SKANSKA

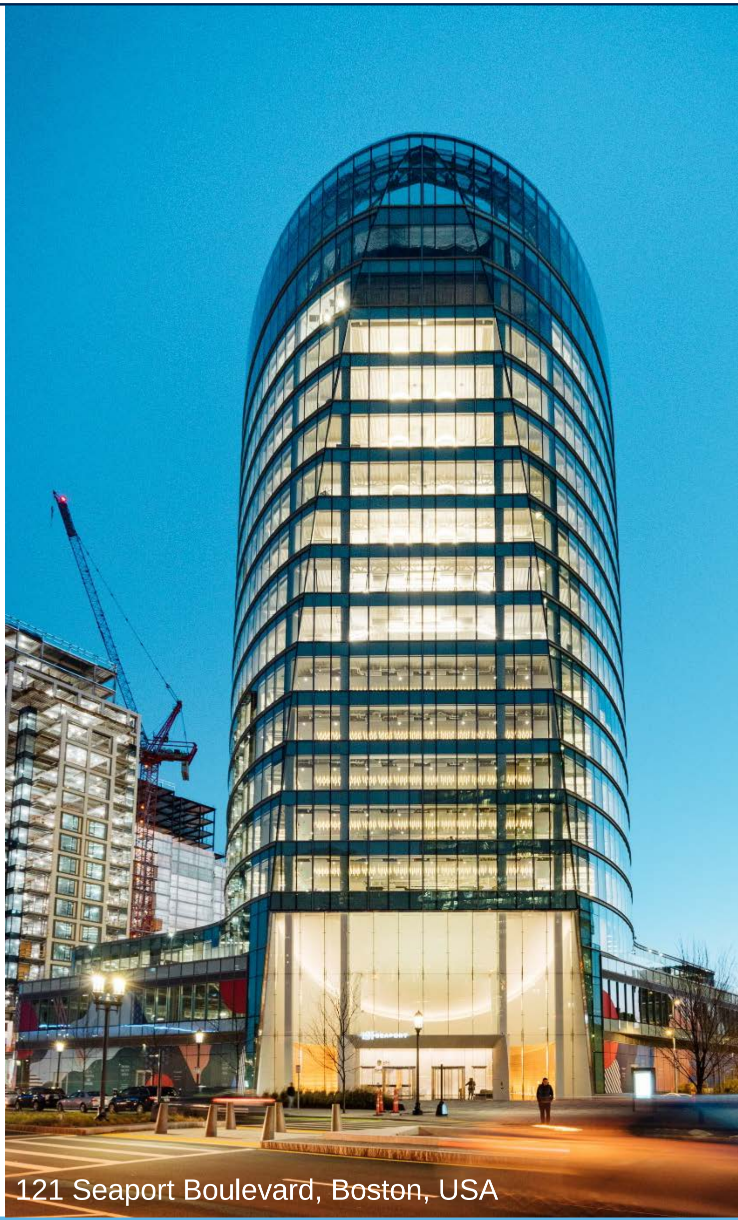
Year-end report 2018

We build for a better society.

121 Seaport Boulevard
Boston, USA

Year-end report 2018

- Earnings per share SEK 9.55 (12.01)
- Operating margin in Construction 0.7% (0.8)
- ROCE in Project Development 13.0% (14.5)
- Return on Equity 14.1% (18.6)
- Strategic initiatives launched 2018 is gradually starting to improve profitability
- Strong financial position while increasing investments in Project Development
- Proposed dividend SEK 6.00 (8.25)


121 Seaport Boulevard, Boston, USA

Construction

- Revenue SEK 157.9 bn (150.1)
- Order bookings SEK 151.7 bn (151.8)
  - Book-to-build 96%
  - Order backlog SEK 192.0 bn (188.4)
- Operating income SEK 1,099 M (1,205)
  - Operating margin 0.7% (0.8)
  - Write-downs, charges and restructuring impacting profitability
- Restoring profitability and reduce risks

Manhattan Bridge, New York, USA

Residential Development

- Revenue SEK 10.7 bn (13.2)
  - 3,653 (4,285) homes sold
  - 4,480 (4,318) homes started
- Operating income SEK 1,505 M (1,716)
  - Operating margin 14.0% (13.0)
  - Portfolio mix-shift and good risk management
- ROCE 11.4% (15.4)
- Longer recovery in the Swedish market expected
- Actions taken to meet the market situation

BoKlok Geografin, Haninge, Sweden

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Commercial Property Development

- Operating income SEK 3,069 M (2,714)
  - Gain on sale SEK 4.1 bn (3.5), including JVs
- ROCE 12.8% (15.5)
- 53 ongoing projects
  - SEK 33.8 bn in investment value upon completion
  - 50% occupancy rate
  - 50% completion rate
  - 28 projects started
- 511,000 sq m leased (477,000)
- Historically high level of interest from tenants and investors


Capitol Tower, Houston, USA

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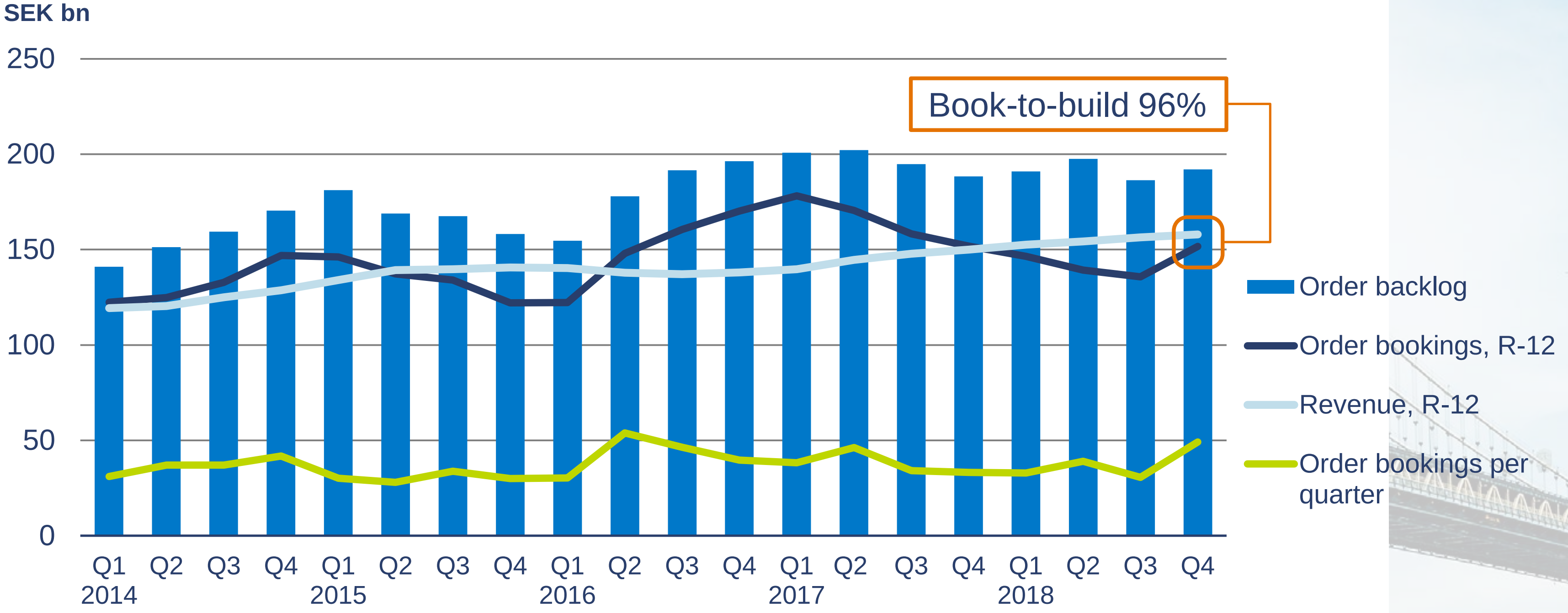
Infrastructure Development

- Operating income SEK 31 M (925)
  - Comparable period includes SEK 0.9 bn divestment gain from A1 motorway in Poland
- The project portfolio's net present value increased to SEK 3.6 bn (3.0), unrealized gains SEK 1.1 bn (0.5)
- Focus on managing and realizing values in current portfolio
- Starting 2019, Infrastructure Development will no longer be reported as a Business stream

New Karolinska Solna, Stockholm, Sweden

Construction

Order situation



SEK bn	Jan–Dec 2018	Jan–Dec 2017
Revenue	157.9	150.1
Order bookings	151.7	151.8
Order backlog	192.0	188.4

Manhattan Bridge, New York, USA

Construction

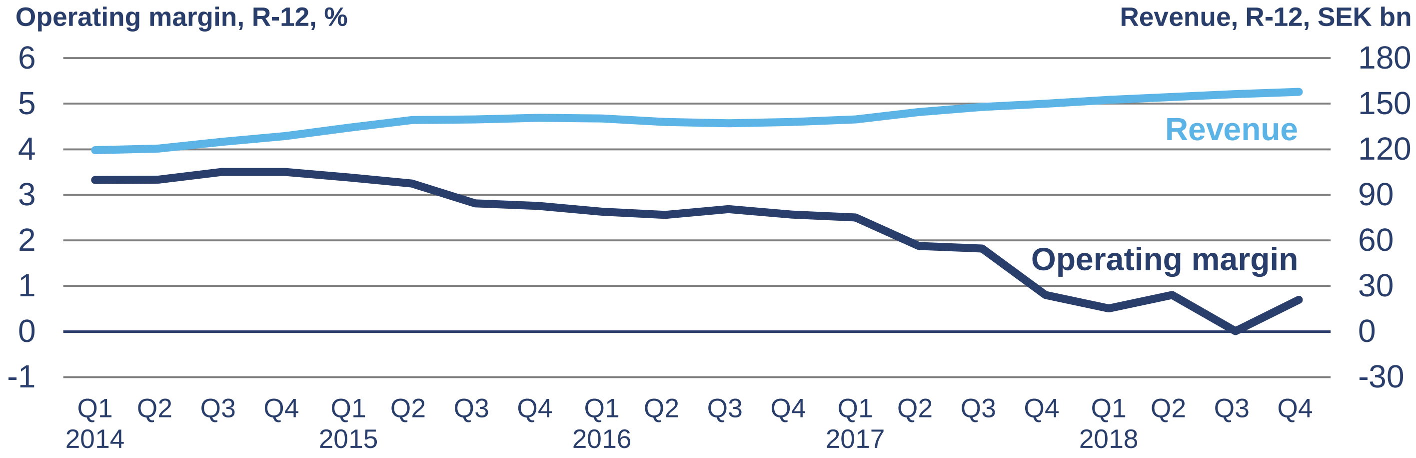
Order bookings

SEK bn	Jan–Dec 2018	Jan–Dec 2017	Book-to-build, R-12, %	Months of production
Nordics	65.2	54.7	113	13
of which Sweden	35.9	33.3	101	12
Europe	30.6	32.4	88	12
USA	55.9	64.7	86	17
Total	**151.7**	**151.8**	**96**	**14**

