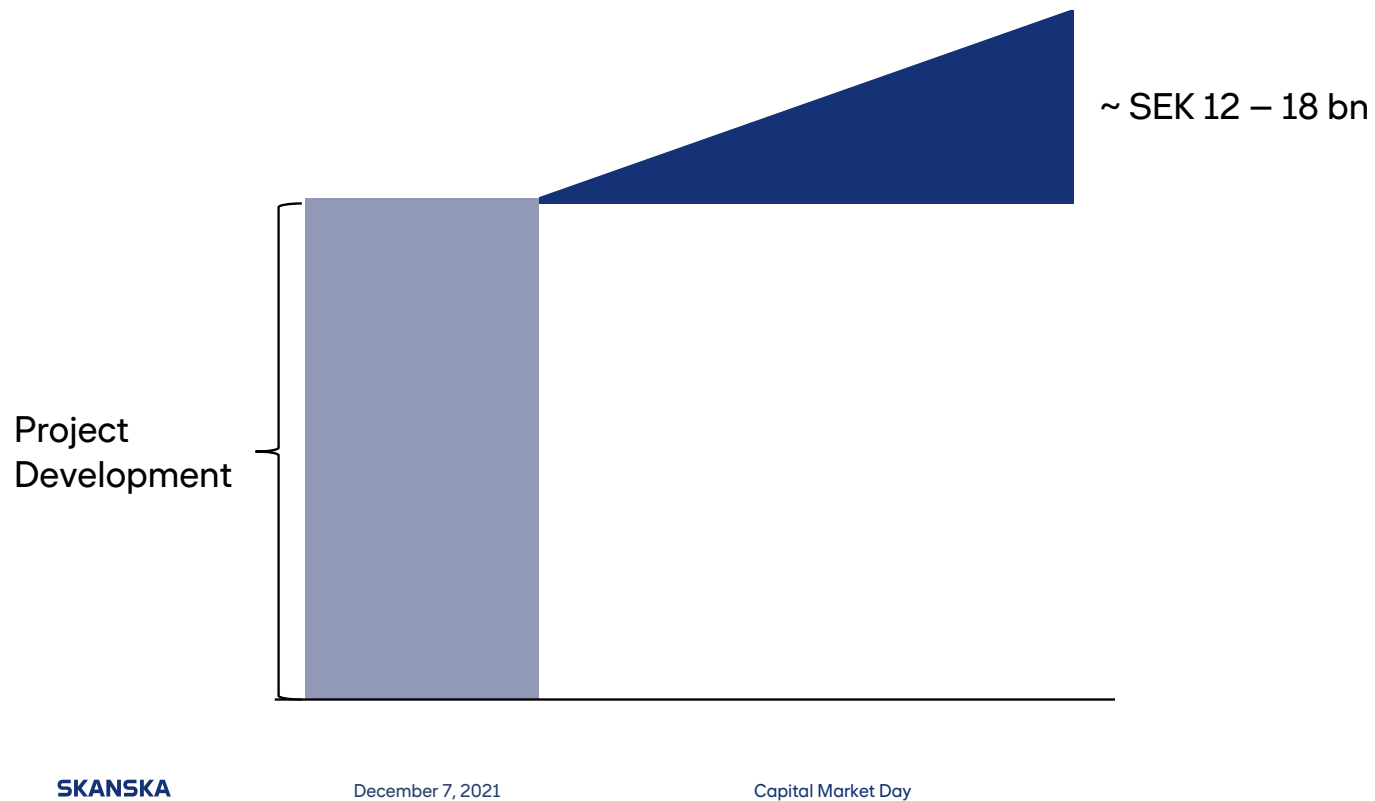


Project Development – Return on capital employed



