

SKANSKA

Skanska's Capital Markets Day



Skanska

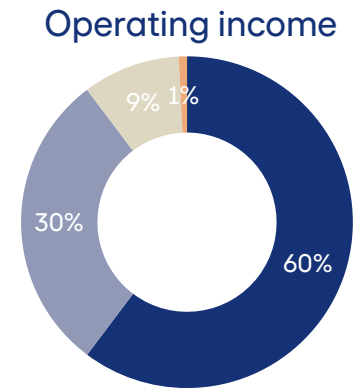
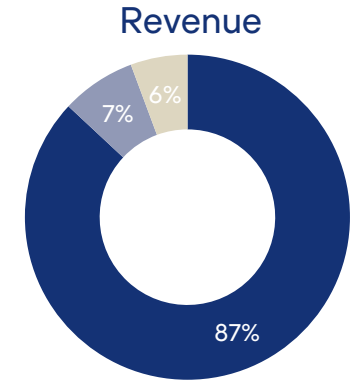
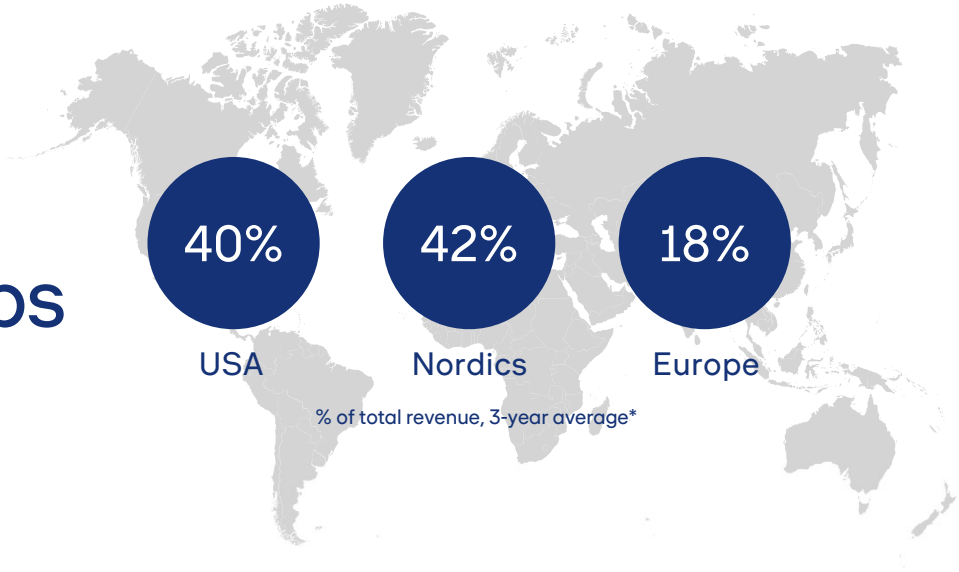
Anders Danielsson, President and CEO

SKANSKA

November 21, 2023

Capital Markets Day

One of the world's leading project development and construction groups



3-year average*

- Construction
- Commercial Property Development
- Residential Development
- Investment Properties

Revenue, SEK
3-year average,
R-12m Q3

156 bn

Number of
employees

28,000

*R-12m per Q3 2023



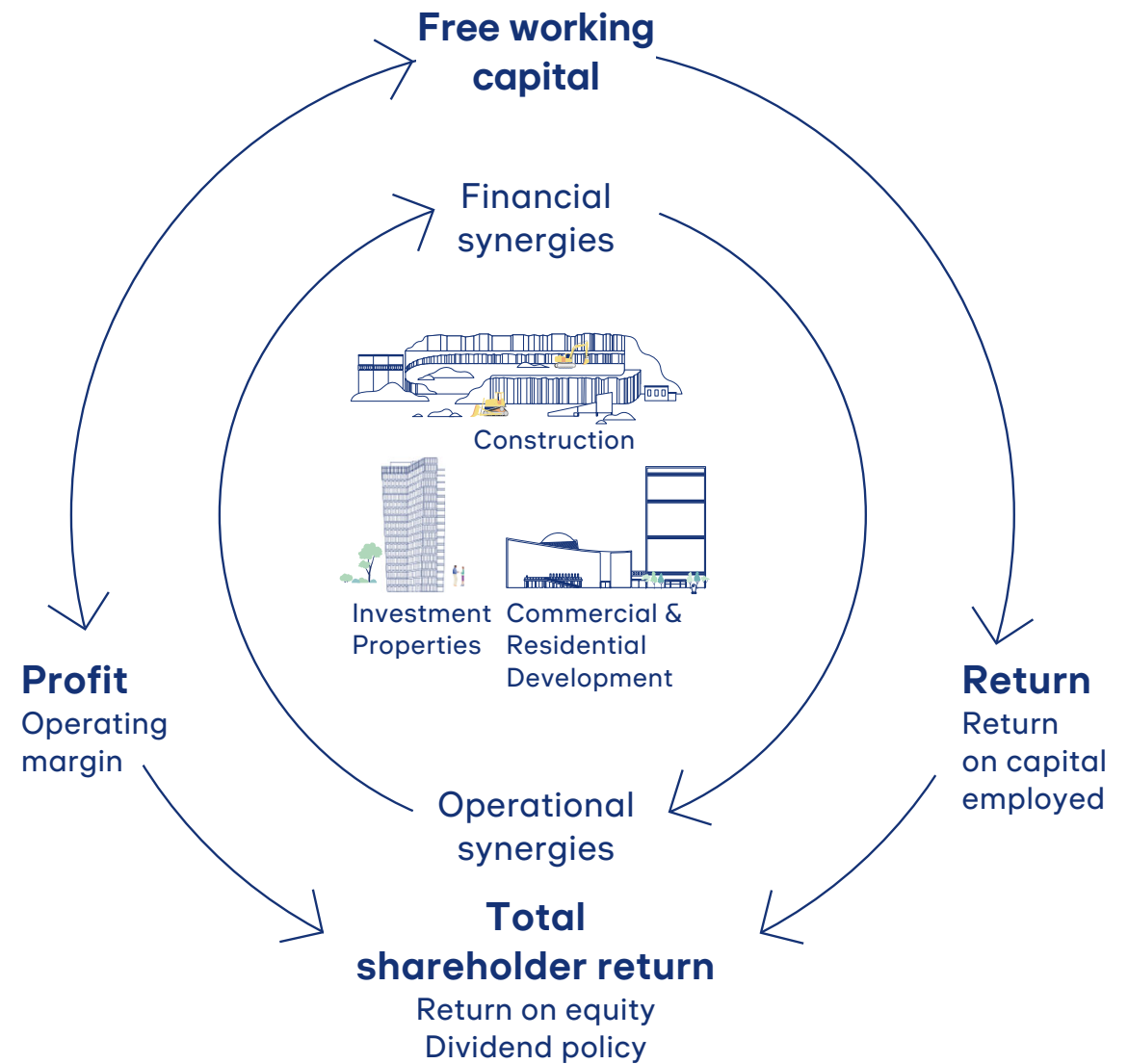
Overview

Four business streams

Financial synergies

Shared knowledge and foresight

Global reach, local expertise



Introducing the 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



Lena Hök
Executive Vice President
Sustainability & Innovation



Richard Kennedy
Executive Vice President
USA Building and USA Civil



Claes Larsson
Executive Vice President
Commercial Property Development
and Investment Properties



Ståle Rød
Executive Vice President
Construction and Residential
Development in Central Europe,
Norway and the UK



Therese Tegner
Executive Vice President
Human Resources

Strategy and performance recap

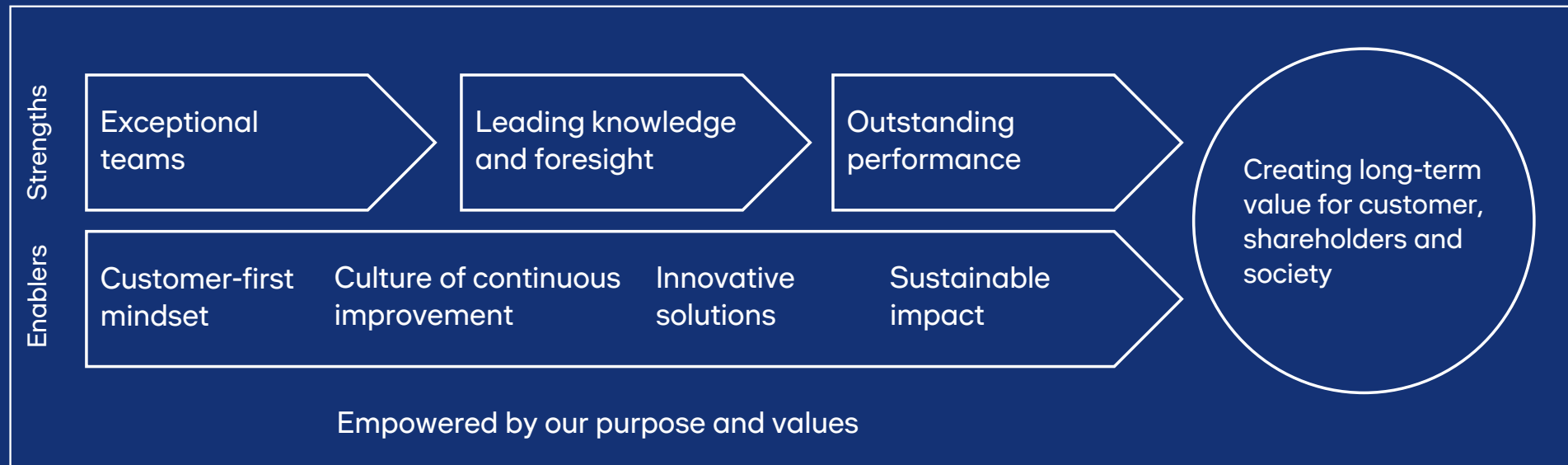
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SKANSKA

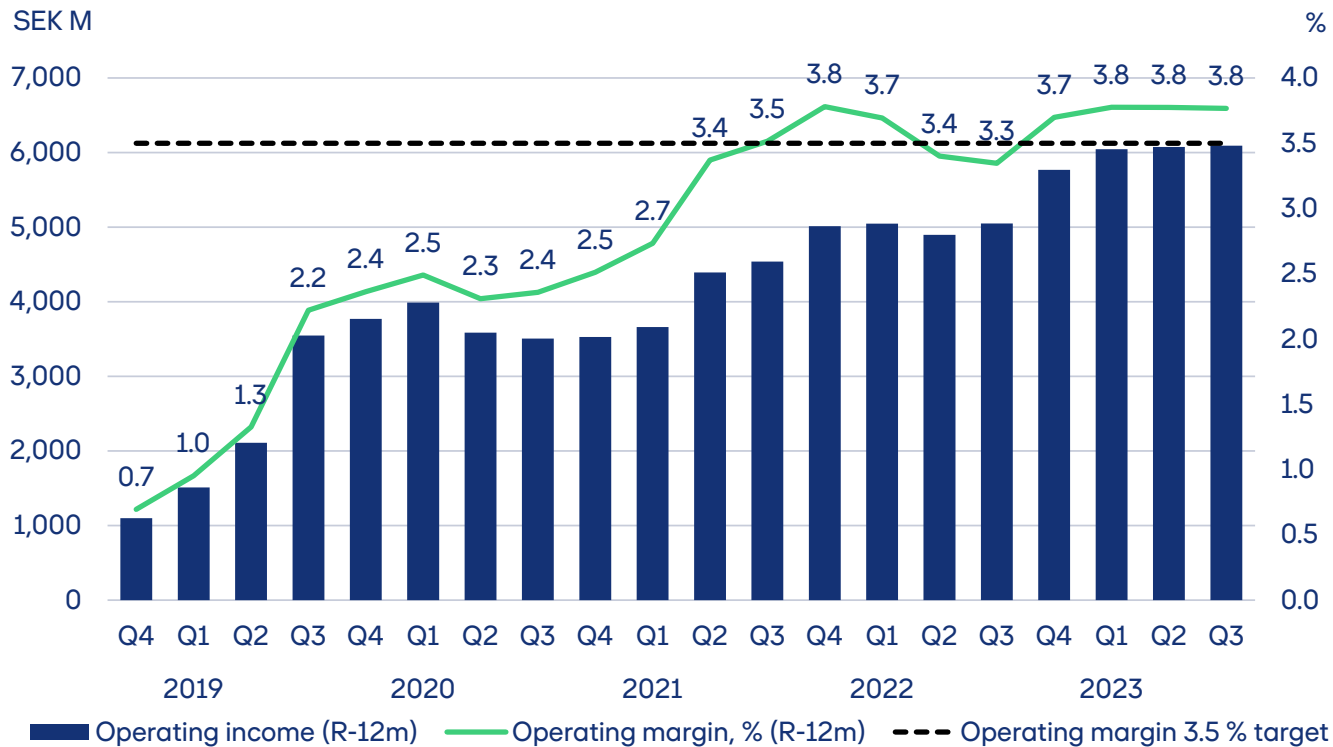
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Capital Markets Day

Group Strategy overview



Strong profitability in Construction

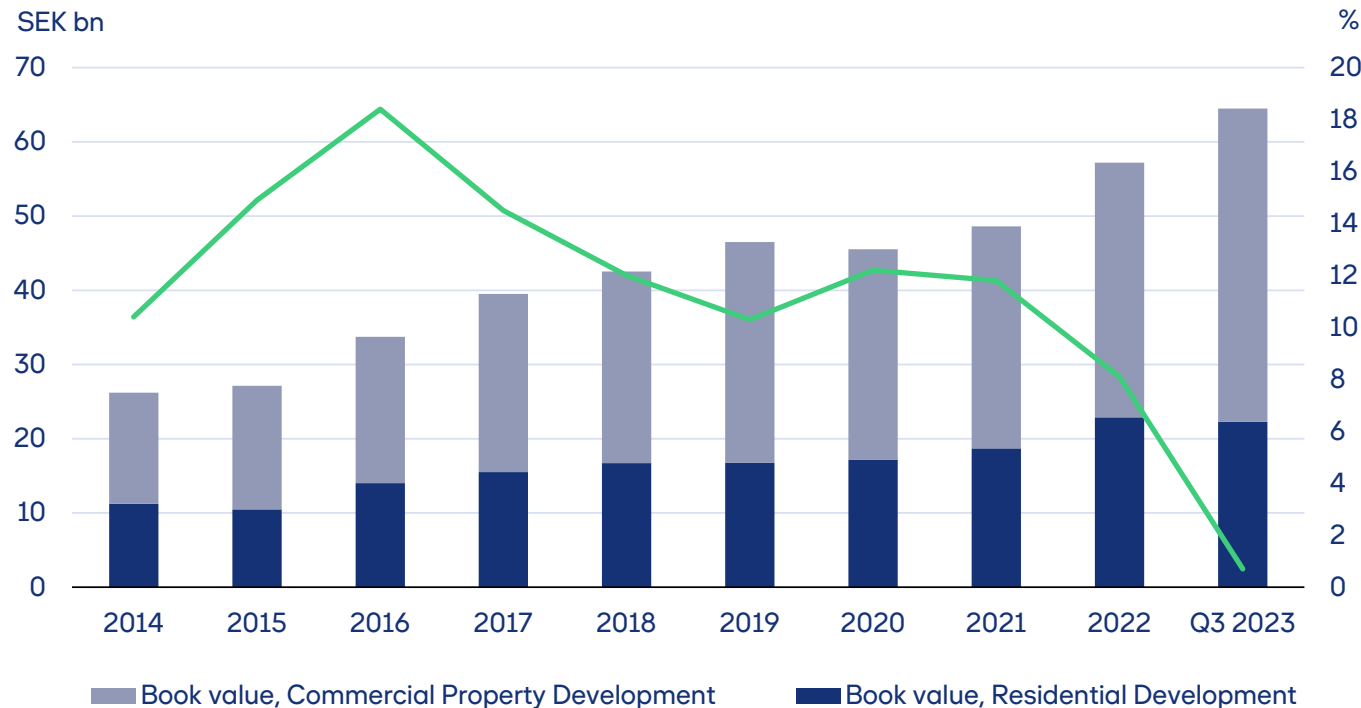


Achievements

- Improved profitability
- Grown volumes responsibly
- Captured opportunities in a sustainable recovery
- Advanced innovative solutions and digitalization
- Working closely with our customers in changing market