Manhattan Bridge, New York, USA

Construction

Income statement



SEK bn	Jan–Dec 2018	Jan–Dec 2017
Revenue	157.9	150.1
Gross income	**8.0**	**8.3**
Selling and administrative expenses	-7.0	-7.1
Operating income	**1.1**	**1.2**
Gross margin, %	5.1	5.5
Selling and administrative expenses, %	-4.4	-4.8
Operating margin, %	0.7	0.8

Manhattan Bridge, New York, USA

Construction

Income statement

	Operating income, SEK M		Operating margin, %	
	Jan–Dec 2018	Jan–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Nordics	2,177	2,298	3.8	4.2
of which Sweden	1,617	1,579	4.6	4.7
Europe	-421	-1,040	neg	neg
USA	-657	-53	neg	neg
Total	**1,099**	**1,205**	**0.7**	**0.8**

Manhattan Bridge, New York, USA

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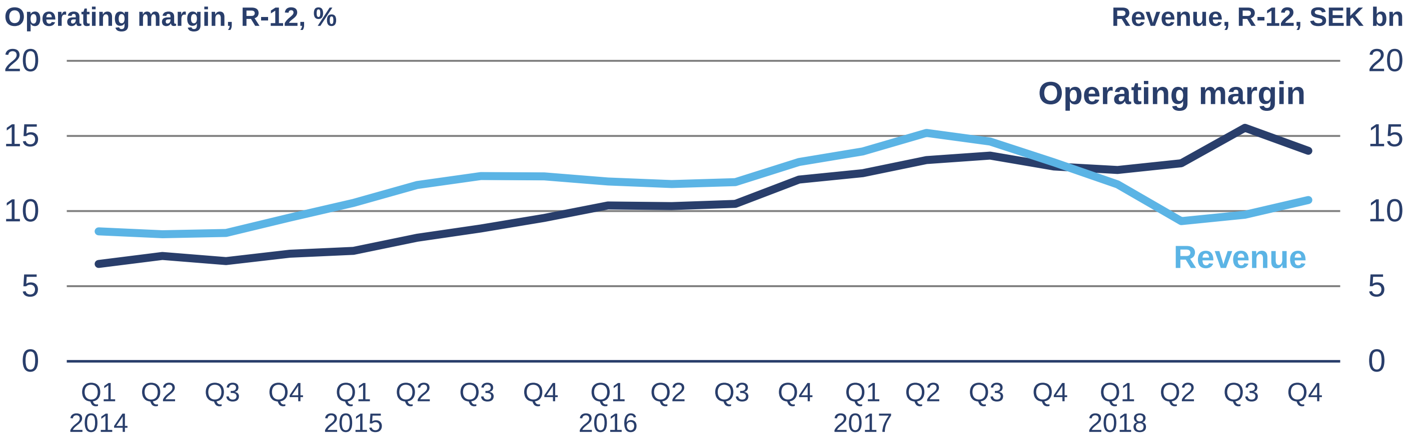
Construction
Income statement

SEK bn	Jan–Dec 2018 Operating income	of which Restructu-ring	of which Positive one-offs	of which Impair-ments	of which Write downs	Jan–Dec 2017 Operating income	of which Impair-ments	of which Write downs
Nordics	2.2					2.3		
Europe	-0.4	-0.4	0.3		-0.6	-1.0	-0.6	-0.9
USA	-0.7	-0.0	0.2	-0.4	-1.4	-0.1	-0.4	-0.6
Total	**1.1**	**-0.4**	**0.5**	**-0.4**	**-2.0**	**1.2**	**-1.0**	**-1.5**
Operating margin, %	0.7					0.8		


Manhattan Bridge, New York, USA

Residential Development

Income statement, segment reporting



SEK M	Jan–Dec 2018	Jan–Dec 2017
Revenue	10,739	13,237
Gross income	**2,181**	**2,382**
Selling and administrative expenses	-676	-666
Operating income	**1,505**	**1,716**
Gross margin, %	20.3	18.0
Selling and administrative expenses, %	-6.3	-5.0
Operating margin, %	14.0	13.0

BoKlok Geografin, Haninge, Sweden

Residential Development

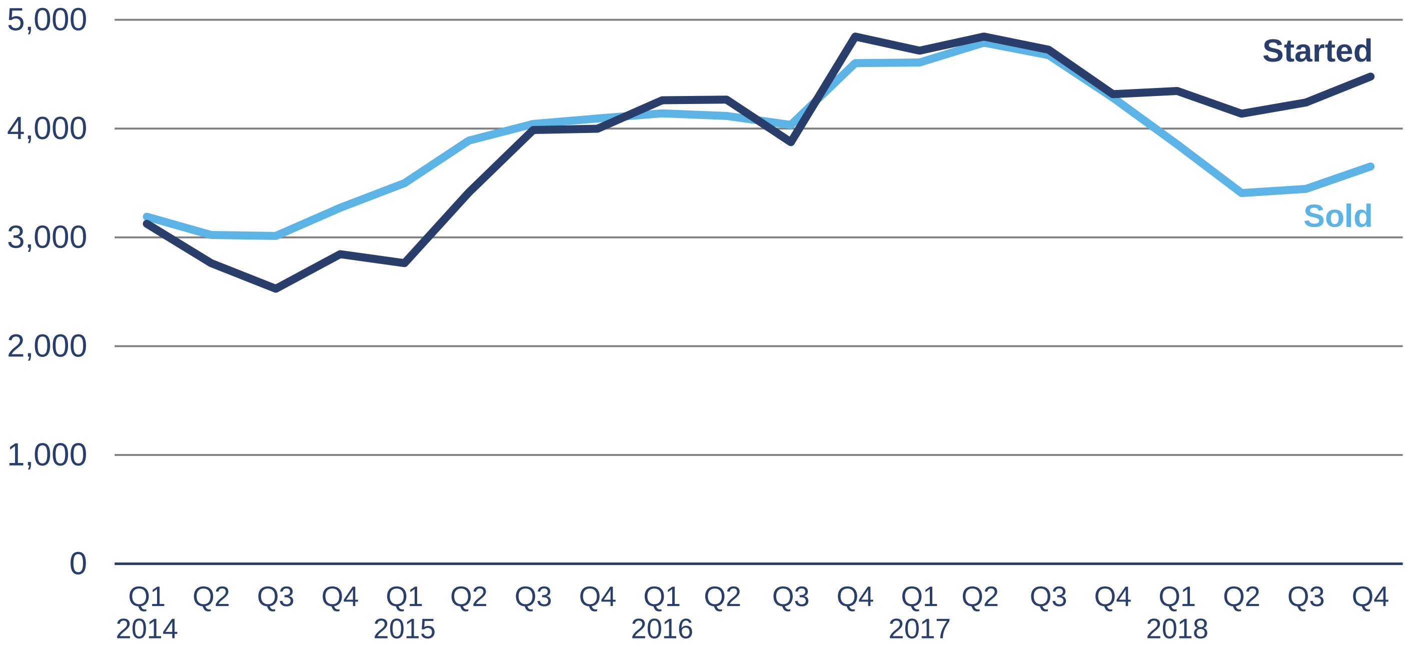
Income statement

	Operating income, SEK M		Operating margin, %	
	Jan–Dec 2018	Jan–Dec 2017	Jan–Dec 2018	Jan–Dec 2017
Nordics	1,358	1,624	14.2	13.3
of which Sweden	752	1,083	15.5	15.3
Europe	147	92	12.6	9.0
Total	**1,505**	**1,716**	**14.0**	**13.0**

BoKlok Geografin, Haninge, Sweden

Residential Development

Homes started and sold



Homes started		Homes sold	
Jan–Dec 2018	**Jan–Dec 2017**	**Jan–Dec 2018**	**Jan–Dec 2017**
4,480	4,318	3,653	4,285