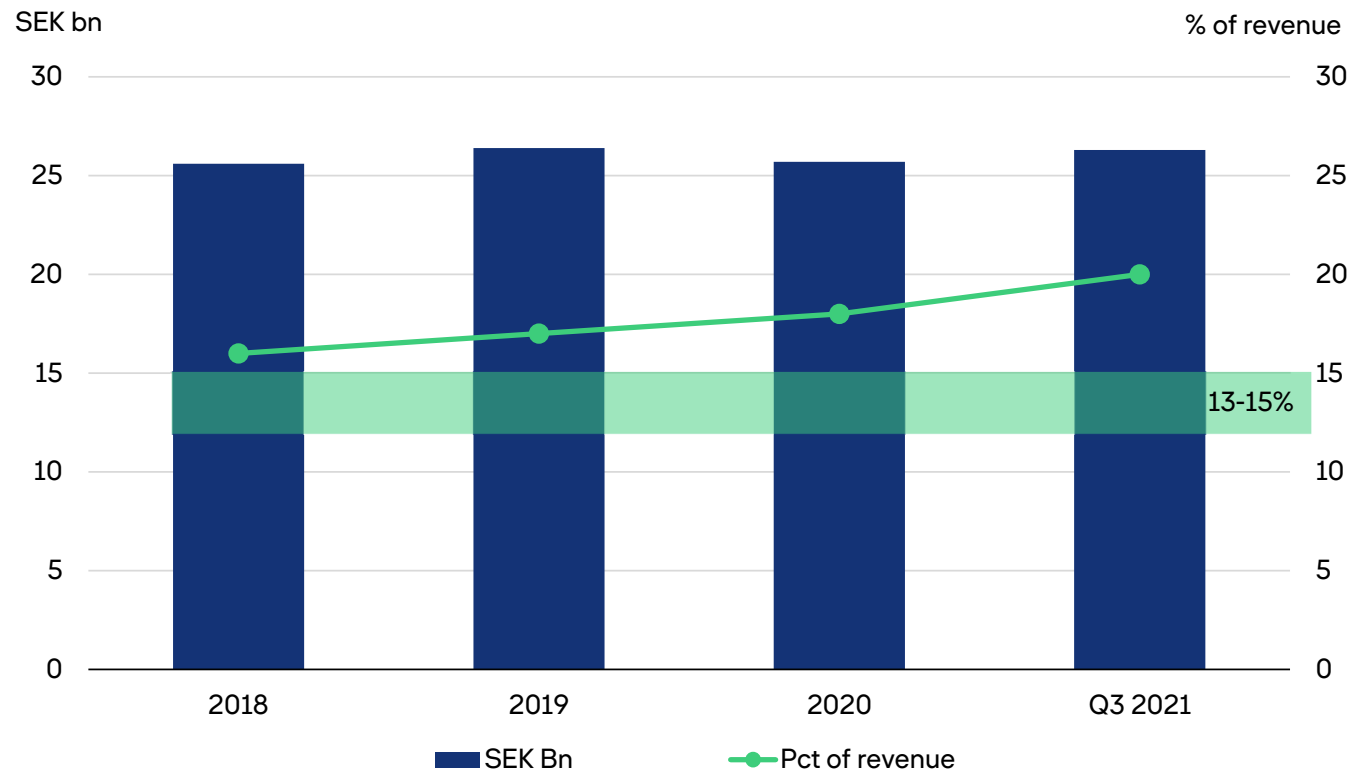
* Q3 2021 R12

Investment properties – Financing



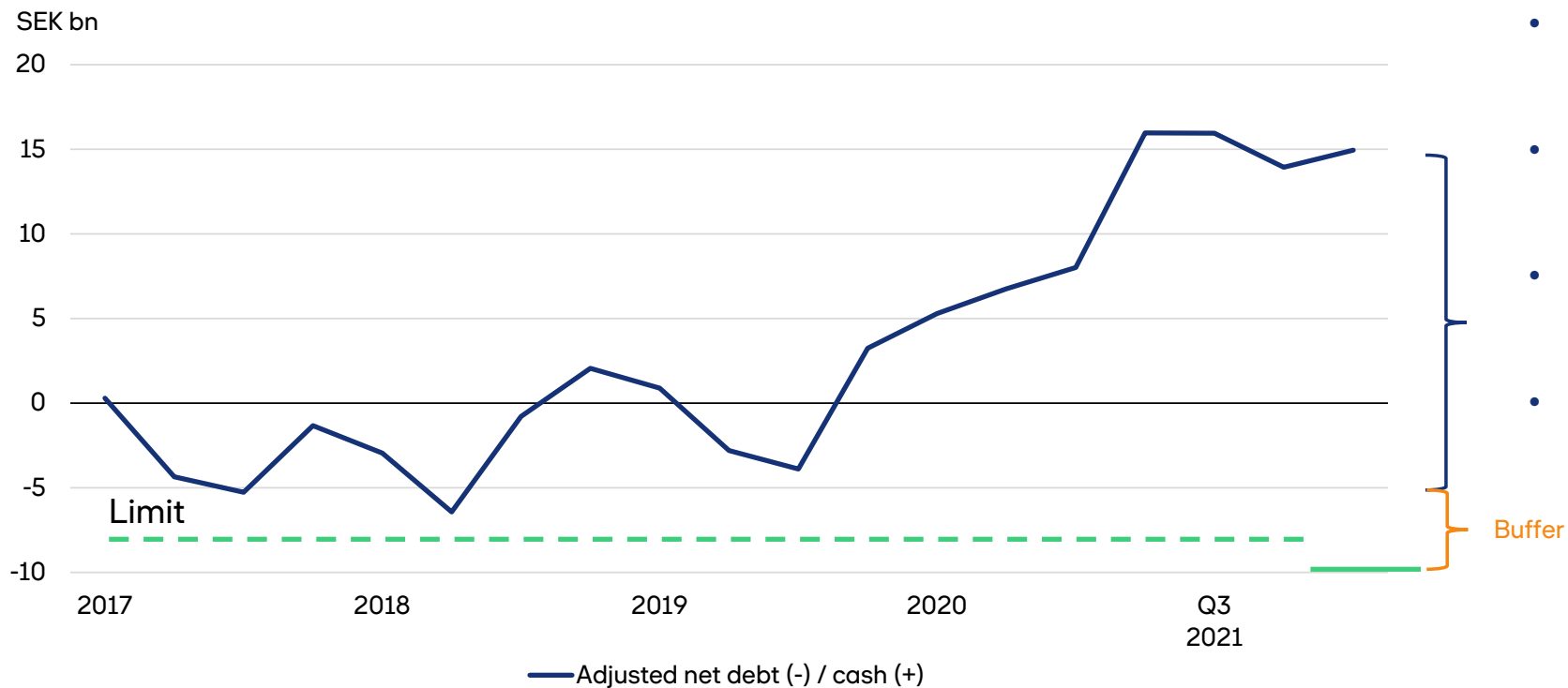
- Central funding
- Strengthens debt capacity by LTV ~50%, if needed
- Yielding assets – stable cash flow