Responsible growth in project development

10-year average ROCE of 11%



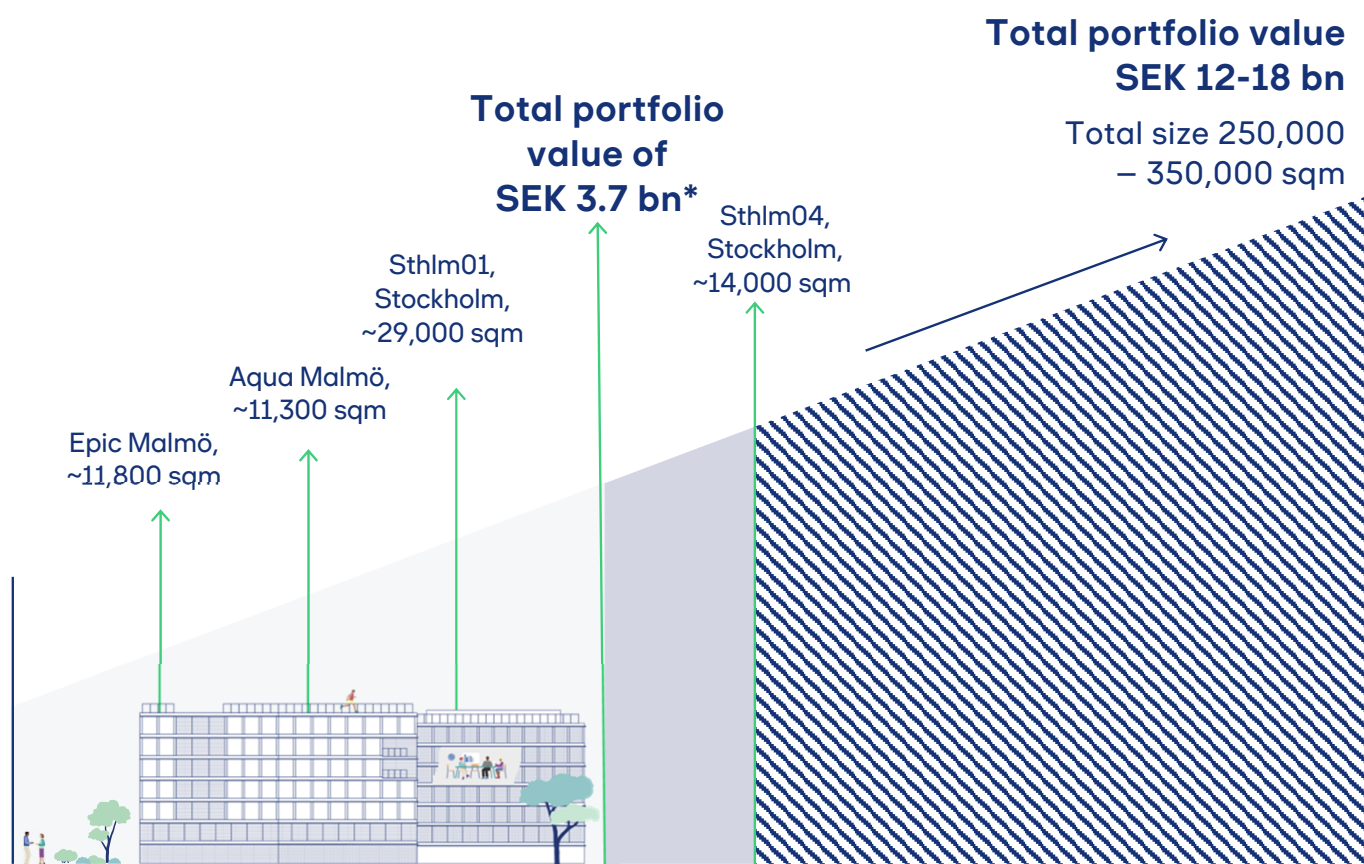
Residential Development achievements

- Increased investments
- Developed pipeline, backfilling landbank and progressing zoning

Commercial Property Development achievements

- Increased investments
- Developed pipeline, backfilling landbank and progressing zoning
- Opportunities in logistics, multifamily and life science
- Strong sustainability focus

Portfolio ramp-up in Investment Properties

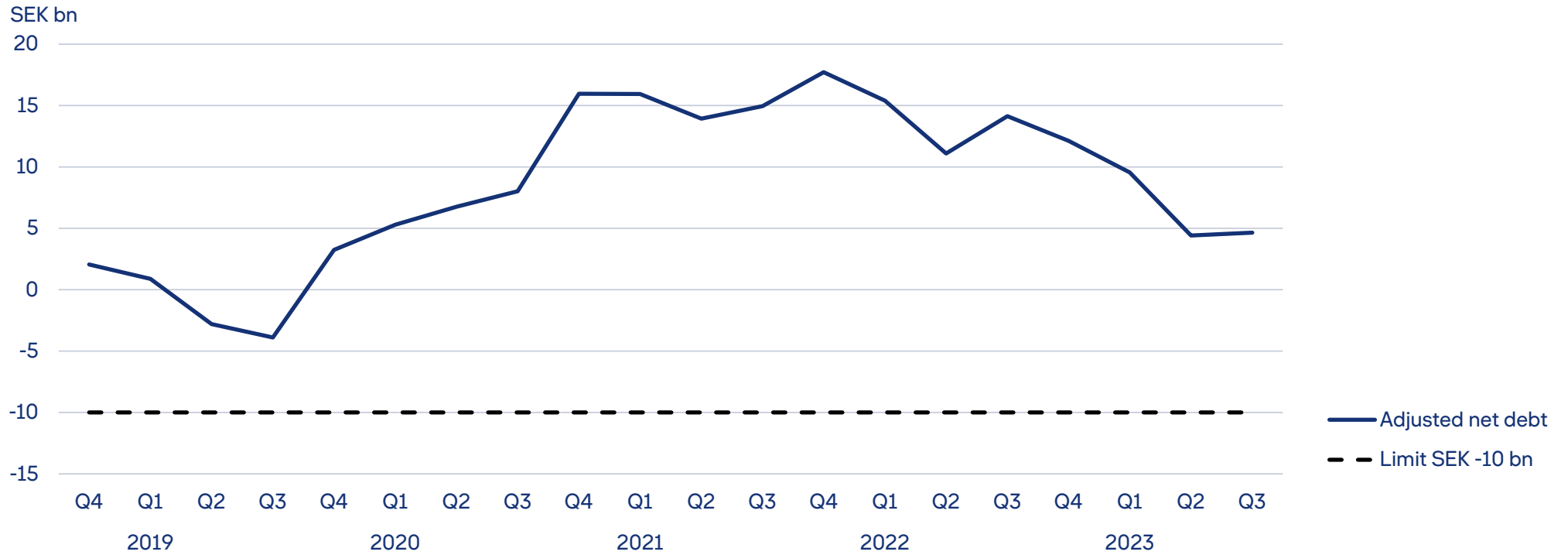


* per Q3 2023

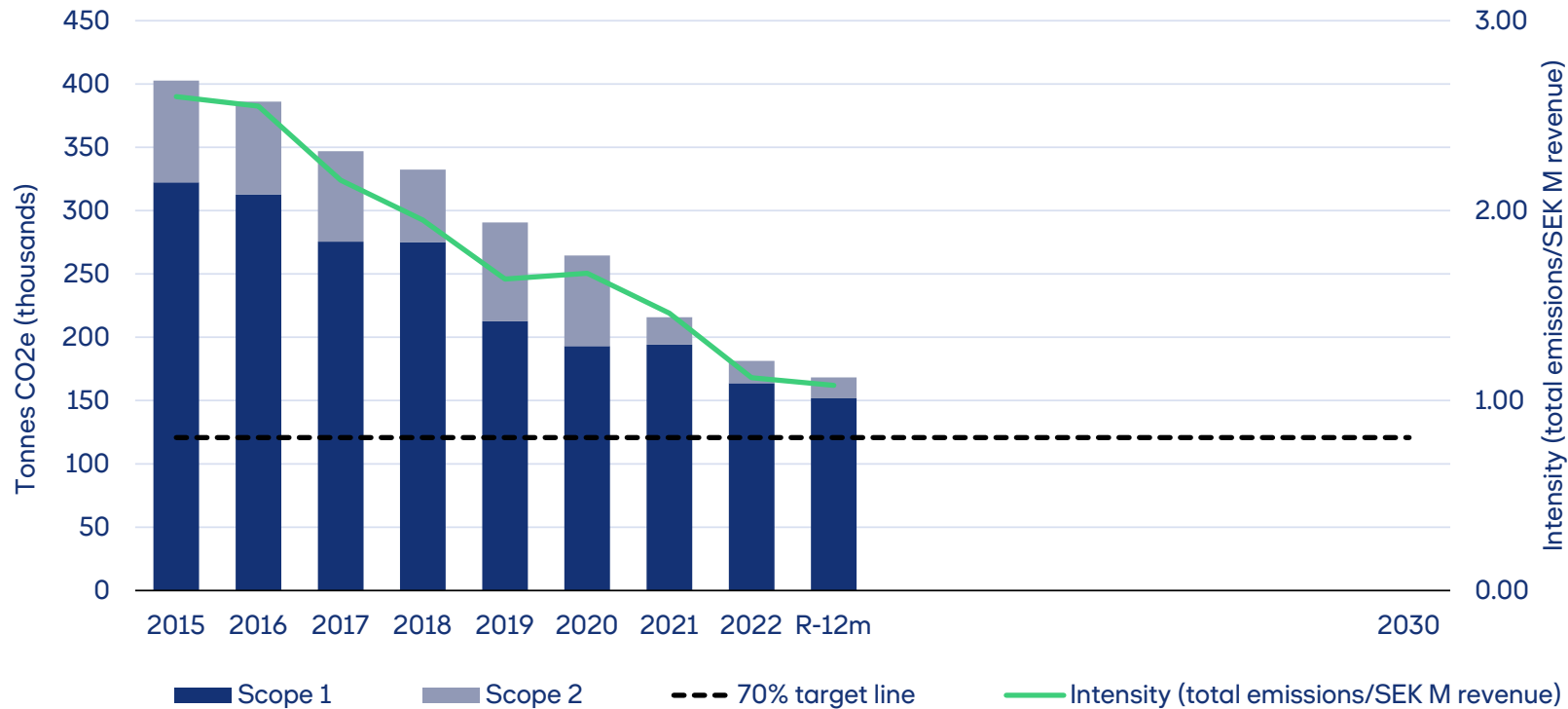
Achievements

- New business stream as of 2022
- A portfolio of high-quality sustainable properties in attractive locations
- Targeting a total value of SEK 12-18 billion, currently c. SEK 4.5 billion
- Create synergies with Commercial Property Development

Maintaining a strong financial position



Successfully reducing our own carbon emissions



-58%
Absolute carbon reduction

Sustainability and digital transformation

Lena Hök, EVP Sustainability & Innovation
Ståle Rød, EVP

Market solutions for infrastructure and buildings needed for climate transformation



Clean energy
and efficiency



Public transport
infrastructure



Retrofit and
decarbonize
buildings



Decarbonize
materials



Resilient
solutions

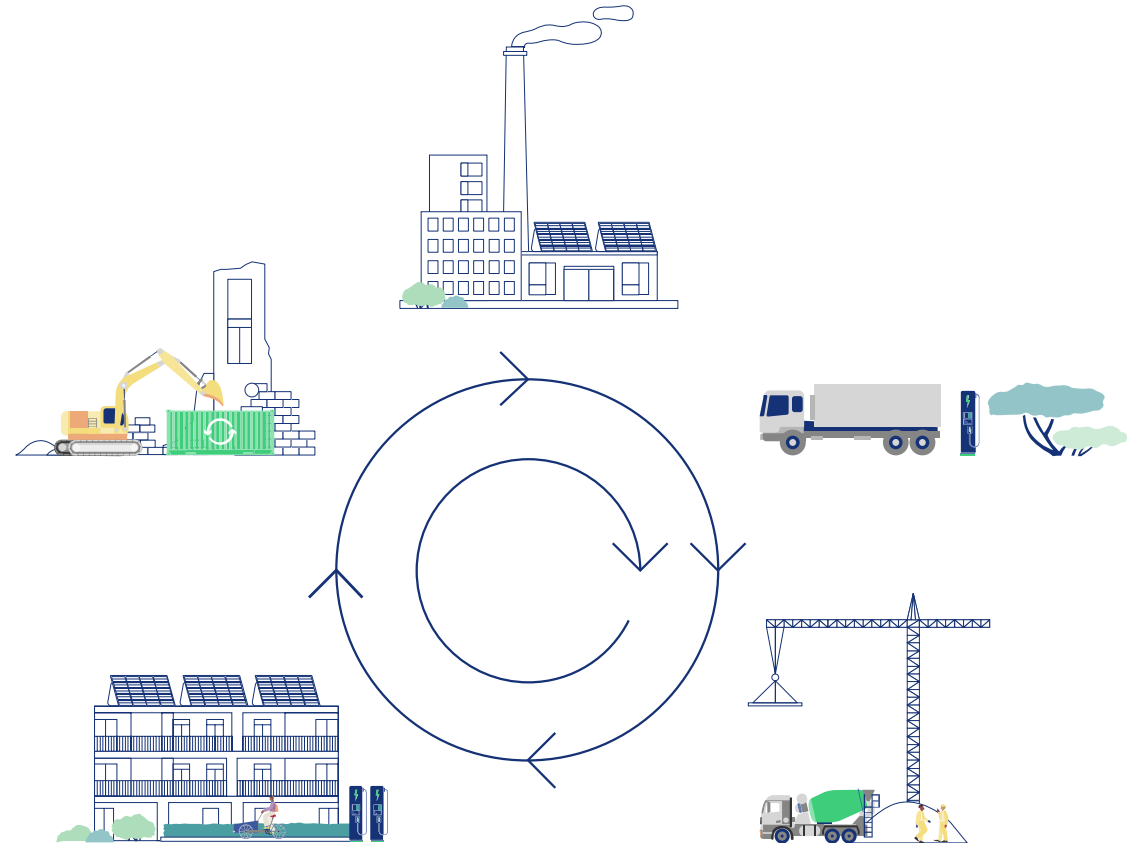
Driving forces creating market potential

Mandatory: sustainability disclosures

Pull: mobilize capital for transformation

Push: building codes and customer needs

- Energy efficient buildings
- Retrofitting and resilience
- Customers' climate targets



Climate plan for net-zero 2045



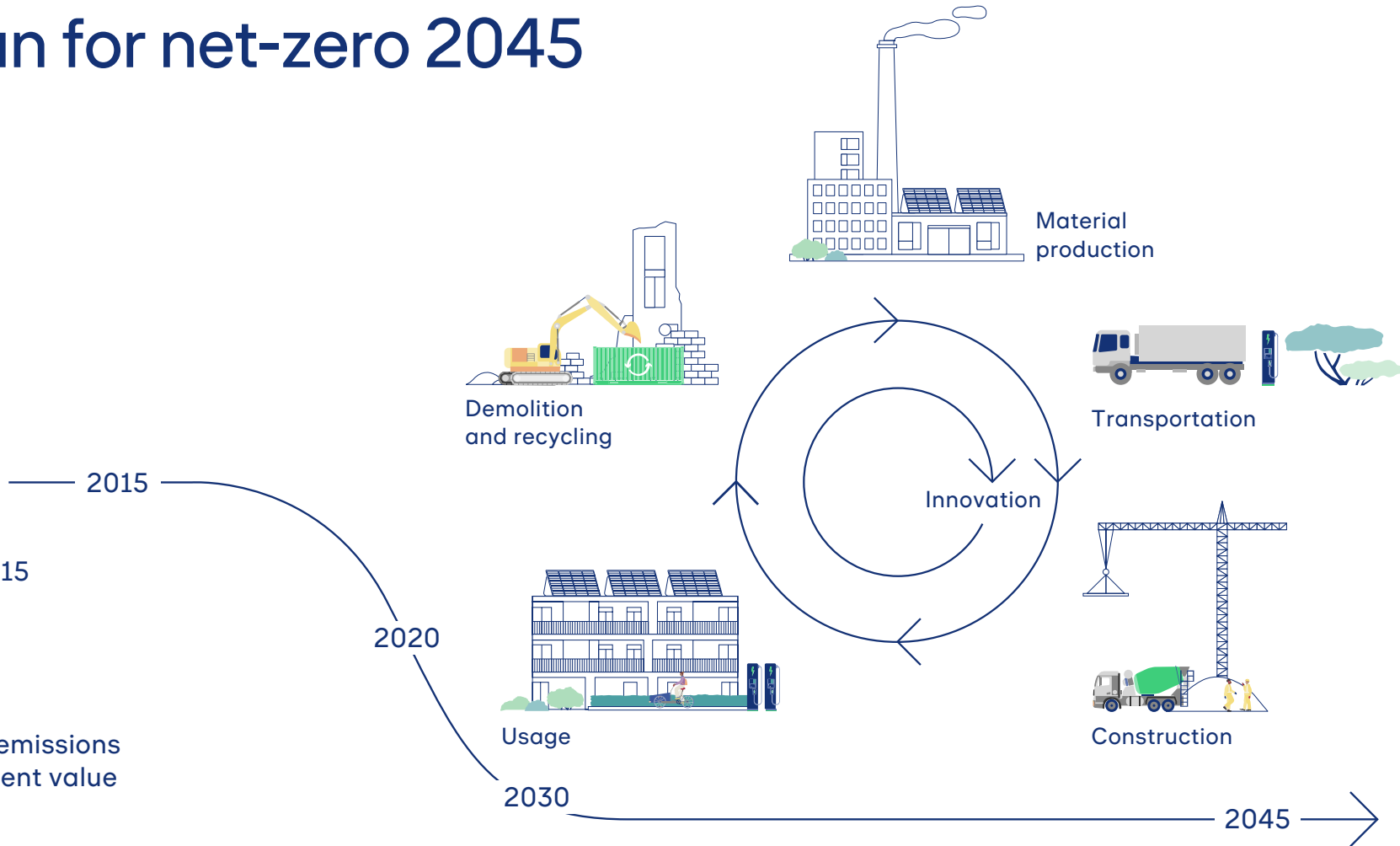
SCIENCE
BASED
TARGETS

-70%

2030 reduction of own carbon emissions since 2015

-50%

2030 reduction of carbon emissions from our project development value chain since 2020.