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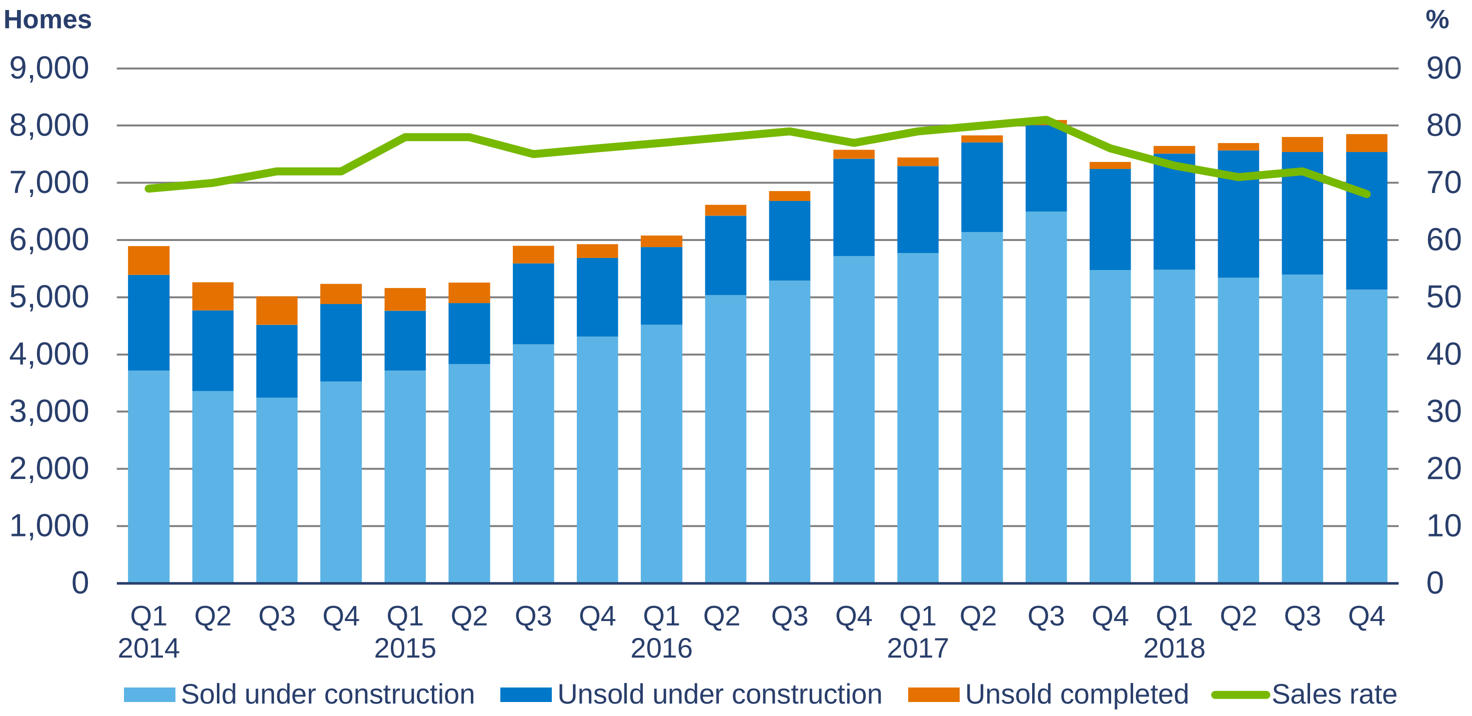
Residential Development

Homes in production



Homes in production		Of which sold, %		Unsold completed homes	
Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
7,539	7,243	68	76	314	122

BoKlok Geografin, Haninge, Sweden

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Commercial Property Development

Income statement, segment reporting

SEK M	Jan–Dec 2018	Jan–Dec 2017
Revenue	16,271	11,440
Gross income	**3,936**	**2,989**
Selling and administrative expenses	-928	-899
Income from joint ventures and associated companies	61	624
Operating income	**3,069**	**2,714**
of which gain from divestments of properties[1]	4,005	2,879
of which write downs/reversal of write downs	-107	-6
1 Additional gain included in eliminations	321	197

Capitol Tower, Houston, USA

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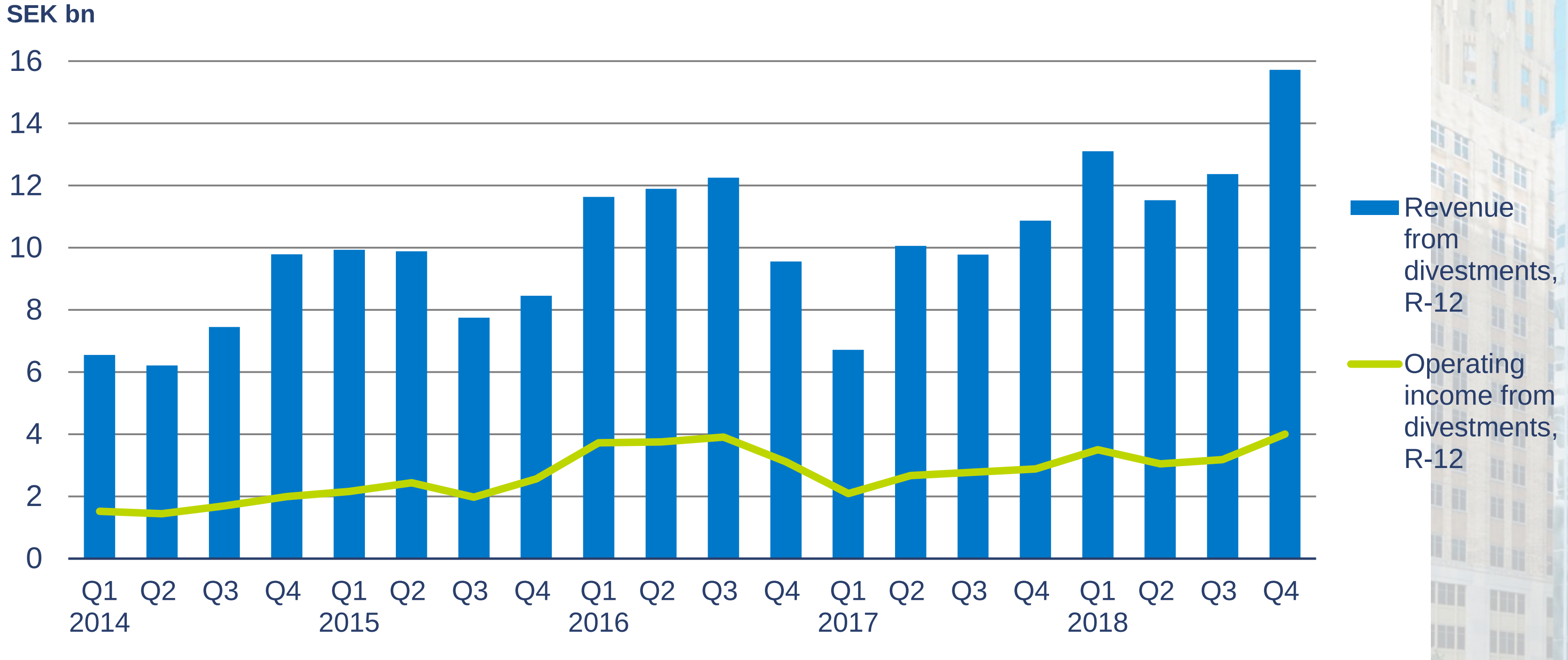
Commercial Property Development