Net working capital in Construction



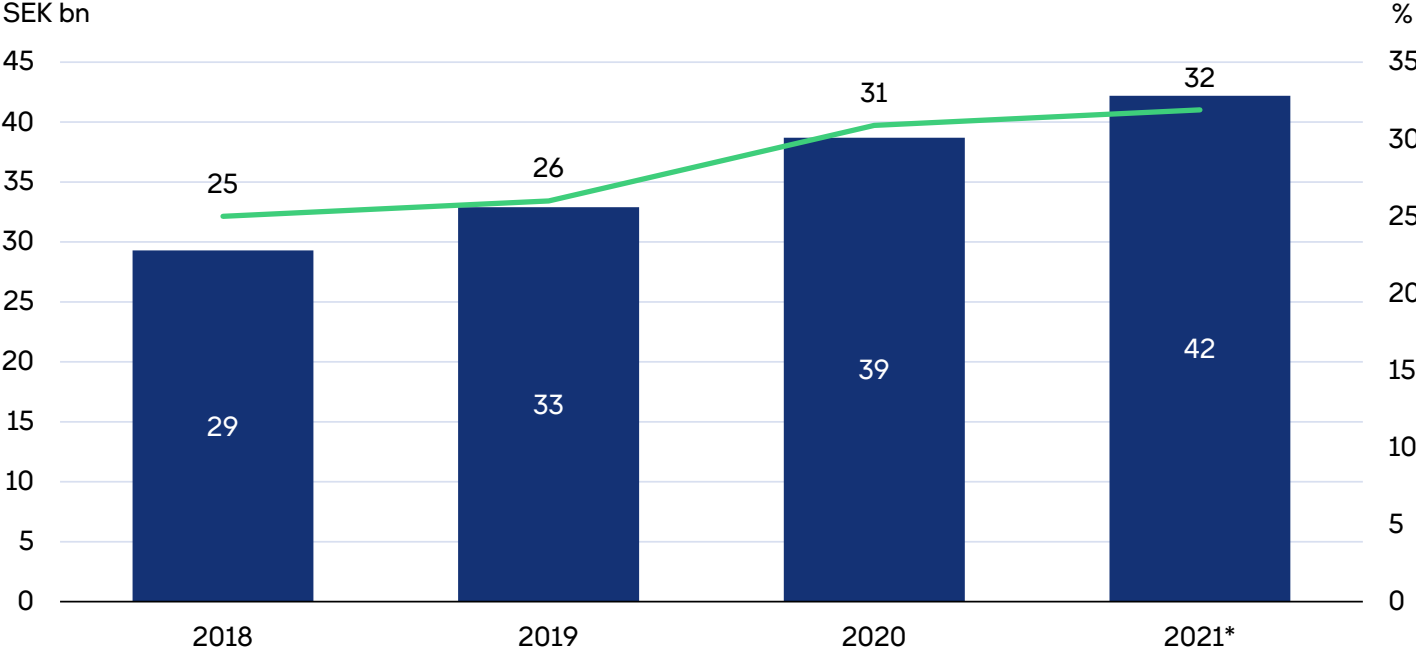
- Continued good development
- No signs of structural changes
- Important risk mitigation

Investment capacity



- Significant investment capacity, ~SEK 20 bn
- Growth in Project Development
- Establishing Investment Properties
- No crowding out effects foreseen