Innovative digital solutions lifting efficiency

Efficiency of materials & carbon



Embodied carbon in construction calculator

Building usage & customer value



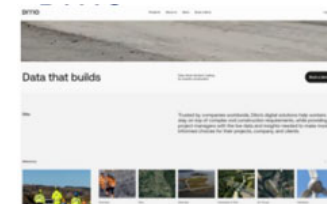
Smart building platform

Energy and carbon efficiency



Simien

Productivity and reduce carbon



Ditio

Digitalization in the construction industry

- Construction industry catching on to digital tech
- Technologies successfully used in projects and regions
 - Drones, robots, image and video recognition
- True Digitalization is key
 - Digital eco-systems ensuring flow of data
- Great potential from generative AI and particularly Large Language Models



Basis for our digital transformation



Data strategy



Technology



Standardize selected processes



Encourage adoption and cultural change



Implement adequate protective measures



Business Stream Update

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Construction

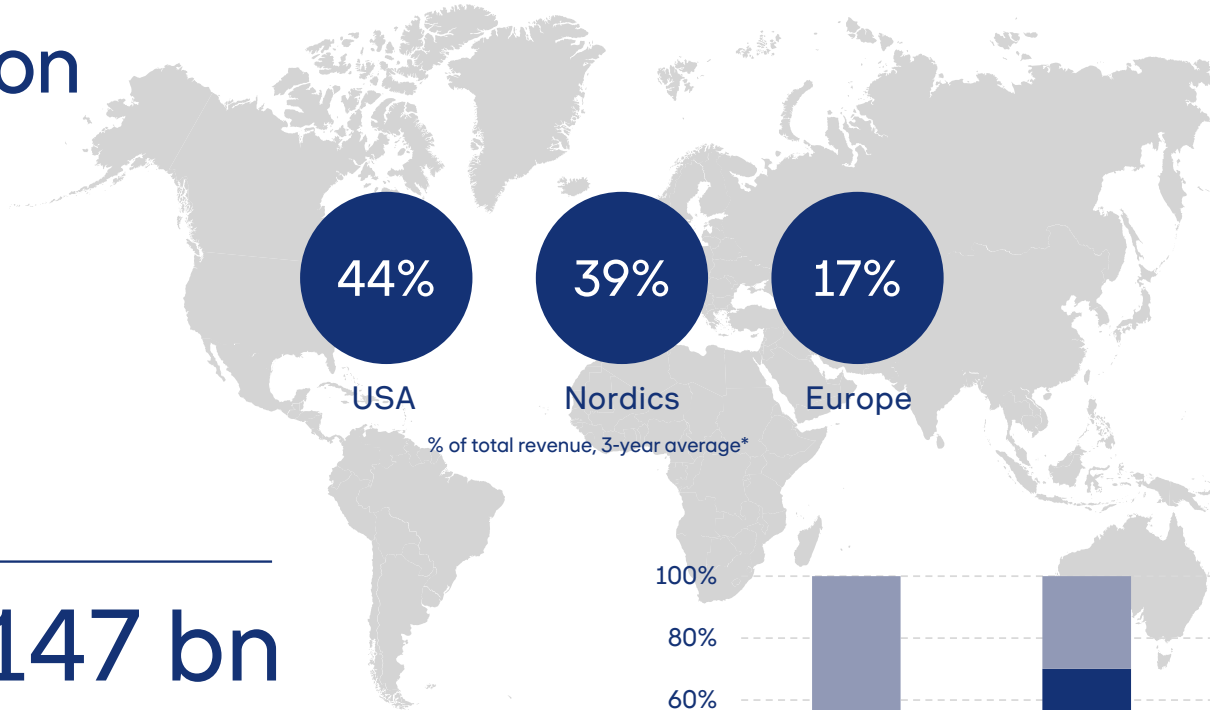
Anders Danielsson, President and CEO
Richard Kennedy, EVP Skanska Construction USA

Construction

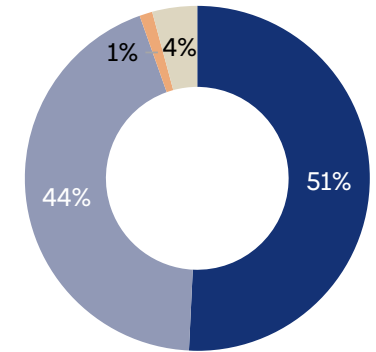
Build sustainable and climate-resilient buildings and infrastructure, shaping inclusive, healthy spaces for working, living and connecting for external and internal clients

- External and internal contracts
- Social infrastructure: schools, hospitals, healthcare, life science
- Mass transit: rail, subways, airports
- Infrastructure: highways, bridges, tunnels
- Commercial offices
- Homes

Balanced construction portfolio



Order backlog



- Building construction, non-residential
- Civil construction
- Building construction, residential
- Facility management/maintenance contracts

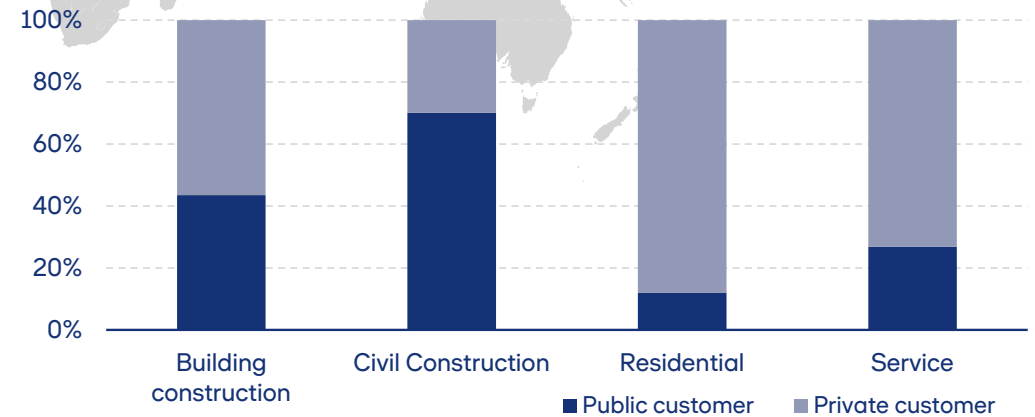
Revenue, SEK
3-year average,
R-12m Q3

147 bn

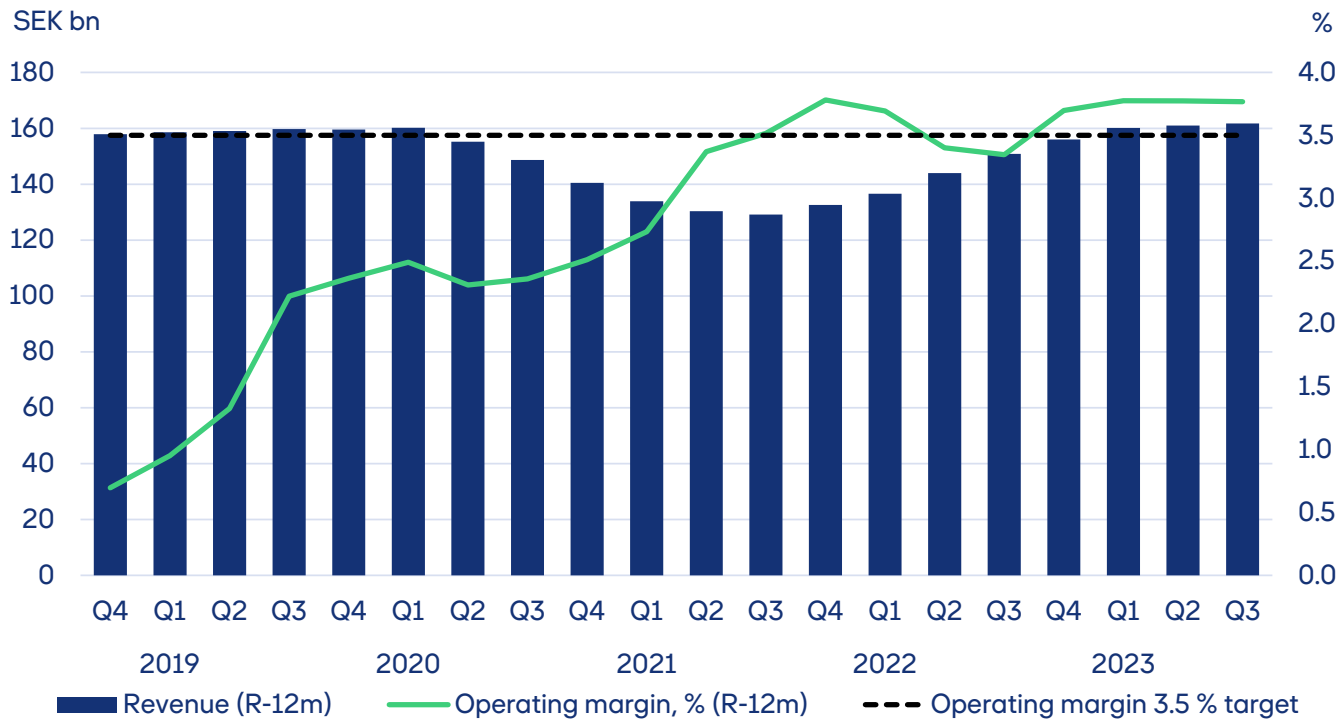
Number of
employees

25,700

*R-12m per Q3 2023



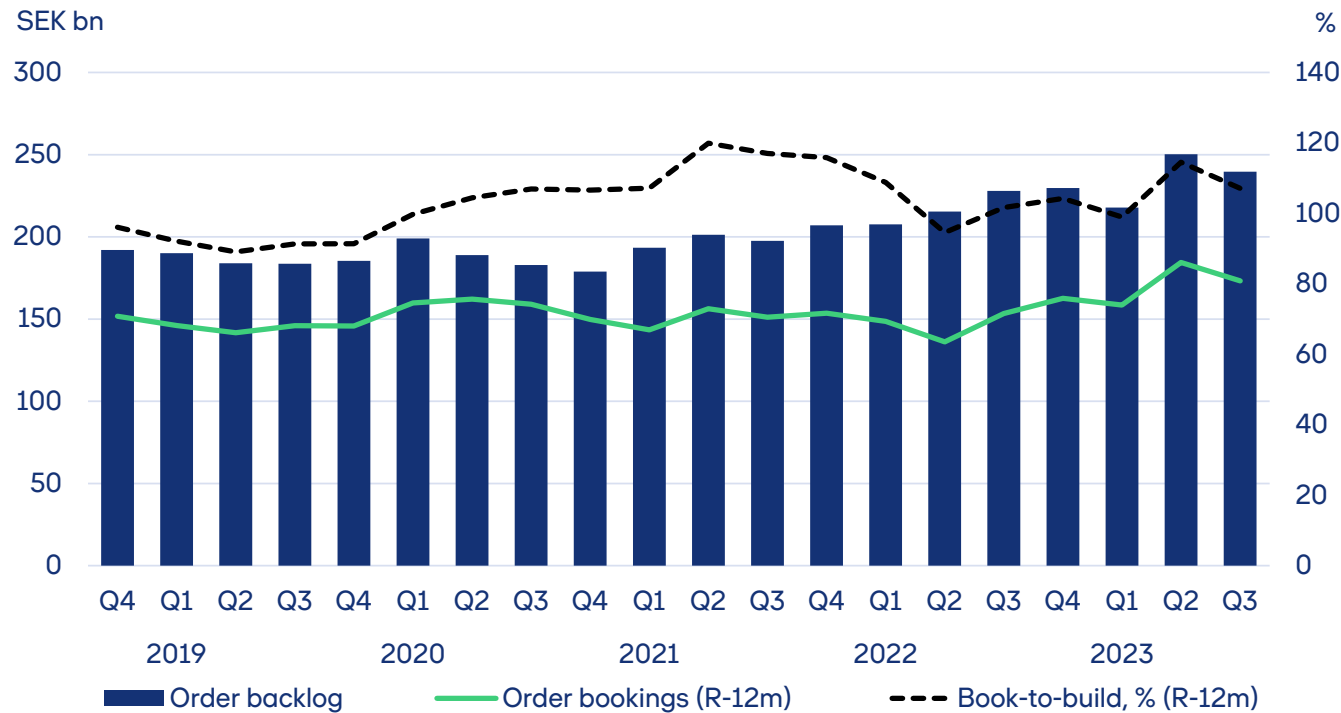
Strategy yielding strong results



Construction

Strong order backlog won under selective bid strategy

CAGR 4.5%



Sixth street Bridge Los Angeles USA

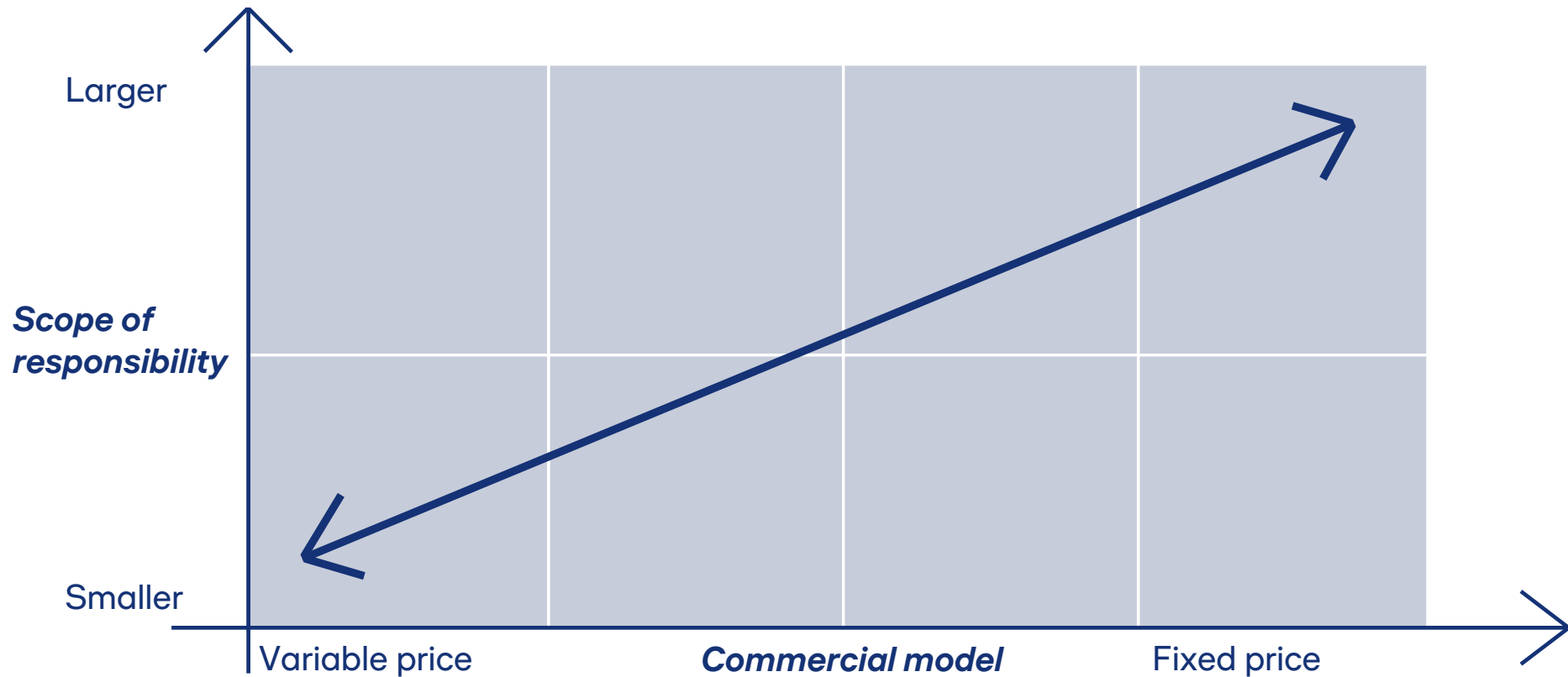
Construction

Key factors for successful risk management

- Selective bidding
- The right team for every project
- Managing material price and availability risk
- Secure sub-contractors and suppliers early
- Early contractor involvement
- Conservative claims management and profit recognition
- Internal project tender approval process



Portfolio management and risk assessment



Commercial direction – Construction

- Selective bidding, prioritizing stable and strong profits before volume
- Profitable growth in markets that support this
- Seize opportunities in the transition to a sustainable built environment
- Increase strategic focus on digitalization and new technology to improve productivity
- Stay close to customers to sharpen our offering and solutions to meet customer needs of tomorrow