Divestments, segment reporting



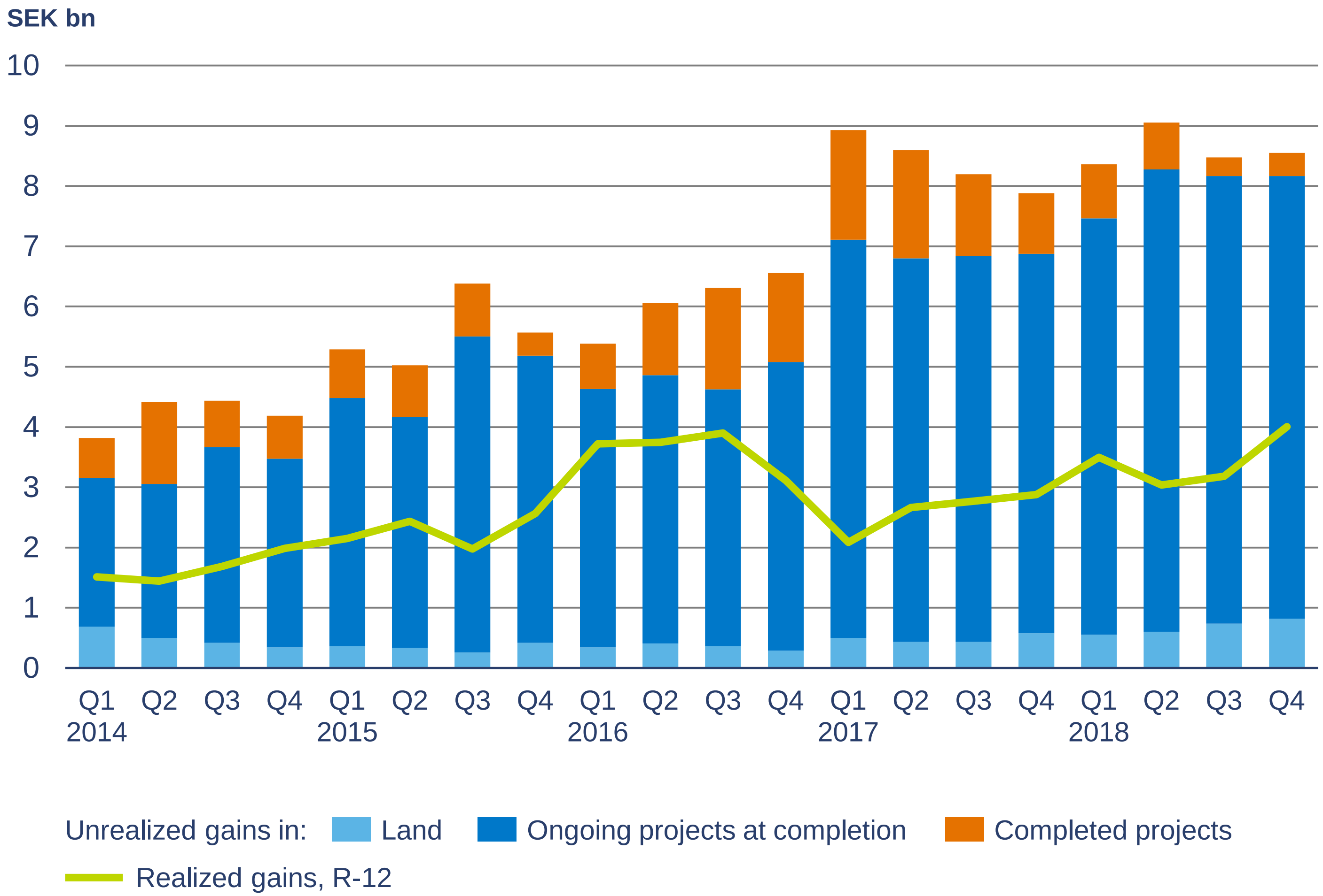
Sale of commercial properties

SEK M	Sales price	Capital gain
2018	15,720	4,005


Capitol Tower, Houston, USA

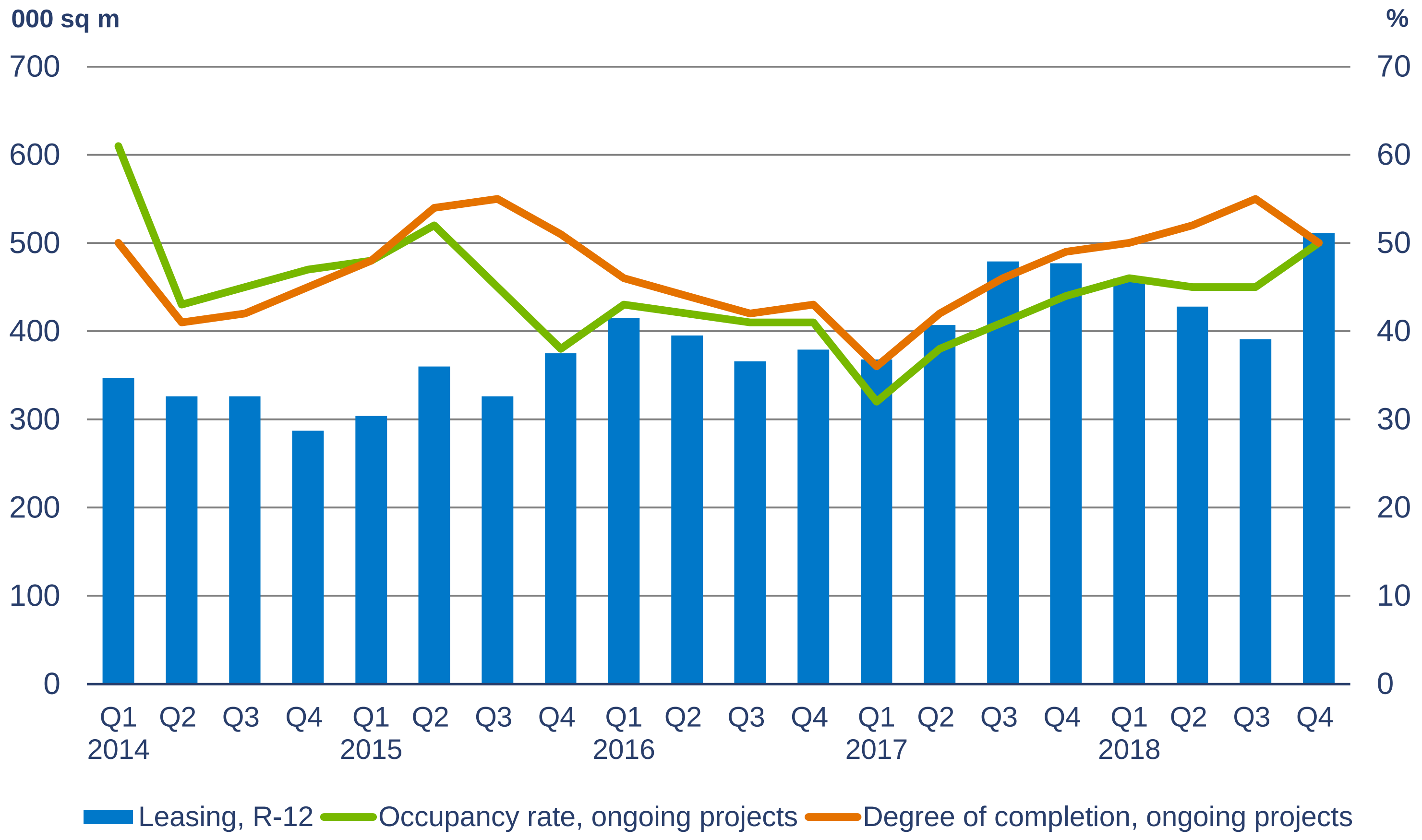
Commercial Property Development

Unrealized and realized gains, segment reporting



Capitol Tower, Houston, USA

Commercial Property Development
Leasing



Capitol Tower, Houston, USA

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Infrastructure Development

Income statement

SEK M	Jan–Dec 2018	Jan–Dec 2017
Revenue	105	81
Gross income	**-34**	**-96**
Selling and administrative expenses	-116	-121
Income from joint ventures	181	1,142
Operating income	**31**	**925**
of which gains from divestments of shares in projects	58	985

New Karolinska Solna, Stockholm, Sweden

Infrastructure Development
Included in Central going forward

SEK M	Jan–Dec 2018
Operating income from business streams	5,673
Central	-780
of which Infrastructure Development projects	31
Eliminations	-66
Operating income	**4,827**

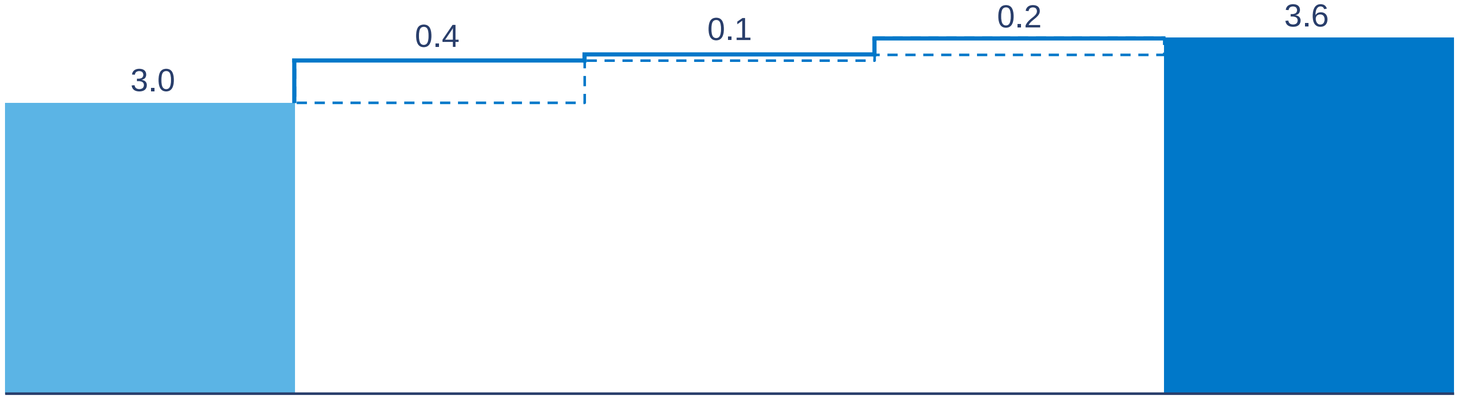
– ROCE in Project Development excluding Infrastructure Development

New Karolinska Solna, Stockholm, Sweden

Infrastructure Development

Project portfolio

Net present value of projects, SEK bn



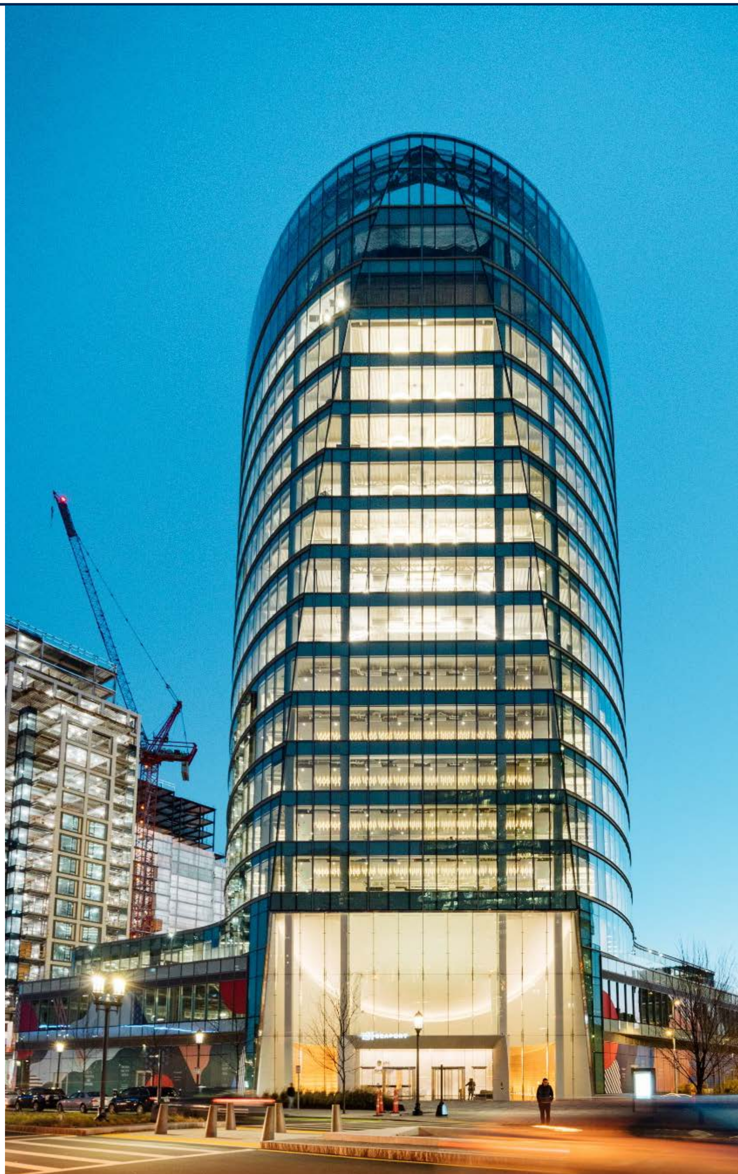
SEK bn	Dec 31, 2018	Dec 31, 2017
Present value of cash flow from projects	4.7	3.8
Net present value of projects	**3.6**	**3.0**
Carrying amount	-2.5	-2.5
Unrealized development gain	**1.1**	**0.5**
Cash flow hedge	0.3	0.6
Effect in unrealized Equity	**1.4**	**1.1**