Equity position

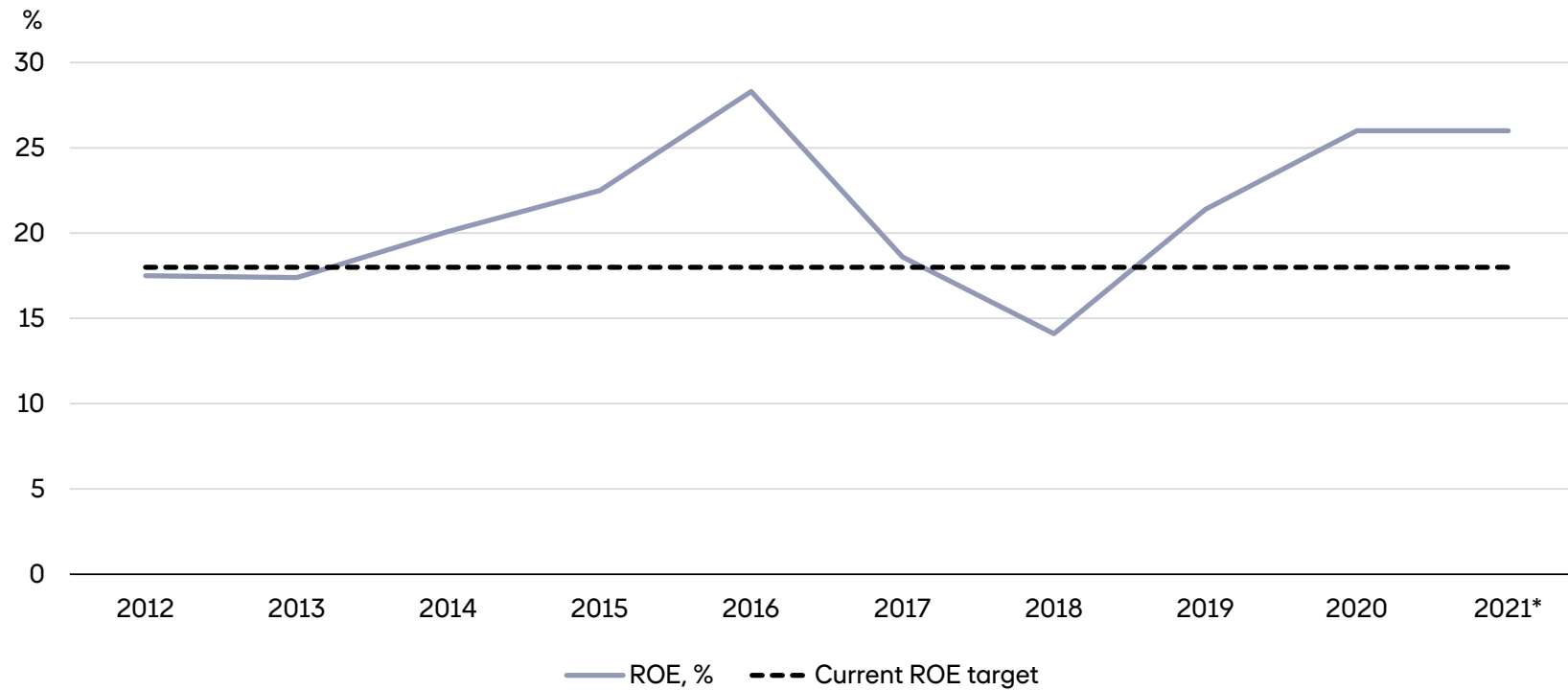


- Very strong position
- Commercial strength
- Supports ambitions in Project Development and Investment Properties

* Q3 2021

■ Equity — Equity/assets, %

Return on equity



* Q3 2021 R12

Investment Properties – Valuation and reporting principles

- Each business stream reports its created value
- Transactions will be made at market terms
 - Backed by external valuations
- Property portfolio revalued each quarter, with external appraisals carried out in third quarter
- No transfer of construction risk – only completed properties
- No difference in accounting between Segment & IFRS

Investment Properties – Accounting of internal transactions

	Commercial Property Development	Investment Properties	Central	Group
Revenue	120		-120	
Cost of sales	-100		100	
Gain on sale	20		-20	
Change in valuation			20	20
Operating income	20			20
Change in deferred tax			-4	-4
Net income				16
Investment property (chg)		120		120
Current-asset property (chg)	-100			-100
Deferred tax liability (chg)			4	4

- Commercial Property Development reports a gain on sale
- Revaluation at Group level (change in accounting method)
- Deferred tax from transaction in Central stream
- Investment / Divestment reported in each stream but eliminated in consolidation
- Eliminated Construction profits released at transaction



Group targets

Group targets and limits – starting 2022

Financial targets over time	New	Previous
Construction stream: Operating margin	≥3.5%	≥3.5%
Project Development streams: Return on capital employed	≥10%	≥10%
Investment Properties: Return on capital employed	≥6%	N/A
Group: Return on equity	≥18%	≥18%
Group: Adjusted net debt limit	SEK -10 bn	SEK -9 bn
Group: Pay-out ratio	40-70%	40-70%

Group sustainability targets

Sustainability targets	2030	2045
Carbon emissions, own (scope 1 and 2, base year 2015)	-70%	Net zero
Carbon emissions, value chain in Project Development (scope 3, base year 2020)	-50%	Net zero
Carbon emissions, own and value chain (scope 1, 2 and 3)		Net zero

Q&A

A solid foundation and global trends that brings opportunities

Robust commercial direction

- Increase profitability in Construction
- Grow Residential and Commercial Property Development
- Launch Investment Properties

To succeed and deliver leading shareholder return we focus on

- Understanding of customers' and society's needs
- Strengthening a culture of inclusion, learning and collaboration
- Leveraging innovative solutions



December 7, 2021

Capital Market Day