Residential Development

Ståle Rød, EVP

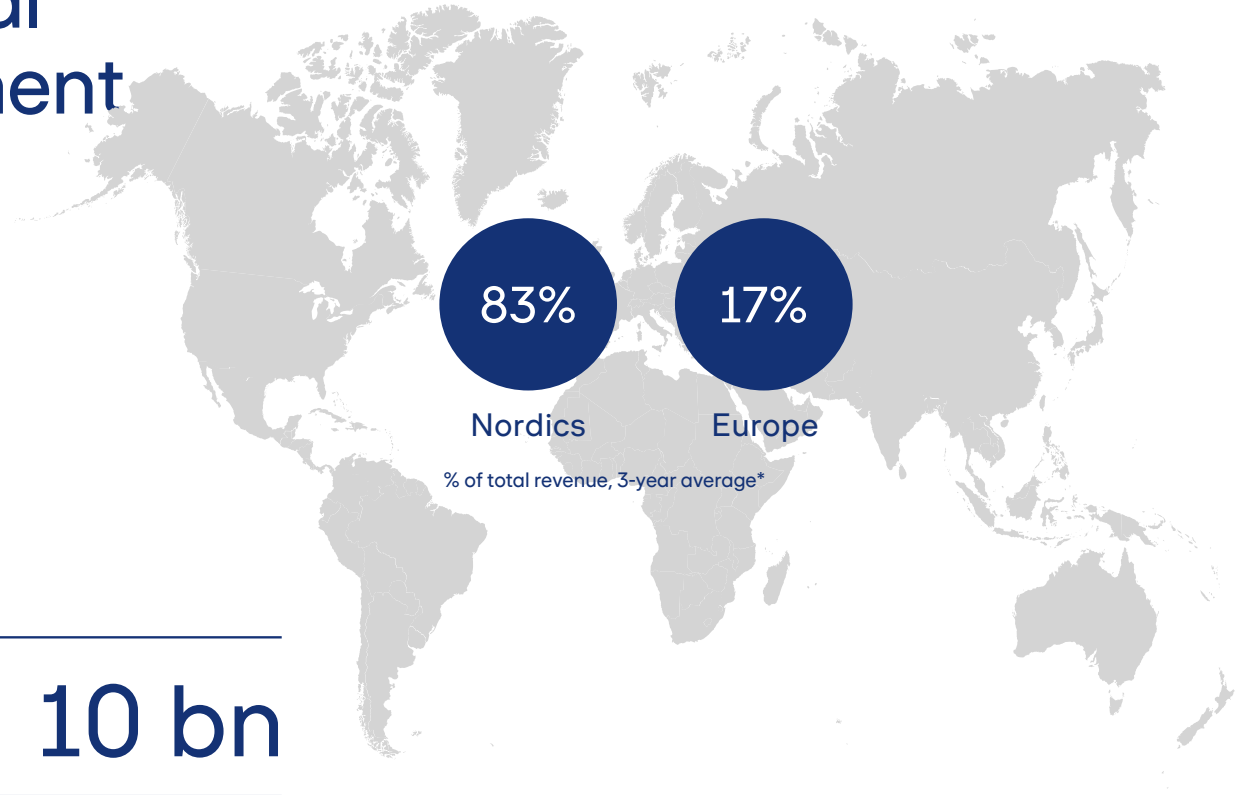
Residential Development

Develop and build high-quality, energy-efficient and sustainable homes

Mostly multifamily homes, owner-occupied or for housing associations/companies



Residential Development



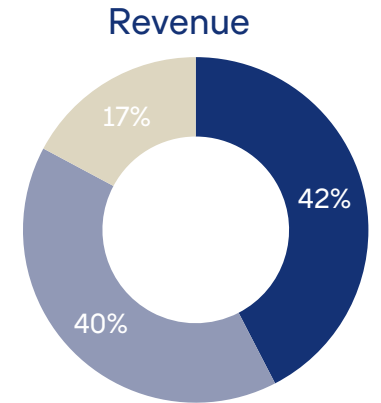
Revenue, SEK
3-year average,
R-12m Q3

10 bn

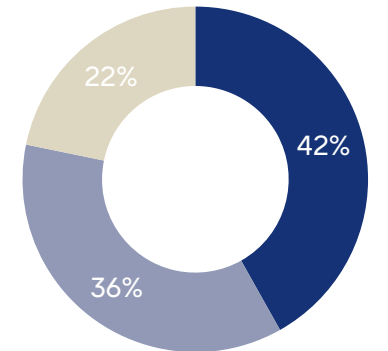
Properties,
Book value, SEK
(Sep 30, 2023)

22 bn

*R-12m per Q3 2023



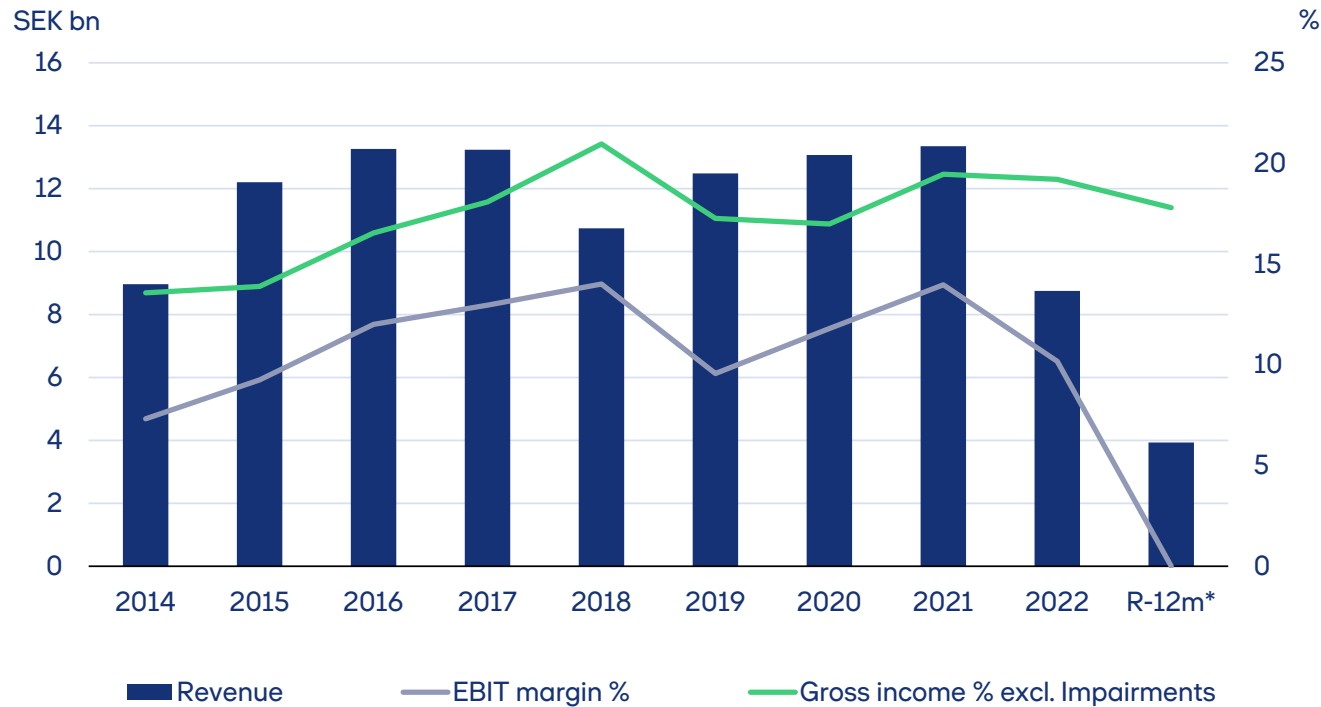
Operating income



3-year average*

- Sweden
- Norway and Finland
- Poland, Czech Republic and the UK

Profitability impacted by low volumes in weak housing market



*R-12m per Q3 2023

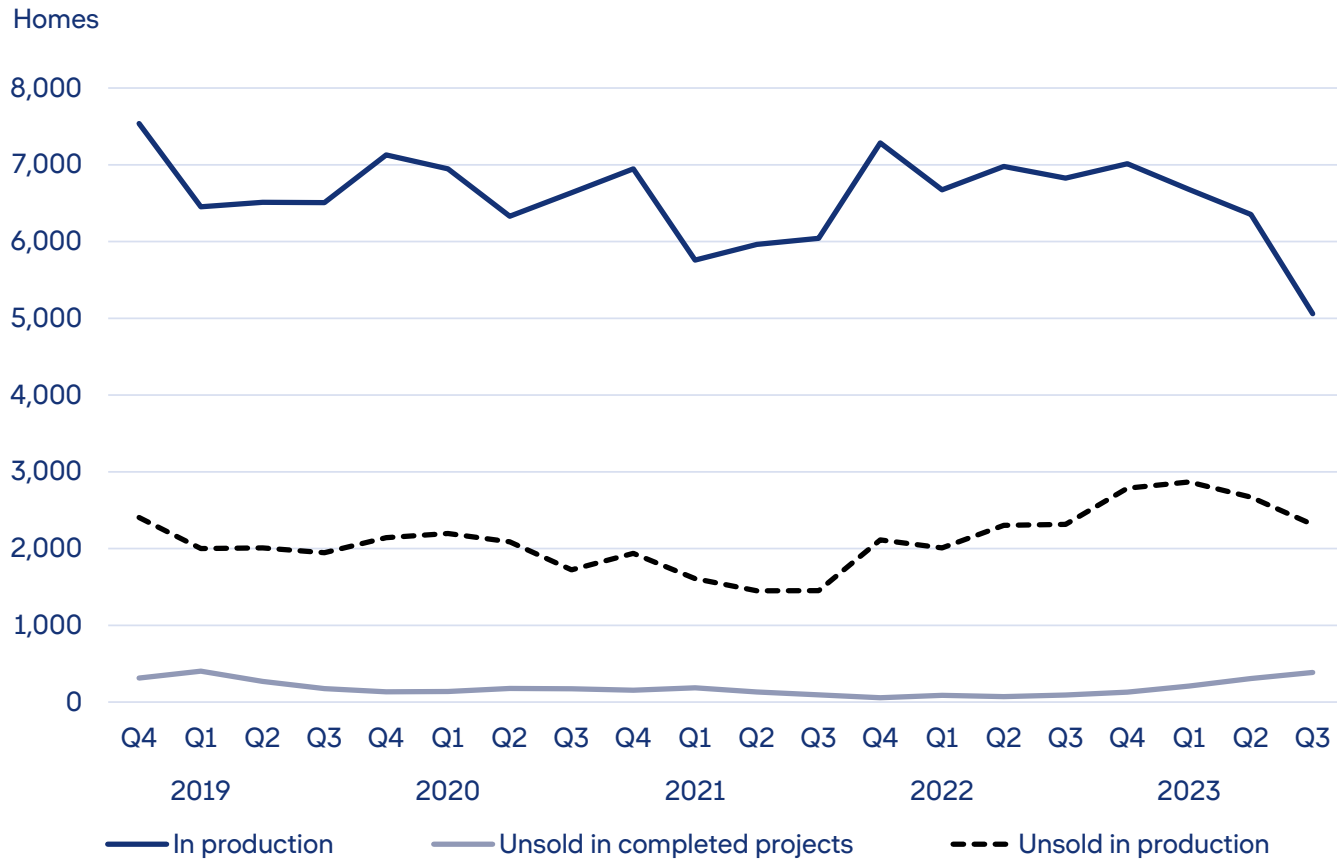


Taking action to adapt to market

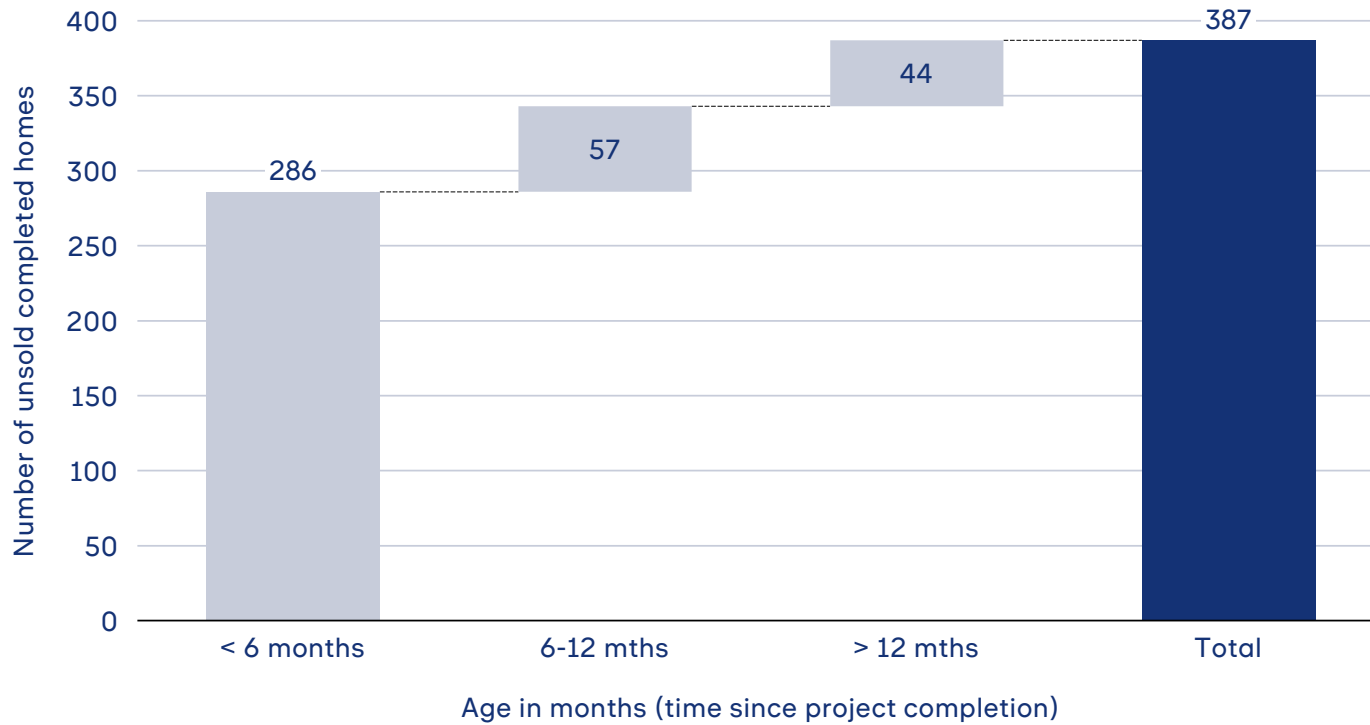
- Reduce S&A to adapt to market conditions
- Selective new starts in right locations
- Focus on project execution and complete handovers
- Ensure churn of the portfolio of unsold completed homes
- Turnaround of BoKlok
- Managing market cycle and long-term value creation
- Making the most of opportunities in Central Europe



Active portfolio management



Good churn of unsold completed homes



Commercial direction – Residential Development

- Focus on sales
- Reduce S&A to adapt to market conditions
- Selected project starts in the right locations
- Capital efficiency and capital employed
- Look for cost-reduction synergies with Construction stream
- Further develop and promote concepts around energy-efficient and sustainable residential projects



Commercial Property Development

Claes Larsson, EVP

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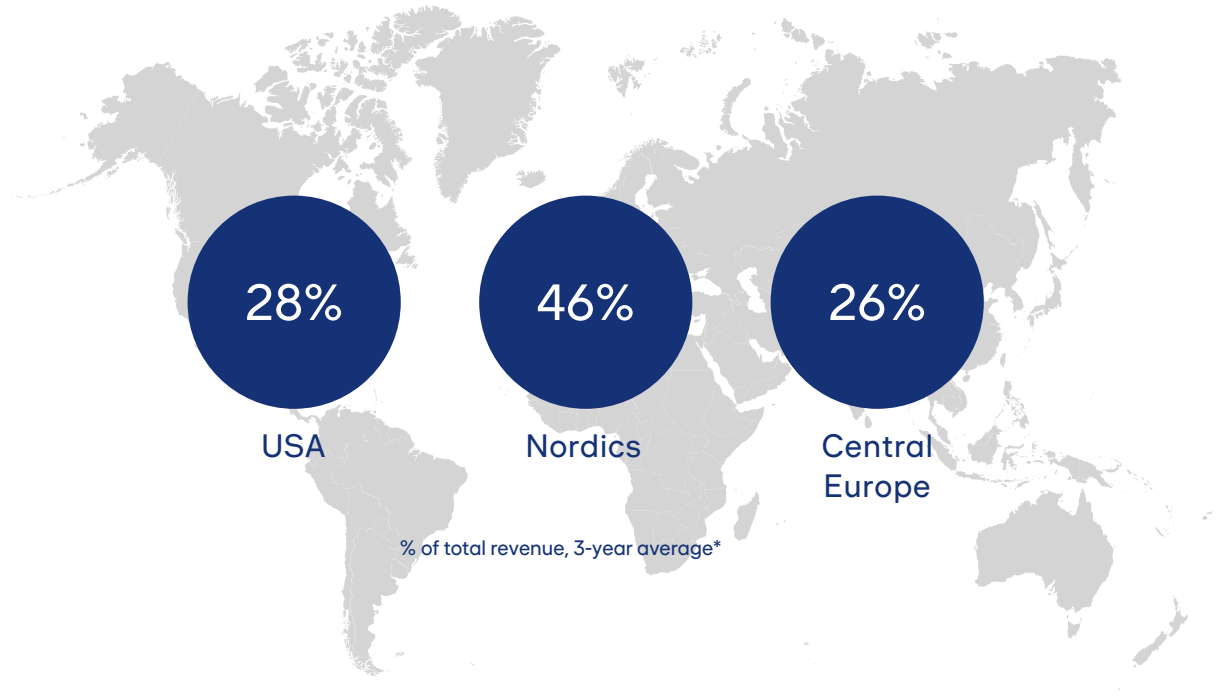
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Commercial Property Development