New Karolinska Solna, Stockholm, Sweden

Group

Income statement

SEK M	Jan–Dec 2018	Jan–Dec 2017
Operating income from business streams	5,704	6,560
Central	-811	-944
Eliminations	-66	-112
Operating income	**4,827**	**5,504**
Net financial items	**36**	**45**
Income after financial items	**4,863**	**5,549**
Taxes	-934	-615
Profit for the period	**3,929**	**4,934**
Earnings per share, SEK	9.55	12.01
Tax rate, %	19	11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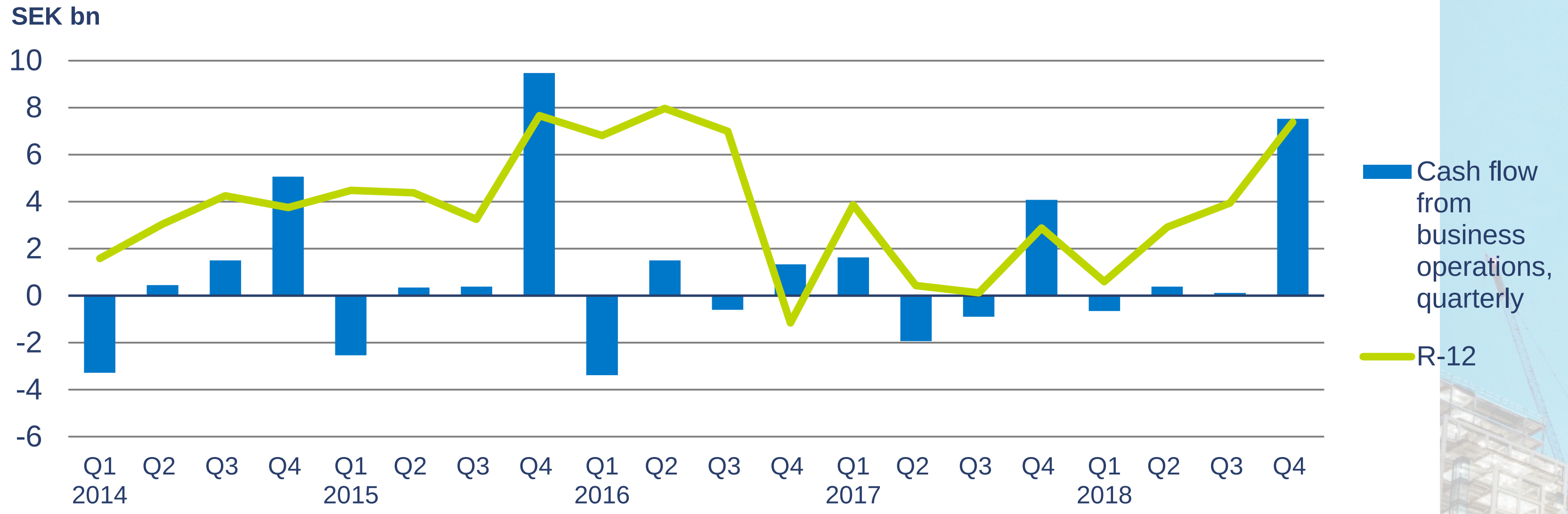
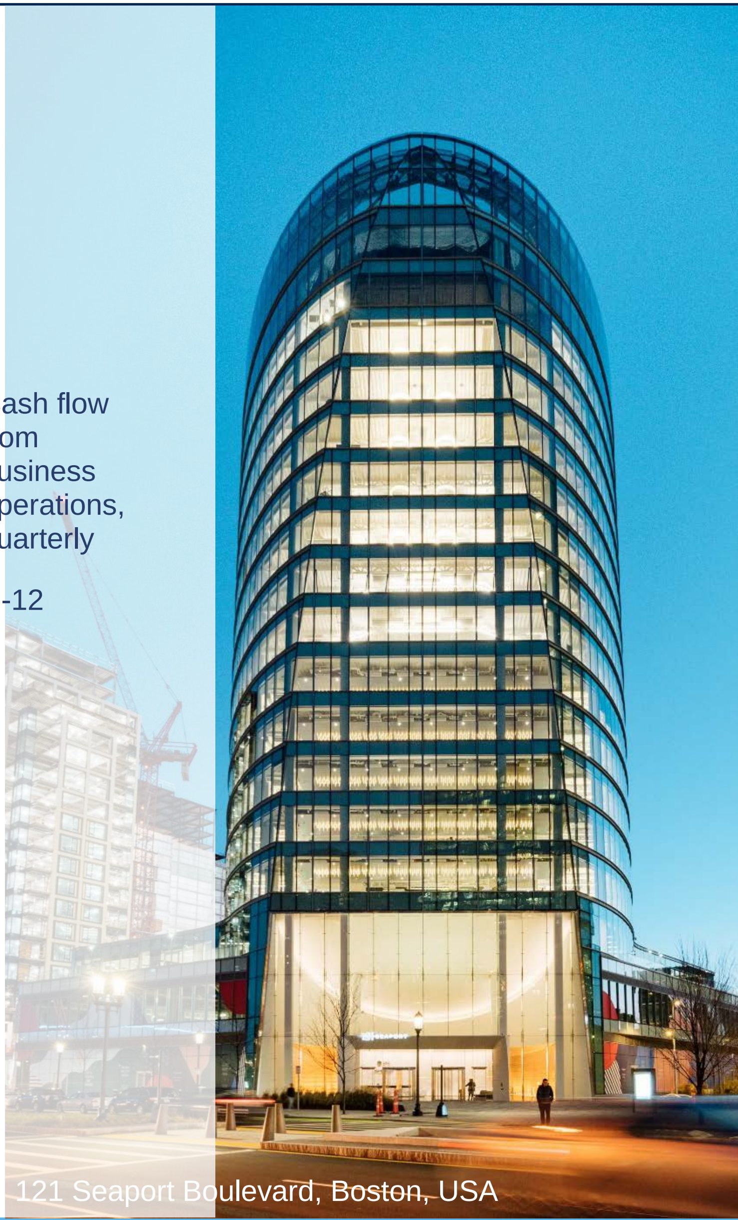
Cash flow