Shape sustainable and smart places where people can work, live and connect

- Offices
- Residential rentals (multifamily)
- Life-science in the USA
- Industrials in Sweden

Commercial Property Development



Revenue, SEK
3-year average,
R-12m Q3

13 bn

Properties book
value, SEK
(Sep 30, 2023)

43 bn

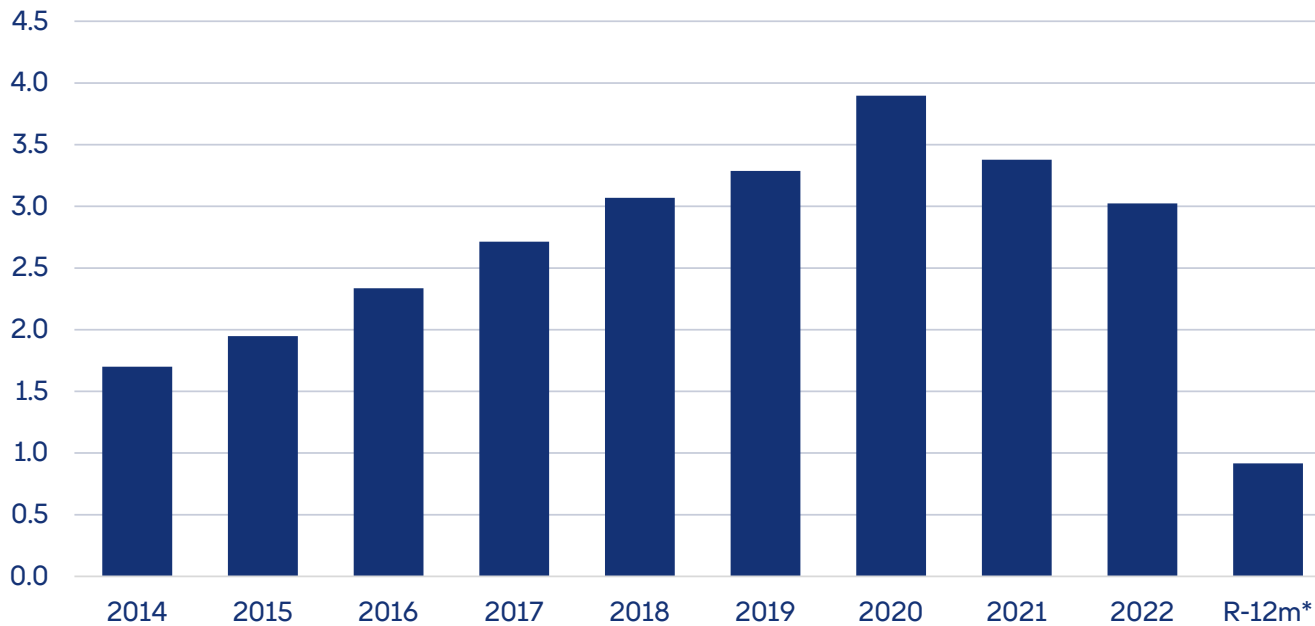
*R-12m per Q3 2023

	Market	
	Leasing	Investor
USA	Slow	Very slow
Nordics	Stable	Slow
Central Europe	Quite strong	Slow

Weak transaction market resulting in reduced EBIT contribution

Operating income

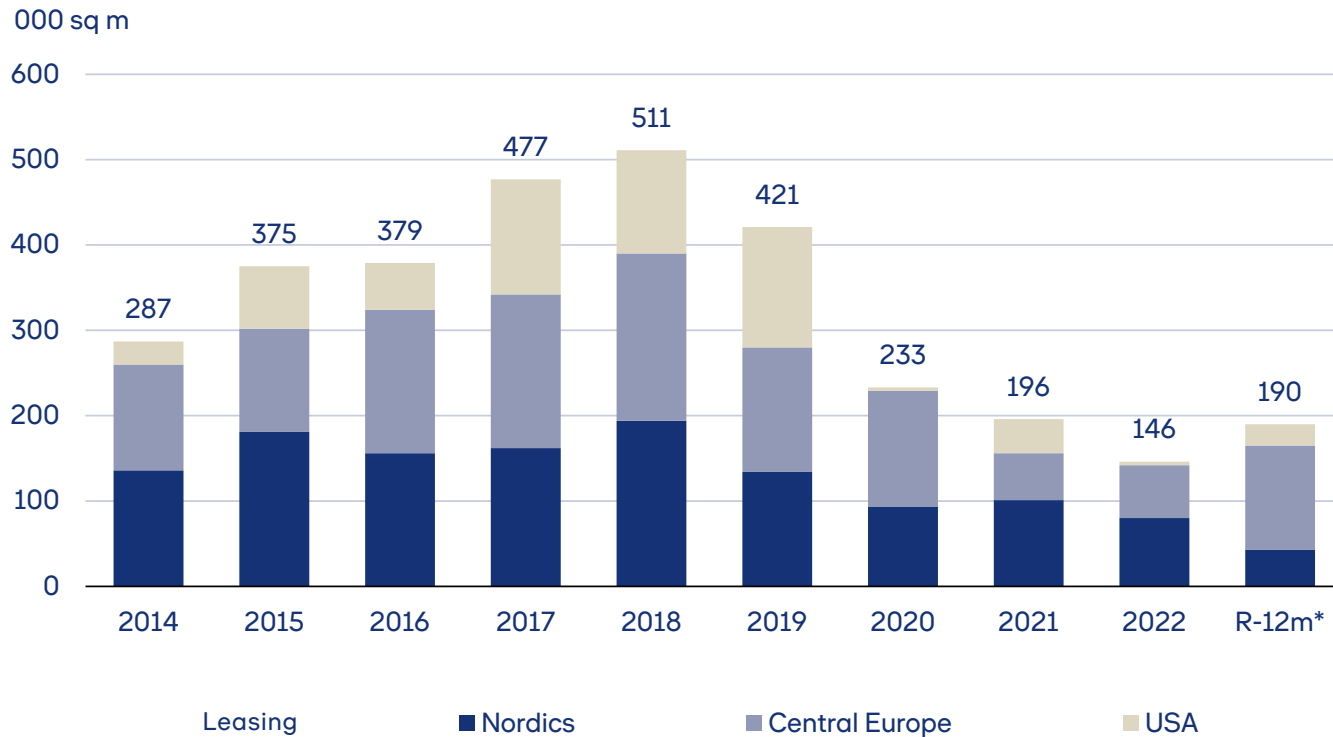
SEK bn



*R-12m per Q3 2023



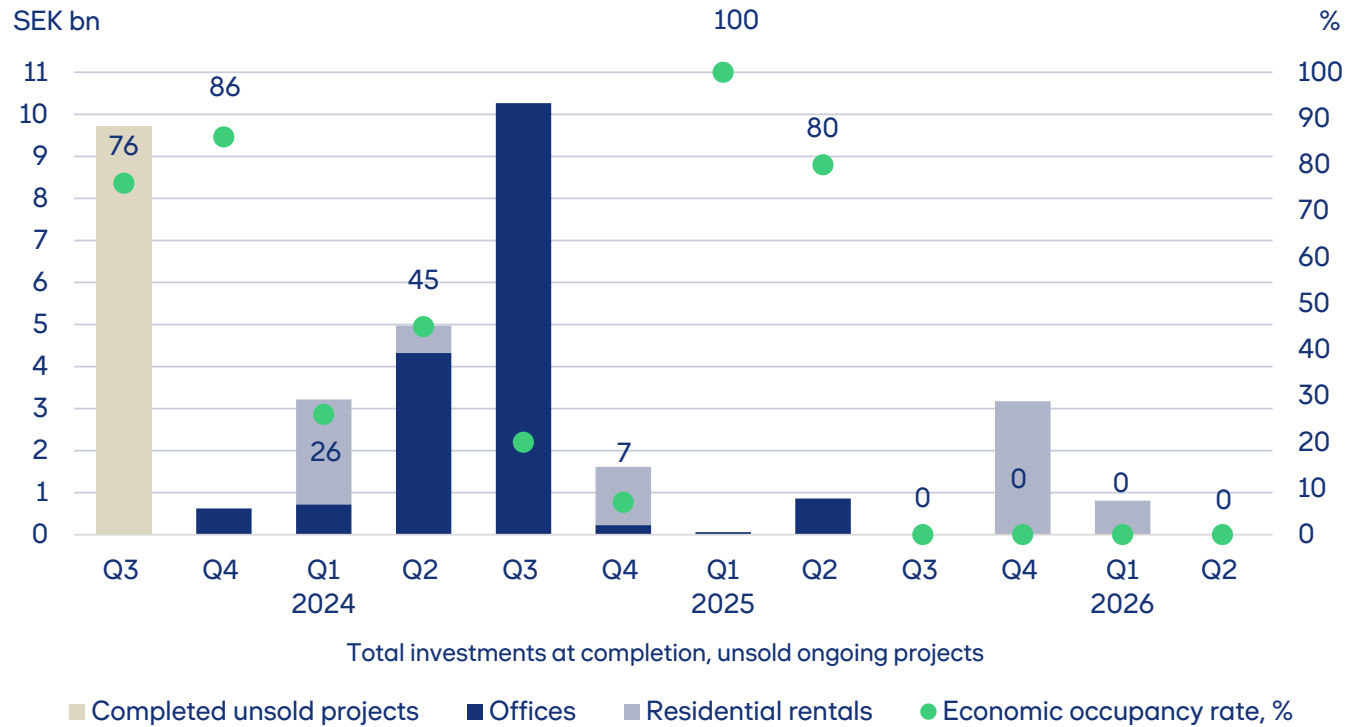
Activity in the leasing market slowly returning



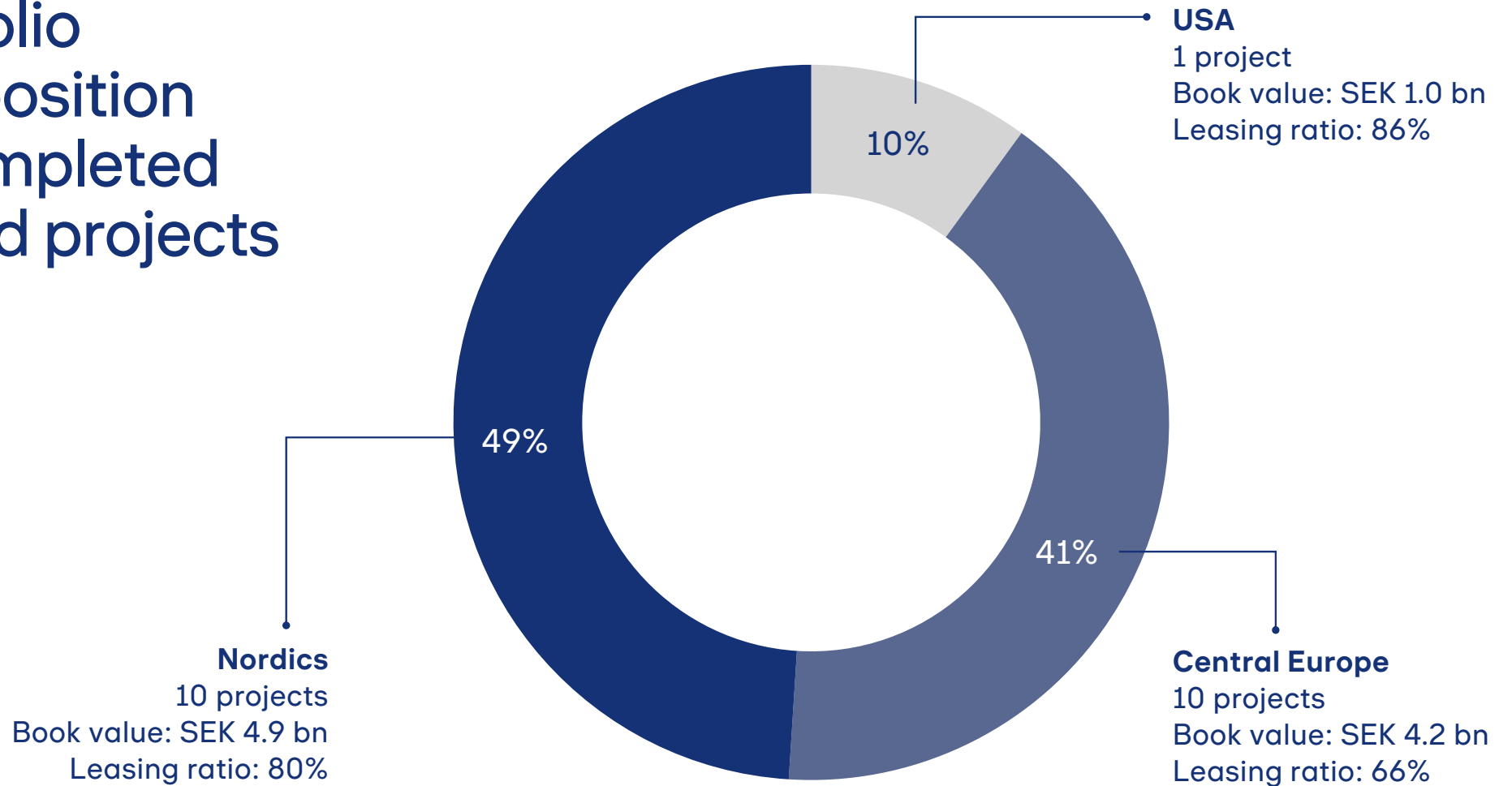
*R-12m per Q3 2023



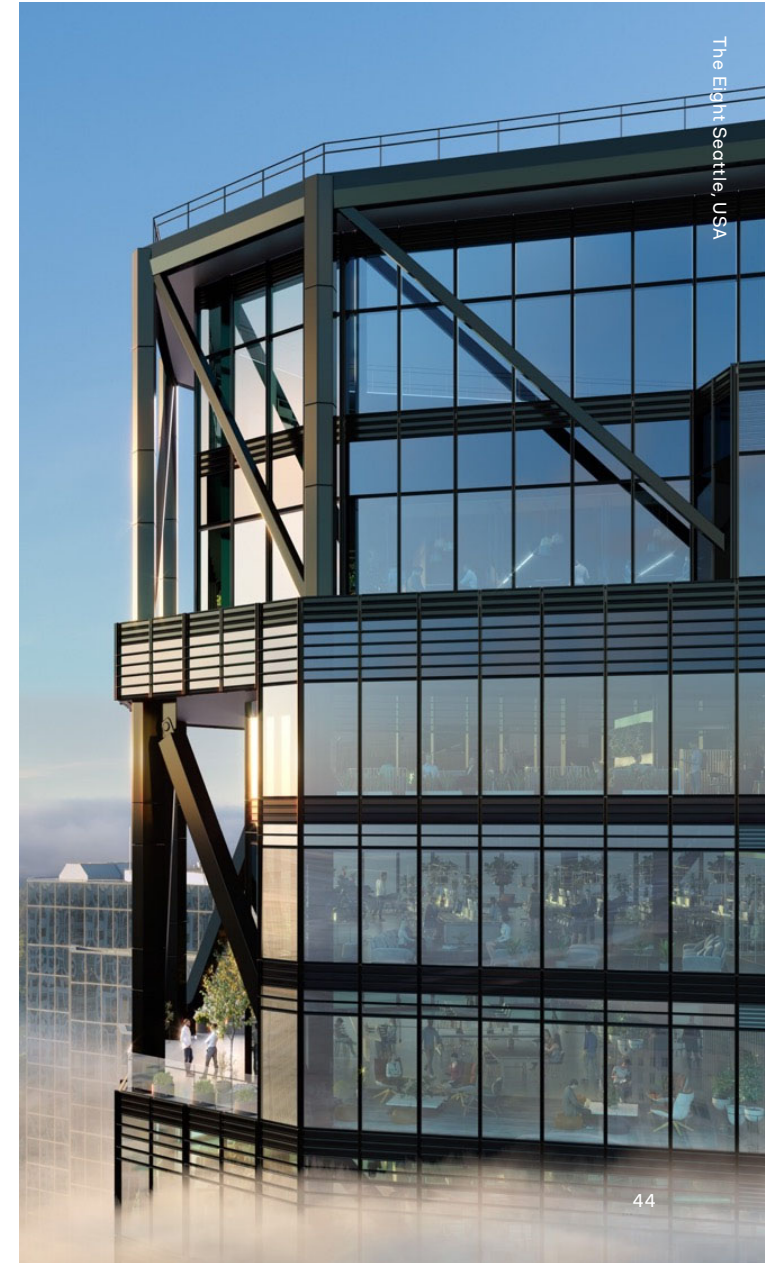
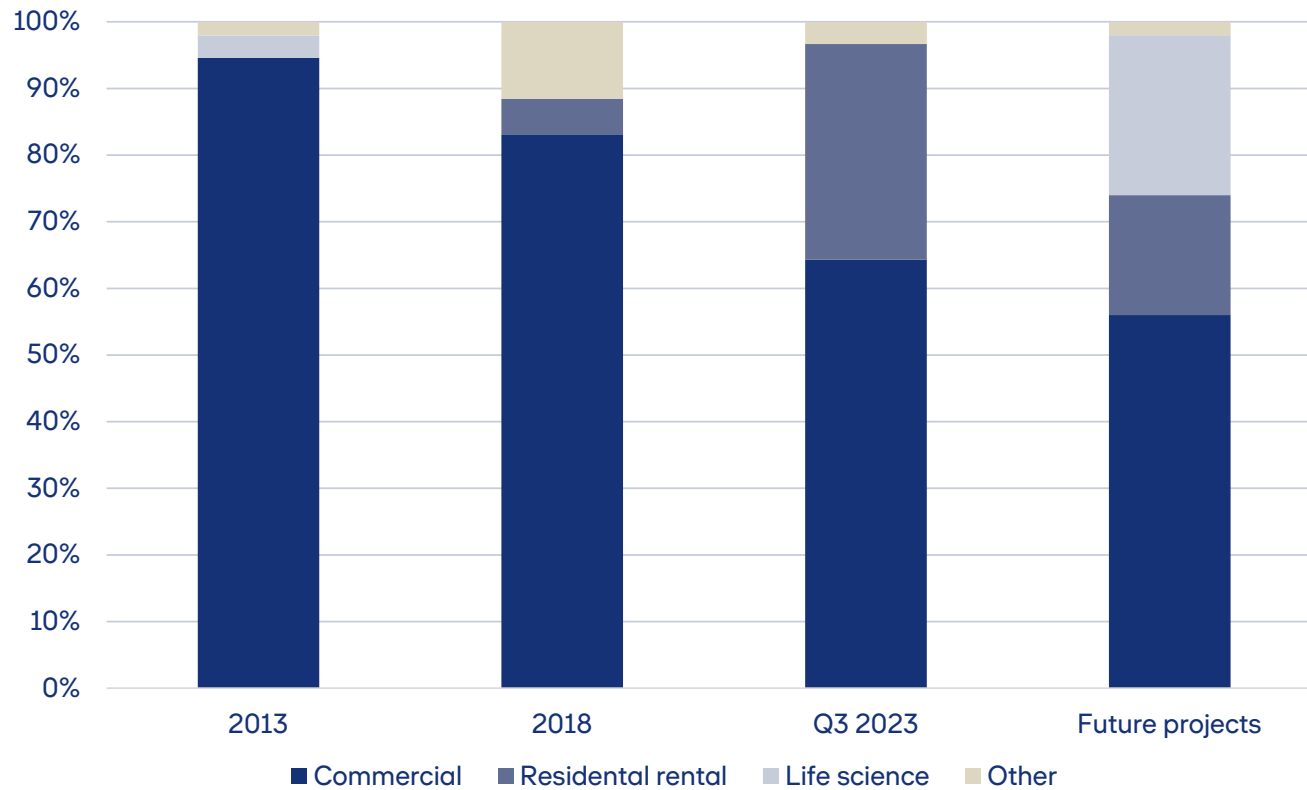
Investor hesitancy results in increased completed unsold properties



Portfolio composition of completed unsold projects

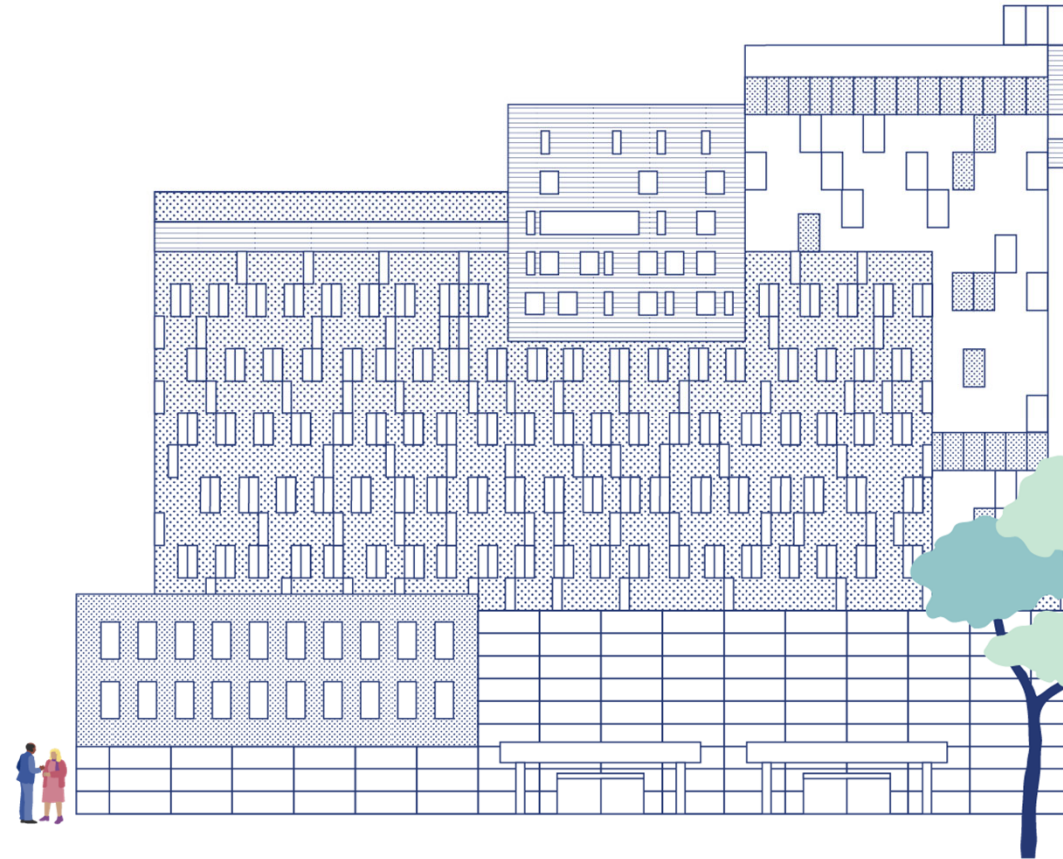


Diversifying the portfolio



Commercial direction – Commercial Development

- Focus on leasing
- Capital efficiency and active divestment strategy
- Develop future pipeline. Selective project starts
- Increased diversification of asset types
- Strong customer offering including sustainability and innovation



Investment Properties

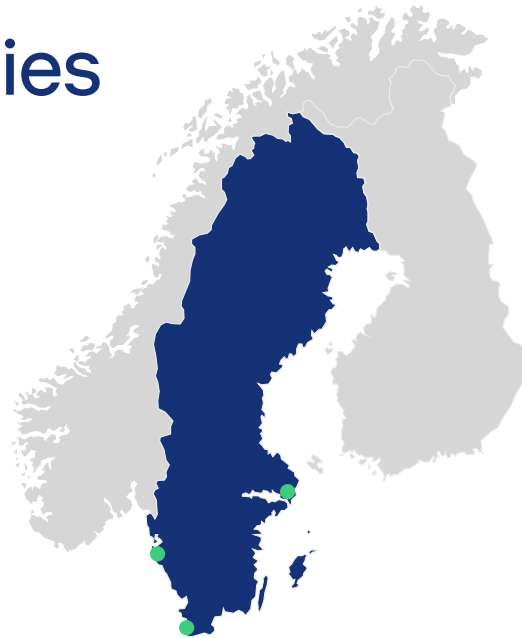
Actively manage a high-quality property portfolio in Sweden

Sustainable office properties in attractive locations in Stockholm, Gothenburg and Malmö



Investment Properties

- Cashflow and value generation
- Innovation and relationships



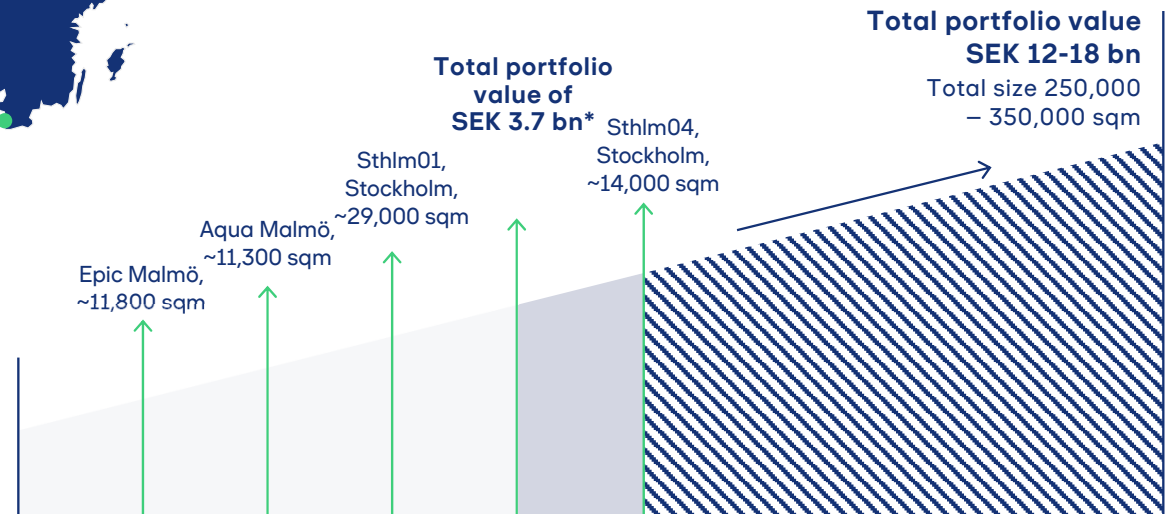
Total portfolio size*
(leasable area)

52,100 sqm

Economic occupancy rate*

91%

*Per Q3 2023



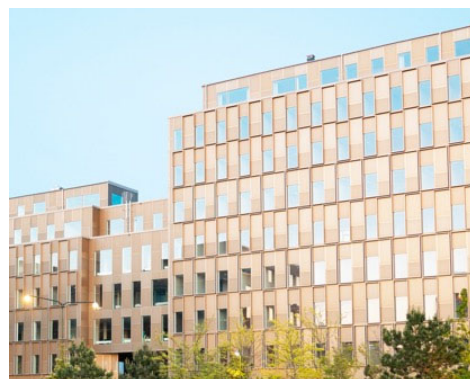
Building an office property portfolio with top quality assets

Total market value of SEK 3,739 M*



LEED Platinum, WELL

Epic
Malmö
11,800 sqm
Completed 2020
100% leased
Property value: SEK 0.8 bn



LEED Platinum, WELL

Aqua
Malmö
11,300 sqm
Completed 2022
95% leased
Property value: SEK 0.6 bn



LEED Platinum

Sthlm 01
Stockholm
29,000 sqm
Completed 2020
90% leased
Property value: SEK 2.4 bn

Acquired
Q4 2023



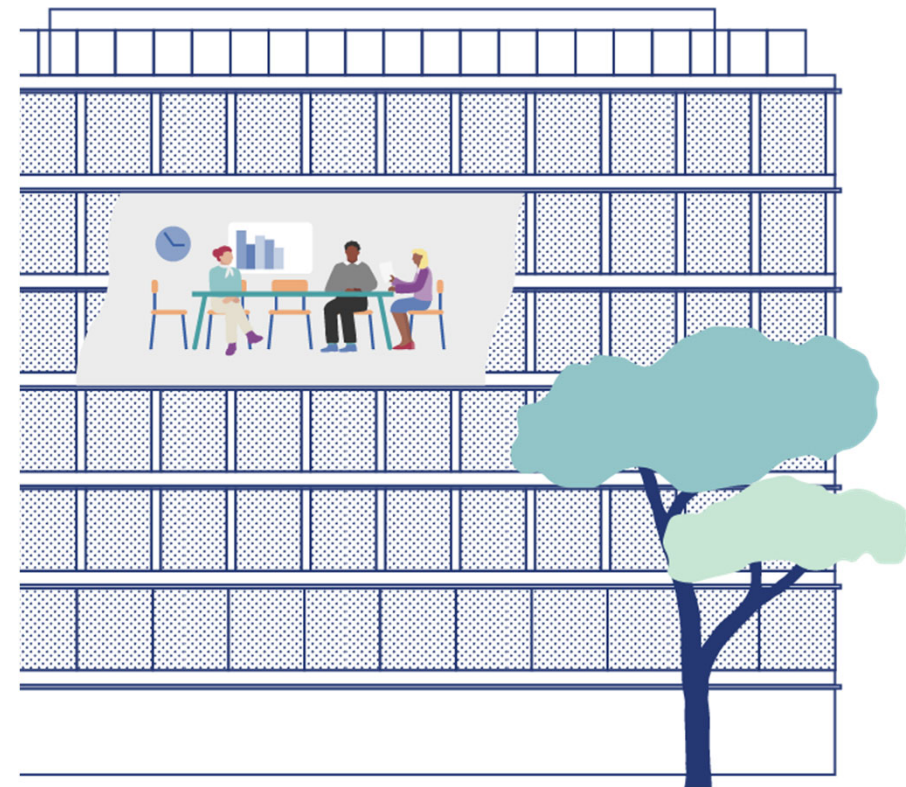
LEED Platinum

Sthlm 04
Stockholm
14,000 sqm
Completed 2020
90% leased
Property value:
reported in Q4 2023

*per Q3 2023

Commercial Direction – Investment Properties

- Grow the portfolio to SEK 12-18 bn
- Active asset management
- Future value generation
- Sustainability and innovation in focus
- Capture synergies from feedback loop



Group Financial Update

Magnus Persson, EVP and CFO

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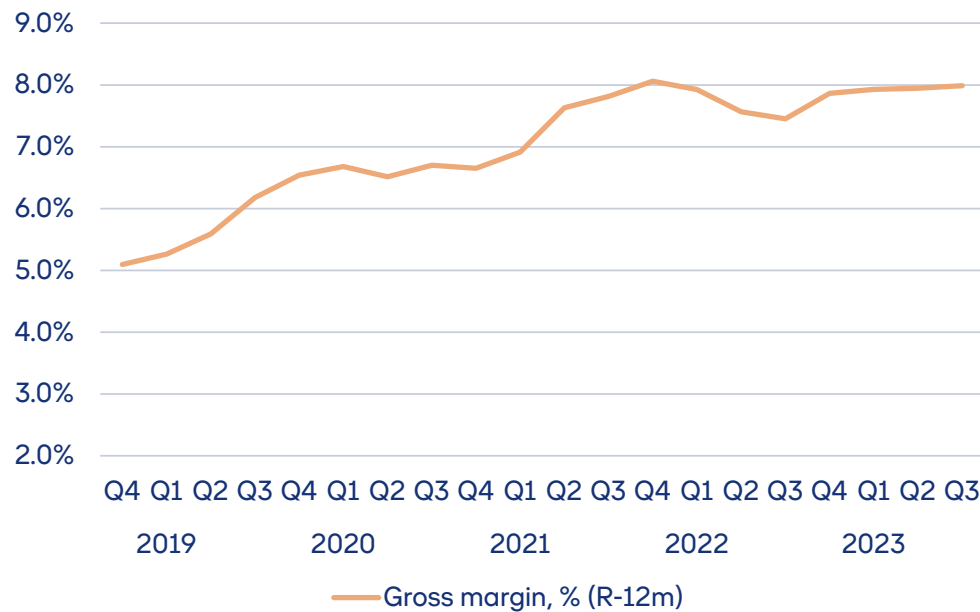
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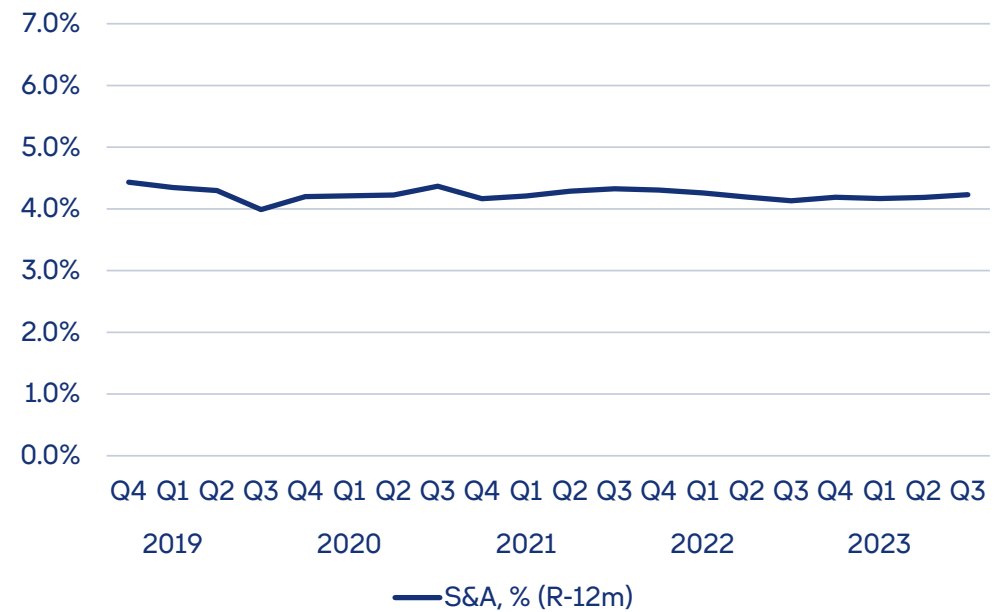
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Construction, increased gross margin, maintained S&A level