SEK bn	Jan–Dec 2018	Jan–Dec 2017
Cash flow from operations	7.4	2.9
Net strategic investments	-0.0	–
Dividend etc.	-3.5	-3.9
Cash flow before change in interest-bearing receivables and liabilities	3.9	-1.0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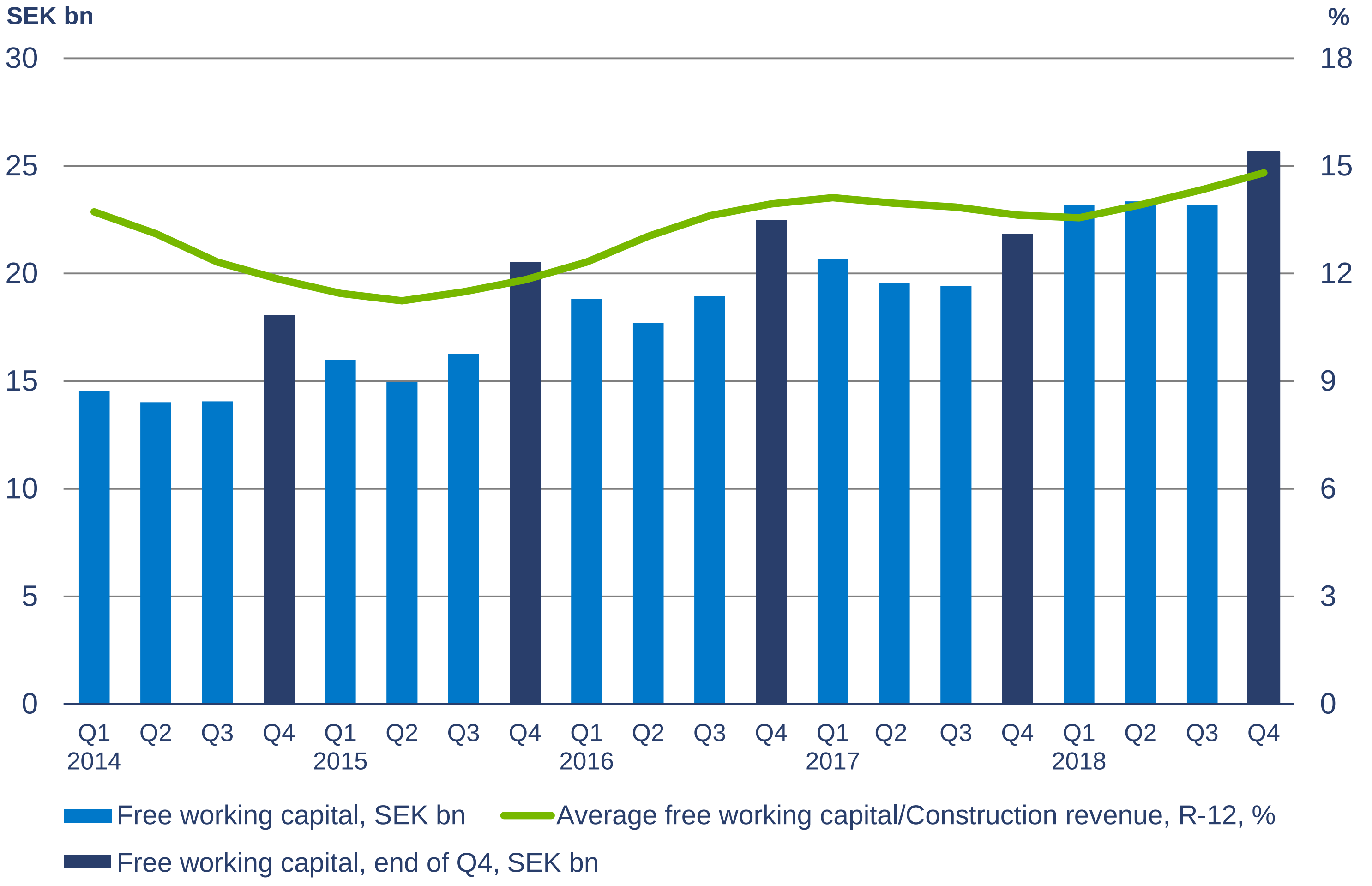
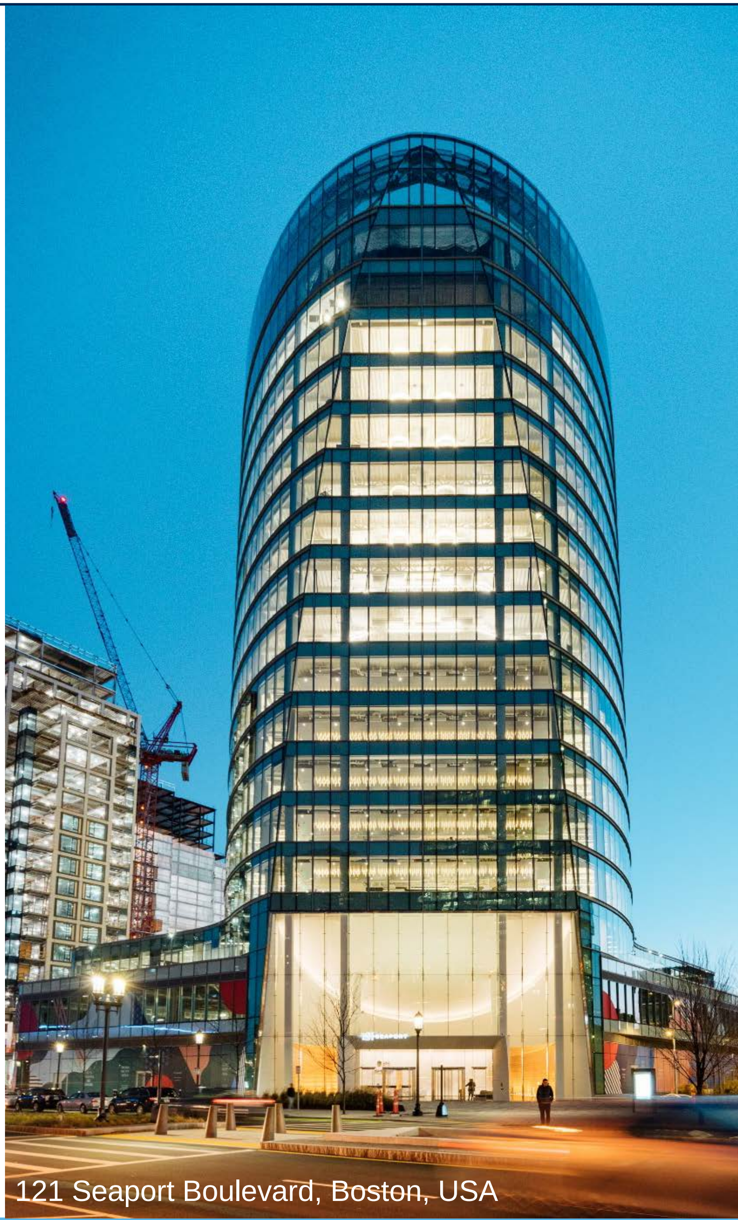
Construction

Free working capital





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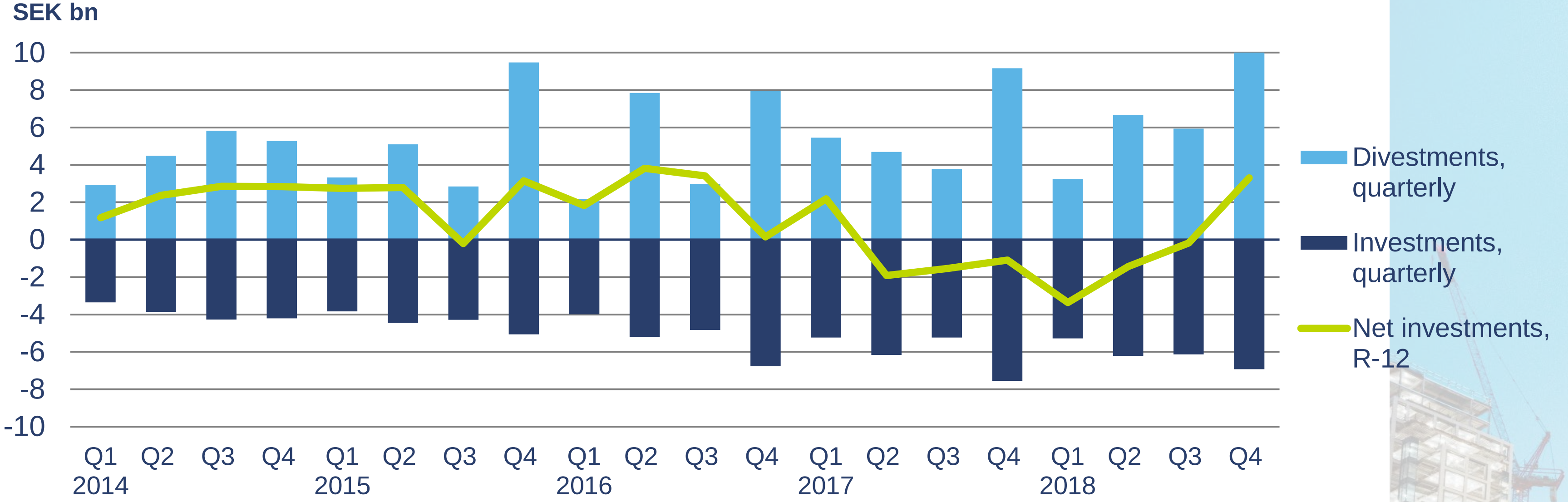
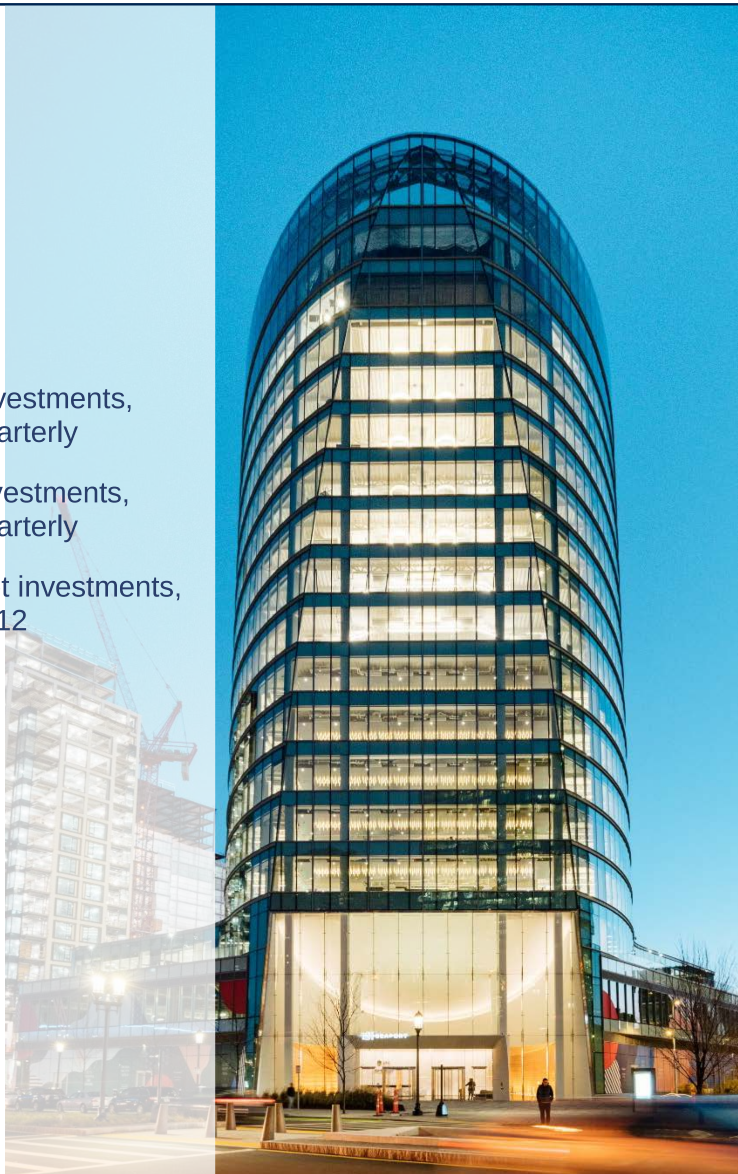
Investments, divestments and capital employed



SEK bnv	Dec 31 2018	Dec 31 2017
Capital employed in:		
Residential Development	13.6	12.7
Commercial Property Development	26.7	24.5
Infrastructure Development	2.2	1.8
Total in Project Development	**42.5**	**38.9**