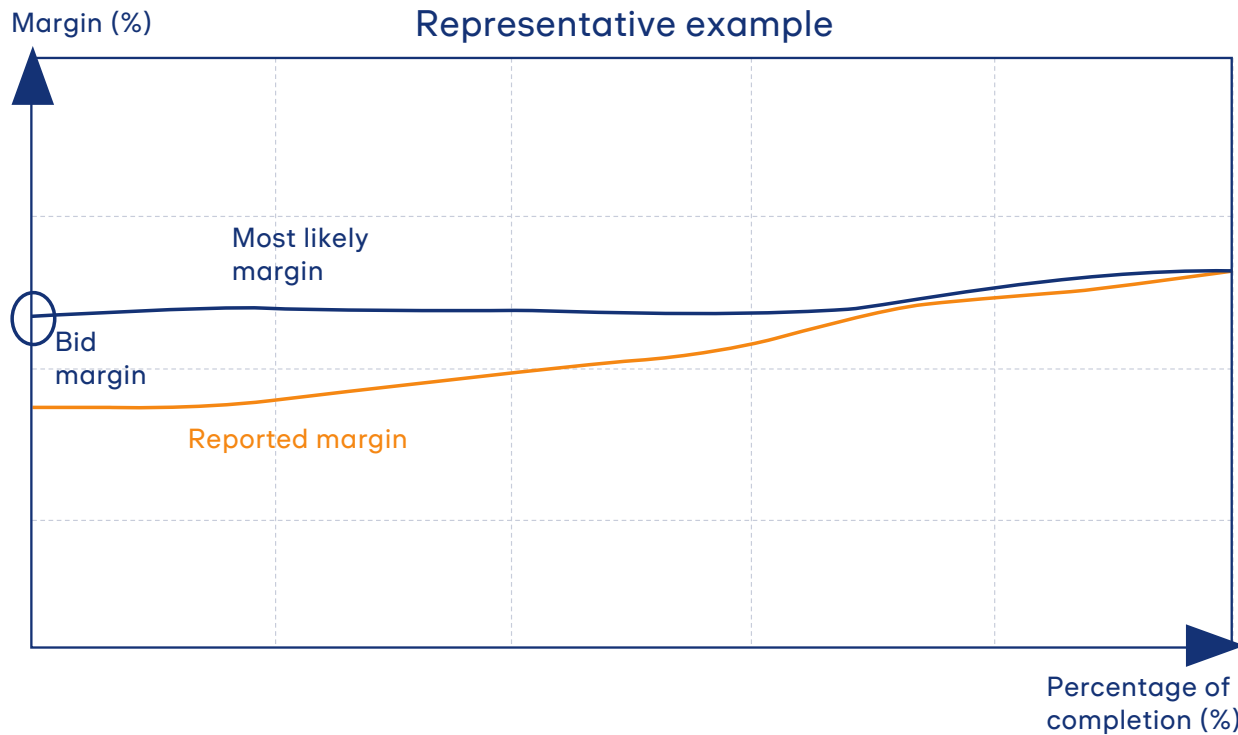
Gross margin, %



S&A, %

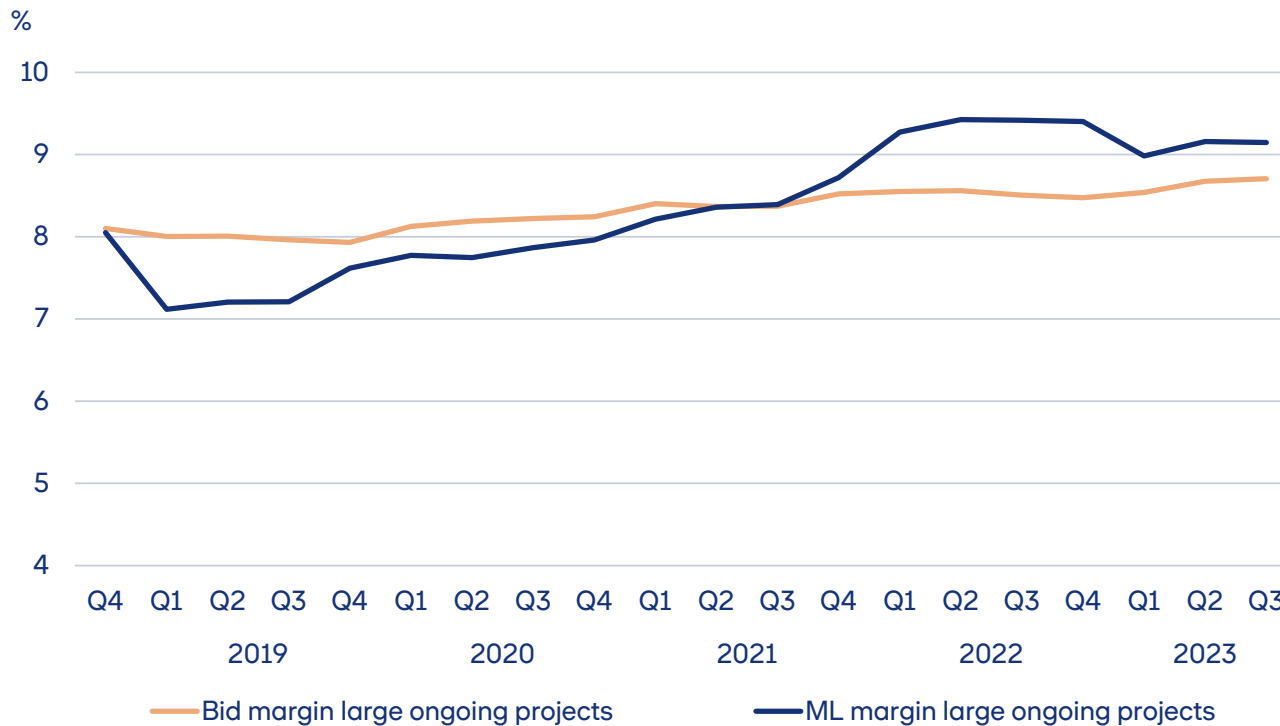


Conservative valuation of construction projects to account for execution risks



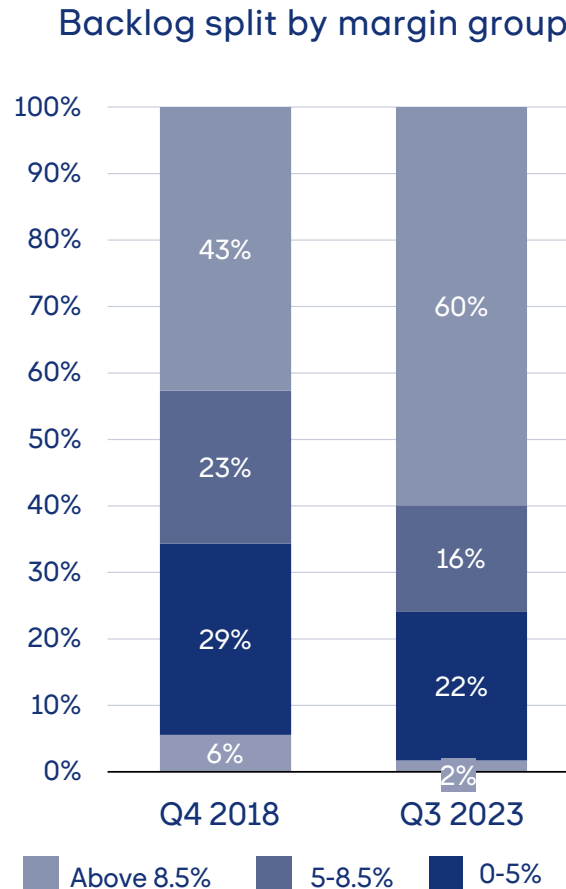
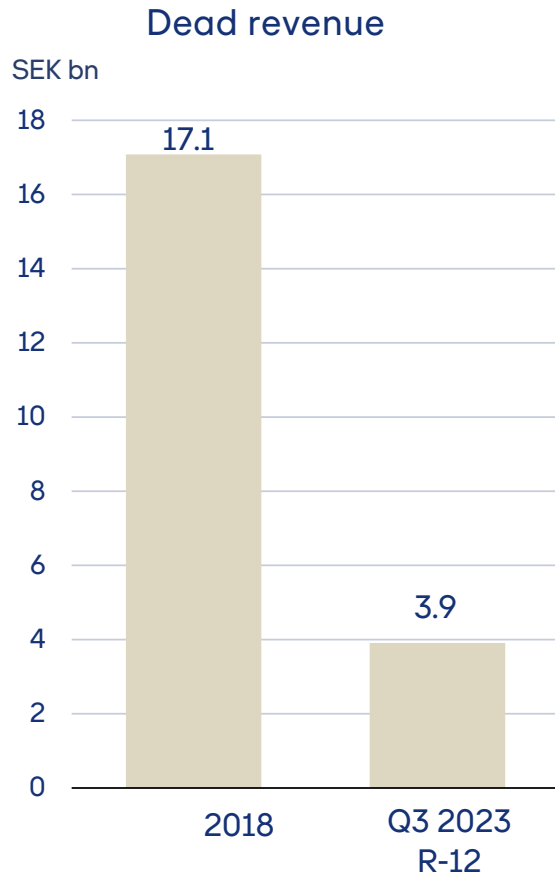
- Example margins relate to project from start to completion
- Valuation of a project increases as risks are dealt with during execution
- Initial valuation vs bid margin relates to assessed risk of the project and past experience

Positive development of construction margins



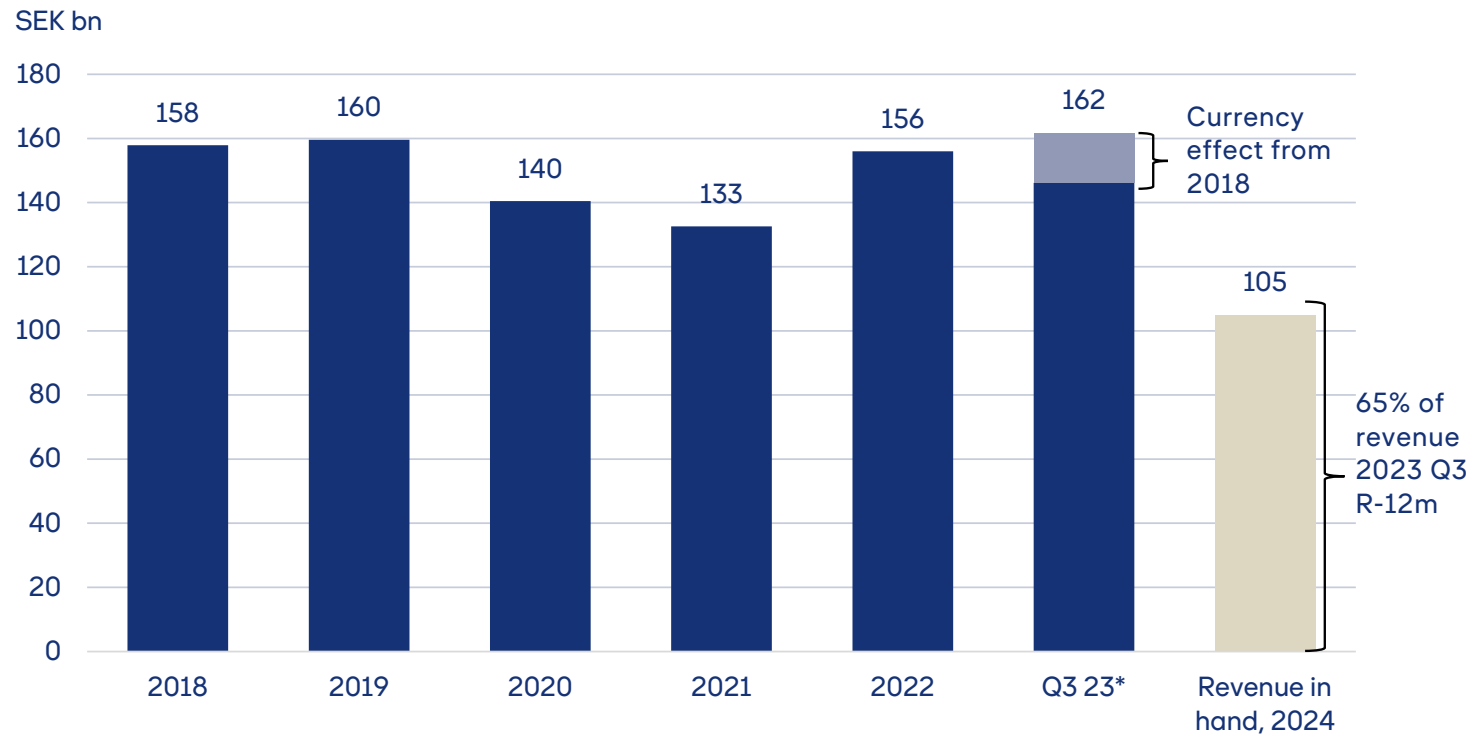
- Strengthened focus on risk/ reward function when pricing jobs
- Selective bidding - avoid "wrong" risks
- Improved ability to deliver on bid margins

Dead revenue fading out and backlog margin improvement



- In a “loss-maker” the whole loss is recognized immediately
- This dilution has decreased substantially last 5 years
- Strong development of margin in the backlog

Construction revenue going forward

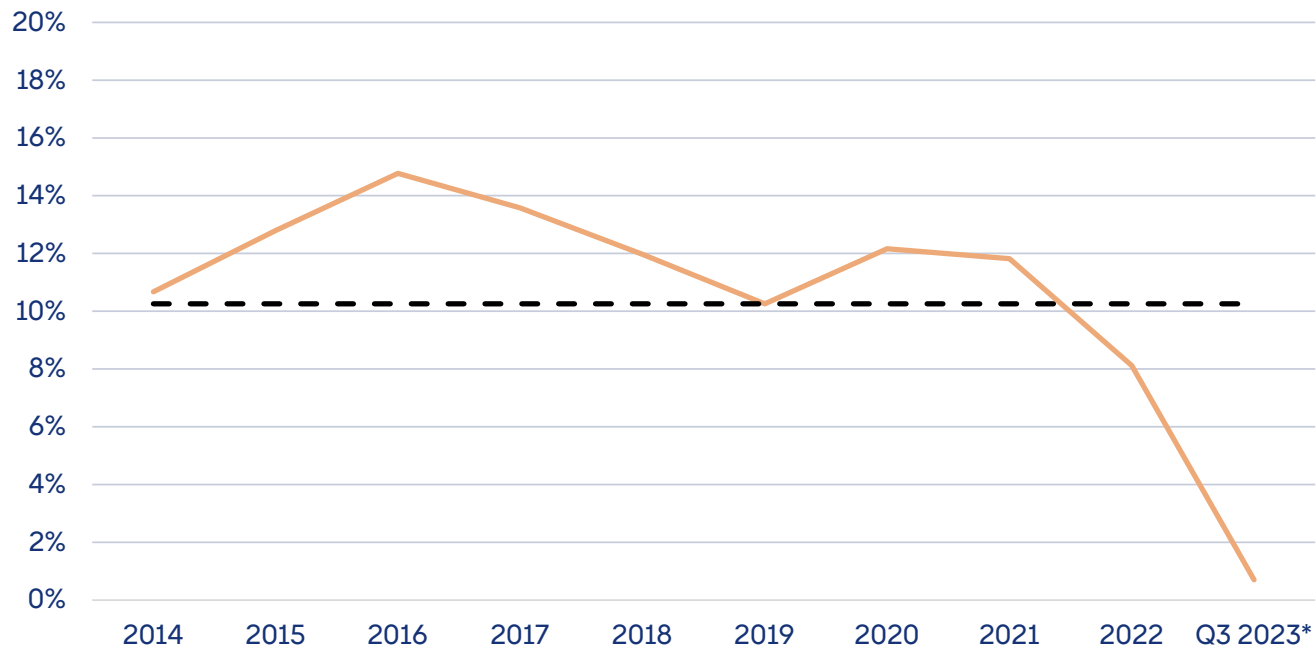


- Solid backlog in place
- Organic growth with focus on profit before volume
- Current geographical footprint well suited for strategic ambitions

*R-12m per Q3 2023

Project Development

Return on Capital Employed

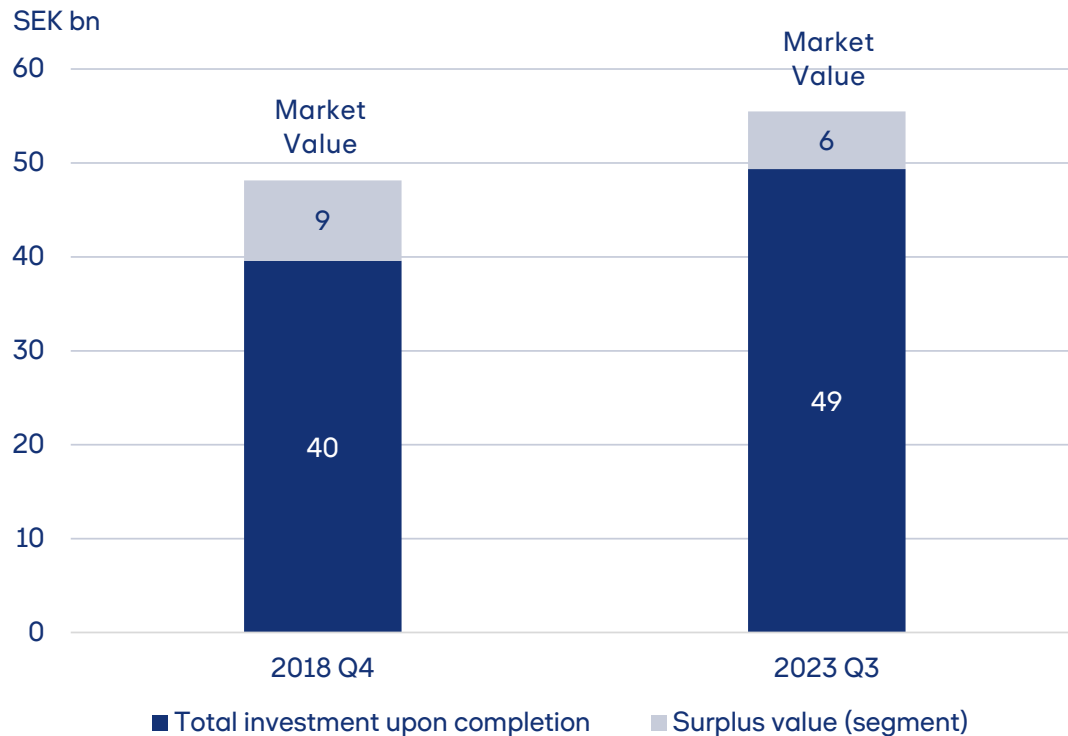


- Significant slowdown of property transaction markets
- Capital employed impacted by completed unsold properties
- Target of >10% ROCE out of reach for foreseeable future

*R-12m per Q3 2023

Surplus values in Commercial Property Development

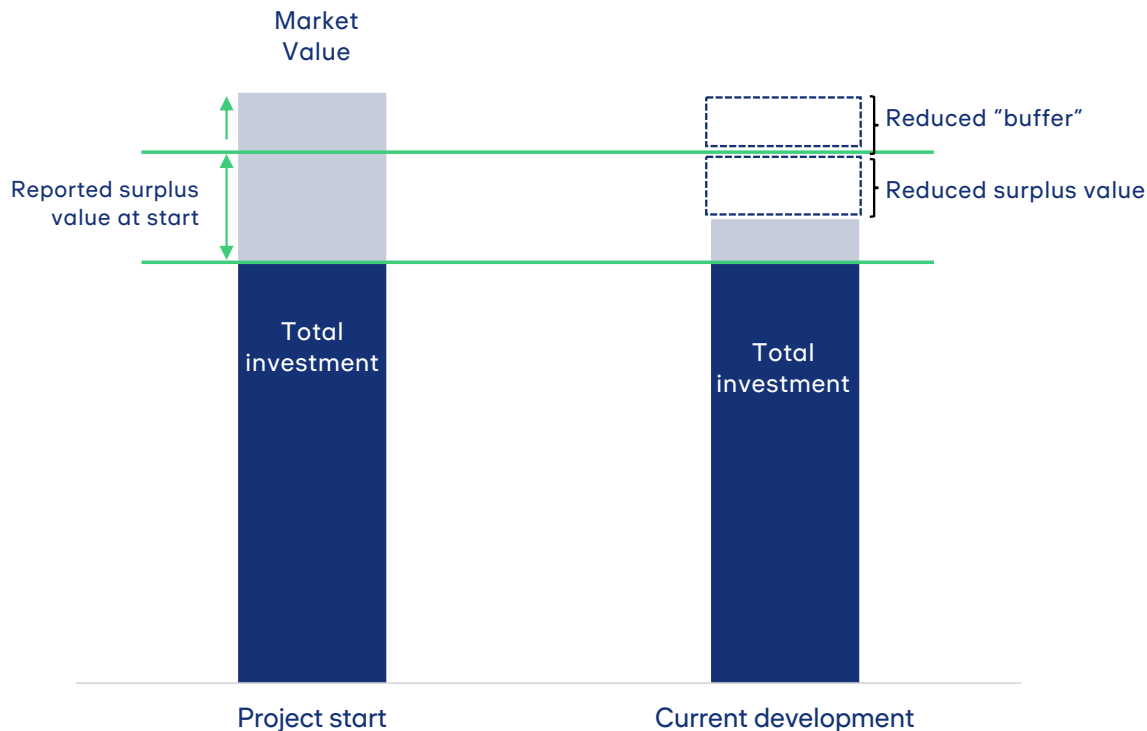
Unsold completed properties, ongoing projects and land



- Market values assessed every quarter, and by third parties at least once per year
- Higher yields - reduced surplus values
- Low visibility on pricing and a high degree of uncertainty regarding values

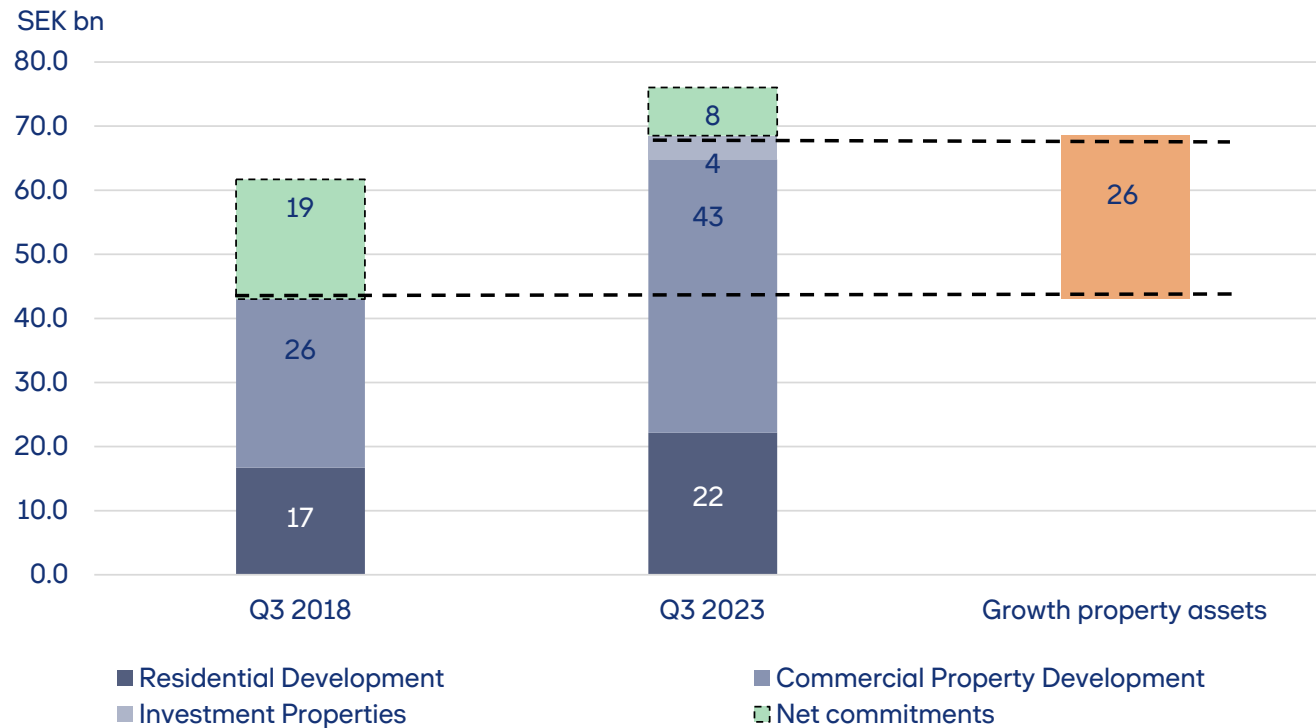
Yields impacting expected gains in Commercial Property Development

Representative example



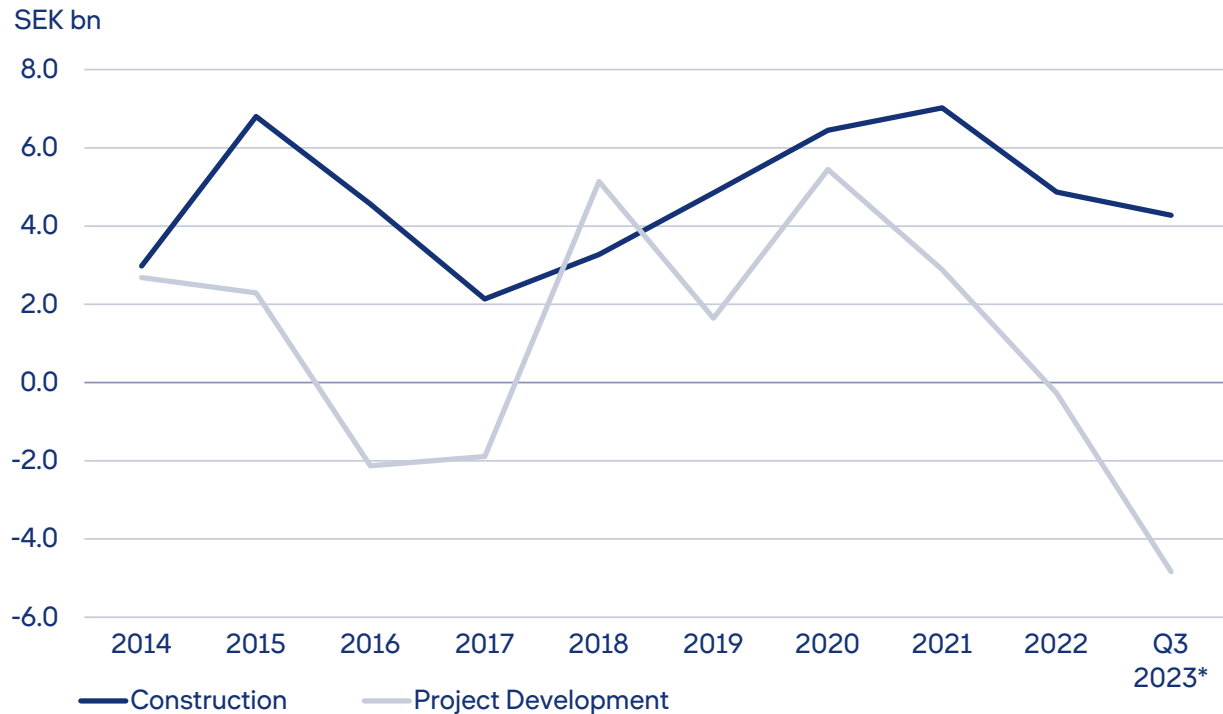
- Development properties carried at the lowest of acquisition value and market value
- Project starts conservatively underwritten, creating a "buffer" to reported surplus values
- Yield increases have been consuming this buffer and are reducing surplus values

Property assets and commitments



- Delivered on Project Development growth strategy - given market shift, on hold for now
- Significantly reduced net commitments last years
- Build-up of Investment Properties continues according to plan

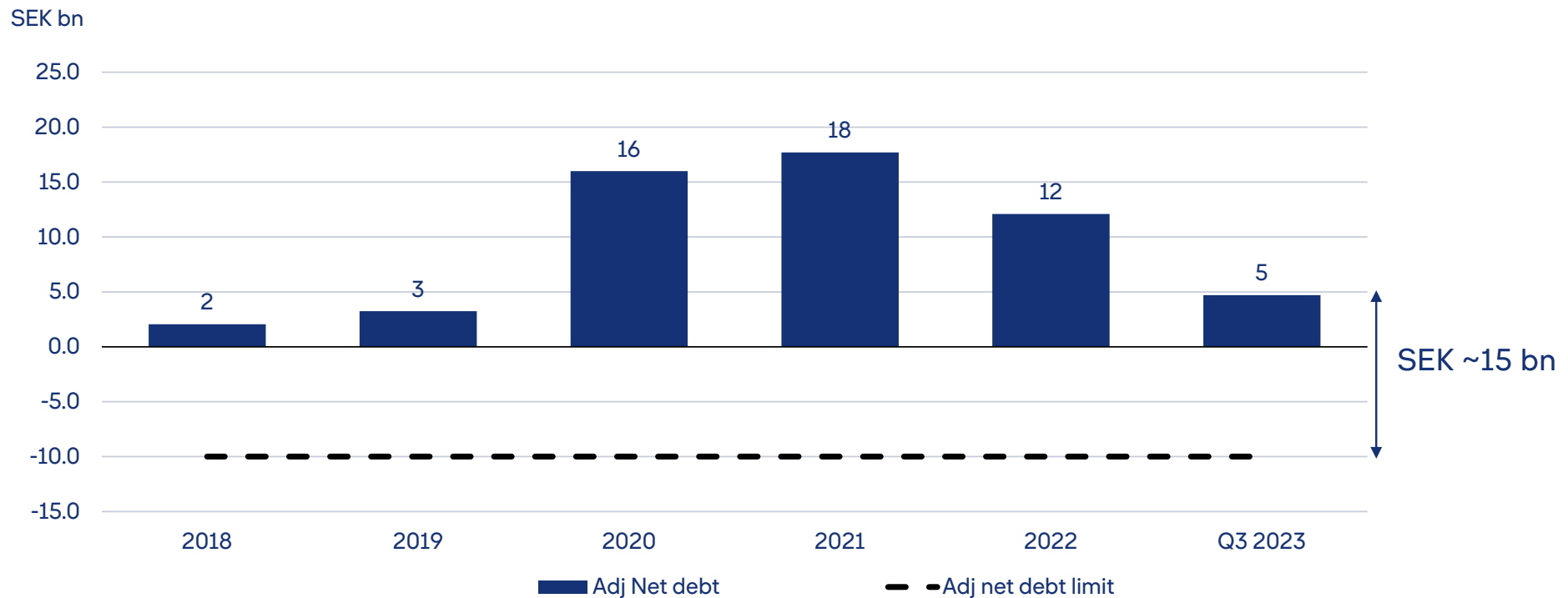
Cash flow from business operations



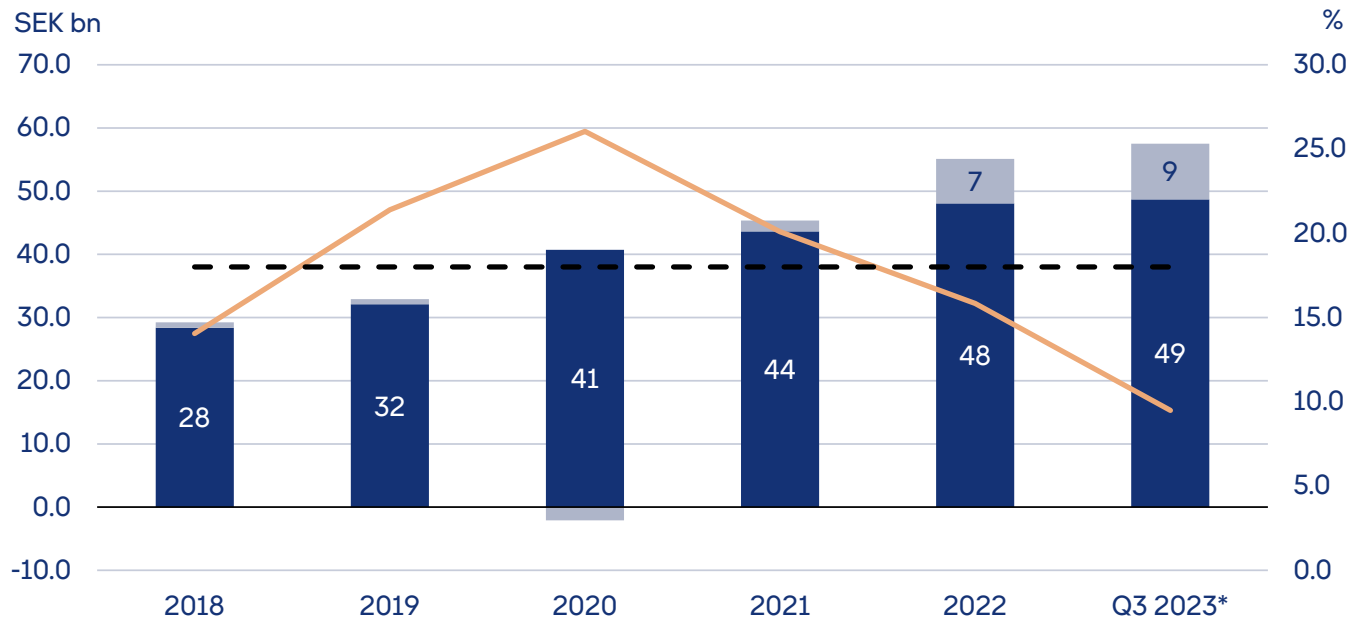
- Stable cash flow in Construction operations
- Cash flow in Project Development depends heavily on investments / divestments
- Investment properties will gradually start to contribute

*R-12m per Q3 2023

Net cash position supports capital commitments



Strong equity position



- ROE impacted by strong equity and business mix effects
- Target out of reach until property transaction markets improve
- Solid capital base in place for future
- Customers can trust our ability to execute and deliver

Accumulated remeasurements of defined benefit pension plans and translations differences since 2018

Equity attributable to equity holders

Return on equity, %

ROE target, %

*R-12m per Q3 2023

Group targets

Anders Danielsson, President and CEO

Group targets and limits

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



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