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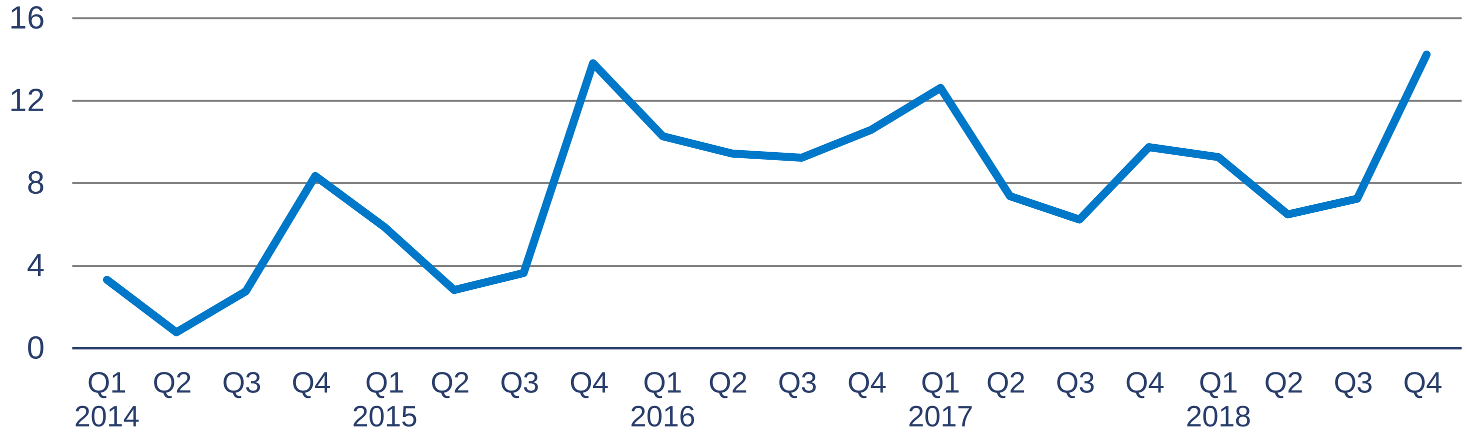
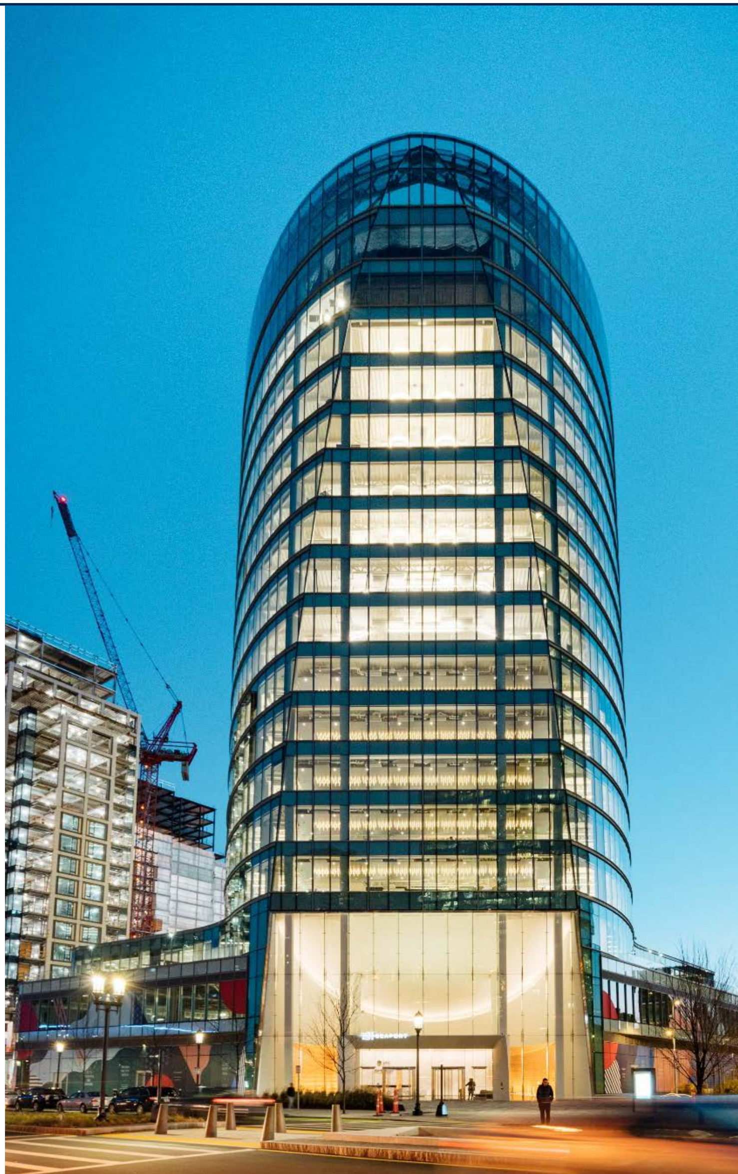
Financial position

Operating net financial assets/liabilities, SEK bn



SEK bn	Dec 31 2018	Dec 31 2017
Total assets	116.3	109.4
Equity attributable to equity holders	29.3	27.2
Interest-bearing net receivables (+)/net debt (-)	3.2	-1.1
Operating net financial assets/liabilities	14.2	9.7
Capital employed, closing balance	46.2	44.1
Equity/assets ratio, %	25.2	24.8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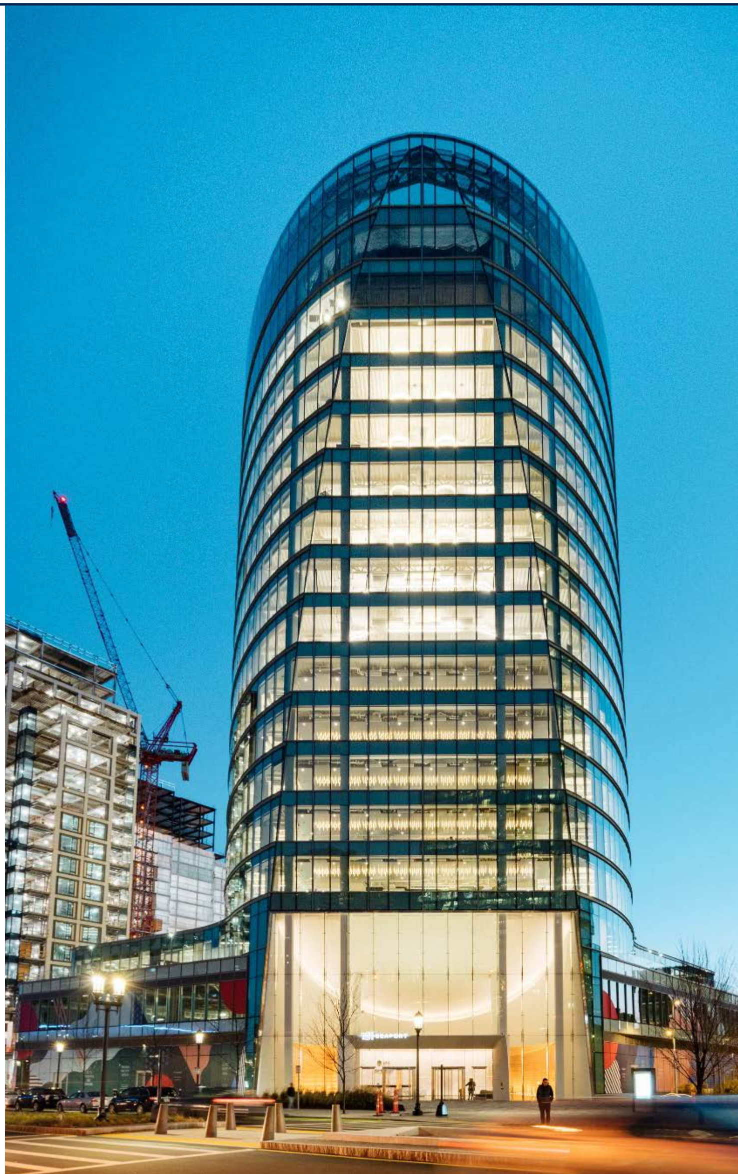
Financial position – IFRS 16 impact

SEK bn	Dec 31 2018	IFRS 16 transition	Jan 1 2019
Total assets	116.3	7.3	123.6
Equity attributable to equity holders	29.3	-0.1	29.3
Interest-bearing net receivables (+)/net debt (-)	3.2	-7.5	-4.3
Capital employed, closing balance	46.2	7.4	53.6
Equity/assets ratio, %	25.2	-1.5	23.7
	2018	**IFRS 16 impact**	**2018 incl. IFRS 16**
ROCE in Project Development, %	13.0	-0.5	12.5

IFRS 16 transition effect SEK 7.3 bn, o/w right-of-use assets for:

- Office rent SEK 3.3 bn
- Cars and machinery SEK 1.3 bn
- Ground lease (land) SEK 3.0 bn



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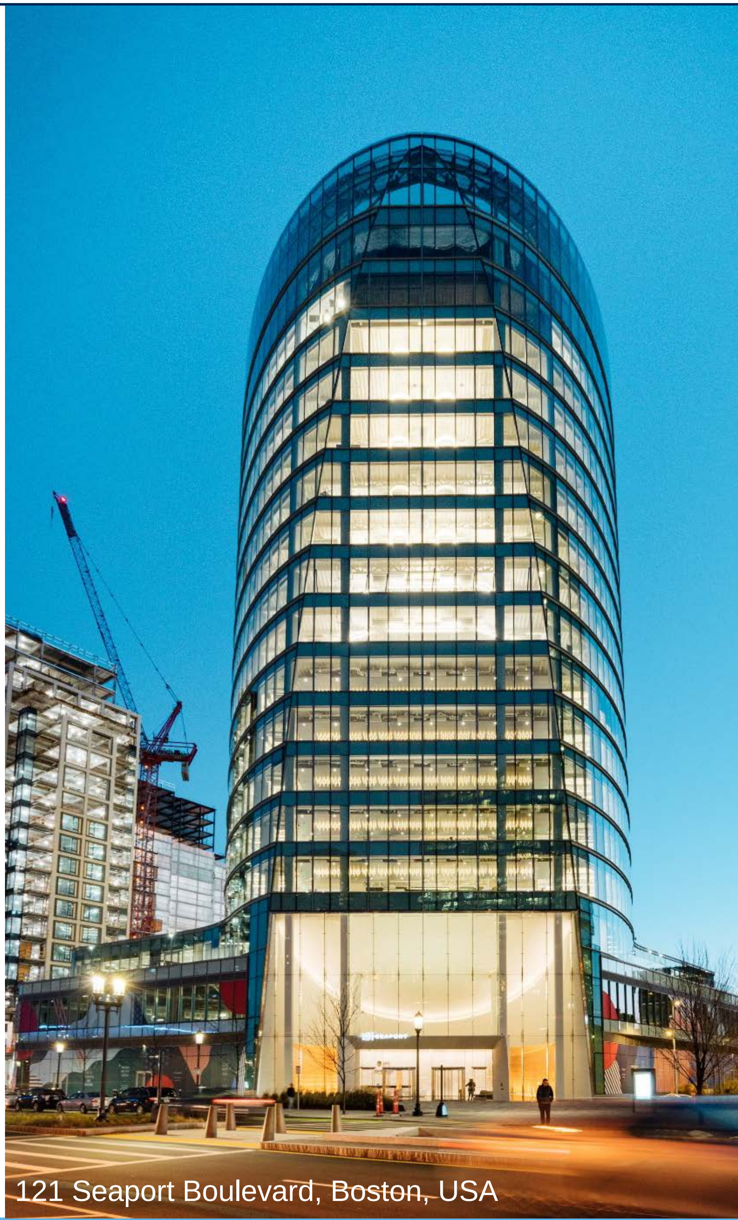
Summary of reporting changes going into 2019

- Infrastructure Development reported in Central
- ROCE Project Development
- IFRS 16 Leasing

- Capital Market Day, March 21, 2019, Stockholm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Market outlook
Construction

High activity level in general, but expected to level out

Nordics

- Mixed building market and very strong civil market in Sweden
- Stable building market and strong civil market in Norway
- Finland stable

Europe

- Brexit impacts the UK non-residential market, civil market stable
- Poland stable
- Stable building market but weak civil market in Czech Republic
- Rapid cost escalation in Poland and Czech Republic

USA

- The US continues to be a good market, but with fierce competition

Outlook compared to previous quarter   Weaker   Unchanged   Improved

Citygate Gothenburg, Sweden

Market outlook
Residential Development

Nordics
- Swedish home buyers confidence decreasing
- Recovery in Sweden will take longer
- Norway and Finland stable

Europe
- Central Europe slowing down after a period of strong growth

Outlook compared to previous quarter Weaker Unchanged Improved


Aveny Vest, Lillestrøm, Norway

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Market outlook

Commercial Property Development

Historically high levels in many of 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, especially Poland

USA

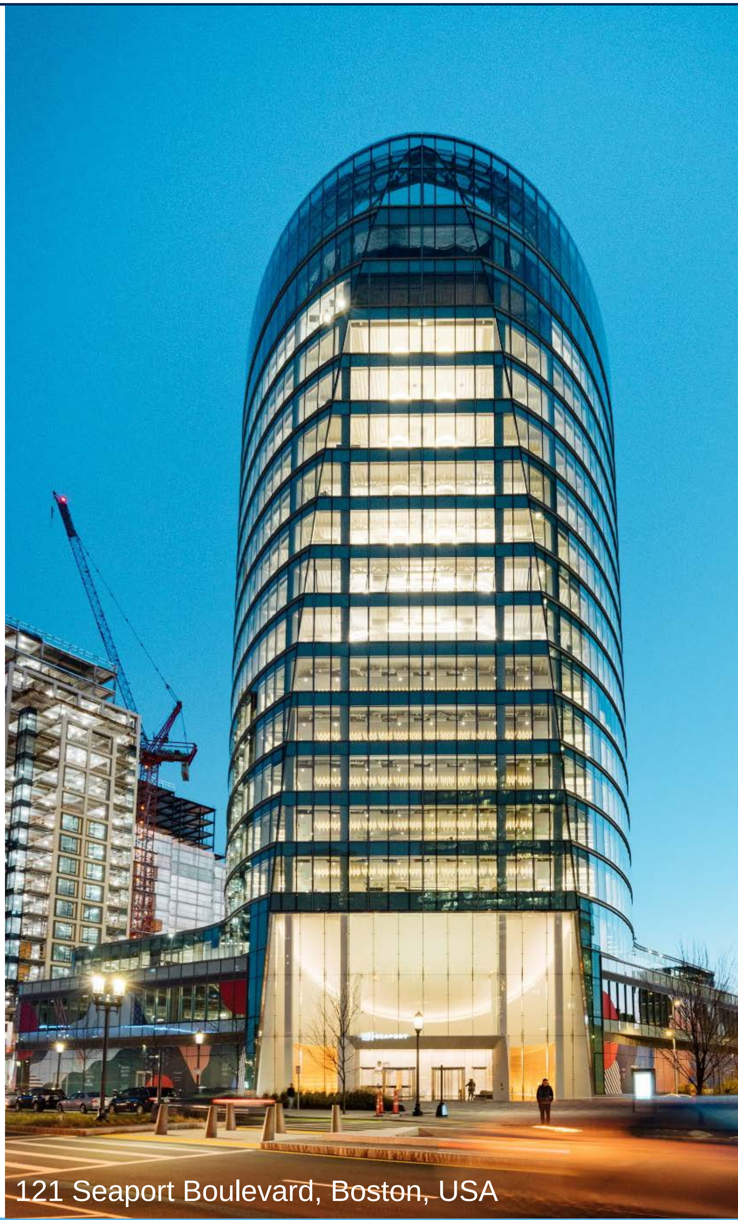
- Investor appetite remains strong but yields are bottoming out
- Good tenant demand

Outlook compared to previous quarter   Weaker   Unchanged   Improved

Office buildings, Jönköping, Sweden

Group
Summary

- Restoring profitability in Construction
- Strong performance in Project Development
- The high market activity in many of our geographies and segments is starting to level out
- Building an even stronger Skanska to seize future opportunities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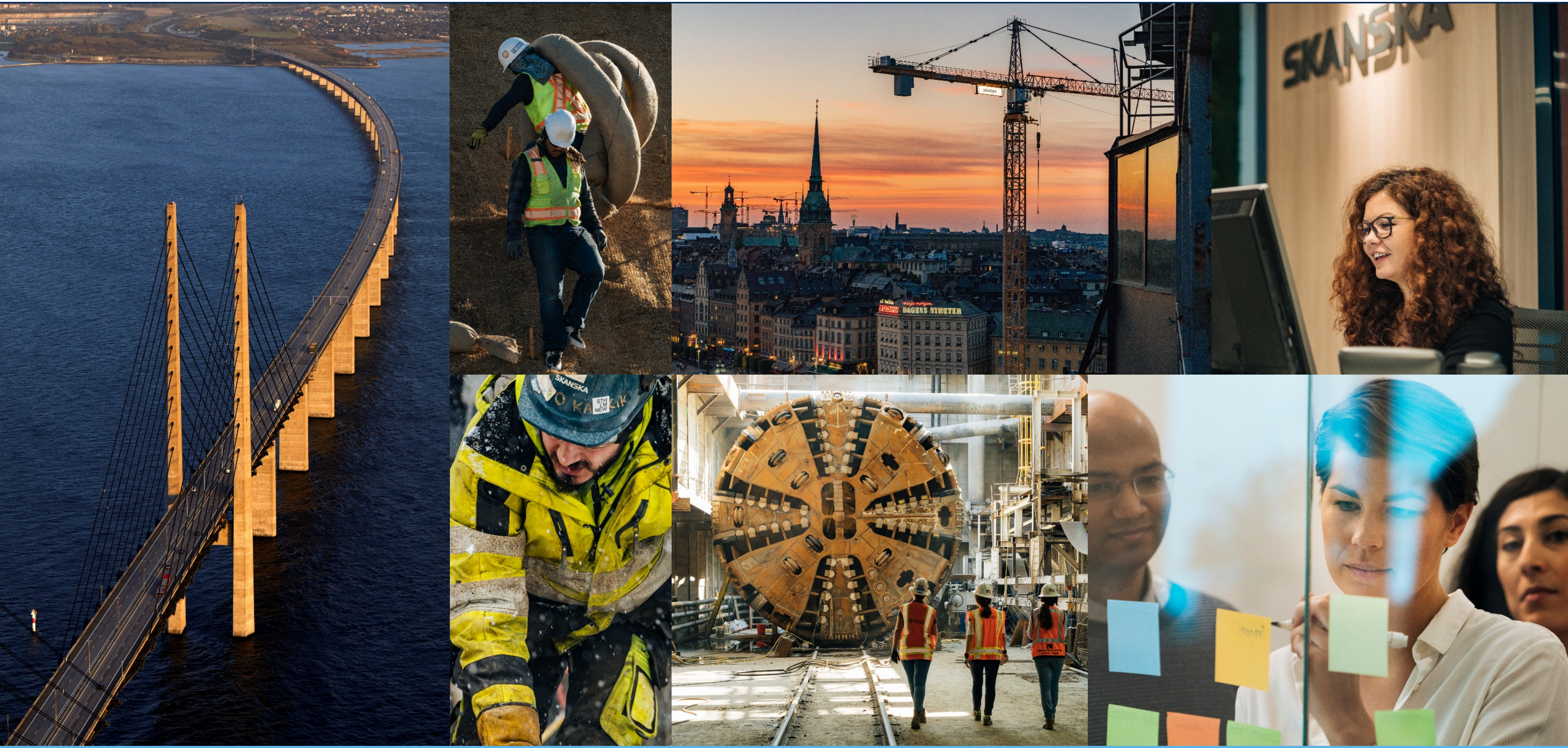
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